2011 FIRST-HALF REPORT

neopost

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Comments on Neopost's results and financial structure

Sales reached €483.6m during the first half of 2011, an increase of 2.7% or 5.9% at constant exchange rates

Current operating income reached €120.8 million in the first half of 2011 compared with €118.9 million in the first half of 2010, with current operating margin [1] of 25.0% compared with 25.3% in the first half of 2010.

The Group decided to launch an optimization program to generate a new dynamic and improve its profitability.

The net income, excluding the provision for optimization, reached €76.4 million, an increase of 7.7% compared with the first half of 2010, notably due to the decrease of the cost of debt. The net margin [2], excluding the provision for optimization, also increased. It represented 15.8% of sales.

Historical breakdown of income statements

€ million	H1 2011 (ended 31/07/2011)		H1 2011 Excluding provision for optimization		H1 2010 (ended 31/07/2010)			FY 2010
Sales	483.6	*100.0%*	483.6	*100.0%*	470.9	*100.0%*	*965.6*	100.0%
Cost of sales	(105.5)	*(21.8)%*	(105.5)	*(21.8)%*	(96.4)	*(20.5)%*	*(207.5)*	(21.5) %
Gross profit	378.1	*78.2%*	378.1	*78.2%*	374.5	*79.5%*	*758.1*	78.5%
R&D expenses	(15.2)	*(3.1)%*	(15.2)	*(3.1)%*	(17.4)	*(3.7)%*	*(30.5)*	(3.1) %
Selling expenses	(119.5)	*(24.7)%*	(119.5)	*(24.7)%*	(116.9)	*(24.8)%*	*(231.5)*	(24.0) %
G&A expenses	(75.2)	*(15.6)%*	(75.2)	*(15.6)%*	(74.2)	*(15.7)%*	*(149.6)*	(15.5) %
Maintenance and other operating expenses	(43.0)	*(8.9)%*	(43.0)	*(8.9)%*	(43.8)	*(9.3)%*	*(88.7)*	(9.2) %
Employee profit-sharing and share-based payments	(4.4)	*(0.9)%*	(4.4)	*(0.9)%*	(3.3)	*(0.7)%*	*(9.7)*	(1.0) %
Current operating income	120.8	*25.0%*	120.8	*25.0%*	118.9	*25.3%*	*248.1*	25.7%
Income from asset sales and other	-	-	-	-	0.1	*0.0%*	-	-
Provision for optimization	(19.5)	*(4.0)%*	-	-				
Operating income	101.3	*21.0%*	120.8	*25.0%*	119.0	*25.3%*	*248.1*	25.7%
Net financial income (expense)	(14.7)	*(3.0)%*	(14.7)	*(3.0)%*	(19.7)	*(4.2)%*	*(32.5)*	(3.4) %
Income before tax	86.6	*18.0%*	106.1	*22.0%*	99.3	*21.1%*	*215.6*	22.3%
Tax	(23.4)	*(4.9)%*	(30.2)	*(6.3)%*	(28.7)	*(6.1)%*	*(59.3)*	(6.2) %
Income from associates	0.5	*0.1%*	0.5	*0.1%*	0.3	*0.1%*	*0.6*	0.1%
Net income	63.7	*13.2%*	76.4	*15.8%*	70.9	15.1%	156.9	16.2%
Minority interests	0.5		0.5		-		*1.2*	
Net attributable income	63.2		75.9		70.9		155.7	

First half 2011 sales growth

Sales increased by 2.7% year-on-year in the first half of 2011, or by 5.9% at constant exchange rates. Nearly all the sales components increased.

By region, the positive momentum demonstrated by Neopost over the last few quarters in North America continued. In the three main European countries for the Group, the situation is improving. In the rest of the world, sales grew strongly thanks notably to the first two months of consolidation of GBC Australia.

Sales of mailing systems increased by 5.3% at constant exchange rates in the first half of 2011 thanks to the success of the IS range, particularly in North America. Mailing systems accounted for 68.8% of the Group's total sales in the first half of 2011.

Sales of document and logistics systems saw further growth of 7.1% at constant exchange rates thanks to the competitiveness of the Group's products and services.

Equipment sales saw brisk growth of 11.7% at constant exchange rates in the first half of 2011 on the back of the success of Group's entire product ranges, whether mailing systems or document and logistics systems.

Recurring revenue increased by 3.4% at constant exchange rates, representing 68.9% of total sales in the first half of 2011.

[1] Current operating margin = current operating income / sales

[2] Interest expense = net cost of debt.

Strong sales growth in North America

Sales increased 8.2% at constant exchange rates in the first half of 2011 compared to the first half of 2010. This strong growth is due to an optimized organisation as well as renewed product lines which enabled Neopost to continue to seize opportunities following the expiration of a large number of contracts signed at the time of the 2006 decertification programmes in the USA and Canada (decertification echo effect).

Sales decrease in France

First half of 2011 sales slightly decreased 0.8% compared to the same period in 2010. This is mainly due to a major contract for Neopost ID, while recurring revenues continued to decline due to weak equipment placements over the past few years.

Sales growth in the United Kingdom

Sales in the UK increased 3.7% at constant exchange rates in first half of 2011 compared to the year-earlier period. Although mainly due to a postal rate change, this growth confirms the expected improvement in trends. High-end mailing systems were successfully launched at the end of the quarter.

Sales growth in Germany

First semester 2011 sales increased 2.9% at constant exchange rates compared to the year-earlier period. This growth is due to the completion of a major contract in mailing systems.

Strong sales growth in the Rest of World

At constant exchange rates, first half of 2011 sales increased 16.5% compared to the same period in 2010. This strong growth can be attributed to the first two months of consolidation of GBC Australia and to the Group's positive momentum in other markets, notably in Scandinavia, Belgium and Switzerland.

Current operating income

Current operating income reached €120.8 million in the first half of 2011 compared with €118.9 million in the first half of 2010, with current operating margin of 25.0% compared with 25.3% in the first half of 2010.

This performance - in line with the Group's plan for 2011 - is mainly due to mix effects, to investment relating to the adoption of a new distribution channel for the entry-level segment, as well as the slightly dilutive impact on operating margin of the consolidation of GBC Australia acquired in early June and the creation of a regional head office to cover the Asia-Pacific region.

Optimization plan

The Group has decided to launch an optimization plan in the United States and Europe in order to continue to streamline its organisational structure and create new momentum.

This plan follows the similar logic of the 2008 optimization plan which generated €7 million of synergies per year and created a strong dynamic, notably in the US.

In the United States, the logistics activities currently based in Austin, Texas are to be transferred to Milford, Connecticut in order to allow for greater integration into Neopost USA.

In France, Neopost is planning to combine its two distribution subsidiaries Neopost France and Satas after obtaining opinion from employee representative bodies. This would allow it to use a single brand name and optimise coverage of the French market, while also creating new sales and marketing momentum.

In addition, the Group is planning to transfer its development and technical support activities for envelope printers from the current location in the Munich area, Germany, to Bagneux in order to consolidate its research and development and supply chain activities.

The Group has also begun to implement a new organisational structure to cover the entry-level market segment. In some countries, this will result in restructuring costs.

A provision of €19.5 million has been set aside in the financial statements as of 31 July 2011 for costs resulting from this optimization plan. This plan is expected to generate savings of around €7-8 million a year as early as 2013.

Decrease of cost of debts and taxes

As expected, net cost of debt decreased following repayment of the private placement in September 2010, to €15.3 million compared with €18.4 million in the first half of 2010.

The average tax rate fell slightly to 28.5% in the first half of 2011 compared with 28.9% in the first half of 2010.

Net Income

Net income for the first half of 2011 excluding provisions for optimisation increased by 7.7% to €76.4 million compared with €70.9 million. Net margin also improved to 15.8% from 15.1% in the year-earlier period.

The net impact (after tax) of the provision for optimisation was €12.7 million. After provision, net income was €63.7 million, or €63.2 million attributable to the Group.

Cash flow and financial structure

During H1 2011, the Group continued the development of the leasing activity and acquired GBC Australia.

Key features of the first half of 2011 were the following:

- cash flow before net cost of debt and taxes increased by 3.6% to €154.8 million versus €149.4 million during the first half of 2010;
- a €-55.1m variation of the working capital requirement, excluding leasing receivables, explained by the seasonal evolution of both accounts receivable and prepaid income in addition to a decrease of the VAT payables;
- investments which amounted to €85.3m during the first half of 2011, of which, €49.1m was for payments related to acquisitions, essentially GBC Australia, and €7.1 million for the capitalisation of R&D expenses. The remainder was mainly for the replacement of the installed base of franking machines and the acquisition of software.

The net debt is decreasing €703.1 million at the 31st of July 2011 versus €727.5 million at the same period last year. The Group reminds that the entire debt is used to finance equipment placed with its client and is largely covered by future cash flows from leasing and rental activities.

At 31 July 2011, shareholders' equity increased significantly to €627.6 million compared with €541.6 million a year earlier, thanks to the net income and the creation of new shares relating to partial payment of the dividend in shares.

Gearing therefore improved to 112% compared with 134% a year ago. The ratio of net debt to EBITDA also improved to 2.2 compared with 2.4. The Group meets its banking covenants.

At 31 July 2011, the Group had undrawn credit lines of €515 million.

Ownership structure

At 31 July 2011, Neopost S.A.'s share ownership was as follows:

	Nombre	%
Management and employees	558,613	1.69%
Directors (non-executive)	180,251	0.55%
Shares held under liquidity contract	100,314	3.04%
Treasury stock held for stock option and free share allocations	53,657	0.16%
First Eagle Investment Management LLC [1]	3,083,105	9.34%
Harris Associates LP [1]	1,932,375	5.86%
Marathon Asset Management LLP [1]	1,862,493	5.64%
Jupiter Asset Management Ltd [1]	1,712,726	5.19%
Mondrian Asset Management	1,693,985	5.13%
Columbia, Wanger Asset Management	1,154,419	3.50%
Capital Research Global Investors	1,104,150	3.35%
Other shareholders	19,563,438	59.29%
Total	**32,999,526**	**100.00%**

[1] Source Thomson Reuters as at 31 may 2011

Neopost was communicated the following thresholds for the first-half of 2011.

Date	Name of the Investment Funds	Threshold cross
1st Marsh 2011	First Eagle Investment Management LLC	Crossing downwards the 10% with 9.93% of voting rights
20th April 2011	Harris Associates LP	Crossing upwards the 5% with 5.06% of voting rights
21st June 2011	BlackRock Inc	Crossing downwards the 5% with 4,99% of voting right

Information on related parties

No significant change occurred during the semester.

Neopost specifies that it has a stake of 35.0% in Dynapost and 24% AMS investissement, companies consolidated using the Equity method. Transactions with these companies are not material.

Neopost has also a stake of 6.53% in Xange, a non consolidated company. Transactions with this company are not material.

Risk factors

Legal risks

As of today, Neopost is not aware of any governmental, legal or arbitral proceedings likely to have a material impact, or which had over the past 6 months a material impact on the Group's business, profits, financial position or assets.

Market risks

Liquidity risk

The Group believes that its cash flow will easily enable it to service its debt, given the current level of that debt. Group debt is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 July 2011, the covenants i.e. shareholders' equity equivalent or above €400m and leverage ratio equivalent or below 3.25 are met.

However, the ability to service the debt in the future will depend on the Group's future performance, which is partly related to the economic cycle, which the Group cannot control. No guarantee can therefore be given regarding the Group's ability to cover its financial needs.

