



2014 INTERIM FINANCIAL REPORT

LE GROUPE LA POSTE



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

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RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

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

Executed in Paris, 31 July 2014

Chairman and Chief Executive Officer

Philippe Wahl

MANAGEMENT REPORT HALF-YEAR 2014

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NB 1: The financial data appearing in this document are taken from the Group's consolidated historical financial statements drawn up pursuant to international financial reporting standards, unless otherwise indicated (see section 2.1 '2013 pro forma financial statements').

NB 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. 2014 First half highlights

1.1 A new governance model to enhance development

In line with the schedule unveiled on 28 January 2014, on 4 April 2014, Philippe Wahl, Chairman and Chief Executive Officer of Le Groupe La Poste, presented the governance principles implemented to spearhead the "La Poste 2020: Conquering the Future" development project.

1.1.1 *A strong Group*

The Group is focusing on strategic functions so as to further strengthen coordination:

- The Executive Committee ensures the strategic management of shared high-priority development projects (see 1.1.3) and ensures cooperation among the Business Units. 50% of the Executive Committee members' variable compensation will be tied to the Group's objectives.
- The Group's Human Resources department is responsible for the strategic management of human resources.
- The Group's investment committee will review the Group's significant capital expenditure projects, as they already do with external acquisition projects.
- The Group audit has been fortified in order to guarantee consistency in the Business Units' audits. The HR and IS audits will be combined with the Group audit.

1.1.2 *Five Business Units*

The previous organisation of Le Groupe La Poste dates back to 2003; it led to the Group's organisation by Business Line (Mail, Parcels-Express, the Retail Brand, Banking activities, Real Estate) and to the increased accountability of operational managers. This governance was decisive in spearheading the company's major modernisation projects (overhaul of the industrial Mail tool, creation of La Banque Postale, modernisation of post offices, development of Parcels-Express in France and internationally, etc.) in a universe that had become fully competitive.

Today, faced with the divergence of its business model due to the combined impacts of the digital revolution and the economic and financial crisis, the Group has committed to a new strategic plan and has adopted an organisational structure that is adapted to its development project, with five Business Units:

- Services-Mail-Parcels
- GeoPost
- La Banque Postale
- Digital Services
- La Poste Network

1.1.3 *Five high-priority cross-entity development projects and two cross-entity strategic projects*

The Group's Executive Committee will ensure the strategic management of shared high-priority projects. The five high-priority projects involve:

- ✓ E-commerce;
- ✓ Energy transition;
- ✓ La Poste's contribution towards the modernisation of public action;
- ✓ Urban logistics and cities;
- ✓ Digital brand and individual customer knowledge.

The two strategic projects are:

- ✓ Building the social pact;
- ✓ Reducing the costs of headquarters and structures.

1.1.4 *New appointments to the Group's Executive Committee*

On 21 January 2014, Jacques Savatier was appointed Executive Vice President in charge of regional development and corporate governance bodies by Philippe Wahl, Chairman and Chief Executive Officer of Le Groupe La Poste. As such, Jacques Savatier has become a member of the Group's Executive Committee.

Additionally, on 4 April 2014, Philippe Wahl appointed:

- ✓ Nathalie Collin as Group Executive Vice President and Head of Communications. As such, Nathalie Collin has become a member of the Executive Committee. She succeeded Vincent Relave, who left the Group in late 2013.
- ✓ Yves Brassart as Group Executive Vice President and Chief Financial Officer. As such, Yves Brassart has also become a member of the Executive Committee. He succeeded Xavier Girre, who has joined the management team of XAnge Private Equity (a subsidiary of La Banque Postale) with its founder, Hervé Schricke.

1.2 The new Strategic Plan "La Poste 2020: Conquering the future"

In line with the schedule unveiled on 28 January, on 26 June 2014, Philippe Wahl, Chairman and Chief Executive Officer of Le Groupe La Poste, presented the financial business plan for the "La Poste 2020: Conquering the Future" strategic plan to the Board of Directors, as well as the action plans of each of the five Business Units.

La Poste is taking the necessary steps towards restoring its good economic health in a sustainable manner, guaranteeing the future of the company and its employees, through its strategic plan focused on development and the involvement of all concerned.

1.2.1 *Re-establishing the Group's good economic health*

In 2013, Le Groupe La Poste saw its economic model diverge and generate negative organic cash flows for the first time, in an environment with rapidly declining mail volumes and persistently low interest rates.

The Group defined its new financial business plan in order to regain the positive cash flows necessary to finance its operating activities. For La Poste, this goal entails accelerating all of its high-priority action drivers, including:

- Development, by accelerating the existing business activities of each of the Business Units and conquering new territories;
- Performance, by controlling expenses, particularly through a specific effort to reduce headquarters' costs and adapting operating costs to changes in business activities;
- Synergies and cooperation between the Business Units to enhance development, notably via the implementation of five shared high-priority projects (see 1.1.3).

Starting in 2015, La Poste expects an increase in organic revenue of around 2% per year on average to reach more than €25 billion by 2020.

At this date, the Group's operating profit will amount to around €1.9 billion, excluding external growth, thanks to the combined effects of its development, the significant reorganisation of its processes and the decrease in its operating costs. To support its development, Le Groupe La Poste will dedicate approximately €6 billion to capital expenditure in the period, and around €2 billion to external growth.

1.2.2 *Business Unit action plans focused on development*

- The **Services-Mail-Parcels** Business Unit is continuing its Universal Postal Service mission with a high standard of quality. It plans to develop new home services by making the network of postmen the premier connected network for local services. It aims to become the privileged partner in e-commerce and a major player in urban logistics. La Poste also wants to enhance "media mail" by integrating advertising mail into a multimedia offering. La Poste intends to simplify the lives of French people by offering them useful innovations: combined Mail-Parcels range for documents and merchandise, parcel collection from household letterboxes, home delivery options, etc.

The Services-Mail-Parcels Business Unit anticipates a 6% to 7% decline in mail volumes per year over the period, but aims to limit the decrease in its revenue and maintain its operating profit at €400 million until 2020 by developing parcels, adjusting its pricing within the framework defined by ARCEP, innovating and offering new postmen's services.

- The **GeoPost** Business Unit plans to bolster its positioning in the express market in France and to develop its combined ("toB" and "toC") network in Europe. To this end, GeoPost will expand its service offerings: interactive delivery, developing pick-up and drop-off points, Saturday delivery in Germany, Sunday delivery in the United Kingdom, return solutions in Germany, developing Pickup Services and rolling out a network of automated postal machines with Neopost.

GeoPost also intends to reproduce its European model in other key regions around the world, while seeking to connect these regions to the European continent.

The GeoPost Business Unit, driven by an average 6.6% increase in volumes per year, forecasts an increase in its revenue to reach nearly €7 billion by 2020 at constant scope. Accelerating its development will allow GeoPost to deliver approximately €540 million in operating profit in 2020.

- The **La Poste Network** Business Unit aims to become a benchmark in services and commercial development while carrying out its public service missions. The Business Unit will prioritise banking and serving each of the Group's Business Units by rolling out new local retail outlets, particularly in urban areas: implementing new partnerships (Urban Relais Poste outlets) and new post office layouts, including the creation of new spaces for professional customers. In rural and semi-rural areas, the Network will strengthen the pooling of its resources through innovative partnerships.

The Network will also simplify offerings and customer pathways within its retail outlets. La Poste Mobile, which is distributed in post offices, aims to have more than 2 million customers by 2017, and will continue its development with innovative offerings to best suit customers' interests.

- **La Banque Postale** is going to accelerate its development in all of its markets: private individuals, professionals, corporate and local authorities. For example, by the end of the 2020 plan, it will have deployed 1,000 advisors for high net worth customers and 1,000 advisors for professional customers throughout the country. At the same time, it will continue its banking accessibility public service mission in the midst of its modernisation.

La Banque Postale is currently setting up a single management structure with La Poste Network, aiming to bring banking responsibility as close to customers as possible in post offices. With a plan to invest heavily in information systems and digital, La Banque Postale will finish integrating its physical channels into a complete omni-channel environment.

La Banque Postale aims to increase its NBI by 3.3% on average per annum to reach €7 billion by 2020. With this commercial development and control of costs and risks, La Banque Postale has set a target of €1.5 billion in operating profit within this time frame.

- The newly created **Digital Services** Business Unit forecasts a 35% increase in revenue to more than €600 million (excluding external growth) between 2015 and 2020, falling into three major focus areas: the digital transformation of both the companies' operational processes and their customer relations, simplifying the customer experience online and developing online services, including the launch of a service platform for very small companies and SMEs.

The Business Unit's operating profit is expected to reach €65 million by 2020. It has also set a goal of over €1 billion in total revenue by 2020 (after external growth).

The Digital Services Business Unit is building its customer knowledge database in France and developing new everyday digital service platforms. As a trusted third party, La Poste will also be offering each French person a digital identity, a 'laposte.net' email address and a digital safe, as part of a public utility mission.

Lastly, to incorporate the digital revolution into the Group, La Poste will enable each employee to adopt his or her own culture, methods and useful tools both for personal use and to support customers.

1.2.3 *A strategic plan that involves all stakeholders*

Faced with the challenges involved in both developing new business activities and changing traditional ones, La Poste must evolve rapidly and carry out in-depth changes with the support of all its stakeholders, including in particular employees and the French government:

- Development to serve employees: building a professional future for everyone, providing visibility, increasing employability - these goals also meet employees' expectations. During the time frame of the 2014-2020 strategic plan, Le Groupe La Poste is committed to making unprecedented training efforts to encourage all forms of career development, including new skills, new jobs and new career paths, while continuing to enhance the quality of life at work of all its employees. These challenges are central to Le Groupe La Poste's concerns and the negotiations that are currently taking place with unions.

- Fair compensation for public service missions: public service is at the core of Le Groupe La Poste's model, and the Group wants to invest in new areas of public utility. Fair compensation for public service missions will be essential to support the company's efforts to restore the convergence of its economic model as well as a funded Universal Postal Service that maintains a high quality of service under the framework defined by the regulator. Therefore, in October 2014, the public service missions will be jointly assessed by the stakeholders of Le Groupe La Poste.

Le Groupe La Poste is building a high-performance, multi-business and omni-channel model for its customers and for employees, based on developing its Business Units, innovation, adapting its costs to its level of business activity, external growth and the efforts of all stakeholders. This model will allow the Group to regain good economic health and to finance its development in a sustainable manner, in the service of - and close to - everyone, everywhere, every day.

1.3 Economic and financial environment

Through its banking activities, the Group is sensitive to changes in interest rates, and to a lesser extent to changes in the financial markets. Considering its positioning in service activities, the Group is more generally influenced in its different businesses by the economic situation and by the change in labour cost, particularly in France. Lastly, oil prices and exchange rates to the US dollar and to the pound in particular, given GeoPost's significant business activity in the United Kingdom, are important indicators for both the Group's logistics activities and its international activities.

1.3.1 *International growth has remained uncertain*

During the first half of 2014, the recovery that international growth experienced in 2013 was interrupted. It even experienced some weakness in the first quarter, before gaining strength again in the spring. At the beginning of the year, economic activity dropped in the United States under the effects of exceptionally bad weather and of taking a breather after a strong second half of 2013. At the same time, in China, the need to put the brakes on debt and the necessary transition towards more balanced economic development temporarily emphasised the slowdown in growth. Furthermore, in several emerging countries (Brazil, India, Russia, etc.), growth remained hampered by various internal instabilities. Lastly, the euro zone continued its recovery, but at a slow pace, as expected.

1.3.2 *Continued slow recovery in the euro zone*

Economic recovery has remained slow in the euro zone (1% per year for GDP) and uneven between Member States. Certainly, fiscal consolidation policies and their restrictive effects eased in the zone, but growth has been further slowed by the need to reduce private and public debt in several countries. In addition, growth in exports has been limited by the slowdown of certain emerging economies. Financing conditions and access to credit has also remained difficult for SMEs in the European countries that were hit hardest by the crisis, which has hindered recovery in investment and employment. In fact, the decline in unemployment in the euro zone (slightly less than 12%) has been very gradual. Lastly, although the States' borrowing costs, which previously created a high level of distrust among investors, experienced a marked decline, price increases have become very weak. Interest rates have fallen at a slower pace than inflation, which has contributed to an increase in real interest rates.

Inflation is standing firm at a very low level in the euro zone (0.5% over one year in June as in May) for several reasons: stagnant commodities prices in dollars (except for a few food products) due to moderate global growth; appreciation of the euro from its lowest point in mid-2012 at the height of the sovereign debt crisis; and very slow salary growth (except in Germany) due to high unemployment and seeking gains in competitiveness.

1.3.3 *Ongoing weak growth in France*

As has been the trend, for the first half of the year, GDP growth in France remained at less than 1% year-on-year. Unlike in other European countries, where public finance consolidation plans began earlier, the budget policy remains constrained in France, whereas the supply-side policy (decrease in social security contributions notably) implemented to correct competitiveness, investment and employment, will only yield results gradually.

Within this context, household consumption more or less stagnated during the half year and total investments shrank: investments in public administrations are down, as is the case with new housing purchases, and corporate capital expenditure has just started to recover. Lastly, unemployment has continued to rise, but at a slower pace.

1.3.4 *Relapse of interest rates mainly in the euro zone and rise of the major market indices*

The sluggish recovery and weak inflation in the euro zone contributed to a general relapse of interest rates, including for loans from European Member States with lower credit ratings. The drop in rates intensified at the end of the first half after the European Central Bank (ECB) announced its intention to act before the decline in inflation could turn into deflation.

In fact, the ECB cut its key interest rates on 5 June and took new monetary policy measures, in particular to stimulate bank credit. As a result, the short-term interest rates of the larger countries in the euro zone (Germany and France in particular) fell at the end of the first half. Additionally, interbank rates, which had begun to rise at the beginning of the year under the effects of reduced excess banking liquidity, dropped again in June (to 0.24% for the 3-month Euribor monthly average and to 0.08% for EONIA). The best rated government bond rates, which had started to pick up starting in May 2013, also fell again during the first half of the year. The 10-year OAT rate also fell sharply to below 2% (1.60% on 30 June) and its German counterpart fell below 1.5%.

In the stock markets, the combination of moderate global growth with weak inflation and low interest rates contributed to the further progression of the European stock exchanges during the first half of the year, including Paris (+3% over the entire first half of the year).

1.3.5 *Rise of the euro against the dollar and decline of the euro against the pound*

Despite the economy being more dynamic across the pond than in Europe, the euro continued to appreciate against the dollar in the first half of the year, at least until early May, approaching \$1.40 versus \$1.37 on average in December 2013. It was sustained due to the gradual calming of the debt crisis in the euro zone, after tensions peaked in mid-2012, due to the appearance of a considerable trade surplus, and lastly due to the Federal Reserve continuing to create liquidity in dollars, unlike the ECB. However, the ECB's decision to act against the risk of deflation drove the euro down to an average of \$1.36 in June.

Against the pound, meanwhile, the euro tended to depreciate, from £0.84 in December 2013 to £0.80 in June, despite a substantial trade deficit in the United Kingdom, because the British currency was supported by stronger economic recovery across the Channel.

1.3.6 *Ongoing stability of oil prices despite the Russian-Ukrainian crisis*

As in 2013, oil prices in dollars remained the same with no clear-cut trends, with a half-yearly average of slightly less than \$110 per barrel of Brent from the North Sea. The Russian-Ukrainian crisis and the clashes in Iraq in June have not caused any major upward movements on black gold prices. In fact, these geopolitical tensions have not disturbed supply in the global oil market.

From an economic fundamentals standpoint, the stability of the price per barrel is due to global oil demand remaining sluggish, in line with moderate global growth, whereas supply has been sustained by expanded shale oil production in the United States.

1.4 Regulatory environment

1.4.1 *La Poste publishes universal service performance indicators for 2013*

On 31 March 2014, La Poste published universal service performance indicators for 2013. This document, also sent to ARCEP (Autorité de régulation des communications électroniques et des postes – French regulator of the electronic communications and postal sectors), to the DGCIS (Direction générale de la compétitivité, de l'industrie et des services - French General Directorate for Competitiveness, Industry and Services) and to the CSSPPCE (Commission Supérieure du Service Public des Postes et des Communications Electroniques - French Higher Commission for the Postal, Communications and Electronics Public Service), details the shipping time frames for the main universal service products (Priority Mail, Green Mail, Registered Mail, Industrial Mail, EU cross-border mail, Colissimo counter, press), the accessibility of the La Poste network through its public outlets and its street letterboxes, as well as claims processing.

Regarding shipping times:

- Next-day delivery single-piece Priority Mail: quality of service reached its second-highest level in history with 87.4% of letters delivered next-day (87.9% in 2012) for a target of over 85%.
- Green Mail: quality of service has risen to nearly 93% after only two years of existence.
- Registered Mail: quality of service is at its highest level, with 95.2% of letters delivered within two days, surpassing the goal set at 93%.
- Industrial Mail: La Poste has a contractual commitment to its customers that issue industrial mail to attain a monthly quality of service level of 95%. This rate is systematically surpassed.
- Colissimo counter: universal service parcels have benefited from the global improvement of La Poste's dispatch and delivery network. Quality of service amounted to 89.4% with a goal of 88%.

Additionally, in terms of accessibility, La Poste complies with its local postal coverage obligations with its 17,100 public outlets.

As a reminder, La Poste must simultaneously satisfy three accessibility criteria for universal service:

- National: "at least 99% of the population must live within 10 km of a postal public outlet";
- Departmental: "at least 95% of the population in each department must live within 10 km of a postal public outlet";
- Districts: "all districts of over 10,000 inhabitants must have at least one public outlet for each tranche of 20,000 inhabitants".

1.4.2 *A third local postal coverage agreement (2014-2016) on par with previous versions*

The new local postal coverage agreement for 2014-2016 was signed on Thursday, 16 January 2014. As with previous versions, this agreement continues the renovation of post offices and development of partnerships, particularly through the pooling of public services, while innovation will be achieved by adapting postal coverage to the diverse needs of the regions and populations, taking changes in technology into consideration. The projected amount of resources of the equalisation fund was renewed for €170 million annually, i.e. a total of €510 million throughout the duration of the contract.

By focusing attention on digital accessibility and pooling, the new local postal coverage agreement is consistent with Le Groupe La Poste's strategic direction and is in line with the regions' high expectations. The scope of intervention of the equalisation fund is expanding into the rural areas and integrates deprived urban areas as these are currently defined.

Moreover, this new agreement is characterised by a stronger representation of Departmental Commissions on Local Postal Presence (CDPPT – Commissions départementales de présence postale territoriale) within the National Postal Coverage Observatory (ONPP – Observatoire National de la Présence Postale). The missions of the latter have been expanded and the CDPPTs have been given new remits.

1.4.3 ***The European Commission has approved the public service compensation paid to La Poste concerning local postal coverage and press***

On 26 May 2014, the European Commission concluded that the tax allowance that the French government granted La Poste for the 2013-2017 period to maintain a high density of postal coverage was in compliance with European Union regulations pertaining to State aid. It also authorised the payment of a subsidy to finance the press transportation and delivery mission entrusted to La Poste for the 2013-2015 period. The Commission ruled that the two forms of support were not likely to distort competition in an undue manner within the single market, notably because they only partially compensate for the net cost of the public service missions entrusted to La Poste:

- The local postal coverage mission aims to guarantee the high density of the postal network, beyond the obligations imposed by the universal service, particularly in rural areas. To finance it, the public service agreement between the French government and La Poste for the 2013-2017 period states that La Poste will receive a local tax allowance of approximately €170 million per year (i.e. €850 million in total over the entire period).
- The press transportation and delivery mission requires La Poste to offer advantageous regulated rates to publications of acknowledged general interest. The memorandum of understanding signed in 2008 by the French government, La Poste and press industry unions, states that La Poste will receive subsidies amounting to €597 million over the 2013-2015 period to carry out this task.

The discussions initiated in late 2013 on changes in press aid are still ongoing. However, in 2014, the French government will not pay La Poste the amount that the initial agreements stated as part of the contribution from the French government for the press transportation and delivery public service, but rather the amount defined in the 2014 Finance Law, a sum of €150 million.

1.4.4 ***Implementation of the Green Book roadmap on parcel delivery***

On 10 April 2014, the European Commission launched a workshop for the implementation of the roadmap for the Green Book, called "On an integrated parcel delivery market for the growth of e-commerce in the EU".

On 16 December 2013, the European Commission published its roadmap related to the completion of the Single Market concerning parcel delivery.

This roadmap is part of the Commission's work relating to the development of e-commerce. It follows the Green Book created in 2012 on the integration of the parcel delivery market. It proposes new actions to solve the problems surrounding delivery and the difficulties that consumers and online retailers face in the European Union.

1.4.5 *La Poste increases mail and parcel prices*

- ✓ Increase in mail prices on 1 January 2014

La Poste increased prices by 3% on average on 1 January 2014 in order to maintain high-quality universal service. Green Mail increased from €0.58 to €0.61 and the priority stamp increased from €0.63 to €0.66, thereby maintaining the €0.05 saving represented by Green Mail. The price for Online Mail remained at €0.99. Due to the difficult economic environment, La Poste limited the increase of Industrial Mail prices to 1.8% and the prices for the Destineo Esprit Libre and Découverte offers, which are tailored to very small businesses, will not increase. The price of a stamp remains at the European postal service average.

- ✓ Increase in parcel prices on 1 March 2014

Pricing changes for parcels took place on 1 March following the favourable opinion of ARCEP (No. 2014-0164). Mainland parcels saw prices increase 2.9% on average, and the first weight bracket (0-250 g) remained unchanged at €5.50. For international parcels, where rates have remained unchanged since 2011, prices increased an average of 1.6%, but zone A (Europe) did not undergo any rate increase.

1.4.6 *Changes in the banking environment*

The new international standards on bank capital adequacy, more commonly known as the "Basel III Agreement" have been transposed under the form of a "CRR" regulation and a "CRD IV" directive within the legal framework of the European Union. They take effect on 1 January 2014 and include a transition phase until 2018.

1.4.7 *Competitive environment*

An inquiry by the French Competition Authority opened in 2010 concerning the CEP sector in France comprises several express delivery operators, including Chronopost and Exapaq.

A statement of objection memo was communicated on 30 June 2014, which drove the Group to create a provision for risk as a precaution.

1.5 External growth and partnerships

1.5.1 *GeoPost*

1.5.1.1 *GeoPost and Neopost sign an agreement to create and operate automated lockers*

On 28 January 2014, GeoPost and Neopost, the European market leader in mailroom equipment, signed an agreement to create and operate secure automated lockers for the delivery and return of parcels in France.

This agreement anticipates an initial roll-out of approximately 1,500 lockers from now until 2016 to finish with more than 3,000 lockers, which will be installed by Packcity France, a company jointly set up by NeoPost and GeoPost.

