

HALF-YEAR FINANCIAL REPORT 2019

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Responsibility statement

Responsibility statement

I certify, to my knowledge, the condensed financial statements for the half year are prepared in accordance with applicable accounting standards and give a true and fair view of assets and liabilities, financial position and profit or loss of the issuer and the subsidiaries included in the scope of consolidation, and the half-year activity report enclosed presents a true picture of the significant events that occurred during the first six months of the year, their impact on the accounts, main related-party transactions and a description of principal risks and uncertainties for the remaining six months of the year.

Executed in Paris, 31 July 2019

Chairman and Chief Executive Officer

Philippe Wahl

Half-year management report

Significant events, analysis of business and results

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NB 1 : Les données financières figurant dans ce document sont issues des comptes consolidés du Groupe établis selon les normes IFRS.

NB 2 : Les valeurs figurant dans les tableaux sont généralement exprimées en millions d'euros. Le jeu des arrondis peut dans certains cas conduire à de légers écarts dans les totaux ou les variations.

Part I. Review of the financial position and results

1. Highlights

1.1 Economic and financial environment

Considering its positioning within the services industry, the Group is influenced in its various businesses by the economic environment and by changes in labour costs, notably in France and its principal neighbouring European countries. Oil prices and exchange rates, in particular in relation to the US dollar, pound sterling, the rouble and the Brazilian real, also have a significant impact on the Group's logistics and international business (in light of GeoPost's strong international presence). Lastly, because the Group also provides banking services, it is sensitive to changes in interest rates and, to a lesser extent, to changes in the financial markets.

An international environment marked by uncertainty

After having reached a definite peak in 2017, global growth remained high in 2018 (3.7%), while global GDP decelerated in the first half of 2019, primarily due to the slowdown in China. The uncertainties which defined 2018 extended into the first half of the year, including trade tensions between China and the US, a power struggle between the Italian government and the European Commission over public finances, and continuing uncertainties over the Brexit outcome.

In the United States, business was boosted by resistant household spending, while private investment levelled off against the backdrop of a manufacturing sector slowdown. Based on official estimates, China's GDP growth slowed only very slightly in the first quarter (up 6.4% over one year). Business was buoyed by the government's launch of various public investment projects, and by healthy household spending boosted by tax cuts. However, business outlook surveys remain rather negative, and growth is still fragile. In Russia, sluggish domestic demand led to a dip in GDP growth. The oil price increase at the beginning of the year shored up the French State budget, which should provide a boost to business through a more dynamic investment policy. In India, economic growth is also beginning to wane. In Brazil, GDP fell in the first quarter against a difficult political backdrop. Bolsonaro's government is struggling to pass essential retirement reforms. Although he used to have strong support from the people, he is currently facing a lack of confidence from both households and manufacturers.

The beginning of the year was characterised by a strong upswing in stock market prices on all financial markets. However, in May the stock markets corrected themselves due to a re-emergence of commercial tensions between China and America. Long-term rates are at very low levels as investors have become more risk-averse. Central banks changed their emphasis given the increased risk of a substantial business slowdown, and the tightening of monetary policy is therefore no longer the favoured option.

Resistant Euro zone activity

Although Euro zone GDP growth remained very moderate in the final quarter of 2018 (+0.9% at the annual rate¹), it picked up in the first quarter of 2019, posting a rise of 1.6% at the annual rate. Given the negative business outlook surveys, this trend was unexpected. Growth was in particular boosted by stronger consumer spending. Equipment expenditure remained robust, despite the uncertain economic and political environment. Business survey results were mixed in the second quarter. The situation in the manufacturing industry has worsened, particularly in the intermediate goods and equipment sectors. On the other hand, economic indicators were positive in the service sector.

In Spain, growth was up at the start of the year. The Spanish economy remains in good health, despite persistent uncertainties regarding the political situation, which were not entirely addressed by the April elections. Meanwhile, Italy's economic situation is still gloomy. Growth was very weak in the first quarter, following two quarters of GDP decline. Finally in Germany, GDP growth reached 1.7% in the first quarter due to buoyant private consumer spending and a dynamic construction industry.

¹ Annualised quarterly growth rate: Quarterly growth rate raised to the power of 4, which indicates the hypothetical annual growth rate if the quarterly growth rate were to recur every quarter over one year.

On the labour market, job creation remained high in the first quarter of 2019, while the unemployment rate continued to fall. Salaries have also increased over recent months. At the beginning of 2019, salaries were up by 2-2.5% over the year throughout the monetary union, which led to a recovery in unit labour costs. There were various pressures in different areas of the Euro zone. In particular, Germany currently has full employment, and German salaries had risen by more than 3% over the year at end 2018, with a slight correction in the first quarter. The competitive advantage that Germany accumulated in the first half of the 2000s is therefore now being eroded.

Outside the Euro zone, Poland's growth remained very strong at the beginning of 2019, with GDP growth of more than 6% in the first quarter (annual rate). It was supported both by investment and, to a lesser extent, household spending. The economic indicators available for the second quarter look positive.

In the UK, GDP growth was dynamic in the first quarter, bolstered by household spending and Brexit stockpiling. Yet political uncertainty remains a major issue. *Brexit* was put back to 31 October 2019, with the UK having the option to leave the EU sooner if MPs are able to agree on how the withdrawal will happen. Theresa May resigned following the breakdown of discussions between the Conservative party and the Labour party. In this context, the Bank of England opted to retain the status quo for the first half.

French growth boosted by household spending

Following a very positive 2017 (GDP growth of 2.3%), 2018 saw a slowdown in activity with GDP growth of 1.5%. In the first quarter of 2019, consumer spending contributed to a slightly more stable GDP growth of just over 1% per year. GDP had stagnated at the end of 2018, due primarily to the adverse effects of protests in commercial areas. Household purchasing power grew more quickly than expenditure (due in particular to recent government measures²), which shored up household savings. At the beginning of 2019 exports had stagnated, expected following a fourth quarter leap due to an increase in aeronautical deliveries at the end of the year. There was a slowdown in corporate investment expenditure. Companies are adjusting their pace of investment to lower economic growth, but without a total suspension of their projects. Moreover, according to the quarterly Insee survey conducted in April, industry players are relatively optimistic about their investment outlook. The unemployment rate continued to fall (to 8.4% in the first quarter). Therefore the labour market is managing relatively well despite moderate economic growth.

Fluctuating oil price against a backdrop of geopolitical tensions

The oil price rose between January and mid-April 2019. The North Sea Brent price per barrel, which was worth less than \$54 at the end of December 2018, rose by approximately \$20 to a high of nearly \$75 in April. Indeed, despite increased production in America, the global supply remains limited. At the end of 2018, OPEC and around ten other countries, including Russia, decided to reduce the production quotas they had adopted at the end of 2016, to reduce the volume of oil extracted by 1.2 million barrels per day (MB/D) of a total of around 45 MB/D (representing nearly 45% of global production).

Venezuela, Iran and Libya are still exempt from the reduced production rules. Indeed, Venezuelan production fell sharply due to its severe economic, political and social crisis and American sanctions against it, while Iran is under an American embargo which is limiting its crude oil exports. Moreover, in April, the United States ended the exemptions granted to eight countries (China, India, Turkey, Japan, South Korea, Taiwan, Italy and Greece) on importing Iranian oil. These pricing pressures were partially offset by increased oil production in the United States, which last year became the world's top producer of black gold.

In May and June, oil prices fluctuated greatly due to geopolitical tensions and growing doubts about global growth, which could dampen oil demand. The Brent price per barrel was \$64.70 at the end of June.

Inflation remains very moderate in France and the Euro zone

At the beginning of 2019 Euro zone inflation was still low, at around 1.2% over the year. Underlying inflation (excluding energy and food), also remained low, at 0.8% over the year to May. Unit labour costs (which link wage trends to productivity gains) grew slightly in 2018 due to moderate growth, but this was not passed on to retail customers. The picture in France is similar to that of the Euro zone. Inflation increased in 2018 (due to higher energy prices and an increase in tobacco taxes), but is still hovering at around 1.5%, while underlying inflation remains very moderate (under 1%).

² Tax exemption of premiums paid by companies at the end of the year, revaluation of the business premium, overtime exemption from charges and taxes, cancellation of CSG increase for low incomes, cancellation of increase in green tax planned from 2019.

Pronounced fall in interest rates

Central banks changed their emphasis from the beginning of 2019, given the increased risk of a substantial business slowdown. As the vast majority of central banks were either in the process of normalising their monetary policy, or waiting for an opportunity to launch it, the tightening of monetary policy is no longer the favoured option. This environment has had a lowering effect on government bond rates. In addition, persistent risk aversion due to tensions between China and the US has caused an increase in demand for what are deemed to be safer investments, which also impacts government bond yields.

In the United States, at the end of June the 10-year rate of benchmark government bonds (T-notes) had fallen by 120 basis points against its October 2018 level, while the French OAT 10-year rate for benchmark government bonds declined by close to 90 basis points, together with that of its German counterpart (the Bund). The Bund has been in the red since the beginning of May, while at the end of June the 10-year OAT rate fell below 0. This decline in long-term rates led to short- and long-term interest rates becoming increasingly aligned. Within the monetary union, interest rate differentials continued to reduce. The Italian rate was the only rate to fluctuate, due to the May power struggle between the government and the European Commission on the sustainability of public debt.

For their part, interbank interest rates in the Euro zone stayed virtually unchanged at the start of the year, and remained negative as a result of the monetary policy pursued by the ECB. The ECB maintained its interest rate at -0.4% on commercial bank deposits with the central bank, currently the true key rate for the Euro zone. Consequently, the Eonia stagnated at around -0.35%. Meanwhile, the three-month Euribor (which the major banks use for a three-month period) fell to -0.35%.

Sharp increase in stock market prices at the beginning of the year

The world's stock markets have seen a strong recovery since the beginning of 2019, peaking at the end of April, primarily due to progress made in China-US trade talks. This rebound enabled the American markets to balance the losses they had recorded at the end of 2018. The same cannot be said for the European markets as a whole (although there are huge disparities), or, more specifically, for Japan.

The stalemate and rapid deterioration of the China-US relationship in May led investors to act first with caution and then suspicion. The stock markets fell sharply, chipping away at some of the gains made at the beginning of the year.

In June, on the back of reassuring words from the major central banks, prices in the main financial markets picked up again. Between the beginning of the year and the end of June, the CAC 40 saw a 17% increase to around 5,500 points.

Weakening of the euro and relative stability of the pound

After gaining ground in 2017, the euro weakened against the dollar in 2018. This trend continued into the first half of 2019. The Fed's change of direction had major consequences on the exchange rate market and also impacted the American currency. However, the prudent position adopted by the European Central Bank at this time had an impact on the euro. The European currency was penalised due to signs of weak economic activity (negative results of business outlook surveys) and political risks. Having risen to nearly \$1.15 in January, the euro fell to an average of \$1.13 in June.

The euro/sterling rate has fluctuated based on Brexit news. The British currency has been reasonably successful in withstanding political turbulence. However, at the end of the first half, the most recent Brexit developments (failure of the Conservative/Labour agreement and Theresa May's resignation) led to a fall in the value of the pound. In June, the rate stood at 0.89 pound sterling to one euro, virtually matching the December 2018 rate.

The Brazilian real fell sharply against the dollar in the first five months of the year, primarily due to a difficult economic context and a complex political situation (Bolsonaro's government has struggled to push through its retirement reforms). From the end of May, the real rose against the dollar, and at the end of June the rate stood at 3.85 reals to one dollar, virtually matching the December 2018 rate. Finally, in the first half of 2019, the rouble increased in value by nearly 10% against the dollar to 63 roubles to one dollar. The Russian currency's sharp rise primarily happened in June. The rouble benefited from the Russian central bank's decision to decrease its key rate, as well as the recovery of the oil price.

1.2 Regulatory environment

Banking environment trends

The European Banking Authority Guidelines (EBA/GL/201802) on the management of interest rate risk arising from non-trading book activities have set out a new framework for measuring banks' interest rate risk.

From 30 June 2019, the regulator is therefore asking financial institutions to change how they calculate the interest rate risk of their portfolios.

This new framework incorporates two changes which have a significant impact on the management of banks' interest rate risk:

- the redefinition of eligible own equity: From total prudential equity to Tier 1 own equity only;
- the lowering of the interest rate floor for risk-free rates: The previous measure incorporated an interest rate floor of 0% for all rates, regardless of maturity. The new measure applies from 30 June 2019, and incorporates an interest rate floor of between -1% (short-term), and 0% (20-year rate).

Pricing adjustments for mail and parcels

Price increases for mainland, overseas and international mail and parcels took effect on 1 January 2019 following the opinion issued by ARCEP (*Autorité de Régulation des Communications Électroniques et des Postes*) on 10 July 2018 (No. 2018-0826). All of these changes comply with the price cap for the 2019-2022 period, as set by decision no. 2017-1252 of 26 October 2017.

On 1 January 2019, La Poste increased its mail prices by an average of 4.7%³. The price for Priority Mail rose from €0.95 to €1.05, while that of the first weight tranche of "Lettre Verte" (Green Mail) increased from €0.80 to €0.88. La Poste decided to strengthen the price advantage for "Lettre Verte" (Green Mail), which was raised to 17 cents compared to Priority Mail (against 15 cents previously) to take into account the uses of its customers. In 2018, "Lettre Verte" (Green Mail), which is delivered within 48 hours and is more economical and eco-friendly, was the most-used form of delivery with 122 million letters sent each month, compared to 97 million Priority Mail letters.

"Lettre Verte" (Green Mail) is just above the European average of inexpensive products (€0.86 in PPP⁴ France), while offering a faster delivery time (two days instead of three or four days in most other countries).

The discount granted for any purchase of stamps to print at home (MonTimbrenLigne service, accessible via laposte.fr) remains at three cents compared to standard stamps.

Within the scope of the Universal Postal Service, prices for the business mail range have seen a moderate 2.3% rise, while advertising mail prices have risen by 1.8% to boost the competitiveness of mail as a medium.

Parcel prices for domestic shipments to private individuals have increased by an average of 1.4%, while the Colissimo France Retail Customers first weight tranche of 0-250g remains stable at €4.95. Items weighing less than 2kg represented almost three quarters of the parcel volumes sent by retail customers.

Furthermore, household spending on postal products is an average of approximately €44 per year. The impact of the 2019 rise is therefore limited to less than €3 per year per household.

Non-pricing adjustments for mail and parcels

On 1 January 2019, in order to simplify international shipments for private individuals, La Poste merged the European Union and Rest of the World geographical areas into one pricing area known as 'international'. The price of an international letter weighing between 0 and 20g is fixed at €1.30.

Price changes for press services

On 15 November 2018, ARCEP issued a favourable opinion on 2019 price changes for press transport and delivery provided by La Poste as part of its public service mission (no. 2018-1395). On 12 December 2018, these changes to the public press service were approved by the ministry of Economic and Financial Affairs (*ministère de l'Économie et des Finances*).

³ 5% on all Universal Postal Service mail/parcels and 4.9% on average based on mail revenue giving rise to traffic

⁴ Purchasing power parity

Thus, on average prices increased by 4.3%, with an average 4.8% rise for general publications with a registration certificate from the Joint Commission for Publications and Press Agencies (*Commission paritaire des publications et agences de presse* - CPPAP), and significantly lower increases for political and general information publications (*publications d'information politique et générale* - PIPG) at 2.8%, and for daily publications with limited advertising resources (*quotidiens à faibles ressources publicitaires* - QRFP) at 1.8%.

Compensation of the press transport and delivery public service mission

On 22 March 2019, the European Commission published its decision stating that compensation for the press transport and delivery public service mission paid to La Poste by the French State for the 2018-2022 period was compatible with the internal market, as set out by the Public Service Agreement.

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

The plan to create this public general interest unit was announced by the ministry of Economic and Financial Affairs (*ministère de l'Economie et des Finances*) on 30 August 2018, with the aim of using local community-based services La Poste and Caisse des Dépôts to strengthen regional cohesion and combat regional divides in France as a whole. The purpose of the division is to use the skills offered by La Banque Postale, Caisse des Dépôts, Bpifrance and CNP Assurances to provide banking and insurance services that meet the needs of local authorities, companies and private individuals.

This project would be implemented by means of a contribution by the French State and Caisse des Dépôts to La Poste, and then from La Poste to La Banque Postale, of their respective 1.11% and 40.87% equity investments in CNP Assurances. Following this contribution, Caisse des Dépôts would hold a majority stake in La Poste, based on the French Act for Business Growth and Transformation (PACTE, enacted on 22 May 2019). In addition, La Banque Postale's equity investment in CNP Assurances would increase to 62.13%, with CNP Assurance's multi-partnership model reaffirmed by the project.

On 25 June, the French Financial Markets Authority (*Autorité des marchés financiers* - AMF) announced that it was granting an exemption to La Banque Postale from its obligation to submit a takeover bid for CNP Assurances; the period for appealing this exemption elapsed on 8 July 2019.

After signing the memorandum of understanding announced on 11 June, on 26 June La Banque Postale withdrew from the agreement on CNP Assurances entered into with Caisse des Dépôts, the French State, La Poste and BPCE on 2 September 1998.

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. This agreement shall remain in effect until completion of the transactions, with the parties' alliance continuing in the new agreement.

The completion of the project is dependent on a number of stages:

- the proper completion of information or consultation processes for staff representation bodies of the various entities;
- authorisation from the Caisse des Dépôts supervisory committee, La Poste's Board of Directors and La Banque Postale's Supervisory Board;
- the signing of a binding memorandum of understanding;
- obtaining regulatory authorisations from the relevant French and European authorities.

1.4 Developments, partnerships and acquisitions

1.4.1 Services-Mail-Parcels

1.4.1.1 **Asten Santé's acquisition of DMC Santé**

Asten Santé completed its acquisition of DMC Santé in April. DMC Santé, founded in 2006, is a service provider that organises home care for patients. In 2018, DMC Santé generated €2.6 million in revenue.

This project forms part of La Poste's diversification strategy, launched in 2016, into home healthcare services (*prestation de santé à domicile* - PSAD), marked by the acquisition of Asten Santé and Diadom. The objective is to provide support to chronically-ill patients with using the medical devices or consumables that they require in order to care for themselves. By 2020 La Poste aims to lead this market, which is worth €3 billion in France and which has strong natural growth.

1.4.1.2 **Opening of the first automated Mail Preparation and Delivery Centre**

On 7 May, La Poste opened a new automated Mail preparation and delivery centre (*plateforme de préparation et de distribution du courrier* - PPDC) in Poissy. This site comes under the industrial masterplan for the Services-Mail-Parcels business unit (*branche Services-Courrier-Colis* - BSCC), and is currently at the deployment stage. Its stand-out feature is an automated new-generation sorter, which will cut preparation time and improve working conditions.

1.4.1.3 **Asendia's acquisition of wnDirect**

In January, Asendia acquired wnDirect from GeoPost, a company which specialises in international e-commerce delivery services. This deal consolidates Asendia's position as a major player on the international shipment market for documents, small goods, direct marketing and press.

1.4.1.4 **Le Groupe La Poste launches new data marketing and precision communication brand 'Isoskele'**

In 2019, Le Groupe La Poste created a new entity - Isoskele - which specialises in data marketing and communication. It brings together the activities of Mediapost Publicité (the management company for Home Media), Vertical-Mail (expert in B2B acquisition strategies), Cabestan (specialist in CRM software-related services), SDS (Smart Datamark Services, which optimises databases) and Matching. Before 1 January 2019 these four subsidiaries were positioned within the Digital Services business unit.

1.4.2 GeoPost/DPDgroup

1.4.2.1 **Acquisition of new Seur franchises**

GeoPost is continuing its consolidation of the Seur network with the January 2019 integration of five new franchises, located throughout Spain, including Toledo and Cuenca in the centre of the country, Granada in the south, San Sebastian in the Basque Country and Ponferrada in the north-west.

At the end of June 2019, GeoPost held 94.1% of the franchisor Seur.

1.4.2.2 **Chronopost revises its pre-paid range**

The new 'pre-paid' range, launched on 1 March, provides online tracking and delivery rescheduling through Predict, the delivery by appointment solution. The 21 available pre-paid formats include wrapping, express delivery and tracking, for shipments weighing up to 12 kg. Customers can register to receive the 'delivered on time or delivered free' offer.

1.4.2.3 **DPD Holland – Opening of the Eindhoven hub**

On 11 April, DPD Holland opened the biggest parcel sorting and delivery hub in Europe. Thanks to its conveyor system and design, this "green" hub has a minimal carbon footprint and is at the cutting edge of new technology. It provides a wealth of opportunities both for the Netherlands and for the rest of Europe, as it can be used not only as a regional delivery depot but also as a global hub and forwarding point for major transport operations, providing 24-hour delivery services for European destinations located within an 800-km radius.

1.4.3 La Banque Postale

1.4.3.1 **Acquisition of the 35% equity investment in La Banque Postale Financement held by Société Générale**

On 1 March 2019, La Banque Postale repurchased its 35% equity investment in La Banque Postale Financement from Société Générale (after approvals were obtained from the relevant regulatory and competition authorities), and now holds a 100% stake. This transaction is the result of the end of the partnership entered into 10 years

previously with the Société Générale group. The latter had purchased a 35% equity investment in the capital of this subsidiary in exchange for a contribution of all of its equity, totalling €400 million.

