Financial report 2008

GROUPE LA POSTE

Contents

Management report
La Poste Group

1. Highlights of 2008

1.1. Macroeconomic environment

Already rattled by the rise in commodity prices, developed economies suffered a further shock in 2008 with the worsening of the financial crisis that arose in the United States. In autumn 2008, top-ranked banks were not only threatened with collapse, but some even went under. The rescue measures put in place by the authorities were not able to halt the recessionary impact of the crisis. This caused a tightening in credit supply and demand, which depressed debt-driven spending. The decline in spending, amplified by the loss of confidence and the desire to save and scale back budgets in light of an uncertain future, led to a marked fall in production and employment at the end of 2008. The recessionary wave, spread through trade, hit emerging markets, which were also affected by significant capital outflows back to developed countries. As for commodity exporters, they were above all affected by the fall in prices for many primary commodities.

In fact, the surge in commodity prices up to the end of the first half gave way to a spectacular fall at the first signs that the global economy was going into a tailspin. The oil price, which touched $150 per barrel in July had fallen back to $40 by the end of 2008, despite the cuts in production quota agreed by OPEC. These primary commodity price shocks had significant knock-on effects on consumer prices. Inflation in the Eurozone peaked at 4.1% last July (3.6% in France) before falling back to 1.5% at the end of the year (1% in France). This marked decline in inflation helped ease household budgets at the end of the year and allowed central banks to focus their efforts on getting credit and the economic activity flowing again.

In order to contain the recession, monetary authorities drastically cut their intervention rates. The US Federal Reserve cut its intervention rate to between 0% and 0.25% in December. The ECB, which had raised its intervention rate to 4.25% in July when inflation was still a threat, rapidly cut it in October before dropping it to 2.5% in December. At the same time, central banks massively increased their lending to banks, lengthened their terms and broadened the range of acceptable collateral, which by the end of the year had helped ease the real stresses felt by banks on their short-term financing. For their part, governments guaranteed longer term bank borrowing and, where necessary, strengthened their capital adequacy.

Government bond rates had risen in spring 2008 in response to the rise in primary commodity prices and the heightened risk of inflation. They dropped in October as a result of the rate cuts by central banks, the ebbing of prices rises, the slide into recession and increased risk aversion, which led investors to seek the safety of government debt. But the rise in government bond prices and its corollary, a decline in yields, were thwarted at the end of the year by the prospect of massive debt issues on the back of higher public funding requirements.

The worsening of the financial crisis and the recession caused a dramatic fall in stock prices in the autumn across all financial markets. Stock market falls were particularly strong in October. The measures taken to safeguard the financial system subsequently brought some calm. But the stock markets continued to be very volatile until the end of the year. Overall, the major stock indices lost between 30% and 50% over the year (–34% for the Dow Jones, –43% for the CAC 40, –44% for the Euro Stoxx 50).

The flow of financial investments by the French sagged in 2008 although still remained substantial: around €115 billion (including accrued interest), representing some 9% of their after tax income. Of this, an exceptionally high proportion – three quarters – was invested in liquid or near-liquid savings products: savings accounts, time deposits, money-market funds (UCITS). Indeed, households chose risk-free liquid investments as a result of the economic and financial climate: weakening of the economy, fall in equity markets, sharp rise up to the summer in short-term rates and interest rates on regulated savings. In particular, net deposits in Livrets A and Bleu savings accounts jumped sharply (€18 billion), on the back of the raising of interest rates to 4% in August and the flight to safety by savers at the height of the financial crisis in the autumn. Liquid deposits siphoned off savings firstly from sight deposits and secondly from non money-market funds (UCITS) and unit-linked life insurance contracts, which suffered a strong deposit withdrawal. In addition, liquid savings continued to benefit from the loss of appetite by savers for Home Ownership Savings plans (PEL). Lastly, despite their status as safe investments, euro-linked insurance contracts benefited little from the financial crisis as a result of insufficiently attractive returns compared to short-term investments in 2008.

In the residential real estate market, the slowdown that began in 2007 turned into a real slide in 2008, accentuated by reduced access to bank credit. New home loan generation thus fell by close to 20% in 2008 after having, it must be said, risen fivefold since 1995.

1.2. Regulatory environment

1.2.1. Complete opening-up of the mail market to competition in 2011

On 31 January 2008, the European Parliament voted to completely open up the mail market to competition by 1 January 2011 at the latest, with an additional two-year period for eleven countries (most of the new member States as well as Luxembourg and Greece). The 3rd European postal directive was published on 20 February 2008.

1.2.2. Signing of the public service contract

On 22 July 2008, La Poste and the French government signed the public service contract for the 2008-2012 period. The French government and La Poste thereby reaffirmed their desire that the Group's public service missions continue to be performed in the interest of the nation, while at the same time allowing La Poste to face the competition stemming from the opening up of its protected businesses and to remain one of the leading European operators.
The contract specifies the respective commitments of La Poste and the French government between 2008 and 2012 for each of the missions:

Universal Mail and Parcels Service:

La Poste has reaffirmed its commitment to provide a high-quality universal service. Pursuant to the act of 20 May 2005, the delivery performance targets are set annually by ministerial decree. The achievement of these targets is monitored by the French postal regulator (ARCEP – *autorité de régulation des communications électroniques et des postes*).
For its part, the French Government has undertaken to prepare measures designed to adapt the postal regulatory framework for the complete opening up of postal markets on 1 January 2011 and to put in place a financing mechanism for the universal service that is economically efficient and legally secure. These principles are reflected in the act transposing the third postal directive.

Press transportation and delivery

The public service contract set out the principles underlying the new framework for French government-press-La Poste relations, which was finalised by the three-party agreement between the French government, the press and La Poste signed on 23 July 2008 (see section 1.2.3. below).
La Poste will strive to improve its productivity and expand its press service offering, while the French government will provide a fitting financial contribution.

Banking accessibility mission

As regards the banking accessibility mission fulfilled by La Banque Postale via the Livret A savings account, the public service contract stipulates that participation by the La Poste Group in this public interest mission must be on satisfactory financial terms for the company. Thus, the French Economic Modernisation Act (LME – *loi de modernisation de l'économie*) of 4 August 2008 opened up the distribution of Livret A to all banking institutions on 1 January 2009 and recognised the special role played by La Banque Postale, the bank of close to one out of every two social welfare beneficiaries. Special remuneration in this regard was agreed for La Banque Postale.

Regional planning

The principle of La Poste's role in regional planning via its network of outlets, on top of its universal service obligations and on the basis of the principle of consulting the relevant stakeholders, in particular local elected officials, has been legally enshrined.
As part of the public service contract, La Poste has undertaken to continue adapting its network of outlets to changing demographics, through existing forms of postal coverage or via new types of partnerships. For its part, the French government has undertaken to continue supporting regional discussions between La Poste and local elected officials by aiding the adaptation of the La Poste network and by taking all appropriate measures in this regard. In particular, the French government has undertaken to find solutions that ensure funding stability for the regional postal equalisation fund.

1.2.3. Signing of a press transportation agreement

A new three-party agreement covering the 2009-2015 period was signed on 23 July 2008 between the French government, La Poste and press representative regarding the press transportation performed by La Poste. This agreement provides for:
– government financing, on a reducing basis, of this public service mission performed by La Poste. Set at €242 million per annum between 2009 and 2011, this contribution will fall to €232 million in 2012 before reaching €180 million in 2015;
– a progressive increase in press tariffs, excluding inflation and net of new discounts, of 2.7% to 4% per annum;
– productivity increases of over 2% per annum by La Poste and a doubling of the compensation paid to publishers in the event of delivery issues;
– the development of a home delivery press offering.

1.3. Social dialogue

Fourteen national social agreements, signed by La Poste or one of its Businesses, were put in place in 2008 to underpin the development of the company. They notably covered the hiring of handicapped workers, professional equality between men and women, 2008 salary-related measures and the amendment of the joint agreement, and personal risk-health.

2. La Poste Group results

(€ millions)	2007*	2008	Change		Adjusted change**	
			in €M	%	in €M	%
Operating income	**20,778**	**20,829**	**+51**	**+0.2%**	**+364**	**+1.8%**
EBITDA	**2,029**	**1,848**	**–181**	**–8.9%**	**+1**	**+0.1%**
Operating profit	**1,306**	**886**	**–420**	**–32%**	**–260**	**–22%**
Net finance income and expenses	–302	–368	–66			
Corporate income tax	–283	–120	+163			
Share of profit of associates	230	137	–93			
Minority interests	–9	–6	+3			
Net profit – Group share	**943**	**529**	**–414**	**–44%**	**–282**	**–30%**

* After restatements (see notes 6. and 31.1. of the consolidated financial statements).
** On a constant scope and exchange rate basis excluding fluctuations in non recurring items (the home savings provision, the sale of Euronext securities and the provision for impairment of securities held for sale).

Against the background of a seriously worsening macroeconomic and financial climate in the second half, the Group posted significantly lower results than expected but continued to see its businesses grow. In addition, carrying out major modernisation programmes, La Poste was able to control the anticipated growth in its operating expenses through the implementation of cost cutting measures since the end of the first half.

To assess the Group's intrinsic performance, it is necessary to make a number of adjustments to operating income:
- –€96 million for the impact of changes in scope with in particular, on one hand, the disposal of the air freight company Europe AirPost and of Express Taxicolis and, on the other hand, the acquisition of the document management activities of Experian;
- –€74 million in exchange rate effects with in particular the –16% fall in the value of the pound sterling and to a lesser extent the –7% fall in the value of the US dollar (annual averages);
- the –€78 million change in the Home Ownership Savings provision, La Banque Postale having recorded a lower reversal in 2008 than in 2007;
- –€15 million in respect of the gain on the disposal of Euronext shares in 2007;
- –€50 million in respect of the provision for permanent or material impairment of La Banque Postale's investment portfolio following the sharp fall in stocks in the second half of 2008.

Thus, at constant scope and exchange rates and excluding extraordinary items, operating income was up +1.8% and Group EBITDA unchanged.

The Group's operating profit amounted to €886 million. This decline is due firstly to the higher depreciation and amortisation flowing from La Poste's modernisation programme and secondly to the higher risk cost, in particular with regard to banking counterparties.

Following a €66 million increase in finance expenses and a €93 million fall in the share of profit of associates, net profit Group share amounted to €529 million.

2.1. Operating income up slightly

The Group's 2008 operating income amounted to €20.83 billion, up a modest +0.2% on 2007. At constant scope and exchange rates and excluding extraordinary items, it was up +1.8% in 2008.
The breakdown in operating income across the various segments, including inter-segment income, was as follows:

(€ millions)	2007	2008	Change		Adjusted change*	
			in €M	%	in €M	%
Mail	12,266	12,024	–242	–2.0%	–148	–1.2%
Parcels-Express	4,525	4,726	+201	+4.4%	+297	+6.7%
Financial Services	4,745	4,814	+69	+1.5%	+212	+4.6%
Other segments and intercompany	–758	–735	+23	–3.0%	+3	–0.4%
Operating income	**20,778**	**20,829**	**+51**	**+0.2%**	**+364**	**+1.8%**

* At constant scope and exchange rates and excluding extraordinary items (Home Ownership Savings provision, provision for permanent impairment, disposal of Euronext).

The increase in operating income was the result of mixed performances across the various Group businesses:
- firstly, a fall in Mail revenue (–€148 million) as a result of an accelerated decline in traffic over the year;
- secondly, higher operating income at Parcels-Express (+€297 million) and La Banque Postale (+€212 million).

Other segments cover the La Poste Retail Brand and the Group's resource centres (Real estate, Shared service centre, Support Departments) where non–Group revenue is not material.

2.2. Operating expenses under control

(€ millions)	2007	2008	Change		Adjusted change*	
			in €M	%	in €M	%
Running costs[1]	–6,176	–6,417	–241	+3.9%	–331	+5.5%
Employee benefits expense	–12,592	–12,606	–14	+0.1%	–55	+0.4%
Depreciation, amortisation, impairment losses and other provisions[2]	–737	–952	–215	+29.2%	–237	+33.1%
Gains (losses) on asset disposals	33	32	–1	–3.0%	–1	–3.0%
Operating expenses	**–19,472**	**–19,943**	**–471**	**+2.4%**	**–624**	**+3.2%**

(1) Purchases and other expenses, taxes and levies, other operating income and expenses excluding risk cost and bad debts.
(2) Depreciation, amortisation and provisions, risk cost and bad debts.
* At constant scope and exchange rates.

In 2008, the Group operated in a macroeconomic environment marked by very strong price fluctuations between the first and second halves. Real estate prices rose sharply in 2008 (+8.1% annual rise in the average Construction Cost Index), inflation fell back to +1% at the end of the year compared to +3.6% in July 2008 and the oil price closed 2008 at $40 after having peaked at $150 in July, representing an annual average of $97. In France, average diesel prices were up 16%, even though they closed the year down 20%. In parallel, La Poste has undertaken major industrial modernisation programmes with 2008 seeing a peak in investment.

It was against this background that the Group's operating expenses rose +3.2% at constant scope and exchange rates. They thus amounted to €19.94 billion in 2008, up €624 million at constant scope and exchange rates.

Running costs amounted to €6.42 billion in 2008, up 5.5% on 2007 at constant scope and exchange rates. This rise was mainly due to the organic growth at the Parcels-Express and La Banque Postale businesses (€240 million). In the other business segments, running costs were up €83 million (2.6%).

Employee benefits expenses amounted to €12.61 billion in 2008. It should be noted that 2008 saw the continued impact at La Poste of the reform in pension funding for public servants posted to La Poste, resulting in a 3.42 point reduction in the pension contribution rate. Pension costs were down €77 million as a result.

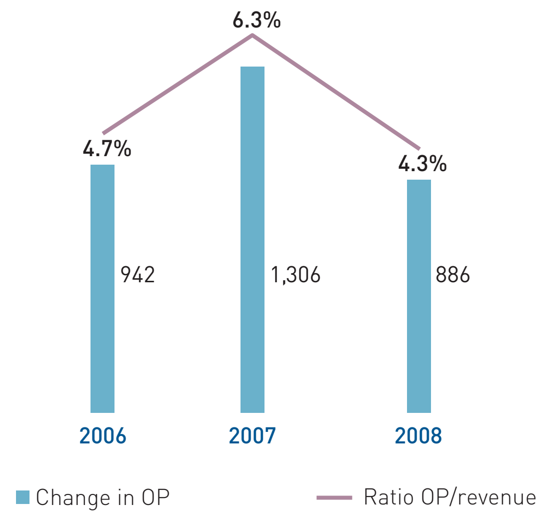
Depreciation, amortisation, impairment losses and provisions amounted to €952 million in 2008. Their sharp rise was due to the higher depreciation and amortisation flowing from La Poste's modernisation programmes, the increase in contingency and loss provisions and the higher risk cost, primarily with regard to banking counterparties, of €94 million.

Gains on asset disposals were unchanged at €32 million. This basically related to gains on real estate. In 2008, the La Poste Group disposed of six Industrial Mail and Parcels Centres to a Real Estate Investment Trust (OPCI – *organisme de placement collectif en immobilier*), in which it holds a 22.4% interest. The Mail and Parcels businesses continue to lease these centres under leases that guarantee the continuity of their operation. This disposal generated a consolidated gain of €28 million.

2.3. Operating profit down

Operating profit was down –€420 million, from €1,306 million in 2007 to €886 million in 2008. The change is reduced to –€260 million after adjustment for exchange rate effects, changes in scope and non-recurring items.
The operating margin was 4.3% in 2008, compared to 6.3% in 2007.

Change in operating profit in € millions and in the ratio of operating profit/revenue



2.4. Finance expenses up

Net finance expenses amounted to –€368 million in 2008, up €66 million on 2007.
Net borrowing costs amounted to €289 million, up €49 million primarily as a result of the recognition of the change in fair value of certain swaps repricing La Poste's floating rate debt. The sharp fall in rates at the end of the year had a negative impact on the value of these swaps.
The cost of bonds, including active debt management swaps, amounted to 4.16%, representing a saving of 45 basis points over the nominal rate.
Other finance expenses primarily related to the €11 million change in the discounting expense in respect of the Group's employee-related obligations.

2.5. Other income statement items

The La Poste Group recognised a tax expense of €120 million in 2008, down –€163 million. This change was mainly due to the lower taxable profit.
The share of profit of associates, mainly CNP Assurances, amounted to €137 million in 2008, compared to €230 million in 2007.

2.6. Profit for the year attributable to equity holders of the parent amounted to €529 million

After deducting non-controlling interests, profit for the year attributable to equity holders of the parent was down €414 million (–30% on a comparable basis), from €943 million to €529 million.
La Poste will pay to the State (as shareholder) a dividend equal to 20% of its net profit for the year attributable to equity holders of the parent, namely €105.7 million.

3. Results by business segment

The Group's operating profit is broken down in the same way as in the Group's internal management reporting, namely by business segment.
Mail, Parcels-Express and Financial Services represent the Group's profit centres. The La Poste Retail Brand is comprised of the post office network: it represents the Group's preferred retail channel with significant resources allocated for the purposes of this role.
The other segments comprise the Group's resource centres (Real estate, Shared service centre) and the unaffected costs of the Group parent.

(€ millions)	2007	2008	Change		Adjusted change	
			in €M	%	in €M	%
Mail	807	545	– 262	– 32%	– 255	– 32%
Parcels-Express	311	327	+ 17	+ 5%	+ 26	8%
Financial Services	512	270	– 242	– 47%	– 99	– 25%
La Poste Retail Brand	37	76	+ 39	+ 106%	+ 39	106%
Other segments and Group parent	– 361	– 332	+ 29	– 8%	+ 29	– 8%
Operating profit	**1,306**	**886**	**– 420**	**– 32%**	**– 260**	**– 22%**

As part of the Group's restructuring, the component of the Regional Planning Network Contribution (CRAT – *Contribution du Réseau à l'Aménagement du Territoire*) supplementary to the accessibility obligation stemming from the universal postal service, previously allocated to the La Poste Retail Brand, was transferred to the Group Parent, as was the local tax reduction. This allocation represented an expense of €212 million in 2008 (net of the tax reduction).

3.1. Mail

3.1.1. Highlights

Development of the Mail modernisation programme

Rolling out the "Mail Quality Project"

The Industrial Mail Centres (IMC) that opened at the end of 2007 continued their ramp-up. This involves the Ain-Rhône IMC and the Southern Paris IMC. This latter centre processes mail for the 10 boroughs in southern and eastern Paris, namely some 5 million letters per day. It is also the first centre to be equipped with the new "Automated Envelope Processing" programme developed by the SYNAXIO Mail subsidiary, using a technology that can automatically process and read all the information on the envelope. 2008 saw the opening (after upgrading) of the Mulhouse and Strasbourg centres. To date, 9 IMC have been opened and 18 others are scheduled to be in 2009. 94% of the country will thus ultimately be covered by the "Mail Quality Project".
These investments directly contribute to the ongoing improvement in customer service. Delivery performance for first class letters (D+1), all flows combined, was on average 83.8% in 2008, compared to 82.5% in 2007 (+1.3 points) and 81.2% in 2006 (+2.6 points).

Continuation of the Press processing modernisation programme

Mail continued its programme of modernising Press processing with the opening in April 2008 of the Chilly-Mazarin centre (Essonne), which will process 400 million newspapers and magazines per annum. This opening follows that of the Chelles centre (Seine-et-Marne) in October 2007.

3.1.2. Changes in the scope of Sofipost, the Mail holding company

Press home delivery and Direct Marketing (Publipost business unit)

Press delivery

In the first half of 2008, Mediapost acquired Media Express, a press home delivery entity operating in the Lyon and Saint-Étienne metropolitan areas. This agreement, which follows the purchase of PAP in 2007, is part of the Group's strategy to become a major press home delivery operator in France. As a result of this acquisition, the Neopress subsidiary will now home deliver over 26 million newspapers per annum.

Direct marketing

In September 2008, Mediapost took a majority interest in BAAM, the leading private targeted admail operator in Portugal. In December 2008, Mediapost took a majority interest in five regional direct marketing companies in Spain. This new Group became the admail delivery leader in Spain. It will be consolidated from 2009.

International (La Poste Global Mail business unit)

The acquisition of the BTB Mailflight Group in March 2008 enabled La Poste UK to strengthen its position in the United Kingdom, in particular in the mail processing and direct marketing market. BTB Mailflight is specialised in value-added services based on mail preparation and processing (shrink wrapping, inventory management…).

Desktop publishing and document management (Docapost business unit)

In October 2008, Docapost, a holding company devoted to La Poste Group document management, acquired the customer process outsourcing activities (external services covering the industrial processing of corporate documentation) from the French subsidiary of the UK Group Experian Plc, a specialist in customer information processing. The activities taken over by the La Poste Group employ around 1,600 people across some thirty sites. This new subsidiary was renamed Extelia.

In October 2008, Docapost acquired 51% of Sefas Innovation, a French provider of desktop publishing software with operations in Europe and the United States. Sefas Innovation is the European leader in the design, composition and production management of multi-channel customised corporate documents and mail.

La Poste thereby reinforces its strategy of expanding in the document management market. In a difficult economic climate, documentation system management has become a critical issue for companies, constantly looking for solutions to streamline their flows and add value to the Mail medium. These acquisitions have enabled Docapost to double in size and supplement its service offering on three fronts: electronic transfers, the processing of documents received by the company and those sent out.

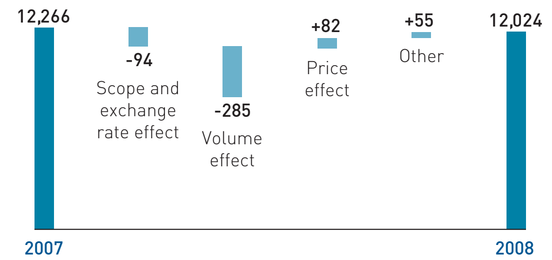
In July 2008, the Group acquired 42.4% of the desktop publisher Asphéria, now wholly owned by La Poste.

Transportation

On 13 March 2008, La Poste disposed of its air freight subsidiary Europe Airpost to the Irish airline Air Contractors, effective retroactively to 1 January 2008. The sale of Europe Airpost was in line with the Group's goal of withdrawing from the air freight business to focus on its portfolio of strategic businesses.

3.1.3. Sales down on 2007

In € millions
before elimination of inter-segment income



Consolidated Mail revenue amounted to €12.02 billion at the end of 2008, down –2% on 2007 (–€242 million). At constant scope and exchange rates, revenue was down –1.2%.

The contribution of Mail to Group revenue, net of inter-segment income, amounted to €11.32 billion in 2008. Inter-segment income amounted to €705 million and primarily involved income invoiced to La Banque Postale (business/administrative mail) and services sold by the Mail business to the other business segment and in particular Parcels.

Changes in scope

The impact of changes in scope and exchange rate effects in the Mail segment respectively amounted to –€85 million and –€9 million. The disposal of Europe Airpost contributed –€160 million to the change in scope and was partly offset by the acquisitions in the second half.

Business and private mail

The decline in Mail revenue was mainly due to the –3% drop in volumes over the year, as a result of:
– a structural effort to streamline business and public sector mail;
– the impact of technological substitution linked to the development of high-speed Internet connections;
– a more cyclical economic impact linked to the general worsening of the economic climate.

This volume effect was calculated at –€285 million over 2008 and includes a slightly favourable working days effect of €12 million.

To better adapt its offering to customer requirements and underpin sales, La Poste responded by developing its stamp collector range, by diversifying its products (online franking, new direct marketing offering for small businesses) and its distribution channels (launch of the Philaweb site and WEB Entreprises in September 2008).

The tariff increases at the beginning of the year were minor and represented an increase of +1.3%. These increases notably included the 1-cent rise in stamp prices on 1 March 2008 and the +3.2% rise in press tariffs under the press agreements covering 2008. Nevertheless, customer preference for cheaper products had a negative impact, thereby eating up part of the price increases. Overall, price effects were estimated at +€82 million in 2008.

Customer services and other income

At constant scope and exchange rates, this business represented €968 million at the end of 2008, up 2%. This business accounted for 8% of consolidated revenue at 31 December 2008, up 0.3 point on 2007. It is comprised of services posting +6% growth, with in particular the collection and delivery services for €171 million and document management services for €229 million, as well as other income primarily on services provided to other Group entities (mainly ColiPoste) and trade discounts.

3.1.4. Operating profit down despite increased cost control

(€ millions)	2007	2008	Change		Adjusted change	
			in €M	%	in €M	%
Revenue	12,266	12,024	– 242	– 2.0%	– 148	– 1.2%
Expenses	– 11,459	– 11,479	– 19	0.2%	– 107	+ 0.9%
Operating profit	807	545	– 262	– 32.4%	– 255	– 31.9%
Operating margin	6.6%	4.5%		– 2.1 pts		– 2.1 pts

Consolidated operating profit at the Mail segment amounted to €545 million in 2008, down 32% on 2007. The operating margin was 4.5%, down 2.1 points.
In light of the sharp slowdown in volumes since the first quarter of 2008, a cost saving programme was put in place to halt the rise in ordinary running costs while the mail industrial modernisation programme (Mail Quality Project) peaked during the year. Accordingly, operating expenses were up +0.9% at the end of the year whereas they had been up 2.3% at the end of June 2008 at constant scope and exchange rates.

3.2. Parcels and Express

3.2.1. Highlights and changes in scope

Modernisation of the industrial centres

In October 2008, ColiPoste opened a new industrial parcels centre in Moissy-Cramayel (Seine-et-Marne). These premises, covering an area of some 33,000 m², will ultimately employ 250 people. It will on average be able to process 250,000 parcels a day at the end of the ramp-up scheduled for mid-2009. The Moissy-Cramayel site meets the High Environmental Quality standards.

With this centre, ColiPoste completes the modernisation of its network, now comprised of 15 centres that can process up to 40 million parcels per annum, an export centre and 70 delivery offices located in the major metropolitan areas.

GeoPost, which is a Group Express subsidiary, continues to expand with the opening in the first quarter of 2008 of two major sorting centres. The first in Birmingham (United Kingdom) for the DPD network: this industrial complex serves the whole of the United Kingdom and will be able to sort 64,000 parcels per hour in normal operation. The second is located in Chilly-Mazarin (Essonne) and represents the final stage in the restructuring of Chronopost. This site handles 60% of French traffic and represents the strategic heart of the network.

Improved customer service

In January 2008, ColiPoste launched the mail franking website colissimo.fr allowing individuals to buy waybills ("liasse de transport") for Colissimo and registered Colissimo online. The customer pays by bank card on the site, prints out their waybill at home and can thus drop off their parcel at a La Poste office without having to do anything else.

This new service was strengthened through the signing of an alliance with eBay in February 2008, in order to offer online ColiPoste franking to customers looking to sell items via this site. The roll-out of Cityssimo self-service parcels locker continued with the opening in 2008 of five new sites. 24 Cityssimos are currently operating in France (21 in Paris and in inner-ring suburbs, 3 others in provincial France).

Changes in scope

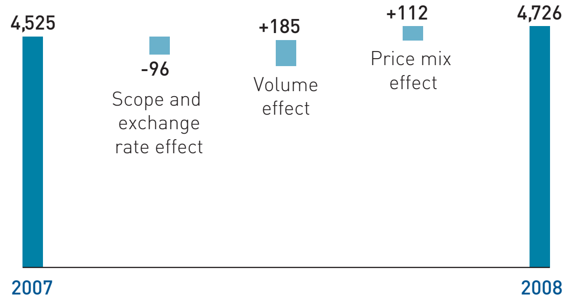
GeoPost strengthened its position in Romania by becoming the majority shareholder at the end of March, together with its Turkish partner, in Pegasus, one of the leading courier and express operators in the country. Founded in 1997, Pegasus is now the leader in Romania in offering delivery services between the various cities in the country and in particular a national overnight transportation offering and an intra-urban courier service.

GeoPost also took outright control of the Adriatic entities in its network (Slovenia, Croatia, Bosnia, and Serbia). In addition, GeoPost now operates in the Ukraine via a joint venture: DPD Ukraine.

An agreement to dispose of Taxicolis, a GeoPost subsidiary, was signed on 11 July 2008 with Flash Europe. The actual disposal took place on 12 August 2008.

3.2.2. Sales up sharply

In € millions
before elimination of inter-segment income



Parcels revenue is primarily generated in France in the BtoC and CtoC segments with a D+2 delivery performance level. The Express business in France and abroad is operated through the GeoPost subsidiary, which is mainly active in the BtoB segments. Parcels-Express revenue amounted to €4,726 million, up +4.4% on 2007, including €1,431 million from Parcels and €3,294 million from GeoPost. At constant scope and exchange rates, revenue was up +6.7%.
The contribution of the business to the Group revenue amounted to €4,704 million, net of inter-segment income of €22 million primarily relating to services performed by ColiPoste for the Mail segment.

Impact of changes in scope and exchange rate effects

The impact of changes in scope amounted to –€30 million and primarily stemmed from the disposal of Taxicolis. Exchange rate effects amounted to –€66 million and primarily involved the GeoPost subsidiary in the United Kingdom as a result of the sharp fall in the pound sterling against the euro.

Volume effect

Overall, the volume effect had a positive +€185 million impact on revenue.
GeoPost in fact saw a +6.5% increase in its traffic, thereby contributing to a +€200 million rise in revenue. In France, volumes at Exapaq and Chronopost rose substantially. The other subsidiaries in Western Europe resisted well despite the slowdown, in particular in the United Kingdom and Germany. Spain and Ireland on the other hand were hit head on by the economic crisis.
Unlike GeoPost, volumes at ColiPoste were down –1.1% and were notably affected by the fall-off in business at mail-order houses and mailhouses.

Price effects and product mix

Price effects at the Parcels-Express segment amounted to +€112 million.
For GeoPost, the price effects were mixed across products and regions. They included a fuel surcharge in light of the sharp rise in diesel prices during the year.
For ColiPoste, in addition to the gain from tariff adjustments of around +2%, the share of higher added-value products rose and thus offset the decline in volumes. Growth in tracked parcels for businesses was sustained by the growth of e-commerce with revenue up +26% on 2007. Sales to individual customers continued to rise over the past number of years as a result in particular of the clearer product range, the improved service quality, the development of buying and selling between individuals and sales in the small business segment.

Delivery performance

Delivery performance at Parcels continues to improve (92.4% D+2 distribution within France compared to 91.6% in 2007) as does that at GeoPost (95% on Chrono 13 compared to 92.6% in 2007, 96.4% in Germany compared to 96.1% in 2007).

3.2.3. Stable operating margin

(€ millions)	2007	2008	Change		Adjusted change	
			in €M	%	in €M	%
Revenue	4,525	4,726	+201	+4.4%	+ 297	+ 6.7%
Expenses	–4,214	–4,399	–185	+4.4%	–271	+ 6.6%
Operating profit	311	327	+17	+5.3%	+ 26	+ 8.5%
Operating margin	6.9%	6.9%		+0.1 pt		

Consolidated operating profit at Parcels-Express amounted to €327 million in 2008, up +8.5% at constant scope and exchange rates. Operating margin remained stable between 2007 and 2008.
Operating expenses amounted to €4.4 billion, up +6.6% at constant scope and exchange rates. Running costs, driven by the revenue performance, also suffered from the impact of higher fuel prices on transport costs.

3.3. Financial Services

This business segment combines La Banque Postale and La Poste resources.

3.3.1. Highlights

The end of 2008 was marked by major upheaval. In light of the financial crisis, La Banque Postale was able to demonstrate its solidity. It maintained a strict management policy for its clients and for itself, enabling it to steer away from any investments involving sub-prime or toxic assets. Structurally lending credit bearing high return in the current climate and enjoying very good quality assets in its portfolios, with little risk exposure, La Banque Postale did not have to go to the market to continue financing the real estate projects of its customers.
The financial crisis thus actually increased public confidence in La Banque Postale.

Expanded range of products and services

At the end of 2007, La Banque Postale was granted permission to distribute consumer credit. It undertook a screening process in order to select a partner and, in this regard, entered into exclusive negotiations with the Société Générale group.

The two entities should shortly finalise their agreement. This alliance will take the form of a joint venture specialised in consumer credit, with La Banque Postale holding the majority interest. Marketing is scheduled to begin in early 2010.

On 10 January 2008, La Banque Postale and Société Générale announced the setting up of a joint venture equally held by the two entities to pool activities relating to the development and operation of their electronic banking systems so as to, in particular, share costs. Called Transactis, this joint venture began operating in early April.

On 28 April 2008, the Government granted permission for La Banque Postale to distribute property and casualty insurance products. In order to realise this offering, which supplements the range of products and services offered by La Banque Postale to personal customers, at the end of June 2008 La Banque Postale launched a call for tenders in order to select a partner.
The entity aims to bring general insurance products to the market by mid-2010.

Through this policy of multiple and open alliances, La Banque Postale aims to better serve its customers, to continue growing and improving profitability and to expand the La Poste Group's range of business activities.

Modernisation of La Banque Postale

The new Banking Sales Department was established on 1 January 2008. Operating through 25 Regional Departments, it brings together all the support and banking specialist teams as well as the specialised home loan advisors. It works to support sales force management across the banking operations at the La Poste Retail Brand. The banking sales specialist line has 1,840 employees.

3.3.2. Sales up sharply

La Banque Postale performed extremely well in terms of new deposits, with nevertheless a high concentration on liquid savings products, given the level of uncertainty created by the financial crisis and very high short-term rates in 2008, to the detriment of sight deposits and long-term savings products. In addition, home loan generation was up 15% on 2007 even though the overall market started to contract.

Change in savings deposits

Financial Services – Customer funds under management at 31 December

(€ billions)	2007*	2008	Change	
			in €bn	%
Sight deposits	40.5	40.8	+0.3	+0.8%
Intermediated savings	38.1	39.9	+1.8	+4.7%
Centralised savings	63.9	70.4	+6.4	+10.1%
Commissioned savings	110.3	119.4	+9.1	+8.3%
Oustanding customer deposits	**252.8**	**270.5**	**+17.7**	**+7.0%**

* Adjusted (in particular, integration of UCITS directly marketed by LBP-AM).

Customer funds under management rose €17.7 billion between December 2007 and December 2008. In a completely atypical environment, net new deposits reached an exceptional level of €11.3 billion in 2008, representing an increase of 167% on 2007.

Sight deposits rose a modest €0.3 billion in 2008 (+0.8%). Net new deposits into sight deposit accounts suffered from a strong switch to the Livret A.

Intermediated savings cover savings accounts, Home Ownership Savings Plans, PEP savings plans and time deposits. Customer deposits in intermediated savings accounts rose 4.7%, but this masks very mixed performances:
– in 2008, La Banque Postale saw further decline in Home Ownership Savings Plans, resulting in an 11% fall in customer deposits due to this product's lower attractiveness in the savings market;
– this development was offset by the strong level of new deposits in time deposits and Sustainable Development Accounts, which at the end of December were now only very partially centralised at the CDC and also enjoyed attractive rates.
Centralised savings are comprised of centralised customer funds in Livret A (100%) and LEP (85%) savings accounts. Customer deposits were up €6.4 billion in 2008 (+10.1%).

The exceptional €5.6 billion in net new deposits on the Livret A stemmed from the "Livret A to the power of 10" campaign and the combined effect of the increase in the regulated rate from 3.5% to 4% on 1 August 2008 and transfers to a safe liquid product in the uncertain environment surrounding the financial crisis.

Commissioned savings are comprised of customer deposits in life insurance, UCITS and securities accounts. Customer funds were up €5.4 billion at the end of December 2008 compared to the previous year, sustained by the growth in institutional investments.

Change in outstanding loans

(€ billions)	2007	2008	Change in €bn	Change %
Outstanding loans	23.3	27.5	+4.2	+18.2%

Against the background of a falling market made worse by the autumn financial crisis, La Banque Postale once again posted an excellent performance in 2008 with €7.7 billion in loans issued, representing an increase of 15% on 2007. The bank's outstanding loans amounted to €28 billion at the end of December.

3.3.3. Higher Net Banking Income (NBI), margins stable excluding extraordinary items

(€ millions) before elimination of inter-segment income	2007	2008	Change in €M	Change %	Adjusted change in €M	Adjusted change %
NBI	**4,745**	**4,814**	**+69**	**+1.5%**	**+212**	**4.6%**
Operating expenses	–4,215	–4,432	–217	+5.2%	–217	5.2%
Gross operating income	**530**	**382**	**–148**	**–27.9%**	**–5**	**–1.2%**
Risk cost	–18	–112	–94	NS	–94	522.2%
Operating profit	**512**	**270**	**–242**	**–47.3%**	**–99**	**–25.1%**
LBP operating ratio	89.2%	91.7%		+2.5 pt		–0.3 pt

Change in Net Banking Income (NBI)

The NBI of Financial Services amounted to €4,814 million. It was up +€69 million (+1.5%) on 2007.

Three extraordinary items have to be taken into account in order to assess the intrinsic performance of the Business:
– the changes to the Home Ownership Savings provision had a €78 million negative impact on NBI (the provision reversal amounting to €103 million in 2007, compared to €25 million in 2008);
– in 2007, NBI included a €15 million gain on the disposal of Euronext shares;
– in 2008, La Banque Postale recognised a €50 million impairment loss to reflect, pursuant to applicable accounting regulations, the permanent or material fall in the value of certain securities in its financial portfolio.

Net of extraordinary items, NBI was up 4.6%.
Net of inter-segment income, the contribution of Financial Services to Group revenue amounted to €4,771 million in 2008, up 4.4% on a comparable basis.

(€ millions)	2007	2008	Change in €M	Change %
Interest margin and related income	2,321	2,307	–13	–0.6%
Income on centralised savings	709	762	+53	+7.5%
Commission	1,654	1,653	–1	–0.1%
Other net income	62	92	+30	+48.9%
Net Banking Income	**4,745**	**4,814**	**+69**	**+1.5%**

Interest margin and related income

Interest margin and related income includes the balance of interest on loans, non-centralised deposits, changes in the Home Ownership Savings provision and income on the financial portfolio. It amounted to €2.3 billion, down –0.6% (–€13 million).

This relative stability in the interest margin is the result of opposing factors:
– the reversal in the Home Ownership Savings provision at 31 December 2008 amounted to €25 million, representing a –€78 million change on 2007;
– trading activity saw income down €59 million, with very mixed performances: income down on the "available for sale" portfolios, on forwards and on the cash management portfolio, partly offset by the higher NBI from the investment of non-centralised Sustainable Development Account funds.

In addition, the sharp rise in average outstanding loans and the higher margins contributed significantly to the growth in the interest margin (+€152 million), although interest paid to depositors also rose as a result of the higher average interest rate on regulated savings products and short-term products (–€77.5 million).

Income on centralised savings

Interest paid on centralised customer funds (Livret A, LEP savings accounts and centralised Sustainable Development Accounts) amounted to €762 million, up €53 million (7.5%) on 2007. This rise was wholly due to the exceptional level of new deposits on the Livret A, with average customer funds up €4.8 billion between 2007 and 2008.

Commission

Commission amounted to €1,653 million, almost unchanged on 2007. This income includes commission on insurance, on UCITS and financial securities and commission on customer services.
Insurance commission was down €25 million, dragged down by lower commission on customer funds even though customer funds were up significantly and, secondly, by the sharp fall in average loading charges.
Commission on UCITS, securities and asset management was down over €29 million primarily due to lower equity customer funds as a result of the financial climate.
These falls were practically offset by the rise in commission on customer services (+8% on the previous period). This rise was primarily due to the higher number of products per customer (growth in packages) and account management fees.

Change in Gross Operating Income

Operating expenses were up €217 million on 2007.
La Banque Postale expanded its workforce this year with in particular transfers of La Poste employees. In addition, La Banque Postale pushed forward a number of projects relating to the ramp-up of its alliances as well as the acceleration of its IT developments.
Gross Operating Income amounted to €382 million in 2008. Excluding non-recurring items, it was down a modest €5 million.

The operating ratio was 91.7% in 2008. Excluding non-recurring items, it was up 0.3 point.

Change in risk cost

The risk cost rose €94 million and was mainly due to the provision recognised following the bankruptcy on 15 September 2008 of the US bank Lehman Brothers.
To a lesser extent, net provisions for loans and sight deposits rose in line with the development of La Banque Postale's commercial activities.

3.4. La Poste Retail Brand

3.4.1. Highlights

Restructured La Poste Retail Brand

Having decided to review its regional structure, the La Poste Retail Brand Department decided to set up 48 Regional Divisions to replace the 97 old Departmental Divisions.

Restructured La Banque Postale and impact on the La Poste Retail Brand

The Group's Executive Committee decided to restructure the regional network in order to strengthen the banking advisory line within Financial Services with the goal of stimulating and raising the professionalism of the sales teams and of providing additional support and assistance to management at the La Poste Retail Brand. A Banking Operations Department was set up.
This structure, which was put in place on 1 January 2008, resulted in the transfer to Financial Services of personnel from the banking specialist line, specialised real estate consultants and the banking back office line at the La Poste Retail Brand. This transfer involved 1,466 employees.

The La Poste Retail Brand continues its policy of adapting its local coverage via the "Terrain" project

The number of outlets (17,082) was unchanged between 2007 and 2008, with the establishment of some 570 new outlets in partnership, thereby raising the number of partnerships to 5,660.

The La Poste Retail Brand continues the policy of modernising its network

In 2008, 224 offices were freshened up and 297 saw the completion of their full refurbishment. In total, over 2,500 offices have been refurbished since 2006.

3.4.2. Strong sales

(€ millions)	2007	2008	Change	
			in €M	%
Mail income	2,136	2,075	–61	–2.9%
Parcels-Express income	443	476	+34	+7.6%
Other income	29	31	+2	+5.1%
La Poste Retail Brand sales	**2,608**	**2,582**	**–26**	**–1.0%**
New money collection	4,008	9,527	+5,519	+137.7%
Home loans	6,687	7,668	+981	+14.7%

La Poste Retail Brand plays a key role in distributing to the general public the products offered by the various La Poste Group businesses. It is on the front line with regard to the provision of advice and the sale of financial products and services on behalf of La Banque Postale and generates most of the bank's new deposits. Moreover, it markets over 29% of ColiPoste's revenue, over 18% of Mail's revenue and close to 10% of Chronopost's revenue.

The decline in Mail postage has continued despite the good performance in stamp collecting and the sale of prepaid envelopes. The appreciable rise in Parcels sales was primarily driven by e-commerce between or for personal and small business customers.