In a world where e-commerce is rapidly expanding, these Packcity lockers located in easily accessible places will provide parcel customers a flexible and secure solution. This agreement will therefore allow GeoPost to complement the range of delivery solutions offered by Le Groupe La Poste in France. Financing needs planned under this agreement will total some €50 million, two thirds of which will go to Neopost and one third to GeoPost. The two partners will explore the possibility of rolling out similar networks in other European countries.

1.5.1.2 *DPD Polska acquires Siódemka*

On 11 April 2014, DPD Polska, a subsidiary of GeoPost in Poland, signed a purchase agreement to acquire 100% of the share capital of the Polish operator Siódemka from Abris Capital Partners investment funds. This acquisition remains subject to approval by the local competition authorities, however (approval expected this summer), so Siódemka is therefore not consolidated into the Group's financial statements as of 30 June 2014.

Siódemka, one of the leaders in the domestic parcels market in Poland, delivered €80 million in revenue in 2013 and transported 27 million parcels, including 30% on BtoC, and has a customer base that is very complementary to that of DPD.

This acquisition will allow DPD Polska to significantly strengthen its position in the express market in Poland while becoming one of the top two leaders in the domestic market.

1.5.1.3 *GeoPost strengthens its equity investment in Worldnet Direct in the United Kingdom*

In early May 2014, GeoPost UK announced that it had increased its equity investment in the share capital of the British logistics service provider Worldnet Direct (WnDirect) to 63.5%. WnDirect, formed in November 2011, achieved €71 million in revenue in 2013. This company offers an international air-based home-delivery solution for BtoC parcels specially designed to meet the specific needs of the e-commerce market: reliability, speed and flexibility. WnDirect, which specialises in delivery for e-retailers, operates in the United Kingdom and in the United States. It also offers delivery solutions to Russia, China, Brazil and the Middle East and plans to open additional processing centres across the world. Thanks to this acquisition, GeoPost and its subsidiaries now have access to a very dynamic market with strong potential.

1.5.2 *Services-Mail-Parcels: creation of Proximity, the leader in press home delivery in Ile-de-France*

Groupe Amaury and Le Groupe La Poste's press home delivery companies, SDVP and Neopress respectively, announced that they had finalised their merger agreement in April 2014. The new joint-venture, Proximity, is 75% held by Groupe Amaury and 25% held by Le Groupe La Poste.

The company's goal is to reinforce the range of home delivery services offered to press publishers and subscribers, and to develop new service offerings in the local delivery sector in Ile-de-France (combined annual volume of more than 130 million press copies) and in Oise. This alliance of the two main players in Ile-de-France press home delivery reaffirms and reinforces Le Groupe La Poste's commitment to newspaper and magazine home delivery.

1.5.3 *La Banque Postale: Acquisition of Sofiap*

On 20 May 2014, La Banque Postale announced the acquisition of an equity investment in Sofiap from Credit Immobilier de France and SNCF. Now 66% held by La Banque Postale and 34% held by SNCF, Sofiap manages over €1.6 billion in loan outstandings with more than 24,000 customers, primarily employed by SNCF, relying on a team of nearly 120 people divided up between its headquarter and around 30 branches in France.

For La Banque Postale, this acquisition falls under its development dynamics in the private individuals market and more particularly in home loans. With Sofiap, LBP is continuing to bolster its social home ownership activities.

1.6 New products and services

1.6.1 *Development of the connected postman's activities*

Mail is continuing to roll out its new tool: FACTEO. This equipment helps postmen with their daily operations and offers new functionalities for convenience, quality and innovation to serve all of La Poste's customers, from shippers to end-customers.

The terminal has three main uses: "My telephone" (with telephone, SMS, email and internet functionalities), "My Post" (with access to Group news and internal information) and "My Round" (with access to functionalities that facilitate a postman's rounds and customer service).

The goal is to roll out close to 40,000 terminals by the end of 2014, or around 45% of postmen equipped. This investment is a strong sign of the future of the postal profession, its modernity and its ability to respond to customers' new expectations in terms of local services and trusted relationships.

Three applications have already been implemented as part of the FACTEO roll-out: one allows for tracked items to be signed for, one is dedicated to proxies and a third manages mail forwarding. The Services-Mail-Parcels Business Unit is also continuing with discussions and the implementation of new home services for private individuals, notably Cohésio (a service involving regular home visits by postmen to households with isolated and/or infirm members), Relevéo (a service to read energy meters on behalf of companies in the sector), various home delivery services (groceries, books, CDs, medications), photos for insurance companies, technical installation services, listing labour demand services.

1.6.2 *Expansion of GeoPost activities*

1.6.2.1 Expansion of the Predict offering

Predict is a service that allows the customer to choose a delivery time. A text message (SMS) and/or email is sent to the customer with a specific time-slot proposed for a determined day to deliver the package and offers the option of changing the delivery to another day (rescheduling). Launched in the United Kingdom, Predict is now available in 18 countries in Europe. In addition, Predict is available not only for domestic shipments, but also for international shipments in most countries.

Since March 2014, DPD UK has offered an improved version of Predict to all of its UK customers. This upgrading allows customers to access three new delivery options in addition to the "change delivery date" and "deliver to neighbour" options already available:

- "Deliver to a secure location"
- "Pick up at the closest pick-up location"
- "Update my delivery": allows customers to choose delivery options, such as a "before 10am" service.

DPD has also launched Saturday delivery in Germany and Sunday delivery in the United Kingdom.

1.6.2.2 Pickup Services tops 13,000 outlets in Europe, including 7,000 in France

In response to growing demand, GeoPost, thanks to its subsidiary Pickup Services, offers its customers a flexible and competitive delivery solution via networks of pick-up and drop-off points. This dense network brings more proximity and accessibility to all of the customers of the Group. GeoPost has now a total network of 20,000 pick-up and drop-off points in Europe.

1.6.2.3 Pickup Services launches "La Navette Pickup"

On Wednesday, 4 June, Pickup, GeoPost's network of pick-up and drop-off points, launched an innovative offering called "La Navette Pickup" ("the shuttle Pickup"). It allows private individuals to send parcels through a network of local shops spread out over France. This shipping solution from one pick-up and drop-off point to another is intended in particular for new modes of collaborative consumption: purchase-sale, rental or bartering. This service targets local and regional trade in particular, which has been covered only to a limited extent until now.

Flexible envelopes, which are available to customers in the Pickup outlets, are used to shuttle items. Designed to handle most everyday items, these envelopes can be reused indefinitely.

Pickup Services is targeting a market of around 200 million transactions annually between private individuals in France. Currently available at 4,000 pick-up and drop-off points, "La Navette Pickup" will be offered at the 7,000 pick-up and drop-off points in the French network in the coming months. Pickup also aims to expand this service in Europe, notably in Benelux (where there are 4,000 pick-up and drop-off points), Portugal, Spain and the United Kingdom.

1.6.3 Enlargement of La Banque Postale's portfolio

1.6.3.1 La Banque Postale launches its Stock Savings Plans for SMEs

Since 5 May, La Banque Postale has been marketing the PEA-PME Stock Savings Plans for SMEs, the new securities account instituted by the 2014 Finance Law, whose aim is to help small, medium and intermediate-sized businesses obtain financing. La Banque Postale is reaffirming its "Civic-Minded Bank" commitment by offering its customers products and services to allow them to diversify their financial assets while helping to fund French SMEs. As part of the SME Stock Savings Plan, La Banque Postale suggests investing in new Tocqueville SME funds managed by Tocqueville Finance, its subsidiary specialised in asset management.

1.6.3.2 La Banque Postale has enhanced its product range for high net worth customers

During the first half of 2014, La Banque Postale enhanced its product range for high net worth customers with the launch of three high-end life insurance policies: Cachemire 2 and Cachemire Patrimoine, offered in partnership with CNP, as well as Satinium, an asset management power of attorney contract.

1.6.3.3 La Banque Postale is continuing its digital services development

La Banque Postale has launched a mobile application allowing customers to manage their prepaid cards from anywhere at any time on their Smartphones. In May 2014, La Banque Postale also launched the contactless payment service on Smartphones.

1.6.4 Continuing to build the Network's appeal

1.6.4.1 3D Printing

Since late 2013, customers can discover 3D printing in three Paris offices. In each of these offices, a service area for 3D printing has been created to allow private individuals as well as professionals to design objects from their own 3D files, using a catalogue with dozens of references, or even a drawing. The project is expected to undergo targeted development in different cities in France.

1.6.4.2 Digital tablets

Customers from 50 Local Postal Agencies (APC) have been able to use touch screen tablets since late 2013. Customers can thus access La Poste offerings on the internet to consult their La Banque Postale accounts for example, or manage their invoices on La Poste Mobile. La Poste also provides access to the websites of certain public services such as social security, the family allowances fund and the employment division.

1.6.5 *La Poste Mobile, a competitive operator*

Present in the market since May 2011, La Poste Mobile passed the one million customer mark at the beginning of this year and has continued its commercial development in the first half of 2014.

1.6.5.1 **Launch of 4G offers**

On 27 January 2014, La Poste Mobile launched its affordable 4G offers with the support of its partner SFR's network: three packages with mobile 2 Go and more all include 4G without any price increase and the SIM-only plans now have a new 4G 5 Go 24/7 offering. Thanks to the SFR network, these offerings cover over 40% of the population with 4G in more than 1,300 cities.

1.6.5.2 **Quatro offering**

Launched on 22 April 2013 in partnership with SFR (quadruple play offering with internet, television, fixed telephone and mobile), the Quatro offer has met with true success: 23,000 boxes have been sold since the beginning of the year (20,000 in full-year 2013).

1.6.5.3 **"International Prepaid" offer**

On 7 April 2014, La Poste Mobile launched its "International Prepaid" offer intended for French customers wanting to keep in touch with their friends and family living abroad. This offering was immediately successful as 82,000 prepaid lines were sold as of 30 June 2014.

1.6.6 *A new Webmail service for La Poste*

La Poste is offering a new version of its Laposte.net email with a totally new interface and new functionalities. This new Webmail service offers more streamlined, rapid and mobile navigation thanks to an interface that allows optimal navigation on both fixed internet and mobile. This new version will be rolled out to all users by the end of September, i.e. to more than 3.8 million accounts. Laposte.net is currently the sixth-largest Webmail service used by French people and has more than 3.8 million users. With 100% of its data hosted in France, and with the integration of the Digiposte digital secure safebox, this service is keeping with La Poste's commitments, which places trust at the heart of both its physical and its digital solutions.

1.7 The Group's commitments with respect to responsible development

1.7.1 *La Poste develops combined freight*

On Thursday, 19 June 2014, La Poste announced that it would invest €100 million between 2014 and 2016 to develop combined freight to transport mail, small parcels, and press in France. This plan is based on a multi-modal strategy which combines rail and road transport, air transport (only for the next-day deliveries that require it) and, eventually, river transport.

La Poste is building a new versatile multi-modal transportation platform at Bonneuil sur Marne, in Val-de-Marne. This city's port is ideally located at the intersection of three economic flows that serve the North, the South-West and the Lyon-Marseille route. This platform, which will be the hub of a new combined freight network, will also handle e-commerce logistics activities with the preparation and shipping of e-commerce orders to customers in France and all over the world. Its opening will coincide with the TGV's (high speed train) discontinuation of mail transport, which has been the chosen means of transport for 30 years, but no longer adapted to customers' new uses. The mail volume transported by train will be larger with combined freight than today with the TGV.

This project, which extends 170 years of history between the rail and La Poste, reaffirms its choice of this reliable and environmentally friendly mode of transport. With this plan, La Poste will be able to reduce its road links by 638,000 km in Ile-de-France and save more than 1,800 tonnes in CO2 emissions each year.

1.7.2 **La Poste renews the agreement with COPACEL**

On 7 March, La Poste renewed an agreement signed in 2013 with Copacel. This association brings together French paper recyclers who process the office paper collected via La Poste's Recy'go offering.

La Poste and the Association of French paper industries (Copacel) are participating in a green economy, in particular by limiting paper imports and used paper exports and participating in job creation in France.

1.7.3 **Launch of the Solidarity Printing Offering and winning the bronze trophy for eco-responsible purchasing**

At the beginning of 2014, MEDIAPOST launched a solidarity printing offering for its customers. With Solidarity Printing Solutions, Mediapost is the only company to offer solidarity printing that is carbon neutral and 100% responsible in the market. The main features of this offering are as follows:

- Reference listing of suitable companies that respect the environment
- Paper from sustainably managed forests or recycled
- Transport: flow pooling, printing as close as possible to the delivery location
- Carbon neutral offering: MEDIAPOST guarantees carbon neutrality for all of its services (paper, printing, energy, transport, delivery)
- Creating offers with printers
- Partnership for marketing services

On 17 March 2014, the Print offering was awarded the Bronze trophy in the eco-responsible purchasing category by *Décisions-Achats* magazine.

1.7.4 **La Poste materializes its commitment to the Silver Economy**

The Group responded to a call for proposals from the Lauvergeon Commission. A consortium: Tikeasy (manufacturer), Bayard Presse (content provider), Archos (application developer for seniors) and Le Groupe La Poste proposed an easy-to-use digital tablet that provides access to services and social ties. This allows La Poste to position itself as a player that offers the total package in this market (delivery, offering services through Cohésio).

1.7.5 **Le Groupe La Poste - a partner in the collaborative economy**

In May 2014, Le Groupe La Poste was a major partner in the OuiShare Fest, for the 2nd edition of this event, which brought together the international community of professionals working on the future of the collaborative economy. The Group thus supports the development of economic models where use is more important than ownership and where the use of a good or service can be increased through sharing, trade, bartering, sale or rent, with a strong local dimension. These horizontal models often rely on the creation and organisation of communities where growth is facilitated by digital platforms.

1.7.6 **Increased commitment in support of vulnerable populations**

In May and June, a film encouraging the use of remote direct communication between deaf people and a deaf La Poste employee via the internet and a webcam on www.laposte.fr was broadcast on the TVs in post offices.

Two informational brochures on ways to access La Poste offerings were also published in May for people with physical disabilities or learning difficulties. These two brochures are part of a series and allow the Group to provide as much information as possible to vulnerable people regarding the accessibility of Le Groupe La Poste's products and services.

On 13 March 2014, a third agreement was signed to extend the partnership with FTDA (France Terre d'Asile) for the next four years. This agreement promotes opening up access to products and

services to refugees and asylum-seekers. This agreement supplements the more general partnership signed with the OFII (French Office for Immigration and Integration) in October 2012. For the first time, a volunteer component (notably financial education) was added to the network's training actions and the procedures were adapted accordingly.

1.7.7 ***Signing of the Monalisa (National Mobilisation against the Isolation of Elderly People) charter on 27 January 2014***

The goal of the MONALISA initiative is to encourage the creation of "citizen teams" throughout France to come together to combat the social isolation of elderly people. By signing this Charter, created by the minister responsible for seniors, the Group is committed to cooperating with the parties directly involved, specifically by providing its communication infrastructure and encouraging its employees to participate. This action complements and strengthens the Group's approach to the ageing population.

1.7.8 ***Participation by the Group in the MECENOVA challenge week from 16-20 June 2014***

For the third year in a row, the Group joined the IMS (business club) and around 30 other companies for an employee engagement week. Events were organised throughout the country. During the event, an agreement was signed with the Cachan house for a sponsorship programme for the vocational school students and for organising courses by volunteer employees.

1.7.9 ***La Poste: 1st prize in fair trade textiles at the European level***

On 27 March 2014, the city of Paris and La Poste won the first European trophies in public fair trade textile purchasing during the final conference of the European project on public purchasing in Bremen.

1.7.10 ***L'Appui***

On 24 June, the President of France, François Hollande, presented the 15 solidarity commitment initiatives undertaken as part of his "France is involved" project. One noteworthy initiative is "L'Appui" from La Banque Postale, which is a platform for banking and budget advice and orientation for financially vulnerable customers.

1.8 La Poste, a responsible employer

1.8.1 ***Implementation of "Quality of life at work" (QLW) commitments***

1.8.1.1 M@P: build one's own professional development plan

In order to allow everyone to access information on the Group's businesses, internal and external career paths, training programmes, as well as the job market, La Poste published in May 2014 a website dedicated to career development called: "*m@p, My Future with La Poste*". Each employee thus has all of the resources and information necessary to build their own professional development plan, all in one location. In particular, employees can visualise La Poste's facilities on an interactive map to see those located nearby/in his or her living area, or even where he or she can perform activities within a family of particular jobs (customer relations and management, operations management, etc.).

1.8.1.2 Further progress made in health at work

La Poste is continuing its corporate actions on access to occupational health services and preventing accidents at work.

Therefore, by reinforcing its occupational health teams (doctors, nurses and medical secretaries)

and by further optimising the organisation of visits, 18% more employees were able to receive a medical visit compared with the same period last year.

By the end of the second half of 2014, the frequency of accidents at work with time off dropped 11% compared with the same time period the previous year.

1.8.1.3 A help and support line for all employees

An external helpline programme was rolled out between December 2013 and April 2014. This free, anonymous and confidential service provides employees with psychological support 24/7 via two toll-free numbers. The first line is for all employees and the second, for managers and HR employees, offers specific support for managing difficult situations.

Employees thus have at their disposal a complete range of solutions should they find themselves faced with difficult situations in their personal or professional lives. This service supplements the support provided by managers, HR, medical teams and social assistants.

1.8.1.4 A complete system to combat harassment

La Poste is equipped with a complete system to identify, handle and prevent situations involving psychological and sexual harassment.

The existing system for psychological harassment underwent an assessment aimed at strengthening and enhancing it.

At the same time, the company organised itself to combat sexual harassment, starting with prevention, by means of a dedicated communications system. In addition, a protocol for handling all reported cases of sexual harassment was put in place; teams composed of one HR person and one volunteer manager were created within each Business Unit who are specially trained to investigate these types of cases.

1.8.1.5 Training local HR staff

At the end of the first half of 2014, the initial training programme for local HR staff was rolled out across all of France. This training supplements the training already offered to local HR staff in their Business Units. 1,100 fully-functional local HR staff support and assist their employee colleagues every day.

1.8.1.6 Participation in the quality of life at work Week

For the first time, La Poste took part in the quality of life at work Week through several regional events. This week took place from 16 to 20 June.

1.8.1.7 HR irritations

To make the daily lives of employees easier, a number of HR irritations, identified as part of a specific mission that began after the quality of life at work agreement was signed, were dealt with.

Specifically, each employee can now view his or her remaining leave days, and the reimbursement process for work expenses has been simplified. Simpler and clearer HR guides for local HR staff have also been published on these topics.

1.8.2 A dynamic of negotiations

The first half of 2014 also saw the signing of two agreements:

- With the generation contract, La Poste is committing to employing both young people and seniors;
- La Poste and all of the unions signed a three-year agreement concerning the housing services and support that employees may be entitled to.

1.8.2.1 The generation contract

In July 2013, La Poste began negotiations to implement the generation contract, which resulted in the signing of an agreement with the FO, CFDT, CFTC and CGC-UNSA unions on 22 January 2014.

Created by the law of 1 March 2013, the generation contract responds to three challenges: long-term employment of young people, recruiting seniors and keeping them in employment and knowledge and skills transfer. La Poste made a certain number of commitments over the period of the agreement (2013, 2014 and 2015) to ramp up its policy in favour of getting young people into employment, and as a result commits to ensuring that 60% of its recruitments under permanent contract are young people under 30 years old. Recruitment will give priority to young people who have been hired under the French future employment programme, who have completed work-study training or who have worked under a temporary contract within La Poste.

As for recruiting seniors or keeping them in employment, La Poste has committed to ensuring that over 4% of total hirings under permanent contract will be employees over 45 years old and that at least 25% of employees will be 55 or older at 31 December 2015. La Poste also plans to provide more support for the second half of senior employees' careers.

The company has committed to a raft of measures that will provide more support to employees working in physically demanding positions. For example, they pertain to entitlement to individual training and to contributions of accrued days off in accrued leave accounts.

In this agreement, La Poste defines the 2014 adjusted Part Time Scheme for Seniors (APTSS) programme for state employees and private employees as well as specific APTSS programmes open to employees working in physically demanding positions. The barometer for compensation on top of the APTSS as well as the barometer for the retirement special allowance were re-evaluated. Lastly, an additional programme was created for employees, state employees and regular employees starting at 59 years of age.

La Poste is committed to fostering knowledge transfer and encourages people at the end of their careers to take up tutoring assignments. La Poste acknowledges, provides a framework for tutoring activity and creates a tutoring charter. Any young person hired under a work study programme or under the French future employment programme will be supported by a tutor. Once trained, the latter can receive a certificate that is valued in the promotions system.

More generally, this agreement is an opportunity for La Poste to reaffirm, at all levels of the company, its desire to guarantee professional gender equality and equal access to employment to prevent discrimination at hiring and throughout employees' careers.

1.8.2.2 Housing agreement

On 7 April, La Poste and unions (CGT, FO, SUD, CFDT, CFTC and CGC-UNSA) signed a unanimous agreement on housing for 2014-2016. The measures implemented since 2006 were updated and enhanced, in particular to help employees just starting out and to facilitate access to social housing.

The agreement is specifically intended to facilitate the integration of new starters and housing allocation to employees. The measures implemented since the two previous agreements signed in 2006 and 2011 have thus been updated and enhanced.

The financial aid for new employees was revised and expanded to the social rental sector in Ile-de-France, as La Poste has already done in the provinces. Therefore, a new employee in social housing in Ile-de-France can receive €1,566 in financial aid in total over 18 months.

In addition to its regulatory contribution to social housing, with this agreement, La Poste is committing to maintaining its investment to acquire social housing reservations. Furthermore, La Poste is expanding measures to facilitate social home ownership and offering temporary accommodation for employees who need it.

The agreement also provides for support for employees' professional and personal development, whether it be by moving to new La Poste sites or under mobility projects. Lastly, measures to support employees experiencing difficult situations temporarily have been planned to facilitate access to housing or maintain their current housing.

Overall, each year La Poste can house nearly 2,600 new employee families in social housing and provides 8,000 employees with various types of housing aid.

1.8.3 *Creating a social pact*

The Social Pact is the human resources component of the Group's strategic plan, unveiled on 28 January. In the context of the profound and rapid changes under way at La Poste, it aims to make employees participants in, and beneficiaries of, this transformation. Every employee must be able to build his or her future while enjoying good quality of life at work, while La Poste has to ensure its own future by expanding and controlling costs. Six major focus areas have been identified.