Exchange rate risk

The Group has adopted a policy of hedging exchange rate risk.

Neopost enjoys a natural hedge on its current operating margin and its net margin.

Based on the 2011 budget, the breakdown of sales and costs in USD is: sales 39% cost of sales 49%, operating costs 34% and interest expenses 20%. A 10% change in the EUR/USD exchange rate from the budget rate of 1.35 would have the following impact on the Group's income statement: sales €-35.3 million, current operating income €-9.3 million and net income €-6.4 million.

Based on the 2011 budget, the breakdown of sales and costs in GBP is: sales 12% cost of sales 12%, operating costs 9%. A 10% change in the EUR/GBP exchange rate from the budget rate of 0.87 would have the following impact on the Group's income statement: sales €-10.5 million, current operating income €-4.0 million and net income €-2.9 million.

Beyond the natural hedge, no guarantee can be given, however, regarding the Group's ability to hedge exchange rate risk effectively.

Interest rate risk

The Group has adopted a policy of hedging interest rate risk. However, no guarantee can be given regarding the Group's ability to hedge effectively against interest rate risk.

Risks related to the Group's operations

Postal authorities regulations

The production and marketing of and services related to mailing machines are regulated by the postal authorities in the countries in which the Group is active. The Group's business may therefore be materially affected by changes in postal regulations. The Group cannot guarantee that such changes, particularly affecting the main markets in which it operates, will not have a negative effect on its sales and operating income.

Similarly, the Group's business is partly dependent on its ability to develop and maintain contacts with managers of postal authorities in the relevant countries. Such managers are likely to change and no guarantee can be given regarding the Group's ability to create and maintain such relationships in the future. Failing to maintain such relationships might have a negative effect on the Group's business and operating income.

Competition

Neopost has two main competitors, Pitney Bowes which is the world leader, and Francotyp Postalia which is world number three. Although the Group believes that its competitive position in the mailroom equipment market is sustainable and that the industry framework is established by local postal regulations, it is not impossible that new competitors may break into the market for the supply of either products or services. Competitors to the Group may also have greater financial resources than Neopost, which might affect the Group's competitiveness. The Group cannot guarantee that it will be able to maintain or increase its market share in the markets in which it already operates, or penetrate new markets.

Technological developments and new markets

The markets for the Group's products and services are and will remain subject to rapid changes in technology, continual improvement of existing products and the frequent introduction of new products. Developing and launching services requires major investment. The Group's results and future financial position will depend in part on its ability to improve its products and services and to develop and produce new ones at lower prices and to the deadlines set by demand, as well as to distribute and market them.

Dependence on customers and suppliers

The Group has nearly 800,000 customers, of which none accounts for 1% of sales.

The Group's dependence on its suppliers is decreasing. Its main supplier of the Group is Hewlett Packard for inkjet printing heads and cartridges. In 2009, Neopost renewed its agreement with HP concerning the ink cartridges and the print heads. This agreement was signed as a continuation of that already in place for 10 years. In 2010, HP accounted for 11.5% of total Group purchases versus 9.1% in 2009. The top five suppliers and the top ten suppliers respectively account for 26.6% and 31.2% in 2010 and 19.8% and 24.3% in 2009. A disruption in supply from these suppliers might significantly affect the Group's business, although clauses in the contracts do guarantee the Group against this risk. The Group has already put in place alternative solutions in case such an event might occur.

Forecasts

Neopost provides to its shareholders with information on its 2011 forecasts. These forecasts have been formulated based on the Group 2011 budget and the 3-year plan. These forecasts have also been formulated based on market conditions as at beginning 2011, namely existing competitive dynamics between mailroom equipment suppliers and the economic conditions of the countries in which the Group operates. If market conditions happen to change in a significant way, the Group could not guarantee to reach its guidances.

Granted retirement benefit obligations in the United Kingdom

The UK pension scheme was closed to new members in 2001, and then closed for future accruals in June 2006. Neopost is required under UK Pensions Law to carry out a Funding Valuation of the pension fund every 3 years; a funding valuation as at 30 June 2008 was supplied on 14th November 2008. The last repayment will be made during 2011 for an amount of £4 million.

No other commitment was noted.

Industrial and environmental risks

The nature of the Group's assembly and distribution businesses means that the Company is not aware of any industrial and environmental risks that might have a material impact on its financial position, business or results.

Technological risks

The obligations regarding information under article L. 225-102-2 of the French Company Code (Code commercial) are not applicable to Neopost given its activities.

Risk related to shares

This risk is not significant for Neopost.

Insurance

All Group companies are covered by a worldwide insurance programme which covers "operating damage and loss, liability, and transport" risks. All Group subsidiaries participate in guarantees set up and negotiated at the Company level, subject to local regulatory restrictions or specific geographic exclusions.

Neopost's risks include a high level of geographic dispersion, which substantially dilutes the consequences of any loss. The cover negotiated by the Group is high and is aimed above all at insuring the largest risks which might have a material impact on the Group's financial position. Certain risks are no longer or with strong difficulties covered by insurance companies, such as damage resulting from unfair competition, counterfeiting, misleading advertising and failure to comply with copyright or literary and artistic rights.

The "operating damage and loss" insurance programme was renegotiated on 1 February 2011, decreasing the premium rate of 20% while maintaining the conditions of a long term agreement of 2 years.

The insurance programme which covers "transport risks" was also renegotiated on 1 February 2011, retaining the pricing conditions for 2011 while maintaining the amounts covered at €500,000 per claim and obtaining an extension for the USA.

The insurance programme which covers "liability" was renewed on 1 February 2010 for a two-year period, maintaining cover at €30 million per claim and securing a 12% reduction in the premium for 2010 and an additional 8% decrease in 2011.

The total cost of insurance amounted to €0.9 million in 2010.

The Group's insurance policies are regularly updated to reflect the Group's scope of consolidation and to cover industrial risks within the global insurance market framework.

The Group's guarantees are placed with leading insurers with worldwide reputations.

Outlook

2011 is progressing as expected. As a result, assuming no further deterioration in market conditions, the Group confirms its sales growth target of 4% to 6% compared with 2010 sales at constant exchange rates.

The Group also confirms that it expects current operating margin to target 25.5% to 26% of sales in 2011.

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Consolidated statements of financial position

Consolidated assets

(In millions of euros)	Notes	31 July 2011	31 July 2010	31 January 2011
Goodwill	(4)	792.4	760.9	755.0
Intangible fixed assets				
Gross value		176.1	171.5	176.2
Amortisation		(100.3)	(104.8)	(103.6)
	(5)	75.8	66.7	72.6
Tangible fixed assets				
Gross value		437.6	410.1	424.6
Depreciation		(302.7)	(263.3)	(289.1)
	(6)	134.9	146.8	135.5
Other non-current financial assets				
Other investments in associated companies		2.2	1.9	2.3
Other available for sale assets		4.2	4.2	4.2
Non-current financial derivative instruments (assets)	(17)	0.4	0.2	0.5
Other non-current financial fixed assets		24.8	16.4	19.8
Impairment of available for sale assets		(1.0)	(1.0)	(1.1)
	(7)	30.6	21.7	25.7
Net long-term lease receivables	(8)	374.8	356.1	373.5
Other net long-term receivables	(8)	10.9	20.2	19.5
Deferred tax assets	(13)	15.1	12.9	11.6
Total non-current assets		1,434.5	1,385.3	1,393.4
Net inventories	(9)	69.4	64.3	57.4
Net receivables				
Net accounts receivable		169.7	171.9	183.3
Net short-term lease receivables		195.0	193.6	198.1
Income tax receivables		43.8	33.7	41.2
Net other receivables		19.3	12.9	14.9
	(8)	427.8	412.1	437.5
Prepaid expenses		32.0	32.3	30.9
Current financial derivative instruments (assets)	(17)	0.1	0.7	0.1
Cash & bank accounts				
Short-term and liquid investments		0.1	25.7	12.7
Cash and cash equivalents		160.8	127.9	123.6
		160.9	153.6	136.3
Total current assets		690.2	663.0	662.2
Total assets		2,124.7	2,048.3	2,055.6

The following notes form an integral part of the consolidated financial statements.

Consolidated liabilities

(In millions of euros)	Notes	31 July 2011	31 July 2010	31 January 2011
Shareholders' equity				
Share capital		32.9	31.8	32.3
Additional paid-in capital		111.3	50.3	76.8
Reserves and retained earnings		494.6	451.0	408.7
Cumulative translation adjustments		(54.2)	(41.6)	(48.3)
Treasury stock		(20.7)	(20.8)	(20.2)
Net income		63.7	70.9	156.9
Total Shareholders' Equity		627.6	541.6	606.2
Attributable to:				
• Holders of the parent company		627.6	541.6	606.2
• Non-controlling interests		-	-	-
Long-term provisions	(10)	10.1	9.0	9.7
Debt	(11)	429.6	430.7	431.2
Non-current financial derivative instruments (liabilities)	(17)	5.3	8.2	5.3
Other non-current liabilities		12.3	22.8	10.6
Deferred tax liabilities	(13)	79.4	65.2	74.2
Total non-current liabilities		536.7	535.9	531.0
Accounts payable				
Trade payables		60.9	65.0	65.4
Other operating liabilities		240.9	245.8	207.1
Income taxes		34.6	34.9	45.5
Short-term provisions	(10)	26.3	14.5	10.6
Deferred income		159.6	158.1	194.9
		522.3	518.3	523.5
Current financial derivative instruments (liabilities)	(17)	3.8	2.0	1.3
Debt				
Short-term portion of long-term debt		426.1	442.9	385.2
Bank overdrafts		8.2	7.6	8.4
	(11)	434.3	450.5	393.6
Total current liabilities		960.4	970.8	918.4
Total liabilities		2,124.7	2,048.3	2,055.6

The following notes form an integral part of the consolidated financial statements.

Consolidated income statements

(In millions of euros)	Notes	31 July 2011	31 July 2010	31 January 2011
Sales	**(14)**	483.6	470.9	965.6
Current operating expenses				
Cost of sales		(105.5)	(96.4)	(207.5)
R&D expenses		(15.2)	(17.4)	(30.5)
Sales and marketing expenses		(119.5)	(116.9)	(231.5)
Administrative expenses		(75.2)	(74.2)	(149.6)
Service and other operating expenses		(43.0)	(43.8)	(88.7)
Employee profit-sharing and share-based payments		(4.4)	(3.3)	(9.7)
Total current operating expenses		(362.8)	(352.0)	(717.5)
Current operating income		120.8	118.9	248.1
Provision for structure optimisation	**(10)**	(19.5)	-	-
Impairment of goodwill		-	-	-
Proceeds from asset sales		-	0.1	-
Operating income		101.3	119.0	248.1
Interest expenses		(15.7)	(18.6)	(33.3)
Interest income		0.4	0.2	1.4
Net cost of debt		(15.3)	(18.4)	(31.9)
Losses on foreign exchange		(2.1)	(9.3)	(4.2)
Gains on foreign exchange		2.5	8.5	3.6
Net gains (losses) on foreign exchange		0.4	(0.8)	(0.6)
Other financial gains		0.2	-	-
Other financial losses		-	(0.5)	-
Share of results of associated companies		0.5	0.3	0.6
Income before tax		87.1	99.6	216.2
Income taxes	**(13)**	(23.4)	(28.7)	(59.3)
Net income before results of businesses divested		63.7	70.9	156.9
Profit after tax of businesses divested		-	-	-
Net income		63.7	70.9	156.9
Attributable to:				
• Holders of the parent company		63.2	70.9	155.7
• Non-controlling interests		0.5	-	1.2
Basic earnings per share (in euros)	**(15)**	1.96	2.30	4.96
Diluted earnings per share (in euros)	**(15)**	1.91	2.15	4.68

The following notes form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive income

(In millions of euros)	31 July 2011	31 July 2010	31 January 2011
Net income	63.7	70.9	156.9
Change in fair value of hedging instruments	(1.7)	1.8	3.6
Deferred taxes on change in fair value of hedging instruments	0.6	(0.6)	(1.2)
Actuarial variances recognised in equity	1.6	2.5	6.1
Deferred taxes on actuarial variances recognised in equity	(0.5)	(0.7)	(1.3)
Translation variance	(5.9)	8.1	1.4
Total other comprehensive income	(5.9)	11.1	8.6
Total income and expense for the year	57.8	82.0	165.5
Attributable to:			
• Holders of the parent company	57.3	82.0	164.3
• Non-controlling interests	0.5	-	1.2

The following notes form an integral part of the consolidated financial statements.

