

Half-year financial report 2017

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LE GROUPE LA POSTE

The English language version of this report is a free translation from the original which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.



CONTENT

- Responsibility statement page 4

- Management report at 30 June 2017 page 8

- Condensed consolidated financial statements at 30 June 2017 page 66

- Report of the statutory auditors on the interim financial information 2017 page 100

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, 1 August 2017

Chairman and Chief Executive Officer

Philippe Wahl



MANAGEMENT REPORT HALF-YEAR 2017

CONTENTS

1.	HIGHLIGHTS	13
1.1	ECONOMIC AND FINANCIAL ENVIRONMENT	13
1.2	REGULATORY ENVIRONMENT	16
1.3	DEVELOPMENTS, PARTNERSHIPS AND ACQUISITIONS	18
1.3.1	Services-Mail-Parcels	18
1.3.2	GeoPost	19
1.3.3	La Banque Postale	20
1.3.4	La Poste Network	21
1.3.5	La Poste Mobile	22
1.3.6	Digital Services	22
1.3.7	Real Estate	23
1.4	THE GROUP'S COMMITMENT TO RESPONSIBLE DEVELOPMENT	23
1.4.1	La Poste recognised for its commitment to society	23
1.4.2	Energy transition and urban logistics:	24
1.4.3	Excellence in digital inclusion	24
1.4.4	Developing regional appeal	24
1.5	LA POSTE, A RESPONSIBLE EMPLOYER	25
1.5.1	Social dialogue	25
1.5.2	Professional training and development	25
1.5.3	Health and quality of life at work	26
2.	SUMMARY OF LE GROUPE LA POSTE CONSOLIDATED RESULTS	27
2.1	OPERATING REVENUE	28
2.2	OPERATING PROFIT	30
2.3	FINANCIAL INCOME	31
2.4	NET PROFIT	32
2.5	FREE CASH FLOWS AND CHANGES IN NET DEBT	32
2.6	FINANCIAL RATIOS	32
3.	OPERATING RESULTS BY BUSINESS SEGMENT	33
3.1	SUMMARY OF OPERATING RESULTS BY BUSINESS SEGMENT	33
3.2	SERVICES MAIL-PARCELS	34
3.2.1	Services and Mail segment	35
3.2.2	Parcel activities	36
3.2.3	Operating profit	37
3.3	GEOPOST	37
3.3.1	Continued rapid sales development	37

3.3.2	Operating profit	39
3.4	LA BANQUE POSTALE	39
3.4.1	Economic and financial environment.....	39
3.4.2	Commercial activities	40
3.4.3	Operating performance.....	42
3.4.4	Financial structure	44
3.5	LA POSTE NETWORK.....	45
3.5.1	La Poste Network.....	45
3.5.2	La Poste Mobile.....	47
3.6	DIGITAL SERVICES.....	47
3.6.1	Revenue	48
3.6.2	Operating profit	49
3.7	OTHER SEGMENTS	49
3.7.1	Real Estate.....	49
3.7.2	Support and Structures.....	50
3.7.3	Unallocated expenses	50
4.	OTHER KEY AGGREGATES OF THE INCOME STATEMENT.....	51
4.1	FINANCIAL LOSS.....	51
4.2	NET PROFIT GROUP SHARE	52
5.	NET DEBT AND FINANCIAL STRENGTH.....	53
5.1	CHANGE IN NET DEBT	54
5.1.1	Cash flows from operating activities	54
5.1.2	Cash flow from investing activities excluding LBP.....	55
5.1.3	Economic Health Indicator.....	58
5.1.4	Change in net debt.....	58
5.2	CHANGE IN CASH AND CASH EQUIVALENTS	60
5.3	BREAKDOWN OF FINANCIAL DEBT.....	61
5.3.1	Gross Debt.....	61
5.3.2	Net debt	62
5.4	EQUITY AND FINANCIAL STRUCTURE.....	63
5.5	CREDIT RATING.....	63
6.	OUTLOOK AND POST BALANCE SHEET EVENTS.....	65
6.1	OUTLOOK	65
6.2	POST BALANCE SHEET EVENTS	65

Note 1: The financial data set out in this document are taken from the Group's consolidated financial statements and are prepared in accordance with IFRS.

Note 2: The amounts shown in the tables are generally provided in millions of euros. Rounding may, in some cases, lead to slight differences in totals or variations.

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. Oil prices and exchange rates, in particular with the US dollar and British pound are also relevant in the Group's logistics and international businesses (given GeoPost's strong presence in the United Kingdom). 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.

Acceleration of global economic growth

Global economic growth has sped up since mid-2016. At around 3% per year since 2012, it has come closer to its historical average (3.5% since the early 1990s) as at the first half of 2017, with increased economic activity in the Euro zone significantly contributing to this strength (see below). As for the United States, its economy maintained a respectable level of growth despite a disappointing first quarter (a seemingly recurrent phenomenon over the past few years) before rebounding in the spring. Growth remained at around 2% for the year across these fluctuations, which is below pre-economic-crisis performance levels, but slightly above estimated current long-term potential. Although unemployment rate has fallen to a very low level (just over 4%), wages have not really gone up, allowing the Federal Reserve to continue its very gradual monetary normalisation policy. Additionally, as of the first half of the year, Donald Trump's campaign promises of reducing taxes and investing in infrastructure remain under discussion, particularly in Congress. In any case, the extent of these plans will probably be considerably smaller than initially anticipated, and its impact will not be felt until 2018. In China, the authorities have reduced their monetary and budgetary support, which was very strong in 2016, and growth showed signs of slowing in the spring after significantly strengthening last year. In addition, Russia has climbed out of a severe recession after oil prices rebounded in 2016. Brazil also enjoyed renewed growth at the beginning of 2017 thanks to abundant crops, but the country remains weakened due to its unstable political situation. As for India, at the end of 2016, the country suffered from demonetising high-value banknotes to combat corruption, but the negative impacts from this action faded during the first half of 2017. Lastly, the rather promising global economic environment benefited Japan, where GDP continued to rise at the beginning of 2017. However, inflation remained very low, which is a major concern for the Bank of Japan.

Stronger recovery in the Euro zone

Growth in the Euro zone intensified in early 2017. Although household consumption suffered during the first quarter due to the rebound in oil prices in late 2016, exports as well as investments performed well. Momentum from job creation reduced unemployment in almost all countries. Unemployment rates remained highly disproportionate, with, for example, Spain still at 17% unemployment after three years of strong GDP growth, and Germany at almost full-employment. Outside the Euro zone, growth in Poland, which slowed down last year, rebounded during the first half of 2017 (+4% over one year), driven mainly by consumption.

In the United Kingdom, the economy seemed to hold ground during the second half of 2016, despite the decision to leave the European Union. However, signs of a slowdown in economic activity are stacking up (GDP growth was only 0.7% at an annualised rate in the first quarter), while inflation grew (nearly 3% over one year in May), due to depreciation of the British pound.

Recovery is gaining ground in France

Economic growth gained strength in France in the first half of 2017, reaching close to 2% per year, as economic surveys had indicated. Even though household consumption slowed during the third quarter after oil prices rose, corporate investment continued building momentum and was boosted at the beginning of the year due to the extension of the special tax deduction on investments. Export levels were a little chaotic (adversely impacted by lower aircraft deliveries, but then benefiting from a catch-up and delivery of a giant ocean liner). The French economy set itself apart with a strong rebound in the real estate market, for both old and new properties, primarily due to very low interest rates and expectation that they will rise again in the future. Signifying more economic vitality, and benefiting from specific measures (reduced labour costs, a hiring subsidy for SMEs), net job creation was particularly strong (248,000 over one year during the first quarter), which cut down on unemployment.

Slowdown of inflation after a peak in early 2017

Oil prices rose considerably at the end of 2016 after OPEC countries and other major producers, including Russia, signed an agreement to reduce their production. They peaked, however, during the first quarter and then fell again during the second quarter, as U.S. crude supply started rising again.

As a result, after reaching 2% in February, the rate of change in consumer prices in the Euro zone was 1.3% in June (0.7% in France). Core inflation (excluding energy and food) is still very low in France (0.5%) and weak in the Euro zone (1.2%). Excluding a sharp increase in energy prices, stagnant wages can only result in very limited inflation.

Interest rate volatility and erosion; sharp increase in stock prices

The end of 2016 was characterised by an increase in medium-to-long-term interest rates in the United States, and in the Euro zone to a lesser extent. In fact, higher inflation was expected from the rise in oil prices. Additionally, investors expected more growth and inflation from the economic stimulus package that Donald Trump promised. These expectations were thwarted by the peak, then drop, in oil prices as well as by the difficulties of the new president's administration in implementing his plan. As a result, the rise in interest rates in the United States stalled and then fell during the second quarter. Furthermore, medium-to-long-term interest rates in the Euro zone experienced some volatility during the first half of the year due to heightened political risks: highly-contested Dutch and French elections, with major domestic and European challenges; and a

still chaotic political situation in Italy, which is also facing major issues with some of its banks. Consequently, a risk premium raised interest rates for French Treasury bonds and notes until the end of April, which particularly increased the interest rate spread between the 10-year OAT and German Bund. Emmanuel Macron's victory in the Presidential elections then reassured investors, and the risk premium ebbed. In total, interest rates for 10-year U.S. Treasury notes and bonds lost approximately 13 basis points during the first half of the year. Yield for the German Bund fluctuated (0.28% in June, slightly lower than what it was in December 2016). After reaching a high point at 1.15% in early February when the risk premium was at its highest, the 10-year OAT fell back to 0.65% in June, nearly reaching December 2016 levels (0.66%).

By contrast, inter-bank interest rates in the Euro zone barely moved throughout the first half of the year and remained negative due to the ECB's monetary policy, which kept its interest rate on commercial bank deposits at -0.4%, the current key interest rate for the Euro zone. The Eonia remained stable at around -0.36%. Meanwhile, the three-month Euribor coincided at -0.33%.

Stock markets in the United States and in the Euro zone surged during the first half of the year, driven by publicly-traded companies' increasing profits in a favourable global economic environment. Major US stock indices broke record after record, driven at the beginning of the year by investor optimism created by the promises Donald Trump made (namely, decreasing corporate taxes). In the Euro zone, the dissipation of some political risks following the Dutch and French elections helped raise stock prices, with a leap in the CAC 40 in late April - early May. In total, the CAC 40 gained 5.3% over the first half of the year, coming to 5,121 points at the end of June.

Decrease in the dollar and the pound sterling

After Donald Trump's election, the US dollar rose sharply, particularly against the euro (\$1.04/€ in December, versus \$1.11/€ in early November); however, it fell again during the first half of the year despite the Federal Reserve's key interest rate increases. Statements made by US officials (including the President himself), expressing their opposition to the dollar being too strong, played a part in this. The continued downward trend in inflation and stagnant wages raised doubts that the US Central Bank could continue to increase its key interest rate. Conversely, the euro benefited from the Euro zone's improved economic situation and from the decline in political risks during the second quarter. The euro/dollar exchange rate finally recovered to pre-Donald Trump levels in June, to \$1.12 - \$1.13/€.

The euro/pound exchange rate varied between £0.835 and £0.88/€ without any clear trends, as operators awaited results of *Brexit* negotiations between the European Union and the United Kingdom, which began in June. Theresa May's unexpected decision to proceed with early legislative elections at the beginning of June to boost her parliamentary majority briefly increased this exchange rate. A large conservative victory seemed certain, which would have strengthened the government's positioning in *Brexit* negotiations. However, starting in mid-May, the pound weakened as polls became increasingly less favourable to conservatives. The elections resulted in conservatives losing an absolute majority as well as a forced alliance with a Northern Ireland political party considered to be extreme. This political failure by Theresa May, as well as signs of slowdown in Great Britain's growth, weakened the pound. In June, the euro was worth £0.88, compared to £0.84 in December.

1.2 Regulatory environment

Banking environment trends

The banking environment was marked by:

- The Banking Mobility Mandate: included in the Macron Law, this mandate requires all French banks to make moving banks easier for individual customers by using a dedicated inter-banking infrastructure. Individual bank customers can now request to change banks, transfer direct debits as well as transfer recurring payments without having to identify the transaction parties. Since 6 February 2017, La Banque Postale has offered a “Welcome Services Plus” service that includes new Banking Mobility Mandate provisions with extended benefits.
- The Payment Services Directive: on 23 February 2017, the European Banking Authority (EBA) published the implementing decree¹ of the Payment Services Directive (DSP2), which will take effect starting in 2018. This directive aims to regulate the emergence of new financial players and to make the security of their exchanges more reliable. It adapts the payment services regulatory framework to challenges posed by innovative services appearing on the scene, by rapid growth in electronic payments and the steady pace of tech innovation.

Pricing adjustments

Price increases for domestic, overseas and international mail and parcels took effect on 1 January 2017 after Arcep issued a favourable opinion on 26 July 2016 (No. 2016-0981). All of these changes comply with the pricing provisions set forth in Arcep’s Decision No. 2014-0841 dated 22 July 2014 relating to multi-annual price caps for the 2015-2018 period.

As at 1 January 2017, La Poste increased its mail prices by an average of 3.1%². The first weight category for green mail increased from €0.70 to €0.73, and priority mail from €0.80 to €0.85. Colissimo prices for domestic shipments weighing up to 2 kg from private individuals will remain unchanged after a substantial decrease in 2016 (shipments weighing less than 2 kg account for 80% of parcel volumes sent by retail customers). As for corporate customers, base prices for direct marketing did not increase for the second year in a row in an effort to support competitiveness in the media mail market and to encourage new uses. Products in the business mail industrial range posted an average increase of 1.9% in 2017, i.e. the lowest price increase in the past five years.

¹ Publication of RTS (Regulatory Technical Standards)

² 3.3% for all universal service products

Pricing equalisation

On 28 February 2017, Law 2017-256, providing a framework for real equality overseas and including economic and social provisions, was signed into law. Article 45 of this Law amends Article L.1 of the French Postal and Electronic Communications Code (CPCE). Pricing equalisation now includes items of correspondence weighing less than 100 grams from and to communities governed by Article 73 of the Constitution (Guadeloupe, Martinique, Reunion Island, French Guiana, Mayotte), and from and to Saint-Pierre-et-Miquelon, Saint-Barthélemy, Saint-Martin, Wallis and Futuna Islands and French Southern and Antarctic Lands. Up to now, equalisation was limited to items of correspondence in the first weight category (up to 20 grams). Beyond this weight limit, a surcharge was applied for every additional 10 grams.

Signing of the 2017-2019 local postal coverage agreement

On 11 January 2017, Le Groupe La Poste, the French government and the French Mayors' Association and Presidents of inter-communal consortia signed the local postal coverage agreement for 2017-2019.

This fourth agreement is in keeping with previous agreements, which helped create long-lasting partnerships (between postal agencies and Relais Poste outlets) and develop new forms of resource pooling (public service areas (*maisons de services au public*) and postmen-counter clerks in post offices). It also ensured that more than 4,000 post offices were renovated, and encouraged maintaining postal coverage in rural locations, priority districts in the city policy and in French overseas departments.

This new agreement pledges increased accessibility. Its primary goal is to adapt postal coverage to each region's and population's diverse needs while taking into account changes in trends and technologies.

The amount of annual resources allocated by the French government via the equalisation fund is increasing from €170 million to €174 million compared to the previous agreement.

Report on European positions in the cross-border parcel delivery market

On 25 May 2016, the Commission published a draft regulation relating to cross-border parcel delivery services to improve pricing transparency and strengthen regulatory authorities' power. Work on this regulation is continuing throughout 2017.

La Poste agrees with the Commission's desire to have better awareness of the cross-border parcel market and operators in this sector as well as to have better information for consumers. However, the group requested that this project not create additional regulatory limitations for universal service operators, which risk harming their competitiveness in the cross-border markets they're not operating in yet or in which they do not have a dominant market positioning in general. The final legislative text is expected to be published in 2018.

1.3 Developments, partnerships and acquisitions

1.3.1 Services-Mail-Parcels

1.3.1.1 *Signing of an agreement on working conditions and on postmen and their supervisors' jobs*

At the end of negotiations with major social partners, an agreement on working conditions and jobs for postmen and their supervisors was signed in early 2017. It provides for hiring 3,000 postmen under permanent contract throughout the country. This historic agreement supports advancements in postmen's jobs at a time when their business is changing and becoming more diverse, particularly with the emergence of new services. As a result, the postman job is a job of the future: an interpersonal, multi-purpose, connected and skilled job.

1.3.1.2 *Equity investment in Asten Santé, a home healthcare services company*

In June 2017, La Poste acquired a 51% stake in the share capital of Asten Santé with a goal of rounding out its home healthcare service offering.

Asten Santé employs 750 people and works with 60,000 patients to install, carry out maintenance services, and provide advice on the proper use of home medical devices that treat chronic illnesses. Located in 41 administrative departments in France, the company, created in 2013 by organisations involved with the hospital environment, achieved €83.2 million in revenue in 2016.

1.3.1.3 *Signing of a partnership with Adessadomicile to develop home care services*

La Poste and Adessadomicile (a federation of nearly 25,000 employees representing more than 700 non-profit home assistance, support and care services) signed a partnership in April to combine their efforts towards providing local services in the regions. This partnership falls under La Poste's "Alliance Dynamique" programme, which brings together organisations operating in the social and solidarity-based economy. The two partners intend to promote collective discussions on the impact of digital technology on this sector.

1.3.1.4 *New offering: "Veiller sur mes parents"*

As part of an effort to diversify its businesses, since May, La Poste has offered "Veiller sur mes parents", a social interaction home visit service carried out by postmen, which includes a remote assistance programme. It is available in all post offices located in mainland France. At the end of June, 1128 contracts were signed.

1.3.1.5 *New Action Habitat offering*

In January 2017, La Poste launched a new offering called "Action Habitat", which aims to help local authorities roll out their housing energy renovation projects. This offering is part of the energy transition and green growth law, which states that 500,000 residences must be renovated each year starting in 2017.

The new La Poste offering supports local authorities in their initiatives with private individuals: targeting priority residences, raising property owners' awareness regarding energy renovation challenges, conducting energy assessments at private individuals' homes and supporting private individuals who would like to carry out the renovation work.

As a result, La Poste has expanded its energy transition range, which already includes recycling and eco-mobility.

1.3.2 GeoPost

GeoPost, number 2 in the European parcels-express market via its DPD Group network, is continuing its international development strategy.

1.3.2.1 *A stronger position in Russia*

Already operating in Russia via its wholly-owned subsidiary, DPD Russia, GeoPost is strengthening its positioning by the contribution in kind of DPD Russie to a joint venture in which GeoPost is the majority shareholder (71.2%) with the remaining share being held by shareholders of the Russian logistics operator SPSR Express, which contributed its operations to the venture. This operation was approved by the Russian competition authority on 22 February 2017.

SPSR Express covers all of Russia via a domestic network comprising 9 hubs, 15 sorting centres and 200 agencies. As at 31 December 2016, it made €92 million in revenue and delivered 13.6 million packages.

This merger makes the newly created DPD-SPSR joint venture a leading Russian express delivery operator with a national infrastructure and unrivalled expertise in the B2B and B2C logistics market segments.

1.3.2.2 *South American operations*

Consolidated since 2017, Jadlog, the number 2 company in the Brazilian Parcels-Express market (acquired at the end of 2016), covers all of Brazil via a leading road and air network and more than 500 franchises. As at 31 December 2016, Jadlog achieved approximately €110 million in revenue and delivered more than 7 million parcels.