- First of all, training: an investment in training, mobility and professional development, responding to the changes in La Poste's business activities and employees' development aspirations.
- But also, agility: the development of more flexible work structures and patterns that also encourage quality of life at work and the adaptation of employees to changes in the business.
- Fairness: reforming the promotion system to make it simpler, more comprehensible and fairer, while managing the classification structure. This component also involves a revision of the compensation system's architecture, aiming to combine fair compensation of employees with payroll cost control.
- Proximity: an HR function that is closer to employees, more focused on their development and whose performance is improved by the modernisation of HR Information System and the simplification of HR processes.
- Solidarity: improved working conditions leading to a reduction in absenteeism and accidents at work and encouraging the awareness of employee ageing.
- Trust: including recognised and supported managers as part of increased accountability and talent management that takes advantage of the Group's size and diversity as well as stronger social dialogue at all levels.

These goals, and the means that the company is implementing, or plans to implement, to achieve them were presented to unions at a plenary session on 22 May, which was the first step in the *Build a future for every employee* negotiations.

Negotiations began on 22 May to define guarantees and conditions for providing support to all employees during future changes to La Poste: *A future for every employee*.

2. Summary of Le Groupe La Poste consolidated results

2.1 2013 pro forma financial statements

Following the application of new IFRS standards IFRS 10 "Consolidated financial statements" and IFRS 11 "Joint Arrangements" on 1 January 2014, a pro forma income statement and a cash flow statement were prepared as at 30 June 2013. Opening net debt and equity as at 1 January 2014 were also restated.

2.1.1 *Impacts of IFRS 11*

The entities that were previously consolidated proportionately are now presented in a specific line item in the Group's income statement, based on their share of net profit/(loss) (equity method). The main subsidiaries concerned are:

- Within the Services-Mail-Parcels Business Unit: Asendia
- Within the GeoPost Business Unit: Armadillo Bizpak and DTDC
- Within the La Poste Network Business Unit: La Poste Telecom (La Poste Mobile)
- Within Real Estate: SCI Bataille

The changes made to the income statement are as follows:

- Maintaining the "Operating profit" line item, which includes the operating profit of companies consolidated via the full consolidation method.
- Addition of the "Share of net profit/(loss) from companies under joint control" line item
- Addition of an "Operating profit after share of profits of companies under joint control" line item including the share of net profit/(loss) of joint companies in the calculation of the Group's operating profit.

2.1.2 *Impact of IFRS 10*

The entry into force of IFRS 10 led to the full consolidation of La Banque Postale Prévoyance (La Banque Postale Business Unit), whereas it was previously consolidated proportionately.

2.1.3 Table reconciling the 2013 published financial statements and the pro forma financial statements

2.1.3.1 Income statement as at 30 June 2013

	Half-year ended 30 June		
	06/2013 As reported	Restatements for IFRS 10 and IFRS 11	06/2013 pro forma
<i>(€ million)</i>			
Group operational performance			
Operating revenue	10,948	-146	10,802
Operating profit	483	10	493
Share of net profit/(loss) from companies under joint control	-	5	5
Operating profit after share of net profit from companies under joint control	483	15	498
<i>Operating margin</i>	4.4%	0.2 pt	4.6%
Pre-tax profit	371	15	386
Net profit Group share	396	-	396
<i>Net margin</i>	3.6%	0.0 pt	3.7%
Non-controlling interests	4	12	15
Key figures – La Banque Postale			
Net Banking Income	2,760	27	2,786
<i>Operating ratio</i>	83.2%	-0.5 pt	82.7%

2.1.3.2 Changes in net debt as at 30 June 2013

	Half-year ended 30 June		
	06/2013 As reported	Restatements for IFRS 10 and IFRS 11	06/2013 pro forma
<i>(€ million)</i>			
Changes in net debt			
Cash flows from operating activities	591	-5	586
<i>of which EBITDA</i>	470	-11	458
Cash flows from investments	-345	3	-343
Free cash flows	246	-2	243
Dividends paid	-172	0	-172
Net interest paid	-25	0	-25
Net free cash flows	49	-2	47
Capital increase	602	0	602
Other items in changes in net debt	-94	3	-91
Reduction in net debt	557	1	558
<i>Net debt at the beginning of the period</i>	3,460	8	3,468
<i>Net debt at the end of the period</i>	2,903	7	2,910

2.1.3.3 Equity and changes in net debt as at 31 December 2013

	12/2013 <i>As reported</i>	Restatements for IFRS 10 and IFRS 11	12/2013 <i>pro forma</i>
<i>(€ million)</i>			
Debt and financial soundness			
Equity Group share	8,460	0	8,460
Non-controlling interests	57	117	173
Consolidated equity	8,516	117	8,633
Net debt - beginning of the period			
Gross debt - beginning of the period	7,652	-32	7,620
Cash and other asset items - beginning of the period	-4,192	40	-4,152
Net debt - end of the period	3,778	27	3,805
Gross debt - end of the period	7,103	-32	7,071
Cash and other asset items - end of the period	-3,325	59	-3,266
Changes to net debt	-318	-19	-337

Furthermore, the implementation of the Group's new governance model announced on 4 April 2014 led the Group to prepare pro forma data for its segment reporting.

This pro forma data is presented in Chapter 3 "Operating results by business segment".

2.2 Le Groupe La Poste consolidated results

	Half-year ended 30 June					
	06/2014	06/2013	Change		Change at constant scope and exchange rates	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	<i>(€m)</i>	<i>(in %)</i>	<i>(vs pro forma)</i>
						<i>(€m)</i> <i>(in %)</i>
Group operating performance						
Operating revenue	10,973	10,802	+171	+1.6%	+45	+0.4%
Operating profit after share of net profit/(loss) from companies under joint control	485	498	-13	-2.6%	-16	-3.2%
<i>Operating margin</i>	4.4%	4.6%	-	-0.2 pt	-	-0.2 pt
Net profit Group share	355	396	-41	-10.4 %	-44	-11.1%
<i>Net margin</i>	3.2%	3.7%	-	-0.4 pt	-	-0.4 pt
Free cash flows	268	243	+25	+10.1%		
Net Banking Income						
	2,854	2,786	+68	+2.4%	+53	+1.9%
<i>Operating ratio</i>	81.5%	82.7%	-	-1.2 pt		

	Half-year ended 30 June			
	06/2014	12/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	<i>(€m)</i> <i>(in %)</i>
Key financial indicators				
Net debt	3,795	3,805	-10	-0.3%
Equity Group share	8,722	8,460	+262	+3.1%
<i>Net debt / Equity Group share</i>	0.44	0.45	-	-1.5 pt
<i>Average net profit/ Equity Group share</i>	6.7%	7.4%	-	-0.7 pt
<i>Common Equity Tier 1¹</i>	11,0%	11.2%	-	-0.2pt
<i>Loan to deposit ratio</i>	72%	67%	-	-5pt

¹ Ratio CRDIV/CRR fully loaded.

2.2.1 Operating revenue

Le Groupe La Poste's operating revenue amounted to €10,973 million as at the end of June 2014, a 1.6% increase compared with June 2013.

(€ million)	Half-year ended 30 June					
	06/2014	06/2013	Change		Change at constant scope and exchange rates	
			<i>pro forma</i>	<i>vs pro forma</i>	(vs <i>pro forma</i>)	(vs <i>pro forma</i>)
			(€m)	(in %)	(€m)	(in %)
Services - Mail - Parcels	5,781	5,918	-136	-2.3%	-136	-2.3%
GeoPost	2,311	2,054	+257	+12.5%	+142	+6.9%
La Banque Postale	2,854	2,786	+68	+2.4%	+53	+1.9%
Digital Services	212	215	-3	-1.2%	-3	-1.2%
Other segments and intercompany	-185	-171	-14	+8.4%	-11	+6.2%
OPERATING REVENUE	10,973	10,802	+171	+1.6%	+45	+0.4%

The Group's €171 million increase in operating revenue breaks down as follows:

- Growth of €45 million, or 0.4%, at constant scope and exchange rates. After restating the home loan savings provision, revenue growth stood at 0.7% (+€78 million);
- Consolidation scope effects amounting to €120 million, which primarily came from the delayed impact of the acquisitions made by GeoPost in 2013 (takeover of Tigers) and acquisitions made during the first half of 2014 (mainly purchase of the SEUR Asturias franchise and takeover of Worldnet);
- An exchange rate gain of €6 million, including a favourable impact of €13 million on the pound (GBP) and an unfavourable impact of -€5 million on the South African Rand (ZAR).

Revenue for the first half of 2014 was characterised by the following:

- A decrease in the Services-Mail-Parcels Business Unit's revenue of 2.3%.

Traditional mail delivery activity under the Parent Company recorded a 5.8% drop in volume year-on-year, generating a -6.2% impact on volumes and mix for the first half of 2014, which was also penalised by an unfavourable economic environment as well as difficulties in the mail order sector. The effect of this decline was only partially offset by the price increase of stamps, which took place on 1 January 2014, and which impacted revenue by +2.8% (i.e. +€120 million). To soften the blow from declining volumes, the Services-Mail-Parcels Business Unit began an active innovation policy aiming to enhance the value of mail and offer new services through the strength of its local network made up of postmen who are becoming progressively more connected thanks to their smartphones provided under the FACTEO project. By the end of 2014, nearly 40,000 terminals will be deployed, covering 45% of rounds. By 2015, 100% of postmen will be equipped with FACTEO.

Overall, Mail parent company revenue fell 2.8% during the first half of 2014 compared with the first half of 2013, to €4,717 million.

Parcels bucked the trend from previous years with virtually stable revenue during the first half of 2014 at €753 million (-€2 million less than 2013, or -0.2%), due to a decline in volumes. This change is partly due to traditional distance sales companies experiencing difficulties (-19.1% for Coliéco, of which they are the primary users) as well as a slowdown in the growth of e-commerce compared with 2013. This decrease in volumes is also the consequence of the increase in prices, since customers are more and more price sensitive.

The Mail subsidiaries, particularly present in e-logistics, direct marketing and document management, maintained their business activity with a slight 0.2% drop in organic growth compared with the previous period (first half 2014 revenue of €311 million).

- The GeoPost Business Unit is continuing its development with organic growth of 6.9%, or €142 million, thanks to a positive impact from volume and mix effect of €174.0 million (8.4%). Downward pressure on prices as well as mix effects negatively impacted revenue by €32 million. All of the subsidiaries operating in key markets posted organic increases in revenue, notably in the United Kingdom (17%), in Germany (3%), in Spain (4%), in Benelux (8%) and in France (Chronopost and Exapaq 6%).

After taking into account scope and exchange rate effects, GeoPost's revenue rose 12.5%, totalling €2,311 million in the first half of 2014.

- La Banque Postale's NBI grew 2.4% overall, reaching €2,854 million over the first half of 2014. At constant scope, La Banque Postale's NBI rose 1.9%, and after restating the home loan savings provision of 3.1%.

Retail banking reaped the benefits of the development of offers for private individuals (credit offers and customer equipment) as well as increased activities with legal entities. The Asset Management division is growing sharply (13.6%) due to market appreciation and good commercial performances. The Insurance division is also showing significant growth (10.0%) in NBI correlating with the expansion of its policy portfolio, which has been particularly marked for recently created subsidiaries.

- Revenue from the Digital Services Business Unit remained stable overall at €212 million, the structural decline in traditional activities (primarily check processing) being offset by the development of growth drivers (data processing platforms and integrated "Advice and Data" offers, in particular).

2.2.2 **Operating profit**

The Group's operating profit after share of net profit/(loss) from companies under joint control totalled €485 million as at the end of June 2014, down 2.6% compared with 2013 (3.2% decline at constant scope and exchange rates, i.e. €16 million).

In 2013, the Group's performances were characterised by a downturn resulting from a difficult economic and financial environment and rapidly declining mail volumes. However, the efforts initiated in both development and controlling costs, in line with the key focus areas defined in the Group's new strategic plan, have already limited the decrease in operating profit.

	Half-year ended 30 June					
	06/2014	06/2013	Change		Change at constant scope and exchange rates	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>		<i>(vs pro forma)</i>	
			(€m)	(in %)	(€m)	(in %)
Services - Mail - Parcels	321	366	-44	-12.1%	-44	-12.0%
GeoPost	127	141	-14	-10.2%	-17	-12.2%
La Banque Postale	466	421	+45	+10.8%	+45	+10.7%
La Poste Network	-27	-53	+26	-49.4%	+26	-49.4%
Digital Services	-18	-4	-13	n.s.	-13	n.s.
Real Estate	34	35	-2	-5.0%	-2	-5.0%
Support and Structure	-108	-103	-5	+5.2%	-5	+5.2%
Unallocated and consolidation adjustments	-310	-305	-5	+1.7%	-5	+1.7%
OPERATING PROFIT AFTER SHARE OF NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	485	498	-13	-2.6%	-16	-3.2%

Highlights of operating profit by Business Unit are as follows:

- Services-Mail-Parcels: operating profit fell €44 million to €321 million during the first half of 2014.

Price increases, new services and special efforts to control costs have significantly eased the effect of lower mail volumes (5.8% on Mail parent company operating profit/(loss) year-on-year).

Mail subsidiaries have seen their operating profit stabilise in a difficult market for unaddressed advertisements and the redeployment of e-logistics activities under the ViaPost brand.

Despite the drop in volumes, Parcels experienced an increase in operating profit in the first half of 2014, with price increases, product mix and tight cost control balancing out the reduction in volumes.

- GeoPost, buoyed by a sharp increase in revenue, posted €127 million in operating profit over the first half of 2014, down €14 million. However, excluding one-off items², profit increased more than 20%, and most of the entities in the Business Unit positively contributed to the change in results for the half-year, with a particularly dynamic performance in the United Kingdom and in France (notably Chronopost).

The GeoPost Business Unit is reaping the benefits from its position in the growing European BtoC market as well as from the growth of its international flows, supported by the desire to further interconnect its various entities. It is worth noting that newly consolidated companies contributed €1.7 million to the Business Unit's operating profit for the first half of 2014.

² Before taking into account a provision for risk related to the investigation by the French Competition Authority into various players in the transport and courier markets in France.

- The operating profit of the La Banque Postale Business Unit increased €45 million to €466 million over the first half of 2014, bolstered by the increase in NBI as well as through cost control efforts (increase in expenses limited to 0.3% excluding scope effect). After restatement of the scope effect and the home loan savings provision, the Business Unit's operating profit rose by +18.8%.

This allowed the operating ratio to signal a new improvement compared with its level in 2013, to stand at 81.5%.

- Digital Services: the operating loss for the Digital Services Business Unit was €18 million in the first half of 2014. This figure, however, is not representative given that the service agreements that allow for some services to be invoiced to other Group Business Units will not be put in place until 2015, since the Digital Services Business Unit wasn't created until the second quarter of 2014.
- Other business segments: changes were very minor:
 - ✓ Real Estate posted €34 million in operating profit, down €2 million from 2013.
 - ✓ Operating profit/(loss) for the Support and Structure segment also fell €5 million.
 - ✓ Unallocated operating profit/(loss) declined €8 million and consolidation adjustments changed by €2 million in the Group's favour.

2.2.3 **Financial profit/(loss)**

Financial profit/(loss) improved by €10 million, with notably:

- A decrease in net interest expense of €6 million from a drop in interest rates;
- A positive effect of €9 million due to a change in fair value of swaps corresponding to debt and to the debt credit spread;
- An expense of over €5 million on other items of financial profit/(loss), including €2 million for accretion of employment benefits.

2.2.4 **Net profit**

Net profit Group share is down €41 million, to €355 million. In addition to pre-tax profit, which fell €3 million, there was:

- A rise in tax expense of €39 million, due to the increase in tax rate and the impact from non-deductible expenses.
- A €3 million increase in the share of the net profit/(loss) of equity associates, essentially for CNP Assurances.
- A change in non-controlling interests of -€2 million.

2.2.5 **Free cash flows**

Free cash flows (€268 million) rose €25 million due to a €30 million increase in cash flows from operating activities, resulting in particular in a €5 million increase in EBITDA, a positive tax flow up €157 million and an unfavourable change in working capital requirements of €148 million.

Cash flows on investments are €6 million higher than the previous period.

After taking into account the payment of interest (€28 million), dividends paid to Group shareholders (€171 million) and various other items and changes in net debt, notably accrued interest (-€48 million), the Group's net debt³ decrease by €10 million as at 30 June 2014, compared with the pro forma net debt as at 31 December 2013, to €3,795 million.

2.2.6 *Financial ratios*

The "net debt/equity" ratio remained stable at 0.44.

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

3. Operating performance by business segment

3.1 Summary of operating profit/(loss) by business segment

3.1.1 *New business segment*

Segment reporting is presented in accordance with IFRS 8 "Operating Segment".

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 to determine business segments are notably as follows: type of products delivered, type or category of customers for which they are destined, production process, distribution network and regulatory environment.

The definition of operating segments is based on Le Groupe La Poste's current management structure. The changes made to the Group's governance on 4 April 2014 led to a modification in the segment analysis:

- A. Creation of the **Digital Services** Business Unit as a distinct segment. This Business Unit is made up of:
 - ✓ The Digital Services Department, within the La Poste parent company, which mainly serves as a Laboratory for digital innovation and a Workshop to develop digital services for the entire Group.
 - ✓ The subsidiaries created from the Mediapost Communication and Docapost divisions, who are dedicated to digital business, including selling relationship marketing (internet advertising campaigns, customer insight, publishing and datamart marketing) and helping businesses with managing non-physical communication flows with customers and suppliers (e-service platforms, electronic archiving, invoice digitisation, shared portals).
- B. Additionally, two segments saw their scope change:
 - The **Services-Mail-Parcels** Business Unit, which now includes:
 - ✓ Mail business activities, within La Poste parent company (collection, sorting, and delivery of correspondence, advertising and press publications);
 - ✓ Parcels, part of the La Poste parent company, which includes all of the business activities carried out by La Poste under the ColiPoste brand in France (toC business);
 - ✓ The Mail subsidiaries are present in direct marketing, documentation management, logistics solutions, e-commerce logistics and transport, as well as cross-border mail services (Asendia joint-venture).
 - The **GeoPost** Business Unit, which focuses on the Group's express activities and express BtoB and BtoC in France and abroad under the following main brands: DPD, Chronopost, Exapaq and SEUR.
- C. The other segments remain unchanged:
 - The **La Banque Postale** Business Unit includes the Banking and Insurance activities of the La Banque Postale subgroup as well as those of the shared resources unit.
 - The **La Poste Network** Business Unit (formerly the Retail Brand) encompasses:
 - ✓ The sale and distribution of Le Groupe La Poste products and services to the general public;
 - ✓ The mobile telephone business, under the La Poste Mobile brand.

- **Real Estate** includes Poste Immo's management of the real estate portfolio, asset management and property development management and the La Poste parent company's Real Estate Operations Department.
- **Support and Structures** includes the Group's headquarters services and the support and service departments.
- **Unallocated** includes, in particular, the cost of the Universal Postal Service accessibility mission, the cost of the regional planning mission as well as the corresponding local tax allowance and lastly, the transitional costs associated with cross-entity retirement schemes that affect the Group and which are therefore not allocated to the Business Units.

3.1.2 Results by business segment as at 30 June 2014

06/2014 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Support and Struct.	Unallo- cated	Elim.	TOTAL
Operating revenue	5,781	2,311	2,854	212	2,016	420	410	0	-3,031	10,973
Operating expenses	-5,460	-2,187	-2,388	-230	-2,039	-390	-518	-310	3,030	-10,491
Operating profit/(loss) before net profit/(loss) from companies under joint control	321	124	466	-18	-24	31	-108	-310	-1	482
Operating Margin	5.5%	5.4%	16.3%							4.4%
Share of net profit/(loss) from companies under joint control	1	3	0	0	-3	3	0	0	0	4
OPERATING PROFIT/(LOSS) AFTER NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	321	127	466	-18	-27	34	-108	-310	-1	485

Pro forma 06/2013 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real estate	Support and Struct.	Unallo- cated	Elim.	TOTAL
Operating revenue	5,918	2,054	2,786	215	2,046	421	409	0	-3,047	10,802
Operating expenses	-5,553	-1,916	-2,366	-219	-2,097	-387	-512	-302	3,044	-10,309
Operating profit/(loss) before net profit/(loss) from companies under joint control	365	138	421	-4	-52	34	-103	-302	-3	493
Operating margin	6.2%	6.7%	15.1%							4.6%
Share of net profit/(loss) from companies under joint control	1	3	0	0	-1	2	0	0	-0	5
OPERATING PROFIT/(LOSS) AFTER NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	366	141	421	-4	-53	35	-103	-302	-3	498

NB: Each business segment's operating revenue corresponds to its total revenue within the segment, including intercompany transactions, but excluding inter-segment transactions.

3.1.3 Reconciliation of financial statements published as at 30 June 2013 with 2013 pro forma financial statements

Published 06/2013

(€ million)	Mail	Parcels & Express	Banking activities	Digital Services	Retail Brand	Real estate	Support and Structure	Unallocated	Elim.	TOTAL
Operating revenue	5,639	2,837	2,760	0	2,078	435	409	0	-3,210	10,948
Operating expenses	-5,312	-2,655	-2,357	0	-2,130	-399	-517	-302	3,207	-10,464
OPERATING PROFIT/(LOSS)	327	182	403	0	-53	36	-107	-302	-3	483

Impact of IFRS 10 and 11

(€ million)	Mail	Parcels & Express	Banking activities	Digital Services	Retail Brand	Real estate	Support and Structure	Unallocated	Elim.	TOTAL
Operating revenue	-88	-42	27	0	-32	-14	0	0	4	-146
Operating expenses	86	37	-9	0	33	11	0	0	-4	155
OPERATING PROFIT/(LOSS)	-2	-5	18	0	1	-2	0	0	-0	10
Share of net profit/(loss) from companies under joint control	1	3	0	0	-1	2	0	0	0	5

Impact of the new governance model

(€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real estate	Support and Structure	Unallocated	Elim.	TOTAL
Operating revenue	367	-741	0	215	-0	-0	-0	0	160	0
Operating expenses	-327	701	-0	-219	0	-0	4	0	-159	0
OPERATING PROFIT/(LOSS)	40	-39	-0	-4	-0	-0	4	0	0	0

Pro forma 06/2013

(€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real estate	Support and Structure	Unallocated	Elim.	TOTAL
Operating revenue	5,918	2,054	2,786	215	2,046	421	409	0	-3,047	10,802
Operating expenses	-5,553	-1,916	-2,366	-219	-2,097	-387	-512	-302	3,044	-10,309
Operating profit/(loss) before net profit/(loss) from companies under joint control	365	138	421	-4	-52	34	-103	-302	-3	493
Share of net profit/(loss) from companies under joint control	1	3	0	0	-1	2	0	0	0	5
Operating profit/(loss) after share of net profit/(loss) from companies under joint control	366	141	421	-4	-53	35	-103	-302	-3	498

3.2 Services-Mail-Parcels Business Unit

The "Services-Mail-Parcels" Business Unit includes:

- All of the Mail parent company's activities (collection, sorting and delivery of correspondence, advertising and press publications) as well as the Mail subsidiaries operating in the following markets: direct marketing, document management and logistics solutions, including the joint-venture in cross-border mail (Asendia).
- All of the Parcel parent company's activity, which specialises in deferred delivery (two-day) of parcels under 30 kg to BtoC or CtoC private individuals in France.

