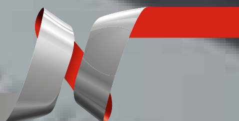
2009 First-half report as of July 31



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Comments on Neopost's results and financial structure

Sales over the first half of 2009 were up 1% compared to the first half of 2008.

The current operating margin [1] is improving. It represents 25.5% of sales as of 31 July 2009 versus 25.4% one year ago.

Historical breakdown of income statements

(€ million)	H1 2009* (ended 31/07/2009)		H1 2008* (ended 31/07/2008)		FY 2008	
Sales	457.3	*100.0%*	452.8	*100.0%*	918.1	*100.0%*
Cost of sales	(89.8)	*(19.6)%*	(101.5)	*(22.4)%*	(210.2)	*(22.9)%*
Gross profit	367.5	*80.4%*	351.3	*77.6%*	707.9	*77.1%*
R&D expenses	(19.7)	*(4.3)%*	(21.2)	*(4.7)%*	(38.7)	*(4.2)%*
Selling expenses	(119.1)	*(26.1)%*	(110.9)	*(24.5)%*	(224.9)	*(24.5)%*
G&A expenses	(69.6)	*(15.2)%*	(61.0)	*(13.5)%*	(123.7)	*(13.5)%*
Maintenance and other operating expenses	(38.8)	*(8.5)%*	(38.0)	*(8.4)%*	(75.7)	*(8.2)%*
Employee profit-sharing and share-based payments	(3.9)	*(0.8)%*	(5.2)	*(1.1)%*	(9.0)	*(1.0)%*
Current operating income	116.4	*25.5%*	115.0	*25.4%*	235.9	*25.7%*
Income from asset sales and other	-	-	-	-	0.4	-
Provision for optimisation measures	-	-	-	-	-	-
Operating income	116.4	*25.5%*	115.0	*25.4%*	236.3	*25.7%*
Net financial income (expense)	(11.8)	*(2.6)%*	(9.4)	*(2.1)%*	(22.0)	*(2.4)%*
Income before tax	104.6	*22.9%*	105.6	*23.3%*	214.3	*23.3%*
Tax	(30.1)	*(6.6)%*	(31.4)	*(6.9)%*	(57.9)	*(6.3)%*
Income from associates	0.3	*0.1%*	0.1	*0.0%*	0.5	*0.1%*
Net income	74.8	*16.4%*	74.3	*16.4%*	156.9	*17.1%*
Minority interests	-	-	-	-	0.1	-
Net income (attributable)	74.8	*16.4%*	74.3	*16.4%*	157.0	*17.1%*

* Half-year consolidated accounts were subject to limited reviews by the Group's auditors.

1% sales growth in the first half of 2009

Sales for the first half of 2009 were up 1% as compared to the first half of 2008. At constant exchange rates, sales were down 1.8%.

This decline at constant exchange rate is explained by continuing difficult market conditions in North America and further deterioration in Europe.

As compared with the first half of 2008, hardware sales fell by 13.5% at constant exchange rates. On the contrary, recurring revenues (leasing, postage financing, maintenance, services and supplies) posted further growth of 4.0% at constant exchange rates compared with the first half of 2008. Overall, recurring revenues accounted for 71.3% of sales.

Over the first half 2009, at constant exchange rates, sales of mailing systems were down 1.2% when sales of document and logistics systems declined by 3.3%. Overall, mailing systems (which included a higher proportion of recurring revenue) accounted for 72.9% of H1 2009 sales.

(1) Current operating margin = current operating income/sales.

Sales growth in North America

Despite market conditions that remained difficult over the period, H1 2009 sales were up 2.8% at constant exchange rates, reaching €179.9m. This performance was driven by healthy recurring revenue and confirmation of the success of the new IS range of mailing systems.

Sales decline in France

Over the first half of 2009, sales reached €133.4m, down 4.0% compared with the first half of 2008. This decline is due to orders being deferred at Neopost ID and ValiPost, while traditional activities remained stable.

Limited decline in the UK

Sales in the first half of 2009 were down 2.3% at constant exchange rates versus the first half 2008 reaching €58.5. The situation is beginning to stabilise.

Sales decline in Germany

At constant exchange rates, sales in the first half of 2009 reached €34.1m, recording a decline of 4.9% when compared with the first half of 2008, which saw a particularly high level of sales. This decline is also due to the reduction in sales of document management systems relating to the OEM contract.