Consolidated statements of cash flow

(In millions of euros)	Notes	31 July 2011	31 July 2010	31 January 2011
Net income		63.7	70.9	156.9
Depreciation (reversal) of tangible fixed assets	(6)	23.1	23.0	47.8
Amortisation (reversal) of intangible fixed assets	(5)	8.4	10.8	17.8
Provisions (reversals) [a]	(8) to (10)	18.9	(4.6)	(15.0)
Gains (losses) in fair value of financial instruments		(0.4)	(0.7)	0.6
Proceeds (expenses) from share-based payments	(16)	3.6	2.2	7.7
Net gains (losses) on disposals of fixed assets		-	(0.1)	-
Share of results of associated companies (net of dividends received)		0.2	0.8	0.5
Other, net		(1.4)	-	(1.2)
Cash flow after net cost of debt and taxes		**116.1**	**102.3**	**215.1**
Tax charge (including deferred taxes)	(13)	23.4	28.7	59.3
Net cost of debt		15.3	18.4	31.9
Cash flow before net cost of debt and taxes		**154.8**	**149.4**	**306.3**
(Increase) decrease in inventories		(5.2)	(6.1)	(0.4)
(Increase) decrease in accounts receivable		17.0	32.3	14.1
Increase (decrease) in deferred income		(37.1)	(33.5)	3.4
Increase (decrease) in accounts payable		(6.7)	6.5	10.3
Increase (decrease) in other current assets and liabilities		(23.3)	(33.1)	(35.2)
(Increase) decrease in lease receivables		(10.9)	(17.3)	(51.1)
Cash flow from operating activities		**88.6**	**98.2**	**247.4**
Interest paid		(21.0)	(16.4)	(26.9)
Income taxes paid		(18.1)	(21.8)	(35.4)
Net cash flow from operating activities (A)		**49.5**	**60.0**	**185.1**
Investments in tangible fixed assets	(6)	(24.5)	(26.1)	(47.1)
Investments in intangible fixed assets	(5)	(11.7)	(10.5)	(21.3)
Financial investments		(49.1)	(9.7)	(14.4)
Sub-total investments		**(85.3)**	**(46.3)**	**(82.8)**
Disposals of fixed assets		0.7	0.9	2.7
Reimbursment of loans and other long-term advances		0.2	0.3	(0.1)
Net cash flow from investing activities (B)		**(84.4)**	**(45.1)**	**(80.2)**
Parent company capital increase		1.3	0.7	2.7
Share buyback – liquidity contract		(0.6)	0.3	0.9
Dividends paid to shareholders		-	-	(63.6)
New medium and long-term borrowings		64.6	-	127.7
Reimbursment of long-term borrowings		(5.6)	(11.1)	(183.7)
Net cash flow from financing activities (C)		**59.7**	**(10.1)**	**(116.0)**
Cumulative translation adjustments on cash and cash equivalents (D)		-	6.0	3.8
Change in net cash (A)+(B)+(C)+(D)		**24.8**	**10.8**	**(7.3)**
Net cash – opening		**127.9**	**135.2**	**135.2**
Net cash – closing		**152.7**	**146.0**	**127.9**
Cash		160.9	153.6	136.3
Bank overdrafts		(8.2)	(7.6)	(8.4)
Net cash – closing		**152.7**	**146.0**	**127.9**

The following notes form an integral part of the consolidated financial statements.

[a] At 31 July 2011, the variation is mainly related to the provision for structure optimisation for 19.5 million euros and provisions reversals presented in liabilities for 1.5 million euros compared to 4.3 million euros at 31 July 2010.

Changes in shareholders' equity

(In millions of euros)	Par value	Number of shares	Share capital	Additional paid-in capital	Retained earnings and net income	Treasury stock	Cumulative translation adjustments	Total
Consolidated equity as of 31 January 2010	**EUR 1**	**31,221,887**	**31.2**	**19.8**	**509.5**	**(21.1)**	**(49.7)**	**489.7**
Attributable to:								
• Holders of the parent company								489.5
• Non-controlling interests								0.2
Net income	-	-	-	-	156.9	-	-	156.9
Total other comprehensive income	-	-	-	-	7.2	-	1.4	8.6
Total comprehensive income in 2010	**-**	**-**	**-**	**-**	**164.1**	**-**	**1.4**	**165.5**
Capital increase: share options issued (63,176 shares)	EUR 1	63,176	0.1	2.6	-	-	-	2.7
Treasury stock - Liquidity contract	-	-	-	-	-	(1.4)	-	(1.4)
Free share attributed (48,915 shares)	-	-	-	-	-	2.3	-	2.3
2009 Dividends	-	-	-	-	(66.7)	-	-	(66.7)
2010 Interim dividends	-	-	-	-	(52.3)	-	-	(52.3)
Dividends payments in shares (1,009,300 shares)	EUR 1	1,009,300	1.0	54.4	-	-	-	55.4
Share-based payments	-	-	-	-	7.7	-	-	7.7
Other	-	-	-	-	3.3	-	-	3.3
Consolidated equity as of 31 January 2011	**EUR 1**	**32,294,363**	**32.3**	**76.8**	**565.6**	**(20.2)**	**(48.3)**	**606.2**
Attributable to:								
• Holders of the parent company								606.2
• Non-controlling interests								-
Movements first half of 2011:								
Net income	-	-	-	-	63.7	-	-	63.7
Total other comprehensive income	-	-	-	-	-	-	(5.9)	(5.9)
Total result first half of 2011	**-**	**-**	**-**	**-**	**63.7**	**-**	**(5.9)**	**57.8**
Capital increase: share options issued (30,610 shares)	EUR 1	30,610	-	1.3	-	-	-	1.3
Treasury stock - Liquidity contract [a]	-	-	-	-	-	(2.3)	-	(2.3)
Free share attributed (47,068 shares)	-	-	-	-	-	1.8	-	1.8
Treasury stock – Stock option and free share plan attribution (27,370 shares)	-	27,370	-	-	-	-	-	-
2010 Dividends [b]	-	-	-	-	(72.5)	-	-	(72.5)
Dividends payments in shares (647,183 shares)	EUR 1	647,183	0.6	33.2	-	-	-	33.8
Share-based payments	-	-	-	-	3.6	-	-	3.6
Other	-	-	-	-	(2.1)	-	-	(2.1)
Consolidated equity as of 31 July 2011	**EUR 1**	**32,999,526**	**32.9**	**111.3**	**558.3**	**(20.7)**	**(54.2)**	**627.6**
Attributable to:								
• Holders of the parent company								627.6
• Non-controlling interests								-

Changes in shareholders' equity

(In millions of euros)	Par value	Number of shares	Share capital	Additional paid-in capital	Retained earnings and net income	Treasury stock	Cumulative translation adjustments	Total
Consolidated equity as of 31 January 2010	**EUR 1**	**31,221,887**	**31.2**	**19.8**	**509.5**	**(21.1)**	**(49.7)**	**489.7**
• Attributable to:								
• Holders of the parent company								489.5
• Non-controlling interests								0.2
Movements first half of 2010:								
Net income	-	-	-	-	70.9	-	-	70.9
Total other comprehensive income	-	-	-	-	3.0	-	8.1	11.1
Total result first half of 2010	**-**	**-**	**-**	**-**	**73.9**	**-**	**8.1**	**82.0**
Capital increase: share options issued (19,917 shares)	EUR 1	19,917	-	0.7	-	-	-	0.7
Treasury stock - Liquidity contract	-	-	-	-	-	(1.8)	-	(1.8)
Treasury stock – Stock option and free share plan attribution (35,475 actions)	-	-	-	-	-	2.1	-	2.1
2009 Dividends	-	-	-	-	(66.8)	-	-	(66.8)
Dividends payments in shares (569,868 shares)	EUR 1	569,868	0.6	29.8	-	-	-	30.4
Share-based payments	-	-	-	-	2.2	-	-	2.2
Other	-	-	-	-	3.1	-	-	3.1
Consolidated equity as of 31 July 2010	**EUR 1**	**31,811,672**	**31.8**	**50.3**	**521.9**	**(20.8)**	**(41.6)**	**541.6**
Attributable to:								
• Holders of the parent company								541.6
• Non-controlling interests								-

The following notes form an integral part of the consolidated financial statements.

* The capital is fully released. Additional paid-in capital includes issue and conversion premiums.

(a) At 31 July 2011, the Group had 100,314 shares held for the liquidity contract and 53,657 shares held with the aim to fulfill the obligations of the stock-option and free share attribution programmes for employees and Group executives. Respectively, compared to 69,931 shares and 100,725 shares as at 31 January 2011.

Under the liquidity contract shares cannot be sold free except if the contract is cancelled. This contract was signed, in accordance with the AFEI's code of ethic, with Exane BNP Paribas on 2 November 2005 for one year renewable by tacit agreement. The amount allocated to this contract was 8 million euros originally. The purpose is to reduce excessive volatility of the Neopost share and improve liquidity.

(b) Payment of the remaining balance of the 2010 dividend amounting to EUR 2.25 per share.

Notes to the consolidated financial statements

Half year ended 31 July 2011 and 2010 and fiscal year ended 31 January 2011.

(All amounts stated hereafter are in millions of euros, rounded to one decimal place).

Note 1 Presentation of the Neopost group and its consolidated financial statements

Neopost was created in 1992 through a leveraged buyout (LBO) of Alcatel's mail processing equipment division. A second LBO took place in 1997.In February 1999, the Group listed on the Paris stock market. Since then, Neopost has made acquisitions of various sizes, in 2002 of Ascom Hasler – the mailing systems division of Swiss company Ascom – which ranked third in the world on its market and the acquisition in 2008 of PFE International Ltd.

Neopost supplies mail-handling solutions to its customers. The Group offers solutions covering franking, folding, insertion and addressing, as well as logistics traceability. Neopost offers a full range of services, including in particular consulting, maintenance and financing solutions.

The term "Neopost S.A." refers to the parent company (excluding consolidated subsidiaries), which is listed and registered in France, while "Neopost" and "the Group" refer to the economic group formed by the parent company and its consolidated subsidiaries.

The parent company's head office is located at 113, rue Jean Marin Naudin 92220 Bagneux (France).

Neopost S.A. shares are listed on the section A of Euronext Paris and are components of the SBF120 index.

The consolidated semestrial financial statements were approved by the Board of Directors on 27 September 2011.