Société Générale will remain a partner of La Banque Postale Financement through the maintenance of service agreements for collections and borrower insurance, and, in a broader sense, a major partner for La Banque Postale, particularly with Transactis, a joint subsidiary specialising in electronic payment and transaction management.

1.4.3.2 **Talks between La Banque Postale and the BPCE group to further develop and extend their industrial partnership**

Within the project for the creation of a large public financial unit, the BPCE group and La Banque Postale have agreed in principle on a broader industrial partnership.

This partnership would comprise various components including a merger project for euro rate management activities (primarily insurance-based) provided by Ostrum AM and LBPAM under a shared platform controlled by Natixis IM, within a balanced governance framework. All LBPAM assets would still be managed in accordance with ISR standards. LBPAM would remain under the majority control of La Banque Postale.

1.4.3.3 **Innovation and banking inclusion**

La Banque Postale is a committed bank that works in the best interests of the community at large and strives on a daily basis to enable as many people as possible to gain access to quality banking services.

- La Banque Postale (partner of ADIE for the past eight years) also participated in the first entrepreneurship week for all, held from 28 January to 2 February, with the aim of promoting professional micro-credit.
- To help entrepreneurs get their businesses off the ground, in April La Banque Postale launched an account package for under 10 euros, which includes operating costs and an online banking service.

1.4.3.4 **Continuing digitisation of the offer**

La Banque Postale Assurance Santé and +Simple.fr (an insurance tech firm specialising in insurance for SMEs and freelancers) have pooled their knowledge, and in March launched a digital platform for professional clients. The platform covers the regulatory obligation to set up supplementary health insurance for employees, through an online subscription. It provides a collective supplementary health insurance package for SMEs, and a collective related health package specifically to cover the national collective agreement for design offices.

La Banque Postale is also innovating in the means of payment field to provide the most suitable solutions to all its customer segments, while guaranteeing payment security. Therefore:

- La Banque Postale has adopted Apple Pay for simple, secure and confidential payments. Customers can therefore make payments without using their card, and a unique dynamic security code is assigned to each transaction;
- Since April 2019, La Banque Postale has been offering its customers new customisation tools for their bank cards, based on their use, requirements and where they are. Customers therefore now have access to a complete range of features via their mobile app, including switching services on or off, changing limits and cancelling a card, providing independence and instant services which save time when managing their accounts.

Following the initial rollout phase in June 2019 to Le Groupe La Poste employees, 'Ma French Bank', a 100% digital bank, will be available to retail customers in July 2019. Ma French Bank is open to all, with no minimum account balance. It is designed to meet the needs of a new generation of customers, offering a broad selection of innovative, community-friendly services including loans, overdrafts, savings products, and even crowdfunding with KissKissBankBank.

1.4.3.5 **Measures to promote responsible financing**

At the 3rd Citizens' Bank Conference (*Assises de La Banque Citoyenne*), La Banque Postale reaffirmed its commitments to responsible financing, including a Green Bond issue, supporting customers with their energy renovation actions, and developing green financing solutions. Therefore:

- La Banque Postale issued a Green Bond (its first green, social and sustainable bond) for €750 million on 15 April. Through this issue, it contributes to the financing and/or refinancing of renewable energy installation projects (wind turbines and PV), and to the development of new financing solutions to make progress on environmental and social issues;

- La Banque Postale is broadening its responsible product and service range by offering green loans for local authorities, and loans refinanced by green bonds issued by public development bank SFIL;
- La Banque Postale signed a framework agreement with the European Investment Bank (EIB) to promote the development of renewable energy (solar power plants and wind farms). The EIB provides liquidity at a preferential rate, and is also able to assume up to 50% of the risk for loans set up by La Banque Postale;
- La Banque Postale has launched a number of measures to support customers with their energy renovation projects and to develop green financing solutions, by:
 - Launching a new version of the digital platform developed with partner EDE (*Economie D'Énergie*), to advise and support La Banque Postale's customers in their energy renovation projects (including energy assessments, calculating the amount of the energy savings bonus, simulation of the financing plan, and setting up contact with local tradespeople who have been certified RGE (*reconnus garants de l'environnement*),
 - The launch of 'Eco PTZ Habiter Mieux' to finance energy performance improvements for the lowest-income customers.
 - A partnership with Fédération SOLIHA, the operator of the French National Housing Agency (*Agence nationale de l'habitat* – ANAH) to provide social, financial and technical support to the most vulnerable customers for their renovations and works projects.

1.4.4 La Poste Network

1.4.4.1 **Boosting the network of Maisons de services au public (public service areas)**

In areas with few facilities and in order to address the feeling of isolation from the French State as expressed during the Great National Debate (*grand débat national*), La Poste has approved an extension of its existing services (500 public service areas) by creating a minimum of 250 new sites in partnership with eight operators including *Pôle Emploi*, the primary healthcare insurance fund (*Caisse primaire d'assurance maladie* – CPAM) and the family allowances fund (*Caisse d'allocations familiales* – CAF).

1.4.4.2 **Rolling out social and digital inclusion services**

As part of its regional planning and banking accessibility public service missions, La Poste Network has partnered with La Banque Postale for a 2019 rollout of an ambitious social and digital inclusion programme in 300 post offices. Mediators or customer service managers use tablets to assess customers' levels of independence. Based on the results, three support levels are offered which may include digital training in partnership with La Banque Postale, with the aim of creating a sustainable digital training service through community networks.

1.4.4.3 **Changes to the CAP Client 3.0 project**

This new banking advisory tool, which provides an overview of all products held by each customer, was launched in 2018 at post office level, and is being rolled out to financial centres in 2019.

1.4.4.4 **Extension of the Behaviour Incivility Initiative**

The Behaviour Incivility Initiative (*démarche comportement incivilité* – DCI), launched in 2014, was enhanced in January 2019 by setting up a central 24/7 security phone line to target the highest-risk behaviour. The initiative was piloted in some post offices, and is now available to the most exposed post offices.

1.4.5 La Poste Mobile

1.4.5.1 *Pro fixed service*

La Poste Mobile added to its range with the launch of the ADSL box for professional customers on 15 April 2019.

1.4.6 Digital Services

1.4.6.1 *The acquisition of Marketshot in the Digital Marketing segment*

In February 2019, the Digital Services business unit acquired a majority equity interest in Marketshot, the publisher of comparison website Choisir.com. This acquisition forms part of Le Groupe La Poste's strategy to both develop its digital services publishing business and enhance its data capital.

1.4.6.2 *Acquisition of Ametix's non-controlling interests*

In April 2019, Docaposte, a subsidiary of Le Groupe La Poste which specialises in helping businesses and authorities with their digital and mobile transformations, bought out all non-controlling interests in Ametix, which it now owns in full. In two years, Ametix has more than doubled its revenue.

Founded in 2011, Ametix is a digital services company specialising in technical web and marketing solutions. Its core business is to put in place tailored recruitment strategies to help its customers build their teams. Its 200+ customers include businesses, key accounts, SMEs and start-ups.

1.4.6.3 *Acquisition of Brains in the digital consultancy segment*

Two years after its takeover of Ametix, Docaposte is continuing to grow and is consolidating its position as a major player in the digital transformation of companies. In January, it acquired 100% of the capital in 'Brains', a specialist consultancy firm which supports business digitisation.

1.4.6.4 *Publication of the new version of the website laposte.fr*

With over 19 million unique visitors each month, the website laposte.fr is continuing its development. In January 2019, Le Groupe La Poste published a new version of the site, with a more practical and simple e-commerce approach to online postal services.

1.4.6.5 *Artificial Intelligence*

In 2019, the Group has been involved in multiple data science projects, supported by its AI-specialist subsidiary ProbaYes. Chat bot programmes were launched with laposte.fr and Digiposte. Projects have also been launched for banking fraud prevention and to optimise parcel flows.

1.4.7 Real Estate

1.4.7.1 *Nantes Maison de l'Innovation*

By the end of 2021, the Nantes Maison de l'Innovation (Innovation Centre) project, validated in April 2019, will house nearly 800 Le Groupe La Poste IT technicians and researchers within a single innovative site located on the île de Nantes, currently spread over four separate sites within the Nantes area.

Its purpose is to create a specialist innovation hub which pools all of the Group's IT systems skills in one location, and to promote synergies between the Group's business unit teams, production services, support functions and cybercrime services.

1.4.7.2 *Poste Immo plans to convert postal buildings into retirement homes*

Poste Immo has a large number of property assets in medium-sized towns and cities, and is considering new uses for these buildings. With this in mind, in the first quarter of 2019 it called on operators to help shape the future of a 14-site portfolio. Finding new uses for buildings in town and city centres will help Poste Immo to reduce its vacant properties, add value to these remarkable assets and also contribute to the development of the silver economy, which is in keeping with La Poste's diversification strategy. La Poste-branded services will also be incorporated into the services on offer wherever possible (e.g. Ardoiz, Axeo Services, Asten, Diadom, etc.).

1.4.7.3 *A strategy based on calls for projects to drive innovation*

Calls for projects provide an opportunity to attract innovative market approaches and to add value to the Group's property assets.

Currently, two major calls for projects are under way:

- Rennes Palais du Commerce: At the beginning of 2019, the Frey grouping was announced as the successful bidder for the “Renaissance ” Project following a unanimous vote by the panel comprising representatives of La Poste, Rennes city and independent architects, with the aim of providing a new urban, architectural, commercial and environmental purpose for this iconic former postal building;
- 70s call for projects: At the end of 2018 this initiative was launched on two sites (Cergy and Amiens), followed by Grenoble in March 2019, to find new uses and identify the innovation potential of buildings with typically 70s architecture.

1.4.7.4 **Lemnys D, 2nd site of the Group's registered office, Paris 15th**

In June 2019, certain La Poste employees moved into the new Lemnys D building, constructed as an extension to Lemnys (ABC). This extension of the Village La Poste (VLP) - Le Groupe La Poste Registered Office will eventually be occupied by nearly 1,100 of the Group's employees in addition to the 2,200 existing residents of the Village La Poste already located in Lemnys (ABC). The VLP Registered Office will therefore eventually house 4,600 employees spread between Lemnys and Brune.

With the new building, La Poste can ensure that teams are located close to others working within similar functional areas.

1.5 The Group's commitment to responsible development

Le Groupe La Poste is developing a societal engagement policy that forms the core of the strategic plan “La Poste 2020: Conquering the future”, and focuses on three key challenges:

- social and regional cohesion;
- introducing ethical and responsible digital services;
- achieving environmental transitions.

1.5.1 Social and regional cohesion

Le Groupe La Poste is present in all regions of France and has solidified its relations with local actors and its offering of local services for all, from the most enterprising to the most financially vulnerable:

- in June, La Poste reaffirmed its commitment to around 40 social and solidarity economy (*economie sociale et solidaire* - SSE) structures of the Dynamic Alliance with regard to co-development and societal innovation challenges. This commitment is now based on around 40 projects conducted in the regions in collaboration with SSE stakeholders (such as digital inclusion, a home meal delivery service for older people, the installation of “La Poste Relais” outlets at disability employment organisations, and urban logistics);
- in May, Le Groupe La Poste and the French Rural Mayors' Association (*Association des maires ruraux de France* – AMRF) renewed their partnership by signing an agreement setting out their shared focus areas. Rural municipalities provide a focal point for any regional planning policy, while La Poste aims to use its digital services, its 17,373 retail outlets and its human presence of nearly 71,000 postmen to make life simpler for everyone.

1.5.2 Ethical and responsible digital services

Le Groupe La Poste is developing its work on promoting digital technology that is useful, ethical, chosen and accessible to all:

- La Banque Postale and La Poste are continuing to implement measures in order to promote social, digital and banking inclusion. In line with the commitments made during the first Citizens' Bank Conference (*Assises de La Banque Citoyenne*), a national system to promote social, digital and banking inclusion is currently being rolled out with a target of 300 post offices by the end of 2019. The aim is to identify people struggling with digital technologies and to offer support adapted to their needs, both at post offices and/or other locations through its network of partner associations;

- at the *GreenTech verte* organised in June by the ministry of Ecological and Solidarity transition (*ministère de la Transition Ecologique et Solidaire*), Le Groupe La Poste signed the responsible digital services Institute's (*Institut du numérique responsable*) Responsible Digital Services Charter. By signing this Charter, La Poste wished to confirm and reinforce its commitments to responsible digital services. La Poste is one of the founder members of the responsible digital services Institute, the purpose of which is to take action in three key areas: reducing the footprint (economic, social and environmental) of digital services, sustainable value creation and responsible innovation using digital tools.

1.5.3 Environmental transition

The first half of 2019 was marked by several important milestones in the Group's transition towards a more sustainable and responsible model, primarily through the development of green deliveries and green logistics:

- Urby – the urban logistics network – was launched at the start of the year. Urby uses a number of city centre sites to offer urban storage and delivery services to hauliers, couriers, merchants, tradespeople, local authorities, companies and private individuals, using low-emission vehicles and bicycles;
- based on its commitment to a low-carbon transition, La Poste SA's objectives were approved by the Science Based Targets initiative (SBTi) on 21 June. La Poste SA has therefore committed to reducing its scope 1 and 2 greenhouse gas (GHG) emissions by 51% (as an absolute value) by 2025 in comparison with 2013, which is in line with the +1.5°C trajectory. It has also committed to reducing its scope 3 GHG emissions by 14% (as an absolute value) by 2025 in comparison with 2013;
- the Group has initiated the implementation of an Energy Management System (EMS) to support its efforts to continuously improve its energy efficiency. The first deployment phase of the Energy Management System began at the end of 2018. The internal energy control system is currently being installed in 325 La Poste buildings throughout France, spanning all business units. This project covers 10,000 La Poste employees;
- in terms of certification, DPDgroup is continuing its CO₂ emissions reduction programme. Therefore the Eindhoven hub, which was opened in April, is in the process of obtaining Green DPC A+ certification, and the Le Coudraye-Montceaux hub has been awarded Green DPC certification (Energy Performance report with a B rating for energy saving, and an A for GHG emissions);
- DPD Ireland's first "ElectricCity" electric depot opened its doors in May, and is based in Dublin. Deliveries in Dublin city centre are now covered by an electric vehicle fleet, who offer the city's residents a "last green mile" service. This project is consistent with DPD's commitment to ensure that each parcel delivery is carbon neutral;
- the Group is continuing to deploy its electric vehicle fleet. In April, DPD Ireland announced that it was preparing to invest €3.2 million to make its fleet electric. This investment covers the purchasing of electric vehicles, recruitment of staff, staff training, and purchasing and developing depots;
- at the 'Produrable' trade fair and one year after its launch, Recygo (a subsidiary of Le Groupe La Poste and of the Suez group) posted promising results. Recygo specialises in the collection and recovery of office waste, including paper, cardboard, bottles, cans, ink cartridges etc.). Recygo's activities prevent emissions of 30 metric tonnes of CO₂ per day, and contribute to the implementation of the Energy Transition Act (*Loi pour la Transition Énergétique*), and in particular the "5 Flux" Decree under which paper, cardboard, plastic, metal, wood and glass waste must be sorted;
- given that the planetary impact of digital services is increasing, Le Groupe La Poste has already put in place a number of practical initiatives, which are due to be extended, in order to reduce the environmental footprint of its information and communications systems. Therefore during a pilot recycling appeal project launched in six urban areas within the Auvergne-Rhône-Alpes region, on behalf of the "Eco-systèmes" eco-organisation, La Poste collected 7,000 old smartphones in eight weeks from November to December 2018 (donated by private individuals). The handsets are then sorted by the Ateliers du Bocage for re-use or recycling;

- at the 3rd Citizens' Bank Conference (*Assises de La Banque Citoyenne*), La Banque Postale reaffirmed its commitments to responsible financing⁵.

1.5.4 Commitment to customer service

Le Groupe La Poste is committed to deploying innovative and responsible services in order to respond to changes in expectations and consumer trends:

- as a committed stakeholder and the leading bank lender for local authorities, at the end of May 2019 La Banque Postale broadened its responsible product and service range by offering green loans for local authorities. These loans are refinanced by green bonds issued by the SFIL public development bank. Projects eligible for green loans include investments in projects covering clean mobility, water and sanitation, waste recovery, construction and energy renovation of public buildings and renewable energy production;
- in 2018, a trial was carried out in Normandy to test a new 'Short Loop' processing procedure for mail and parcels claims. In 2019 the trial was extended to nearly 1,300 post offices and more than 500 mail and parcels sites. This new process is scheduled to be rolled out to all sites at the beginning of 2020. The aim of the new process is to respond to the latest expectations of customers as regards speed and immediacy, based on benchmark digital and local practices. Therefore, any customers wishing to discuss their claim at a post office will be able to talk to a customer service manager immediately. They will then be put into contact with the Mail and Parcels teams, who will contact them within 24 hours to agree on terms for the resumption of the service.

1.5.5 A recognised and rewarded societal commitment

Le Groupe La Poste's commitment to society continues to be recognised and rewarded. The beginning of 2019 was marked by two important new milestones in the evaluation of the Group's social and environmental performance:

- Le Groupe La Poste is now (since January 2019), according to CDP, one of the top 126 companies in terms of environmental performance. Only 22 French companies are rated A by CDP, out of 7,000 companies rated worldwide by this independent reference organisation. First in the "Transport Services" segment, La Poste is the only postal operator in the world with an A rating;
- Following in the footsteps of La Poste in 2018, in April 2019 La Banque Postale successfully issued its first Green Bond for €750 million. La Banque Postale is aiming to become a regular issuer on the market for green, social and sustainable bonds, thereby demonstrating its commitment to resolving environmental and societal issues. La Banque Postale received a rating from non-financial rating agency Vigéo-Eiris (which rated it 69/100), and from ISS-Oekom, which rated it the top French bank and the second worldwide, with a B- rating.

1.6 La Poste, a responsible employer

1.6.1 Social dialogue

Following professional elections in December 2018, in February, new staff representation bodies were installed by La Poste on a local and national level.

Following the signature of 13 agreements and amendments in 2018, the first half of 2019 was marked by the signing of the following five agreements and amendments:

- on 9 January 2019, two amendments to the agreements of 8 December 2006, which respectively establish for Le Groupe La Poste a Group savings plan and a Collective retirement savings plan (signed by the CFDT, FO and the *Unis pour Agir* list: CFTC, CGC, UNSA);
- on 18 March 2019, the payroll agreement for 2019 (signed by the CFDT, FO and the *Osons L'avenir* list: CFTC, CFE-CGC, and UNSA);

⁵ Details in Section 1.4.3.5 of this report.

- on 10 May 2019, the seventh agreement to promote the employment of disabled people (signed by the CGT, the CFDT, FO and the *Osons L'avenir* list: CFTC, CFE-CGC, and UNSA);
- on 29 May 2019, the agreement on the integration of young people and the employment of older people (signed by the CFDT, FO and the *Osons l'Avenir* list: CFTC, CFE-CGC and UNSA).

In addition, an agreement on gender equality was made available for signature in mid-July. Finally, negotiations on a managerial role agreement began on 21 June.

1.6.2 Training and professional development

The deployment of five major training programmes (core business training, individual training, digital training, qualifying training paths and managerial development) continued during the first six months. Please note:

- at the end of June 2019, the proportion of postal workers who had received training was 54.69% (up in comparison to 50.3% on the same date in 2018); the objective is to reach 80% by the end of the year;
- at the end of June, the number of qualifying training paths that had been started since 2015 reached 41,376 (following 37,000 at the end of 2018), in line with the schedule, which predicts 50,000 pathways by 2020;
- by the end of June, the Institute of Management (IM) and the Institute of Development (ID) had trained 6,680 managers for the IM and 19,812 postal workers for the ID during the first six months of the year.

This training policy aims to help all employees maintain the necessary skills and develop new expertise related to the Group's new activities.

In terms of professional development, internal mobility remained stable in 2018, while external mobility to the social and solidarity economy progressed.

1.6.3 Health and quality of life at work

The Feeling Good at Work (*Bien dans son travail*) programme, which aims to improve health and quality of life at work, initiated at the end of 2016 and rolled out as part of a multi-annual plan, continued to receive special attention: accident prevention actions, prevention of lack of skills, support and resumption of work for employees having undergone a long-term absence (APALA), development of a process to welcome and integrate new employees, and the implementation of *ParlonZen* exchanges (training of 1,600 managers and 140 support staff to deploy this team method for identifying and resolving practical difficulties), and deployment of the Feeling Good at Work when on a screen plan (*Bien dans son travail sur écran*).

The decline in the frequency of accidents at work recorded at La Poste parent company in 2017 (-2.2%), and then again in 2018 (-7.8%), has continued, with a further decline of 1.5% recorded between January and end May 2019.

The upgrading of the postal workers' workplaces (the BOLOCO programme), launched in 2016, is continuing in 2019.

The right of workers to disconnect, implemented in 2016, is currently being extended to smartphones and tablets.

At the end of June 2019, La Poste had 3,202 employees working remotely (+61% since June 2018).

Furthermore, the new professional gender equality index published by the La Poste parent company in February 2019 was 94/100. This positive score demonstrates La Poste's proven track record on equality.