Sales fall in the rest of the World

At constant exchange rates, sales in the first half of 2009 fell by 6.0% relative to the first half of 2008, reaching €51.4m. Export sales, in essence more variable, saw a sharper fall than the Group's European subsidiaries.

Further takeovers of distributors

During the first half of 2009, the Group continued with its policy of acquiring its own distributors with the aim of optimising distribution. As part of this strategy, Neopost acquired a distributor in Sweden and one in the United States (Washington DC).

New acquisition

In early September, Neopost enhanced its service offering with the acquisition of Satori Software in the United States, one of the world market leaders in postal address quality management tools. Satori's software enables mail senders to validate, correct and update addresses in real time and to eliminate duplicates. It also allows for advance sorting by post code. The aim is to reduce the number of items that cannot be delivered because of an incorrect address, as well as, if applicable, benefiting from preferential tariffs from postal operators. Created in 1982, Satori Software has recorded strong growth. It currently has 50 employees and generated sales of $11.8m in 2008, a large proportion of which is recurring. By becoming part of Neopost, Satori will benefit from the support of the Group's distribution networks to develop its operations, particularly in Europe.

Optimisation programmes

At the end of January 2008, the Group decided to step up the implementation of optimisation measures concerning in particular research and development, supply chain and distribution.

Provisions of €20.5m were booked for these programmes in the 2007 accounts, i.e. for the period ended on 31 January 2008.

The Group's R&D and supply chain programmes are now almost complete.

As regards distribution, the head offices of the two US subsidiaries have been combined on the East Coast and the various call centres have been transferred to Dallas. This major project required the closure of two sites, the relocation of over 300 jobs and the hiring and training of nearly 200 people. Standardisation of IT systems is under way and progressing as expected.

The Group confirms that the provisions booked in the 2007 accounts are sufficient and that these optimisation measures should allow for an annual saving of around €6-7m by 2010, half of these savings will be effective in 2009.

Operating margin improvement

Current operating income totalled €116.4m in the first half of 2009 compared with €115.0m in the year-earlier period. Current operating margin for the first half of the year was 25.5% compared with 25.4% in the first half of 2008. The effects of synergies relating to the acquisition of PFE and the optimisation plan are now beginning to be seen.

As a result of the net debt increase, mainly due to the development of financing activities (see below), net financial expenses [1] amounted to €11.8m in the first half of 2009 compared with €9.4m in the first half of 2008. The positive impact of the interest rates decrease should be more apparent in the second half of 2009.

Net income for the first half of 2009 came to €74.8m, up 0.6%, giving unchanged net margin of 16.4%.

(1) Net financial expenses = cost of debt + currency gain or loss + other financial expenses.

Cash flow and financial structure

As stated, the Group is making gradual and controlled use of its financial leverage. Over the first half of the year, Neopost continued to develop its financing activities (leasing and postage financing), while also carrying out targeted acquisitions and continuing with its voluntary policy of return to shareholders.

The main highlights of the first half 2009 are the following:

- a cash flow after net cost of debt and taxes of €95.1m, compared with €112.4m in the first half of 2008;
- a good control on working capital requirements excluding leasing, income and value added taxes;
- a level of capital expenditure of €54.4m, of which €24.3m are linked to the acquisitions of dealers in Europe and the United States of America, €5.5m to the capitalisation of development costs, the balance being essentially related to the renewal of the installed base of rental equipment and IT;
- the payment of the final dividend related to 2008 fiscal year for an amount of €65.8m.

Hence, the Group finishes its first half of 2008 with a net debt [1] of €724.5m, i.e. a gearing of 163.6% compared to 140.7% a year earlier. The ratio of EBITDA [2] to net debt was 2.4, with equity of €442.8m. The Group therefore easily fulfils its bank covenants.

Undrawn credit lines As of 31 July 2009 amounted to €218.5m.

Neopost's next repayments of $175m and €25m are due in September 2010. These correspond to a senior debt raised from US institutional investors in the form of a private placement.

New private placement

In order to gain greater flexibility to finance its future growth, on 15 September 2009, the Group signed for a new revolving line of €175m over five years from the Natixis/Banque Populaire/Caisse d'Epargne Group.

This line is repayable annually after its second anniversary and its interest rate is Euribor + 190 bps.