Note 2 Accounting policies

The intermediate accounts ended July 2011 are established according to the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The intermediate accounts at 31 July 2011 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2011 and published on the 30 April 2011.

Countable standards used for the preparation of the interim consolidated financial statements are the same as those used for the preparation of the annual consolidated financial statements at 31 January 2011. Neopost group's consolidated financial statements are in conformity with the international countable standards emitted by the IASB (standards IFRS: International Financial Reporting Standards) applicable to 31 July 2011 as approved by the European Union.

The referential is available on the European Commissionwebsite: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

International accounting standards include IFRS, IAS (International Accounting Standards), and interpretations of these (SIC and IFRIC).

The standards and interpretations, adopted by the European Union, whose application is mandatory for the accounting period opened on the 1st February 2011 had no impact on the accounts at 31 July 2011:

- IAS 24: Related Party Disclosures;
- Amendments IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters;
- Amendments IFRIC 14: Prepayments of a Minimum Funding Requirement;
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments;
- IFRS Annual improvements (2010).

As at 31 July 2011, the Group does not apply by anticipation the following texts, amendments or IFRS interpretations which were not adopted by the European Union at 31 July 2011:

- IAS 27 revised: Separate Financial Statements;
- IAS 28 revised: Investments in Associates and Joint Ventures;
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;

- IFRS 12: Disclosure of Interests in Other Entities;
- IFRS 13: Fair Value Measurement;
- IAS 19 revised: Employee Benefits;
- Amendments IAS 1: Presentation of Items of Other Comprehensive Income;
- Amendments IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;
- Amendments IFRS 7: Disclosures – Transfers of Financial Assets;
- Amendments IAS 12: Deferred Tax – Recovery of Underlying Assets.

The evaluation of their impacts is under way.

The tax expense on the result at end of July 2011 is calculated by applying to the current result before tax the tax rate estimated for the exercise for every fiscal territory.

Note 3 Scope of consolidation and accounting policies

The Group's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the country of operation. Financial statements of foreign companies have been restated in accordance with Neopost group accounting principles.

The consolidated balance sheet incorporates all items of assets and liabilities along with the results of consolidated companies. Intra-Group transactions and profits relating to these operations as well as intra-Group capital gains are eliminated.

Subsidiaries controlled directly by the parent company or through other subsidiaries are consolidated using the full consolidation method. Stake in associated companies in which the investor is exercising a significant influence is consolidated using the equity method. Significant influence is assumed when the investor controls directly or through subsidiaries 20% or more of the share capital of the company.

3-1: SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements for Neopost S.A. and its subsidiaries. The subsidiaries are consolidated on the basis of the level of control exercised by the Group and until the date on which control is transferred outside the Group. Control is the power to direct a company's financial and operational policies in order to derive profit from its activities.

Changes in the scope of consolidation for the 1st half-year 2011 are as follow:

- Neopost S.A. created companies Neopost Holdings Pty Ltd in Australia and Neopost Asia Pacific (Holding) Pte Ltd in Singapore, respectively fully consolidated from 1 June 2011 and 4 July 2011,
- Neopost Holdings Pty Ltd acquired the Australian distributor GBC Fordigraph, fully consolidated from 10 June 2011,
- Neopost Gmbh acquired the distributor Piepmeyer & Harmeyer, fully consolidated from 25 May 2011,
- Neopost USA Inc. acquired the US distributor Nexxpost LLC, fully consolidated from 30 June 2011,
- Modular Mailing Systems Inc. acquired US distributors Basetec Office Systems of Orlando II Inc. and Dave Holbrook, respectively fully consolidated from 4 April 2011 and 1 June 2011,
- Neopost Norge acquired the distributor Multinet, fully consolidated from 8 February 2011,
- Mw Mailtec Gmbh and Aw Postcom Gmbh were merged in Neopost Gmbh on 1 February 2011,
- Neopost S.A. owns a 24% stake in AMS Investissement, consolidated using the Equity method from July 2011.

3-2: TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

The operating currency for each of the Group's entities is the currency of the economic environment in which that entity operates.

Assets and liabilities of subsidiaries operating outside France, which are presented in local currencies, are translated into euro, the currency used in the Group's financial statements, at the end of half-year exchange rate. Income and expenses and cash flow statements are converted at the average exchange rate over the half-year.

The resulting translation variance is recognised in the translation variance reserve under shareholders' equity.

The conversion rates used for the main currencies are as follows:

	31 July 2011		31 July 2010		31 January 2011	
	Period end	Average	Period end	Average	Period end	Average
US dollar (USD)	1.4260	1.4180	1.3028	1.3031	1,3692	1,3189
Pound sterling (GBP)	0.8749	0.8743	0.8349	0.8620	0,8609	0,8552
Canadian dollar (CAD)	1.3556	1.3761	1.3454	1.3475	1,3679	1,3529
Swiss franc (CHF)	1.1418	1.2533	1.3541	1.4148	1,2891	1,3655
Japanese yen (JPY)	110.59	115.49	112.62	118.35	112,49	114,755
Norwegian krone (NOK)	7.7310	7.8176	7.9405	7.9799	7,9270	7,9754
Sweden krone (SEK)	9.0689	8.9742	9.4333	9.6778	8,8670	9,4396
Danish krone (DKK)	7.4494	7.4568	7.4510	7.4438	7,4544	7,4480
Australian dollar (AUD)	1.3050	1.3551	-	-	-	-
Singapore dollar (SGD)	1.7185	1.7681	-	-	-	-

Note 4 Goodwill

Goodwill gross value at 31 January 2011	**755.0**
Acquisitions	43.6
Translation difference	(6.2)
Goodwill gross value at 31 July 2011	**792.4**

At July 31 2011, the goodwill variation is mainly explained by the goodwill of 33.2 million euros recorded from the acquisition of GBC Fordigraph in Australia, the goodwill of 8.9 million euros recorded from the acquisition of local distributors in the United States, and the goodwill of 1.5 million euro recorded from the acquisitions of the dealer Piepmeyer & Harmeyer in Germany and Multinet in Norway.

(In millions of euros)	GBC Fordigraph	US Dealers	Piepmeyer & Hardmeyer	Multinet	Total
Tangible fixed assets	0.4	-	0.1	-	0.5
Intangible fixed assets	-	0.1	-	-	0.1
Inventories	7.0	0.3	0.2	0.1	7.6
Account receivables	5.4	0.1	0.1	-	5.6
Other receivables	3.1	-	-	-	3.1
Treasury	2.1	-	-	0.1	2.2
Total assets	**18.0**	**0.5**	**0.4**	**0.2**	**19.1**
Deferred income	6.2	0.6	-	-	6.8
Trade payables & other payables	5.7	0.2	0.5	0.1	6.5
Long term provisions	-	0.1	-	-	0.1
Total liabilities	**11.9**	**0.9**	**0.5**	**0.1**	**13.4**
Net total assets	**6.1**	**(0.4)**	**(0.1)**	**0.1**	**5.7**
Acquisition price	**39.3**	**8.5**	**0.8**	**0.7**	**49.3**
Including Earn out	-	1.3	0.7	0.2	2.2
Goodwill	**33.2**	**8.9**	**0.9**	**0.6**	**43.6**

All these acquisitions were paid by the Group through its available financing lines.

Recognition of the acquisitions is provisional since the fair value of the assets, liabilities in the businesses acquired was not finally determined before the end of the period. It will be finally determined at the latest within 12 months of change of control.

GBC Fordigraph's acquisition will generate an additional turnover about 30 million euros for the Group, representing 20 million euros in 2011.

The turnover of the other acquired companies is not significant for the Group in 2011.

Acquisition fees regarding new acquisitions are booked in current operating income.

There is no other price adjustment except earn-out.

Goodwill is broken down by cash-generating unit, which is country for the Group's traditional businesses.

	France	USA	UK	Germany	Netherlands	Switzerland	Denmark	Sweden	Norway	Australia	Other	Total
Goodwill gross value at 31 July 2011	171.9	263.7	102.2	69.0	23.0	24.9	16.0	12.9	8.5	33.3	67.0	792.4
Goodwill gross value at 31 January 2011	171.9	262.2	102.2	68.2	23.0	23.7	16.0	13.8	7.2	-	66.8	755.0

A goodwill impairment test was performed as at 31 January 2011 following the methodology described in note 2-2 of the consolidated financial statements shown in the 2010 Reference Document.

At 31 July 2011, no indication of impairment was noted.

Note 5 Intangible fixed assets

	Concessions, rights	Softwares	Development costs	IT implementation costs	Other	Total
Gross value at 31 January 2011	28.4	55.1	69.5	13.1	10.1	176.2
Acquisitions	-	2.1	-	0.9	1.6	4.6
Capitalisation	-	-	7.1	-	-	7.1
Disposals	-	(4.3)	(6.5)	-	(0.1)	(10.9)
Other changes	-	(0.8)	-	-	1.1	0.3
Translation difference	-	(0.9)	-	-	(0.3)	(1.2)
Gross value at 31 July 2011	28.4	51.2	70.1	14.0	12.4	176.1
Cumulative amortisation	(21.0)	(36.0)	(30.3)	(8.1)	(4.9)	(100.3)
Net book value at 31 July 2011	7.4	15.2	39.8	5.9	7.5	75.8

Variation in intangible assets is mainly linked to R&D costs capitalized.

	Concessions, rights	Softwares	Development costs	IT implementation costs	Other	Total
Amortisation at 31 January 2011	19.8	38.0	34.2	7.0	4.6	103.6
Charges	1.4	2.8	2.6	1.1	0.5	8.4
Disposals	-	(4.3)	(6.5)	-	(0.1)	(10.9)
Other changes	(0.2)	0.1	-	-	-	(0.1)
Translation difference	-	(0.6)	-	-	(0.1)	(0.7)
Amortisation at 31 July 2011	21.0	36.0	30.3	8.1	4.9	100.3

At 31 July 2011, no indication of impairment was noted.

Note 6 Tangible fixed assets

	Land and buildings	Machinery and equipment	Rental equipment	IT Equipment	Demonstration equipment	Other	Total
Gross value at 31 January 2011	34.4	73.5	260.8	25.4	7.4	23.1	424.6
Acquisitions	0.2	1.7	16.2	1.8	2.9	1.7	24.5
Disposals	-	(0.4)	(5.1)	(0.2)	(1.6)	(0.1)	(7.4)
Other changes	(0.5)	-	-	1.1	-	0.6	1.2
Translation difference	(0.1)	(0.3)	(4.5)	(0.2)	-	(0.2)	(5.3)
Gross value at 31 July 2011	34.0	74.5	267.4	27.9	8.7	25.1	437.6
Cumulative depreciation	(16.0)	(53.3)	(191.8)	(22.3)	(4.2)	(15.1)	(302.7)
Net book value at 31 July 2011	18.0	21.2	75.6	5.6	4.5	10.0	134.9

	Land and buildings	Machinery and equipment	Rental equipment	IT Equipment	Demonstration equipment	Other	Total
Depreciation at 31 January 2011	16.0	51.3	185.0	19.6	3.8	13.4	289.1
Charges	0.6	2.8	15.3	1.6	1.7	1.1	23.1
Disposals	-	(0.4)	(5.0)	(0.1)	(1.3)	-	(6.8)
Other changes	(0.6)	(0.3)	-	1.4	-	0.8	1.3
Translation difference	-	(0.1)	(3.5)	(0.2)	-	(0.2)	(4.0)
Depreciation at 31 July 2011	16.0	53.3	191.8	22.3	4.2	15.1	302.7

At 31 July 2011, the revision of the installed base of the fully depreciated franking machines led to record disposals (decrease in the gross value and depreciation) for 4.9 million euros of which 3.7 million euros in France.

