



Half-year financial report 2018



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.

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RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

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

Executed in Paris, 1 August 2018

Chairman and Chief Executive Officer

Philippe Wahl

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MANAGEMENT REPORT

SIGNIFICANT EVENTS, ANALYSIS OF BUSINESS AND RESULTS

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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 on occasion result in slight differences in totals or changes.

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.

Global growth still strong but slowing

Global growth likely reached a peak in 2017. While global GDP remains high, it decelerated during the first half of the year. The slowdown has been fairly sharp in Japan, the United Kingdom and the Euro zone. In contrast, the US economy corrected, through a sharp rebound in the second quarter, the decline in its growth at the beginning of the year. In the United States, activity was stimulated by both the tax cuts related to the tax reform adopted at the end of 2017 and the increased budget spending voted at the beginning of the year. In China, according to official estimates, GDP growth barely slowed, driven by the growth in services and household consumption, as well as by the increasingly upmarket positioning of industry. In addition, Russia continued to benefit from the rebound in oil prices. India has continued to grow steadily. As for Brazil, it continued its weak recovery that began at the end of 2016, while still threatened by an unstable political and social context.

Reduced activity in the Euro zone

Growth in the Euro zone slowed in early 2018, with an increase in GDP of 1.5% annually in the first quarter, compared to between 2.5% to 3% per year over the previous five quarters. Business surveys during the second quarter continued to appear mixed, especially in the industry. The first reason for this drop in growth was the sharp rise in the price of oil, which squeezed the purchasing power of households. Inflation accelerated in the first half of the year under the effect of rising energy prices. Moreover, although the euro depreciated with the Italian crisis at the end of May, it remained firm in 2017 and the first months of 2018. In addition to the slowdown in the global industrial cycle, the delayed effects of this earlier exchange rate appreciation weighed on the competitiveness of European products, and thus on exports.

Outside the Euro zone, Poland's growth remained very strong during the first quarter of 2018, with GDP growth of 5.2% over one year, thanks in particular to household consumption, driven by higher employment and wages.

In the United Kingdom, growth weakened significantly at the beginning of the year, with GDP growth of only 0.9% at the annual rate in the first quarter (partly due to snowfall in March). The Bank of England has been hesitant. Inflation and a rise in wages exceeding 2% per year, with ongoing tensions in production capacity and the labour market, prompted it to raise its key rate temporarily. However, signs of weakening demand led it to maintain the *status quo* during the first half of the year.

Sharp slowdown in growth in France

After a very good year in 2017 (annual average GDP growth of 2.3%¹), growth dropped sharply in the first quarter (+0.6% at the annual rate). Increases in the price of tobacco, energy prices and taxes (higher taxes on diesel, increase in the CSG (general social security contribution) only partially offset by the first decrease in social contributions for employees) weighed on households' purchasing power, which contracted sharply in early 2018. In addition, exports were negatively impacted by significant deliveries of aeronautical equipment at the end of 2017. More fundamentally, they have undoubtedly also suffered from the previous strength of the euro and a slowdown in the demand for industrial products. The drop in the real estate market was another obstacle to growth, even though housing prices remained strong. Unemployment rose in the first quarter (to 8.9%) but the amplitude of its decline at the end of 2017 was a surprise. Despite lingering high unemployment, the improvement in the labour market quickly led to recruitment difficulties, which began to generate a gradual increase in wages. In addition, tensions in production capacities persisted despite the slowdown in growth at the beginning of the year. Investment prospects have remained quite good, according to business surveys.

Rising oil prices pushed up inflation

The price of oil continued to rise in the first half of the year. The price of the Brent North Sea barrel, which was close to \$65 in December 2017, increased by about \$10 to reach almost \$75 in June. Indeed, global consumption of black gold continued to grow while supply remained constrained despite the rebound (which began in 2016) of American shale oil production. OPEC and other major producers, including Russia, continued to apply their production quotas adopted at the end of 2016. In addition, Venezuela's production has fallen because of the economic and political crisis the country is undergoing. As a result, global oil stocks, which had risen sharply in 2015 and 2016, continued to decline. In May, the US decision to withdraw from the Iranian nuclear programme agreement, reached in 2015, and to reinstate economic sanctions against Tehran led to a decline in Iran's oil exports and a new rise in the price of a barrel. However, in June, OPEC and the other signatories of the production quota agreement helped ease price pressures by declaring their intention to offset Venezuela's declining supply and the expected decline in Iranian exports.

The change in the price of oil led to a sharp increase in the price of energy over one year, starting in April-May. As a result, the year-on-year change in consumer prices in the Euro zone reached 2% in June. Underlying inflation (excluding energy and food), however, remained low, at 1%. There has been a gradual increase in wages since 2017, which is expected to gradually have an effect on retail prices. French inflation also increased (2.0% in June) because of higher energy prices, but also because of the rise in the price of tobacco. In addition, underlying inflation, which was very weak in 2017, has recovered (1.1% in June).

¹ Final data on national accounts published on 30 May 2018, adjusted for business days

Still very low interest rates in Europe; turbulence on the stock markets

On the other side of the Atlantic, the gradual normalization of the Federal Reserve's monetary policy and gradually increasing inflation pushed interest rates up over the first half of the year. Interest rates for 10-year US Treasury notes and bonds increased approximately 50 basis points during the half-year, to 2.9% in June. On the other hand, in the Euro zone, corresponding rates remained very low as the weak underlying trend of inflation persisted and economic growth slowed. Above all, the ECB has not started to raise its key rates and its purchases of securities have continued to weigh on interest rate levels, despite having reduced the amount. In addition, the election of eurosceptic parties in Italy, whose electoral programmes raised fears of increases in the budget deficit in an already heavily-indebted country, kept some investors from investing in Italian securities. The reallocation of investment portfolios benefited the government bonds considered the safest by investors, such as the German Bund and the OAT, whose interest rates fell in May-June. In total, the German Bund yield increased only 5 basis points during the first half of the year, to 0.39%. The 10-year OAT rate did not rise much further (+7 basis points to 0.75%).

Interbank interest rates in the Euro zone stayed virtually unchanged over the first half of the year and remained negative as a result of the monetary policy pursued by the ECB. The ECB maintained its interest rate at -0.4% on commercial bank deposits, currently the true key rate for the Euro zone. As a result, the Eonia stagnated at around -0.36%. Meanwhile, the three-month Euribor fluctuated around -0.33%.

In the United States and the Euro zone, stock markets have been turbulent since the end of January. Earnings growth of listed companies remained buoyant in the first quarter in the context of a global economic environment that remains favourable. But investors have had various concerns: the fear of a sharp rise in US inflation; the new rise in the barrel price, with negative effects on the activity of the net oil importing countries; trade disputes triggered by the United States; signs of slowing industrial activity, especially in Europe; the establishment of a eurosceptic government in Italy. On the other side of the Atlantic, thanks to their strong progression in January, both the Standard & Poor's 500 and the Nasdaq have increased in value over the half. On the other hand, the major stock markets of the Euro zone have stagnated or even declined. The CAC 40 has thus increased by only 0.2%, to 5,324 points at the end of June.

Increase in the dollar and stability of the pound

After falling in 2017, the dollar recovered in the first half of the year against the euro and many other currencies. This correction was favoured by the continued robust growth in the United States and, consequently, the prospect of a further increase in the Fed's key interest rates. In particular, the short and long-term interest rate gap widened compared with the Euro zone. Conversely, the European currency was penalised in the second quarter by the slowdown in economic activity in the Euro zone and the return of political risks (eurosceptic government in Italy, divisions within Europe caused by the migrant crisis). The prospect of a later-than-expected normalisation of ECB monetary policy also played a role. The central bank announced in June its intention not to raise its key interest rates before the end of the summer of 2019. After rising to nearly \$1.25 in early February, the euro dropped slightly until mid-April before falling to just under \$1.17 in June compared to \$1.18 in December 2017.

The possibility of a *Brexit*, its confirmation in 2016 and the very rocky start of negotiations between the United Kingdom and the European Union (EU) had contributed to a fall in the sterling pound against the euro from the end of 2015 until August 2017. The pound then rose in value last autumn. It fluctuated during the first half of the year, without showing any trend, around an average of £0.88 for one euro (£0.88 in June and in December 2017). Operators have not formed an opinion that could skew the exchange rate, such as when the Bank of England hesitates about the direction of its monetary policy. The developments in the negotiations between the United Kingdom and the EU on *Brexit* have also had a favourable effect on the stability of the pound against the euro. Indeed, some positive steps were made during the first half of the year, with a draft agreement for the withdrawal of the UK from the EU. This draft focused in particular on the transition period after the official exit in March 2019, on the rights of European citizens across the Channel and included a temporary compromise on the thorny issue of relations between Ireland and Northern Ireland after *Brexit*.

1.2 Regulatory environment

Banking environment trends

The banking environment was marked by the decree of 12 February 2018 relating to the scheme for the centralisation of collected deposits under Livret A savings account (LA) and Sustainable Development savings account (LDD). This decree eliminates the option of fully centralising the deposits collected under the Livret A and the Sustainable Development savings account and specifies the procedures for returning the amounts deposited at Caisse des Dépôts, beyond the 60% legal requirement. These provisions have the practical effect on La Banque Postale of gradually decentralising the LA and LDD outstandings, which should occur over the next ten years, when only 60% of outstandings will be centralised at Caisse des Dépôts. La Banque Postale currently has approximately €70 billion in deposits in LA and LDD savings account.

Pricing adjustments for mail and parcels

Price increases for mainland, overseas and international mail and parcels took effect on 1 January 2018 after the opinion issued by ARCEP (*Autorité de Régulation des Communications Électroniques et des Postes*) on 17 October 2017 (No. 2017-1227). All of these changes comply with the price caps established in ARCEP Decision No. 2017-1101 of 19 September 2017, amending for 2018 Decision No. 2014-0841 of 22 July 2014 relating to multi-annual price caps for the 2015-2018 period.

On 1 January 2018, La Poste increased its mail prices by an average of 4.7%². The price for Priority Mail rose from €0.85 to €0.95, while that of the first weight tranche of Green Mail increased from €0.73 to €0.80. La Poste decided to strengthen the price advantage for Green Mail, which was raised to 15 cents compared to Priority Mail, against 12 cents previously, to take into account the uses of its customers. In 2017, Green Mail, delivered within 48 hours, more economical and more ecological, was the most-used form of delivery with 125 million letters sent each month, compared to 103 million Priority Mail letters.

² 5% on all Universal Postal Service products and 4.9% on average based on revenue giving rise to traffic

Priced at €0.80, Green Mail is right at the European average of inexpensive products while offering a faster delivery time (two days instead of three or four days in most other countries). While the trend is towards refocusing on an offer with only one service level - two countries eliminated the economic offer on 1 January 2018 (Sweden and Norway) - La Poste's offer remains the most modular in Europe, with the widest variety of mail prices and delivery times.

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

Colissimo prices for domestic shipments weighing up to 2kg from private individuals increased slightly after remaining unchanged in 2017. Colissimo France Retail Customers (0/250g) went from €4.90 to €4.95. Shipments of less than 2kg represent 80% of the parcels sent by retail customers.

Household spending on postal products is around €43 per year on average, i.e. less than €4 per month. The impact of the 2018 increase is therefore limited to just over €0.2 per month per household.

On corporate offers, La Poste wished to increase the price of marketing mail, taking into consideration the price sensitivity of this market segment. The increase averaged 1.8% at the Universal Postal Service terminals. Products in the business mail industrial range also posted an average increase of 1.8% in 2018, i.e. the lowest price increase in the past six years.

Non-pricing adjustments for mail and parcels

At 1 January 2018, La Poste upgraded its "Publissimo" range, offering a universal service for the delivery of newspapers and periodicals. This has been enriched with a new two-day delivery service in line with customer demand.

In accordance with the commitments proposed by La Poste for the 2018-2022 Public Service Agreement, and in the pursuit of its upmarket strategy, La Poste modified its universal service catalogue on 1 March 2018. This change enhances the range of services offered to customers who can tailor their purchase to their needs. La Poste offers a tracking option on domestic regular single-piece deliveries and integrates within the Universal Service the existing option of tracking on international regular single-piece deliveries for businesses (International Business Mail and International Business Parcel) and Export Tracking.

At the same time, La Poste eliminated its "Sac M" (M Bag) offer, which allowed customers to send to a single address a bag of homogeneous mail items weighing between two and twenty-five kilograms at the "economic" service level. The offer no longer met the needs of customers, neither in terms of its characteristics nor its price point.

Publication of the European regulation on the cross-border parcel delivery market

Regulation No. 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services was published in the Official Journal of the European Union on 2 May 2018. This text is part of the European Commission's strategy to create a digital single market and aims to facilitate parcel exchanges in the European Union for the development of e-commerce. It increases the transparency of cross-border parcel delivery prices for consumers and businesses and provides oversight of this growing market.

The text gives new powers to the national authorities. ARCEP will be responsible for collecting information on the parcel market from all parcel delivery providers, and evaluating parcel fares for universal service operators. A delegated act from the European Commission on the information collection form and guidelines on the examination of cross-border parcel prices will be published respectively in September and December 2018. Le Groupe La Poste will therefore be required to provide ARCEP with new data as of 2019 as part of the implementation of this regulation.

Signing of the 2018-2022 Public Service Agreement

In order to define the objectives, the procedures for carrying out the four public service tasks assigned to La Poste and the commitments of each of the parties, the French State and La Poste concluded a multi-year Public Service Agreement. With the 2013-2017 agreement expiring at the end of 2017, a 2018-2022 agreement was negotiated throughout 2017. Approved by La Poste's Board of Directors on 19 December 2017, it was signed on 16 January 2018.

- In regards to its regional planning responsibilities, Le Groupe La Poste, the French State and the French Mayors' Association and Presidents of inter-communal consortia signed on 11 January 2017 the local postal coverage agreement for 2017-2019.

La Poste benefits from it through a deduction in local taxes (up to 95% of the amount normally paid) of resources allocated by the French State.

On 6 April 2018, the European Commission announced that the tax allowance granted to La Poste to ensure a high level of postal coverage in France, which could reach approximately €900 million for the duration of the 2018-2022 Public Service Agreement, complies with the European Union regulations pertaining to State aid.

- With regard to the banking accessibility mission, in respect to the specific obligations incumbent upon it in terms of distributing and operating Livret A savings accounts, La Banque Postale receives annual compensation that is complementary to the compensation of the collection common to all distributing establishments.

This compensation is set for the 2015-2020 period by the Decree of 4 December 2017 to amend the Decree of 26 February 2015 made in application of Article R. 221-8-1 of the French Monetary and Financial Code.

On 24 October 2017, the European Commission estimated that this compensation granted by the French State to La Banque Postale, amounting to €1.83 billion over six years (2015-2020), did not exceed the net cost caused by the fulfilment of the public service obligations and complied with EU state aid rules.

- In regards to the press mission, the 2018-2022 Public Service Agreement foresees the allocation of the following amounts in respect of the French State's contribution to press transport and delivery: €121 million in 2017, €111.5 million in 2018, €103.8 million in 2019, and €95.9 million in 2020.

1.3 Developments, partnerships and acquisitions

1.3.1 Services-Mail-Parcels

1.3.1.1 Mail tracking offer

La Poste launched, on 1 March 2018, a "tracking" sticker that can be affixed to any mail item from private individuals, regardless of the level of service (priority, economic, etc.). This new service,

sold at €0.40, provides the customer with online information on the routing and delivery of mail using the sticker and enables La Poste to strengthen the modularity of its offer.

1.3.1.2 **Commercial launch of RECYGO**

In March 2018, La Poste and SUEZ launched their joint venture, which specialises in the collection and recovery of office waste, through the creation of the recygo.fr website: the first online sales site for office waste collection and recycling solutions. This joint venture aims to make waste sorting accessible to all offices throughout France, by contributing to the implementation of the Energy Transition Law.

1.3.1.3 **Colissimo pass**

To meet the expectations of e-merchants and Internet users looking for a minimum delivery fee, La Poste launched the Colissimo Pass in June 2018. This subscription service costs €9 per year in the first year and €39 per year thereafter, offering deliveries through partner e-commerce sites (25 partners in the launch phase) wanting to improve the service provided to their subscriber customers.

With Colissimo Pass, the subscriber has access to:

- free and unlimited delivery on all partner merchant sites;
- an assurance of quality service, via Colissimo delivery, at home or in one of the La Poste pick-up points;
- free returns;
- a dedicated customer service centre available seven days a week (from 8 am to 10 pm), which responds to complaints and provides solutions without going through the merchant's customer service.

1.3.2 **GeoPost**

GeoPost, number 2 in the European express parcel market via its DPDgroup network, is continuing its international development strategy.

1.3.2.1 **Acquisition of new Seur franchises**

Already present in many cities in Spain, the network continued to grow by integrating two new franchises in January 2018: the first franchise, Burgos, is located in Castille-and-Léon; the second, Logroño, in northern Spain on the Ebro.

At the end of June 2018, GeoPost held 88% of the franchisor Seur.

1.3.2.2 **Acquisition of the ALP Group**

Chronopost, a subsidiary of GeoPost in France, concluded in December 2017 the acquisition of 100% of the share capital of the ALP Group, made up of the Delifresh ("last mile delivery" of temperature-controlled food products), Freshlog (cold storage and food order preparation) and 360° Services (urgent medical transport and hospital waste transportation) subsidiaries. This acquisition, which will enter into effect in the first half of 2018, enables Chronopost to continue the development of Chronofood in the field of controlled temperature transport.

1.3.3 **La Banque Postale**

1.3.3.1 **Purchase of a controlling interest in Goodeed**

On 21 March 2018, La Banque Postale proceeded, via KissKissBankBank, with the acquisition of 59% of Goodeed, the digital platform for private donations to NGOs and solidarity-based

organisations funded by advertising. Following a capital increase on 11 May, KissKissBankBank owns 69.56% of Goodeed. With this acquisition, La Banque Postale is reinforcing its development strategy on innovative and civic-minded digital services: mobilising millions of donors to finance solidarity-based projects. The Goodeed community has almost 260,000 users, 80% of whom are under the age of 35, and who, with 13.5 million free donations, have already funded more than 110 projects.

1.3.3.2 *La Banque Postale Asset Management strengthens its ties with Tocqueville Finance*

Tocqueville Finance, a leader in European stock picking management and a subsidiary of La Banque Postale, has announced its merger with La Banque Postale Asset Management (LBPAM). LBPAM's stake, after approval from the market authorities, will be 97%. Tocqueville Finance will thus benefit from all the technical and technological infrastructure of its new shareholder (expertise in compliance, internal control, legal teams, risks, information systems, etc.).