In addition, the La Poste Retail Brand offers its own line of third-party products (phonecards, stationery…) and "Help at Home" services, revenue from which, i.e. commission received on sales, amounted to €31 million at 31 December 2008, up 5.1% on 2007.

Net new deposits reached exceptional levels in 2008, rising €5.5 billion, bringing total new deposits to €9.5 billion. Loan issues also rose €981 million, namely close to +15%.
As part of its quality policy, the La Poste Retail Brand has established a framework of eight service standards, the most important of which is waiting time, with regard to which two commitments were made in 2008 with respect to the 1,000 largest offices:
– the cutting of average customer waiting time at post offices to under 10 minutes;
– some 60% of customers served in less than 5 minutes for ordinary transactions, notably dropping off and picking up mail and parcels.

In 2008, the average waiting time fell from over 11 minutes in the first half to under 10 minutes in the second half. The goal has thus been achieved. The proportion of clients served in less than 5 minutes rose from 48% to 55%, without nevertheless reaching the goal of 60%.

The goal of the 2012 Customer Relationship Project is to achieve customer satisfaction of 95%. Cutting waiting time will be the main direct contributor. By then, the goal of the La Poste Retail Brand is for 95% of customers to wait no more than 5 minutes to carry out their quick transactions, in particular dropping off and picking up mail and parcels.

3.4.3. Operating expenses down

(€ millions)	2007	2008	Change		Adjusted change*	
			in €M	%	in €M	%
Revenue	4,721	4,585	–136	–2.9%	–27	–0.6%
Expenses	–4,684	–4,509	+175	–3.7%	+66	–1.4%
Operating profit	37	76	+39		+39	

* Elimination of the impact of internal Group restructuring (Financial Services sales force…).

Revenue at the La Poste Retail Brand is primarily comprised of internal invoicing of the other La Poste Group businesses. The La Poste Retail Brand is remunerated for its services as follows:
– service agreements based on operating indicators (sales, objects processed) with Mail, ColiPoste and Chronopost;
– service agreements with La Banque Postale based on the resources employed for the financial business;
– full payment of the costs in respect of the regional planning mission via invoicing of the parent company.

The restructurings discussed above in the "Highlights" section were carried out through the transfer of resources, primarily personnel, for an estimated €109 million in 2008. These transfers affected both expenses and income. In fact, the services provided by the transferred employees are taken over directly by other Group entities.
The financial results must thus be adjusted for these transfers in order to review the respective changes in income and expenses at the La Poste Retail Brand at similar scope.

After adjustment, income was down –0.6%. The main internal La Poste Retail Brand customers thus benefited, via invoicing, from a lowering of expenses at the La Poste Retail Brand. The –1.4% lowering of expenses was the result of efforts made to control costs at the La Poste Retail Brand in a difficult climate. For example, real estate expenses at the La Poste Retail Brand, which represented half of its external expenses, rose +3.1%, with rent spiking +3.9%.

4. La Poste Group balance sheet

Total balance sheet assets fell from €130.6 billion at 31 December 2007 to €124.3 billion at 31 December 2008.

4.1. Equity

Equity attributable to equity holders of the parent amounted to €3,341 million at 31 December 2007. It was down to €3,252 million at 31 December 2008.
Retained earnings for the year were €529 million at 31 December 2008, the dividend paid to the State in respect of 2007 (€141 million) being deducted from 2007 retained earnings.
Translation adjustments went from –€11 million to –€111 million.
Unrealised gains on financial instruments fell from €367 million to €43 million and reflected the fall in the fair value of financial assets of CNP Assurances available for sale.

4.2. Net financial debt

Debt and cash items are only assessed with regard to the Group's industrial and commercial activities, excluding La Banque Postale.
The Group's gross debt went from €6,228 million at 31 December 2007 to €7,141 million at 31 December 2008, representing an increase of €913 million.
Bonds, other debt securities and other borrowings rose from €5,591 million to €5,867 million.
Given the increase in cash and cash equivalents, which rose from €337 million to €1,438 million, net debt was €188 million down on 31 December 2007, at €5,703 million.

4.3. Securities and non-current assets

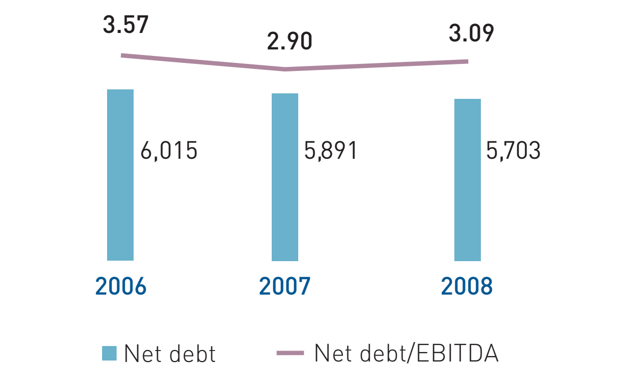
Non-current assets remained relatively stable, rising from €9,977 million to €10,167 million (+€190 million).

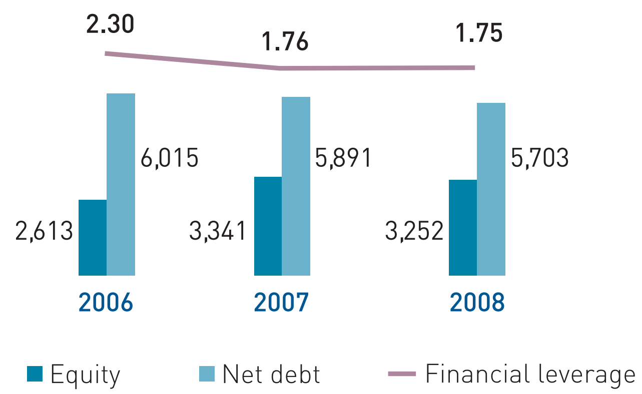
Investments and cash flows

The new climate created by the slowdown in the European economy has caused the Group to become even more selective in its choice of investments, particularly in light of a structural debt position that it is looking to cut over the medium-term. In 2008, the Group nevertheless made internal investments of €1,194 million, namely close to 85% of the planned projects. In addition, €163 million was allocated to acquisitions.
Group cash flow fell from €1,402 million in 2007 to €1,355 million in 2008 (–€47 million).

4.4. Ratios

Given the reduction in the Group's net debt, financial leverage (net debt/equity ratio) went from 1.76 at 31 December 2007 to 1.75 at 31 December 2008. The net debt/EBITDA ratio rose from 2.90 in 2007 to 3.09 in 2008 on the back of the decreasing EBITDA.





5. Information on the La Poste parent company

(€ millions)	2007	2008	Change	
			in €M	%
Operating income	**16,101**	**15,968**	**–133**	**–0.8%**
Operating expenses	–15,702	–15,761	–59	+0.4%
Operating profit	**399**	**207**	**–192**	**–48%**
Net finance income and expenses	103	131	+28	+27%
Extraordinary items	–22	–43	–21	+97%
Income tax	–40	6	+46	–115%
Net profit for the year	**440**	**300**	**–140**	**–32%**

The parent company's income is mainly comprised of the Mail and Parcels operations. It also includes, in addition to the commission received by the La Poste Retail Brand on third-party product sales, the invoicing of La Banque Postale by the La Poste Retail Brand for the counter service provided on its behalf and lastly the invoicing of La Banque Postale by La Poste for the personnel in the sales line and financial centres.

La Poste's operating income fell from €16.10 billion at 31 December 2007 to €15.97 billion at 31 December 2008, namely a decline of 0.8%. This decline is due in particular to the –1.8% fall in Mail revenue. Parcels revenue was up +6.2%. Invoicing of La Banque Postale by the La Poste Retail Brand was down slightly (–0.6%).
In addition, operating expenses only rose very slightly (+0.4%), primarily thanks to the implementation of the cost cutting plan from the end of the first half across all La Poste entities.

La Poste's operating profit amounted to €207 million at 31 December 2008, a decline of €192 million on 2007.

Net finance income and expenses (+€131 million) were up €28 million. This notably includes the debt-related finance expense, as well as a sharp rise in dividends received from subsidiaries.
Net profit for the year was down –€140 million from €440 million in 2007 to €300 million in 2008.

6. Outlook and events after the balance sheet date

6.1. Opening up of the distribution of the Livret A

The French Economic Modernisation Act (LME), supplemented by the decrees and orders published on 5 December 2008, opened up the distribution of the Livret A to all banks from 1 January 2009. This legislation continues to apply the principles of remunerating the distribution networks and centralising Livret A and Sustainable Development Account funds at the Caisse des Dépôts et Consignations (CDC). It specifies the types of transactions that can be carried out by the bank networks on the Livret A: deposits and withdrawals for sums over €10 (threshold allowing transactions to be carried out via ATMs) and transfer orders and direct debits for certain financial transactions such as income support or gas and electricity bills. La Banque Postale will offer all of these services to its customers and will be the only banking institution to allow deposits and withdrawals for sums over €1.50 in line with its legally mandated banking accessibility mission.

All banks will have to centralise at the CDC part of the sums deposited in Livret A and Sustainable Development Accounts. A minimum of €160 billion, plus half of the capitalised interest, must be centralised at the CDC for the coming three years. At least 80% of the remainder should be allocated by the banking institutions to financing SMEs and energy saving schemes for old buildings.

The banks will receive fixed payment of 0.6% of the funds deposited. Additional reducing commission is granted to the incumbent networks. Accordingly, La Banque Postale will receive an additional payment for five years (three years for the other incumbent networks). Moreover, given the obligations stemming from its banking accessibility mission recognised by Brussels, it will receive an additional payment set at €280 million in 2009, falling over subsequent years to €210 million in 2014.

The scheme also sets out the framework for transfers between the various institutions. Holding institutions will have a period of fifteen days in which to make a transfer from a Livret A to another bank.

Lastly, article 146 of the LME provides for the transfer of all CNE funds to La Banque Postale on 1 January 2009. La Banque Postale's balance sheet will thus rise by €59 billion at 1 January 2009, without having any impact on equity.

6.2. Framework for changing Universal Service tariffs

On 3 December 2008, ARCEP (French postal regulator) extended, as regards its main principles, the previous tariff setting mechanism (2006-2008), which provided for a maximum increase in inflation-linked tariffs of +0.3%.
La Poste will have maximum room for tariff increases of on average inflation plus 0.3% per annum. For standard products handled by franking machines, used by SMEs, the increase will be capped at the annual rate of inflation so as to take account of the special economic position of these customers.
These tariff increases will help fund the modernisation of the La Poste production facilities, with the latter undertaking to increase its financial efficiency for the benefit of businesses and personal customers.

6.3. Implementation of the French Government-Press-La Poste agreement: 1-year postponement in the scheduled tariff increases

Noting the significant worsening of the economic climate since the July 2008 signing of the French Government-Press-La Poste agreement, on 23 January the President of the French Republic announced emergency measures to aid the press, including a 1-year postponement in the scheduled tariff increases.
The implementation of the agreement is however confirmed, the President of the French Republic noting that the shortfall for La Poste would be wholly compensated by the State.

6.4. Group outlook for 2009

The budget, as approved in December 2008 by La Poste's Board of Directors, factors in a marked economic slowdown in France and in Europe in 2009. The first months of the financial year confirmed this sharp slowdown. To respond to it, the Group launched two programmes designed in the case of the first to cut operating expenses and in the case of the second to reduce cash requirements.

The "Cost cutting" programme is broken down by business segment and also includes a component relating to cross-company costs with the goal of maximising cost synergies between the business segments. The "Cash optimisation" programme is broken down by major action area and aims to reduce the Group's working capital requirement, strengthen the financial resources allocation and investment control mechanism and make the most of the Group's non-current assets.

The Group will accelerate its modernisation efforts in 2009 with an internal investment target slightly above €1.3 billion. It will significantly contribute to the economic recovery plan in France by intensifying its post office refurbishment programme and its investments aimed at enhancing sustainable development, in particular on its real estate assets and industrial facilities.

La Poste places sustainable development, considered as the only means of viable economic efficiency, at the heart of its corporate strategy. In that regard, the Group made four ambitious commitments with regard to the fight against climate change, the responsible use of paper, the policy of diversity and increased consideration of local issues in decision-making.

The Group has identified five drivers for implementing this policy: its increased internalisation by postal workers, the development of responsible products and services (purchased or designed), the inclusion of responsible development in all project impact studies, the changing of the way in which managers are recognised and the improving of financial reporting reliability.

6.5. Plans to develop La Poste and change its legal form

Against a background of the opening up of its markets and ever increasing competition, La Poste launched a review regarding the possibility of changing its legal form in order to give it the necessary financial flexibility to enable it to take advantage of the opportunities offered by the opening up of markets, to finance the development of all its businesses and be one of the postal operators that will define the European postal market.

Instituted by the French Prime Minister in September 2008, the commission chaired by François Ailleret was tasked with identifying the strengths and weaknesses of La Poste in the context of the complete opening up to competition on 1 January 2011 and with examining the different ways for its development as well as the financial requirements to achieve it. In the report submitted to the French Prime Minister on 17 December, François Ailleret and other members of the commission argued for the transformation of the company into a public limited company.

On 18 December, the President of the French Republic approved the recommendations of this report and asked the Government to prepare a bill transforming the company into a public limited company, wholly owned by public investors, a bill that should be submitted to Parliament before summer 2009. This transformation will be accompanied by a capital increase of at least €2.7 billion.

Consolidated financial statements

La Poste Group

31 December 2008 – Board Meeting of 12 March 2009

Report of the Statutory Auditors

Year ended 31 December 2008

This is a free English translation of the Financial report issued in French language and it is provided solely for the convenience of English speaking readers. The Financial report includes information specifically required by French law in all financial statements. This Financial report should be read in conjunction with, and construed in accordance with, French law and professional accounting standards applicable in France. Any question arising from the text may only be elucidated by consulting the original document in French.

In performance of the responsibilities entrusted to us by ministerial decree of 20 June 2003, we hereby present our report on the year ended 31 December 2008, on:
- the audit of the accompanying La Poste consolidated financial statements;
- the basis for our assessment;
- the specific check required by law.

The consolidated financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements on the basis of our audit.

I - Opinion on the consolidated financial statements

We carried out our audit on the basis of professional standards applicable in France. These standards require us to carry out the audit in such a manner as to obtain reasonable assurance that the consolidated financial statements do not contain any material misstatements. An audit consists of checking, through sampling or any other means of selection, the items underlying the amounts and information in the consolidated financial statements. It also consists of assessing the accounting policies applied, the material estimates used and the overall presentation of the financial statements. We consider that the items we collected provide a sufficient and appropriate basis for our opinion.
We certify that the consolidated financial statements for the year are, with respect to the IFRS accounting basis as adopted by the European Union, reasonable and accurate and give a true and fair view of the assets and liabilities, financial position and earnings of the Group consisting of the companies and entities within the scope of consolidation.

II - Basis for our assessment

The accounting estimates used for the purposes of the presentation of the financial statements at 31 December 2008 were prepared against a background of high market volatility and a certain difficulty in assessing the economic outlook. These conditions are described in note 1 to the consolidated financial statements. It is against this background that, in line with the provisions of article L. 823-9 of the French Commercial Code, we provide you with our own assessment:
- As part of our assessment of the accounting rules and policies applied by La Poste, we satisfied ourselves as to the appropriate nature of:
- the process for dealing with the impairment of assets following the collapse of certain market players,
- the accounting treatment employed to implement the amendment to IAS 39 published on 13 October 2008 by the IASB,
- the process for measuring and assessing impairment on financial instruments having regard to the exceptional market conditions.

The impact of these items on La Poste's consolidated financial statements is set out in note 1.1 to the consolidated financial statements.
- La Poste carries out annual impairment tests on goodwill, which represented a net amount of €1,271 million at 31 December 2008, on the basis of the method described in section K of the note to the consolidated financial statements entitled "Accounting rules and policies". In assessing these items we did not uncover anything likely to call into question the reasonable nature of the assumptions made and the resulting calculations.

These assessments form part of our audit of the consolidated financial statements as a whole and thus contributed to the formation of our opinion expressed in the first section of this report.

III - Specific checks and disclosures

We also carried out the specific checks required by law regarding the information in the Group's management report.
We have no observations regarding its fairness and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 13 March 2009

Statutory Auditors

PricewaterhouseCoopers Audit
Florence Pestie, Bernard Rascle

Mazars
Bernard España, Guillaume Potel

Consolidated income statement

(€ millions)	Reference in notes	31/12/2008	31/12/2007
Mail revenue[1]		11,318	11,530
Express revenue		3,292	3,171
Parcels revenue		1,412	1,330
La Poste Retail Brand revenue		31	29
Real estate revenue		5	6
Revenue from commercial activities	Note 6	**16,058**	**16,066**
Banking operating income		8,045	7,489
Banking operating expenses		(3,274)	(2,777)
Net banking income	Note 7	**4,771**	**4,712**
OPERATING INCOME		**20,829**	**20,778**
Purchases and other expenses[1]	Note 8	(6,178)	(5,939)
Employee benefit and payroll expenses[2]	Note 9	(12,606)	(12,592)
Taxes other than income taxes	Note 10	(306)	(279)
Depreciation, amortisation and provisions	Note 11	(813)	(697)
Other income and expenses	Note 12	(72)	2
Gains (losses) on asset disposals		32	33
Net operating expenses		**(19,943)**	**(19,472)**
OPERATING PROFIT		**886**	**1,306**
Net borrowing costs		(289)	(240)
Other net finance expenses[2]		(79)	(62)
Net finance expenses	Note 13	**(368)**	**(302)**
PROFIT BEFORE TAX OF CONSOLIDATED COMPANIES		**518**	**1,004**
Income tax	Note 14	(120)	(283)
Share of profit of associates		137	230
CONSOLIDATED NET PROFIT FOR THE YEAR		**535**	**951**
Net profit Group share		**529**	**943**
Minority interest		6	9

(1) Following a review of certain contracts, a total of €42 million was deducted from the "Mail revenue" and "Purchases and other expenses" lines in the comparative income statement for 2007 (see details in note 6).

(2) €17 million was reclassified from employee benefit and payroll expenses to net finance expenses in the comparative income statement for 2007, to reflect additional discounting of provisions for employee benefit obligations (see details in note 31.1.).

Consolidated balance sheet

ASSETS (€ millions)	Reference in notes	31/12/2008	31/12/2007
Goodwill	Note 15	1,271	1,201
Intangible assets	Note 16	458	389
Property, plant and equipment	Note 17	6,277	6,146
Investments in associates	Note 18	1,703	1,969
Other non-current financial assets	Note 19	420	248
Deferred tax assets	Note 14	38	24
NON-CURRENT ASSETS		10,168	9,977
Current banking assets			
Loans and advances to customers[1]	Note 20	28,742	24,181
Loans and advances to banks	Note 21	18,876	16,572
Investment portfolio	Note 22	55,166	68,339
Other current financial assets	Note 23	1,201	2,567
Accrual accounts[1]	Note 24	3,069	2,240
Cash and central bank deposits	Note 27	2,139	2,668
Other current assets			
Inventories and work-in-progress	Note 25	160	148
Trade and other accounts receivable[1]	Note 26	2,321	2,391
Other current financial assets	Note 19	154	105
Income tax receivable		79	26
Other accrual accounts – assets		94	71
Cash and cash equivalents	Note 27	2,055	1,107
Assets held for sale	Note 28	64	174
CURRENT ASSETS		114,120	120,589
TOTAL ASSETS		124,287	130,566

(1) The figures at 31 December 2007 have been subject to reclassifications, the details of which are provided in the notes to the consolidated financial statements.

EQUITY AND LIABILITIES (€ millions)	Reference in notes	31/12/2008	31/12/2007
Initial equity and other capital components		2,258	2,258
Reserves		533	(216)
Unrealised gains and losses on financial instruments		43	367
Cumulative translation adjustments		(111)	(11)
Net profit – Group share		529	943
Equity – Group share		3,252	3,341
Minority interest		64	55
CONSOLIDATED EQUITY		3,316	3,396
Medium and long-term bonds, other debt securities and other borrowings	Note 30	5,867	5,591
Employee benefit obligations – non-current portion	Note 31	1,344	1,384
Non-current contingency and loss provisions	Note 29	59	56
Deferred tax liabilities	Note 14	112	144
Other non-current liabilities		1	2
NON-CURRENT LIABILITIES		7,383	7,177
Current contingency and loss provisions			
Contingency and loss provisions specific to banking and insurance activities	Note 29	553	525
Current contingency and loss provisions	Note 29	291	211
Short-term bonds, other debt securities and other borrowings	Note 30	1,274	637
Current banking liabilities			
Financial debt	Note 32	10,355	19,277
Liabilities to customers[1]	Note 33	92,212	91,104
Other financial liabilities	Note 34	488	271
Accrual accounts[1]	Note 24	3,806	3,399
Other current liabilities			
Trade and other accounts payable[1]	Note 35	4,052	4,015
Government – income tax		24	13
Employee benefit obligations – current portion	Note 31	398	298
Other accrual accounts – liabilities		135	179
Liabilities held for sale	Note 28	0	64
CURRENT LIABILITIES		113,588	119,993
TOTAL EQUITY AND LIABILITIES		124,287	130,566

(1) The figures at 31 December 2007 have been the subject of reclassifications, the details of which are provided in the notes to the consolidated financial statements.

Changes in consolidated equity

At 31 December 2008

(€ millions)	Initial equity and other capital components	Unappropriated earnings	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Equity Group share	Minority interest	Total
CONSOLIDATED EQUITY AT 31/12/2007	**2,258**	**943**	**(11)**	**425**	**(58)**	**(216)**	**3,341**	**55**	**3,396**
Change in unrealised gains and losses on financial instruments[1]					(33)		(33)		(33)
Dividends		(141)					(141)		(141)
Appropriation of 2007 earnings		(802)				802	–		–
Net profit for the year		529					529	6	535
Translation adjustments			(77)				(77)		(77)
Changes related to use of equity method for CNP			(23)	(291)			(314)		(314)
Call options on minority interest[2]						(38)	(38)		(38)
Other movements						(15)	(15)	3	(12)
CONSOLIDATED EQUITY AT 31/12/2008	**2,258**	**529**	**(111)**	**134**	**(91)**	**533**	**3,252**	**64**	**3,316**

(1) Nearly all of which for La Banque Postale.

(2) Including €33 million in respect of the recognition in equity of the call option granted to Oddo & Cie on a minority interest in La Banque Postale Gestion Privée.

At 31 December 2007

Amounts net of tax (€ millions)	Initial equity and other capital components	Unappropriated earnings	Cumulative translation adjustments	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Equity Group share	Minority interest	Total
CONSOLIDATED EQUITY AT 01/01/2007	**2,258**	**812**	**3**	**442**	**17**	**(919)**	**2,613**	**49**	**2,662**
Change in unrealised gains and losses on financial instruments[3]					(75)		(75)		(75)
Appropriation of 2006 earnings		(812)				812	–		–
Net profit for the year		943					943	9	951
Translation adjustments			(18)				(18)		(18)
Allocation to equity of the goodwill on the acquisition by CNP Assurances of the minority interest in Ecureuil Vie						(93)	(93)		(93)
Other changes related to use of equity method for CNP			4	(16)		(18)	(31)		(31)
Other movements						2	2	(2)	(1)
CONSOLIDATED EQUITY AT 31/12/2007	**2,258**	**943**	**(11)**	**425**	**(58)**	**(216)**	**3,341**	**55**	**3,396**

(3) Nearly all of which for La Banque Postale.

Consolidated cash flow statement

(€ millions)	Reference in notes	31/12/2008	31/12/2007
CONSOLIDATED NET PROFIT FOR THE YEAR		**535**	**951**
Share of profit of associates		(137)	(230)
Unrealised gains and losses on fair value adjustments (excluding banking business)		54	(1)
Gains and losses on disposal (including dilution)		(31)	(49)
Net changes in provisions		177	(2)
Depreciation, amortisation and impairment	Note 42.1	751	731
Other non-cash income and expenses		6	1
CASH FLOWS FROM OPERATING ACTIVITIES AFTER NET BORROWING COSTS AND TAXES		**1,355**	**1,402**
Net borrowing costs[1]		237	241
Income tax (including deferred taxes)		120	283
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE NET BORROWING COSTS AND TAXES		**1,713**	**1,926**
Change in working capital	Note 42.2	19	168
Change in balance of banking sources and uses	Note 42.3	106	(187)
Taxes paid		(200)	(317)
Dividends received from equity-method associates		90	70
NET CASH GENERATED BY OPERATING ACTIVITIES		**1,728**	**1,661**
Purchase of intangible assets and property, plant and equipment	Note 42.4	(1,225)	(1,182)
Purchase of financial assets		(84)	(190)
Proceeds from disposal of property, plant and equipment		287	159
Proceeds from disposal of financial assets		21	79
Impact of changes in scope		(85)	(110)
NET CASH USED IN INVESTING ACTIVITIES		**(1,085)**	**(1,244)**
Dividends paid		(143)	(2)
Interest paid		(252)	(251)
Proceeds from new borrowings	Note 42.5	854	382
Repayment of borrowings	Note 42.6	(261)	(1,450)
Other cash flows related to financing activities	Note 42.7	132	(45)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES		**330**	**(1,367)**
Impact of subsidiaries held for sale		1	(11)
Impact of changes in exchange rates		(5)	(3)
CHANGE IN CASH AND CASH EQUIVALENTS		**969**	**(963)**
Cash and cash equivalents at beginning of period[2]		1,055	2,018
Cash and cash equivalents at end of period[2]	Note 42.8	2,024	1,055

(1) Excluding change in unrealised gains and losses on fair value adjustments.

(2) Including bank credit facilities classified as current financial liabilities.

General items

Note 1: Highlights

1.1. Crisis in the financial markets

Details of the impact on the La Poste Group of the crisis that buffeted global financial markets, particularly during the second half of 2008, are provided in the Group's Management Report at 31 December 2008.
In particular, this crisis affected the Group's financial statements as follows:

Impact of the bankruptcy of the Lehman Brothers investment bank

The bankruptcy of Lehman Brothers led La Banque Postale to write 85% off the face value and coupons prior to the bankruptcy date of all holdings of Lehman Brothers securities.
In total, the bankruptcy of Lehman Brothers generated a €51 million loss after tax for La Banque Postale.

Impact on financing and liquidity management

La Banque Postale has recourse to the short-term market, by issuing certificates of deposit and selling some of its sovereign debt under repurchase agreements. This financing is not for operations at the Bank, which has a structural surplus of deposits, but is instead intended to maintain the Bank's presence in the short-term debt market, as a preventive measure for managing liquidity risk.
These short-term funds are reinvested in securities with identical maturities issued by major banking names, providing the Bank with a spread that while traditionally tight has become quite significant ever since the crisis first appeared in the summer of 2007.
When the interbank market froze up at the end of September, less use was made of this type of financing, as there was nowhere to invest the funds raised.

Impact on the portfolio of financial instruments

The instruments designed to diversify the financial management into more than just interest-rate underlyings were hit by the downturn in stock markets and commodities prices. As a result, in 2008 La Banque Postale recognised a €50 million impairment loss on these diversification instruments.
Furthermore, La Banque Postale took advantage of the IAS 39 amendment published by the IASB on 13 October 2008, allowing financial instruments to be reclassified from the Available-For-Sale (AFS) portfolio to the loans and receivables portfolio (L&R).
Details of the impact of the application of this amendment are provided in note 38.4.

CNP Assurances

Note: CNP Assurances is accounted for under the equity method in the financial statements of the La Poste Group (see note 18). The detailed commentary that follows covers the financial statements of CNP Assurances as a whole and not La Poste Group's share.

In 2008, the state of the financial markets had the following negative impact on the CNP Assurances group's published earnings: net profit was trimmed by €822 million (a €410 million net loss on the fair value of assets classified as fair value through profit or loss and €412 million in impairment of assets classified as available-for-sale) and equity took a €1,476 million hit (change in fair value of securities classified as available-for-sale).

The bankruptcy of Lehman Brothers cut net profit at CNP Assurances by €220 million, net of deferred profit-sharing and deferred taxes.

CNP Assurances did not elect to take advantage of the IAS 39 amendment published by the IASB in October 2008. On the other hand, the company revised the methods used to measure impairment on available-for-sale equity instruments to take account of the exceptional market conditions. This change in measurement method impacted net profit at CNP Assurances by €263 million, net of deferred profit-sharing and deferred tax.

In light of the unrealised capital losses recognised during the year, an €819 million net deferred profit-sharing asset was recognised in the balance sheet (€1,175 million in deferred profit-sharing assets and €356 million in deferred profit-sharing liabilities). This corresponds to the deferred profit-sharing asset that CNP Assurances believes to be recoverable.

In the first half, CNP Assurances also reversed an additional provision for differences in rates on benefits provided in the event of temporary and long-term disability. Under IFRS, this additional provision appeared to be excessively conservative and superfluous. The appropriateness of the discount rate used at the balance sheet date to calculate the contractual obligations was unchanged, as it is compliant with all regulatory and accounting obligations. Net of taxes, this reversal generated a €145 million gain in the first half of 2008.

The impact of the financial crisis on the value of CNP Assurances's equity interests was partly offset by the hedging strategy employed. Specifically, CNP Assurances holds a put option in respect of its interest in Natixis Global Asset Management (NGAM) vis-à-vis Caisse Nationale des Caisses d'Épargne (CNCE). This put may be exercised at any one of four annual windows (from 17 November to 17 December) each year between 2008 and 2011.

In accordance with the provisions of IAS 39 – Financial Instruments, all changes in the fair value of the put option held by CNP Assurances are recognised in income. At 31 December 2008, the fair value of the put amounted to €203 million, up considerably from its €20 million value at 31 December 2007, resulting in the recognition of a €183 million gain, net of tax. This amount reflects the hedge held by CNP Assurances on the fall in the fair value of its interest in NGAM, and its increase is attributable to the high volatility in the financial markets.

1.2. Disposal of the Europe Airpost subsidiary

On 13 March 2008, the Group sold 97% of the shares in its Europe Airpost subsidiary (Mail segment) to Air Contractors.
This disposal generated a consolidated gain of close to zero in the Group's consolidated financial statements.

1.3. Bond issue

In order to finance the Group's investments, La Poste carried out a 10-year €500 million bond issue in February 2008.

1.4. Payment of dividend to the French State

For the first time, La Poste paid a dividend to its shareholder, the French State. This dividend was paid in the first half of 2008 in respect of 2007 net profit and amounted to €141 million.

1.5. Deregulation of the Livret A savings account

Article 145 of the French Economic Modernisation Act (LME – *loi de modernisation de l'économie*) of 4 August 2008 provides for the deregulation of the distribution of the Livret A by allowing it to be marketed by any credit institution authorised to receive sight deposits from the general public. It correspondingly also provides for the abolition of the Caisse Nationale d'Épargne which, at present, holds the funds deposited in La Banque Postale's Livret A savings accounts (which explains why these deposits do not currently appear in the balance sheet).
Article 146 of the LME provides for all deposits held by the CNE to be transferred to La Banque Postale on 1 January 2009:
"All Livret A deposits held at 31 December 2008 by Caisse Nationale d'Épargne [...] and all related liabilities, and all receivables held at that same date by Caisse Nationale d'Épargne vis-à-vis Caisse des Dépôts et Consignations (CDC) relating to the centralisation of the Livret A deposits shall be transferred on 1 January 2009 to [La Banque Postale]. All rights and obligations relating to these balance sheet items are also transferred to that institution. The other assets, liabilities, rights and obligations of Caisse Nationale d'Épargne shall be transferred on 1 January 2009 to the [CDC] savings fund."
La Banque Postale's total assets shall thus rise by around €59 billion on 1 January 2009 with:
- on the liability side, an equivalent increase in special savings deposits;
- on the asset side, an equivalent increase in loans and advances to banks – sight deposits (fully centralised with the CDC on 1 January 2009).

1.6. Creation of the Akatea TPF2 Real Estate Investment Trust

In late December 2008, the La Poste Group transferred six Mail and Parcels Industrial Mail Centres, with a total net carrying amount of €92 million, to the Akatea TPF2 Real Estate Investment Trust that had earlier been established by Poste Immo, the Group's real estate subsidiary. At 31 December 2008, the La Poste Group held 22.4% of Akatea TPF2, with the remainder of the capital subscribed for by institutional investors. The trust is accounted for under the equity method in the Group's consolidated financial statements.
This disposal generated a capital gain of €28 million in the Group's consolidated financial statements at 31 December 2008.
La Poste's Mail and Parcels businesses continue as tenants of these mail centres.

Note 2: Accounting rules and methods

La Poste, the parent company of the La Poste Group ("La Poste Group" or "the Group"), is an independent state-owned company. Its head office is located at 44, boulevard de Vaugirard in Paris. It is subject to the financial management and accounting rules applicable to commercial companies.
The La Poste Group's consolidated financial statements at 31 December 2008 were approved by the Board of Directors on 12 March 2009.

2.1. Accounting basis

In accordance with European Regulation 1606/2002 of 19 July 2002, the La Poste Group's consolidated financial statements for the year ended 31 December 2008 were prepared in accordance with the international financial reporting standards (IFRS) as adopted by the European Union, available on the following website: http://ec.europa.eu/internal_ian_en.htm#adopted-commission.
As a first-time adopter on 1 January 2006, the La Poste Group had applied at that date the specific rules provided for by IFRS 1 – First-time Adoption of International Financial Reporting Standards. Note 44 summarises the policies used to prepare the opening balance sheet at 1 January 2006.
Application of the amendments to IAS 39 and IFRS 7, published by the IASB and adopted by the European Union in October 2008, is mandatory for the first time in financial year 2008. Details of the impact on the Group's financial statements of the application of these amendments are provided in note 38.4.

The La Poste Group opted against early application of the following standards and interpretations, published by the IASB and the IFRIC, that are mandatory subsequent to 31 December 2008 and that are likely to have an impact on the Group:
- IFRS 8 – Operating Segments (adopted by the European Union);
- IAS 23 – Borrowing Costs, revised in March 2007 (adopted by the European Union);
- IAS 1 – Presentation of Financial Statements, revised in September 2007 (adopted by the European Union);
- IFRS 3 – Business Combinations, and IAS 27 – Consolidated and Separate Financial Statements, revised in January 2008 (not yet adopted by the European Union at 31 December 2008);
- IAS 32 – Financial Instruments: Disclosure and Presentation, and IAS 1 – Presentation of Financial Statements, revised in February 2008 (not yet adopted by the European Union at 31 December 2008);
- improvements to various IFRS, published in May 2008 (not yet adopted by the European Union at 31 December 2008);
- IFRIC 13 – Customer Loyalty Programmes (adopted by the European Union);
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (not yet adopted by the European Union at 31 December 2008).

The application of these standards and interpretations is not expected to have a material impact on the Group's financial statements.

Furthermore, the La Poste Group is not affected by the following standards and interpretations, adopted or in the process of being adopted by the European Union:
- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions (application mandatory in 2008);
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 17 – Distributions of Non-cash Assets to Owners;
- IFRIC 18 – Transfers of Assets from Customers;
- Amendments to IFRS 2 published in January 2008 – Vesting Conditions and Cancellations;
- Amendments to IFRS 1 and IAS 27 published in May 2008 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

2.2. Accounting policies

A. 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 make assumptions that affect the values of assets and liabilities in the balance sheet, the contingent assets and liabilities disclosed in the notes to the consolidated financial statements and the income and expenses in the income statement. Actual amounts may subsequently differ from these estimates and assumptions.

The items primarily concerned are:
- calculation of employee benefit obligations;
- estimate of contingency and loss provisions, especially the Home Ownership Savings provision;
- assumptions used for goodwill impairment testing;
- measurement of financial instruments not listed on organised markets;
- La Banque Postale's measurement of credit risk.

B. Consolidation methods

Full consolidation

Subsidiaries that are exclusively controlled are fully consolidated.
Exclusive control is defined as the power to direct a company's financial and operating policies so as to derive benefit from its activities.
Such power is deemed to exist by virtue of the direct or indirect holding of a majority of the company's voting rights, the right to appoint a majority of the members of the company's governing bodies, or the right to exert a dominant influence by contract or under the articles of association.

Proportional consolidation

Companies that are jointly controlled by the Group are proportionally consolidated.
Joint control is defined as a limited number of partners or shareholders sharing control of a company in such a way that they unanimously set the financial and operating policies.

Equity method

Companies over which the Group exerts significant influence are accounted for under the equity method. Shares accounted for under the equity method are recorded in the balance sheet under "Investments in associates" at their historical cost adjusted for the Group's share of the net assets generated subsequent to the acquisition, less impairment.
Their profits or losses are presented in the consolidated income statement under "Share of profit of associates".
Significant influence is defined as the power to participate in the financial and operating policies of a company, without having exclusive or joint control over them.
Although the Group only holds a 19.72% interest in CNP Assurances, La Poste considers that it is in a position to exert significant influence over CNP Assurances due to its close business ties with the company and the number of seats held on its supervisory bodies.

Share repurchasing agreement for shares in CNP Assurances

As part of the restructuring of the capital of CNP Assurances, in 2000 La Poste sold 2% of its shares in CNP Assurances to the Caisses d'Épargne Group. This sale was accompanied by the Caisses d'Épargne Group's agreement to sell back the shares so La Poste could recover the shares disposed of when the shareholders' agreement expires.
In the La Poste Group's consolidated financial statements, it was considered that the Group would continue to bear the risks and benefits relating to these shares. Consequently, CNP Assurances is accounted for under the equity method with an interest of 19.72%, including the 2% held by the Caisses d'Épargne Group.

Non-material controlled entities

Non-material and/or dormant entities, the consolidation of which would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits and losses of Group activities, are not consolidated.

Inter-company transactions

All material transactions between consolidated companies, as well as gains on internal disposals, are eliminated in consolidation.

Acquisition of minority interests

Current IFRS do not specify how acquisitions of minority interests that don't change the consolidation method for the company in question should be treated for accounting purposes. The La Poste Group has thus chosen to recognise in equity the difference between the purchase price of the minority interests and the share of the net assets acquired.

C. Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is the functional and presentation currency of La Poste, the parent company.
The financial statements of all Group companies who use a functional currency other than the presentation currency are translated into the presentation currency in the following manner: the balance sheets of foreign companies are translated into euros using the closing exchange rate and their income statements are translated using the average rate for the year. Resulting translation adjustments are recorded directly in the consolidated balance sheet in equity, under "Cumulative translation adjustments."
Goodwill and fair value adjustments resulting from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.
Exchange differences arising from transactions consisting of long-term investments between Group companies are recorded in equity in the balance sheet under "Cumulative translation adjustments." Differences resulting from the translation of

investments in a foreign operation and loans and other foreign exchange instruments qualifying as hedging instruments for these investments are charged to equity in consolidation.
When a foreign operation is disposed of, the translation adjustments initially recognised in equity are recognised in the income statement under gains and losses on disposal.

D. Foreign currency transactions

Transactions denominated in foreign currencies are recognised using the applicable exchange rates at the recognition date.
At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the applicable closing rate.
Gains and losses on transactions denominated in foreign currencies are recognised in income under "Net foreign exchange gains (losses)" (see note 13).

E. Consolidation of the Financial Services business

In order to increase the clarity of the financial statements, specific items for the Financial Services segment relating to banking and insurance operations were combined on separate lines in the consolidated balance sheet and consolidated income statement. In accordance with IFRS requirements, these items are analysed in detail in the notes.
Commentary on the policies applied is presented in the following notes:
• note G: Operating income;
• note M: Banking business assets and liabilities.

F. Business combinations

Business combinations are recognised using the acquisition method in line with the provisions of IFRS 3 – Business Combinations.
When an exclusively controlled company is first consolidated, the cost represents the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus any incidental costs directly attributable to the acquisition.
Goodwill represents the excess of the cost of the business combination over the Group's share in the fair value of the assets, liabilities and contingent liabilities of the acquired company.
Negative goodwill is immediately expensed in the year in which the acquisition is made.
Goodwill is not amortised and is subject to impairment tests at least once a year and whenever there are indications that it may have been impaired, using the method described in note K.

G. Operating income

Revenue from commercial activities

Revenue from the sale of goods or services is recognised upon transfer to the customer of the major risks and rewards of ownership. It is recognised as the related services are provided, except for postage stamps and prepaid envelopes, where revenue is recognised at the time of sale.
As a result, the time taken to deliver mail and parcels is taken into consideration when assessing revenue at the balance sheet date.

Net Banking Income

Net Banking Income in the consolidated income statement is the net of banking income and expenses of La Banque Postale and all its subsidiaries. It is prepared in accordance with the accounting rules applicable to banks. Net Banking Income is analysed in note 7.

H. Taxes

The parent company, La Poste, has elected to file a consolidated tax return for Group companies.
Deferred taxes are recognised whenever there is a temporary difference between the carrying amount of balance sheet items and their tax base.
The liability method is used. Deferred taxes recognised in prior years are updated to reflect any tax rate changes. The corresponding impact is recorded as an increase or decrease in the deferred tax expense in the income statement unless it relates to items recorded directly in equity, in which case the tax is recorded in equity.
All deferred tax liabilities stemming from taxable temporary differences are recognised. Deferred tax assets resulting from temporary differences, tax loss carry-forwards and tax credits are recognised if they are likely to be recovered (i.e., insofar as it is likely that future taxable income will be available against which the temporary differences can be charged). The measurement is done based on the scheduled reversal dates for all the deferred tax bases, using the best estimates of future changes in taxable income for each entity (see note 14).
Deferred tax assets and liabilities are netted within each taxable entity.

I. Intangible assets

IAS 38 – Intangible Assets defines an intangible asset as an identifiable non-monetary asset without physical substance (i.e., arising from legal, contractual or separable rights).
Intangible assets primarily concern software and leasehold rights. They are recognised at cost less amortisation and impairment.
Software is amortised on a straight-line basis over its useful life, generally a period of one to three years. Leasehold rights are not amortised.

Research and development costs

Research costs are expensed as incurred.
Development costs are recorded as intangible assets, provided:
• the project has a good chance of being technically viable;
• the Group has sufficient human and material resources to produce the intangible asset;
• the Group has shown its intention to complete the intangible asset and to use or sell it;
• the Group has shown that the asset will likely generate future economic benefits;
• the Group has shown that appropriate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
• costs attributable to the intangible asset during its development can be reliably measured.
These costs are capitalised as intangible assets and amortised on a straight-line basis over their useful life (generally three years) from the time the software is put into service.
Development costs that don't satisfy the above criteria are expensed as incurred.