1.6.4 Social activity and housing services

In 2019, La Poste plans to set aside over €200 million for its benefits in social activity services. At the start of 2019, benefits in kind bodies COGAS and CTPC were renewed following the results of the 2018 professional elections. COGAS approved the guidelines for the next four years on 27 June 2019.

In the first half of 2019, 8,097 employees received assistance or support, including assistance given to 5,536 starters and 798 additional employees who were given access to social housing.

2. Summary of Le Groupe La Poste consolidated results

The financial information presented was taken from Le Groupe La Poste's consolidated financial statements as at 30 June 2019.

In accordance with the rules of the IFRS 16 standard for the application of the "modified retrospective" transition method, as applied by Le Groupe La Poste, the comparative figures for 2018 have not been restated for the IFRS 16 application.

	Period ended 30 June						
	2019.06	2018.06	Change		Change at constant scope and exchange rates		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)	vs n-1 (in €M)	(in %)
(€ million)							
Group operating performance							
Operating revenue	12,795	12,246	0	+549	+4.5	+114	+0.9
Operating profit after share of net profit of jointly controlled entities	572	806	35	-268	-33.3	-279	-34.7
Operating margin	4.5%	6.6%		-	-2.4 pt	-	-2.3 pt
Net profit Group share	474	636	0	-162	-25.5	-168	-26.4
Net margin	3.7%	5.2%		-	-1.5 pt	-	-1.4 pt
Free cash flow (a)	132	250		-118	-47.3		
Key figures – La Banque Postale							
Net Banking Income	2,850	2,926	0	-76	-2.6	-76	-2.6
Cost income	83.2%	81.4%		-	1.8 pt		

^(a) Please refer to Section 5.1.3

	Period ended 30 June				
	2019.06	2018.12	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in %)	
(€ million)					
Key financial indicators					
Net debt (a)	6,231	3,442	2,534	+254	+7.4
Equity Group share	12,451	12,014	-149	+586	+4.9
Net debt/Equity	50.0%	28.7%		-	0.7 pt
Net profit/Equity	5.1%	6.6%		-	-1.6 pt
Common Equity Tier 1 (b)	12.7%	11.7%		-	1.0 pt
Loan to deposit ratio	85%	86%		-	-1.2 pt

^(a) Group net debt does not take into account La Banque Postale, for which this concept is not relevant.

^(b) Fully-loaded CET1 ratios

The June 2018 data is presented proforma. This proforma data includes segment changes: The wnDirect entity, which was previously under the GeoPost business unit, was transferred to the Services-Mail-Parcels business unit, while the Mediapost entities have also been transferred from the Digital Services business unit to the Services-Mail-Parcels business unit. This proforma therefore differs from that published in June 2018 regarding the Services-Mail-Parcels, GeoPost and Digital Services business units, and for the intersegments.

2.1 Operating revenue

Le Groupe La Poste's operating revenue amounted to €12,795 million at the end of June 2019, up €549 million compared to June 2018, representing an increase of 4.5%. This increase was driven by growth in the Express activities of GeoPost, and by the consolidation of the subsidiary Asendia, which offset the slump in traditional Mail revenue caused by falling volumes, and in La Banque Postale's NBI, which is feeling the effects of a difficult banking context.

	Period ended 30 June					
	2019.06	2018.06	Change		Change at constant scope and exchange rates	constant exchange rates
(€ million)		segment proforma	vs n-1 (in €M)	(in %)	vs n-1 (in €M)	(in %)
Services-Mail-Parcels	6,122	5,771	+351	+6.1	-74	-1.3
GeoPost	3,730	3,478	+252	+7.2	+252	+7.3
La Banque Postale	2,850	2,926	-76	-2.6	-76	-2.6
Digital services	339	313	+26	+8.4	+14	+4.6
Other segments and intercompany	-245	-241	-4	+1.7	-1	+0.5
OPERATING REVENUE	12,795	12,246	+549	+4.5	-114	+0.9

After adjustment for scope effects, i.e. an additional €436 million driven primarily by the Services-Mail-Parcels business unit (€425 million increase), Digital Services (€12 million increase) and an unfavourable exchange rate loss of €2 million, including a €2 million loss on the rouble, a €2 million loss on the Brazilian real, a €3 million loss on the Polish zloty and a €5 million loss on the pound sterling, the Group's organic growth at the end of June 2019 was €114 million, i.e. 0.9%.

Operating revenue for the first half of 2019 was characterised by the following:

- an increase in revenue from the Services-Mail-Parcels business unit at €6,122 million, up €351 million representing a 6.1% rise, including €426 million of scope and exchange rate effects primarily due to the integration of Asendia and, to a lesser extent, DiaDom in the second half of 2018. Within the business unit, the Parcel business continued to see organic growth in revenue of €54 million, or a 6.3% rise, supported by a favourable equivalent working-day traffic effect of €57 million (+9.6%), mainly thanks to national BtoC flows driven by the growth in e-commerce. The subsidiaries positioned in the logistics, e-logistics, direct marketing, energy transition, Silver Economy and cross-border mail businesses recorded organic growth of €8 million, carried in particular by advertising mail. Mail revenue, with a €136 million organic decrease compared with June 2018, is still undergoing the continued structural decline in addressed mail volumes, (-7.5% at equivalent working days). The price increase that took effect on 1 January 2019 (+€180 million), the May 2019 European elections with manifesto deliveries (+€22 million compared to June 2018) and international growth (+€13 million) partially offset the decrease in volumes;
- the growth in GeoPost's revenue of €252 million to €3,730 million, of which €2 million from the scope effect mainly due to the acquisition of new SEUR franchises in the first half of 2019 and -€2 million in exchange rate effects. Adjusted for scope and exchange rate effects, organic growth stood at €252 million or +7.3%, driven by managed organic growth in volumes handled (+2.2%), driven by BtoC and impacted by the price increase established in Europe (€64 million);
- La Banque Postale's net banking income totalled €2,850 million. After restating the change in the home savings provision, NBI for La Banque Postale fell by €88 million, impacted by government measures at the end of 2018 and against a backdrop of particularly low interest rates. The Retail Banking Division saw a drop of €123 million, restated by -€1 million for the home savings provision and the Asset Management Division

compared to end June 2018. The Insurance Division was up by €35 million compared to end June 2018, boosted by a portfolio of insurance policies up 0.4%;

- the revenue of the Digital Services business unit, at €339 million, increased by €26 million, or +8.4%. At constant scope and exchange rates, the increase was €14 million (+4.6%), to which the Transformation and Innovation Division contributed €5 million in connection with higher billing related to cross-entity projects. Apart from the impact of the €7 million scope effect related to the acquisitions made in 2018 (Voxaly) and 2019 (Brains), the earnings of the Docoposte Division increased by €8.4 million, thanks to the digital activities, whereas the Mediapost Division decreased by €1.8 million (excluding the +€5 million scope effect from the 2019 Marketshot acquisition). Revenue from the laposte.fr site, primarily commissions resulting from the +9.2% growth in turnover, was up by €2.9 million.

2.2 Operating profit/(loss)

The Group's operating profit, after share of net profit of jointly controlled entities, totalled €572 million at the end of June 2019, down €268 million excluding the impact of IFRS 16. On an organic basis, and excluding the impact of IFRS 16⁶, the operating profit decreased by €279 million or -34.7%. The first half of 2018 notably reflects the proceeds from the disposal of the La Boétie real estate site in Paris.

(€ million)	Period ended 30 June						
	2019.06	2018.06	Change			Change at constant scope and exchange rates	
		segment proforma	IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)
Services-Mail-Parcels	289	376	+4	-90	-24.0	-99	-26.2
GeoPost	193	186	+21	-14	-7.5	-15	-8.0
La Banque Postale	492	546	+0	-54	-9.9	-54	-9.9
La Poste Network	-36	-36	+0	-0	+0.0	-0	+0.0
Digital services	-5	-1	+0	-5	n.s.	-6	n.s.
Real estate	34	184	+9	-159	-86.3	-159	-86.3
Support and Structures	-73	-137	+0	+64	-46.9	+64	-46.9
Unallocated and eliminations	-323	-313	+0	-10	+3.4	-11	+3.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	572	806	+35	-268	-33.3	-279	-34.7

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: Operating profit for the business unit totalled €289 million at end June 2019, down by €90 million or 24.0% compared to the end of June 2018, excluding the impact of IFRS 16 (-€99 million or -26.2% at constant scope and exchange rate, and excluding the impact of IFRS 16). This is primarily due to a continuing fall in the parent company Mail revenue, which is not offset by the Parcel profit growth or by the implementation of growth drivers;
- Geopost delivered an operating profit of €193 million, down €14 million or -7.5% compared with the end of June 2018 excluding the impact of IFRS 16. After adjustment for scope and exchange rate effects, and excluding the impact of IFRS 2016, profit was down by €15 million or -8.0%, with Brexit affecting the European market together with pressures on subcontracting costs;

⁶ At constant scope, exchange rates and methods.

- La Banque Postale business unit posted an operating profit of €492 million, representing a €54 million decrease compared to June 2018, due to a fall in NBI reflecting the influence of government measures taken at the end of 2018 and the low rate environment, and despite cost control efforts and a continued low cost of risk;
- Network posted an operating loss of €36 million at the end of June 2019, which was stable compared to June 2018, while continuing to impose cost controls;
- The Digital Services business unit recorded an operating loss of €5 million, down by €6 million after restatement for scope and exchange rate effects and excluding the impact of IFRS 16, due to a decline in traditional activities (Docaposte), as well as development and GDPR compliance costs.
- Other business segments:
 - Real Estate recorded an operating profit of €34 million, down €159 million, reflecting the proceeds of €168 million for the disposal of the La Boétie site in Paris in May 2018,
 - Supports and Structures, which recorded an operating loss of €73 million, reduced its deficit by €64 million due to continued pooling initiatives, combined with cost reduction efforts and reversals of provisions for end-of-career arrangements,
 - Expenses for the “Unallocated” segment increased by €10 million, primarily due to a rise in expenses related to end-of-career arrangements Group-wide.

2.3 Financial profit/(loss)

The financial loss, which represents a total expense of €124 million, improved by €2 million after restatement of interest expenses on lease liabilities pursuant to IFRS 16, applied for the first-time in 2019 (€34 million). Its change is characterised by an increase in the cost of net financial debt of €2 million (€5 million after restatement of interest expenses on finance leases under IAS 17) and a reduction of €4 million in the expense corresponding to other financial items.

2.4 Net profit

Net profit Group share at €474 million declined by €162 million compared to June 2018, a 25.5% decrease. After adjustment for scope and exchange rate effects, the net profit Group share fell by €168 million (26.4%).

The change in the net profit was characterised by a €266 million decrease in profit before tax, which amounted to €488 million, by a reduction in the tax expense of €92 million⁷, due to the reduction in profit before tax and heightened by the reduction in the income tax rate applicable to the Group (32.02% vs 34.43%), and by a rise of €1 million in the share of the profit of equity associates, including -€5 million from NinjaVan and +€5 million from CNP Assurances.

The share attributed to non-controlling interests of €9 million fell €11 million.

2.5 Change in net debt

Cumulative cash flows from operating activities and investment activities were positive at €341 million. Notwithstanding the impact of the application of IFRS 16 in 2019, that figure declined by €146 million compared to the first half of 2018, with an increase in cash flows from operating activities of €171 million, which did not offset the increase in outflows on investment activities (up by €317 million) resulting specifically from the absence of non-recurring disposals during the first half of 2019, while the Group had recorded €214 million in May 2018 for the sale of the ‘La Boétie’ site.

⁷ Details in Section 4.2 of this report.

The dividends paid (totalling €219 million) and the net financial interest paid for a total amount of €65 million, yielded net free cash flows of €57 million. Nevertheless, net debt rose by €326 million (€254 million excluding IFRS 16) after recording the increase in lease liabilities and the change in accrued interest not yet due. This increase in net debt combined with the €2,462 million impact of IFRS 16 application at 1 January 2019, brought the Group's net debt to €6,231 million.

2.6 Financial ratios

The net debt to equity ratio was 50.0% in 2019 published value and 29.3% excluding IFRS 16. Excluding the impact of IFRS 16 in 2019, it rose by 0.7 pt. as a result of an increase in net debt as restated.

3. Operating results by business segment

3.1 Summary of operating results by business segment

Segment reporting is presented in accordance with IFRS 8 – “Operating segments”.

A segment is a distinguishable component for which separate financial information is available and regularly reviewed by the Group’s Executive Management for the purpose of allocating resources and assessing performance.

The criteria used for defining operating segments specifically include: the nature of the products distributed, the customer type or category for whom they are intended, the production process, the distribution network and the regulatory environment. The definition of operating segments is based on Le Groupe La Poste’s current management structure.

Published 2019.06	Services- Parcels	Mail- GeoPost	La Postale	Banque	Digital services	La Network	Poste	Real estate	Support and Structures	Unallocated	Elim.	TOTAL
<i>(€ million)</i>												
External revenue & NBI	5,979	3,689	2,837		255	23		12	1	0		12,795
Intersegment revenue & NBI	143	41	13		84	1,875		402	555	0	-3,114	
Operating revenue	6,122	3,730	2,850		339	1,899		414	556	0	-3,114	12,795
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	289	193	492		-5	-23		34	-72	-323	-0	583
Share in results of joint ventures	0	1	0		0	-13		1	-0	0	0	-11
Operating profit/(loss) after share of net p/(l) of jointly controlled entities	289	193	492		-5	-36		34	-73	-323	-0	572
Operating margin (as a %)	4.7	5.2			-1.6			8.3				4.5
Segment proforma 2018.06												
<i>(€ million)</i>												
External revenue & NBI	5,627	3,446	2,914		234	13		11	0	0		12,246
Intersegment revenue & NBI	144	32	12		79	1,895		402	520	0	-3,082	
Operating revenue	5,771	3,478	2,926		313	1,908		412	520	0	-3,082	12,246
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	375	186	546		-1	-27		182	-137	-313	-0	812
Share in results of joint ventures	1	0	0		0	-9		2	-0	0	-0	-6
Operating profit/(loss) after share of net p/(l) of jointly controlled entities	376	186	546		-1	-36		184	-137	-313	0	806
Operating margin (as a %)	6.5	5.4			-0.4			44.7				6.6

The deployment of the *Servir le développement* programme was launched in January 2018. Its primary aim was to restructure and optimise the support functions, which has involved gradually repositioning the 12 support areas under the "Supports and Structures" scope. This took place primarily in January 2018, and more recently in July 2018 for real estate and January 2019 for general resources. In consequence, the operating results changed. "Supports and Structures" have been the main sectors impacted with a cross-entry on "Eliminations".

3.2 Services-Mail-Parcels

The Services-Mail-Parcels business unit includes:

- Mail business activities (pick-up, sorting, and delivery of correspondence, advertising and press publications);
- La Poste SA's Parcel business, which specialises both in deferred delivery and in the delivery of parcels under 30 kg to individuals, BtoC or CtoC in France and for export;
- Cross-border small parcel delivery solutions;
- The new local services (written driving licence tests, eco-mobility, energy renovation, etc.);
- Activities carried out by subsidiaries, operating in diverse markets: direct marketing (chiefly Mediapost and Sogec), data marketing (ISOSKELE), logistics and e-logistics solutions (essentially Viapost, STP and Neolog), the Silver Economy (Asten Santé, Tikeasy, Axeo, Veiller sur mes parents (Watch over my parents)), energy transition (Mobigreen, Recygo) and cross-border mail (Asendia, a fully consolidated subsidiary since October 2018, and its subsidiary wnDirect since January 2019, both international e-commerce delivery specialists).

(€ million)	2019.06	2018.06	Change		
		segment proforma	IFRS 16 2019 (in €M)	vs N-1 (excluding IFRS 16) (in €M)	(in %)
Revenue	6,122	5,771	+0	+351	+6.1
<i>non-Group revenue</i>	5,979	5,627	+0	+352	+6.2
Operating expenses	-5,833	-5,396	+4	-440	+8.2
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	289	375	+4	-89	-23.8
Share of net profit of jointly controlled entities	0	1	+0	-1	-98.7
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	289	376	+4	-90	-24.0
<i>Operating margin</i>	4.7%	6.5%		-1.8 pt	

3.2.1 Services and Mail business activity

At 30 June 2019 revenue totalled €5,238 million, representing a €316 million increase (+6.4%) compared to 30 June 2018. This increase includes a scope and exchange rate effect of +€444 million.

The decrease in mail delivery can be explained by the continued fall in traffic of -7.5% (or -€367 million) at equivalent working days. It forms part of a context of increasing streamlining and digitisation of traditional mail in the banking, public and telephony industries.

These reductions in traffic are partially offset by:

- the 4.9% ^aaverage price increase on 1 January 2019, with an estimated effect on traffic-generating revenue of +€180 million;

^a As a percentage of basic traffic-generating revenue

- the delivery of manifestos for European election candidates, representing increased revenue of €22 million compared with the first half of 2018;
- International flows, new services and the business activities of subsidiaries are driving growth:
 - Asendia's full consolidation in October 2018 generated revenue of €539 million (wnDirect included). Asendia, which supplies cross-border e-commerce logistics solutions (mail and small parcels), a steadily growing market, operates in 15 countries across Europe, North America and Asia. Its subsidiary, eShopworld, is a retail e-commerce operator;
 - International business, boosted by the 10.7% increase in imports of small parcels compared to the first half of 2018, grew by €13 million, supported by the growth in e-commerce;
 - New services grew by €7.5 million, including €3.5 million for Knowledge and Regional Cohesion, €2.1 million for energy transition and €1.8 million for the written driving licence tests, generating total revenue of €65 million at end June 2019;
 - The business of the advertising mail subsidiaries increased by €10 million, driven in particular Sogec's ticketing activity and the international subsidiaries, with a scope effect of -€0.2 million;
 - La Poste Silver's subsidiaries generated €84 million in revenue, an increase of €19 million with a scope effect of €18 million, mainly due to the acquisition of DiaDom in October 2018.

The logistics business was down by €7 million for logistics and e-logistics offerings.

3.2.2 Parcel business

Revenue at 30 June 2019 was €884 million, showing organic growth of €54 million (+6.3%).

The volume of parcels delivered grew by 9.6% at equivalent working days, totalling 168 million items, with a €50 million impact on revenue at equivalent working days. Volumes delivered break down as follows:

- 146 million BtoC items (+10.8%), driven by the growth of e-commerce, and, in particular, National Enterprise growth of 13.7 million items (+12.3% at equivalent working days) compared with June 2018. Pick-up and drop-off point deliveries continued their sharp rise with an increase of 2.3 million items (+18.9% at equivalent working days), and concern 10.4% of BtoC traffic. Home delivery remains the most popular delivery method in France with an increase of 10.1 million items (+11.0% at equivalent working days), or 75.8% of BtoC traffic;
- 17 million CtoC items, representing a decline of 1.3% at equivalent working days compared to June 2018. Action plans have been implemented to try to boost post office and online sales;
- 5 million items in import products, a 15.2% increase at equivalent working days.

The Mix/Price effect of -€5 million had a slightly unfavourable effect on revenue due to the continued decline in CtoC traffic, and strong growth in BtoC volumes, which increased by 9.9% in the first half.

At 30 June 2019 quality of service remained high, with an improvement in the two-day⁹ delivery rate compared to June 2018, at 94.3%.

Parcels are delivered to homes, post offices, public service areas or retail pick-up locations or Pickup lockers, as chosen by the recipient.

La Poste delivers over 9 out of 10 parcels to homes on the first delivery attempt by postmen/delivery staff, with 6.2% of parcels for which delivery is attempted at home taken to post offices for collection.

3.2.3 Operating profit/(loss)

Operating profit for the Services-Mail-Parcels business unit totalled €289 million at 30 June 2019, down by €90 million compared with the end of June 2018 (excluding the impact of IFRS 16), i.e. -24%. This fall is mostly due to the drop in Mail volumes, which was not offset by the €3 million increase in Parcel operating profit, or by the €9 million increase in the profits of subsidiaries, (including €8 million in scope and exchange rate effects).

3.3 GeoPost

GeoPost, a subsidiary of Le Groupe La Poste, covers deferred and express parcel operations in France and internationally under the following main trademarks: DPDgroup in European countries and internationally, Chronopost in France and Portugal, SEUR in Spain and Portugal, Jadlog in Brazil and Tigers for freight forwarding. The subsidiaries of this division have traditionally been involved in the business to business (BtoB) segments, and increasingly in business to consumer (BtoC) which accounted for 44.1% of volumes at the end of June 2019. As well as being an express delivery specialist, GeoPost is involved in urban logistics activities via the pick-up network, and the Stuart courier service in particular.

The effect of the acquisitions made in 2019 (new SEUR franchises) resulted in a positive scope effect on GeoPost's revenue of €2 million at the end of June 2019.