1.3.3.3 *Innovation and banking inclusion*

On the occasion of the second convention "Assises de la Banque citoyenne" La Banque Postale presented its first actions for the roll out of its digital banking inclusion plan in more than 1,000 post offices and announced new development priorities:

- switchover of all assets managed by La Banque Postale Asset Management (LBPAM) to SRI management (Socially Responsible Investment) by 2020. In June 2018, LBPAM launched the "SRI Conviction" range, which covers the main asset classes (equities, bonds, green bonds, currency);
- launch of a digital platform, in partnership with EDE (Economie D'Énergie), to advise and support individuals in their efforts to renovate their homes (energy assessments, determination of the amount of the energy savings bonus, simulation of the financing plan, and setting up relations with local artisans specialised in energy efficiency solutions).

1.3.3.4 *Continuing digitisation of the offer*

In the first half of 2018, La Banque Postale expanded its digital offering in several areas:

- marketed since the end of February, in partnership with CNP Assurances, EasyBourse launched "EasyVie", a 100% online life insurance policy. The completely paperless offer provides a flexible contract at an attractive price, with two management modes to choose from: free management or a discretionary management mandate. In June 2018, this contract was awarded its first bank and insurance trophy;
- since February 2018, SOFIAP's activity started on two of its remote channels, telephone and internet;
- La Banque Postale Financement launches "e-credit pro express".

1.3.3.5 *Acceleration of personal micro-credit loans distribution*

On the strength of its good performance and its experience in the personal micro-credit sector, La Banque Postale has decided to support the microfinance institute Créa-sol, through financial sponsorship and the provision of expertise. With Créa-sol, La Banque Postale is committed to rethinking the microcredit model, by providing the means to accelerate access to this financing solution adapted to customers in financial distress.

1.3.4 La Poste Network

1.3.4.1 *Transformation of the Network*

La Poste is continuing to transform its service offering and adapt its retail outlets to the specific needs of each customer category. In association with Aéroports de Paris, on 8 March 2018, La Poste opened two innovative offices at the Paris Orly and Paris Charles de Gaulle airports to meet the needs of airport travellers. This offer, which places an emphasis on self-service with 24/7 access to automated postal machines was with additional services, accessible during normal opening hours: private working spaces, WIFI router rentals, or dispatch of or lockers for prohibited items in air plane cabins (Tripperty).

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

The management of sales initiatives is changing in 2018 to ensure better performance of the regional teams by granting them more autonomy. The scheduling of the business year is being tailored to give the regional teams more efficiency through better preparation and the analysis of the performance of "key times" sales initiatives.

As part of the fight against money laundering and the financing of terrorism, La Poste is increasing its vigilance on cash transactions in 2018. Since 29 March 2018, it is no longer possible for a third party to make a cash deposit to a savings account held by a private individual or a legal entity.

1.3.5 La Poste Mobile

1.3.5.1 *Diversifying products and services*

To solidify its position as an operator "Mobile + Box", La Poste Mobile (LPM) launched its ADSL box on 28 May 2018 under its own brand. This gives LPM a comprehensive range to equip all households, especially the 30 million homes that do not yet have access to Very High Speed Internet.

1.3.6 Digital Services

1.3.6.1 *Acquisition of Eukles*

In January 2018, Docapost acquired 100% of the French editor Eukles, an expert in electronic document management, in order to strengthen its expertise in digital transformation in the mass marketing market³. This also allows it to increase its network of delivery partners for micro-businesses, SMEs and key accounts.

1.3.7 Real Estate

1.3.7.1 *Awarding of the Bercy-Charenton logistics centre*

The "Symbiosis" project, represented by Poste Immo, Icade and Sogaris, the project's agent, won the "Inventons la Métropole du Grand Paris" call for projects, for the Bercy-Charenton site in April 2018. In particular, this innovative project consists in building a tri-modal logistics centre (rail, road, tram) representing more than 17,000 m² of floor space. Poste Immo and Le Groupe La Poste are contributing to this project as investors and future users of this Urban Logistics Centre.

³ Mass marketing: undifferentiated marketing and advertising actions, most often using large-audience media services and with a message or an offer with little or no custom-tailoring for the specific audience

This project is in line with the Urban Logistics policy of Le Groupe La Poste, which aims to make it a major development axis while contributing to “better living in the city”. The new logistics solutions developed on the site, to handle the processing of almost 25,000 parcels per year, will create 300 jobs on the site and represent approximately 2 million kilometres less in Greater Paris, based on a 100% clean fleet, in line with the new Climate-Air-Energy plan adopted by the City of Paris.

1.3.7.2 *Sale of La Boétie*

The sale of the La Boétie site located in the Paris Quartier Central des Affaires (Central Business District) was signed on 4 May 2018 with the purchaser BNP Paribas Real Estate Investment Management. This follows the rental of the premises to Bank of America.

Built at the end of the 1920s, the 11,000 m² office building was the subject of major modernisation works by Poste Immo aimed at creating vast office spaces meeting to the highest international standards in terms of workspace flexibility, natural lighting and environmental performance.

1.4 Issue of €750 million of undated hybrid subordinated notes

Le Groupe La Poste has made its first public issue of hybrid securities in euros. The securities, issued for an amount of €750 million and bearing an annual coupon of 3.125%, have a perpetual maturity and a first call date on 29 January 2026.

Being undated without an obligation to pay interest, in compliance with IFRS, these securities are recorded in La Poste’s equity. The rating agencies record 50% of these funds in equity and 50% in debt.

This transaction strengthens La Poste’s balance sheet, supports its rating and helps the Groupe finance its development plan.

The securities were placed with 116 investors in Europe and are listed on Euronext Paris.

1.5 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 renewed its commitment by adopting a dedicated policy. Le Groupe La Poste desires to bring about change in three strategic areas:

- social and regional cohesion (social interaction and regional development that presupposes the attractiveness and resilience of the region);
- ushering in responsible and ethical digital services;
- the realisation of the environmental transitions (energetic and circular).

1.5.1 La Poste recognised for its commitment to society

La Poste has already been amply rewarded for its various commitments and actions pertaining to societal responsibility. The Group received several awards and qualifications in 2017 and continues this momentum in 2018.

The German extra-financial rating agency ISS-Oekom, which evaluates 375 banks worldwide, has upgraded La Banque Postale’s CSR classification, making it the second largest bank in the world to obtain the B- excellence rating awarded after an analysis of a hundred environmental and social indicators.

La Banque Postale thus confirms its rank of number one bank in France and second bank in the world in terms of the excellence of its CSR performance, ahead of more than 300 other international banks.

La Banque Postale was distinguished in particular for:

- its social and human resources component;
- its commitments and actions in favour of financial accessibility;
- its involvement in responsible asset management;
- its range of products with high social added value and the quality of its “green range” offers supporting the energy transition.

La Banque Postale has thereby confirmed its “Prime” status.

1.5.2 Environmental transition

In 2018, Le Groupe La Poste launched the construction works of its next carbon emission targets for 2025, using the Science Based Target, in line with the Paris Agreement, to remain below the 2 degrees Celcius mark. Le Groupe La Poste, which supplies all of its real estate portfolio⁴ managed by Poste Immo with electricity from renewable sources, and which already produces 6.2 GWh/year of renewable energy on 48,700 m² of photovoltaic panels, has decided to launch eight experiments in self-consumption of renewable energy in the region. Lastly, the Group is committed to setting up an Energy Management System (EMS) in order to continuously improve its energy performance.

While increasing the volume of parcels by 10% in 2017, DPDgroup is maintaining its active program to reduce CO2 emissions, with a 1.6% drop in emissions compared to 2016, and a 11.2% drop compared to 2013. The development of new services also helps reduce emissions. The Predict offer, which reduces last-mile emissions by 4%, contributes to this effort.

In March 2018, La Poste and SUEZ announced the commercial launch of their joint venture, which specialises in the collection and recovery of office waste. Named RECYGO, this company, operational since 30 March, aims to make waste sorting accessible to all offices throughout France.

⁴ Except for a few subsidiaries

1.5.3 Ethical and responsible digital services

La Poste has 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.

La Poste has actively contributed to the works launched by the French Secretary of State of Digital Technology for the National Strategy for Digital Inclusion. It is already an important player in the field, with its 504 public service areas where its account managers can be trained in digital mediation, its actions in support of digital banking inclusion led by La Banque Postale in partnership with WeTechCare in more than 1,000 post offices, and with its postmen who visit the homes of people identified by public operators to carry out diagnostics and first-level mediation.

1.5.4 Social and regional cohesion

La Poste confirmed, by bringing together its national and regional partners on 27 June 2018, its commitment to the Dynamic Alliance, a cooperative charter with SSE (social and solidarity-based economy) operators, with the aim of developing social innovation and creating societal performance to better respond to new social challenges with the help of the local regions.

For the first time, on the occasion of the European Week of Sustainable Development, La Poste set up a large recycling operation for all its employees, thus offering them the possibility of working together to recycle and reuse cultural objects. Postal workers brought in books and toys that they no longer used, in order to give them a second life as part of a recycling effort based on workplace integration and solidarity, in line with the Group's strategy of social engagement.

During the second Convention "Assises de la Banque citoyenne" (April 2018), La Banque Postale presented its first actions for the roll out of its digital banking inclusion plan and announced new development priorities:

- LBPAM, La Banque Postale's main asset management subsidiary, is committed to becoming the first mainstream asset manager to become 100% SRI-focused by 2020;
- La Banque Postale helps promote the energy renovation of homes through a new digital platform developed in collaboration with Economie d'Énergie.

1.6 La Poste, a responsible employer

1.6.1 Social dialogue

Following the signature of 12 agreements and amendments in 2017, the first half of 2018 was marked by the signing of the following seven agreements and amendments:

- on 19 March 2017, the payroll agreement for 2018 (signed by CFDT and the CFTC/CGC/UNSA union group);
- on 20 April 2018, the agreement on the social support system for the creation of the Village La Poste Paris (signed by CFDT, FO and the CFTC/CGC/UNSA union group);
- on 3 May 2018, the agreement on the accompanying measures and guarantees for DAST employees (signed by CFDT, FO and the CFTC/CGC/UNSA union group);
- on 14 June 2018, the agreement on the accompanying measures and guarantees for the employees of the former DSCCs as part of the "Ensemble vers le monde des services" project (signed by CFDT, FO and the CFTC/CGC/UNSA union group);
- on 20 June 2018, the agreement on social priority offices (agreement signed by CFDT, FO and CFTC and CGC for the union group);
- on 25 June 2018, the addendum to extend the agreement on professional equality between women and men at La Poste of June 2015 (signed by CFDT, CGT, FO and the CFTC/CGC/UNSA union group);
- on 29 June 2018, the incentive agreement for 2018-2020 (signed by CFDT, FO and the CFTC/CGC/UNSA union group).

In addition, two agreements on teleworking and civil servant pay scales were opened for signature at the middle of July. Lastly, an agreement on teleworking will be opened for signature at the beginning of September.

1.6.2 Training and professional development

Five major training programmes continued to be rolled out: core business training, individual training, digital training, qualifying training, and managerial development programme. Please note:

- at the end of June 2018, the proportion of postal workers who received training was 50.3% (compared to 44.1% in 2017 at the same date); the objective is to exceed 80% by the end of the year;
- at the end of June, the number of qualifying courses that had been entered since 2015 reached 33,596 (after 28,168 at the end of 2017), in line with the schedule, which foresees 50,000 courses by 2020;
- by the end of June, the Institute of Management (IM) had trained 4,240 managers during the first six months of the year.

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

In terms of professional development:

- the job exchange, whose volumes tripled between 2014 (5,700 job offers) and 2017 (15,500), posted 7,064 offers at the end of May 2018;

- internal mobility continued at its 2017 pace, whereas postal workers' use of the various tools developed to increase external mobility accelerated (towards the civil service, business creation, and in particular the social and solidarity-based economy).

1.6.3 Health and quality of life at work

The "Bien dans son travail" (*Feeling Good at Work*) programme, which aims to improve health and quality of life at work, initiated in 2016 and rolled out in 2020, continued to receive special attention: accident prevention actions, prevention of incapacity, accompaniment and resumption of work for employees having undergone a long-term absence (APALA), development of a process to welcome and integrate new employees, and the implementation of *ParlonZen* exchanges (discussions organised by a manager with his/her team on the day-to-day working environment, in order to identify and resolve any problems).

The decline in the frequency of work-related accidents recorded at La Poste's parent company in 2017 (-2.2%) was confirmed and extended, with a further decline of 8.6% recorded between January and May. The upgrading of the postal workers' workplaces (the BOLOCO programme), launched in 2016, is continuing in 2018. As of 15 May, 297 new operations have been completed or started.

The right of workers to disconnect from the internet, implemented in 2016 and 2017 (standard disconnection time, new uses of messaging and the pop-up of an alert in case messages are sent outside the standard time), is currently being extended to home connections (webmail).

At the end of June 2018, La Poste had 1,989 employees working remotely (+10% over 12 months).

1.6.4 Social services and housing

La Poste will devote more than €200 million to its offer of social activities in 2018, which represents €1,150 per postal worker. In the first half of the year, it conducted a large survey (BVA, 10,875 respondents) to measure customers' knowledge and satisfaction of this offer. 73% of respondents were satisfied with the social offer, an increase over the 2014 survey (69%).

From January to June 2018, 4,360 postal workers had been supported (housed or accompanied) by La Poste's Housing Service.

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 2018.

	Period ended 30 June					
	06/2018	06/2017	Change		Change at constant scope and exchange rates	
			(in € million)	(as a %)	(in € million)	(as a %)
Group operating performance						
Operating revenue	12,246	11,905	+342	+2.9	+278	+2.3
Operating profit after share of net profit of jointly controlled entities	806	761	+45	+5.9	+51	+6.7
<i>Operating margin</i>	6.6%	6.4%	-	0.2 pt	-	0.3 pt
Net profit Group share	636	642	-6	-0.9	+4	+0.7
<i>Net margin</i>	5.2%	5.4%	-	-0.2 pt	-	-0.1 pt
Free cash flow	201	179	+22	+12.0		
Economic health indicator (a)	-231	534	-765	N.S		
Key figures - La Banque Postale						
Net Banking Income (b)	2,926	2,808	+118	+4.2	+118	+4.2
<i>Cost income</i>	81.4%	83.6%	-	-2.1 pt		

^{a)} Please refer to Section 5.1.3

^(b) Segment NBI

	Period ended 30 June			
	06/2018	12/2017	Change	
			(in € million)	(as a %)
Key financial indicators				
Net debt (a)	3,148	3,820	-672	-17.6
Equity Group share	11,981	11,364	+616	+5.4
<i>Net debt/equity</i>	26.3%	33.6%	-	-7.3 pt
<i>Net profit 12 rolling months/equity</i>	7.1%	7.5%	-	-0.4 pt
Common Equity Tier 1 (b)	12.4%	13.4%	-	-1.0 pt
Loan to deposit ratio	80%	81%	-	-1.7 pt

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

^(b) Fully loaded CET 1 ratios

2.1 Operating revenue

Le Groupe La Poste's operating revenue amounted to €12,246 million at the end of June 2018, up €342 million compared to June 2017, representing an increase of 2.9%. This increase was driven by the particularly dynamic growth of GeoPost's express activities and by La Banque Postale's strong NBI, which very largely offset the decrease in the revenue of the Services-Mail-Parcels business unit.

(in € million)	Period ended 30 June					
	06/2018	06/2017	Change		Change at constant scope and exchange rates	
			vs n-1 (in € million)	(as a %)	vs n-1 (in € million)	(as a %)
Services-Mail-Parcels	5,708	5,757	-49	-0.9	-108	-1.9
GeoPost	3,527	3,256	+271	+8.3	+274	+8.5
La Banque Postale	2,926	2,808	+118	+4.2	+118	+4.2
Digital Services	342	321	+21	+6.7	+12	+3.9
Other segments and intercompany	-257	-238	-19	+8.1	-19	+7.9
OPERATING REVENUE	12,246	11,905	+342	+2.9	+278	+2.3

After adjustment for scope effects, +€108 million borne by mail subsidiaries (+€59 million), by GeoPost (+€41 million) and by Digital Services (+€9 million), and negative exchange rate effects of -€45 million, of which -€15 million on the pound sterling (GBP), -€9 million on the Brazilian real and -€8 million on the rouble, the Group's organic growth at the end of June 2018 stood at €278 million, or +2.3%.

Operating revenue for the first half of 2018 was characterised by the following:

- Decrease in revenue from the Services-Mail-Parcels business unit at €5,708 million, or a decrease of €49 million (-0.9%), including €58 million of scope and exchange rate effects primarily due to the integration of the Asten Santé Group. Within the business unit, the Parcel business recorded an increase in revenue of €28 million, or 3.4%, supported by a favourable volume effect of €17 million of which -€7 million from a working-day effect (+4.4% in equivalent working days), mainly thanks to national BtoC flows driven by the growth of e-commerce. The subsidiaries positioned in the logistics, e-logistics, direct marketing, energy transition and Silver Economy businesses recorded organic growth of €11 million, carried by the international advertising subsidiaries. The revenue from Mail, which decreased by €147 million compared to June 2017, is still under pressure, due to the continuing structural decline in the volumes of addressed mail (-7.0% in equivalent working days), combined with a negative mix effect and the effect of the distribution of manifestos during the presidential and legislative elections held in the first half of 2017 (-€81 million compared to June 2017). The price increase that took effect on 1 January 2018 (+€192 million) and international growth (+€27 million) partially offset the decrease in volumes;
- The growth in GeoPost's revenue of €271 million to €3,527 million, of which €41 million from the scope effect mainly due to the consolidation in October 2017 with retroactive effect at 1 June 2017 of SPSR and the acquisitions made in 2018 (ALP, SEUR) and -€44 million in exchange rate effects. Adjusted for scope and exchange rate effects, organic

growth amounted to €274 million, or +8.5%. This growth was driven by a strong increase in the volumes handled (€263 million, representing a volume and mix effect of +8.2% with an unfavourable working-day impact of €14 million). GeoPost revenue rose throughout its geographical scope;

- La Banque Postale's net banking income totalled €2,926 million, or a €118 million increase (+4.2%). After adjustment for the home savings provision, the net banking income increased by 5.6%, or +€154 million. The increase was essentially driven by the performance of the retail banking division, which, after adjustment for the home savings provision, grew by €126 million (+4.9%). The Insurance division, which contributes more modestly to La Banque Postale's net banking income, was up significantly by 20.2%;
- The revenue of the Digital Services business unit, at €342 million, increased by €21 million, or +6.7%. At constant scope and exchange rates, the increase was €12 million (+3.9%), to which the Digital Services Department contributed €14 million in connection with higher billing related to cross-entity projects and the increase in the commissioning of online sales on the www.laposte.fr website. In addition to the impact of the acquisitions made in 2017 (Ametix) and 2018 (Eukles) for +€9 million, the activities of the Docapost division were down by €2.7 million, despite the strong performance shown by the digital activities (including the digital platforms and the digitisation of business processes), whereas the activities of the Mediapost division were up €1 million.