Ownership structure

As As of 31 July 2009, Neopost S.A.'s shareholder structure is the following:

	Number of shares	%
Management and employees	762,652	2.47%
Directors (non-employees)	7,054	0.02%
Shares held under liquidity contract	85,819	0.28%
Treasury stock held for attribution to employees	167,020	0.54%
Arnhold & Bleichroder [a]	4,200,200	13.61%
Jupiter Asset Management [a]	1,944,400	6.30%
Harris Associates [a]	1,658,300	5.37%
Fidelity [a]	1,767,800	5.72%
Other shareholders	20,274,592	65.69%
Total	**30,867,837**	**100.00%**

(a) Source: IPREO.

(1) Financial net debt is short & long term financial debts minus cash.

(2) EBITDA is the sum of current operating income and depreciation of tangible assets and intangible assets, €147.2m as of 31 July 2009.

Since the beginning of 2009, shareholders communicated to Neopost the following information:

- on 9 January 2009, crossing downwards the 5% threshold from Harris Associates;
- on 14 August 2009, crossing upwards the 5% threshold from Harris Associates.

Information on related parties

No significant change occurred during the semester.

Neopost specifies that it has a stake of 35.0% in Dynapost, a company consolidated using the Equity method. Transactions with this company are not material.

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

Information on risk factors

Legal risks

There is currently no pending or threatened governmental, legal or arbitral proceedings including any proceeding, which the company is aware of, likely to have a material impact, or which has over the past 12 months had 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 2009, 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 future financial needs.

Exchange rate risk

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

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

On the basis of the 2009 budget, the breakdown of sales and costs in dollars is as follows: sales 37%, cost of sales 46%, operating costs 33%, interest expenses 29%. The Group is therefore naturally hedged and should be able to preserve its operating margin and net margin, regardless of the dollar performance against the Euro. A 10% decrease in the dollar from the budget rate of 1.35 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales -€33.3m, operating income -€9.0m and net income -€5.4m.

On the basis of the 2009 budget, the breakdown of sales and costs in British pounds is: sales 17%, cost of sales 46%, operating costs 11%. A 10% decrease in the British pound from the budget rate of 0.8 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales -€15.3m, operating income -€1.0m and net income €1.6m.

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 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 results.

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 results.

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.

In 2008, the main supplier of the Group is Hewlett Packard for inkjet printing heads and cartridges. It accounted for 12.5% of total Group purchases. The top 5 suppliers and the top 10 suppliers respectively account for 26.3% and 28.6%. In 2007, the main suppliers represented respectively 14.4%, 27.9% and 30.4%. 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.

Retirement benefit obligations

The Group has a pension scheme in the UK which was closed to new members in 2001, and then closed for future accruals in June 2006. UK Pensions Law requires to carry out a Funding Valuation of the pension fund every 3 years. A Funding Valuation as at 30 June 2008 was supplied on 14 November 2008. The position at 30 June 2008 showed a deficit of £23.8m. A schedule of contributions to cover the deficit which had been previously agreed upon was adjusted as following: further contributions of £7.1m in 2009, £5.2m in 2010 and £4m in 2011.

Forecasts

Neopost provides to its shareholders information on its 2009 forecasts. These forecasts have been formulated based on the Group 2009 summer forecast. These forecasts have also been formulated based on market conditions as at mid-2009, 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 guidance.

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 Commercial Code are not applicable to Neopost given its activities.

Risk related to shares

This risk is not significant to 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 barely 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 has been renegotiated on the 1 February 2009, it allows to bring the cover amounts from €61m to €90m per claim and to obtain a long-term agreement for 2 years to hedge against a hypothetical increase in insurance premiums in 2010.

The insurance programme which covers "transport risks" has also been renegotiated on the 1 February 2009. It allowed to reduce the premium rate and to maintain the pricing conditions for 2010 while maintaining the cover amounts to €500,000 per claim. The insurance programme which covers "liability" had been renegotiated on the 1 February 2008 for a two-year period with a maintained cover of €30m per claim.

The total cost of insurance amounted to €0.6m in 2008.

The Group's insurance 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

The first half of the year was subject to particularly difficult economic conditions. The Group is nevertheless now seeing some positive signs in North America and the UK. In continental Europe and export markets, the situation seems to be stabilising.

In these conditions and also taking into account:

- a favourable comparison base in Europe and the rest of the world in the second half;
- the continuing deployment of the IS range in Europe;
- the completion of the optimisation programme in the United States;
- recurring revenue that should benefit in particular from the development of postal rate change subscriptions;

the Group expects a return to growth in the second half of 2009.

Over the full year, sales are expected to increase by around 1% at constant exchange rates.

As regards margins, the Group confirms that current operating margin should reach at least 25.7% of sales in 2009.