	2019.06	2018.06	Change		
			segment proforma	IFRS 16 2019	vs N-1 (excluding IFRS 16)
(€ million)			(in €M)	(in €M)	(in %)
Revenue	3,730	3,478	+0	+252	+7.2
<i>non-Group revenue</i>	3,689	3,446	+0	+242	+7.0
Operating expenses	-3,537	-3,292	-21	-266	+8.1
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	193	186	+21	-14	+7.7
Share of net profit of jointly controlled entities	1	0	+0	+0	n.s.
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	193	186	+21	-14	-7.5
<i>Operating margin</i>	5.2%	5.4%		-0.2 pt	

⁹ Two-day Colissimo delivery rate with domestic tracking

3.3.1 Slower growth in volumes and continuing pricing initiatives

GeoPost's revenue at the end of June 2019 was €3,730 million. It grew by €252 million (7.2%) compared to the end of June 2018. After adjustments for scope effect (+€2 million) and an unfavourable exchange rate effect (-€2 million, including €4.8 million on the pound sterling, -€3.3 million on the Polish zloty, -€2.4 million on the Brazilian real and -€2.3 million on the rouble), organic growth was €252 million, up 7.3%.

At the end of June, GeoPost had delivered 638 million parcels, reflecting an organic increase of 2.2% compared with the first half of 2018. Revenue growth was generated both by volume and mix, up €98 million (+2.8%) including an unfavourable working-day effect (-€20 million), and by a price increase of €64 million and €35 million in fuel surcharge.

- The United Kingdom reported revenue of €712 million, representing organic growth of 6.4% driven by a 4.7% increase in volumes, against a backdrop of a slowdown in household consumption and uncertainty over Brexit.
- in France, the increases in organic revenue of 6.1% for DPD France and 5.7% for Chronopost compared to June 2018 were driven both by the organic growth in volumes (+3.7% and +0.4% respectively) driven by BtoC growth and international flows, and also by price increases.
- With revenue of €904 million, Germany posted organic growth of 5.9% under the effect of price increases, offsetting a slight fall in volumes (-1.1%). Amazon remains strong with growth of 29.0%.
- Spain generated revenue of €230 million, representing an organic decline of 2.8% due to a slowdown on its domestic market. This included a decline in Amazon flows, offset by price increases.
- Benelux revenue, which amounted to €225 million, saw strong organic growth of 14.3%, driven by an 11.5% increase in volumes as a result of a dynamic international market (18% growth in Belux);
- Russia's revenue of €89 million saw a decrease of 8.2% in organic terms, reflecting commercial development issues, causing volumes to drop by 6.2%.
- In Poland, revenue of €228 million comprised organic growth of 17.1%, under the effect of price increases and growth in volumes of 8.0%, which was driven by B2C.
- The business activity of Tigers in a highly competitive freight market, saw revenue of €131 million, an organic increase of 9.8%, notably thanks to the logistics business activity.
- New urban services posted revenue of €24 million, up €19 million, primarily driven by the development of Stuart in the United Kingdom.

3.3.2 Operating profit/(loss)

Operating profit, including GeoPost's share of the net profit of jointly controlled entities, totalled €193 million at the end of June 2019. Adjusted for scope and exchange rate effects of €1 million, and for IFRS 16 effects of €21 million, the operating profit was down €15 million compared with the end of June 2018 (-8.0%).

This result should be viewed in the context of Brexit impacting on the European market, major tensions regarding the cost of subcontracting, difficulties in Russia, the rollout of urban logistics activities and an unfavourable working-day effect in the half year.

3.4 La Banque Postale

This business segment includes La Banque Postale, its subsidiaries, and the Shared Resources division formed between La Poste and La Banque Postale that is governed by a cost-sharing agreement. All expenses relating to the Shared Resources division, which mainly consist of the costs of La Poste staff working exclusively for La Banque Postale, are re-billed at cost to La Banque Postale.

3.4.1 Commercial activities

In the first half of 2019, La Banque Postale continued its strategy to develop all customer segments. In a particularly challenging environment, this approach has enabled outstanding savings to increase to €322.5 billion (a €6.0 billion increase compared to 2018, or +1.9%).

	2019.06	2018.06	Change	
(savings outstandings in € billion)			(in €bn)	(in %)
Sight deposits	69.5	64.6	+4.8	+7.5
Ordinary savings	83.6	82.4	+1.2	+1.5
Livret A passbook savings accounts	62.0	61.0	+1.0	+1.6
LEP savings accounts	6.9	7.3	-0.4	-5.8
Sustainable development savings accounts (LDD)	8.0	7.7	+0.3	+4.3
Other savings accounts	6.8	6.4	+0.3	+5.0
Home savings	31.6	31.9	-0.3	-1.1
UCITS ^(a)	10.3	10.5	-0.2	-1.8
Life insurance ^(a)	126.5	125.4	+1.1	+0.9
Other ^(b)	0.9	1.5	-0.6	-38.9
CUSTOMER SAVINGS	322.5	316.5	+6.0	+1.9

(a) Products distributed by the network of La Banque Postale and its subsidiaries.

(b) Term deposits and PEP savings plans.

While sight deposits continued to enjoy robust inflows, with outstanding volumes up €4.8 billion year on year (+7.5%), ordinary savings also contributed to this increase, i.e. +€1.2 billion (+1.5%). The Livret A passbook savings account, for which the rate has been unchanged at 0.75% since 1 August 2015, experienced renewed popularity, with savers taking advantage of measures to boost household purchasing power.

La Banque Postale's life insurance outstandings amounted to €126.5 billion, an increase of €1.1 billion (+0.9%) compared with June 2018. Commercial momentum was strong, with gross inflows up 11% to €6 billion.

UCITS outstandings fell slightly by 1.8% to €10.3 billion.

The decline in outstanding home savings to €31.6 billion (-1.1% compared with June 2018) was due to the less attractive nature of new home savings plans, whose rate has been 1.0% since 1 August 2016. Moreover, Home Savings Plans (PEL) open since 1 January 2018 are subject to the single lump-sum deduction of 30%, and no longer offer any premium from the French State.

Within outstanding savings of La Banque Postale, those of BPE private banking stand at €9.2 billion and have risen by 9.6%, as a result of the growth in life insurance outstandings and banking savings. This trend reflects La Banque Postale's development among high net worth customers.

Through the significant increase in its outstanding customer loans, +14.5% over a year to €98.7 billion, La Banque Postale showed its determination to win market share.

	2019.06	2018.06	Change	
<i>(outstanding loans in € billion)</i>			<i>(in €bn)</i>	<i>(in %)</i>
Home loans ^(a)	61.8	59.0	+2.8	+4.7
Consumer loans	5.0	4.8	+0.2	+3.2
Other loans ^(b)	2.0	0.4	+1.6	n.s.
Loans to legal entities ^(c)	29.9	21.9	+8.0	+36.3
CUSTOMER LOANS	98.7	86.2	+12.5	+14.5

(a) Excluding repurchases of Dutch loan portfolios.

(b) Overdrawn sight deposits and amounts owed on bank cards.

(c) Companies, social housing associations, non-profits and local authorities.

During the first half, €5.6 billion in Home loans was issued by La Banque Postale and its subsidiaries (BPE and SOFIAP), up 23% compared with June 2018, in a context of historically low interest rates and market stabilisation in terms of loan repurchases and renegotiations.

The growth in consumer loans, managed by La Banque Postale Financement, was maintained in a market which remains promising despite a consumer slowdown, increasing outstandings to €5.0 billion (a 3.2% rise compared with June 2018). Sales via the Internet or the remote platform remained high and represented 38% of the production of personal loans at end June 2019.

Committed to supporting regional development and the real economy, La Banque Postale finances the local public sector and companies. This business activity has experienced strong growth since its launch and this was confirmed in the first half of 2019 with the amount outstanding increasing by 36.3% over a one-year rolling period to reach €29.9 billion, thus consolidating La Banque Postale's position as the number one lender to local authorities. These amounts include €4.8 billion from factoring, with La Banque Postale actively expanding its range of specialised business loans. Lastly, it should be noted that growth in customer loans was reduced by the sale of €3.6 billion in outstanding loans to *Caisse Française de Financement Local* over the period July 2018 to June 2019, in line with the business model adopted when La Banque Postale entered the local public sector market.

3.4.2 Operating performance

La Banque Postale's Net Banking Income (NBI) amounted to €2,850 million at the end of June 2019, a decrease of €76 million, or -2.6% compared to end June 2018, and this despite the current very low interest rates and the impact of government measures.

	2019.06	2018.06	Change	
(€ million)			(in €M)	(in %)
Asset Management	74	74	-1	-0.7
Insurance	180	145	+35	+24.2
Retail banking	2,596	2,707	-111	-4.1
<i>Net interest margin</i>	1,467	1,553	-86	-5.5
<i>Commissions</i>	1,148	1,172	-24	-2.1
<i>Other income and expenses</i>	-19	-18	-1	+3.4
NET BANKING INCOME	2,850	2,926	-76	-2.6

The NBI of the Asset Management Division, amounting to €74 million, was down by -€1 million compared with June 2018. The division recorded a slight decrease of -0.7% of its NBI due to the negative market impact at the end of 2018 and inflows below target in the second half of 2018.

Assets under management, comprising those of La Banque Postale Asset Management and Tocqueville Finance, and the division's outstandings distributed (Kames Funds and Dutch Mortgages) totalled €230.1 billion at the end of June 2019, an increase of 2.6% over the period. This growth in assets under management resulted from both an inflow effect (+€0.4 billion) and a market effect (+€5.4 billion).

At €180 million, NBI for the Insurance Division grew by 24.2% in the first half of 2019. The non-life insurance portfolio now amounts to €4,628 million policies, a slight rise of 0.4%, with the property and casualty insurance portfolio increasing by 3.8%.

After restating the home savings provision, NBI for the Retail Banking Division fell by 4.6% compared to June 2018 (-€123 million).

The net interest margin (NIM) thus restated decreased by 6% to €1,439 million, given the continuing low rate environment. Therefore, in comparison with June 2018, long-term rates have fallen by more than 40 cents, with a downwards impact on home loan yields of 18 cents over the period.

Commissions fell by €24 million (-2.1%), reflecting the influence of government measures. Therefore, the capping of incidental costs for financially vulnerable customers had an unfavourable impact on NBI of nearly €39 million in the first half of 2019.

(€ million)	2019.06	2018.06	Change		
			IFRS 16 (in €M)	vs N-1 (excluding IFRS 16) (in €M)	(in %)
Net banking income	2,850	2,926	+0	-76	-2.6
Management expenses	-2,316	-2,330	-0	+15	-0.6
Gross operating profit/(loss)	534	596	+0	-62	-10.4
Cost of risk	-41	-49	+0	+8	-15.7
Gains and losses on other assets	0	0	+0	-0	+13.7
OPERATING PROFIT/(LOSS)	492	546	+0	-54	-9.9
LBP cost income ratio	83.2%	81.4%			1.8 pts

La Banque Postale's operating expenses decreased by -0.6% compared to June 2018 and totalled -€2,316 million, reflecting constant efforts to rein in expenses while continuing its transformation programme and developing its subsidiaries, involving major investments.

The business unit's gross operating income was €534 million, a decrease of -10.4%. La Banque Postale's cost to income ratio amounted to 83.2%.

The cost of risk, at €41 million, is lower than the level of June 2018 (-€8 million), and includes the impact of safeguard measures for the Casino group. As a proportion of outstanding loans, it remained a very low 7.2 basis points¹⁰.

La Banque Postale's operating profit amounted to €492 million, a decrease of 9.9% compared to June 2018.

3.4.3 Financial structure

La Banque Postale has a solid financial structure with a Common Equity Tier 1 ratio fully loaded of 12.7% at 30 June 2019 (up 1.0 points compared to December 2018), much higher than the minimum SREP requirement of 9%¹¹ set by the European Central Bank and applicable as from 1 January 2019. This change stems from the positive impact of the conversion into shares in the half year of AT1 bonds worth €800 million, issued in 2013 and fully held by La Poste.

The total capital ratio was 15.8% versus 16.2% in December 2018, down 0.4 point.

The leverage ratio at the end of June 2019 was 3.8%¹², pursuant to the European Central Bank's decision in May 2019. Excluding centralised savings held by Caisse des Dépôts¹³, it was 4.3%.

The liquidity position of the balance sheet remains above the regulatory requirements and translates into a loan to deposit ratio of 85.2%, down 1.2 points, and a liquidity coverage ratio (LCR) estimated at 170% (short-term liquidity), compared to 145% at 31 December 2018.

¹⁰ The commercial bank's cost of credit risk in relation to outstanding amounts at the beginning of the period.

¹¹ This figure includes full CCB and O-SIB buffers. As at 1 January 2018 the requirement is 8.313% taking into account the gradual integration of these buffers.

¹² The Bank's leverage ratio, pursuant to the European Central Bank's decision of May 2019, was calculated excluding 50% of centralised savings.

¹³ In accordance with the delegated act published by the European Commission on 10 October 2014.

3.5 La Poste Network

La Poste Network distributes to retail customers the products and services of Le Groupe La Poste (La Poste Network parent company) and of the La Poste Telecom subsidiary (corresponding to the line “Share of net profit/(loss) of jointly controlled entities”) marketing its offering under the “La Poste Mobile” brand.

(€ million)	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs N-1 (excluding IFRS 16) (in €M)	(in %)
Revenue	1,899	1,908	+0	-10	-0.5
Operating expenses	-1,922	-1,935	+0	+13	-0.7
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	-23	-27	+0	+3	-12.6
Share of net profit of jointly controlled entities	-13	-9	+0	-3	+36.6
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	-36	-36	+0	-0	+0

Revenue represents internal billing for services provided by La Poste Network on behalf of the other business units. It is governed by service agreements such as:

- service agreements based on operating indicators (revenue, number of items handled) with the Services-Mail-Parcels business unit and GeoPost (Chronopost);
- for La Banque Postale, service agreements based on transactions processed at the counters and charged based on actual costs for the banking advisory line integrated into the Network (e.g. financial advisers, specialised real estate advisers, etc.);
- the transfer of costs related to the universal postal service and regional planning and development missions, as well as transitional costs (including end-of-career benefits), to the “Unallocated” segment.

3.5.1 La Poste Network

Faced with changes in society and in its customers' needs, La Poste is transforming and adapting to new ways of life, so that it can offer more services and local presence. La Poste Network benefits from an organisation with 17,373 retail outlets, comprising 8,042 post offices and 9,331 partnerships (La Poste local postal agencies and La Poste Relais outlets). Thanks to this Network, La Poste is able to meet all the specific needs of customers throughout France. The Network is constantly investing and modernising its post offices at a brisk pace.

The projects initiated in recent years are described below:

- A commercial banking efficiency action plan including:
 - constantly increasing the empowerment of advisors and managers dealing with customers,
 - a 300,000 days/person training programme led by *École de la banque et du réseau* (EBR),
 - an additional step in the rollout of the Cap Client 3.0 customer relationship management tool to banking advisors with the aim of facilitating end-to-end customer support,

- more stringent quality benchmarks for remote customer relations , with the "Fil Contact" call centre solution;
- Working in synergy with the Mail-Parcels business unit, 244 players from the Network and Mail market areas work closely with individual and business customers. New segmentation was introduced in the first half year to better address the specific needs of business customers. .
- La Poste makes full use of digital resources in its customer pathways. In particular, it has introduced digital communication facilities in 1,600 post offices, with 2,500 screens used to promote the Group's offers and services, free WiFi hotspots in 750 post offices (including 501 public service areas) and equipping its customer service managers with smartphones, a tool for rapidly dealing with customers. Modernisation is also underway in the partner networks, with self-service access to tablets in most La Poste local postal agencies, for example;
- New formats are being rolled out with a view to providing personalised services which meet customer expectations:
 - in rural areas, La Poste is maintaining its presence, thanks in particular to 501 public service areas and 955 postmen-counter clerks. Within the public service areas, people are assisted in the administrative procedures to access the digital services of the main social service providers (Pôle Emploi, CAF, etc.). In this way, La Poste is contributing to local development in areas with low populations and the sustainability of social links in rural areas,
 - in urban environments, in collaboration with town councils, coverage by La Poste's outlets is tailored to the needs of town and city dwellers: 1,095 La Poste Relais urban areas with more than 2,000 inhabitants and the continuation of cooperation projects with major national chains. Moreover, La Poste is testing innovative targeted offers for specific catchment areas (for young people in student areas, travellers in the Paris airports and tourists in high-potential areas,
 - in towns with more than 10,000 inhabitants, the transformation of post offices into Expert format (increased commercial presence in areas with high banking potential) continued: 842 such formats were in place at the end of June 2019 (680 of which were in towns/cities with more than 50,000 inhabitants),
 - at the same time, La Poste is acting to counter digital poverty by rolling out a digital social inclusion plan in 300 post offices.

Thanks to its adaptation plans, the Network, reduced its operating costs by 0.7% compared to the first half of 2018, which continues to directly benefit the Group's business units by reducing the invoicing linked to their use of the Network.

3.5.2 La Poste Mobile

Created in 2011, La Poste Telecom is a joint venture in which Le Groupe La Poste has a 51% stake and SFR the remaining 49%. La Poste Mobile has positioned itself as a physical network operator offering a wide range of fixed line and mobile telephony services, a quality local service and a responsive after-sales service.

In the first half of 2019, La Poste Mobile continued its sales growth strategy, launching two time-limited marketing campaigns for a 60 GB package for less than €10 “for life”, for retail customers. Sales of plans of more than 20 GB now account for 50% of La Poste Mobile’s sales.

This new commercial strategy enabled La Poste Mobile to acquire 307,000 customers (including prepaid customers), 256,000 of which were new subscribers during the half-year. Net subscription sales (after terminations) totalled 85,000. The total subscription and pre-paid customer base rose 6% over the half-year to 1.6 million customers, including 1.5 million subscription customers.

In addition to the mobile telephony offer, La Poste Mobile continued to broaden its fixed telephony range by launching an ADSL offer for professionals on 15 April 2019. The expansion of the fixed range enabled La Poste Mobile to increase fixed telephony sales by 78% compared with June 2018.

3.6 Digital services

The Digital Services business unit is made up of two divisions: the first division develops commercial activities through its subsidiaries specialised in digital services, Docaposte and Mediapost Communication, as well as the Laposte.fr e-commerce website; the second division drives the deployment of the Group’s digital strategy, in particular the Group’s modernisation and digital transformation, in close connection with the other divisions.

The commercial activities division is organised around:

- Docaposte, operator of physical and digital services, specialist in supporting digital transitions. The share of its digital activities (53% at end June 2019) is steadily increasing;
- Mediapost Communication, a specialist in data processing and artificial intelligence;
- the e-commerce website laposte.fr developing the online revenue of postage products (mail, parcels) and service offers (forwarding, electronic registered mail, etc.).

On behalf of the Group, the modernisation and transformation division ensures:

- the modernisation of internal and customer processes, especially via digitisation;
- transformation, through the development of new services centred around the end customer, in particular in regards to customer knowledge and innovation projects;
- La Poste’s position as a trusted third party in the digital world: Digiposte, Digital Identity, e-health.

(€ million)	2019.06	2018.06	Change		
		segment proforma	IFRS 16 2019 (in €M)	vs N-1 (excluding IFRS 16) (in €M)	(in %)
Revenue	339	313	+0	26	+8.4
<i>non-Group revenue</i>	255	234	+0	+21	+8.9
Operating expenses	-345	-314	+0	-31	+9.8
OPERATING PROFIT/(LOSS)	-5	-1	+0	-5	n.s.
<i>Operating margin</i>	<i>-1.6%</i>	<i>-0.4%</i>		<i>-1.2 pt</i>	

3.6.1 Revenue

At the end of June 2019, revenue totalled €339 million (€306 million for the Commercial Activities division and €34 million for the Transformation and Innovation division), an increase of €26 million or 8.4% compared with the end

of June 2018. Adjusted for positive scope and foreign exchange effects of +€12 million, organic revenue rose by €14 million.

The revenue of the Commercial Activities division increased by 22 million:

- Docapost's revenue came to €261 million at the end of June 2019, up €15 million (+6.3%) compared to the end of June 2018. The acquisitions made in 2018 (Voxaly) and in 2019 (Brains) contributed €7 million to this growth. Excluding the scope effect, Docapost experienced organic growth of €8.4 million compared with June 2018, driven primarily by the development of digital activities;
- the revenue of the Mediapost Communication division totalled €19 million, up €3 million (+20.2%) compared with the end of June 2018. The scope effect of the acquisition of Markeshot in January 2019, and the Média Prisme BE (December 2018) and Société (January 2019) disposals accounted for €5 million of this amount. Revenue is stable, excluding the impact of ceasing Mediaprisme SAS's activity;
- the increase in revenues from laposte.fr was due in part to increased sales (up 9.2%), and in part to internal billings (up €1.0 million for additional IT developments on the website).

The revenue of the Transformation and Innovation division grew by €5 million. It develops cross-functional projects on behalf of the Group, the internal billings of which were up €3.9 million. In addition, the revenue of the Digital Trust division grew by €1 million, in line with the growth in Digiposte customers.

3.6.2 Operating profit/(loss)

Operating profit for the Digital Services business unit at the end of June 2019 was down €5 million (excluding the IFRS 16 impact) compared with the end of June 2018, €2 million of which was due to scope and exchange rate effects. This fall, which was primarily identified by Docaposte, is due to a decline in traditional activities, costs incurred for digital transformation and e-health projects, and infrastructure security and GDPR compliance costs.

3.7 Other Segments

3.7.1 Real Estate

The Real Estate segment includes the Poste Immo subsidiary and the Real Estate Department of the La Poste parent company.