2.2 Operating profit

The Group's operating profit, after share of net profit of jointly controlled entities, totalled €806 million at the end of June 2018, up €45 million from the end of June 2017, a 5.9% increase. At constant scope and exchange rates, the operating profit was up €51 million, or 6.7%. This increase includes the gain on the disposal of the "La Boétie" site, recorded in 2018, and reflects the impact of the new regulatory and tax provisions that weigh on the operating profit/(loss)⁵.

	Period ended 30 June					
	06/2018	06/2017	Change		Change at constant scope and exchange rates	
			vs n-1		vs n-1	
(in € million)			(in € million)	(as a %)	(in € million)	(as a %)
Services-Mail-Parcels	376	507	-131	-25.8	-130	-25.6
GeoPost	186	198	-11	-5.8	-5	-2.5
La Banque Postale	546	421	+126	+29.9	+126	+29.9
La Poste Network	-36	84	-120	N.S	-120	N.S
Digital Services	-2	-7	+5	-71.8	+3	-51.4
Real Estate	184	1	+184	N.S	+184	N.S
Supports and Structures	-137	-88	-50	+56.8	-50	+56.8
Unallocated and eliminations	-313	-355	+43	-12.0	+43	-12.0
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	806	761	+45	+5.9	+51	+6.7

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: the business unit's operating profit amounted to €376 million at the end of June 2018, down €131 million compared to June 2017, or -25.8% (-25.6% at constant scope and exchange rates), mainly due to the decrease in the parent company's mail revenue. The drop in profits of the subsidiaries and parcels, in a context of development of new services, also contributes to the decrease in the business unit's profit;
- GeoPost delivered €186 million in operating profit, down €11 million compared to June 2017. Restated by the scope and exchange rate effects of €7 million, profit was down by €5 million (-2.5%) due to a contraction of the margin in Germany;
- La Banque Postale delivered €546 million in operating profit, up by €126 million compared to June 2017. The stability of operating expenses (+0.6%), reflects constant efforts to rein in expenses in a context of business development and the implementation of large-scale transformation programmes;

⁵ Mainly decrease of the CICE rate, offsetting of the increase of the CSG, centralisation of the Livret A savings account

- The Network, with a drop in its internal revenue benefiting in particular Mail and La Banque Postale, reported an operating loss of €36 million at the end of June 2018, down €120 million;
- The operating profit of the Digital Services business unit was up by €5 million compared to June 2017 to -€2 million, thanks essentially to the increase in online sales at www.laposte.fr;
- Other business segments:
 - Real Estate recorded an operating profit of €184 million, an increase of €184 million, in connection with the sale of the “La Boétie” site in the first half of 2018;
 - Supports and Structures, which recorded an operating loss of €137 million, increased its deficit by €50 million under the effect of the pooling of the support functions as part of the implementation in 2018 of the “Servir le Développement” project;
 - Expenses for the “Unallocated and consolidation adjustments” segment decreased by €43 million, primarily due to a decrease in the net cost of the regional coverage.

2.3 Financial profit / (loss)

The financial loss, which represents a total expense of €92 million, decreased by €11 million compared to June 2017. The change in the financial loss is characterised by an increase in the cost of the financial debt of €5 million, principally due to an unfavourable adjustment of €6 million for the change in the fair value of the debt using the fair value option and of the associated derivatives, and an increase in other expenses of €6 million.

2.4 Net profit

Net profit Group share at €636 million, declined by €6 million compared to June 2017, a 0.9% decrease. After adjustment for scope and exchange rate effects, the net profit Group share increased by €4 million (+0.7%).

The change of the net profit was characterised by an increase in profit before tax, which amounted to €714 million, up €34 million, by an increase in the tax expense of €30 million⁶, and a decrease of €8 million in the share of the profit of equity associates, including -€3 million from BRT and -€2 million from CNP Assurances. The share attributed to non-controlling interests of €20 million was up €2 million.

2.5 Free cash flow and change in net debt

Free cash flow was positive at €201 million and remained stable overall compared to the first half of 2017. However, cash flow from operating activities decreased by €765 million, due to a decrease in EBITDA, the lack of monetising CICE receivables in the first half of 2018, and cash outflows due

⁶ Details in Section 4.2 of this report.

to a drop in investing activities of €786 million caused by the collection of proceeds from the sale of “La Boétie” and by the low external growth recorded in 2018 compared to the high level in the first half of 2017.

The dividends paid by the Group (€171 million) and the net interest expense (€31 million) yielded an almost even net free cash flow of -€1 million, a favourable impact of €20 million compared to the first half of 2017. Net debt was down €672 million during the first half year, due mainly to the collection of undated hybrid subordinated notes in equity. It amounted to €3,148 million at 30 June 2018.

2.6 Financial ratios

The net debt to equity ratio was 26.3%. It improved by 7.3 points compared to December 2017 as a result of a €616 million increase in equity Group share and a €672 million decrease in net debt, mainly from the capitalisation of a loan issued in the form of undated hybrid subordinated notes in the amount of €744 million.

Net profit 12 months rolling at the end of June 2018, which amounted to €845 million (€636 million in the first half of 2018 and €209 million in the second half of 2017) remained stable overall compared to the net profit in 2017 (€851 million). The increase in equity at the end of June 2018 of €616 million taking into account €744 million in hybrid securities (+5.4%) led to a decrease in the net debt to equity ratio of 0.4 point.

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 06/2018	Services- Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Supports and Structures	Unallocated	Elim.	TOTAL
<i>(in € million)</i>										
External revenue & NBI	5,549	3,499	2,914	260	13	11	0	0		12,246
Intersegment revenue & NBI	159	29	12	82	1,895	402	520	0	-3,097	
Operating revenue	5,708	3,527	2,926	342	1,908	412	520	0	-3,097	12,246
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	375	186	546	-2	-27	182	-137	-313	0	812
Share in results of joint ventures	1	0	0	0	-9	2	-0	0	0	-6
Operating profit/(loss) after share of net p/(l) of jointly controlled entities	376	186	546	-2	-36	184	-137	-313	0	806
Operating margin (as a %)	6.6	5.3		-0.5		44.7				6.6

Published 06/2017	Services- Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Supports 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 p/(l) of jointly controlled entities	504	199	421	-7	87	0	-87	-355	0	761
Share in results of joint ventures	3	-1	0	0	-4	0	-0	0	-0	-1
Operating profit/(loss) after share of net p/(l) of jointly controlled entities	507	198	421	-7	84	1	-88	-355	0	761
Operating margin (as a %)	8.8	6.1		-2.1		0.2				6.4

The deployment of the "Servir le développement" programme was launched in January 2018. Aimed in particular at the reorganisation and optimisation of the support functions, it has resulted

in the repositioning of twelve pooled support functions within the “Supports and Structures” scope. In consequence, the operating results changed. “Supports and Structures” have been the main sectors impacted with a cross-entry on “Eliminations”.

3.2 Services-Mail-Parcels

The Services-Mail-Parcels business unit includes:

- Mail business activities (pick-up, sorting, and delivery of correspondence, advertising and press publications);
- La Poste SA’s Parcel business, which specialises both in deferred delivery and in the delivery of parcels under 30 kg to individuals, BtoC or CtoC in France and for export;
- Cross-border small parcel delivery solutions;
- The new local services provided by La Poste SA;
- The subsidiaries operating in the direct marketing market (chiefly Mediapost France and Sogec), in the logistics and e-logistics solutions market (essentially Viapost, STP and Neolog), in the Silver Economy (Asten Santé, Tikeasy, Axeo, “Veiller sur mes parents” [Looking after my parents]), 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>	06/2018	06/2017	Change <i>vs N-1</i>	
			<i>(in €m)</i>	<i>(as a %)</i>
Revenue	5,708	5,757	-49	-0.9
<i>non-Group revenue</i>	<i>5,549</i>	<i>5,601</i>	<i>-51</i>	<i>-0.9</i>
Operating expenses	-5,333	-5,254	-79	+1.5
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	375	504	-129	-25.5
Share of net profit of jointly controlled entities	1	3	-2	-65.9
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	376	507	-131	-25.8
<i>Operating margin</i>	<i>6.6%</i>	<i>8.8%</i>		<i>-2.2 points</i>

3.2.1 Services and Mail business activity

At 30 June 2018 revenue totalled €4,850 million, representing a €77 million decrease (-1.6%) compared to 30 June 2017. This decrease includes a scope and exchange rate effect of +€58 million.

The decrease in mail delivery can be explained by the continued fall in traffic of -7.0% in equivalent working days, combined with an unfavourable mix effect, or an impact of -€305 million on 2018 revenue. It forms part of a context of streamlining and digitisation of traditional mail

concerning the banking, public and telephony industries by -7.5% and also addressed advertising mail by -4.2%.

The lack of national elections in the first half of 2018, without the delivery of manifestos, reduced revenue by €81 million compared with the first half of 2017.

These reductions in traffic are partially offset by:

- the 4.9%⁷ average price increase on 1 January 2018 for an estimated positive effect on revenue of €192 million.

The quality of service remained high, with a two-day delivery rate for the "Lettre Verte" (Green/non priority Mail) of 95% at 30 June 2018.

- International flows, new services and the business activities of subsidiaries are driving growth:
 - International business grew by €27 million thanks to the increase in imports of small parcels;
 - The new services increased by €12 million, of which €8 million from local postmen services, €1 million from Recy'go, and €1 million from the written driving license exam, representing total revenue of €48 million at the end of June;
 - The business of the advertising mail subsidiaries increased by €11 million due to the international subsidiaries in Spain, Portugal and Romania, with a scope effect of €1.7 million;
 - La Poste Silver's subsidiaries generated an increase in revenue of €60 million with a scope effect of €57 million through the acquisition of Asten Santé in mid-2017.

The logistics business was down by €3 million concerning the logistics and e-logistics offerings.

3.2.2 Parcel business

Revenue at 30 June 2018 was €858 million, up by €28 million (+3.4%).

The volume of parcels delivered grew by 4.4% in equivalent working days, totalling 154 million items, with a €17 million impact on revenue, of which -€7 million from a working-day effect.

Volumes delivered break down as follows:

- 132 million BtoC items (+4.9%), driven by the growth of e-commerce, and, in particular, National growth of 6.9 million items (+7.0% in equivalent working days) compared with June 2017.

⁷ As a percentage of basic traffic-generating revenue

Pick-up point deliveries experienced a strong increase of 4.0 million items (+45.7% in equivalent working days), representing 9.7% of BtoC traffic. Home deliveries remain the most popular delivery method in France with an increase of 1.9 million items (+2.8% in equivalent working days), or 75.7% of BtoC traffic;

- 17 million C2C items, representing a rise of +0.1% in equivalent working days compared with June 2017 - after a decrease observed in recent years - thanks to the growth of online sales;
- 5 million items in export and import products, a 5.8% increase in equivalent working days.

The mix effect is favourable with regard to revenue (€7 million), whereas the development of the price effect impacts revenue for -€1 million.

The quality of service remained high, with a two-day⁸ delivery rate of 93.7% at 30 June 2018. La Poste delivers more than nine out of ten Colissimo parcels 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 seven days or delivery to one of the local retail outlets of La Poste Network.

3.2.3 Operating profit

Operating profit for the Services-Mail-Parcels business unit totalled €376 million at 30 June 2018, down by €131 million compared with the end of June 2017, or -25.8%. This decrease can be explained by the decrease in Mail volumes, election mail, and smaller reversals of provisions for risks and charges than in the first half of 2017.

3.3 GeoPost

GeoPost, a subsidiary of Le Groupe La Poste, covers deferred and express parcel operations in France and internationally under the following main trademarks: DPDgroup in European countries and internationally, Chronopost in France and Portugal, SEUR in Spain and Portugal, Tigers in Asia and Australia, Jadlog in Brazil and SPSR in Russia. The subsidiaries of this division are historically involved in the BtoB segments with growth in BtoC reaching 37% of revenue at the end of June 2018, a similar amount with regard to the revenue at end December 2017.

The effect of the acquisitions made in 2017 (Russia) and 2018 (ALP and new SEUR franchises) resulted in a positive scope effect on the GeoPost revenue of €41 million at the end of June 2018.

⁸ Two-day Colissimo delivery rate with domestic tracking

<i>(in € million)</i>	06/2018	06/2017	Change vs N-1	
			<i>(in €m)</i>	<i>(as a %)</i>
Revenue	3,527	3,256	+271	8.3
<i>non-Group revenue</i>	3,499	3,232	+267	8.3
Operating expenses	-3,341	-3,058	-283	9.3
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	186	199	-13	-6.3
Share of net profit of jointly controlled entities	0	-1	+1	N.S
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	186	198	-11	-5.8
<i>Operating margin</i>	<i>5.3%</i>	<i>6.1%</i>		<i>-0.8 pt</i>

3.3.1 Continued accelerated sales development

GeoPost's revenue at the end of June 2018, €3,527 million, was up by €271 million (+8.3%) compared with the end of June 2017. Adjusted for scope effect (+€41 million) and exchange rate effect (-€44 million, including -€15.2 million on the British pound, -€9 million on the Brazilian real, and -€8 million on the rouble), organic growth was €274 million, up 8.5%.

This solid performance was driven by growth in the volumes handled. At the end of June 2018, GeoPost delivered 631 million parcels, reflecting an organic increase of 6.5% compared with the end of June 2017. The revenue is based on the growth in volumes and mix with a €263 million increase (+8.2%) including an unfavourable working-day effect (€14 million). The price effect on revenue was negative by €5 million, while the fuel effect was €16 million.

Revenue trends were positive across all regions in the first half of 2018:

- The United Kingdom reported revenue of €664 million, representing organic growth of 11.4% driven by strong growth in volumes (+10.8%), particularly abroad.
- In France, organic revenue growth totalled 8.0% on DPD France and 10.7% on Chronopost compared with June 2017. The good dynamic in the first half is driven by BtoC volumes and the first effects of the new delivery services (pick-up and drop-off points, automated lockers, Pickup Stations, evening and Saturday deliveries).
- Germany recorded revenue of €854 million representing an organic increase of 3.6%. Volumes increased (+1.6%) despite a very competitive market.
- Spain relied on its extended distribution network and posted revenue of €234 million with organic growth of 4.9%.
- In the Benelux countries, revenue increased by 13.3% on an organic basis to €197 million. The large increase was driven by an increase in international volumes.
- In Poland, the conquest of new market shares and the development of BtoC, driven by the clothing and electronics segments, made it possible to maintain a particularly high growth of volumes of 16.8%. Revenue increased to €198 million reflecting organic growth of 19.0%.

- The Tigers business posted revenue of €117 million, representing organic growth of 2.4%, due in particular to the logistics business.

3.3.2 Operating profit

Operating profit, including the share of net profit of entities jointly controlled by GeoPost in June 2018, totalled €186 million.

Adjusted for the scope and exchange rate effects for -€7 million, this result is down €5 million compared with the end of June 2017 (-2.5%).

This organic decrease reflects a more competitive market situation compared with June 2017. The operating margin stood at +5.3%.

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 Commercial activities

In the first half of 2018, La Banque Postale continued its strategy to win market share in all customer segments. This momentum contributed to a full-year increase of €3.1 billion in outstanding savings (+1.0%) to €315.8 billion:

	06/2018	06/2017	Change	
<i>(savings outstandings in € billion)</i>			<i>(in €bn)</i>	<i>(as a %)</i>
Sight deposits	64.6	61.3	+3.3	+5.5
Ordinary savings	82.4	81.3	+1.2	+1.5
Livret A savings account	61.0	60.2	+0.9	+1.4
LEP savings accounts	7.3	7.6	-0.3	-3.5
Sustainable development savings accounts (LDD)	7.7	7.4	+0.3	+3.4
Other savings accounts	6.4	6.1	+0.3	+5.7
Home savings	31.9	32.2	-0.2	-0.7
UCITS ^(a)	10.5	12.7	-2.2	-17.2
Life insurance ^(a)	125.4	124.9	+0.5	+0.4
Other ^(b)	0.9	0.4	+0.5	+119.0
CUSTOMER SAVINGS	315.8	312.7	+3.1	+1.0

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

(b) Term deposits and PEP savings plans.

While sight deposits continued to enjoy robust inflows, with volumes up €3.3 billion year on year (+5.5%), ordinary savings also contributed to this increase.

Outstanding ordinary savings, up since 2017 despite the low yields offered, significantly increased in the first half with revenue of €1.2 billion (+1.5%). The Livret A passbook savings account rate, at 0.75% since 1 August 2015, experienced renewed popularity with savers in a persistently low long-term rate environment.

La Banque Postale's life insurance outstandings amounted to €125.4 billion, with a slight increase of €0.5 billion (+0.4%) compared with June 2017.

UCITS outstandings fell by 17.2% to €10.5 billion.

The decline in outstanding home savings to €31.9 billion (-0.7% compared with June 2017) was due to the less attractive nature of new home savings plans, whose rate has been 1.0% since 1 August 2016.

Among La Banque Postale's outstanding customer savings, those of the BPE private bank rose sharply, driven by the development of management mandates (new €10,000 PEA (Equity Savings Plan) mandate and extended marketing in the Network) and by an increase in outstanding life insurance (arrival of new products such as CNP ONE). This trend reflects La Banque Postale's development among high net worth customers.

Through the significant increase of its outstanding customers' loans, +8.8% over a year amounting to €86.4 billion in revenue, La Banque Postale showed its determination to win market shares.

	06/2018	06/2017	Change	
<i>(outstanding loans in € billion)</i>			<i>(in €bn)</i>	<i>(as a %)</i>
Home loans ^(a)	59.2	57.7	+1.5	+2.6
Consumer loans	5.1	5.0	+0.1	+2.5
Other loans ^(b)	0.7	0.7	-0.1	-8.7
Loans to legal entities ^(c)	21.4	16.0	+5.4	+33.8
CUSTOMER LOANS	86.4	79.5	+7.0	+8.8

(a) Excluding repurchases of Dutch loan portfolios.