At 31 July 2011, no indication of impairment was noted.

Note 7 Other non-current financial assets

The other non-current financial assets can be broken down as follow:

	31 July 2011	31 January 2011
Investments in associated companies	2.2	2.3
Other non-current financial assets	28.4	23.4
Total	30.6	25.7

7-1: INVESTMENTS IN ASSOCIATED COMPANIES

	31 July 2011	31 January 2011
Dynapost	2.1	2.3
AMS Investissement	0.1	-
Total	2.2	2.3

Dynapost, whose contribution to Group shareholders' equity amounted to 2.1 million euros at 31 July 2011, is consolidated using the equity method. The company's contribution to earnings in the period ended 31 July 2011 was 0.5 million euros. Neopost S.A. received a dividend of 0.7 million euros from Dynapost related to the 2010 fiscal year.

AMS Investissement, whose contribution to Group shareholders' equity amounted to 0.1 million euros at 31 July 2011, is consolidated using the equity method.

7-2: OTHER NON-CURRENT FINANCIAL FIXED ASSETS

	31 July 2011	31 January 2011
Other non-current financial fixed assets		
Deposits, loans and guarantees	5.4	7.1
Pension plan net asset	19.4	12.7
Available for sale financial assets	4.2	4.2
Non-current financial derivative instruments (assets)	0.4	0.5
Total other financial assets – gross value	29.4	24.5
Impairment of available for sale financial assets	(1.0)	(1.1)
Total	28.4	23.4

The available for sale financial assets represent the stake held by Neopost S.A. in a private equity venture for industrial purposes. The variation of the impairment is not significant during the 1st half-year.

At 31 July 2011, the deposits, loans and guarantees contain in particular a deposit of 2.1 million euros related to liquidity contract, compared to 3.3 million euros at 31 January 2011.

The Group has a net pension plan asset in the United Kingdom which show a surplus of 17 million pounds sterling following a payment of 4 million pounds sterling realised during the 1st half-year 2011.

Note 8 Receivables

	31 July 2011	31 January 2011
Accounts receivable		
Gross value	179.4	193.6
Allowance	(9.7)	(10.3)
Total	169.7	183.3
Lease receivables		
Short-term	198.3	200.9
Long-term	380.1	378.6
Gross value	**578.4**	**579.5**
Allowance	(8.6)	(7.9)
Total	569.8	571.6
Net other receivables		
Other long-term receivables	10.9	19.5
Tax receivables	43.8	41.2
Short-term miscellaneous receivables	19.3	14.9
Net other receivables	74.0	75.6
Total	813.5	830.5

	31 July 2011	31 January 2011
Accounts receivable – Allowance		
Allowance at the beginning of the year	10.3	12.3
Charges	1.0	3.5
Used	(1.7)	(5.2)
Non-used	-	(0.5)
Translation difference	0.1	0.2
Total	9.7	10.3

- Financing leases

	31 July 2011	31 January 2011
Non-current receivables		
Financing leases – gross receivables	457.1	446.9
Unearned financial income	(77.0)	(68.3)
Total	380.1	378.6
Current receivables		
Financing leases – gross receivables	247.7	257.6
Unearned financial income	(49.4)	(56.7)
Total	198.3	200.9
Gross receivables on financing leases		
Less than one year	247.7	257.6
1 to 5 years	451.6	441.4
More than 5 years	5.5	5.5
Total gross receivables	704.8	704.5
Unearned financial income on financing leases	(126.4)	(125.0)
Net investment in financing leases		
Less than one year	198.3	200.9
1 to 5 years	374.8	373.3
More than 5 years	5.3	5.3
Total	578.4	579.5

The increase in lease receivables relates to the increasing extension of the leasing service offer to the indirect distribution networks in North America, to the Group European subsidiaries and to the new subsidiaries created during the switch to a direct distribution model.

The following information required by IAS 17 relating to finance lease lessor does not apply to Neopost:

- Unguaranteed residual values;
- Contingent rents recognised in the income for the period.

Note 9 Inventories and work in progress

	31 July 2011	31 January 2011
Gross value	83.5	70.8
Depreciation	(14.1)	(13.4)
Total	**69.4**	**57.4**

	31 July 2011			31 January 2011		
	Gross value	Depreciation	Net	Gross value	Depreciation	Net
Work in progress	3.8	(0.2)	3.6	2.4	(0.2)	2.2
Raw materials	12.7	(2.7)	10.0	13.5	(2.4)	11.1
Finished goods	57.3	(8.7)	48.6	46.4	(8.3)	38.1
Spare parts for maintenance	9.7	(2.5)	7.2	8.5	(2.5)	6.0
Total	**83.5**	**(14.1)**	**69.4**	**70.8**	**(13.4)**	**57.4**

Note 10 Provisions

	31 January 2011	Added	Used	Non-used	Other	31 July 2011	Short-term portion	Long-term portion
Retirement benefit obligations	**8.7**	1.4	(0.7)	-	0.1	9.5	-	9.5
Reorganisation and restructuring	**2.3**	-	(0.6)	(0.1)	-	1.6	1.6	-
Structure optimisation	**0.5**	19.5	(0.4)	-	-	19.6	19.6	-
Customer guarantees	**0.9**	-	(0.1)	-	0.4	1.2	1.2	-
Provisions for business risks	**1.1**	-	(0.1)	-	(0.6)	0.4	0.4	-
Other	**6.8**	0.3	(1.0)	(0.1)	(1.9)	4.1	3.5	0.6
Total	**20.3**	21.2	(2.9)	(0.2)	(2.0)	**36.4**	26.3	10.1

The most important retirement obligation for the Group is the one for the UK. This pension funds show a net asset of 17 million pounds sterling as at 31 July 2011 compared to 10.9 million pounds sterling at 31 January 2011. It is accounted for in non-current financial assets.

The Group has decided to launch an optimization plan in the United States and Europe in order to continue to stream-line its organizational structure and create new momentum.

In the United States, the logistics activities currently based in Austin, Texas are to be transferred to Milford, Connecticut in order to allow for greater integration into Neopost USA.

In order to use a single brand name and optimise its coverage of the French market, Neopost has presented employee representative bodies with a plan to combine its two distribution subsidiaries Neopost France and Satas. In accordance with French employment law, these bodies have yet to give their opinion on the employee-related aspects of this plan. The combination of the two entities would allow for the creation of new sales and marketing momentum.

In addition, the Group is planning to transfer its development and technical support activities for envelope printers from the current location of Munich to Bagneux in order to consolidate its research and development and supply chain activities.

The Group has also begun to implement a new organizational structure to cover the entry-level market segment. In some countries, this will result in restructuring costs.

A provision of an amount of 19.5 million euros was booked for these optimisation programme costs in the financial statements as at 31 July 2011. After tax, the impact in the net income is only 12.7 million euros.

Note 11 Financial instruments and financial debts

Neopost's financing strategy is coordinated by the Group's Chief Financial Officer. All the Group exposures to interest rate and exchange rate risks are centralised within the Group Treasury department.

Financial instruments mentioned in the note 11 and 17, especially those presented in note 11-1 are level 2 financial instruments, for which fair value is based on observable data.

11-1: ANALYSIS OF BALANCE SHEET BY FINANCIAL INSTRUMENTS

			Breakdown by instrument category				
31 July 2011	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/ Debts	Debts at amortised costs	Derivative instruments
Other non-current financial assets	30.6	30.6	-	5.4	25.2	-	-
Leasing receivables [e]	569.8	584.5	-	-	584.5	-	-
Other long-term receivables	10.9	10.9	-	-	10.9	-	-
Receivables [a]	169.7	169.7	-	-	169.7	-	-
Other receivables [a]	19.3	19.3	-	-	19.3	-	-
Derivative financial instruments [b]	0.1	0.1	-	-	-	-	0.1
Cash and cash equivalents [d]	160.9	160.9	160.9	-	-	-	-
Assets	**961.3**	**976.0**	**160.9**	**5.4**	**809.6**	**-**	**0.1**
Financial debts and bank overdrafts [c]	863.9	881.6	149.5	-	-	732.1	-
Other long-term debts	12.3	12.3	-	-	12.3	-	-
Accounts payable [a]	60.9	60.9	-	-	60.9	-	-
Other operating liabilities [a]	240.9	240.9	-	-	240.9	-	-
Derivative financial instruments [b]	9.1	9.1	-	-	-	-	9.1
Liabilities	**1,187.1**	**1,204.8**	**149.5**	**-**	**314.1**	**732.1**	**9.1**

(a) Historical cost valuation

(b) Valuation method described in note 2-15 of the 2010 Reference Document.

(c) The fair value of the debt is the portion of the OCEANE that was swapped for 150 million euros. The swap and the debt are accounted for at their fair value as mentioned in Note 17.

Concerning the debt accounted for at amortized cost, the main amounts are broken down as follow:

- The drawdown on the credit revolving line for an amount of 414.5 million euros. The drawdowns are performed on a monthly basis and with a variable rate (EURIBOR and USD LIBOR), there is no difference between the fair value and the value as appearing in the balance sheet.
- Concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 July 2011. The difference between the fair value and the value as appearing in the balance sheet is 18.4 million euros.
- Concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Valuation of debts in foreign currency has been done at constant exchange rate.

(d) Valuation based on realized value.

(e) Due to the important number of deals handled by the Group leasing entities, the Group did not perform an individual valuation for each deal. The assumptions that were used are the following: Average maturity of the portfolio of 3 years, a yield curve with a term at 31 July 2011 and a constant exchange rate. The valuation is performed excluding credit spread. Concerning the US portfolio "Postage Finance", it is constituted of very short term maturity (less than a month) and a renewable credit, the fair value considered is the one as mentioned in the balance sheet.

			Breakdown by instrument category				
31 January 2011	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/ Debts	Debts at amortised costs	Derivative instruments
Other non-current financial assets	25.7	25.7	-	5.4	20.3	-	-
Leasing receivables [e]	571.6	582.4	-	-	582.4	-	-
Other long-term receivables	19.5	19.5	-	-	19.5	-	-
Receivables [a]	183.3	183.3	-	-	183.3	-	-
Other receivables [a]	14.9	14.9	-	-	14.9	-	-
Derivative financial instruments [b]	0.1	0.1	-	-	-	-	0.1
Cash and cash equivalents [d]	136.3	136.3	136.3	-	-	-	-
Assets	**951.4**	**962.2**	**136.3**	**5.4**	**820.4**	**-**	**0.1**
Financial debts and bank overdrafts [c]	824.8	842.9	149.4	-	-	693.5	-
Other long-term debts	10.6	10.6	-	-	10.6	-	-
Accounts payable [a]	65.4	65.4	-	-	65.4	-	-
Other operating liabilities [a]	207.1	207.1	-	-	207.1	-	-
Derivative financial instruments [b]	6.6	6.6	-	-	-	-	6.6
Liabilities	**1,114.5**	**1,132.6**	**149.4**	**-**	**283.1**	**693.5**	**6.6**

[a] Historical cost valuation.

[b] Valuation method described in note 2-15 of the 2010 Reference Document.

[c] The fair value of the debt is the portion of the OCEANE that was swapped for 150 million euros. The swap and the debt are accounted for at their fair value as mentioned in Note 17.

