

HALF-YEAR FINANCIAL REPORT 2016



LE GROUPE LA POSTE

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

CONTENT

- Responsibility statement page 5

- Management report at 30 June 2016 page 9

- Condensed consolidated financial statements at 30 June 2016 page 67

- Report of the statutory auditors on the interim financial information 2016 page 101

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, 28 July 2016

Chairman and Chief Executive Officer

Philippe Wahl

**MANAGEMENT REPORT
HALF-YEAR 2016**

TABLE OF CONTENT

1.	HIGHLIGHTS	14
1.1	CONSOLIDATION OF HEADQUARTERS	14
1.2	ECONOMIC AND FINANCIAL ENVIRONMENT	14
1.3	REGULATORY ENVIRONMENT	17
1.4	DEVELOPMENTS, PARTNERSHIPS AND ACQUISITIONS	18
1.4.1	Services-Mail-Parcels	18
1.4.2	GeoPost	18
1.4.3	La Banque Postale	19
1.4.4	La Poste Network	20
1.4.5	La Poste Mobile	21
1.4.6	Digital Services	21
1.5	THE GROUP'S COMMITMENT TO RESPONSIBLE DEVELOPMENT	22
1.6	LA POSTE, A RESPONSIBLE EMPLOYER	24
2.	SUMMARY OF LE GROUPE LA POSTE CONSOLIDATED RESULTS	26
2.1	LE GROUPE LA POSTE CONSOLIDATED RESULTS	26
2.1.1	Operating revenue	27
2.1.2	Operating profit	28
2.1.3	Financial profit/(loss)	30
2.1.4	Net profit	30
2.1.5	Free cash flows and changes in net debt	31
2.1.6	Financial ratios	31
3.	OPERATING RESULTS BY BUSINESS SEGMENT	32
3.1	SUMMARY OF OPERATING RESULTS BY BUSINESS SEGMENT	32
3.1.1	Results by business segment	32
3.2	SERVICES MAIL-PARCELS	33
3.2.1	Services and Mail business activity	33
3.2.2	Parcel business activity	34
3.2.3	Operating profit	35

3.3	GEOPOST.....	35
3.3.1	Continued rapid sales development.....	36
3.3.2	Operating profit.....	37
3.4	LA BANQUE POSTALE.....	37
3.4.1	Economic and financial environment.....	37
3.4.2	Commercial activities.....	37
3.4.3	Operating performance.....	40
3.4.4	Financial structure.....	42
3.5	LA POSTE NETWORK.....	43
3.5.1	La Poste Network.....	44
3.5.2	La Poste Mobile.....	46
3.6	DIGITAL SERVICES.....	46
3.6.1	Revenue.....	47
3.6.2	Operating profit.....	48
3.7	OTHER SEGMENTS.....	49
3.7.1	Real Estate.....	49
3.7.2	Shared services.....	50
3.7.3	Unallocated expenses.....	51
4.	OTHER KEY AGGREGATES OF THE INCOME STATEMENT.....	52
4.1	FINANCIAL PROFIT/(LOSS).....	52
4.2	NET PROFIT/(LOSS), GROUP SHARE.....	53
5.	NET DEBT AND FINANCIAL STRENGTH.....	54
5.1	CHANGE IN NET DEBT.....	55
5.1.1	Cash flows from operating activities.....	55
5.1.2	Cash flow from investing activities excluding LBP.....	55
5.1.3	Economic Health Indicator.....	58
5.1.4	Changes in net debt.....	60
5.2	CHANGES IN CASH AND CASH EQUIVALENTS.....	61
5.3	BREAKDOWN OF FINANCIAL DEBT.....	62
5.3.1	Gross Debt.....	62
5.3.2	Net debt.....	63
5.4	EQUITY AND FINANCIAL STRUCTURE.....	64

5.5	CREDIT RATING.....	64
6.	OUTLOOK AND POST BALANCE SHEET EVENTS.....	65
6.1	OUTLOOK.....	65
6.2	POST BALANCE SHEET EVENTS	65

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

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

1. Highlights

1.1 Consolidation of headquarters

The project to consolidate the headquarters of the Group and the business units', which was announced during the Board meeting held on 24 February 2015, is one of the levers of the "La Poste 2020: Conquering the future" strategic plan. The project aims at strengthening cooperation between headquarters and unity within Le Groupe La Poste's so as to bolster its transformation and development at the customers' benefit.

More collaboration for better performance: by combining efforts and resources while increasing synergies, the Group's and business units' headquarters have the opportunity to make an exemplary contribution towards the Group's transformation.

As part of this consolidation, the teams based in the headquarters are being moved to three sites, Lemnys, Brune and Crossing, located in the southwest of Paris, which together form the "La Poste Village".

As at 30 June 2016, more than 1,900 employees had been moved to the Lemnys building, the cornerstone of the project.

In line with its commitments to ensuring good working conditions and work-life balance, La Poste has been working alongside trade unions and employees throughout this project.

1.2 Economic and financial environment

Considering its positioning within the services industry, the Group is influenced in its various businesses by the economic environment and by changes in labour costs, particularly in France. Oil prices and exchange rates, in particular with the US dollar and pound sterling are also relevant in the Group's logistics and international business (given GeoPost's strong presence in the United Kingdom). Lastly, because the Group also provides banking services, it is sensitive to changes in interest rates and, to a lesser extent, to changes in the financial markets.

Growth worldwide remained moderate

Growth worldwide remained moderate in early 2016, falling rather markedly below its historical average (approximately +2.7% at an annualised rate in the first quarter, compared to +3.5% on average since 1990), particularly due to weaker growth in the United States, which nevertheless picked up during the second quarter. In addition, the downturn in Chinese growth continued, especially as a result of price changes in sectors hit hard by persistent overproduction (heavy industry, and steel, in particular). However, the authorities are using monetary and budgetary policies to try to ensure that this transition phase does not cause a sharper slowdown. Also, signs that Brazil and Russia are stabilising emerged during the first half of the year, after both countries experienced steep recessions last year. Lastly, even though Japan started to regain growth during the first quarter, the upturn in economic growth remains uncertain, as the strength of the yen is adversely affecting exports.

Modest yet solid growth in the euro zone

Growth in the euro zone accelerated during the first quarter due to strong consumption, with households still benefiting from low oil prices through the beginning of the year. Consumer surveys remained favourable overall, despite the fact that, before the Brexit, they did not show signs of an acceleration in economic activity. Economic improvement seemed to be well under way, most notably with a return to net job creation and strengthened investments. Growth performance continued to vary significantly across member states. For example, Spain experienced strong growth (more than 3% for the year) while Portugal was verging on stagnation.

Gradually removing the barriers to growth in France

The first quarter saw sustained growth (+2.6% at an annualised rate), thanks to a clear bounceback in household consumption. The indicators currently available for the second quarter suggest that GDP growth was somewhat subdued, with the business climate drying up. In fact, employee conflicts, which marred May and June, had a temporary negative impact on several sectors.

Stronger economic activity for the past two years and restored company margins have led to a sharp rebound in investment spending, especially since a measure promoting extra-depreciation was extended. However, exports remained lacklustre due to both a less buoyant international environment and due to the euro gaining strength (albeit slowly) for the past year or so.

Moreover, the return to growth resulted in net job creation, which appears to be beginning to chip away at unemployment.

Inflation seems to have hit an all-time low after the rebound in oil prices in late January

The price of a barrel of Brent from the North Sea fell to an all-time low of \$28 on 20 January, then rebounded to \$52 at the beginning of June before ebbing backward to \$50 due to concerns surrounding Brexit. This rebound in crude oil prices during the first half of the year was mainly driven by the market starting to rebalance. Even though OPEC countries never reached an agreement on setting production quotas while Iran was making a powerful comeback to the market, production fell in the United States and was disrupted in several countries (fires in Canada, attacks in Nigeria, economic collapse in Venezuela, etc.).

Changes in consumer prices over one year remained at near zero due to a very negative base effect on energy prices (oil barrel prices fluctuated between \$50 and \$65 during the first half of 2015). In June, one-year inflation reached 0.2% in France and 0.1% for the euro zone. Core inflation (excluding energy and food) remained mostly stable and low (0.7% over one year in May in France and 0.9% in June for the euro zone).

Fall in interest rates and in European stock markets

Anticipating a trend of prices being too low to reach its inflation target, the European Central Bank ramped up its monetary policy once again in March (decreased key interest rates, increased securities purchases). As a result, inter-bank interest rates became even more negative. The EONIA, which fell into the red at the end of 2014, dropped to -0.33% in June, compared to -0.20% in December 2015 (monthly average). The three-month Euribor fell to -0.27% (-0.13% in December). As for the United States, the Federal Reserve (Fed) hesitated to keep raising its interest rate.

In this respect, government bond rates remained extremely low. Interest rates fell again at the end of June after the United Kingdom's referendum regarding its membership in the European Union. The 10-year OAT (French government bond) rate plummeted to 0.39% in June, compared to 0.94% in December 2015. In fact, the Brexit vote ushered in a period of political and economic uncertainty. As a result, investors researched safe-haven securities, including government bonds, to the detriment of shares in particular. European stock markets thus fell backward at the end of June after a bumpy first half: a drop at the beginning of the year due to increasing concerns about the Chinese economy and the potential deflationary effect of falling oil prices; moderate recovery through May; then return to caution in anticipation of the British referendum, the result of which investors feared. In total, the CAC 40 lost 8.6% over the first half of the year coming to 4,237 points at the end of June.

Drop of the pound following the referendum and slight decrease in the dollar

After gaining value in 2015, the pound sterling weakened substantially during the first half of the year, especially against the euro. Opinion polls conducted among the British public showed that a vote in favour of Brexit for the referendum on 23 June was possible, and it did occur. As a result, investors shifted away from pound sterling assets, assuming extraordinarily negative consequences for the United Kingdom should they decide to leave the European Union. Between 23 and 30 June, the pound lost around 10% of its value against the euro, which meanwhile climbed from £0.76 to £0.84, compared to £0.73 in December 2015.

The Fed's increase of the key interest rate at the end of 2015 seemed to indicate the beginning of a return to a more normal monetary policy in the United States, which logically should come with a rise in the dollar compared to other currencies. As expected, the greenback rose in value at the end of last year. However, the weak economic growth across the Atlantic during the first quarter and the uncertainties related to the global environment dissuaded the central bank from continuing to raise its rate during the first half of the year. Because of this, the dollar weakened even as, between May and June, the impending British referendum and its result took their toll on the euro. In the end, the European currency appreciated against the dollar as a whole over the first half of the year from \$1.09 in December 2015 to \$1.12 in June, after having peaked \$1.15 at the beginning of May.

1.3 Regulatory environment

Press transportation and delivery mission

Following an opinion issued by Arcep (French regulator of the electronic communications and postal sectors) on 7 July 2015, the French government committed to paying La Poste an annual €119 million compensation over 2016-2018 as part of the press transportation and delivery mission.

Price increases in 2016

Price increases for domestic, overseas and international mail and parcels took effect on 1 January 2016 after Arcep issued a favourable opinion on 21 July 2015 (No. 2015-0918). All of these changes comply with the price cap set in Arcep's Decision No. 2014-0841 dated 22 July 2014 relating to multi-annual price cap for the 2015-2018 period.

On 1 January 2016, La Poste instituted a 3.8% price increase on average for all universal service products. As a result, the first weight category for Green mail increased from €0.68 to €0.70, and Priority mail from €0.76 to €0.80.

Direct marketing base prices did not increase, in an effort to support competitiveness in the media mail segment and encourage new uses. Prices for industrial mail ranges increased 2.6% on average. Mainland parcel prices decreased more than 10% for packages weighing 0-250 grams, while international parcel prices remained the same.

Banking environment trends

The Single Resolution Mechanism (SRM) has been in effect since 1 January 2016 and implements the Bank Recovery and Resolution Directive (BRRD) throughout the euro zone. This mechanism aims at guaranteeing that failing banks are resolved in an orderly fashion while minimising costs for the real economy. It consists of a European-level resolution authority, the Single Resolution Board and a Single Resolution Fund financed by the banking sector. This fund will be gradually built up over an eight-year period to reach 1% of covered deposits, and will then amount to around €55 billion. This fund may only be used after the bail-in rule is activated, which states that the shareholders and creditors of the failing institution absorb losses first.

The SRM, the Single Supervisory Mechanism and the European Deposit Insurance Scheme make up the three pillars of the Banking Union.

In the insurance field, the "Solvency II" European Directive officially went into effect on 1 January 2016. This reform aims to better adapt insurance companies' equity to the risks that they are exposed to as a result of their business activities.

1.4 Developments, partnerships and acquisitions

1.4.1 Services-Mail-Parcels

1.4.1.1 *Evening delivery*

After a pilot phase lauded by more than 90% of customers, La Poste is setting up a new parcel delivery model consisting of evening-time delivery in cities with more than 50,000 people. In order to optimise the success rate of first delivery attempts, parcels are now split into three categories:

- Small parcels that can fit into letterboxes are delivered by postmen during the morning rounds;
- Parcels that do not fit into letterboxes and that need to be delivered in a specific way (by car or van) are delivered during dedicated rounds until 8pm, when the recipient is likely to be present;
- Parcels from businesses and traders, and parcels being delivered to deprived urban areas are always delivered in the morning.

This new delivery model enables La Poste to take advantage of the e-commerce boom and adapt to industry-related demands regarding reduced delivery times and delivery costs, which shipping customers and recipients have both come to expect.

1.4.1.2 *Creation of La Poste Silver*

The Services-Mail-Parcels business unit continues to develop services to meet its customers' needs and expectations as closely as possible. After initial partnerships forged in 2015, La Poste expanded its services geared toward elderly people by acquiring Tikeasy in April 2016. This company has developed a specially-designed touch screen tablet called Ardoiz for La Poste and the magazine Notre Temps (a monthly publication for seniors) to make it easier for seniors to access the internet. The tablet will be sold in post offices starting in autumn 2016.

1.4.2 GeoPost

1.4.2.1 *Acquisition of Worldnet TPC*

On 1 March 2016, Worldnet Direct, a British subsidiary of GeoPost, took over Worldnet TPC by purchasing 40% of the remaining equity interest. Worldnet TPC, which operates in the parcel delivery sector, makes €10 million in annual revenue and is now fully consolidated.

1.4.2.2 *Acquisition of Armadillo*

The acquisition of Armadillo's remaining equity interest (see 2015 registration document) in January 2016 led to a €60 million revaluation of securities. An express delivery specialist operating mainly in the Russian market, the company, which makes €80 million in annual revenue, has been fully consolidated since 1 January 2016.

1.4.3 La Banque Postale

1.4.3.1 *Merger between Ciloger and AEW Europe*

On 24 February, La Banque Postale and Natixis (BPCE group) announced that they were in the process of negotiating a merger of their real estate investment managers, Ciloger and AEW Europe. The proposed merger aims to further consolidate the new entity's position as one of the leading real estate investment managers in Europe, with combined assets under management of more than €23 billion. The new entity would thus become the third largest player in the French retail market. As a result, the French platform for managing real estate funds aimed at retail clients (REITs and retail open-ended property funds) will benefit from a European investment capacity to serve the entire retail banking and insurance networks of the BPCE Group and La Banque Postale as well as external customers, and independent wealth management advisors in particular.

Today, Ciloger is 90%-held by La Banque Postale and 10%-held by CNP Assurances. AEW Europe, in turn, is 60%-held by Natixis Global Asset Management and 40%-held by Caisse des Dépôts et Consignations group. Caisse des Dépôts' 40% equity investment in AEW Europe would be acquired by Natixis Global Asset Management prior to the completion of the transaction.

1.4.3.2 *Renewal of the partnership between La Banque Postale and CNP Assurances*

Long-time insurance partners La Banque Postale and CNP Assurances officially renewed their partnership in March 2016 for a 10-year period.

This partnership covers the following aspects:

- Renewing the life insurance and capitalisation partnership whose scope is being widened to cover BPE;
- Implementing a direct partnership in collective borrowers' insurance (ADE) for home loans, with CNP substituting La Banque Postale Prévoyance's in this segment;
- Selling CNP Assurances' shareholding in their joint venture, La Banque Postale Prévoyance, to La Banque Postale with the latter keeping the individual contingency insurance business. This transaction does not involve a change in how La Banque Postale Prévoyance is consolidated, as it is already fully consolidated.

1.4.3.3 *Merger of La Banque Postale Asset Management and Fédéris Gestion d'Actifs*

La Banque Postale Asset Management (LBPAM) and Fédéris Gestion d'Actifs (FGA) merged their businesses on 30 April 2016 (with retroactive effect as from 1 January 2016) following the agreement signed on 2 February 2015 between Malakoff Médéric and La Banque Postale regarding the merger of their asset management subsidiaries. This merger enables LBPAM to strengthen its position as the 5th largest French player in the asset management market, with more than €177 billion in assets under management, an enhanced range of funds with the inclusion of former FGA funds, and more than 200 employees.

LBPAM is also expanding its private debt platform to include corporate debt, as FGA had developed first-hand expertise in this area via its EuroPP (private placement) funds, and has become one of the few companies on the market to offer its institutional customers a global private debt platform for the corporate, infrastructure and real estate sectors.