1.3.2.3 *Equity investment in BRT, positioned in the Italian express delivery market*

On 16 January 2017, GeoPost acquired 37.5% of the share capital of BRT, the leader in the Italian express delivery market. BRT manages a network of 180 warehouses throughout Italy and delivers more than 650,000 parcels every day. As at 31 December 2016, BRT achieved €1,270 million in revenue.

1.3.2.4 ***Takeover of Stuart, an urban delivery platform***

GeoPost increased its stake in Stuart to 100% (it has already been a 22% shareholder since 2015) to speed up growth for the French urban delivery specialist.

Stuart is a platform that connects businesses to a fleet of independent couriers via automated processes (automatic dispatch, real-time courier geolocation, API integration with all types of retailers). Today, Stuart has around 100 employees in three countries (France, Spain, and the United Kingdom) and in five cities in Europe (Paris, Barcelona, London, Lyon and Madrid).

With Stuart, GeoPost intends to overcome the challenge of on-demand last mile delivery in major metropolitan areas.

1.3.2.5 ***Acquisition of new Seur franchises***

Already present in many cities in Spain, the network continued to grow by integrating three franchises in May 2017: one each in Vigo and La Coruña located in the Galicia region, and one in Eibar in the province of Guipuzcoa. The franchise in Northern Portugal, the latest and second largest network in the country, was also consolidated in March, strengthening GeoPost's presence.

1.3.3 **La Banque Postale**

1.3.3.1 ***Acquisition of crowdfunding platform KissKissBankBank***

On 28 June, La Banque Postale announced that it acquired 100% of the share capital of KissKissBankBank & Co, a crowdfunding leader in Europe, which includes the brands KissKissBankBank, Hellomerci and Lendopolis. As a long-standing partner of KissKissBankBank, La Banque Postale has been committed to the sharing economy and is now stepping up this support. This merger, which respects La Banque Postale's civic-minded values, is part of its commitment to support the real economy as well as its digitisation strategy. This merger will enable La Banque Postale to expand its digitised offering to respond to new banking trends. KissKissBankBank & Co, with a community of nearly 1.3 million members, has funded more than 27,000 projects since its creation. This transaction was finalised on 19 July 2017.

1.3.3.2 ***Launch of Talk to pay, a remote payment solution with voice-activated authentication***

La Banque Postale is the first French bank to launch a voice-activated authentication system for remote payments. A major innovation after five years of research and development, Talk to Pay has been available since June 2017 to all La Banque Postale debit card holders. By using voice as a password, this service makes Internet purchases easier and more secure. A random cryptogram is generated for each remote purchase made, reinforcing payment security. Talk to Pay is available via the "my payments" electronic wallet, which includes La Banque Postale's other remote payment solutions offered (Paylib, 3DSecure).

1.3.3.3 **Acquisition of Domiserve in the pre-paid service cheque (CESU) market**

In March 2017, La Banque Postale acquired 100% of the share capital of Domiserve, specialised in issuing *Chèques emploi service universel* (pre-paid service cheques - CESU) as well as in providing services to individuals. This acquisition falls under La Banque Postale's strategy to support societal changes and the Silver Economy (a strategic sector for Le Groupe La Poste) as well as expand its means of payment range. In 2016, Domiserve generated €6.9 million in revenue.

1.3.3.4 **Launch of a 100% digital bank**

La Banque Postale is actively preparing to launch its future 100% digital bank, set to open at the end of 2018, after obtaining approval from the European Central Bank. This bank, which will be open to everyone, will be simple, useful, nearby, transparent and responsible, in accordance with the Group's values. This project is fully in line with Le Groupe La Poste's digital transformation progress.

1.3.3.5 **Launch of a banking inclusion plan using digital technology**

La Banque Postale, "a civic-minded bank", reaffirms its commitment to promote banking accessibility through digital technology. As announced on 21 March 2017, at Banque Citoyenne's first meeting at the institution's headquarters, this project, built in cooperation with benchmark players in digital specialists and in the area of social action, will be a first in the banking arena. This bank is designed for anyone experiencing banking exclusion or lack of digital access and will be rolled out throughout the country via all channels.

1.3.4 **La Poste Network**

1.3.4.1 **Transformation of the Network**

La Poste is continuing to transform its network by:

- opening new "La Poste Relais" outlets, which provide Mail/Parcel services. In rural areas, some locations offer financial assistance services. In the first half of the year, 148 "La Poste Relais" outlets were created (25 in rural areas and 123 in urban areas). These lighter structures equipped with more digital services are installed in high-traffic passageways (train stations, shops, etc.) and offer extended opening hours that enable it to best meet the needs of city dwellers.
- rolling out the postman-counter clerk structure: postmen-counter clerks deliver mail and perform local services in the morning before taking over the post office counter in the afternoon. This new structure guarantees the network's continued existence in rural or semi-rural areas. As a result, 640 postmen-counter clerks were active at the end of June 2017, with a goal of this figure reaching 1,000 by the end of 2017.

1.3.4.2 ***Continuing to adapt the Network to support the Group's products and services***

La Poste is implementing a regional structure to meet strategic challenges, namely customer satisfaction, employee engagement and sales growth.

In addition, during the first half of 2017, new positions were created to grow the Mail-Parcels business and new services in the Network as well as to build strong sales momentum, particularly for products and services in the professional customers market (pros) with a reception area for pros and improved pathways in the sales area: 190 advisers for pros put in place by the end of June (with a goal of 200 in 2017).

1.3.5 **La Poste Mobile**

1.3.5.1 ***Diversifying products and services***

La Poste Mobile has:

- overhauled the mobile SIM-only range and expanded its offerings (high-speed Internet: 2P and 3P and retail ADSL). To support the subsidiary's development, shareholders subscribed to a €40 million capital increase, i.e. at the equivalent level of Le Groupe La Poste's 51% stake;
- strengthened its sales teams by hiring 100 salespersons specifically for retail offerings by the end of June (with a target of 200 by the end of 2017);
- invested in new regions (Reunion Island and Mayotte) via alternative sales channels (web, telephone, tobacco shops) or new locations (local postal agencies, La Poste Relais outlets).

1.3.6 **Digital Services**

1.3.6.1 ***Majority stake in Ametix, positioned in the digital transformation sector***

In April 2017, Docapost, a subsidiary of Le Groupe La Poste specialised in helping companies and administrations with their digital and mobile transformation, acquired 70% of the share capital of Ametix, a company specialised in the IT consulting sector and which also operates an HR and recruitment consulting business in parallel.

Created in 2011, Ametix has 200 employees and a network of more than 15,000 experts. In 2016, Ametix achieved €14 million in revenue.

1.3.6.2 ***Acquisition of Localeo, in the Citizen Relations Management sector***

In March 2017, Le Groupe La Poste acquired 100% of the share capital of Localeo via its subsidiary Docapost. Localeo specialises in rolling out digital services within local authorities. The company works with nearly 200 customers, developing innovative hosted software products that help make life easier for citizens and optimise local authorities' operations.

After purchasing Docapost Fast and Docapost Applicam in 2016, the acquisition of Localeo reinforces Docapost's expertise in supporting local authorities with their digital transformation. At 31 December 2016, Localeo generated €1 million of revenue.

1.3.7 Real Estate

1.3.7.1 *Creation of Arkadéa, a Real Estate development company*

After signing a framework agreement in March 2017, Icade and Poste Immo, Le Groupe La Poste's Real Estate subsidiary, finalised on 4 July the creation of Arkadéa, their joint Real Estate development company.

The creation of Arkadea is an extension of the partnership created between Icade and Poste Immo in 2009, which had already enabled several high-quality Real Estate projects to be completed (Le Panoramic in Lyon Red Cross, etc.).

The new structure Arkadea, 50%-held by each entity, is now in operation and will automatically carry out both residential and commercial development operations throughout the country. These operations will be developed from a common base and equal property or asset ownership. Arkadea also intends to pursue development opportunities by acquiring property and carrying out development and planning operations.

1.4 The Group's commitment to responsible development

The Group's corporate social responsibility is a key component of the "La Poste 2020: Conquering the future" strategic plan. The Group has pursued initiatives to fulfil commitments made to third parties, particularly on energy transition, the circular economy, digital inclusion and regional appeal.

1.4.1 La Poste recognised for its commitment to society

La Poste was amply rewarded for its societal responsibility at the beginning of the year for its various commitments and actions. The Group received several awards and qualifications, including, but not limited to:

- The 2017 award for best communications on progress toward implementing the global compact in the Global advanced category, awarded by Global Compact France³
- La Poste du Louvre received the 2017 "Pierre d'Or" award⁴ in the "developments" category
- "La Poste also received a gold medal in the procurement awards, under the "Customers - Responsible and Sustainable Purchasing" category, for its efforts to support social integration through its temporary job integration talent pool".

Human rights

GeoPost, the Group's most international subsidiary, signed a global agreement with the UNI Global Union on human rights and freedom to assemble. It applies to all companies controlled by GeoPost.

³ Global Compact France is the local division of the United Nations Global Compact, and its purpose is to encourage organisations to integrate corporate social responsibility into their strategy and operations.

⁴ The "Pierre d'Or" awards is a renowned annual event that recognises real estate professionals in each of the following categories: investors, developers, consulting, assets, property, facility managers, users, project managers, sustainable development, and professional of the year.

1.4.2 Energy transition and urban logistics:

Le Groupe La Poste, which supplies its entire real estate portfolio⁵ with renewable energy, has committed to conduct obligatory energy audits to firmly establish a process to make progress on energy management goals. The goal is to decrease the Group's overall energy consumption both for transportation and buildings as well as for digital, and to continue advancing its energy mix towards renewable energy. To help the Group's local entities carry out projects to help this transition, La Banque Postale and the Services-Mail-Parcels business unit created an internal carbon fund using an internal per metric tonne price (an internal price per metric tonne of carbon to speed up energy transition by funding local projects).

1.4.3 Excellence in digital inclusion

The Data Charter is being rolled out in the Group after data confidentiality was included in the employee sworn statement.

Additionally, La Poste renewed its partnership with Simplon to train postmen or customer service representatives on web/app development, providing new resources to a professional sector in high demand.

1.4.4 Developing regional appeal

La Banque Postale together with WeSharebonds launched a fundraiser for its second professional specialised investment funds (FPS) entitled, "We lend to SMEs 2022".

⁵ Except for a few subsidiaries.

1.5 La Poste, a responsible employer

1.5.1 Social dialogue

After signing five agreements in 2016, including an agreement on integrating young people into the workplace and on employing seniors for 2016-2018, the beginning of 2017 was marked by the signing of five agreements:

- An agreement on improving working conditions and on developments to postmen/postwomen's service and delivery jobs as well as the jobs of their local supervisors, called the "Postmen's Agreement", signed on 7 February by CFDT, FO, CFTC and CGC;
- An agreement relating to compensation measures for 2017, signed on 30 March by CFDT, FO and the union group CFTC / CGC / UNSA;
- A new three-year agreement on La Poste's social housing policy for the 2017-2019 period signed on 30 May 2017 by CGT, CFDT, FO, the union group CFTC / CGC / UNSA, and SUD;
- An agreement on creating a strategic social dialogue committee at Le Groupe La Poste, signed on 21 June 2017 by CGT, CFDT, FO, CFTC and CGC. This future body intends to increase social dialogue and offer unions better insight into the Group's economic, social and financial position as well as its strategy.
- An agreement on the "future of support businesses" signed on 19 July 2017 by CFDT and the union group CFTC/CGC/UNSA.

Additionally, three negotiations are still ongoing:

- Negotiations on social dialogue itself to redefine the different levels of dialogue and negotiations on the scope and roles of various staff representation bodies at all levels of the company. This agreement will replace La Poste's social dialogue agreement dated 21 June 2004;
- Negotiations on union rights aiming to define rights and ways for union representatives to carry out their terms of office and pursue high-quality social dialogue, to recognise the representatives' union experience and to guarantee their professional development within the company, just like every employee, in line with the previous agreement;
- Negotiations on changes to supplementary health insurance and contingency plans, in particular to ensure that they are adapted to regulatory changes.

1.5.2 Professional training and development

Five major training programmes are continuing to be rolled out: core business training, individual training, digital training, qualification-earning career paths, and managerial development programme. In terms of training, the following was achieved in early 2017:

- Nearly 24,000 qualification-earning career paths were committed to at the end of June, and the 25,000th is scheduled for summer 2017. As a result, the programme advanced slightly ahead of schedule (50,000 qualification-earning career paths over the 2015 - 2020 period).
- The Institute of Management (IM) provided training to 3,922 additional managers during the first five months of 2017 (+15% compared to the same period in 2016). The IM is continuing to add new programmes and speakers, and it launched a COOC (Corporate Open Online Course) called "Get to Know Our Group" in May.

- The SIMPLON programme, a 9-month part-time training programme for employees who would like to learn how to code, was wildly successful: nearly 600 candidates for the second class (compared to 290 in 2016), 50% of whom were postmen.

In terms of professional development:

- The job exchange, which doubled its job openings and applicants in two years (2014-2016) continues to grow. During the first half of 2017, however, growth in job openings (+40%) has grown faster than growth in applicants (+20%).
- External mobility, which doubled between 2015 and 2016, has maintained the same levels during the first half of 2017. The new *Personal project support* programme was also a rousing success and offset a small slowdown in employees moving to public sector positions.

1.5.3 Health and quality of life at work

The Group is continuing to update employees' business premises, with 700 new operations completed during the first half of 2017, compared to 1,100 throughout all of 2016. 500 other operations are in progress.

At the beginning of the year, significant efforts were made to implement the *Well Being at Work* programme, which aims to improve health and quality of life at work. The first actions were focused on accident prevention, reducing absenteeism via support measures for employees absent over long periods of time (APALA process: *before / during / after absence*), and integrating newcomers.

In addition, in terms of employees' right to disconnect, the third phase of the project was launched in May 2017 to supplement the practical measures implemented in 2016. This phase integrated a dialogue box that appears when someone wants to send a message outside the standard connection hours, warning the user that their message is outside normal working hours, while leaving the user the option to send the message anyway in the event of an emergency.

In 2016, 5.84% of La Poste employees were hired under the obligation to employee disabled employees; a policy to help keep disabled workers in the workforce was set up via Return-to-Work and Job Retention Commissions set up in all companies.

As at 30 May 2017, La Poste had 1,801 employees working remotely under the agreement signed in 2013.

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 2017.

	Period ended 30 June					
	2017.06	2016.06	Change		Change at constant scope and exchange rates	
			vs n-1 (in € million)	vs n-1 (as a %)	vs n-1 (in € million)	vs n-1 (as a %)
Group operating performance						
Operating revenue	11,905	11,770	+134	+1.1	+69	+0.6
Operating profit/(loss) after share of net profit/(loss) of jointly controlled companies	761	852	-91	-10.7	-78	-9.30
<i>Operating margin</i>	6.4%	7.2%	-	-0.8 pt	-	-0.7 pt
Net profit Group share	642	675	-33	-4.9	-35	-5.2
<i>Net margin</i>	5.4%	5.7%	-	-0.3 pt	-	-0.3 pt
Free cash flows	179	191	-12	-6.1		
Economic health indicator (a)	534	70	+464	n.s.		
Key figures – La Banque Postale						
Net Banking Income (b)	2,808	2,974	-166	-5.6	-153	-5.2
<i>Operating ratio</i>	83.6%	80.7%	-	2.9 pt		

^(a) Please refer to Section 5.1.3

^(b) Segment NBI

	Period ended 30 June			
	2017.06	2016.12	Change	
			vs n-1 (in € million)	vs n-1 (as a %)
Key financial indicators				
Net debt (a)	3,826	3,719	+106	+2.9
Equity Group share	11,301	10,917	+383	+3.5
<i>Net debt/equity</i>	33.9%	34.1%	-	-0.2 pt
<i>Average net profit/equity</i>	7.2%	7.8%	-	-0.6 pt
Common Equity Tier 1 (b)	13.6%	13.7%	-	-0.1 pt
Loan to deposit ratio	76%	74%	-	1.2 pt

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

^(b) Estimated CET 1 ratio with the application of temporary measures.

2.1 Operating revenue

The Group's operating revenue totalled €11,905 million at end-June 2017, up €134 million compared to June 2016. This increase was driven primarily by the particularly dynamic growth of GeoPost's express activities and by the strong Digital Services business which offset the decrease in La Banque Postale's NBI in a context of persistently low interest rates. Activity for the Group's other business units generally remained at the same level as at end-June 2016.

<i>(in € million)</i>	Period ended 30 June					
	2017.06	2016.06	Change		Change at constant scope and exchange rates	
			<i>(in € million)</i>	<i>(as a %)</i>	<i>(in € million)</i>	<i>(as a %)</i>
			<i>vs n-1</i>		<i>vs n-1</i>	
Services-Mail-Parcels	5,757	5,747	+11	+0.2	+1	+0.0
GeoPost	3,256	2,969	+287	+9.7	+236	+8.1
La Banque Postale	2,808	2,974	-166	-5.6	-153	-5.2
Digital Services	321	289	+31	+10.9	+14	+4.8
Other segments and intercompany	-238	-209	-29	+13.7	-29	+13.9
OPERATING REVENUE	11,905	11,770	+134	+1.1	+69	+0.6

The Group's €134 million increase in operating revenue breaks down as follows:

- Growth of €69 million, up 0.6 % at constant scope and exchange rates;
- Scope effects of €105 million, originating mainly from GeoPost, with €91 million (including Jadlog and DPD Zeitfracht), from La Banque Postale in the amount of -€13 million (Ciloger), the Mail subsidiaries in the amount of €10 million (Axeo and Mediapost Spain) and Digital Services in the amount of €18 million (Docapost Fast, Tikeasy, Applicam, and Ametix);
- Negative exchange rate effect for €40 million, with a €59 million impact on the British pound (GBP);

Operating revenue for the first half of 2017 was characterised by the following:

- Stable revenue for the Services-Mail-Parcels business unit at €5,757 million (up €11 million, representing a 0.2% increase).
 - ✓ Mail revenue declined by €59 million compared to June 2016 and totalled €4,633 million. The continued structural decline in addressed mail volumes (-6.8% in equivalent working days), combined with an unfavourable mix and working days effect, resulted in a -€313 million unfavourable impact on revenue. The price increase that took effect on 1 January 2017 (+€130 million), the presidential and legislative elections in 2017 (+€71 million) and international growth (+€22 million) combined to partially offset the decrease in volumes;
 - ✓ The subsidiaries with operations in logistics, e-logistics, direct marketing, energy transition and the Silver Economy recorded an increase of €30 million in revenue (including €10 million in scope effect, i.e. organic growth of €20 million), with revenue at end-June 2017 totalling €294 million. This increase was driven by the

advertising subsidiaries (+€19 million). It was supported by the Silver subsidiaries (+€4 million) and the increase in logistics activities (+€6 million);

- ✓ Parcels recorded a €40 million increase in revenue, totalling €830 million (€791 million at end-June 2016). This trend was driven by a favourable volume-working days effect of €57 million (up 7.7%), lessened by an unfavourable price mix effect of -€27 million, and with a fuel and other effect of +€9 million;
- GeoPost revenue rose by €287 million to €3,256 million. Adjusted for scope and exchange rates, organic growth amounted to €236 million, or 8.1%. This growth was driven by a strong increase in volumes handled (€186 million, or a volume and mix effect of +6.4% with an unfavourable working-day impact). GeoPost revenue rose over throughout its geographical scope;
- La Banque Postale's NBI totalled €2,808 million, or a €166 million decline (-5.6%). At constant scope and after adjustment for the home-savings provision, NBI declined by 2.3%, or a €64 million decrease. NBI for the first half of 2016 included a capital gain recorded from the sale of Visa Europe securities in the amount of €107 million. Adjusted for this non-recurring item, for the home-savings provision, as well as for scope and exchange rates, La Banque Postale's NBI was up €43 million, a 1.6% increase. The Asset Management division, was down €9 million to €71 million, but up 5.8% after adjustment for an unfavourable scope effect of €13 million, corresponding to the deconsolidation of Ciloger, in relation to its merger with AEW Europe. Assets under management in this division totalled more than €191 billion, up 7% over the six-month period. NBI for the Insurance division rose 24.5% to €120 million due to a general improvement in the claim-to-premiums ratio and to the growth in property and casualty and health insurance policy portfolios. After adjustment for the home-savings provision, retail banking NBI dropped by €91 million (-3.4%). Adjusted net interest margin (NIM) was down €153 million: in the first half of 2016 it included €107 million in proceeds from the disposal of the Visa Europe securities. The continued decline in property loans had an adverse impact on NIM which conversely benefited from the increase in revenue from legal-entity financing;
- Digital Services revenue rose 10.9% (€31 million) to €321 million, including €12 million for the Digital Services Department, whose mission is to contribute to the Group business units' digital development. The increase in Digital Services revenue can be attributed to the 8% rise in commissions on online sales of the www.laposte.fr website driven by Mail sales, the increase in Digiposte revenue, and the invoicing of internal services to other Group entities. Docapost revenue rose €23 million (up 10.6%), an increase driven among other things by the acquisitions made in 2016 (Docapost Fast and Aplicam) and those that took place in 2017 (Ametix and Localéo) with a positive impact of €16 million. Mediapost Communication's revenue was down €4 million, including €1 million in scope effect.