As part of the momentum of the Group's new strategic plan "La Poste 2020: Conquering the Future", and in order to best respond to its customers, during the second quarter of 2014, the "Services-Mail-Parcels" Business Unit was reorganised around five operating divisions:

- "Mail" Division, which includes relationship mail, advertising mail and the Key Accounts and Corporate sales teams;
- "Parcels" Division;
- "International" Division with Asendia;
- "Logistics" Division (Viapost), which also includes the Mail parent company's logistics network;
- "Services" Division, with mail from professionals and private individuals as well as postmen services and the Mail parent company's network (collection, delivery, distribution, etc.).

This new governance model organises the sales, logistics and industrial teams around different key markets and contributes to future productivity gains.

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Revenue	5,781	5,918	-136	-2.3%
<i>of which external revenue</i>	5,649	5,797	-148	-2.6%
Operating expenses	-5,460	-5,553	+92	-1.7%
Operating profit before share of net profit from companies under joint control	321	365	-44	-12.0%
<i>Operating margin</i>	5.5%	6.2%		-0.6 pt
Share of net profit from companies under joint control	1	1	-0	-33.8%
OPERATING PROFIT AFTER SHARE OF NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	321	366	-44	-12.1%

3.2.1 Mail

Mail revenue totalled €5,028 million for the first half of 2014: €4,717 million for the Parent Company and €311 million for the subsidiaries, i.e. a €134 million decline.

Mail parent company revenue, at €4,717 million, fell €134 million compared with 2013, or -2.8%. This change was mostly due to:

- The decrease in volume of 5.8% (rolling basis), which, coupled with a negative mix effect, impacted revenue by -€268 million, or -6.2% over the first half of 2014. The structurally downward trend is emphasised by a challenging economic environment and by the distance-sales companies' difficulties, which led to a steep decline in advertising activities (-€72 million in revenue over the half year, or -10.7% compared with 2013).
- The price increase that occurred on 1 January 2014 partially offset these negative effects by

+€120 million. Priority mail and green mail rose 3 cents, to €0.66 and €0.61, respectively. This increase has had a low impact on household budgets, estimated at less than €1 per year per household.

- Other services (including election) and "International", which registered growth of €14 million compared with 2013 due to international postage activity, the payment of terminal dues for years prior to 2014, the 2014 elections and the development of new services, particularly for private individuals' households, thanks to postmen being more connected via their smartphones: Cohésio, Relevéo, home delivery (groceries, books, medication), appraisal photos on behalf of insurance companies, etc.

Revenue for Mail subsidiaries amounted to €311 million for the first half of 2014, stable compared with 2013. This revenue stability is due, in particular, to a contracting market for unaddressed advertising mail with Mediapost France as well as to e-commerce logistics activities being re-established in the Viapost division.

Quality of service remained at a high level with a next-day delivery rate for priority mail of 87.5% over the first half of 2014.

3.2.2 *Parcels*

Parcels activity saw a reversal of the trend recorded in previous years. First half 2014 revenue of €753 million was virtually stable compared with 2013 (-€2 million, i.e. -0.2%).

This change was due to a 2.9% (-€21 million) decline in volume. In a lacklustre market, the difficulties that mail-order companies faced were not counterbalanced by e-commerce, which registered slower growth than in comparison with 2013. Parcels also implemented a more selective pricing policy.

The price adjustments that occurred in late 2013 and which continued through the beginning of 2014, as well as the reduction of Coliéco's portion of total volumes (11.4% at the end of June 2014 versus 13.6% in 2013) had a favourable impact on the price/mix of €26 million, i.e. +3.4% and offset the decline in volume. Also note -€6 million from fuel and other effects.

Parcels remained very involved in quality of service, which was very high in the first half of 2014 (two-day delivery rate of 94.3%) and increased 0.6 points compared with 2013. Moreover, Parcels developed new innovative services such as letterbox deliveries, currently being tested.

Also note the robust development of delivery in pick-up and drop-off points, which increased from 2.2 million parcels at the end of June 2013 to 4.6 million parcels by the end of June 2014, illustrating Parcels' successful implantation in this high-growth market.

As part of reinforcing the synergies that led to the creation of the Services-Mail-Parcels Business Unit, Mail and Parcels are working on a range continuum in order to optimise product offerings by harmonising and simplifying them.

Therefore, in January 2015, La Poste will launch a new Mail-Parcels range to meet the needs of all the private individuals, professionals and companies who wish to mail documents or small goods. Small items of less than 3 cm can now be franked at the correspondence rate (priority mail, green mail/Ecopli) or Colissimo rate, depending on the customers' desired delivery options. Beyond 3cm, the Colissimo offering will be suggested. This will give customers access to more affordable prices when shipping small-volume and low-value objects.

In addition, green mail with bar code tracking for shipping small goods and documents will also be offered under the universal service.

New packaging adapted to this new offer will be provided to post offices to harmonise and simplify the 'Prêt-à-Envoyer' ('Ready-to-Ship') range.

This initiative will allow the Group to offer its customers more clarity on Mail-Parcels products while ensuring optimal use of the industrial facilities, which will lead to productivity gains.

3.2.3 Other key indicators for the Services-Mail-Parcels Business Unit

Internal revenue between Mail parent company, ColiPoste and the Mail subsidiaries totalled €523 million during the first half of 2014. These cross-over services primarily include:

- Mail to Mail subsidiaries: essentially involves the delivery of Mediapost's unaddressed advertisements in rural areas and the postage of Asendia's international mail.
- Mail to Parcels concerns sorting, transport and delivery activities in rural areas.
- Mail subsidiaries to Mail Parent Company mainly involving the following services:
 - ✓ Mediapost for the marketing, packaging and assembly of the unaddressed advertisements of the customers managed by Mail's sales teams;
 - ✓ Viapost, through STP (press sorting and transportation) and Neolog (transportation of postal items and logistics services).
- Parcel services for Mail relating to sorting and postage.

Despite the unfavourable impact from the drop in mail volumes and, to a lesser extent, in parcels, the pricing policy, innovation in services as well as cost control efforts throughout the entire Services-Mail-Parcels Business Unit limited the decrease in operating profit/(loss). This totalled €321 million in the first half of 2014, down €44 million compared with 30 June 2013, i.e. -12.1%.

3.3 GeoPost

The business segment formerly called "Express" now refers solely to GeoPost's business activities.

GeoPost, a subsidiary of Le Groupe La Poste, includes deferred and express parcel activities in France and abroad under the following main brands: DPD, Chronopost, Exapaq and SEUR. The subsidiaries of this Business Unit have historically taken place mainly in business to business (BtoB) segments, but also increasingly in BtoC (29% in the first half of 2014 vs 27% of sales at the end of 2013).

The delayed impact from acquisitions in 2013 (takeover of Tigers, purchase of SEUR franchises), as well as the impact of acquisitions in the first half of 2014 (primarily the purchase of the SEUR Asturias franchise and the takeover of Worldnet) resulted in a positive scope effect on GeoPost's revenue of +€109 million during the first half of 2014.

	Half-year ended 30 June			
	06/2014	06/2013 <i>pro forma</i>	Change <i>vs pro forma</i>	
(€ million)			(€m)	(in %)
Revenue	2,311	2,054	+257	+12.5%
<i>of which external revenue</i>	2,274	2,022	+253	+12.5%
Operating expenses	-2,187	-1,916	-271	+14.1%
Operating profit before share of net profit from companies under joint control	124	138	-14	-10.3%
<i>Operating margin</i>	5.4%	6.7%		-1.4 pt
Share of net profit from companies under joint control	3	3	-0	-7.2%
OPERATING PROFIT AFTER SHARE OF NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	127	141	-14	-10.2%

3.3.1 *Pursuit of accelerated sales development*

In the first half of 2014, GeoPost's revenue was €2,311 million, up €257 million (+12.5%) compared with 2013. Restated for scope effects (+€109 million) and exchange rate effects (€6 million), organic growth was €142 million, or +6.9%.

As with 2013, this increase was driven by a volume and mix effect that increased by €178 million (+8.7%). Price effects had an unfavourable impact on revenue in the amount of €32 million, whereas working-day effect had a negative impact of €4 million.

Changes in revenue per geographical area followed the previous year's trends:

- Strong organic growth of the subsidiaries in the United Kingdom (+17%) due to an increase in volumes, notably in the BtoC market, which now represents 50% of volumes (i.e. 33 million items) with a growth rate twice that of BtoB.
- Strong growth in business activities in France at 6%, for both Exapaq and for Chronopost, driven by increasing volumes. At Chronopost, the increase in volumes was related in particular to the delayed impact of new key accounts during the first half of 2013 and was accompanied by a decrease in unit price, leading notably to a change in this customer mix.
- The subsidiary's growth in Benelux continued over the first half of the year (+8%) thanks to a volume effect abroad. This growth was only marginally affected by the decline in prices attributable to international flows (less favourable mix of recipient countries), and was accompanied by the continued development of the network of pick-up and drop-off points.
- In the Spanish subsidiaries, the 18% rise in volumes underscored the continued rebound of business activities. This encouraging increase in volumes, related to key accounts and new customers, was partially diminished by a decline in unit price attributable to very strong competition, while weight invoiced continued to rise.
- The German subsidiary's revenue rose 3% compared with the first half of 2013. This change was due to very dynamic export activities, whereas the domestic market has been slowly progressing. DPD continued to expand its German network of Parcel Shops. Before the end of next year, the number of pick-up and drop-off points is set to increase from 4,000 to 6,000, and then to 8,000 in the medium-term. More generally, DPD is being investing in developing and strengthening its BtoC services. These projects, which were implemented during the first half of 2014, as well as partnerships with major players in e-commerce, should reap rewards in the second half of 2014.
- Activity in Poland progressed 7%, whereas the other Eastern European subsidiaries performed more than 13% better than during the first half of 2013.

Note that GeoPost's exposure to geopolitical risk in the Ukraine is not material.

3.3.2 *Other key indicators for Express*

The change in revenue was accompanied by greater control over operational expenses, not taking into account the provision for risk related to the French Competition Authority's investigation into various players in the CEP markets in France (a statement of objection memo was sent on 30 June 2014).

Operating profit for Express over the first half of 2014 was €127 million, including €3 million for the share of net profit of companies under joint control, a €14 million decrease compared with 2013. Excluding non-recurring items⁴, net profit nevertheless increased more than 20% over 2013, reflected by a very positive dynamic in this Business Unit.

⁴ Before taking into account a provision for risk related to the investigation by the French Competition Authority into various players in the transport and courier markets in France.

On 8 April 2014, DPD UK announced an ambitious expansion plan for 2014. This plan projects an investment of £75 million in 15 new depots that can process up to 7,000 parcels per hour. These new depots will include three "super-depots" that can process up to 25,000 parcels per day. These "mini hubs" will increase the capacity of existing facilities in line with the continuation of a sustained growth period, particularly with the implementation of Predict..

3.4 La Banque Postale

This business sector includes La Banque Postale, its subsidiaries and the shared resources unit formed between La Poste and La Banque Postale governed by a cost-sharing agreement. All expenses incurred by the shared resources unit (mainly expenses from La Poste employees working exclusively for La Banque Postale) are recharged at cost to La Banque Postale.

3.4.1 *Economic and financial environment*

The first half of 2014 was marked by contracting rates that reached new historic lows:

- The slowdown of inflation in the euro zone was confirmed during this first part of the year. In France, prices only increased 0.7% in one year. This phenomenon led the ECB to announce measures on 5 June aiming to grow liquidities and revive credit (decrease of the official interest rates, implementation of new long-term liquidity loans to banks). Under these effects, the EONIA and the 10-year OAT reached historically low levels in June (EONIA at 0.01% and OAT under 1.60%)
- The Livret A passbook savings account rate remained at 1.25% in February
- The CAC 40 has benefited from these low rates and posted a 3% increase since the beginning of the year, but it is still slowing compared with 2013 (18% over the year)

From a regulatory standpoint, 2014 was notably characterised by the gradual implementation of Basel III in Europe (CRD IV Directive, CRR regulation) since 1 January, leading to more stringent regulations on capital.

As indicated on 31 December 2013, La Banque Postale underwent a tax audit for the 2009-2012 period, which concerns in particular compliance with regulations applicable to regulated savings accounts.

3.4.2 *Commercial activities*

As was the trend at the end of 2013, the savings and credit markets suffered from historically low interest rates and weak economic recovery.

In this difficult economic environment, La Banque Postale's outstanding customer deposits nevertheless increased by 1.6% year-on-year, to €298.9 billion (+€4.8 billion):

(€ billion)	Half-year ended 30 June			
	06/2014	06/2013	Change	
			(€bn)	(in %)
Demand deposits	49.8	47.2	+2.6	+5.5%
Ordinary savings accounts	86.0	87.0	-1.1	-1.2%
Livret A passbook savings accounts	64.5	64.8	-0.3	-0.4%
Popular savings accounts	8.1	8.9	-0.7	-8.4%
Sustainable Development Deposits	7.4	7.0	+0.3	+4.7%
Other passbook savings accounts	5.9	6.3	-0.4	-6.1%
Home loan savings	27.4	26.7	+0.7	+2.5%
Mutual funds ^(a)	14.6	14.7	-0.1	-0.5%
Life insurance ^(a)	120.1	116.6	+3.5	+3.0%
Other ^(b)	1.0	1.9	-0.9	-46.9%
CUSTOMER SAVINGS ACCOUNTS	298.9	294.1	+4.8	+1.6%

(a) Products delivered by La Banque Postale network and by BPE.

(b) Term deposits and PEP savings plans.

Demand deposits were up €2.6 billion to €49.8 billion (+5.5%) and played a large part in the increase in outstandings, benefiting from La Banque Postale's commercial success. Outstanding demand deposits for legal entities rose 23% to €3.7 billion.

After two years of significant growth, outstanding ordinary savings accounts fell €1.1 billion (-1.2%), disadvantaged by less attractive returns.

Home loan savings, supported by the Home Savings Plans (PEL) whose compensation was maintained at 2.5%, reached €27.4 billion in outstandings as at the end of June 2014 (+€0.7 billion/2.5%).

Life insurance outstandings rose €3.5 billion to €120.1 billion (+3.0%) with particularly good results in heritage agreements: outstanding Cachemire policies rose €19.4 billion (+24%) including €0.8 billion on Cachemire 2 and Cachemire Patrimoine, which were launched in May as part of this business activity's development. Unit-linked policies as a proportion of gross inflows also continued to increase, reaching 10.5% in the first half of the year.

Customer lending continued to develop, reaching €61.8 billion in outstandings by the end of the first half, up 12.2%. Restated with Sofiap outstandings included in May 2014, the increase remained strong at +9.4%.

(€ billion)	Half-year ended 30 June			
	06/2014	06/2013	Change	
			(€bn)	(in %)
Property loans	52.4	48.6	+3.8	+7.8%
Consumer loans	3.7	3.0	+0.7	+22.6%
Other loans ^(a)	0.9	1.0	-0.1	-11.2%
Loans to legal entities ^(b)	4.9	2.5	+2.4	+92.8%
CUSTOMER LOANS ^(c)	61.8	55.1	+6.7	+12.2%

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

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

(c) Scope effect of €1.5 billion related to the consolidation of Sofiap in May 2014

La Banque Postale therefore recorded a continued increase in outstanding property loans (+7.8% or +4.7% excluding Sofiap) with nearly €4 billion production during the first half of the year, despite a lacklustre market. Sofiap, a shared subsidiary with the SNCF, represented €1.5 billion in outstanding property loans.

Consumer credit activity, driven by La Banque Postale Financement since 2010, is still developing sustainably in a falling market. Production from the first six months exceeded €1 billion, or +12% compared with 2013. Outstandings were up 23% over twelve months to €3.7 billion.

Launched in 2012, loans to legal entities and the local public sector represented outstandings of €4.9 billion at end-June, up €2.4 billion compared with June 2013. Despite a highly competitive market, La Banque Postale provided €1.9 billion to the local public sector in the first half of the year, over half of which was short-term.

3.4.3 Operating performance

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Asset management	76	67	+9	+13.6%
Insurance	101	91	+9	+10.0%
Retail banking	2,678	2,628	+50	+1.9%
<i>Net interest margin</i>	1,729	1,709	+20	+1.1%
<i>Commission</i>	1,025	975	+50	+5.1%
<i>Other income and expenses</i>	-76	-56	-20	+35.6%
NET BANKING INCOME	2,854	2,786	+68	+2.4%

La Banque Postale's Net Banking Income (NBI) totalled €2,854 million at the end of June, i.e. an increase of 3.1% after restatements⁴.

- The Asset Management division saw strong growth during the period, with NBI at €76 million, or 13.6% compared with June 2013. Market appreciation and the strong commercial performance of LBP Gestion Privée, whose gross inflows more than doubled compared with the first half of 2013, contributed to a 6.3% rise in assets under management compared with June 2013.
- The Insurance division posted €101 million in NBI, a 10,0% increase compared with June 2013 pro forma (full consolidation of LBP Prévoyance on 1 January 2014). This change directly correlates with the growth of the policy portfolio of the subsidiaries recently launched.
- Retail Banking recorded €2,678 million in NBI, up 2.6% after restatements⁴:
 - ✓ The net interest margin⁵ increased 2.5% at the end of June 2014, driven by the development of loans and new business activities. The first half of the year thus took full advantage of revenue from loans to legal entities and the rise in consumer credit;
 - ✓ Commissions⁴ posted 4.6% growth, driven in particular by the continued efforts to familiarise customers with banking. Therefore, packages equipment rates increased significantly to 53.7% (+2.4 points compared with the end of June 2013).

⁵ Restated for BPE / SOFIAP scope effects and the home loan savings provision

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Net Banking Income	2,854	2,786	+68	+2.4%
Management expenses	-2,316	-2,296	-20	+0.9%
Gains and losses on other assets ^(a)	0	8	-8	n.s.
Gross operating profit	538	499	+40	+7.9%
Cost of risk	-72	-78	+6	-7.4%
OPERATING PROFIT	466	421	+45	+10.8%
<i>LBP operating ratio</i>	<i>81.5%</i>	<i>82.7%</i>		<i>-1.2 pts</i>

(a) including CNP badwill

The stability in management expenses at €2,316 million (+0.3% restated after scope effect) reflects La Banque Postale's efforts to control expenses while developing new business activities and continued investments, notably through its subsidiaries.

Gross operating profit came to €538 million, up €40 million on 2013 (+7.9%).

The operating ratio improved again compared with the first half of 2013, falling from 82.7% to 81.5%.

Risk management efforts along with strong growth in outstandings resulted in a €6 million decline (-7.4%) in the cost of risk.

On this basis, the Business Unit's operating profit totalled €466 million over the first half of 2014, up €45 million (+10.8%) and 18.8% after restatement of the home loan savings provision and scope effects.

La Banque Postale has a solid financial structure, which was reinforced on 11 April by an issue of €750 million of Tier 2 subordinated notes maturing in 12 years. The solvency ratio comes in at 13.6% vs. 12.4% as at 31 December 2013.

- The Common Equity Tier 1⁶ ratio fully loaded of 11.0% as at 30 June 2014 is down 20bp vs. 31 December 2013 due to the growing credit activity.
- The liquidity position remains very positive with a loans to deposits ratio at 72% and a LCR ratio (short-term estimated liquidity ratio) at 163%.

3.5 La Poste Network

The segment formerly called "La Poste Retail Brand" has been renamed "La Poste Network" in order to reaffirm its role as a distributor of products and services from all of the Business Units to the general public.

The La Poste Telecom subsidiary is also included in this segment, in the "Share of net profit/(loss) from companies under joint control" line item. Its offerings are marketed under the "La Poste Mobile" brand.

⁶ Ratio CRDIV/CRR fully loaded. The CRDIV/CRR phased in-ratio is 9.8% as at 30 June 2014

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Revenue	2,016	2,046	-30	-1.5%
<i>of which intercompany revenue</i>	12	11	+1	+11.4 %
Operating expenses	-2,039	-2,097	+58	-2.8 %
Operating profit/(loss) before share of net profit/(loss) of companies under joint control	-24	-52	+28	-54.3 %
<i>Operating margin</i>	-1.2 %	-2.5 %		1.4 pt
Share of net profit/(loss) from companies under joint control	-3	-1	-2	n.s.
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET PROFIT/(LOSS) FROM COMPANIES UNDER JOINT CONTROL	-27	-53	+26	-49.4 %

3.5.1 *La Poste Network*

With its 17,100 public outlets in France, 7,423 of which are in partnerships (local postal agencies and Relais Poste outlets) as at 30 June 2014, the La Poste Network is the densest physical distribution network in the country.

Its contribution to the Group's Business Units' development and economic competitiveness relies on its ability to:

- Strengthen their commercial development: one of the pathways implemented during the first half of 2014 was aimed at making professional customers who visit post offices regularly a key growth driver. This orientation is reflected in handling customers identified as professionals, with professional customer managers and through offers adapted to their needs.

Commercial development is also being accelerated by reinforcing synergies with the Business Units. To this end, the managerial lines of the commercial banking activities will be transferred to the Network during the second half of 2014. The Single Commercial Management (MCU) project aims to roll out:

- o A single, simplified and more efficient managerial line, focused on prioritising banking and the quality of customer relations;
 - o Managers on the ground who are aware of their responsibilities and who have the power to make decisions as close to the customer as possible;
 - o Progressively decentralised risk management on the ground;
 - o An ambitious plan to develop banking expertise.
- Developing an innovative service offering that is adapted to customers: continuing to expand telephony by constantly integrating new offers (e.g. quadruple play, 4G and international prepaid), offering new products and services in post offices:
 - o Launch in June in 54 post offices of counter clerks self-service marketing tests for the Security Habitat Pack, a remote surveillance offer.
 - o 3D printers are being tested at three Paris sites at this stage.
 - o Digital tablets available to customers at 50 local postal agencies, etc.
 - o Improving customer satisfaction by maintaining a high quality of service: on 2 April 2014, the Network launched an innovative customer listening scheme in 2,000 post offices. This programme was part of the Network's strategic plan and part of the effort to continue the process to improve service in the post office, which has allowed the company to reach a 95% satisfaction level of customers leaving the post office to-date. The first component of the

programme pertains to spontaneous customer surveys in the post office. The goal is to measure the customer satisfaction rate on the basics (waiting time, treatment, advice, cleanliness of the space, etc.) The second component pertains to targeted customer surveys. These surveys consist of contacting bank customers following their visits with advisors and contacting professional customers after their visit to a post office to get their opinion on the quality of service of the facility. The objective of this targeted survey is to keep an open dialogue with banking and professional customers and to analyse their grounds for satisfaction or dissatisfaction.