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Consolidated statements of financial position

Consolidated assets

(€m)	Notes	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Goodwill	(4)	684.5	621.0	669.6
Intangible fixed assets				
Gross value		202.5	173.9	197.7
Amortisation		(138.9)	(117.9)	(131.7)
	(5)	63.6	56.0	66.0
Tangible fixed assets				
Gross value		487.3	577.2	548.7
Depreciation		(346.8)	(437.7)	(403.9)
	(6)	140.5	139.5	144.8
Other financial assets non current				
Investment in an associate		2.7	2.5	2.9
Assets available for sale		4.2	3.1	4.2
Financial instruments		0.3	-	-
Other		19.9	7.4	25.1
Impairment of assets available for sale		(0.7)	(1.0)	(0.7)
	(7)	26.4	12.0	31.5
Net long-term lease receivables	(9)	324.1	285.6	319.4
Other net long-term receivables	(9)	8.4	6.4	9.2
Deferred tax assets		11.4	38.6	18.1
Total non current assets		1,258.9	1,159.1	1,258.6
Net inventories	(8)	55.9	54.9	45.5
Net receivables				
Net accounts receivable		125.5	128.0	167.7
Net short-term lease receivables		174.8	143.2	176.3
Income tax receivables		24.5	13.0	20.8
Net other receivables		12.3	9.2	19.2
	(9)	337.1	293.4	384.0
Prepaid expenses		31.0	31.5	27.8
Financial instruments current	(17)	2.6	7.5	0.4
Cash and cash equivalents				
Short-term investment		1.2	14.9	0.2
Cash and bank accounts		116.3	115.8	132.6
		117.5	130.7	132.8
Total current assets		544.1	518.0	590.5
Discontinued activities		-	0.1	-
Total assets		1,803.0	1,677.2	1,849.1

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

Consolidated liabilities

(€m)	Notes	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Shareholders' equity				
Share capital		30.9	31.1	31.2
Share premium		1.4	2.7	7.1
Reserve and retained earnings		409.2	389.3	337.2
Cumulative translation adjustments		(50.7)	(28.3)	(50.0)
Treasury stock		(22.8)	(34.3)	(46.1)
Net income attributable to holders of the parent		74.8	74.3	157.0
Net income attributable to non-controlling interests		-	-	(0.1)
Total Shareholders'equity		**442.8**	**434.8**	**436.3**
Long-term provisions	(10)	**9.2**	**26.3**	**11.1**
Financial debt	(11)	**292.6**	**280.4**	**304.4**
Financial instruments non current	(17)	**8.7**	-	-
Other non-current liabilities		**11.2**	-	**17.9**
Deferred tax liabilities		**40.5**	**28.4**	**32.7**
Total non-current liabilities		**362.2**	**335.1**	**366.1**
Accounts payable				
Trade payables		47.5	48.2	61.4
Other operating liabilities		195.3	187.8	199.3
Income taxes		33.2	47.7	52.3
Short-term provisions	(10)	26.7	26.4	37.7
Deferred income		141.9	133.0	183.1
		444.6	**443.1**	**533.8**
Financial instruments current	(17)	**4.0**	**1.2**	**15.8**
Financial debt				
Short-term portion of long-term financial debt		539.1	458.2	495.0
Short-term financial debt		-	0.6	-
Bank overdrafts		10.3	3.5	2.1
	(11)	**549.4**	**462.3**	**497.1**
Total current liabilities		**998.0**	**906.6**	**1,046.7**
Discontinued activities		-	**0.7**	-
Total liabilities		**1,803.0**	**1,677.2**	**1,849.1**