2.2 Operating profit

The Group's operating profit, after share of net profit of jointly-controlled companies, totalled €761 million at end-June 2017, down €91 million from June 2016, a 10.7% decrease (-9.3% at constant scope and exchange rates). Adjusted for non-recurring items⁶ recognised in the first half of 2016, operating profit was up 11.1% due to the progress in the Group's revenue and the cost-savings programmes put in place by all business units.

(in € million)	Period ended 30 June					
	2017.06	2016.06	Change		Change at constant scope and exchange rates	
			<i>vs n-1</i>	<i>(as a %)</i>	<i>vs n-1</i>	<i>(as a %)</i>
			(in € million)	(as a %)	(in € million)	(as a %)
Services-Mail-Parcels	507	504	+3	+0.6	+4	+0.9
GeoPost	198	254	-56	-22.1	-48	-19.3
La Banque Postale	421	514	-93	-18.1	-85	-16.9
La Poste Network	84	4	+80	n.s.	+80	n.s.
Digital Services	-7	-0	-6	n.s.	-9	n.s.
Real Estate	1	6	-6	-89.0	-6	-89.0
Support and Structures	-88	-69	-19	+27.6	-19	+27.6
Unallocated and eliminations	-355	-360	+5	-1.4	+4	-1.2
OPERATING PROFIT AFTER SHARE OF NET PROFIT OF JOINTLY-CONTROLLED COMPANIES	761	852	-91	-10.7	-78	-9.3

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: operating profit for the business unit amounted to €507 million at end-June 2017. It remained at a level close to that of June 2016 (+€3 million, or +0.6%, and +0.9% at constant scope and exchange rates), the decline in mail volumes being offset by strong business in parcels and in the advertising subsidiaries;
- GeoPost posted €198 million in operating profit, down €56 million compared to June 2016 (-€48 million at constant scope and exchange rates), with -€60 million resulting from a securities revaluation carried out in accordance with IFRS 3 after GeoPost took over Armadillo in Russia in 2016. At constant scope and exchange rates, profit, excluding the revaluation of the Armadillo shares, rose 6.7% under the combined effect of the increase in volumes and continued cost savings;

⁶ Favourable impact in 2016 of a capital gain of €107 million recorded by La Banque Postale from the sale of the Visa Europe securities and the revaluation of securities in relation to the acquisition by GeoPost of the 50% that it did not already hold in Armadillo (Russia) for €60 million.

- La Banque Postale posted €421 million in operating profit, down €93 million compared to the first half of 2016. The first half of 2016 result included a capital gain of €107 million from the sale of the Visa Europe securities. Adjusted for this non-recurring item and for the scope effect, La Banque Postale's operating profit was up 5.4%. The decrease in management expenses (-2.5%), which include costs incurred from gradually implementing major transformation programmes at the bank and providing support for the growth of its subsidiaries, reflects the cost saving efforts;
- The Network's operating profit, which amounted to €84 million at end-June 2017, increased €80 million compared to June 2016, with a lasting reduction in operating expenses (€83 million) in large part to be returned to the Group's business units via a decrease in the Network's internal revenue;
- The Digital Services' operating loss decreased by €6 million compared to June 2016 to -€7 million, with the increase in revenue being largely offset by higher expenses related to the growth of digital projects;
- Other business segments:
 - ✓ Real estate posted €1 million in operating profit, down €6 million, linked to the €3 million drop in revenue (a €5 million decline in intragroup invoicing partially offset by the higher billing of customers outside the Group (+€2 million));
 - ✓ The Support and Structures deficit grew by €19 million to post an operating loss of €88 million at June 2017. Despite higher billing, the Support and Structures segment experienced higher expenses due, among other things, to the headquarters' resource sharing within Village La Poste as well as the launch of IT projects and the increase in the electric vehicle fleet;
 - ✓ Expenses for the "Unallocated and eliminations" segment decreased by €5 million, primarily due to a decrease in transitional costs related to end-of-career arrangements considered a cross-entity item for the Group.

2.3 Financial income

Financial income, which improved by €11 million compared to June 2016, amounted to a total expense of €81 million. The following elements contributed to the improvement in financial income:

- a €3 million decline in net borrowing cost including a favourable spread of €11 million compared to June 2016 generated by the change in fair value of the debt and derivatives and an €8 million increase in net interest expense due to the combined effect of a slight increase in the average cost of debt estimated at 1 year and the decrease in short-term rates adversely affecting the return on cash investments.

- A €7 million favourable spread in other financial income items (resulting mainly from the accretion expense on social debt).

2.4 Net profit

Net profit Group share at €642 million, declined by €33 million compared to June 2016, a 4.9% decrease (down 5.2% at constant scope and exchange rates). This decrease breaks down as follows:

- Profit before tax was down €81 million to €680 million, with operating profit after share of net profit of jointly-controlled companies down €91 million and an €11 million improvement in financial income.
- A €21 million increase in tax expense⁷, including a €94 million increase in deferred tax expense, reduced by a €72 million decline in current tax expense.
- A €63 million increase in the share of profit of equity associates, primarily for CNP Assurances;
- A €6 million decrease in the share attributed to non-controlling interests.

2.5 Free cash flows and changes in net debt

Free cash flows were positive at €179 million. They were down by €12 million compared to June 2016 due, among other things, to the increase in cash outflows for external growth transactions and acquisition of financial assets in the amount of €521 million which partially offset the cash inflows from the €465 million in monetised and credited CICE (a tax credit for competitiveness and employment).

Dividends paid out by the Group (€172 million), the net interest expense (€28 million) and the change in accrued interest not due (-€51 million), overall for the first half of 2016, contributed in addition to an increase in net debt in the amount of €106 million in the first half of 2017. It totalled €3,826 million at 30 June 2017.

2.6 Financial ratios

The net debt-to-equity ratio was 33.9%. It remained unchanged overall as a result of limited increase in equity Group share in the amount of €383 million and €106 million in net debt.

⁷ Details in Section 4.2 of this report.

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 2017.06	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Support and Structures	Unallocated	Elim.	TOTAL
<i>(in € million)</i>										
External Revenue & NBI	5,601	3,232	2,789	258	18	8	0	0		11,905
Intersegment Revenue & NBI	157	24	19	63	2,018	407	379	0	-3,067	
Operating revenue	5,757	3,256	2,808	321	2,035	415	379	0	-3,067	11,905
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	504	199	421	-7	87	0	-87	-355	0	761
Net profit/(loss) of jointly-controlled companies	3	-1	0	0	-4	0	-0	0	0	-1
Operating profit/(loss) after share of net profit/(loss) of jointly-controlled companies	507	198	421	-7	84	1	-88	-355	0	761
Operating margin (as a %)	8.8	6.1		-2.1		0.2				6.4
Published 2016.06										
<i>(in € million)</i>										
External Revenue & NBI	5,599	2,938	2,971	240	15	5	2	-0		11,770
Intersegment Revenue & NBI	148	31	3	49	2,024	412	361	0	-3,027	
Operating revenue	5,747	2,969	2,974	289	2,038	418	363	0	-3,027	11,770
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	503	255	514	-0	7	6	-68	-360	-0	855
Net profit/(loss) of jointly-controlled companies	1	-1	0	0	-3	1	-0	0	0	-3
Operating profit/(loss) after share of net profit/(loss) of jointly-controlled companies	504	254	514	-0	4	6	-69	-360	-0	852
Operating margin (as a %)	8.8	8.5		-0.1		1.5				7.2

3.2 Services Mail-Parcels

The Services-Mail-Parcels business unit includes:

- ✓ Mail business activities (collection, 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 consumers, BtoC or CtoC in France and for export;
- ✓ Small package operations, import and export;
- ✓ The new local services provided by La Poste SA;
- ✓ Subsidiaries operating in the direct marketing markets (chiefly Mediapost France and Sogec), in the logistics and e-logistics solutions market (essentially Viapost, STP and Neolog), in the Silver Economy (Tikeasy, Axéo, Veiller sur Mes Parents, Asten acquired in 2017 not consolidated at 30 June 2017) and in energy transition (Mobigreen, Greenovia), as well as in the cross-border market which includes the joint venture with Swiss Post (Asendia), an equity associate in the Group's and business unit's consolidated financial statements.

<i>(in € million)</i>	2017.06	2016.06	Change vs N-1	
			<i>(in € million)</i>	<i>(as a %)</i>
Revenue	5,757	5,747	+11	+0.2
<i>non-Group revenue</i>	5,601	5,599	+1	+0.0
Operating expenses	-5,254	-5,244	-10	+0.2
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	504	503	+1	+0.1
Share of net profit/(loss) of jointly-controlled companies	3	1	+3	+415.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) OF JOINTLY-CONTROLLED COMPANIES	507	504	+3	+0.6
<i>Operating margin</i>	8.8%	8.8%		-0.0 pt

3.2.1 Services and Mail segment

At 30 June 2017 revenue totalled €4,927 million, a €29 million decrease (down 0.6%) compared to 30 June 2016. This decrease includes a scope and exchange rate effect of +€10 million.

This change mainly came from:

- A 6.8% drop in mail volumes at equivalent working days, combined with an unfavourable mix and working days effect of -€40 million, i.e. an impact of -€313 million on 2017 revenue. This decrease can be explained by:
 - ✓ the continued streamlining and digitisation of shipments from the banking, public and telephony segments and of consumer, VSE and SME shipments,
 - ✓ the 7.9% decline in addressed advertising mail replaced by digital advertising.
- The 3.2%⁸ average price increase on 1 January 2017, for an estimated positive effect on revenue of €130 million;
- The distribution of campaign literature for the presidential and legislative elections, for a €71 million increase in revenue for the first half;
- +€22 million in international growth thanks to good developments in international traffic, specifically e-commerce small packages and mail-order companies' mail;
- New services for +€15 million, for a total of €34 million at end-June, including an increase of +€10 million from the written driver's licence exam;
- The €19 million growth of the unaddressed advertising mail subsidiaries, driven by the advertising mail segment in France (up €14 million) and Mediapost International (up €4 million); the consolidation of Mediapost's Spanish subsidiaries with a €5 million favourable effect on revenue;
- The increase in logistics activities to €6 million from transport organisation services offered;
- The acquisition of the Silver Economy subsidiaries⁹ in 2016 which generated revenue of €4 million for the half-year from the sale of Ardoiz tablets and services to individuals.

⁸ As a percentage of basic traffic-generating revenue

⁹ The Tikeasy and Axeo subsidiaries.

Service quality remained high, with a two-day delivery rate for green mail of 95.9 % at 30 June 2017.

3.2.2 Parcel activities

Revenue at 30 June 2017 was €830 million, up €40 million (i.e. +5.0%).

Parcel delivery volumes grew 7.7% in equivalent working days to 149 million items, with a €57 million impact on revenue, -€6 million of which from a working-day effect. Volumes delivered break down as follows:

- ✓ 124 million items in BtoC, driven by the growth of e-commerce and specifically a 11.1% rise in Domestic in equivalent working days compared to June 2016, with a steep increase in residential deliveries (up 10.8%), which remained the preferred delivery method in France, and in returns (+19.7%);
- ✓ 15 million items in CtoC, a 3.9% decline in equivalent working days compared to June 2016, a decrease recorded over the past few years due to a change in the practices of customers who purchase online and have the parcel delivered directly to the recipient;
- ✓ 10 million items in export and import products, for a 13.8% increase in equivalent working days; with an increase in B2C export (up 23.3%), reflecting the growing popularity among e-buyers in Europe and worldwide of French products, and a 12.7% increase in imports.

The price effect had a slightly positive impact on revenue (+€2 million), while the mix effect adversely impacted revenue by -€29 million, particularly in line with the increase in volumes for major key accounts, declining CtoC volumes, and the drop in the “delivery with signature” product offer.

Service quality was up at 30 June 2017 with the two-day¹⁰ delivery rate at 95.5%, against 94.2% at 30 June 2016. La Poste delivers more than 9 out of 10 Colissimo packages to residential addresses on first attempt by postmen or delivery staff; customers who miss a delivery have the option to request redelivery within the next 7 days or delivery to one of the local retail outlets of La Poste Network.

¹⁰ Two-day Colissimo delivery rate with domestic tracking

3.2.3 Operating profit

Operating profit for the Services-Mail-Parcels business unit totalled €507 million at 30 June 2017, up €3 million compared to end-June 2016, or +0.6 %. Despite the decline in Mail volumes, operating profit for the Services-Mail-Parcels business unit remained the same, supported by strong activity for parcels and advertising mail in the subsidiaries.

3.3 GeoPost

GeoPost, a subsidiary of Le Groupe La Poste, includes deferred and express parcel activities in France and abroad under the following main commercial brands: DPD Group in European countries and internationally, Chronopost in France, Seur in Spain and Portugal, Tigers in Asia and Australia, and Jadlog in Brazil. GeoPost's subsidiaries are mainly involved in the long-standing business-to-business (BtoB) market and increasingly in the BtoC market (34.9 % of revenue versus 32.8% at end-June 2016).

The effect of acquisitions carried out in 2016 (Seur franchises, DPD Zeitfracht in Germany, Armadillo in Russia, Biologistic in France), as well as the impact of the acquisition of Jadlog in Brazil led to a positive scope effect on revenue for GeoPost of +€91 million at end-June 2017.

	2017.06	2016.06	Change vs N-1	
(in € million)			(in € million)	(as a %)
Revenue	3,256	2,969	+287	9.7
<i>non-Group revenue</i>	3,232	2,938	+294	10.0
Operating expenses	-3,058	-2,714	-343	12.6
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	199	255	-56	-22.1
Share of net profit/(loss) of jointly-controlled companies	-1	-1	+0	-20.1
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) OF JOINTLY-CONTROLLED COMPANIES	198	254	-56	-22.1
<i>Operating margin</i>	<i>6.1%</i>	<i>8.5%</i>		<i>-2.5 pt</i>

3.3.1 Continued rapid sales development

GeoPost revenue at end-June 2017 was €3,256 million, a €287.3 million increase (+10%) compared to end-June 2016. Adjusted for scope effect (+€91 million) and exchange rate effect (-€40 million, -€59 million of which on the British pound), organic growth was €236.3 million, up 8.1%.

This solid performance was driven by a sharp growth in volumes handled. At end-June 2017 GeoPost had delivered 587 million parcels, an organic increase of 7.1% compared to end-June 2016. Volume and mix effect on revenue resulted in a €186 million increase (+6.4%) including an unfavourable working-day effect.

Price had a €3 million favourable effect on revenue trends, as well as the impact of other services in the amount of €29 million and the fuel effect of €18 million.

Organic changes in revenue in the first half of 2017 were positive in the various geographic areas:

- In the UK, the €610 million in revenue reflected an 8.7% rise, driven by BtoC volumes.
- Germany posted revenue of €805 million, a 5.9% increase. Volumes increased favourably (4.2%) despite a slowdown in activity early in the year, specifically in the BtoB segment.
- In Poland, BtoC trends and the takeover of new market share from the competition helped achieve a 22.3% increase in volumes. Revenue rose to €164 million, an 18.6% increase.
- In France, DPD France continued to grow with a 10.7% increase, i.e. revenue of €226 million and Chronopost with a 2.9% increase (€467 million). The increase in BtoC volumes was boosted by new delivery services offered since 2016 (pick-up and drop-off points, "Mister Pacha" premium service, "PickUp Stations" automated lockers, evening deliveries). Parcel delivery by postmen continued to rise in the first half. This trend in volumes was accompanied by an increase in average price.
- The expansion of the delivery network in Spain resulted in a 7.7% increase in revenue (€191 million), driven by the increase in volumes.
- In Benelux, revenue (€174 million) rose 10.3%. This increase was driven by the rise in average prices in the Netherlands and the increase in international and BtoC volumes.
- Tigers' revenue of €123 million was up 6.4% due to strong activity in the food segment in Asia and the expansion of the logistics business despite a very competitive maritime market.

- In Russia, revenue (€65 million) was up 15.9% due to the increase in BtoC volumes with the expansion of e-commerce and the increase in freight transport in the BtoB segment.

3.3.2 Operating profit

Operating profit, including the share of net profit of companies under GeoPost joint control in June 2017, totalled €198 million. After adjustment of revaluations for the first six months of 2016 (+€63 million) and 2017 (-€5 million) and for the -€9 million scope and exchange rate effect, operating income at end-June 2017 was up €20 million compared to end-June 2016 (+11%).

This organic increase was primarily due to higher volumes and effective cost control, particularly in France, the UK and Poland.

3.4 La Banque Postale

This business segment includes La Banque Postale, its subsidiaries, and the Shared Resources unit formed between La Poste and La Banque Postale that is governed by a cost-sharing agreement. All expenses relating to the Shared Resources unit, 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 Economic and financial environment

In the first half of 2017, the European Central Bank continued to apply its accommodative monetary policy and did not raise its key interest rates. In this context, short-term rates remained unchanged at approximately -0.36% for EONIA and -0.33% for the 3-month Euribor. French treasury 10-year bond rate, which, like US rates, had started recovering at end-2016 and rose early in the year due to a risk premium related to uncertainties about the French elections, reached a high of 1.15% in early February. The outcome of the elections reassured investors and encouraged the return of the 10-year OAT to a level close to that of December 2016 (around 0.65%) and boosted the growth trend observed since end-2016 in the CAC 40, which reached 5,400 points between the two rounds. The index then trended downward to reach 5,121 points at 30 June, still posting a 5.3% increase compared to 31 December 2016 (see Section 1.1).