J. Property, plant and equipment

Property, plant and equipment consists primarily of land, buildings, plant, tools, equipment and computer hardware. It is recorded at cost, less depreciation and any impairment.

Cost of property, plant and equipment

Only expenses giving rise to a controlled resource as a result of past events and that the Group expects to generate future economic benefits are capitalised.
Incidental costs directly attributable to the acquisition of an item of property, plant and equipment or its bringing into operating condition are included in the cost of the non-current asset.
Borrowing costs are not included in the cost of property, plant and equipment, in accordance with the accounting treatment laid out in IAS 23 – Borrowing Costs (prior to revision).
Capital grants received in respect of the acquisition of an item of property, plant and equipment are recorded as balance sheet liabilities and recognised in income over the useful lives of the underlying assets.

Breakdown of the historical cost of property, plant and equipment by component

A component is a part of an item of property, plant and equipment that has a different useful life, or that generates economic benefits at a rate that differs from the item of property, plant and equipment as a whole.
The La Poste Group has identified the following components:

Real estate assets – six components:
• structural frame;
• roof;
• joinery and outside works;
• large-scale equipment;
•small-scale equipment, fixtures and fittings;
• land.

Machinery and equipment:
• sorting machines: three components (mechanical parts, brain and peripherals). Parcel sorting machines have a fourth component, comprising feeders and measuring instruments;
• sorting-related equipment: two components (mechanical parts and brain);
• TGV railcars: three components (frame, servicing and interior fittings);
• automated teller machines (ATM): two components (machine, installation).

Depreciation periods

Property, plant and equipment is depreciated on a straight-line basis over its useful life. The average useful lives are:

Buildings:
The period depends on the technical/architectural category to which the building belongs (the La Poste Group has defined five categories):
• structural frame: 20 to 80 years;
• roof: 20 to 60 years;
• joinery and outside works: 20 to 40 years;
• large-scale equipment: 15 to 20 years;
• small-scale equipment, fixtures and fittings: 5 to 10 years.

Machinery and equipment:
• sorting machines: 5 to 15 years;
• sorting-related equipment: 5 to 8 years;
• computer and office equipment: 3 to 5 years;
• office furniture: 10 years;
• ATMs: 5 to 10 years;
• transportation equipment (other than the TGV railcars): 3 to 5 years;
• TGV railcars: 15 to 30 years.
Land is not depreciated.

Finance leases

Leases where the Group assumes, in substance, all the risks and benefits are deemed to be finance leases. An asset acquired under a finance lease is recognised at the lower of its fair value and the present value of minimum future payments at the date the lease is signed less cumulative depreciation and impairment.
Leases that meet the definition of a finance lease but the restatement of which would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits or losses of Group activities (i.e., the initial value of which is under €250,000), are treated as operating leases.

K. Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at least once a year and whenever there is an indication of impairment.
Other intangible assets and property, plant and equipment are only tested for impairment where there is an indication that they may have been impaired.
An impairment test involves comparing the net carrying amount of an asset (or the Cash Generating Unit to which it belongs) with its recoverable amount, which is the higher of the fair value less selling costs and its value-in-use. Where the recoverable amount of a capitalised asset or group of assets falls below the net carrying amount, an impairment loss is recognised to reduce the latter to the recoverable amount.

Fair value less selling costs represents the amount that can be obtained by selling an asset at the measurement date in an arms' length transaction, net of any disposal costs.

The value-in-use of an asset or a group of assets is the present value of future cash flows expected to flow from using the asset or Cash Generating Unit.

The value-in-use of goodwill is measured based on the net expected cash flows set out in business plans and assumptions approved by the Group as part of the budgetary process. These forecasts generally cover a three-year period, beyond which cash flows are extrapolated to infinity using a low growth rate, which generally corresponds to inflation. The cash flows are discounted using the weighted average cost of capital for each relevant asset or group of assets.

Non-current assets held for sale

A non-current asset, or group of assets and liabilities, is classified as being held for sale when its carrying amount will be primarily recovered through its sale and not its ongoing use. This assumes that the asset is available for immediate sale in its current state and that such a sale is highly likely within one year.
These assets and groups of assets, along with all related liabilities, are presented separately from other assets and liabilities and are measured at the lower of their carrying amount or estimated selling price, net of disposal costs. These assets cease to be depreciated from the date on which they are classified in this category.

L. Other financial assets

Other non-current financial assets

This item notably includes:
• loans extended for local authority housing, recorded at amortised cost using the effective interest rate method. Provisions are funded based on the maturities and repayment terms of these loans as well as the assessment of the risk of default;
• unconsolidated investments classified under "Available-for-sale financial assets" and measured at fair value at the balance sheet date. Changes in fair value are recorded in equity. When these shares are disposed of, the changes in fair value previously recognised in equity are transferred to income. Dividends received from unconsolidated investments are recognised as finance income in the period in which the decision to pay out a dividend is made.
In the event no active market exists (or in the case of financial assets, the fair value of which can't be reliably determined using alternative measurement methods), they are kept in the balance sheet at cost. Impairment is recorded where there is an objective indication of a permanent drop in their present value. The present value is determined based on the most appropriate financial criteria for each company's specific position. The criteria generally used are the share of equity held and the outlook for profitability;
• the non-current portion of derivatives related to La Poste's bonds and other debt securities (see note 30).

Other current financial assets

These primarily concern the current portion of derivatives related to La Poste's bonds and other debt securities (see notes 2.N. and 30).

M. Banking business assets and liabilities

M.1. Banking business loans and receivables

Loans and receivables are fixed- or determinable-income non-derivative financial assets that are not listed on an active market. They include loans and advances to banks and customers. They are accounted for, after their initial recognition, at amortised cost using the effective interest rate method and can be subject to impairment, where appropriate.
The effective interest rate is the interest rate that precisely discounts the future cash flows to the loan's initial fair value. It includes the transaction costs directly related to the loan issue, deemed to be an integral part of the loan yield.
Some securities may be exceptionally recorded in this category. They then follow the accounting, measurement and impairment rules for loans and receivables.
Banking business loans and receivables are recorded in the following balance sheet items:
• "Loans and advances to customers"; and
• "Loans and advances to banks";
depending on the type of counterparty.

• Downgrading of banking business loans and receivables

The downgrading process applies to outstanding overdrafts, home loans and consumer credit.
Active accounts and closed accounts are downgraded in respect of outstanding overdrafts. Downgrading outstanding overdrafts on active accounts has the effect of downgrading performing loans to recoverable non-performing. This is done monthly and takes into consideration the amount and duration of the overdraft for each account. Closing the account has the effect of downgrading the receivable to irrecoverable non-performing. Very small receivables are directly recognised as losses.
Home loans six or more months past due and consumer credit three or more months past due are downgraded to recoverable non-performing.
Events of default result in the receivable being downgraded to irrecoverable non-performing status. Moreover, loans are systematically classified as irrecoverable non-performing one year after they are classified as non-performing.
In accordance with the contagion principle, all outstanding loans to the same accountholder are downgraded as soon as one receivable with this accountholder is downgraded.

• Individual impairment of loans

The Group first assesses whether there is an objective indication that an event has occurred after a loan or a group of loans has been extended that is likely to generate an impairment loss. This can involve loans at least three months past due, loans subject to legal proceedings or where the counterparty's financial position has deteriorated, generating a risk of default.
Impairment is thus recognised based on the difference between the carrying amount and the expected flows discounted at the original effective interest rate, determined by taking account of the debtor's financial position and the present value of any guarantees received. For irrecoverable expired loans guaranteed by collateral, where the receivable exceeds a minimum threshold, the loans are assessed to determine the amount of provisions to be funded. For amounts under this threshold and recoverable sums, a prudent estimate is made based on the asset's cost.
Loans guaranteed by individuals or not guaranteed are written down in full.
The amount of this write-down is recognised under "Cost of risk" in the income statement and the value of the financial asset is reduced by recognising an impairment loss.

• Collective impairment of loans

In addition, loans that are not impaired on an individual basis are subject to a provision for collective impairment. This involves those so-called sensitive loans that form a sub-category of performing loans: they show an initial indicator of default (with one or more arrears of under 180 days), but have not yet been downgraded to non-performing.
Provisions are funded for these loans based on the likelihood of downgrading, which is calculated based on actual data for 2005-2008. The risk of loss based on the type of guarantee is calculated in the same way as for non-performing loans and a provision is funded based on discounted recoverable flows.

• Impairment of overdrafts

The provisions funded for overdrafts on active current postal accounts take into account the recovery rate achieved by level of risk over the past year.
The Group's income statement shows the cost of risk of the banking business, which includes losses on irrecoverable receivables and changes in provisions on non-performing loans and recoveries of written-off receivables.

M.2. Banking business investment portfolio

Securities held by La Banque Postale are classified into one of the three categories defined by IAS 39 – Financial Instruments: Recognition and Measurement.
Specific measurement and recognition rules apply to each category:

• Financial assets at fair value through profit or loss

This category includes securities held for trading plus securities designated by the Group from the outset as belonging to this category.
Securities classified in this category are initially recognised at their market value with transaction costs directly expensed. They are subsequently measured at their fair value at each balance sheet date and the change in fair value is recognised in income, under "Net gains and losses on financial instruments at fair value through profit or loss" included in Net Banking Income (see note 7).

• Held to maturity investments

This category includes fixed- or determinable-income securities that the Group intends and has the ability to hold to maturity.
Held to maturity investments are recorded at amortised cost using the effective interest rate method, which incorporates all premiums and discounts as well as purchase costs.
Income received on these securities is recognised under "Interest and related income" in Net Banking Income.
In the event there is an objective indication of impairment, a provision is recorded for the difference between the carrying amount and the estimated recoverable amount discounted at the original effective interest rate. In case of subsequent improvement, the excess provision becomes unnecessary and is reversed.

• Available-for-sale financial assets

The "Available-for-sale financial assets" category is the default category defined by IAS 39. It includes fixed-income securities and equities that don't fall into the two previous categories.
Securities classified in this category are initially recognised at cost plus transaction costs and accrued coupons. At the balance sheet date, they are measured at their fair value and any changes in the fair value are recorded in equity under "Unrealised gains and losses on financial instruments".
In case of a disposal or permanent impairment, the unrealised gains and losses recorded in equity are reversed in income under "Net gains and losses on available-for-sale financial assets".

M.3. Banking business derivatives

• Hedges on postal banking account sight deposits

La Banque Postale uses financial instruments (swaps) to hedge the overall structural interest-rate risk related to its retail banking business (postal banking account sight deposits). For the accounting treatment of these transactions, the Group applies the provisions of IAS 39 as adopted by the European Union (IAS 39 "carve out"), which facilitates the use of fair value hedge accounting for macro-hedging transactions done as part of an asset-liability management strategy including customer sight deposits.
The hedged risk portion of hedged items in the sight deposits portfolio is remeasured at its fair value through profit or loss symmetrically with the remeasurement of the hedging derivative.
The rest of the swap portfolio concerning postal banking accounts (CCP) consists of:
• lender (receiving fixed rate) swaps for postal banking account sight deposits;
• borrower (paying fixed rate) swaps for investment securities.
These swaps are recognised at fair value through profit or loss. They are classified in the "Banking business investment portfolio" under "Financial assets at fair value through profit or loss" on the asset side, and as liabilities under "Other banking business financial liabilities".

• Interest-rate risk hedging on time deposits

Some fixed-rate time deposits offered to customers are reinvested as variable-rate time deposits with credit institutions. The resulting exposure to interest-rate risk is hedged by swaps and swaptions that can be exercised in the event of early repayment.
An overall fair value hedging relationship is recognised between a portion of this swap portfolio ("zero coupon" swaptions) and the time deposits.
The hedged portion of the hedged time deposits is remeasured at fair value through profit or loss symmetrically with the remeasurement of the hedging derivative.

M.4. Liabilities vis-à-vis banks

Inter-bank financial liabilities are initially recorded at their issue value including transaction costs. They are subsequently measured at their amortised cost using the effective interest rate method.

M.5. Insurance business

Most of the financial assets and liabilities of the Group's insurance companies are measured and recognised in accordance with the provisions of IAS 39.
The following contracts, however, are subject to IFRS 4 – Insurance Contracts:
• all insurance contracts covering risks for the policyholder. This category includes contracts for personal risk, retirement, property damage and unit-linked products with a guaranteed minimum return;
• financial contracts issued by the insurance company that contain discretionary with-profits features.
In accordance with the provisions of IFRS 4, the rules for calculating technical reserves are those established by local standards for both these types of contracts.
The financial contracts subject to IAS 39 are investment contracts with no discretionary with-profits features: unit-linked investment contracts with no guaranteed minimum return.
In application of the "shadow accounting" policies established by IFRS 4, a provision for deferred profit-sharing is recorded for insurance contracts containing discretionary with-profits features. It is calculated in such a manner as to reflect the potential rights of the policyholder to any unrealised gains on financial instruments measured at fair value or their potential share of losses in the case of unrealised losses.
At each balance sheet date, the Group's insurance companies perform a sufficiency test, to verify whether the insurance liabilities recognised, net of deferred acquisition costs and related intangible assets, are sufficient in the light of current estimates of future cash flows from the insurance contracts and from the financial discretionary with-profits contracts.

• Technical and mathematical reserves

The technical reserves reflect commitments vis-à-vis policyholders.
The mathematical reserves on the contracts in euros reflect the difference in the present values of the obligations of the insurer and the policyholder.
The life insurance reserves are calculated using a discount rate no greater than the prudently estimated forecast rates of return on the assets allocated to their coverage.
Commitments are discounted using a discount rate no greater than the manual rate in the contract in question, and using the more conservative of either regulatory mortality tables or historical experience tables. The discount rate applied to future payments takes account of the impact of lower interest rates, where the manual rate is judged to be too high in comparison with the expected outlook for reinvestment returns.
Mathematical reserves on unit-linked contracts are measured based on the value of the assets used to cover these contracts. Any gains or losses resulting from the remeasurement of the latter are recognised in income, in order to offset the impact of the change in the technical reserves.

N. Bonds and other debt securities and derivatives used to manage bonds and other debt securities

Bonds and other debt securities are classified in the balance sheet under both "Medium and long-term bonds, other debt securities and other borrowings" and "Short-term bonds, other debt securities and other borrowings".

Bonds designated at fair value

As part of the Group's strategy to manage its bonds and other debt securities, some fixed-rate bonds are converted to "variable-rate bonds" via fixed rate receiver/variable rate payer swaps.
In accordance with IAS 39 and its "Fair value option" amendment, adopted by the European Union on 15 November 2005, bonds backed by "fixed/variable rate" swaps are recognised at fair value through profit or loss. The corresponding swaps are also measured at fair value through profit or loss, in accordance with the general rule for measuring derivatives set out in IAS 39.
Moreover, depending on market developments, the Group may refreeze the interest rates of some loans by subscribing for variable rate receiver/fixed rate payer swaps. These swaps are also measured at fair value through profit or loss.

Bonds measured at amortised cost

Bonds not backed by "fixed/variable rate" swaps are measured using the amortised cost method based on the effective interest rate (EIR).

Pre-hedge bond swaps

In some cases the La Poste Group subscribes for pre-hedge swaps to protect itself against a rise in rates. These cash flow hedging instruments are terminated when the bond is issued, which gives rise to the payment of an equalisation payment (payment made or received depending on the swap's situation). These payments are recognised in recyclable reserves as part of the application of the cash flow hedge, and then recycled in income over the life of the initially hedged loan, in accordance with the provisions of IAS 39 concerning termination of hedging relationships.

O. Commitments to buy out minority shareholders

In accordance with the provisions of IAS 32 – Financial Instruments: Disclosure and Presentation, the La Poste Group records a financial liability for put options given to minority shareholders of consolidated subsidiaries. When the value of the commitment exceeds the amount of minority interests, IFRSs do not specify how the consideration should be recognised.
Until 2007, the Group recognised this difference in additional goodwill, as the amounts involved were not material at 31 December 2007 (under €4 million).
In 2008, the La Poste Group elected to recognise the difference between the commitment and the value of the minority interests as an offset to equity (see changes in consolidated equity).

P. Inventories and work-in-progress

Inventories are measured at the lower of their cost or net realisable value. The net realisable value is the estimated selling price in the normal course of business, less the projected costs necessary to complete the sale.
Inventories are measured using the weighted average cost method, and include both the acquisition costs and the expenses incurred in bringing the inventories to their current location and condition.

Q. Trade receivables

When they are initially recognised, trade receivables on commercial activities are recorded at their face value, which corresponds in substance to the fair value of the receivables.
Provisions are calculated individually, based on an assessment of the risk of default.

R. Provisions

A provision is recorded where (i) at the balance sheet date in question the Group has a present obligation (legal or constructive) towards a third party as a result of a past event, (ii) it is likely that an outflow of resources embodying future economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation.
The provision is calculated on the basis of the Group's expectation of the expenditure required to settle the obligation, based on management data from the information system and assumptions made by the Group, supplemented, where necessary, by experience of similar transactions and, in some cases, by reports from independent experts or estimates from service providers. These various assumptions are reviewed at each balance sheet date.

Provisions for commitments on home savings products

Home savings accounts and plans offered to individuals in accordance with the French Act of 10 July 1965 comprise two phases: a first phase during which deposits are made by customers into interest-bearing accounts and a second phase where home loans are extended.
In accordance with the provisions of IAS 37, La Banque Postale records provisions for home savings related commitments with a negative impact. These provisions firstly concern the requirement to pay future interest on deposits for an undetermined period of time at a rate that is fixed when the contract is signed and secondly the extending of loans at a rate that is fixed at the time the contract is signed.
Provisions funded and reversed are included in banking operating income and expenses, within Net Banking Income.
These provisions are firstly calculated for each generation of home savings plans, without offsetting the commitments for the various generations of home savings plans, and secondly for all home savings accounts constituting the same unique generation.
In the savings phase, commitments that may require provisions are measured based on the difference between the average expected deposits and the minimum expected deposits, which are determined statistically based on historical observations of actual customer behaviour.
In the loan phase, commitments that may require provisions include loans outstanding but not yet due at the balance sheet date plus future loans considered as statistically likely based firstly on the deposits in the balance sheet at the calculation date and secondly on historical observations of actual customer behaviour.
A provision is recorded where the discounted projected future income is negative for a given generation.
This income is measured based on the rates offered to individuals for equivalent savings and financing instruments, consistent with the estimated residual maturity of the outstanding loans and the date they were put in place.
The Group's insurance companies set aside technical reserves, the principles of which are set out above in section M.5.

S. Pension plans and other employee benefits

La Poste's post-employment and long-term benefit obligations resulting from defined benefit plans, together with the related costs, are measured using the projected unit credit method, in accordance with IAS 19. An annual actuarial appraisal is carried out.
The calculations are based on external economic actuarial assumptions (discount rate, inflation rate, rate of pension increase, etc.) and assumptions specific to La Poste (employee turnover, mortality rate, rate of salary increase, etc.).
The provision recorded in the balance sheet for defined benefit post-employment plans corresponds to the present value of the obligation at the balance sheet date less, where appropriate, the market value of plan assets (GeoPost UK), both adjusted for actuarial gains and losses and unrecognised past service cost. The present value of the obligation is calculated annually using the projected unit credit method. It is determined by discounting expected future cash outflows based on a rate for high quality corporate bonds, denominated in the currency in which the benefit is paid and a residual maturity close to the estimated average residual maturity of the underlying obligation.
Actuarial gains and losses resulting from experience-based adjustments and the impact of changes to actuarial assumptions are recognised as income or expenses over the expected remaining average working life of employee beneficiaries of the plan, for the portion exceeding 10% of the higher of the present value of the obligation and the market value of the plan assets.
Past service costs, generated when a defined benefit plan is adopted or modified, are expensed on a straight-line basis over the average remaining period until employees' rights vest. To the extent that rights to benefits have already vested when a plan is adopted or modified, past service costs are immediately expensed.
Pension plans and other employee benefits are described in note 31 together with the main assumptions used.

S.1. Public servants

• Pension plan

The 2006 Amending Finance Act reformed pension funding for La Poste public servant employees, retroactive to 1 January 2006, as described in note 31 "Employee benefit obligations".
As part of the plan implemented in 2006, La Poste pays a full discharge employer contribution. As a result, no provision is recorded in the financial statements in respect of public servant pensions.
Until 2005, the Act of 2 July 1990 made La Poste responsible for reimbursing the cost of pensions granted to public servants working for La Poste in accordance with the French Civil and Military Pensions Code where payment and cover were provided by the French State.

• Early retirement plans

La Poste records a provision in respect of the costs of early retirement plans granted to its personnel. The calculation of this provision takes into account both persons who have signed up to one of the existing plans and those who are expected to sign up on the basis of observed take-up rates in previous years.

S.2. Contract employees

• Pension plan for contract employees of La Poste and the French subsidiaries of the La Poste Group

The pension plan for contract employees of La Poste and the Group's French companies is a defined contribution plan, funded by contributions to organisations that release the employer from any subsequent obligation, with the organisation undertaking to pay the employee the amounts accruing to him/her. Consequently, once contributions are paid, no liabilities or obligations are recognised in La Poste's Balance Sheet. The contributions paid to the organisations are expensed as incurred.

• Retirement benefits for contract employees of La Poste and the French subsidiaries of the La Poste Group

A provision for these obligations is recorded in the balance sheet, and calculated in the same way as explained above for the defined benefit plans.

• Pension plans for employees of the La Poste Group's foreign subsidiaries

A provision for these obligations is recorded in the balance sheet, and calculated in the same way as explained above, and primarily concerns the GeoPost UK subgroup.

T. Capital

As an independent state-owned company, La Poste does not have any share capital in the legal sense of the term. For accounting purposes, La Poste's equity at incorporation amounted to €1,219 million, representing the difference in value between its assets and liabilities.

U. Cash flow statement

In accordance with IAS 7, the La Poste Group prepares a cash flow statement, which presents the inflows and outflows of cash and cash equivalents classified under operating, investing or financing activities.
The format of the cash flow statement has been rearranged to allow for new needs arising from the establishment of La Banque Postale.
The cash flows relating to the banking operations are combined on a separate line in the cash flow statement ("Change in balance of banking sources and uses") in net cash generated by operating activities, including in particular:
• changes in customer deposits at the banking business;
• cash flows relating to banking business liabilities vis-à-vis banks, so long as these liabilities have not been taken on for the purpose of acquiring non-current assets;
• acquisitions and disposals of securities in the banking business investment portfolio;
• cash flows relating to banking business loans and advances;
• changes in fair value of banking business financial instruments;
• as well as the change in the cash position of the banking business, which is considered to be a temporary use of banking resources.

Operating activities are the main revenue generating activities and any other activities other than those defined as investing or financing activities.
Net cash generated by operating activities is determined using the indirect method whereby the share of profit of associates is adjusted for all non-cash transactions (net increases in depreciation, amortisation and provisions other than those relating to current assets, changes in deferred taxes and changes in operating working capital), deferrals or adjustments relating to past or future operating-related cash inflows or outflows and all income and expenses associated with cash flows relating to investing and financing activities.

Investing activities relate to the acquisition or disposal of non-current assets and any other investments not included in cash and cash equivalents.
The La Poste Group's cash flows from investing activities mainly consist of acquisitions or disposals of the following:
• intangible assets and property, plant and equipment, adjusted for non-cash transactions (accounts receivable or payable on non-current assets);
• equity interests in other companies;
• other non-current financial assets (guarantees and deposits, associate receivables, etc.).
The impact of changes in scope on cash flows is presented on a separate line "Impact of changes in scope".

Financing activities relate to transactions that affect the amount and make-up of debt and equity.
Net cash generated by (used in) financing activities includes sources of financing (new borrowings) and related outflows (distribution of dividends to minority shareholders, La Poste savings bond redemptions and debt repayments) other than those related to the banking operations of the La Banque Postale sub-group, which are included in "Change in balance of banking sources and uses" (see above).

Cash and cash equivalents include very short-term liquid investments that can be readily converted into known amounts of cash and subject to a negligible risk of changes in value.
The La Poste Group's cash and cash equivalents include cash in hand, bank debit balances and marketable securities that do not carry any material risk of changes in value and can be readily converted into cash (particularly money market funds (UCITS)) and the portion of bank credit balances and related interest accrued but not due relating to temporary overdrafts.
Regardless of their characteristics, securities in the "Banking business investment portfolio" are never classified as cash. The flows pertaining to them are included in the "Change in balance of banking sources and uses" line in the cash flow statement (see above).
Cash generated by the La Banque Postale subgroup is presented on a separate line in the balance sheet. Changes thereto are also reflected in the "Change in balance of banking sources and uses" line (see above).

Note 3: Events after the balance sheet date

In order to finance the Group's investments, La Poste carried out a 7-year €500 million bond issue in February 2009.

Note 4: Changes in the scope of consolidation

The La Poste Group's scope of consolidation is presented in the Appendix.

4.1. Main companies consolidated for the first time

BTB Mailflight (Mail segment)

In March 2008, the Group acquired 84.94% of the capital of the UK company BTB Mailflight Holding, generating €9 million in goodwill at 31 December 2008. This is a holding company with two companies: BTB Mailflight Ltd and Mailflight Courier Services Ltd. The BTB Mailflight group generated revenue of approximately €22 million in 2008.

Extelia (Mail segment)

In October 2008, the Group acquired 100% of the UK group Experian's French subsidiaries, which are specialised in the industrial processing of documents and data (business renamed Extelia), generating provisional goodwill of €88 million.

Sefas (Mail segment)

In October 2008, the Group acquired 51% of the Sefas group, a documentation software publisher with three separate entities in France, the UK and the US, generating provisional goodwill of €10 million.

4.2. Impact of acquisitions on the consolidated balance sheet

The acquisitions made during the year had the following impact on the Group's consolidated balance sheet at 31 December 2008:

(€ millions)	31/12/2008
Non-current assets	41
Current assets	122
Total assets	**162**
Non-current liabilities	(4)
Current liabilities	166
Total liabilities	**162**
Cost of business combinations	**145**
of which acquisition costs	5
Goodwill recognised upon acquisition	**118**
Goodwill recognised at balance sheet date	**117**
CASH ACQUIRED	**11**

4.3. Companies leaving the scope of consolidation

Europe Airpost (Mail segment)

In March 2008, the Group sold 97% of the shares in Europe Airpost (Mail segment) to Air Contractors. This disposal generated a consolidated gain of close to zero in the Group's consolidated financial statements. This subsidiary had been classified in assets held for sale at 31 December 2007.

Taxicolis (Express segment)

In July 2008, the Group sold 100% of the shares in Taxicolis to Flash Europe. This disposal generated a consolidated gain of €1.3 million in the Group's consolidated financial statements.

4.4. Income statement at constant scope and exchange rates

(€ millions)	Reported earnings		Restated earnings excluding impact of changes in scope and exchange rates	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Revenue and NBI	**20,829**	**20,778**	**20,729**	**20,508**
Purchases and other expenses	(6,178)	(5,939)	(6,124)	(5,833)
Employee benefit and payroll expenses	(12,606)	(12,592)	(12,563)	(12,508)
Taxes other than income taxes	(306)	(279)	(305)	(240)
Depreciation, amortisation and provisions	(813)	(697)	(814)	(676)
Other current operating income and expenses	(72)	2	(71)	2
Pre-tax gains and losses on asset disposals	32	33	32	34
Net operating expenses	**(19,943)**	**(19,472)**	**(19,845)**	**(19,221)**
OPERATING PROFIT	**886**	**1,306**	**883**	**1,287**

Note 5: Segment reporting

5.1. Levels of segment reporting

The primary segment reporting used by the La Poste Group is the business segment.

Primary segment reporting: business segments

The definition of segments for the purpose of segment reporting is based on the La Poste Group's current management organisation. A business segment is a distinguishable component for which separate financial information is available and regularly reviewed by Group Management for the purpose of allocating resources and assessing performance. The criteria used to define business segments notably include:
• the nature of products distributed;
• type or class of customer they are intended for;
• production processes and distribution networks;
• regulatory environment.
The La Poste Group has six business segments: Mail, Parcels, Express, Financial Services, Real estate, and the La Poste Retail Brand.

Mail

The Mail segment includes all of La Poste's Mail business (collection, sorting and delivery of letters, advertising and press publications), as well as the subsidiaries and associates of the Sofipost holding company.

Parcels

The Parcels segment corresponds to all of the business carried on by La Poste under the ColiPoste brand.

Express

The Express segment includes the GeoPost subgroup's brands, in particular DPD, Chronopost, Exapaq, Seur and Parceline.

Financial Services

The Financial Services segment includes the operations of the La Banque Postale subgroup.

La Poste Retail Brand

The La Poste Retail Brand encompasses the sale and distribution to the general public of the La Poste Group products and services as well as non-Group products.

Real estate

The Real estate segment manages all of the Group's real estate assets held by the Poste Immo subsidiary and also includes the activities of the La Poste parent company's real estate department.

Secondary segment reporting: geographical areas

The Group's operations are analysed on the following geographical basis:
• France;
• Rest of world.
Sales in France are broken down based on their final destination: domestic sales or export sales.

5.2. Primary segment reporting: business segments

The profits (losses), assets and liabilities that have been allocated to the business segments are those profits (losses), assets and liabilities that can be allocated directly and indirectly to business segments.
The amounts unallocated to the business segments consist primarily of head office functions and are identified in the "Unallocated" column of the segment reporting below. In particular, Group cash and debt are not allocated by segment.

Segmentation of revenue: the segmentation of La Poste's revenue between the Mail and Parcels businesses is based on accounting data and a statistical analysis of mail and parcel volumes transported and delivered by the two businesses.

Segmentation of operating expenses: given the fact, that the Mail, Parcels, Financial Services and La Poste Retail Brand segments coexist within La Poste and that their production processes are highly interlinked, La Poste has set out cost accounting principles in order to allocate shared costs between these various segments and thereby determine each segment's profit (loss).

La Poste's cost accounting system operates on the basis of the following principles:
• the main shared services of the Mail and Parcels segments (collection, sorting, transportation and delivery) are reinvoiced on the basis of a price per item or an overall fixed price;
• the expenses for the post office counters of the La Poste Retail Brand are reinvoiced to the businesses that use the network on the basis of service agreements, the pricing mechanisms of which are based on measurable operating metrics (revenue, statistics measuring the time required to perform various operations, etc.).

Segmentation of non-current assets: intangible and tangible assets are based on the allocation by business of the corresponding assets in La Poste's accounting system. Since 2005, all the real estate assets held by La Poste and the Poste Immo subgroup are allocated to the Real estate segment.

Presentation of the income statement by business segment

The main income statement line items break down as follows between various business segments:

At 31 December 2008

(€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Revenue and NBI – Non-Group	11,318	3,292	1,412	4,771	31	5	0		20,829
Revenue and NBI – Inter-segment	705	29	20	43	4,554	675		(6,026)	
OPERATING INCOME	**12,023**	**3,321**	**1,432**	**4,814**	**4,585**	**680**	**0**	**(6,026)**	**20,829**
CURRENT OPERATING PROFIT	**545**	**202**	**125**	**270**	**76**	**58**	**(390)**	**0**	**886**
Net finance income and expenses							**(368)**		**(368)**
Income tax							(120)		(120)
Share of profit of associates	0	6		131					137
Consolidated net profit for the year									**535**
Net depreciation and amortisation	(189)	(61)	(24)	(186)	(31)	(174)	(148)	0	(813)

At 31 December 2007 (pro forma)

(€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Revenue and NBI – Non-Group	11,530	3,171	1,330	4,712	29	6	0		20,778
Revenue and NBI – Inter-segment	735	27	19	32	4,692	653		(6,158)	
OPERATING INCOME	**12,265**	**3,198**	**1,349**	**4,744**	**4,721**	**659**		**(6,158)**	**20,778**
CURRENT OPERATING PROFIT	**807**	**203**	**108**	**512**	**37**	**43**	**(404)**	**0**	**1,306**
Net finance income and expenses							**(302)**		**(302)**
Income tax							(283)		(283)
Share of profit of associates		3		227					230
Consolidated net profit for the year									**951**
Net depreciation and amortisation	(140)	(61)	(21)	(117)	(19)	(178)	(161)		(697)

The pro forma income statement by business segment at 31 December 2007 includes the impact of the Group's decision in the first half of 2008 to allocate to the Group parent the component of the Regional Planning Network Contribution (CRAT – *Contribution du Réseau à l'Aménagement du Territoire*) supplementary to the accessibility obligation stemming from the postal universal service. This allocation represented an expense of €266 million in 2007 (including tax reduction – see note 10).

Presentation of the main balance sheet items by business segment

The main balance sheet items can be allocated to the various business segments as follows:

At 31 December 2008

ASSETS (€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Intangible assets and PP&E	1,141	1,581	120	632	113	3,839	585	(7)	8,005
Investments in associates	24	112	0	1,559	0	9		0	1,703
Other non-current assets	60	30	1	128	12	10	1,879	(1,661)	459
Current assets	1,823	600	156	109,567	913	537	1,392	(868)	114,120
TOTAL CONSOLIDATED ASSETS	3,048	2,323	277	111,887	1,038	4,395	3,856	(2,536)	124,287
Investments	454	104	43	160	31	373	293	0	1,459

EQUITY AND LIABILITIES (€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Equity							3,316		3,316
Bonds and financial debt (current and non-current)	224	819	1	0	5	517	7,636	(2,061)	7,141
Non-current liabilities	725	95	18	165	441	27	46	0	1,516
Current liabilities	2,059	529	175	104,685	605	187	4,598	(525)	112,314
TOTAL CONSOLIDATED EQUITY AND LIABILITIES	3,008	1,442	194	104,850	1,052	730	15,597	(2,586)	124,287

At 31 December 2007

ASSETS (€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Intangible assets and PP&E	877	1,649	99	617	97	3,817	587	(7)	7,736
Investments in associates	16	127	0	1,825	0	0		0	1,969
Other non-current assets	14	31	1	105	13	358	1,440	(1,689)	272
Current assets	1,776	689	151	116,861	1,023	405	851	(1,166)	120,589
TOTAL CONSOLIDATED ASSETS	2,683	2,496	250	119,408	1,133	4,581	2,878	(2,862)	130,566
Investments	287	262	30	238	38	378	248	0	1,482

EQUITY AND LIABILITIES (€ millions)	Mail	Express	Parcels	Financial Services	La Poste Retail Brand	Real estate	Unallocated	Consolidation adjustments	Group total
Equity							3,396		3,396
Bonds and financial debt (current and non-current)	106	917	2	0	3	696	6,648	(2,144)	6,228
Non-current liabilities	669	97	18	117	520	29	136	0	1,587
Current liabilities	1,926	608	169	112,404	553	174	4,298	(777)	119,355
TOTAL CONSOLIDATED EQUITY AND LIABILITIES	2,700	1,623	189	112,521	1,075	899	14,478	(2,921)	130,566

5.3. Secondary segment reporting: geographical areas

Revenue is broken down on the basis of the location of paying customers.
The segmentation of revenue generated in France between domestic and export sales is based on accounting data and statistical analysis.
The La Poste Group's net non-current assets have been broken down by geographical area based on the location of the legal entities that own the assets.

At 31 December 2008

(€ millions)	France	Rest of world	Total
Revenue from commercial activities	13,252	2,806	16,058
Net Banking Income	4,771	0	4,771
OPERATING INCOME	18,023	2,806	20,829
Segment-allocated assets	123,948	339	124,287
Investments	1,390	69	1,459

At 31 December 2007

(€ millions)	France	Rest of world	Total
Revenue from commercial activities	13,414	2,652	16,066
Net Banking Income	4,712	–	4,712
OPERATING INCOME	18,126	2,652	20,778
Segment-allocated assets	130,116	450	130,566
Investments	1,374	108	1,482

Notes to the income statement

Note 6: Revenue from commercial activities

La Poste Group's revenue from commercial activities is generated by the Mail (domestic and international), Express and Parcels segments as well as by the La Poste Retail Brand and the Real estate segment. It breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Mail revenue	11,318	11,530
o.w. domestic Mail services	*10,627*	*10,852*
o.w. international Mail services[1]	*691*	*678*
Express revenue	3,292	3,171
Parcels revenue	1,412	1,330
La Poste Retail Brand revenue	31	29
Real estate revenue	5	6
TOTAL	16,058	16,066

(1) Brokers Worldwide includes a "Discount sharing" business in which it acts as an intermediary between its customers and the US Postal Service (USPS), taking a margin on these transactions. The transactions associated with this business, which were not very material up to 2007, were up to then fully recognised under revenue and under purchases and other expenses.

Given the growth of this business, it was decided in 2008 to only recognise as revenue the margin accruing to Brokers Worldwide, in line with the recommended treatment under IAS 18 for agency arrangements. The 2007 comparative income statement was accordingly adjusted, resulting in a €42 million reduction in "International Mail revenue" and "Purchases and other expenses". There was no impact on operating profit or net profit for the year.

Domestic Mail services revenue breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Business and public sector mail	7,383	7,554
Mail franked at post office counters	2,090	2,140
Press contribution paid by the French government	242	242
Other Mail services	912	916
TOTAL	10,627	10,852

Business and public sector mail revenue was mainly comprised of revenue from franking machines and from the Postimpact, Postcontact, Destineo and Tem'post products.
The press contribution represents contractual payments by the French government to make up for the reduced tariffs granted to the press.
Other Mail services were comprised of:
• €291 million in La Poste income generated primarily on home service mail collection and delivery contracts (€171 million); and
• €621 million from Sofipost subsidiaries, mainly consisting of revenue generated by the following companies:
– Mediapost, the leader in unaddressed admail and a specialist in geo-marketing (€352 million),
– Dynapost, a specialist in the integrated processing of business mail (€49 million),
– Asphéria and Orsid, providers of electronic publishing solutions and industrial document processing (€83 million).

International Mail services revenue breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Mail franked at post office counters	136	139
Other international Mail services	555	539
TOTAL	691	678

Other international Mail services were comprised of:
• for La Poste, primarily €291 million in revenue generated from companies and public sector bodies (€291 million at 31 December 2007), and €180 million in terminal dues (€166 million at 31 December 2007). Terminal dues are payments received by La Poste for delivering mail from other countries in France. They are determined on the balance sheet date based on estimates of weight and number of items delivered known at that date;
• the revenue contributed by foreign subsidiaries, particularly the €81 million by the Brokers subsidiary (€118 million at 31 December 2007), which offers a range of services to major US dispatchers of international mail to Europe (collection, preparation, envelope stuffing, franking, addressing, etc.).

The €3,292 million in revenue in the **Express segment** at 31 December 2008 (€3,171 million at 31 December 2007) was wholly generated by the GeoPost subgroup.

(€ millions)	31/12/2008	31/12/2007
Express segment France	906	873
Express segment Rest of world	2,387	2,298
TOTAL	3,292	3,171

Revenue from the Parcels segment breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Parcels franked at post office counters	430	394
Other Parcels services	982	936
TOTAL	1,412	1,330

ColiPoste, the in-house operator of the La Poste parent company, provided the other Parcels services to businesses and public sector bodies.

La Poste Retail Brand revenue includes commission received on third-party sales (excluding Mail, Parcels and Financial Services) carried out at post office counters (such as phonecard sales) and on sales of miscellaneous products.

Real estate revenue relates to rentals to non-Group tenants.

Note 7: Net Banking Income

Group Net Banking Income breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Interest and related income	**5,070**	**4,810**
Interest and related income on treasury and interbank transactions	1,737	1,436
Interest and related income on customer transactions	1,154	1,119
Interest on available-for-sale financial assets and held to maturity investments and hedging transactions	2,179	2,255
Interest and related expenses	**(2,746)**	**(2,317)**
Interest and related expenses on treasury and interbank transactions	(687)	(484)
Interest and related expenses on customer transactions	(1,769)	(1,657)
Interest on debt securities and hedging transactions	(290)	(176)
Commission income	**1,846**	**1,853**
Commission expenses	**(203)**	**(207)**
Net gains and losses on financial instruments at fair value through profit or loss	**698**	**514**
Net gains and losses on available-for-sale assets	**48**	**24**
Margin on insurance activities	**47**	**44**
Income and expenses from other activities	**11**	**(9)**
TOTAL NET BANKING INCOME	**4,771**	**4,712**
Total income	8,045	7,489
Total expenses	(3,274)	(2,777)

Note 8: Purchases and other expenses

Purchases and other expenses break down as follows:

(€ millions)	31/12/2008	31/12/2007
External services and general contracting	1,214	1,095
Purchases	554	562
Mail and parcel freight costs[1]	2,555	2,384
International Mail delivery services	190	193
Rental expenses	568	527
Maintenance and repair costs	351	382
Telecommunications costs	171	232
Travel and assignments	182	187
Other expenses	393	377
TOTAL	6,178	5,939

(1) €42 million was deducted from "Mail and parcel freight costs" as well as from "Mail revenue" in the comparative income statement for 2007, in connection with the Brokers Worldwide discount sharing business (see note 6).

Note 9: Employee benefit and payroll expenses and number of employees

9.1. Employee benefit and payroll expenses

Employee benefit and payroll expenses break down by type of cost as follows:

(€ millions)	31/12/2008	31/12/2007
Wages and salaries, bonuses and allowances	8,425	8,352
Pension contributions	1,686	1,829
Other social security contributions	1,462	1,424
Employee welfare costs	188	172
Change in post-employment provisions	(56)	(63)
Change in other employee provisions	66	50
Remuneration-based taxes	835	828
TOTAL	12,606	12,592

Following the implementation of the new funding arrangements for the pensions of public servants posted to La Poste, the "Pension contributions" expense in respect of 2008 and 2007 included the full discharge contribution provided for by law.
The decrease in this contribution expense was due to the reduction in the contribution rate in 2008 as well as the lower number of public servants.

9.2. Average number of employees

Employee numbers break down as follows:

Full-time equivalent employees/annum	31/12/2008	31/12/2007
Public servants	152,287	162,297
Contract employees	143,455	136,713
TOTAL	295,742	299,010

Note 10: Taxes other than income taxes

Taxes other than income taxes break down as follows:

(€ millions)	31/12/2008	31/12/2007
Local taxes	140	136
Other taxes and levies	166	143
TOTAL	306	279

La Poste receives an 85% reduction on business and property tax bases in respect of business premises. This allowance, provided for under the Act of 2 July 1990, is in consideration for La Poste's obligation to serve all of France and to participate in regional planning. La Poste also receives a 70% allowance on the calculation of the minimum business tax contribution (article 1635 septies of the French General Tax Code).
The increase in other taxes and levies stemmed primarily from VAT income recognised in 2007 with respect to the increase in La Poste's VAT pro rata allowance. Nevertheless, the ability to recover deductible VAT is still limited by a 16% pro rata allowance.