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

Consolidated Income statements

(€m)	Notes	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Sales	(13)	457.3	452.8	918.1
Current operating expenses				
Cost of sales		(89.8)	(101.5)	(210.2)
R&D expenses		(19.7)	(21.2)	(38.7)
Sales and marketing expenses		(119.1)	(110.9)	(224.9)
Administrative expenses		(69.6)	(61.0)	(123.7)
Service and other operating expenses		(38.8)	(38.0)	(75.7)
Employee profit-sharing	(16)	(3.9)	(5.2)	(9.0)
Total current operating expenses	(14)	(340.9)	(337.8)	(682.2)
Current operating income		116.4	115.0	235.9
Impairment of goodwill		-	-	-
Proceeds from asset sales		-	-	0.4
Operating income		116.4	115.0	236.3
Interest expenses		(13.5)	(11.4)	(28.0)
Interest incomes		0.1	0.5	0.6
Net cost of debt		(13.4)	(10.9)	(27.4)
Losses on foreign exchange		(21.4)	(18.5)	(4.7)
Gains on foreign exchange		22.8	19.7	9.9
Net gains (losses) on foreign exchange		1.4	1.2	5.2
Other financial gains (losses)		0.2	0.3	0.2
Share of results of associated companies		0.3	0.1	0.5
Income before tax		104.9	105.7	214.8
Income taxes	(12)	(30.1)	(31.4)	(57.9)
Net income from continuing operations		74.8	74.3	156.9
Profit after tax from discontinued operations		-	-	-
Net income		74.8	74.3	156.9
Attributable to:				
- holders of the parent		74.8	74.3	157.0
- non-controlling interests		-	-	(0.1)
Basic earnings per share (€)	(15)	2.45	2.41	5.10
Fully-diluted earnings per share (€)	(15)	2.44	2.39	5.08

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

Consolidated statements of comprehensive income

(€m)	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Net income	**74.8**	**74.3**	**156.9**
Financial assets available for sale	-	-	-
Revaluation of financial instruments	(1.7)	5.4	(11.8)
Deferred tax on revaluation of financial instruments	0.4	(1.8)	3.0
Comprehensive actuarial loss	(6.9)	-	11.4
Deferred tax on comprehensive actuarial loss	1.9	-	(3.5)
Gain on hedge of net investment	2.6	3.0	(7.4)
Deferred tax on gain on hedge of net investment	(0.9)	(1.0)	2.5
Cumulative translation adjustments	(2.4)	(5.8)	(20.7)
Total other comprehensive income	**(7.0)**	**(0.2)**	**(26.5)**
Total comprehensive income	**67.8**	**74.1**	**130.4**
Attributable to:			
- holders of the parent	67.8	74.1	130.4
- non-controlling interests	-	-	-

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

Consolidated statements of cash flow

(€m)	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Net income	74.8	74.3	156.9
Amortisation of tangible assets	21.5	27.6	47.9
Amortisation of intangible assets	9.3	7.9	17.4
Provision accruals (reversals)	(8.7)	(10.1)	(21.6)
Gains on revaluation of financials instruments	(6.8)	0.2	7.4
Proceeds from stock options	2.8	4.2	6.9
Disposal of fixed assets	-	-	0.4
Share of results of associated companies (net of dividends received)	0.3	0.4	0.5
Other, net	1.9	7.9	3.6
Cash flow after net cost of debt and taxes	**95.1**	**112.4**	**219.4**
Tax expense (including deferred taxes)	30.1	31.4	57.9
Net cost of debt	13.4	11.3	28.0
Cash flow before net cost of debt and taxes	**138.6**	**155.1**	**305.3**
(Increase) decrease in inventories	(8.4)	(1.8)	7.0
(Increase) decrease in accounts receivable	45.5	38.2	(5.1)
Increase (decrease) in deferred income	(40.5)	(34.3)	(9.6)
Increase (decrease) in accounts payable	(12.5)	(11.1)	1.3
Increase (decrease) in other current assets and liabilities	(30.5)	1.3	(6.3)
(Increase) decrease in lease receivables	(20.1)	(18.3)	(51.3)
Cash flow from operating activities	**72.1**	**129.1**	**241.3**
Interest paid	(13.3)	(15.3)	(28.4)
Income taxes paid	(30.2)	(22.8)	(27.1)
Net cash flow from operating activities (A)	**28.6**	**91.0**	**185.8**
Production and acquisition of tangible fixed assets	(22.0)	(29.4)	(47.0)
Investments in intangible fixed assets	(8.1)	(14.4)	(37.3)
Financial investments	(24.3)	(58.8)	(77.1)
Sub-total investments	**(54.4)**	**(102.6)**	**(161.4)**
Disposals of fixed assets	1.9	3.2	4.9
Repayment of loans and other long-term advances	6.8	(1.2)	(2.5)
Net cash flow used in investing activities (B)	**(45.7)**	**(100.6)**	**(159.0)**
Parent company capital increase	1.4	2.8	7.3
Share buyback – held for cancellation	-	(20.9)	(22.9)
Share buyback – liquidity contract	0.4	(6.8)	2.3
Share buyback – treasury stock	-	-	(14.7)
Dividends paid to shareholders	(65.8)	(111.4)	(161.7)
Issuance of medium and long-term borrowings	124.8	160.7	179.8
Repayment of long-term borrowings	(68.3)	(19.8)	(14.9)
(Increase) decrease in other debts and accrued interest not yet matured	(1.1)	(1.8)	0.3
Net cash flow used in financing activities (C)	**(8.6)**	**2.8**	**(24.5)**
Cumulative translation adjustments on cash and cash equivalents (D)	2.2	(5.5)	(11.1)
(Increase) decrease in net cash (A)+(B)+(C)+(D)	**(23.5)**	**(12.3)**	**(8.8)**
Cash and cash equivalents as of January 31, 2009	**130.7**	**139.5**	**139.5**
Cash and cash equivalents as of July 31, 2009	**107.2**	**127.2**	**130.7**
Cash	117.5	130.7	132.8
Bank overdrafts	(10.3)	(3.5)	(2.1)
Cash and cash equivalents as of July 31, 2009	**107.2**	**127.2**	**130.7**