1.4.3.4 ***Pooling together payment systems with Société Générale***

On 21 June, La Banque Postale and Société Générale signed a preliminary draft agreement to expand operations at their shared subsidiary, Transactis. Created in 2007 to share the usage of and investments in their electronic transactions management information system, Transactis is expanding its operational scope to include processing European and international wire and direct debit transactions. This new, innovative and unique partnership in Europe will operate using Sopra Banking Software, a leading software publisher in the European payment services industry and a long-standing partner of the two banks. The partnership meets three objectives:

- building a high-performance and innovative shared information system management platform that addresses new market needs such as Instant Payment or mobile banking;
- sharing the technical management costs of all payment transactions on a similar model to electronic transactions management as from 2018;
- offering services from this platform in the European market with the ambition of making Transactis a major player in the electronic payment processing products and services market for financial sector companies.

Today, Transactis operates 22% of bank cards and electronic transactions in France.

1.4.4 **La Poste Network**

1.4.4.1 ***General theory test of the driving licence exam***

La Poste is continuing its strategy to be innovative and make everyone's life easier by enabling tens of thousands of applicants to take the general theory test of the driving licence, as part of the licence reform that falls under the Macron law of 6 August 2015. As at 30 June 2016, 17 public exam centres were opened, and 300 centres are expected by the end of 2016. With this reform, the waiting period (currently 98 days) could be cut in half.

1.4.4.2 ***Public service areas***

La Poste has made a commitment to the French government that it will accommodate 1,000 public service areas (MSAPs) by the end of 2017, reducing regional disparities in terms of local services. With 345 MSAPs opened or in the process of being set up as at the end of June (objective of 500 MSAPs by end 2016), La Poste is fully in line with its ambition to pool resources in rural or mountain areas.

1.4.4.3 **La Poste Relais**

La Poste is continuing to transform its rural network by opening 15 “La Poste Relais” outlets during the first half of 2016.

La Poste is also building momentum in town by opening 51 “La Poste Relais” in urban areas. These outlets consist of lighter structures with digital equipment, no banking services and are tailored to urbanites. They are set up in busy transit areas (train stations, shops, etc.) with extended opening hours.

1.4.4.4 **Free Wi-Fi in post offices**

To make the Network more attractive, La Poste is going to offer free internet access inside its post offices, with the aim of offering the service in 750 sites by the end of 2016. As at 30 June, 285 post offices were equipped with Wi-Fi (147 urban post offices and 138 MSAPs).

1.4.4.5 **Postman-counter clerks**

Postman-counter clerk positions enable La Poste to offer a comprehensive range of products and services in rural areas: they deliver mail, perform local services and manage the post office counter, which revitalises low-traffic locations and ensures that the rural and semi-rural networks are sustainable. 440 postman-counter clerk positions are active as at the end of June, with a goal of having 1,000 positions by the end of 2017.

1.4.5 **La Poste Mobile**

1.4.5.1 **Roll-out of an offering based on fibre-internet speed**

La Poste Mobile launched its high-speed internet, fixed telephone and television offerings in nearly 1,800 post offices located in areas with fibre coverage. These products and services will be sold in all regions eligible for fibre-internet.

1.4.6 **Digital Services**

1.4.6.1 **Acquisition of Applicam**

Docapost, a Le Groupe La Poste subsidiary specialised in assisting companies and administrations with their digital and mobile transformations, acquired Applicam, a company specialised in managing grants and subsidies and management-money solutions, in May. Applicam makes €15 million in annual revenue.

This acquisition is part of Le Groupe La Poste’s project to actively participate in modernising public action, with dedicated operational solutions. This growth strategy aims to strengthen Docapost’s position as one of the main companies in the French local authorities market and global leader in the e-money market.

1.4.6.2 **Acquisition of CDC Fast**

In January, Docapost signed an agreement with Caisse des Dépôts to acquire CDC Fast, which has since been renamed Docapost Fast.

Since 2006, Docapost Fast has helped local authorities and public institutions with their digital transformations using a broad range of services related to digital trust. Today, the company has more than 5,300 customers, 36,000 users and makes €5 million in annual revenue.

1.4.6.3 **Acquisition of ProbaYes**

Mediapost Communication, a Le Groupe La Poste subsidiary specialised in managing digital media and data processing, acquired ProbaYes in May. This company develops predictive and optimisation solutions using data analysis. Acquiring this company enables La Poste to strengthen its expertise in big data analytics.

1.5 The Group's commitment to responsible development

Le Groupe La Poste's commitment is recognised by extra-financial rating agencies¹ and those who assess key account customers. The ratings received since the beginning of 2016 are as follows:

- Ecovadis rating²: Le Groupe La Poste received Gold certification (highest assessment) and DPD Group received Silver certification (Top 13 of highest rated companies)
- Oekom rating³: as part of a partial update of the assessment of La Banque Postale's CSR performance, Oekom once again ranked La Banque Postale as the highest rated bank in France and second highest ranked bank in the world out of 375 international banks evaluated;

New, significant advances were made during the first half of 2016, and in particular:

- Supplying Poste-Immo⁴ managed buildings with 100% renewable energy. Le Groupe La Poste is reducing its carbon footprint as it has been supplying its entire real estate portfolio⁵ with 100% renewable energy since 1 May 2016 and will thus save 10% on its total energy bills. This programme will also supply all of the Group's electric vehicles, the largest electric vehicle fleet in the world. This operation is a clear example of how a company can combine economic and societal performance to reduce its environmental footprint. This operation thrives on responsible regional economic development and also encourages the development of renewable energies in France.

¹ Extra-financial rating is an assessment of a company that is not solely based on its economic performance, but also on its conduct towards the environment, its respect for social values, its societal commitment and its corporate governance. Each area under analysis involves an assessment using different criteria (transparency, innovation, communication, etc.) and is weighted to obtain the final rating.

² Ecovadis assessed Le Groupe La Poste as a supplier in the eyes of its customers. The assessment was conducted on postal and multimodal transport operations.

³ Oekom research is a German non-financial rating agency created in 1993 and active in the Socially Responsible Investment market.

⁴ Le Groupe La Poste real estate management company that manages 12,000 postal buildings and coordinates groups of orders related to energy management.

⁵ Except for certain French and foreign subsidiaries.

- Reducing energy consumption and CO₂ emissions during the 2nd annual Cube 2020 Competition⁶, a competition encouraging eco-friendly practices as a way to reduce buildings' energy consumption. The Caen Quai Vendevre postal building currently ranks 1st as of the end of May, followed by the Rennes Colombier building and by four other postal sites; in other words, six Poste Immo sites (Le Groupe La Poste's real estate management company) are in the top 10 in the competition.
- Data charter: As a trusted third-party, the Group wishes to offer secure and comprehensive digital products and services based on its role as universal trade operator transposed in the digital world. With the launch of its Data Charter, Le Groupe La Poste has established the starting point for a concrete action plan that will thoroughly meet the expectations of French customers in this respect. One of the cornerstones of the project is the new employee oath, which now includes the principles of respect for the privacy of personal electronic data. Focusing on long-standing values related to proximity, trust and ethics, through this Data Charter, La Poste undertakes to always be as transparent and helpful as possible and guarantee its customers the utmost confidentiality and security, in its personal data management policy.

⁶ Cube 2020: 2020 Competition on Efficient Building Uses. Companies participating in the competition make a pledge to reducing their energy consumption for one year. They can register one or more of their commercial buildings to get their teams involved in saving energy.

1.6 La Poste, a responsible employer

Social dialogue

After signing several agreements in 2015, including “A future for every employee”, which is the main framework for the employee support measures of the Group’s 2015-2020 strategic plan, the following agreements were signed at the beginning of 2016:

- An agreement relating to an employee support programme as part of the Village La Poste project, which aims to bring together the Group’s headquarters (signed on 8 January by CFDT, FO and the CFTC/CGC/UNSA union partnership);
- A staff agreement on counter clerks / customer service managers (signed on 1 March by CFDT, FO and the CFTC/CGC/UNSA union partnership);
- A payroll agreement for 2016 (signed on 15 March by CFDT, FO and the CFTC/CGC/UNSA union partnership).

Additionally, some major negotiations were launched:

- Negotiations on social dialogue itself to redefine the different levels of dialogue and negotiation with union representatives, the scope and roles of the various staff representation bodies at all levels of the company (national, business unit, inter-business unit, Operational Deconcentration Level (NOD), etc.). This agreement will replace La Poste’s social dialogue agreement dated 21 June 2004;
- Negotiations on union rights aiming to define rights and ways for union representatives to carry out their term of office and pursue high-quality social dialogue, in line with the previous agreement. This agreement also aims to recognise and highlight the representatives’ union experience and guarantee their professional development within the company, just like every employee;
- Negotiations on implementing a “Group body” to enable management and union representatives to review and discuss strategic issues that pertain to the entire Group.
- Negotiations on integrating young people and seniors into the workplace, an agreement that will be a continuation of the cross-generation agreement relating to 2013, 2014 and 2015.

Professional training and development

Professional training and development are a crucial matter for employee development and La Poste’s development. As such, having surpassed the commitment of ensuring that 80% of employees are trained throughout the year in 2015, which was included in the “A future for every employee” agreement, five major training programmes are continuing to be rolled out (core business training, individual training, digital training, qualification-earning career paths, managerial

development programme).

In particular, the number of employees who had begun a qualification-earning career path (6,687 in late 2015) increased to 12,000 by late May. The goal is to reach 20,000 by the end of the year. These career paths cover skills related to customer care, banking, advice, logistics or management, and are now arranged into around twenty career paths (compared to 11 in 2015). The Group's goal is to offer 50,000 qualification-earning career paths for the 2015-2020 period.

2. Summary of Le Groupe La Poste consolidated results

2.1 Le Groupe La Poste consolidated results

The financial information presented was taken from Le Groupe La Poste's consolidated financial statements as at 30 June 2016.

	Period ended 30 June					
	2016.06	2015.06	Changes		Changes at constant scope and exchange rates	
			vs n-1 (in € million)	vs n-1 (as a %)	vs n-1 (in € million)	vs n-1 (as a %)
<i>(in € million)</i>						
Group operating performance						
Operating revenue	11,770	11,459	+311	+2.7	+245	+2.2
Operating profit/(loss) after share of net profit/(loss) of jointly controlled companies	852	616	+236	+38.3	+236	+38.7
<i>Operating margin</i>	7.2%	5.4%	-	1.9 pt	-	1.9 pt
Net profit/(loss), Group share	675	424	+252	+59.4	+257	+61.9
<i>Net margin</i>	5.7%	3.7%	-	2.0 pt	-	2.1 pt
Free cash flows	191	532	-342	-64.2		
Economic health indicator (a)	70	401	-331	-82.4		
Key figures – La Banque Postale						
Net Banking Income (b)	2,974	2,929	+46	+1.6	+23	+0.8
<i>Operating ratio</i>	80.7%	81.5%	-	-0.8 pt		

^(a) Please refer to Section 5.1.3

^(b) Segment NBI

	Period ended 30 June			
	2016.06	2015.12	Changes	
			vs (n-1) (in € million)	vs (n-1) (as a %)
<i>(in € million)</i>				
Key financial indicators				
Net debt (a)	3,737	3,657	80	+2.2
Equity Group share	10,293	9,723	+570	+5.9
<i>Net debt/equity</i>	36.3%	37.6%	-	-1.3 pt
<i>Average net profit/equity</i>	8.6%	6.5%	-	2.1 pt
Common Equity Tier 1 (b)	13.4%	13.2%	-	+0.2pt
Loan to deposit ratio	74%	75%	-	-1.1pt

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

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

2.1.1 Operating revenue

The Group's operating revenue totalled €11,770 million at the end of June 2016, up €311 million compared to June 2015. The increase was primarily driven by GeoPost's growth. La Banque Postale was impacted by an environment with historically low interest rates. Business for the Group's other business units is generally at the same level as June 2015.

<i>(in € million)</i>	Period ended 30 June					
	2016.06	2015.06	Changes		Changes at constant scope and exchange rates	
			<i>vs n-1</i> <i>(in € million)</i>	<i>vs n-1</i> <i>(as a %)</i>	<i>vs n-1</i> <i>(in € million)</i>	<i>vs n-1</i> <i>(as a %)</i>
Services-Mail-Parcels	5,747	5,757	-10	-0.2	-11	-0.2
GeoPost	2,969	2,693	+276	+10.3	+241	+9.2
La Banque Postale	2,974	2,929	+46	+1.6	+23	+0.8
Digital Services	289	278	+11	+4.0	+9	+3.1
Other segments and intercompany	-209	-198	-11	+5.7	-17	+8.7
OPERATING REVENUE	11,770	11,459	+311	+2.7	+245	+2.2

The Group's €311 million increase in operating revenue is broken down as follows:

- Growth at constant scope and exchange rates of €245 million, i.e. 2.2%;
- Scope effects amounting to €123 million, which mainly came from GeoPost, with €92 million (Armadillo and DPD Systemlogistik) and from La Banque Postale for €22 million (Fédéris and Ciloger);
- Negative exchange rate effects for €57 million, with a €34 million impact on the pound sterling (GBP).

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

- Stable revenue from the Services-Mail-Parcels business unit at €5,747 million (down €10 million, representing a 0.2% decrease).
 - ✓ Services and Mail revenue declined €40 million compared to June 2015, and came to €4,692 million. A continued structural decline in volumes (-5.3%), which resulted in a -€180 million impact on revenue (including a positive working-day effect of €70 million) was offset by +€140 million from the price increase that took effect on 1 January 2016. The lack of election revenue during the first half of 2016 (unfavourable impact of -€23 million) was offset by higher international revenue (+€21 million);

- ✓ Subsidiaries positioned in the logistics, e-logistics and direct marketing businesses recorded a €9 million increase in their revenue, coming to €264 million. This increase was driven by the advertising subsidiaries;
- ✓ Parcels recorded a €21 million increase in revenue, totalling €791 million (€770 million in 2015). This change was influenced by growing volumes (+3.7% / +€28 million) and by a favourable working-day effect (+3 WD / €19 million), which was partially offset by an unfavourable price/mix effect (-€24 million).
- GeoPost revenue rose +€276 million to total €2,969 million. Adjusted for scope effect and exchange rates, organic growth amounted to €241 million, up 9.2%. This growth was driven by a substantial improvement in volumes in every region (€285 million, i.e. +10.8% volume effect and including a positive working-day effect of 1.5%). Downward pricing pressure had an adverse effect on revenue;
- La Banque Postale's NBI grew 1.6% overall (i.e. €46 million) and totalled €2,974 million at the end of June 2016. At constant scope and after restating for the home-savings provision, NBI declined 6.3%, i.e. €189 million, succumbing to the effects of historically low interest rates resulting in an unfavourable impact on retail banking NBI (-6.6%, or -€187 million). NBI for the Insurance division rose 4.9%, in line with sales growth from property and casualty insurance and health insurance. At constant scope, NBI for the asset management division dropped 9.3%, as the first half of 2015 benefited from a favourable market effect;
- Digital Services revenue came to €289 million, up 4.0%, or €11 million, with a €3 million increase for the digital services department in line with the increase in developments integrated within the digital services department on behalf of the Group and business units, and €9 million for Docompost, which benefited on the back of the growth of its fines processing business, and strong momentum in both the digitisation business and in the digital trust division's e-billing business.

2.1.2 Operating profit

The Group's operating profit, after share of net profit of jointly controlled companies, totalled €852 million at the end of June 2016, up €236 million from June 2015.

The Group's performance during the first half of 2016 was shaped by a gloomy economic environment with low interest rates that impacted La Banque Postale's performance and by a continued decline in mail volumes. Cost control programmes initiated by each of the Group's business units along with GeoPost and Digital Services' sales growth helped increase operating profit, which also includes one-offs⁷. Excluding these one-offs, operating profit grew +11.2%

⁷ One-offs: +€107m capital gain from the sale of La Banque Postale stake in Visa Europe and a +€60 million securities revaluation after the acquisition by GeoPost of the remaining 50% share of Armadillo.

<i>(in € million)</i>	Period ended 30 June					
	2016.06	2015.06	Changes		Changes at constant scope and exchange rates	
			<i>vs n-1</i> <i>(in € million)</i>	<i>vs n-1</i> <i>(as a %)</i>	<i>vs n-1</i> <i>(in € million)</i>	<i>vs n-1</i> <i>(as a %)</i>
Services-Mail-Parcels	504	508	-5	-0.9	-5	-0.9
GeoPost	254	171	+82	+48.1	+89	+53.5
La Banque Postale	514	468	+45	+9.6	+36	+7.7
La Poste Network	4	-37	+41	n.s.	+41	n.s.
Digital Services	-0	-9	+9	-96.4	+9	-91.9
Real Estate	6	4	+2	+51.8	+2	+51.8
Support and Structures	-69	-159	+91	-56.9	+91	-57.0
Unallocated and eliminations	-360	-331	-30	+9.0	-28	+8.3
OPERATING PROFIT (LOSS) AFTER SHARE OF NET PROFIT OF JOINTLY CONTROLLED COMPANIES	852	616	+236	+38.3	+236	+38.7

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: revenue for the business unit amounted to €504 million at the end of June 2016, maintaining a similar level to that of the first half of 2015 (down €5 million), due to controlling operating expenses.
- GeoPost posted €254 million in operating profit, up €82 million compared to the first half of 2015, €63 million of which came near exclusively from a securities revaluation carried out in accordance with IFRS 3 after GeoPost took over Armadillo in Russia. At constant scope and exchange rates, operating profit excluding the securities revaluation increased for most of the business units, especially in France and Spain;
- La Banque Postale's operating profit rose €45 million at the end of June 2016 to €514 million, with management expenses remaining stable overall despite the launch of bank transformation programmes, subsidiary development and the contribution to the Single Resolution Fund.
- The Network's operating profit, amounting to €4 million at the end of June 2016, increased €41 million compared to June 2015 due to an overall favourable impact from HR provisions;
- Operating profit for the Digital Services business unit, which was very close to breakeven at the end of June 2016, increased €9 million compared to June 2015. This increase was mainly driven by strong performances from the digital services subsidiaries during the first half of the year;

- Other business segments:
 - ✓ Real estate posted €6 million in operating profit, up €2 million compared to 2015;
 - ✓ The Support and Structures deficit decreased €91 million to €69 million at the end of June 2016, because the first half of 2015 had been impacted by non-recurring costs provisioned in relation to the recording of the planned headquarters move as well as by that of a URSSAF (French social security body) contingency and loss provision, which has since become null and void;
 - ✓ Expenses from the 'Unallocated and consolidation adjustments' segment increased €30 million due to an increase in Group cross-entity provisions.