Note 11: Depreciation, amortisation and provisions

Changes in depreciation, amortisation and provisions with an impact on operating profit break down as follows:

(€ millions)	31/12/2008	31/12/2007
Net depreciation and amortisation		
Intangible assets	(131)	(125)
Property, plant and equipment	(615)	(599)
TOTAL NET DEPRECIATION AND AMORTISATION	(746)	(724)
Provisions and net impairment		
Non-current assets	(1)	(3)
Inventories	4	1
Accounts receivable	(3)	5
Contingency and loss provisions	(67)	24
TOTAL PROVISIONS AND NET IMPAIRMENT	(67)	27
TOTAL DEPRECIATION, AMORTISATION AND PROVISIONS	(813)	(697)

A description of the changes in the depreciation, amortisation and impairment of non-current assets is provided in notes 16 and 17.
Notes 25 and 26 break down the changes in the impairment of inventories and accounts receivable.
Changes in contingency and loss provisions are described in note 29.

Note 12: Other current operating income and expenses

Other current operating income and expenses break down as follows:

(€ millions)	31/12/2008	31/12/2007
Self-constructed assets	71	63
Change in inventories	3	(4)
Losses on bad debts	(27)	(22)
Banking business risk cost	(112)	(18)
Fees paid	(14)	(12)
Other current operating income and expenses	7	(5)
TOTAL	(72)	2

Note 13: Net finance income and expenses

13.1. Net borrowing cost

(€ millions)	31/12/2008	31/12/2007
Interest expense on financing	(276)	(265)
Change in the fair value of borrowings and debt-related swaps	(53)	1
Income from cash and cash equivalents	40	24
TOTAL	(289)	(240)

13.2. Other finance items

Discounting expenses

(€ millions)	31/12/2008	31/12/2007
Provisions for post-employment benefits and return on hedging assets	(67)	(57)
Other provisions	(7)	(6)
TOTAL	(74)	(63)

Other finance income and expenses

(€ millions)	31/12/2008	31/12/2007
Net foreign exchange gains (losses)	(2)	0
Share of profit of associates	1	0
Increases and reversals of provisions	1	(3)
Other finance income and expenses	(5)	4
TOTAL	(5)	1

Note 14: Income tax

14.1. Income tax expense

Income tax expense recognised in income

The income tax expense breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Current income tax (expense)	(187)	(278)
Deferred tax income/(expense)	67	(5)
o.w.:		
Change in tax rates		
Use of prior tax losses	*4*	*7*
TOTAL TAX INCOME/(EXPENSE)	(120)	(283)

The current income tax expense represents the amount paid or payable in the short-term to the tax authorities in respect of the year, based on the rules prevailing in the various countries and in line with specific tax conventions.

Tax expense directly recognised in equity

Transactions deriving from current and deferred taxes recognised directly in equity are described below:

Amounts of deferred and current taxes

(€ millions)	31/12/2008	31/12/2007
Available-for-sale financial instruments (deferred taxes)	(33)	6
Available-for-sale financial instruments (current taxes)	51	28
TOTAL	18	34

The amount of taxes included in equity relating to available-for-sale financial instruments pertains to the tax relating to changes in the fair value of these instruments recognised in equity without passing through the income statement.

Basis for the tax expense

The basis for the tax expense breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Profit for the year Group share	529	943
Share of profit of associates	(137)	(230)
Income tax	120	283
Minority interest	6	9
Consolidated profit (loss) before tax and share of profit of associates	518	1,004
Theoretical tax expense	(178)	(346)
Tax loss carry-forwards applied for the year	13	5
Tax losses created during the year	(2)	(4)
Limitation and creation of deferred tax assets	20	22
Impact of the home ownership savings plan provision	15	21
Rate differential of foreign subsidiaries	11	
Dividend and other tax credits and foreign tax allowances	8	14
Income taxed at reduced rate	7	
Other items	(14)	5
ACTUAL TAX EXPENSE	(120)	(283)

14.2. Deferred tax recognised in the balance sheet

The change in deferred tax recognised in the balance sheet breaks down as follows:

(€ millions)	31/12/2007	Assets/ Liabilities held for sale	Impact on net profit for the year	Reclassi-fications	Impact on equity	Change in scope	31/12/2008
Deferred tax assets	24	0	70	(31)	(32)	7	38
Deferred tax liabilities	144	0	3	(34)	1	(1)	112
TOTAL	(120)	0	67	3	(33)	8	(75)

Assets net of tax are limited to each tax entity's ability to recover its assets in the near term.

14.3. Unrecognised deferred tax assets

	31/12/2008		
Nature and amounts of unrecognised deferred tax asset bases (€ millions)	French companies included in the La Poste tax consolidation group	French companies not included in tax consolidation	Foreign companies
Home ownership savings plan provision	196		
Other temporary differences	58		6
Ordinary tax losses		42	83
Post-employment benefits	817		
Financial instruments			
TOTAL	1,071	42	89

14.4. Changes in deferred tax during the period

(€ millions)	31/12/2008	31/12/2007
Deferred tax assets		
Temporary differences	253	160
of which:		
– Provisions for pensions and other post-employment benefits	*130*	*114*
– Other non-deductible provisions	*55*	*37*
– Other temporary differences	*21*	*9*
– Swaps and related transactions	*47*	*0*
Employee benefits	70	46
Tax loss carry-forwards	34	8
IAS 32-39 – Financial instruments	(34)	
Finance leases	2	
Other tax differences	(17)	3
Asset/liability set-off[1]	(270)	(193)
TOTAL ASSETS	**38**	**24**
Deferred tax liabilities		
Regulated provisions	48	32
Finance leases	8	8
Revaluation of contributions to Poste Immo	236	249
IAS 32-39 – Financial instruments	13	(7)
Non-current assets (IAS 16 restatements)	14	19
Cancellation of provisions not complying with IAS 37	(0)	8
Discounting of provisions	2	4
Deductible goodwill		17
Transfer to "Assets/liabilities held for sale"	0	(10)
Other tax differences	61	17
Asset/liability set-off[1]	(270)	(193)
TOTAL LIABILITIES	**112**	**144**

(1) The netting of deferred tax assets and liabilities is done by tax entity.

Notes to the balance sheet

Note 15: Goodwill

15.1. Breakdown of goodwill

(€ millions)	Segment	Net amount at 31/12/2008	Net amount at 31/12/2007
GeoPost Central Europe	Express	425	427
Exapaq	Express	334	334
GeoPost Spain	Express	209	209
GeoPost UK	Express	114	148
Extelia	Mail	88	
Orsid	Mail	22	22
Mediapost	Mail	15	8
DPD Laser Finance	Express	13	17
Sefas	Mail	10	
Brokers	Mail	9	12
BTB Mailflight	Mail	9	
La Banque Postale Asset Management	Financial Services	8	8
Chronopost International	Express	4	7
Other companies		11	9
TOTAL		**1,271**	**1,201**

15.2. Change in the net amount of goodwill

The change in the net amount of goodwill breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
OPENING BALANCE	**1,201**	**1,191**
Change in scope	119	27
Reclassification and other	(3)	1
Translation adjustments	(42)	(16)
Impairment	(4)	(2)
CLOSING BALANCE	**1,271**	**1,201**

Changes in goodwill over the period mainly stemmed from the following acquisitions:
- Extelia group, for €88 million;
- Sefas group, for €10 million;
- BTB Mailflight group, for €9 million.

Since the Extelia and Sefas groups were acquired at the end of the year, the allocation of goodwill resulting from these acquisitions was provisional as 31 December 2008. It will be finalised in 2009.
The increase recognised in 2007 was primarily due to the acquisition of Laser Logistics and of Seur Santander.

15.3. Impairment

The La Poste Group tests goodwill for impairment annually or more frequently if events or changes indicate that it may be impaired. This annual impairment test is carried out in the final quarter of each year.
All goodwill is wholly allocated to the following Cash Generating Units (CGUs):
- Mail segment: 1 CGU per subsidiary or subsidiary subgroup;
- Express segment: 1 CGU per geographic area, 1 CGU for the Exapaq group;
- Financial Services segment: 1 CGU per subsidiary.

This test involves comparing the net book value of the CGUs, including any goodwill, to their recoverable amount.

To determine the recoverable amount of a CGU, the Group applies the value in use method, which is based on the valuation of the discounted cash flows the CGU will generate in future years. This assessment reflects the most recent information that the Group has used for its internal planning and budget preparation

processes. It is also based on discount rates that reflect the CGU's credit profile and risk profile. This approach is supplemented by a valuation using the multiples method when sufficient data is available.
If the CGU's recoverable amount falls under its net book value, impairment is recognised and charged first to goodwill.
The main assumptions used for the Group's impairment tests in 2008 were as follows:

	Discount rate		Reference growth rate	Forecast horizon
	Eurozone	Other		
Mail segment	9.4% to 12.2%	8.2% to 9%	2%	3
Express segment	8%	7.9% to 13%	2%	3
Financial Services segment	8.6%	–	2%	3

For the year ended 31 December 2008, the Group recognised a €3 million impairment loss on goodwill in respect of Interattica (Greece), reducing its net value to zero.
For the year ended 31 December 2007, the Group had recognised a €2 million impairment loss on goodwill in respect of Interattica and Sélisa (France).
As for Exapaq, the value in use resulting from the impairment test is substantially equivalent to the net book value of its assets.
A one point increase in the discount rate would only have a material impact on the net book value of Exapaq's assets, potentially resulting in an additional impairment loss on these assets of approximately €60 million (subject to the valuation resulting from the application of the multiples method). It would not have any impact on the net book value of the assets of the other CGUs. In the case of GeoPost Spain, a one point increase in the discount rate would reduce the recoverable amount of this entity's assets to a level substantially identical to their carrying amount.
For its part, a half point reduction in the long term growth rate would only have a material impact on the net book value of Exapaq's assets, potentially resulting in an additional impairment loss on these assets of approximately €25 million but without impacting the other CGUs.

Note 16: Intangible assets

The change in intangible assets in 2008 was as follows:

Gross amount

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
BALANCE AT 31/12/2007	652	112	282	1,046
Acquisitions	93	80	20	193
Disposals	(20)	(8)	(20)	(48)
Change in scope	18	4	13	35
Transfers	(1)	(23)	25	1
Translation adjustments	(1)	0	(0)	(1)
BALANCE AT 31/12/2008	741	165	320	1,226

Amortisation and impairment

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
BALANCE AT 31/12/2007	(534)	NA	(123)	(657)
Amortisation for the year	(79)	0	(45)	(124)
Reversals on disposals	18	0	19	37
Change in scope	(15)	0	(10)	(25)
Transfers	0	0	(1)	(0)
Translation adjustments	1	0	0	1
BALANCE AT 31/12/2008	(609)	NA	(159)	(768)

Net amount

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
At 31/12/2007	118	112	159	389
At 31/12/2008	132	165	161	458

The transfers line represents the reclassification of non-current assets under construction within intangible assets.

The change in intangible assets in 2007 was as follows:

Gross amount

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
BALANCE AT 31/12/2006	593	146	208	947
Acquisitions	60	61	13	134
Disposals	(25)	(0)	(6)	(31)
Change in scope	(0)	0	0	(0)
Transfers	25	(95)	67	(3)
Translation adjustments	(1)	(0)	0	(1)
BALANCE AT 31/12/2007	652	112	282	1,046

Amortisation and impairment

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
BALANCE AT 31/12/2006	(472)	NA	(92)	(564)
Amortisation for the year	(86)	0	(38)	(124)
Reversals on disposals	22	0	8	30
Change in scope	(0)	0	(1)	(1)
Transfers	2	0	0	2
BALANCE AT 31/12/2007	(534)	NA	(123)	(657)

Net amount

(€ millions)	Software, patents and concessions	Intangible assets under construction	Other intangible assets	Total
At 31/12/2006	121	146	116	383
At 31/12/2007	118	112	159	389

Note 17: Property, plant and equipment

The change in property, plant and equipment in 2008 was as follows:

Gross amount

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
BALANCE AT 31/12/2007	4,148	1,730	745	2,210	638	9,471
Acquisitions	5	209	14	168	612	1,009
Disposals	(169)	(74)	(78)	(193)	(6)	(520)
Change in scope	0	5	0	48	0	53
Transfers	294	115	157	82	(676)	(28)
Translation adjustments	(25)	(9)	(8)	(10)	(5)	(57)
BALANCE AT 31/12/2008	4,253	1,976	831	2,305	563	9,928

Depreciation and impairment

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
BALANCE AT 31/12/2007	(392)	(1,014)	(326)	(1,593)	NA	(3,325)
Depreciation for the year	(149)	(161)	(83)	(231)	0	(624)
Impairment	2	0	0	0	0	2
Reversals on disposals	17	66	44	186	0	312
Change in scope	(0)	(5)	(0)	(38)	0	(43)
Transfers	9	(2)	(0)	(0)	0	7
Translation adjustments	4	6	2	7	0	20
BALANCE AT 31/12/2008	(510)	(1,109)	(363)	(1,669)	NA	(3,651)

Net amount

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
At 31/12/2007	3,756	716	419	617	638	6,146
At 31/12/2008	3,744	867	468	635	563	6,277
Of which finance leases						
At 31/12/2007	86	17				103
At 31/12/2008	86	19				105

The "Transfers" line firstly relates to the reclassification of non-current assets under construction within property, plant and equipment, and secondly to the reclassification of property, plant and equipment to the "Assets held for sale" item.
Acquisitions for the year were mainly related to the ongoing Mail Quality Project.

The main disposals for the year stemmed from:
• machinery scrapped as part of the programme to modernise the Mail industrial centres;
• Mail and Parcels centres sold to the Akatea TPF2 Real Estate Investment Trust for a gross amount of €100 million (see note 1.6);
• disposal of other properties for a gross amount of €33 million.

The change in property, plant and equipment in 2007 was as follows:

Gross amount

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
BALANCE AT 31/12/2006	3,892	1,532	861	2,045	720	9,050
Acquisitions	42	193	31	184	619	1,070
Disposals	(109)	(41)	(140)	(135)	(10)	(435)
Change in scope	3	1	4	(2)	(0)	6
Transfers	325	49	(9)	121	(686)	(199)
Translation adjustments	(6)	(4)	(3)	(4)	(5)	(21)
BALANCE AT 31/12/2007	4,148	1,730	745	2,210	638	9,471

Depreciation and impairment

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
BALANCE AT 31/12/2006	(276)	(915)	(425)	(1,506)	NA	(3,123)
Depreciation for the year	(141)	(131)	(98)	(228)	0	(598)
Impairment	(3)	0	0	0	0	(3)
Reversal of impairment	1	(0)	0	(0)	0	1
Reversals on disposals	27	35	86	126	0	274
Change in scope	(2)	(1)	(0)	1	0	(2)
Transfers	1	(4)	111	12	0	119
Translation adjustments	1	3	1	3	0	7
BALANCE AT 31/12/2007	(392)	(1,014)	(326)	(1,593)	NA	(3,325)

Net amount

(€ millions)	Land and buildings	Machinery and equipment	Vehicles	Other PP&E	Assets under construction	Total
At 31/12/2006	3,615	616	436	539	720	5,927
At 31/12/2007	3,756	716	419	617	638	6,146
Of which finance leases						
At 31/12/2006	102	16				118
At 31/12/2007	86	17				103

Note 18: Investments in associates (equity method)

18.1. Changes in investments in associates

(€ millions)	CNP Assur-ances	XAnge	Seur Interna-cional	Seur SA	OPCI Akatea	DPD Austria	Yurtici Kargo	Other	Total
BALANCE AT 31/12/2007	1,825	15	9	13	0	12	86	9	1,969
Share of profit (loss) of associates	131	0	0	1	(0)	1	5	(0)	138
Dividends paid	(83)	0	0	0	0	(1)	(5)	(0)	(90)
Net change in fair value of financial instruments and AFS securities	(291)	5	0	0	0	0	0	(5)	(291)
Change in scope	1	1	0	0	(0)	(0)	0	2	3
Capital increase	0	0	0	0	9	0	0	5	14
Translation adjustments	(23)	0	0	0	0	0	(17)	0	(40)
BALANCE AT 31/12/2008	1,559	21	9	14	9	12	69	11	1,703

18.2. Summary financial information for CNP Assurances under IFRS

The key financial indicators (at 100% and prior to consolidation adjustment) of CNP Assurances are presented below.

(€ millions)	31/12/2008	31/12/2007
Net revenue	26,291	43,157
Net profit (loss) for the year	814	1,379
Equity	10,600	11,972
TOTAL ASSETS	269,565	276,672

The fair value of the Group's investment in CNP Assurances at 31 December 2008, based on the market price at that date was €1,519 million.

Note 19: Other financial assets

(€ millions)	31/12/2008 Current	31/12/2008 Non-current	31/12/2007 Current	31/12/2007 Non-current
Unconsolidated investments		187		135
Provisions for unconsolidated investments		(18)		(19)
Deposits and guarantees paid	44	14	46	9
Derivatives	106	167	55	51
Social loans	1	95	1	97
Provisions for social loans	(0)	(36)	(0)	(36)
Other financial assets	3	15	3	14
Provisions for other financial assets	(0)	(4)	0	(3)
TOTAL	154	420	105	248

Unconsolidated investments (€169 million at 31December 2008):

31/12/2008 (€ millions)	Interest held (%)	Gross carrying amount of interest	Net carrying amount of interest
Crédit Logement	6.0	97	97
Mediapost Espagne (interest held)	51	14	14
Mediapost Espagne (option on minority interests)	49	18	18
Visa Inc.	ND	11	11
Thiriet Gestion	33.4	4	4
Easybourse	100	5	5
BMS Exploitation	13.3	9	0
Transactis	50.0	2	2
Ciloger	45.0	3	3
BMS Développement	9.6	2	0
Société Financière de Paiement	49.0	2	2
Europay	6.0	1	1
Europost Management Cie	99.1	1	1
SFPMEI	9.6	1	0
XAnge Private Equity	90.0	1	1
Other		13	7
TOTAL		187	169

A 51% interest in Mediapost Espagne was acquired at the very end of 2008. For practical reasons, it will only be consolidated in the Group's financial statements from 1 January 2009. La Poste Group also holds a call option over all minority interests in this company. This call option was recognised as a liability, offset in the "Unconsolidated investments" line.
The remaining unconsolidated investments wholly owned by the Group are dormant companies, companies in the process of being liquidated or companies with non-material balance sheets and income statements.

Deposits and guarantees (million at 31 December 2008):

This line mainly relates to security deposits paid in respect of financial instruments put in place to manage the bonds and other debt securities.

Derivatives (€273 million at 31 December 2008):

The "Derivatives" line represents instruments put in place to manage the interest rate and foreign exchange risks on the debt. They must thus be looked at together with "Bonds, other debt securities and other borrowings".

Social loans (net €60 million at 31 December 2008):

These loans are primarily comprised of loans to construction entities with very long-term maturities.

Note 20: Loans and advances to customers (banking business)

(€ millions)	31/12/2008	31/12/2007
Ordinary customer accounts – receivables[1]	263	154
Other customer loans	55	72
Non-performing loans	36	27
Interest and penalties on past due loans	0	6
Provisions	(23)	(17)
Sight loans and advances to customers	**331**	**242**
Short-term credit facilities	621	635
Home loans	27,549	23,218
Non-performing loans	92	80
Interest and penalties on past due loans	0	62
Provisions	(56)	(56)
Time loans and advances to customers	**28,243**	**23,939**
Securities equivalent to loans and advances to customers	**168**	**0**
TOTAL LOANS AND ADVANCES TO CUSTOMERS	**28,742**	**24,181**

(1) €43 million was reclassified from the balance of ordinary customer accounts – debit at 31 December 2007 to the other asset accrual accounts following changes in 2008 to the accounting treatment of pending transfers and debits at the balance sheet date.

This line is primarily comprised of home loans, which continue to grow. Short-term credit facilities primarily include sums owed on bank cards.
An analysis of the risk exposure on advances and loans to customers and write-offs is presented in note 37.4.2.
The "Securities equivalent to loans and advances to customers" line primarily relates to certain financial assets classified as "Available-for-sale" that were reclassified at 1 July 2008 under "Loans and receivables" in line with the IAS 39 amendment published in October 2008 (see note 38.4).

Note 21: Loans and advances to banks (banking business)

(€ millions)	31/12/2008	31/12/2007
Ordinary accounts – receivables	78	49
Overnight deposits and loans	903	0
Securities received under repurchase agreements	553	222
Interest and penalties on past due loans	0	5
Sight loans and advances to banks	**1,534**	**276**
Time loans and advances	14,693	16,065
Subordinated and participating loans	189	186
Interest and penalties on past due loans	0	45
Time loans and advances to banks	**14,882**	**16,296**
Securities equivalent to loans and advances to banks	**2,459**	**0**
TOTAL LOANS AND ADVANCES TO BANKS	**18,876**	**16,572**

Time loans and advances primarily include accounts opened at Caisse des Dépôts et Consignations in respect of the centralisation of regulated products, primarily the Livret d'Épargne Populaire savings product.
The "Securities equivalent to loans and advances to banks" primarily relates to certain financial assets classified as "Available-for-sale" that were reclassified at 1 July 2008 under "Loans and receivables" in line with the IAS 39 amendment published in October 2008 (see note 38.4).
An analysis of credit risks on loans and advances to banks is set out in note 37.4.1.d.

Note 22: Banking business investment portfolio

(€ millions)	31/12/2008	31/12/2007
Government securities and equivalent	34,476	34,675
Government securities and equivalent – related receivables	0	949
Bonds and other fixed-income securities	3,173	4,599
Bonds and other fixed-income securities – related receivables	0	127
Held to maturity investments	**37,649**	**40,350**
Government securities and equivalent	5,197	5,223
Bonds and other fixed-income securities	2,824	6,541
Shares and other variable-income securities	669	399
Unconsolidated investments	4	0
Available-for-sale financial assets	**8,694**	**12,163**
Bonds and other fixed-income securities	7,805	14,891
Shares and other variable-income securities	22	37
Financial assets held for trading	**7,827**	**14,928**
Government securities and equivalent	355	351
Shares and other variable-income securities	22	0
Financial assets designated at fair value through profit and loss	**377**	**351**
Interest rate derivatives	454	230
Share and index derivatives	17	0
Derivatives/Positive Fair Value	**471**	**230**
Revaluation adjustment on hedged portfolios (fair value hedging)	**148**	**317**
Financial assets at fair value through profit and loss	**8,675**	**15,509**
TOTAL BANKING BUSINESS INVESTMENT PORTFOLIO	**55,166**	**68,339**

The general accounting principles for banking business securities and derivatives are set out in notes 2.2.M.2. and M.3.
The fair value calculation methods for banking business financial instruments are set out in note 38.1.
Reclassifications of available-for-sale financial assets under loans and receivables in line with IAS 39 amendments published in October 2008 are presented in note 38.4.
An analysis of credit risks to the main items in the banking business investment portfolio is presented in note 37.4.1.

Note 23: Other banking business current financial assets

(€ millions)	31/12/2008	31/12/2007
Collectively managed Sustainable Development Savings Accounts	0	1,462
Deposits and guarantees paid	267	265
Other miscellaneous accounts receivable	486	304
Accrued income	448	536
OTHER BANKING FINANCIAL ASSETS	**1,201**	**2,567**

Collectively managed Sustainable Development Savings Accounts relate to Securities for Industrial Development subscribed from Caisse des Dépôts et Consignations in consideration for customer deposits. The portion of Sustainable Development Savings Accounts that legally had to be centralised was progressively cut in 2008, to zero in December 2008.
From 2009, an annual option will be given to banks offering Sustainable Development Savings Accounts providing them with a choice between a centralisation rate of 100% or zero.

Note 24: Banking business accruals

Banking business accruals are primarily comprised of retail customer transactions pending settlement.

24.1. Banking business asset accruals

(€ millions)	31/12/2008	31/12/2007
Prepaid expenses	21	16
Collection accounts	412	93
Settlement accounts for securities trading	6	12
Other asset accrual accounts[1]	2,630	2,119
TOTAL BANKING BUSINESS ASSET ACCRUALS	3,069	2,240

24.2. Banking business liability accruals

(€ millions)	31/12/2008	31/12/2007
Settlement accounts for securities trading	27	24
Other liability accrual accounts[1]	3,779	3,375
TOTAL BANKING BUSINESS LIABILITY ACCRUALS	3,806	3,399

(1) The balance at 31 December 2007 of "Other asset accrual accounts" (note 24.1) was subject to a reclassification for a total of –€2,394 million to offset the following items:
• under liabilities:
– "Other liability accrual accounts" for –€1,596 million (note 24.2),
– "Other liabilities to customers" for –€841 million (note 33);
• under assets:
– "Ordinary customer accounts – debit" for –€43 million (note 20).
These reclassifications were carried out to render the 2007 data comparable with 2008 data and were primarily due to changes in 2008 to the accounting treatment of pending transfers and debits at the balance sheet date.

Note 25: Inventories and work-in-progress

Changes in inventories and work-in-progress over the period break down as follows:

(€ millions)	31/12/2008			31/12/2007
	Gross amounts	Provisions	Net amounts	Net amounts
Inventories of raw materials and supplies	16	(0)	16	17
Goods inventories	3	(0)	3	3
Inventories of other supplies	101	(8)	94	85
Inventories of finished and semi-finished products	47	(0)	47	43
TOTAL	168	(8)	160	148

Inventories are primarily comprised of:
• spare parts for machinery; and
• finished products sold via the post office network (especially philatelic products).

Note 26: Trade receivables

(€ millions)	31/12/2008	31/12/2007
Advances and deposits paid	31	43
Trade receivables	1,684	1,640
Provisions on trade receivables	*(95)*	*(90)*
Accounts receivable for international Mail services	421	488
Other accounts receivable[1]	282	324
Provisions on other accounts receivable	*(2)*	*(14)*
TOTAL	2,321	2,391

(1) The balance of "Other accounts receivable" at 31 December 2007 was subject to a –€46 million reclassification from "Miscellaneous sums received pending allocation" to offset a reduction in "Trade payables" (see note 35).

Accounts receivable for international Mail services (€421 million) are primarily owed by foreign post offices for the delivery of their mail in France.
Likewise, trade and other payables include international Mail service payables of €452 million (see note 35) owed to foreign post offices for mail to be delivered outside France turned over by La Poste to these post offices for delivery.

Other accounts receivable at the end of December 2008 notably included:
• an €88 million recoverable VAT receivable vis-à-vis the State in respect of VAT credits for major property refurbishment work carried out in 2008;
• €31 million in receivables on disposals of tangible and intangible assets.

Note 27: Cash and cash equivalents

27.1. Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, bank balances and short-term investments in monetary instruments. These investments mature in less than three months, are readily convertible into a known amount of cash and are exposed to a negligible risk of a change in value.

(€ millions)	31/12/2008	31/12/2007
Marketable securities – cash and cash equivalents	988	176
Cash assets	241	151
Cash on hand	826	780
TOTAL CASH AND CASH EQUIVALENTS	2,055	1,107

Cash equivalents are primarily comprised of €430 million in negotiable debt securities (compared to €150 million at 31 December 2007) and €545 million in money market mutual funds (compared to €26 million at 31 December 2007).

27.2. Banking business cash and central bank deposits

(€ millions)	31/12/2008	31/12/2007
Cash on hand	212	191
Central banks	1,923	2,473
Central bank related receivables	4	4
TOTAL BANKING BUSINESS CASH AND CENTRAL BANK DEPOSITS	2,139	2,668

Note 28: Assets and liabilities held for sale

Assets held for sale at 31 December 2008 were comprised of miscellaneous properties committed for sale.
At 31 December 2007, Europe Airpost and miscellaneous properties had been classified under assets held for sale. Europe Airpost was included in the "Mail" segment for the purposes of the segment reporting presented in note 5. This company was disposed of in March 2008.

(€ millions)	31/12/2008		31/12/2007	
	Properties	Europe Airpost	Properties	Total
Goodwill				
Property, plant and equipment	64	82	63	145
Other non-current assets		2		2
Inventories and work-in-progress		14	–	14
Trade receivables				
Other current assets		13	–	13
Assets held for sale	**64**	**111**	**63**	**174**
Non-current liabilities		18		18
Trade and other payables		34		34
Other current liabilities		12		12
Liabilities held for sale		**64**		**64**
NET ASSETS HELD FOR SALE	**64**	**47**	**63**	**110**

Note 29: Contingency and loss provisions

At 31 December 2008, specific provisions for the insurance and banking businesses, classified as current contingency and loss provisions, broke down as follows:

(€ millions)	Home savings risk	Insurance technical reserves	Total risks specific to banking and insurance businesses
BALANCE AT 31/12/2007	**271**	**254**	**525**
Allowances for the period		305	305
Reversal for use	(25)	(250)	(275)
Reversal of provisions no longer required			
Discounting			
Other changes		(2)	(2)
BALANCE AT 31/12/2008	**246**	**307**	**553**

The provision for home savings risks is designed to cover the negative impact of home savings deposits for lending institutions authorised to accept them given the commitments they imply, namely:
- the obligation to pay interest on future savings at a rate set when the contract is signed and for an indefinite period; and
- the granting of loans at a rate that is also set when the contract is signed.

This provision was reversed for a net amount of €25 million for the period, with the reversal breaking down as follows:

Age	Deposits	Loans granted	2008 provisions	2007 provisions	Net changes
Over 10 years	5,998		98	29	69
4 to 10 years	9,462		21	14	7
Under 4 years	2,597		26	61	(35)
Total Home Ownership Savings Plans (PEL)	**18,057**	**423**	**145**	**104**	**41**
Total Home Savings Accounts (CEL)	**6,099**	**1,404**	**101**	**167**	**(66)**
TOTAL	**24,156**	**1,827**	**246**	**271**	**(25)**

In line with banking regulations, this provision reversal was recognised under Net Banking Income.
Insurance technical reserves reflect commitments vis-à-vis policyholders. They are determined in line with regulatory provisions.

At 31 December 2008, other contingency and loss provisions broke down as follows:

(€ millions)	Employee-related claims	Other disputes	Other	Total other provisions for contingencies and losses
Non-current provisions	**16**	**15**	**25**	**56**
Current provisions	**59**	**41**	**111**	**211**
BALANCE AT 31/12/2007	**75**	**56**	**136**	**267**
Allowances for the period	27	25	128	179
Reversal for use	(8)	(21)	(42)	(70)
Reversal of provisions no longer required	(33)	(10)	(6)	(48)
Discounting	2	1	2	5
Other changes	1	0	15	16
Non-current provisions	**16**	**10**	**33**	**59**
Current provisions	**48**	**42**	**201**	**291**
BALANCE AT 31/12/2008	**64**	**52**	**234**	**350**

Provisions for employee-related claims cover all employee disputes (industrial arbitration, etc.) and ongoing disputes with social security bodies.
The provisions for other disputes relate to disputes brought before administrative, civil or commercial courts.
A €70 million provision for contingency in respect of regulated savings was recognised for the period (under "Other"). This provision relates to penalties stemming from the audit of regulated savings products.

Note 30: Bonds, other debt securities and other borrowings

At 31 December 2008, bonds, other debt securities and other borrowings were comprised of the following items:

(€ millions)	31/12/2008		31/12/2007	
	Short-term	Medium- and long-term	Short-term	Medium- and long-term
Financial debt at amortised cost	**672**	**3,076**	**482**	**3,054**
Bonds	0	2,964	229	2,963
Finance leases	16	69	12	76
La Poste savings bonds	93		106	
Commercial paper	347		0	
Current bank facilities	29		53	
Deposits and guarantees received	175	25	62	0
Other borrowings at amortised cost	12	18	20	15
Borrowings at fair value	**452**	**2,791**	**16**	**2,537**
Bonds	401	2,727	0	2,493
Derivatives	51	64	16	44
Accrued interest not due	**150**		**139**	
MEDIUM- AND LONG-TERM BONDS, OTHER DEBT SECURITIES AND OTHER BORROWINGS (NON-CURRENT)		**5,867**		**5,591**
SHORT-TERM BONDS, OTHER DEBT SECURITIES AND OTHER BORROWINGS (CURRENT)	**1,274**		**637**	

Bonds, other debt securities and other borrowings mature as follows:

	< 1 year		Between 1 and 5 years		> 5 years		Total	
(€ millions)	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Financial debt at amortised cost								
Bonds		229	797		2,167	2,963	2,965	3,191
Finance leases	16	12	34	76	33		84	88
La Poste savings bonds	93	106					93	106
Commercial paper	347						347	
Current bank facilities	29	53					29	53
Deposits and guarantees received	175	62	2	0	23		199	62
Other borrowings at amortised cost	12	20	17	15	1		31	36
Borrowings at fair value								
Bonds	401		666	1,045	2,061	1,447	3,129	2,493
Derivatives	51	16		17	64	27	115	60
Accrued interest not due	**150**	**139**					**150**	**139**
TOTAL	**1,274**	**637**	**1,517**	**1,154**	**4,350**	**4,437**	**7,141**	**6,228**

Bonds

Outstanding bonds and other debt securities, excluding accrued interest, changed as follows in 2008:

(€ millions)	31/12/2007	Increase	Decrease	Other changes	31/12/2008
Borrowings at amortised cost	3,191		(229)	3	2,965
Borrowings at fair value	2,493	500		134	3,127
Bonds	**5,684**	**500**	**(229)**	**137**	**6,092**

In February 2008, the Group issued €500 million in 10-year bonds (debt classified as borrowings at fair value through profit or loss).
In addition, €228.7 million in bonds were redeemed in July 2008 (valued at €233.9 million at 31 December 2007, a debt that had been classified as borrowings at amortised cost).
Other changes primarily related to the change in fair value of borrowings at fair value through profit or loss. The fair value of derivatives backing these borrowings changed by a similar proportion.

At 31 December 2008, Group bonds with a face value of over €500 million broke down as follows:

Issue date	Maturity	Currency	Face value (in millions)	Nominal rate	Accounting treatment
1999	2011	Euro	625	5.750%	Fair value
2003	2023	Euro	580	4.375%	Fair value
2004	2019	Euro	580	4.750%	Amortised cost
2006	2013	Euro	800	4.000%	Amortised cost
2006	2021	Euro	1,000	4.250%	Amortised cost
2008	2018	Euro	500	4.500%	Fair value

At 31 December 2008, outstanding bonds and other debt securities broke down by rate type as follows:

(€ millions)	Debt structure before fixed/floating rate swaps		Impact of fixed/floating rate swaps	Debt structure after fixed/floating rate swaps	
	Amounts	%	Amounts	Amounts	%
Fixed-rate borrowings	6,092	100	(3,528)	2,564	42
Floating-rate borrowings		–	3,528	3,528	58
of which borrowings covered by repricing swaps (see note below)					*39*
TOTAL BORROWINGS	**6,092**	**100**	**0**	**6,092**	**100**

The fixed/floating rate swaps mentioned above are used to transform the fixed rate into a floating rate up to the redemption of the borrowings in question.
In addition, floating rate receiver/fixed-rate payer swaps are used to reprice a portion of floating-rate borrowings over short terms ranging from one to four years. At 31 December 2008, the portion of floating-rate borrowings covered by these "repricing" swaps amounted to €2,385 million, namely 39% of total borrowings. These borrowings are still shown on the "Floating rate borrowings" line.

At 31 December 2008, outstanding bonds and other debt securities broke down by currency as follows:

(€ millions)	Debt structure before currency swaps		Impact of currency swaps	Debt structure after currency swaps	
	Amounts	%	Amounts	Amounts	%
Euro	5,670	94	422	6,092	99
Pound sterling	243	4	(243)	–	0
Swiss franc	179	3	(179)	–	0
TOTAL	**6,092**	**100**	**–**	**6,092**	**100**

Bonds and other debt securities denominated in foreign currencies are backed by swaps that allow the exchange rate risk to be fully hedged.

Finance leases

Liabilities on finance-leased assets primarily involves real estate, sorting machines and TGV railway carriages.

La Poste savings bonds

This line represents La Poste's savings bond liabilities. All the bonds had matured by the end of 2008.

Commercial paper

La Poste continued to issue commercial paper in 2008 in order to establish its presence in the market.
In 2007, all commercial paper issues matured prior to 31 December 2007.

Deposits and guarantees paid

This line primarily relates to security deposits received in respect of financial instruments put in place to manage bonds and other debt securities.

Other borrowings at amortised cost

At 31 December 2008, this line primarily related to GeoPost.

Note 31: Employee benefit obligations

31.1. Changes in provisions

(€ millions)	31/12/2007							31/12/2008	
	Current	Non-current	Changes in scope	Increase	Reversal for use	Provision no longer required	Other changes	Current	Non-current
Post-employment benefits for La Poste's public servants	26	599		48	(35)			26	613
Retirement indemnities for the Group's contract employees	2	71	(0)	13	(3)		6	2	86
Pension plans for employees of foreign subsidiaries	(0)	43		3	(6)		(9)	0	30
Early retirement/post-employment plans	42	177		13	(45)			22	165
Total post-employment benefits	**70**	**890**	**(0)**	**77**	**(89)**		**(3)**	**50**	**894**
Early retirement/breach of contract plans[1]	123	269		149	(53)		(23)	168	297
Other indemnities for breach of contract	25	10		0	(0)			25	10
Total indemnities for breach of employment contract	**148**	**279**		**149**	**(53)**		**(23)**	**193**	**307**
Long-term sick leave/long-term paid leave	64	43		0	(8)		(0)	60	39
Accrued leave[1]		159		21			(6)	93	80
Other long-term benefits	16	13		2	(4)		(2)	2	24
Total other long-term benefits	**80**	**215**		**23**	**(12)**		**(8)**	**155**	**143**
TOTAL EMPLOYEE BENEFITS	**298**	**1,384**	**(0)**	**249**	**(155)**		**(34)**	**398**	**1,344**

(1) Provisions for early retirement/breach of contract and accrued leave had not in the past been discounted or adjusted for inflation since the impact was deemed immaterial and the duration of the commitments limited (three to five years). The steady increase in these provisions led the Group to reconsider this position at 31 December 2008 and to discount them. The impact at 31 December 2007 (€23 million before tax for the early retirement plans and €6 million before tax for accrued leave) was charged to equity at 1 January 2008. Since the discounting was the same at 31 December 2006 and at 31 December 2007, there was no impact on 2007 profit before tax.
In order to ensure the comparability of the income statements between the two years, €17 million in operating expenses was reclassified under finance expenses in the comparative income statement for 2007 (accretion expense representing the passage of a year).

31.2. Description of employee benefits

Post-employment and long-term benefits resulting from defined benefit plans as well as the related costs are measured using the projected unit credit method in line with IAS 19. Annual actuarial appraisals are carried out.
The calculations are done on the basis of external economic actuarial assumptions (discount rate, inflation rate, rate of pension increases, etc.) and assumptions specific to the La Poste Group (employee turnover, mortality, rate of salary increases, etc.).

A. Pension obligations in respect of La Poste's public servant employees

Article 150 of the 2006 Amending Finance Act, published in the official gazette (*Journal Officiel*) of 31 December 2006, sets out the pension funding plan for public servants working at La Poste. This plan changes the previous funding plan in order to progressively put La Poste onto a level playing field.
The reform implemented in December 2006, and approved by the European Commission in 2007, includes:
• the establishment of a full discharge employer pension contribution at 1 January 2006. This rate will be gradually reduced down to a so-called "level playing field" rate in 2010, namely a level that brings the mandatory salary-based social security and tax charges at La Poste to the level of other companies in the postal and banking sectors. For the 2006-2009 period, the Act establishes an additional rate (16.3% in 2006, 6.8% in 2007, 3.7% in 2008, 1.3% in 2009) that is added to the level playing field rate;
• the handing-over to the EPNFRLP (*Établissement Public National de Financement des Retraites de La Poste* – French State body for funding La Poste pensions), set up earlier by decree on 19 December 2006, of the task of centralising and distributing the flows of pension funding for La Poste's public servants between the French government, La Poste and any other relevant bodies. EPNFRLP is in fact responsible for negotiating the financial agreements provided for under title II, book II and title II, book IX of the French Social Security Code;
• payment by La Poste in 2006 of a one-time flat rate contribution of €2 billion to this public body.
With the implementation of this plan, and given the fully discharging nature of the employer contribution, no provision is recorded in La Poste's financial statements in respect of public servant retirement benefits.
The previous plan, set out in the Act of 2 July 1990, made La Poste responsible for reimbursing the cost of pensions granted to public servants working for La Poste in accordance with the French Civil and Military Pensions Code where payment and cover were provided by the State.

B. Post-employment benefits for La Poste's public servant employees

Obligations for other post-employment benefits include:
• employee welfare services provided to retired public servants, primarily including home help and holiday vouchers;
• a loyalty bonus granted to retired public servants who have their pension automatically paid into a La Banque Postale account;
• assistance granted to associations that provide services for retired public servants.

C. Retirement benefits for La Poste's contract employees and those of the Group's French subsidiaries

Employees retiring from the company and eligible for a pension receive retirement benefits, the amount of which is based on length of service and final salary.

D. Pension plans for employees of the Group's foreign subsidiaries

Pension obligations for the Group's foreign subsidiaries primarily relate to the GeoPost subgroup and the GeoPost UK subsidiary. GeoPost UK's obligations are partially covered by a pension fund.

E. Early retirement plans

Public servants, and in certain cases contract employees, may under certain circumstances benefit from the early retirement plans described below.

a) Phased early retirement plan

This plan, which was introduced by a French government order of 31 March 1982, covers all public servants. Under the terms of this plan, public servants who meet certain conditions are entitled to reduce their working hours in exchange for a proportionally less substantial salary cut.
The Fillon Act amended the eligibility conditions for this plan. In particular, the minimum age requirement, previously set at 55 and a half, was increased to 57 years from 1 January 2008.

b) Early retirement plan

This plan, set up by La Poste, is open to public servants having turned 59 who meet certain conditions relating to length of service. Employees who elect to take up this plan stop working completely while continuing to be paid until they turn 60.

c) Part-time plans

These plans have been set up by La Poste. They are occasionally offered to certain people who meet the relevant minimum age (public servants and contract employees), either on a one-off basis or as part of regional agreements linked to restructuring plans.