	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs N-1 (excluding IFRS 16) (in €M)	(in %)
(€ million)					
Revenue	414	412	+0	+2	+0.5
<i>non-Group revenue</i>	12	11	+0	+1	+12.3
Current operating expenses	-385	-393	-9	-1	+0.2
Gains/(losses) on disposals	4	164	+0	-159	-97.3
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	34	182	+9	-158	-86.6
Share of net profit of jointly controlled entities	1	2	+0	-1	-58.6
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	34	184	+9	-159	-86.3
<i>Operating margin</i>	8.3%	44.7%			-36.4 pt

Revenue from Real Estate amounted to €414 million, up €2 million, i.e. +0.5% compared to the end of June 2018, due to increased external revenue (€1 million) as a result of the rise in rents to external third parties, notably Startway (offices and co-working spaces).

The operating profit/(loss), after share of profit of jointly controlled entities, amounted to €34 million, down, excluding the impact of IFRS 16, by €159 million compared with end of June 2018, generated essentially by the

€168 million in proceeds from the disposal of the “La Boétie” site in May 2018.

3.7.2 Shared Services

The Supports and Structures segment includes headquarters costs and the Support Departments (mainly vehicle fleet management, pooled services centres (IT, HR, Accounting, Legal, Purchasing, etc.) social and supply operations) that rebill the Group’s other business units for costs incurred.

(€ million)	2019.06	2018.06	Change		
			IFRS 16 2019 vs N-1 (excluding IFRS 16)		
			(in €M)	(in €M)	(in %)
Revenue	556	520	+0	+35	+6.8
Operating expenses	-628	-657	+0	+29	-4.4
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	-72	-137	+0	+64	-46.9
Share of net profit of jointly controlled entities	0	0	+0	+0	-84.7
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	-73	-137	+0	+64	-46.9

Operating income totalled € 556 million at end-June 2019, of which € 536 million in intercompany revenue resulting from the billing of services provided to other business units by support functions and the headquarters’ “billing” service centres (such as the Village La Poste fixed hosting fee). In addition, €18 million in Group head office expenses were incurred by the subsidiaries (management fees).

The increase in operating income of €35 million stems from the continuing pooling (mainly general resources, which took place on 1 January 2019), while the reduction in operating expenses of €29 million reflects cost reduction efforts and the impact of the “*Servir le développement*” project, and the reversal of provisions for end-of-career benefits.

3.7.3 Unallocated expenses

(€ million)	2019.06	2018.06	Change	
			vs N-1	
			(in €M)	(in %)
Net cost of regional postal presence	-250	-259	+9	-3.3
Other operating expenses	-73	-54	-19	+35.2
OPERATING PROFIT/(LOSS)	-323	-313	-10	+3.3

The “Unallocated” segment includes the costs of the universal postal service accessibility mission, the costs of the regional planning mission, the corresponding local tax allowance and, lastly, the costs associated with end-of-career benefits that are considered to be Group cross-entity costs and which are therefore not allocated to the business units.

The €10 million drop in profit is due in particular to the increase in expenses related to end-of-career benefits (an increase in the number of members).

4. Other key aggregates of the income statement

4.1 Financial profit/(loss)

	Period ended 30 June				
	2019.06	2018.06		Change	
(€ million)			IFRS 16 2019	vs n-1 (in €M)	(in %)
Net interest expense	-112	-77	-34	-1	+1.5
Change in "fair value" including debt credit spread	-3	-3	0	-0	+14.5
Cost of net financial debt	-116	-80	-34	-2	+1.9
Other financial items	-8	-12	0	+4	-31.7
FINANCIAL PROFIT/(LOSS)	-124	-92		+2	-2.5

The financial profit/ (loss) improved by €2 million in 2018 after restatement of interest expenses on lease liabilities pursuant to IFRS 16, applied for the first time in 2019 and amounting to €34 million. It represented a total loss of €124 million, with a €2 million increase in the net borrowing cost, excluding IFRS 16 2019, offset by a decrease of €4 million in other financial items.

The net interest expense, at -€112 million, was mainly stable (up €1 million) after restatement of the 2019 interest expenses on lease liabilities. The restatement of the 2018 interest expense on finance leases restated under IAS 17 would result in a €5 million increase in net interest expenses. The change in fair value in 2019 of the fair value option debt and the derivatives backed by this debt, which corresponded to a charge of €3 million in the first half year, was stable compared to the first half of 2018.

Other financial items (€8 million expense in the first half of 2019), fell by €4 million compared with 2018. These are essentially the accretion expense on social debt (expense of €7 million, a €3 million decrease) and other financial income and expenses, which were almost stable compared to the first half of 2018.

4.2 Net profit/(loss), Group share

	Period ended 30 June				
	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)
(€ million)					
Operating revenue	12,795	12,246	+0	+549	+4.5
Operating expenses	-12,212	-11,435	+35	-812	+7.1
Operating profit/(loss)	583	812	+35	-263	-32.4
Share in profits of jointly controlled entities	-11	-6	+0	-5	+82.9
Operating profit after share of net profit/(loss) of jointly controlled entities	572	806	+35	-268	-33.3
Financial profit/(loss)	-124	-92	-34	+2	-2.5
Profit/(loss) before tax	448	714	0	-266	-37.3
Income tax	-108	-200	-0	+92	-45.9
Share in profits of associates	143	142	-0	+1	+0.9
CONSOLIDATED NET PROFIT/(LOSS)	483	656	0	-173	-26.4
Net profit/(loss), Group share	474	636	0	-162	-25.5
Non-controlling interests	9	20	+0	-11	-52.9

Net profit Group share stood at €474 million at the end of June 2019, down €162 million compared with June 2018 excluding IFRS 16. This change is primarily due to the €268 million slump in operating profit (excluding IFRS 16) after share of net profit of jointly controlled entities, and a €92 million decrease in the Group's tax expense, to €108 million. The decrease in the Group's tax expense, which is mainly due to the fall in profit before tax, was strengthened by the reduction in income tax rates applicable to the Group (32.02% compared to 34.43%).

The share of the profit of equity associates was up by €1 million, including -€5 million from Ninja Van, which was consolidated from 2018 following a 32.27% equity investment and +€5 million from the contribution of CNP Assurances, in which the Group holds 20.15% (or a share of 2019 first half profit of €129 million). The share of the profit of BRT, in which the Group holds 37.5% since January 2017, was €15 million. It fell €2 million in the first half of 2019.

5. Debt and financial strength

The tables below are set out so as to present both the banking activities and the industrial and commercial activities within the same group, while providing a more economic view of their respective contribution to Group cash flows.

As Group parent company, La Poste provides funding for industrial and commercial operations and equity for La Banque Postale. As such, La Banque Postale, although fully consolidated, is considered based on the dividends it distributes to its parent company, which are considered as Group cash flows, once all minimum regulatory equity requirements are met.

Consequently, Group net debt does not directly take into account La Banque Postale, for which this concept is not relevant. Group net debt thus varies largely according to the following:

- the ability of the industrial and commercial activities to generate surplus net free cash flows (EBITDA, changes in working capital, capital expenditure and potential external growth);
- dividends paid by La Banque Postale to La Poste (including coupons for AT1 hybrid securities) or from equity associates and, in return, potential capital increases in these entities;
- the corporate tax expense resulting from the tax group set up between La Poste and its subsidiaries;
- la Poste's cost of capital employed, based on interest paid on net debt and dividends paid out to its shareholders.

5.1 Change in Net Debt

5.1.1 Cash flows from operating activities

Excluding IFRS 16, cash flows from operating activities increased by €171 million.

	Period ended 30 June				
	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)
(€ million)					
EBITDA (excluding banking activities)	519	355	294	-129	-36.5
Dividends received from LBP and equity associates	365	354	0	+11	+3.0
Change in working capital requirement	-337	-211	-7	-118	+56.0
CICE generated during the period	0	-161	0	+160	-99.8
Taxes paid (net of CICE deducted and monetised)	318	72	0	+246	n.s.
Other cash flows from operating activities	-12	-13	0	+1	-7.6
CASH FLOWS FROM OPERATING ACTIVITIES	853	396	286	+171	+43.0

EBITDA excluding banking activities declined €129 million, excluding IFRS 16, compared to the end of June 2018, to €519 million.

This decrease in EBITDA excluding banking activities is primarily due to a €121 million decrease in the Services-Mail-Parcels business unit, which continued to suffer from decreasing mail volumes, which were not offset by an increase in the profits of Parcels and the implementation of growth drivers, and to a €20 million decrease for GeoPost.

The CICE generated during the period, which was included in EBITDA and subsequently neutralised in the cash flows from operating activities, had a favourable impact of €160 million, due to the transformation in 2019 of the CICE to lessen expenses included in the working capital requirement. However, the change in the working capital requirement, which represented cash outflows of €337 million in 2019 had an unfavourable impact of €118 million compared to the first half of 2018.

Dividends received from La Banque Postale and from equity associates increased overall by €11 million, primarily due to dividends and ATI coupons received from La Banque Postale (€356 million instead of €344 million received in 2018).

The net flow of taxes and CICE recognised and monetised totalled €318 million at end-June 2019, and comprised:

- €13 million in taxes paid. It was a negative variance of €27 million compared to June 2018;
- the CICE credited against tax and monetised in the amount of €331 million, generating a favourable impact of €273 million compared with the end of June 2018, following the monetisation of the available balance of the CICE (CICE generated in 2018).

5.1.2 Cash flows from investing activities excluding banking activities

Net non-banking investment outflows amounted to €513 million at 30 June 2019, resulting in cash outflows of €317 million more than in the first half of 2018, with flows on asset disposals down €226 million due to the sale of the "La Boétie" site in May 2018 for €214 million, purchases of property, plant and equipment and intangible assets up €68 million, and subsidiary acquisitions up €21 million compared with the first half of 2018.

	Period ended 30 June			
	2019.06	2018.06	Change	
(€ million)			vs n-1 (in €M)	(in %)
Purchases of intangible assets, and property, plant and equipment	-503	-435	-68	+15.7
Purchases of financial assets	-70	-65	-5	+7.7
Asset disposals	91	317	-226	-71.2
Subsidiary acquisitions, less cash acquired	-33	-12	-21	n.s.
Subsidiary disposals, less any disposals of cash	3	-1	+4	n.s.
CASH FLOWS FROM INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	-513	-196	-317	n.s.

5.1.2.1 Purchase of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets amounted to €503 million for the first half of 2019, representing a rise of €68 million compared to June 2018. The rise included €50 million of investments made in the first half, relating mostly to the expenses committed by GeoPost and Véhiposte, together with the unfavourable impact of €18 million on the change in the amounts due to non-current asset suppliers, which at the end of June 2019 stood at €71 million.

Purchases of property, plant and equipment and intangible assets broken down by business unit are shown below:

	Period ended 30 June			
	2019.06	2018.06	Change	
		segment proforma	vs n-1	
(€ million)			(in €M)	(in %)
Services-Mail-Parcels	-112	-103	-9	+8.7
GeoPost	-112	-91	-21	+23.1
La Poste Network	-16	-17	+1	-3.5
Digital services	-36	-34	-2	+5.9
Real estate	-147	-138	-9	+6.8
Support & Other	-80	-52	-28	+52.6
Purchase of property, plant and equipment and intangible assets	-503	-435	-68	+15.7
Change in non-current asset accounts payable	71	-52	+18	+35.3
INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	-433	-383	-50	+13.0

Investments concern:

- the Services-Mail-Parcels business unit: €112 million in purchases, an increase of €9 million compared with the end of June 2018, which reflects the continued roll-out of the industrial and IT master plan:
 - Mail parent company: €63 million at end June 2019, a €3 million fall with a favourable impact of €6 million on the change in amounts due to non-current asset suppliers. Annual investments related to changes in information systems (Score service and customer knowledge) and implementation of the industry and international master plans,
 - Parcels: €16 million, an €8 million increase compared with end June 2018, with an unfavourable impact of €4 million from the change in amounts due to non-current asset suppliers. Investments to end June 2019 mainly concerned two new Parcel platforms in the Haut de France and Alps regions as part of the master plan project,
 - Mail Subsidiaries: €33 million, up €5 million compared to the end of June 2018. This rise is mainly due to the scope effect on Asendia, which was consolidated in October 2018;
- GeoPost: €112 million, a €21 million increase compared to June 2018. The main projects in 2019 included the investments in the DPD France IDF Hub 2021 (€15 million), Hub 5 in the United Kingdom (€6.9 million) and IT projects in Germany;
- Network: €16 million in acquisitions, a decrease of €1 million. €10 million were invested in IT/machines/safety for the Support and Maintenance Department (DSEM);
- Digital Services: €36 million, a €2 million increase compared to June 2018. Most of the investments (€21 million) were in Digital Services with support for the growth of Laposte.fr, and the development of the cross-entity customer knowledge project;
- Real Estate: €147 million in acquisitions, a €9 million increase compared with June 2018, with a €7 million favourable impact on the change in amounts owed to non-current asset suppliers and a €16 million rise in investments. Owner maintenance and value-enhancement programmes now account for around 65% of investments, 35% enabling Poste Immo to support the business units in their projects;

- Support and other: €80 million, a €28 million increase, of which €25 million in respect of vehicle purchases (€67 million in acquisitions in the first half).

Finance leases are not taken into account in this table, in accordance with IAS 7.

5.1.2.2 **Purchases of financial assets**

Purchases of financial assets (security deposits and equity investments) do not include "Cash investments of more than three months" (€445 million and €600 million, respectively, at end-June 2019 and at end-June 2018). Purchases of financial assets made at the end of June 2019 totalled €70 million, up €5 million compared with the end of June 2018.

Flows on financial assets purchased in the first half of 2019 by La Poste parent company (€23 million) mainly consisted of the financing of La Poste Mobile by La Poste SA, comprising a €20.4 million capital increase. Flows of purchases of financial assets made at the end of June 2019 by subsidiaries excluding banking activities amounted to €47 million, including €29 million for GeoPost (convertible loan for Ninja Van for €25.6 million, €7 million for mail subsidiaries (acquisition of non-consolidated shares for €5 million) and €7 million for real estate (€6.5 million capital increase for Arkadea).

5.1.2.3 **Acquisitions and external growth**

At the end of June 2019, less acquired cash and cash equivalents, acquisitions amounted to €33 million excluding banking activities.

Following the acquisition of Brains and Marketshot, the Digital Services business unit posted a total of €29 million in acquisitions in the first half.

The Services-Mail-Parcels business unit also engaged in external growth acquisitions for an amount net of cash flows acquired of €5 million, corresponding to the acquisition of DMC Santé.

5.1.2.4 **Asset disposals**

Asset disposals amounted to €91 million at the end of June 2019, a fall of €226 million compared with the first half of 2018, including a €6 million increase for the disposal of financial assets and a €232 million decrease for the disposal of industrial assets. Asset disposals notably covered sales of Group vehicles (€11 million) and disposals of buildings from La Poste's real estate portfolio in the amount of €22 million, a decrease of €256 million compared with June 2018, resulting primarily from the sale of the "La Boétie" building (€214 million in May 2018).

5.1.3 Free cash flow

The free cash flow indicator provides a measure of the cash generated by the Group before distribution of dividends and financing of external growth operations.

The indicators used in calculating free cash flow are detailed in the table below.

	Period ended 30 June				
	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)
(€ million)					
EBITDA	519	355	294	-129	-36,5
Dividends received from equity associates	336	354	0	-18	-5,2
HR provisions excluding end-of-career benefits	28	16	0	+12	+77,7
Change in WCR	-337	-211	-7	-118	+56,0
Purchases of property, plant and equipment and intangible assets	-503	-435	0	-68	+15,7
Disposals of property, plant and equipment and intangible assets	59	291	0	-232	-79,7
Net interest paid (excluding IFRS 16)	-31	-31	0	-0	+0,0
ATI coupons received	29	0	0	+29	-
Income tax	-13	14	0	-27	n.s.
CICE deducted	331	58	0	+273	n.s.
CICE generated	0	-161	0	+160	-99,8
Repayment of lease liabilities	-252	0	-252	+0	-
Interest expense on lease liabilities	-34	0	-34	+0	-
FREE CASH FLOW	132	250	0	-118	-47,3

Free cash flow generated by the Group at end-June 2019 was €132 million, with a change of -€337 million in working capital requirements, offset overall by the net CICE balance deducted and monetised (€331 million).

Compared to the first half of 2018, it fell by €118 million, with, in particular, the negative impact of a change in working capital requirements of €118 million and income from the disposal of tangible and intangible assets down by €232 million, due to the absence of non-recurring disposals during the first half of 2019 (sale of La Boétie in 2018 for €214 million).

5.1.4 Change in net debt

The Group's net debt increased by €2,789 million in the first half of 2019, from €3,442 million to €6,231 million. There was a €2,462 impact from the entry into force and first-time application of IFRS 16 on 1 January 2019, and an additional €326 million increase caused by flows in the first half of 2019 (including €72 million for lease liabilities, bringing the total impact of the 2019 IFRS 16 application to €2,534 million).

Excluding the 2019 IFRS 16 impact of €286 million, flows from operating and investment activities had an overall positive balance of €54 million, down €146 million in comparison with June 2018. Meanwhile cash outflows for investment activities were up by €317 million, while cash flows from operating activities stood at €171 million.

Dividends paid by the Group, up €47 million in the first half of 2019 with a total of €219 million, correspond to the dividends of €200 million that the Group paid to its shareholders (up €29 million on 2018). In addition the Group

paid dividends to non-controlling interests (€2 million, up €2 million on 2018), and undated hybrid subordinated notes taken out in 2018 were compensated and recorded under the Group's equity (€17 million).

The net interest paid of €65 million, down €34 million due to the 2019 IFRS 16 application, is generally at the same level as it was during the first half of 2018, excluding the IFRS 16 impact.

These items led to net free cash flows of €57 million (of which €252 million was accounted for by the 2019 IFRS 16 impact), down €194 million excluding IFRS 16.

The €336 million increase in lease liabilities (2019 IFRS 16) combined with the €48 million change in AIND on financial instruments and the €10 million acquisition of non-controlling interests (Ametix) have led to an overall net debt increase of €326 million, of which €72 million was due to the application of IFRS 16.

(€ million)	Period ended 30 June				
	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(in %)
Cash flows from operating activities	853	396	286	+171	+43.0
Cash flows from investing activities	-513	-196	0	-317	n.s.
Dividends paid	-219	-171	0	-47	+27.7
Net interest paid	-65	-31	-34	+0	-0.4
Net free cash flows	57	-1	252	-194	n.s.
Capital increase	0	0	0	+0	n.s.
Issue of undated hybrid subordinated notes	0	744	0	-744	-100.0
Impact of changes in consolidation scope on gross debt	5	-2	0	+7	n.s.
Purchase of non-controlling interests	-10	-2	0	-7	n.s.
Unrealised gains and losses relating to changes in fair value	0	-11	0	+11	-97.9
Increase in lease liabilities	-336	-2	-336	+2	-100.0
Change in accrued interest not yet due on financial instruments	-48	-46	0	-2	+5.0
Other items	5	-7	11	+1	-9.7
CHANGE IN NET DEBT (*)	-326	672	-72	-926	n.s.

(*): "-" increase/"+" decrease

5.2 Change in cash and cash equivalents

The cash and cash equivalents of Le Groupe La Poste decreased by €276 million in the first half of 2019, from €2,286 million at the opening to €2,010 million at the end of June 2019. This increase is due to the following:

- net free cash flow of €57 million;
- a change in cash from loans for a net amount of -€105 million, including -€252 million relating to the amortisation of lease liabilities (impact of IFRS 16) and cash flows of +€147 million, stemming mainly from the increase in outstanding commercial paper for €150 million;

- an increase in cash and cash equivalents from movements in financial assets linked to cash flows from operating activities (€5 million) linked to the reimbursement on maturity of various investments with a maturity exceeding three months partially replaced;
- Consumption of other cash flows from financing activities of €16 million, which mainly came from a €14 million decrease in deposits and guarantees received, and a €2 million decrease in current bank facilities;
- a -€242 million contribution for intercompany cash flows with La Banque Postale attributable chiefly to the change in the balance of the La Poste SA accounts at La Banque Postale amounting to €193 million at the end of June 2018, compared with a debit balance of -€55 million at the end of 2018. There was also a €15 million change in debt vis-à-vis La Banque Postale for the overall intercompany “loans/receivables” position.

“Other items” in the cash flow statement (-€7 million) mainly pertain to the purchases of non-controlling interests (-€10 million) and the impact of changes in exchange rates (-€2 million).

	Period ended 30 June				
	2019.06	2018.06	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS16) (in €M)	(in %)
(€ million)					
Net free cash flows	57	-1	252	-194	n.s
Capital Increase	0	0	0	+0	n.s
Issue of undated hybrid subordinated notes	0	744	0	-744	-100.0
Change in cash flows from financing activities	-105	-638	-252	+786	n.s
Change in financial assets used in cash management	5	70	0	-65	-92.9
Other cash flows from financing activities	16	-84	0	+100	n.s
Intercompany cash flows	-242	-75	0	-167	n.s
Other items	-7	-7	0	-1	+11.5
Change in cash and cash equivalents	-276	9	0	-285	n.s
Opening cash and cash equivalents	2,286	1,735	0	+550	+31.7
CLOSING CASH AND CASH EQUIVALENTS	2,010	1,745	0	+265	+15.2

5.3 Breakdown of financial debt

5.3.1 Gross debt

The Group's gross debt excluding IFRS 16 increased by €202 million during the first half of 2019. It currently totals €8,965 million, including €2,636 million in lease liabilities.