2.1.3 Financial profit/(loss)

Financial loss, which worsened by €17 million compared to June 2015, came to a total loss of €92 million. The decline in financial loss essentially came from a change in the fair value of debt and derivatives, which resulted in an unfavourable change of €19 million compared to the first half of 2015. Interest expense, however, improved by €4 million thanks to the combined effects of lessened average gross debt and estimated average cost of debt at 4 years (2.66% versus 2.75% at the end of June 2015). There was also a €2 million improvement from other financial items (essentially from the cost of discounting social debt expenses).

2.1.4 Net profit

Net profit Group share, at €675 million, increased €252 million compared to June 2015. This increase is broken down as follows:

- Profit before tax rose €218 million to total €760 million, with operating profit after share of net profit of jointly controlled companies up €236 million and a €17 million worsening in financial loss;
- A €68 million decrease in tax expense⁸;
- A €25 million decrease in the share in profit of equity associates, primarily CNP Assurances;
- A €10 million increase in the share allocated to non-controlling interests.

Excluding one-offs⁹, net profit Group share grew +28.5%.

⁸ Details in Section 4.2 of this report.

⁹ One-offs: +€107m capital gain from the sale of La Banque Postale stake in Visa Europe and a +€60 million securities revaluation after the acquisition by GeoPost of the remaining 50% share of Armadillo.

2.1.5 Free cash flows and changes in net debt

Free cash flows came to a positive €191 million. However, they went down €342 million compared to June 2015, notably due to a lesser amount of CICE being credited against tax (down €158 million compared to 2015) and to a €101 million increase in investment spending relating to CAPEX and external growth acquisitions.

After taking into account €29 million in interests paid, up €4 million compared to June 2015, and dividends paid to Group shareholders (€173 million), Group net debt¹⁰ rose €80 million during the first half of 2016, totalling €3,737 million.

2.1.6 Financial ratios

The “net debt / equity” ratio was 0.36. It improved 1.3 points, in particular, due to a €570 million increase in equity Group share.

¹⁰ Group net debt does not take into account La Banque Postale for which this concept is not relevant.

3. Operating results by business segment

3.1 Summary of operating results by business segment

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

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

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

3.1.1 Results by business segment

Published 2016.06 (in € million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital services	La Poste Network	Real Estate	Support and Structures	Un-allocated	Elim.	TOTAL
External Revenue & NBI	5,599	2,938	2,971	240	15	5	2			11,770
Intersegment Revenue & NBI	148	31	3	49	2,024	412	361		-3,027	
Operating revenue	5,747	2,969	2,974	289	2,038	418	363		-3,027	11,770
Operating profit/(loss) before share of net profit of jointly controlled companies	503	255	514	-0	7	6	-68	-360	-0	855
Net profit of jointly controlled companies	1	-1			-3	1	-0			-3
Operating profit after share of net profit of jointly controlled companies	504	254	514	-0	4	6	-69	-360	-0	852
<i>Operating margin</i>	8.8%	8.5%		-0.1%		1.5%				7.2%

Published 2015.06 (in € million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital services	La Poste Network	Real Estate	Support and Structures	Un-allocated	Elim.	TOTAL
External Revenue & NBI	5,621	2,659	2,922	234	17	4	0			11,459
Intersegment Revenue & NBI	136	33	7	44	2,031	410	332		-2,993	
Operating revenue	5,757	2,693	2,929	278	2,049	414	332		-2,993	11,459
Operating profit/(loss) before share of net profit of jointly controlled companies	507	170	468	-9	-35	3	-159	-331	0	615
Net profit of jointly controlled companies	1	1			-2	1				1
Operating profit after share of net profit of jointly controlled companies	508	171	468	-9	-37	4	-159	-331	0	616
<i>Operating margin</i>	8.8%	6.4%		-3.4%		1.0%				5.4%

3.2 Services Mail-Parcels

The Services-Mail-Parcels business unit includes:

- The Services and Mail business, consisting of:
 - ✓ The mail business, including collection, sorting, and delivery of correspondence, advertising and press, as well as new local services carried out by La Poste SA;
 - ✓ The subsidiaries operating in the direct marketing market (chiefly Mediapost France and Sogec), in the logistics and e-logistics solutions market (essentially Viapost, STP and Neolog) and in the Silver market (Tikeasy) as well as in the cross-border mail market with the joint venture with Swiss Post (Asendia), which is an equity associate in the Group and in the business unit's consolidated financial statements;
- La Poste SA's Parcel business, which specialises in deferred delivery (two-day) of parcels under 30 kg to private individuals, BtoC or CtoC in France.

(in € million)	2016.06	2015.06	Changes	
			(in € million)	(as a %)
Revenue	5,747	5,757	-10	-0.2
<i>non-Group revenue</i>	5,599	5,621	-22	-0.4
Operating expenses	-5,244	-5,250	+6	-0.1
Operating profit / (loss) before share of net profit of jointly controlled companies	503	507	-4	-0.8
Share of net profit of jointly controlled companies	1	1	-0	-38.9
OPERATING PROFIT / (LOSS) AFTER SHARE OF NET PROFIT OF JOINTLY CONTROLLED COMPANIES	504	508	-5	-0.9
<i>Operating margin</i>	8.8%	8.8%		-0.1 pt

3.2.1 Services and Mail business activity

Revenue as at 30 June 2016 amounted to €4,956 million, €31 million less than at 30 June 2015.

- Services and Mail revenue, at €4,692 million, fell €40 million, i.e. -0.8%. This change mainly came from:
 - ✓ A -5.3% decline in volume translating into a net impact of -€180 million on 2016 revenue, taking into account a positive working-day effect of €70 million. This decrease is explained by continued streamlining and digitisation of shipments from the banking, public and telephone sectors and by difficulties in the advertising market, which were nevertheless less pronounced than last year.

- ✓ A 3.4%¹¹ average price increase on 1 January 2016, i.e. an estimated +€140 million effect on revenue.
- ✓ A lack of election revenue (€23 million in 2015).
- ✓ +€21 million in international growth thanks to strong performance in small import packages (less than 3 cm), notably with China.
- ✓ Development of 'local' postmen services for +€4 million, i.e. a total of €9 million at the end of June (broken down into seven ranges: Proxi Vigie, Proxi Data, Proxi Course, etc.); and Recy'go for +€1 million, or a total of €5 million at the end of June.

Service quality remained high, with a two-day delivery rate for Green Mail of 94.8% at 30 June 2016.

- Revenue from the subsidiaries amounted to €264 million as at 30 June 2016, up €9 million from 2015:
 - ✓ Advertising subsidiaries at +€8 million thanks to the unaddressed advertising mail business in France, with a +€8.9 million volume effect (+5%), partially offset by a negative price effect of -€4.1 million (-2.3%) due to a highly competitive market; to a +€1.3 million increase in promotion and logistics activities in Romania; to growth in Sogec's business for +€1 million;
 - ✓ Viapost Logistics at +€1 million spread throughout all of its subsidiaries.

3.2.2 Parcel business activity

Revenue for the first half of 2016 was €791 million, up €21 million (i.e. +2.7%).

Volumes grew 6.2%, creating a €47 million positive impact on revenue, notably boosted by a very positive working-day effect of +3 WD, i.e. €19 million.

Excluding the working-day effect, BtoC volumes posted sharp growth during the first half of 2016 for domestic parcel deliveries (+5.5%), for both home and out-of-home deliveries. However, Coliéco product volumes (-13%) continued the drop which has been recorded for several years now, in line with the decline in traditional mail order business. In the domestic market, CtoC volumes decreased 3.6% compared to June 2015. International volumes, conversely, continued to rise adequately (+22%) in all of these categories.

Price effect had a +€4 million positive impact on revenue, while mix effect adversely impacted revenue by -€28 million, particularly in line with sharp growth in major key accounts and declining CtoC volumes.

¹¹ As a percentage of basic traffic-generating revenue

Lastly, impacts from fuel were -€4 million, while other services increased €2 million.

Quality of service remains a major focus point for Parcels. The two-day delivery rate was 94.8% for the first half of 2016, slightly better than in 2015 (94.3%).

3.2.3 Operating profit

Operating profit for the Services-Mail-Parcels business unit totalled €504 million at 30 June 2016, down by €5 million compared to 30 June 2015, i.e. -0.9%. Controlling operating expenses somewhat counterbalanced the decline in revenue.

3.3 GeoPost

GeoPost, a subsidiary of Le Groupe La Poste, includes deferred and express parcel activities in France and abroad under the following main commercial brands: DPD Group, Chronopost in France, SEUR in Spain, Interlink Express in the United Kingdom and Tigers (international freight forwarding company based in Asia and Australia). GeoPost's subsidiaries are mainly involved in the business-to-business (BtoB) market, although they are increasingly involved in the BtoC market (nearly 33% of volumes at the end of June 2016).

The carry-over effect from acquisitions made in 2015 (purchase of SEUR franchises, Systemlogistik in Germany, WorldLink in Australia, Resto In in France and disposal of IBC) as well as the impact of changes in scope during the first half of 2016 (acquisition of SEUR franchises, takeover of Armadillo Group in Russia and Worldnet TPC in the UK) led to a positive scope effect on GeoPost's revenue of +€92 million over the first half of 2016.

	2016.06	2015.06	Changes vs N-1	
(in € million)			(in € million)	(as a %)
Revenue	2,969	2,693	+276	10.3
<i>non-Group revenue</i>	2,938	2,659	+279	10.5
Operating expenses	-2,714	-2,522	-192	7.6
Operating profit (loss) before share of net profit of jointly controlled companies	255	170	+84	49.5
Share of net profit of jointly controlled companies	-1	1	-2	n.s.
OPERATING PROFIT (LOSS) AFTER SHARE OF NET PROFIT OF JOINTLY CONTROLLED COMPANIES	254	171	82	48.1
<i>Operating margin</i>	8.5%	6.4%		2.2 pt

3.3.1 Continued rapid sales development

GeoPost revenue at June 2016 was €2,969 million, a +€276 million increase (10.3%) compared to the end of June 2015. Adjusted for scope effect (+€92 million) and foreign exchange effect (-€57 million, -€34 million of which on the pound), organic growth was €241 million, i.e. +9.2%.

This solid performance was driven by a €285 million volume effect (+10.8%), which included a positive impact from working days, i.e. an increase of 47 million items. Except for the United Kingdom, the general downward trend on prices led to an unfavourable price effect on revenue for €43 million, while the impact of other services and fuel was -€1 million.

Organic changes in revenue were largely positive in the different geographic areas:

- In the United Kingdom, the 14% increase in revenue was still being influenced by higher volumes, as well as by changes in price and mix (benefiting particularly from an increase in return flows).
- In France, business continued to grow: +8% for DPD France (formerly Exapaq) and +13% for Chronopost. The increase in volumes was particularly boosted by the growing number of BtoC customers, due to developing new delivery solutions (pick-up and drop-off points, Predict offering, "Pick-up Station" automated lockers). However, this growth in volumes was accompanied by a decrease in price/mix.
- Revenue for Benelux rose +12% due to growth in volumes.
- Revenue for Spanish subsidiaries went up 6%, with a 14% increase in volumes. This sharp growth in volumes came in particular from BtoC development, which also led to lower unit earnings. International volumes continued to rise.
- Germany posted 10% growth compared to the end of June 2015. The growth in volumes was boosted by work carried out over the past several years to strengthen its position in the domestic BtoC segment (forming new partnerships with major e-commerce companies, extending the German pick-up and drop-off point network, Saturday delivery, etc.) and synergies implemented following Systemlogistik's consolidation.
- Business in Poland increased 1% compared to June 2015. Volumes were up 1% over the period, with an increase in international volumes and a marginal decline in domestic volumes (-1%).
- Tiger's business was down compared to the first half of 2015, with -€18 million (-14%), following a market slowdown related to the Asian economic crisis that began in summer 2015.

3.3.2 Operating profit

GeoPost operating profit reached €254 million at the end of June 2016 (operating profit including share of net profit of companies under joint control of -€1 million), up €82 million compared to 2015. It rose €26 million during the first half of 2016 after restating for the €63 million impact on net profit from the securities revaluation following the acquisitions of Armadillo and Worldnet TPC in particular, as well as after scope and exchange effect. This increase was primarily due to higher volumes and efficient cost control, particularly in France and in Spain.

3.4 La Banque Postale

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

3.4.1 Economic and financial environment

After rising slightly over the second half of 2015 to come to 1% at year end, the 10-year OAT rate again declined during the first half of 2016. Under the impact of the uncertainties surrounding the British referendum, it hovered near record levels in the spring of 2015. In late June, Brexit drove a massive “flight to quality” that pushed German and French securities to a new record with the OAT reaching 0.10% early in July and the Bund recording a negative return. These low rates, combined with the accommodating policy of the European Central Bank, drove the rates offered for consumer property loans to the lowest level since the Liberation of France¹². In effect, the ECB lowered again its deposit rate to -0.40%, and increased its monthly securities purchases in March. The Eonia lost 10 additional basis points over the period to -0.34%. Refer to Section 1.2 for more details.

In this uncertain environment, the CAC 40 remained at a low level with an average at 4,345 points through the half. This average flirted with 4,900 points in the first half of 2015, peaking at nearly 5,300 points.

3.4.2 Commercial activities

During this first-half year, La Banque Postale continued to implement its strategic plan with priority focus on commercial development. La Banque Postale and Le Réseau La Poste thus finalised the managerial organisation of the network this year which was initiated two years ago with the setting-up on 1 January 2016 of 1,600 sector directors and their teams (see Section 3.5). Underpinned by an ambitious banking expertise development process, this organisation offers greater efficiency in terms of customer service. Also within this framework, La Banque Postale made changes to its governance over the first-half year by expanding its Management Board with

¹² Observatoire Crédit Logement/CSA for Financing Residential Markets

the addition of Anne-Laure Bourn, Group Deputy Director in charge of the Network and now Managing Director of Financial Services, thus strengthening ties with the distribution network.

With the ongoing context of low rates, liquid investments are recording significant withdrawals in favour of more long-term investments for which returns are still attractive. Total savings rose over one year by €2.0 billion to total €304.9 billion (+ 0.7%):

<i>(in € billion)</i>	2016.06	2015.06	Changes	
			<i>(in € bn)</i>	<i>(as a %)</i>
Demand deposits	56.7	52.8	+4.0	+7.5
Ordinary savings	80.4	83.1	-2.7	-3.3
Livret A passbook savings account	59.6	62.0	-2.3	-3.8
LEP savings accounts	7.8	8.0	-0.2	-2.2
Sustainable Development Savings Accounts (LDD)	7.2	7.3	-0.1	-1.2
Other savings accounts	5.7	5.8	-0.1	-1.9
Home savings	31.4	29.6	+1.8	+6.0
UCITS ^(a)	11.5	13.9	-2.4	-17.2
Life insurance ^(a)	123.8	122.3	+1.6	+1.3
Other ^(b)	1.0	1.2	-0.2	-16.4
CUSTOMER SAVINGS	304.9	302.9	+2.0	+0.7

(a) Products distributed by the La Banque Postale network, BPE and EasyBourse (UCITS).

(b) Term deposits and PEP savings plans.

Balance sheet savings¹³ were up 1.7% underpinned by the increase in demand deposits and the appeal of the Home Savings Plans.

Total demand deposits, at €56.7 billion, rose significantly by €4.0 billion (+7.5%). Business customers contributed strongly to this growth with a total of €5.8 billion, an increase of 16.9% over June 2015, illustrating the development strategy of La Banque Postale for this customer segment.

Despite the February decline of the new contract rate to 1.5%, the Home Savings Plans remain a savers' favourite in this low-rate environment. Home savings totalled €31.4 billion at the end of June 2016, an increase of €1.8 billion.

However, passbook accounts suffered from a substantial withdrawal rate, generating a decrease of €2.7 billion (-3.3%) in total savings. Livret A, with a rate set at 0.75% since 1 August 2015, was particularly hit, with savings down 3.8%.

UCITS also suffered from the unfavourable context of weak short rates and a drop in markets. Over one year, outstandings fell 17.2% to €11.5 billion.