– Part-time consulting (PTC):

Employees eligible for the PTC plan reduce their working hours in exchange for a proportionately less substantial salary cut.
This plan is offered to employees who have turned 56, provided that is followed up by a part-time mentoring and consulting (PTMC) or a new part-time mentoring and consulting (NPTMC) plan (see definitions below) by the time they turn 58 and a half.
This shorter working time may involve the carrying out of training activities. It is up to the section head to decide the nature of activities and how they are organised (working system). The PTC plan is an irreversible arrangement, which must subsequently be accompanied by a PTMC or NPTMC plan.

– Part-time mentoring and consulting (PTMC):

Employees eligible for the PTMC plan can leave their operational position from the age of 57 and receive partial remuneration in return for remaining available for mentoring and/or consulting work.

- New part-time mentoring and consulting (NPTMC):

Employees eligible for the NPTMC plan can leave their operational position from the age of 58 and a half and receive partial remuneration in return for remaining available for mentoring and/or consulting work.

d) Plan introduced by La Poste's Employee Relations Commission on 22 December 2005, entitled Part-time early retirement (PTER)

This postal industry plan, initially in place until 31 December 2006, was extended in 2006 to 31 December 2008. It has been closed to new members since 1 January 2009 and accordingly this plan only covers those persons who signed up prior to that date.

This plan provides any public servant office worker meeting an age requirement and affected by restructuring measures with the possibility of retiring early. Under this plan, the employees undertake to work full-time for the first half of the period between joining the plan and their retirement date, for reduced remuneration. Over the second half of the period they stop working and receive remuneration at a reduced rate compared to their initial pay. When they retire they receive an early-retirement bonus.

This early retirement bonus plan was also available to employees who met the conditions for early retirement with respect to active service and who were affected by a restructuring plan.

e) Exemption from work (EGFA)

This system was set up by La Poste and is offered to certain public servants in active service who meet the age criteria and are affected by regional agreements linked to restructuring plans.

The employees concerned with fifteen years of active service and aged between 53 and a half and 55 years are exempted from work as from the age of 53 and a half, subject to their taking retirement from 55. Upon retiring at 55 the employees then receive an end-of-career bonus.

F. Other long-term benefits

These are remunerated leave plans:

• Accrued leave: a plan that allows employees to accrue part of their unused earned leave beyond the period for using earned paid leave. The provision for accrued leave represents the value of leave rights brought under this plan;

• Supplementary leave: additional leave and payment of travel costs for public servants who come from or work in French overseas departments. The provision covers these supplementary leave rights as well as these travel rights;

• Long-term sick leave and long-term paid leave: the provision for long-term sick leave and long-term paid leave is designed to cover the costs related to future periods of leave commenced at the balance sheet date. The provision is measured at every balance sheet date for each employee concerned, on the basis of future entitlements and expressed in the number of payable index points.

31.3. Actuarial assumptions

The actuarial assumptions used to measure employee benefit obligations are reviewed and updated annually at the annual balance sheet date.

An actuarial assessment of the commitments was carried out at the 2008 balance sheet date. These calculations incorporate the following assumptions:

• likelihood of retaining working personnel in the Group, mortality probabilities and estimates of future salary increases;

• retirement age assumptions of 60 or 61 for employees in French companies and retirement age assumptions for employees of foreign companies and employees governed by foreign collective bargaining agreements that take account of local economic and demographic factors;

• discount rates that are used to determine the present value of commitments. The discount rates used for actuarial appraisals in 2008, determined with reference to high quality corporate bonds, were as follows:

Term of commitments	5 years	10 years	15 years	20 years
Discount rate (Eurozone)	5.5%	5.3%	4.9%	5.2%
Discount rate (UK)	6.1%	5.8%	6.7%	6.8%

• the long-term return rate used for the funds invested to cover the GeoPost UK pension plan was 6.6% (6.1% at 31 December 2007);

• accounting treatment of actuarial gains and losses: to determine the pension expense for the period, the Group amortises the actuarial gains and losses where, at the beginning of the year, the net unrecognised actuarial gains and losses exceed 10% of the higher of the projected commitment and the market value of the plan assets.

31.4. Analysis of post-employment benefit obligations recognised in the balance sheet

The table below presents the change in the net commitment stemming from the Group's post-employment benefit plans and its reconciliation with the amounts recognised in the Group's financial statements at 31 December 2008 and 31 December 2007.

Valuation of and change in commitments

(€ millions)	31/12/2008	31/12/2007
Commitment at beginning of period	1,069	1,126
Service costs	30	29
Interest costs	52	47
Benefits paid	(86)	(93)
Actuarial (gain) loss	(122)	(26)
Foreign exchange gains (losses)	(31)	(13)
Other	–	(1)
Commitment at end of period	913	1,069
Unrecognised actuarial gains (losses)	106	3
Plan assets	(75)	(112)
NET LIABILITY IN THE BALANCE SHEET	944	960
o.w. non-current provision	894	890
o.w. current provision	50	70

Value of plan assets (GeoPost UK)

GeoPost UK's commitments are partly covered by a pension fund with an estimated value of €75 million at 31 December 2008 (€112 million at 31 December 2007), out of a total commitment of €98 million (€145 million at 31 December 2007).

31.5. Analysis of the post-employment benefit expense recognised in income

(€ millions)	31/12/2008	31/12/2007
Service costs	30	29
Interest costs	52	47
Expected return on assets	(6)	(7)
Amortisation of actuarial (gains) losses	3	1
EXPENSE FOR THE PERIOD	79	70

31.6. Expected cash outflows

The table below presents the benefits payable in future years in respect of defined-benefit post-employment benefits at 31 December 2008:

(€ millions)	Benefits paid
2009	42
2010	39
2011	40
2012	41
2013	42
2014 and later	709
TOTAL	913

Benefits paid correspond to Group cash outflows, except for the GeoPost UK pension plan, which is covered by a pension fund (benefits of approximately €4 million paid annually).

Note 32: Banking business liabilities to banks

(€ millions)	31/12/2008	31/12/2007
Ordinary accounts – credit	85	88
Other sums due	11	661
Liabilities to banks – sight	96	749
Securities given under repurchase agreements	7,894	14,571
Time deposits and loans	362	410
Accrued interest	0	106
Liabilities to banks – time	8,256	15,087
Security deposits received	329	28
Subordinated debt	501	501
Certificates of deposit	2,620	2,912
Debt securities	3,450	3,441
BANKING BUSINESS FINANCIAL DEBT	11,802	19,277

Securities given under repurchase agreements relate to interbank and related transactions. Subordinated debt corresponds to the La Banque Postale's bond issue of 12 December 2006. Time deposits and loans primarily relate to €188 million vis-à-vis Crédit Logement on La Banque Postale's books.

Banking business financial debt matures as follows:

	< 1 year		Between 1 and 5 years		> 5 years		Total	
(€ millions)	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Liabilities to banks – sight	96	749					96	749
Liabilities to banks – time	7,970	15,087	100		186		8,256	15,087
Debt securities	2,949	2,940			501	501	3,450	3,441
TOTAL	11,015	18,776	100	0	687	501	11,802	19,277

Note 33: Banking business liabilities to customers

This item primarily represents deposits by customers of the banking business plus accrued interest not due on these deposits.

(€ millions)	31/12/2008	31/12/2007
Home Ownership Savings Plans (PEL)	18,057	20,926
Home Savings Accounts (CEL)	6,099	6,244
PEP savings plans	799	937
LEP savings accounts	13,308	13,294
Sustainable Development Savings Accounts	3,953	3,051
Livret Jeune youth passbook accounts	1,190	1,165
Livret B (savings passbook)	2,836	3,204
Stock Savings Plan Liquidity Accounts (PEA)	250	373
Related liabilities	0	0
Other special accounts	1,479	0
Special savings accounts	**47,971**	**49,194**
Ordinary customer accounts – credit	40,467	39,711
Other sums due to customers(1)	268	670
Liabilities to customers – sight	**40,735**	**40,381**
Customer borrowings	390	0
Time deposits	1,669	1,338
Shares and securities given under repurchase agreements	0	168
Related liabilities	0	23
Liabilities to customers – time	**2,059**	**1,529**
TOTAL BANKING BUSINESS LIABILITIES TO CUSTOMERS	90,765	91,104

(1) At 31 December 2007, €841 million of the balance of "Other sums due to customers" was reclassified to offset "Asset accrual accounts" due to changes in 2008 to the accounting treatment of pending transfers and debits at the balance sheet date (see note 24).

Note 34: Other banking business financial liabilities

(€ millions)	31/12/2008	31/12/2007
Financial liabilities at fair value through profit or loss	271	129
Hedging derivatives	175	121
Other financial liabilities	42	21
TOTAL OTHER BANKING BUSINESS FINANCIAL LIABILITIES	488	271

The "Financial liabilities at fair value through profit or loss" represent interest rate derivatives.

Note 35: Trade and other payables

(€ millions)	31/12/2008	31/12/2007
Trade payables	1,015	955
Tax and employee-related payables	1,529	1,476
Accounts payable to non-current asset suppliers	286	316
Accounts payable for international Mail services(1)	459	508
Customer advances and deposits	184	198
Other operating payables	579	562
TOTAL	4,052	4,015

* The balance at 31 December 2007 was subject to a –€46 million reclassification from "Miscellaneous sums received pending allocation" to offset a reduction in "Trade receivables" (see note 26).
(1) International Mail services: see commentary in note 26.

Additional information

Note 36: Non-banking risks

La Poste takes a prudent approach to risk management based on a system of notional limits for each of the financial risks to which it is exposed as part of its financial activities. This system of limits is set down in a "Book of Limits" that is updated regularly based on changes in the activities of the Treasury and Financing Department and presented annually to the La Poste Audit Committee.

36.1. Credit risk

In the course of its financial activities, La Poste is primarily exposed to two types of credit risk:
• the risk of issuers defaulting on their investment securities; and
• the risk of its market counterparties defaulting.

La Poste's cash is invested in money market UCITS and Negotiable Debt Securities (NDS) with a minimum short-term rating of A2/P2. The credit risks are controlled by a system of limits representing the maximum nominal amount not to be exceeded per UCITS or issuer.
A second level of limits has been established to ensure optimal sector diversification of issuers, with investments in a given business sector not representing more than 30% of the whole NDS portfolio.
Moreover, in view of its activity in derivative markets, La Poste is exposed to a risk of its market counterparties defaulting. This risk is also controlled by a system of limits, which constitute absolute upper limits for risks from derivative portfolios.
The exposure with respect to these instruments is assessed through:
• a system of "equivalent lump-sum credit" depending on the face value of the transaction and the type of underlying instrument (interest rate, exchange rate, etc.); and
• a system of "market value + add-on" valuation.
The level of risk exposure being equal to the higher of the results of these two approaches.
Finally, the commitments vis-à-vis La Poste's counterparties are subject to systematic collateralisation agreements that reduce the default risk to the deductible.

36.2. Liquidity risk

The table below presents the contractual cash flows relating to non-derivative financial liabilities, as well as the contractual flows relating to debt management derivatives, whether they are presented as liabilities or assets. These flows are not discounted and their total may thus differ from the amount recognised in the balance sheet.

	Balance sheet	2009 flows		2010 flows		2011-2013 flows		Flows for 2014 and beyond	
(€ millions)	31/12/08	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Financial debt at amortised cost									
Bonds	2,964	131		131		392	800	699	2,180
Finance leases	85	5	5	5	5	16	16	16	16
La Poste savings bonds	93		93						
Commercial Paper	347		347						
Current bank facilities	29		29						
Deposits and guarantees received	200		200						
Other borrowings at amortisied cost	30		10		10		10		
Borrowings at fair value									
Bonds	3,128	141	400	125		302	625	502	1,898
Derivatives – liabilities	115	9		29		13		7	81
Derivatives – assets	(273)	(49)		(62)		(85)	(2)	(71)	(23)
TOTAL	**6,718**	**237**	**1,084**	**228**	**15**	**638**	**1,449**	**1,153**	**4,152**

36.3. Interest rate risk

Since 1999, La Poste has pursued an active management strategy for its bond debt based on using derivatives to reduce the coupon rate of its bonds. This dynamic management generates a unidirectional interest rate risk linked to an unfavourable change in the interest rate curve. The interest rate risk is controlled by a percentage limit representing the maximum cost over a four-year time frame of the bond debt. This limit, which is revised every year based on the duration of the bond debt, is monitored on a weekly basis.
The forecast debt cost is determined based on projected cash flows for all instruments used to manage the debt: borrowings and derivatives.
The cash flows from floating-rate coupons are assessed using a market tool that determines expected future coupons based on yield curves.

In order to anticipate the impact of a rise in interest rates, the cost of debt is simulated every week based on a parallel shift of 50 basis points in the yield curve. If the result of this test exceeds the authorised interest rate limit, preventive transactions are carried out to re-price the cost of the debt.

Sensitivity analysis

A uniform and instantaneous 50 basis point increase in the market yield curve would result in a €4.7 million increase in the Group's annual interest expense, after taking account of the debt management derivatives.

36.4. Foreign exchange risk

La Poste prudently assesses the foreign exchange risk by systematically hedging borrowings and investment securities denominated in foreign currencies via the implementation of currency swaps or forward purchases/sales.
At 31 December 2008 there were no foreign currency denominated investment securities. Certain bonds are denominated in pounds sterling and Swiss francs. These borrowings are wholly protected by a foreign exchange hedge, as presented in note 30.

Note 37: Banking risks

37.1. Risk control policy

The Risk Department (RD) is the entity responsible for continually managing and controlling La Banque Postale's risks. It reports directly to the Executive Board, which has fully empowered it to define and implement the system to control and monitor the institution's financial and operating risks.

The principles governing risk control and monitoring are described in the "Risk Control Policy". This document, drawn up by the Risk Department, is revised at least annually as part of a process involving the Executive Board and the Risk Committee for approval and the Audit Committee and Supervisory Board for information.

These major principles are then turned into operational limits that are periodically reviewed based in particular on changes to the business, the amount of equity and the economic situation. These limits are approved by the institution's Risk Committee, which is chaired by a member of the Executive Board.

The operational limits are calibrated so as to ensure the principles and overall limits in the risk control policy are respected, as are those provided for by regulation (especially major risks).

The RD is responsible for ensuring compliance with the resulting operational limits and reports on them to the Executive Board, notably via the Risk Committee, and to the Audit Committee pursuant to article 39 of amended CRBF regulation no. 97-02 on internal controls at credit institutions.

37.2. General organisation of La Banque Postale's Risk Department

The Risk Department, which had 52 members at the end of 2008, is comprised of three units:
• the Market and Counterparty Risk Unit, which covers all risks relating to financial market activities and asset and liability management;
• the Credit Risk Unit, which is responsible for controlling and monitoring default risks on loans and cash facilities the bank extends to its customers; and,
• the Operational Risks Unit, which is in charge of controlling and monitoring operational risks. It also houses the functions provided for under banking and financial regulations to ensure the continuity of operations and the security of information systems and payment facilities.
The RD's monitoring system covers the risks borne by La Banque Postale. However, this department may have occasion to centralise and analyse specific risk indicators for the subsidiaries.

37.3. Structural risk factors

The financial risks (excluding operational risks) included within the Risk Department's monitoring mandate are as follows:
- 37.3.1. Credit risk;
- 37.3.2. Counterparty risk;
- 37.3.3. Market risk;
- 37.3.4. Liquidity risk;
- 37.3.5. Overall interest rate risk.

37.3.1. Credit risk

As regards market activities, credit risk stems from interbank treasury transactions (deposits, loans and repurchase agreements) and the issuer risk on debt securities bought and sold by the trading room.
Before any investment, third parties are systematically rated and assigned an individual limit designed to limit the total amount of the commitment. If necessary, these individual levels may be supplemented by so-called group limits, covering exposures to a group of third parties deemed to be the same beneficiary for the purposes of article 3 of regulation no. 93-05.
At 31 December 2008, 231 third parties had been rated and authorised. Bearing in mind the applicable limits, they all had an internal rating of at least BBB+ at the time of the investment. However, two issuers had their ratings downgraded in 2008, one to BBB and another to BBB–. The exposure of La Banque Postale to the BBB-rated issuer was repaid in full in January 2009.

The individual limits are supplemented by a set of limits designed to control the risks of concentration on groups of counterparties classified based on their country of origin, their business sector and their internal rating. The Risk Committee may revise these diversification limits monthly.

As regards the retail banking activities, credit risk stems primarily from home loans and, to a lesser extent, overdrafts and cash facilities extended on customer accounts.

37.3.2. Counterparty risk

In the terminology used at La Banque Postale, the counterparty risk stems primarily from transactions using forwards.

These transactions, only carried out with banking counterparties, are systematically entered into as part of agreements that provide for a netting of exposures and the provision of collateral with regular margin calls.

At present, the collateral accepted by La Banque Postale is primarily comprised of cash. The residual risks, which are subject to a limit and periodical monitoring by the Market and Counterparty Risk Unit, are not very material.

37.3.3. Market risks

Even though La Banque Postale does not strictly speaking have a trading activity, it is exposed to market risks via its treasury management and Asset and Liability Management activities (portfolio of available-for-sale financial assets and hedging transactions).

The market portfolio, which groups together all transactions subject to market risks, includes not just the trading portfolio, as defined in articles 298 and 299 of the order of 20 February 2007 relating to capital requirements applicable to credit institutions and investment companies, but also banking portfolio transactions, including available-for-sale financial assets and some lending/borrowing transactions.

The risks of changes to this market portfolio, defined in La Banque Postale's risk control policy, are assessed through indicators of sensitivity and Value at Risk (99%, 1 day) plus crisis testing (stress tests).

This market portfolio is primarily exposed to risks of changes in interest rates and credit spreads and, to a lesser extent, stock markets and exchange rates.

The methods of calculating the VaR and the risk factors it covers are continually adjusted to take into account changes in the activities or products traded.

The relevance and reliability of the VaR model are estimated using an ex-post analysis to compare the daily changes in the portfolio value with the VaR.
This analysis is based on counting the number of overruns and a set of three tests designed to verify that various of the model's underlying assumptions are respected.

The crisis test set, comprised of 41 tests at the end of December 2008, incorporates historical events (11 September 2001 attacks, LTCM, etc.) and hypothetical tests calibrated based on a statistical analysis of changes in risk factors with the goal of simulating the worst case over a ten-year period.

This full set is run on a monthly basis and the results are presented every month to the Risk Committee and every six months to the Audit Committee.

37.3.4. Liquidity risk

Due to the accreditation limits laid down by the CECEI (French credit institutions and investment firms committee) (no business financing and loans to individuals limited to home loans), La Banque Postale's retail banking balance sheet presented, at 31 December 2008, a large resource surplus, with outstanding home loans only representing a quarter of the funds deposited by customers.

La Banque Postale is thus in principle not dependent on the market to meet its commitments. Nevertheless, it is exposed to a liquidity risk arising from the transformation of its resources, comprised mainly of sight deposits, into uses with scheduled due dates, either in the form of home loans or debt securities.

The amounts allocated to the portfolio of held to maturity investments are determined by applying a standard test, modelling the liabilities run off under different stress tests and, in particular, incorporating major sight deposit withdrawal scenarios.

The portion of resources not used for held to maturity investments or home loans can be used to build the portfolio of available-for-sale financial assets. These securities are in effect marketable and can be sold quickly if needed.

La Banque Postale's risk control policy defines two types of liquidity risk with two different monitoring approaches:
• tactical liquidity risk:
– relating to the institution's treasury management,
– an operational limit used to limit the Treasury Management Department's financing requirements. The amount and observation period are set by the Risk Committee ;
• structural liquidity risk:
– relating to changes in the structure of the bank's balance sheet,
– taking account of the run off assumptions approved by the ALM Committee,
– management of this risk is assigned to the ALM Committee in accordance with the principles and limits approved by the Risk Committee,
– measured today via the medium/long-term liquidity balance corresponding to a static run off of liabilities (via run-off assumptions) and assets. In the long-run the bank has ensured it will have the liquidity represented by the balance in view of a virtually certain confidence interval.

These two risks are controlled by two limits reviewed periodically by the ALM Committee.
In early 2008, the liquidity risk measurement methodology was revised to take account of the actual liquidity of assets and liabilities and the bank's refinancing capacity. This revision was meant to take account of the very liquid nature of the sovereign debt portfolio (for example convertible by the central bank) in respect of 50%, with however the introduction of limits designed to take account of the possible drying-up of the securities repurchasing market.

This methodological change was reflected in the resulting rise in surplus liquidity in the liquidity measurement indicator, a rise largely offset by an equivalent revision to the limits.

The run-off assumptions used to measure the structural liquidity risk involving the modelling of the run-off of undated liabilities, loans extended and recognised off balance sheet and taking account of the potential conversion of the sovereign debt portfolio (for example with the central bank).

The standard run-off assumptions relating to undated liabilities are revised at least once a year to bring them into line at least with changes in the volatility of the outstandings (behavioural changes…).

Loans extended and recognised off balance sheet are subject to a run-off based on a behavioural model that takes account of the offer transformation rate, withdrawals time frames and the life cycle of new loan generation.

Even if the framework implemented by the ALM Committee and the Risk Committee provides for prudent management of the liquidity risk, La Banque Postale has established diversified financing sources :
• a €10 billion certificates of deposit programme, of which the amount of securities issued varies between 30% and 40% of the programme, with the goal of maintaining La Banque Postale's presence in the short-term market;
• a €10 billion EMTN programme established at the end of 2006. €500 million in subordinated securities, eligible as additional equity, issued at the end of November 2006;
• access to the interbank market; and
• use of repurchase agreements in respect of the portfolio of held to maturity investments.
This portfolio is primarily comprised of high-quality sovereign securities that can be quickly converted.

37.3.5. Overall interest rate risk

The overall interest rate risk is measured on the total, comprised of the modelled retail banking business balance sheet (loans and deposits), portfolios of available-for-sale financial assets and held to maturity investments.

It is controlled by a limit designed to cap (at 15% of equity) the impact on the balance sheet's economic value of a 200 basis point interest rate shock, in line with the recommendations of the Basel Committee on measuring overall interest rate risk.

This indicator is systematically presented to the Risk Committee and the ALM Committee and every six months to the Audit Committee.

The interest rate risk is mainly hedged by purchasing fixed-income debt securities and, to a lesser extent, by implementing interest rate swaps that qualify for fair-value or cash-flow hedging under IFRS.

The carve-out swap portfolio from the macro hedge swap portfolio has not been substantial since the transition to IFRS.

37.4. La Banque Postale's risk exposure

La Banque Postale's exposure to the following risks is described below:
• 37.4.1. Credit risk (securities) on market transactions ;
• 37.4.2. Credit risk on customer transactions ;
• 37.4.3. Counterparty risk ;
• 37.4.4. Liquidity risk ;
• 37.4.5. Market risks ;
• 37.4.6. Overall interest rate risk.

37.4.1. Credit risk (securities) on market transactions

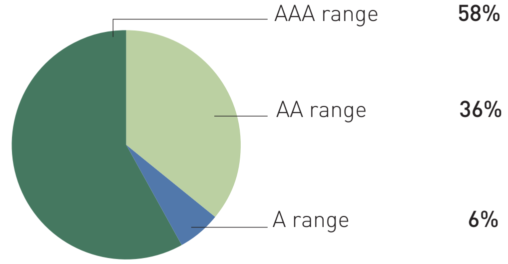
The credit risk on market transactions concerns the following assets:
a) Held to maturity investments;
b) Assets at fair value through profit or loss;
c) Available-for-sale assets;
d) Interbank deposit and repo transactions.

a) Held to maturity investments

These are very high-quality assets as can be seen from the following tables (in € millions).

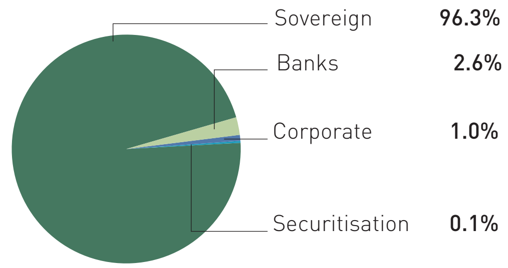
Rating	31/12/2008	31/12/2007
AAA range	21,829.15	25,067.11
AA range	13,635.27	13,639.13
A range	2,185.12	1,383.19
Other	–	260.88
TOTAL	**37,649.54**	**40,350.31**

Breakdown of outstandings at 31 December 2008



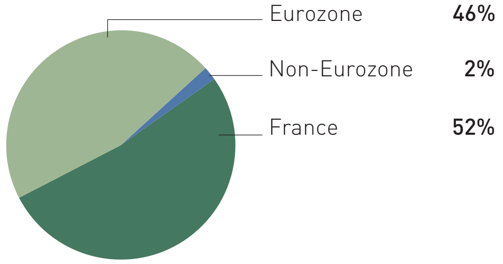
	31/12/2008	31/12/2007
Sovereign	36,267.08	37,875.54
Banks	965.03	1,809.24
Corporate	371.50	619.63
Securitisation	45.93	45.90
TOTAL	**37,649.54**	**40,350.31**

Breakdown of outstandings at 31 December 2008



	31/12/2008	31/12/2007
France	19,572.80	22,793.85
Eurozone	17,283.71	16,686.06
Non-Eurozone	793.02	870.40
TOTAL	37,649.54	40,350.31

Breakdown of outstandings at 31 December 2008



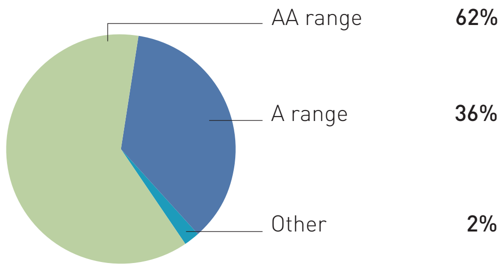
b) Financial assets at fair value through profit or loss

This line is primarily comprised of securities, as well as a non-material proportion of derivatives.

The securities classified in assets at fair value through profit or loss are very good quality, as can be seen from the tables below show (in € millions).

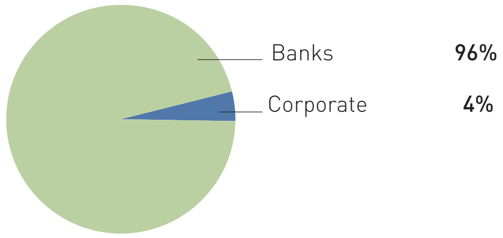
Rating	31/12/2008	31/12/2007
AAA range	–	120.53
AA range	4,870.62	12,829.71
A range	2,791.33	1,871.27
Other	139.87	65.16
TOTAL	7,801.82	14,886.67

Breakdown of outstandings at 31 December 2008



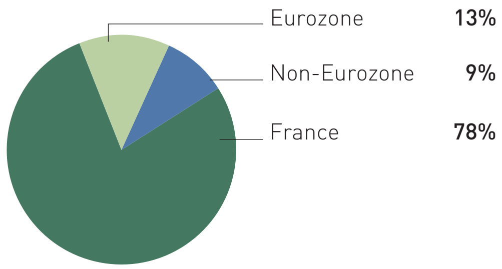
	31/12/2008	31/12/2007
Sovereign	–	101.23
Banks	7,515.45	14,463.42
Corporate	286.38	322.02
Securitisation	–	–
TOTAL	7,801.82	14,886.67

Breakdown of outstandings at 31 December 2008



	31/12/2008	31/12/2007
France	6,111.29	10,901.09
Eurozone	1,063.95	2,300.87
Non-Eurozone	626.58	1,684.71
TOTAL	7,801.82	14,886.67

Breakdown of outstandings at 31 December 2008



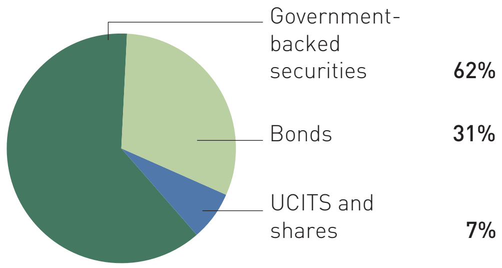
Financial assets at fair value through profit or loss also included a €354.3 million exposure to French government TEC10 bonds at the end of 2008, compared to €348.9 million at the end of 2007. In addition, they contained €22.5 million invested in funds under mandate.

The risks on forwards are detailed in section 37.4.3. on counterparty risk.

c) Available-for-sale financial assets

La Banque Postale's outstanding securities under this line break down as follows:

Breakdown of outstandings at 31 December 2008

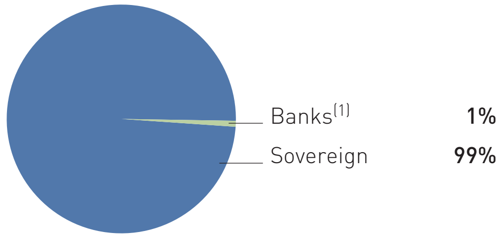


Government-backed securities break down as follows (in € millions):

	31/12/2008	31/12/2007
Sovereign	5,162.68	5,088.32
Bank[1]	33.71	34.47
TOTAL	5,196.39	5,122.79

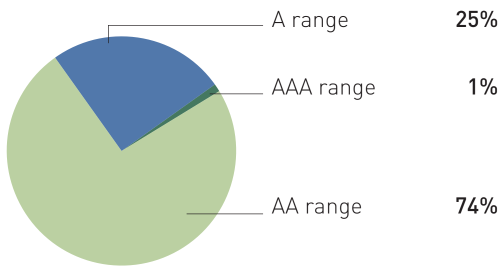
(1) Corresponds to the IBRD (International Bank for Reconstruction and Development).

Breakdown of outstandings at 31 December 2008



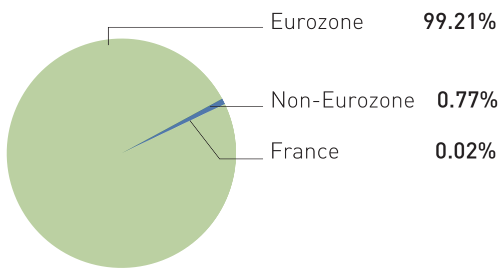
Rating	31/12/2008	31/12/2007
AAA range	34.83	676.54
AA range	3,868.14	3,256.02
A range	1,293.43	1,190.23
TOTAL	5,196.39	5,122.79

Breakdown of outstandings at 31 December 2008



	31/12/2008	31/12/2007
France	1.12	529.68
Eurozone	5,155.25	4,552.43
Non-Eurozone	40.02	40.68
TOTAL	5,196.39	5,122.79

Breakdown of outstandings at 31 December 2008

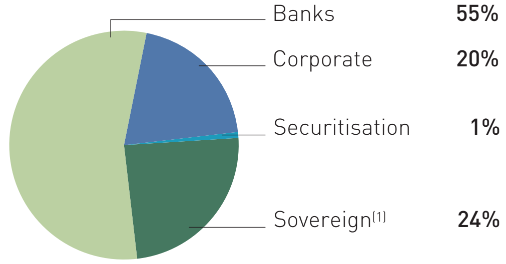


Bonds break down as below (figures show redemption value in € millions):

	31/12/2008	31/12/2007
Sovereign[1]	616.51	20.68
Banks	1,394.26	5,220.60
Corporate	510.13	778.20
Securitisation	14.05	197.68
TOTAL	2,534.95	6,217.16

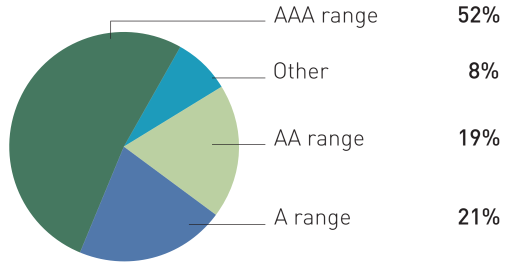
(1) Mainly corresponds to Société de Financement de l'Économie Française (French financing corporation).

Breakdown of outstandings at 31 December 2008



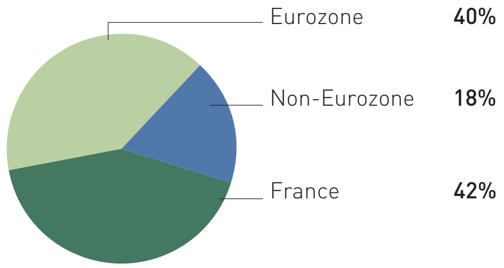
Rating	31/12/2008	31/12/2007
AAA range	1,332.44	1,377.39
AA range	474.79	2,956.60
A range	528.83	1,705.99
Other	198.89	177.18
TOTAL	2,534.95	6,217.16

Breakdown of outstandings at 31 December 2008



	31/12/2008	31/12/2007
France	1,055.74	2,830.23
Eurozone	1,013.13	2,284.33
Non-Eurozone	466.08	1,102.60
TOTAL	2,534.95	6,217.16

Breakdown of outstandings at 31 December 2008



d) Interbank deposit and repo transactions

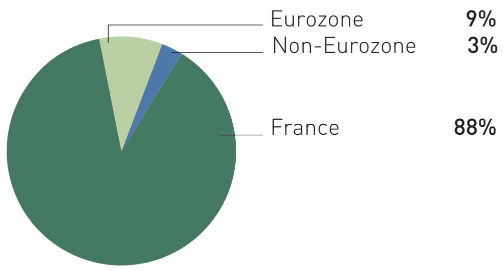
In the normal course of its business, La Banque Postale enters into interbank transactions (both deposits and securities borrowing/lending).

Deposits

The counterparty risk relating to interbank deposits is managed in the same way as issuer risk (these transactions are subject to individual, group and diversification limits).
At the end of December 2008, La Banque Postale had €2,263 million in interbank deposits, including €1,461 million at less than three months and €802 million between three months and one year.
In addition, La Banque Postale had €2,069 million in deposits that mature in one to eleven years. These are deposits made as part of the investment of customer deposits in Sustainable Development Savings Accounts. The interbank deposits at over a year have only been made with French banks rated A or above.
The breakdown of these outstandings is as follows (in € millions):

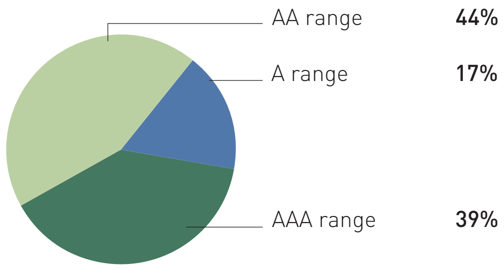
	31/12/2008	31/12/2007
France	3,821.07	3,104.36
Eurozone	407.03	1,514.40
Non-Eurozone	103.73	201.28
TOTAL	4,331.83	4,820.04

Breakdown of outstandings at 31 December 2008



Rating	31/12/2008	31/12/2007
AAA range	1,675.80	518.65
AA range	1,925.89	3,236.03
A range	730.14	1,065.36
TOTAL	4,331.83	4,820.04

Breakdown of outstandings at 31 December 2008



Repo

The counterparty risk on security lending/repurchase transactions is limited by the fact that La Banque Postale only works with leading banks with which it has signed a netting and collateral agreement.
As a result, security lending and repurchase transactions only carried a counterparty risk of €1.4 million at 31 December 2008. This was with three banks, including two in France and one elsewhere in the eurozone. These three counterparties are rated in the AA range.

Specific update on bank exposure

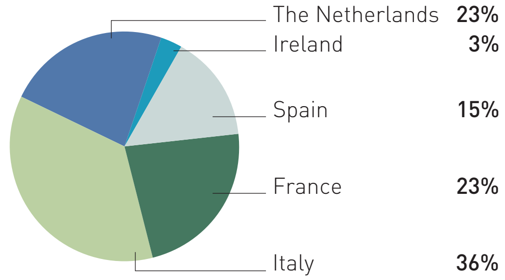
La Banque Postale has a €16.4 billion exposure to banking entities. Several aspects should be highlighted:
• close to 75% of this exposure involves banking entities located in France;
• almost 90% of this exposure involves banking entities in the Eurozone;
• more than 70% of this bank exposure matures in less than a year;
• in excess of 42% of this bank exposure matures in less than three months.

Specific update on securitisation

La Banque Postale has a €164.86 million exposure on securitisation. La Banque Postale has not made any investments in this asset class and the securitisation on its balance sheet at 31 December 2008 was contributed to it upon its establishment. This securitisation portfolio is currently being run-down.
All the tranches on which La Banque Postale is exposed are in the AAA range. Only one €4.7 million tranche was rated A by Standard & Poor's and Baa1 by Moody's at 31 December 2008. These external ratings do not reflect a possible deterioration in the quality of the underlying and only take into account the fact that this securitisation is guaranteed by a monoline insurer. The A and Baa1 external ratings are those of the insurer in question.
At 31 December 2008, La Banque Postale was not aware of any significant possible deterioration in the credit quality of underlyings in its securitisation portfolio.

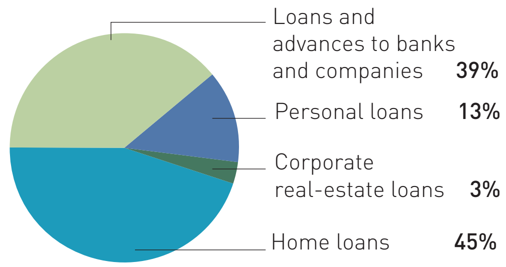
The geographic breakdown of La Banque Postale's securitisation is as follows:

Breakdown of outstandings at 31 December 2008



La Banque Postale does not have any securitisation of receivables in the US but rather only a number of Eurozone countries. Almost a quarter of this exposure corresponds to receivables originated in France.
The breakdown of the securitisation outstandings by underlying asset class is as follows:

Breakdown of outstandings at 31 December 2008



The largest proportion of outstandings is comprised of home loans to individuals.

37.4.2. Credit risk on customer transactions

a) Description of risks

Credit risk is defined in amended CRBF regulation no. 97-02 as the risk incurred in the event of the default of a counterparty or counterparties considered as the same beneficiary for the purposes of banking regulations.
The following transactions are concerned at La Banque Postale:
• **home loans to individuals** to finance bank customer primary residences, secondary residences and rental properties. In 2008, three new types of home loans were issued:
– loans with principal repayment upon maturity,
– full bridging loans with repayment of the principal and accumulated interest in the final monthly instalment or when the asset is sold,
– real estate loans to real estate investment trusts (Sociétés Civiles Immobilières), whether family-based or not, controlled by private individuals with the main goal of managing their private wealth;
• **overdrafts on sight accounts,** including **cash facilities** to legal entities for retail customers. At present, the organisation in effect for this latter business is very similar to the one that has traditionally existed for individual customers;
• **consumer loans** to employees of La Poste and its subsidiaries;
• **social micro-credits.** These are consumer loans reserved for private individuals who cannot get a loan at market terms within the banking system: workers in precarious situations, people of limited means, jobseekers, those on the social/occupational integration minimum income, recipients of income support, students, trainees, etc.
Outstanding home loans, the main retail banking business, rose very substantially in 2008 (+18.23%) to €27.5 billion in the balance sheet at 31 December 2008.
Commercial coverage of all of France provides a considerable level of geographical risk diversification. In addition, thanks to the very large number of counterparties there is no concentration risk.
La Banque Postale also faces risks associated with the distribution and management of outstanding loans. Furthermore, it implements risk selection, measurement, tracking and monitoring mechanisms designed to ensure the effectiveness of the retail banking credit risk activities.

b) System implemented by La Banque Postale

The main measures and provisions are designed to:
• define the standards, procedures and tools necessary for risk management;
• coordinate the roll-out of these rules and tools to the entities concerned;
• monitor that these rules are properly implemented and correctly applied in the various entities.

The main principles of the credit risk management policy are set out in the "La Banque Postale Risk Control Policy": rules and procedures for extending, committing and managing out-of-court settlements and lawsuits. These various rules are presented to the Risk Committee for approval and the Audit Committee for reference.
The Risk Department is responsible for credit risk activities. It proposes national rules to ring-fence the risk taken on, particularly the rules governing commitments and the extending of loans. For this purpose, it works with the Marketing Department and Commercial Department when necessary.
With respect to the risks generated, the Risk Unit is responsible for the rules relating to recovery in liaison with the Legal Department and for those relating to provisioning for receivables in liaison with the Accounting Department.
Beyond the limits of its own authority, it has these principles approved by the Risk Committee or the Executive Board at the request of the chair of the Risk Committee.
Following approval, the Risk Department ensures the implementation and monitors the proper application of these rules throughout the credit process.
In accordance with regulation 97-02, the Risk Department ensures the establishment of risk monitoring mechanisms and coordinates all mechanisms involved in risk activities.
It primarily relies on the controllers at the financial back office centres (Internal Control and Compliance Manager and the Internal Accounting and Financial Control Manager) of which some are specialised in credit risk control, coordinated via the Risk Department by the Operational Risk and Internal Control Department.

It also defines the credit risk monitoring indicators, analyses developments and reports on them to the monthly Risk Committee meetings.
Since this involves a risk management system, it relies on a network of contacts at the financial back office centres.
Each contact is the operational point for the Risk Department within her entity.
As operational point, the Risk Department contact must ensure that risk-related business alerts are passed up.
The contacts regularly participate in meetings organised by the Risk Department with a view to directly discussing business-related issues and identified areas for improvement.

c) Exposure in respect of 2008 and 2007

Note : The items relating to credit risk on customer transactions that are generated from management data do not include the transaction costs directly related to extending loans, considered for accounting purposes as an integral part of the return on the loan.