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

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

During the first half, almost €4.5 billion in revenue generated by Home loans was placed by La Banque Postale and its subsidiaries (BPE and SOFIAP), down by 45% compared with June 2017. The declining market, in spite of continued low lending rates, is seeing normalisation of repurchases and renegotiations.

The development of consumer loans, managed by La Banque Postale Financement, was maintained in a market marked by slower growth, increasing the outstanding amount to €5.1 billion (+2.5% compared with June 2017). Sales via the Internet or the remote platform represent a growing share of the production of personal loans (39% in 2018, compared with 35% in 2017).

Committed to supporting regional development and the real economy, La Banque Postale finances the local public sector and companies. This business activity has experienced strong growth since its launch and this was confirmed in the first half of 2018 with the amount outstanding increasing by 33.8% over a one-year rolling period to reach €21.4 billion, thus consolidating La Banque Postale's position as the number one lender to local authorities. These amounts include €2.3 billion from factoring, with La Banque Postale actively expanding its range of specialised business loans. Lastly, it should be noted that growth in customer loans was reduced by the sale of €2.8 billion in outstanding loans to Caisse Française de Financement Local over the period, in line with the growth model adopted at the end of the year, when La Banque Postale entered the local public sector market.

3.4.2 Operating performance

La Banque Postale's profit was up compared with June 2017, driven by its diversification strategy and the strengthening of its digital strategy.

As a result, La Banque Postale's net banking income (NBI) amounted to €2,926 million at 30 June 2018, an increase of €118 million (+4.2%) compared with the end of June 2017. Adjusted for the changes in the provision for home savings plans (-€35 million), net banking income increased by €154 million (+5.6%).

	06/2018	06/2017	Change	
<i>(in € million)</i>			<i>(in €m)</i>	<i>(as a %)</i>
Asset Management	74	71	+4	+4.9
Insurance	145	120	+24	+20.2
Retail banking	2,707	2,617	+90	+3.5
<i>Net interest margin</i>	1,553	1,440	+113	+7.9
<i>Commissions</i>	1,172	1,193	-20	-1.7
<i>Other income and expenses</i>	-18	-16	-3	+16.6
NET BANKING INCOME	2,926	2,808	+118	+4.2

The NBI of the Asset Management Division, amounting to €74 million, is up by €4 million compared with June 2017. The division recorded growth of 4.9% of its NBI. Assets under management and outstandings in this division totalled more than €224 billion at the end of June 2018, an increase of 15% over the period. At €145 million, NBI for the Insurance Division grew by 20.2% in June 2018, thanks to an overall rise in the insurance contracts portfolio of 2.1%, with the Casualty and Property and Health contract portfolios being up by 5.4% and 8.2% respectively.

After restating the home savings provision, NBI for the Retail Banking Division rose by €4.9% compared with June 2017 (+€126 million).

- The adjusted net interest margin (NIM) increased by €146 million, a rise concealing contrasting changes. The effect of the continued fall in the yield of home loans (impact of lower rates) was alleviated by the 2018 increase of the compensation for the General Interest Mission which created - for a temporary period - a favourable impact of €65 million, with the 2017 increase having been recorded at year-end.
- Commissions decreased by €20 million (-1.7%) due to the decline in indemnities paid for early repayment of home loans in a context of market normalisation as regards loan repurchases and renegotiations.

	06/2018	06/2017	Change	
<i>(in € million)</i>			<i>(in €m)</i>	<i>(as a %)</i>
Net Banking Income	2,926	2,808	+118	+4.2
Operating expenses	-2,330	-2,316	-15	+0.6
Gross operating profit/(loss)	596	492	+104	+21.0
Cost of risk	-49	-71	+22	-31.0
Gains and losses on other assets	-0	-1	+0	-47.0
OPERATING PROFIT/(LOSS)	546	421	+126	+29.9
<i>LBP cost income ratio</i>	<i>81.4%</i>	<i>83.6%</i>		<i>-2.1 pts</i>

La Banque Postale's operating expenses increased by 0.6% compared with June 2017 and totalled €2,330 million. The change reflects constant efforts to rein in expenses in a context of business development and the transformation of IT systems and processes, involving major investments.

The division's gross operating income was €596 million, an increase of 21.0%, and La Banque Postale's cost income ratio improved, reaching 81.4%.

The post-IFRS9 cost of risk, at €49 million, is lower than the level of June 2017 (-€22 million). As a proportion of outstandings, it remained a low 11 basis points⁹.

La Banque Postale's operating profit amounted to €546 million, an increase of 29.9% compared with June 2017.

3.4.3 Financial structure

La Banque Postale has a solid financial structure with a Common Equity Tier 1¹⁰ ratio of 12.4% at 30 June 2018 (-1 point compared to December 2017), a level much higher than the minimum SREP requirement of 9%¹¹ set by the European Central Bank and applicable as from 1 January 2019. The total capital ratio was 17.1% versus 18.2% in December 2017.

⁹ The commercial bank's cost of credit risk in relation to outstanding amounts at the beginning of the period.

¹⁰ Fully loaded CET1 ratios.

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

The estimated leverage ratio at the end of December 2018, taking into account transitional measures authorised by the European Central Bank on processing centralised outstandings at Caisse des Dépôts¹², was 4.1%. Excluding savings held by Caisse des Dépôts¹³, it was unchanged at 5.0%.

The liquidity position of the balance sheet remains comfortable and translates into a loan to deposit ratio of 80% and a liquidity coverage ratio (LCR) estimated at 153%.

3.5 La Poste Network

La Poste Network 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 La Poste Telecom subsidiary (corresponding to the line "Share of net profit/(loss) of jointly controlled entities") distributing its offering under the "La Poste Mobile" brand.

<i>(in € million)</i>	06/2018	06/2017	Change	
			<i>(in €m)</i>	<i>(as a %)</i>
Revenue	1,908	2,035	-127	-6.2
Operating expenses	-1,935	-1,948	+13	-0.7
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	-27	87	-114	N.S
Share of net profit of jointly controlled entities	-9	-4	-6	N.S
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	-36	84	-120	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 such as:

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

¹²Decision 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.

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

3.5.1 La Poste Network

With its 17,313 retail outlets including 8,951 in partnership (La Poste local postal agencies and La Poste Relais outlets), at the end of June 2018, La Poste Network is the most densely-connected physical distribution network in France. Faced with the unceasing trends of decreasing mail volumes and fewer customers going to post offices, La Poste Network is continuing with its reorganisation and analysis of its business lines and is adapting to a market undergoing major change in order to safeguard its potential for growth, particularly in the banking sector.

The main projects initiated in recent years have focused on the following objectives:

- The acceleration of commercial development based on service excellence, and the ability of La Poste Network to simplify the lives of its customers, illustrated by the improvement of the customer experience, both online and in post offices, and by the implementation of new communication tools with customers; In the first half of 2018, the timing of the business year changed in order to enable employees in the segment to better prepare for the highlights of the year based on the environment specific to each catchment area;
- The development of new services and the strengthening of synergies with the Mail Parcel business unit resulted in the creation of the Common Sales Department which, since 1 January 2018, has been coordinating the players of the 297 Network and Mail zones, mobilised to promote solutions for specific customer categories:
 - business customers with the new business tracking sticker;
 - seniors with the organisation of events such as "Silver Days";
- The digital transformation is improving the customer experience by reconciling Digital Services and the human factor in post offices: the digital communication network features 2,300 screens in 1,563 post offices, WiFi hotspots in 251 post offices and 504 public service areas. The partners' networks are also being modernised, with 4,601 La Poste local postal agency service locations equipped with self-service tablets and 2,260 La Poste Relais locations fitted with smartphones and Bluetooth printers. The Network also offers a new parcel out-of-home pick-up service via a network of pick-up lockers (available at 126 offices at the end of June 2018).
- Customer accessibility is being improved by adapting formats to customer usage:
 - In rural areas, new forms of resource pooling, such the installation in post offices of 504 public service areas: reception, information and 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 footfall is very light in post offices (833 post offices concerned at the end of June 2018);

- In urban environments, in collaboration with town councils, postal coverage formats are tailored to the needs of towns and cities: 708 La Poste Relais in towns with more than 2,000 inhabitants (568 in towns with over 10,000 inhabitants) and continuation of cooperation projects with major national chains (framework agreements with Franprix, Total and Carrefour "Proximité", etc.). New formats are also being tested in airports, tourist areas and universities, and two innovative post offices were opened in January at the Roissy and Orly Airports, providing services to meet the specific needs of travellers;
- In towns with more than 10,000 inhabitants, the transformation of post offices into Expert format (increased commercial presence in areas with high banking potential) continued: 798 such formats were in place at the end of June 2018.

In total, 266 new partnerships were established in the first half of 2018 (92 in rural areas and 174 in urban areas).

In the first half of 2018, the Network, thanks to its adjustment plans, reduced its operating costs by 0.7% compared with the first half of 2017. 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

Created in 2011, La Poste Telecom is a joint venture with Le Groupe La Poste having a 51% stake and SFR having the remaining 49%. La Poste Telecom is a mobile virtual network operator (MVNO) using SFR's telecom network and La Poste's postal distribution network and brand to market its own mobile telephone services under the La Poste Mobile brand.

Its sales strategy combined with a dedicated sales force has made it possible to obtain 265,000 customers (including pre-paid customers) of which 213,000 new subscribers in the half-year. Net subscription sales (after terminations) totalled 46,000. The total subscription and pre-paid customer base rose 3% to 1.43 million clients, including 1.36 million subscription clients.

In parallel to this Mobile telephony offering, La Poste Mobile continues to broaden its range with the launch at the end of May 2018 of a retail customer broadband offering under La Poste Mobile brand which completes its Very High Speed Modem launched in 2016, and the marketing of a landline offering aimed at the business customers in the coming months.

3.6 Digital Services

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

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

- putting its expertise at the Group's disposal in the development of new offers by constituting a centre of expertise for agile methodologies and open architecture in the field of innovation. The business unit is in charge of the Group's data policy, managing "individual, professional and corporate customer knowledge", a shared high-priority project intended to standardise the Group entities' various databases, and the digital trust programme, whose purpose is to simplify and secure digital exchanges across the Board;
- 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, Dicapost and Mediapost Communication, by developing new digital service business activities.

<i>(in € million)</i>	06/2018	06/2017	Change	
			<i>(in €m)</i>	<i>(as a %)</i>
Revenue	342	321	+21	+6.7
<i>non-Group revenue</i>	260	258	+2	+0.9
Operating expenses	-344	-327	-17	+5.1
OPERATING PROFIT/(LOSS)	-2	-7	+5	-71.8
<i>Operating margin</i>	<i>-0.5%</i>	<i>-2.1%</i>		<i>+1.5 point</i>

3.6.1 Revenue

At the end of June 2018, revenue totalled €342 million, up €21 million (+6.7%) compared with the end of June 2017. Adjusted for positive scope effects of +€9 million, organic revenue rose by €12 million.

Revenue from the Digital Services Department, whose purpose is to contribute to the digital development of the Group's business units, was up €14 million compared with the end of June 2017. This trend was attributable to:

- billings of internal services provided to other Group business units, which increased by €11.7 million in line with the increase in cross-entity projects;
- commissions on online sales on the laposte.fr website, which were up €1.2 million (+17%);
- revenue from digital trust of €1.1 million in connection with the increase in "Digiposte Plus" customers.

Dicapost offers a range of 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 its activities in order to support its customers, and particularly Le Groupe La Poste.

Docapost's revenue came to €245 million at the end of June 2018, up €6 million (+2.6%) compared to June 2017. The acquisitions made in 2017 (Ametix) and 2018 (Eukles) contribute with an overall impact of +€9 million to this growth.

Excluding the scope effect, Docapost experienced an organic decrease of €2.7million compared with June 2017 despite the good momentum on the part of the Digital Services including digital platforms and digitisation.

The revenue of the Mediapost Communication Division totalled €45 million, up €1 million (+2.5%) compared with the end of June 2017, driven by the advertising revenue of the Media Division which offset the fall in sales of the historic offerings of the Advisory Division.

3.6.2 Operating profit

The expenses for the Digital Services business unit are up by €17 million and reflect the development of Digital Services projects.

Operating profit for the Digital Services business unit at the end of June 2018 was up €5 million compared with the end of June 2017 mainly thanks to the increase in the online sales of www.laposte.fr. The impact of the scope of effect on operating profit was favourable (€1 million).

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)	06/2018	06/2017	Change	
			(in €m)	(as a %)
Revenue	412	415	-2	-0.5
<i>non-Group revenue</i>	11	8	+3	+36.0
Current operating expenses	-393	-410	+17	-4.1
Gains/(losses) on disposals	164	-4	+168	N.S
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	182	0	+182	N.S
Share of net profit of jointly controlled entities	2	0	+1	N.S
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	184	1	+184	N.S
<i>Operating margin</i>	44.7%	0.2%		44.5 pts

Real estate revenue totalled €412 million, down €2 million, or -0.5%, compared with the end of June 2017, due to a decline in rents billed to Group customers, reflecting the continued efforts to reduce and optimise the surface area occupied by the Group's business units.

The deployment of several "Village La Poste" in French regions is continuing (deployment completed of the Apollonis site in Montrouge, continuation of works in Bordeaux, Nantes, Marseilles, Lyons and Strasbourg) in order to stimulate synergies and cooperation between business units thanks to being closer, while continuing to promote and optimise the occupation of tertiary buildings in regions.

The operating profit/(loss), after share of profit of jointly controlled entities, amounted to €184 million, up by €184 million compared with 2017, due to strong growth of the gains/(losses) on disposals, generated essentially by the sale of the “La Boétie” site at the beginning of May.

3.7.2 Supports and Structures

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

<i>(in € million)</i>	06/2018	06/2017	Change	
			<i>(in €m)</i>	<i>(as a %)</i>
Operating revenue	520	379	+141	+37.1
Operating expenses	-657	-467	-190	+40.8
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	-137	-87	-50	+56.9
Share of net profit of jointly controlled entities	-0	-0	-0	+49.0
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	-137	-88	-50	+56.8

Operating revenue totalled €520 million at the end of June 2018, of which €497 million in intercompany revenue resulting from the billing of services provided to other business units by support functions and the headquarters’ “billing” service centres. Unit prices are established prior to commencing work in a service agreement, and the amounts charged are based on actual volumes. In addition, €20 million in head office expenses were incurred by the subsidiaries (management fees).

The increase in operating revenue of €141 million as well as the rise of operating expenses of €190 million are mainly explained by the impact of the “Servir le développement” project.

3.7.3 Unallocated expenses

<i>(in € million)</i>	06/2018	06/2017	Change	
			<i>(in €m)</i>	<i>(as a %)</i>
Net cost of regional postal presence	-259	-299	+41	-13.6
Other operating expenses	-54	-56	+2	-3.9
OPERATING PROFIT/(LOSS)	-313	-355	+43	-12.0

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 to be Group cross-entity costs and which are therefore not allocated to the business units.

The improvement in terms of profit is due in particular to the reduction of the net cost of the regional coverage.

4. Other key aggregates of the income statement

4.1 Financial profit / (loss)

	Period ended 30 June			
	06/2018	06/2017	Change	
			vs n-1 (in € million)	(as a %)
<i>(in € million)</i>				
Net interest expense	-77	-79	+2	-2.2
Change in "fair value" including debt credit spread	-3	4	-6	N.S
Cost of net financial debt	-80	-75	-5	+6.2
Other financial items	-12	-6	-6	N.S
FINANCIAL PROFIT/(LOSS)	-92	-81	-11	+13.6

The financial loss worsened by €11 million during the first half of 2018 compared to the first half of 2017. The total loss was €92 million, with a €5 million increase in the cost of net financial debt, as well as a €6 million increase in other financial items.

The net borrowing cost was -€80 million, with a net interest expense of -€77 million, an increase of €2 million compared with the first half of 2017, under the combined effect of, on the one hand, a €1 million decrease in interest income as a result of negative short-term interest rates impacting investment returns, and a lower cash balance surplus, and, on the other hand, a €2 million decrease in interest charges on financing transactions.

The change in fair value of debt valued using the fair value option and of derivatives based on this debt in 2018, corresponding to €3 million in expenses over the first half of 2018, generated a €6 million unfavourable impact compared to the first half of 2017. The change in fair value of the "spread portion" is now recognised directly in equity (application of IFRS 9).

Other financial items (€12 million expense over the first half of 2018), increased by €6 million compared with the first half of 2017. These are essentially the accretion expense on social debt (expense of €10 million at the end of June 2018, a €2 million increase compared with the first half of 2017) and other financial income and expenses, which worsened by €4 million.

4.2 Net profit/(loss), Group share

	Period ended 30 June			
	06/2018	06/2017	Change	
			vs n-1 (in € million)	(as a %)
<i>(in € million)</i>				
Operating revenue	12,246	11,905	+342	+2.9
Operating expenses	-11,435	-11,143	-291	+2.6
Operating profit/(loss)	812	761	+51	+6.6
Share in profits of jointly controlled entities	-6	-1	-5	N.S
Operating profit after share of net profit/(loss) of jointly controlled entities	806	761	+45	+5.9
Financial profit /(loss)	-92	-81	-11	+13.6
Profit/(loss) before tax	714	680	+34	+5.0
Income tax	-200	-170	-30	+17.7
Share in profits of associates	142	150	-8	-5.3
CONSOLIDATED NET PROFIT/(LOSS)	656	660	-4	-0.6
Net profit/(loss), Group share	636	642	-6	-0.9
Non-controlling interests	20	18	+2	+11.9

Net profit Group share stood at €636 million in the first half of 2018. It decreased by €6 million compared with June 2017. This change is primarily due to the €45 million rise in operating profit after share of net profit of jointly controlled entities, and an €11 million decrease in the financial profit, leading to a €34 million improvement in the profit before tax. The Group's tax expense, which increased €30 million, reaching €200 million, limited the Group's profit after tax compared with the first half of 2017 to €4 million. The increase in the Group's tax expense is due in part to the increase in the profit before tax and in particular to the downward adjustment of the tax on the CICE as non-taxable income (CICE rate lowered from 7% to 6%).

The share of the profit of equity associates decreased €8 million, which includes €2 million from the contribution of CNP Assurances in which the Group holds a 20.15% stake and €3 million from the contribution of BRT, in which the Group has held a 37.5% stake since January 2017.