¹³ Demand deposits and savings excluding UCITS and life insurance

Life insurance outstandings at €123.8 billion rose €1.6 billion (+1.3%). Gross collections for the period totalled €4.8 billion, an increase of 15% over 2015.

La Banque Postale, which celebrated its 10th anniversary, confirmed its growing role in financing the economic with outstanding consumer loans up €3.5 billion (+5.1%) to total €70.9 billion at 30 June 2016:

<i>(in € billion)</i>	2016.06	2015.06	Changes	
			<i>(in € bn)</i>	<i>(as a %)</i>
Home loans	54.6	54.2	+0.5	+0.8
Consumer loans	4.7	4.3	+0.4	+9.7
Other loans ^(a)	0.8	0.8	-0.1	-6.4
Loans to legal entities ^(b)	10.8	8.1	+2.6	+32.5
CUSTOMER LOANS	70.9	67.4	+3.5	+5.1

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

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

Following a year 2015 marked by a massive movement of renegotiations and purchases, the real estate loan market began to normalise in the first half of 2016. Over the last twelve months, the outstanding housing loans of La Banque Postale and its subsidiaries rose 0.8% to €54.6 billion.

Consumer loans managed by La Banque Postale Financement continued to grow, with outstanding loans of €4.7 billion (9.7% over June 2015) driven by the commercial momentum.

La Banque Postale has also been financing companies in the local public sector since 2012. This activity reached €10.8 billion in outstanding loans at the end of June 2016, an increase of 32.5% over one year after the assignment of €3.5 billion in loans to the Caisse Française de Financement Local over the period, in accordance with the growth model implemented when La Banque Postale entered the local public sector market. La Banque Postale continues to enhance its offer to legal entities and, in April, signed new agreements with the EIB (European Investment Bank) Group, particularly through an InnovFin guarantee agreement (support for innovation companies).

3.4.3 Operating performance

La Banque Postale's Net Banking Income (NBI) totalled €2,974 million at the end of June 2016, an increase of 1.6% compared to June 2015 (+€46 million). Restated for the changes in the home savings provision and the consolidation effect¹⁴, NBI was down 6.3% in line with the low-rate context.

(in € million)	2016.06	2015.06 <i>pro forma</i> (a)	Changes (vs <i>pro forma</i>)	
			(in € million)	(as a %)
Asset management	80	64	+16	+25.8
Insurance	97	92	+5	+4.9
Retail banking	2,797	2,773	+25	+0.9
<i>Net interest margin</i>	1,675	1,690	-15	-0.9
<i>Commissions</i>	1,171	1,119	+52	+4.6
<i>Other income and expenses</i>	-49	-36	-12	+34.1
NET BANKING INCOME	2,974	2,929	+46	+1.6

(a) 2015 *pro forma* to account for the switch of the LBPGP asset management division to the retail banking division, and the item reclassification to securities transfer commissions

The NBI for the Asset Management division was €80 million, an increase of €16 million with the consolidation of Fédérés and Ciloger (+€22 million). In the first half of 2015, the division benefited from a favourable market effect that was not present this year. La Banque Postale Asset Management is adapting its offer to the current rate context and has launched a new line of five flexible-allocation funds. These funds, which benefit from global expertise thanks to the partnership with Aegon Asset Management, are meeting the expectations of La Banque Postale customers by optimising returns while maintaining a defined and controlled risk framework. Launched in mid-May, this line has already collected €170 million.

At €97 million, NBI for the Insurance division grew 4.9% from June 2015, related to a policy portfolio that gained 6.0% under the impact of strong sales results from the Casualty and Health offers in particular. Indeed, the Casualty policies rose 16%, and the Health policies were up 52% carried by the success of the *Assurance Coups Durs Santé* (hard times health insurance) and *Oui Santé* offers (designed for beneficiaries of Supplemental Health Assistance).

After restating the home savings provision, the NBI of the Retail Banking division declined 6.6% (-€187 million).

¹⁴ Consolidation effect related to the consolidation of Fédérés and Ciloger in 2015

- The restated Net Interest Margin (NIM) fell by €227 million under the adverse effects of a context of historically low rates. The decrease in returns on home loans (renegotiations and prepayments of 2015) and the decline in returns on centralised savings at Caisse des Dépôts contributed to this change. Portfolio revenue fell to -€142 million, and was partially offset by the gain of €107 million on the sale of the Visa Europe securities to Visa Inc.
- Commissions rose by €52 million, reflecting the continued development of customer equipment and the growth in life insurance commissions (+15% in gross collections over the first half of 2015 and implementation of the new partnership between La Banque Postale and CNP). Conversely, the indemnities from early redemption were down because of the normalisation of the home loan market.

<i>(in € million)</i>	2016.06	2015.06	Changes	
			<i>(in € million)</i>	<i>(as a %)</i>
Net banking income	2,974	2,929	+46	+1.6
Management expenses	-2,376	-2,386	+10	-0.4
Gross operating profit	599	543	+56	+10.3
Cost of risk	-84	-73	-11	+14.7
Gains and losses on other assets	-1	-1	-0	+41.0
OPERATING PROFIT (LOSS)	514	468	+45	+9.6
<i>LBP operating ratio</i>	<i>80.7%</i>	<i>81.5%</i>		<i>-0.8 pts</i>

The management costs of the La Banque Postale division remained stable at €2,376 million¹⁵ (-0.4 % from June 2015), despite the progressive implementation of the major bank transformation programmes, the development of the subsidiaries, and the contribution to the Single Resolution Fund. This stability reflects the efforts made to control the expenses of La Banque Postale and La Poste (primarily through agreements with the Network).

As indicated in previous years, La Banque Postale is the subject of a tax audit covering compliance with the rules governing regulated savings, within the framework of which provisions are recognised.

The business unit's gross operating profit amounted to €599 million, an increase of €56 million over June 2015 (+10.3 %). La Banque Postale's operating ratio improved to 80.7% at 30 June 2016 (81.5% at the end of June 2015).

¹⁵ Management costs, restated for the consolidation effect, were down €24 million (-1.0%).

The cost of risk, at €84 million, was up €11 million, an increase attributed to the growth in outstandings and stronger coverage of the home loan risks in convergence with internal models. The cost of the credit risk, in relation to outstanding loans, continues to be low at 19 basis points¹⁶. The operating profit of La Banque Postale thus totalled €514 million in June 2016.

3.4.4 Financial structure

La Banque Postale presents a solid financial structure with a Common Equity Tier 1¹⁷ ratio of 13.4%, a level much higher than the minimum SREP requirement of 9.3125%¹⁸ set by the European Central Bank and applicable as of 1 January 2016.

The general solvency ratio, strengthened in June 2015 via the issue of €500 million of Tier 2 subordinated securities maturing in 12 years, was 19.4% compared to 18.7% in December 2015.

With application of the delegated act of October 2014, the leverage ratio¹⁹ estimated at the end of June 2016 was 5.0%.

The balance sheet liquidity position remains comfortable and results in a loan to deposit ratio of 74% and a short-term liquidity ratio estimated at 224%.

¹⁶ Commercial bank's cost of credit risk in relation to outstanding amounts at the beginning of the period.

¹⁷ CET1 ratio with application of temporary measures. The fully loaded CET1 ratio is 14.4%.

¹⁸ Requirement of 9.25% published by the ECB in 2015 following the review and assessment year (SREP) with a cushion of additional equity of 0.0625%

¹⁹ Ratio estimated taking into account the delegated act published by the European Commission on October 10, 2014 on the treatment of savings centralised with the CDC, subject to authorisation from the European Central Bank. Without the delegated act, the ratio is estimated at 3.4%

3.5 La Poste Network

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

<i>(in € million)</i>	2016.06	2015.06	Changes	
			<i>(in € million)</i>	<i>(as a %)</i>
Revenue	2,038	2,049	-11	-0.5
<i>non-Group revenue</i>	15	17	-3	-16.4
Operating expenses	-2,031	-2,084	+53	-2.5
Operating profit (loss) before share of net profit of jointly controlled companies	7	-35	+42	n.s.
Share of net profit of jointly controlled companies	-3	-2	-1	+71.7
OPERATING PROFIT (LOSS) AFTER SHARE OF NET PROFIT OF JOINTLY CONTROLLED COMPANIES	4	-37	+41	n.s.

Internal revenue represents the billing of services performed by the La Poste Network on behalf of other business units. It is governed by service agreements:

- Service agreements based on operating indicators (e.g. revenue, number of items processed) with the Services-Mail-Parcels business unit and the GeoPost business unit (Chronopost);
- For La Banque Postale, service agreements based on transactions processed at the counters and charged based on actual costs for the banking advisory line integrated into the Network (e.g. financial advisors, specialised real estate advisors, etc.);
- Transfer of costs related to the Universal Postal Service, and regional planning and development missions, and transitional expenses (including retirement schemes) to the ‘Unallocated’ segment.

3.5.1 La Poste Network

With its 17,101 contact points in France, including 8,017 in partnership (local postal agencies and relais poste outlets) at 30 June 2016, the La Poste Network is the most densely connected physical distribution network in the country. Faced with a continued decline in mail volumes and customer visits to post offices, which in ten years has fallen from 2.7 million to 1.6 million visits per day at present, La Poste Network must rethink its organisation and businesses and adapt to a rapidly changing market in order to safeguard its growth capacities, particularly in the banking segment. The main projects initiated in recent years have focused on the following objectives:

- Accelerated commercial development, based on customer service excellence and La Poste Network's ability to adapt to changing customer behaviours:
 - ✓ Simplifying customer pathways in post offices, in keeping with efforts to reduce the number of mail-parcel product references;
 - ✓ Integrating counter clerks in the banking dynamic to give customers quick access to simple banking products (bank cards, insurance offers for mobile devices, etc.);
 - ✓ Guaranteeing commercial synergies with the Services-Mail-Parcels business unit through shared objectives in the 500 market zones created in 2014, whatever the sales channel used by the customer (postal offices, mail sites, remote marketing and the Internet).
 - ✓ Implementation since 2 January 2016 of a new managerial structure composed of 1,600 segments that are underpinned by new businesses, a landmark in the Network's transformation. Thus, the clerks, as the first-tier players in customer relations, have become customer representatives and the segment director focuses on commercial development. The director is surrounded by an extended team of managers who act as banking advisors and lead the sales teams responsible for the bank, mail/parcels, pros and Poste Mobile. As a result, this structure is:
 - more focused, while remaining compatible with the principle of proximity to the customers and the teams;
 - differentiated, to take into consideration the sizes and specific features of the contact points included in each segment on the basis of its prospecting zone;
 - mindful of the personalised nature of customer relations, including low-income customers by directing them to the advisory platform (the L'Appui platform by La Banque Postale).
- The Network is rising up to the challenge of digital transformation: in the post offices, digital services have been present for several years via the new-generation automated machines that enable customers to perform simple transactions directly (purchasing stamps, postage, registered mail, shipping parcels, etc.). The digital momentum, initiated in late 2014, with Smarteo touch screens for clerks, facilitates the commercial relations by

allowing rapid access to the different services and IT applications (619 offices equipped with Smarteo touch screens at 30 June, and 1,100 offices to be equipped by the end of 2016). The Network also offers a new parcel out-of-home pick-up service via a network of pick-up lockers (94 offices equipped at 30 June).

- Accessibility with formats adapted to customer uses: in addition to digital services, the Network of tomorrow is adapting to French customers' new lifestyles, which vary across regions:
 - ✓ In rural areas, several new forms of resource sharing were rolled out, such as welcoming public service areas into post offices (40 facilities in 2015 and 98 in the second half of 2016, with the goal of 500 by the end of 2016). These areas consist of reception, information and orientation facilities for public service users. Postmen-counter clerks were also rolled out in cooperation with the Services-Mail-Parcels business unit, which enable La Poste to maintain its presence in small villages where post offices are visited very infrequently (305 post offices were converted at the end of 2015 and another 135 over the 1st half of 2016;
 - ✓ In urban areas, new formats are being established in conjunction with municipalities in order to better understand city projects and work with their players. 400 La Poste Relais outlets are already open in urban areas, with projects with major national brands under way (framework agreements with supermarket chains Franprix, Total or Carrefour, and so on).

Over the first half of the year, a total of 188 new partners were formed in urban and rural areas.

- Cost control of this sales network, the use of which by the Group's business units is rebilled to them. The action plans deployed have reduced the operating costs of the Network by 2.5% over the period compared to the previous year.

3.5.2 La Poste Mobile

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

With the sale of 276,000 new lines over the first half, La Poste Mobile now holds, after 5 years, 1.3 million lines at 30 June 2016, an increase of 10% over 2015.

La Poste Mobile continues to grow by adapting its offering to the needs of its customers in an extremely competitive environment. As a result, in February 2016, it launched its triple or quadruple play optic-fibre offering under the La Poste Mobile brand, which was highly successful with 11,300 boxes over the first half sold in post offices located in zones covered by fibre and on the Internet, while maintaining its simple product lines accessible to the wider public. This new offer supplements the ADSL 'Quatro' offer (TV, internet, fixed-line and mobile telephone services) in partnership with SFR-Numéricable (13,200 boxes sold over the first half).

The number of customers visiting the post offices every day and the values of trust fostered by Le Groupe La Poste are solid assets for La Poste Mobile.

3.6 Digital Services

The Digital Services business unit is made up of the Digital Services Department (customer experience, online services, digital trust, internal transformation) and three BtoB subsidiaries: Docapost (specialised in corporate digital transformation), Mediapost Communication (digital media management and data processing) and Start'inPost (start-up industrial incubator).

A major contributor towards the Group's digital transformation and bolstering revenue within the Group, the Digital Services business unit counts more than 4,900 employees working towards three key missions:

- Making their expertise available to the Group and its business units: developing new offerings, centre of excellence for open architecture and agile methods, innovation, internal digital transformation in cooperation with the Group's HRD. It is also responsible for the Group's data policy, managing the "individual, professional and corporate customer knowledge", a shared high-priority project intended to standardise the Group entities' different databases.
- Playing an active role as a digital distribution network via La Poste online, with a strong commitment to boosting revenue for the business units.
- Managing its own business activities with its two subsidiaries, Docapost and Mediapost Communication, with the aim of developing new digital service business activities.

<i>(in € million)</i>	2016.06	2015.06	Changes	
			<i>(in € million)</i>	<i>(as a %)</i>
Revenue	289	278	+11	+4.0
<i>non-Group revenue</i>	240	234	+6	+2.4
Operating expenses	-289	-287	-2	+0.7
OPERATING PROFIT/(LOSS)	-0	-9	+9	-96.45
<i>Operating margin</i>	<i>-0.1%</i>	<i>-3.4%</i>		<i>+3.3 pt</i>

3.6.1 Revenue

Revenue for the first half of 2016 was €289 million, up €11 million (i.e. 4.0%).

- Revenue for the Digital Services Department, whose mission is to help develop the Group business units' digital operations, was €26 million, up €3.1 million. It was partially driven by commissions on www.laposte.fr online sales, which began on 1 January 2015, as well as by associated advertising revenue. The Department has also benefited from billing internal services to other Group entities, including the cost of the Group's innovation policy. As a result, commissions increased €0.3 million compared to 2015, in particular due to growing online sales for Mail. Re-billing increased €2.8 million, in line with the increase in developments integrated within the scope of the Digital Services Department.
- The Docapost division continued to transform its core business and now takes part in the digital transformation of :
 - ✓ Economic (or business) sectors: Healthcare, Administration, Middle market (VSEs and SMEs throughout their entire value chain);
 - ✓ Major functions still performed within the companies: HR, Finance, Purchasing and Customer Relationship management.

Docapost offers them various services such as creation of digital platforms, digitisation, online internal voting management and desktop publishing, securing electronic transactions, e-payment solutions, etc.

As proof that its business is growing, Docapost's revenue reached €219 million at the end of the first half of 2016, €9 million higher than last year, in other words +4.4%. It took advantage of the impact from acquiring Docapost Fast (see Section 1.4.6.1) for €2 million, from the ongoing development of the business on fines processing for €4 million (related to the +25% uptick in volumes) and strong momentum in the Digital Trust Division's digitisation and e-billing businesses for €3 million.

- Mediapost Communication revenue reached €48 million, a +€2 million increase (+3.3%) compared to the first half of 2015. Continued momentum in the Data division, especially SDS and Média Prisme (Concordéo and broking), was accompanied by strong performance in the Advice division, notably in Mediapost Publicité (+8%). They were partially offset by a decline in the online advertising business Adverline, which was impacted by market sluggishness. In addition, Mediapost Communication was also affected by a change in scope following the closure of Mix Commerce at the end of 2015, adversely impacting revenue by close to €0.5 million.

3.6.2 Operating profit

Operating expenses rose €2 million compared to the first half of 2015, with growth nevertheless varying between the digital services department and the subsidiaries. Indeed, the digital services department's expenses increased €5 million, in line with the growth in digital projects and the ramping-up of certain projects launched in 2015. Expenses for digital services subsidiaries fell €4 million, including the impact of non-recurring provisions made during the first half of 2015 at Mediapost Communication, as well as an increase in operating expenses at Docapost attributable to development of the business.

Consolidated operating loss for the Digital Services business unit totalled -€0.3 million at the end of June 2016, up €9 million compared to 2015.