FY 2008

(€ millions)	Gross balance sheet 31/12/2008		Gross off-balance sheet 31/12/2008		Total exposure 31/12/2008	
	Outstandings	% total exp.	Outstandings	% total exp.	Outstandings	% total
Home loans	27,511	93	2,109	7	29,620	81
Consumer loans	74	94	5	6	78	0
Accrued interest	72	100	0	0	72	0
Social home loans	1	100	0	0	1	0
Overdrafts and cash facilities	413	7	5,700	93	6,113	17
Deferred payment cards	547	100	0	0	547	2
Money orders	28	100	0	0	28	0
Stock market savings	1	100	0	0	1	0
TOTAL	**28,646**	**79**	**7,813**	**21**	**36,458**	**100**

FY 2007

(€ millions)	Gross balance sheet 31/12/2007		Gross off-balance sheet 31/12/2007		Total exposure 31/12/2007	
	Outstandings	% total	Outstandings	% total	Outstandings	% total
Home loans	23,218	92	1,995	8	25 213	79
Consumer loans	63	93	4	7	67	0
Accrued interest	57	100	0	0	57	0
Social home loans	1	100	0	0	1	0
Overdrafts and cash facilities	410	8	5,299	92	5 709	18
Deferred payment cards	513	100	0	0	513	2
Money orders	33	100	0	0	33	0
Stock market savings	1	100	0	0	1	0
TOTAL	**24,297**	**77**	**7,298**	**23**	**31,595**	**100**

At the end of 2008, outstanding home loans accounted for 81% of the outstanding loan commitments (compared to 79% at the end of 2007). This change stemmed from the increase in outstanding home loans, which rose from €23.2 billion at the end of 2007 to €27.5 billion at the end of 2008.
Most of the off-balance sheet amount is made up of sight account overdraft authorisations.
The €2.1 billion in off-balance sheet real estate loans accounted for 7% of the total home loan exposure.
Consumer credit balances cover the loans to La Poste Group employees and social microcredits.
The second of these amounted to €102 thousand, spread across 55 loans.

d) Exposure to credit risks on customer transactions

The following items are described below:
d.1) Maximum exposure to risks at the balance sheet date;
d.2) Guarantees obtained;
d.3) Credit quality of financial assets not in default or written down;
d.4) Financial assets in default but not written down;
d.5) Analysis of assets written down individually.

d.1) Maximum risk exposure at the balance sheet date

FY 2008

	Sound outstandings		Gross recoverable non-performing outstandings		Gross unrecoverable non-performing outstandings		Gross balance sheet at 31/12/2008		Gross off-balance sheet at 31/12/2008	
(€ millions)	Outstan-dings	% BS	Outstan-dings	% BS	Outstan-dings	% BS	Outstan-dings	% total BS	Outstan-dings	% total OBS
Home loans	27,448	100	39	0	24	0	27,511	96	2,109	27
Consumer loans	73	100	0	0	0	0	74	0	5	0
Accrued interest	71	100	0	0	0	0	72	0	0	0
Social home loans	0	70	0	23	0	7	1	0	0	0
Overdrafts and cash facilities	377	91	15	4	22	5	413	1	5,700	73
Deferred payment cards	547	100	0	0	0	0	547	2	0	0
Money orders	0	0	0	0	28	100	28	0	0	0
Stock market savings	0	0	1	100	0	0	1	0	0	0
TOTAL	**28,517**	**100**	**55**	**0**	**74**	**0**	**28,646**	**100**	**7,813**	**100**

FY 2007

	Sound outstandings		Gross recoverable non-performing outstandings		Gross unrecoverable non-performing outstandings		Gross balance sheet at 31/12/2007		Gross off-balance sheet at 31/12/2007	
(€ millions)	Outstan-dings	% BS	Outstan-dings	% BS	Outstan-dings	% BS	Outstan-dings	% total BS	Outstan-dings	% total OBS
Home loans	23,168	100	27	0	23	0	23,218	95	1,995	27
Consumer loans	63	100	0	0	0	0	63	0	4	0
Accrued interest	57	100	0	0	0	0	57	0	0	0
Social home loans	1	85	0	7	0	8	1	0	0	0
Overdrafts and cash facilities	383	94	11	2	17	4	410	2	5,299	73
Deferred payment cards	513	100	0	0	0	0	513	2	0	0
Money orders	0	0	0	0	33	100	33	0	0	0
Stock market savings	0	0	0	20	1	80	1	0	0	0
TOTAL	**24,185**	**100**	**38**	**0**	**74**	**0**	**24,297**	**100**	**7,298**	**100**

At 31 December 2008, home loan outstandings amounted to close to €27.5 billion, including 0.23% in non-performing loans (0.21% at the end of 2007) while consumer loans amounted to €73.5 million, including 0.43% in non-performing loans (0.49% at the end of 2007).
The non-performing rate did not change significantly from the previous year. This near stability was aided by the increase in lending in 2008, with +18% growth in real estate loans and +17% for personal loans).

d.2) Guarantees obtained

FY 2008

(€ millions)		Collateral Outstan-dings	Collateral % BS	Guarantees from legal entities Outstan-dings	Guarantees from legal entities % BS	Guarantees from individuals Outstan-dings	Guarantees from individuals % BS	Unguaranteed Outstan-dings	Unguaranteed % BS	Gross BS at 31/12/2008 Outstan-dings	Gross BS at 31/12/2008 % total
Home loans	Sound	7,273	26	18,587	68	172	1	1,415	5	27,448	100
	Recoverable non-perf. loans	20	51	16	41	1	2	2	6	39	0
	Unrecoverable non-perf. loans	19	79	1	3	0	1	4	16	24	0
TOTAL		**7,312**	**27**	**18,604**	**68**	**174**	**1**	**1,421**	**5**	**27,511**	**100**
Consumer loans	Sound	0	0	0	0	0	0	73	100	73	100
	Recoverable non-perf. loans	0	0	0	0	0	0	0	100	0	0
	Unrecoverable non-perf. loans	0	0	0	0	0	0	0	100	0	0
TOTAL		**0**	**0**	**0**	**0**	**0**	**0**	**74**	**100**	**74**	**100**

FY 2007

(€ millions)		Collateral Outstan-dings	Collateral % BS	Guarantees from legal entities Outstan-dings	Guarantees from legal entities % BS	Guarantees from individuals Outstan-dings	Guarantees from individuals % BS	Unguaranteed Outstan-dings	Unguaranteed % BS	Gross BS at 31/12/2007 Outstan-dings	Gross BS at 31/12/2007 % total
Home loans	Sound	6,845	30	15,111	65	1	0	1,241	5	23,198	100
	Recoverable non-perf. loans	14	51	12	43	0	2	1	3	27	0
	Unrecoverable non-perf. loans	18	77	1	5	1	2	4	16	23	0
TOTAL		**6,876**	**30**	**15,124**	**65**	**3**	**0**	**1,246**	**5**	**23,248**	**100**
Consumer loans	Sound	0	0	0	0	0	0	63	100	63	100
	Recoverable non-perf. loans	0	0	0	0	0	0	0	100	0	0
	Unrecoverable non-perf. loans	0	0	0	0	0	0	0	100	0	0
TOTAL		**0**	**0**	**0**	**0**	**0**	**0**	**63**	**100**	**63**	**100**

The breakdown of the total loan book by type of guarantee was unchanged on 2007 for home loans.
Meanwhile, there was a slight 2.5% increase in the use of guarantees from legal entities, with recourse to collateral falling as a result.
All consumer loans are deemed to be unguaranteed.

d.3) Credit quality of financial assets that are neither in default nor written down individually

FY 2008

(€ millions)	Breakdown of sound loans	Sound outstandings	% amount sound
Home loans	Sound loans with no arrears	27,322	100
	Sound loans with arrears	126	0
TOTAL SOUND LOANS		**27,448**	**100**
Consumer loans	Sound loans with no arrears	73	100
	Sound loans with arrears	0	0
TOTAL SOUND LOANS		**73**	**100**

FY 2007

(€ millions)	Breakdown of sound loans	Sound outstandings	% amount sound
Home loans	Sound loans with no arrears	23,093	100
	Sound loans with arrears	105	0
TOTAL SOUND LOANS		**23,198**	**100**
Consumer loans	Sound loans with no arrears	63	100
	Sound loans with arrears	0	0
TOTAL SOUND LOANS		**63**	**100**

There was very considerable stability from 2007 to 2008. The proportion of loans with no arrears in the sound loan book remained above 99.5% for both home and consumer loans.

FY 2008

	Term of tranche	% of total
Home loans	0 to 5 years	4
	5 to 10 years	12
	10 to 15 years	31
	15 to 20 years	33
	20 to 25 years	20
TOTAL		**100**

FY 2007

	Term of tranche	% of total
Home loans	0 to 5 years	3
	5 to 10 years	12
	10 to 15 years	34
	15 to 20 years	35
	20 to 25 years	16
TOTAL		**100**

The tranche terms presented represent the initial term of the financing.
The maximum term of loans extended by La Banque Postale is twenty-five years.
The portion of the longest terms, from fifteen to twenty-five years, rose to 53% from 50% in 2007.
In 2008, home loan outstandings with an initial term of under twenty years accounted for 80% compared to 84% at 31 December 2007.

d.4) Financial assets in default but not written down individually

FY 2008

(€ millions)	Length of arrears	Loans outstanding in arrears	% amount arrears
Home loans	Past due < 30 days[1]	71	53
	Past due 30 to 60 days[1]	25	19
	Past due 60 to 90 days[1]	15	11
	Past due 60 to 180 days[1]	23	17
TOTAL PAST DUE[1]		**134**	**100**
o.w. non-performing by contagion		**8**	**6**
NAMELY SOUND IN ARREARS		**126**	

(1) These figures (from the file tracking statements) include non-performing loans by contagion with arrears. These arrears represent 5.5% of financial assets in default.

(€ millions)	Length of arrears	Loans outstanding in arrears	% amount arrears
Consumer loans	Past due < 30 days	0.12	42
	Past due 30 to 60 days	0.15	52
	Past due 60 to 90 days	0.02	5
TOTAL PAST DUE		**0.29**	**100**

FY 2007

(€ millions)	Length of arrears	Loans outstanding in arrears	% amount arrears
Home loans	Past due < 30 days[1]	66	60
	Past due 30 to 60 days[1]	19	18
	Past due 60 to 180 days[1]	24	22
TOTAL PAST DUE[1]		**109**	**100**
o.w., non-performing by contagion		**4**	**4**
NAMELY SOUND IN ARREARS		**105**	

(1) These figures (from the file tracking statements) include non-performing loans by contagion with arrears. These arrears represent 4.06% of financial assets in default.

(€ millions)	Length of arrears	Loans outstanding in arrears	% amount arrears
Consumer loans	Past due < 30 days	0.16	85
	Past due 30 to 60 days	0.02	10
	Past due 60 to 90 days	0.01	4
TOTAL PAST DUE		**0.19**	**100**

The total of home loans in arrears at 31 December 2008 was up 20% year-on-year.
It should be noted that the amount of arrears between 60 to 180 days rose a very sharp 60%. The increase was sharper on consumer loans at +53%, with those in arrears at 31 December 2008 for less than thirty days falling to 42%, compared to 85% at 31 December 2007.

The guarantees held on sound home loans with arrears break down as follows:

FY 2008

(€ millions)	Type of guarantee	Receivables	% of total
Home loans, sound with arrears	Collateral	53	42
	Guarantees from legal entities	67	53
	Guarantees from individuals	1	0
	Unguaranteed	6	5
TOTAL		**126**	**100**

FY 2007

(€ millions)	Type of guarantee	Receivables	% of total
Home loans, sound with arrears	Collateral	48	46
	Guarantees from legal entities	51	49
	Guarantees from individuals	0	0
	Unguaranteed	5	5
TOTAL		**105**	**100**

In this group, the portion of outstandings in arrears with collateral as guarantee is greater than for the total of sound outstandings: 42% compared to 27%. However, as with the total of sound outstandings, only 5% are not backed by collateral or a guarantee from a legal entity.
Lastly, for financial assets in default but not written down individually, a €10.62 million provision was funded at 31 December 2008. This represented a 40% increase on the previous balance sheet date.
An estimate of their fair value was not available at 31 December 2008.

d.5) Analysis of financial assets written down individually

FY 2008

(€ millions)		Type of guarantee	Receivables (a)	% of total	O.w. inter-est	Guarantee value used (b)	Provisionable amount, excl. discounting (c)=(a)–(b)	Provisioning rate excl. dicounting (c)/(a)	Discount-ed provisions (d)=(c) dis.	Discount-ed provi-sioning rate (d)/(a)
Home loans	Recoverable non-perform-ing loans	Collateral	14	36	0	13	1	5%	4	26%
		Guarantees from legal entities	8	21	0	8	0	1%	0	4%
		Guarantees from individuals	0	1	0	0	0	100%	0	100%
		Unguaranteed	1	3	0	0	1	100%	1	100%
		Non-performing loans by contagion	15	39	0	13	2	16%	4	25%
		TOTAL	**39**	**100**			**5**	**12%**	**9**	**24%**
	Unrecoverable non-perform-ing loans	Collateral	19	79	0	18	1	6%	3	17%
		Guarantees from legal entities	1	3	0	1	0	3%	0	13%
		Guarantees from individuals	0	1	0	0	0	100%	0	100%
		Unguaranteed	4	16	0	0	4	100%	4	100%
		TOTAL	**24**	**100**			**5**	**22%**	**7**	**31%**
Consumer loans	Non-performing loans		0	12	0	0	0	100%	0	100%
	Non-performing loans by contagion without arrears		0	24	0	NA	0	0%	0	0%
	Unrecoverable non-performing loans		0	64	0	0	0	100%	0	100%
		TOTAL	**0**	**100**			**0**	**76%**	**0**	**76%**

FY 2007

(€ millions)		Type of guarantee	Receivables (a)	% of total	O.w. inter-est	Guarantee value used (b)	Provisionable amount, excl. discounting (c)=(a)–(b)	Provisioning rate excl. dicounting (c)/(a)	Discount-ed provisions (d)=(c) dis.	Discount-ed provi-sioning rate (d)/(a)
Home loans	Recoverable non-perform-ing loans	Collateral	9	34	0	8	1	8%	3	29%
		Guarantees from legal entities	6	22	0	6	0	4%	0	7%
		Guarantees from individuals	0	1	0	0	0	100%	0	100%
		Unguaranteed	0	2	0	0	0	100%	0	100%
		Non-performing loans by contagion	11	41	0	10	1	13%	3	23%
		TOTAL	**27**	**100**			**3**	**11%**	**6**	**24%**
	Unrecoverable non-perform-ing loans	Collateral	18	77	0	17	1	5%	3	16%
		Guarantees from legal entities	1	5	0	1	0	2%	0	12%
		Guarantees from individuals	1	2	0	0	1	100%	1	100%
		Unguaranteed	4	16	0	0	4	100%	4	100%
		TOTAL	**23**	**100**			**5**	**22%**	**7**	**31%**
Consumer loans	Non-performing loans		0	8	0	0	0	100%	0	100%
	Non-performing loans by contagion without arrears		0	11	0	NA	0	0%	0	0%
	Unrecoverable non-performing loans		0	81	0	0	0	100%	0	100%
		TOTAL	**0**	**100**			**0**	**89%**	**0**	**89%**

Compared to the previous balance sheet date, there was a sharp 45.5% increase in recoverable non-performing home loans. Of the €38.75 million total recoverable non-performing loans, there were €15.07 million in non-performing loans by contagion without arrears and €7.62 million in non-performing loans by contagion with arrears. Non-performing loans by contagion thus accounted for 58.5% of recoverable non-performing loans.

The rate of write-downs for home loans before discounting remained stable: 12% of recoverable non-performing loans (11% at end-2007) and 22% for unrecoverable non-performing loans (22% in 2007). This is explained by the breakdown of these outstandings by guarantee type and the continuity of the provisioning methods applied.

For consumer loans to La Poste Group employees, the absence of write-downs for loans without arrears (non-performing by contagion) resulted in the receivables being 76% provisioned in 2008, compared to 89% in 2007.

Overdrafts on sight deposits and cash facilities are not written down individually at present.

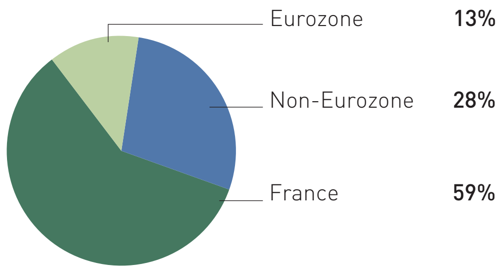
Collective provisions amounted to €10.6 million at 31 December 2008 (€7.6 million at 31 December 2007).

37.4.3. Exposure to counterparty risk

La Banque Postale is exposed to counterparty risk primarily in connection with transactions using forwards.
This risk is limited by the fact that La Banque Postale only works with leading institutions with which it has signed a netting and collateral agreement. In addition, the instruments used are mainly plain-vanilla interest rate swaps.
At the end of 2008, the total net exposure to these counterparties, after taking account of any existing collateral was €115.7 million. These counterparties are all rated in the A range or above.

	31/12/2008	31/12/2007
France	68.20	37.73
Eurozone	15.29	1.00
Non-Eurozone	32.20	13,27
TOTAL	**115.68**	**52.00**

Breakdown of outstandings at 31 December 2008



37.4.4. Liquidity risk exposure

Structural liquidity risk is measured via the medium/long-term liquidity balance that corresponds to a static run off of liabilities (run-off assumptions) and assets.

The assumptions used for the medium/long-term liquidity balance are:

Equity net of non-current assets	At end
Debt	Contractual date or call date
Sight deposits/Savings Accounts/Home Savings Accounts/Time Deposits	Run-off assumptions
Home Ownership Savings Plan	Certain run-off (see Home Ownership Savings provision)
Time Deposits	Run-off assumptions
Home loans	Repayment schedule + structural early repayments
Home Ownership Savings Plan credit option	Likely production over average observed maturity
Bonds/certificates	Contractual schedule
Off-balance sheet commitments	Run-off assumptions

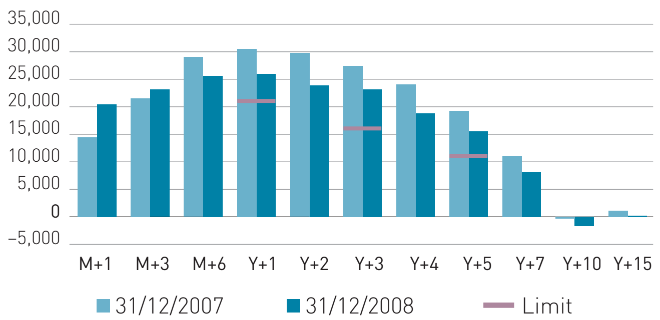
The calculation is based on the following timelines: 1 month, 3 months, 6 months, 1 year, 2 years, 3 years, 4 years, 5 years, 7 years, 10 years and 15 years. The balance is measured every month and presented to the Risk Committees and ALM Committees.

Balance measured at 31 December 2007 (pro forma) and at 31 December 2008

(€ millions)	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	7 years	10 years	15 years
31/12/2007	14,484	21,550	29,014	30,523	29,754	27,422	24,076	19,279	11,088	(273)	1,099
31/12/2008	20,455	23,127	25,640	25,997	23,883	23,163	18,792	15,530	8,098	(1,660)	242

Following the introduction of a new system, the figures presented for 31 December 2007 have, to ensure comparability, been restated compared to the presentation of the 2007 financial statements.

La Banque Postale total balance sheet liquidity balance (€ million)



A positive balance in a time frame indicates the bank has more resources than uses with a maturity greater than the time frame.

The positive liquidity balance for periods of under ten years reflects La Banque Postale's surplus liquidity. This excess liquidity is moreover strengthened by the quality of the financial assets held and their accounting classification, based on which the bank's structural liquidity is managed. In 2008, the increase in the volume of real estate loans and reduction in home savings plan deposits explain the reduction in the liquidity surplus for periods of under ten years and the sinking at over ten years.
The liquidity limit system is supplemented by stress tests, which include a drying-up of the securities repurchasing market.

37.4.5. Market risks

All of the marked to market positions (trading portfolio and available-for-sale securities) are controlled by a Value at Risk (99%, 1 day), the limit of which is reviewed monthly by the Risk Committee.
The VaR implemented at La Banque Postale is a parametric VaR, calculated based on a variance-covariance matrix with 2,431 risk factors covering interest rate risks, spread risks, exchange rate risks and risks of changes in stock market indices to which the bank is exposed. This matrix is calculated with a scaling factor designed to overweight recent changes compared to older ones.
The VaR thereby calculated partly covers option risks, with second-order risks not taken into account. The development of option positions, that are currently not material, could result in the Risk Department using a more appropriate method.
The Risk Department back-tests the results of the model implemented to calculate the VaR in order to assess its quality. This analysis is based not just on counting the number of overruns but also measures compliance with certain assumptions, in particular the normality and Markovian character of the distributions.
The VaR measurements are supplemented each month by stress testing designed to measure the Bank's exposure to market situations outside the confidence interval used to calculate the VaR.

Data (€ millions)	31/12/2007	30/06/2008	31/12/2008
Overall VaR	9.3	20.4	15.8
VaR of transactions recorded in the trading portfolio	2.1	2.7	1.8

Overall VaR Risk Factor Contributions

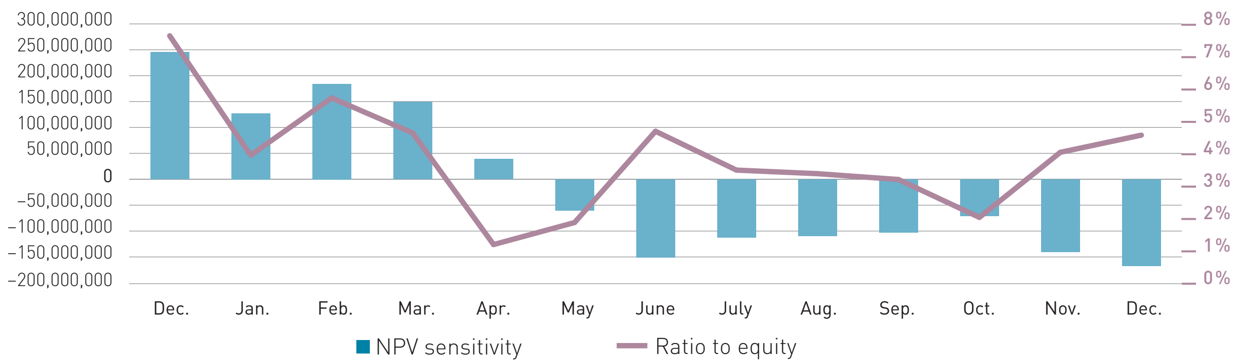
	31/12/2007	30/06/2008	31/12/2008
Interest rate	6.5	19.1	8.8
Credit spread	3.2	1.3	3.3
Currency	0.0	0.4	0.3
Stock Market	(0.5)	(0.5)	3.3
Volatility	0.0	0.1	0.1
TOTAL	**9.3**	**20.4**	**15.8**

This VaR averaged €21.4 million in the year, with a maximum of €26 million recorded in June. This peak related mainly to the increased volatility of risk factors relating to the outbreak of the credit crisis and stock market falls.

Value at Risk of marked-to-market transactions

37.4.6. Overall interest rate risk

NPV sensitivity



In accordance with the recommendations of the Basel Committee, a 200 basis point shock was used to calculate the economic value sensitivity of the balance sheet. This indicator is calculated on a static balance sheet, without taking account of new production. The undated assets and liabilities are subject to a run-off in accordance with tests approved by the Bank's ALM Committee.

Note 38: Additional information on financial instruments

38.1. Fair value of financial instruments by category

The table below presents the fair value of financial instruments recognised in the balance sheet as well as their breakdown on the basis of the categories provided for under IAS 39:

ASSETS (€ millions)	31/12/2008 Balance sheet amounts	Fair value	Balance sheet values based on the IAS 39 categories Assets/liabilities at fair value through profit or loss, trading	Assets/liabilities designated at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Assets held for sale	Debt at amortised cost	Hedging instruments
BANKING ASSETS									
Loans and advances to customers	28,742	29,843				28,742			
Loans and advances to banks	18,876	18,867				18,876			
Investment portfolio	55,166	56,082	8,616	–	8,694	–	37,650	–	206
Other current financial assets	1,201	1,201	–	–	–	1,135	–	–	66
Cash and central bank deposits	2,139	2,139	2,139						
NON-BANKING ASSETS									
Other non-current financial assets	420	420	167	–	169	85	–	–	–
Trade receivables	2,321	2,321				2,321			
Other current financial assets	154	154	106	–	–	47	–	–	–
Cash and cash equivalents	2,055	2,055	2,055						
LIABILITIES (€ millions)									
BANKING LIABILITIES									
Financial debt	10,355	11,717						10,355	
Liabilities to customers	92,212	92,212						92,212	
Other financial liabilities	488	488	269	–	–	–	–	43	175
NON-BANKING ASSETS									
Bonds and financial debt	7,141	7,320	115	3,210				3,816	
Trade and other payables	4,052	4,052						4,052	

Methods of calculating fair values (excluding banking business financial instruments)

Every financial product is assessed as a series of future flows whether or not determined at the calculation date. The calculation of fair values is based on the discounting of these future cash flows. The discounting factors are deduced from a zero coupon curve, itself established based on a benchmark of interest rate products spread over more than 40 due dates.

In the case of flows dependent on a variable rate not yet determined at the calculation date, future rates are estimated based on the future structure of interest rates.

As regards financial products with flows in different currencies, the flows are discounted by currency based on discounting factors specific to each currency. The currency market values obtained are then translated into euros at the ECB exchange rate on the day of the calculation.

Option products are determined by taking account of the implied market volatility with respect to the option exercise dates.

The fair value of current financial assets and liabilities is deemed equivalent to their carrying amount, in view of their short-term maturity.

Methods of calculating fair values of banking business financial instruments

IAS 39 recommends first using a listed price on an active market to determine the fair value of a financial asset or liability. A market is considered active if the prices are easily and regularly available from a stock exchange, a broker, a trader or a regulatory agency and these prices represent actual arm's length transactions.

If there is no active market, the fair value must be determined using a valuation technique. These techniques include the use of recent arm's length transactions. They are based on market data, the fair values of substantially identical instruments, flow discounting models or option pricing models and use recognised valuation methods. The goal of a valuation technique is to establish what the instrument's price would have been in a normal market.

The fair value of bonds and futures is determined using these listed prices. Valuation techniques are used for over-the-counter derivatives, discount securities (commercial paper, certificates of deposit, etc.) and deposits-repos.

The market value of unlisted ownership interests classified as available-for-sale financial assets is determined with reference to certain criteria such as net assets, earnings outlook and discounting of future cash flows.

The listed price for an asset held or a debt to be issued is generally the bid price, while it is the ask price for a debt held or an asset to be acquired. In the case of symmetrical asset and debt positions, only the net position is valued, based on the bid price if it is a net asset or a net debt to be issued and based on the ask price if it is a net debt or net asset to be acquired.

38.2. Impacts of financial instruments on income and equity

The impacts of the Group's financial instruments on income (excluding the banking business) are described in note 13 "Net finance income and expenses".

The table below details the impact of banking business financial instruments on income and equity.

(€ millions)	Interest income/(expenses)	Fair value changes: Fair value through profit or loss	Fair value changes: Fair value in equity	Fair value changes: Fair value recycled to profit or loss	Translation adjustments	Impairment	Derecognition and dividends	Net gain/(loss)
Interest income/(expense) on loans, advances and liabilities	250							250
Assets held to maturity	1,700							1,700
Available-for-sale assets	373		(33)			(50)	98	389
Financial instruments at fair value through profit or loss		698						698
TOTAL	**2,324[1]**	**698[2]**	**(33)[3]**			**(50)[4]**	**98[5]**	**3,037**

(1) Corresponds to the net of "Interest and related income" and "Interest and related expenses" included in NBI (see note 7).
(2) Corresponds to "Net gains and losses on financial instrument transactions at fair value through profit or loss" in NBI.
(3) Corresponds to the amount recognised in the change in equity for the year.
(4) + (5) Corresponds to "Net gains or losses on available-for-sale assets" in NBI.

38.3. Hedging derivatives

Hedging derivatives only involve the banking business (see note 2. Accounting rules and methods, section 2.M.3). They break down as follows:

(€ millions)	Fair value hedge		Cash-flow hedge		Hedge of a net investment in a foreign operation		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate swap	206	174	66				272	174

The table below presents a breakdown of the impact of hedging transactions in income:

(€ millions)	Fair-value hedge	Cash-flow hedge	Hedge of a net investment in a foreign operation
Interest income on hedging transactions	105		
Interest expenses on hedging transactions	(103)	(1)	
NET INTEREST INCOME/(EXPENSES) ON HEDGING TRANSACTIONS	**2**	**(1)**	**0**
Net change in fair value of hedged and hedging instruments	4		
Hedge ineffectiveness			
NET CHANGE IN THE FAIR VALUE ON HEDGING TRANSACTIONS	**4**	**0**	**0**

38.4. Reclassification of financial assets pursuant to the IAS 39 amendment

La Banque Postale took the option provided by the 13 October 2008 amendment to IAS 39 and IFRS 7 of reclassifying certain available-for-sale financial assets under "Loans and receivables".
This amendment allows financial assets other than derivatives and financial assets designated at fair value through profit or loss to be reclassified outside the fair value through profit or loss category in exceptional circumstances. It also enables financial assets to be transferred from the "Available-for-sale" category to "Loans and receivables" if they meet the definition thereof on the reclassification date and the entity intends and is able to hold them for the foreseeable future or to maturity.
The transfer of part of the securities in the available-for-sale financial asset portfolio that no longer had the expected liquidity to the "Loans and receivables" category means that the financial statements can provide a better view of La Banque Postale's allocation of resources.
The reclassifications were carried out at fair value on 1 July 2008.

Amounts reclassified

(€ millions) Pre-tax amounts	31/12/2008 Balance sheet amount	31/12/2008 Fair Value	31/12/2007 Fair Value
Available-for-sale assets reclassified under "Loans and receivables"	**2,459**	**2,380**	**2,485**

Amounts recognised in income and in equity in respect of the reclassified assets

(€ millions) Pre-tax amounts	31/12/2008 Income	31/12/2008 Equity[1]	31/12/2007 Equity
Available-for-sale assets reclassified under "Loans and receivables"			
Interest and related items on interbank treasury transactions	71		
Impairment			
Unrealised gains and losses on available-for-sale assets		(42)	(30)

(1) To 1 July 2008.

Amounts that would have been recognised in income and equity had these assets not been reclassified

(€ millions) Amount before tax	31/12/2008 Income	31/12/2008 Equity
Available-for-sale assets reclassified under loans and receivables		
Impairment		
Unrealised gains and losses on available-for-sale assets		(114)

The amount of recoverable cash flows is estimated to be €2,380 million.

Note 39: Related party transactions

39.1. Relations with the French Government and public sector companies

Relations with the French Government

Since the act of July 1990 on the organisation of the post and telecommunications public service, La Poste has been an independent state-owned company. In this capacity it reports to the Secretary of State for Business and Foreign Trade to the Minister of the Economy, Finance and Employment, and is subject to economic and financial control by the French Government and the control procedures of the Court of Auditors and of the Parliament.
The relations between La Poste and the French Government were given contractual form in July 2008, running up to 2012, under a plan entitled "Performance and Confidence". This agreement sets out the respective commitments of La Poste and the French Government for the five-year period, formalising the four public service missions entrusted to La Poste: universal postal service, transporting and delivering press, banking accessibility and regional planning.
The French Postal Regulation Act of 20 May 2005 provided the French postal regulator (ARCEP) with the power to regulate, on a multi-year basis, prices of universal mail services, after reviewing La Poste's proposals. In addition, this Act confirmed and determined La Poste's regional planning responsibilities.
Regarding the Group's banking business, the French Government sets the commission rates on regulated savings products: Livret A savings accounts, Sustainable Development savings accounts and LEP savings accounts. The change in these rates has a direct impact on La Banque Postale's Net Banking Income.

Relations with public sector companies

La Poste Group enters into transactions with public sector companies in the normal course of its business. These are arm's length transactions.

39.2. Relations with companies within the scope of consolidation

Transactions entered into with fully consolidated Group companies are eliminated in consolidation and are thus not discussed in this note.
Transactions with associates primarily relates to CNP Assurances with which La Banque Postale has signed a commercial partnership agreement. The impact on the Group's financial statements of transactions with CNP Assurances are summarised in the table below:

(€ millions)	31/12/2008	31/12/2007
Income	413	477
Expenses		
Accounts receivable	306	333
Accounts payable	19	56

Transactions with other associates and joint ventures are not material.

39.3. Remuneration of administration and management bodies

The La Poste Group's top executives received €4.6 million in remuneration for the year ended 31 December 2008. Executives do not benefit from any specific post-employment benefits.
The Group's top executives include the members of the Board of Directors and of the Executive Committee.

Note 40: Off-balance sheet commitments and contingent liabilities

40.1. Rental commitments

The minimum future payments in respect of operating leases break down as follows:

(€ millions)	31/12/2008	31/12/2007
Less than 1 year	325	280
1 to 5 years	535	447
Over 5 years	266	248
TOTAL	**1,127**	**975**

Operating lease payments amounted to €512 million at 31 December 2008 and €474 million at 31 December 2007.

40.2. Other commitments given

a) Guarantees and endorsements

Total guarantees and endorsements given amounted to €21 million at 31 December 2008.

The Caisse des Dépôts et Consignations has extended loans to the employees of La Banque Postale Asset Management, which has provided a €1 million guarantee on their behalf.
Outstanding financing and guarantee commitments given by La Banque Postale at 31 December 2008 amounted to €9,631 million.
Commitments given by La Banque Postale on securities to be delivered amounted to €147 million at 31 December 2008.

b) Commitment related to Crédit Logement

The La Poste Group has undertaken to provide capital injections to Crédit Logement, in proportion to its 6% interest, so that Crédit Logement can meet its capital adequacy obligations. The Group fulfils this commitment by subscribing for class B share issues.
The Group has also undertaken, if necessary, to replenish Crédit Logement's mutual guarantee fund covering borrower default on the loans on Crédit Logement's books. This commitment, representing the proportion of loans extended by the La Poste network, amounted to €219 million at 31 December 2008.

c) Seller warranties

As part of the sale of GeoPost Logistics, warranties were given to Logista in respect of social security and taxation risks. These warranties will expire once the risk is time barred.
As part of the disposal of Top Chrono and TZF, the GeoPost Group gave warranties in respect of social security and taxation risks amounting to €0.2 million. These warranties will expire once the risk is time barred.
When disposing of Taxicolis and Mat Courses to Flash Europe International, Chronopost SA stood as guarantor for tax and social security items and inadequate assets or debt provisioning in the financial statements to 31 December 2007. This warranty expires on 31 December 2009 once the risk in each field in question (tax, customs and social security) is time barred.
When disposing of the Europe Airpost subsidiary, Sofipost provided seller warranties to Air Contractors, the buyer, in respect of any additional liability or inadequate assets attributable to an event occurring prior to the disposal date for a period running up to the time barring of the tax and social security liabilities and for a two-year term as from the disposal date in respect of the other warranties. These seller warranties were granted for a maximum of the sale price of the securities, with a deductible of €200 thousand.

d) Commitment related to joint guarantee management

In February 2008, the Bank of France introduced a new guarantee management system: the 3G system, allowing banks to jointly manage all collateral relating to their refinancing operations with the Bank of France. The commitment received from the Bank of France in this respect was for €3.4 billion and that given by La Banque Postale €3.4 billion.

40.3. Commitments received

a) Guarantees and endorsements

• Total guarantees and endorsements received amounted to €78 million at 31 December 2008, including €70 million for La Poste.
• Commitments on securities received by La Banque Postale amounted to €113 million at 31 December 2008.

b) Credit facility

La Poste has set up a seven-year €750 million revolving credit facility, under the terms of which it has received commitments from the nine banks in the banking pool. No funds had been drawn down under this facility at 31 December 2008.

c) Property sale commitments

La Poste has entered into property sale commitments that are expected to be completed in 2009. The total amount of commitments received in this respect amounted to €38 million at 31 December 2008.

d) Call option on shares

On 21 December 2000, the Caisse d'Épargne Group gave the La Poste Group an unreserved irrevocable call option on CNP Assurances shares and other securities representing 2% of the capital of CNP Assurances.

e) Commitments relating to the acquisition of Seur

As part of GeoPost's acquisition of "Servicio e Información Urgente de Transportes" (SIUT) and its subsidiaries in June 2004, the seller gave warranties. At the end of December 2007, these warranties amounted to €2.3 million and ran to August 2008, apart from those relating to tax and social security risks, which will expire once the related risks are time barred.
Under the terms of the acquisition of Seur Bilbao, STU Saragoza, Transparcel Baix, Seur Gerona, Seur Granollers and Seur Santander, the sellers gave unlimited five-year warranties (from the acquisition date) with respect to tax and social security risks potentially affecting these companies.

f) Commitments relating to the Exapaq acquisition

As part of GeoPost's 2006 acquisition of the Exapaq group, seller warranties were given for a maximum of 10% of the value of the shares acquired (namely €39.5 million). This guarantee ran to 23 March 2008. After this date the maximum warranty was reduced to 5% of the value of the shares (namely €19.8 million) until 23 March 2009.

g) Commitments relating to the Yurtiçi Kargo acquisition

As part of GeoPost's acquisition of a minority interest in Yurtiçi Kargo, the sellers gave unlimited warranties for two years from the acquisition date. The duration of these warranties may be adjusted in specific circumstances:
• in the event of tax litigation, one year from the tax assessment notice;
• in the event of litigation connected with local postal regulations, three years from the acquisition date;
• in the event of litigation regarding warranties between Yurtiçi Kargo and the sellers, ten years from the acquisition date.

h) Commitments relating to the Pegasus acquisition

The agreement for the purchase of Pegasus shares by Armadillo Holding GmbH included guarantees given by ADL, the seller, for two years from taking of control or until the underlying risk is time barred, particularly in respect of tax matters.
In addition, as part of this acquisition, Armadillo Holding GmbH signed a shareholders' agreement with ADL, the long-standing shareholder in Pegasus. This in particular included:
• options over the minority interests held by ADL (20%): contingent call exercisable by Armadillo Holding GmbH and contingent put exercisable by ADL;
• a tag along clause (joint sale right) in favour of ADL;
• a drag along clause (joint sale obligation) for Armadillo Holding GmbH.

i) Commitments relating to the acquisition of DPD Bosnia, DPD Croatia, DPD Slovenia and DPD Serbia

As part of the 2008 acquisition of shares in the DPD Adriatic entities, warranties were given by the seller in respect to the financial statements to 31 December 2007. These warranties run for two years from acquisition except with regard to the legal status and legal capacity of the seller (five years) and in the event of a tax assessment (until time barred).

40.4. Other commitments

a) Shareholders' agreement concerning CNP Assurances

The French government, the Caisse des Dépôts et Consignations (CDC), Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE), the La Poste Group and Sopassure have entered into a shareholders' agreement regarding CNP Assurances. This agreement, which was set to expire at 31 December 2008, has been extended to 31 December 2015 as part of the agreements entered into by the partners in June 2006. The commercial agreements between CNP Assurances and Caisses d'Épargne and La Banque Postale have also been extended until the end of 2015.
Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under the shareholders' agreement have been taken over by La Banque Postale.

b) Commitments relating to the acquisition of shares in SAS Carte Bleue

In connection with SF2's acquisition of an interest in SAS Carte Bleue, La Poste has undertaken to retain a majority interest in its SF2 subsidiary.
SF2 moreover granted La Poste a call option over all the shares and related rights in the SAS Carte Bleue share capital, that La Poste would be able to exercise should it become a minority shareholder in SF2. In this event, the purchase price of the SAS Carte Bleue shares shall be jointly agreed between La Poste and SF2.
Under the asset transfer agreement between La Poste and La Banque Postale, the rights and obligations of La Poste arising from this commitment have been taken over by La Banque Postale.

c) Commitments relating to the acquisition of IBC shares

The purchase agreement entered into on 19 June 2006 between GeoPost Intercontinental and the shareholders in the IBC entities in which GeoPost is a minority shareholder provides for the following:
• an earn-out clause linked to 2008 EBITDA;
• options on the majority interests held by the long-standing shareholders (call option exercisable by GeoPost and contingent put option exercisable by the majority shareholders in 2008-2009);
• if neither option is exercised, the seller may exercise a call option to buy back the minority interests held by GeoPost Intercontinental.

d) Employee training rights

The employee training rights vested and not used by Group employees represent:
• over 6.4 million hours for contract employees; and
• over 4.4 million hours for public servants.

40.5. Contingent liabilities

The Group is not aware of any material risks that have not been provided for in the consolidated financial statements.