Additionally, La Poste received the 1st prize from the 2014⁷ Customer Relations Podium for the "service company" sector.

- o Controlling costs: in an environment where counter activity is falling (-6.1% compared to the first half of 2013), it is imperative to stabilise the Network's costs within the customer Business Units' total operating expenses. As a result of the action plans rolled out, at the end of June 2014 the Network's operating expenses were 2.8% less than in the first half of 2013.

3.5.2 *La Poste Mobile*

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

The subsidiary continues to expand, and has surpassed the one million customer mark after only three years in business. After selling 356,000 new lines in the first half of 2014 (+37.2% versus the first half of 2013), including 82,000 on the International Prepaid offer launched in April, the company reached 1.114 million lines on 30 June 2014.

La Poste Mobile also sold 23,000 ADSL subscriptions during the first half of 2014 as part of its 'Quatro' offer (TV, internet, fixed telephone and mobile) in partnership with SFR (launched on 22 April, 20,000 boxes sold in 2013).

La Poste Mobile's keys to success are the ongoing adaptation of offers to customers' needs (unlimited plans, 4G, quadruple play offer, launch of international prepaid in April 2014, etc.) while keeping the product ranges simple and affordable for as many people as possible, the breadth of the La Poste Network, the number of its sellers and the values of trust that the Group represents.

⁷ Survey performed by BearingPoint and TNS Sofres in December 2013 with customers/users of companies/administrations, from a sample of 4,000 people.

3.6 Digital Services Business Unit

The Digital Services Business Unit, created during the first half of 2014 as part of the implementation of the Group's new corporate governance model, will carry out three complementary missions:

- A "Laboratory" mission dedicated to digital research and innovation for the entire Group;
- A "Workshop" mission to develop digital services for the entire Group and internal transformation;
- An "Industry" mission to produce and market digital offers and services.

This unit includes the parent company Digital Services Department, created on 1 July 2013, and the Group's subsidiaries that conduct their business activity in the area of digital services.

	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
(€ million)			(€m)	(in %)
Revenue	212	215	-3	-1.2 %
<i>of which intercompany revenue</i>	187	192	-5	-2.8 %
Operating expenses	-230	-219	-11	+4.9 %
OPERATING PROFIT	-18	-4	-13	n.s.
<i>% of revenue</i>	<i>-8.3 %</i>	<i>-2.0 %</i>		<i>-6.3 pt</i>

The revenue recorded at the end of June represents that of the digital services subsidiaries, advertising revenue from the Laposte.fr website and Digiposte's revenue.

Revenue totalled €212 million over the first half of 2014, down €3 million, with the expansion of new offerings partially offsetting the drop in traditional business activities (notably check processing). The high-potential offers relate to data processing platforms (with the signing of multi-annual contracts), the roll-out of the electronic signature offering in all markets and the integrated "Advice and Data" offers (launch of Media Data Live retargeting multi-channel offering).

Furthermore, the major project to transform and modernise L@Poste online was launched this year and several milestones have already been laid out: the redesign of the laposte.net email service, which has more than 3.8 million users, and the online release of the new laposte.fr website in early July. The organisation of content and the design were entirely redeveloped to make navigation easier for internet users and to develop online sales and customer satisfaction, regardless of the internet channel that the customer chooses to use to make contact with La Poste (website, mobile or tablet application, social media).

Operating expenses were up €11 million, essentially following the growth of new activities (e-commerce and pro activity, redesign of laposte.net, consolidation of different laposte.fr sites) and the transfer of expenses from Mail's digital activities on 1 July 2013.

The Digital Services Business Unit's consolidated operating profit/(loss) of -€18 million is not representative at this stage since it does not yet take into account the compensation of business support and services carried out on behalf of the other Group Business Units.

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.

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Revenue	420	421	-1	-0.2 %
<i>of which intercompany revenue</i>	4	5	-1	-27.6 %
Current operating expenses	-397	-397	-0	+0.1 %
Gains (losses) on disposal	8	9	-2	-20.0 %
Operating profit before share of net profit of companies under joint control	31	34	-3	-8.9 %
<i>Operating margin</i>	<i>7.3 %</i>	<i>8.0 %</i>		<i>-0.7 pt</i>
Share of net profit/(loss) from companies under joint control	3	2	+1	+73.0 %
OPERATING PROFIT AFTER SHARE OF NET PROFIT FROM COMPANIES UNDER JOINT CONTROL	34	35	-2	-5.0 %

At the end of June 2014, revenue from the Real Estate segment totalled €420 million, down -€1 million, or -0.2% compared to 2013: the decrease in property rentals invoiced to the Business Units (reduction of surface area used) was offset in particular by the increase in additional rental income (related primarily to invoicing the Network for work performed to improve customer reception areas).

Operating profit/(loss) after joint control amounted to €34 million over the first half of 2014, down €2 million compared to 2013, mainly due to the decline in gains on disposals.

As part of expanding its business activities, Poste Immo is gradually starting to roll out development operations and external joint development to meet the Business Units' diversification needs, add value to its portfolio and diminish vacancies and help generate cash and revenue for the Group in the medium term.

This deployment policy will, in particular, lead to the delivery of 64 residences starting in August 2014 at rue Cler in the 7th Arrondissement of Paris. Currently, 130 residences are in the building permit stage in Paris and 330 residences are in the process of being built or being researched in the provinces. Around 20 other operations are in the preliminary stages and will fuel the business plan in the coming years.

Additionally, the restructuring work at Musée de la Poste, boulevard de Vaugirard in Paris, which was required to bring the location up to PMR standards and to allow the Group to ensure a valuation and French government preservation public service mission, took an important step in the first half of 2014 by obtaining a building permit.

3.7.2 Support and Structures

The "Support and Structures" segment includes the Support Departments (mainly IT, Vehicle Fleet Management and Supplies) that re-invoice the Group's other segments for costs incurred and the Group's headquarters costs.

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Operating revenue	410	409	+0	+0.1 %
Operating expenses	-518	-512	-6	+1.1 %
OPERATING PROFIT	-108	-103	-5	+5.0 %

Operating revenue is stable and came to €410 million at the end of June 2014, including:

- €387 million for intercompany revenue resulting from invoicing for services provided to other segments by Support and the "billing" service centres of the headquarters. Unit prices are set before the financial year in a service agreement and billing depends on actual volumes;
- €22 million in Group headquarters costs paid by subsidiaries (management fees).

Operating expenses rose only slightly, by 1.1%, which, within the context of reducing the costs of the headquarters and structures, is mainly reflected by temporary effects related to provisions for retirement schemes.

3.7.3 Unallocated expenses

	Half-year ended 30 June			
	06/2014	06/2013	Change	
(€ million)		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Net costs of local postal presence	-297	-301	+4	-1.3 %
Other operating expenses	-12	-0	-12	n.s.
OPERATING PROFIT	-310	-302	-8	-2.6 %

The "Unallocated" segment includes the costs of the Universal Postal Service accessibility mission, the costs of the regional planning mission, the corresponding local tax allowance and, lastly, the transitional costs associated with retirement schemes that are considered as cross-entities Group costs and which are therefore not allocated to the Business Units.

The 8 million increase mainly corresponds to a small increase in the Network's temporary transitional expenses.

4. Other key aggregates of the income statement

4.1 Financial profit/(loss)

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Net interest expense	-76	-83	+6	-7.7%
Change in 'fair value' including debt credit spread	-8	-17	+9	-51.9%
Cost of net financial debt	-85	-100	+15	-15.2%
Other financial items	-18	-13	-5	+41.0%
FINANCIAL PROFIT/(LOSS)	-102	-112	+10	-8.9%

Financial profit/(loss) improved €10 million in 2014 compared with 2013, to reach -€102 million.

Net interest expense from debt fell €6 million compared with 2013. The repayment of the €726 million bond issue during the second half of 2013, which was partially counterbalanced by an issue of €250 million, allowed La Poste to record a decrease in estimated average cost of debt at four years (2.93%). Additionally, the continued decline of euro rates has just reinforced this downward trend in interest expenses.

The change in fair value of debt and derivatives, which corresponds to a €8 million expense during the first half of 2014, generated a favourable variance of €9 million compared with 2013. The change in fair value of derivatives amounted to +€7 million, whereas tightening La Poste's spread led to a €15 million expense.

Other financial items (€18 million in 2014), up €5 million from 2013, mainly correspond to accretion expenses on social debt (up €2 million).

4.2 Net profit Group share

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Operating revenue	10,973	10,802	+171	+1.6%
Operating expenses	-10,491	-10,309	-183	+1.8%
Operating profit	482	493	-11	-2.3%
Share of net profit/(loss) from companies under joint control	4	5	-1	-27.7%
Operating profit after share of net profit/(loss) from companies under joint control	485	498	-13	-2.6%
Financial profit/(loss)	-102	-112	+10	-8.9%
Pre-tax profit	383	386	-3	-0.7%
Corporation tax	-126	-87	-39	+45.2%
Share in profits of equity associates	115	112	+3	+2.3%
CONSOLIDATED NET PROFIT	372	411	-39	-9.6%
Net profit Group share	355	396	-41	-10.4%
Non-controlling interests	-17	-15	-2	+12.3%

Net profit Group share fell from €396 million at the end of June 2013 to €355 million at the end of June 2014, down €41 million.

Pre-tax profit was down €3 million at €383 million, this decrease coming primarily from the decline in operating profit (down €13 million), which was partially offset by an improvement in financial profit/(loss) of €10 million.

The Group's tax expense totalled €126 million, up €39 million versus 2013, the change related to both interest rate effects and the appearance of non-deductible provisions and expenses in 2014.

The share of profit of equity associates totalled €115 million in 2014, up €3 million compared with June 2013 and primarily integrates the contribution of CNP Assurances, in which the Group holds a 20.15% stake.

5. Debt and financial strength

The tables below are set out to present the combination of banking, industrial and commercial activities within the same Group and to provide a more economic view of their respective contribution to the Group's cash flow generation.

As Group Parent Company, La Poste provides funding for industrial and commercial activities and equity requirements for La Banque Postale. Within this context, La Banque Postale, although it is fully consolidated, is assessed through the dividends that it distributes to its Parent Company, considered as the cash flow which remains available for the Group, once it has met the regulatory requirements pertaining to equity.

Therefore, Group net debt does not directly take into account La Banque Postale, for which this concept is not relevant. The Group's net debt thus essentially varies according to the following factors:

- 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 or from equity associates;
- Tax charge applying to the tax consolidation group set up between La Poste and its subsidiaries;
- La Poste's cost of capital employed, based on interest paid on net debt and dividends paid out to its shareholders.

5.1 Changes in net debt

5.1.1 Cash flows from operating activities

Cash flows from operating activities were up €30 million compared with June 2013, after taking into account a favourable impact from the CICE of €60 million on the amount of tax paid in 2014 for 2013:

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
EBITDA (excluding banking)	464	458	+5	+1.2%
Dividends received from LBP and equity associates	265	260	+5	+1.9%
Change in working capital requirement	-175	-27	-148	n.s.
CICE for the year	-178	-128	-49	+38.5%
Taxes paid	188	32	+157	n.s.
CICE credited against taxes	60	0	+60	n.s.
Other items of cash flows from operating activities	-8	-9	+1	-10.5%
CASH FLOWS FROM OPERATING ACTIVITIES	616	586	+30	+5.2%

EBITDA excluding banking improved €5 million as at the end of June 2014, reflecting the development and cost control initiatives made in a challenging economic environment. Within this context, the increase in GeoPost's EBITDA (€28 million) offset the decline in EBITDA recorded by the La Poste Parent Company (€35 million), which was impacted in particular by rapidly declining mail volumes.

The Tax Credit for Competitiveness and Employment (CICE), recognised as a deduction from personnel expenses and included in the EBITDA excluding banking, amounted to €178 million for the first half of 2014. It went up €49 million compared with June 2013, mainly due to the increase in rates (from 4% to 6% of payroll).

The unfavourable difference in working capital during the first half of 2014 compared with the first half of 2013 (€148 million) in large part came from cash held at the post offices, which, although it reached a level close to that of June 2013 (€497 million in June 2014 for €523 million in June 2013) decreased by €115 million over the first half of 2014 versus €197 million during the first half of 2013, i.e. an unfavourable impact of €82 million. The end-of-month value of this aggregate is very volatile, relating in particular to the reserves necessary to restock ATMs (Automated Teller Machines), heavily dependent on the positioning of the last day of the month (more reserves in anticipation of weekends for instance). The change in working capital excluding cash held at the post offices was €66 million, mainly from transactions with La Banque Postale, and therefore neutral at Group level.

Taxes led to a positive effect of €188 million on the Group's net debt⁸ for the first half of 2014, due, among other things, to crediting the deficit from non-banking activities on tax paid by La Banque Postale to its Parent Company under the full consolidation method.

5.1.2 Cash flows from investing activities excluding banking

Net investment outflows excluding banking amounted to €348 million as at the end of June 2014, or €6 million more compared with June 2013.

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Purchases of intangible assets and property, plant and equipment	-393	-379	-14	+3.7%
Purchases of financial assets	-4	-9	+5	-56.1%
Asset disposals	55	55	+1	+1.0%
Subsidiaries' acquisitions, less any cash and cash equivalents acquired	-7	-10	+2	-23.3%
Subsidiaries' outflows, less any disposals of cash	1	0	+0	n.s.
CASH FLOWS FROM INVESTING ACTIVITIES EXCLUDING BANKING	-348	-343	-6	+1.7%

5.1.2.1 Purchases of intangible assets and property, plant and equipment

Purchases of property, plant and equipment increased moderately compared with 2013 (+€14 million, or 3.7%). The Group's efforts to control expenditure, the Real Estate division's reduction in investments (€23 million) and a targeted investment policy for the Network and in the Support segment offset a major portion of the €58 million increase in investments to support GeoPost's rapid growth (notably to build hubs in Tours and in Birmingham) and Services-Mail-Parcels' €4 million in investments related to information systems.

Purchases of intangible assets and property, plant and equipment broken down by Business Unit is shown below:

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Services - Mail - Parcels	-88	-84	-4	+4.5%
GeoPost	-97	-39	-58	n.s.
La Poste Network	-9	-18	+9	-51.9%
Real Estate	-103	-126	+23	-18.4%
Support and Digital Services	-97	-112	+15	-13.8%
Purchases of intangible assets and property, plant and equipment	-393	-379	-14	+3.7%
Change in payables to suppliers of non-current assets	63	81	-18	-21.6%

⁸ Group net debt does not take into account La Banque Postale, for which this concept is not relevant.

INVESTMENTS MADE EXCLUDING BANKING	-330	-298	-32	+10.6%
---	-------------	-------------	------------	---------------

Purchases of intangible assets and property, plant and equipment include the change in suppliers of non-current assets and correspond to a cash outflow. Finance leases are not taken into account in this table, in accordance with IAS 7.

5.1.2.2 Purchases of financial assets

Purchases of financial assets (guarantee deposits and investments) do not include the "Cash investments of more than three months" (€669 million and €916 million respectively, as at the end of June 2014 and the end of June 2013) considered as backing for bonds, and fall under the Group's day-to-day cash management policy. The latter is presented as a deduction from net debt⁹.

Purchases of financial assets made during the first half of 2014 were not material, leading to a favourable difference of €5 million compared with June 2013.

5.1.2.3 Acquisitions and external growth

Acquisitions in the first half of 2014, less any deductions of cash and cash equivalents acquired, amounted to €7 million. They were mainly made by GeoPost, which purchased the SEUR Asturies franchise and took over Worldnet.

Additionally, La Banque Postale acquired SOFIAP. This acquisition, however, was not included in this aggregate, since La Banque Postale's cash flows are assessed by its distribution capacity, as explained above.

5.1.2.4 Asset disposals

Asset disposals, amounting to €55 million, were at the same level as that of 2013. Asset disposals include, in particular, sales of Group vehicles and disposals of buildings from La Poste's real estate portfolio.

⁹ Group net debt does not take into account La Banque Postale, for which this concept is not relevant.

5.1.3 Changes to net debt

Group net debt fell €10 million compared with pro forma 2013 debt levels (€3,805 million).

Apart from the positive free cash flow of €268 million, the Group paid €171 million in dividends to shareholders for 2013 results and paid €28 million in net interest plus €48 million in accrued interest not due.

Net free cash flows at the end of June 2014 were €22 million more than that of the end of June 2013, €25 million coming from superior free cash flows and €3 million from net interest paid.

Note the reception of €600 million in the first half of 2013 for the last tranche of the €2.7 billion capital increase, paid between 2011 and 2013.

	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
(€ million)			(€m)	(in %)
Cash flows from operating activities	616	586	+30	+5.2%
Cash flows from investments	-348	-343	-6	+1.7%
Free cash flows	268	243	+25	+10.1%
Dividends paid	-171	-172	+0	-0.3%
Net interest paid	-28	-25	-3	+11.0%
Net free cash flows	69	47	+22	+47.8%
Capital increase	0	602	-602	-100.0%
Impact of changes in consolidation scope on gross debt	-1	-13	+12	-93.8%
Purchase of non-controlling interests	0	-2	+2	n.s.
Unrealised gains and losses on changes in fair value	-9	-18	+9	-49.9%
Increase in finance lease liabilities	-2	-1	-1	n.s.
Change in ICNE (accrued interest not due) on financial instruments	-48	-57	+9	-15.4%
Other items	1	-0	+2	n.s.
CHANGES TO NET DEBT (*)	10	558	-548	n.s.

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

5.2 Change in cash and cash equivalents

Le Groupe La Poste's cash and cash equivalents rose from €2,104 million at the beginning of the year to €2,227 million at the end of June 2014, i.e. a €122 million increase, which is mainly explained by:

- Positive net free cash flows of €69 million;
- Cash and cash equivalent consumption from loans of €161 million, tied essentially to the repayment of commercial paper for a net amount of €150 million.
- Other cash flows from financing activities correspond primarily to one-off non-recurrent bank facility payables as at 30 June 2014 (a one-day lag between the value date and the transaction date for one €115 million transaction) as well as, to a lesser extent, to the change in collateralisation deposits of La Poste's financial instruments.

(€ million)	Half-year ended 30 June			
	06/2014	06/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Net free cash flows	69	47	+22	+47.8%
Capital increase	0	602	-602	-100.0%
Change in cash and cash equivalents from financing activities	-161	-10	-151	n.s.
Change in financial assets used in cash management	-17	-102	+85	-83.1%
Other cash flows from financing activities	149	-102	+252	n.s.
Intragroup cash flows	81	-67	+147	n.s.
Other items	1	-5	+6	n.s.
Change in cash and cash equivalents	122	363	241	-66.3%
Opening cash and cash equivalents	2,104	2,127	-23	-1.1%
CLOSING CASH AND CASH EQUIVALENTS	2,227	2,491	-264	-10.6%

5.3 Breakdown of debt

5.3.1 Gross debt

A breakdown of the Group's gross debt at the end of June 2014 and 31 December 2013 is provided below:

(€ million)	Half-year ended 30 June					
	06/2014			12/2013		
	Short-term	Medium and long-term	Total	Short-term	Medium and long-term	Total
Bonds	206	5,977	6,183	207	5,925	6,133
La Poste savings bonds	62	0	62	63	0	63
Commercial paper	0	0	0	150	0	150
Deposits and guarantees received	386	26	413	368	25	393
Accrued interest	166	0	166	132	0	132
Other	204	93	298	103	98	201
GROSS DEBT	1,025	6,097	7,121	1,023	6,048	7,071

La Poste's gross bonds are made up of about ten loans, originally with fixed rates, some of which have been switched to floating-rate bonds as part of floating rate investments, and for others, converted to fixed-rate again, according to whether interest rates were forecast to rise.

The Group's gross debt rose €50 million over the first half of the year with the following highlights:

- Repayment of commercial paper for a net amount of €150 million: €300 million was issued and €450 million was repaid during the half year;
- Increase in bond debt of €50 million: an impact from the decline in interest rates on bonds at fair value;
- A cyclical rise in accrued interest not due on borrowings for €35 million.

The cost of debt came to 3.05% in 2014 (4.30% before active management).

5.3.2 Net debt

(€ million)	Half-year ended 30 June			
	06/2014	12/2013	Change	
		pro forma	vs pro forma (€m)	(in %)
Gross debt at the end of the period	7,121	7,071	+50	+0.7%
Cash and cash equivalents	-2,227	-2,104	-123	+5.8%
Other asset items	-1,099	-1,162	+62	-5.4%
NET DEBT AT THE END OF THE PERIOD	3,795	3,805	-10	-0.3%

The Group's net debt stood at €3,795 million as at 30 June 2014, down €10 million compared with 31 December 2013.

Other assets correspond to:

- Investments of more than three months, a portion of which are cash investments backing future bond maturities, which amounted to €669 million at the end of June 2014;
- Debt-related derivative assets;
- Security deposits paid in connection with derivatives, recognised as assets;
- Net financial position in respect of La Banque Postale.

5.4 Equity and financial structure

(€ million)	Half-year ended 30 June			
	06/2014	12/2013	Change	
		<i>pro forma</i>	<i>vs pro forma</i>	
			(€m)	(in %)
Consolidated equity Group share (opening)	8,460	7,362	+1,098	+14.9%
Capital increase	0	600	-600	-100.0%
Net profit Group share	355	627	-272	-43.4%
Dividend payments	-171	-171	+0	-0.0%
Unrealised gains and losses on financial instruments	145	54	+91	n.s.
Translation adjustments	33	-75	+108	n.s.
Actuarial differences	-47	31	-78	n.s.
Other items	-53	32	-84	n.s.
Equity Group share	8,722	8,460	+262	+3.1%
Non-controlling interests	204	173	+31	+17.7%
CONSOLIDATED EQUITY (CLOSING)	8,926	8,633	+293	+3.4%

Equity Group Share stood at €8,722 million as at 30 June 2014, increasing by +€262 million.

5.5 Credit rating

The Group and La Banque Postale's credit ratings remained unchanged during the first half of the year.

5.5.1 *Le Groupe La Poste Rating*

Company	Agency	Long-term rating	Short-term rating	Outlook	Latest publication
La Poste	Fitch Ratings	AA-	F1+	Stable	18 September 2013
	Standard and Poor's	A	A-1	Stable	11 July 2013

5.5.2 *La Banque Postale Rating*

Company	Agency	Long-term rating	Short-term rating	Outlook	Latest publication
La Banque Postale	Fitch Ratings	A+	F1+	Negative	22 July 2014
	Standard and Poor's	A	A-1	Stable	12 November 2013

6. Post balance sheet events

6.1 Arcep (French regulator of the electronic communications and postal sectors) sets the multi-year framework on La Poste postal rates on 25 July 2014.

In light of the dramatic changes occurring in the economic environment in which La Poste operates, due to an accelerated rate of decrease in mail traffic, La Poste and ARCEP began to work during the first half-year 2014 on the provisional execution of the multi-year tariff control running from 2013 to 2015.