3.8 Other Segments

3.8.1 Real Estate

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

<i>(in € million)</i>	2016.06	2015.06	Changes	
			<i>(in € million)</i>	<i>(as %)</i>
Revenue	418	414	+4	0.9
<i>non-Group revenue</i>	5	4	+1	29.8
Current operating expenses	-406	-412	+6	-1.5
Gains (losses) on disposals	-6	1	-7	<i>n.s.</i>
Operating profit (loss) before share of net profit of jointly controlled companies	6	3	+3	<i>n.s.</i>
Share of net profit of jointly controlled companies	1	1	-1	-62.0
OPERATING PROFIT (LOSS) AFTER SHARE OF NET PROFIT OF JOINTLY CONTROLLED COMPANIES	6	4	+2	51.8
<i>Operating margin</i>	<i>1.5 %</i>	<i>1.0 %</i>		<i>0.5 pt</i>

Real estate revenue totalled €418 million, an increase of €4 million, or +0.9% over 2015, under the combined impact of an increase in intra-group billing (€+2.3 million) and an increase in billing to customers outside the Group (€+1.3 million).

The increase in internal billing, primarily related to the increase in rent supplements and services delivered by the real estate division, was controlled through the significant reduction of property rents billed to the business units (reduction in operating areas). This change reflects the continued efforts to optimise areas by the business units of the Group.

In the context of its expanding operations, Poste Immo continued the deployment of external development and co-promotion operations to build value for its portfolio of properties, minimise vacancies and contribute to the generation of medium-term revenue for the Group.

The operating profit after share of net profit of jointly controlled companies amounts to €6 million, up €2 million over 2015, reflecting the stability of the management costs of the real estate division. Gains or losses on disposals, which fell significantly due to the sale of a share of properties that generated a sale loss, is offset by the reversals of provisions on the property holdings recognised in 2015.

3.8.2 Shared services

The “Shared services” segment represents the Support departments (primarily IT, Vehicle fleet management, Social Activities and Supplies) which re-bill their services to the other business units and to the costs of the Group’s head office.

<i>(in € million)</i>	2016.06	2015.06	Changes	
			<i>(in € million)</i>	<i>(as %)</i>
Operating revenue	363	332	+31	+9.2
Operating expenses	-431	-491	+60	-12.3
OPERATING PROFIT (LOSS)	-68	-159	+91	-57.0

Operating revenue totalled €363 million in June 2016, including:

- €341 million for intra-group revenue resulting from billing of services provided to the other business units by Support and ‘billing’ service centres at the Head Office. Unit prices are established prior to commencing work under a service agreement and the amounts charged are based on actual volumes;
- €22 million in Group headquarters costs in respect of management fees paid by subsidiaries.

Excluding the consolidation effect, the increase in invoices was €19 million, €11 million of which was for social activities through the taking in charge in 2016 of all agents assigned to social action and of the property charges for inter-enterprise restaurants (IER) located on the multi-occupant property sites that were initially distributed across all business units. In addition, the €6 million increase in billing for vehicles illustrates the increase in the flat-rate maintenance and the impact of the thermal/electric vehicle mix.

Excluding the consolidation effect and the impact of earlier provisions recognised when the headquarters were moved, the efforts to streamline the operating expenses of the Group’s headquarters improved by €8 million.

3.8.3 Unallocated expenses

	2016.06	2015.06	Changes vs N-1	
<i>(in € million)</i>			<i>(in € million)</i>	<i>(as %)</i>
Net cost of regional postal presence	-287	-287	+0	-0.1
Other operating expenses	-73	-43	-30	68.0
OPERATING PROFIT (LOSS)	-360	-331	-29	-8.8

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 increase in other expenses represents the impact of the costs of adhesions generated by the extension of an unallocated end of career plan to the business units.

4. Other key aggregates of the income statement

4.1 Financial profit/(loss)

	Period ended 30 June			
	2016.06	2015.06	Changes	
			(€ million)	(as a %)
(€ million)			vs n-1	
			(€ million)	
Net interest expense	-70	-74	+4	-5.7
Changes in 'fair value' including debt credit spread	-8	11	-19	n.s.
Cost of net financial debt	-79	-63	-15	+24.4
Other financial items	-13	-11	-2	+18.5
FINANCIAL PROFIT/(LOSS)	-92	-74	-17	+23.5

Financial profit/(loss) worsened by €17 million during the first half of 2016 compared to 2015, reaching -€92 million.

The lower average cost of debt over four years (2.66% versus 2.75% at the end of June 2015) combined with a decrease in average gross debt contributed to a €4 million reduction in net interest expense compared to 2015.

The changes in fair value of debt and derivatives, corresponding to an expense of €8 million over the half-year, generated an unfavourable effect of €19 million compared to 2015.

Other financial items (€13 million in 2016), which increased €2 million from 2015, corresponded mainly to the cost of discounting provisions for employee benefits (€14 million in 2016, up €2 million compared to 2015).

4.2 Net profit/(loss), Group share

(€ million)	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
Operating revenue	11,770	11,459	+311	+2.7
Operating expenses	-10,915	-10,844	-71	+0.7
Operating profit	855	615	+241	+39.2
Share in profits of jointly controlled entities	-3	1	-5	n.s.
Operating profit after share of net profit/(loss) of jointly controlled entities	852	616	+236	+38.3
Financial profit/(loss)	-92	-74	-17	+23.5
Profit before tax	760	542	+218	+40.3
Income tax	-148	-217	+68	-31.5
Share in profit of equity associates	88	113	-25	-22.3
CONSOLIDATED NET PROFIT	700	438	+262	+59.8
Net profit, Group share	675	424	+252	+59.4
Non-controlling interests	24	14	+10	+70.1

Net profit Group share was €675 million at the end of June 2016. It was up €252 million compared to the first half of 2015.

This increase was mainly driven by operating profit after share of net profit of jointly controlled entities, which came to €852 million, up €236 million.

Profit before tax, which included a €17 million decrease in financial profit, increased by €218 million to reach €760 million.

The Group's tax expense totalled €148 million, down €68 million, €32 million of which came from current tax expense and €36 million came from deferred taxes (see Note 10 to the Group's consolidated financial statements, regarding income tax).

The share of profit of equity associates totalled €88 million at the end of June 2016. It fell €25 million compared to June 2015, and included primarily the contribution of CNP Assurances, in which the Group holds a 20.15% stake.

5. Net debt and financial strength

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

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

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

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

5.1 Change in Net Debt

5.1.1 Cash flows from operating activities

Cash flows from operating activities were down €241 million compared to June 2015:

(€ million)	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
EBITDA (excluding La Banque Postale)	613	629	-16	-2.6
Dividends received from LBP and equity associates	321	335	-14	-4.1
Changes in Working Capital	-88	-117	+30	-25.3
CICE (competitiveness and employment tax credit) for the period	-168	-171	+3	-1.5
Taxes paid	-15	222	-237	n.s.
Other cash flows from operating activities	-1	5	-6	n.s.
CASH FLOWS FROM OPERATING ACTIVITIES	662	903	-241	-26.7

EBITDA excluding La Banque Postale decreased €16 million as at the end of June 2016 and amounted to €613 million. The decline relates to all of the business units in the consolidation scope, excluding GeoPost, whose EBITDA increased €38 million. The CICE generated over the period totalled €168 million, relatively stable compared to June 2015.

Dividends received from La Banque Postale and equity associates fell €14 million overall, and included €28 million from dividends received from Poste Immo's real estate development equity associates. Dividends received from La Banque Postale rose €13 million.

The favourable spread in WCR (€30 million) was generated by the Services-Mail-Parcels business unit, which contributed a positive €91 million. However, this contribution was diminished by unfavourable changes recorded in the Digital Services (-€33 million) and GeoPost (-€27 million) business units.

Tax flows of €15 million at the end of June corresponded to:

- €94 million in taxes paid, resulting in a €78 million unfavourable change compared to 2015. The difference primarily came from a decline in income tax flows received from La Banque Postale and its tax-consolidated subsidiaries.
- The €80 million CICE credited against taxes generated an unfavourable spread of €158 million compared to the first half of 2015. In 2015, the Group had charged €153 million to the 2014 income tax settlement in addition to the CICE charged to the corporate income tax prepayments (€75 million in 2015 and €80 million in 2016).

5.1.2 Cash flow from investing activities excluding LBP

Net investment outflows excluding La Banque Postale totalled €471 million as at the end of June 2016, meaning cash outflows were up €101 million compared with the first half of 2015, particularly with an increase in purchases of property, plant and equipment, intangible assets and

subsidiary acquisitions.

	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
(€ million)				
Purchases of intangible assets, and property, plant and equipment	-401	-312	-88	+28.2
Purchases of financial assets	-15	-8	-7	+95.5
Asset disposals	44	37	+7	+20.3
Subsidiary acquisitions, less cash acquired	-99	-86	-13	+15.0
Subsidiary disposals, less any disposals of cash	-1	-1	-0	+9.2
CASH FLOWS FROM INVESTING ACTIVITIES EXCLUDING LBP	-471	-370	-101	+27.2

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

Purchases of property, plant and equipment, and intangible assets were up €88 million compared to June 2015. The €31 million increase in investments made during the first half of 2016, which pertained to vehicle purchases and expenses incurred under the 'Village La Poste' project in particular, was further compounded by a €57 million decrease in non-current asset supplier payables.

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

	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
(€ million)				
Services-Mail-Parcels	-99	-85	-14	+16.8
GeoPost	-63	-46	-17	+38.0
La Poste Network	-23	-14	-9	+68.8
Digital Services	-33	-21	-12	+57.8
Real Estate	-107	-90	-17	+19.3
Support & Other	-76	-58	-18	+30.6
Purchase of intangible assets, and property, plant and equipment	-401	-312	-88	+28.2
Changes in non-current asset accounts payable	66	10	+57	n.s.
INVESTING ACTIVITIES EXCLUDING LBP	-334	-303	-31	+10.4

More specifically, the €88 million increase in purchases of intangible assets and property, plant and equipment are broken down as follows:

- Services-Mail-Parcels business unit: €99 million in acquisitions, generating a €14 million increase:
 - ✓ Parent company Mail business unit: €72 million, up €12 million compared to June 2015, including €6 million from the changes in non-current asset suppliers. More than 60% of investments were for intangible assets, corresponding to information system developments;
 - ✓ Parcels: €10 million, during the first half of 2016;
 - ✓ Mail subsidiaries: €17 million, up €3 million compared to 2015. The advertising subsidiaries' investments totalled €11 million, up €4 million and were driven by automation at Mediapost France. The logistics subsidiaries' €6 million in investments declined by nearly €2 million due to site renovations and redesigns that took place the year before.
- GeoPost: €63 million, i.e. a €17 million increase compared to June 2015, which marked the end of a major investment cycle launched in the UK in 2014. CAPEX during the first half of 2016 reached a level that more closely represents GeoPost's typical activity, with investments in information systems and in hubs and warehouses.
- Network: €23 million in acquisitions, up €9 million, which resulted exclusively from a reduction in non-current asset supplier payables.
- Digital Services: €33 million, up €12 million compared to June 2015, including an €8 million increase from Digital Service subsidiaries due to platform development and equipment purchases within Docapost, in particular.
- Real Estate: €107 million, up €17 million, primarily generated from the 'Village La Poste' project, and from work to make the Group's patrimonial real estate assets compliant with current standards, to a lesser extent;
- Support & other: €76 million, up €18 million, which included €19 million for vehicle purchases. Vehicle purchases during the first half of 2015 were particularly low due to significant delivery delays.

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

5.1.2.2 **Purchases of financial assets**

Purchases of financial assets (guarantee deposits and equity investments) do not include 'Cash investments of more than three months' (€320 million and €600 million at the end of June 2016 and at the end of June 2015 respectively). Purchases of financial assets made at the end of June 2016 totalled €15 million, up €7 million compared with the end of June 2015.

5.1.2.3 *Acquisitions and external growth*

As at the end of June 2016, acquisitions, less any deductions of cash and cash equivalents acquired, amounted to €99 million. GeoPost made the majority of them (€59 million), specifically with the €75 million acquisition of the 50% remaining shares of Armadillo, which is now fully consolidated. Following this transaction, the equity investment that was already owned underwent a €60 million revaluation. The Digital Services business unit also made external growth acquisitions totalling €39 million, less deductions of cash acquired (Applicam, in particular).

5.1.2.4 *Asset disposals*

Asset disposals, at €44 million, were down €7 million from the first half of 2015. Asset disposals included, in particular, sales of Group vehicles (€10 million) and disposals of buildings from La Poste's real estate portfolio (€26 million).

5.1.3 Economic Health Indicator

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

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

	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
(€ million)				
EBITDA	613	629	-16	-2.6
Dividends received from equity associates	321	335	-14	-4.1
Income tax	-94	-16	-78	n.s.
Net interest paid	-29	-24	-4	+17.2
Other funds from operations	-1	5	-6	n.s.
Funds from operations	810	929	-119	-12.8
Changes in WCR	-88	-117	+30	-25.3
CICE generated and deducted	-89	67	-156	n.s.
Purchases of intangible assets and property, plant and equipment (net of VHP disposals)	-390	-306	-84	+27.6
Free cash flows from operations	243	572	-329	-57.5
Dividends paid	-173	-171	-1	+0.8
ECONOMIC HEALTH INDICATOR	70	401	-331	-82.4

The EHI for the first half of 2016 was €70 million, down €331 million compared to the first half of 2015.

Most of the difference from 2015 was due to the amount of CICE credited against taxes (-€158 million), because in 2015 the Group had credited €153 million against the 2014 corporate tax payment on top of the CICE credited against corporate tax prepayments (€75 million in 2015 and €80 million in 2016). Asset purchases net of Véhiposte disposals, which rose €84 million, also contributed to lowering the EHI during the first half of 2016.

5.1.4 Changes in net debt

Group net debt grew €80 million during the first half of 2016, increasing from €3,657 million to €3,737 million.

In addition to a positive free cash flow of €191 million, down €342 million compared to June 2015, the Group paid €173 million in dividends to the main shareholders in 2016 for 2015 results, and paid €29 million in net interests, €4 million less than in June 2015.

Net free cash flows at the end of June 2016 totalled -€10 million. It was €347 million less than 2015 net free cash flows.

(€ million)	Period ended 30 June			
	2016.06	2015.06	Changes	
			vs n-1 (€ million)	(as a %)
Cash flows from operating activities	662	903	-241	-26.7
Cash flows from investing activities	-471	-370	-101	+27.2
Free cash flows	191	532	-342	-64.2
Dividends paid	-173	-171	-1	+0.8
Net interest paid	-29	-24	-4	+17.2
Net free cash flows	-10	337	-347	n.s.
Capital Increase	-6	0	-6	n.s.
Impact of changes in consolidation scope on gross debt	2	2	-0	-0.7
Purchase of non-controlling interests	-7	-5	-2	+40.1
Unrealised gains and losses relating to changes in fair value	-7	10	-16	n.s.
Increase in finance lease liabilities	-6	-4	-3	+67.8
Changes in accrued interest not yet due on financial instruments	-43	-49	+5	-10.7
Other items	-2	1	-4	n.s.
CHANGES IN NET DEBT (*)	-80	292	-372	n.s.

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

5.3 Changes in cash and cash equivalents

Le Groupe La Poste's cash and cash equivalents fell from €2,457 million at the beginning of the year to €2,093 million at the end of June 2016, i.e. a €363 million decrease, which is mainly explained by:

- Negative net free cash flows of €10 million;
- Cash and cash equivalent consumption originating from debt for a net amount of €525 million, including primarily:
 - ✓ - €500 million for the repayment of a bond issued in 2009;
 - ✓ - €16 million from a decrease in commercial paper outstandings (no outstandings as of the end of June 2016).
- A €171 million change in financial assets used in cash management, which came from:
 - ✓ €191 million in bonds reaching maturity;
 - ✓ A €20 million increase in financial assets in the form of term deposits maturing in more than three months.
- €40 million in consumption for intercompany cash flows with La Banque Postale, including:
 - ✓ A -€23 million decrease in investments in the form of interest-bearing accounts and term deposits opened at La Banque Postale;
 - ✓ A €15 million reduction in debt to La Banque Postale for the overall intercompany 'loans/receivables' position.

	Period ended 30 June			
	2016.06	2015.06	Changes	
			<i>vs n-1</i>	
<i>(€ million)</i>			<i>(€ million)</i>	<i>(as a %)</i>
Net free cash flows	-10	337	-347	n.s.
Capital Increase	-6	0	-6	n.s.
Changes in cash flows from financing activities	-525	343	-869	n.s.
Changes in financial assets used in cash management	171	-39	+210	n.s.
Other cash flows from financing activities	-21	-18	-3	+15.2
Intercompany cash flows	40	-51	+91	n.s.
Other items	-12	0	-12	n.s.
Changes in cash and cash equivalents	-363	572	-936	n.s.
Opening cash and cash equivalents	2,457	1,389	+1,067	+76.8
CLOSING CASH AND CASH EQUIVALENTS	2,093	1,962	+132	+6.7

5.4 Breakdown of financial debt

5.4.1 Gross Debt

The Group's gross debt fell €539 million during the first half of 2016. It is now €6,774 million.