Details of the Group's gross debt are provided below:

	Period ended 30 June				
	2019.06	2018.12	Change		
			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(In %)
(€ million)					
Bonds	5,147	5,144	0	+3	+0.1
Short-term bonds	800	800	0	+0	+0.0
Medium- and long-term bonds	4,347	4,344	0	+3	+0.1
La Poste savings bonds	54	54	0	-1	-0.9
Short-term La Poste savings bonds	54	54	0	-1	-0.9
Medium- and long-term La Poste savings bonds	0	0	0	+0	-
Commercial paper	300	150	0	+150	+100.0
Short-term commercial paper	300	150	0	+150	+100.0
Medium- and long-term commercial paper	0	0	0	+0	-
Deposits and guarantees received	109	95	0	+14	+14.7
Short-term deposits and guarantees received	83	70	0	+14	+19.4
Medium- and long-term deposits and guarantees received	26	26	0	+0	+1.7
Accrued interest	109	79	0	+30	+37.8
Accrued interest	109	79	0	+30	+37.8
Subordinated debt	438	435	0	+3	+0.7
Lease liabilities	2,636	0	2,636	+0	-
Short-term lease liabilities	498	0	498	+0	-
Medium- and long-term lease liabilities	2,138	0	2,138	-0	-
Other items excluding lease liabilities	173	271	-101	+3	+1.2
Other short-term items	75	72	-11	+14	+19.4
Other medium- and long-term items	98	199	-91	-11	-5.4
GROSS DEBT	8,965	6,229	2,534	+202	+3.2
Short-term gross debt	1,919	1,225	487	+207	+16.9
Medium- and long-term gross debt	7,046	5,004	2,047	-5	-0.1

As at 30 June 2019, La Poste's gross bond debt comprised 11 loans, originally with fixed rates (excluding hybrid loans), some of which were switched to floating rates, then converted back to fixed rates according to whether interest rates were forecast to rise.

The main changes in relation to the Group's gross debt were as follows:

- increase in outstanding commercial paper to €300 million;
- deposits and guarantees received were up by €14 million to €109 million, in line with the increase in collateral received (€13 million) related to the derivative instruments portfolio due to the increase in their fair values compared to 31 December 2018;
- accrued interest not due amounted to €109 million, a €30 million increase compared to December 2018;
- bonds were stable, with an increase of €3 million stemming from the change in the fair value of the debt under the fair value option. The Group's bond debt at end June 2019 was €5,147 million;
- subordinated debt amounted to €438 million at end June 2019 (for a nominal value of \$500 million swapped into euros). It increased by €3 million compared to December 2018 under the effect of the change in the Euro/US Dollar exchange rate.

The cost of debt¹⁴ at one year was 2.71% at the end of June 2019 (2.91% at end December 2018). When projected over the next few years, the average cost of debt at four years was 2.47% at the end of June 2019 (2.67% at the end of 2018).

5.3.2 Net debt

	Period ended 30 June				
	2019.06	2018.12	Change		
(€ million)			IFRS 16 2019 (in €M)	vs n-1 (Excluding IFRS 16) (in €M)	(In %)
Gross debt at the end of the period	8,965	6,229	2,534	+202	+3.2
Cash and cash equivalents	-2,010	-2,286	0	+276	-12.1
Other assets	-725	-501	0	-224	+44.7
NET DEBT AT THE END OF THE PERIOD	6,231	3,442	2,534	+254	+7.4

The Group's net debt amounted to €6,231 million at the end of June 2019, an increase of €254 million excluding IFRS 16 compared to December 2018.

Other assets correspond to:

- investments maturing in over three months at inception, which amounted to €445 million at the end of June 2019, were down €5 million since 1 January;
- debt-related derivative assets (fair value of €112 million at end June 2019, down €15 million);
- La Banque Postale's net financial position is a net credit position of €167 million. La Banque Postale's net financial position increased overall by €242 million in the first half of 2019, due primarily to being in an overdraft position by €55 million at the end of December 2018 compared to having a surplus of €193 million at the end of June 2019.

¹⁴ Excluding the interest of the hybrid debt

5.4 Equity and financial structure

Period ended 30 June

	2019.06	2018.12	Change		
			IFRS 16 2019		vs n-1 (Excluding IFRS 16)
			(in €M)	(in €M)	(in %)
(€ million)					
Equity Group share (opening)	12,014	11,364		+649	+5.7
First-time application of IFRS 16 at 1 January 2019	-150	0	-150	+0	-
Capital increase	0	0		-0	-100.0
Net profit/(loss), Group share	474	798	0	-324	-40.7
Dividend payments	-217	-171		-46	+26.8
Unrealised gains and losses on financial instruments	370	-617		+988	n.s.
Translation adjustments	22	-66		+88	n.s.
Actuarial adjustments	-72	18		-90	n.s.
Undated hybrid subordinated notes	0	744	-	-744	-100.0
Other items	10	-57		+67	n.s.
Equity Group share (closing)	12,451	12,014	-149	+586	+4.9
Non-controlling interests	209	197	0	+13	+6.4
CONSOLIDATED EQUITY (CLOSING)	12,660	12,210	-149	+599	+4.9

Equity Group share was €12,451 million at the end of June 2019, an increase of €586 million excluding IFRS 16 and including in particular an increase in the unrealised gains and losses on financial instruments of €374 million.

5.5 Credit rating

Credit ratings for La Poste and La Banque Postale have remained unchanged as at 30 June 2019.

La Poste rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Poste	Fitch Ratings	A+	F1	Stable	11 September 2018
	Standard and Poor's	A	A-1	Positive	30 October 2018

La Banque Postale rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Banque Postale	Fitch Ratings	A-	F1	Stable	6 February 2019
	Standard and Poor's	A	A-1	Positive	30 October 2018

6. Outlook and post balance sheet events

6.1 Outlook

The major strategic equity alliance project between La Poste and Caisse des Dépôts, in which CDC and the French State transfer their stakes in the capital of CNP Assurances to La Poste is being finalised. As part of an ambitious industrial project to serve the French people and the general interest, it will enable the creation of a major public financial unit to serve the territories.

Against the backdrop of an extremely challenging macroeconomic environment (historically low interest rates, restricted bank pricing measures and uncertainties surrounding the impacts of a hard Brexit), in the second half of 2019 and in 2020, Le Groupe La Poste 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 which will primarily target head office and structural costs. A prioritising investment policy will be added to save €100 million.

The Group will continue to transform and diversify through its plans to take control of BRT, Italian logistics and express parcel delivery market leader, through the deployment, in the second half, by La Banque Postale, of its diversified and digital bank, Ma French Bank on digital channels and in the physical network, through the development of local services for all customers, in particular in areas such as the silver economy, health, recycling and certification. The development and implementation of new urban logistics solutions for greener city centre deliveries will strengthen the Group's transition towards a sustainable and responsible model. Growth in e-commerce should continue to provide a favourable outlook for the parcels and express business lines.

6.2 Post balance sheet events

None.

Transactions with related parties

Transactions with related parties are indicated in the note 24 « Related party transactions » of the condensed consolidated financial statements at 30 June 2019.

Main risks and uncertainties

Main risks and uncertainties identified by Le Groupe La Poste are described in the 2018 Registration Document, Chapter 9 (Risk Management, Main risk factors).

Condensed consolidated financial statements

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CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	H1 2019	H1 2018	2018
Revenues from commercial activities	4	9,958	9,332	19,154
Net banking income	5	2,837	2,914	5,545
Operating revenue		12,795	12,246	24,699
Purchases and other expenses ^(a)	6	(5,017)	(4,712)	(10,144)
Personnel expenses	7	(6,378)	(6,346)	(12,769)
Taxes and levies	8	(190)	(158)	(257)
Depreciation, amortisation, provisions and impairment ^(b)	8	(793)	(528)	(1,197)
Other operating expenses and income	8	162	148	412
Proceeds from asset disposals		4	162	162
Net operating expenses		(12,212)	(11,435)	(23,793)
Operating profit/(loss) before share in results of joint ventures		583	812	906
Share in profit of joint ventures	14	(11)	(6)	(14)
Operating profit/(loss) after share in results of joint ventures		572	806	892
Cost of net financial debt ^(c)		(116)	(80)	(160)
Other financial items		(8)	(12)	(26)
Financial profit/(loss)	9	(124)	(92)	(186)
Profit before tax of consolidated companies		448	714	706
Income tax	10	(108)	(200)	(161)
Share in profits of associates		143	142	291
CONSOLIDATED NET PROFIT/(LOSS)		483	656	837
Net profit/(loss), Group share		474	636	798
Attributable to non-controlling interests		9	20	39

(a) In 2019 this line item only comprises lease expenses for leases which have not been restated under IFRS 16 (see Notes 2.3 and 6).

(b) Including in 2019 amortisation of right of use assets from leases (see Note 13.1).

(c) Including in 2019 interest expenses on lease liabilities (see Note 9.1).

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts after tax (€ million)	H1 2019	H1 2018	2018
CONSOLIDATED NET PROFIT / (LOSS)	483	656	837
OTHER COMPREHENSIVE INCOME RECOGNISED IN EQUITY			
Recyclable items			
Change in unrealised gains and losses on financial instruments	150	(301)	(358)
<i>Reclassification under net income</i>	(86)	(198)	(198)
Translation adjustments	15	(20)	(26)
<i>Reclassification under net income</i>			
Impact of the overlay approach	11	(4)	(10)
Share in other comprehensive income of associates and joint ventures	221	(124)	(259)
<i>Of which - change in unrealised gains and losses on financial instruments - CNP</i>	213	(83)	(219)
<i>- other unrealised gains and losses on financial instruments</i>			
<i>- cumulative translation adjustments</i>	8	(41)	(40)
<i>- other</i>			
Other			
Non-recyclable items			
Actuarial adjustments on employee benefits	(72)	(10)	18
Change in credit risk of liabilities designated as at fair value through profit or loss	(4)		(5)
Total other comprehensive income recognised in equity (after tax)	320	(458)	(639)
Total comprehensive income/(loss)	803	198	198
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE	794	178	159
Total comprehensive income/(loss) attributable to non-controlling interests	9	20	39

CONSOLIDATED BALANCE SHEET

ASSETS

(€ million)	NOTE	30/06/2019	31/12/2018
Goodwill	11	2,547	2,478
Intangible assets	12	1,401	1,359
Property, plant and equipment	12	5,870	5,989
Right of use assets	13	2,571	
Investments in joint ventures and associates	14	4,231	3,982
Other non-current financial assets	15	518	500
Deferred tax assets		315	412
NON-CURRENT ASSETS		17,451	14,721
Current banking assets			
Customer loans and receivables	16	101,910	95,671
Credit institutions loans and receivables	16	88,946	87,352
Securities portfolio	16	59,139	51,052
Other current financial assets	16	1,550	1,608
Accrual accounts	16	2,066	1,513
Cash and central bank deposits	16	3,342	2,007
Other current assets			
Inventories and work-in-progress	15	145	132
Trade and other accounts receivable	15	3,740	4,156
Other current financial assets	15	491	532
Income tax credit		354	368
Other accrual accounts – Assets		112	95
Cash and cash equivalents	15	2,010	2,286
Assets held for sale		12	17
CURRENT ASSETS		263,816	246,788
TOTAL ASSETS		281,267	261,509

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

LIABILITIES

(€ million)	NOTE	30/06/2019	31/12/2018
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,801	5,432
Unrealised gains and losses on financial instruments		960	590
Translation reserve		(228)	(250)
Undated hybrid subordinated notes		744	744
Net profit/(loss), group share		474	798
Equity, group share		12,451	12,014
Non-controlling interests		209	197
CONSOLIDATED EQUITY		12,660	12,210
Medium and long-term bonds and other financial debt	18.1	4,909	5,004
Medium and long-term lease liabilities	18.1	2,138	
Employee benefits – non-current liabilities	20	2,252	2,388
Non-current provisions for contingencies and losses	17.2	80	124
Deferred tax liabilities		185	188
NON-CURRENT LIABILITIES		9,564	7,703
Current provisions for contingencies and losses			
Specific provisions for the Banking and Insurance activities	17.1	2,773	2,732
Current provisions for contingencies and losses	17.2	390	491
Short-term bonds and other financial debt	18.1	1,420	1,225
Short-term lease liabilities	18.1	498	
Current banking liabilities			
Liabilities due to credit institutions	21	24,404	18,877
Liabilities to customers	21	191,179	185,802
Debt evidenced by a certificate and other financial liabilities	21	30,242	23,759
Accrual accounts – Liabilities	21	2,300	2,360
Other current liabilities			
Trade and other payables	22	4,854	5,432
Government – Income tax		61	49
Employee benefits – current liabilities	20	660	679
Other accrual accounts – Liabilities		263	189
CURRENT LIABILITIES		259,043	241,596
TOTAL LIABILITIES		281,267	261,509

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

CHANGES IN CONSOLIDATED EQUITY 2019

1st semester 2019

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Undated hybrid subordinated notes	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2018	3,800	900	798	(250)	604	(14)	744	5,432	12,014	197	12,210
First-time application of IFRS 16 as at 01/01/2019 ^(a)								(150)	(150)	(2)	(152)
Consolidated equity as at 01/01/2019	3,800	900	798	(250)	604	(14)	744	5,282	11,864	194	12,058
Dividend payments			(200)						(200)	(13)	(213)
Remuneration of undated hybrid subordinated notes								(17)	(17)		(17)
Call options on non-controlling interests								147	147	242	388
Transactions with non-controlling interests								(143)	(143)	(238)	(381)
Appropriation of 2018 net profit/(loss)			(599)					599			
Comprehensive income for the year			474	22	213	157		(72)	794	9	803
<i>Of which:</i> - Net profit			474						474	9	483
- Actuarial adjustments								(72)	(72)		(72)
- Other comprehensive income items				22	213	157			392		392
Other								7	7	15	21
CONSOLIDATED EQUITY AS AT 30/06/2019	3,800	900	474	(228)	817	143	744	5,801	12,451	209	12,660

(a) See Note 2.3 "Impacts of the first-time application of IFRS 16"

CHANGES IN CONSOLIDATED EQUITY 2018

1st semester 2018

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Undated hybrid subordinated notes	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2017	3,800	900	851	(184)	823	384		4,790	11,364	169	11,534
First-time application of IFRS 9 as at 01/01/2018						(26)		(118)	(144)	(2)	(146)
Consolidated equity as at 01/01/2018	3,800	900	851	(184)	823	358		4,672	11,220	168	11,388
Dividend payments			(171)						(171)	(1)	(172)
Call options on non-controlling interests								3	3	(20)	(17)
Transactions with non-controlling interests								(2)	(2)	(1)	(4)
Appropriation of 2017 net profit/(loss)			(680)					680			
Issue of undated hybrid subordinated notes ^(a)							744		744		744
Comprehensive income for the year			636	(61)	(83)	(301)		(10)	181	20	201
<i>Of which: - Net profit</i>			636						636	20	656
- Actuarial adjustments								(10)	(10)		(10)
- Other comprehensive income items				(61)	(83)	(301)			(444)		(445)
Other								6	6		6
CONSOLIDATED EQUITY AS AT 30/06/2018	3,800	900	636	(245)	740	57	744	5,349	11,981	165	12,145

(a) The nominal amount of the issue was €750 million, of which the issue premium has been deducted.

2018 fiscal year

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Undated hybrid subordinated notes ^(a)	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2017	3,800	900	851	(184)	823	384		4,790	11,364	169	11,534
First-time application of IFRS 9 as at 01/01/2018						(26)		(118)	(144)	1	(143)
Consolidated equity as at 01/01/2018	3,800	900	851	(184)	823	358		4,672	11,220	170	11,391
Dividend payments			(171)						(171)	(3)	(174)
Call options on non-controlling interests								55	55	(8)	47
Transactions with non-controlling interests								3	3	(3)	1
Appropriation of 2018 net profit/(loss)			(680)					680			
Issue of undated hybrid subordinated notes ^(a)							744		744		744
Comprehensive income for the year			798	(66)	(219)	(372)		18	160	39	198
<i>Of which: - Net profit</i>			798						798	39	837
<i>- Actuarial adjustments</i>								18	18		18
<i>- Other comprehensive income items</i>				(66)	(219)	(372)			(657)		(657)
Other								3	3	1	4
CONSOLIDATED EQUITY AS AT 31/12/2018	3,800	900	798	(250)	604	(14)	744	5,432	12,014	197	12,210

(a) The nominal amount of the issue was €750 million, of which the issue premium has been deducted.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	H1 2019			H1 2018			2018		
	Group	Non-banking activities	La Banque Postale	Group	Non-banking activities	La Banque Postale	Group	Non-banking activities	La Banque Postale
EBITDA	1,122	519	603	1,182	355	827	1,785	605	1,181
Change in provisions for current assets and irrecoverable receivables	(71)	(12)	(59)	(179)	(11)	(168)	(204)	(20)	(184)
Miscellaneous financial income and expenses				(2)	(2)		(2)	(2)	
Cash flows from operating activities before cost of net debt and taxes	1,051	507	544	1,001	342	659	1,579	582	997
Change in working capital requirement	(327)	(337)	9	(249)	(211)	(38)	(397)	(122)	(276)
CICE tax credit for the period (excluding provisions)				(162)	(161)	(1)	(320)	(317)	(3)
Change in balance of banking resources and uses	3,349		3,349	7,381		7,381	3,937		3,937
Taxes paid	(78)	(95)	18	(16)	72	(88)	(94)	99	(192)
Monetisation of CICE tax credit		413	(413)					298	(298)
Dividends paid by La Banque Postale to La Poste		356	(356)		344	(344)		408	(408)
Dividends received from equity associates	136	9	127	133	10	123	137	14	123
Cash flows from operating activities	4,131	853	3,278	8,088	396	7,691	4,842	962	3,880
Purchase of property, plant and equipment and intangible assets	(649)	(503)	(146)	(564)	(435)	(129)	(1,493)	(1,162)	(331)
Purchase of financial assets	(84)	(70)	(14)	(69)	(65)	(4)	(81)	(79)	(2)
Proceeds from the disposal of property, plant and equipment and intangible assets	59	59		291	291		335	335	
Proceeds from disposals of financial assets	33	33		27	27		34	28	6
Impact of changes in consolidation scope	(31)	(31)		(13)	(13)		(27)	(27)	
Change in financial assets held for cash investment purposes	5	5		70	70		220	220	
Cash flows from investing activities	(668)	(508)	(160)	(258)	(126)	(133)	(1,010)	(684)	(327)
Capital increase							9		9
Issue of undated hybrid subordinated notes				744	744		744	744	
Dividends paid and remuneration of hybrid subordinated notes	(229)	(219)	(11)	(172)	(171)	(1)	(174)	(173)	(1)
Purchase of non-controlling interests	(386)	(10)	(376)	(2)	(2)		(26)	(23)	(3)
Interest paid	(65)	(65)		(31)	(31)		(156)	(156)	
Proceeds from new borrowings	483	483		132	132		890	890	
Repayment of borrowings	(336)	(336)		(770)	(770)		(924)	(924)	
Repayment of lease liabilities	(269)	(252)	(17)						
Other cash flows from financing activities	16	16		(84)	(84)		(67)	(67)	
Intra-group flows		(242)	242		(75)	75		(17)	17
Cash flows from financing activities	(785)	(624)	(162)	(184)	(257)	73	297	275	22
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope	(2,956)		(2,956)	(7,632)		(7,632)	(3,575)		(3,575)
Impact of changes in exchange rates	2	2		(4)	(4)		(3)	(3)	
Change in cash and cash equivalents	(276)	(276)		9	9		550	550	
Opening cash and cash equivalents	2,286	2,286		1,735	1,735		1,735	1,735	
Closing cash and cash equivalents	2,010	2,010		1,744	1,744		2,286	2,286	

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

GENERAL ITEMS

NOTE 1

SIGNIFICANT EVENTS DURING THE HALF-YEAR

- 1.1 First-time application of IFRS 16 - Leases
- 1.2 Project for the creation of a large public financial group
- 1.3 Main changes in the consolidation scope
- 1.4 Income statement at constant scope and exchange rates

1.1 First-time application of IFRS 16- Leases

IFRS 16 – Leases was adopted on 9 November 2017 by the European Union and is mandatory from 1 January 2019. The impacts of this standard on the Group's accounts at that date are presented in Note 2.3 and comprised the additional recognition in the balance sheet of €2.4 billion of right of use assets and €2.6 billion of lease liabilities. The total impact on equity, Group share, of the application of IFRS 16 as at 1 January 2019 was -€150 million.

1.2 Project for the creation of a large public financial group

As part of the project of a strategic equity alliance between La Poste and Caisse des Dépôts for the creation of a large public financial group, the French State, Caisse des Dépôts, La Poste and La Banque Postale signed a non-binding memorandum of understanding on 11 June 2019.

The implementation of this project will be achieved through the transfer of both the French State (1.11%) and Caisse des Dépôts (40.87%) stakes in CNP Assurances to La Poste, which will then transfer them to La Banque Postale.