3.4.2 Commercial activities

In the first half of the year, La Banque Postale continued its strategy to win market share in all customer segments. This momentum, combined with an improving economic environment, led to annual growth of €7.8 billion in savings outstandings (+2.6%) to €312.7 billion:

(savings outstandings in € billion)	2017.06	2016.06	Change	
			(in €bn)	(as a %)
Sight deposits	61.3	56.7	+4.6	+8.1
Ordinary savings	81.3	80.4	+0.9	+1.1
Livret A passbook savings account	60.2	59.6	+0.5	+0.9
LEP savings accounts	7.6	7.8	-0.3	-3.5
Sustainable Development Savings Accounts (LDD)	7.4	7.2	+0.2	+2.3
Other savings accounts	6.1	5.7	+0.4	+7.5
Home savings	32.2	31.4	+0.7	+2.4
UCITS ^(a)	12.7	11.5	+1.2	+10.2
Life insurance ^(a)	124.9	123.9	+1.0	+0.8
Other ^(b)	0.4	1.0	-0.6	-60.2
CUSTOMER SAVINGS	312.7	304.9	+7.8	+2.6

(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 experience a strong momentum, with outstandings rising by €4.6 billion over 12 months (+8.1%), other areas also contributed to this increase.

Thus, ordinary savings outstandings - for the past three years driven downward by low returns - posted a marked increase of €0.9 billion (+1.1%). The Livret A passbook savings account rate, which had stayed at 0.75% since 1 August 2015, experienced renewed popularity with savers in a persistently low long-term rate environment.

This environment had a negative effect on the life insurance market, whose interest rates were generally down. La Banque Postale's outstandings, however, reached €124.9 billion, up €1.0 billion (+0.8%) compared to June 2016.

UCITS outstandings contributed €1.2 billion to the increase in outstandings, helped by a favourable market context in this first half of the year.

The home savings outstandings rise to €32.2 billion (+2.4% over 12 months) has been sustained despite being slowed by the decline in popularity of the new Home Savings Plans with their 1.0% rate since 1 August 2016.

With the sharp rise in consumer loans outstandings, up 12.1% over a year to €79.5 billion at 30 June 2017, La Banque Postale has demonstrated its growing commitment to financing the economy.

	2017.06	2016.06	Change	
<i>(loans outstandings in € billion)</i>			<i>(in €bn)</i>	<i>(as a %)</i>
Home loans	57.7	54.6	+3.1	+5.7
Consumer loans	5.0	4.7	+0.3	+6.3
Other loans ^(a)	0.7	0.7	-0.0	-1.3
Loans to legal entities ^(b)	16.0	10.8	+5.2	+48.2
CUSTOMER LOANS	79.5	70.9	+8.6	+12.1

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

(b) Companies, social housing associations and regional authorities.

In the first half of 2017, more than €8 billion in housing loans were granted by La Banque Postale and its subsidiaries (BPE and Sofiap), a 78% increase compared to 2016 in a dynamic market. This activity benefited in particular from the generalised grant delegation to 1,600 segment managers in the post offices network, as well as from the gradual expansion of the grant of loans to financial advisers; these developments were accompanied by a broad training plan created by the School of Banking and the Network (École de la Banque et du Réseau - EBR). Outstandings thus rose by 5.7% to €57.7 billion, in the context of a new wave of early repayments amplified by an incipient upward trend in the customer rate at end-2016.

Consumer loans managed by La Banque Postale Financement continued to grow, with outstandings of €5.0 billion (+6.3% compared to June 2016), including €210 million in renewable loans outstandings. Internet sales and those made on the remote platform represent a growing share of the production (36% in the first half of 2017 versus 31% at end-June 2016).

Committed to supporting regional development, La Banque Postale finances the local public sector and companies. Since it was launched, this segment has been experiencing strong growth, which was confirmed in the first half with outstandings up 48.2% over one year to €16.0 billion at end-June 2017. These outstandings include €1.3 billion in factoring outstandings which illustrate the growth in La Banque Postale's offer of specialised loans for companies. Furthermore, to provide support to the greatest number of local authorities, La Banque Postale has again lowered its loan issuance threshold to €40,000 (initially set at €200,000 and gradually lowered). Finally, note that outstandings growth was offset by the disposal of €3.6 billion in loan outstandings to Caisse Française de Financement Local since July 2016, in accordance with the growth model implemented when La Banque Postale entered the local public sector market.

3.4.3 Operating performance

La Banque Postale's Net Banking Income (NBI) totalled €2,808 million at end-June 2017, a €166 million decline compared to June 2016 (-5.6%). Adjusted for the change in the home-savings provision and for the scope effect¹¹, NBI was down €64 million with the collection of capital gains from the sale of the Visa Europe securities in the first half of 2016 (€107 million).

(in € million)	2017.06	2016.06	Change	
		<i>pro forma</i> (a)	(in € million)	(as a %)
Asset management	71	80	-9	-11.7
Insurance	120	97	+24	+24.5
Retail banking	2,617	2,797	-181	-6.5
<i>Net interest margin</i>	1,440	1,683	-243	-14.4
<i>Commissions</i>	1,193	1,140	+52	+4.6
<i>Other income and expenses</i>	-16	-26	+10	-38.8
NET BANKING INCOME	2,808	2,974	-166	-5.6

(a) 2016 pro forma of item reclassification within Retail Banking NBI.

NBI for the Asset Management division (€71 million), was down €9 million compared to June 2016 due to the deconsolidation of Ciloger following its merger with AEW Europe. At constant scope (La Banque Postale Asset Management and Tocqueville Finance), the division posted a 5.8% rise in NBI. The division's assets under management totalled over €191 billion at end-June 2017, up 7% over the period. This figure will rise in the second half of the year, as CNP Assurance gives La Banque Postal Asset Management a new mandate to manage €23 billion in outstandings. In addition, with the €1.4 billion in assets under management at end-June 2017 the range of five flexible allocation funds, launched in May 2016, confirmed its success among customers.

At €120 million, NBI for the Insurance division posted a 24.5% increase at end-June 2017 due to the general improvement in the claim-to-premium ratio and to the property and casualty and health insurance policies portfolios posting an increase of 9% and 26% respectively. This strong growth was fuelled by La Banque Postale's strategy to sell insurance products directly to customers and by a decline in the number of terminations.

After restating the home savings provision, NBI for the Retail Banking division declined 3.4% (-€91 million) compared to June 2016.

¹¹ Scope effect related to Ciloger of -€13 million

- Adjusted Net Interest Margin (NIM) fell €153 million. In the first half of 2016 it included €107 million in income from the disposal of the Visa Europe securities. The decrease in returns on home loans (low interest rates impact and effect of renegotiations and early repayments) and the partial decentralisation of LEP savings accounts at 1 July 2016, and the lower interest rate paid on deposits centralised at Caisse des Dépôts had a negative effect on NIM. Conversely, revenue from loans to legal entities was up, reflecting the expansion of La Banque Postale in this market.
- Commissions (up €52 million) were favourably impacted by the continued expansion of the sales of package deals and insurance products directly to customers and, in the first half, by the fees collected in relation to the new early repayment wave.

	2017.06	2016.06	Change	
(in € million)			(in € million)	(as a %)
Net banking income	2,808	2,974	-166	-5.6
Management expenses	-2,316	-2,376	+60	-2.5
Gross operating profit/(loss)	492	598	-106	-17.7
Cost of risk	-71	-84	+13	-15.2
Gains and losses on other assets	-1	-1	+0	-33.3
OPERATING PROFIT/(LOSS)	421	514	-93	-18.1
<i>LBP operating ratio</i>	<i>83.6%</i>	<i>80.7%</i>		<i>2.9 pts</i>

La Banque Postale's management expenses totalled €2,316 million¹², down 2.5% compared to June 2016. In the context of the subsidiaries' growth and the transformation of IT systems and processes involving major investments, this decline reflects La Banque Postale's and La Poste's ongoing cost-control efforts, specifically by means of service agreements with the Network.

This favourable trend in operating expenses softened the impact of the change in NBI on profit described earlier. The business unit's gross operating profit was thus €492 million, a decline of 17.7% compared to June 2016. La Banque Postale's operating ratio was 83.6%.

¹² Management expenses, adjusted for the consolidation effect, were down €55 million (-2.3%).

Cost of risk, at €71 million, was down by €13 at end-June 2016 due to the impact of the changes in methodology that took place in the first half of 2016. In relation to outstandings, cost of risk remained low at 16 basis points¹³.

La Banque Postale's operating profit totalled €421 million, down 18.1% compared to June 2016; it was slightly up, excluding capital gains on Visa.

3.4.4 Financial structure

La Banque Postale has a solid financial structure with a Common Equity Tier 1¹⁴ ratio of 13.6% at 30 June 2017 (-0.1 point compared to December 2016), a level much higher than the minimum SREP requirement of 7.625%¹⁵ set by the European Central Bank and applicable as from 1 January 2017. The total capital ratio was 18.9% versus 19.4% in December 2016.

The estimated leverage ratio at end-June 2017 was 4.5%, taking into account provisional measures authorised by the European Central Bank¹⁶ on processing centralised outstandings at Caisse des Dépôts. The ratio was unchanged at 5.3%, excluding Caisse des Dépôts¹⁷ centralised savings.

The balance sheet liquidity position remained comfortable and resulted in a loan to deposit ratio of 76% and a short-term liquidity ratio estimated at 174%¹⁸.

¹³ Commercial bank's cost of credit risk in relation to outstandings at the beginning of the period.

¹⁴ Estimated CET1 ratio with application of temporary measures. The fully-loaded CET1 ratio was 13.8%.

¹⁵ The 7.625% requirement published by the ECB in 2016 following the Supervisory Review and Evaluation Process (SREP) decision, which includes a 0.125 % buffer for institutions classified as "Other Systemically Important Institutions", a 1.25% capital conservation buffer (CCB) and a 1.75% "P2R" requirement.

¹⁶ Decision on 24 August 2016 by the European Central Bank on the calculation of the leverage ratio that does not allow the exclusion of centralised savings from leverage exposure, but authorises a transition phase for these outstandings.

¹⁷ In accordance with the delegated act published by the European Commission on 10 October 2014.

¹⁸ The calculation of the short-term liquidity ratio shown takes into account a change of method approved by the ECB (pro-forma short-term liquidity ratio at end-December 2016: 180%).

3.5 La Poste Network

The La Poste Network business unit combines the sales and distribution activities to retail customers of Le Groupe La Poste (La Poste Network parent company) products and services as well as the La Poste Telecom subsidiary (corresponding to the line “Share of net profit/(loss) of jointly-controlled companies”) distributing its offering under the “La Poste Mobile” brand.

<i>(in € million)</i>	2017.06	2016.06	Change	
			<i>(in € million)</i>	<i>(as a %)</i>
Revenue	2,035	2,038	-3	-0.1
Operating expenses	-1,948	-2,031	+83	-4.1
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	87	7	+80	n.s.
Share of net profit/(loss) of jointly-controlled companies	-4	-3	-0	+5.1
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) OF JOINTLY-CONTROLLED COMPANIES	84	4	+80	n.s.

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

- Service agreements based on operating indicators (e.g. revenue, number of items processed) with the Services-Mail-Parcels business unit and the GeoPost business unit (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.);
- Transfer of costs related to the Universal Postal Service, and regional planning and development missions, and transitional expenses (including end-of-career arrangements) to the “Unallocated” segment.

3.5.1 La Poste Network

With its 17,247 retail outlets including 8,557 in partnership (local postal agencies and La Poste Relais outlets), at end-June 2017, La Poste Network is the most densely-connected physical distribution network in France. Faced with a continued decline in mail volumes and customer visits to post offices, which in 10 years has fallen from 2.7 million to 1.5 million visits per day at present, La Poste Network must rethink its organisation and businesses and adapt to a rapidly-changing market in order to safeguard its growth capacities, particularly in the banking segment. The main projects initiated in recent years have focused on the following objectives:

- Accelerating commercial development based on customer service excellence and La Poste Network’s ability to support changing customer behaviours:
 - ✓ Simplifying customer pathways in post offices, specifically for the professional market, with fewer mail-parcel product references.

- ✓ Creating a Customer Index to measure customer satisfaction.
 - ✓ Updating the role of the counter clerk to its current “customer service associate” status which came about with the transformation of the Network launched in early 2016. Customer service associates are now the key players in banking relations, providing customers with quick access to simple banking products (bank cards, insurance offers for mobile devices, etc.).
 - ✓ Developing new services, such as the sale of the “*Veiller sur mes parents*” (VSMP) service starting on 22 May 2017, in the context of the commercial synergy with Services-Mail-Parcels business unit in 500 market areas.
 - ✓ Supporting the management model focused on 1,600 segments, through the reorganisation of the Regional Departments. To guarantee the stability of the new functions within the segments and to help strengthen team accountability, the Segment Manager will rely, as from September 2017, on a Regional Department whose scope and responsibilities will be better suited to the requirements.
- Digital transformation is at the centre of the products and services offered by the Network: it improves the customer experience by bridging the gap between digital and human elements in the post offices; the digital communication system boasts 2,132 monitors in 1,470 offices (to be extended to Overseas France in 2017), WiFi hotspots in 250 offices and in 500 public service areas. The partners’ networks are also being modernised, with 4,000 La Poste local postal agencies service locations with available self-service tablets, close to 410 WiFi hotspots and approximately 1,900 La Poste Relais locations with a smartphone and a Bluetooth printer. The Network also offers a new parcel out-of-home pick-up service via a network of pick-up lockers (available at 121 offices at end-June 2017).
 - Accessibility with formats adapted to customer uses: in addition to digital services, the Network of tomorrow is adapting to French customers’ new lifestyles, which vary across regions:
 - ✓ In rural areas, new forms of resource sharing, such as setting up 500 public service areas (reception, information and government support facilities where the public can receive assistance with their administrative tasks in post offices) and postmen-counter clerks, in collaboration with the Services-Mail-Parcels business unit, which enable La Poste to maintain its presence in small villages where post offices are visited very infrequently (640 post offices concerned at end-June 2017).
 - ✓ In urban areas, new formats are being developed in conjunction with the municipalities in order to better adapt to the city’s needs and work with their stakeholders: 633 La Poste Relais outlets have already been opened in cities with more than 2,000 inhabitants (409 in cities with more than 10,000 inhabitants), cooperative projects are ongoing with major national brands (framework agreements with Franprix, Total or Carrefour “Proximité”, etc.).

- ✓ In cities with more than 10,000 inhabitants, the transformation of the Expert format offices (increased commercial presence in high-potential areas) continued: 151 format set-ups at end-June, with a target of 350 for 2017.

In total, 259 new partnerships were set up during the first half of 2017 (84 in rural areas and 175 in urban areas).

- The roll-out of Network adaptation plans reduced operating expenses by 4.1% over the first half of 2017 compared to the first half of 2016. Cost control of this sales network continued to directly benefit Group business units by decreasing the billing related to their use of the Network.

3.5.2 La Poste Mobile

La Poste Telecom, the Group's virtual mobile network operator held at 51% in partnership with SFR-Numéricable, which owns the remaining 49%, sells its products and services under the "La Poste Mobile" brand.

La Poste Mobile continues to grow by adjusting to market trends and by broadening its range of products and services, in step with its customers' expectations in a highly-competitive environment.

With the sale of 234,000 new lines over the first half, La Poste Mobile now holds, after six years, 1.33 million lines at 30 June 2017, an increase of 2.2% over the period.

With 12,400 set-top boxes sold over the period in post offices located in areas covered by fibre optics and the Internet, this new product and services offer supplements the ADSL SFR offer (TV, Internet, fixed-line telephone) in partnership with SFR-Numéricable (18,000 set-top boxes sold in the first half).

A less expensive 2P (Internet and telephone) offer was just launched in June and an ADSL offer under the La Poste Mobile brand is planned for the end of the year.

3.6 Digital Services

The Digital Services business unit is made up of the Digital Services Department (DATA, e-commerce, digital trust, innovation, internal transformation, customer knowledge) and two BtoB subsidiaries: Docapost (specialised in corporate digital transformation) and Mediapost Communication (digital media management and data processing).

A major contributor towards the Group's digital transformation and bolstering revenue within the Group, the Digital Services business unit counts more than 5,000 employees working towards three key missions:

- Making their expertise available to the Group and its business units: developing new product and service offers, centre of excellence for open architecture and agile methods, innovation. Since 2015, it has been responsible for the Group's data policy, managing "individual, professional and corporate customer knowledge", a shared high-priority project intended to standardise the Group entities' different databases.

- Playing an active role as a digital distribution network via La Poste online, with a strong commitment to boosting revenue for the business units.
- Managing its own business activities with its two subsidiaries, Docapost and Mediapost Communication, with the aim of developing new digital service business activities.

(in € million)	2017.06	2016.06	Change vs N-1	
			(in € million)	(as a %)
Revenue	321	289	+31	+10.9
<i>non-Group revenue</i>	258	240	+18	+7.3
Operating expenses	-327	-289	-38	+0.1
OPERATING PROFIT/(LOSS)	-7	-0	-6	n.s.
<i>Operating margin</i>	-2.1 %	-0.1 %		-2.0 pt

3.6.1 Revenue

At 30 June 2017, revenue totalled €321 million, up €31 million (+10.9%) compared to end-June 2016:

- The mission of the Digital Services Department is to contribute to the Group business units' digital development. Its revenue was up €12 million compared to end-June 2016. This trend can be attributed to the 8% rise in online sales of the www.laposte.fr website driven by Mail sales, the increase in Digiposte revenue and the billing of internal services to other Group entities. Cross-billing increased by €10 million, in line with the increase in cross-entity projects under the Digital Services Department.
- Docapost offers various services such as creating digital platforms, digitisation, online internal voting management, securing electronic transactions, and e-payment solutions.

Since 2016 it has been involved in the digital transformation of these activities in order to support its customers, and particularly Le Groupe La Poste.

Docapost's revenue came to €239 million at end-June 2017, up €23 million (+10.6 %) compared to June 2016. This increase was driven in particular by the acquisitions made in 2016 (Docapost Fast and Aplicam) and those that took place in 2017 (Ametix and Localéo) with a positive impact of €16 million.

Digital activities, excluding scope effect, posted strong results (€4 million), primarily for digital platforms and customer relationship management. The Maileva business document management and archiving showed strong momentum (€2 million).

Mediapost Communication revenue totalled €44 million, down €4 million (-8.1%) compared to end-June 2016. The 2017 consolidation of Probayes, a company acquired in 2016, resulted in a positive scope effect of €1 million, while revenue was down for the display business of the Media division (-€1.7 million) and for Médiapost Publicité (-€2.1 million) compared to end-June 2016.

3.6.2 Operating profit

Expenses for the Digital Services business unit rose €38 million. This increase is related to the growth of digital projects (Customer Knowledge high-priority shared project (PPC), etc.).

Operating profit for the Digital Services business unit at end-June 2017 was down €6.3 million compared to end-June 2016. The impact of the scope of effect on operating profit was favourable (+€3 million) for Docapost.

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.

(in € million)	2017.06	2016.06	Change	
			(in € million)	(as a %)
Revenue	415	418	-3	-0.7
<i>non-Group revenue</i>	8	5	+2	+43.5
Current operating expenses	-410	-406	-4	+1.0
Gains (losses) on disposals	-4	-6	+2	-30.5
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	0	6	-6	-96.6
Share of net profit/(loss) of jointly-controlled companies	0	1	-0	-4.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) OF JOINTLY-CONTROLLED COMPANIES	1	6	-6	-89.0
<i>Operating margin</i>	<i>0.2 %</i>	<i>1.5 %</i>		<i>-1.3 pt</i>

Real estate revenue totalled €415 million, down €3 million, or -0.7% compared to June 2016. The decrease in intra-group billing (€5 million) was partially offset by an increase in billing to customers outside the Group (+€2 million).

The decline in internal billings can be attributed for the most part to a decline in rents billed to Group customers, reflecting the continued efforts to reduce and optimise Group business units' surface area.