Concerning the debt accounted for at amortized cost, the main amounts are broken down as follow:

- The drawdown on the credit revolving line for an amount of 367.2 million euros. The drawdowns are performed on a monthly basis and with a variable rate (EURIBOR and USD LIBOR), there is no difference between the fair value and the value as appearing in the balance sheet.
- Concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2011. The difference between the fair value and the value as appearing in the balance sheet is 19 million euros.
- Concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Valuation of debts in foreign currencies was performed at constant exchange rates.

[d] Valuation based on realized value.

[e] Due to the important number of deals handled by the Group leasing entities. The Group did not perform an individual valuation for each deal. The assumptions that were used are the following: Average maturity of the portfolio of 3 years, a yield curve with a term at 31 January 2011 and a constant exchange rate. The valuation is performed excluding credit spread. Concerning the US portfolio "Postage Finance", it is constituted of very short term maturity (less than a month) and a renewable credit, the fair value considered is the one as mentioned in the balance sheet.

11-2: ANALYSIS BY TYPE OF DEBT

				31July 2011	31 January 2011
	Short-term debt	Short-term part of long-term debt	Long-term debt	Total	Total
Convertible Bonds	-	-	289.6	289.6	288.1
Payable coupon on 01/02/2012	-	5.6	-	5.6	11.3
Convertible Bonds (OCEANE) [(a)]	**-**	**5.6**	**289.6**	**295.2**	**299.4**
Revolving credit facility [(b)]	-	414.5	-	414.5	367.1
Accrued interest and other	-	0.1	-	0.1	0.1
Bank loans	**-**	**414.6**	**-**	**414.6**	**367.2**
Caisses Régionales du Crédit Agricole private placement	-	-	133.0	133.0	133.0
Accrued interest	-	0.8	-	0.8	0.9
CRPP private placement [(c)]	**-**	**0.8**	**133.0**	**133.8**	**133.9**
Natixis BPCE private placement [(d)]	**-**	**0.2**	**-**	**0.2**	**0.2**
Debt on leased assets	-	0.4	0.4	0.8	1.1
Other [(e)]	8.2	4.5	6.6	19.3	23.0
Other debt	**8.2**	**4.9**	**7.0**	**20.1**	**24.1**
Total debt	**8.2**	**426.1**	**429.6**	**863.9**	**824.8**

(a) Neopost issued Bonds Convertible or Exchangeable for New or Existing Shares (OCEANE) on 21 October 2009 with a maturity of 1st February 2015, representing 3,622,750 convertible bonds, with a par value of EUR 82.81 each, quoted on Euronext Paris under the ISIN number FR0010814061, with a fixed rate of 3.75%. IFRS accounting entails an initial debt for 284.5 million euros and equity for 10.2 million euros before income tax, representing a debt issued at 4.8822%. Debt has been swapped against variable rate for a notional amount of 150 million euros. The debt amount takes into account the fair value of the debt and the swap, the impact in the profit & loss statement is 0.3 million euros at 31 July 2011.

(b) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of 750 million euros to replace all Neopost group facilities which have been cancelled at the same time (including leasing revolving facilities). The interest rate is indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.20%. This credit line comes to term in June 2012, for the original amount. Thanks to the exercise of the extension option, the maturity has been extended until June 2013 for a notional amount of 675 million euros. At the end of July, Neopost had drawn 120 million euros and 420 million dollars.

(c) Neopost concluded on 1st December 2006 a private placement with the Caisses Régionales du Crédit Agricole. The two tranches have an identical maturity and will be reimbursed in December 2012. Interests paid on this debt are structured by a swap contracted at inception for which the characteristics and maturity are the same as the underlying tranches. This debt bears interests of 4.0940%.

(d) Neopost concluded on 15 September 2009 a private placement with Natixis and Banques Populaires-Caisses d'Épargne for a notional amount of 175 million euros. This private placement is concluded as revolving credit line for which the notional amounts are linearly amortised starting in September 2011. This credit line has for maturity date September 2014. This credit line is not used at the closing date. Interest rates are based on the EURIBOR for the period +1.90%.

(e) Other debt at 31 July 2011 mainly includes: 8.2 million euros of bank overdrafts and 10.1 million euros of profit sharing and incentive payments deposited by employees with the Group's French entities.

With the exception of the Bonds Convertible or Exchangeable for New or Existing Shares (OCEANE), which is not subject to any covenant, the other debts (Private Placement and revolving facilities) are subject to covenants such as net "debt to EBITDA" ratio and "minimum net assets".

The covenant "net debt to EBITDA" ratio is calculated on the basis of the consolidated financial statements. EBITDA is calculated by adding depreciation and the provisions (net of reversals) for the period to operating income. The net debt to EBITDA ratio must be 3.25 or less.

The net assets of the Group must not be less than 400 million euros.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 July 2011.

Note 12 Other non-current liabilities

The non-current liabilities include deferred income at medium term of 5.4 million euros mainly coming from acquisitions during 1st half-year and a put option on minority interests of 8.6 million dollars (6.0 million euros).

The value of the put option was calculated based on the operating assumptions of the Company over the next two years and may vary between a minimum of 10.5 million dollars and a maximum of 20 million dollars before payments. This put option on minorities at Priority Mailing Systems was valued at 8.6 million dollars on 31 July 2011 (9.9 million dollars on 31 January 2011).

The change of fair value evolution of this put option will be accounting for against goodwill in accordance with the accounting treatment applied at 31 January 2011.

Note 13 Tax position

The Group's french companies use the tax consolidation system. The same is true for Neopost S.A.'s subsidiaries in each of the countries in which they are registered.

The reconciliation between the theoretical tax charge and the actual tax charge is as follows:

	31 July 2011	31 July 2010	31 January 2011
Net income of consolidated companies before income tax	86.6	99.3	215.6
Tax rate for the consolidating company	34.30%	34.30%	34.30%
Theoretical income tax charge	29.7	34.1	74.0
Permanent differences	1.9	1.3	2.6
Tax rate differences	(6.5)	(4.0)	(10.3)
Use of previous unrecognized tax loss	-	(3.7)	(3.8)
Others	(1.7)	1.0	(3.2)
Total tax	23.4	28.7	59.3
Current tax charge	17.9	16.5	32.8
Deferred tax charge	5.5	12.2	26.5
Total tax	23.4	28.7	59.3

Deferred tax assets and liabilities are mainly due to the following:

	31 July 2011	31 January 2011
Profit-sharing and other expenses with deferred deductibility	21.9	28.4
Provisions for structure optimisation	6.8	-
Tax loss carry-forward	14.3	5.0
Licenses	3.3	4.0
Other	10.3	8.4
Deferred tax assets before tax consolidation	**56.6**	**45.8**
Tax consolidation	(41.5)	(34.2)
Deferred tax assets	15.1	11.6

No indicator of asset depreciation has been used.

	31 July 2011	31 January 2011
Leasing activity and restatement of amortization	105.5	97.5
Elimination of margins on inventories, rented and demo equipment	(9.7)	(11.0)
Research and development	12.2	10.8
Bond convertible into shares (OCEANE)	1.9	2.4
Other	11.0	8.7
Deferred tax liabilities before tax consolidation	**120.9**	**108.4**
Tax consolidation	(41.5)	(34.2)
Deferred tax liabilities	**79.4**	**74.2**

Note 14 Segment information

Neopost's activities consist of the renting of mailroom equipment, the sale of such equipment, related services and leasing of equipment. Markets are mainly located in Europe and the USA.

The category "Other" corresponds to non-allocable R&D, Group Marketing and Holding costs, as well as depreciation related to the three production sites of the Group.

Neopost's net income breaks down by geographic zone as follows:

31 July 2011	Europe	North America	Other	Total
External sales	290.5	193.1	-	483.6
Inter-segment sales	0.9	4.8	(5.7)	-
Total sales	**291.4**	**197.9**	**(5.7)**	**483.6**
Segment income	99.0	62.6	(37.2)	124.4
Provision for structure optimisation				(19.5)
Share-based payments				(3.6)
Operating income				**101.3**
Financial result				(14.7)
Share in net income of associated companies				0.5
Income taxes				(23.4)
Net income				**63.7**

31 July 2010	Europe	North America	Other	Total
External sales	277.6	193.3	-	470.9
Inter-segment sales	1.4	0.8	(2.2)	-
Total sales	**279.0**	**194.1**	**(2.2)**	**470.9**
Segment income	98.2	60.1	(37.1)	121.2
Share-based payments				(2.2)
Operating income				**119.0**
Financial result				(19.7)
Share in net income of associated companies				0.3
Income taxes				(28.7)
Net income				**70.9**

31 January 2011	Europe	North America	Other	Total
External sales	569.8	395.8	-	965.6
Inter-segment sales	1.0	5.3	(6.3)	-
Total sales	**570.8**	**401.1**	**(6.3)**	**965.6**
Segment income	204.9	125.0	(74.1)	255.8
Share-based payment				(7.7)
Operating income				**248.1**
Financial result				(32.5)
Share in net income of associated companies				0.6
Income taxes				(59.3)
Net income				**156.9**

Sales are broken down according to the country of origin of the invoicing subsidiary.

Transfer prices between business segments are the prices which would have been set under normal competitive conditions, as for a transaction with third parties.

Expenses recognised during the first semester but with no effect on Group cash (before depreciation and provisions) mainly relate to charges in respect of share-based payments 3.6 million euros as at 31 July 2011 (2.2 million euros as at 31 July 2010).

The financial result is mainly due to the financial costs associated with each line of debt. Impact detail of hedge accounting is presented in note 17 to the portion of derivative financial instruments related to foreign exchange and interest rates.

The balance sheet breaks down by area as follows:

31 July 2011	Europe	North America	Other	Total
Segment assets	974.1	711.4	439.2	2,124.7
Total assets				**2,124.7**
Segment liabilities	324.8	195.2	977.1	1,497.1
Shareholder’s equity				627.6
Total liabilities				**2,124.7**

31 July 2010	Europe	North America	Other	Total
Segment assets	1,051.8	740.1	256.4	2,048.3
Total assets				**2,048.3**
Segment liabilities	428.9	199.5	878.3	1,506.7
Shareholder’s equity				541.6
Total liabilities				**2,048.3**

31 January 2011	Europe	North America	Other	Total
Segment assets	975.3	721.8	358.5	2,055.6
Total assets				**2,055.6**
Segment liabilities	371.0	199.4	879.0	1,449.4
Shareholder’s equity				606.2
Total liabilities				**2,055.6**

The “Other” assets and liabilities are the assets and liabilities of the parent company Neopost S.A. and those of the three industrial sites. The three industrial sites (Le Lude – France, Drachten – the Netherlands and Loughton – UK) serve the Group worldwide and their assets and liabilities cannot be broken down by region.