It appears that the objective of maintaining the economic balance on the perimeter of the framework is not reached. In addition, activities under the universal service would no longer cover the costs of accessibility to the universal postal service. ARCEP and La Poste agreed to reform the existing framework.

From their discussions, the regulator and the operator agreed on the need to define a new system of multi-year tariff control, and to apply these revisions to the period running from 1 January 2015 to 31 December 2018, i.e. for four years. This new scheme provides a pricing framework that is equal to the consumer price index increased by 3.5 points a year (IPC + 3,5%).

It also sets out, in real terms, an annual ceiling of consumption: La Poste can use up to 50% of the total multi-year envelope in 2015, 70% in 2016, 90% in 2017 and 100% in 2018.

It adapts the volume adjustment mechanism to introduce greater flexibility while maintaining the level of risk sharing between La Poste and users, unchanged from Decision No. 2012-1353.

The scheme contains a rendez-vous clause set for mid-2016.

The new rate schedules will now be established so as to be implemented on 1 January 2015. They will be announced two months at the latest before coming into effect.

With the envelope allocated to it, La Poste will have the necessary resources to maintain the universal service and continue providing superior quality of service.



**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AT 30 JUNE 2014**

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CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	S1 2014	S1 2013 (a)	2013 (a)
Services-Mail-Parcels revenues		5,649	5,797	11,465
GeoPost revenues		2,275	2,022	4,271
Digital Services revenues		187	192	387
La Poste Network revenues		12	11	27
Real Estate revenues		4	5	9
Revenues from commercial activities	4	8,126	8,027	16,158
Net banking income	5	2,847	2,775	5,568
Operating revenue		10,973	10,802	21,726
Purchases and other expenses	6	(3,488)	(3,341)	(7,070)
Personnel expenses	7	(6,274)	(6,306)	(12,468)
Taxes and levies	8	(132)	(128)	(236)
Depreciation, amortisation, provisions and impairment	8	(651)	(596)	(1,293)
Other operating revenue and expenses	8	54	61	136
Proceeds from asset disposals		(0)	1	(13)
Net operating expenses		(10,491)	(10,309)	(20,945)
Operating profit/(loss) before share in results of joint ventures		482	493	781
Share in results of joint ventures	13	4	5	10
Operating profit/(loss) after share in results of joint ventures		485	498	792
Cost of net financial debt		(85)	(100)	(197)
Other financial items		(18)	(13)	(25)
Financial profit/(loss)	9	(102)	(112)	(222)
Profit before tax of consolidated companies		383	386	569
Income tax	10	(126)	(87)	(131)
Share in profits of equity associates	13	115	112	215
CONSOLIDATED NET PROFIT/(LOSS)		372	411	653
Net profit/(loss), group share		355	396	627
Attributable to non-controlling interests		17	15	26

(a) Amounts restated to account for the first-time application of IFRS 10 and IFRS 11 (see note 2.3.)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts after tax (€ million)	S1 2014	S1 2013 (a)	2013 (a)
Consolidated net profit/(loss)	372	411	653
Other comprehensive income recognised under equity			
Recyclable items			
Change in unrealised gains and losses on financial instruments	8	(55)	31
<i>Of which transferred to net profit/(loss) for the year</i>	<i>(1)</i>	<i>(26)</i>	<i>(26)</i>
Translation adjustments	16	(23)	(27)
<i>Of which transferred to net profit/(loss) for the year</i>			
Share in other comprehensive income of equity companies	165	(43)	(26)
<i>Of which</i>			
<i>- change in unrealised gains and losses on financial instruments – CNP</i>	<i>148</i>	<i>(33)</i>	<i>26</i>
<i>- other unrealised gains and losses on financial instruments</i>		<i>6</i>	<i>(4)</i>
<i>- cumulative translation adjustments</i>	<i>17</i>	<i>(16)</i>	<i>(48)</i>
Non recyclable items			
Actuarial adjustments on employee benefits	(47)	31	27
Total other comprehensive income recognised in equity (after tax)	142	(90)	5
Total comprehensive income/(loss)	514	322	659
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE	486	317	633
Total comprehensive income/(loss) attributable to non-controlling interests	28	6	25

(a) Amounts restated to account for the first-time application of IFRS 10 and IFRS 11 (see note 2.3).

CONSOLIDATED BALANCE SHEET

ASSETS

(€ million)

	NOTE	30/06/2014	31/12/2013 (a)
Goodwill	11	1,574	1,532
Intangible assets	12	808	807
Tangible assets	12	5,796	5,931
Investments in equity associates	13	2,876	2,704
Other non-current financial assets	14	963	938
Deferred tax assets		198	149
NON-CURRENT ASSETS		12,215	12,061
Current banking assets			
Customer receivables and loans	15	63,143	59,204
Receivables from credit institutions	15	87,000	82,894
Securities portfolio	15	51,657	50,566
Other current financial assets	15	975	1,246
Accruals	15	1,443	1,220
Cash and central bank deposits	15	1,276	1,570
Other current assets			
Inventories and work-in-progress	14	125	132
Trade and other receivables	14	2,940	2,814
Other current financial assets	14	417	433
Cash held at post offices		497	612
Income tax credit		158	253
Other accruals – Assets		150	117
Cash and cash equivalents	14	2,227	2,104
Assets held for sale		106	120
CURRENT ASSETS		212,114	203,283
TOTAL ASSETS		224,329	215,344

(a) Amounts restated to account for the first time application of IFRS 10 and IFRS 11 (see note 2.3).

LIABILITIES

(€ million)	NOTE	30/06/2014	31/12/2013 (a)
Share capital		3,800	3,800
Issue premium		900	900
Reserves		3,123	2,720
Unrealised gains and losses on financial instruments		758	613
Actuarial adjustments on employee benefits		(126)	(80)
Cumulative translation adjustments		(88)	(120)
Net profit/(loss), group share		355	627
Equity, group share		8,722	8,460
Non-controlling interests		204	173
CONSOLIDATED EQUITY		8,926	8,633
Medium and long-term bonds and other financial debt	17	6,097	6,048
Employee benefits – non-current liabilities	19	1,729	1,685
Non-current provisions for contingencies and losses	16	114	80
Deferred tax liabilities		197	174
NON-CURRENT LIABILITIES		8,137	7,988
Current provisions for contingencies and losses			
Specific provisions for the Insurance and Banking activities	16	1,998	1,802
Current provisions for contingencies and losses	16	537	538
Short-term bonds and other financial debt	17	1,024	1,023
Current banking liabilities			
Liabilities to credit institutions	20	17,497	14,757
Liabilities to customers	20	167,865	166,583
Debt evidenced by a certificate and other financial liabilities	20	11,310	6,801
Accruals	20	2,021	2,022
Other current liabilities			
Trade and other payables	21	4,021	4,356
Government – Income tax		101	34
Employee benefits – current liabilities	19	652	663
Other accruals – Liabilities		238	145
Liabilities held for sale			
CURRENT LIABILITIES		207,266	198,723
TOTAL LIABILITIES		224,329	215,344

(a) Amounts restated to account for the first time application of IFRS 10 and IFRS 11 (see note 2.3).

CHANGES IN CONSOLIDATED EQUITY 2014

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	Actuarial adjustments on employee benefits	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2013 (restated)^(a)	3,800	900	627	(120)	418	195	(80)	2,720	8,460	173	8,633
Dividend payments			(171)						(171)	(13)	(184)
Call options on non-controlling interests								(56)	(56)	(28)	(84)
Purchase of non-controlling interests											
Appropriation of 2013 earnings			(456)					456			
Comprehensive income for the year			355	33	148	(3)	(47)		486	28	514
Of which: - Net profit			355						355	17	372
- Other comprehensive income				33	148	(3)	(47)		131	11	142
Other								3	3	44	47
CONSOLIDATED EQUITY AS AT 30/06/2014	3,800	900	355	(88)	566	192	(126)	3,123	8,722	204	8,926

(a) Amounts restated to account for the first time application of IFRS 10 and IFRS 11 (see note 2.3).

CHANGES IN CONSOLIDATED EQUITY 2013

1st semester 2013

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	Actuarial adjustments on employee benefits	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2012 (restated) ^(a)	3,400	700	479	(45)	392	167	(110)	2,379	7,362	178	7,540
La Poste capital increase ^(b)	400	200							600	0	600
Dividend payments			(171)						(171)	(18)	(189)
Call options on non-controlling interests								17	17	2	19
Purchase of non-controlling interests								(39)	(39)	(6)	(44)
Appropriation of 2012 earnings			(308)					308	0		0
Comprehensive income for the year			396	(39)	(33)	(39)	31		317	6	322
Of which: - Net profit			396				(79)		317	15	332
- Other comprehensive income				(39)	(33)	(39)	31		(80)	(10)	(90)
Other						0	(1)	(2)	(3)	7	4
Consolidated equity as at 30/06/2013 (restated) ^(a)	3,800	900	396	(84)	359	128	(80)	2,664	8,084	169	8,253

2013

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	Actuarial adjustments on employee benefits	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2012 (restated) ^(a)	3,400	700	479	(45)	392	167	(110)	2,379	7,362	178	7,540
La Poste capital increase ^(b)	400	200							600		600
Dividend payments			(171)						(171)	(20)	(191)
Call options on non-controlling interests								67	67	(1)	66
Purchase of non-controlling interests								(43)	(43)	(6)	(49)
Appropriation of 2012 earnings			(308)					308			
Comprehensive income for the year			627	(75)	26	27	27		633	25	659
Of which: - Net profit			627						627	26	653
- Other comprehensive income				(75)	26	27	27		6	(1)	5
Other							2	9	12	(3)	8
Consolidated equity as at 31/12/2013 (restated) ^(a)	3,800	900	627	(120)	418	195	(80)	2,720	8,460	173	8,633

(a) Amounts restated to account for the first time application of IFRS 10 and IFRS 11 (see note 2.3).

(b) The French government and Caisse des Dépôts exercised in April 2013 the 350 million equity warrants they were holding (decision of the Extraordinary General Meeting on 6 April 2011).

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	S1 2014			S1 2013 (a)			2013 (a)		
	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale
EBITDA	1,294	464	830	1,148	458	690	2,221	794	1,427
Change in provisions for current assets and unrecoverable receivables	(154)	(9)	(145)	(92)	(11)	(81)	(190)	(26)	(164)
Miscellaneous financial income and expenses	1	1	0	2	2	(0)	5	5	0
Cash flows from operating activities before cost of net debt and taxes	1,141	456	685	1,058	449	609	2,036	773	1,263
Change in working capital requirement	(195)	(289)	94	(196)	(223)	28	6	21	(15)
Change in cash held at post offices	115	115		197	197		108	108	
CICE tax credit for the period (excluding provisions)	(179)	(178)	(1)	(129)	(128)	(0)	(255)	(253)	(2)
Change in balance of banking sources and uses	(1,309)		(1,309)	(1,666)		(1,666)	(2,237)		(2,237)
Taxes paid	99	249	(150)	(69)	32	(101)	(146)	101	(246)
Dividends paid by La Banque Postale to La Poste		261	(261)		258	(258)		258	(258)
Dividends received from equity associates	111	4	106	1	2	(0)	9	9	(0)
Cash flows from operating activities	(218)	616	(835)	(803)	586	(1,389)	(479)	1,016	(1,496)
Purchase of intangible and tangible assets	(460)	(393)	(66)	(443)	(379)	(64)	(989)	(829)	(160)
Purchase of financial assets	(6)	(4)	(2)	(11)	(9)	(2)	(22)	(21)	(1)
Issue of subordinated notes by La Banque Postale								(800)	800
Proceeds from the disposal of tangible and intangible assets	47	47	0	55	51	3	132	125	7
Proceeds from disposals of financial assets	9	8	1	4	4	0	28	26	1
Impact of changes in consolidation scope	(44)	(7)	(38)	(124)	(9)	(115)	(163)	(50)	(113)
Change in financial assets held for investment purposes	(17)	(17)		(102)	(102)		157	157	
Cash flows from investing activities	(471)	(366)	(105)	(621)	(445)	(177)	(857)	(1,391)	534
Capital increase ^(b)	8	0	8	602	602	(0)	601	600	0
Dividends paid	(171)	(171)	(0)	(188)	(172)	(16)	(191)	(175)	(17)
Interest paid	(28)	(28)		(25)	(25)		(171)	(171)	
Proceeds from new borrowings	1,051	301	750	1	1		405	405	
Repayment of borrowings	(462)	(462)		(11)	(11)		(752)	(752)	
Purchase of non-controlling interests				(47)	(2)	(45)	(53)	(9)	(45)
Other cash flows from financing activities	150	150		(102)	(102)		(102)	(102)	
Intra-group flows		80	(80)		(67)	67		557	(557)
Cash flows from financing activities	548	(130)	678	230	225	6	(264)	355	(618)
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope	262		262	1,560		1,560	1,580		1,580
Impact of changes in exchange rates	1	1		(3)	(3)		(4)	(4)	
Change in cash and cash equivalents^(c)	122	122	0	363	363	0	(23)	(23)	0
Opening cash and cash equivalents^(c)	2,104	2,104		2,127	2,127		2,127	2,127	
Closing cash and cash equivalents^(c)	2,227	2,227		2,491	2,491		2,104	2,104	0

(a) Amounts restated to account for the first time application of IFRS 10 and IFRS 11 (see note 2.3).

(b) Of which €600 million received in 2013 in relation to La Poste's capital increase decided in April 2011.

(c) Excluding cash held at post offices.

G E N E R A L I T E M S

Comparative data for 2013 in the notes to the financial statement have been restated to account for the first-time application of IFRS 10 and IFRS 11. The details of the restatements are shown in note 2.3.

NOTE 1 SIGNIFICANT EVENTS DURING THE SEMESTER

- 1.1 New governance of Le Groupe La Poste
- 1.2 La Banque Postale bond issue
- 1.3 Investigation by the French Competition Authority on the parcel delivery industry
- 1.4 Main changes in the consolidation scope

1.1 New governance of Le Groupe La Poste

Le Groupe La Poste presented in April 2014 its new strategic plan "La Poste 2020: Conquering the future". As part of this plan, a new corporate governance will be implemented, organised around 5 business units:

- Mail-Parcels-Services
- La Banque Postale
- GeoPost
- La Poste Network
- Digital Services

As a result of this new organisation, the segment reporting reviewed by Group Management was modified, as detailed in note 3.

1.2 La Banque Postale bond issue

On 11 April 2014, La Banque Postale carried out a €750 million bond issue. This was the third issue of Tier 2 securities by La Banque Postale, the first having been carried out in November 2006 for €500 million and redeemed in 2011, and the second having been carried out in November 2010 for €750 million.

This issue, done in the form of redeemable subordinated securities (Lower Tier 2) was primarily taken up by European institutional investors. This issue can be converted into senior debt in the event of regulatory hurdles. It is also hedged at fair value.

1.3 Investigation by the French Competition Authority on the parcel delivery industry

The French Competition Authority is currently investigating the various parcel delivery players in France. A grievance notice was issued on 30 June 2014.

1.4 Main changes in the consolidation scope

Acquisition of Sofiap

La Banque Postale acquired 66% of Sofiap on 20 May 2014 from Crédit Immobilier de France and SNCF. The remaining 34% are held by SNCF. This company manages a home loans portfolio of less than €2 billion, mainly with SNCF employees, and a net banking income of around €21.5 million.

The purchase price allocation to the fair value of assets and liabilities acquired was based on provisional amounts, and could be adjusted during the measurement period of 12 months from the acquisition date.

Take-over of WnDirect

GeoPost acquired in April 2014 a 63.5% majority interest in the capital of WnDirect, a British logistics services company. It previously held a 20% interest. The revaluation of the previously held interest gave rise to the recognition of a €6.5 million gain in income. The provisional goodwill from this acquisition amounted to €21 million.

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.

(€ million)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	S1 2014	S1 2013	S1 2014	S1 2013
Revenues and NBI	10,973	10,802	10,852	10,808
Purchases and other expenses	(3,488)	(3,341)	(3,397)	(3,344)
Personnel expenses	(6,274)	(6,306)	(6,250)	(6,307)
Taxes and levies	(132)	(128)	(132)	(128)
Depreciation, amortisation and provisions	(651)	(596)	(648)	(596)
Other current operating revenue and expenses	54	61	54	61
Pre-tax gains and losses on asset disposals	(0)	1	(0)	1
Net operating expenses	(10,491)	(10,309)	(10,373)	(10,314)
Operating profit/(loss) before share in results of joint ventures	482	493	479	494
Share in results of joint ventures	4	5	3	4
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	485	498	482	498

NOTE 2

BASIS OF PREPARATION FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates
- 2.3 First time application of IFRS 10 and IFRS 11

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 44, boulevard de Vaugirard 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 2014 were signed off by the Board of Directors (meeting on 31 July 2014), and the General Shareholders' Meeting will be asked to approve them.

2.1 Accounting guidelines

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the condensed consolidated financial statements of Le Groupe La Poste for the semester ended 30 June 2014 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 2014 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 2013.

The accounting principles applied as at 30 June 2014 are unchanged from those applied as at 31 December 2013, except for the items described in Point A below.

A. Standards and application interpretations that are mandatory for the first time as of 30 June 2014

IFRS 10 – Consolidated financial statements

IFRS 10 supersedes IAS 27 and SIC 12. It defines a single model for control, based on the ability of the investor to affect the returns from an entity through its power over this entity. The effects on the Group's

consolidated accounts of the first time application of this standard are presented in note 2.3.

IFRS 11 – Joint Arrangements

IFRS 11 supersedes IAS 31, and makes the equity method mandatory for joint arrangements classified as joint ventures. The effects on the Group's consolidated accounts of the first time application of this standard are presented in note 2.3.

IFRS 12 – Disclosure of Interests in Other Entities

This text requires disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The required disclosures will be provided in the annual consolidated accounts as at 31 December 2014.

IAS 27 revised – Separate financial statements

This text deals only with separate financial statements, and as such is not applicable to Le Groupe La Poste.

IAS 28 revised – Investments in associates and joint ventures

This text defines the concept of significant influence and the equity consolidation method. It did not have any impact on the Group's financial statements as at 30 June 2014.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

This text did not have any impact on the Group's financial statements as at 30 June 2014.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

This text did not have any impact on the Group's financial statements as at 30 June 2014.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

This text did not have any impact on the Group's financial statements as at 30 June 2014.

B. Standards and application interpretations that will be mandatory after 30 June 2014 and that were not applied in advance

Le Groupe La Poste did not adopt early any standard or interpretation with mandatory application after 30 June 2014.

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 First time application of IFRS 10 and IFRS 11

IFRS 10

IFRS 10 defines a single control model. This model comprises 3 criteria: the power over the relevant activities of the investee, exposure to variable returns from the investee and the ability to use its power to affect these returns.

Le Groupe La Poste reviewed its investment portfolio in order to assess its control over the investees in accordance with the new standard.

This review led the Group to conclude that it had control as at 1 January 2013 over LBP Prévoyance, which was previously consolidated using proportionate consolidation according to IAS 31. This assessment is based on the company's decision-making process and on the ability of the Group to affect the variable returns it is exposed to, through this process.

The Group's consolidated accounts have been restated with the full consolidation of LBP Prévoyance as at 1st January 2013.

The review of the Group's investments portfolio did not lead to any other modification in the assessment of control.

IFRS 11

IFRS 11 defines two types of joint arrangements:

- Joint ventures are those joint arrangements whereby the joint venturers have rights to the net assets of the arrangement. Joint ventures must be consolidated using the equity method.

- Joint operations are joint arrangements whereby operators have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for such that each joint operator recognises its share of assets, liabilities, revenues and expenses.

After a review of its joint arrangements, Le Groupe La Poste concluded that most of them can be classified as joint ventures according to IFRS 11. They were previously accounted for using proportionate consolidation. The Group's consolidated accounts have been restated by accounting for these arrangements using the equity method.

The main concerned joint arrangements are the following:

- Asendia
- La Poste Telecom
- Armadillo Bizpak
- SCI Bataille
- DTDC

RESTATED DATA

The following restatement tables are presented hereafter:

- Effect of the first-time application of IFRS 10 and IFRS 11 on the income statement and the comprehensive income statement
 - 1st semester 2013
 - Year 2013
- Effect of the first-time application of IFRS 10 and IFRS 11 on the balance sheet
 - As at 1 January 2013
 - As at 31 December 2013
- Effect of the first-time application of IFRS 10 and IFRS 11 on the cash flow statement
 - 1st semester 2013
 - Year 2013

EFFECT OF THE FIRST-TIME APPLICATION OF IFRS 10 AND IFRS 11 ON THE INCOME STATEMENT

In accordance with recommendation n°2013-01 by Autorité de Normes Comptables issued 4 April 2013, Le Groupe La Poste chose to include its share in results from its joint ventures accounted for using the

equity method in the line item "Operating profit/(loss) after share in results of joint ventures".