In the context of its expanding operations, Poste Immo continued the deployment of external development and co-development operations to build value for its portfolio of properties, minimise vacancies and contribute to the generation of medium-term revenue for the Group, including, among other things, the restructuring currently in progress at the La Boétie and Louvre buildings.

Operating profit after share of net profit of jointly-controlled companies totalled €1 million, down €6 million compared to June 2016. Income from disposals was improved compared to June 2016, due to the sale of the Observatoire site in March 2017, which significantly offset the decommissionings related to the La Poste project at the Louvre.

3.7.2 Support and Structures

The Support and Structures segment includes headquarters costs and the Support Departments (mainly IT, vehicle fleet management, social and supply operations) that rebill the Group's other business lines for costs incurred.

<i>(in € million)</i>	2017.06	2016.06	Change	
			<i>(in € million)</i>	<i>(as a %)</i>
Operating revenue	379	363	+16	+4.5
Operating expenses	-467	-431	-35	+8.2
Operating profit/(loss) before share of net profit/(loss) of jointly-controlled companies	-87	-68	-19	+27.7
Share of net profit/(loss) of jointly-controlled companies	-0	-0	+0	-18.4
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) OF JOINTLY-CONTROLLED COMPANIES	-88	-69	-19	+27.6

Operating profit was €379 million in the first half of 2017 and included:

- €358 million for intercompany revenue resulting from billing for services provided to other business units by Support and the headquarters' "billing" service centres. Unit prices are established prior to commencing work under a service agreement and the amounts charged are based on actual volumes;
- €22 million in Group headquarters' costs in respect of management fees paid by subsidiaries.

The increase in Headquarters billing came to €16 million and can be attributed primarily to rebilling to the business units by Village La Poste, €2 million in the Supply segment due, among other things, to the uniform business, and €2 million corresponding, among other things, to the cost increase related to the expansion of the electric vehicle fleet (rent, maintenance, battery lease, depreciation and amortisation charges).

Excluding scope effect and the impact of Village La Poste, operating expenses for the Group's headquarters declined €7 million.

3.7.3 Unallocated expenses

<i>(in € million)</i>	2017.06	2016.06	Change	
			<i>(in € million)</i>	<i>(as a %)</i>
Net cost of regional postal presence	-299	-287	-12	+4.2
Other operating expenses	-56	-73	+17	-22.9
OPERATING PROFIT/(LOSS)	-355	-360	+5	-1.4

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 transitional costs associated with retirement schemes that are considered as cross-entities Group costs and which are therefore not allocated to the business units.

4. Other key aggregates of the income statement

4.1 Financial loss

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
Net interest expense	-79	-71	-8	+10.8
Change in "fair value" including debt credit spread	4	-8	+11	n.s.
Cost of net financial debt	-75	-79	+3	-4.4
Other financial items	-6	-13	+7	-55.7
FINANCIAL PROFIT/(LOSS)	-81	-92	+11	-11.7

The financial loss improved by €11 million during the first half of 2017 compared to the first half of 2016, amounting to -€81 million.

Net borrowing cost, which declined by €3 million, totalled -€75 million:

- ✓ Net financial interest expense, which totalled -€79 million, increased by €8 million compared to the first half of 2016 due to a combination of:
 - a €5 million increase in interest expense on financing transactions resulting from a rise in the Group's bond debt following an issue of a \$500 million (€470 million) private placement in subordinated RegS hybrid securities carried out in November 2016, which generated an additional €7 million interest expense. This increase was partially offset by the repayment of a £200 million debt (€291 million after swap), which generated a €0.7 million decrease in interest expense. The estimated average cost of debt was 2.60% at the end of June 2017, versus 2.47% at the end of June 2016;
 - a €2 million decrease in income from cash and cash equivalents, which came to €3 million at the end of June 2017, in an environment of negative interest rates, and on the basis of a comparable cash surplus.
- ✓ Changes in fair value of debt valued using the fair value option and of derivatives based on this debt during the first half of 2017, corresponding to €4 million in income over the first half of 2017, generated a €11 million favourable impact compared to the end of June 2016. The change in fair value of the "spread portion" is now recognised directly in equity (application of IFRS 9).

Other comprehensive income items (a €6 million expense at the end of June 2017), declined by €7 million compared to June 2016, and mainly corresponded to the accretion expense on social debt (an €8 million expense at the end of June 2017, down €6 million compared to the end of June 2016).

4.2 Net profit Group share

	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
(€ million)				
Operating revenue	11,905	11,770	+134	+1.1
Operating expenses	-11,143	-10,915	-228	+2.1
Operating profit	761	855	-94	-11.0
Share in profits of jointly-controlled entities	-1	-3	+3	-81.5
Operating profit after share of net profit/(loss) of jointly-controlled entities	761	852	-91	-10.7
Financial profit/(loss)	-81	-92	+11	-11.7
Profit before tax	680	760	-81	-10.6
Income tax	-170	-148	-21	+14.5
Share in profits of equity associates	150	88	+63	+71.3
CONSOLIDATED NET PROFIT	660	700	-40	-5.7
Net profit Group share	642	675	-33	-4.9
Non-controlling interests	18	24	-6 0	-26.4

Net profit Group share was €642 million at the end of June 2017, €33 million lower than in June 2016.

Profit before tax decreased by -€81 million to total €680 million. It included a €91 million decrease in financial profit after share of net profit/(loss) of jointly-controlled companies, as well as an €11 million improvement in financial profit.

The Group's tax expense, totalling €170 million, was up €21 million, including a €94 million increase in deferred tax expense, which was partially reduced by a €72 million decline in current tax expense.

The share in profits of equity associates totalled €150 million at the end of June 2017, increasing €63 million compared to June 2016. It included €46 million from CNP Assurances, in which the Group holds a 20.15% stake, and €19 million from BRT, in which the Group holds a 37.5% stake since January 2017.

5. Net 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 flow.

As Group parent company, La Poste provides funds for industrial and commercial activities 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 item is not relevant. Therefore, Group net debt varies mostly according to the following:

- The ability of the industrial and commercial activities to generate surplus 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 consolidation 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

Cash flows from operating activities rose €499 million compared to June 2016, particularly due to receivables monetisation on CICE generated in 2015 and in 2016:

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
EBITDA (excluding La Banque Postale)	599	613	-13	-2.2
Dividends received from LBP and equity associates	319	321	-3	-0.9
Change in Working Capital	-122	-88	-35	+39.7
CICE generated during the period	-195	-168	-27	+15.8
Taxes paid (net of CICE deducted and monetised)	565	-15	+579	n.s.
Other cash flows from operating activities	-5	-1	-3	n.s.
CASH FLOWS FROM OPERATING ACTIVITIES	1,161	662	+499	+75.4

During the first half of the year, non-banking revenue increased €271 million, primarily thanks to GeoPost, and totalled €10,740 million. This segment also recorded a €5 million increase in operating profit, particularly due to a favourable impact from non-cash items, which improved by €18 million. EBITDA excluding La Banque Postale declined €13 million at the end of June 2017 and amounted to €599 million. This decrease in EBITDA excluding La Banque Postale was notably marked by a €58 million decline for the Services-Mail-Parcels business unit, which suffered from lower mail volumes. GeoPost's EBITDA, which rose €23 million during the period, partially offset this decline.

CICE generated during the period, which was included in the EBITDA but offset by cash flows from operating activities, increased €27 million due to the CICE rate increasing (7% in 2017), and totalled €195 million as at 30 June 2017.

Dividends received from La Banque Postale and from equity associates decreased overall by €3 million, primarily due to a decline in dividends received from La Banque Postale (€312 million instead of €318 million received in 2016).

Change in working capital, which resulted from cash outflows of €122 million at the end of June 2017, was a €35 million unfavourable spread compared to the first half of 2016, particularly with a €137 million spread relating to financial services.

€565 million in net tax flows generated and monetised at the end of June 2017 corresponded to:

- €20 million in taxes paid. It was a favourable spread of €114 million compared to June 2016, stemming in particular from the impact of tax liquidation due for the 2016 fiscal year.
- The €545 million monetised amount of CICE credited against taxes generated a €465 million favourable difference compared to 2016. Apart from the share of CICE charged to tax instalments and tax liquidation for the previous year (an unfavourable spread of €227 million), during the first half of 2017, the Group received payment of the remaining CICE receivable generated in 2013 for €159 million, and monetised its CICE receivables generated in 2015 and 2016 for a total amount of €533 million.

5.1.2 Cash flow from investing activities excluding LBP

Net investment outflows for non-banking investments amounted to €982 million at the end of June 2017, i.e. €511 million more in cash outflows than in June 2016, particularly with subsidiary acquisitions for €558 million, i.e. €459 million more than in June 2016, and a €62 million increase in financial asset purchases.

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
Purchases of intangible assets, and property, plant and equipment	-436	-401	-35	+8.8
Purchases of financial assets	-76	-15	-62	n.s.
Asset disposals	88	44	+44	+98.1
Subsidiary acquisitions, less cash acquired	-558	-99	-459	n.s.
Subsidiary disposals, less any disposals of cash	0	-1	+2	n.s.
CASH FLOWS FROM INVESTING ACTIVITIES EXCLUDING LBP	-982	-471	-511	n.s.

5.1.2.1 *Purchase of intangible assets, and property, plant and equipment*

Purchases of property, plant and equipment were up €35 million compared to June 2016. The €28 million increase in investments made during the first half of 2017, which primarily pertained to expenditures by the Real Estate division, was partially offset by a €74 million increase in non-current asset suppliers, a €7 million favourable spread compared to June 2016.

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

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
Services-Mail-Parcels	-90	-99	+9	-8.8
GeoPost	-82	-63	-19	+29.5
La Poste Network	-13	-23	+10	-44.3
Digital Services	-34	-33	-1	+3.6
Real Estate	-153	-107	-47	+43.6
Support & Other	-64	-76	+12	-15.8
Purchase of intangible assets, and property, plant and equipment	-436	-401	-35	+8.8
Change in non-current asset accounts payable	74	66	+7	+11.0
INVESTING ACTIVITIES EXCLUDING LBP	-362	-334	-28	+8.4

The €35 million increase in purchases of intangible assets and property, plant and equipment breaks down as follows:

- The Services-Mail-Parcels business unit: €90 million in acquisitions, with disbursements down €9 million:
 - ✓ Parent company Mail business unit: €63 million, €9 million lower than in June 2016, €4 million of which derives from a decrease in non-current asset supplier payables, and €3 million corresponding to IT systems development;
 - ✓ Parcels: €11 million for the first half of 2017, up €1 million, with disbursements up €1 million and investments relatively stable;
 - ✓ Mail subsidiaries: €16 million, down €1 million compared to June 2016. Investments of advertising subsidiaries declined €2 million, driven by operations to automate Mediapost France. Investments of new services subsidiaries increased €1 million, mainly from paper recycling manufacturing equipment.
- GeoPost: €82 million, a €19 million increase compared to the first half of 2016. The rise in CAPEX in 2017 mainly came from increased investments in Benelux (+€14 million for the Best hub project) and the purchase of an Interlink franchise in Great Britain (+€3 million).
- Network: €13 million in acquisitions, down €10 million, resulting, in particular, from a reduction in non-current asset supplier payables (€9 million). The decline was primarily due to a delay in the NABANCO and BOLOCO projects;

- Digital Services: €34 million, up €1 million compared to June 2016, with a €7 million increase for Digital Services at the parent company. This increase was due to a cash outflow in the first half of 2017 for CAPEX related to 2016, and to projects postponed from the first half of 2017 until the next half-year. Additionally, Docapost recorded a €7 million decrease in CAPEX in an effort by management to improve its cash position;
- Real Estate: €153 million in acquisitions, up €47 million, mainly resulting from investments made in the BP network, and in particular, the Opale project (+€24 million), the Louvre project (+€7 million), and the Boétie project (+€4 million). The increase in proceeds from disposals was related to the disposal of the Observatory site in March 2017;
- Support & other: €64 million, down €12 million, €10 million of which came from vehicle acquisitions, and particularly vehicles ordered at the end of 2016 and delivered in 2017. This decrease was mainly due to the acquisition of numerous electric vehicles at the end of June 2016, while during the first half of 2017, electric vehicle acquisitions were postponed so that the Group could receive the latest generation of models (Kangoo ZE);

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 (guarantee deposits and equity investments) do not include 'Cash investments of more than three months' (€620 million and €470 million at the end of June 2017 and at the end of June 2016 respectively). Purchases of financial assets made at the end of June 2017 totalled €76 million, up €62 million compared with the end of June 2016.

Purchases of financial assets were, for the most part, made by GeoPost, totalling €33 million (DPD-SPSR notably); however, they also include La Poste SA's funding of La Poste Mobile: a €20 million capital increase and €9 million in funds made available in current accounts.

5.1.2.3 *Acquisitions and external growth*

At the end of June 2017, acquisitions, less any deductions of cash and cash equivalents acquired, amounted to €558 million.

GeoPost made most of these acquisitions (€433 million), in particular with the acquisition of 37.5% of the share capital of BRT in Italy in January 2017. An advance payment of €40 million had been disbursed in September 2016.

The Services-Mail-Parcels business unit also made some external growth acquisitions for €105 million, corresponding to a 51% equity investment in the share capital of Asten Santé.

The Digital Services business unit also made acquisitions, totalling €18 million, purchasing a controlling interest in the share capital of Ametix.

5.1.2.4 *Asset disposals*

Asset disposals, at €88 million, were €44 million higher than in June 2016. Asset disposals included, in particular, sales of Group vehicles (€9 million) and disposals of buildings from La Poste's real estate portfolio (€71 million), and were €45 million higher than in the first half of 2016.

5.1.3 Economic Health Indicator

The Economic Health Indicator (EHI) is a management indicator that measures the Group's ability to finance external growth with cash and cash equivalents generated from the period's operating activities and after compensating equity contributors.

Indicators comprising the EHI are presented in detail in the table below:

	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
(€ million)				
EBITDA	599	613	-13	-2.2
Dividends received from equity associates	319	321	-3	-0.9
Income tax	20	-94	+114	n.s.
Net interest paid	-28	-29	+1	-3.5
Other funds from operations	-5	-1	-3	n.s.
Funds from operations	906	810	+96	+11.9
Change in WCR	-122	-88	-35	+39.7
CICE generated and deducted	350	-89	+438	n.s.
Purchases of intangible assets and property, plant and equipment (net of VHP disposals)	-427	-390	-37	+9.5
Free cash flows from operations	706	243	+463	n.s.
Dividends paid	-172	-173	+0	-0.1
ECONOMIC HEALTH INDICATOR	534	70	+464	n.s.

EHI for the first half of 2017 was €534 million, up €464 million compared to the first half of 2016, mainly due to the net balance of CICE deducted and generated, which rose €438 million, including the monetisation of the remaining CICE balances generated in 2015 and 2016, amounting to €533 million, as well as income tax flows, which increased €114 million under the effect of a favourable impact in 2017 from income tax liquidation for 2016 income taxes. On the other hand, the change in working capital resulted in an unfavourable €35 million spread compared to the first half of 2016.

5.1.4 Change in net debt

Group net debt grew €106 million during the first half of 2017, increasing from €3,719 million to €3,826 million.

Free cash flows remained stable overall at the end of June 2017 (€179 million), decreasing €12 million compared to June 2016. However, cash flows from operating activities increased €499 million, mainly from monetising CICE receivables generated in 2015 and 2016 for an overall

total of €533 million, and a €511 million increase in cash outflows from investing activities, €521 million more in external growth transactions during the first half of 2017.

Dividends paid by the Group (€172 million, including interest paid to minority shareholders), net interest expense (€28 million), and changes in accrued interest not due (€51 million), which was generally at the same level as in the first half of 2016, also contributed to the growth of net debt, which increased by €106 million.

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
Cash flows from operating activities	1,161	662	+499	+75.4
Cash flows from investing activities	-982	-471	-511	n.s.
Free cash flows	179	191	-12	-6.1
Dividends paid	-172	-173	+0	-0.1
Net interest paid	-28	-29	+1	-3.5
Net free cash flows	-21	-10	-11	n.s.
Capital Increase	-0	-6	+6	-100.0
Impact of changes in consolidation scope on gross debt	-7	2	-9	n.s.
Purchase of non-controlling interests	-12	-7	-5	+76.4
Unrealised gains and losses relating to changes in fair value	4	-7	+10	n.s.
Increase in finance lease liabilities	-20	-6	-14	n.s.
Change in accrued interest not yet due on financial instruments	-51	-43	-8	+18.0
Other items	2	-2	+4	n.s.
CHANGE IN NET DEBT (*)	-106	-80	-27	+33.5

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

5.2 Change in cash and cash equivalents

Le Groupe La Poste's cash and cash equivalents increased from €2,152 million at the beginning of the year to €2,494 million at the end of June 2017, i.e. a €342 million increase that mainly came from the following:

- Negative net free cash flows of €21 million;
- Cash flow generation from borrowings totalling €39 million, €50 million of which came from an increase in commercial paper outstandings (€50 million in outstandings at the end of June 2017);
- Change in financial assets used in cash management equalled €150 million, €30 million of which was in term deposits accessible after three months, €80 million of which was in UCITS, and €140 million of which was in negotiable debt securities, all of which was partially offset by €100 million in financial assets of more than three months.
- Consumption of other cash flows from financing activities of €59 million, which mainly came from an €80 million decrease in deposits and guarantees received (collateral received);
- A €547 million contribution for intercompany cash flows with La Banque Postale, mainly due to changes in the balance of La Poste SA accounts at La Banque Postale to an overdraft position of -€105 million at the end of June 2017 compared to a surplus position of €321 million at the end of 2016 and the recording of €100 million in commercial paper held by La Banque Postale at the end of June 2017. There was also an €18 million increase in debt to La Banque Postale for the overall intercompany "loans/receivables" position.

"Other items" in the cash flow statement mainly pertain to changes in finance leases.

(€ million)	Period ended 30 June			
	2017.06	2016.06	Change	
			vs n-1 (in € million)	(as a %)
Net free cash flows	-21	-10	-11	n.s.
Capital Increase	-0	-6	+6	-99.9
Change in cash flows from financing activities	39	-525	+564	n.s.
Change in financial assets used in cash management	-150	171	-321	n.s.
Other cash flows from financing activities	-59	-21	-38	n.s.
Intercompany cash flows	547	40	+507	n.s.
Other items	-13	-12	-1	+4.4
Change in cash and cash equivalents	343	-363	+706	n.s.
Opening cash and cash equivalents	2,152	2,457	-305	-12.4
CLOSING CASH AND CASH EQUIVALENTS	2,494	2,093	+401	+19.2

5.3 Breakdown of financial debt

5.3.1 Gross Debt

The Group's gross debt fell €3 million during the first half of 2017, and currently totals €6,897 million.

A breakdown of the Group's gross debt at the end of June 2017 and at the end of December 2016 is provided below:

(€ million)	Period ended 30 June			
	2017.06	2016.12	Change	
			vs n-1 (in € million)	(as a %)
Bonds	5,788	5,828	-40	-0.7
Short-term bonds	1,117	613	+504	+82.2
Medium- and long-term bonds	4,671	5,215	-544	-10.4
La Poste savings bonds	57	57	-1	-1.6
La Poste short-term bonds	57	57	-1	-1.6
Medium- and long-term La Poste bonds	0	0	+0	-
Commercial paper	50	0	+50	-
Short-term commercial paper	50	0	+50	-
Medium- and long-term commercial paper	0	0	+0	-
Deposits and guarantees received	178	258	-80	-31.0
Short-term deposits and guarantees received	152	231	-80	-34.4
Medium- and long-term deposits and guarantees received	26	27	-1	-2.2
Accrued interest	145	113	+32	+28.1
Accrued interest	145	113	+32	+28.1
Other	680	643	+37	+5.7
Other short-term items	68	49	+19	+38.6
Other medium- and long-term items (*)	612	594	+18	+3.0
GROSS DEBT	6,897	6,900	-3	-0.0
Short-term gross debt	1,588	1,064	+524	+49.3
Medium- and long-term gross debt	5,309	5,836	-527	-9.0

(*) Of which €437 million in subordinated debt

As at 30 June 2017, La Poste's gross bonds are made up of 14 loans, originally with fixed rates, some of which have been switched to floating-rate bonds, then converted to fixed-rate again according to whether interest rates were forecast to rise.