A breakdown of the Group's gross debt at the end of June 2016 and at the end of December 2015 is provided below:

(€ million)	Period ended 30 June			
	2016.06	2015.12	Changes	
			vs n-1 (€ million)	(as a %)
Bonds	6,114	6,656	-541	-8.1
Short-term bonds	248	787	-540	-68.5
Medium- and long-term bonds	5,867	5,869	-2	-0.0
La Poste savings bonds	58	59	-1	-2.1
La Poste short-term bonds	58	59	-1	-2.1
Medium- and long-term La Poste bonds	0	0	+0	-
Commercial paper	0	16	-16	-100.0
Short-term commercial paper	0	16	-16	-100.0
Medium- and long-term commercial paper	0	0	+0	-
Deposits and guarantees received	251	320	-69	-21.5
Short-term deposits and guarantees received	225	293	-69	-23.5
Medium- and long-term deposits and guarantees received	26	26	+0	+0.3
Accrued interest	150	132	+18	+13.7
Accrued interest	150	132	+18	+13.7
Other	200	130	+70	+53.7
Other short-term items	130	57	+74	n.s.
Other medium- and long-term items	70	73	-4	-5.3
GROSS DEBT	6,774	7,313	-539	-7.4
Short-term gross debt	811	1,345	-534	-39.7
Medium- and long-term gross debt	5,963	5,968	-5	-0.1

La Poste's gross debt bonds are made up of approximately 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 main changes in relation to gross debt during the first half of 2016 were as follows:

- Bond debt decreased in fair value by €541 million during the first half of 2016 and now totals €6,114 million, after repayment of a €500 million bond;
- La Poste savings bonds were stable at €58 million;
- Commercial paper was down €16 million. Commercial paper outstandings were zero at the end

of June 2016;

- Deposits and guarantees received were down €69 million to amount to €251 million;
- Changes in accrued interest not due totalled €18 million. This change is in line with the Group's recurring interest payment cycle.

Cost of debt came to 2.66% in 2016 (3.66% before active management).

5.4.2 Net debt

	Period ended 30 June			
	2016.06	2015.12	Changes	
			vs n-1 (€ million)	(as a %)
(€ million)				
Gross debt at the end of the period	6,774	7,313	-539	-7.4
Cash and cash equivalents	-2,093	-2,457	+363	-14.8
Other assets	-943	-1,199	+255	-21.3
NET DEBT AT THE END OF THE PERIOD	+3,737	3,657	+80	+2.2

The Group's net debt totalled €3,737 million at the end of June 2016, up €80 million compared to 31 December 2015.

Other assets correspond to:

- Investments maturing in over three months, including a portion of the cash investments backing future bond repayments, which amounted to €320 million at the end of June 2016, have been down €172 million since 1 January;
- Debt-related derivative assets (fair value of €273 million at the end of June 2016, down €37 million);
- Net financial position in respect of La Banque Postale (€350 million, €200 million of which are term deposits, €155 million in interest-bearing accounts, €6 million in current accounts and €12 million in net debt to La Banque Postale for 'loans/receivables').

5.5 Equity and financial structure

(€ million)	Period ended 30 June			
	2016.06	2015.12	Changes	
			vs n-1 (€ million)	(as a %)
Equity Group share (opening)	9,723	9,113	+610	+6.7
Capital increase	0	0	-0	-100.0
Net profit/(loss), Group share	675	635	+40	+6.3
Dividend payments	-171	-171	0	+0.0
Unrealised gains and losses from financial instruments	181	64	+117	n.s.
Translation adjustments	-8	-29	+20	-70.8
Actuarial differences	-29	19	-47	n.s.
Other items	-78	91	-169	n.s.
Equity Group share (closing)	10,293	9,723	+570	+5.9
Non-controlling interests	80	292	-213	-72.7
CONSOLIDATED EQUITY (CLOSING)	10,373	10,015	+358	+3.6

Equity Group share was €10,293 million at the end of June 2016, i.e. a €570 million increase.

5.6 Credit rating

La Poste and La Banque Postale's ratings have remained unchanged as at the first half of 2016.

Rating of La Poste

Company	Agency	Rating Long-term	Rating Short-term	Outlook	Last revision
La Poste	Fitch Ratings	A+	F1	Stable	7 December 2015
	Standard & Poor's	A	A-1	Stable	20 November 2015

Rating of La Banque Postale

Company	Agency	Rating Long-term	Rating Short-term	Outlook	Last revision
La Banque Postale	Fitch Ratings	A-	F1	Stable	4 May 2016
	Standard & Poor's	A	A-1	Stable	3 December 2015

6. Outlook and post balance sheet events

6.1 Outlook

For 2016, the Group anticipates slight revenue growth and an increase in operating profit and operating margin in an environment with low interest rates and trade digitisation, both of which are likely to continue. Cash generation should remain positive.

Trends recorded during the first half of the year are expected to continue.

The Group will continue its transformation-related action plans by taking action on each of the focus areas of its strategic plan: employee commitment, development, performance and synergies.

6.2 Post balance sheet events

None.

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AT 30 JUNE 2016**

Table of contents

FINANCIAL STATEMENTS

Income statement	70
Comprehensive income statement	71
Balance sheet	72
Changes in equity	74
Cash flow statement	77

GENERAL ITEMS

Note 1 Significant events of the semester	78
1.1 Acquisition of all equity interest in La Banque Postale Prévoyance	78
1.2 La Banque Postale bond issue	78
1.2 La Banque Postale bond issue	78
1.3 Main changes in the consolidation scope	78
Note 2 Accounting rules and policies	79
2.1 Accounting guidelines	79
2.2 Valuation basis and use of estimates	79
Note 3 Segment reporting	80

NOTES TO THE INCOME STATEMENT

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

NOTES TO THE BALANCE SHEET

Note 11 Goodwill	86
Note 12 Intangible and tangible assets	87

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

ADDITIONAL INFORMATION

Note 22 Additional information on financial instruments	95
22.1 Impact of banking financial instrument on net profit/(loss) and equity	95
22.2 Fair value of financial instruments recognised at amortised cost	95
22.3 Ranking of fair value assessments recognised on the balance sheet	95
22.4 Exposure to sovereign risk	96
Note 23 Related parties transactions	97
Note 24 Off-balance sheet commitments and contingent liabilities	99
Note 25 Post-balance sheet events	99

CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	S1 2016	S1 2015	2015
Revenues from commercial activities	4	8,799	8,537	17,315
Net banking income	5	2,971	2,922	5,730
Operating revenue		11,770	11,459	23,045
Purchases and other expenses	6	(4,056)	(3,806)	(8,078)
Personnel expenses	7	(6,270)	(6,351)	(12,731)
Taxes and levies	8	(206)	(169)	(293)
Depreciation, amortisation, provisions and impairment	8	(533)	(602)	(1,282)
Other operating revenue and expenses	8	163	85	235
Proceeds from asset disposals		(13)	(3)	(25)
Net operating expenses		(10,915)	(10,844)	(22,174)
Operating profit/(loss) before share in results of joint ventures		855	615	871
Share in results of joint ventures	13	(3)	1	3
Operating profit/(loss) after share in results of joint ventures		852	616	875
Cost of net financial debt		(79)	(63)	(133)
Other financial items		(13)	(11)	(21)
Financial profit/(loss)	9	(92)	(74)	(154)
Profit before tax of consolidated companies		760	542	721
Income tax	10	(148)	(217)	(253)
Share in profits of associates	13	88	113	207
CONSOLIDATED NET PROFIT/(LOSS)		700	438	675
Net profit/(loss), group share		675	424	635
Attributable to non-controlling interests		24	14	39

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts after tax (€ million)	NOTE	S1 2016	S1 2015	2015
Consolidated net profit/(loss)		700	438	675
Other comprehensive income recognised under equity				
Recyclable items				
Change in unrealised gains and losses on financial instruments		159	(158)	19
<i>Transfer to net profit/(loss) for the year</i>		(131)	(42)	(54)
Translation adjustments		(42)	40	30
<i>Transfer to net profit/(loss) for the year</i>				
Share in other comprehensive income of equity companies		38	7	(16)
<i>Of which - change in unrealised gains and losses on financial in.</i>		5	8	42
<i>- other unrealised gains and losses on financial instru</i>		(1)		
<i>- cumulative translation adjustments</i>		34	(1)	(58)
Non recyclable items				
Actuarial adjustments on employee benefits		(29)	63	19
Total other comprehensive income recognised in equity (after tax)		126	(48)	51
Total comprehensive income/(loss)		826	390	726
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE		793	381	690
Total comprehensive income/(loss) attributable to non-controlling interests		33	10	36

CONSOLIDATED BALANCE SHEET

ASSETS

(€ million)	NOTE	30/06/2016	31/12/2015
Goodwill	11	2,107	1,968
Intangible assets	12	874	860
Tangible assets	12	5,682	5,780
Investments in joint ventures and associates	13	3,175	3,141
Other non-current financial assets	14	527	707
Deferred tax assets		275	343
NON-CURRENT ASSETS		12,638	12,800
Current banking assets			
Customer loans and receivables	15	76,693	73,628
Credit institutions loans and receivables	15	78,914	83,102
Securities portfolio	15	54,596	51,542
Other current financial assets	15	1,428	1,486
Accruals	15	1,445	1,583
Cash and central bank deposits	15	7,275	1,812
Other current assets			
Inventories and work-in-progress	14	112	109
Trade and other receivables	14	3,597	3,737
Other current financial assets	14	382	485
Income tax credit		204	196
Other accruals – Assets		84	66
Cash and cash equivalents	14	2,093	2,457
Assets held for sale		14	17
CURRENT ASSETS		226,838	220,219
TOTAL ASSETS		239,476	233,019

LIABILITIES

(€ million)	NOTE	30/06/2016	31/12/2015
Share capital		3,800	3,800
Issue premium		900	900
Reserves		4,122	3,735
Unrealised gains and losses on financial instruments		1,133	952
Actuarial adjustments on employee benefits		(208)	(179)
Cumulative translation adjustments		(129)	(121)
Net profit/(loss), group share		675	636
Equity, group share		10,293	9,723
Non-controlling interests		80	292
CONSOLIDATED EQUITY		10,373	10,015
Medium and long-term bonds and other financial debt	17.1	5,963	5,968
Employee benefits – non-current liabilities	19	2,158	2,093
Non-current provisions for contingencies and losses	16.2	204	290
Deferred tax liabilities		297	293
NON-CURRENT LIABILITIES		8,623	8,644
Current provisions for contingencies and losses			
Specific provisions for the Insurance and Banking activities	16.1	2,508	2,513
Current provisions for contingencies and losses	16.2	585	616
Short-term bonds and other financial debt	17.1	811	1,345
Current banking liabilities			
Liabilities to credit institutions	20	14,543	15,741
Liabilities to customers	20	176,384	171,384
Debt evidenced by a certificate and other financial liabilities	20	18,432	14,717
Accruals	20	2,015	2,441
Other current liabilities			
Trade and other payables	21	4,119	4,652
Government – Income tax		86	44
Employee benefits – current liabilities	19	736	734
Other accruals – Liabilities		263	173
CURRENT LIABILITIES		220,480	214,360
TOTAL LIABILITIES		239,476	233,019

CHANGES IN CONSOLIDATED EQUITY 2016

1st semester 2016

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Actuarial adjustments on employee benefits	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	(179)	3,735	9,723	292	10,015
Dividend payments			(171)						(171)	(25)	(196)
Call options on non-controlling interests								(5)	(5)	(3)	(8)
Transactions with non-controlling interests ^(a)						26		(78)	(52)	(218)	(270)
Appropriation of 2015 earnings			(465)					465			
Comprehensive income for the year			675	(8)	5	150	(29)		793	33	826
Of which: - Net profit			675						675	24	700
- Other comprehensive income				(8)	5	150	(29)		118	9	126
Other					(0)			5	5	(0)	5
Consolidated equity as at 30/06/2016	3,800	900	675	(129)	682	451	(208)	4,122	10,293	80	10,373

(a) Impact of the acquisition of non-controlling interests in La Banque Postale Prévoyance (see Note 1.1).

CHANGES IN CONSOLIDATED EQUITY 2015

1st semester 2015

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 31/12/2014	3,800	900	513	(92)	635	253	(198)	3,301	9,112	270	9,382
Dividend payments			(171)						(171)	(11)	(182)
Call options on non-controlling interests								(1)	(1)	(6)	(7)
Transactions with non-controlling interests ^(a)								94	94	(4)	90
Appropriation of 2015 earnings			(342)					342			
Comprehensive income for the year			424	40	8	(154)	63		381	10	390
Of which: - Net profit			424						424	14	438
- Other comprehensive income				40	8	(154)	63		(43)	(5)	(48)
Other					(0)			20	20	20	40
Consolidated equity as at 30/06/2015	3,800	900	424	(52)	642	100	(135)	3,756	9,435	278	9,714

(a) Of which a €96 million impact of the sale of a 25% stake in La Banque Postale Asset Management to Aegon Asset Management, as part of their capital and industrial partnership.

2015 fiscal year

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Actuarial adjustments on employee benefits	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2014	3,800	900	513	(92)	635	253	(198)	3,301	9,112	270	9,382
Dividend payments			(171)						(171)	(15)	(186)
Call options on non-controlling interests								(31)	(31)	(18)	(49)
Transactions with non-controlling interests ^(a)								108	108	(12)	96
Appropriation of 2014 earnings			(342)					342			
Comprehensive income for the year			636	(29)	42	22	19		690	36	726
Of which: - Net profit			636						636	39	675
- Other comprehensive income				(29)	42	22	19		54	(3)	51
Other								16	16	31	47
Consolidated equity as at 31/12/2015	3,800	900	636	(121)	677	275	(179)	3,735	9,723	292	10,015

(a) Of which a €96 million impact of the sale of a 25% stake in La Banque Postale Asset Management to Aegon Asset Management, as part of their capital and industrial partnership.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	S1 2016			S1 2015			2015		
	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale	Group	Non-banking	La Banque Postale
EBITDA	1,271	613	658	1,490	629	861	2,629	1,106	1,523
Change in provisions for current assets and unrecoverable receivables	(78)	(1)	(77)	(98)	5	(103)	(219)	(8)	(211)
Miscellaneous financial income and expenses	(1)	(0)	(1)	(0)	(0)		1	1	0
Cash flows from operating activities before cost of net debt and taxes	1,192	611	581	1,392	633	759	2,411	1,099	1,312
Change in working capital requirement	(247)	(88)	(160)	(136)	(117)	(19)	57	(33)	90
Change in cash held at post offices									
CICE tax credit for the period (excluding provisions)	(169)	(168)	(1)	(172)	(171)	(1)	(344)	(341)	(3)
Change in balance of banking sources and uses	1,090		1,090	1,327		1,327	2,191		2,191
Taxes paid	(75)	(15)	(61)	72	222	(150)	51	431	(380)
Dividends paid by La Banque Postale to La Poste		318	(318)		305	(305)		369	(369)
Dividends received from equity associates	110	3	106	137	31	106	157	51	106
Cash flows from operating activities	1,899	662	1,237	2,621	903	1,718	4,522	1,574	2,948
Purchase of intangible and tangible assets	(496)	(401)	(96)	(394)	(312)	(82)	(993)	(778)	(215)
Purchase of financial assets	(19)	(15)	(4)	(29)	(8)	(21)	(43)	(35)	(8)
Proceeds from the disposal of tangible and intangible assets	40	40		32	32		83	83	
Proceeds from disposals of financial assets	4	4		6	6		22	16	5
Impact of changes in consolidation scope	(100)	(100)		(87)	(87)		(150)	(130)	(20)
Change in financial assets held for investment purposes	171	171		(39)	(39)		66	66	
Cash flows from investing activities	(400)	(300)	(100)	(512)	(410)	(103)	(1,016)	(779)	(237)
Capital increase	(6)	(6)		0			24		24
Dividends paid	(195)	(173)	(22)	(181)	(171)	(10)	(188)	(173)	(15)
Interest paid	(28)	(28)		(24)	(24)		(145)	(145)	
Proceeds from new borrowings	500		500	735	735		1,795	1,045	750
Repayment of borrowings	(526)	(526)		(392)	(392)		(600)	(600)	
Purchase of non-controlling interests	(298)	(7)	(292)	(5)	(5)		101	(27)	128
Other cash flows from financing activities	(21)	(21)		96	(18)	114	(72)	(72)	
Intra-group flows		40	(40)		(51)	51		244	(244)
Cash flows from financing activities	(573)	(720)	146	229	74	155	917	273	644
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope and transfer of cash held at post offices	(1,284)		(1,284)	(1,771)		(1,771)	(3,355)		(3,355)
Impact of changes in exchange rates	(5)	(5)		5	5		(1)	(1)	
Change in cash and cash equivalents ^(a)	(363)	(364)		572	572		1,067	1,067	
Opening cash and cash equivalents ^(a)	2,457	2,457		1,389	1,389		1,389	1,389	
Closing cash and cash equivalents ^(a)	2,093	2,093		1,962	1,962		2,457	2,457	

(a) Excluding cash held at post offices.

GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE SEMESTER

- 1.1 Acquisition of all equity interest in La Banque Postale Prévoyance
- 1.2 La Banque Postale bond issue
- 1.3 Sale of Visa Europe shares to Visa Inc.
- 1.4 Main changes in the consolidation scope

1.1 Acquisition of all equity interest in La Banque Postale Prévoyance

As part of the renewal of the partnership between La Banque Postale and CNP Assurances, the Group acquired in June 2016 all non-controlling interests in La Banque Postale Prévoyance held by CNP Assurances. As La Banque Postale Prévoyance was already fully consolidated, this acquisition does not have any impact on the scope on consolidation.