INCOME STATEMENT 1ST SEMESTER 2013

<i>(€ million)</i>	S1 2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	S1 2013 restated
Revenues from commercial activities	8,199		(172)	8,027
Net banking income	2,748	27		2,775
Operating revenue	10,947	27	(172)	10,802
Net operating expenses	(10,464)	(9)	164	(10,309)
Operating profit/(loss) before share in joint-ventures	483	18	(8)	493
Share in joint-ventures			5	5
Operating profit/(loss) after share in joint-ventures	483	18	(4)	498
Financial profit/(loss)	(113)		1	(112)
Profit before tax of consolidated companies	370	18	(3)	386
Income tax	(83)	(7)	3	(87)
Share in profits of equity associates	112			112
CONSOLIDATED NET PROFIT/(LOSS)	399	12	(0)	411
Net profit/(loss), group share	396			396
Attributable to non-controlling interests	4	12		15

COMPREHENSIVE INCOME 1ST SEMESTER 2013

Amounts after tax (€ million)	S1 2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	S1 2013 restated
Consolidated net profit/(loss)	400	12		411
Recyclable comprehensive income items				
Change in unrealised gains and losses on financial instruments	(45)	(10)		(55)
Translation adjustments	(24)		1	(23)
Share in comprehensive income and expenses posted of equity associates	(42)		(1)	(43)
Non recyclable comprehensive income items				
Actuarial adjustments on employee benefits	31			31
Comprehensive income and expenses recognised in equity (after tax)	(80)	(10)		(90)
Comprehensive income	320	2		322
NET PROFIT/(LOSS), GROUP SHARE	317			317
Comprehensive income attributable to non-controlling interests	4	2		6

INCOME STATEMENT 2013

(€ million)	2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	2013 restated
Revenues from commercial activities	16,562		(404)	16,158
Net banking income	5,522	46		5,568
Operating revenue	22,084	46	(404)	21,726
Net operating expenses	(21,314)	(17)	386	(20,945)
Operating profit/(loss) before share in joint-ventures	770	29	(18)	781
Share in joint-ventures			10	10
Operating profit/(loss) after share in joint-ventures	770	29	(8)	792
Financial profit/(loss)	(223)		0	(222)
Profit before tax of consolidated companies	547	29	(7)	569
Income tax	(127)	(11)	7	(131)
Share in profits of equity associates	215			215
CONSOLIDATED NET PROFIT/(LOSS)	635	18	(0)	653
Net profit/(loss), group share	627		(0)	627
Attributable to non-controlling interests	8	18	(0)	26

COMPREHENSIVE INCOME 2013

Amounts after tax (€ million)	2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	2013 restated
Consolidated net profit/(loss)	635	18		653
Recyclable comprehensive income items				
Change in unrealised gains and losses on financial instrumen	32	(1)		31
Translation adjustments	(31)		4	(27)
Share in comprehensive income and expenses posted of equity associates	(22)		(4)	(26)
Non recyclable comprehensive income items				
Actuarial adjustments on employee benefits	27			27
Comprehensive income and expenses recognised in equity (after tax)	6	(1)		5
Comprehensive income	642	17		659
NET PROFIT/(LOSS), GROUP SHARE	633			633
Comprehensive income attributable to non-controlling interests	8	17		25

EFFECT OF THE FIRST-TIME APPLICATION OF IFRS 10 AND IFRS 11 ON THE BALANCE SHEET

BALANCE SHEET AS AT 1ST JANUARY 2013

(€ million)	01/01/2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	01/01/2013 restated
Goodwill	1,562		(37)	1,525
Intangible assets	825	0	(10)	815
Tangible assets	6,062	1	(11)	6,052
Investments in equity associates	2,446		49	2,495
Other non-current financial assets	894		0	894
Deferred tax assets	113	0	(2)	111
NON-CURRENT ASSETS	11,903	1	(11)	11,892
Current banking assets				
Customer receivables and loans	49,922		(0)	49,922
Receivables from credit institutions	81,254	0		81,254
Securities portfolio	54,281	712		54,993
Other current financial assets	1,305	(9)		1,296
Accruals	2,387	76	(0)	2,463
Cash and central bank deposits	2,726			2,726
Other current assets				
Inventories and work-in-progress	203		(61)	143
Trade and other receivables	2,453	0	(74)	2,379
Other current financial assets	781		2	783
Cash held at post offices	719			719
Income tax credit	211	1	(0)	212
Other accruals – Assets	126		(3)	123
Cash and cash equivalents	2,167		(40)	2,127
Assets held for sale	104			104
CURRENT ASSETS	198,641	780	(176)	199,245
TOTAL ASSETS	210,544	781	(187)	211,137
Share capital	3,400			3,400
Issue premium	700			700
Reserves	2,357	22	0	2,380
Unrealised gains and losses on financial instruments	581	(22)		559
Actuarial adjustments on employee benefits	(110)			(110)
Cumulative translation adjustments	(45)		(0)	(45)
Net profit/(loss), group share	479	0	(0)	479
Equity, group share	7,362	0	0	7,362
Non-controlling interests	65	113	0	178
CONSOLIDATED EQUITY	7,427	113	0	7,540
Medium and long-term bonds and other financial debt	6,085		4	6,089
Employee benefits – non-current liabilities	1,821		(0)	1,821
Non-current provisions for contingencies and losses	90		(0)	90
Deferred tax liabilities	142	12	(1)	153
NON-CURRENT LIABILITIES	8,140	12	2	8,153
Current provisions for contingencies and losses				
Specific provisions for the Insurance and Banking activities	1,005	608		1,614
Current provisions for contingencies and losses	385	1	(1)	385
Short-term bonds and other financial debt	1,567		(36)	1,531
Current banking liabilities				
Liabilities to credit institutions	15,811	0		15,812
Liabilities to customers	160,393			160,393
Debt evidenced by a certificate and other financial liabilities	7,185	9		7,194
Accruals	3,493	10		3,503
Other current liabilities				
Trade and other payables	4,349	28	(111)	4,266
Government – Income tax	16		(0)	16
Employee benefits – current liabilities	617		(0)	617
Other accruals – Liabilities	154		(41)	113
CURRENT LIABILITIES	194,977	656	(190)	195,443
TOTAL LIABILITIES	210,544	781	(187)	211,137

BALANCE SHEET AS AT 31 DECEMBER 2013

(€ million)	31/12/2013 as reported	First-time application of IFRS 10	First-time application of IFRS 11	31/12/2013 restated
Goodwill	1,587		(55)	1,532
Intangible assets	816	0	(9)	807
Tangible assets	5,941	1	(10)	5,931
Investments in equity associates	2,634		70	2,704
Other non-current financial assets	942		(4)	938
Deferred tax assets	153	(0)	(3)	149
NON-CURRENT ASSETS	12,073	0	(12)	12,061
Current banking assets				
Customer receivables and loans	59,204		(0)	59,204
Receivables from credit institutions	82,894	0		82,894
Securities portfolio	49,784	782		50,566
Other current financial assets	1,200	46		1,246
Accruals	1,185	35	(0)	1,220
Cash and central bank deposits	1,570			1,570
Other current assets				
Inventories and work-in-progress	136		(4)	132
Trade and other receivables	2,936	0	(123)	2,814
Other current financial assets	430		3	433
Cash held at post offices	612			612
Income tax credit	253		(0)	253
Other accruals – Assets	118		(1)	117
Cash and cash equivalents	2,163		(59)	2,104
Assets held for sale	120			120
CURRENT ASSETS	202,604	863	(185)	203,283
TOTAL ASSETS	214,677	864	(197)	215,344
Share capital	3,800			3,800
Issue premium	900			900
Reserves	2,698	22	0	2,720
Unrealised gains and losses on financial instruments	635	(22)		613
Actuarial adjustments on employee benefits	(80)			(80)
Cumulative translation adjustments	(120)		0	(120)
Net profit/(loss), group share	627			627
Equity, group share	8,460	0	0	8,460
Non-controlling interests	57	117	(0)	173
CONSOLIDATED EQUITY	8,516	117	(0)	8,633
Medium and long-term bonds and other financial debt	6,043		6	6,048
Employee benefits – non-current liabilities	1,685		(0)	1,685
Non-current provisions for contingencies and losses	80		(1)	80
Deferred tax liabilities	166	12	(5)	174
NON-CURRENT LIABILITIES	7,976	12	0	7,988
Current provisions for contingencies and losses				
Specific provisions for the Insurance and Banking activities	1,126	676		1,802
Current provisions for contingencies and losses	540	1	(2)	538
Short-term bonds and other financial debt	1,060		(37)	1,023
Current banking liabilities				
Liabilities to credit institutions	14,757	0	(0)	14,757
Liabilities to customers	166,583			166,583
Debt evidenced by a certificate and other financial liabilities	6,790	10		6,801
Accruals	2,003	19		2,022
Other current liabilities				
Trade and other payables	4,424	27	(95)	4,356
Government – Income tax	33	1	(1)	34
Employee benefits – current liabilities	663		0	663
Other accruals – Liabilities	207		(62)	145
CURRENT LIABILITIES	198,185	735	(197)	198,723
TOTAL LIABILITIES	214,677	863	(196)	215,344

EFFECT OF THE FIRST-TIME APPLICATION OF IFRS 10 AND IFRS 11 ON THE CASH-FLOW STATEMENT

CASH FLOW STATEMENT 1ST SEMESTER 2013

	S1 2013 as reported			First-time application of IFRS 10	First-time application of IFRS 11	S1 2013 restated		
	Group	Non-banking	La Banque Postale	La Banque Postale	Non-banking	Group	Non-banking	La Banque Postale
<i>(€ million)</i>								
EBITDA	1,105	470	635	56	(11)	1,148	458	690
Cash flows from operating activities before cost of net debt and taxes	1,013	459	554	56	(10)	1,058	449	609
Cash flows from operating activities	(811)	591	(1,402)	13	(6)	(803)	586	(1,389)
Cash flows from investing activities	(624)	(447)	(177)		3	(621)	(445)	(177)
Cash flows from financing activities	245	226	19	(13)	(1)	230	225	6
Change in cash and cash equivalents	367	367	0		(3)	363	363	0
Opening cash and cash equivalents	2,167	2,167			(40)	2,127	2,127	
Closing cash and cash equivalents	2,534	2,534			(44)	2,491	2,491	

CASH FLOW STATEMENT 2013

	2013 as reported			First-time application of IFRS 10	First-time application of IFRS 11	2013 restated		
	Group	Non-banking	La Banque Postale	La Banque Postale	Non-banking	Group	Non-banking	La Banque Postale
<i>(€ million)</i>								
EBITDA	2,149	824	1,325	101	(31)	2,221	794	1,427
Cash flows from operating activities before cost of net debt and taxes	1,962	801	1,162	101	(27)	2,036	773	1,263
Cash flows from operating activities	(454)	1,056	(1,509)	13	(38)	(479)	1,016	(1,496)
Cash flows from investing activities	(869)	(1,403)	534	(0)	13	(857)	(1,391)	534
Cash flows from financing activities	(256)	348	(605)	(13)	5	(265)	353	(618)
Change in cash and cash equivalents	(4)	(4)	(0)		(19)	(23)	(23)	(0)
Opening cash and cash equivalents	2,167	2,167			(40)	2,127	2,127	
Closing cash and cash equivalents	2,163	2,163			(59)	2,104	2,104	

NOTE 3 SEGMENT REPORTING

As part of its new strategic plan « La Poste 2020 », the Group modified in the first half of 2014 the organisation of its business segments, as well as the financial segment information reviewed by the Group's Management. The Group is now organised around five operating segments, in addition to the Real Estate and Shared Services segments:

- **Services – Mail – Parcels:** this segment includes the mail activity (i.e. pick-up, sorting and delivery of letter posts, advertising and press publications) and the related services, the parcels activity carried out by La Poste under the ColiPoste brand, as well as the postman's new services.
- **Geopost:** this segment includes the Express activity carried out by the GeoPost sub-group's brands, primarily DPD, Chronopost, Exapaq and Secur.
- **La Banque Postale:** this segment includes the Banking and Insurance activities of the La Banque Postale sub-group, as well as the services

provided by some La Poste staff to La Banque Postale under service agreements

- **La Poste Network:** this segment encompasses the sale and distribution activities intended for the general public, the La Poste Mobile activities, Le Groupe La Poste's products and services, and other non-Group products.
- **Digital Services:** this segment includes all the Group's digital activities.
- **Real Estate:** This segment manages all of the Group's real estate assets held by the Poste Immo sub-group, and also includes the activities of the La Poste Real Estate Department
- **Shared Services:** this segment includes the "Corporate" activities of the Group's registered Office and support services departments.

The comparative segment reporting data presented below for the year 2013 have been restated to comply with the new operating segments.

1ST SEMESTER 2014

(€ 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	5,649	2,275	2,847	187	12	4				10,973
Inter-segment revenues and NBI	132	36	7	25	2,004	417	410		(3,031)	
Operating revenue	5,781	2,311	2,854	212	2,016	420	410		(3,031)	10,973
Operating profit/(loss) before share in results of joint ventures	321	124	466	(18)	(24)	31	(108)	(310)	(0)	482
Share in results of joint ventures	1	3			(3)	3				4
Operating profit/(loss) after share in results of joint ventures	321	127	466	(18)	(27)	34	(108)	(310)	(0)	485
Financial profit/(loss)								(102)		(102)
Income tax								(126)		(126)
Share in profits of equity associates	(0)	0	114	(0)		1				115
CONSOLIDATED NET PROFIT/(LOSS)										372
Depreciation, amortisation, provisions and impairment	(133)	(100)	(178)	(15)	(15)	(126)	(84)		(0)	(651)
Segment assets	2,765	3,269	209,591	438	627	3,874	8,689		(4,924)	224,329

1ST SEMESTER 2013

(€ 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	5,797	2,022	2,775	192	11	5				10,802
Inter-segment revenues and NBI	120	32	12	23	2,034	416	409		(3,047)	
Operating revenue	5,918	2,054	2,786	215	2,046	421	409		(3,047)	10,802
Operating profit/(loss) before share in results of joint ventures	365	138	421	(4)	(52)	34	(103)	(302)	(3)	493
Share in results of joint ventures	1	3			(1)	2				5
Operating profit/(loss) after share in results of joint ventures	366	141	421	(4)	(53)	35	(103)	(302)	(3)	498
Financial profit/(loss)								(112)		(112)
Income tax								(87)		(87)
Share in profits of equity associates	(0)	0	111	(0)		1				112
CONSOLIDATED NET PROFIT/(LOSS)										411
Depreciation, amortisation, provisions and impairment	(144)	(53)	(170)	(12)	(25)	(122)	(70)			(596)
Segment assets	2,853	2,932	205,618	442	681	4,122	8,740		(4,371)	221,018

2013

(€ 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	11,465	4,271	5,568	387	27	9				21,726
Inter-segment revenues and NBI	240	72	17	51	4,138	845	825		(6,189)	
Operating revenue	11,705	4,342	5,585	438	4,165	854	825		(6,189)	21,726
Operating profit/(loss) before share in results of joint ventures	557	306	737	(5)	41	126	(194)	(719)	(67)	781
Share in results of joint ventures	2	10			(7)	6				10
Operating profit/(loss) after share in results of joint ventures	559	316	737	(5)	33	132	(194)	(719)	(67)	792
Financial profit/(loss)								(222)		(222)
Income tax								(131)		(131)
Share in profits of equity associates	(0)	3	200	11		2				215
CONSOLIDATED NET PROFIT/(LOSS)										653
Depreciation, amortisation, provisions and impairment	(226)	(111)	(484)	(26)	(66)	(240)	(140)		0	(1,293)
Segment assets	2,791	3,089	200,659	433	769	4,036	8,468		(4,900)	215,344

(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

- 4.1 Services-Mail-Parcels revenues
- 4.2 GeoPost revenues
- 4.3 Digital Services revenues
- 4.4 Other revenues

Le Groupe La Poste's revenues from commercial activities are generated by the Services-Mail-Parcels, GeoPost and Digital Services segments as well as by the La Poste Network and the Real Estate segments. These revenues broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Services-Mail-Parcels revenues	5,649	5,797	11,465
Of which Domestic mail	4,598	4,771	9,325
Of which International mail	300	273	570
Of which Parcels	751	753	1,570
GeoPost revenues	2,275	2,022	4,271
Digital Services revenues	187	192	387
La Poste Network revenues	12	11	27
Real Estate revenues	4	5	9
TOTAL	8,126	8,027	16,158

4.1 Services-Mail-Parcels revenues

Domestic mail revenues broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Correspondence and other La Poste products and services	3,392	3,436	6,689
Advertising mail	639	710	1,401
Press	292	345	679
Other products and services of the subsidiaries	275	279	556
TOTAL	4,598	4,771	9,325

"Press" revenues include contractual compensation paid in consideration for the reduced tariffs granted to press organisations as well as the compensation of press operators.

"Other Products and Services" of the subsidiaries consist mainly of the following companies' revenues:

- €155 million from Mediapost, the leader in unaddressed advertising mail and a specialist in geo-marketing (€164 million as of the first half of 2013, and €325 million 2013);
- €36 million from Docapost BPO IS, a specialist in the integrated processing of business mail (€32 million as of the first half of 2013 and €66 million in 2013).

International Mail revenues broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Terminal fees	90	76	162
Mail franked at post office counters	59	49	120
Other International Mail products	152	148	288
TOTAL	300	273	570

Terminal fees are the payments received by La Poste for delivering mail from abroad in France. They are determined on the balance-sheet date based on estimates of the weight and number of items delivered known at that date.

Other international Mail products consisted of:

- €132 million in revenues earned from businesses and the public sector for La Poste (€131 million as of the first half of 2013 and €252 million in 2013);
- €20 million in revenues from the international unit companies (€17 million as of the first half of 2013 and €37 million in 2013).

Revenues from the Parcels activity broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Parcels franked at post office counters	222	223	462
Other Parcels products	529	530	1,108
TOTAL	751	753	1,570

The other Parcels products are generated by the ColiPoste business, the La Poste parent company in-house operator, with companies and local authorities.

4.2 GeoPost revenues

GeoPost revenues broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Express France	558	525	1,074
Express Rest of World	1,717	1,496	3,196
TOTAL	2,275	2,022	4,271

4.3 Digital Services revenues

Digital Services revenues consist mainly of the revenues from Docapost DPS for €53 million (€55 million as of the first half of 2013 and €106 million in

2013) and from Docapost BPO SAS for €77 million (€81 million as of the first half of 2013 and €164 million in 2013).

4.4 Other revenues

La Poste Network revenues include the revenues of La Poste Mobile, as well as 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.

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

NOTE 5 NET BANKING INCOME

The Group's Net Banking Income broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Interest and similar income	2,698	2,920	5,659
Interest and similar income on treasury and inter-bank transactions	881	1,120	2,037
Interest and similar income on customer transactions	1,070	1,022	2,096
Interest on available-for-sale financial assets held to maturity, and on hedging transactions	746	777	1,526
Interest and similar expenses	(1,178)	(1,309)	(2,380)
Interest and similar expenses on treasury and inter-bank transactions	(12)	(13)	(35)
Interest and similar expenses on customer transactions	(920)	(1,144)	(2,084)
Interest on debt evidenced by a certificate and hedging transactions	(245)	(152)	(261)
Commission income	1,147	1,085	2,230
Commission expenses	(127)	(115)	(238)
Net gains and losses on financial instruments at fair value through profit or loss	15	10	26
Net gains and losses on available-for-sale assets	220	112	149
Margin on insurance activities	96	87	160
Income and expenses from other activities	(24)	(14)	(38)
TOTAL	2,847	2,775	5,568
Total income	4,305	4,270	8,300
Total expenses	(1,457)	(1,495)	(2,732)

NOTE 6 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	S1 2014	S1 2013	2013
External services and general sub-contracting	688	686	1,517
Purchases	250	265	583
Outsourced transport	1,629	1,488	3,024
International mail delivery services	89	80	160
Rental expenses	348	336	735
Maintenance and repair costs	174	181	399
Telecommunications expenses	62	64	132
Travel and assignments	92	89	187
Other expenses	155	151	334
TOTAL	3,488	3,341	7,070

NOTE 7 PERSONNEL EXPENSES AND HEADCOUNT**7.1 Personnel expenses****7.2 Headcount****7.1 Personnel expenses**

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

(€ million)	S1 2014	S1 2013	2013
Wages and salaries, bonuses and allowances	4,381	4,350	8,592
Pension contributions	665	707	1,398
Other social security contributions	916	907	1,782
Employee welfare costs	103	98	209
CICE revenue	(179)	(129)	(255)
Change in post-employment provisions	(2)	(3)	1
Change in provisions for social security contingencies and staff litigation	12	17	21
Change in other employee provisions	(33)	(57)	(96)
Compensation-based taxes and duties	411	415	814
TOTAL	6,274	6,306	12,468

The “**Pension contributions**” line item corresponds to contributions paid in to post-employment defined benefits plans. This line item primarily includes the full discharge contribution provided for by law for the funding arrangements for the pensions of government employees.

The “**CICE revenue**” line item corresponds to the income recognised in personnel expenses relating to the Tax Credit to promote Competitiveness and Employment (CICE) which was implemented in 2013. The change in the tax credit based on employee provisions is recognised under the same line item as the provisions: impact of €3 million as at 30 June 2014, €38 million as at 30 June 2013 and €42 million as at 31 December 2013.

7.2 Headcount

The Group’s average headcount has changed as follows:

	S1 2014	S1 2013	2013
Average headcount (full-time employee equivalents per year)	257,870	262,305	263,155

NOTE 8 OTHER OPERATING REVENUE AND EXPENSES

Other operating revenue and expenses broke down as follows:

(€ million)	S1 2014	S1 2013	2013
Local taxes	(77)	(72)	(152)
Other taxes and levies	(55)	(55)	(84)
TAXES AND LEVIES	(132)	(128)	(236)
Net depreciation	(481)	(489)	(987)
Impairment of goodwill			
Impairment of fixed assets	(20)	(5)	(11)
Impairment of current assets	(3)	(3)	(6)
Losses on unrecoverable receivables	(6)	(8)	(19)
Provisions for contingencies and losses	(68)	(13)	(116)
Banking activities cost of risk	(72)	(78)	(154)
DEPRECIATION AND IMPAIRMENT	(651)	(596)	(1,293)
Capitalised production	34	40	102
Production transferred to inventories	0	0	(1)
Royalties	(10)	(15)	(31)
Revenue recorded following an acquisition of control	8	(0)	(1)
Accretive effect of the CNP Assurances capital increase ^(a)		8	8
Other current operating revenue and expenses	23	28	58
OTHER OPERATING REVENUE AND EXPENSES	54	61	136

(a) The Group chose to receive the stock dividend from CNP Assurances in 2013. This transaction resulted in a profit of €8 million being recognised in income.

NOTE 9 FINANCIAL PROFIT/(LOSS)

- 9.1 Cost of net financial debt
9.2 Other financial items

9.1 Cost of net financial debt

(€ million)	S1 2014	S1 2013	2013
Interest expense on financing transactions ^(a)	(91)	(95)	(194)
Change in the fair value of borrowings and debt-related swaps ^(b)	(8)	(17)	(24)
Income from cash and cash equivalents ^(c)	14	13	20
TOTAL	(85)	(100)	(197)

(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.

The measurement of the bonds recognised at fair value through profit or loss using the fair value option as at 30 June 2014 takes into account the variation in the cost of credit risk experienced in the first half of 2014. This change resulted in an increase in the fair value of the bonds recognised in the financial statements according to the fair value through profit

or loss method and, had a negative €15 million impact on financial profit/(loss) as of 30 June 2014.

The decrease in the cost of credit risk in 2013 had a negative €33 million impact on financial profit/(loss) in the first half of 2013, and a negative €51 million impact as of 31 December 2013.

9.2 Other financial items

Other financial items primarily include the cost of discounting provision for employee benefits (€19

million in the first half of 2014, €17 million as of the first half of 2013, and €37 million for 2013).