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

- €40 million decrease in bonds due to changes in fair value of debt and recognised using the fair value option. The Group's bonds amounted to €5,788 million at the end of June 2017;

- Commercial paper was up €50 million following the issue of commercial paper maturing during the second half of 2017. The total amount of commercial paper issued by the Group during the half-year came to €150 million, €100 million of which was retained by La Banque Postale in its books and is not shown under Group gross debt. Commercial paper outstandings were zero at the end of December 2016;
- Deposits and guarantees received fell €80 million to total €178 million following a decline in collateral received on the derivatives portfolio;
- Accrued interest not due, which amounted to €145 million, a €32 million change compared to December 2016.
- Other debt, mainly comprising leasing and finance debt, bank facilities, liability derivative instruments and €437 million in subordinated debt (nominal value of USD500 million), increased €37 million total, with:
 - o a rise in liability fair value from the Euro/USD swap backed by +€36 million in US dollar debt offset by a decline in the euro value of US dollar debt (subordinated debt) of -€36 million (exchange rate effect);
 - o an increase in current bank facilities (+€27 million);
 - o a €9 million increase in finance and lease debt.

The cost of debt at one year was 2.60% at the end of June 2017, (2.47% at the end of June 2016). When projected over the next few years, the average cost of debt at four years was 2.75% at the end of June 2017, (2.66% at the end of June 2016).

5.3.2 Net debt

	Period ended 30 June			
	2017.06	2016.12	Change	
			vs n-1	
(€ million)			(in € million)	(as a %)
Gross debt at the end of the period	6,897	6,900	-3	-0.0
Cash and cash equivalents	-2,494	-2,152	-343	+15.9
Other assets	-577	-1,028	+452	-43.9
NET DEBT AT THE END OF THE PERIOD	+3,826	3,719	+106	+2.9

The Group's net debt totalled €3,826 million at the end of June 2017, up €106 million compared to December 2016.

Other assets correspond to:

- Investments maturing in over three months, which amounted to €620 million at the end of June 2017, are up €150 million since 1 January;

- Debt-related derivative assets (fair value of €188 million at the end of June 2017, down €55 million);
- La Banque Postale's net financial position is a net debt position of €231 million. La Banque Postale's net financial position declined overall by €547 million during the first half of 2017, due primarily to being in an overdraft situation by €105 million at the end of June compared to being in a surplus position by €321 million at the end of December 2016.

5.4 Equity and financial structure

Period ended 30 June

(€ million)	2017.06	2016.12	Change	
			(in € million)	(as a %)
Equity Group share (opening)	10,917	9,723	+1,194	+12.3
Capital increase	0	-0	+0	n.s.
Net profit Group share	642	849	-207	-24.4
Dividend payments	-171	-171	-0	+0.0
Unrealised gains and losses from financial instruments	-54	270	-324	n.s.
Translation adjustments	-48	20	-68	n.s.
Actuarial differences	42	35	+8	+0.2
Other items	-28	191	-219	n.s.
Equity Group share (closing)	11,301	10,917	+383	+3.5
Non-controlling interests	96	116	-20	-17.0
CONSOLIDATED EQUITY (CLOSING)	11,397	11,033	+364	+3.3

Equity Group share was €11,397 million at the end of June 2017, or a €364 million increase.

5.5 Credit rating

Credit ratings for La Poste and La Banque Postale have remained unchanged as at 30 June 2017.

Rating of La Poste

Company	Agency	Long-term rating	Short-term rating	Outlook	Latest revision
La Poste	Fitch Ratings	A+	F1	Stable	13 December 2016
	Standard and Poor's	A	A-1	Stable	25 October 2016

Rating of La Banque Postale

Company	Agency	Long-term rating	Short-term rating	Outlook	Latest revision
La Banque Postale	Fitch Ratings	A-	F1	Stable	25 April 2017
	Standard and Poor's	A	A-1	Stable	26 October 2016

6. Outlook and post balance sheet events

6.1 Outlook

For 2017 the Group anticipates slight growth in revenue and operating profit in the context of persistently low interest rates and continued digitisation of the means of communication. Cash generation is expected to remain positive.

In a macroeconomic context that remains weak, in the second half of the year the Group will continue to grow all of its businesses, driven by the expansion of e-commerce, the digitisation of the means of communication, and the boom in local services.

A generator of social relations, Le Groupe La Poste has demonstrated its ability to transform itself and to adapt to societal trends (digital society, ageing population) and to become one of the leaders in the field of local services in the public interest.

6.2 Post balance sheet events

None.



**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AT 30 JUNE 2017**

Table of contents

FINANCIAL STATEMENTS

Income statement	68
Statement of comprehensive income	69
Balance sheet	70
Changes in equity	72
Cash flow statement	75

GENERAL ITEMS

Note 1 Significant events of the semester	76
1.1 La Banque Postale bond issue	76
1.2 Main changes in the consolidation scope	76
Note 2 Accounting rules and policies	77
2.1 Accounting guidelines	77
2.2 Valuation basis and use of estimates	79
Note 3 Segment reporting	80

NOTES TO THE INCOME STATEMENT

Note 4 Revenue from commercial activities	82
Note 5 Net banking income	82
Note 6 Purchases and other external expenses	83
Note 7 Personnel expenses and headcount	83
Note 8 Other operating revenue and expenses	84
Note 9 Financial profit/(loss)	84
9.1 Cost of net financial debt	84
9.2 Other financial items	84
Note 10 Income tax	85

NOTES TO THE BALANCE SHEET

Note 11 Goodwill	86
Note 12 Intangible assets, property, plant and equipment	87

Note 13 Associates and joint ventures	87
Note 14 Other non-banking assets	88
Note 15 Banking financial assets	89
Note 16 Provisions for contingencies and losses	90
16.1 Specific provisions for the insurance and banking activities	90
16.2 Other provisions for contingencies and losses	90
Note 17 Bonds and other financial debt	91
17.1 Breakdown of financial debt	91
17.2 Bonds	91
17.3 Bond derivatives	92
Note 18 Group net debt	92
18.1 Group net debt position	92
18.2 Changes to Group net debt	93
Note 19 Employee benefits	93
Note 20 Banking financial liabilities	94
Note 21 Trade and other payables	94

ADDITIONAL INFORMATION

Note 22 Additional information on financial instruments	95
22.1 Impact of banking financial instrument on net profit/(loss) and equity	95
22.2 Fair value of financial instruments recognised at amortised cost	95
22.3 Ranking of fair value assessments recognised on the balance sheet	96
22.4 Exposure to sovereign risk	97
Note 23 Related parties transactions	98
Note 24 Off-balance sheet commitments and contingent liabilities	98
Note 25 Post-balance sheet events	98

CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	S1 2017	S1 2016	2016
Revenues from commercial activities	4	9,116	8,799	17,696
Net banking income	5	2,789	2,971	5,598
Operating revenue		11,905	11,770	23,294
Purchases and other expenses	6	(4,377)	(4,093)	(8,548)
Personnel expenses	7	(6,201)	(6,270)	(12,593)
Taxes and levies	8	(166)	(168)	(230)
Depreciation, amortisation, provisions and impairment	8	(502)	(533)	(1,194)
Other operating revenue and expenses	8	111	163	297
Proceeds from asset disposals		(9)	(13)	(45)
Net operating expenses		(11,143)	(10,915)	(22,313)
Operating profit/(loss) before share in results of joint ventures		761	855	981
Share in profit of joint ventures	13	(1)	(3)	(6)
Operating profit/(loss) after share in results of joint ventures		761	852	975
Cost of net financial debt		(75)	(79)	(141)
Other financial items		(6)	(13)	(28)
Financial profit/(loss)	9	(81)	(92)	(169)
Profit before tax of consolidated companies		680	760	806
Income tax	10	(170)	(148)	(104)
Share in profits of associates	13	150	88	191
CONSOLIDATED NET PROFIT/(LOSS)		660	700	893
Net profit/(loss), group share		642	675	849
Attributable to non-controlling interests		18	24	44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts after tax (€ million)	S1 2017	S1 2016	2016
Consolidated net profit/(loss)	660	700	893
Other comprehensive income recognised in equity			
Recyclable items			
Change in unrealised gains and losses on financial instruments	(56)	159	170
<i>Reclassification under net income</i>	(29)	(117)	(119)
Translation adjustments	(15)	(42)	(25)
<i>Reclassification under net income</i>			
Share in other comprehensive income of associates and joint ventures	(29)	38	134
<i>Of which - change in unrealised gains and losses on financial instruments – CNP</i>	3	5	90
<i>- other unrealised gains and losses on financial instruments</i>	1	(1)	(1)
<i>- cumulative translation adjustments</i>	(33)	34	45
Non recyclable items			
Actuarial adjustments on employee benefits	42	(29)	29
Change in credit risk of liabilities designated as at fair value through profit or loss	(3)		(7)
Total other comprehensive income recognised in equity (after tax)	(60)	126	301
Total comprehensive income/(loss)	600	826	1,195
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE	583	793	1,142
Total comprehensive income/(loss) attributable to non-controlling interests	18	33	53

CONSOLIDATED BALANCE SHEET

ASSETS

(€ million)	NOTE	30/06/2017	31/12/2016
Goodwill	11	2,184	2,119
Intangible assets	12	932	916
Tangible assets	12	5,596	5,661
Investments in joint ventures and associates	13	3,877	3,426
Other non-current financial assets	14	539	480
Deferred tax assets		134	239
NON-CURRENT ASSETS		13,261	12,840
Current banking assets			
Customer loans and receivables	15	81,406	78,784
Credit institutions loans and receivables	15	86,506	84,461
Securities portfolio	15	53,932	54,799
Other current financial assets	15	1,389	1,716
Accruals	15	1,678	1,497
Cash and central bank deposits	15	2,532	2,732
Other current assets			
Inventories and work-in-progress	14	107	97
Trade and other receivables	14	3,430	3,886
Other current financial assets	14	753	609
Income tax credit		187	354
Other accruals – Assets		101	81
Cash and cash equivalents	14	2,494	2,152
Assets held for sale		137	179
CURRENT ASSETS		234,652	231,346
TOTAL ASSETS		247,913	244,186

LIABILITIES

(€ million)	NOTE	30/06/2017	31/12/2016
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,047	1,222
Unrealised gains and losses on financial instruments		1,168	(150)
Actuarial adjustments on employee benefits		(108)	(150)
Cumulative translation adjustments		(148)	(101)
Net profit/(loss), group share		642	849
Equity, group share		11,301	10,917
Non-controlling interests		96	115
CONSOLIDATED EQUITY		11,397	11,033
Medium and long-term bonds and other financial debt	17.1	5,309	5,836
Employee benefits – non-current liabilities	19	1,985	2,118
Non-current provisions for contingencies and losses	16.2	309	328
Deferred tax liabilities		186	277
NON-CURRENT LIABILITIES		7,789	8,560
Current provisions for contingencies and losses			
Specific provisions for the Insurance and Banking activities	16.1	2,616	2,593
Current provisions for contingencies and losses	16.2	513	567
Short-term bonds and other financial debt	17.1	1,588	1,064
Current banking liabilities			
Liabilities due to credit institutions	20	17,097	19,003
Liabilities to customers	20	182,030	175,669
Debt evidenced by a certificate and other financial liabilities	20	17,036	17,785
Accruals	20	2,347	2,203
Other current liabilities			
Trade and other payables	21	4,407	4,693
Government – Income tax		71	47
Employee benefits – current liabilities	19	747	774
Other accruals – Liabilities		275	196
CURRENT LIABILITIES		228,727	224,593
TOTAL LIABILITIES		247,913	244,186

CHANGES IN CONSOLIDATED EQUITY 2017

1st semester 2017

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2016	3,800	900	849	(101)	767	456	4,247	10,917	115	11,033
Dividend payments			(171)					(171)	(14)	(185)
Call options on non-controlling interests							(34)	(34)	(5)	(39)
Transactions with non-controlling interests							3	3	(20)	(17)
Appropriation of 2016 earnings			(678)				678			
Comprehensive income for the year			642	(48)	3	(58)	42	583	18	600
<i>Of which:</i>			642					642	18	660
- Net profit			642					642	18	660
- Actuarial adjustments							42			
- Other comprehensive income				(48)	3	(58)		(102)		(102)
Other							2	2	3	6
Consolidated equity as at 30/06/2017	3,800	900	642	(148)	770	398	4,939	11,301	96	11,397

CHANGES IN CONSOLIDATED EQUITY 2016

1st semester 2016

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	3,556	9,723	292	10,015
Dividend payments			(171)					(171)	(25)	(196)
Call options on non-controlling interests							(5)	(5)	(3)	(8)
Transactions with non-controlling interests ^(a)						26	(78)	(52)	(218)	(270)
Appropriation of 2015 earnings			(465)				465			
Comprehensive income for the year			675	(8)	5	150	(29)	793	33	826
<i>Of which:</i>			675					675	24	700
- Net profit			675					675	24	700
- Actuarial adjustments							(29)	(29)		(29)
- Other comprehensive income				(8)	5	150		146	9	155
Other							5	5		5
Consolidated equity as at 30/06/2016	3,800	900	675	(129)	682	451	3,914	10,293	80	10,373

(a) Impact of the acquisition of non-controlling interests in La Banque Postale Prévoyance.

2016 fiscal year

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	3,556	9,723	292	10,015
Dividend payments			(171)					(171)	(25)	(196)
Call options on non-controlling interests							271	271	25	296
Transactions with non-controlling interests ^(a)						26	(84)	(58)	(215)	(273)
Appropriation of 2015 earnings			(465)				465			
Comprehensive income for the year			849	20	90	154	29	1,142	53	1,195
<i>Of which:</i>			849					849	44	893
- Net profit			849					849	44	893
- Actuarial adjustments							29	29		29
- Other comprehensive income				20	90	154		264	8	273
Other							10	10	(14)	(4)
Consolidated equity as at 31/12/2016	3,800	900	849	(101)	767	456	4,247	10,917	115	11,033

(a) Impact of the acquisition of non-controlling interests in La Banque Postale Prévoyance.

CONSOLIDATED CASH FLOW STATEMENT

(<i>€ million</i>)	S1 2017			S1 2016			2016		
	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale
EBITDA	1,179	599	580	1,271	613	658	2,357	1,142	1,215
Change in provisions for current assets and unrecoverable receivables	(76)	(6)	(70)	(78)	(1)	(77)	(199)	(21)	(178)
Miscellaneous financial income and expenses	2	2		(1)		(1)	(2)	(2)	
Cash flows from operating activities before cost of net debt and taxes	1,104	594	510	1,192	611	581	2,156	1,119	1,036
Change in working capital requirement	(114)	(122)	8	(247)	(88)	(160)	(132)	(43)	(89)
CICE tax credit for the period (excluding provisions)	(196)	(195)	(1)	(169)	(168)	(1)	(338)	(335)	(3)
Change in balance of banking sources and uses	2,275	1	2,274	1,090		1,090	6,598		6,598
Taxes paid	129	32	97	(75)	(15)	(61)	(81)	159	(240)
Monetisation of CICE tax credit	201	533	(332)				154	154	
Dividends paid by La Banque Postale to La Poste		312	(312)		318	(318)		382	(382)
Dividends received from equity associates	121	7	114	110	3	106	119	13	106
Cash flows from operating activities	3,519	1,161	2,357	1,900	662	1,237	8,476	1,448	7,027
Purchase of intangible and tangible assets	(532)	(436)	(96)	(496)	(401)	(96)	(1,140)	(917)	(223)
Purchase of financial assets	(78)	(76)	(1)	(19)	(15)	(4)	(55)	(52)	(3)
Proceeds from the disposal of tangible and intangible assets	84	84		40	40		109	103	6
Proceeds from disposals of financial assets	4	4		4	4		9	9	
Impact of changes in consolidation scope	(578)	(558)	(20)	(100)	(100)		(237)	(237)	
Change in financial assets held for investment purposes	(150)	(150)		171	171		21	21	
Cash flows from investing activities	(1,250)	(1,132)	(117)	(400)	(300)	(100)	(1,293)	(1,072)	(221)
Capital increase				(6)	(6)				
Dividends paid	(185)	(172)	(12)	(195)	(173)	(22)	(197)	(174)	(22)
Interest paid	(28)	(28)		(28)	(28)		(145)	(145)	
Proceeds from new borrowings	207	57	150	500		500	1,078	478	600
Repayment of borrowings	(18)	(18)		(526)	(526)		(837)	(837)	
Purchase of non-controlling interests	(12)	(12)		(298)	(7)	(292)	(305)	(8)	(297)
Other cash flows from financing activities	20	(60)	80	(21)	(21)		(68)	(68)	
Intra-group flows		547	(547)		40	(40)		75	(75)
Cash flows from financing activities	(15)	314	(330)	(573)	(720)	146	(474)	(680)	207
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope and transfer of cash held at post offices	(1,911)		(1,911)	(1,284)		(1,284)	(7,013)		(7,013)
Impact of changes in exchange rates	(1)	(1)		(5)	(5)				
Change in cash and cash equivalents	343	343		(363)	(364)		(305)	(305)	
Opening cash and cash equivalents	2,152	2,152		2,457	2,457		2,457	2,457	
Closing cash and cash equivalents	2,494	2,494		2,093	2,093		2,152	2,152	

GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE SEMESTER

- 1.1 La Banque Postale bond issue
- 1.2 Main changes in the consolidation scope

1.1 La Banque Postale bond issue

In January 2017, La Banque Postale carried out a €150 million bond issue with maturity in June 2028. This issue aims to strengthen La Banque Postale capital, in connection with solvency ratios.

1.2 Main changes in the consolidation scope

Take-over of JadLog

GeoPost acquired in late December 2016 a 60% stake in JadLog, the second-biggest player on the Brazilian Courier, Express & Parcel market. This company was fully consolidated from 1 January 2017 on, and generated €32 million of provisional goodwill as at 30 June 2017, of which €-3 million in translation adjustment.

Acquisition of a stake in BRT

GeoPost acquired in January 2017 a 37.5% stake in BRT, a major operator on the express courier market in Italy. This company was consolidated by the equity method from 1 January 2017 on (see note 13).

Take-over of Ametix

Docapost acquired in March 2017 a controlling stake in Ametix, a company specialising in digital consulting and transformation projects. This acquisition generated €15 million of provisional goodwill.

Take-over of Asten Santé

La Poste acquired in June 2017 a controlling stake in the Asten Santé Group, one of the French leaders in home healthcare services. This company will be fully consolidated in the second semester of 2017 (see Note 14).

Take-over of Stuart

GeoPost acquired in March 2017 a 100% stake in Stuart, which specialises in express urban delivery. This acquisition generated €13 million of provisional goodwill.

Acquisition of Domiserve

La Banque Postale acquired in March 2017 a 100% stake in Domiserve, which specialises in issuing prepaid home-help vouchers and in organising services to individuals.

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.