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

Consolidated statements of changes in equity

(€m)	Par value	Number of shares	Share capital	Share premium*	Retained earnings and net income	Treasury stock	Cumulative translation adjustments	Total
Consolidated equity as of 31 January 2008	**1.00**	**31,708,924**	**31.7**	**52.7**	**506.5**	**(73.6)**	**(24.5)**	**492.8**
Movements first half of 2008:								
Net income	-	-	-	-	74.3	-	-	74.3
Total other comprehensive income	-	-	-	-	3.6	-	(3.8)	(0.2)
Total comprehensive income	**-**	**-**	**-**	**-**	**77.9**	**-**	**(3.8)**	**74.1**
Capital increase: exercise of stock options (68,440 shares)	1.00	68,440	0.1	2.7	-	-	-	2.8
Capital decrease (724,364 shares)	1.00	(724,364)	(0.7)	(52.7)	(13.6)	67.0	-	-
Treasury stock in process of reduction (305,078 shares)	-	-	-	-	-	(20.9)	-	(20.9)
Treasury stock – Liquidity contract (-149,585 shares)	-	-	-	-		(6.8)		(6.8)
Dividends	-	-	-	-	(111.4)	-	-	(111.4)
Share-based payments	-	-	-	-	4.2	-	-	4.2
Consolidated equity as of 31 July 2008	**1.00**	**31,053,000**	**31.1**	**2.7**	**463.6**	**(34.3)**	**(28.3)**	**434.8**
Movements 2nd half of 2008:								
Net income	-	-	-	-	82.6	-	-	82.6
Total other comprehensive income	-	-	-	-	(4.5)	-	(21.8)	(26.3)
Total comprehensive income	**-**	**-**	**-**	**-**	**78.1**	**-**	**(21.8)**	**56.3**
Capital increase: exercise of stock options (119,695 shares)	1.00	119,695	0.1	4.4	-	-	-	4.5
Treasury stock in process of reduction (30,100 shares)	-	-	-	-	-	(2.0)		(2.0)
Treasury stock – Liquidity contract (+146,700 shares)	-	-	-	-	-	5.0	-	5.0
Treasury stock – Stock option and free share plan attribution (288,670 actions)	-	-	-	-	-	(19.1)	-	(19.1)
Free share attributed (60,300 shares)	-	-	-	-	-	4.4	-	4.4
2008 Interim dividends	-	-	-	-	(50.3)	-	-	(50.3)
Share-based payments	-	-	-	-	2.7	-	-	2.7
Consolidated equity as of 31 January 2009	**1.00**	**31,172,695**	**31,2**	**7.1**	**494.1**	**(46.0)**	**(50.1)**	**436.3**

Consolidated statements of changes in equity

(€m)	Par value	Number of shares	Share capital	Share premium*	Retained earnings and net income	Treasury stock	Cumulative translation adjustments	Total
Movements first half of 2009:								
Net income	-	-	-	-	74.8	-	-	74.8
Total other comprehensive income	-	-	-	-	(6.4)	-	(0.6)	(7.0)
Total comprehensive income	**-**	**-**	**-**	**-**	**68.4**	**-**	**(0.6)**	**67.8**
Capital increase: exercise of stock options (30,320 shares)	1.00	30,320	-	1.4	-	-	-	1.4
Capital decrease (335,178 shares)	1.00	(335,178)	(0.3)	(7.1)	(15.5)	22.9	-	-
Treasury stock – Liquidity contract (14,390 shares) [a]	-	-	-	-	-	3.0	-	3.0
Treasury stock – Stock option and free share plan attribution (61,350 shares)	-	-	-	-	-	(2.7)	-	(2.7)
Remaining part of the 2008 dividend [b]	-	-	-	-	(65.8)	-	-	(65.8)
Share-based payments	-	-	-	-	2.8	-	-	2.8
Consolidated equity as of 31 July 2009	**1.00**	**30,867,837**	**30.9**	**1.4**	**484.0**	**(22.8)**	**(50.7)**	**442.8**

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

* Share premium includes issue and translation premiums.