5. Debt and financial strength

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

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

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

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

5.1 Change in Net Debt

5.1.1 Cash flow from operating activities

Cash flow from operating activities decreased €765 million compared with the first half of 2017, when the Group monetised the CICE (tax credit for competitiveness and employment) receivable for €533 million. The decreased EBITDA is due to the CICE not being monetised in 2018.

<i>(in € million)</i>	Period ended 30 June			
	06/2018	06/2017	Change	
			<i>(in € million)</i>	<i>(as a %)</i>
EBITDA (excluding banking activities)	355	599	-244	-40.8
Dividends received from LBP and equity associates	354	319	+35	+11.1
Change in working capital requirement	-211	-122	-88	+72.2
CICE generated during the period	-161	-195	+34	-17.5
Taxes paid (net of CICE deducted and monetised)	72	565	-493	-87.3
Other cash flow from operating activities	-13	-5	-8	N.S
CASH FLOW FROM OPERATING ACTIVITIES	396	1,161	-765	-65.9

In the first half of 2018, non-banking operations, whose revenue rose €154 million mainly due to the momentum of GeoPost to stand at €10,894 million, saw a €58 million decrease in operating profit, despite the favourable impact of non cash items on the operating profit, which grew by €187 million compared with the first half of 2017, due to gains of €168 million from the sale of the La Boétie site. EBITDA excluding banking activities declined €244 million compared to the end of June 2017, amounting to €355 million. This decrease in EBITDA excluding banking activities is primarily due to a €123 million decrease in the Services-Mail-Parcels business unit, which in 2018 continued to suffer from decreasing mail volumes, compounded by the absence of elections in 2018 and by a €137 million decrease for the Network, which reduced its internal revenue for the benefit of La Banque Postale (excluding industrial mail platforms) and Mail. The EBITDA of GeoPost, which decreased €19 million over the period, also contributed to the overall slump.

The CICE generated during the period, which is included in the EBITDA, was neutralised in the cash flow from operating activities. It decreased €34 million due to the decrease in CICE rates (7% in 2017 to 6% in 2016), standing at €161 million at the end of June 2018.

Dividends received from La Banque Postale and from equity associates increased overall by €35 million, primarily due to dividends received from La Banque Postale (€344 million instead of €312 million received in the first half of 2017).

The change in working capital, which resulted in a €211 million cash outflow at the end of June 2018, deteriorated by €88 million compared with the first half of 2017, which, given the difference in the working capital of the non-banking scope at the start of the fiscal years (-€746 million at the end of December 2016 and -€829 million at the end of December 2017) puts working capital at the end of June 2018 at a level similar to the end of June 2017.

The €72 million in net tax flows and CICE generated and monetised at the end of June 2018 corresponded to:

- €14 million in taxes paid. It was a unfavourable impact of €6 million compared to June 2017;
- The CICE credited against tax and monetised in the amount of €58 million, generating an unfavourable impact of €486 million compared with the end of June 2017. Apart from the share of CICE credited against interim and final tax payments in respect of the prior year, generating a favourable impact of €205 million, the Group received payment in 2017 for the balance of CICE receivables generated in 2013, which amounted to €159 million; it also 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 banking activities

Net non-banking investment outflows amounted to €196 million at the end of June 2018 resulting in cash outflows of €786 million less than in the first half of 2017, with subsidiary acquisitions of €12 million, a decrease of €546 million compared to the first half of 2017, when the Group had purchased BRT and Asten Santé securities and flows on asset disposals up €229 million due to the sale of the "La Boétie" site for €217 million.

	Period ended 30 June			
	06/2018	06/2017	Change	
			vs n-1 (in € million)	(as a %)
<i>(in € million)</i>				
Purchases of intangible assets, and property, plant and equipment	-435	-436	+1	-0.2
Purchases of financial assets	-65	-76	+11	-15.0
Asset disposals	317	88	+229	N.S
Subsidiary acquisitions, less cash acquired	-12	-558	+546	-97.8
Subsidiary disposals, less any disposals of cash	-1	0	-1	N.S
CASH FLOW FROM INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	-196	-982	+786	-80.1

5.1.2.1 Purchase of property, plant and equipment and intangible assets

Purchases of property, plant, equipment and intangible assets were down €1 million compared to June 2017. The €20 million rise in investments made in the first half of 2018, relating mostly to the expenses committed by GeoPost, was offset by a favourable impact of €21 million on the change in

the amounts due to non-current asset suppliers, which in the first half of 2018 stood at €52 million. Purchases of property, plant and equipment and intangible assets broken down by business unit are shown below:

<i>(in € million)</i>	Period ended 30 June			
	06/2018	06/2017	Change	
			<i>vs n-1</i> <i>(in € million)</i>	<i>(as a %)</i>
Services-Mail-Parcels	-100	-90	-10	+10.7
GeoPost	-91	-82	-10	+12.0
La Poste Network	-17	-13	-4	+29.1
Digital Services	-37	-34	-2	+6.7
Real Estate	-138	-153	+15	-9.9
Support & Other	-52	-64	+11	-17.6
Purchase of property, plant and equipment and intangible assets	-435	-436	+1	-0.2
Change in non-current asset accounts payable	52	74	-21	-28.9
INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	-383	-362	-20	+5.6

The €1 million decrease in purchases of property, plant and equipment and intangible assets breaks down as follows:

- The Services-Mail-Parcels business unit: €100 million in purchases, an increase of €10 million compared with the end of June 2017:
 - Mail parent company: €66 million, a €3 million increase compared with June 2017, with an unfavourable impact of €7 million from the change in amounts due to non-current asset suppliers. Most of the investments over the half year related to the evolution and updating of information systems;
 - Parcels: €8 million in the first half of 2018, a €3 million decrease, with a favourable impact of €5 million on the change in amounts due to non-current asset suppliers. Investments to 30 June 2018 mainly concerned modernisation of the Moissy parcel platform as part of the master plan project;
 - Mail Subsidiaries: €26 million, up €10 million compared to the end of June 2017. This increase is mainly due to the scope effect on Asten Santé, which was purchased in June 2017 and consolidated in the second half of 2017.
- GeoPost: €91 million, a €10 million increase compared to June 2017. The increase in CAPEX in the first half mostly came from a rise in investments in Benelux (€17 million on the Best hub project) and in Germany (€3 million on the Hamm hub);
- Network: €17 million in acquisitions, a rise of €4 million, €2 million of which on IT and €1 million on the installation of automated postal machines;

- Digital Services: €37 million, an increase of €2 million compared with June 2017, with a €1 million rise in the Digital Services subsidiary of which €2 million for the overhaul of the Cabestan software (marketing campaign management);
- Real Estate: €138 million in acquisitions, down €15 million compared with 30 June 2017, with a favourable €5 million impact on the change in amounts owed to non-current asset suppliers, and a €10 million decrease in investments due to decreased modernisation works on the network, completion of the work on the Village La Poste National project, as well as the completion of the work done on the "La Boétie" site, which was sold in the first half of 2018;
- Support and other: €52 million, a €11 million decrease, of which €13 million in respect of vehicle purchases (€42 million in acquisitions in the first half of 2018).

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

5.1.2.2 *Purchases of financial assets*

Purchases of financial assets (security deposits and equity investments) do not include "Cash investments of more than three months" (€600 million and €620 million at the end of June 2018 and June 2017 respectively). Purchases of financial assets made at the end of June 2018 totalled €65 million, down €11 million compared with the end of June 2017.

Flows on financial assets in the first half of 2018 by the La Poste parent company (€54 million) mainly include financing of La Poste Mobile by La Poste SA consisting of a €20.4 million capital increase, the granting of a loan to Asendia for €30 million and a capital increase for "Toit et Joie" of €3 million. Flows of purchases of financial assets made at the end of June 2018 by subsidiaries excluding banking activities amounted to €11 million, including €4 million for GeoPost, mainly comprising deposits and guarantees and other financial receivables, €2 million for digital subsidiaries (additional acquisition of Docapost Agility shares for €1.2 million) and €4 million for Poste Immo (Arkadea capital increase of €3.5 million).

5.1.2.3 *Acquisitions and external growth*

At the end of June 2018, acquisitions, less any deductions of cash and cash equivalents acquired, amounted to €12 million.

Most of these were made by the Digital business unit with an overall amount of €7 million for the acquisition of Euklès.

The Services-Mail-Parcels business unit also made external growth acquisitions amounting to €4 million, including €2.6 million for a 24.9% stake in BEA and EAP France by La Poste and €1.3 million for the payment of a price supplement on the acquisition of Asten Santé made in 2017.

GeoPost, with an overall amount of €2 million, acquired the entire capital of the ALP Group, and pursued its growth in Spain by integrating two new SEUR franchises.

5.1.2.4 *Asset disposals*

Asset disposals amounted to €317 million, a €229 million increase compared with June 2017. Asset disposals notably covered sales of Group vehicles (€10 million) and disposals of buildings from La Poste's real estate portfolio in the amount of €278 million, an increase of €207 million compared with June 2017, resulting primarily from the sale of the "La Boétie" building (€214 million in 2018).

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			
	06/2018	06/2017	Change	
			<i>vs n-1</i>	
<i>(in € million)</i>			<i>(in € million)</i>	<i>(as a %)</i>
EBITDA	355	599	-244	-40.8
Dividends received from equity associates	354	319	+35	+11.1
Income tax	14	20	-6	-31.6
Net interest paid	-31	-28	-3	+12.2
Other funds from operations	-13	-5	-8	N.S
Funds from operations	679	906	-227	-25.0
Change in WCR	-211	-122	-88	+72.2
CICE generated and deducted	-103	350	-452	N.S
Purchases of intangible assets and property, plant and equipment (net of VHP disposals)	-426	-427	+2	-0.4
Free cash flow from operations	-60	706	-766	N.S
Dividends paid	-171	-172	+1	-0.8
ECONOMIC HEALTH INDICATOR	-231	534	-765	N.S

The EHI for the first half of 2018 decreased €765 million compared to the first half of 2017 to -€231 million. This decrease mostly comes from the EBITDA (-€244 million) and the net balance of CICE generated and deducted, which decreased €452 million, with a favourable impact of €34 million on the CICE generated and an unfavourable impact of €486 million on the CICE mainly due to the monetisation in 2017 of the CICE receivable generated in 2015 and 2016. The change in working capital, which had a negative impact of €88 million compared with 2017, also played a role in the deterioration of the economic health indicator.

5.1.4 Change in net debt

Group net debt decreased €672 million during the first half of 2018, from €3,820 million to €3,148 million.

Free cash flow was positive, in the amount of €201 million. It rose €22 million compared with June 2017, but with a decrease in cash flow from operating activities of €765 million, mainly due to the CICE receivables not being monetised and a decrease in EBITDA, which was offset by a €786 million decrease in cash outflows for investing activities, €558 million of this from external growth transactions (including purchase of financial assets).

Dividends paid by the Group (€171 million including interest paid to minority shareholders) and net interest paid (€31 million), overall for the first half of 2017, resulted in largely balanced net free cash flow, or -€1 million.

The favourable change in the Group's net debt is mainly due to the issue of €750 million of undated hybrid subordinated notes classified as Group equity due to their being undated with no obligation to pay interest, generating a cash inflow of €744 million (excluding issue premium).

	Period ended 30 June			
	06/2018	06/2017	Change	
			<i>vs n-1</i>	
<i>(in € million)</i>			<i>(in € million)</i>	<i>(as a %)</i>
Cash flow from operating activities	396	1,161	-765	-65.9
Cash flow from investing activities	-196	-982	+786	-80.1
Free cash flow	201	179	+22	+12.0
Dividends paid	-171	-172	+1	-0.8
Net interest paid	-31	-28	-3	+12.2
Net free cash flow	-1	-21	+20	-93.1
Capital increase	-0	-0	+0	-98.5
Issue of undated hybrid subordinated notes	744	0	+744	-
Impact of changes in consolidation scope on gross debt	-2	-7	+5	-76.2
Purchase of non-controlling interests	-2	-12	+9	-79.7
Unrealised gains and losses relating to changes in fair value	-3	4	-7	N.S
Increase in finance lease liabilities	-2	-20	+18	-88.7
Change in accrued interest not yet due on financial instruments	-46	-51	+5	-10.2
Other items	-15	2	-17	N.S
CHANGE IN NET DEBT (*)	672	-106	+778	N.S

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

5.2 Change in cash and cash equivalents

The cash and cash equivalents of Le Groupe La Poste increased by €9 million in the first half of 2018, from €1,735 million at opening to €1,744 million at the end of June 2018. This increase is due to the following:

- negative net free cash flow of €1 million;
- a net collection of €744 million from an issue of undated hybrid subordinated notes worth €750 million before issue premiums and costs;
- cash outflows from loans for a net amount of €638 million mainly due to the redemption at maturity of a €500 million bond and the net balance of issues and redemptions of commercial paper (Neu CP) for €120 million, leading to commercial paper outstandings of €30 million at 30 June 2018;
- an increase in cash and cash equivalents from movements in financial assets linked to cash flows from operating activities (€70 million);
- a €75 million contribution for intercompany cash flows with La Banque Postale attributable chiefly to the change in the balance of the La Poste SA accounts at La Banque Postale amounting to €7 million at the end of June 2018, compared with a debit balance of €82 million at the end of 2017. There was also a €21 million change in net debt vis-à-vis La Banque Postale for the overall intercompany "loans/receivables" position;
- Consumption of other cash flows from financing activities of €84 million, which mainly came from a €55 million decrease in deposits and guarantees received, and a €27 million decrease in current bank facilities.

"Other items" in the cash flow statement (-€7 million) mainly pertain to the purchases of non-controlling interests (€2 million) and the impact of changes in exchange rates (€4 million).

	Period ended 30 June			
	06/2018	06/2017	Change	
			vs n-1	
(in € million)			(in € million)	(as a %)
Net free cash flow	-1	-21	+20	-93.1
Capital increase	-0	-0	+0	-98.5
Issue of undated hybrid subordinated notes	744	0	+744	-
Change in cash flow from financing activities	-638	39	-677	N.S
Change in financial assets used in cash management	70	-150	+220	N.S
Other cash flow from financing activities	-84	-59	-25	+41.8
Intercompany cash flow	-75	547	-621	N.S
Other items	-7	-13	+6	-48.0
Change in cash and cash equivalents	9	343	-334	-97.4
Opening cash and cash equivalents	1,735	2,152	-416	-19.4
CLOSING CASH AND CASH EQUIVALENTS	1,745	2,494	-750	-30.1

5.3 Breakdown of financial debt

5.3.1 Gross debt

The Group's gross debt decreased €702 million during the first half of 2018. It currently totals €5,595 million.

A breakdown of the Group's gross debt at the end of June 2018 and at the end of December 2017 is provided below:

(in € million)	Period ended 30 June			
	06/2018	12/2017	Change	
			(in € million)	(as a %)
Bonds	4,658	5,169	-512	-9.9
Short-term bonds	0	504	-504	-100.0
Medium- and long-term bonds	4,658	4,665	-8	-0.2
La Poste savings bonds	55	56	-0	-0.8
Short-term La Poste savings bonds	55	56	-0	-0.8
Medium- and long-term La Poste savings bonds	0	0	+0	-
Commercial paper	30	150	-120	-80.0
Short-term commercial paper	30	150	-120	-80.0
Medium- and long-term commercial paper	0	0	+0	-
Deposits and guarantees received	70	125	-55	-43.8
Short-term deposits and guarantees received	45	99	-55	-55.1
Medium- and long-term deposits and guarantees received	26	25	+0	+0.4
Accrued interest	105	96	+8	+8.6
Accrued interest	105	96	+8	+8.6
Other	677	701	-23	-3.3
Other short-term items	55	79	-24	-30.9
Other medium- and long-term items (*)	623	622	+1	+0.2
GROSS DEBT	5,595	6,297	-702	-11.1
Short-term gross debt	289	984	-695	-70.6
Medium- and long-term gross debt	5,306	5,313	-7	-0.1

(*) Of which €415 million in subordinated debt

As at 30 June 2018, La Poste's gross bond debt comprised 11 loans, originally with fixed rates, some of which were switched to floating rates, then converted back to fixed rates according to whether interest rates were forecast to rise (excluding hybrid loan).

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

- €512 million decrease in bonds following the maturity of a €500 million bond issued in 2008. The Group's bond debt amounted to €4,658 million at the end of June 2018;
- Outstanding commercial paper decreased by €120 million. Outstanding commercial paper amounted to €30 million at the end of June 2018;

- Deposits and guarantees received decreased by €55 million to total €70 million following swap coupons of the year falling due;
- Accrued interest not due amounted to €105 million, a €8 million increase compared to December 2017;
- Other debts amounted to €677 million, an decrease of €23 million. They break down as follows:
 - other borrowings at amortised cost (€488 million) mainly comprising subordinated debt in the amount of €427 million (nominal value of \$500 million swapped into euros). They increased by €9 million in the first half of 2018;
 - finance lease liabilities, which were down €12 million (€102 million at the end of June 2018);
 - current bank facilities, which were down €27 million (€14 million at the end of June 2018);
 - derivative liabilities rose €6 million (€74 million at the end of June 2018).

The cost of debt¹⁴ at one year was 2.92% at the end of June 2018 (2.60% at the end of June 2017). When projected over the next few years, the average cost of debt at four years was 2.81% at the end of June 2018 (2.72% at the end of June 2017).

5.3.2 Net debt

	Period ended 30 June			
	06/2018	12/2017	Change	
			<i>vs n-1</i>	
<i>(in € million)</i>			<i>(in € million)</i>	<i>(as a %)</i>
Gross debt at the end of the period	5,595	6,297	-702	-11.1
Cash and cash equivalents	-1,744	-1,735	-9	+0.5
Other assets	-702	-742	+39	-5.3
NET DEBT AT THE END OF THE PERIOD	+3,148	3,820	-672	-17.6

The Group's net debt totalled €3,148 million at the end of June 2018, down €672 million compared to December 2017.

Other assets correspond to:

- investments maturing in over three months, which amounted to €600 million at the end of June 2018, were down €70 million since 1 January;

¹⁴ Including the interest of the hybrid debt classified as shareholders' equity

- debt-related derivative assets (fair value of €119 million at the end of June 2018, down €45 million);
- la Banque Postale's net financial position is a net credit position of €18 million. La Banque Postale's net financial position increased overall by €75 million during the first half of 2018, due primarily to being in a surplus position by €16 million at the end of June 2018 compared to being in an overdraft position by €82 million at the end of December 2017.