(<i>€ million</i>)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	S1 2017	S1 2016	S1 2017	S1 2016
Revenues and NBI	11,905	11,770	11,784	11,716
Purchases and other expenses	(4,377)	(4,093)	(4,305)	(4,070)
Personnel expenses	(6,201)	(6,270)	(6,157)	(6,256)
Taxes and levies	(166)	(168)	(166)	(167)
Depreciation, amortisation and provisions	(502)	(533)	(496)	(533)
Other current operating revenue and expenses	111	163	110	165
Pre-tax gains and losses on asset disposals	(9)	(13)	(9)	
Net operating expenses	(11,143)	(10,915)	(11,023)	(10,874)
Operating profit/(loss) before share in results of joint ventures	761	855	761	842
Share in results of joint ventures	(1)	(3)	(1)	(3)
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	761	852	760	838

NOTE 2 ACCOUNTING RULES AND POLICIES

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates

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 2017 were signed off by the Board of Directors (meeting on 1 August 2017), and the General Shareholders' Meeting will be asked to approve them.

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 2017 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 2017 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 at 31 December 2016.

The accounting principles applied as at 30 June 2017 are unchanged from those applied as at 31 December 2016, except for the items described in Point 2.1.1 below.

2.1.1 Standards and application interpretations that are mandatory for the first time as of 30 June 2017

No new standard or interpretation was effective for the first time as at 30 June 2017.

2.1.2 Standards and application interpretations that will be mandatory after 30 June 2017 and that were not applied early

Le Groupe La Poste did not adopt early any standard or interpretation with mandatory application after 30 June 2017, except for chapter 5.7.7. of IFRS 9, which was applied as at 31 December 2016.

IFRS 9

IFRS 9 - *Financial instruments*, adopted on 22 November 2016 by the European Union, will replace IAS 39 - *Financial instruments: Recognition and measurement* with effect from 1 January 2018.

It defines new rules for the classification and measurement of financial instruments, a new financial asset impairment methodology and introduces a reformed hedge accounting model. The main impacts expected from applying this standard will concern the La Banque Postale and its subsidiaries. Impacts on the Group's other entities will be immaterial.

The primary changes introduced by this standard for the Group's banking activities will be as follows:

Classification and measurement according to IFRS 9

In accordance with IFRS 9, financial assets will be classified at amortised cost, at fair value through equity (recyclable or non-recyclable) or at fair value through profit or loss. Financial assets in each category will be classified according to the entity's defined business model and contractual cash flow characteristics ("basic loan" criterion).

Debt instruments whose contractual flows are solely made up of principal and interest payments on the remaining principal owed ("basic loan" or "SPPI" test criterion) will be classified:

- at amortised cost, if the goal of the business model is to conserve financial assets to collect contractual cash flows;
- at fair value through recyclable equity, if the goal of the business model is to hold the financial assets in order to collect contractual cash flows and to sell assets.

All debt instruments which cannot be classified at amortised cost or at fair value through equity, or that are held-for-trading, will be classified at fair value through profit or loss.

Investments in equity instruments will be measured at fair value through profit or loss, except for investments that are not held for trading, and for investments where the standard offers an irrevocable option, as of each instrument's first recognition date, which will be classified at fair value via non-recyclable equity. In this case, the unrealised gains and losses recognised in equity cannot be recycled in profit or loss in the event of a sale.

Within La Banque Postale group, and with regard to the "basic loan" criterion, studies have particularly consisted of analysing contractual clauses by type of instrument (e.g. early redemption clauses or clauses enabling the loan to be switched to a fixed rate) that may not correspond solely to principal and interest payments on the remaining principal owed.

Based on these studies, and considering the management models currently in existence, the main reclassifications would be as follows:

- Essentially, customer and credit institution receivables and loans should continue to be recognised at amortised cost, except for receivables that do not comply with the “basic loan” criterion, which would need to be recognised at fair value through profit or loss. These reclassified loans and receivables concern immaterial outstandings.
- Loan origination for local authorities eligible for assignment to Cafil that are classified as loans and receivables in accordance with IAS 39, including their impact from fair value hedging, will be classified in accordance with a transaction type management model as of 1 January 2018 under IFRS 9 first time application. The impact of this will be a reclassification of fair value through profit or loss in an aggregate of financial statements.
- With regard to investment portfolios, shares of UCITs that were classified as assets available for sale under IAS 39, and qualified as debt instruments that do not comply with the “SPPI test” under IFRS 9, must be recognised at fair value through profit or loss.
- Also, investments in share-based equity instruments or in debt securities that do not comply with the “basic loan” criterion must be recognised at fair value through profit or loss.
- As an exception, La Banque Postale may classify some non-consolidated equity investments at fair value through non-recyclable equity.

Overall, the Group expects limited impacts in terms of classifying financial assets.

In addition, a contractual characteristics analysis tool to automate a “basic loan” test on listed debt securities is currently under specification.

With regard to financial liabilities, and specifically for financial liabilities recognised under the fair value through profit or loss option, the standard now requires the change in fair value attributable to a change in its own credit risk to be recognised in non-recyclable equity, unless this treatment would create or increase an accounting mismatch. As permitted by IFRS 9, this provision has been applied early by the Group as at 31 December 2016.

Impairment according to IFRS 9

The new provisioning methodology has now shifted toward an expected credit loss model and away from an incurred loss only model.

IFRS 9 defines a provisioning model that applies to all financial assets that present a counterparty risk (excluding equity instruments) not remeasured at fair value through profit or loss, as well as financing commitments and guarantee commitments.

The current provisioning principles applied within the La Banque Postale Group result in the recognition of asset impairments on an individual and collective basis. Individual provisions are recorded at the single asset level if there is objective evidence of an impairment loss. Collective provisions are statistical provisions that

aim to cover objective evidence of impairment loss identified at the portfolio-level that cannot be allocated individually.

Under IFRS 9, new impairments corresponding to one-year expected credit losses will be accounted for on outstandings as soon as they are recorded on the balance sheet, and off-balance sheet for financing commitments, as long as they do not significantly increase credit risk. These outstandings will fall under “Bucket 1”.

Outstandings for which a significant decline in credit quality is identified since the date it was first recognised must be subject to impairment for the expected credit loss over the remaining life of the instrument. These outstandings will fall under “Bucket 2”.

Criteria to identify impaired assets (falling under “Bucket 3”) will be similar to those in IAS 39.

Additionally, the methodologies developed under IFRS 9 will take past events into consideration such as historical loss experience, current conditions and reasonable and justifiable forecasts of the economic environment (the “forward-looking” concept).

La Banque Postale decided to use the existing risk management system as part of its IFRS 9 programme. Major IT development work is in progress, both at the head office level and at the subsidiary level, relating to data collection, to calculate and recognise impairment from “Bucket 1” and “Bucket 2”. These impairments will be calculated centrally for the entire group, with the exception of certain subsidiaries. These subsidiaries will comply with the impairment methodology defined by Group management to ensure that all of LBP Group’s methods are consistent.

As for measuring heightened credit risk, work carried out within the Group primarily aimed to define the boundary between buckets 1 and 2.

The “forward-looking” component will be met using a modelled multi-scenario approach. The final impairment will correspond to the average weighted by the probability of each scenario occurring.

This provisioning model based on expected credit losses, which now applies to all financial assets, will have a limited impact on equity at the opening balance sheet date and may increase the cost of credit risk consistent with changes in outstandings.

Hedging

IFRS 9 only covers micro hedges. The standard expands hedging strategies, notably with more items eligible for hedge accounting, and fewer requirements pertaining to hedging relationship efficacy.

With regard to macro hedging, the European Union’s provisions relating to the fair value hedging of a portfolio of interest rate items will continue to apply.

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting.

The Group has decided to take advantage of the option to keep IAS 39 principles pertaining to hedge accounting.

Initial adoption

IFRS 9 provisions pertaining to classification and measurement as well as impairment must be applied retrospectively in accordance with IAS 8.

The standard provides for a few provisions to simplify the retrospective measurement of certain items.

Furthermore, IFRS 9 allows for an exemption from the obligation to restate comparative information (as defined in IFRS 7).

Organisation of the IFRS 9 project within La Banque Postale

The project to implement IFRS 9 initially involved analysing the standard and carrying out an assessment to identify the various impacts and work to be done in terms of classification and provisioning.

An agile change-management project structure from both an operational as well as an IT systems standpoint was put in place to guarantee that changes are made within the application deadline, i.e. by 1 January 2018.

The Finance Department is heading up the IFRS 9 programme for the entire Group in close collaboration with the Group's Risk Department as part of its overall governance.

Other standards

The impacts of IFRS 15 - *Revenue from Contracts with Customers*, which will be mandatory on 1 January 2018, on the Group's consolidated accounts are not expected to be significant.

The potential impacts of IFRS 16 - *Leases*, are being analysed.

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.

NOTE 3 SEGMENT REPORTING

The accounting principles applied to segment reporting, and the reported segments, did not change since 31 December 2016.

1 st semester 2017 (€ 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	5,601	3,232	2,789	258	18	8				11,905
Inter-segment revenues and NBI	157	24	19	63	2,018	407	379		(3,067)	
Operating revenue	5,757	3,256	2,808	321	2,035	415	379		(3,067)	11,905
Operating profit/(loss) before share in results of joint ventures	504	199	421	(7)	87		(87)	(355)		761
Share in results of joint ventures	3	(1)			(4)					(1)
Operating profit/(loss) after share in results of joint ventures	507	198	421	(7)	84	1	(88)	(355)		761
Financial profit/(loss)								(81)		(81)
Income tax								(170)		(170)
Share in profits of associates		18	133	(1)		1				150
CONSOLIDATED NET PROFIT/(LOSS)										660
Depreciation, amortisation, provisions and impairment	(69)	(86)	(145)	(20)	(22)	(103)	(56)			(502)
Segment assets	2,838	4,999	232,476	717	181	3,415	8,882	(5,595)		247,913

1 st semester 2016 (€ 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	5,599	2,938	2,971	240	15	5	2			11,770
Inter-segment revenues and NBI	148	31	3	49	2,024	412	361		(3,027)	
Operating revenue	5,747	2,969	2,974	289	2,038	418	363		(3,027)	11,770
Operating profit/(loss) before share in results of joint ventures	503	255	514		7	6	(68)	(360)		855
Share in results of joint ventures	1	(1)			(3)	1				(3)
Operating profit/(loss) after share in results of joint ventures	504	254	514		4	6	(69)	(360)		852
Financial profit/(loss)								(92)		(92)
Income tax								(148)		(148)
Share in profits of associates		(1)	87	1		1				88
CONSOLIDATED NET PROFIT/(LOSS)										700
Depreciation, amortisation, provisions and impairment	(104)	(75)	(178)	(10)	(24)	(96)	(47)			(533)
Segment assets	2,699	4,161	224,915	696	192	3,669	8,498	(5,353)		239,476

2016 (€ 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	11,050	6,105	5,598	491	37	11	3			23,294
Inter-segment revenues and NBI	304	61	4	118	4,096	833	731		(6,147)	
Operating revenue	11,354	6,166	5,602	609	4,133	843	734		(6,147)	23,294
Operating profit/(loss) before share in results of joint ventures	580	439	834	(6)	37	18	(176)	(745)		981
Share in results of joint ventures	4	(1)			(9)	1				(6)
Operating profit/(loss) after share in results of joint ventures	584	438	834	(6)	28	18	(176)	(745)		975
Financial profit/(loss)								(169)		(169)
Income tax								(104)		(104)
Share in profits of associates		(3)	191	1		2				191
CONSOLIDATED NET PROFIT/(LOSS)										893
Depreciation, amortisation, provisions and impairment	(339)	(186)	(297)	(32)	(48)	(212)	(80)			(1,194)
Segment assets	2,852	4,491	228,921	683	207	3,710	8,902	(5,580)		244,186

(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)	S1 2017	S1 2016	2016
Services-Mail-Parcels revenues	5,601	5,599	11,050
Correspondence and other La Poste products and services	3,372	3,419	6,583
Advertising mail	537	568	1,155
Press ^(a)	260	269	530
Products and services of the subsidiaries (domestic mail)	250	233	478
International mail	363	327	661
Parcels	819	783	1,642
GeoPost revenue	3,232	2,938	6,105
Express France	739	678	1,408
Express Rest of World	2,492	2,261	4,697
Digital Services revenue	258	240	491
La Poste Network revenue ^(b)	18	15	37
Real Estate revenue ^(c)	8	7	14
TOTAL	9,116	8,799	17,696

(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) 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.

(c) Real Estate revenues correspond to the rentals agreed with non-Group tenants.

NOTE 5 NET BANKING INCOME

(€ million)	S1 2017	S1 2016	2016
Interest and similar income	2,182	2,306	4,492
Interest and similar income on treasury and inter-bank transactions	583	551	1,157
Interest and similar income on customer transactions	978	1,140	2,118
Interest on available-for-sale financial assets held to maturity, and on hedging transactions	621	615	1,217
Interest and similar expenses	(879)	(766)	(1,661)
Interest and similar expenses on treasury and inter-bank transactions	(34)	3	(47)
Interest and similar expenses on customer transactions	(690)	(655)	(1,361)
Interest on debt evidenced by a certificate and hedging transactions	8	(57)	(12)
Commission income	1,386	1,332	2,661
Commission expenses	(138)	(139)	(286)
Net gains and losses on financial instruments at fair value through profit or loss	8	(57)	(12)
Net gains and losses on available-for-sale assets	125	158	208
Margin on insurance activities	147	124	264
Income and expenses from other activities	(41)	14	(68)
TOTAL	2,789	2,971	5,598

NOTE 6 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	S1 2017	S1 2016	2016
External services and general sub-contracting	879	801	1,794
Purchases	266	233	523
Outsourced transport	2,115	2,010	4,054
International mail delivery services	100	99	202
Rental expenses	441	410	860
Maintenance and repair costs	209	201	433
Telecommunications expenses	76	71	156
Travel and assignments	92	90	183
Other expenses ^(a)	199	178	343
TOTAL	4,377	4,093	8,548

(a) Some contributions, which were previously analysed as "Taxes and levies" were reclassified in "Other external expenses", for €38 million in the first semester of 2016.

NOTE 7 PERSONNEL EXPENSES AND HEADCOUNT

A breakdown of personnel expenses by type of cost is provided below:

(€ million)	S1 2017	S1 2016	2016
Wages and salaries, bonuses and allowances	4,519	4,456	8,868
Pension contributions	569	591	1,162
Other social security contributions	916	929	1,790
Employee welfare costs	113	105	210
CICE revenue	(196)	(169)	(338)
Change in post-employment provisions	4	(138)	(129)
Change in provisions for social security contingencies and staff litigation		(74)	43
Change in other employee provisions	(129)	165	204
Compensation-based taxes and duties	405	405	782
TOTAL	6,201	6,270	12,593
Average headcount (full-time employee equivalent per year)	249,739	250,069	251,249

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)	S1 2017	S1 2016	2016
Local taxes	(98)	(98)	(151)
Other taxes and levies ^(a)	(68)	(70)	(79)
TAXES AND LEVIES	(166)	(168)	(230)
Impairment and net depreciation of assets			
- Goodwill			(69)
- Fixed assets	(2)	15	3
- Current assets	(6)	(1)	(21)
Net amortisation	(480)	(464)	(948)
Provisions for contingencies and losses	58	1	22
Banking activities cost of risk	(71)	(84)	(181)
DEPRECIATION AND IMPAIRMENT	(502)	(533)	(1,194)
Capitalised production	101	93	211
Royalties	(19)	(15)	(27)
Revenue recorded following an acquisition of control ^(b)	(5)	63	63
Other current operating revenue and expenses	34	22	50
OTHER OPERATING REVENUE AND EXPENSES	111	163	297

(a) Some contributions, which were previously analysed as "Taxes and levies" were reclassified in "Other external expenses", for €38 million in the first semester of 2016.

(b) Mainly in 2016 the impact of the revaluation of previously held investment in Armadillo.

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)	S1 2017	S1 2016	2016
Interest expense on financing transactions ^(a)	(82)	(77)	(155)
Change in the fair value of borrowings and debt-related swaps ^(b)	4	(8)	4
Income from cash and cash equivalents ^(c)	3	6	10
TOTAL	(75)	(79)	(141)

(a) Including interest and proceeds from the termination of debt-related derivatives.

(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 (€8 million in the first semester of 2017, €14 million as of the first semester of 2016, and €27 million for 2016).

NOTE 10 INCOME TAX

The income tax expense breaks down as follows:

(€ million)	S1 2017	S1 2016	2016
Current tax (expense)	(113)	(185)	(161)
Deferred tax income/(expense)	(57)	37	57
TOTAL TAX INCOME/(EXPENSE)	(170)	(148)	(104)

The explanation of the tax reconciliation is as follows:

(€ million)	S1 2017	S1 2016
Net profit/(loss), Group share	642	675
Share in profits of equity associates and joint ventures	(150)	(84)
Income tax	170	148
Non-controlling interests	18	24
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	680	764
Income tax rate	34.43%	34.43%
Theoretical tax expense ^(a)	(234)	(263)
Deferred tax limitation on the following items:		
- Home Loan Savings provision	13	47
- employees benefits	12	11
- other	(9)	(4)
Revaluation of investment following a take-over	(2)	22
Unused tax losses created during the year	(10)	(5)
Tax rate differential for foreign subsidiaries	19	16
CICE (non-taxable income)	65	58
Tax on distributed revenues	(9)	(9)
Other permanent differences (non-deductible expenses)	(15)	(19)
Other items		(2)
Tax restatements	64	115
ACTUAL TAX CHARGE	(170)	(148)

(a) Including the 3.3% social solidarity contribution.

NOTES TO THE BALANCE SHEET

NOTE 11 GOODWILL

Breakdown of goodwill net carrying amount

(€ million) CGU	Segment	30/06/2017	31/12/2016
DPD Continental Europe	GeoPost	518	527
DPD France	GeoPost	334	334
GeoPost Spain	GeoPost	312	305
Digital Services ^(a)	Digital services	195	175
Armadillo Bizpak	GeoPost	149	157
DPD Poland	GeoPost	128	123
GeoPost UK	GeoPost	123	127
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	64	57
Tigers	GeoPost	50	51
JadLog ^(b)	GeoPost	32	
Tocqueville Group	La Banque Postale	27	27
Biologistic	GeoPost	26	26
La Banque Postale Asset Management	La Banque Postale	22	22
WnDirect	GeoPost	22	23
Resto In	GeoPost	17	17
Stuart ^(b)	GeoPost	13	
DPD Laser Finance	GeoPost	12	12
Other GeoPost companies	GeoPost	37	34
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	7
TOTAL		2,184	2,119
Services-Mail-Parcels		72	64
GeoPost		1,773	1,737
La Banque Postale		143	143
Digital Services		195	175

(a) Of which Ametix for €15 million (see Note 1.2).

(b) See Note 1.2.

Change in the net carrying amount of goodwill

(€ million)	S1 2017	2016
Opening balance	2,119	1,968
of which : Gross amount	2,337	2,113
Impairment	(218)	(145)
Acquisitions ^(a)	86	256
Disposals ^(b)		(30)
Translation adjustments ^(c)	(11)	(5)
Impairment ^(d)		(69)
Other	(10)	
CLOSING BALANCE	2,184	2,119
of which : Gross amount	2,401	2,337
Impairment	(217)	(218)

(a) Including mainly in the first semester of 2017 JadLog for €35 million, Ametix Group for €15 million, Stuart for €13 million, and Seur franchises in Spain and Portugal for €10 million.

(b) Ciloger in 2016 for €30 million.