(a) The Group owned 85,919 shares under a liquidity contract and 167,020 shares acquired to respect the obligations of the stock-option and free share plans attributed to employees and Directors of the Group as of 31 July 2009, compared respectively with 71,529 and 228,370 shares as of 31 January 2009. Under the liquidity contract, shares cannot be sold discretionarily by Neopost except in case of contract termination. On the 2 November 2005, Exane BNP Paribas was mandated for a one-year period with tacit renewal for the implementation of this contract, which is conforming to the AFEI's compliance manual. Neopost allocated €8m for the conduct of the contract. The purpose is to reduce an excessive volatility of the stock and to maximise its liquidity.

(b) Payment of the remaining part of the 2008 dividend: €2.15 per share.

Notes to the consolidated financial statements

Half year ended 31 July 2009 and 2008 and fiscal year ended 31 January 2009.
(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 financial statements as of July 31, 2009 were approved by the Board of Directors on 29 September 2009.

Note 2: Accounting principles

In accordance with European regulation 1606/2002 dated 19 July 2002 in respect of international standards, Neopost group's consolidated financial statements for the semester ending the 31 July 2009 are in conformity with the international accounting standards emitted by the IASB (IFRS standards: International Financial Reporting Standards) applicable to 31 July 2009 as approved by the European Union.

The referential is available on the European Commission website: 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 intermediate accounts ended July 2009 are established according to the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The intermediate accounts as of 31 July 2009 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended and published as of 31 January 2009 on the 30 April 2009.

The presentation basis of the financial information at 31 July 2009 described in the following notes results from the international accounting norms at 31 July 2009 known to this day

The norms and interpretations, adopted by the European Union, with an obligatory application for the accounting period beginning on the 1st February 2009 had no impact on the accounts as of 31 July 2009:

- IAS 1 revised: Presentation of Financial Statements;
- Amendment to IFRS 2: Share-based payment;
- IFRS 8: Operating segments;
- IFRIC 11: Group and Treasury share transactions;
- IFRIC 14: The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

As of 31 July 2009, the Group does not apply by anticipation the following norms, amendments or IFRS interpretations:

- Amendment to IFRS 7: Financial Instruments – Disclosures;
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation.

The evaluation of their impacts is under way.

In addition, the Group does not apply the texts, which were not adopted by the European Union as of 31 July 2009.

The Group has decided to use the option offered by the amendment to IAS 19 "Employee Benefits" that consists in the systematic recognition of all actuarial differences in a separate caption of shareholder's equity.

The tax expense on the result at end of July 2009 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 Neopost Group entities' financial statements are prepared in accordance with generally accepted accounting principles in the country of operation. These financial statements are then in accordance with Neopost group accounting principles.

The consolidated statement of financial position 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.

3-1: SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements for Neopost S.A. and its subsidiaries. The subsidiaries are consolidated from the date when they are controlled 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.

The main variations scope of consolidation As of 31 July 2009 are as follow:

- Neopost S.A. acquired a 100% stake in "Kontur Documents Systems AB", a Swedish dealer. Neopost group strengthens its position on the Scandinavian market. This company is fully consolidated since 13 May 2009;
- Neopost USA Inc. acquired a 100% stake in "National Mailing Systems", a US distributor. This company is fully consolidated since 1 June 2009;
- NBG ID and Diva merged with Neopost ID on 30 June 2009. Neopost ID is fully consolidated and wholly-owned by Neopost S.A.

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 euros, the currency used in the Group's financial statements, at the end of period exchange rate. Income and expenses are converted at the average exchange rate over the period.

The resulting translation variance is recognised in the cumulative translation adjustments reserve under consolidated equity.