5.4 Equity and financial structure

Period ended 30 June

<i>(in € million)</i>	06/2018	12/2017	Change	
			<i>(in € million)</i>	<i>(as a %)</i>
			<i>vs n-1</i>	
Equity Group share (opening)	11,364	10,917	+447	+4.1
Capital increase	0	0	+0	-
Net profit/(loss), Group share	636	851	-215	-25.3
Dividend payments	-171	-171	+0	-0.0
Unrealised gains and losses on financial instruments	-410	-15	-395	N.S
Translation adjustments	-61	-84	+23	-27.4
Actuarial adjustments	-11	74	-85	N.S
Undated hybrid subordinated notes	744	0	+744	-
Other items	-111	-209	+98	-0.5
Equity Group share (closing)	11,981	11,364	+616	+5.4
Non-controlling interests	165	169	-5	-2.7
CONSOLIDATED EQUITY (CLOSING)	12,145	11,534	+612	+5.3

Equity (Group share) amounted to €11,981 million at the end of June 2018, an increase of €616 million including the recording of undated hybrid subordinated notes amounting to €744 million, as well as the impact on shareholders' equity of the first application of IFRS 9 resulting in a decrease of €144 million.

5.5 Credit rating

Credit ratings for La Poste and La Banque Postale have remained unchanged as at 30 June 2018.

La Poste rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Poste	Fitch Ratings	A+	F1	Stable	4 December 2017
	Standard and Poor's	A	A-1	Stable	20 October 2017

La Banque Postale rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Banque Postale	Fitch Ratings	A-	F1	Stable	12 April 2018
	Standard and Poor's	A	A-1	Stable	05 October 2017

6. Outlook and post balance sheet events

6.1 Outlook

For 2018 the Group anticipates a slight growth in operating revenue and a stability in operating profit in the context of persistently low interest rates, continued digitisation of the means of communication and legal and regulatory provisions weighing on the cost base.

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. The Group will focus on adapting its industrial facilities dedicated to parcels and will continue its efforts in controlling support functions costs.

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

6.2 Post balance sheet events

None

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in the note 23 “Related party transactions” of the condensed consolidated financial statements at 30 June 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties identified by Le Groupe La Poste are described in the 2017 Registration Document, Chapter 9 (Risk management, section Risk factors).

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	H1 2018	H1 2017	2017
Revenues from commercial activities	4	9,332	9,116	18,463
Net banking income	5	2,914	2,789	5,647
Operating revenue		12,246	11,905	24,110
Purchases and other expenses	6	(4,712)	(4,377)	(9,212)
Personnel expenses	7	(6,346)	(6,201)	(12,840)
Taxes and levies	8	(158)	(166)	(258)
Depreciation, amortisation, provisions and impairment	8	(528)	(502)	(1,160)
Other operating revenue and expenses	8	148	111	315
Proceeds from asset disposals		162	(9)	49
Net operating expenses		(11,435)	(11,143)	(23,106)
Operating profit/(loss) before share in results of joint ventures		812	761	1,004
Share in profit of joint ventures	13	(6)	(1)	8
Operating profit/(loss) after share in results of joint ventures		806	761	1,012
Cost of net financial debt		(80)	(75)	(154)
Other financial items		(12)	(6)	(14)
Financial profit/(loss)	9	(92)	(81)	(168)
Profit before tax of consolidated companies		714	680	844
Income tax	10	(200)	(170)	(248)
Share in profits of associates	13	142	150	297
CONSOLIDATED NET PROFIT/(LOSS)		656	660	893
Net profit/(loss), group share		636	642	851
Attributable to non-controlling interests		20	18	42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts after tax (€ million)	H1 2018	H1 2017	2017
CONSOLIDATED NET PROFIT / (LOSS)	656	660	893
OTHER COMPREHENSIVE INCOME RECOGNISED IN EQUITY			
<i>Recyclable items</i>			
Change in unrealised gains and losses on financial instruments	(301)	(56)	(62)
<i>Reclassification under net income</i>	(198)	(29)	(65)
Translation adjustments	(20)	(15)	(28)
<i>Reclassification under net income</i>			
Impact of the overlay approach	(4)		
Share in other comprehensive income of associates and joint ventures	(124)	(29)	1
<i>Of which</i>			
- change in unrealised gains and losses on financial instruments – CNP	(83)	3	56
- other unrealised gains and losses on financial instruments		1	1
- cumulative translation adjustments	(41)	(33)	(56)
<i>Non recyclable items</i>			
Actuarial adjustments on employee benefits	(10)	42	74
Change in credit risk of liabilities designated as at fair value through profit or loss		(3)	(8)
Total other comprehensive income recognised in equity (after tax)	(458)	(60)	(21)
Total comprehensive income/(loss)	198	600	871
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE	178	583	827
Total comprehensive income/(loss) attributable to non-controlling interests	20	18	44

CONSOLIDATED BALANCE SHEET

ASSETS

<i>(€ million)</i>	NOTE	30/06/2018	31/12/2017
Goodwill	11	2,336	2,332
Intangible assets	12	1,156	1,102
Tangible assets	12	5,690	5,771
Investments in joint ventures and associates	13	4,054	4,098
Other non-current financial assets	14	498	599
Deferred tax assets		270	192
NON-CURRENT ASSETS		14,005	14,092
Current banking assets			
Customer loans and receivables	15	88,276	88,048
Credit institutions loans and receivables	15	89,900	84,088
Securities portfolio	15	47,044	46,953
Other current financial assets	15	1,846	1,493
Accruals	15	1,793	1,815
Cash and central bank deposits	15	2,833	3,325
Other current assets			
Inventories and work-in-progress	14	128	121
Trade and other receivables	14	3,880	3,930
Other current financial assets	14	649	712
Income tax credit		290	212
Other accruals – Assets		109	84
Cash and cash equivalents	14	1,744	1,735
Assets held for sale		7	55
CURRENT ASSETS		238,499	232,570
TOTAL ASSETS		252,504	246,662

LIABILITIES

<i>(€ million)</i>	NOTE	30/06/2018	31/12/2017
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,349	4,790
Unrealised gains and losses on financial instruments		797	1,207
Cumulative translation adjustments		(245)	(184)
Undated hybrid subordinated notes		744	
Net profit/(loss), group share		636	851
Equity, group share		11,981	11,364
Non-controlling interests		165	169
CONSOLIDATED EQUITY		12,145	11,534
Medium and long-term bonds and other financial debt	17.1	5,306	5,313
Employee benefits – non-current liabilities	19	2,347	2,463
Non-current provisions for contingencies and losses	16.2	185	207
Deferred tax liabilities		185	188
NON-CURRENT LIABILITIES		8,023	8,171
Current provisions for contingencies and losses			
Specific provisions for the Insurance and Banking activities	16.1	2,743	2,669
Current provisions for contingencies and losses	16.2	486	459
Short-term bonds and other financial debt	17.1	289	984
Current banking liabilities			
Liabilities due to credit institutions	20	15,452	14,154
Liabilities to customers	20	186,689	182,556
Debt evidenced by a certificate and other financial liabilities	20	18,994	17,875
Accruals	20	1,901	2,099
Other current liabilities			
Trade and other payables	21	4,750	5,154
Government – Income tax		57	42
Employee benefits – current liabilities	19	719	743
Other accruals – Liabilities		255	222
CURRENT LIABILITIES		232,336	226,958
TOTAL LIABILITIES		252,504	246,662

CHANGES IN CONSOLIDATED EQUITY 2018

1st semester 2018

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	Undated hybrid subordinated notes (a)	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2017	3,800	900	851	(184)	823	384		4,790	11,364	169	11,534
First-time application of IFRS 9 ^(b)						(26)		(118)	(144)	(2)	(146)
Consolidated equity as at 01/01/2018	3,800	900	851	(184)	823	358		4,672	11,220	168	11,388
Dividend payments			(171)						(171)	(1)	(172)
Call options on non-controlling interests								3	3	(20)	(17)
Transactions with non-controlling interests								(2)	(2)	(1)	(3)
Appropriation of 2017 earnings			(680)					680			
Issue of undated hybrid subordinated notes							744		744		744
Comprehensive income for the year			636	(61)	(83)	(301)		(10)	181	20	201
<i>Of which:</i>			636						636	20	656
- Net profit			636						636	20	656
- Actuarial adjustments								(10)	(10)		(10)
- Other comprehensive income				(61)	(83)	(301)			(444)		(445)
Other								6	6	(0)	6
CONSOLIDATED EQUITY AS AT 30/06/2018	3,800	900	636	(245)	740	57	744	5,349	11,981	165	12,145

(a) See note 1 - the nominal amount of the issue is €750 million, of which issue premium has been deducted

(b) See note 2.3 - Impacts of the first-time adoption of IFRS 9

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	42		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

2017 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 31/12/2016	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							(206)	(206)	(59)	(265)
Transactions with non-controlling interests							(1)	(1)	(20)	(21)
Appropriation of 2016 earnings			(678)				678			
Comprehensive income for the year			851	(84)	56	(71)	74	827	44	871
<i>Of which:</i>			851					851	42	893
- Net profit			851					851	42	893
- Actuarial adjustments							74	74		74
- Other comprehensive income				(84)	56	(71)		(99)	3	(96)
Other							(2)	(2)	103	101
CONSOLIDATED EQUITY AS AT 31/12/2017	3,800	900	851	(184)	823	384	4,790	11,364	169	11,534

CONSOLIDATED CASH FLOW STATEMENT

(<i>€ million</i>)	H1 2018			H1 2017			2017		
	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale
EBITDA	1,182	355	827	1,179	599	580	2,375	1,103	1,272
Change in provisions for current assets and unrecoverable receivables	(179)	(11)	(168)	(76)	(6)	(70)	(197)	(15)	(182)
Miscellaneous financial income and expenses	(2)	(2)		2	2		(1)	(1)	
Cash flows from operating activities before cost of net debt and taxes	1,001	342	659	1,104	594	510	2,176	1,087	1,090
Change in working capital requirement	(249)	(211)	(38)	(114)	(122)	8	145	83	62
CICE tax credit for the period (excluding provisions)	(162)	(161)	(1)	(196)	(195)	(1)	(391)	(388)	(3)
Change in balance of banking sources and uses	7,381		7,381	2,275	1	2,274	804		804
Taxes paid	(16)	72	(88)	129	32	97	34	122	(88)
Monetisation of CICE tax credit				201	533	(332)	201	533	(332)
Dividends paid by La Banque Postale to La Poste		344	(344)		312	(312)		376	(376)
Dividends received from equity associates	133	10	123	121	7	114	128	13	114
Cash flows from operating activities	8,088	396	7,691	3,519	1,161	2,357	3,097	1,827	1,271
Purchase of intangible and tangible assets	(564)	(435)	(129)	(532)	(436)	(96)	(1,352)	(1,075)	(278)
Purchase of financial assets	(69)	(65)	(4)	(78)	(76)	(1)	(123)	(57)	(65)
Proceeds from the disposal of tangible and intangible assets	291	291		84	84		298	298	
Proceeds from disposals of financial assets	27	27		4	4		10	10	
Impact of changes in consolidation scope	(13)	(13)		(578)	(558)	(20)	(677)	(677)	
Change in financial assets held for investment purposes	70	70		(150)	(150)		(200)	(200)	
Cash flows from investing activities	(258)	(126)	(133)	(1,250)	(1,132)	(117)	(2,044)	(1,701)	(343)
Capital increase							30		30
Issue of undated hybrid subordinated notes	744	744							
Dividends paid	(172)	(171)	(1)	(185)	(172)	(12)	(186)	(173)	(12)
Purchase of non-controlling interests	(2)	(2)		(12)	(12)		(21)	(21)	
Interest paid	(31)	(31)		(28)	(28)		(162)	(162)	
Proceeds from new borrowings	132	132		207	57	150	410	260	150
Repayment of borrowings	(770)	(770)		(18)	(18)		(747)	(747)	
Other cash flows from financing activities	(84)	(84)		20	(60)	80	(107)	(107)	
Intra-group flows		(75)	75		547	(547)		408	(408)
Cash flows from financing activities	(184)	(257)	73	(15)	314	(330)	(782)	(541)	(241)
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	(7,632)		(7,632)	(1,911)		(1,911)	(687)		(687)
Impact of changes in exchange rates	(4)	(4)		(1)	(1)		(1)	(1)	
Change in cash and cash equivalents	9	9		343	343		(416)	(416)	
Opening cash and cash equivalents	1,735	1,735		2,152	2,152		2,152	2,152	
Closing cash and cash equivalents	1,744	1,744		2,494	2,494		1,735	1,735	

GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE HALF-YEAR

- 1.1 hybrid subordinated notes issue
- 1.2 First-time application of IFRS 9
- 1.3 Income statement at constant scope and exchange rates

1.1 hybrid subordinated notes issue

In April 2018, Le Groupe La Poste carried out a public €750 million hybrid securities issue denominated in euros. The securities issued are undated and have an initial call date of 29 January 2026. According to IFRS 32 standard, they were recorded in consolidated equity (cf. Changes in consolidated equity)

The purpose of this operation is to strengthen La Poste's balance sheet, support its rating and help the Group to finance its development.

1.2 First-time application of IFRS 9

IFRS 9, adopted by the European Union on 22 November 2016, became mandatory on 1 January 2018. The impacts of this standard as at this date are detailed in Note 2 and can be seen in particular in a decrease in consolidated equity, Group share of €144 million.

1.3 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	
	H1 2018	H1 2017	H1 2018	H1 2017
Revenues and NBI	12,246	11,905	12,138	11,859
Purchases and other expenses	(4,712)	(4,377)	(4,667)	(4,346)
Personnel expenses	(6,346)	(6,201)	(6,297)	(6,189)
Taxes and levies	(158)	(166)	(157)	(166)
Depreciation, amortisation and provisions	(528)	(502)	(516)	(501)
Other current operating revenue and expenses	148	111	153	111
Pre-tax gains and losses on asset disposals	162	(9)	162	(9)
Net operating expenses	(11,435)	(11,143)	(11,322)	(11,100)
Operating profit/(loss) before share in results of joint ventures	812	761	815	759
Share in results of joint ventures	(6)	(1)	(5)	(1)
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	806	761	810	759

NOTE 2 ACCOUNTING RULES AND POLICIES

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates
- 2.3 Impacts of the first-time adoption of IFRS 9

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 2018 were signed off by the Board of Directors (meeting on 1 August 2018).

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 2018 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 2018 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 2017.

The accounting principles applied as at 30 June 2018 are unchanged from those applied as at 31 December 2017, except for the items described in Point 2.1.1 below, in particular the first-time application of IFRS 9. These principles are set out in Note 2 to the Group's financial statements as at 31 December 2017.

2.1.1 Standards and application interpretations that are mandatory for the first time as of 30 June 2018

IFRS 9

IFRS 9– *Financial instruments* was adopted on 22 November 2016 by the European Union and is mandatory from 1 January 2018.

IFRS 9 "Financial instruments" replaces IAS 39 – *Financial instruments: Recognition and measurement*. 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 impacts of this standard mainly concern La Banque Postale business unit. They are not significant for the Group's other business units.

The primary changes introduced by this standard for the Group's banking activities are described in Point 2.3.

IFRS 15

The impacts of IFRS 15 – Revenue from Contracts with Customers, which is *mandatory from 1 January 2018*, on the Group's financial statements are not significant.

2.1.2 Standards and application interpretations that will be mandatory after 30 June 2018 and that were not applied early

The Group La Poste did not adopt in advance any standard or interpretation with mandatory application after 30 June 2018.

IFRS 16

In 2018, the Group carried out work to identify its leases. Their analysis under the new standard's criteria, as well as the valuation of the potential impacts on the consolidated financial statements, are under way. Furthermore, a lease processing tool, which was developed within the Group, is being implemented.

2.2 Valuation basis and use of estimates

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

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

The items primarily concerned are:

- the calculation of employee benefits;
- the estimates for provisions for contingencies and losses, especially the Home Loan Savings provision;
- the assumptions selected for impairment tests on goodwill and on intangible and tangible assets;
- the measurement of financial instruments not listed on organised markets;

- the credit risk assessments performed by La Banque Postale;
- the assumptions and estimates used to measure the effectiveness of hedges.

2.3

Impacts of the first-time adoption of IFRS 9

a) Retrospective application of IFRS 9

Under IAS 8, the application of IFRS 9 is retrospective, meaning that the principles of IFRS 9 are applied as if the standard had always been applied. The impacts of the transition are recognised in equity.

Accordingly, analysis of the "basic loan" criterion, or test SPII, was carried out retrospectively at the date on which each financial asset was initially recognised on the balance sheet. Accounting business models were analysed at 1 January 2018 on the basis of the facts and circumstances existing at that date.

Similarly, the retrospective application of IFRS 9 concerning impairment requires measurement of significant deterioration in the credit risk of each financial asset entering the scope of application since the date on which it was first recognised. This analysis has enabled the classification of these financial assets in "Bucket 1" or "Bucket 2" at the date of initial application.

b) Restatement of comparative information

Furthermore, IFRS 9 does not require the publication of a 2017 pro forma. Consequently, LBP does not restate comparative information in its financial statements.

c) Maintaining the principles of IAS 39 for hedge accounting

IFRS 9 only covers micro-hedging transactions. The standard extends hedging strategies, notably with more items becoming eligible for hedge accounting, and fewer requirements pertaining to hedging relationship efficacy and an alleviation of the demonstration requirements to hedge effectiveness.

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. In this context, the Group has decided to take advantage of the option to keep the principles of IAS 39 pertaining to hedge accounting.

d) Application of IFRS 9 to the "Insurance" business segment and to CNP Assurances

In November 2017, the European Union adopted the amendment published by the IASB entitled "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", which offers two optional approaches to address the impacts of mismatches between the application of IFRS 9 and the new IFRS 17 on insurance contracts, which will come into force on 1 January 2021.

The first option consists of deferring the application of IFRS 9 for three years until 1 January 2021, and applies to entities whose activities are predominantly

related to insurance and, under certain conditions, to financial conglomerates. The amendment further provides for a temporary exemption from the application of certain provisions of IAS 28, thus allowing groups applying IFRS 9 and accounting for their subsidiaries using the equity method to use the financial statements prepared by these subsidiaries for their consolidated financial statements, without imposing the standard where it is not required at subsidiary level.

As the CNP Group Assurance meets the eligibility criteria for the deferred application of IFRS 9, it shall therefore continue to apply IAS 39 for the accounting of its financial instruments until the 2021 fiscal year. As authorised under the amendment, le Groupe will not perform any restatements for IFRS 9 in the financial statements prepared by the entity for equity associates.