Note 41: Banking business balance sheet

41.1. The balance sheet of the La Banque Postale subgroup

BANKING BUSINESS ASSETS (banking format) (€ millions)	31/12/2008	31/12/2007
Cash and central bank deposits	2,139	2,668
Financial assets at fair value through profit or loss	8,468	15,404
Hedging derivatives	272	105
Available-for-sale financial assets	9,500	12,945
Loans and advances to banks	18,876	16,572
Loans and advances to customers	28,742	24,181
Revaluation reserves for interest rate hedged portfolios	148	317
Held to maturity investments	37,650	40,350
Tax assets	0	1
Accrual accounts and other assets	4,351	4,790
Investments in associates	1,559	1,825
Tangible and intangible assets and investment properties	624	609
Net goodwill – asset	8	8
Elimination of securities	(2,326)	(2,326)
TOTAL BANKING BUSINESS ASSETS (banking format)	**110,011**	**117,450**

BANKING BUSINESS LIABILITIES (banking format) (€ millions)	31/12/2008	31/12/2007
Financial liabilities at fair value through profit or loss	271	129
Hedging derivatives	175	121
Interbank and related transactions: liabilities to banks	6,905	15,836
Liabilities to customers	92,212	91,104
Debt securities	2,620	2,912
Tax liabilities	5	(32)
Accrual accounts and miscellaneous liabilities	4,711	3,990
Insurance technical reserves	308	254
Provisions	389	349
Subordinated debt	501	501
MINORITY INTERESTS	**0**	**0**
EQUITY GROUP SHARE	**1,916**	**2,287**
Capital	0	(0)
Issue and contribution premiums	(0)	(0)
Consolidated and other reserves	1,520	1,601
Net profit for the year Group share	318	562
Balance of transactions with the rest of the Group – impact on income	(15)	(22)
Balance of transactions with the rest of the Group – impact on the balance sheet	92	146
TOTAL BANKING BUSINESS LIABILITIES (banking format)	**110,011**	**117,450**

41.2. Banking assets and liabilities by residual maturity

(€ millions)	Matures in <1 year	Matures in >1 year	Total
Assets by residual maturity			
Banking business: cash and central bank deposits	2,139	0	2,139
Banking business: portfolio	15,076	40,090	55,166
Banking business: loans and advances to banks	15,066	3,810	18,876
Banking business: loans and advances to customers	2,974	25,768	28,742
Liabilities by residual maturity			
Banking business: other financial liabilities	107	381	488
Banking business: liabilities to banks	8,065	286	8,352
Banking business: liabilities to customers	88,612	2,153	90,765
Debt securities	2,949	501	3,450

Note 42: Notes to the consolidated cash flow statement

42.1. Depreciation, amortisation and impairment

(€ millions)	31/12/2008	31/12/2007
Allocation/reversal of depreciation and amortisation under operating profit	749	720
Allocation/reversal of depreciation and amortisation under finance income and expenses	2	9
Impairment of goodwill	0	2
TOTAL	**751**	**731**

42.2. Change in working capital

(€ millions)	31/12/2008	31/12/2007
Changes in inventories and work-in-progress	(11)	(5)
Changes in operating receivables	77	23
Changes in operating payables and other operating assets/liabilities	(46)	151
TOTAL	**19**	**168**

42.3. Change in balance of banking sources and uses

(€ millions)	31/12/2008	31/12/2007
Banking business: changes in the investment portfolio	10,518	(4,335)
Banking business: changes in loans and receivables	(4,386)	(3,332)
Banking business: changes in loans and advances to banks	176	(2,400)
Banking business: changes in other current financial assets	1,370	881
Banking business: changes in liabilities to banks	(8,922)	10,499
Banking business: changes in liabilities to customers	1,108	(470)
Banking business: changes in other financial liabilities	145	(600)
Banking business: changes in accrual accounts	(432)	868
Banking business: changes in cash and central bank deposits	529	(1,296)
TOTAL	**106**	**(187)**

42.4. Purchases of intangible assets and property, plant and equipment

(€ millions)	31/12/2008	31/12/2007
Purchases of intangible assets	(191)	(134)
Purchases of property, plant and equipment	(1,003)	(1,066)
Changes in accounts payable for non-current assets	(31)	18
TOTAL	(1,225)	(1,182)

42.5. Proceeds from new borrowings

(€ millions)	31/12/2008	31/12/2007
Bonds	500	371
Bank borrowings	0	2
Commercial paper	347	0
Other borrowings and related debts	1	3
Finance lease liabilities	6	6
TOTAL	854	382

42.6. Repayment of borrowings

(€ millions)	31/12/2008	31/12/2007
Bonds	(229)	(498)
Bank borrowings	(6)	(327)
La Poste savings bonds	(13)	(23)
Commercial paper	0	(550)
Other borrowings and related debts	5	(7)
Finance lease liabilities	(18)	(13)
Derivatives	0	(33)
TOTAL	(261)	(1,450)

42.7. Other cash flows related to financing activities

(€ millions)	31/12/2008	31/12/2007
Inflow of deposits and security received	138	3
Outflow of deposits and security received	(0)	(51)
Other	(5)	3
TOTAL	132	(45)

42.8. Cash and cash equivalents at end of period

(€ millions)	31/12/2008	31/12/2007
Marketable securities and cash equivalents	2,055	1,107
Bank and disbursement accounts	(31)	(51)
TOTAL	2,024	1,055

Note 43: Fees paid to the Statutory Auditors

Pursuant to French decree no. 2008-1487 of 30 December 2008, fees paid to the Statutory Auditors and recognised by La Poste and its consolidated companies in the period income statement are set out below.
These fees equal:
• in respect of the legally required auditing of the separate and consolidated financial statements: €6.7 million at 31 December 2008, of which €0.3 million was for associates (share);
• in respect of the other work directly relating to the legally required auditing of the financial statements: €5.5 million at 31 December 2008, with the amount for associates not being material.

Note 44: Effects of the first-time application of IFRS

The first-time application of the IFRS accounting basis was carried out in accordance with the provisions of IFRS 1. IFRS 1 provides for the retrospective application of applicable IFRS standards and the recognition in equity in the opening balance sheet of the impact of the differences with the previously applied French GAAP.
In addition, IFRS 1 provides a certain number of exemptions from retrospective application. For reference, the La Poste Group decided to apply the following exemptions in its opening balance sheet:
• business combinations prior to 1 January 2006 were not restated;
• the La Poste Group chose the option that allows property, plant and equipment to be measured at fair value at the transition date for all its real estate assets;
• the cumulative amount of translation adjustments at 1 January 2006 was reclassified as consolidated reserves, with the amount of equity remaining unchanged;
• the cumulative amount of actuarial gains and losses on employee commitments was recognised as an off-set in equity at 1 January 2006;
• IFRS 1 requires the prospective application of provisions relating to the hedge accounting of financial instruments. As a result, only financial instruments designated as hedging instruments under French GAAP and complying with IAS 39 criteria at 1 January 2006 were recognised in the opening balance sheet as hedging transactions;
• the CNP Assurances Group, accounted for under the equity method in the La Poste Group's financial statements, became a first-time adopter of IFRS in 2005. Pursuant to the provisions of IFRS 1, the La Poste Group measured CNP Assurances' assets and liabilities at 1 January 2006 at their carrying amounts in CNP Assurances' IFRS financial statements at 31 December 2005, after consolidation adjustments; and
• certain financial instruments previously recognised at cost were classified as "Financial assets and liabilities at fair value through profit or loss" or as "Available-for-sale". These financial instruments were recognised at their fair value at 1 January 2006 in the opening balance sheet and the difference with their prior carrying amount was charged to equity.

Appendix: Scope of consolidation

Company	Country	% interest at		% control at		Consolidation method	
		31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
Consolidating company							
LA POSTE 44, boulevard de Vaugirard 75757 Paris Cedex 15							
EXPRESS SEGMENT							
GeoPost	France	100.00	100.00	100.00	100.00	FC	FC
GeoPost SI	France	100.00	100.00	100.00	100.00	FC	FC
Sodexi	France	25.00	25.00	25.00	25.00	EM	EM
Télintrans	France	100.00	100.00	100.00	100.00	FC	FC
GeoPost Intercontinental subgroup							
GeoPost Intercontinental SAS	France	100.00	100.00	100.00	100.00	FC	FC
Geopost Americas Inc (ex-Chronopost International États-Unis)	United States	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Burkina Faso	Burkina Faso	39.91	40.00	39.91	40.00	EM	EM
Chronopost International Niger	Niger	50.00	50.00	50.00	50.00	FC	FC
Chronopost International Sénégal	Senegal	100.00	100.00	100.00	100.00	FC	FC
Chronopost Algérie	Algeria	100.00	100.00	100.00	100.00	FC	FC
IBC Ltd UK	United Kingdom	40.00	40.00	40.00	40.00	EM	EM
IBC Inc.	United States	40.00	40.00	40.00	40.00	EM	EM
IBC Aruba	Netherlands	40.00	40.00	40.00	40.00	EM	EM
IBC Trinidad	Trinidad & Tobago	40.00	40.00	40.00	40.00	EM	EM
IBC Turks & Caicos	Turks & Caicos islands	40.00	40.00	40.00	40.00	EM	EM
DPD Guangzhou	China	100.00	100.00	100.00	100.00	FC	FC
DPD Korea	South Korea	51.00	100.00	51.00	100.00	PC	FC
DPD Ukraine	Ukraine		25.50		25.50		EM
Geopost Middle East FZE	United Arab Emirates	100.00	100.00	100.00	100.00	FC	FC
DPD Kanoo	United Arab Emirates	49.00	49.00	49.00	49.00	PC	PC
DPD Laser Finance	South Africa	50.00	50.00	50.00	50.00	PC	PC
Chronopost subgroup							
Chronopost	France	100.00	100.00	100.00	100.00	FC	FC
Sci Exprimmo (merged into Chronopost)	France	100.00		100.00		FC	
Chronopost International Cameroun	Cameroon	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Côte d'Ivoire	Côte d'Ivoire	50.00	50.00	50.00	50.00	FC	FC
Chronopost International Portugal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Maroc Chrono INTL	Morocco	34.00	34.00	34.00	34.00	EM	EM
Sci Chrono immo	France	100.00		100.00		FC	
Sci Intel immo	France	100.00	100.00	100.00	100.00	FC	FC
Inter Holding	France	100.00		100.00		FC	
Taxicolis	France	99.92		99.92		FC	
Mat Courses	France	43.96		44.00		FC	
GeoPost Central Europe subgroup							
GeoPost GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
GeoPost Logistik GmbH (ex-Denkhaus Verslandlogistick)	Germany	100.00		100.00			FC

Company	Country	% interest at		% control at		Consolidation method	
		31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
GeoPost Central Europe subgroup (contd)							
GeoPost Immobilien	Germany	100.00	100.00	100.00	100.00	FC	FC
GeoPost Service	Germany	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Allemagne	Germany	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Netherland	Netherlands	100.00	100.00	100.00	100.00	FC	FC
DPD GeoPost Allemagne	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD Aschaffenburg	Germany	84.85	84.04	84.85	84.04	FC	FC
DPD Belgium NV	Belgium	100.00	100.00	100.00	100.00	FC	FC
DPD Luxembourg SA (ex-DPD SARL)	Luxembourg	100.00	100.00	100.00	100.00	FC	FC
GeoPost Benelux	Belgium	100.00	100.00	100.00	100.00	FC	FC
DPD Nederland BV (ex-GeoPost BV)	Netherlands	100.00	100.00	100.00	100.00	FC	FC
DPD CZ	Czech Republic	100.00	100.00	100.00	100.00	FC	FC
DPD Schweiz AG (ex-GeoPost SA Suisse)	Switzerland	100.00	100.00	100.00	100.00	FC	FC
GP Suisse (DPD AG – merged into DPD Schweiz AG, ex-GeoP Suisse)	Switzerland	100.00		100.00			FC
DPD Express (WHP Kurier Fracht)	Switzerland	100.00		100.00			FC
Betriebsgesellschaft DPD Paket Dienst	Germany	84.85	84.04	84.85	84.04	FC	FC
DPD Vertriebsgesellschaft	Germany	84.85	84.04	84.85	84.04	FC	FC
DPD Delicom	Germany	84.85	84.04	84.85	84.04	FC	FC
DPD Polska Sp. z o. o. (ex-Masterlink)	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD SK Sro	Slovakia	100.00	100.00	100.00	100.00	FC	FC
GeoPost YK Turkey	Turkey	51.00	51.00	51.00	51.00	FC	FC
DPD Hongrie Kft	Hungary	100.00	100.00	100.00	100.00	FC	FC
DPD Croatia d.o.o.	Croatia	30.00	100.00	30.00	100.00	EM	FC
Baltic Logistic System Eesti AS	Estonia	100.00	100.00	100.00	100.00	FC	FC
Baltic Logistic System Latvija SIA	Latvia	100.00	100.00	100.00	100.00	FC	FC
DPD Lituana (ex-Baltic Logistic System Vilnius)	Lithuania	100.00	100.00	100.00	100.00	FC	FC
Armadillo Business Parcel	Russia	50.00	50.00	50.00	50.00	F	F
Armadillo One	Russia	50.00	50.00	50.00	50.00	F	F
Armadillo Holding GmbH	Germany	50.00	50.00	50.00	50.00	F	F
GeoPost Bulgaria Ltd	Bulgaria	26.01	26.01	51.00	51.00	FC	FC
GeoPost Nordic and Eastern Europe	Sweden	100.00	100.00	100.00	100.00	FC	FC
ACP Air Cargo Poland	Poland	100.00	100.00	100.00	100.00	FC	FC
TD Express Services SARL	France	100.00	100.00	100.00	100.00	FC	FC
DPD Austria	Austria	25.57	25.57	25.57	25.57	EM	EM
DPD RO SA (ex-GeoPost Cargus)	Romania	50.98	50.99	99.97	99.98	FC	FC
Pegasus Courier SRL	Romania		40.00		50.00		PC
DPD Bosnien	Bosnia	30.00	100.00	30.00	100.00	EM	FC
GeoPost Caspian	Kazakhstan	26.01	50.00	51.00	50.00	FC	PC
DPD Serbien d.o.o.	Serbia	30.00	100.00	30.00	100.00	EM	FC
Interattica Grèce	Greece	97.97	100.00	97.97	100.00	FC	FC
DPD Slovenia	Slovenia	70.00	100.00	70.00	100.00	FC	FC
Yurtiçi Kargo	Turkey	25.00	25.00	25.00	25.00	EM	EM

		% interest at		% control at		Consolidation method	
Company	Country	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
GeoPost Espagne subgroup							
GeoPost Espagne	Spain	100.00	100.00	100.00	100.00	FC	FC
Seur GeoPost	Spain	60.00	60.00	60.00	60.00	FC	FC
Seur SA	Spain	19.62	19.62	19.62	19.62	EM	EM
Seur Internacional	Spain	40.00	40.00	40.00	40.00	EM	EM
Menexpres	Spain	60.00	60.00	60.00	60.00	FC	FC
Renasci S.L. (Seur Santander)	Spain	60.00		60.00		FC	
GeoPost UK subgroup							
GeoPost Intermediate Holding	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD UK (ex-GeoPost UK Ltd)	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
UK Letter Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD UK Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Plc	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Parcels	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Ireland Ltd	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Ireland Limited	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Holdings Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Parceline Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD UK Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Mail Plus Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Exapaq subgroup							
Exapaq Ouest SAS (merged into Exapaq SAS)	France	100.00		100.00		FC	
SAS Exapaq Rhône (merged into Exapaq SAS)	France	100.00		100.00		FC	
Exapaq Poitou Charentes (merged into Exapaq SAS)	France	100.00		100.00		FC	
Exapaq Côte d'Azur (merged into Exapaq SAS)	France	100.00		100.00		FC	
Exapaq Paris Centre (merged into Exapaq SAS)	France	100.00		100.00		FC	
CAPTRANS (merged into Exapaq SAS)	France	100.00		100.00		FC	
Traction et Distributions Parisiennes (TDP) (merged into Exapaq SAS)	France	100.00		100.00		FC	
GIE EXAFI (liquidated)	France	100.00		100.00		FC	
Trans Inter Regions (TIR) (merged into Exapaq SAS)	France	100.00		100.00		FC	
EXAFORM (liquidated)	France	100.00		100.00		FC	
TRI Toulouse (merged into Exapaq SAS)	France	100.00		100.00		FC	
EXATRI NÎMES (merged into Exapaq SAS)	France	100.00		100.00		FC	
EXATRI NIORT (merged into Exapaq SAS)	France	100.00		100.00		FC	
EXATRI LYON (merged into Exapaq SAS)	France	100.00		100.00		FC	
EXATRI PARIS (merged into Exapaq SAS)	France	100.00		100.00		FC	

		% interest at		% control at		Consolidation method	
Company	Country	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
Exapaq subgroup (contd)							
SCI ALJAS (merged into Exapaq SAS)	France	100.00		100.00		FC	
SCI des 6M (sold)	France	100.00		100.00		FC	
SCI de L'Étoile	France	100.00	100.00	100.00	100.00	FC	FC
SCI 3D	France	100.00	100.00	100.00	100.00	FC	FC
SCI EXALAB	France	100.00	100.00	100.00	100.00	FC	FC
SCI EXA Immo	France	100.00	100.00	100.00	100.00	FC	FC
SCI EXAMURS LYON	France	100.00	100.00	100.00	100.00	FC	FC
SCI EXAMURS PARIS	France	100.00	100.00	100.00	100.00	FC	FC
Exapaq SAS	France	100.00	100.00	100.00	100.00	FC	FC
MAIL SEGMENT							
Sofipost	France	100.00	100.00	100.00	100.00	FC	FC
Europe Airpost	France	100.00		100.00		FC	
Mediapost Services	France	81.79		81.79		FC	
IMS of New York	United States	100.00		100.00		FC	
Dynapost	France	65.00	65.00	65.00	65.00	FC	FC
Gescomail	France		65.00		100.00		FC
Somepost	France	100.00	100.00	100.00	100.00	FC	FC
Imelios	France	35.00		35.00		ME	
Sofrépost	France	100.00	100.00	100.00	100.00	FC	FC
Sélisa	France	100.00	100.00	100.00	100.00	FC	FC
SYNAXIO	France		60.00		60.00		FC
Mediapost	Switzerland		51.04		51.04		FC
STP	France	100.00	100.00	100.00	100.00	FC	FC
SCI STP Immo	France	100.00	100.00	100.00	100.00	FC	FC
Sérès	France	66.00	66.00	66.00	66.00	FC	FC
Sérès ASV	France	66.00	66.00	100.00	100.00	FC	FC
Extelia Holding	France		100.00		100.00		FC
Extelia SAS	France		100.00		100.00		FC
Extelia On Line	France		100.00		100.00		FC
CNPT Extelia SA	France		65.99		65.99		FC
Technique et Assistance SA	France		99.96		99.96		FC
Sefas	France		51.01		51.01		FC
Sefas Inc.	United States		51.01		100.00		FC
Sefas Ltd	United Kingdom		51.01		100.00		FC
Edixis	France		100.00		100.00		FC
Sérès Espagne	Spain	66.00	66.00	100.00	100.00	FC	FC
Brokers Acquisition Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Brokers Worldwide LLC	United States	88.60	88.60	88.60	88.60	FC	FC
Aspheria Holding	France	57.63	100.00	57.63	100.00	FC	FC
Aspheria	France	57.39	99.89	99.58	99.89	FC	FC
Maileva	France	100.00	100.00	100.00	100.00	FC	FC
Certinomis	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost SA	France	81.79	81.79	100.00	81.79	FC	FC
Mediapost Centre Ouest	France	81.79		100.00		FC	

Company	Country	% interest at		% control at		Consolidation method	
		31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
MAIL SEGMENT (contd)							
Mediapost Portugal	Portugal		41.72		51.00		FC
BAAM LDA	Portugal		41.72		100.00		FC
Postlog SA	Portugal		41.72		100.00		FC
Eurobussula LDA	Portugal		41.72		100.00		FC
Celeris LDA	Portugal		41.72		100.00		FC
Orbitroad LDA	Portugal		41.72		100.00		FC
Xange Capital	France	33.51	34.87	33.51	34.87	EM	EM
Post Office of Exchange	United States	100.00	100.00	100.00	100.00	FC	FC
Aurore	France	65.00	65.00	100.00	100.00	FC	FC
SF7	France	100.00	100.00	100.00	100.00	FC	FC
Ingénieurie Solution Courrier (ex-SF14)	France	100.00	100.00	100.00	100.00	FC	FC
Doc station	France	100.00	100.00	100.00	100.00	FC	FC
La Poste UK Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Orsid SAS	France	100.00	100.00	100.00	100.00	FC	FC
Orsid Laser	France	100.00	100.00	100.00	100.00	FC	FC
Orsid Provence	France	100.00	100.00	100.00	100.00	FC	FC
Orsid Rhône Alpes	France	100.00	100.00	100.00	100.00	FC	FC
Orsid Datapage	France	100.00	100.00	100.00	100.00	FC	FC
Orsid Production	France	100.00	100.00	100.00	100.00	FC	FC
ViaPost (ex-SF18)	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Data	France		81.79		100.00		FC
LGA	France		100.00		100.00		FC
Neolog	France	100.00	100.00	100.00	100.00	FC	FC
Neopress	France	100.00	100.00	100.00	100.00	FC	FC
Média-Presse	France	100.00	100.00	100.00	100.00	FC	FC
Paris Action Presse	France	100.00	100.00	100.00	100.00	FC	FC
Publipost	France	100.00	100.00	100.00	100.00	FC	FC
Docapost (ex-SF19)	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Global Mail (ex-SF21)	France	100.00	100.00	100.00	100.00	FC	FC
The Mailing House	United States	88.60	88.60	100.00	100.00	FC	FC
BTB Mailflight Holding	France		84.94		84.94		FC
BTB Mailflight Ltd	France		84.94		100.00		FC
Mailflight Courrier Services Ltd	France		84.94		100.00		FC
La Poste Deutschland GmbH	Germany		100.00		100.00		FC
Fret GV	France	50.00	50.00	50.00	50.00	PC	PC
FINANCIAL SERVICES SEGMENT							
La Banque Postale (ex-Efiposte)	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Gestion privée (ex-Efiposte Gestion)	France	100.00	51.00	100.00	51.00	FC	FC
SCI CRSF DOM	France	99.94	99.94	99.94	99.94	FC	FC
SCI CRSF Métropole	France	100.00	100.00	100.00	100.00	FC	FC
SF2	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Prévoyance (ex-Assurposte)	France	50.00	50.00	50.00	50.00	PC	PC
La Banque Postale Asset Management	France	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% interest at		% control at		Consolidation method	
		31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008
FINANCIAL SERVICES SEGMENT (contd)							
La Banque Postale Structured Asset Management	France	100.00	100.00	100.00	100.00	FC	FC
Sogerco	France	100.00	100.00	100.00	100.00	FC	FC
Sopassure	France	50.02	50.02	50.02	50.02	PC	PC
CNP Assurances	France	19.71	19.71	35.48	35.48	EM	EM
Issy SF2 4	France		100.00		100.00		FC
REAL ESTATE SEGMENT							
Poste Immo	France	100.00	100.00	100.00	100.00	FC	FC
Loca Poste SAS	France	100.00	100.00	100.00	100.00	FC	FC
ImmoStoc SAS	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Saint-Romain	France	100.00	100.00	100,00	100.00	FC	FC
SCI Tertiaire	France	100.00	100.00	100.00	100.00	FC	FC
SCI Logement	France	100.00	100.00	100.00	100.00	FC	FC
SCI Foyers	France	100.00	100.00	100.00	100.00	FC	FC
SCI Centres de Loisirs	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Annexes	France	100.00	100.00	100.00	100.00	FC	FC
SCI DOM	France	99.99	99.99	99.99	99.99	FC	FC
SCI 44 Vaugirard (ex-SCI Tertiaire SF)	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire SF Mixte	France	99.93	99.93	99.93	99.93	FC	FC
SCI Activités Courrier Local	France	100.00	100.00	100.00	100.00	FC	FC
SCI BP	France	100.00	100.00	100.00	100.00	FC	FC
SCI BP Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier Industriel	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier de Proximité	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Colis	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Mixte	France	100.00	100.00	100.00	100.00	FC	FC
CIPOSTE SAS (ex-PI1 SAS)	France	100.00	99.99	100.00	100.00	FC	FC
PI3 SCI	France	99.93	100.00	99.93	100.00	FC	FC
PI7 SAS	France	100.00	100.00	100.00	100.00	FC	FC
TPF2 Sppicav	France		22.40		22.40		EM
AKATEA TPF2	France		22.40		22.40		EM
Xélian (ex-PI 2 SAS)	France		100.00		100.00		FC
Véhiposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
GIE Véhiposte	France	100.00	100.00	100.00	100.00	FC	FC
Deskeo	France		100.00		100.00		FC
SF12	France	100.00	100.00	100.00	100.00	FC	FC
LP Services à la Personne	France	100.00	99.76	100.00	99.76	FC	FC
LP Média	France		100.00		100.00		FC

FC : full consolidation.
EM : equity method.
PC : proportional consolidation.
NC : company not consolidated.

Annual financial statements

of La Poste

Report of the Statutory Auditors

Year ended 31 December 2008

This is a free English translation of the Financial report issued in French language and it is provided solely for the convenience of English speaking readers. The Financial report includes information specifically required by French law in all financial statements. This Financial report should be read in conjunction with, and construed in accordance with, French law and professional accounting standards applicable in France. Any question arising from the text may only be elucidated by consulting the original document in French.

In performance of the responsibilities entrusted to us by ministerial decree of 20 June 2003, we hereby present our report on the year ended 31 December 2008, on:
• the audit of the accompanying La Poste annual financial statements;
• the basis for our assessment;
• the specific checks and disclosures required by law.

The annual financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements on the basis of our audit.

I - Opinion on the annual financial statements

We carried out our audit on the basis of professional standards applicable in France. These standards require us to carry out the audit in such a manner as to obtain reasonable assurance that the annual financial statements do not contain any material misstatements. An audit consists of checking, through sampling or any other means of selection, the items underlying the amounts and information in the annual financial statements. It also consists of assessing the accounting policies applied, the material estimates used and the overall presentation of the financial statements. We consider that the items we collected provide a sufficient and appropriate basis for our opinion. We certify that the annual financial statements are, with respect to French GAAP, reasonable and accurate and give a true and fair view of the operational performance over the past year as well as of the financial position and assets and liabilities of La Poste at the end of said year.

II - Basis for our assessment

The accounting estimates used for the purposes of the presentation of the financial statements at 31 December 2008 were prepared against a background of high market volatility and a certain difficulty in assessing the economic outlook. It is against this background that, in line with the provisions of article L. 823-9 of the French Commercial Code, we provide you with our own assessment:

• La Poste carries out annual impairment tests on its equity interests, which represented a net amount of €6,808 million at 31 December 2008, on the basis of the method described in note H to the financial statements under "Accounting rules and policies". In assessing these items we did not uncover anything likely to call into question the reasonable nature of the assumptions made and the resulting calculations.
These assessments form part of our audit of the annual financial statements as a whole and thus contributed to the formation of our opinion expressed in the first section of this report.

III - Specific checks and disclosures

We also carried out the specific checks required by law.
We have no observations regarding the fairness and consistency with the annual financial statements of the information set out in the management report of the Board of Directors and in the documents on the financial position and the annual financial statements.

Neuilly-sur-Seine and Courbevoie, 13 March 2009

Statutory Auditors

PricewaterhouseCoopers Audit
Florence Pestie, Bernard Rascle

Mazars
Bernard España, Guillaume Potel

Income statement at 31 December 2008

(€ millions)	Reference in notes	31/12/2008	31/12/2007
Mail revenue		10,989	11,185
Parcels revenue		1,413	1,330
La Poste Retail Brand revenue		1,198	1,200
Revenue	Note 1	**13,600**	**13,715**
Other operating income		2,367	2,386
Operating income		**15,967**	**16,101**
Purchases		(540)	(548)
Other external expenses	Note 2	(3,637)	(3,408)
Taxes other than income taxes	Note 3	(906)	(933)
Employee benefit and payroll expenses	Note 4	(10,312)	(10,464)
Depreciation, amortisation and provisions	Note 5	(366)	(349)
Operating expenses		**(15,761)**	**(15,702)**
OPERATING PROFIT		**207**	**399**
NET FINANCE INCOME AND EXPENSES	Note 6	**131**	**103**
PROFIT BEFORE EXTRAORDINARY ITEMS & TAX		**338**	**502**
EXTRAORDINARY ITEMS	Note 7	**(43)**	**(22)**
PROFIT BEFORE TAX		**294**	**480**
Income tax	Note 8	**6**	**(40)**
NET PROFIT FOR THE YEAR		**300**	**440**

Balance sheet at 31 December 2008

ASSETS (€ millions)	Reference in notes	31/12/2008 Gross amounts	31/12/2008 Depreciation, amortisation and provisions	31/12/2008 Net amounts	31/12/2007 Net amounts
Intangible assets	Note 9	632	(439)	193	159
Land and buildings		454	(270)	184	186
Other property, plant and equipment		3,370	(2,158)	1,212	1,157
PROPERTY, PLANT AND EQUIPMENT	Note 10	3,824	(2,428)	1,396	1,343
NON-CURRENT FINANCIAL ASSETS	Note 11	8,638	(40)	8,598	8,321
NON-CURRENT ASSETS		13,094	(2,907)	10,187	9,823
Inventories and work-in-progress	Note 12	154	(8)	146	134
Trade receivables		1,332	(53)	1,279	1,405
Other accounts receivable		647	(7)	640	649
Operating receivables	Notes 13 and 14	1,979	(60)	1,919	2,054
Miscellaneous accounts receivable	Note 15	155	(5)	150	179
Accrual accounts	Note 16	225	–	225	118
Marketable securities and cash equivalents	Note 17	1,958	–	1,958	1,001
CURRENT ASSETS		4,471	(73)	4,398	3,486
OVERALL TOTAL		17,565	(2,980)	14,585	13,309

EQUITY AND LIABILITIES (€ millions)	Reference in notes	31/12/2008	31/12/2007
Initial equity		2,258	2,258
Additional contributions		209	209
Retained earnings		411	113
Net profit for the year		300	440
EQUITY	Note 19	3,179	3,020
REGULATED PROVISIONS	Note 20	71	51
CONTINGENCY AND LOSS PROVISIONS	Note 20	972	852
Bonds		6,088	5,803
Other borrowings		665	198
Bank accounts and bills of exchange to disburse		65	251
Financial debt	Note 21	6,818	6,252
Operating payables		827	772
Tax and employee-related payables		1,198	1,135
Other operating payables		843	960
Operating payables		2,868	2,867
Miscellaneous accounts payable	Note 15	399	61
Accrual accounts	Note 16	278	206
LIABILITIES		10,363	9,386
OVERALL TOTAL		14,585	13,309

Cash flow statement at 31 December 2008

(€ millions)	Reference in notes	31/12/2008	31/12/2007
NET PROFIT FOR THE YEAR		300	440
Elimination of non-cash and non-operating items			
– Depreciation, amortisation and contingency and loss provisions	Note 26	466	303
– Gains and losses on disposal		(1)	28
– Other non-cash income and expenses		–	
GROSS CASH FLOW		765	771
Change in working capital requirements	Note 27	301	88
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		1,066	860
Payments for acquisitions of non-current assets	Note 28	(1,185)	(1,136)
Proceeds from non-current asset disposals	Note 29	462	41
CASH FLOWS USED IN INVESTING ACTIVITIES		(723)	(1,095)
Capital grants		–	–
Dividends distributed		(141)	–
Debt issues	Note 30	984	2,247
Debt repayments	Note 31	(242)	(3,028)
CASH FLOWS (USED IN)/GENERATED BY FINANCING ACTIVITIES		601	(781)
CHANGE IN CASH AND CASH EQUIVALENTS		944	(1,016)
Cash and cash equivalents at beginning of period		839	1,855
Cash and cash equivalents at end of period	Note 32	1,783	839

Special position of La Poste

La Poste's status

Pursuant to the provisions of the 2 July 1990 Act on the organisation of public postal and telecommunications services, La Poste became an independent public sector operator on 1 January 1991. This legislation was supplemented by the French decree of 12 December 1990 on the status of La Poste and the French decree of 29 December 1990 on La Poste's terms of reference and the French Post and Telecommunications Code. The provisions of the French Post and Telecommunications Code that have not been amended by the above legislation continue to apply to La Poste.
Pursuant to the provisions of article 14 of the Act of 2 July 1990, La Poste operates on a financially independent basis. It is responsible for managing its assets and for operating the business on a profitable basis. It determines the nature and level of its investments, assesses its financing requirements and has its own financial resources.
Pursuant to article 15 of said Act: "The financial statements of each public operator shall comply with the rules applicable to commercial operators". Consequently, in terms of financial and accounting management, La Poste applies the same accounting principles as industrial and commercial operators.
La Poste's financial statements are audited by statutory auditors. Article 39 of Act No. 90–568 of 2 July 1990 established a French Government Economic and Financial Control Unit at La Poste.
This units acts on the instructions and under the authority of the French Minister of the Economy and Finance as well as the French Budget Minister.
It is responsible for auditing the business activities and financial management of La Poste and its direct majority-owned subsidiaries, as well as its other subsidiaries subject by decree to State control.

Relations with the French government

The decree on the terms of reference specifies La Poste's relations with the French government. It in particular lays down the principle of multi-year agreements negotiated between the French government and the operator. It also establishes the remuneration principles for services provided and the manner of economic and financial control by the French government.

Highlights

1. Change to La Poste's status

On 18 December, the President of the French Republic announced the transformation of the company into a public limited company together with a public capital injection of €2.7 billion. The transformation of La Poste's status shall be included in the bill on opening up to competition, planned for before summer 2009.

2. Signing on 22 July of the 2008-2012 public service agreement between La Poste and the French government

This agreement sets out the commitments of both La Poste and the French government with respect to the four public service missions:
• universal postal service;
• press transportation and delivery;
• banking accessibility;
• regional planning.

3. Bond issue

In order to finance the Group's investments, La Poste carried out a 10-year €500 million bond issue in February 2008.

4. Payment of dividends to the French State

For the first time, La Poste paid a dividend to its shareholder, the French State. This dividend was paid in the first half of 2008 in respect of 2007 net profit and amounted to €141 million.

5. Implementation of the tripartite agreement

The tripartite agreement signed on 19 November 2007 between La Poste, the French Government and the French Mayors' Association with regard to local postal coverage was implemented in the course of 2008 (equalisation fund).

Events after the balance sheet date

In order to finance the Group's investments, La Poste carried out a 7-year €500 million bond issue in February 2009.

Accounting rules and policies

1. Accounting basis

La Poste's separate financial statements are drawn up on the basis of the 1999 French chart of accounts.

2. Accounting policies

A. Use of estimates

When preparing the financial statements, La Poste is required to make the best possible estimates and to make assumptions that affect the values of assets and liabilities in the balance sheet, the contingent assets and liabilities disclosed in the notes to the financial statements and the income and expenses in the income statement. Actual amounts may subsequently differ from these estimates and assumptions.

B. Revenue

Revenue from the sale of goods or services is recognised upon the transfer to the customer of the risks and rewards of ownership. It is recognised as the related services are provided, using the percentage of completion method, except for postage stamps and prepaid envelopes, where income is recognised at the time of sale.
As a result, the time taken to deliver mail and parcels is taken into consideration when assessing revenue at the balance sheet date.

C. Distinction between profit before extraordinary items and tax and extraordinary items

Extraordinary items only include income and expenses that are atypical and infrequent. La Poste has elected to classify the following as extraordinary items:
- gains and losses on disposals of non-current assets;
- provisions for permanent impairment of non-current assets;
- items associated with force majeure events (fires, storms, etc).

D. Tax

La Poste has elected to file a consolidated tax return with La Poste as the parent company.

E. Intangible assets

Under CRC (*Comité de la Réglementation Comptable* – French Accounting Regulations Committee) regulation 2004-06, an intangible asset is defined as an identifiable non-monetary asset without physical substance namely arising from legal or contractual rights, or separable.
Intangible assets are primarily comprised of software and leasehold rights.
Software is amortised over a period of one to three years. Leasehold rights are not amortised.
The rules governing the impairment of intangible assets are set out in section G below.

Research and development costs

Research costs are expensed as incurred.
Development costs are expensed as incurred, except for:
- costs for equipment, the construction of which is sufficiently advanced to demonstrate certain usefulness for La Poste.

These expenses are capitalised as intangible assets and amortised over a five-year period from commissioning;
- costs relating to internal software development to the extent that:

– it is highly likely that the project will be technically feasible,
– management has sufficient human and material resources to produce the software, and
– there is a clear intention to produce the software and use it on a long-term basis for La Poste's own needs or those of its customers.

These expenses are capitalised as intangible assets and amortised over a three-year period from commissioning.

F. Property, plant and equipment

1. Breakdown of the historical cost of property, plant and equipment by component

A component is a part of an item of property, plant and equipment that has a different useful life, or that generates economic benefits at a rate that differs from the item of property, plant and equipment as a whole.
La Poste has identified the following components:

Property assets – six components:
- structural frame;
- roof;
- joinery and outside works;
- large-scale equipment;
- small-scale equipment, fixtures and fittings;
- land.

Machinery and equipment:
- sorting machines: three components (mechanical parts, brain and peripherals);
- parcel sorting machines have a fourth component, comprising feeders and measuring instruments;
- sorting-related equipment: two components (mechanical parts and brain);
- TGV railcars: three components (frame, servicing and interior fittings).

2. Depreciation periods

As part of the implementation of the new accounting regulations on assets, the useful lives of property, plant and equipment were reviewed in 2005, primarily resulting in a lengthening of the average depreciation periods. The changes mainly involved:
- property assets, especially the main structural frame component;
- the main mechanical component of sorting machines.

Since 1 January 2005, depreciation has been calculated over the following useful lives:

Buildings:

The period depends on the technical/architectural category to which the building belongs (La Poste has defined seven categories):
- structural frame: 20 to 80 years;
- roof: 20 to 60 years;
- joinery and outside works: 20 to 40 years;
- large-scale equipment: 15 to 20 years;
- small-scale equipment, fixtures and fittings: 5 to 10 years.

Machinery and equipment:
- sorting machines: 5 to 15 years;
- sorting-related equipment: 5 to 8 years;
- computer and office equipment: 3 to 5 years;
- office furniture: 10 years;
- TGV railcars: 15 to 30 years.

As tax instruction BOI 4 A-13-05 allows an entity to depreciate the structure of componentised property, plant and equipment over its useful life, La Poste has recognised extraordinary depreciation on the following assets:
- the main structural frame component of buildings, in order to set the useful life of this component at 40 years for depreciation purposes;
- the main mechanical component of sorting machines, in order to set the useful life of this component at six years and eight months for depreciation purposes.

3. Acquisition cost of a non-current asset

Only expenses giving rise to a controlled resource as a result of past events and that La Poste expects to generate future economic benefits are capitalised.
In line with the option provided under CRC regulation 2004-06, incidental costs directly attributable to the acquisition of a non-current asset or its bringing into operating condition are not included in the cost of the item of property, plant and equipment.
Borrowing costs are not included in the acquisition cost of property, plant and equipment.
Capital grants received in respect of the acquisition of an item of property, plant and equipment are recorded as balance sheet liabilities and recognised in income over the useful lives of the underlying assets.

4. Accounting treatment of major repairs and checks

La Poste has elected not to make use of the option provided under CRC regulation 2002-10 to recognise these costs as a component and thus continues to record provisions for them.

G. Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are tested for impairment whenever there are indications of impairment losses.
Impairment tests consist of comparing the net carrying amount of each asset to its present value, which is the higher of the fair market value and value in use. Where the present value of an asset or group of assets falls below its net carrying amount and it continues to be used, then its net carrying amount is reduced to this present value via an impairment loss.
Fair market value represents the amount that could be obtained by selling an asset at the balance sheet date in an arms' length transaction, net of selling costs.
The **value in use** of an asset or group of assets is the value of the future economic benefits expected from its use and/or disposal.
Impairment losses are recognised for assets held for sale where the market value falls below the net carrying amount.

H. Equity interests

Shares in La Poste's subsidiaries are recognised at their acquisition cost, less potential provisions for impairment.
These provisions recognise the difference between the acquisition cost of equity interests and their carrying amount at the balance sheet date, generally determined using discounted future cash flows or the share of shareholders' equity, potentially consolidated, of the relevant unit. Where a disposal decision has been taken, the carrying amount is determined with reference to the fair market value.
Dividends received are recorded as finance income in the period in which the decision to distribute is made.

I. Other non-current financial assets

These are primarily loans made in connection with social housing schemes, recognised at face value. Provisions are made on the basis of the maturities and repayment terms of these loans and also to take account of the estimated non-recovery risks.

J. Inventories and work-in-progress

Inventories are measured at the lower of the cost price, measured using the weighted average cost method, and net realisable value.

K. Trade receivables

Provisions are calculated individually, based on an assessment of the risk of non-recovery.

L. Miscellaneous accounts receivable/payable and accrual accounts

Miscellaneous accounts receivable and payable primarily concern accounts in the process of being settled at the balance sheet date, primarily those relating to La Poste's internal accounting transactions.

M. Marketable securities and cash equivalents

Marketable securities are measured at the lower of their acquisition cost and market value.

N. Foreign currency transactions

Payables, receivables, cash and cash equivalents denominated in foreign currencies are translated into euros in the balance sheet at the closing exchange rate.

O. Contingency and loss provisions

A provision is recognised where (i) at the balance sheet date in question La Poste has a present obligation (legal or constructive) towards a third party as a result of a past event, (ii) it is likely that an outflow of resources embodying future economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation.

The provision is calculated on the basis of La Poste's expectation of the expenditure required to settle the obligation, based on management data from the information system and assumptions made by La Poste, supplemented, where necessary, by experience of similar transactions and, in some cases, by reports from independent experts or estimates from service providers. These various assumptions are reviewed at each balance sheet date.

P. Pension and early retirement plans

1. Public servants

Pension plan

The 2006 Amending Finance Act reformed pension funding for La Poste public servant employees, retroactive to 1 January 2006, as described in note 24.
As part of the plan implemented in 2006, La Poste pays a full discharge employer contribution. As a result, no provision is recorded in the financial statements in respect of public servant pensions.
Until 2005, the Act of 2 July 1990 made La Poste responsible for reimbursing the cost of pensions granted to public servants working for La Poste in accordance with the French Civil and Military Pension Code where payment and cover were provided by the State.

Early retirement plan

La Poste records a provision in respect of the costs of early retirement plans granted to its personnel. The calculation of this provision takes into account persons who (i) meet the eligibility criteria at the balance sheet date and (ii) are expected to sign up on the basis of observed take-up rates in previous years.
The early retirement plans currently in effect are described in note 24.

2. Contract employees

Pension plan for La Poste contract employees

The pension plan for La Poste's contract employees is a defined contribution plan, funded by contributions to organisations that release the employer from any subsequent obligation, with the organisation undertaking to pay the employee the amounts accrued. Consequently, once contributions are paid, no liabilities or obligations are recognised in La Poste's balance sheet. The contributions paid to the organisations are expensed as incurred.

Retirement benefits for La Poste's contract employees

These obligations are covered by provisions recorded in the balance sheet.
The main assumptions used and the measurement of the obligation are set out in note 24.

Q. Debt securities (bonds, La Poste savings bonds)

Debt securities are recognised at their face value under financial debt in balance sheet liabilities. They are broken down by type in the notes: bonds and La Poste savings bonds.

Interest accrued but not due on these securities is included in a related debt account, offset in income.
Bond issue and redemption premiums are amortised on a straight-line basis over the life of the bonds, with issue costs being deferred on a straight-line basis over the same period.
These issue or redemption premiums are recognised as balance sheet assets under "Miscellaneous accounts receivable" (see note 15).

R. Forwards

Forwards are presented under off-balance sheet commitments in note 23.
Gains or losses on these instruments used for hedging purposes are determined and recognised as follows:
• macro-hedging transactions: gains and losses on macro-hedging transactions are recognised in income pro rata temporis. The entry is offset in the accrual account until the cash settlement or disbursement date;
• micro-hedging transactions: gains and losses on instruments originally allocated for the purposes of specific hedging of an item or a group of similar items are recognised in income on a symmetrical basis to the gain or loss on the hedged item.
In particular, the transactions entered into by La Poste (mainly interest-rate swaps) with a view to purchases of securities represent hedges of "uncommitted but highly probable, clearly defined future transactions." Gains and losses are thus deferred until the commitment and subsequently recognised over the life of the investments.
Balancing cash adjustments recognised in the event hedging instruments are terminated are deferred over the remaining life of the underlying liability.
Balancing cash adjustments recognised in the event of the termination of instruments classified for accounting purposes as isolated open positions are recognised under finance income and expenses.
Instruments used in transactions classified for accounting purposes as an isolated open position are measured at the market value on the balance sheet date. Unrealised losses are recognised as finance expenses via a contingency and loss provision.

S. Capital

As an independent publicly owned company, La Poste does not have any share capital in the legal sense of the term. For accounting purposes, La Poste's equity at incorporation amounted to €1,219 million, representing the difference in value between its assets and liabilities.