In accordance with IFRS 3, goodwill resulting from this acquisition of additional interest was recognised directly in equity, for an amount of €52 million, including the restatement of internal gain on the sale in the Group share in CNP Assurances associate profit.

1.2 La Banque Postale bond issue

On 9 June 2016, La Banque Postale carried out a €500 million bond issue with a 12-year maturity. This was the fifth issue of Tier 2 securities by La Banque Postale.

1.3 Sale of Visa Europe shares to Visa Inc.

The sale of the shares of Visa Europe to Visa Inc. was carried out in June 2016. A gross capital gain of €106.9 million was recorded in the Group accounts on this sale.

1.4 Main changes in the consolidation scope

Take-over of Armadillo

GeoPost took over in January 2016 the Russian company Armadillo, previously jointly controlled, for an amount of €75 million.

The previously held interest was revalued at €60 million, in accordance with IFRS 3.

Acquisition of Applicam

Docapost acquired in May 2016 Applicam, a company specialised in managing funding and subsidies, and in e-money solutions.

This company will be consolidated in the second semester of 2016.

Income statement at constant scope and exchange rates

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

(<i>€ million</i>)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	S1 2016	S1 2015	S1 2016	S1 2015
Revenues and NBI	11,770	11,459	11,643	11,398
Purchases and other expenses	(4,056)	(3,806)	(3,966)	(3,768)
Personnel expenses	(6,270)	(6,351)	(6,242)	(6,336)
Taxes and levies	(206)	(169)	(205)	(168)
Depreciation, amortisation and provisions	(533)	(602)	(532)	(600)
Other current operating revenue and expenses	163	85	162	86
Pre-tax gains and losses on asset disposals	(13)	(3)	(13)	
Net operating expenses	(10,915)	(10,844)	(10,796)	(10,790)
Operating profit/(loss) before share in results of joint ventures	855	615	848	609
Share in results of joint ventures	(3)	1	(3)	0
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	852	616	845	609

NOTE 2 ACCOUNTING RULES AND POLICIES

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

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

The consolidated financial statements of Le Groupe La Poste for the semester ended 30 June 2016 were signed off by the Board of Directors (meeting on 28 July 2016), 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 2016 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 2016 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 2015.

The accounting principles applied as at 30 June 2016 are unchanged from those applied as at 31 December 2015, except for the items described in Point 2.1.1 below.

2.1.1 Standards and application interpretations that are mandatory for the first time as of 30 June 2016

The following amendments, effective for the first time as at 30 June 2016, did not have any impact on the Group's financial statements:

Amendments	Issue date
Amendments to IAS 1: Disclosure Initiative	12/2014
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	05/2014
Amendments to IAS 16 and IAS 41: Bearer Plants	06/2014

Amendments to IAS 19: Employee Contributions	11/2013
Annual Improvements to IFRSs 2010–2012 Cycle	12/2013
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	05/2014
Annual Improvements to IFRSs 2012–2014 Cycle	11/2014
Amendments to IAS 27: Equity Method in Separate Financial Statements	08/2016

2.1.2 Standards and application interpretations that will be mandatory after 30 June 2016 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 2016.

2.2 Valuation basis and use of estimates

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

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

The items primarily concerned are:

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

NOTE 3 SEGMENT REPORTING

The accounting principles applied to segment reporting, and the reported segments, did not change since 31 December 2015.

1 st semester 2016 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	5,599	2,938	2,971	240	15	5	2			11,770
Inter-segment revenues and NBI	148	31	3	49	2,024	412	361		(3,027)	
Operating revenue	5,747	2,969	2,974	289	2,038	418	363		(3,027)	11,770
Operating profit/(loss) before share in results of joint ventures	503	255	514	(0)	7	6	(68)	(360)	(0)	855
Share in results of joint ventures	1	(1)			(3)	1	(0)			(3)
Operating profit/(loss) after share in results of joint ventures	504	254	514	(0)	4	6	(69)	(360)	(0)	852
Financial profit/(loss)								(92)		(92)
Income tax								(148)		(148)
Share in profits of associates	(0)		87	1		1				88
CONSOLIDATED NET PROFIT/(LOSS)										700
Depreciation, amortisation, provisions and impairment	(104)	(75)	(178)	(10)	(24)	(96)	(47)			(533)
Segment assets	2,699	4,161	224,915	696	192	3,669	8,498	(5,353)		239,476

1 st semester 2015 (€ 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	5,621	2,659	2,922	234	17	4	0			11,459
Inter-segment revenues and NBI	136	33	7	44	2,031	410	332		(2,993)	
Operating revenue	5,757	2,693	2,929	278	2,049	414	332		(2,993)	11,459
Operating profit/(loss) before share in results of joint ventures	507	170	468	(9)	(35)	3	(159)	(331)	0	615
Share in results of joint ventures	1	1			(2)	1	(0)			1
Operating profit/(loss) after share in results of joint ventures	508	171	468	(9)	(37)	4	(159)	(331)	0	616
Financial profit/(loss)								(74)		(74)
Income tax								(217)		(217)
Share in profits of associates	0		111			1				113
CONSOLIDATED NET PROFIT/(LOSS)										438
Depreciation, amortisation, provisions and impairment	(115)	(57)	(185)	(11)	(31)	(120)	(81)			(602)
Segment assets	2,739	3,788	219,610	573	228	3,656	8,246	(4,866)		233,973

2015 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unalloca- ted ^(a)	Elimina- tions	Total
Non-Group revenues and NBI	11,192	5,606	5,730	471	36	10				23,044
Inter-segment revenues and NBI	269	69	15	89	4,168	822	676		(6,108)	
Operating revenue	11,461	5,675	5,745	560	4,204	832	676		(6,108)	23,044
Operating profit/(loss) before share in results of joint ventures	694	264	851	(14)	(9)	25	(221)	(719)		871
Share in results of joint ventures	3	4			(5)	2	(0)			3
Operating profit/(loss) after share in results of joint ventures	697	268	851	(14)	(14)	27	(221)	(719)		875
Financial profit/(loss)								(154)		(154)
Income tax								(253)		(253)
Share in profits of associates	0	0	207	(1)		1				207
CONSOLIDATED NET PROFIT/(LOSS)										675
Depreciation, amortisation, provisions and impairment	(251)	(235)	(350)	(43)	(47)	(237)	(120)			(1,282)
Segment assets	2,849	4,060	217,891	600	230	3,685	9,023	(5,319)		233,019

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

NOTES TO THE INCOME STATEMENT

NOTE 4 REVENUES

(€ million)	S1 2016	S1 2015	2015
Services-Mail-Parcels revenues	5,599	5,621	11,192
Correspondence and other La Poste products and services	3,419	3,456	6,760
Advertising mail	568	587	1,202
Press ^(a)	269	283	563
Products and services of the subsidiaries (domestic mail)	233	224	458
International mail	327	308	618
Parcels	783	764	1,591
GeoPost revenue	2,938	2,659	5,606
Express France	678	629	1,241
Express Rest of World	2,261	2,030	4,365
Digital Services revenue	240	234	471
La Poste Network revenue ^(b)	15	17	36
Real Estate revenue ^(c)	7	4	10
TOTAL	8,799	8,537	17,315

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

(b) La Poste Network revenues include commissions received on third-party sales (excluding Mail, Parcels and Financial Services) carried out at post office counters (such as telephone card sales) and on sales of miscellaneous products.

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

NOTE 5 NET BANKING INCOME

(€ million)	S1 2016	S1 2015	2015
Interest and similar income	2,306	2,563	4,851
Interest and similar income on treasury and inter-bank transactions	551	741	1,386
Interest and similar income on customer transactions	1,140	1,122	2,178
Interest on available-for-sale financial assets held to maturity, and on hedging transactions	615	701	1,287
Interest and similar expenses	(766)	(992)	(1,723)
Interest and similar expenses on treasury and inter-bank transactions	3	3	15
Interest and similar expenses on customer transactions	(655)	(854)	(1,536)
Interest on debt evidenced by a certificate and hedging transactions	(114)	(141)	(201)
Commission income	1,332	1,232	2,553
Commission expenses	(139)	(133)	(275)
Net gains and losses on financial instruments at fair value through profit or loss	(57)	4	(74)
Net gains and losses on available-for-sale assets	158	134	135
Margin on insurance activities	124	119	241
Income and expenses from other activities	14	(5)	23
TOTAL	2,971	2,922	5,730

NOTE 6 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	S1 2016	S1 2015	2015
External services and general sub-contracting	801	724	1,673
Purchases	233	222	522
Outsourced transport	2,010	1,866	3,751
International mail delivery services	99	95	194
Rental expenses	410	414	860
Maintenance and repair costs	201	194	437
Telecommunications expenses	71	68	147
Travel and assignments	90	87	184
Other expenses	140	138	309
TOTAL	4,056	3,806	8,078

NOTE 7 PERSONNEL EXPENSES AND HEADCOUNT

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

(€ million)	S1 2016	S1 2015	2015
Wages and salaries, bonuses and allowances	4,456	4,398	8,751
Pension contributions	591	635	1,250
Other social security contributions	929	910	1,766
Employee welfare costs	105	104	215
CICE revenue	(169)	(172)	(344)
Change in post-employment provisions ^(a)	(138)	2	16
Change in provisions for social security contingencies and staff litigation	(74)	59	85
Change in other employee provisions	165	12	207
Compensation-based taxes and duties	405	403	784
TOTAL	6,270	6,351	12,731
Average headcount (full-time employee equivalent per year)	250,069	252,793	253,158

(a) See Note 19.

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

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

NOTE 8 OTHER OPERATING REVENUE AND EXPENSES

Other operating revenue and expenses broke down as follows:

(€ million)	S1 2016	S1 2015	2015
Local taxes	(98)	(98)	(153)
Other taxes and levies	(108)	(71)	(140)
TAXES AND LEVIES	(206)	(169)	(293)
Impairment and net depreciation of assets			
- Goodwill		(0)	(13)
- Fixed assets	15	(11)	(24)
- Current assets	(1)	5	(8)
Net amortisation	(464)	(475)	(979)
Provisions for contingencies and losses	1	(47)	(77)
Banking activities cost of risk	(84)	(73)	(181)
DEPRECIATION AND IMPAIRMENT	(533)	(602)	(1,282)
Capitalised production	93	76	188
Royalties	(15)	(12)	(24)
Revenue recorded following an acquisition of control ^(a)	63		17
Other current operating revenue and expenses	22	21	54
OTHER OPERATING REVENUE AND EXPENSES	163	85	235

(a) Mainly impact of the revaluation of previously held investment in Armadillo (see Note 1.4).

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

NOTE 9 FINANCIAL PROFIT/(LOSS)

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

9.1 Cost of net financial debt

(€ million)	S1 2016	S1 2015	2015
Interest expense on financing transactions ^(a)	(77)	(85)	(172)
Change in the fair value of borrowings and debt-related swaps ^(b)	(8)	11	19
Income from cash and cash equivalents ^(c)	6	10	20
TOTAL	(79)	(63)	(133)

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

(b) Including fair value hedges on borrowings.

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

9.2 Other financial items

Other financial items primarily include the cost of discounting provision for employee benefits (€14 million in the first half of 2016, €12 million as of the first half of 2015, and €24 million for 2015).

NOTE 10 INCOME TAX

The income tax expense breaks down as follows:

(€ million)	S1 2016	S1 2015	2015
Current tax (expense)	(185)	(217)	(315)
Deferred tax income/(expense)	37	1	62
TOTAL TAX INCOME/(EXPENSE)	(148)	(217)	(253)

The explanation of the tax reconciliation is as follows:

(€ million)	S1 2016	S1 2015
Net profit/(loss), Group share	675	424
Share in profits of equity associates and joint ventures	(84)	(114)
Income tax	148	217
Non-controlling interests	24	14
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	764	540
Income tax rate	34.43%	38%
Theoretical tax expense	(263)	(205)
Unrecognised deferred tax on the following items:		
- Home Loan Savings provision	47	(26)
- Modification of the modalities for granting Home help and Holiday vouchers benefits	39	
Revaluation of previously held investment following acquisition of control (mainly Armadillo)	22	
Limitation of deferred tax on employee benefits	(28)	(19)
Tax rate differential for foreign subsidiaries	16	19
CICE (untaxed revenue)	58	65
Tax on distributed revenues	(9)	(8)
Other permanent differences (non-deductible expenses)	(19)	(20)
Other items	(11)	(23)
Tax restatements	115	(12)
ACTUAL TAX CHARGE	(148)	(217)

NOTES TO THE BALANCE SHEET

NOTE 11 GOODWILL

Breakdown of goodwill net book value

(€ million) CGU	Segment	30/06/2016	31/12/2015
DPD Continental Europe	GeoPost	772	636
<i>DPD Germany</i>		499	499
<i>DPD Poland (including Siodemka)</i>		122	127
<i>Armadillo Bizpak^(a)</i>		140	
<i>Other</i>		11	10
Exapaq	GeoPost	334	334
GeoPost Espagne	GeoPost	283	268
Digital Services	Digital Services	151	143
GeoPost UK	GeoPost	131	148
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	55	55
Tigers	GeoPost	51	55
Viapost	Services-Mail-Parcels	39	39
Resto In	GeoPost	34	35
Ciloger	La Banque Postale	30	30
Tocqueville group	La Banque Postale	28	28
DPD Laser Finance	GeoPost	24	23
WnDirect	GeoPost	24	23
Other GeoPost companies	GeoPost	34	35
Other banking companies	La Banque Postale	21	21
TOTAL		2,107	1,968
Services-Mail-Parcels		94	94
GeoPost		1,687	1,557
La Banque Postale		174	174
Digital Services		151	143

(a) See Note 1.4.

Change in the net book value of goodwill

(€ million)	S1 2016	2015
Opening balance	1,968	1,805
of which : <i>Gross amount</i>	2,113	1,948
<i>Impairment</i>	(145)	(143)
Acquisitions ^(a)	168	168
Translation adjustments	(29)	8
Impairment		(13)
CLOSING BALANCE	2,107	1,968
of which : <i>Gross amount</i>	2,252	2,113
<i>Impairment</i>	(146)	(145)

(a) Including mainly in the first semester of 2016 Armadillo for €140 million and Seur franchises in Spain for €15 million.

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 2015.

No impairment was recorded as of the first half of 2016.

NOTE 12 INTANGIBLE AND TANGIBLE ASSETS

(€ million)	Intangible assets	Tangible assets	TOTAL
GROSS AMOUNT			
Balance as at 31/12/2015	2,852	12,068	14,920
Acquisitions	149	290	438
Disposals	(11)	(215)	(226)
Change in consolidation scope	8	16	24
Transfers	(0)	(6)	(6)
Translation adjustments	(1)	(45)	(47)
BALANCE AS AT 30/06/2016	2,996	12,107	15,103
DEPRECIATION AND IMPAIRMENT			
Balance as at 31/12/2015	(1,992)	(6,288)	(8,279)
Depreciation for the semester	(129)	(335)	(464)
Impairment		(6)	(6)
Reversals on disposals	4	173	177
Change in consolidation scope	(7)	(11)	(17)
Transfers		2	2
Translation adjustments	1	17	18
BALANCE AS AT 30/06/2016	(2,122)	(6,425)	(8,548)
NET AMOUNT			
As at 31/12/2015	860	5,780	6,640
AS AT 30/06/2016	874	5,682	6,555
OF WHICH FINANCE LEASES			
As at 31/12/2015		95	
AS AT 30/06/2016		96	

NOTE 13 EQUITY ASSOCIATES AND JOINT VENTURES

(€ million)	CNP Assurances	OPCI Akatea	Yurtici Kargo	ASENDIA	Other	TOTAL	Companies with negative net assets ^(a)		TOTAL
							La Poste Mobile	Other	
Nature of control	Associate	Associate	Associate	Joint control			Joint control		
Balance as at 31/12/2015	2,911	28	28	53	121	3,141	(42)	(3)	(44)
Group share in the profits of equity associates	87	1	1	1	(1)	88	(3)	(0)	(4)
Dividend payments	(106)	(0)			(3)	(110)			
Net change in the fair value of financial instruments and AFS securities	5				(1)	4			
Change in consolidation scope					(16)	(16)		2	2
Capital increase					0	0	6		6
Transfers and reclassifications	34			(0)	1	34			
Translation adjustments	35		(0)		(2)	34			
BALANCE AS AT 30/06/2016	2,965	29	28	53	99	3,175	(39)	(1)	(40)

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

NOTE 14 OTHER NON-BANKING ASSETS

(€ million)	30/06/2016		31/12/2015	
	Current	Non-current	Current	Non-current
Net unconsolidated investments		211		289
Financial derivatives	32	242	66	245
Financial assets held for investment purposes	320		392	100
Other financial assets	30	74	27	73
TOTAL OTHER FINANCIAL ASSETS	382	527	485	707
Other supplies inventories	89		85	
Finished and semi-finished product inventories and work in progress	23		24	
TOTAL INVENTORIES AND WORK-IN-PROGRESS	112		109	
Net trade receivables and related accounts	1,904		2,089	
International mail receivables	566		624	
CICE tax credit receivable	660		561	
Other receivables	468		463	
TOTAL TRADE AND OTHER RECEIVABLES	3,597		3,737	
Cash equivalents	1,867		2,255	
Cash at bank and cash on hand	226		202	
TOTAL CASH AND CASH EQUIVALENT	2,093		2,457	