The second option, known as the "overlay approach" applies to all issuers of insurance contracts that have chosen to apply IFRS 9 from 1 January 2018. The overlay approach allows users to reclassify to recyclable equity the volatility that may arise in the income statement as a result of the financial instruments that were previously accounted for under IAS 39 as available-for-sale assets or at amortised cost and which, under IFRS 9, must be accounted for at fair value through profit or loss. La Banque Postale has chosen to opt for this approach for the financial assets held in its fully-consolidated insurance subsidiaries. Consequently, the volatility that may arise as a result of the application of IFRS 9 will be removed until the application of IFRS 17 on 1 January 2021. The main subsidiaries affected by the overlay approach are La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

e) Main impacts of the transition to IFRS 9 as at 1 January 2018

• Impacts of the transition to IFRS 9 in terms of classification

As a reminder, according to IFRS 9, financial assets are 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 accounting business model and contractual cash flow characteristics ("basic loan" criterion).

The main reclassifications resulting from the transition to IFRS 9 concerning financial assets are as follows:

- ✓ Loan origination for local authorities eligible for assignment to Caffil that are classified as Loans and receivables under IAS 39, including their fair value hedging impact, are now classified as "Financial assets held for transaction purposes" and valued at fair value through profit or loss
- ✓ With regard to securities portfolios, shares of UCITs that were classified as Available-for-sale assets under IAS 39 and qualified as debt instruments that do not meet the SPPI criterion under IFRS 9, are now recognised under Financial assets at fair value through profit or loss.
- ✓ Investments in equity instruments classified as Available-for-sale assets under IAS 39 and corresponding to unconsolidated equity

investments held by the Group are now classified at fair value through non-recyclable equity in accordance with the irrevocable option provided by IFRS 9, with the exception of Visa securities, which are recognised at fair value through profit or loss.

- ✓ With regard to securities designated at fair value under IAS 39, these correspond to compound financial assets including embedded derivatives that are not closely related. Under IFRS 9, these financial assets must be recognised at fair value through profit or loss, as debt instruments that do not meet the SPPI criterion.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the classification amount to **+€8 million** (+€11 million before the calculation of deferred tax), and correspond mainly to the reclassification at fair value through profit or loss of loans to local authorities eligible for assignment to Caffil.

Furthermore, application of ANC recommendation no. 2017-02 relating to the format of the consolidated financial statements of banks under IFRS led to the following reclassification: the Group now presents insurance activity liabilities and investments as a specific balance sheet item.

- **Impacts of the transition to IFRS 9 in terms of impairment**

As a reminder, the new provisioning methodology has now shifted toward an expected credit loss model and away from an incurred loss only model.

This new provisioning model applies to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, as well as to financing commitments and guarantee commitments.

Accordingly, new impairments, representing one-year expected credit losses, are accounted for as 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 fall under "Bucket 1".

Outstandings for which a significant decline in credit quality has been identified since the date they were first recognised are subject to impairment for the amount of the expected credit loss over the residual life of the instrument. These outstandings fall under "Bucket 2".

Criteria to identify impaired assets (falling under "Bucket 3") are similar to those in IAS 39.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the new impairment model amount to **-€154 million** and correspond:

- for -€112 million to impairment of financial assets (-€151 million before deferred tax)
- for -€42 million to impairment of off-balance sheet transactions (-€63 million before deferred tax).

f) **Reconciliation to IFRS 9 as at 1 January 2018**

f1 - Balance sheet transition from 31 December 2017 to 1 January 2018

Financial assets

Financial liabilities

f2 - Transition from impairments or provisions recognised under IAS 39 to allowance for losses recognised under IFRS 9

f3 - Impact on financial assets and on off-balance sheet commitments of IFRS 9: breakdown of impairment under IAS 39 and breakdown of impairment by bucket under IFRS 9.

f4 - Impact on equity of the first-time adoption of IFRS 9

f1 - Balance sheet transition from 31 December 2017 to 1 January 2018

▪ Financial assets

	31/12/17	IFRS 9 Reclassifications at 1st January 2018												
	Financial assets evaluated with IAS 39	Financial assets at fair value					Insurance investments	Financial assets at fair value through equity		Debt instruments classified at amortised cost		Securities at amortised cost	Revaluation adjustment on rate hedged portfolio	Accruals
		Central bank deposits	Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPI criterion	Hedging derivatives		Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities		
(€ million)														
Customer loans and receivables	88,048		1,659					63			84,416	1,910		
Loans and receivables - Credit institutions	84,088									83,613		475		
Financial assets at fair value through profit or loss	8,502		7,259		35	1,146	61							
- Financial assets held for trading and trading derivatives	7,320		7,259				61							
- Financial assets designated at fair value through profit or loss :														
Debt instruments	35				35									
- Hedging derivatives	1,146					1,146								
Available-for-sale assets	17,650			20	867		2,418	14,093	252					
Revaluation adjustment on rate hedged portfolios	69												69	
Held-to-maturity securities	20,734						33					20,702		
Accruals	3,308						262							3,046
Central bank deposits	3,325	3,325												
Total	225,723													
Restatement of book value according to IFRS 9					(1)		3	3					7	
IFRS 9 restatement without equity impact					(2)		(8)		(2)					
Financial assets evaluated under IFRS 9 as at 1 January 2018		3,325	8,919	20	900	1,146	2,768	14,160	251	83,613	84,416	23,086	76	3,046

▪ Financial liabilities

	31/12/17	IFRS 9 Reclassifications at 1st January 2018					
	Financial liabilities evaluated with IAS 39	Financial liabilities at fair value through profit or loss			Financial liabilities classified at amortised cost		
		Financial liabilities held for transaction purposes	Financial liabilities designated at fair value through profit or loss	Hedging derivatives	Liabilities to credit institutions	Liabilities to customers	Debt evidenced by a certificate and other financial liabilities
<i>(€ million)</i>							
Liabilities to credit institutions	14,154				14,154		
Liabilities to customers	182,556					182,556	
Debt evidenced by a certificate and other financial liabilities	17,875	299	5	236		17,335	
<i>Debt evidenced by a certificate</i>	14,462					14,462	
<i>- Financial liabilities held for transaction purposes</i>	297	297					
<i>- Financial liabilities designated at fair value through profit or loss</i>	5		5				
<i>- Hedging derivatives</i>	238	2		236			
<i>- Other financial liabilities</i>	2,873					2,873	
Accruals	2,099					2,099	
Total	216,684						
Restatement of book value according to IFRS 9							
Financial liabilities evaluated under IFRS 9 as at 1 January 2018		299	5	236	14,154	182,556	19,434

f2 - Transition from impairments or provisions recognised under IAS 39 to allowance for losses recognised under IFRS 9

For the application of IFRS 9 as of 1 January 2018, provisioning arrangements have changed significantly. The following table presents the changes between impairments or provisions for liabilities recognised at 31/12/2017 under IAS 39 and the amount of the allowance for losses recognised at 1 January under IFRS 9:

31/12/17	IFRS 9 Reclassifications at 1st January 2018												Reclassifications without equity impact	
	Central bank deposits	Financial assets at fair value				Insurance investments	Financial assets at fair value through equity		Debt instruments classified at amortised cost					
		Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPI criterion	Financial assets designated at fair value through profit or loss		Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities	Finance leases		
(€ million)														
Central bank deposits														
Available for sale assets	(11)													(11)
Loans and receivables - Credit institutions														
Customer loans and receivables	(604)										(604)			
Held-to-maturity securities														
Total	(615)													
Restatement of impairments according to IFRS 9							(2)		(2)	(143)	(6)			11
Of which :							(2)		(2)	(44)	(6)			
Bucket B1														
Bucket B2										(82)				
Bucket B3										(17)				11
Financial assets impairment under IFRS 9 as at 1 January 2018							(2)		(2)	(748)	(6)			

f3 - Impact on financial assets and on off-balance sheets commitments

Off-balance sheet commitments provisions (cf. note 16.2) (€ million)	31/12/17	Retraitements selon IFRS 9	01/01/18
	IAS 39		IFRS 9
Financing commitments		62	62
Guarantee commitments			
Total		62	62

Breakdown between collective impairments and individual impairments under IAS 39 :

Financial assets impairment (€ million)	31/12/17	
	Collective impairments	Individual impairments
Available-for-sale assets		(11)
Customer loans and receivables	(44)	(560)
Held to maturity securities		
Total	(44)	(571)

Breakdown of impairment by bucket under IFRS 9 :

Financial Assets (€ million)	01/01/18		
	Bucket 1	Bucket 2	Bucket 3
Debt instruments at fair value through equity	(2)		
<i>Loans and receivables - Credit institutions</i>			
<i>Customer loans and receivables</i>			
<i>Debt securities</i>	(2)		
Debt instruments classified at amortised cost	(52)	(160)	(544)
<i>Loans and receivables - Credit institutions</i>	(2)		
<i>Customer loans and receivables</i>	(44)	(160)	(544)
<i>Debt securities</i>	(6)		
Total	(54)	(160)	(544)

Off-balance sheet commitments (€ million)	01/01/18		
	Bucket 1	Bucket 2	Bucket 3
Financing commitments	26	21	15
Guarantee commitments			
Total	26	21	15

f4 - Impact on equity of the first-time adoption of IFRS 9

(€ million)	Consolidated Equity	Equity Group share	Non-controlling interests
Consolidated Equity under IAS 39 as at 31 Decembre 2017	11,534	11,364	169
Effect on consolidated reserves	(119)	(118)	(1)
Reclassification from Available-for-sales financial assets to assets classified at fair value through recyclable equity	2	2	
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss (including cancelation of provision if applicable)	81	79	2
Impact of overlay approach	(37)	(37)	
Reclassification from amortized cost to financial assets designated at fair value through profit or loss (including remaining acquisition costs to be spread)	7	7	
Accounting for expected credit losses (on assets from IAS 17 and IFRS 15, off-balance sheet commitments)	(216)	(216)	
Income Tax	34	37	(3)
Income Tax (Impact of overlay approach)	9	9	
Effect on gains and losses recognised directly in equity (after tax)	(26)	(26)	(1)
Reclassification from Available-for-sales financial assets to assets classified at fair value through equity	(2)	(2)	
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss	(81)	(80)	(2)
Impact of overlay approach	37	37	
Reclassification from amortized cost assets to assets designated at fair value through equity	4	3	1
Accounting for expected credit losses from assets designated at fair value through profit or loss	2	2	
Income Tax	23	23	
Income Tax (Impact of overlay approach)	(9)	(9)	
Effect on equity from IFRS 9	(146)	(144)	(2)
Consolidated Equity under IFRS 9 as at 1 January 2018	11,388	11,220	168

NOTE 3 SEGMENT REPORTING

The accounting principles applied to segment reporting, and the reported segments, did not change since 31 December 2017.

1st semester 2018 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	5,549	3,499	2,914	260	13	11				12,246
Inter-segment revenues and NBI	159	29	12	82	1,895	402	520		(3,097)	
Operating revenue	5,708	3,527	2,926	342	1,908	412	520		(3,097)	12,246
Operating profit/(loss) before share in results of joint ventures	375	186	546	(2)	(27)	182	(137)	(313)		812
Share in results of joint ventures	1				(9)	2				(6)
Operating profit/(loss) after share in results of joint ventures	376	186	546	(2)	(36)	184	(137)	(313)		806
Financial profit/(loss)								(92)		(92)
Income tax								(200)		(200)
Share in profits of associates		12	131	1		(1)				142
CONSOLIDATED NET PROFIT/(LOSS)										656
Depreciation, amortisation, provisions and impairment	(118)	(85)	(146)	(18)	(13)	(94)	(54)			(528)
Segment assets	2,955	5,263	236,922	741	180	3,382	8,370	(5,310)		252,504

1st 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

2017 (€ 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	11,113	6,766	5,647	531	38	15	1			24,110
Inter-segment revenues and NBI	311	50	40	141	3,953	814	758		(6,067)	
Operating revenue	11,424	6,816	5,687	672	3,991	828	759		(6,067)	24,110
Operating profit/(loss) before share in results of joint ventures	577	431	870	(20)	(10)	125	(283)	(687)		1,004
Share in results of joint ventures	23				(15)	1				8
Operating profit/(loss) after share in results of joint ventures	600	430	870	(20)	(25)	126	(284)	(687)		1,012
Financial profit/(loss)								(168)		(168)
Income tax								(248)		(248)
Share in profits of associates		32	263	(1)		2				297
CONSOLIDATED NET PROFIT/(LOSS)										893
Depreciation, amortisation, provisions and impairment	(216)	(180)	(347)	(58)	(49)	(194)	(114)			(1,160)
Segment assets	3,045	5,348	231,023	664	206	3,385	8,264	(5,274)		246,662

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

NOTES TO THE INCOME STATEMENT

NOTE 4 REVENUES

(€ million)	H1 2018	H1 2017	2017
Services-Mail-Parcels revenues	5,549	5,601	11,113
Correspondence and other La Poste products and services	3,238	3,372	6,480
Advertising mail	512	537	1,090
Press ^(a)	247	260	514
Products and services of the subsidiaries (domestic mail)	313	250	566
International mail	397	363	739
Parcels	841	819	1,724
GeoPost revenue	3,499	3,232	6,766
Express France	790	739	1,488
Express Rest of World	2,708	2,492	5,278
Digital Services revenue	260	258	531
La Poste Network revenue ^(b)	13	18	38
Real Estate revenue ^(c)	11	8	15
TOTAL	9,332	9,116	18,463

(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)	H1 2018	H1 2017	2017
Interest and similar income	2,030	2,182	4,486
Interest and similar expenses	(908)	(879)	(1,781)
Commission income	1,310	1,386	2,716
Commission expenses	(110)	(138)	(276)
Net gains and losses	352	132	270
Financial instruments at fair value through profit or loss	31	8	(8)
Financial instruments at fair value through equity ^(a)	322		
financial instruments classified at amortised cost			
Available-for-sale assets ^(a)		125	278
Net income on insurance activities	219	147	293
Impact of the overlay approach (gross impact) ^(a)	5		
Income and expenses from other activities	17	(41)	(62)
TOTAL	2,914	2,789	5,647

(a) Those Net Banking Income lines has been modified due to the application of IFRS 9 as at 1 January 2018.

NOTE 6 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	H1 2018	H1 2017	2017
External services and general sub-contracting	991	879	1,947
Purchases	297	266	562
Outsourced transport	2,250	2,115	4,470
International mail delivery services	99	100	200
Rental expenses	457	441	899
Maintenance and repair costs	219	209	456
Telecommunications expenses	84	76	159
Travel and assignments	92	92	181
Other expenses	222	199	338
TOTAL	4,712	4,377	9,212

NOTE 7 PERSONNEL EXPENSES AND HEADCOUNT

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

(€ million)	H1 2018	H1 2017	2017
Wages and salaries, bonuses and allowances	4,685	4,519	9,098
Pension contributions	514	569	1,113
Other social security contributions	962	916	1,820
Employee welfare costs	117	113	210
CICE revenue	(162)	(196)	(391)
Change in post-employment provisions	2	4	19
Change in provisions for social security contingencies and staff litigation	(6)		(158)
Change in other employee provisions	(165)	(129)	352
Compensation-based taxes and duties	400	405	779
TOTAL	6,346	6,201	12,840
Average headcount (full-time employee equivalent per year)	249,828	249,739	253,219

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

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

NOTE 8 OTHER OPERATING REVENUE AND EXPENSES

Other operating revenue and expenses broke down as follows:

(€ million)	H1 2018	H1 2017	2017
Local taxes	(97)	(98)	(143)
Other taxes and levies	(61)	(68)	(115)
TAXES AND LEVIES	(158)	(166)	(258)
Impairment and net depreciation of assets			
- Goodwill			(7)
- Fixed assets	5	(2)	(2)
- Current assets	(11)	(6)	(15)
Net amortisation	(497)	(480)	(985)
Provisions for contingencies and losses	24	58	43
Banking activities cost of risk	(49)	(71)	(192)
DEPRECIATION AND IMPAIRMENT	(528)	(502)	(1,160)
Capitalised production	139	101	280
Royalties	(24)	(19)	(33)
Revenue recorded following an acquisition of control	1	(5)	(5)
Accretive effect of the CNP Assurances capital increase			
Other current operating revenue and expenses	33	34	73
OTHER OPERATING REVENUE AND EXPENSES	148	111	315

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

NOTE 9 FINANCIAL PROFIT/(LOSS)

- 9.1 Cost of net financial debt
- 9.2 Other financial items

9.1 Cost of net financial debt

(€ million)	H1 2018	H1 2017	2017
Interest expense on financing transactions ^(a)	(80)	(82)	(165)
Change in the fair value of borrowings and debt-related swaps ^(b)	(3)	4	5
Income from cash and cash equivalents ^(c)	3	3	6
TOTAL	(80)	(75)	(154)

(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 (€10 million in the first semester of 2018, €8 million as of the first semester of 2017, and €15 million for 2017).

NOTE 10 INCOME TAX

The income tax expense breaks down as follows:

(€ million)	H1 2018	H1 2018	2017
Current tax (expense)	(70)	(113)	(232)
Deferred tax income/(expense)	(130)	(57)	(17)
TOTAL TAX INCOME/(EXPENSE)	(200)	(170)	(248)

The explanation of the tax reconciliation is as follows:

(€ million)	H1 2018	H1 2018
Net profit/(loss), Group share	636	642
Share in profits of equity associates and joint ventures	(136)	(150)
Income tax	200	170
Non-controlling interests	20	18
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	720	680
Income tax rate	34.43%	34.43%
Theoretical tax expense ^(a)	(248)	(234)
Deferred tax limitation on the following items:		
- employees benefits	28	12
- other	(12)	4
Unused tax losses created during the year	(6)	(10)
Tax rate differential for foreign subsidiaries	18	19
Effect of the French income tax rate decrease from 2019 ^(b)	(12)	
CICE (non-taxable income)	48	65
Tax on distributed revenues		(9)
Othe permanent differences (non-deductible expenses)	(17)	(17)
Tax restatements	48	64
ACTUAL TAX CHARGE	(200)	(170)

(a) Including the 3.3% social solidarity contribution.