T. Cash flow statement

La Poste prepares a cash flow statement, which presents the inflows and outflows of cash and cash equivalents classified under operating, investing or financing activities.

Operating activities are the main revenue generating activities and any other activities other than those defined as investing or financing activities.

Cash flows from operating activities are determined using the indirect method whereby net profit/(loss) for the year is adjusted for all non-cash transactions (net increases in depreciation, amortisation and provisions other than those relating to current assets plus business related changes in working capital requirements), deferrals or adjustments relating to past or future operating-related cash inflows or outflows and all income and expenses associated with cash flows relating to investing or financing activities.

Investing activities relate to the acquisition or disposal of non-current assets and any other investments not included in cash and cash equivalents.
La Poste's cash flows from investing activities mainly consist of acquisitions or disposals of the following:
• intangible assets and property, plant and equipment, adjusted for non-cash transactions (accounts receivable or payable on non-current assets);
• equity interests in other companies;
• other non-current financial assets (guarantees and deposits, affiliate receivables, etc).

Financing activities relate to transactions that affect the amount and make-up of debt and equity.
Cash flows from financing activities include the sources of financing (new borrowings) and related outflows (La Poste savings bond redemptions and debt repayments).

The concept of cash and cash equivalents represents very liquid short-term investments that can be readily converted into known amounts of cash and subject to a negligible risk of changes in value.
La Poste's cash and cash equivalents include cash in hand, bank debit balances and marketable securities that do not carry any material risk of changes in value and can be readily converted into cash (particularly money market funds (UCITS)) and the portion of bank credit balances and related interest accrued but not due relating to overdrafts.

Notes to the income statement

Note 1: Revenue and other operating income

La Poste generates its revenue from the Mail (domestic and international) and Parcels businesses as well as from the operations of the La Poste Retail Brand. Revenue breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Mail revenue	10,989	11,185
o.w. domestic Mail services	*10,374*	*10,581*
o.w. international Mail services	*608*	*596*
o.w. other services	*7*	*8*
Parcels revenue	1,413	1,330
La Poste Retail Brand revenue	1,198	1,200
Total	**13,600**	**13,715**

The breakdown of revenue into domestic Mail, international Mail and Parcels services is based on accounting data and on information from statistical tools enabling the identification and analysis of the physical flows of items carried and distributed.

La Poste Retail Brand revenue includes invoicing by La Poste of La Banque Postale for the use of its network of post offices (€1,136 million for 2008).

Domestic Mail revenue breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Business and public sector Mail	7,665	7,848
Mail franked at post office counters	2,090	2,140
Press contribution paid by the French government	242	242
Other Mail services	378	351
Total	**10,374**	**10,581**

Business and public sector Mail revenue was mainly comprised of revenue from franking machines and from the Destineo product range, which replaced the former Postimpact and Tem'post ranges.
The press contribution represented contractual payments by the French government to make up for the reduced tariffs granted to the press.

Other Mail services primarily included income on mail collection contracts (€171 million), services provided to subsidiaries (€126 million) and the delivery of directories (€30 million).

La Banque Postale contributed €235 million to La Poste's Mail revenue in 2008.

Revenue for international Mail breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Mail franked at post office counters	136	139
Other international Mail services	472	457
Total	**608**	**596**

Other international Mail services were mainly comprised of revenue from:
• franking and processing of overseas business and administrative letters (€278 million);
• terminal dues (€180 million).
Terminal dues are payments received by La Poste to deliver mail from other countries in France. They are determined at the balance sheet date on the basis of estimates of weight and number of items distributed known at that date.

Parcels revenue breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Parcels franked at post office counters	430	394
Other Parcels post services	983	936
Total	**1,413**	**1,330**

Other Parcels post services represent the delivery of parcels for businesses and the public sector and the growth of e-commerce.

La Poste Retail Brand revenue

(€ millions)	31/12/2008	31/12/2007
La Poste Retail Brand revenue	1,198	1,200
Total	**1,198**	**1,200**

Almost all of this line item was generated with La Banque Postale. In accordance with existing service agreements, La Poste invoices La Banque Postale for services provided by post offices in respect of financial operations, including in particular:
• counter services in respect of Financial Services;
• installation work and operational management of ATMs.
LBP income amounted to €1,136 million at 31 December 2008, compared to €1,138 million at 31 December 2007.
La Poste Retail Brand revenue also includes commission on third-party sales (excluding Mail and Parcels) at postal network counters (for example telephone card sales) as well as fees paid by Chronopost for the use of La Poste's sales network.

Other operating income

(€ millions)	31/12/2008	31/12/2007
Other operating income	2,367	2,386
Total	**2,367**	**2,386**

Other operating income was mainly comprised of reimbursements of income and expenses invoiced to La Banque Postale in respect of the financial operations carried on by La Poste (Shared Resources agreement), namely:
• employee benefit and payroll expenses of €1,025 million at the financial back office centres;
• sales force expenses of €1,064 million.

Other operating income also included:
• self-constructed assets: €41 million;
• services invoiced to subsidiaries: €50 million to Poste Immo and €26 million to the other subsidiaries;
• management fees invoiced to the holding companies, as follows:
– La Banque Postale: €21.5 million,
– Sofipost: €5.2 million,
– GeoPost: €4.2 million,
– Poste Immo: €2.0 million,
– Xélian: €0.5 million.

Note 2: Other external expenses

Other external expenses break down as follows:

(€ millions)	31/12/2008	31/12/2007
External services	1,261	1,131
Mail and parcel freight costs	641	592
International Mail delivery services	299	294
Rental expenses	800	717
Maintenance and repair costs	304	314
Telecommunications costs	89	149
Travel and assignments	129	133
Customer-related operating expenses	114	78
Total	**3,367**	**3,408**

The change in other external expenses was primarily due to the implementation of ongoing projects: +€229 million higher in 2008 than in 2007 (+6.7%). The main changes break down as follows:
• "External services" was up €130 million. This rise was mainly due to the modernisation projects at the Mail, Parcels and La Poste Retail Brand businesses;
• "Mail and parcel freight costs" were up €49 million. This stemmed both from the implementation of transportation projects and higher fuel prices;
• the "Rental expenses" line item rose €83 million, breaking down as follows:
– +€62 million in property rentals on the back of a combination of higher rents and a higher number of premises leased,
– +€21 million for transportation equipment leases as a result of higher rates for leased vehicles;
• a €60 million reduction in "Telecommunication expenses". This reduction was due to the discontinuation on 1 January 2008 of the telephone benefit in kind, which was replaced by a bonus (see note 4 "Employee benefit and payroll expenses").

Note 3: Taxes other than income taxes

Taxes other than income taxes break down as follows:

(€ millions)	31/12/2008	31/12/2007
Salary taxes	566	579
Public transport allowance	71	70
Local taxes	59	58
One-off apprenticeship tax	53	65
FNAL contributions	31	31
Vocational training contribution	41	33
Contribution to construction effort	32	44
Other taxes and levies	53	53
Total	**906**	**933**

La Poste receives an 85% reduction on business and property tax bases in respect of business premises. This allowance, provided for under the act of 2 July 1990, is in consideration for La Poste's obligation to serve all of France and to participate in regional planning.
La Poste also receives a 70% allowance on the calculation of the minimum business tax contribution (article 1635 sexies of the French General Tax Code).

Note 4: Employee benefit and payroll expenses

Employee benefit and payroll expenses break down as follows:

(€ millions)	31/12/2008	Pro forma 31/12/2007	31/12/2007
Wages and salaries, bonuses and allowances	7,204	7,211	7,164
Pension contributions	1,549	1,705	1,705
Social security contributions	1,323	1,300	1,300
Employee welfare costs	165	143	143
Other employee benefits expenses	71	105	152
Total	**10,312**	**10,464**	**10,464**

The pro forma figure relates to the reclassification from the "Other employee benefits expenses" line item to the "Wages and salaries, bonuses and allowances" line item.
Employee benefit and payroll expenses changed as follows:
• there was a –€156 million fall in public servant pension contributions as a result of the cutting in the level of the full discharge contributions and in the number of public servants. The 2007 pension contributions also included the French government's reimbursement of a €54 million receivable under the 2006 civilian pensions compensation/overcompensation plan;
• remuneration granted to members of the administrative and management bodies: this information is not provided in order to avoid identifying the position of a specific member of the management bodies.

Employee numbers break down as follows:

(Full-time equivalent employees/year)	31/12/2008	31/12/2007
Public servants	151,564	161,720
Contract employees	105,556	103,061
Total	**257,120**	**264,781**

Note 5: Depreciation, amortisation and provisions

Depreciation, amortisation and provisions break down as follows:

(€ millions)	31/12/2008	31/12/2007
Depreciation, amortisation	315	298
Increase in deferred expenses	2	2
Net increases/reversals of provisions for asset impairment	–	–
Net increases/reversals of contingency and loss provisions	50	49
Total	**366**	**349**

• The breakdown of depreciation and amortisation can be found in notes 9 and 10 to the balance sheet.
• The breakdown of net reversals of provisions for asset impairment in 2008 can be found in note 18.
• The breakdown of increases/reversals of contingency and loss provisions in 2008 can be found in note 20.

Note 6: Finance income and expenses

Finance income and expenses break down as follows:

(€ millions)	31/12/2008	31/12/2007
Foreign exchange losses	(1)	–
Net expense on loans and borrowings	(197)	(190)
Share of profit of associates	345	227
Other finance income and expenses	(16)	66
Total	**131**	**103**

2008 finance income and expenses were mainly comprised of the following items:
• debt servicing, primarily on bonds issued by La Poste. This expense rose slightly as a result of a new €500 million bond issue in February 2008, partly offset by the redemption of a €229 million bond tranche in July 2008 and higher revenue on cash receivables;
• share of profit of associates from La Banque Postale (€109 million), Poste Immo (€50 million) and GeoPost SA (€22 million), on top of an extraordinary distribution of reserves by LBP (€163 million);
• other finance income and expenses, which mainly consisted of provisions for financial instruments (–€53 million). The year-on-year change was primarily due to this increase and the reversal of €45 million in respect of Sofipost shares recorded in 2007.

Note 7: Extraordinary items

Extraordinary items break down as follows:

(€ millions)	31/12/2008	31/12/2007
Gains/(losses) on non-current asset disposals	1	(28)
Net reversals of provisions for impairment of buildings	(5)	20
Reversal of provisions to renovate real estate assets	–	3
Extraordinary depreciation and amortisation	(20)	(17)
Miscellaneous extraordinary items	(19)	–
Total	**(43)**	**(22)**

Note 8: Income tax

(€ millions)	31/12/2008	31/12/2007
Consolidated income tax	(85)	(211)
Tax consolidation benefit	91	171
Total	**6**	**(40)**

At 31 December 2008, the La Poste tax consolidation group posted net profit for the year of €247 million.
The tax consolidation benefit represents the sum of the tax expenses of profit-making subsidiaries in the tax consolidation group and amounted to €91 million.

The amount of subsidiaries' losses used by La Poste under the tax consolidation scheme amounted to €134 million at 31 December 2008, including €82 million in respect of holding companies structurally generating tax losses.

Under La Poste's tax consolidation agreement, subsidiaries returning to profitability retain the option of using their loss carry-forwards generated during the tax consolidation period to calculate the income tax expense owed to the parent company. Use of these loss carry-forwards by subsidiaries generates an expense for the Group in respect of the use of said loss carry-forwards where the subsidiaries remain members of the tax consolidation group.

Deferred tax liabilities

(€ millions)	31/12/2008	31/12/2007
Items that reduce the future tax liability		
Temporary differences including:	659	539
• *Provisions for early retirement and retirement benefits*	*449*	*399*
• *Non-deductible provisions*	*104*	*77*
• *Swaps and related transactions*	*61*	*54*
• *Other temporary differences (including negative translation adjustments)*	*45*	*9*
Total	**659**	**539**
Items that increase the future tax liability		
Poste Immo – rollover relief on contribution	686	724
Miscellaneous	71	55
Total	**757**	**780**

In line with applicable accounting regulations, the deferred tax relating to the rollover relief on securities has not been recognised.

Notes to the balance sheet

Note 9: Intangible assets

Movements in intangible assets and the corresponding amortisation break down as follows:

Gross amounts

(€ millions)	Amounts at 31/12/2007	2008 acquisitions	2008 disposals	2008 reclassi-fications	Amounts at 31/12/2008
Research and development costs	43	21	(25)	(9)	30
Concessions, patents and similar rights	17	2	–	1	20
Software	435	71	(14)	(17)	475
Leasehold rights	21	–	–	–	21
Goodwill	4	–	–	–	4
Intangible assets in progress	53	4	–	25	82
Total	**573**	**98**	**(39)**	**–**	**632**

The reductions recorded in 2008 correspond to retirements of fully amortised non-current assets, involving past research and development costs and software that had become obsolete.

Amortisation and provisions

(€ millions)	Amounts at 31/12/2007	2008 increases	2008 decreases	2008 reclassi-fications	Amounts at 31/12/2008
Research and development costs	31	4	(17)	–	18
Concessions, patents and similar rights	15	1	–	–	16
Software	368	51	(14)	–	405
Total	**414**	**56**	**(31)**	**–**	**439**

Note 10: Property, plant and equipment

Movements in property, plant and equipment and the corresponding depreciation break down as follows:

Gross amounts

(€ millions)	Amounts at 31/12/2007	2008 acquisitions	2008 disposals	2008 reclassi-fications	Amounts at 31/12/2008
Land	131	–	(2)	0	129
Buildings	323	–	(13)	15	325
Land and buildings	**454**	**–**	**(15)**	**15**	**454**
Machinery, equipment and tooling	1,172	114	(47)	107	1,346
Vehicles	98	5	(9)	2	96
Computer equipment	658	75	(106)	(8)	619
Other PP&E	1,116	87	(19)	2	1,186
PP&E in progress	198	67	(24)	(118)	123
Other PP&E	**3,242**	**348**	**(205)**	**(15)**	**3,370**
Total	**3,696**	**348**	**(220)**	**–**	**3,824**

Acquisitions primarily involved capital expenditure on sorting machines to process mail and furnishings to modernise post offices. The reductions seen in the various "Other PP&E" line items mainly related to scrapped assets (obsolete tooling and computer equipment).

Depreciation and provisions

(€ millions)	Amounts at 31/12/2007	2008 additions	2008 retirements/reversals used	unused	2008 reclassi-fications	Amounts at 31/12/2008
Buildings	247	8	(11)	–	–	244
Machinery, equipment and tooling	791	100	(46)	–	–	845
Vehicles	63	10	(9)	–	–	64
Computer equipment	564	70	(105)	–	–	529
Other PP&E	668	71	(19)	–	–	720
Other PP & E	**2,333**	**259**	**(190)**	**–**	**–**	**2,402**
Provisions for land and buildings	21	7	–	(2)	–	26
Total	**2,354**	**266**	**(190)**	**(2)**	**–**	**2,428**

Note 11: Non-current financial assets

This line item breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Equity interests	6,812	6,803
Provisions for equity interests	(4)	(4)
Net equity interests	**6,808**	**6,799**
Other non-current financial assets	1,826	1,557
Provisions for other non-current financial assets	(36)	(36)
Net other non-current financial assets	**1,790**	**1,521**
Total	**8,598**	**8,321**

La Poste's equity interests are mainly held by its wholly-owned holding companies Sofipost, GeoPost, Poste Immo and La Banque Postale.
• In 2008, the interests increased by +€9 million: La Poste subscribed for 9,000,000 €1 shares as part of a capital increase at Xélian (ex-PI2).
• The change in other non-current financial assets was mainly due to loan movements between La Poste and its subsidiaries. The main movements recorded in 2008 involved:
– the repayment of the Poste Immo (€350 million) and GeoPost (€80 million) loans,
– new loans granted to Xélian (€400 million), Poste Immo (€200 million) and Sofipost (€92 million).
The change in other non-current financial assets also related to the payment of collateralisation security deposits: a total of €43 million in deposits had been paid at 31 December 2008, compared to €31 million at 31 December 2007.

Equity interests at 31/12/2007 (gross amount)		**6,803**
27/03/2008	Subscription to capital increase at Xélian (ex-PI2)	9
Equity interests at 31/12/2008 (gross amount)		**6,812**

Note 12: Inventories and work-in-progress

This line item breaks down as follows:

(€ millions)	31/12/2008			31/12/2007
	Gross amounts	Provisions	Net amounts	
Inventories of raw materials, supplies and goods	5	–	5	7
Inventories of other supplies	102	(8)	94	84
Inventories of finished and semi-finished products	47	–	47	43
Total	**154**	**(8)**	**146**	**134**

Note 13: Operating receivables

Operating receivables break down as follows:

(€ millions)	31/12/2008	31/12/2007
Trade receivables	1,332	1,450
Other operating receivables	647	660
Total	**1,979**	**2,110**

• All operating receivables are due within one year.
• Other receivables are primarily comprised of accrued income, including €385 million for international Mail services (compared to €439 million at 31 December 2007).

Note 14: Accrued income and expenses

Assets

Accrued income includes the following balance sheet line items:

(€ millions)	31/12/2008	31/12/2007
Trade receivables	655	978
Other international Mail receivables	385	439
Other trade receivables	132	109
Total	**1,172**	**1,526**

Liabilities

Accrued expenses include the following balance sheet line items:

(€ millions)	31/12/2008	31/12/2007
Trade payables	533	438
Tax and employee-related payables*	899	881
Other international Mail payables	370	443
Other trade payables	117	132
Total	**1,919**	**1,894**

* Including a provision for paid leave (€482 million in expenses included at 31 December 2008, compared to €494 million at 31 December 2007).

Note 15: Miscellaneous accounts receivable/payable

This line item breaks down as follows:

(€ millions)	31/12/2008		31/12/2007	
	Assets	Liabil-ities	Assets	Liabil-ities
Other miscellaneous accounts receivable/ payable	155	399	179	61
Total	**155**	**399**	**179**	**61**

Assets:

• Subsidiaries' current accounts amounted to €120 million.
• The balance also includes €20 million in bond issue premiums and €9 million in deferred expenses.

Liabilities:

• At 31 December 2008, subsidiaries' current accounts amounted to €229 million, compared to €24 million at 31 December 2007.
• La Poste owes €145 million to La Banque Postale in respect of Financial Services transactions (at 31 December 2007, La Poste was owed €23 million).

Note 16: Accrual accounts

Assets

(€ millions)	31/12/2008	31/12/2007
Transactions pending settlement		
Settlement accounts related to Mail transactions	37	48
Other settlement accounts	188	70
Total	**225**	**118**

Liabilities

(€ millions)	31/12/2008	31/12/2007
Transactions pending settlement		
Settlement accounts related to Mail transactions	89	72
Other settlement accounts	189	134
Total	**278**	**206**

Accrual accounts include:
• transactions related to international mail operations;
• miscellaneous intercompany transfers; and
• translation adjustments.

Note 17: Marketable securities and cash equivalents

This line item breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Marketable securities	971	153
Bank accounts, bills of exchange to cash and bills of exchange traded between entities	160	68
Cash	826	780
Total	**1,958**	**1,001**

The "Marketable securities" balance at 31 December 2008 was primarily comprised of:
• €430 million in negotiable debt securities;
• €541 million in equities and mutual funds.
The change in the line item in 2008 stemmed from the purchase of €280 million in negotiable debt securities and of €539 million in shares and mutual funds.

Note 18: Asset impairment

Asset impairment changed as follows in 2008:

(€ millions)	Amounts at 31/12/2007	2008 additions	2008 reversals used	2008 reversals unused	Amounts at 31/12/2008
Impairment of property, plant and equipment	**21**	**7**	**–**	**(2)**	**26**
Equity interests	4	–	–	–	4
Loans	36	–	–	–	36
Impairment of non-current financial assets	**40**	**–**	**–**	**–**	**40**
Inventories and work-in-progress	12	8	(3)	(9)	8
Trade receivables	45	17	(7)	(2)	53
Personnel receivables	11	–	(1)	(3)	7
Miscellaneous accounts receivable	–	5	–	–	5
Impairment of current assets	**68**	**30**	**(11)**	**(14)**	**73**
Total	**129**	**37**	**(11)**	**(16)**	**138**

Provisions for the impairment of property, plant and equipment are recorded on the basis of the process set out in section G on accounting rules and policies.
€3.5 million was recorded in respect of impairment of equity interests, primarily shares in Sofipost.
€5 million impairment loss in respect of miscellaneous accounts receivable related to the SF12 current account.

Increases and reversals in impairment losses over the year break down as follows:

(€ millions)	Additions			Reversals		
	Operating profit/loss	Finance income and expenses	Extraord-inary items	Operating profit/loss	Finance income and expenses	Extraord-inary items
Property, plant and equipment	–	–	7	–	–	(2)
Equity interests	–	–	–	–	–	–
Loans	–	–	–	–	–	–
Inventories and work-in-progress	8	–	–	(12)	–	–
Trade receivables	17	–	–	(9)	–	–
Personnel receivables	–	–	–	(4)	–	–
Miscellaneous accounts receivable	–	5	–			
Total	**25**	**5**	**7**	**(25)**	**–**	**(2)**
Overall total		**37**			**(27)**	

Note 19: Equity

Changes in equity in 2008 break down as follows:

(€ millions)	Contribu-tions	Other equity	Dividends paid	Retained earnings	Net profit for the year	Total equity
Position at 31/12/2006	**2,258**	**209**	**–**	**(111)**	**223**	**2,579**
Appropriation of earnings				223	(223)	
Net profit for the year					440	
Position at 31/12/2007	**2,258**	**209**	**–**	**113**	**440**	**3,020**
Appropriation of earnings			141	299	(440)	
Net profit for the year					300	
Position at 31/12/2008	**2,258**	**209**	**–**	**411**	**300**	**3,179**

For the first time, La Poste paid a dividend to its shareholder, the French State. This dividend was paid in the first half of 2008 in respect of 2007 net profit and amounted to €141 million.

Note 20: Contingency and loss provisions

Contingency and loss provisions changed as follows in 2008

(€ millions)	Amounts at 31/12/2007	2008 Additions	2008 Reversals used	2008 Reversals unused	Amounts at 31/12/2008
Early retirement plans	342	69	(26)	–	385
Retirement benefits for contract employees	56	8	–	–	64
Long-term sick leave and long-term paid leave/ supplementary leave/accrued leave	290	24	(11)	–	303
Legal risks	28	6	(1)	(6)	27
Refurbishment programmes	40	1	(16)	–	25
Employee-related claims	64	20	(4)	(30)	50
Claims and disputes	13	9	(6)	(3)	13
Other contingency and loss provisions	19	88	–	(2)	105
Total	**852**	**225**	**(64)**	**(41)**	**972**
Extraordinary depreciation	**51**	**22**	**(2)**	**–**	**71**

The main assumptions used to measure provisions for early retirement plans for public servants and retirement benefits for contract employees are described in note 24.
The provision for long-term sick leave and long-term paid leave is designed to cover the costs related to future periods of leave commenced at the balance sheet date. This provision is measured at every balance sheet date for every employee concerned, on the basis of future entitlements and expressed in the number of payable index points.
Over 50% of the provisions for long-term sick leave – long-term paid leave and supplementary leave (€120 million) fall due within one year.
The provisions for legal risks relate to claims brought before administrative, civil or commercial instances.
The provision for refurbishment mainly related to expenses to be incurred on buildings and vehicles that are the subject of a lease with Véhiposte.
The provisions for employee-related claims concerned all employee disputes (arbitration proceedings, etc.) and URSSAF reassessments.
Other contingency and loss provisions: the provision for penalties relating to the audit of regulated savings products had a €18 million impact on extraordinary expenses.

Additions and reversals for the year break down as follows:

(€ millions)	Additions			Reversals		
	Operating profit/loss	Finance income and expenses	Extraord-inary items	Operating profit/loss	Finance income and expenses	Extraord-inary items
Early retirement plans	69	–	–	(26)	–	–
Retirement benefits for contract employees	8	–	–	–	–	–
Long-term sick leave and long-term paid leave/supplementary leave/accrued leave	24	–	–	(11)	–	–
Legal risks	6	–	–	(7)	–	–
Refurbishment programmes	1	–	–	(16)	–	–
Employee-related claims	20	–	–	(34)	–	–
Claims and disputes	9	–	–	(9)	–	–
Other contingency and loss provisions	16	54	18	–	(2)	–
Extraordinary depreciation	–	–	22	–	–	(2)
Total	**153**	**54**	**40**	**(103)**	**(2)**	**(2)**
Overall total		**247**			**(107)**	

Note 21: Financial debt

Financial debt breaks down as follows:

(€ millions)	31/12/2008	31/12/2007
Bonds	**6,088**	**5,803**
Bonds (excluding accrued interest not due)	5,967	5,696
Accrued interest not due	121	107
La Poste savings bonds	**122**	**138**
La Poste savings bonds (excluding accrued interest not due)	93	106
Accrued interest not due	29	32
Deposits and guarantees received	**197**	**60**
Short-term borrowings:	**346**	**–**
Short-term borrowings (excluding accrued interest not due)	346	–
Accrued interest not due	–	–
Bank accounts and bills of exchange to disburse	**65**	**251**
Total	**6,818**	**6,252**

The financial debt matures as follows:

	< 1 year		1 to 5 years		> 5 years		Total	
(€ millions)	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Bonds (excluding accrued interest not due)	400	229	1,425	1,025	4,142	4,442	5,967	5,696
La Poste savings bonds (excluding accrued interest not due)	93	106	–	–	–	–	93	106
Deposits and guarantees received	173	39	1	1	23	20	197	60
Short-term borrowings (excluding accrued interest not due)	346	–	–	–	–	–	346	–
Accrued interest not due	150	139	–	–	–	–	150	139
Total	**1,162**	**513**	**1,426**	**1,025**	**4,165**	**4,463**	**6,753**	**6,001**

Bonds

Changes in bonds and other debt securities, excluding accrued interest not due, break down as follows:

(€ millions)	31/12/2007	Increase	Decrease	Translation adjustment	31/12/2008
Bonds and other debt securities	**5,696**	**500**	**(229)**	**–**	**5,967**

The change in bonds and other debt securities mainly resulted from the following:
• carrying out a new €500 million bond issue in February 2008;
• the €229 million redemption of a bond issue maturing in July 2008.

The breakdown in bonds and other debt securities by type of interest rate at 31 December 2008 was as follows:

(€ millions)	Debt structure before impact of interest-rate swaps		Impact of interest-rate swaps	Debt structure after impact of interest-rate swaps	
	Amounts	%	Amounts	Amounts	%
Fixed-rate debt	5,967		(3,628)	2,339	39.2%
Floating-rate debt	–	–	3,628	3,628	60.8%
Total	**5,967**	**100%**	**–**	**5,967**	**100%**

The breakdown in bonds and other debt securities by currency at 31 December 2008 was as follows:

(€ millions)	Debt structure before impact of currency swaps		Impact of currency swaps	Debt structure after impact of currency swaps	
Euro	5,525	93%	442	5,967	100%
Pound sterling	291	5%	(291)	–	0%
Swiss franc	151	3%	(151)	–	0%
Total	**5,967**	**100%**	**–**	**5,967**	**100%**

Issue premiums

Unamortised issue premiums stemming from the difference between the amount received at issue and the redemption price for all bonds amounted to €20.3 million (premiums paid) at 31 December 2008, compared to €21.7 million (premiums paid) at 31 December 2007.

La Poste savings bonds

This line item represents La Poste's debt in respect of savings bonds debt (€93 million issued). The balances under this line item are down due to the discontinuation of La Poste savings bond issues in November 2001.

Short-term borrowings

The change here is due to the issue of €346 million in commercial paper in 2008.

Note 22: Information on associates

(€ millions)	31/12/2008	31/12/2007
Non-current financial assets	8,474	8,214
Trade receivables	181	348
Trade payables	(220)	(252)
Operating expenses	(978)	(958)
Operating income	3,641	3,697
Finance expenses	(6)	(4)
Finance income	423	281

Off-balance sheet commitments

Note 23: Derivatives

(€ millions)	31/12/2008		31/12/2007	
	Face value	Fair value	Face value	Fair value
Swaps	3,636	174	2,509	23
Hedging transactions	**3,636**	**174**	**2,509**	**23**
Transactions in isolated open positions	**2,885**	**(16)**	**3,701**	**23**
Total	**6,521**	**158**	**6,210**	**46**

The financial instruments used by La Poste are presented on the basis of their hedging purpose.
Hedging swaps used for the purposes of financial hedging involve the hedging of interest rate risks in respect of La Poste's debt.
In line with Group accounting policies, swaps in isolated positions, relating to La Poste's bonds and other debt securities, may be the subject of provisions designed to reflect unrealised losses on financial instruments. At 31 December 2008, a €54 million provision had been recorded in this respect.

Counterparty risk management

Market transactions are only carried out with top-ranked banks or financial institutions within the limits set for each counterparty by La Poste's Executive Management.

Note 24: Employee commitments

All information on La Poste's post-employment and long-term benefit obligations is presented below.
The following table shows the accounting treatment of the various existing plans:

	Balance sheet		Off-balance sheet	
	2008	2007	2008	2007
Pension contributions for public servant employees	X	X		
Other benefits granted to retired public servants			X	X
Early retirement plans for public servant employees	X	X		
Retirement benefits for contract employees	X	X		
Other long-term benefits (paid leave)	X	X		

A. Measurement methods

Post-employment and long-term benefits

Post-employment and long-term benefit obligations resulting from defined-benefit plans, together with the related costs, are measured using the projected unit credit method in accordance with IAS 19. Annual actuarial appraisals are carried out.
The calculations are done on the basis of external economic actuarial assumptions (discount rate, inflation rate and rate of pension increases, etc.) and assumptions specific to La Poste (employee turnover, mortality, rate of salary increases, etc).

B. Main actuarial assumptions used to measure all La Poste's employee commitments.

Discount rate

The gross discount rates used for 2008, determined with reference to high quality corporate bonds, were as follows:

Term of commitments	5 years	10 years	15 years	20 years
Discount rate (eurozone)	5.5%	5.3%	4.9%	5.2%

Inflation rate

The inflation rate used to measure employee commitments at 31 December 2008 was 2%, unchanged on 31 December 2007.

Future increases in pensions and salaries

Pension increases are linked to inflation. The long-term future salary increases are based on reasonable assumptions regarding inflation.

C. Pension benefit obligations for La Poste's public servant employees

Description of La Poste's obligation

Article 150 of the 2006 Amending Finance Act, published in the Official Gazette of 31 December 2006, sets out the pension funding plan for public servants working at La Poste. This plan changes the previous funding plan in order to progressively put La Poste on a level competitive playing field.

The reform implemented in December 2006, and approved by the European Commission in 2007, includes:

• the establishment of a full discharge employer pension contribution from 1 January 2006. This rate will be gradually reduced down to a so-called "level playing field" rate in 2010, namely a level that brings the mandatory salary-based social security and tax charges at La Poste to the level of other companies in the postal and banking sectors. For the 2006-2009 period, the Act establishes an additional rate (16.3% in 2006, 6.8% in 2007, 3.7% in 2008 and 1.3% in 2009) that is added to the level playing field rate;
• the handing over to the EPNFRLP (Établissement Public National de Financement des Retraites de La Poste – French State body for funding La Poste pensions), set up earlier by Decree on 19 December 2006, of the task of centralising and distributing the flow of retirement benefits to La Poste's public servants between the French government, La Poste and any other relevant bodies. EPNFRLP is in fact responsible for negotiating the financial agreements provided for under Title II, Book II and under Title II, Book IX of the French Social Security Code;
• payment by La Poste in 2006 of a one-time fixed contribution of €2 billion to this public body.

With the implementation of this plan, and given the fully discharging nature of the employer's contribution, no provision is recorded in La Poste's financial statements in respect of public servant retirement benefits.
Obligations for other post-employment benefits include:
- employee welfare services provided to retired public servants, primarily including home help and holiday vouchers;
- a loyalty bonus granted to retired public servants who have their pension automatically paid into a La Banque Postale account;
- assistance granted to associations that provide services for retired public servants.

Measurement of the obligation

The total amount of these post-employment benefit obligations was estimated at €573 million at 31 December 2008 compared to €663 million at 31 December 2007.
In line with the option provided under article L. 123-13 of the French Commercial Code, no provisions have been recorded in respect of these post-employment benefits.

D. Retirement benefits for La Poste contract employees

Description of existing plans

Employees who retire from La Poste receive a retirement benefit, determined on the basis of seniority and end-of-career salary.

Amount recorded in the balance sheet

The provision recorded for retirement benefits in respect of La Poste's contract employees (shown under "Contingency and loss provisions" in balance sheet liabilities) amounted to €64 million at 31 December 2008 (€57 million at 31 December 2007).

E. Early retirement plans for public servants

Description of existing plans

Public servants can benefit, under certain conditions, from the early retirement plans described hereafter.

a) Phased early retirement plan

This plan, which was introduced by a French government order of 31 March 1982 covers all public servants. Under the terms of the plan, public servants who meet certain conditions are entitled to reduce their working hours in exchange for a proportionately less substantial salary cut.
The Fillon Act amended the eligibility conditions for this plan. In particular, the minimum age requirement, initially set at 55 and a half on 1 January 2004, was gradually increased to 57 from 1 January 2008.

b) Early retirement plan

This plan, set up by La Poste, is open to employees having turned 59 who meet certain conditions relating to length of service. Employees who elect to take up this plan stop working completely while continuing to be paid until they turn 60.

c) Statutory early retirement plan

This plan has been closed to public servants since 1 January 2003. It allowed public servants who met certain conditions to retire early and continue to be paid until they turned 60. Employees participating in the plan prior to this date continue to benefit.

d) Part-time plans

These plans have been set up by La Poste. They are occasionally offered to certain people who meet the relevant minimum age (public servants and contract employees), either on a one-off basis or as part of regional agreements linked to restructuring plans.

• Part-time consulting (PTC):

Employees eligible for the PTC plan reduce their working hours in exchange for a proportionately less substantial salary cut.
This plan is offered to employees who have turned 56, provided that it is followed up by one of the part-time mentoring and consulting plans described below (PTMC or NPTMC) by the time they turn 58 and a half.

This shorter working time may involve the carrying out of training activities. It is up to the section head to decide the nature of activities and how they are organised (working system). The PTC plan is an irreversible arrangement, which must subsequently be accompanied by a PTMC or NPTMC plan.

• Part-time mentoring and consulting (PTMC):

Employees eligible for the PTMC plan can leave their operational position from the age of 57 and receive partial remuneration in return for remaining available for mentoring and/or consulting work.

• New part-time mentoring and consulting (NPTMC):

Employees eligible for the NPTMC plan can leave their operational position from the age of 58 and a half and receive partial remuneration in return for remaining available for mentoring and/or consulting work.

e) Plan introduced by La Poste's Employee Relations Commission on 22 December 2005, entitled Part-time Early Retirement (PTER)

This postal industry plan, in place until 31 December 2006, was extended in 2006 to 31 December 2008. 2008 saw the definitive lapsing of this plan. This plan provided any public servant office worker meeting an age requirement and affected by restructuring measures with the possibility of retiring early. Under the plan, the employee undertook to work full-time for the first half of the period between joining the plan and their retirement date, for reduced remuneration. Over the second half of the period, they stop working and receive remuneration at a reduced rate compared to their initial pay. When they retire they receive an early retirement bonus.

This bonus plan is also available to employees who meet the conditions for early retirement with respect to active service and who are affected by a restructuring plan.

f) Exemption from work (EGFA)

This system was set up by La Poste and is offered to certain public servants in active service who meet the age criterion and are affected by regional agreements linked to restructuring plans.
The employees concerned with fifteen years of active service and aged between 53 and a half and 55 are exempted from work as from the age of 53 and a half, subject to their taking retirement from 55. Upon retiring at 55 the employees then receive an end-of-career bonus.

Amount recorded in the balance sheet

The related provision, recorded under "Contingency and loss provisions" in balance sheet liabilities, amounted to €385 million at 31 December 2008 (€342 million at 31 December 2007). This provision relates to people who:
• had elected to join one of the early retirement plans described above; or
• met all the eligibility criteria at the balance sheet date and are expected to sign up. In this case, the provision is calculated on the basis of the likelihood of signing up and observed take-up rates in previous years.

F. Other long-term benefits

Description of existing plans

These are remunerated leave plans:
• Accrued leave: a plan that allows employees to accrue part of their unused earned leave;
• Supplementary leave: additional leave and payment of travel costs for employees who come from or work in the French overseas departments;
• Long-term sick leave: total or partial salary maintained for public servants suffering from certain serious illnesses.

Amount recorded in the balance sheet

The related provision, recorded under "Contingency and loss provisions" in balance sheet liabilities, amounted to €303 million at 31 December 2008 (€290 million at 31 December 2007). These provisions relate to employees entitled to one of the above forms of paid leave at the balance sheet date.

G. Individual training rights

The rights accrued and not used by Group personnel in respect of individual training rights represent:
• over 6.4 million hours for contract employees; and
• over 4.4 million hours for public servants.

Note 25: Other off-balance sheet commitments

Commitments received

• La Poste has set up a 7-year €750 million revolving credit line, under the terms of which it has received commitments from the nine banks in the banking pool. This line had not been used at 31 December 2008.
• La Poste was granted a €300 million overdraft facility by La Banque Postale and a 5-year €200 million credit line. This line had not been used at 31 December 2008.
• Total guarantees, security and collateral received by La Poste in the course of its normal business activities amounted to €70 million at 31 December 2008.
• La Poste has a repricing swap with a value date of 26 December 2009 and two repricings swap dated 25 January 2010.

Commitments given

• La Poste has guaranteed lease payments on non-Group leases: this commitment amounts to €219 million.
• La Poste has signed undertakings to dispose of buildings, transactions that should be completed in 2009. The total commitments given in this respect amounted to €650 thousand at 31 December 2008.

Lease commitments

At 31 December 2008, the lease commitments entered into for machinery, vehicles and buildings were as follows:

Leased assets

(€ millions)	Gross amounts	Amortisation		Net amounts
		31/12/2008	Cumulative	
Buildings held under leases	19	(1)	(10)	9
Machinery and vehicles held under leases	18	(2)	(10)	8
Total	**37**	**(3)**	**(20)**	**17**

Lease commitments

(€ millions)	Lease payments made		Outstanding lease payments		
	31/12/2008	Cumulative	< 1 year	1 to 5 years	> 5 years
Buildings held under leases	2	33	2	1	–
Machinery and vehicles held under leases	2	29	2	–	–
Total	**4**	**62**	**4**	**1**	**–**

Notes to the cash flow statement

Note 26: Increases and reversals of depreciation, amortisation and impairment and contingency and loss provisions

(€ millions)	31/12/2008	31/12/2007
Increases – reversals of operating profit/(loss)	366	349
Increases – reversals of finance income and expenses	56	(40)
Increases – reversals of extraordinary items	44	(6)
Total	**466**	**303**

Note 27: Change in working capital requirements

(€ millions)	31/12/2008	31/12/2007
Change in inventories and work-in-progress	(12)	–
Change in operating receivables	128	(114)
Change in operating payables	15	280
Change in other operating (receivables and payables	170	(78)
Total	**301**	**88**

Note 28: Payments for acquisitions of non-current assets

(€ millions)	31/12/2008	31/12/2007
Acquisitions of intangible assets	(98)	(67)
Acquisitions of property, plant and equipment	(349)	(376)
Changes in accounts payable for non-current assets	(14)	15
Increase in non-current financial assets	(723)	(708)
Total	**(1,185)**	**(1,136)**

• The increase in property, plant and equipment primarily involves the "Machinery and equipment" and "Computer equipment" line items.
• The increase in non-current financial assets related to loan movements between La Poste and its subsidiaries (see note 11).

Note 29: Proceeds from non-current asset disposals

(€ millions)	31/12/2008	31/12/2007
Gains (losses) on disposals of intangible assets and PP&E	16	27
Decrease in non-current financial assets	446	15
Gains (losses) on disposals of securities	–	–
Total	**462**	**41**

Note 30: Debt issues

(€ millions)	31/12/2008	31/12/2007
Bonds	500	371
Deposits and guarantees received	137	3
La Poste savings bonds	–	–
Other borrowings	347	1,873
Total	**984**	**2,247**

• The change in "Other borrowings" related to the €347 million issue of short-term commercial paper.

Note 31: Debt repayments

(€ millions)	31/12/2008	31/12/2007
Bonds	(229)	(531)
Deposits and guarantees received	–	(51)
La Poste savings bonds	(13)	(23)
Other borrowings	–	(2,423)
Total	**(242)**	**(3,028)**

• In 2008, La Poste redeemed the bonds maturing in July 2008 (see note 21).

• The change in the "Other borrowings" line item stemmed from the reimbursement of short-term commercial paper in 2007 (see note 30).

Note 32: Cash and cash equivalents at end of period

(€ millions)	31/12/2008	31/12/2007
Marketable securities and cash equivalents	1,958	1,001
Bank accounts with a credit balance	(65)	(251)
Subsidiaries' current accounts	(109)	89
Total	**1,783**	**839**

Note 33: List of subsidiaries and affiliates

Subsidiaries and affiliates				Carrying amount of shares held						
(€ millions)	Capital	Equity other than capital	% of capital held	Gross amount	Net amount	Outstanding loans and advances granted by the parent company	Amounts of deposits and guarantees given by the company	Revenue (excl. VAT) at 31/12/2008	Net profit/(loss) at 31/12/2008	Dividends received by La Poste
Detailed information on companies, where the gross carrying amount exceeds 1% of La Poste's capital.										
Subsidiaries (over 50% owned)										
Geopost 2, rue Louis-Armand – 75015 Paris	702	259	100%	1,240	1,240	631		5	65	22
Sofipost 111, bd Brune – 75670 Paris Cedex 14	113	(15)	100%	158	155	133		0	19	–
La Banque Postale (ex-Efiposte) 115 rue de Sèvres – 75275 Paris Cedex 06	2,342	488	100%	2,331	2,331	–		4,757	344	272
Poste Immo 35-39, bd Romain-Rolland – 75014 Paris	3,050	24	100%	3,072	3,072	503		42	65	50
Xélian 9, rue Georges-Pitard – 75015 Paris	9	0	100%	9	9	400		–	(1)	–
Affiliates (10 to 50% owned) None										
Summary information on the other securities, where the gross carrying amount does not exceed 1% of La Poste's capital:										
Subsidiaries								360		–
Affiliates				1	1	–				–
Total				**6,812**	**6,808**	**1,667**	**–**	**5,164**	**492**	**344**

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