NOTE 10 INCOME TAX

The income tax expense breaks down as follows:

(€ million)	S1 2014	S1 2013	2013
Current tax (expense)	(172)	(136)	(145)
Deferred tax income/(expense)	46	50	14
TOTAL TAX INCOME/(EXPENSE)	(126)	(87)	(131)

NOTES TO THE BALANCE SHEET

NOTE 11 GOODWILL

Breakdown of goodwill net book value

(€ million)				
CGU	Segment		30/06/2014	31/12/2013
GeoPost Central Europe	GeoPost		460	460
Exapaq	GeoPost		334	334
GeoPost Spain	GeoPost		255	248
GeoPost UK	GeoPost		135	130
Digital Services	Digital Services		128	128
Docapost BPO			47	47
Docapost DPS			25	25
Adverline			23	23
Other Digital Services companies			34	34
Mediapost	Services-Mail-Parcels		70	68
Sogec			44	44
Mediapost			26	24
DPD Laser Finance	GeoPost		39	39
Viapost	Services-Mail-Parcels		39	39
Morin			28	28
Orium			11	11
Tocqueville Group	La Banque Postale		28	27
Tigers	GeoPost		30	23
Other banking companies	La Banque Postale		8	8
Other GeoPost companies	GeoPost		25	25
Other	Services-Mail-Parcels		2	2
TOTAL			1,574	1,532
Services-Mail-Parcels			111	109
GeoPost			1,299	1,259
La Banque Postale			36	36
Digital Services			128	128

Change in the net book value of goodwill

(€ million)		S1 2014	2013
Opening balance		1,532	1,525
of which : Gross amount		1,667	1,661
Impairment		(135)	(136)
Acquisitions ^(a)		29	33
Reclassifications and other		7	(9)
Translation adjustments		6	(17)
CLOSING BALANCE		1,574	1,532
of which : Gross amount		1,708	1,666
Impairment		(134)	(134)

(a) Of which €21 million from the take-over of WnDirect in April 2014 (see note 1.4).

Impairment

Le Groupe La Poste tests goodwill for impairment annually or more frequently if events or changes indicate that it may be impaired. These tests are carried out using the procedure described in Note 15.3

of the Notes to the consolidated financial statements at 31 December 2013.

No impairment was recorded as of the first half of 2014.

NOTE 12 INTANGIBLE AND TANGIBLE ASSETS

(€ million)	Intangible assets	Tangible assets	TOTAL
GROSS AMOUNT			
Balance as at 31/12/2013	2,326	11,427	13,753
Acquisitions	134	265	399
Disposals	(5)	(125)	(130)
Change in consolidation scope	3	10	13
Transfers	(1)	(20)	(21)
Translation adjustments	1	13	13
BALANCE AS AT 30/06/2014	2,458	11,570	14,028
DEPRECIATION AND IMPAIRMENT			
Balance as at 31/12/2013	(1,519)	(5,495)	(7,014)
Depreciation for the semester	(125)	(357)	(481)
Impairment	(6)	(20)	(26)
Reversals of impairment		6	6
Reversals on disposals	3	96	99
Change in consolidation scope	(3)	(8)	(11)
Transfers	(0)	9	9
Translation adjustments	(0)	(5)	(5)
BALANCE AS AT 30/06/2014	(1,650)	(5,774)	(7,424)
NET AMOUNT			
As at 31/12/2013	807	5,931	6,738
AS AT 30/06/2014	808	5,796	6,604
Dont location financemnt			
As at 31/12/2013		92	
AS AT 30/06/2014		87	

NOTE 13 EQUITY ASSOCIATES AND JOINT VENTURES

(€ million)	Associates		Joint ventures		TOTAL
	CNP Assurances	Other associates	ASENDIA	Other joint ventures	
Balance as at 31/12/2013	2,522	109	48	25	2,704
Group share in the profits of equity associates	114	1	1	3	118
Dividend payments	(106)	(1)		(3)	(111)
Net change in the fair value of financial instruments and AFS securities	148	(0)			148
Change in consolidation scope		0		(1)	(1)
Capital increase		(1)		(0)	(1)
Transfers and reclassifications	0	0		0	1
Translation adjustments	17	1		0	18
BALANCE AS AT 30/06/2014	2,695	108	49	23	2,876

NOTE 14 OTHER NON-BANKING ASSETS

(€ million)	30/06/2014		31/12/2013	
	Current	Non-current	Current	Non-current
Net unconsolidated investments		148		155
Financial derivatives	108	321	129	290
Financial assets held for investment purposes	261	408	252	404
Other financial assets	48	86	52	90
TOTAL OTHER FINANCIAL ASSETS	417	963	433	938
Other supplies inventories	69		78	
Other net inventories and work-in-progress	55		54	
TOTAL INVENTORIES AND WORK-IN-PROGRESS	125		132	
Net trade receivables	1,768		1,755	
International mail receivables	495		503	
Other receivables	676		556	
TOTAL TRADE AND OTHER RECEIVABLES	2,940		2,814	
Cash equivalents	1,929		1,964	
Cash at bank and cash on hand	298		140	
TOTAL CASH AND CASH EQUIVALENT	2,227		2,104	

Financial assets held for investment purposes

These are assets acquired as part of the cash management process, where the original maturity is greater than three months. These financial assets consist primarily of bonds (€419 million as at 30 June 2014, and €555 million as at 31 December 2013), and negotiable debt securities where the maturities usually range between three and 12 months (€250 million as

at 30 June 2014 and €100 million as at 31 December 2013).

Financial derivatives

The financial derivatives line represents instruments put in place to manage the interest rate and currency risks on debt. They must therefore be looked at together with "Bonds and other financial debt". A breakdown of these derivatives can be found in Note 17.3.

NOTE 15 BANKING ACTIVITIES FINANCIAL ASSETS

(€ million)	30/06/2014	31/12/2013
Customer sight loans and receivables	824	763
Term customer loans and receivables	60,682	56,939
<i>of which home loans</i>	<i>52,517</i>	<i>49,984</i>
Finance lease transactions	666	561
Securities equivalent to customer loans and receivables	970	942
TOTAL CUSTOMER LOANS AND RECEIVABLES	63,143	59,204
Sight loans and receivables from credit institutions	454	148
Term deposits and loans from credit institutions	84,299	80,404
Securities equivalent to loans and receivables from credit institutions	2,247	2,342
TOTAL RECEIVABLES FROM CREDIT INSTITUTIONS	87,000	82,894
Financial assets held to maturity	29,556	32,266
<i>of which Government securities and similar</i>	<i>27,108</i>	<i>28,889</i>
Available-for-sale financial assets	12,041	12,666
Financial assets at fair value through profit or loss	9,852	5,504
<i>of which financial assets held for transaction purposes</i>	<i>9,043</i>	<i>5,253</i>
<i>of which financial derivatives</i>	<i>809</i>	<i>250</i>
Revaluation adjustment on hedged portfolios (fair value hedge)	208	130
TOTAL SECURITIES PORTFOLIO	51,657	50,566
OTHER CURRENT BANKING ASSETS	975	1,246
BANKING ACCRUALS - ASSETS	1,443	1,220
Central banks deposits	1,082	1,296
Cash and other	195	274
TOTAL CASH AND CENTRAL BANK DEPOSITS	1,276	1,570

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 2014, 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 31/12/2013	308	1,494	1,802
Addition for the year	30	1,367	1,397
Reversal for use		(1,231)	(1,231)
Other movements		30	30
BALANCE AS AT 30/06/2014	339	1,659	1,998

16.2 Other provisions for contingencies and losses

As at 30 June 2014, the other provisions for contingencies and losses broke down as follows:

<i>(€ million)</i>	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	44	6	30	80
Current provisions	53	73	413	538
Balance as at 31/12/2013	97	79	442	618
Addition for the year	26	49	88	163
Reversal for use	(9)	(9)	(91)	(109)
Reversal of provisions no longer required	(5)	(14)	(3)	(22)
Discounting			1	1
Other movements		1	(1)	(0)
Non-current provisions	57	22	36	114
Current provisions	53	84	401	537
BALANCE AS AT 30/06/2014	109	106	437	651

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)	30/06/2014		31/12/2013	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	616	3,469	635	3,467
Bonds		3,380		3,380
Finance leases	19	42	21	44
La Poste savings bonds	62		63	
Commercial paper			150	
Current bank facilities	138		30	
Deposits and guarantees received	386	26	368	25
Other borrowings at amortised cost	11	20	4	17
Borrowings designated at fair value	206	2,071	207	2,015
Borrowings subject to fair value hedging		525		530
Financial derivative liabilities relating to bonds	34	22	42	27
Other derivatives	3	9	7	9
Interest accrued not due on borrowings	166		131	
Medium and long-term bonds and other financial debt (non-current)		6,097		6,048
Short-term bonds and other financial debt (current)	1,024		1,023	
TOTAL CURRENT AND NON-CURRENT	7,121		7,071	

17.2 Bonds

Bond debt, excluding accrued interest, changed as follows:

(€ million)	Borrowings at amortised cost	Borrowings at fair value	Hedged borrowings	Total
Balance as at 31/12/2013	3,380	2,222	530	6,133
New borrowings				
Redemptions				
Issue premium				
Other changes		55	(5)	50
BALANCE AS AT 30/06/2014	3,380	2,277	525	6,183

17.3 Bond derivatives

<i>(€ million)</i>	Fair value as at 30/06/2014		Fair value as at 31/12/2013	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	396	22	362	27
Floating-for-fixed derivatives		34		42
TOTAL	396	56	362	69
Hedging derivatives				
Fair value hedges	33		50	
TOTAL DERIVATIVES RELATING TO BONDS	429	56	412	69
Other				
Currency swaps			6	
Cash management funds derivatives		12		16
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	429	68	419	85
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives		9		10

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	S1 2014	31/12/2013
Cash and cash equivalents (balance sheet line)	14	2,227	2,104
Debt-related derivative assets	14	429	419
Investment securities with initial maturities of over 3 months	14	669	655
Security deposits paid in connection with derivatives, recognised as assets	14	29	35
Net financial receivable against La Banque Postale		(27)	53
Cash and other asset items (1)		3,326	3,266
Medium and long-term bonds and other financial debt	17	6,097	6,048
Short-term bonds and other financial debt	17	1,024	1,023
Gross debt (2)		7,121	7,071
NET DEBT (2)-(1)		3,795	3,805
Net debt variation as at 30 June 2014		(10)	

18.2 Changes to Group net debt

(€ million)	Cross-references	S1 2014	S1 2013
Cash flows from operating activities	CFS ^(a)	616	586
Cash flows from investing activities	CFS	(366)	(445)
Cancellation of the change in cash management financial assets	CFS	17	102
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets^(b)		(348)	(343)
Capital increase	CFS	0	600
Dividends paid to the government	CFS	(171)	(171)
Purchase of non-controlling interests	CFS		(2)
Net financial interest expense		(76)	(81)
Change in the fair value of financial instruments		(9)	(18)
Impact of changes in consolidation scope on gross debt		(1)	(13)
Increase in finance lease liabilities		(2)	(1)
Other items ^(c)		1	1
Cash flows and change in debt from financing activities		(258)	314
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		10	558
Net debt at the beginning of the period		(3,805)	(3,468)
Net debt at the end of the period		(3,795)	(2,910)

(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 and dividends paid to non-controlling interests.

NOTE 19 EMPLOYEE BENEFITS

Provisions for employee benefits have changed as follows in the first half of 2014:

(€ million)	31/12/2013						30/06/2014	
	Current	Non-current	Increase	Decrease for use	Interest cost	Other changes	Current	Non-current
Post-employment benefits for La Poste's government employees	17	433	4	(9)	7	23	17	457
Retirement benefits for the Group's contract staff	6	224	10	(3)	3	23	7	257
Pension plans for employees of foreign subsidiaries		55	1	(5)	1	2	0	54
Post-employment benefits	24	712	15	(17)	10	48	24	768
End-of-career arrangements	382	775	125	(166)	9		362	762
Severance payments	81	32	7				84	35
Long-term sick leave/long-term paid leave	61	45	2	(4)			61	44
Accrued leave	114	101	1	(1)			114	101
Other long-term benefits	2	21	3				7	19
Other benefits	258	199	13	(5)			266	199
TOTAL	663	1,685	153	(188)	19	48	652	1,729

NOTE 20 BANKING ACTIVITIES FINANCIAL LIABILITIES

(€ million)	30/06/2014	31/12/2013
Sight liabilities to credit institutions	374	110
Term liabilities to credit institutions	17,123	14,647
<i>of which securities given under repurchase agreements</i>	15,680	12,080
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	17,497	14,757
Special savings accounts	114,080	113,866
<i>of which Livret A passbook savings accounts</i>	64,501	64,314
<i>of which Home Loan Savings Plans and Accounts (PEL & CEL)</i>	27,396	26,986
<i>of which LEP savings accounts</i>	8,146	8,681
Sight liabilities to customers	50,052	47,901
<i>of which ordinary trade payables</i>	49,810	47,670
Term liabilities to customers	3,734	4,815
TOTAL LIABILITIES TO CUSTOMERS	167,865	166,583
Debt evidenced by a certificate	8,731	5,129
<i>of which negotiable medium-term notes and other negotiable securities</i>	4,190	
<i>of which certificates of deposit</i>		2,763
Guarantee deposits received	874	478
Hedging derivatives	390	372
Other	1,315	822
TOTAL DEBT EVIDENCES BY A CERTIFICATE AND OTHER BANKING FINANCIAL LIABILITIES	11,310	6,801
BANKING ACCRUALS - LIABILITIES	2,021	2,022

NOTE 21 TRADE AND OTHER PAYABLES

<i>(€ million)</i>	30/06/2014	31/12/2013
Trade payables and related accounts	1,204	1,312
Tax and social security liabilities	1,739	1,822
Payable to suppliers of non-current assets	190	240
International mail payables	448	489
Customer advances and deposits	191	212
Other operating payables	249	281
TOTAL	4,021	4,356

ADDITIONAL INFORMATION

NOTE 22 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

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

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

(€ million)	Changes in fair value				Deconsolidation and dividends	Net gain (loss)
	Interest income (expense)	Fair value through profit or loss	Fair value through equity	Impairment		
Loans, receivables and payables	907					907
Assets held to maturity	520					520
Available-for-sale assets	92		3		220	315
Financial instruments at fair value through profit or loss		15				15
TOTAL	1,519	15	3		220	1,757

22.2 Fair value of financial instruments recognised at amortised cost

(€ million)	30/06/2014	
	Book value	Fair value
ASSETS		
Bank assets		
Customer loans and receivables	63,143	66,575
Receivables from credit institutions	87,000	87,240
Financial assets held to maturity	29,556	33,341
LIABILITIES		
Bank liabilities		
Liabilities to credit institutions	17,497	17,849
Liabilities to customers	167,865	167,888
Debt evidenced by a certificate and other	11,310	11,690
Non-banking liabilities		
Bonds and other financial debt	3,380	4,069

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 2013.

(€ million)

BANKING ACTIVITIES ASSETS	Level 1	Level 2	Level 3
Government securities and similar	128		
Bonds and other fixed-income securities	2,084	6,779	
Equities and other variable-income securities	52		
Financial assets at fair value through profit or loss	2,264	6,779	
Interest-rate derivatives		187	
Foreign exchange derivatives		1	
Equity and index derivatives		7	
Trading derivatives		195	
Interest-rate derivatives		616	
Fair value hedging derivatives		616	
Interest-rate derivatives		89	
Cash flow hedging derivatives		89	
Government securities and similar	1,267	36	
Bonds and other fixed-income securities	9,053	453	
Equities and other variable-income securities	798	324	110
Unconsolidated investments			126
Available-for-sale financial assets	11,118	813	236
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets	307	530	
Trade and other receivables		2,940	
Other current financial assets	261	156	
Cash held at post offices		497	
Cash and cash equivalents	759	1,468	
BANKING ACTIVITIES LIABILITIES			
Debt evidenced by a certificate			
Financial liabilities designated at fair value through profit or loss			
Interest-rate derivatives		189	
Foreign exchange derivatives		1	
Other derivative instruments		23	
Equity and index derivatives		18	
Trading derivatives		231	
Interest-rate derivatives		396	
Fair value hedging derivatives		396	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		7,121	
Trade and other payables		4,021	

LEVEL 3 FAIR VALUES: RECONCILIATION OF OPENING AND CLOSING BALANCES

(€ million)	Assets at fair value through profit or loss	Assets designated at fair value through profit and loss	Trading derivatives	Hedging derivatives	Available-for-sale assets	TOTAL
Opening balance					127	127
Gains and losses recorded in income						
Gains and losses recorded in equity					(1)	(1)
Purchases					13	13
Sales						
Issues						
Redemptions						
Other movements						
Reclassifications to or from Level 3					97	97
Closing balance					236	236

22.4 Exposure to sovereign risk

The list of sovereign exposures was prepared in accordance with the scope defined by the European Banking Authority (EBA), in other words by including the exposure data relative to regional authorities, central authorities and businesses guaranteed by the State.

The exposure shown below summarises the exposure for subsidiaries in which the Group owns an interest of 50% or more. The Group does not have any exposure to Cyprus, Hungary and Egypt.

SOVEREIGN EXPOSURES

(€ million)	Bank portfolio	Assets at fair value through profit or loss	Total direct exposure ^(a)	Off-balance sheet	Total direct and indirect exposure ^(b)	Exposure (as a %)
Greece			2		2	0.0%
Ireland	2					
Italy	1,316	97	1,413	67	1,479	4.7%
Portugal				76	76	0.2%
Spain	1,047		1,047		1,047	3.3%
TOTAL GIIPes	2,365	97	2,462	143	2,605	8.2%
Germany	2,621		2,621		2,621	8.3%
Austria	25		25		25	
Belgium	1,592	40	1,632	19	1,651	5.2%
France	22,318	268	22,585	39	22,625	71.4%
Luxembourg	18		18		18	0.1%
Netherlands	31		31		31	0.1%
Poland						
Slovakia	1		1		1	
Slovenia	6		6		6	
Switzerland						
Supra-national	1,171		1,171		1,171	3.7%
TOTAL EUROPE	27,783	307	28,090	59	28,149	89%
Rest of the World	922		922		922	2.9%
TOTAL	31,071	404	31,475	202	31,676	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.

CHANGE IN EXPOSURE TO GIIPS^(a)

(\$ million)	December 2013						June 2014		
	Nominal value	Book value	Impairment	Maturity	Disposals	Transfer	Acquisitions ^(b)	Nominal value	Book value
Greece									
Ireland	2	2						2	2
Italy	105	110			(36)		35	105	117
Portugal									
Spain	716	753			(154)			562	605
AVAILABLE-FOR-SALE FINANCIAL ASSETS	823	865			(190)		35	668	725
Greece									
Ireland									
Italy	1,162	1,195						1,162	1,199
Portugal									
Spain	431	433						431	442
FINANCIAL ASSETS HELD TO MATURITY	1,593	1,628						1,593	1,640
Greece									
Ireland									
Italy									
Portugal									
Spain									
LOANS AND RECEIVABLES									
Greece									
Ireland									
Italy	2	2					94	95	97
Portugal									
Spain									
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2	2					94	95	97

(a) Direct exposure: outstanding balances (including impairment) of proprietary exposure, not including the indirect exposure represented by the guarantees granted to Group UCITS.

(b) Amounts representing the initial fair value on acquisition.

ADDITIONAL INFORMATION ON EXPOSURE TO CERTAIN COUNTRIES

Breakdown by category

(\$ million)	Loans and receivables	Available-for-sale assets	Assets held to maturity	Bank portfolio ^(a)	Assets at fair value through profit or loss ^(a)	Balance sheet total after impairment	Off-balance sheet ^(b)	TOTAL
Greece								
Ireland		2		2		2		2
Italy		117	1,199	1,316	97	1,413	67	1,479
Portugal							76	76
Spain		605	442	1,047		1,047		1,047
TOTAL		725	1,640	2,365	97	2,462	143	2,605

(a) The amounts shown are expressed at their net book value on the balance sheet.

(b) Off-balance sheet amounts correspond to indirect exposure through guarantees given, primarily to Group UCITS.

Breakdown of unrealised gains and losses recorded in reserves

(\$ million)	Available-for-sale assets	Losses and gains recorded in reserves	FV ranking
Greece			
Ireland		2	L1
Italy	117	7	L1
Portugal			
Spain	605	31	L1
TOTAL	725	39	

Impact of impairment

(€ million)	Total	Of which impairment	Total before impairment
Greece			
Ireland	2		2
Italy	1,479		1,479
Portugal	76		76
Spain	1,047		1,047
TOTAL	2,605		2,605

Breakdown by maturity

(€ million)	Total	Remaining life in years						
		1	2	3	4	5	<10	>10
Greece								
Ireland	2		2					
Italy	1,479	846	11	192	272	62	83	13
Portugal	76		76					
Spain	1,047	10	543	289	198			6
TOTAL	2,605	857	633	481	470	62	83	19

NON-SOVEREIGN EXPOSURE TO CERTAIN COUNTRIES OF THE EUROPEAN UNION

(€ million)	Bank	Corporate	Public authority	Securiti- sation	TOTAL
Greece		1			1
Ireland	105	115			220
Italy	155	258			413
Portugal					
Spain	723	95			819
AVAILABLE-FOR-SALE FINANCIAL ASSETS	983	470			1,453
Greece					
Ireland					
Italy					
Portugal					
Spain					
FINANCIAL ASSETS HELD TO MATURITY					
Greece					
Ireland					
Italy					
Portugal					
Spain					
LOANS AND RECEIVABLES					
Greece					
Ireland		28			28
Italy	631	71			702
Portugal					
Spain	351	138			489
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	981	237			1,219

NOTE 23 RELATED PARTY TRANSACTIONS

No significant change in the nature of transactions with related parties has occurred since the 2013 year-end (see Note 35 to the consolidated financial statements at 31 December 2013).

NOTE 24 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

No significant change in off-balance sheet commitments or contingent liabilities has occurred since the 2013 year-end (see Note 36 to consolidated financial statements at 31 December 2013).

NOTE 25 POST-BALANCE SHEET EVENTS

None.





**REPORT OF THE STATUTORY AUDITORS ON THE
INTERIM FINANCIAL INFORMATION 2014**

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LA POSTE
Société anonyme

**Statutory Auditors' Review
Report on the half-yearly
financial information**

For the period from January 1 to June 30, 2014
LA POSTE
Société anonyme
44, boulevard de Vaugirard, 75015 Paris

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

LA POSTE
Société anonyme

Registered office: 44, boulevard de Vaugirard
75015 Paris
Share capital: €3,800,000,000

Statutory Auditors' Review Report on the half-yearly financial information

For the period from January 1 to June 30, 2014

To the Shareholders,

Following our appointment as statutory auditors by ministerial decree dated 29 June 2009, in accordance with article 14 of French post office law dated 12 January 2010 concerning the state-owned company LA POSTE and in accordance with 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 half-yearly consolidated financial statements of LA POSTE for the period from January 1 to June 30, 2014,
- the verification of information presented in the half-yearly management report.

These condensed half-yearly 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 the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

Without qualifying the conclusion expressed above, we draw attention to note 2.3 to the financial statements which set out the change in accounting policies from the first application of standards IFRS10 and IFRS11, related to consolidated financial statements and joint arrangements.

II. Specific verification

We have also verified information given in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Courbevoie, on the 31st July 2014

The statutory auditors
French original signed by

KPMG Audit
A Department of KPMG S.A.

MAZARS

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