(c) Of which in 2017 Armadillo for €-8 million and JadLog for €-3 million and in 2016 Armadillo for €25 million.

(d) No impairment was recorded in the first half of 2017. Goodwill of Morin Logistic, Orium, Resto In and Laser was depreciated in 2016, for a total amount of €69 million.

NOTE 12 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

(€ million)	Intangible assets	Property, plant and equipment	TOTAL
GROSS AMOUNT			
Balance as at 31/12/2016	3,137	12,093	15,229
Acquisitions	159	320	479
Disposals	(23)	(171)	(194)
Change in consolidation scope	6	22	29
Transfers	2	(6)	(5)
Translation adjustments		(9)	(9)
BALANCE AS AT 30/06/2017	3,280	12,249	15,529
DEPRECIATION AND IMPAIRMENT			
Balance as at 31/12/2016	(2,221)	(6,431)	(8,652)
Depreciation for the semester	(140)	(340)	(480)
Impairment		(11)	(11)
Reversals on disposals	14	127	141
Change in consolidation scope	(3)	(14)	(17)
Transfers	1	3	5
Translation adjustments		4	4
BALANCE AS AT 30/06/2017	(2,348)	(6,653)	(9,001)
NET CARRYING AMOUNT			
As at 31/12/2016	916	5,661	6,577
AS AT 30/06/2017	932	5,596	6,528
OF WHICH FINANCE LEASES			
As at 31/12/2016		129	
AS AT 30/06/2017		135	

NOTE 13 ASSOCIATES AND JOINT VENTURES

(€ million)	CNP Assurances	BRT	Real Estate sub-group	Yurtici Kargo	AEW Europe	ASENDIA	Other	TOTAL	Companies with negative net assets ^(a)	
									La Poste Mobile	TOTAL
Nature of control	Associate	Associate	Associate/ Joint control	Associate	Associate	Joint control			Joint control	
Balance as at 31/12/2016	3,169		28	23	51	56	99	3,426	(46)	(46)
Group share in the profit or loss	131	19	2	(1)	2	3	(2)	153	(4)	(4)
Dividend payments	(111)	(4)			(4)		(2)	(121)		
Net change in the fair value of financial instruments and AFS securities	3						1	4		
Change in consolidation scope		457					(7)	450		
Capital increase									20	20
Other changes			(1)			(1)		(2)		
Translation adjustments	(29)			(2)			(3)	(33)		
BALANCE AS AT 30/06/2017	3,164	471	29	20	49	58	85	3,877	(29)	(29)

(a) Recorded in "Other provisions for contingencies and loss" (see Note 16.2).

NOTE 14 OTHER NON-BANKING ASSETS

(€ million)	30/06/2017		31/12/2016	
	Current	Non-current	Current	Non-current
Net unconsolidated investments ^(a)		324		219
Financial derivatives	49	139	58	185
Financial assets held for investment purposes	620		470	
Other financial assets	83	76	81	76
TOTAL OTHER FINANCIAL ASSETS	753	539	609	480
Other supplies inventories	95		84	
Finished and semi-finished product inventories and work in progress	12		12	
TOTAL INVENTORIES AND WORK-IN-PROGRESS	107		97	
Net trade receivables and related accounts	2,067		2,167	
International mail receivables	548		578	
CICE tax credit receivable ^(b)	246		592	
Other receivables	569		550	
TOTAL TRADE AND OTHER RECEIVABLES	3,430		3,886	
Cash equivalents	2,118		1,901	
Cash at bank and cash on hand	376		252	
TOTAL CASH AND CASH EQUIVALENT	2,494		2,152	

(a) The increase compared to 31 December 2016 stems mainly from the acquisition of a controlling stake in Asten Santé, which will be consolidated in the second semester of 2017 (see Note 1.2).

(b) Two CICE trade receivables were assigned in the first semester of 2017 for a total of €533 million.

Financial assets held for investment purposes

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

(€ million)	30/06/2017	31/12/2016
Bonds		100
Term deposits accessible after more than 3 months	400	370
UCITS	80	
Negotiable debt securities (maturity 3 to 12 months)	140	
TOTAL	620	470

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 17.3.

NOTE 15 BANKING ACTIVITIES FINANCIAL ASSETS

(€ million)	30/06/2017	31/12/2016
Customer sight loans and receivables	1,920	1,504
Term customer loans and receivables	75,216	73,110
<i>of which home loans (including non-performing receivables)</i>	<i>57,800</i>	<i>55,948</i>
Finance lease transactions	2,101	2,040
Securities equivalent to customer loans and receivables	2,169	2,131
TOTAL CUSTOMER LOANS AND RECEIVABLES	81,406	78,784
Sight loans and receivables from credit institutions	12,248	10,199
Term deposits and loans from credit institutions	73,602	73,659
Securities equivalent to loans and receivables from credit institutions	656	603
TOTAL RECEIVABLES FROM CREDIT INSTITUTIONS	86,506	84,461
Financial assets held to maturity	21,463	22,271
<i>of which Government securities and similar</i>	<i>19,115</i>	<i>19,885</i>
Available-for-sale financial assets	18,562	18,760
Financial assets at fair value through profit or loss	13,811	13,630
<i>of which financial assets held for transaction purposes</i>	<i>12,324</i>	<i>11,798</i>
<i>of which financial derivatives</i>	<i>1,488</i>	<i>1,832</i>
Revaluation adjustment on hedged portfolios (fair value hedge)	96	138
TOTAL SECURITIES PORTFOLIO	53,932	54,799
OTHER CURRENT BANKING ASSETS	1,389	1,716
BANKING ACCRUALS - ASSETS	1,678	1,497
Central banks deposits	1,632	1,918
Cash and other	900	814
TOTAL CASH AND CENTRAL BANK DEPOSITS	2,532	2,732

NOTE 16 PROVISIONS FOR CONTINGENCIES AND LOSSES

- 16.1 Specific provisions for the insurance and banking activities
- 16.2 Other provisions for contingencies and losses

16.1 Specific provisions for the insurance and banking activities

As at 30 June 2017, underwriting provisions for the Insurance and Banking activities, classified as current provisions for contingencies and losses, broke down as follows:

<i>(€ million)</i>	Home Loan Savings risk	Insurance underwriting provisions	TOTAL
Balance as at 31/12/2016	362	2,231	2,593
Addition for the year		94	94
Reversal for the year	(52)	(15)	(67)
Other movements		(5)	(5)
BALANCE AS AT 30/06/2017	310	2,306	2,616

16.2 Other provisions for contingencies and losses

As at 30 June 2017, the other provisions for contingencies and losses broke down as follows:

<i>(€ million)</i>	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	161	16	152	328
Current provisions	84	161	322	567
Balance as at 31/12/2016	245	177	473	895
Addition for the year	17	18	15	49
Reversal for use	(13)	(4)	(21)	(37)
Reversal of provisions no longer required	(5)	(38)	(25)	(68)
Other movements		(1)	(16)	(17)
Non-current provisions	174	15	120	309
Current provisions	70	137	306	513
BALANCE AS AT 30/06/2017	244	152	426	822

As at 30 June 2017, **other provisions** included:

- the costs to regroup the Group's headquarters for €10 million;
- a €144 million covering the penalty issued by the French Competition Authority against two companies of the Group;
- a €29 million provision covering the negative net asset value of equity associates and joint ventures, compared to €46 million as at 31 December 2016 (see note 13);
- miscellaneous risks linked to the operational activity of the Group.

NOTE 17 BONDS AND OTHER FINANCIAL DEBT

- 17.1 Breakdown of financial debt
- 17.2 Bonds
- 17.3 Bond derivatives

17.1 Breakdown of financial debt

(€ million)	30/06/2017		31/12/2016	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	482	4,120	490	4,103
Bonds	160	3,960	160	3,959
Finance leases	11	105	15	92
La Poste savings bonds	57		57	
Commercial paper	50			
Current bank facilities	34		7	
Deposits and guarantees received	152	26	231	27
Other borrowings at amortised cost	18	30	19	26
Borrowings designated at fair value	957	712	452	1,257
Hedged borrowings		437		473
Bonds				
Subordinated debt		437		473
Financial derivative liabilities relating to bonds	5	40	8	4
Other derivatives				
Interest accrued not due on borrowings	145		113	
Medium and long-term bonds and other financial debt (non-current)		5,309		5,836
Short-term bonds and other financial debt (current)	1,588		1,064	
TOTAL CURRENT AND NON-CURRENT		6,897		6,900

17.2 Bonds

Bonds, excluding accrued interest, changed as follows:

(€ million)	Borrowings at amortised cost	Borrowings at fair value	Hedged subordinated debt	Total
Balance as at 31/12/2016	4,119	1,709	473	6,301
New borrowings				
Redemptions				
Issue premium				
Change in credit risk		3		3
Other changes		(44)	(36)	(80)
BALANCE AS AT 30/06/2017	4,120	1,668	437	6,224

17.3 Bond derivatives

(€ million)	Fair value as at 30/06/2017		Fair value as at 31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	186		242	
Floating-for-fixed derivatives		5		8
TOTAL	186	5	242	8
Hedging derivatives				
Fair value hedges				
Cash flow hedges		40		
TOTAL DERIVATIVES RELATING TO DEBT	186	45	242	11
Other				
Currency swaps	2			
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	188	45	242	11
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives		3		4

NOTE 18 GROUP NET DEBT

- 18.1 Group net debt position
- 18.2 Changes to Group net debt

18.1 Group net debt position

(€ million)	Note	30/06/2017	31/12/2016
Cash and cash equivalents (balance sheet line)	14	2,494	2,152
Debt-related derivative assets	14	188	243
Investment securities with initial maturities of over 3 months	14	620	470
Security deposits paid in connection with derivatives, recognised as assets			
Net financial receivable against La Banque Postale		(231)	316
Cash and other asset items (1)		3,071	3,180
Medium and long-term bonds and other financial debt	17	5,309	5,836
Short-term bonds and other financial debt	17	1,588	1,064
Gross debt (2)		6,897	6,900
NET DEBT (2)-(1)		3,826	3,719
<i>Increase (Decrease) in net debt as at 30 June 2017</i>		106	

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.

18.2 Changes to Group net debt

(€ million)	Cross-references	S1 2017	S1 2016
Cash flows from operating activities	CFS ^(a)	1,161	662
Cash flows from investing activities	CFS	(1,132)	(300)
Cancellation of the change in cash management financial assets	CFS	150	(171)
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets ^(b)		(982)	(471)
Dividends paid to the government		(171)	(171)
Purchase of non-controlling interests	CFS	(12)	(7)
Net financial interest expense		(79)	(72)
Change in the fair value of financial instruments		6	(7)
Impact of changes in consolidation scope on gross debt		(7)	5
Increase in finance lease liabilities		(20)	(6)
Other items ^(c)		(2)	(13)
Cash flows and change in debt from financing activities		(285)	(270)
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		(106)	(80)
Net debt at the beginning of the period		(3,719)	(3,657)
Net debt at the end of the period		(3,826)	(3,737)

(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 19 EMPLOYEE BENEFITS

(€ million)	31/12/2016		Increase	Decrease for use	Interest cost	Other changes	30/06/2017	
	Current	Non-current					Current	Non-current
Post-employment benefits for La Poste's government employees	10	284	2	(5)	2	(22)	10	261
Retirement benefits for the Group's contract staff	12	373	16	(6)	3	(19)	12	368
Pension plans for employees of foreign subsidiaries		74	2	(5)	1	(2)		70
Post-employment benefits	22	732	20	(16)	6	(43)	22	699
End-of-career arrangements	462	1,183	90	(212)	2		436	1,090
Severance payments	101	30					101	30
Long-term sick leave/long-term paid leave	59	41	2				60	42
Accrued leave	128	115		(10)			124	110
Other long-term benefits	1	16	2				5	14
Other benefits	290	203	3	(10)			290	196
TOTAL	774	2,118	113	(238)	8	(43)	747	1,985

NOTE 20 BANKING ACTIVITIES FINANCIAL LIABILITIES

(€ million)	30/06/2017	31/12/2016
Sight liabilities to credit institutions	637	698
Term liabilities to credit institutions	16,460	18,305
<i>of which securities given under repurchase agreements</i>	14,844	15,653
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	17,097	19,003
Special savings accounts	114,318	113,266
<i>of which Livret A passbook savings accounts</i>	60,188	59,575
<i>of which Home Loan Savings Plans and Accounts (PEL & CEL)</i>	32,158	31,947
<i>of which LEP savings accounts</i>	7,555	7,759
Liabilities to customers	67,712	62,403
<i>of which ordinary trade payables</i>	61,294	58,740
TOTAL LIABILITIES TO CUSTOMERS	182,030	175,669
Debt evidenced by a certificate	13,516	13,463
<i>of which certificates of deposit</i>	4,728	6,149
Guarantee deposits received	1,113	1,277
Hedging derivatives	606	914
Other	1,802	2,131
TOTAL DEBT EVIDENCES BY A CERTIFICATE AND OTHER BANKING FINANCIAL LIABILITIES	17,036	17,785
BANKING ACCRUALS - LIABILITIES	2,347	2,203

NOTE 21 TRADE AND OTHER PAYABLES

(€ million)	30/06/2017	31/12/2016
Trade payables and related accounts	1,640	1,813
Tax and social security liabilities	1,705	1,746
Payable to suppliers of non-current assets	226	261
International mail payables	467	536
Customer advances and deposits	167	164
Other operating payables	202	173
TOTAL	4,407	4,693

ADDITIONAL INFORMATION

NOTE 22 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

- 22.1 Impact of banking financial instrument on net profit/(loss) and equity
- 22.2 Fair value of financial instruments recognised at amortised cost
- 22.3 Ranking of fair value assessments recognised on the balance sheet
- 22.4 Exposure to sovereign risk

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

S1 2017 <i>(€ million)</i>	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
Loans, receivables and payables	754			(71)		683
Assets held to maturity	358					358
Available-for-sale assets	84		(59)		125	150
Financial instruments at fair value through profit or loss		11				11
Hedging	106	(3)	(42)			61
TOTAL	1,302	8	(101)	(71)	125	1,202

22.2 Fair value of financial instruments recognised at amortised cost

<i>(€ million)</i>	30/06/2017	
	Book value	Fair value
ASSETS		
Bank assets		
Customer loans and receivables	81,406	84,186
Credit institutions loans and receivables	86,506	86,566
Securities portfolio	21,463	23,668
Other current financial assets	1,389	1,389
LIABILITIES		
Bank liabilities		
Liabilities to credit institutions	17,097	17,129
Liabilities to customers	182,030	182,042
Debt evidenced by a certificate	10,413	10,416
Subordinated debt	3,103	3,357
Non-banking liabilities		
Bonds at amortised costs	4,120	4,724

22.3 Ranking of fair value assessments recognised on the balance sheet

The methods used to evaluate fair value have not changed since 31 December 2016.

(€ million)	30/06/2017		
	Level 1	Level 2	Level 3
BANKING ACTIVITIES ASSETS			
Government securities and similar	1,870		
Bonds and other fixed-income securities	1,913	8,586	
Equities and other variable-income securities	54		
Financial assets at fair value through profit or loss	3,837	8,586	
Interest-rate derivatives		420	
Foreign exchange derivatives		52	
Equity and index derivatives		4	
Trading derivatives		477	
Interest-rate derivatives		1,242	
Fair value hedging derivatives		1,242	
Interest-rate derivatives		7	
Cash flow hedging derivatives		7	
Government securities and similar	6,637	338	
Bonds and other fixed-income securities	10,155	197	
Equities and other variable-income securities	745	227	262
Unconsolidated investments			139
Available-for-sale financial assets	17,537	762	401
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets		353	185
Trade and other receivables		3,430	
Other current financial assets		1,389	
Cash and cash equivalents	1,373	1,122	
BANKING ACTIVITIES LIABILITIES			
Debt evidenced by a certificate		5	
Financial liabilities designated at fair value through profit or loss		5	
Interest-rate derivatives		416	
Foreign exchange derivatives		55	
Other derivative instruments		22	
Credit derivatives		8	
Equity and index derivatives		5	
Trading derivatives		507	
Interest-rate derivatives		591	
Exchange-rate derivatives		15	
Fair value hedging derivatives		606	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		6,897	
Trade and other payables		4,407	

ASSETS

Reclassifications from Level 1 to Level 2: €339 million (3 fixed-rate investments whose price are not reflected on an active market any more).

Reclassifications from Level 2 to Level 1: €24 million (2 fixed-rate investments whose transactions met the criteria for volume and frequency).

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

(€ million)	Assets at fair value through profit or loss	Assets designated at fair value through profit and loss	Trading derivatives	Hedging derivatives	Available-for-sale assets	TOTAL
Opening balance					371	371
Gains and losses recorded in income						
Gains and losses recorded in equity					1	1
Purchases					38	38
Sales					(6)	(6)
Other movements					(1)	(1)
Closing balance					401	401

22.4 Exposure to sovereign risk

(€ million)	Bank portfolio	Assets at fair value through profit or loss	Derivatives	Total direct exposure ^(a)	Repo	Off-balance sheet	Total direct and indirect exposure ^(b)	Exposure (as a %)
Greece								
Ireland								
Italy	386	749		1,136	227		1,362	4.5%
Portugal								
Spain	7	985		992	485		1,477	4.9%
TOTAL GIIPs	393	1,734		2,128	711		2,839	9.4%
Germany	4,185			4,185	2		4,187	13.9%
Austria	15			15			15	0.1%
Belgium	2,167			2,167			2,167	7.2%
France	18,040	104		18,145	5		18,150	60.1%
Luxembourg	331			331			331	1.1%
Netherlands	1,205			1,205			1,205	4.0%
Poland	22			22	25		48	0.2%
Slovenia	7			7			7	0.0%
Switzerland	25			25			25	0.1%
Supra-national								
TOTAL EUROPE	25,998	104		26,103	32		26,135	86.5%
Rest of the World	1,058	31		1,089	159		1,249	4.1%
TOTAL	27,450	1,870		29,320	903		30,223	100%

(a) Direct exposure: net book value (including impairment) of the Bank's proprietary exposure.

(b) Direct and indirect exposure: direct exposure, plus indirect exposure through the guarantees granted to some of the Group's UCITS

Unrealised gains and losses amount to €8 million. All investments are classified as level 1. No impairment was recorded on the stock of investments as at 30 June 2017.

NON-SOVEREIGN EXPOSURES TO CERTAIN COUNTRIES OF THE EUROPEAN UNION

The main non-sovereign exposures to the following countries: Greece, Ireland, Italy, Portugal and Spain, of La Banque Postale and its subsidiaries represented an amount of €2,614 million (compared to €2,275 million as at 31 December 2016). They split mainly between

the banking category for €2,079 million and the corporate category for €517 million (compared to respectively €1,821 million and €431 million as at 31 December 2016).

NOTE 23 RELATED PARTY TRANSACTIONS

No significant change in the nature of transactions with related parties has occurred since the 2016 year-end (see Note 35 to the consolidated financial statements at 31 December 2016).

NOTE 24 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

No significant change in off-balance sheet commitments or contingent liabilities has occurred since the 2016 year-end (see Note 36 to consolidated financial statements at 31 December 2016).

NOTE 25 POST-BALANCE SHEET EVENTS

None.



**REPORT OF THE STATUTORY AUDITORS
ON THE HALF-YEAR
FINANCIAL INFORMATION 2017**

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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, 2017)

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, 2017 ;
- 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.

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, August 1st, 2017

The statutory auditors

French original signed by:
Les commissaires aux comptes

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Eric Bertier
Partner

Jacques Lévi
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LE GROUPE LA POSTE

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