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

NOTES TO THE BALANCE SHEET

NOTE 11 GOODWILL

Breakdown of goodwill net carrying amount

(€ million) CGU	Segment	30/06/2018	31/12/2017
DPD Continental Europe	GeoPost	517	517
DPD France	GeoPost	334	334
GeoPost Spain	GeoPost	318	313
Digital Services	Digital services	207	195
DPD Russia	GeoPost	196	206
DPD Poland	GeoPost	124	130
GeoPost UK	GeoPost	122	122
Asten Santé	Services-Mail-Parcels	98	97
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	65	64
Tigers	GeoPost	48	49
Chronopost	GeoPost	44	38
JadLog	GeoPost	30	34
Tocqueville Group	La Banque Postale	27	27
La Banque Postale Asset Management	La Banque Postale	22	22
WnDirect	GeoPost	22	22
Stuart	GeoPost	13	13
Resto In	GeoPost	10	10
DPD Laser Finance	GeoPost	11	12
Other GeoPost companies	GeoPost	25	25
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	8
TOTAL		2,336	2,332
Services-Mail-Parcels		171	168
GeoPost		1,815	1,824
La Banque Postale		143	143
Digital Services		207	195

Change in the net carrying amount of goodwill

(€ million)	H1 2018	2017
Opening balance	2,332	2,119
of which : Gross amount	2,556	2,337
Impairment	(225)	(218)
Acquisitions ^(a)	26	254
Disposals		
Translation adjustments ^(b)	(21)	(25)
Impairment ^(c)		(7)
Other		(10)
CLOSING BALANCE	2,336	2,332
of which : Gross amount	2,558	2,556
Impairment	(222)	(225)

(a) Of which in the first semester of 2018 Eukles for €11 million. And in 2017 Asten Santé for €97 million, SPSR Express for €67 million, Jadlog for €39 million, Ametix Group for €15 million, Stuart for €13 million and Seur franchises in Spain and Portugal for €11 million.

(b) Of which in the first semester of 2018 DPD Polska for €6 million and Armadillo Bizpak for €7 million. And in 2017 DPD Russia for €-17 million, GeoPost UK for €-4 million, Jadlog for €-5 million, DPD Poland for €+7 million.

(c) No impairment was recorded in the first half of 2018. Goodwill of Resto In was depreciated in 2017, for €7 million.

NOTE 12 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

(€ million)	Intangible assets	Property, plant and equipment	TOTAL
GROSS AMOUNT			
Balance as at 31/12/2017	3,583	12,603	16,185
Acquisitions	206	306	511
Disposals	(16)	(177)	(193)
Change in consolidation scope		3	3
Transfers			
Translation adjustments	(2)	(9)	(11)
BALANCE as at 30/06/2018	3,771	12,725	16,496
DEPRECIATION AND IMPAIRMENT			
Balance as at 31/12/2017	(2,481)	(6,831)	(9,312)
Depreciation for the semester	(151)	(346)	(497)
Impairment		(5)	(5)
Reversals of impairment	1	10	11
Reversals on disposals	16	138	154
Change in consolidation scope		(2)	(2)
Transfers		(2)	(2)
Translation adjustments	1	5	6
BALANCE as at 30/06/2018	(2,615)	(7,034)	(9,649)
NET CARRYING AMOUNT			
As at 31/12/2017	1,102	5,771	6,873
AS AT 30/06/2018	1,156	5,690	6,847
OF WHICH FINANCE LEASES			
As at 31/12/2017		131	
As at 30/06/2018		121	

NOTE 13 ASSOCIATES AND JOINT VENTURES

(€ million)	CNP Assurances	BRT	Real Estate sub-group	Yurtici Kargo	AEW Europe	ASENDIA	NINJA Logistics	Other	Companies with negative net assets ^(a)		
									TOTAL	La Poste Mobile	TOTAL
Nature of control	Associate	Associate	Associate/ Joint control	Associate	Associate	Joint control	Associate		Joint control		
Balance as at 31/12/2017	3,322	503	30	19	54	76		94	4,098	(40)	(40)
Group share in the profit or loss	129	15	1	1	2	2	(5)		145	(9)	(9)
Dividend payments	(116)	(8)		(1)	(7)				(133)		
Net change in the fair value of financial instruments and AFS securities	(83)								(83)		
Change in consolidation scope							64	2	66		
Capital increase			4						4	20	20
Other changes										6	6
Translation adjustments	(39)			(3)				(1)	(42)		
BALANCE as at 30/06/2018	3,213	510	34	16	49	77	59	96	4,054	(22)	(22)

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

NOTE 14 OTHER NON-BANKING ASSETS

(€ million)	30/06/2018		31/12/2017	
	Current	Non-current	Current	Non-current
Net unconsolidated investments ^(a)		270		338
Financial derivatives		119	38	127
Financial assets held for investment purposes	600		620	50
Other financial assets	49	110	54	84
TOTAL OTHER FINANCIAL ASSETS	649	498	712	599
Other supplies inventories	117		109	
Finished and semi-finished product inventories and work in progress	11		11	
TOTAL INVENTORIES AND WORK-IN-PROGRESS	128		121	
Net trade receivables and related accounts	2,114		2,204	
International mail receivables	657		664	
CICE tax credit receivable	496		410	
Other receivables	614		652	
TOTAL TRADE AND OTHER RECEIVABLES	3,880		3,930	
Cash equivalents	1,255		1,301	
Cash at bank and cash on hand	489		435	
TOTAL CASH AND CASH EQUIVALENT	1,744		1,735	

(a) of which, €64 million as at 31 December 2017 about 32.3% of Ninja Van, a Singaporean company, which is accounted under the equity method from January 2018.

Financial assets held for investment purposes

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

(€ million)	30/06/2018	31/12/2017
Bonds	150	50
Term deposits accessible after more than 3 months	400	400
UCITS	50	80
Negotiable debt securities (maturity 3 to 12 months)		140
TOTAL	600	670

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

<i>(€ million)</i>	30/06/2018	31/12/2017
	IFRS 9	IAS 39
Customer sight loans and receivables	2,982	2,972
Term customer loans and receivables	82,956	80,868
<i>of which home loans (including non-performing receivables)</i>	<i>61,345</i>	<i>59,813</i>
Finance lease transactions	2,338	2,234
Securities equivalent to customer loans and receivables		1,974
TOTAL CUSTOMER LOANS AND RECEIVABLES	88,276	88,048
Sight loans and receivables from credit institutions	18,309	10,318
Term deposits and loans from credit institutions	71,591	73,294
Securities equivalent to loans and receivables from credit institutions		475
TOTAL RECEIVABLES FROM CREDIT INSTITUTIONS	89,900	84,088
TOTAL SECURITIES PORTFOLIO	47,044	46,953
OTHER CURRENT BANKING ASSETS	1,846	1,493
BANKING ACCRUALS - ASSETS	1,793	1,815
Central banks deposits	2,152	2,424
Cash and other	681	901
TOTAL CASH AND CENTRAL BANK DEPOSITS	2,833	3,325

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 2018, 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 31/12/2017	294	2,376	2,669
Addition for the year		130	130
Reversal for the year	(17)	(28)	(44)
Other movements		(12)	(12)
Balance as at 30/06/2018	277	2,466	2,743

16.2 Other provisions for contingencies and losses

As at 30 June 2018, the other provisions for contingencies and losses broke down as follows:

<i>(€ million)</i>	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	43	19	145	207
Current provisions	47	112	300	459
Balance as at 31/12/2017	90	131	446	667
First time application of IFRS 9 ^(a)			63	63
Addition for the year	13	7	44	65
Reversal for use	(10)	(4)	(64)	(78)
Reversal of provisions no longer required	(9)	(14)	(4)	(27)
Other movements	1		(18)	(18)
Non-current provisions	41	15	129	185
Current provisions	43	105	337	486
Balance as at 30/06/2018	84	120	467	671

(a) The impact of the first time application of IFRS 9 corresponds to off-balance sheets commitments (cf. note 2, Figure f3)

As at 30 June 2018, **other provisions included:**

- a €144 million covering the penalty issued by the French Competition Authority against two companies of the Group;
- a €22 million provision covering the negative net asset value of equity associates and joint ventures, compared to €40 million as at 31 December 2017 (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)	30/06/2018		31/12/2017	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	171	4,122	380	4,129
Bonds		3,961		3,960
Finance leases	5	97	9	105
La Poste savings bonds	55		56	
Commercial paper	30		150	
Current bank facilities	14		41	
Deposits and guarantees received	45	26	99	25
Other borrowings at amortised cost	22	39	25	39
Borrowings designated at fair value		696	504	705
Hedged borrowings		427		415
Bonds				
Subordinated debt		427		415
Financial derivative liabilities relating to bonds	13	61	4	63
Other derivatives				
Interest accrued not due on borrowings	105		96	
Medium and long-term bonds and other financial debt (non-current)		5,306		5,313
Short-term bonds and other financial debt (current)	289		984	
TOTAL CURRENT AND NON-CURRENT	5,595		6,297	

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 31/12/2017	3,960	1,209	415	5,585
New borrowings				
Redemptions		(500)		(500)
Issue premium	1			1
Change in credit risk				
Other changes		(12)	12	
Balance as at 30/06/2018	3,961	696	427	5,085

17.3 Bond derivatives

(€ million)	Fair value as at 30/06/2018		Fair value as at 31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	119		163	
Floating-for-fixed derivatives		7		3
TOTAL	119	7	163	3
Hedging derivatives				
Fair value hedges				
Cash flow hedges		64		64
TOTAL DERIVATIVES RELATING TO DEBT	119	71	163	67
Other				
Currency swaps		2	1	
Cash management funds derivatives				
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	119	74	163	67
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives		1		2

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	H1 2018	H1 2017
Cash and cash equivalents (balance sheet line)	14	1,744	1,735
Debt-related derivative assets	14	119	164
Investment securities with initial maturities of over 3 months and UCITS	14	600	670
Security deposits paid in connection with derivatives, recognised as assets	14	1	
Net financial receivable against La Banque Postale		(18)	(93)
Cash and other asset items (1)		2,447	2,477
Medium and long-term bonds and other financial debt	17	5,306	5,313
Short-term bonds and other financial debt	17	289	984
Gross debt (2)		5,595	6,297
NET DEBT (2)-(1)		3,148	3,820
<i>Increase (Decrease) in net debt as at 30 June 2018</i>		<i>(672)</i>	

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	H1 2018	H1 2017
Cash flows from operating activities	CFS ^(a)	396	1,161
Cash flows from investing activities	CFS	(126)	(1,132)
Cancellation of the change in cash management financial assets	CFS	(70)	150
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets ^(b)		(196)	(982)
Capital increase	CFS		
Undated hybrid subordinated notes	CFS	744	
Dividends paid to the government	CFS	(171)	(171)
Purchase of non-controlling interests	CFS	(2)	(12)
Net financial interest expense		(77)	(79)
Change in the fair value of financial instruments		(11)	6
Impact of changes in consolidation scope on gross debt		(2)	(7)
Increase in finance lease liabilities		(2)	(20)
Issue premiums and costs		(3)	
Other items ^(c)		(4)	(2)
Cash flows and change in debt from financing activities		471	(285)
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		672	(106)
Net debt at the beginning of the period		(3,820)	(3,719)
Net debt at the end of the period		(3,148)	(3,826)

(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)	31/12/2017		Changes in consolidation scope	Increase	Decrease for use	Provision no longer required	Interest cost	Other changes	30/06/2018	
	Current	Non-current							Current	Non-current
Post-employment benefits for La Poste's government employees	9	246		1	(5)		2	7	9	252
Retirement benefits for the Group's contract staff	13	394		16	(8)		3	6	13	412
Pension plans for employees of foreign subsidiaries		52		1	(5)		1			49
Post-employment benefits	22	691		19	(17)		6	14	22	712
End-of-career arrangements	423	1,577		74	(227)		4		403	1,448
Severance payments	111	28							111	28
Long-term sick leave/long-term paid leave	57	38		2	(8)				54	35
Accrued leave	129	115		6	(14)				125	111
Other long-term benefits	1	14		1					4	12
Other benefits	298	195		10	(22)				294	186
TOTAL	743	2,463		102	(266)		10	14	719	2,347

NOTE 20 BANKING ACTIVITIES FINANCIAL LIABILITIES

(€ million)	30/06/2018	31/12/2017
Sight liabilities to credit institutions	590	724
Term liabilities to credit institutions	14,863	13,431
<i>of which securities given under repurchase agreements</i>	12,167	11,049
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	15,452	14,154
Special savings accounts	115,209	114,060
<i>of which Livret A passbook savings accounts</i>	61,048	59,934
<i>of which Home Loan Savings Plans and Accounts (PEL & CEL)</i>	31,927	32,118
Liabilities to customers	71,480	68,496
<i>of which ordinary trade payables</i>	64,624	62,713
TOTAL LIABILITIES TO CUSTOMERS	186,689	182,556
Debt evidenced by a certificate	15,633	14,462
<i>of which certificates of deposit</i>	5,253	5,172
<i>of which bonds</i>	7,286	6,200
Guarantee deposits received	1,094	1,259
Hedging derivatives	202	238
Other	2,065	1,916
TOTAL DEBT EVIDENCES BY A CERTIFICATE AND OTHER BANKING FINANCIAL LIABILITIES	18,994	17,875
BANKING ACCRUALS - LIABILITIES	1,901	2,099

NOTE 21 TRADE AND OTHER PAYABLES

(€ million)	30/06/2018	31/12/2017
Trade payables and related accounts	1,859	1,965
Tax and social security liabilities	1,735	1,838
Payable to suppliers of non-current assets	317	377
International mail payables	492	598
Customer advances and deposits	177	164
Other operating payables	170	212
TOTAL	4,750	5,154

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
- 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

H1 2018 <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			
Assets classified at amortised cost	972			(49)		923
Assets classified at fair value through recyclable OCI	49		(278)		322	93
Financial instruments at fair value through profit or loss		32				32
Hedging	100	(1)	(165)			(66)
TOTAL	1,121	31	(443)	(49)	322	981

22.2 Fair value of financial instruments

<i>(€ million)</i>	30/06/2018	
	Book value	Fair value
ASSETS		
Bank assets		
Customer loans and receivables	88,276	91,169
Credit institutions loans and receivables	89,900	89,921
Securities portfolio	47,044	48,835
Other current financial assets	1,846	1,846
LIABILITIES		
Bank liabilities		
Liabilities to credit institutions	15,452	15,443
Customer transactions	186,689	186,699
Debt evidenced by a certificate and other	18,994	19,255
Non-banking liabilities		
Bonds and other financial debt	5,595	6,145
Trade and other payables	4,750	4,750

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 2017.

(€ million)	30/06/2018		
	Level 1	Level 2	Level 3
BANKING ACTIVITIES ASSETS			
Financial assets held for trading	2,561	8,435	
Financial assets designed at fair value			
Financial assets at fair value that do not meet the SPPI criterion	513	199	278
Financial assets at fair value through profit or loss	3,074	8,634	278
Fair value hedging derivatives		1,149	
Cash flow hedging derivatives		10	
Hedging derivatives		1,159	
Financial assets at fair value through non recyclable equity			252
Financial assets at fair value through recyclable equity	10,701	323	
Financial assets at fair value through equity	10,701	323	252
Insurance investments	2,473	48	
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets		498	
Trade and other receivables		3,880	
Other current financial assets	50	599	
Cash and cash equivalents	229	1,516	
BANKING ACTIVITIES LIABILITIES			
Financial liabilities held for transaction purposes		511	
Financial liabilities designated at fair value		77	
Financial liabilities at fair value through profit or loss		588	
Fair value hedging derivatives		202	
Cash flow hedging derivatives			
Hedging derivatives		202	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		5,595	
Trade and other payables		4,750	

ASSETS

Reclassifications from Level 1 to Level 2: €107 million (5 fixed-rate investments whose price are not reflected on an active market any more).

Reclassifications from Level 2 to Level 1: €31 million (4 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 held for trading at fair value	Hedging derivatives	Assets designated at fair value through profit and loss	Trading derivatives	Assets at fair value through equity	Insurance investments	TOTAL
Opening balance	250				251		501
Gains and losses recorded in income	9						9
Gains and losses recorded in equity							
Purchases	33				2		35
Redemptions	(15)						(15)
Other movements							
Closing balance	278				252		530

22.4 Exposure to sovereign risk

(€ million)	Bank portfolio	Assets at fair value through profit or loss	Insurance investments	Total direct exposure ^(a)	Repo	Off-balance sheet	Total direct and indirect exposure ^(b)	Exposure (as a %)
Greece								
Ireland								
Italy	102	880	61	1,043	196		1,239	5.3%
Portugal	283	381		665			665	2.8%
Spain		325	9	334	501		835	3.5%
TOTAL GIIPES	385	1,587	70	2,042	697		2,739	11.6%
Germany	1,794	50	12	1,856			1,856	7.9%
Austria			15	15			15	0.1%
Belgium	1,087		50	1,137			1,137	4.8%
France	15,075	121	889	16,085	2		16,087	68.2%
Luxembourg	155		27	182	4		186	0.8%
Netherlands	152			152			152	0.6%
Poland			17	17	25		42	0.2%
Romania	15			15			15	0.1%
Slovenia			5	5			5	0.0%
Switzerland	23		6	29			29	0.1%
Supra-national								
TOTAL EUROPE	18,302	171	1,021	19,494	32		19,525	82.8%
Rest of the World	902	250	13	1,166	150		1,316	5.6%
TOTAL	19,590	2,008	1,105	22,702	878		23,580	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 €118 million. All investments are classified as level 1. No impairment was recorded on the stock of investments as at 30 June 2018.

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 €2,682 million (compared to €4,420 million as at 31 December 2017). They split mainly between

the banking category for €2,210 million and the corporate category for €458 million (compared to respectively €2,389 million and €1,481 million as at 31 December 2017).

NOTE 23 RELATED PARTIES TRANSACTIONS

No significant change in the nature of transactions with related parties has occurred since the 2017 year-end (see Note 35 to the consolidated financial statements at 31 December 2017).

NOTE 24 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

No significant change in off-balance sheet commitments or contingent liabilities has occurred since the 2017 year-end (see Note 37 to consolidated financial statements at 31 December 2017).

NOTE 25 POST-BALANCE SHEET EVENTS

None.

4

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

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

Statutory Auditors' review report on the interim financial information

(Six months ended June 30, 2018)

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, 2018 ;
- the verification of the information contained in the interim management report.

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

I - Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to Note 2.3 "First year application impacts of IFRS 9 standard" to the condensed interim consolidated financial statements, which describes the consequences on the financial statements of the application of the new standard IFRS 9.

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, 2018

The statutory auditors

French original signed by:

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Eric Bertier
Partner

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