Following this transaction, La Poste will be fully consolidated by Caisse des Dépôts, and CNP Assurances will be fully consolidated at 62.13% by Le Groupe La Poste, whereas it was previously consolidated through the equity method.

The transaction should be completed in the first quarter of 2020, after, notably, obtaining regulatory authorisations from the competent authorities.

1.3 Main changes in the consolidation scope

Acquisition of non-controlling interests in La Banque Postale Financement

On 1 March 2019, La Banque Postale acquired, with effect on 1 January 2019 in the income statement, Société Générale's 35% stake in La Banque Postale Financement. La Banque Postale hence holds a 100% stake in the company, which was already fully consolidated. This acquisition resulted in the purchase of Société Générale 154,000 securities for an amount of €376 million, without impact on equity, as a liability for a put option on non-controlling interests was recognised in the Group's accounts for the same amount.

1.4 Income statement at constant scope and exchange rates

The restated net profit/(loss) eliminates the effect of all acquisitions made during the current year and the prior year's acquisitions concluded during the year. It also shows foreign currency transactions from the prior year at the average rate during the current year.

Data for the first semester of 2019 have been restated to neutralise the effects of the first-time application of IFRS 16.

(<i>€ million</i>)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	H1 2019	H1 2018	H1 2019	H1 2018
Revenues and NBI	12,795	12,246	12,356	12,242
Purchases and other expenses	(5,017)	(4,712)	(5,003)	(4,711)
Personnel expenses	(6,378)	(6,346)	(6,324)	(6,343)
Taxes and levies	(190)	(158)	(153)	(158)
Amortisation, provisions and impairment	(793)	(528)	(505)	(528)
Other operating expenses and income	162	148	161	149
Proceeds from asset disposals	4	162	4	162
Net operating expenses	(12,212)	(11,435)	(11,821)	(11,430)
Operating profit/(loss) before share in results of joint ventures	583	812	536	812
Share in results of joint ventures	(11)	(6)	(9)	(5)
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	572	806	527	806

NOTE 2 ACCOUNTING RULES AND POLICIES

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates
- 2.3 Impacts of the first-time application of IFRS 16

La Poste, the parent company of Le Groupe La Poste ("Le Groupe La Poste" or "the Group") has been a Société Anonyme (public limited company) since 1 March 2010, and has its registered office at 9, rue du colonel Pierre Avia, in Paris. It had previously been an independent state-owned entity, which was already subject to the same financial management and accounting rules as commercial businesses.

The consolidated financial statements of Le Groupe La Poste for the semester ended 30 June 2019 were signed off by the Board of Directors (meeting on 31 July 2019).

2.1 Accounting guidelines

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the condensed consolidated financial statements of Le Groupe La Poste for the semester ended 30 June 2019 were prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. These standards are available on the website of the European Commission (ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The condensed consolidated financial statements as of 30 June 2019 have been prepared in accordance with IAS 34 – *Interim financial reporting*. The condensed financial statements do not contain all the information required for full annual financial statements, and should be read in conjunction with the Group's financial statements as at 31 December 2018.

The accounting principles applied as at 30 June 2019 are unchanged from those applied as at 31 December 2018, except for the items described in Point 2.1.1 below, in particular the first-time application of IFRS 16. These principles are set out in Note 2 to the Group's financial statements as at 31 December 2018.

2.1.1 Standards and application interpretations that are mandatory for the first time as of 30 June 2019

IFRS 16

IFRS 16 – Leases was adopted on 9 November 2017 by the European Union and is mandatory from 1 January 2019. It replaces IAS 17 – Leases and requires the recognition in the balance sheet of an asset and a liability for all leases where the company is the lessee.

The main impacts of this standard on the Group's accounts are presented in Note 2.3.

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The application of this interpretation did not have any impact on the Group's consolidated accounts as at 30 June 2019.

2.1.2 Standards and application interpretations that will be mandatory after 30 June 2019 and that were not applied early

The Group La Poste did not adopt in advance any standard or interpretation with mandatory application after 30 June 2019.

2.2 Valuation basis and use of estimates

The consolidated financial statements are prepared using the historical cost method, with the exception of certain financial instruments measured at fair value.

When preparing the financial statements, the Group is required to make the best possible estimates and to select assumptions that affect the values of assets and liabilities in the balance sheet, and the contingent assets and liabilities disclosed in the notes to the consolidated financial statements, as well as the income and expenses in the income statement. The actual amounts may subsequently differ from the estimates and assumptions.

The items primarily concerned are:

- the calculation of employee benefits;
- the estimates for provisions for contingencies and losses, especially the Home Loan Savings provision;
- the assumptions selected for impairment tests on goodwill and on intangible and tangible assets;
- the measurement of financial instruments not listed on organised markets;
- the credit risk assessments performed by La Banque Postale;
- the assumptions and estimates used to measure the effectiveness of hedges.

2.3 Impacts of the first-time application of IFRS 16

IFRS 16 – Leases was applied as at 1 January 2019 and replaces IAS 17 – Leases. As a consequence, for all external leases for which the Group is the lessee, the following items were recognised in the balance sheet:

- a lease liability equal to the discounted value of lease payments during the lease term (non-cancellable periods and optional periods if the lessee is reasonably certain to exercise the option);

- a right-of-use asset, depreciated over the term of the lease.

Transition method

The Group elected to use the modified retrospective approach.

In this context, the Group decided to apply the following simplified measurements provided by the standard, namely:

- the exclusion of leases for low-value assets;
- the exclusion of leases with a remaining term of less than 12 months;
- the option not to capitalise costs directly linked to the signing of leases;
- as an alternative to performing an impairment test, the right-of-use asset will be adjusted by the amount of any provisions for onerous leases.

In addition, as stipulated by the standard, the finance leases were recognized as provided for by IAS 17.

Terms of leases were determined on the basis of an analysis of termination options before the lease term and renewal options that can exist, and in accordance with the recommendation of France's accounting standards authority (ANC) on commercial leases.

Discount rates were determined on the transition date, in accordance with the standard and in reference to the incremental borrowing rate of the lessee for each term, and taking into account the timetable of debt repayments.

- rates were determined on the basis of the risk-free rate for the currency of the lease, on the Group's credit risk and on the estimated additional credit risk for subsidiaries;
- on the transition date, the Group used the term of each lease as at the date of its entry into force so as to ensure consistency with the method used to determine the book value of the aforementioned right-of-use asset.

The weighted average discount rate at transition date was 2.5%.

With regard to the right-of-use assets covered by the majority of its leases, the Group has chosen to apply,

for the transition on 1 January 2019, the provision which allows for the calculation of the book value of the right-of-use asset as if this standard had been applied on the date of entry into force of the lease, taking account of known changes to the lease since its signing.

The standard does not allow for the restatement of comparative years under the modified retrospective transition approach. Accordingly, 2018 comparative figures were not restated.

Operational implementation of IFRS 16

The Group has developed and implemented a dedicated IT system used to collect contractual data and to perform the calculations required by the standard. This system is accessible by all Group entities.

An inventory of leases and their characteristics was carried out in 2017 and 2018, and will be updated twice a year starting on 1 January 2019.

The number of contracts thus listed is close to 11000. The majority of the rights of use assets relates to operational or administrative buildings.

Impacts of IFRS 16 on the Group's consolidated accounts

The additional lease liabilities generated by IFRS 16 amounted to €2.6 at 1 January 2019. Net right of use assets at that date amounted to €2.4 billion. The total impact of the first-time application of IFRS 16, i.e. -€152 million was recognised in equity as at 1 January 2019 (-€150 million Group share).

The impact of the application of IFRS 16 on operating profit/(loss) and net profit/(loss) was not significant. The cash flow statement showed a significant improvement in EBITDA, mainly offset by the repayment of the lease liability and the payment of interest.

IFRS 16 restatement tables as at 1 January 2019

- A** - Balance sheet restatement from 31 December 2018 to 1 January 2019
- B** - Reconciliation between operating lease commitments as at 31 December 2018 and lease liabilities as at 1 January 2019

A - Balance sheet restatement from 31 December 2018 to 1 January 2019

(€ million)	31 December 2018 reported	IFRS 16 impact	1 January 2019 restated
ASSETS			
Goodwill	2,478		2,478
Intangible assets	1,359		1,359
Property, plant and equipment ^(a)	5,989	(115)	5,874
Usage rights		2,496	2,496
Investments in joint ventures and associates	3,982		3,982
Other non-current financial assets	912	4	916
NON-CURRENT ASSETS	14,721	2,384	17,106
Current banking assets	239,203		239,203
Other current assets	7,585	(12)	7,574
CURRENT ASSETS	246,788	(12)	246,776
TOTAL ASSETS	261,509	2,373	263,882
LIABILITIES			
Equity, group share	12,014	(150)	11,864
Non-controlling interests	197	(2)	195
CONSOLIDATED EQUITY	12,210	(152)	12,059
Medium and long-term bonds and other financial debt ^(a)	5,004	(91)	4,913
Medium and long-term lease liabilities		2,042	2,042
Other non-current liabilities	2,699	(25)	2,674
NON-CURRENT LIABILITIES	7,703	1,927	9,630
Current provisions for contingencies and losses	3,223	(2)	3,221
Short-term bonds and other financial debt ^(a)	1,225	(11)	1,214
Short-term lease liabilities		520	520
Current banking liabilities	230,798	138	230,936
Other current liabilities	6,350	(48)	6,302
CURRENT LIABILITIES	241,596	598	242,194
TOTAL LIABILITIES	261,509	2,373	263,882

(a) The IFRS 16 impact on these line items corresponds to the reclassification of finance leases as at 31 December 2018 (assets and liabilities).

B - Reconciliation between operating lease commitments as at 31 December 2018 and lease liabilities as at 1 January 2019

(€ million)	
Operating lease commitments as at 31 December 2018	2,731
Short-term leases commitments and commitments with a residual term less than 12 months as at 1 January 2019	(53)
Low value assets leases commitments	(13)
Leases starting in 2019	(105)
Termination penalties at the end of non-cancellable periods ^(a)	(46)
Optional lease terms	440
Other	(15)
Lease liabilities as at 1 January 2019 before discounting	2,939
Discounting	(340)
Finance lease liabilities as at 31 December 2018	101
Lease liabilities as at 1 January 2019	2,700

(a) Contracts for which the Group considers extending the lease term beyond the non-cancellable period.

NOTE 3 SEGMENT REPORTING

The accounting principles applied to segment reporting, and the reported segments, did not change since 31 December 2018.

A few entities have been reallocated from the "Services-Mail-Parcels" segment to the "Digital Services" segment. Furthermore, the WnDirect company was transferred from the GeoPost segment to the "Services-Mail-Parcels" segment.

Comparative figures for 2018 have been restated accordingly.

1 st semester 2019 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	5,979	3,689	2,837	255	23	12	1			12,795
Inter-segment revenues and NBI	143	41	13	84	1,875	402	555		(3,114)	
Operating revenue	6,122	3,730	2,850	339	1,899	414	556		(3,114)	12,795
Operating profit/(loss) before share in results of joint ventures	289	193	492	(5)	(23)	34	(72)	(323)		583
Share in results of joint ventures		1			(13)	1				(11)
Operating profit/(loss) after share in results of joint ventures	289	193	492	(5)	(36)	34	(73)	(323)		572
Financial profit/(loss)								(124)		(124)
Income tax								(108)		(108)
Share in profits of associates	(1)	8	136			1				143
CONSOLIDATED NET PROFIT/(LOSS)										483
Depreciation, amortisation, provisions and impairment	(113)	(219)	(152)	(28)	(19)	(194)	(67)			(793)
Segment assets	3,807	6,731	262,724	762	204	4,302	7,600	(4,863)		281,267

1 st semester 2018 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	5,627	3,446	2,914	234	13	11				12,246
Inter-segment revenues and NBI	144	32	12	79	1,895	402	520		(3,082)	
Operating revenue	5,771	3,478	2,926	313	1,908	412	520		(3,082)	12,246
Operating profit/(loss) before share in results of joint ventures	375	186	546	(1)	(27)	182	(137)	(313)		812
Share in results of joint ventures	1				(9)	2				(6)
Operating profit/(loss) after share in results of joint ventures	376	186	546	(1)	(36)	184	(137)	(313)		806
Financial profit/(loss)								(92)		(92)
Income tax								(200)		(200)
Share in profits of associates		12	131	1		(1)				142
CONSOLIDATED NET PROFIT/(LOSS)										656
Depreciation, amortisation, provisions and impairment	(118)	(85)	(146)	(18)	(13)	(94)	(54)			(528)
Segment assets	3,046	5,263	236,922	650	180	3,382	8,370	(5,310)		252,504

2018 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unalloca- ted ^(a)	Elimina- tions	Total
Non-Group revenues and NBI	11,416	7,199	5,545	480	33	26	1			24,699
Inter-segment revenues and NBI	283	79	25	176	3,788	810	1,053		(6,214)	
Operating revenue	11,699	7,278	5,570	656	3,820	836	1,054		(6,214)	24,699
Operating profit/(loss) before share in results of joint ventures	488	343	813	7	(134)	230	(216)	(625)		906
Share in results of joint ventures	2	1			(19)	2				(14)
Operating profit/(loss) after share in results of joint ventures	490	344	813	7	(153)	232	(216)	(625)		892
Financial profit/(loss)								(186)		(186)
Income tax								(161)		(161)
Share in profits of associates		23	268	1						291
CONSOLIDATED NET PROFIT/(LOSS)										837
Depreciation, amortisation, provisions and impairment	(231)	(240)	(350)	(36)	(34)	(200)	(106)			(1,197)
Segment assets	3,738	5,405	244,720	687	205	3,501	9,044	(5,792)		261,509

(a) Primarily includes the contribution to regional development (including the costs relating to the accessibility constraint), financial profit/(loss), and income tax.

NOTES TO THE INCOME STATEMENT

NOTE 4 REVENUES

(€ million)	H1 2019	H1 2018	2018
Services-Mail-Parcels revenues	5,979	5,627	11,416
Correspondence and other La Poste products and services	3,139	3,239	6,262
Advertising mail	479	512	1,031
Press ^(a)	230	247	486
Products and services of the subsidiaries (domestic mail)	374	339	685
International mail	666	450	1,039
Parcels	875	841	1,782
E-commerce - sale of goods ^(b)	215		132
GeoPost revenue	3,689	3,446	7,199
Express France	2,872	2,656	5,548
Express Rest of World	817	790	1,651
Digital Services revenue	255	234	480
La Poste Network revenue ^(c)	23	13	33
Real Estate revenue ^(d)	13	11	27
TOTAL	9,958	9,332	19,154

- a) "Press" revenues include contractual compensation paid in consideration for the reduced tariffs granted to press organisations as well as the compensation of press operators.
- b) The e-commerce activity is carried out by Asendia Group.
- c) La Poste Network revenues include commissions received on third-party sales (excluding Mail, Parcels and Financial Services) carried out at post office counters (such as telephone card sales) and on sales of miscellaneous products.
- d) Real Estate revenue correspond to the rentals agreed with non-Group tenants.

NOTE 5 NET BANKING INCOME

(€ million)	H1 2019	H1 2018	2018
Interest and similar income	2,131	2,061	4,110
Interest and similar expenses	(1,015)	(908)	(1,840)
Commission income	1,313	1,332	2,717
Commission expenses	(140)	(138)	(284)
Net gains and losses	304	352	367
- Financial instruments at fair value through profit or loss	53	26	22
- Financial instruments at fair value through equity	88	326	345
- Derecognition of financial assets at amortised cost	164		
Impact of the overlay approach (gross impact)	(15)	5	15
Income and expenses from other activities	259	211	460
TOTAL	2,837	2,914	5,545

As at 30 June 2019, the Group changed its option for the presentation of insurance activities. The net income of insurance activities is no longer presented on a separate line item, but dispatched to the other NBI line items, mainly to "Income and expenses from other activities" (€230 million as at 30 June 2019, €195 million as at 30 June 2018, and €392 million for the year 2018).

NOTE 6 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	H1 2019	H1 2018	2018
External services and general sub-contracting	1,239	991	2,311
Purchases	353	297	642
Outsourced transport	2,382	2,250	4,737
International mail delivery services	218	99	260
Rental expenses ^(a)	143	457	942
Maintenance and repair costs	236	219	492
Telecommunications expenses	93	84	172
Travel and assignments	95	92	192
Other expenses	259	222	394
TOTAL	5,017	4,712	10,144

(a) In 2019 this line item only comprises rents for leases which have not been restated under IFRS 16 (short-term leases or low value items leases mainly), as well as rental costs for €62 million.

NOTE 7 PERSONNEL EXPENSES AND HEADCOUNT

(€ million)	H1 2019	H1 2018	2018
Wages and salaries, bonuses and allowances	4,769	4,685	9,390
Pension contributions	424	514	1,008
Other social security contributions	931	962	1,878
Employee welfare costs	115	117	213
CICE revenue		(162)	(320)
Change in post-employment provisions	(10)	2	17
Change in provisions for social security contingencies and staff litigation	(11)	(6)	(20)
Change in other employee provisions	(223)	(165)	(164)
Compensation-based taxes and duties	383	400	767
TOTAL	6,378	6,346	12,769
Average headcount (full-time employee equivalent per year)	250,373	249,828	251,219

The “Pension contributions” line item corresponds to contributions paid in to post-employment defined benefits plans. Since the implementation in 2006 of the

new funding arrangements for the pensions of government employees, this line item primarily includes the full discharge contribution provided for by law.

NOTE 8 OTHER OPERATING REVENUE AND EXPENSES

Other operating revenue and expenses broke down as follows:

(€ million)	H1 2019	H1 2018	2018
Local taxes	(95)	(97)	(135)
Other taxes and levies	(95)	(61)	(122)
TAXES AND LEVIES	(190)	(158)	(257)
Impairment and net depreciation of assets			
- Goodwill			(67)
- Fixed assets	10	5	2
- Current assets	(12)	(11)	(20)
Net amortisation ^(a)	(788)	(497)	(1,011)
Provisions for contingencies and losses	40	24	32
Banking activities cost of risk	(41)	(49)	(133)
DEPRECIATION AND IMPAIRMENT	(793)	(528)	(1,197)
Capitalised production	151	139	331
Royalties	(19)	(24)	(46)
Revenue recorded following an acquisition of control ^(b)	1	1	57
Other current operating revenue and expenses	30	33	70
OTHER OPERATING REVENUE AND EXPENSES	162	148	412

(a) Including in 2019 amortisation of leases right of use assets.

(b) In 2018, €57 million impact of the revaluation of the previously held investment in Asendia.

Capitalised production primarily consists of IT development costs recognised as intangible assets.

NOTE 9 FINANCIAL PROFIT/(LOSS)

9.1 Cost of net financial debt

9.2 Other financial items

9.1 Cost of net financial debt

(€ million)	H1 2019	H1 2018	2018
Interest expense on financing transactions ^(a)	(81)	(80)	(163)
Interest expense on lease liabilities	(34)		
Change in the fair value of borrowings and debt-related swaps ^(b)	(3)	(3)	(3)
Income from cash and cash equivalents ^(c)	3	3	6
TOTAL	(116)	(80)	(160)

(a) Including interest and proceeds from the termination of debt-related derivatives. This line item also comprised in 2018 interest expenses on finance leases (€4 million in the first semester of 2018 and €8 million for 2018).

(b) Including fair value hedges on borrowings.

(c) Including changes in the fair value of cash or financial assets.

9.2 Other financial items

Other financial items primarily include the cost of discounting provision for employee benefits (€7 million in the first semester of 2019, €10 million in the first semester of 2018, and €21 million for 2018).

NOTE 10 INCOME TAX

The income tax expense breaks down as follows:

(€ million)	H1 2019	H1 2018
Current tax (expense)	(66)	(70)
Deferred tax income/(expense)	(42)	(130)
TOTAL TAX INCOME/(EXPENSE)	(108)	(200)

The explanation of the tax reconciliation is as follows:

(€ million)	H1 2019	H1 2018
Net profit/(loss), Group share	474	636
Share in profits of equity associates and joint ventures	(132)	(136)
Income tax	108	200
Non-controlling interests	9	20
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	459	720
Income tax rate	32.02%	34.43%
Theoretical tax expense ^(a)	(147)	(248)
Deferred tax assets creation (limitation)	46	17
Unused tax losses created during the year or used tax losses created in previous years (excluding tax consolidation)	(9)	(6)
Tax rate differential for foreign subsidiaries	15	18
Effect of the French income tax rate decrease from 2019 ^(b)	(10)	(12)
CICE (non-taxable profit)		48
Other	(3)	(17)
Tax restatements	39	48
ACTUAL TAX CHARGE	(108)	(200)

(a) Including the 3.3% social solidarity contribution.

(b) The 2018 French Finance law, adopted in December 2017, provides that the income tax rate in France will decrease progressively to reach 25.83% in 2022.