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:

(€ million)	30/06/2016	31/12/2015
Bonds	100	392
Term deposits accessible after more than 3 months	220	100
TOTAL	320	492

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)	30/06/2016	31/12/2015
Customer sight loans and receivables	1,130	921
Term customer loans and receivables	72,312	69,665
<i>of which home loans (including non-performing receivables)</i>	54,727	54,214
Finance lease transactions	1,751	1,567
Securities equivalent to customer loans and receivables	1,500	1,476
TOTAL CUSTOMER LOANS AND RECEIVABLES	76,693	73,628
Sight loans and receivables from credit institutions	353	3,823
Term deposits and loans from credit institutions	77,771	78,033
Securities equivalent to loans and receivables from credit institutions	791	1,246
TOTAL RECEIVABLES FROM CREDIT INSTITUTIONS	78,914	83,102
Financial assets held to maturity	22,122	24,158
<i>of which Government securities and similar</i>	19,763	21,777
Available-for-sale financial assets	18,359	15,379
Financial assets at fair value through profit or loss	13,915	11,827
<i>of which financial assets held for transaction purposes</i>	11,613	10,480
<i>of which financial derivatives</i>	2,302	1,347
Revaluation adjustment on hedged portfolios (fair value hedge)	200	178
TOTAL SECURITIES PORTFOLIO	54,596	51,542
OTHER CURRENT BANKING ASSETS	1,428	1,486
BANKING ACCRUALS - ASSETS	1,445	1,583
Central banks deposits	6,481	851
Cash and other	793	961
TOTAL CASH AND CENTRAL BANK DEPOSITS	7,275	1,812

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 2016, 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 31/12/2015	504	2,009	2,513
Addition for the year		123	123
Reversal for the year	(142)	(6)	(147)
Other movements		19	19
BALANCE AS AT 30/06/2016	362	2,145	2,508

16.2 Other provisions for contingencies and losses

As at 30 June 2016, the other provisions for contingencies and losses broke down as follows:

<i>(€ million)</i>	Employee- related disputes	Other disputes	Other	TOTAL
Non-current provisions	137	44	109	290
Current provisions	63	105	447	616
Balance as at 31/12/2015	201	149	556	906
Addition for the year	21	25	20	67
Reversal for use	(11)	(6)	(63)	(81)
Reversal of provisions no longer required	(82)	(15)		(98)
Other movements	(0)	2	(7)	(5)
Non-current provisions	62	29	113	204
Current provisions	66	126	393	585
BALANCE AS AT 30/06/2016	128	154	506	789

As at 30 June 2016, **other provisions** included:

- the costs to regroup the Group's headquarters for €30 million;
- a €144 million covering the penalty issued by the French Competition Authority against two companies of the Group (see Note 1.3);
- a €40 million provision covering the negative net asset value of equity associates and joint ventures, compared to €44 million as at 31 December 2015 (see note 13);
- miscellaneous risks linked to the operational activity of the Group.

NOTE 17 BONDS AND OTHER FINANCIAL DEBT

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

17.1 Breakdown of financial debt

(€ million)	30/06/2016		31/12/2015	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	360	4,215	401	4,218
Bonds	0	4,119		4,118
Finance leases	11	61	7	64
La Poste savings bonds	58		59	
Commercial paper			16	
Current bank facilities	54		12	
Deposits and guarantees received	225	26	293	26
Other borrowings at amortised cost	13	9	13	9
Borrowings designated at fair value	248	1,748	285	1,750
Borrowings subject to fair value hedging			502	
Financial derivative liabilities relating to bonds	52		18	
Other derivatives			6	
Interest accrued not due on borrowings	150		132	
Medium and long-term bonds and other financial debt (non-current)		5,963		5,968
Short-term bonds and other financial debt (current)	811		1,345	
TOTAL CURRENT AND NON-CURRENT		6,774		7,313

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 31/12/2015	4,118	2,035	502	6,656
New borrowings				
Redemptions			(500)	(500)
Issue premium				
Change in credit risk				
Other changes	1	(39)	(2)	(41)
BALANCE AS AT 30/06/2016	4,119	1,996	0	6,114

The bond issued in 2009 by La Poste with a nominal value of €500 million was redeemed on 17 February 2016. This bond was hedged at fair value.

17.3 Bond derivatives

<i>(€ million)</i>	Fair value as at 30/06/2016		Fair value as at 31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	273	40	289	10
Floating-for-fixed derivatives		12		9
TOTAL	273	52	289	18
Hedging derivatives				
Fair value hedges			22	
TOTAL DERIVATIVES RELATING TO BONDS	273	52	311	18
Other				
Cash management funds derivatives				6
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	273	52	311	24
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives		5		6

NOTE 18 GROUP NET DEBT

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

18.1 Group net debt position

<i>(€ million)</i>	Note	30/06/2016	31/12/2015
Cash and cash equivalents (balance sheet line)	14	2,093	2,457
Debt-related derivative assets	14	273	311
Investment securities with initial maturities of over 3 months	14	320	492
Security deposits paid in connection with derivatives, recognised as assets			6
Net financial receivable against La Banque Postale		350	390
Cash and other asset items (1)		3,037	3,656
Medium and long-term bonds and other financial debt	17	5,963	5,968
Short-term bonds and other financial debt	17	811	1,345
Gross debt (2)		6,774	7,313
NET DEBT (2)-(1)		3,737	3,657
Increase (Decrease) in net debt as at 30 June 2016		80	

18.2 Changes to Group net debt

(€ million)	Cross-references	S1 2016	S1 2015
Cash flows from operating activities	CFS (a)	662	903
Cash flows from investing activities	CFS	(300)	(410)
Cancellation of the change in cash management financial assets	CFS	(171)	39
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets^(b)		(471)	(370)
Dividends paid to the government		(171)	(171)
Purchase of non-controlling interests	CFS	(7)	(5)
Net financial interest expense		(72)	(73)
Change in the fair value of financial instruments		(7)	10
Impact of changes in consolidation scope on gross debt		5	3
Increase in finance lease liabilities		(6)	(4)
Other items ^(c)		(13)	
Cash flows and change in debt from financing activities		(270)	(240)
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		(80)	292
Net debt at the beginning of the period		(3,657)	(4,005)
Net debt at the end of the period		(3,737)	(3,713)

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

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

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

NOTE 19 EMPLOYEE BENEFITS

(€ million)	31/12/2015		Increase	Decrease for use	Interest cost	Other changes	30/06/2016	
	Current	Non-current					Current	Non-current
Post-employment benefits for La Poste's government employees	17	511	3	(5)	4	(155)	12	363
Retirement benefits for the Group's contract staff	10	298	12	(2)	3	47	10	357
Pension plans for employees of foreign subsidiaries		68	1	(5)	1	(6)		58
Post-employment benefits	27	877	16	(13)	8	(114)	22	778
End-of-career arrangements	420	1,020	342	(179)	6		425	1,185
Severance payments	99	24					99	24
Long-term sick leave/long-term paid leave	60	45		(0)			60	45
Accrued leave	125	110	3	(4)		0	124	110
Other long-term benefits	2	17	3				5	16
Other benefits	286	196	6	(4)		0	289	195
TOTAL	734	2,093	364	(196)	14	(114)	736	2,158

The other changes in post-employment benefits include mainly the effect of the modification of the modalities for granting Home help and Holiday vouchers benefits for €-141 million (see Note 7), and changes in actuarial differences on all post-employment benefits for €29 million.

Most of the increase in the provision for end-of-career arrangements stems from the extension of those arrangements until 30 June 2017.

NOTE 20 BANKING ACTIVITIES FINANCIAL LIABILITIES

(€ million)	30/06/2016	31/12/2015
Sight liabilities to credit institutions	1,123	414
Term liabilities to credit institutions	13,419	15,327
<i>of which securities given under repurchase agreements</i>	11,882	13,422
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	14,543	15,741
Special savings accounts	112,637	112,408
<i>of which Livret A passbook savings accounts</i>	59,643	60,177
<i>of which Home Loan Savings Plans and Accounts (PEL & CEL)</i>	31,410	30,565
<i>of which LEP savings accounts</i>	7,827	7,936
Sight liabilities to customers	57,424	54,746
<i>of which ordinary trade payables</i>	56,556	53,926
Term liabilities to customers	6,323	4,231
TOTAL LIABILITIES TO CUSTOMERS	176,384	171,384
Debt evidenced by a certificate	13,290	11,443
<i>of which certificates of deposit</i>	5,579	4,834
Guarantee deposits received	2,001	1,020
Hedging derivatives	424	326
Other	2,717	1,928
TOTAL DEBT EVIDENCES BY A CERTIFICATE AND OTHER BANKING FINANCIAL LIABILITIES	18,432	14,717
BANKING ACCRUALS - LIABILITIES	2,015	2,441

NOTE 21 TRADE AND OTHER PAYABLES

(€ million)	30/06/2016	31/12/2015
Trade payables and related accounts	1,428	1,700
Tax and social security liabilities	1,676	1,793
Payable to suppliers of non-current assets	174	252
International mail payables	487	572
Customer advances and deposits	185	182
Other operating payables	170	154
TOTAL	4,119	4,652

ADDITIONAL INFORMATION

NOTE 22 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

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

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

S1 2016 <i>(€ million)</i>	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
Loans, receivables and payables	970			(84)		886
Assets held to maturity	379					379
Available-for-sale assets	74		150		158	382
Financial instruments at fair value through profit or loss		(57)				(57)
Hedging	116					116
TOTAL	1,539	(57)	150	(84)	158	1,590

22.2 Fair value of financial instruments recognised at amortised cost

<i>(€ million)</i>	30/06/2016	
	Book value	Fair value
ASSETS		
Bank assets		
Customer loans and receivables	76,693	81,582
Credit institutions loans and receivables	78,914	78,954
Securities portfolio	22,122	25,255
Other current financial assets	1,428	1,428
LIABILITIES		
Bank liabilities		
Liabilities to credit institutions	14,543	14,178
Liabilities to customers	176,384	177,446
Debt evidenced by a certificate and other	13,290	13,500
Non-banking liabilities		
Bonds at amortised costs and subject to fair value hedging	4,119	4,939

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 2015.

(€ million)	30/06/2016		
	Level 1	Level 2	Level 3
BANKING ACTIVITIES ASSETS			
Government securities and similar	142		
Bonds and other fixed-income securities	2,105	9,308	
Equities and other variable-income securities	58		
Financial assets at fair value through profit or loss	2,306	9,308	
Interest-rate derivatives		595	
Foreign exchange derivatives		40	
Equity and index derivatives			
Trading derivatives		635	
Interest-rate derivatives		1,996	
Fair value hedging derivatives		1,996	
Interest-rate derivatives		117	
Cash flow hedging derivatives		117	
Government securities and similar	6,625	35	
Bonds and other fixed-income securities	10,271	245	
Equities and other variable-income securities	711	251	
Unconsolidated investments			129
Available-for-sale financial assets	17,607	532	129
NON-BANKING ACTIVITIES ASSETS			
Other non-current financial assets		316	82
Trade and other receivables		3,597	
Other current financial assets		382	
Cash and cash equivalents	456	1,638	
BANKING ACTIVITIES LIABILITIES			
Debt evidenced by a certificate		5	
Financial liabilities designated at fair value through profit or loss		5	
Interest-rate derivatives		531	
Foreign exchange derivatives		190	
Other derivative instruments		29	
Credit derivatives		3	
Equity and index derivatives			
Trading derivatives		753	
Interest-rate derivatives		424	
Fair value hedging derivatives		424	
NON-BANKING ACTIVITIES LIABILITIES			
Bonds and other financial debt		6,774	
Trade and other payables		4,119	

ASSETS

Reclassifications from Level 1 to Level 2: €7 million (3 fixed-rate investments whose price are not reflected on an active market any more).

Reclassifications from Level 2 to Level 1: €15.6 million (one fixed-rate investments whose transactions met the criteria for volume and frequency).

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

(€ million)	Assets at fair value through profit or loss	Assets designated at fair value through profit and loss	Trading derivatives	Hedging derivatives	Available-for-sale assets	TOTAL
Opening balance					429	429
Gains and losses recorded in income						
Gains and losses recorded in equity					2	2
Purchases					35	35
Sales					(119)	(119)
Issues					2	2
Closing balance					349	349

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	Derivatives	Total direct exposure ^(a)	Repo	Off-balance sheet ^(b)	Total direct and indirect exposure ^(c)	Exposure (as a %)
Greece								
Ireland								
Italy	577			577	172		749	2.3%
Portugal								
Spain	297			297			297	0.9%
TOTAL GIPEs	874			874	172		1,046	3.2%
Germany	3,801		6	3,808	44	100	3,951	12.0%
Austria	16			16			16	0.0%
Belgium	2,255			2,255	1		2,255	6.9%
France	17,327		76	17,403	4,338	766	22,507	68.6%
United Kingdom								
Luxembourg	18			18			18	0.1%
Netherlands	1,151			1,151			1,151	3.5%
Poland	23			23	25		48	0.1%
Slovakia	1			1			1	0.0%
Slovenia	7			7			7	0.0%
Supra-national	567	1		568			568	1.7%
TOTAL EUROPE	25,166	1	82	25,249	4,407	866	30,523	93.0%
Rest of the World	1,002	141		1,143	118		1,261	3.8%
TOTAL	27,041	142	82	27,266	4,698	866	32,830	100%

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

(b) Off-balance sheet operations include forward bonds (term price).

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

La Banque Postale set up forward sales of French Treasury Bonds (OAT) for a notional amount of €400 million, which have a negative fair value of €-9.5 million, and are not included in the above table.

CHANGE IN EXPOSURE TO GIIPS^(a)

(<i>€ million</i>)	December 2015		Impairment	Maturity	Disposals	Acquisitions	Transfer	June 2016	
	Nominal value	Book value						Nominal value	Book value ^(b)
Greece									
Ireland									
Italy	53	63					1	54	64
Portugal									
Spain	5	7						5	7
AVAILABLE-FOR-SALE FINANCIAL ASSETS	58	70					1	59	71
Greece									
Ireland									
Italy	497	500						497	513
Portugal									
Spain	283	284						283	290
FINANCIAL ASSETS HELD TO MATURITY	779	783						779	802
Greece									
Ireland									
Italy									
Portugal									
Spain									
LOANS AND RECEIVABLES									
Greece									
Ireland									
Italy									
Portugal									
Spain									
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS									

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

(b) Unrealised gains and losses represent €11.3 million. Investments are classified as Level 1. No impairment is recorded on the book value as at 30 June 2016.

BREAKDOWN BY MATURITY

30/06/2016 (<i>€ million</i>)	Total	Remaining life in years						
		1	2	3	4	5	<10	>10
Greece								
Ireland								
Italy	577	188	226	63	64		35	
Portugal								
Spain	297	290					3	4
TOTAL	874	478	226	63	64		38	4

NON-SOVEREIGN EXPOSURE TO CERTAIN COUNTRIES OF THE EUROPEAN UNION

<i>(en millions d'euros)</i>	Bancaire	Corporate	Administra- tion publique	Titrisation	TOTAL
Grèce					
Irlande	6	52			58
Italie	246	76			322
Portugal		1			1
Espagne	272	24			295
ACTIFS FINANCIERS DISPONIBLES À LA VENTE	524	153			677
Grèce					
Irlande					
Italie					
Portugal					
Espagne					
ACTIFS FINANCIERS DÉTENUS JUSQU'À L'ÉCHÉANCE					
Grèce					
Irlande	30				30
Italie	5	2			7
Portugal					
Espagne	0	0			1
PRÊTS & CRÉANCES	36	2			38
Grèce					
Irlande		29			29
Italie	784	7			791
Portugal					
Espagne	836	47			882
ACTIFS FINANCIERS À LA JUSTE VALEUR PAR RÉSULTAT	1,620	83			1,702

NOTE 23 RELATED PARTY TRANSACTIONS

No significant change in the nature of transactions with related parties has occurred since the 2015 year-end (see Note 35 to the consolidated financial statements at 31 December 2015).

NOTE 24 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

No significant change in off-balance sheet commitments or contingent liabilities has occurred since the 2015 year-end (see Note 36 to consolidated financial statements at 31 December 2015).

NOTE 25 POST-BALANCE SHEET EVENTS

None.

**REPORT OF THE STATUTORY AUDITORS
ON THE HALF-YEAR
FINANCIAL INFORMATION 2016**

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine Cedex
France

KPMG Audit
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris La Défense Cedex
France

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

Statutory Auditors' review report on the interim financial information

(Six months ended June 30, 2016)

LA POSTE SA
9, rue du Colonel Pierre Avia
75015 Paris

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of La Poste, for the six months ended June 30, 2016 ;
- the verification of the information contained in the interim management report.

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

I - Conclusion on the financial statements

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

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

II – Specific verification

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

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

Neuilly-sur-Seine and Paris La Défense, July 28, 2016

The statutory auditors

French original signed by:
Les commissaires aux comptes

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Eric Bertier
Partner

Jacques Lévi
Partner

Eric Amato
Partner

Marie-Christine Jolys
Partner



LE GROUPE LA POSTE

GROUP FINANCE DEPARTMENT

9 RUE DU COLONEL PIERRE AVIA - 75757 PARIS CEDEX 15

Tel.: +33 (0)1 55 44 00 00

www.legroupe.laposte.fr