Other segment items break down by geographical zone as follows:

31 July 2011	Europe	North America	Other	Total
Investment:				
Tangible fixed assets	14.0	8.1	2.4	24.5
Intangible fixed assets	1.1	1.9	8.7	11.7
Total investment	**15.1**	**10.0**	**11.1**	**36.2**
Depreciation and amortisation:				
Tangible fixed assets	12.1	8.4	2.6	23.1
Intangible fixed assets	2.2	1.9	4.3	8.4
Total depreciation and amortisation	**14.3**	**10.3**	**6.9**	**31.5**
Impairment	-	-	-	-

31 July 2010	Europe	North America	Other	Total
Investment:				
Tangible fixed assets	15.6	6.7	3.8	26.1
Intangible fixed assets	1.4	1.2	7.9	10.5
Total investment	**17.0**	**7.9**	**11.7**	**36.6**
Depreciation and amortisation:				
Tangible fixed assets	11.5	9.2	2.3	23.0
Intangible fixed assets	2.1	2.8	5.9	10.8
Total depreciation and amortisation	**13.6**	**12.0**	**8.2**	**33.8**
Impairment	-	-	-	-

31 January 2011	Europe	North America	Other	Total
Investment:				
Tangible fixed assets	26.5	13.0	7.6	47.1
Intangible fixed assets	2.8	3.3	15.2	21.3
Total investment	**29.3**	**16.3**	**22.8**	**68.4**
Depreciation and amortisation:				
Tangible fixed assets	23.9	19.0	4.9	47.8
Intangible fixed assets	4.1	5.0	8.7	17.8
Total depreciation and amortisation	**28.0**	**24.0**	**13.6**	**65.6**
Impairment	-	-	-	-

The breakdown of revenues by business is as follows:

	31 July 2011	31 July 2010	31 January 2011
Mailing systems	332.9	327.0	665.4
Document & logistic systems	150.7	143.9	300.2
Total	**483.6**	**470.9**	**965.6**

	31 July 2011	31 July 2010	31 January 2011
Equipment rental and leasing	137.0	141.0	284.2
Services and supplies	196.2	191.2	386.5
Equipment sales	150.4	138.7	294.9
Total	483.6	470.9	965.6

This breakdown is only available for sales.

The exposure to the client counterparty risk (trade receivables, leasing receivables) is limited and is described in note 17-3.

Note 15 Earnings per share

Basic earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in circulation during the year.

Diluted earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in circulation during the year, plus the weighted average number of ordinary shares which would have been issued on conversion of all potential dilutive ordinary shares.

All options not in money have been excluded from calculation of the weighted average number of stock options in circulation.

The table below shows the earnings figures used to calculate basic and diluted earnings per share for all activities:

	31 July 2011		31 July 2010	31 January 2011
		Before structure optimisation		
Net income – Attributable to Holders of the parent company (in million of euros)	63.2	75.9	70.9	155.7
Impact of dilutive instruments:				
Dilutive stock-options	-	-	-	0.1
Dilutive free shares	2.1	2.1	-	2.1
Conversion of bonds convertible into shares (OCEANE)	3.7	3.7	3.7	7.4
Diluted net income (in million of euros)	69.0	81.7	74.6	165.3
Number of shares (thousands)	32,194	32,194	30,915	32,124
Impact on a pro rata time basis of dividend payments in shares, the exercise of stock options, share buyback for cancelation and liquidity contract (thousands)	24	24	(41)	(737)
Weighted average number of ordinary shares in circulation (thousands) *	32,218	32,218	30,874	31,387
Weighted average number of stock options in circulation (thousands)	72	72	60	66
Weighted average number of free shares in circulation (thousands)	237	237	182	217
Number of shares related to bonds convertible into shares (OCEANE) (thousands)	3,623	3,623	3,623	3,622
Number of shares diluted (thousands) *	36,150	36,150	34,739	35,292
Earnings per share (in euros)	1.96	2.36	2.30	4.96
Diluted earnings per share (in euros)	1.91	2.26	2.15	4.68

* Weighted average during the period.

Note 16 Share-based payments

The expenses booked with respect in share-based payments are as follows:

	31 July 2011	31 July 2010	31 January 2011
Stock options	1.5	1.3	2.3
Securities giving access to share capital	2.1	0.9	5.4

Information relating to the four stock option plans

Regarding warrant or purchase options plans, there was no allocation in the first half 2011.

Variations on the first half concern the exercise of options (31,810) with 20,000 by Mr. Jean-Paul Villot, Director, under its previous mandate as Chairman and cancellations (29,682).

The 15 January 2001 awarded options have expired in 31 July 2011.

Information relating to the two free share plans

Regarding free share plans, there was no allocation in the first half 2011.

In the first half on the 320,000 free allocation shares, 73,538 shares were delivered with 14,329 shares to the Chairman and Chief Executive Officer Denis Thiery and 5,881 shares to Mr. Jean-Paul Villot, Director, under its previous mandate as Chairman.

During the same period, 4,320 shares have been cancelled.

Note 17 Risk management and commitments given and received

17.1: MARKET RISKS

The Group is mainly exposed to currency exchange rate risks through its international activity and to interest rate risks through its debt.

CURRENCY EXCHANGE RATE RISKS

The Group Treasurer, who reports to the Group Chief Finance Officer, monitors exchange rate risk for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the Chief Finance Officer to provide complete visibility on the financial risks relating to hedging activities, and to measure the financial impact of unhedged positions.

Neopost uses the services of an independent consultancy based in Paris. This consultancy helps Neopost in its exchange rate risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

NATURAL HEDGE

Neopost enjoys a natural hedge on its current operating margin and net margin.

Based on the 2011 budget, the breakdown of sales and costs in USD is: sales 39%, cost of sales 49%, operating costs 34%, interest expenses 20%. A 10% change in the EUR/USD exchange rate from the budget rate of 1.35 would have the following impact on the Group's income statement: sales - 35.3 million euros, current operating income - 9.3 million euros and net income - 6.4 million euros.

Based on the 2011 budget, the breakdown of sales and costs in GBP is: sales 12%, cost of sales 12%, operating costs 9%. A 10% change in EUR/GBP exchange rate from the budget rate of 0.87 would have the following impact on the Group's income statement: sales - 10.5 million euros, current operating income - 4.0 million euros and net income - 2.9 million of euros.

Beyond the natural hedge, no guarantee can be given concerning the Group's ability to efficiently hedge its currency exchange risks.

RISK MANAGEMENT POLICY

Neopost has a policy of centralising its foreign currency risk, enabling it to monitor the Group's overall exchange rate risk exposure and to gain full control over the market instruments used in hedging operations.

For each consolidated position that is managed, Neopost implements a hedging strategy at the same time as it sets the reference exchange rate to be defended. The hedging strategy involves a combination of definite or optional forward currency purchases or sales, along with open positions protected by stop losses. These stop losses are predetermined exchange rates that trigger transactions when they are hit. As a result, the hedging strategy enables Neopost to defend a reference exchange rate for the entire position in the event of adverse exchange rate movements.

FIRST HALF-YEAR POSITION

The tables below represent Neopost's positions at 31 July 2011 as regards exchange rate hedging.

■ FINANCIAL FISCAL YEAR 2011 : ASSET AND LIABILITY HEDGING: **hedging positions covering financial assets or liabilities on Neopost's balance sheet at 31 July 2011 and expected to be realised no later than October 2011.**

Notional value (in millions)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK
Financial assets	45.3	28.8	1.9	4.9	34.5	4.9	1.8	4.7
Financial liabilities	10.2	58.2	0.1	2.0	-	-	2.0	0.2
Net position before hedging	**35.1**	**(29.4)**	**1.8**	**2.9**	**34.5**	**4.9**	**(0.2)**	**4.5**
Hedging	(32.2)	25.5	(1.8)	(1.6)	(40,0)	(5.5)	-	-
Net position after hedging	**2.9**	**(3.9)**	**-**	**1.3**	**(5.5)**	**(0.6)**	**(0.2)**	**4.5**

Neopost uses symmetrical options tunnels in particular. These instruments are unlikely to be exercised in a non-reciprocal manner in terms of the spot exchange rate or expiry date. As a result, for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was USD:5.0m sold, JPY 20.0m sold, SEK 2.0m sold and GBP 1.0m bought.

Neopost also makes use of asymmetrical options tunnels. The asymmetrical part of this kind of transaction is presented in the table above with a view to reflecting the Group's commitment as closely as possible. By currency the asymmetrical part is as follows: USD 3.5m sold, GBP 2.0m bought, JPY 20.0m sold and SEK 2.0m sold.

■ 2011 BUDGET: HEDGING OF ANTICIPATED POSITION FOR 2^{ND} HALF-YEAR 2011: **hedging positions covering anticipated Financial assets and liabilities in financial year 2011 expected to be realised no later than April 2012.**

Notional value (in millions)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK
Financial assets - forecast	81.5	97.4	7.4	16.5	106.2	12.7	2.3	3.8
Financial liabilities - forecast	68.2	105.8	(0.1)	(2.0)	-	-	(0.8)	0.5
Net position before hedging	**13.3**	**(8.4)**	**7.5**	**18.5**	**106.2**	**12.7**	**3.1**	**3.3**
Hedging	(22,3)	3,5	(4.5)	(8.5)	(70.8)	-	(1.3)	-
Net position after hedging	**(9.0)**	**(4.9)**	**3.0**	**10.0**	**35.4**	**12.7**	**1.8**	**3.3**

Neopost uses symmetrical options tunnels in particular. These instruments are unlikely to be exercised in a non-reciprocal manner in terms of the spot exchange rate or expiry date. As a result for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was USD 8.0m sold, CAD 2.0m sold, NOK 3.5m sold, JPY 40.0m sold and GBP 1.0 bought.

Neopost also makes use of asymmetrical options tunnels. The asymmetrical part of this kind of transaction is presented in the table above with a view to reflecting the Group's commitment as closely as possible. By currency the asymmetrical part is as follows: USD 7.5m sold, CAD 2.0m sold, NOK 3.5m sold and JPY 40.0m sold.

HEDGING INSTRUMENTS

The Neopost group hedges its exchange rate risk using over-the-counter derivative instruments contracted with external counterparties. The derivative instruments used by the Treasury department in its hedging strategies are as follows:

- firm derivatives such as forward currency purchases and sales;
- plain vanilla options such as puts and calls;
- second generation options (knock-in or knock-out barrier options).

INSTRUMENT DETAILS

The instruments in the portfolio have expiries of less than twelve months at 31 July 2011. These instruments are listed below by type and by currency for the period to which they relate.

2011 : Asset and liability hedging

Notional value (in millions) – Cash flow hedging	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	23.7	5.0	5.0	-	-
GBP	22.5	-	-	-	1.0	1.0
CAD	-	1.8	-	-	-	-
NOK	-	1.6	-	-	-	-
JPY	-	-	20.0	20.0	-	-
SEK	-	1.5	2.0	2.0	-	-
CHF	-	-	-	-	-	-

2011 BUDGET : Hedging of anticipated positions FOR 2nd HALF-YEAR 2011

Notional value (in millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	3.8	11.0	8.0	-	-
GBP	2.5	-	-	-	1.0	1.0
CAD	-	0.5	2.0	2.0	-	-
NOK	-	1.5	3.5	3.5	-	-
JPY	9.2	-	40.0	40.0	-	-
SEK	-	-	-	-	-	-
CHF	-	1.3	-	-	-	-

At 31st July 2011, the operations shown in the above table are broken down as follows:

Notional value (in millions) – Cash flow hedge	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	27.4	16.0	13.0	-	-
GBP	25.1	-	-	-	2.0	2.0
CAD	-	2.3	2.0	2.0	-	-
NOK	-	3.1	3.5	3.5	-	-
JPY	9.2	-	60.0	60.0	-	-
SEK	-	1.5	2.0	2.0	-	-
CHF	-	1.3	-	-	-	-

Notional value (in millions) – Ineffective portion of hedge instruments	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	-	-	12.5	-	1.5
GBP	-	-	-	-	2.0	-
CAD	-	-	-	2.0	-	-
NOK	-	-	-	3.5	-	-
JPY	-	-	-	60.0	-	-
SEK	-	-	-	2.0	-	-
CHF	-	-	-	-	-	-

INSTRUMENT VALUATIONS

Derivative instruments are recognised in accordance with the accounting principles and methods presented in Note 2 of the 2010 Reference Document.