NOTES TO THE BALANCE SHEET

NOTE 11 GOODWILL

Breakdown of goodwill net carrying amount

(€ million) CGU	Segment	30/06/2019	31/12/2018
DPD Continental Europe	GeoPost	517	517
DPD France	GeoPost	334	334
GeoPost Spain	GeoPost	337	318
Digital Services ^(a)	Digital services	207	178
Asendia ^(a)	Services-Mail-Parcels	201	201
DPD Russia	GeoPost	140	127
DPD Poland	GeoPost	128	126
GeoPost UK	GeoPost	121	121
Mediapost ^(a)	Services-Mail-Parcels	104	104
Asten Santé	Services-Mail-Parcels	103	98
La Banque Postale Prévoyance	La Banque Postale	94	94
Tigers	GeoPost	48	48
Chronopost	GeoPost	44	44
JadLog	GeoPost	32	32
Diadom Care	Services-Mail-Parcels	31	31
Tocqueville Group	La Banque Postale	27	27
La Banque Postale Asset Management	La Banque Postale	22	22
Stuart	GeoPost	13	13
DPD Laser Finance	GeoPost	11	10
Other GeoPost companies	GeoPost	25	25
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	8
TOTAL		2,547	2,478
Services-Mail-Parcels		445	441
GeoPost		1,751	1,716
La Banque Postale		143	143
Digital Services		207	178

(a) The above figures take into account the reallocation in 2019 of some entities from the Digital Services CGU to Mediapost, and the merger of WnDirect into the Asendia CGU. These reclassifications were also made in the 2018 comparative figures.

Change in the net carrying amount of goodwill

(€ million)	H1 2019	2018
Opening balance	2,478	2,332
of which : Gross amount	2,762	2,556
Impairment	(284)	(225)
Acquisitions ^(a)	53	247
Translation adjustments ^(b)	16	(33)
Impairment ^(c)		(67)
CLOSING BALANCE	2,547	2,478
of which : Gross amount	2,837	2,762
Impairment	(290)	(284)

(a) Of which, in the first semester of 2019 entities of the Digital Services segment for €29 million and Seur franchises for €19 million. And in 2018, Asendia for €179 million and Diadom Care for €31 million.

(b) Of which in the first semester of 2019 GeoPost Russian entities for +€13 million. And in 2018, GeoPost Russian entities for €-22 million, and DPD Polska for €-4 million.

(c) In 2018, goodwill of DPD Russia was depreciated for €57 million and goodwill of Resto In was depreciated for €10 million.

NOTE 12 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

(€ million)	Intangible assets	Property, plant and equipment	TOTAL
GROSS AMOUNT			
Balance as at 31/12/2018	4,127	13,217	17,344
Transfer of finance leases ^(a)		127	127
Restated balance as at 01/01/2019	4,127	13,090	17,217
Acquisitions	209	370	579
Disposals	(21)	(219)	(240)
Change in consolidation scope	(8)	5	(3)
Transfers	(1)	(3)	(4)
Translation adjustments	1	4	6
BALANCE AS AT 30/06/2019	4,307	13,247	17,554
DEPRECIATION AND IMPAIRMENT			
Balance as at 31/12/2018	(2,768)	(7,228)	(9,995)
Transfer of finance leases ^(a)		(12)	(12)
Restated balance as at 01/01/2019	(2,768)	(7,215)	(9,983)
Depreciation for the semester	(161)	(351)	(512)
Impairment			
Reversals of impairment		9	9
Reversals on disposals	21	173	194
Change in consolidation scope	2	(3)	(1)
Transfers	1	12	13
Translation adjustments	(1)	(2)	(3)
BALANCE AS AT 30/06/2019	(2,906)	(7,378)	(10,284)
NET CARRYING AMOUNT			
As at 31/12/2018	1,359	5,989	7,349
AS AT 30/06/2019	1,401	5,870	7,271
OF WHICH FINANCE LEASES			
As at 31/12/2018		115	

(a) Finance lease assets, which were previously included in Property, plant and equipment, are now included in Right of use assets.

Right of use assets, stemming from the application of IFRS 16, are detailed in Note 13.

NOTE 13 LEASES

- 13.1 Rights of use assets
- 13.2 Lease liabilities
- 13.3 Lease amounts recognised in profit or loss

13.1 Rights of use assets

Right of use assets are detailed below by nature of leased assets:

(€ million)	Land and buildings	Machinery and equipment	Vehicles	Other	TOTAL
NET CARRYING AMOUNT					
Lease liabilities as at 1 January 2019	2,051	126	198	6	2,381
Transfer of finance leases	98	8	1	8	115
Balance as at 01/01/2019	2,150	134	198	14	2,496
Increase	330	39	17	1	387
Decrease	(24)	(1)	(1)		(26)
Amortisation and provision	(210)	(22)	(41)	(3)	(276)
Change in consolidation scope and translation adjustments	(7)	(1)	(3)		(11)
BALANCE AS AT 30/06/2019	2,239	148	172	12	2,571

13.2 Lease liabilities

Lease liabilities are detailed in Note 18 for non-banking activities, and in Note 21 for Banking activities.

13.3 Lease amounts recognised in profit or loss

(€ million)	H1 2019
Net operating expenses	455
Short-term lease expenses	64
Low value lease expenses	14
Rental expenses	62
Non-deductible VAT on rent expenses	37
Right of use assets amortisation	276
Other	3
Cost of net financial debt	34
Interest expense on lease liabilities	34
TOTAL	489

NOTE 14 ASSOCIATES AND JOINT VENTURES

Nature of control	CNP Assurances	BRT ^(b)	Real Estate sub-group	Yurtici Kargo	AEW Europe	NINJA Logistics	Other	Companies with negative net assets ^(a)		
								La Poste Mobile	TOTAL	
	Associate	Associate	Associate/ Joint control	Associate	Associate	Associate		Joint control	TOTAL	
Balance as at 31/12/2018	3,207	526	32	15	53	52	98	3,982	(32)	(32)
Group share in the profit or loss	134	17	1		2	(10)	1	145	(13)	(13)
Dividend payments	(123)	(8)			(4)			(136)		
Net change in the fair value of financial instruments	213							213		
Change in consolidation scope							3	3		
Capital increase			7				1	7	20	20
Other changes	8							8		
Translation adjustments	7			(1)		1	1	8		
BALANCE AS AT 30/06/2019	3,446	535	39	14	51	42	103	4,231	(24)	(24)

(a) Recorded in "Other provisions for contingencies and loss" (see Note 17.2).

(b) Includes goodwill for €513 million as at 30 June 2019.

NOTE 15 OTHER NON-BANKING ASSETS

Nature of control	30/06/2019		31/12/2018	
	Current	Non-current	Current	Non-current
Net unconsolidated investments		299		303
Financial derivatives		112	14	113
Financial assets held for investment purposes	445		450	
Other financial assets	45	107	68	84
TOTAL OTHER FINANCIAL ASSETS	491	518	532	500
Other supplies inventories	133		120	
Finished and semi-finished product inventories and work in progress	12		12	
TOTAL INVENTORIES AND WORK-IN-PROGRESS	145		132	
Net trade receivables and related accounts	2,267		2,297	
International mail receivables	739		770	
CICE tax credit receivable	3		337	
Other receivables	730		752	
TOTAL TRADE AND OTHER RECEIVABLES	3,740		4,156	
Cash equivalents	1,367		1,637	
Cash at bank and cash on hand	643		649	
TOTAL CASH AND CASH EQUIVALENT	2,010		2,286	

Financial assets held for investment purposes

These are assets acquired as part of the cash management process:

(€ million)	30/06/2019	31/12/2018
Term deposits accessible after more than 3 months	425	400
UCITS		50
Negotiable debt securities (maturity 3 to 12 months)	20	
TOTAL	445	450

Financial derivatives

The "financial derivatives" line represents instruments put in place to manage the interest rate and currency risks on debt. They must therefore be looked at together with "Bonds and other financial debt". A breakdown of these derivatives can be found in Note 18.3.

NOTE 16 BANKING ACTIVITIES FINANCIAL ASSETS

(€ million)	30/06/2019	31/12/2018
Customer sight loans and receivables	5,440	5,127
Term customer loans and receivables <i>of which home loans (including non-performing receivables)</i>	93,798 73,164	88,010 70,287
Finance lease transactions	2,673	2,533
TOTAL CUSTOMER LOANS AND RECEIVABLES	101,910	95,671
Sight loans and receivables from credit institutions	17,117	15,767
Term deposits and loans from credit institutions	71,729	71,492
Subordinated and participating loans	100	93
TOTAL RECEIVABLES FROM CREDIT INSTITUTIONS	88,946	87,352
Securities classified at amortised cost <i>of which Government securities and similar</i>	30,848 27,703	23,582 20,298
Financial assets at fair value through OCI	15,463	15,788
Financial assets at fair value through profit or loss <i>of which debt instruments / equity instruments / loans and advances</i> <i>of which Derivatives/Positive Fair Value</i>	12,547 10,279 2,268	11,600 10,160 1,440
Revaluation adjustment on hedged portfolios (fair value hedges)	280	82
TOTAL SECURITIES PORTFOLIO	59,139	51,052
OTHER BANKING FINANCIAL ASSETS	1,550	1,608
BANKING ACCRUALS	2,066	1,513
Central banks deposits	2,497	1,062
Cash and other	844	944
TOTAL BANKING ACTIVITIES CASH AND CENTRAL BANK DEPOSITS	3,342	2,007

NOTE 17 PROVISIONS FOR CONTINGENCIES AND LOSSES

- 17.1 Specific provisions for the Insurance and Banking activities
17.2 Other provisions for contingencies and losses

17.1 Specific provisions for the Insurance and Banking activities

As at 30 June 2019, underwriting provisions for the Insurance and Banking activities, classified as current provisions for contingencies and losses, broke down as follows:

(€ million)	Home Loan Savings risk	Insurance underwriting provisions	TOTAL
Balance as at 31/12/2018	252	2,479	2,732
Addition for the year		135	135
Reversal for the year	(28)	(109)	(137)
Other movements		43	43
Balance as at 30/06/2019	224	2,549	2,773

17.2 Other provisions for contingencies and losses

As at 30 June 2019, the other provisions for contingencies and losses broke down as follows:

(€ million)	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	18	3	104	124
Current provisions	52	114	325	491
Balance as at 31/12/2018	70	117	428	615
Addition for the year	10	7	37	54
Reversal for use	(18)	(54)	(46)	(119)
Reversal of provisions no longer required	(3)	(12)	(32)	(47)
Other movements		30	(63) ^(a)	(34)
Non-current provisions	16	6	58	80
Current provisions	43	81	266	390
Balance as at 30/06/2019	59	87	324	470

(a) Of which a €25 million provision for vacant space reclassified as impairment of right of use assets as part of the first-time application of IFRS 16.

As at 30 June 2019, **other provisions included:**

- a €136 million provision covering the penalty issued by the French Competition Authority against two companies of the Group;
- a €24 million provision covering the negative net asset value of equity associates and joint ventures, compared to €32 million as at 31 December 2018 (see Note 14);
- miscellaneous risks linked to the operational activity of the Group.

NOTE 18 BONDS AND OTHER FINANCIAL DEBT

- 18.1 Breakdown of financial debt
- 18.2 Bonds and deeply subordinated debt
- 18.3 Bond derivatives

18.1 Breakdown of financial debt

(€ million)	30/06/2019		31/12/2018	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	1,791	5,885	1,136	3,839
Bonds	800	3,661	800	3,661
Lease liabilities ^(a)	498	2,138		
Finance leases ^(a)			11	91
La Poste savings bonds	54		54	
Commercial paper	300		150	
Current bank facilities	21		22	
Deposits and guarantees received	83	26	70	26
Other borrowings at amortised cost	36	60	29	62
Borrowings designated at fair value		685		683
Hedged borrowings		438		435
Subordinated debt		438		435
Financial derivative liabilities relating to bonds	18	39	9	46
Interest accrued not due on borrowings	109		79	
Medium and long-term bonds and other financial debt (non-current)	1,420	4,909	1,225	5,004
Lease liabilities	498	2,138		
TOTAL CURRENT AND NON-CURRENT	8,965		6,229	

(a) Comparative amounts as at 31 December 2018 were not restated for the effects of IFRS 16. As at 30 June 2019, finance lease liabilities are included in the lease liabilities line item as per IFRS 16.

18.2 Bonds and deeply subordinated debt

Bonds, excluding accrued interest, changed as follows:

(€ million)	Borrowings at amortised cost	Borrowings at fair value	Hedged subordinated debt	Total
Balance as at 31/12/2018	4,460	683	435	5,579
New borrowings				
Redemptions				
Issue premium	1			1
Change in credit risk		3		3
Other changes		(1)	3	2
Balance as at 30/06/2019	4,461	685	438	5,585

18.3 Bond derivatives

<i>(€ million)</i>	Fair value as at 30/06/2019		Fair value as at 31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	110		123	
Floating-for-fixed derivatives		11		8
TOTAL	110	11	123	8
Hedging derivatives				
Fair value hedges				
Cash flow hedges		44	1	46
TOTAL DERIVATIVES RELATING TO DEBT	110	55	124	55
Other				
Currency swaps	2	1	3	1
Cash management funds derivatives				
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	112	56	127	56
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives	8		7	

NOTE 19 GROUP NET DEBT

- 19.1 Group net debt position
19.2 Changes to Group net debt

2018 figures were not restated for the application of IFRS 16, and notably do not include lease liabilities, except for finance lease liabilities (see Note 2.3).

19.1 Group net debt position

(€ million)	Note	30/06/2019	31/12/2018
Cash and cash equivalents (balance sheet line)	15	2,010	2,286
Debt-related derivative assets	15	112	127
Investment securities with initial maturities of over 3 months and UCITS	15	445	450
Security deposits paid in connection with derivatives, recognised as assets	15	1	
Net financial receivable against La Banque Postale		167	(76)
Cash and other asset items (1)		2,735	2,787
Medium and long-term bonds and other financial debt	18	4,909	5,004
Short-term bonds and other financial debt	18	1,420	1,225
Lease liabilities		2,635	
Gross debt (2)		8,965	6,229
NET DEBT (2)-(1)		6,231	3,442
Impact of the first-time application of IFRS 16 as at 1 January 2019		2,462	
Increase (Decrease) in net debt as at 30 June 2019 excluding IFRS 16 effects		326	

Although the Group's net debt helps finance the entire Group, and especially banking activities, through equity investments or subordinated note subscriptions, the calculation of net debt does not take into account La Banque Postale's assets and liabilities, since they are of an operational nature in regards to banking activities.

19.2 Changes to Group net debt

(€ million)	Cross-references	H1 2019	H1 2018
Cash flows from operating activities	CFS ^(a)	853	396
Cash flows from investing activities	CFS	(508)	(126)
Cancellation of the change in cash management financial assets	CFS	(5)	(70)
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets^(b)		(513)	(196)
Undated hybrid subordinated notes	CFS		744
Dividends paid to the shareholders and remuneration of hybrid subordinated notes	CFS	(219)	(171)
Purchase of non-controlling interests	CFS	(10)	(2)
Net financial interest expense		(113)	(77)
Change in the fair value of financial instruments			(11)
Impact of changes in consolidation scope on gross debt		5	(2)
Non-cash changes in finance lease liabilities (IAS 17)			(2)
Non-cash changes in lease liabilities (IFRS 16)		(336)	
Issue premiums and costs			(3)
Other items ^(c)		5	(4)
Cash flows and change in debt from financing activities		(667)	471
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		(326)	672
Net debt at the beginning of the period		(3,442)	(3,820)
Impact of the first-time application of IFRS 16		(2,462)	
Net debt at the end of the period		(6,231)	(3,148)

(a) "CFS" refers to the non-banking column of the Cash Flow Statement in the consolidated financial statements.

(b) The cash flows from investing activities stand out from CFS due to the exclusion of the "change in cash management financial assets", assets deducted from the net debt calculation.

(c) The "Other items" line includes the impact of currency fluctuations on net debt, dividends paid to non-controlling interests, and subsidiaries held for sale.

NOTE 20 EMPLOYEE BENEFITS

(\$ million)	31/12/2018		Increase	Decrease for use	Interest cost	Other changes	30/06/2019	
	Current	Non-current					Current	Non-current
Post-employment benefits for La Poste's government employees	8	233	2	(4)	2	31	8	264
Retirement benefits for the Group's contract staff	13	422	16	(7)	3	40	13	473
Pension plans for employees of foreign subsidiaries		52	2	(18)				36
Post-employment benefits	21	707	19	(29)	5	71	21	773
End-of-career arrangements	386	1,462		(217)	2		352	1,281
Severance payments	109	33					108	33
Long-term sick leave/long-term paid leave	35	53	2	(3)			51	36
Accrued leave	128	120		(7)			124	116
Other long-term benefits	1	13	2				3	12
Other benefits	272	218	4	(10)			286	198
TOTAL	679	2,388	23	(256)	7	71	660	2,252

NOTE 21 BANKING ACTIVITIES FINANCIAL LIABILITIES

(\$ million)	30/06/2019	31/12/2018
Sight liabilities to credit institutions	1,008	1,279
Term liabilities to credit institutions	23,396	17,599
<i>of which securities given under repurchase agreements</i>	19,333	14,618
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	24,404	18,877
Special savings accounts	116,075	114,532
<i>of which Livret A passbook savings accounts</i>	62,023	60,616
<i>of which Home Loan Savings Plans and Accounts (PEL & CEL)</i>	31,582	31,805
Liabilities to customers	75,104	71,270
<i>of which ordinary trade payables</i>	69,271	65,662
TOTAL LIABILITIES TO CUSTOMERS	191,179	185,802
Debt evidenced by a certificate	25,215	20,013
<i>of which certificates of deposit</i>	10,844	8,110
<i>of which bonds</i>	11,244	8,823
Guarantee deposits received	1,286	1,067
Financial liabilities at fair value through profit or loss	1,274	631
Hedging derivatives	754	348
Lease liabilities of Banking activities	145	
Other	1,568	1,700
TOTAL DEBT EVIDENCES BY A CERTIFICATE AND OTHER BANKING FINANCIAL LIABILITIES	30,242	23,759
BANKING ACCRUALS - LIABILITIES	2,300	2,360

NOTE 22 TRADE AND OTHER PAYABLES

<i>(€ million)</i>	30/06/2019	31/12/2018
Trade payables and related accounts	1,905	2,116
Tax and social security liabilities	1,789	1,906
Payable to suppliers of non-current assets	246	328
International mail payables	540	674
Customer advances and deposits	153	177
Other operating payables	220	231
TOTAL	4,854	5,432

ADDITIONAL INFORMATION

NOTE 23 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

- 23.1 Impact of financial instrument on net profit/(loss) and equity
23.2 Fair value and ranking of financial instruments

23.1 Impact of financial instrument on net profit/(loss) and equity

H1 2019 (€ million)	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
Assets and liabilities classified at amortised cost	943			(41)	164	1,066
Assets classified at fair value through recyclable OCI	90		224		88	402
Financial instruments at fair value through profit or loss		39			14	53
Hedging	83		15			98
TOTAL	1,116	39	239	(41)	266	1,618

23.2 Fair value and ranking of financial instruments

H1 2019 (€ million)	H1 2019				
	Book value	Fair value (a)	Fair value ranking (b)		
			Level 1	Level 2	Level 3
ASSETS					
Bank assets					
Customer loans and receivables	101,910	108,698			
Credit institutions loans and receivables	88,946	88,959			
Securities portfolio	59,359	61,535	17,937	9,659	634
Non-bank assets					
Other non-current financial assets	298	298		112	
Trade and other receivables	3,740	3,740			
Other current financial assets	491	491		445	
Cash and cash equivalents	2,010	2,010	50	1,960	
LIABILITIES					
Bank liabilities					
Liabilities to credit institutions	24,404	24,391			
Customer transactions	191,179	191,185			
Debt evidenced by a certificate and other	30,242	30,650		2,028	
Non-banking liabilities					
Bonds and other financial debt	6,329	6,840		742	
Trade and other payables	4,854	4,854			

(a) Including fair value of items recognised at amortised cost

(b) For items recognised at fair value

LEVEL 3 FAIR VALUES: RECONCILIATION OF OPENING AND CLOSING BALANCES (BANKING ACTIVITIES)

<i>(€ million)</i>	Assets at fair value through profit or loss	Hedging derivatives	Assets designated at fair value through equity	TOTAL
Opening balance	303		289	591
Gains and losses recorded in income	11			11
Gains and losses recorded in equity				
Purchases	28		11	39
Redemptions	(8)			(8)
Other movements				
Closing balance	334		300	634

NOTE 24 RELATED PARTIES TRANSACTIONS

No significant change in the nature of transactions with related parties has occurred since the 2018 year-end (see Note 35 to the consolidated financial statements at 31 December 2018).

NOTE 25 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

No significant change in off-balance sheet commitments or contingent liabilities has occurred since the 2018 year-end (see Note 37 to consolidated financial statements at 31 December 2018).

NOTE 26 POST-BALANCE SHEET EVENTS

None.

Report of the statutory auditors on the half-year financial information

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This is a free translation into English of the statutory auditors' review report on the half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Statutory Auditors' review report on the interim financial information

(Six months ended June 30, 2019)

LA POSTE SA

9, rue du Colonel Pierre Avia
75015 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your annual shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of La Poste, for the six months ended June 30, 2019 ;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 2.3 "Impacts of the first-time

application of IFRS 16” and Note 13 “Leases” to the condensed interim consolidated financial statements, which describe the consequences of the first-time application as of January 1, 2019 of IFRS 16 “Leases”.

II – Specific verification

We have also verified the information provided in the interim management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 31st, 2019

The statutory auditors

French original signed by:

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Laurent Daniel
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