Hedging instruments relating to the 2011 fiscal year, i.e. hedging assets and liabilities on the balance sheet as at 31 July 2011, have been fully valued and recognised at their market value at 31 July 2011.

Hedging instruments relating to the 2nd half-year 2011, i.e. hedging anticipated financial flows, have been fully valued and recorded at their market value at 31 July 2011. The time value of these hedging instruments has been recognised in the income statement as has the change in intrinsic value of non-hedging transactions. Changes in the intrinsic value of hedging transactions have been recognised as a shareholders' equity adjustment.

Amount (in millions)	31 January 2011	Changes recognised in comprehensive income	Changes recognised in the Income statement	31 July 2011
Financial assets	**0.1**	**0.1**	**-**	**0.2**
• Cash flow hedge	0.1	0.1	-	0.2
• Ineffective hedge	-	-	-	-
Financial liabilities	**0.3**	**-**	**(0.2)**	**0.1**
• Cash flow hedge	0.3	-	(0.2)	0.1
• Ineffective hedge	-	-	-	-

COUNTERPART CREDIT RISK

Operations are carried out with the 16 international banks that take part in the revolving credit facility.

INTEREST RATE RISK

The Group Treasurer, who reports to the Group Chief Finance Officer, monitors interest rate risk for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the Chief Finance Officer to provide complete visibility on the financial risks relating to hedging activities, and to measure the financial impact of unhedged positions.

Neopost uses the services of an independent consultancy based in Paris. This consultancy helps Neopost in its interest rate risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

RISK MANAGEMENT POLICY

To limit the impact of a rise in interest rates on its interest expenses, the Neopost group has a risk-hedging policy aimed at protecting a maximum annual interest rate for the three years ahead at all times.

The hedging policy is roll over to always get this three years period hedge.

Neopost has a policy of centralising its interest rate risk, enabling it to monitor the Group's overall interest rate risk exposure and to gain full control over the market instruments used in hedging operations. The Group hedges its interest rate risk depending on its current debt levels, but also according to likely future movements in debts, arising from drawings on its revolving credit facilities.

Financial instruments are carried by the legal entities that have the corresponding debt on their balance sheet.

A hedging strategy is adopted on the basis of the position to be managed and the reference interest rate adopted. The strategy is aimed at protecting the reference interest rate and at taking advantage, at least to some extent, of favourable movements. Hedging strategies involve definite and optional derivative instruments, and open positions are maintained if possible. The valuation of the open position based on market forward interest rates, along with the interest rates obtained through hedging operations, should always protect the reference interest rate. Hedging strategies cover the period three years ahead at all times. However, the level of coverage and the weightings of the various derivative instruments may vary from one year to the next, since the aim is to maintain greater scope for optimising positions in later years.

YEAR-END POSITION

The table below sets out Neopost's position by maturity at 31 July 2011for the main currencies:

				EUR				USD				GBP
Notional value (in millions)	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial debts	133.5	428.8	-	562.3	427.5	-	-	427.5	0.3	0.4	-	0.7
Of which fixed-rate debts	-	283.0	-	283.0	-	-	-	-	-	-	-	-
Corresponding hedge maturities	10.0	174.0	-	184.0	55.0	295.0	-	350.0	-	-	-	-

HEDGING INSTRUMENTS

Neopost uses standard and liquid derivative instruments. The instruments used are as follows:

- firm derivatives: swaps and forward rate agreements;
- plain vanilla options: caps and floors (used either alone or in combination);
- knock-in or knock-out barrier options: caps and floors (used either alone or in combination);
- swaptions (used either alone or in combination).

Management agreements, packaged bank hedging products and derivative instruments that introduce a reference other than the underlying (quanto swaps for example) are strictly forbidden by internal procedures.

DERIVATIVE INSTRUMENT DETAILS

The instruments in the portfolio are listed below, according to type, currency and maturity.

Notional value (in millions)	Currency	Less than year	1 to 5 years	Maturity more than 5 years
Swap – buyer	EUR	-	150.0	-
	USD	55.0	210.0	-
Swap - receiver	EUR	-	79.0	-
	USD	-	55.0	-
Cap - buy	EUR	10.0	45.0	-
	USD	-	30.0	-
Knock-out cap - buy	EUR	-	50.0	-
	USD	-	85.0	-
Floor- sell	EUR	10.0	20.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

Notional value (in millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap - buyer	EUR	-	150.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

Notional value (in millions)	Currency	Less than 1 year	1 to 5 years	Maturitymore than 5 years
Swap - receiver	USD	55.0	210.0	-
	EUR	-	79.0	-
Cap - buy	USD	-	55.0	-
	EUR	10.0	20.0	-
Floor- sell	USD	-	55.0	-
	EUR	10.0	20.0	-

INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

Notional value (in millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Cap - buy	EUR	-	25.0	-
	USD	-	30.0	-
Knock-out cap-buy	EUR	-	50.0	-
Floor-sell	USD	-	30.0	-

INSTRUMENT VALUATION

Derivative instruments are recognised in accordance with the accounting principles and methods presented in Note 2 of the 2010 Reference Document. All interest rate derivative instruments are valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39.

Changes in the market value of instruments not eligible for hedge accounting have been charged in their entirety to the income statement. The ineffective portion of instruments eligible for hedge accounting, plus the time value of these instruments, has been charged to net financial expense. Changes in the intrinsic value of these instruments have been recognised as a restatement of net assets.

Amount (in millions of euros)	31 January 2011	Premium on new operations	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	31 July 2011
Debt and Swap at Fair Value Hedge	0.2	**-**	**-**	**0.1**	0.3
OCEANE Swap - EUR 150m	0.2	-	-	0.1	0.3
Financial assets (derivatives)	0.5	**-**	**0.1**	**(0.2)**	0.4
Derivative instruments qualified as cash flow hedge	**0.2**	**-**	**0.1**	**-**	**0.3**
EUR transactions	-	-	0.1	0.1	0.2
USD transactions	0.2	-	-	(0.1)	0.1
Derivative instruments not eligible for hedge accounting	**0.3**	-	-	**(0.2)**	**0.1**
EUR transactions	0.3	-	-	(0.2)	0.1
USD transactions	-	-	-	-	-
Financial liabilities (derivatives)	6.3	**-**	**1.8**	**-**	8.1
Derivative instruments qualified as cash flow hedge	**5.7**	**-**	**1.8**	**0.1**	**7.6**
EUR transactions	3.2	-	(0.6)	0.2	2.8
USD transactions	2.5	-	2.4	(0.1)	4.8
Derivative instruments not eligible for hedge accounting	**0.6**	**-**	**-**	**(0.1)**	**0.5**
EUR transactions	0.2	-	-	-	0.2
USD transactions	0.4	-	-	(0.1)	0.3

COUNTERPART CREDIT RISK

Operations are carried out with the 16 international banks that take part in the revolving credit facility.

17.2: LIQUIDITY RISK

The Group believes that its cash flow will easily enable it to service its debt, given the current level of that debt. Group debt (US private placement and revolving loan) is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 July 2011, the Group was complying with all covenants.

However, this ability will depend on the Group's future performance, which is partly related to the economic cycle, which the Group cannot control. No guarantee can therefore be given regarding the Group's ability to cover its financial needs.

At the end of July 2011, the Group has slightly more than 515 million of undrawn credit lines.

17.3: CREDIT RISK

Customers credit risk exposure

This credit risk is limited because of, on the one hand, the number of customers (around 800,000) and on the other hand of the small contract value at the unit level. None of the customers accounts for 1% or more of sales.

The main subsidiaries are equipped with IT tools and dedicated teams that allow them to tailor their receivable collections processes for every customers. In addition, the Leasing and Postage Financing activities have their own credit scoring tools and systematically use at the inception of a new contract an external credit scoring opinion.

During the monthly Operating Reviews, the account receivables are always analysed.

17.4: SUPPLIER'S RISK EXPOSURE

Its main supplier of the Group is Hewlett Packard for inkjet printing heads and cartridges. In 2009, Neopost renewed its agreement with HP concerning the ink cartridges and the print heads. This agreement was signed as a continuation of that already in place for 10 years. In 2010, HP accounted for 11.5% of total Group purchases versus 9.1% in 2009. The top five suppliers and the top ten suppliers respectively account for 26.6% and 31.2% in 2010 and 19.8% and 24.3% in 2009.

A disruption in supply from these suppliers might significantly affect the Group's business, although clauses in the contracts do guarantee the Group against this risk. The Group has already put in place alternative solutions in case such an event might occur.

17.5: BANKING COUNTERPART RISK EXPOSURE

The Group defined a list of the banks, which the subsidiaries are allowed to deal with and made it mandatory to use these authorised banks in case of excess cash. Generally, the banking services cannot be attributed to unauthorised banks. Exception can be made with the authorisation of the Group treasury department.

17.6: COMMITMENTS GIVEN

BANK GUARANTEES

No change on bank guarantee during the 1st half-year 2011. Detail of bank guarantee is available in the 2010 Reference Document.

RETIREMENT BENEFIT OBLIGATIONS IN THE UNITED KINGDOM

The Group operates a pension fund in the fund in the UK which will not admit any new members and for which the rights of its members were frozen in June 2006. In accordance with the requirements of the UK regulator, a valuation of the hedging requirements is made every 3 years, with the last one made on 14 November 2008 based on the data recorded on 30 June 2008. A schedule to make up the deficit was decided, as follow: 5.2 million pounds sterling in 2010 and 4 million pounds sterling in 2011. The 4 million pounds sterling payment was made during the first half of 2011.

No other significant commitment has been identified to date.

Note 18 Information on related parties

No significant changes occurred during the semester.

Neopost specifies that it owns a 35% stake in Dynapost and a 24% stake in AMS Investissement, consolidated using the Equity method, with which the intercompany transactions are not significant.

Neopost also owns 6.53% in Xange, a non consolidated company, with which the transactions are not significant

Note 19 Equity management

In terms of Equity management, the Group has the goals to maintain business continuity in order to generate a return for the shareholders and to optimize its costs of capital. The Group manages its capital structure based on economic conditions. It can adjust the amount of the dividends and the share buy-backs.

Note 20 Post closing events

Between the July 31, 2011 and the date of the group accounts stated by the Board of directors, there was no significant change neither of the commercial nor of the financial situation of the Group.

Statutory Auditor's Review Report on the First Half-Year FinancialInformation for 2011

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Neopost S.A., for the period from February 1 to July 31, 2011 and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

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

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

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

Paris and Neuilly-sur-Seine, September 29, 2011

The statutory auditors

French original signed by

ERNST & YOUNG et Autres Philippe DIU	FINEXSI AUDIT Didier BAZIN

3 Statement of the person responsible for the interim financial report

3 Statement of the person responsible for the interim financial report

"I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this interim financial report is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I certify, to my knowledge, that the condensed half year financial statements have been prepared in accordance with applicable accounting standards and give a fair view of the assets and liabilities, financial position and results of Neopost and of all the companies included in the consolidation, and that the half year management report on page 4 presents a fair view of the significant events that occurred during the first six months of the financial year and of their impact on the half-year financial statements, of the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the financial year."

Denis Thiery

Chairman & Chief Executive Officer

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