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

	As of 31 July 2009		As of 31 July 2008		As of 31 January 2009	
	Period end	Average	Period end	Average	Period end	Average
US dollar (USD)	1.4138	1.3477	1.5611	1.5521	1.2816	1.4471
Pound sterling (GBP)	0.8556	0.8839	0.7890	0.7844	0.8979	0.8116
Canadian dollar (CAD)	1.5234	1.6025	1.5970	1.5489	1.5895	1.5660
Swiss franc (CHF)	1.5317	1.5103	1.6354	1.6060	1.4871	1.5713
Japanese yen (JPY)	135.33	127.747	169.02	162.817	114.98	149.06
Norwegian krone (NOK)	8.715	8.8433	8.0205	7.9710	8.8875	8.3315
Sweden krone (SEK)	10.3358	10.8282	9.4649	9.40193	10.6090	9.9530
Singapour dollar (SGD)	2.0377	2.0421	2.1354	2.14380	1.9346	2.0877

Note 4: Goodwill

Total goodwill as of 31 January 2009	**669.6**
Acquisitions	25.7
Other	(1.0)
Translation difference	(9.8)
Total goodwill as of 31 July 2009	**684.5**

The goodwill variation is mainly explained by:

- the goodwill of €15m (US$20m) recorded with the acquisition of local distributors in the United States of America;
- the goodwill of €9.4m (SEK98m) recorded with the acquisition of Kontur Documents Systems AB.

These acquisitions were entirely financed by the Group through its available financing lines.

	France	USA	UK	Germany	Netherlands	Switzerland	Other	Total
Total goodwill as of 31 July 2009	248.5	178.3	102.9	66.4	20.9	28.9	38.6	**684.5**

4-1: ACQUISITIONS

During the 1st semester of 2009, the main acquisitions are detailed below:

	Kontur Documents Systems AB	US distributors
	m. SEK	m. $
Tangible fixed assets	1.5	0.3
Inventories	24.6	2.7
Accounts receivables	229.8	1.9
Others receivables	26.0	0.8
Total assets	**281.9**	**5.7**
Deferred income	4.1	2.3
Trade payables	242.1	2.1
"Purchase accounting" provision	5.8	-
Total liabilities	**252.0**	**4.4**
Acquisition price	**126.0**	**21.3**
Including earn out	-	1.0
Initial goodwill	**96.1**	**20.0**
Acquisition fees	**1.9**	**-**
Total goodwill as of 31 July 2009	**98.0**	**20.0**

Goodwill arising from acquisitions may be adjusted as the acquisition price and the fair value of the assets, liabilities and identified hypothetical liabilities in the businesses acquired have not been definitively assessed. This assessment will be finalized within the twelve month period following the acquisition date.

For impairment test purposes, the Goodwill is allocated between cash-generating unit, those Group's traditional businesses correspond to countries.

4-2: GOODWILL IMPAIRMENT TEST

A goodwill impairment test was performed on January 2009 following the methodology described in note 2.2 of the consolidated financial statements shown in the reference document.

The Group's impairment tests use the discounted cash flow method and are based on what are deemed the most likely assumptions for sales and income. These assumptions are based on 2.5% EBITDA [1] growth, of which 1.5% is for inflation. The corresponding cash flow is discounted at a rate of 8.2% before tax. The tax rate used in the model is the rate in force in each country.

As of 31 January 2009, the impairment tests revealed no potential impairment loss. Assuming the growth rate had been 1% lower, or the discount rate had varied by plus or minus 1%, would not have had any impact on the conclusion of the impairment test.

As of 31 July 2009, no indication of impairment was identified.

Note 5: Intangible fixed assets

	Concessions, rights	Software	Development costs	Others	Total
Gross value as of 31 January 2009	56.7	17.8	73.5	49.7	197.7
Acquisitions	0.1	2.3	-	0.2	2.6
Capitalisation	-	-	5.5	-	5.5
Disposal	-	-	-	(0.1)	(0.1)
Other changes	(0.3)	0.4	-	0.1	0.2
Translation difference	(2.6)	-	-	(0.8)	(3.4)
Gross value as of 31 July 2009	53.9	20.5	79.0	49.1	202.5
Cumulative depreciation	(39.2)	(8.2)	(53.1)	(38.4)	(138.9)
Net book value as of 31 July 2009	14.7	12.3	25.9	10.7	63.6

Variation in intangible assets is mainly linked to R&D costs capitalised and to acquisition of various licences.

	Concessions, rights	Software	Development costs	Other	Total
Amortisation as of 31 January 2009	39.2	7.2	49.2	36.1	131.7
Increase	3.1	0.6	3.9	1.7	9.3
Disposal	-	-	-	-	-
Other changes	(1.0)	0.4	-	0.9	0.3
Translation difference	(2.1)	-	-	(0.3)	(2.4)
Amortisation as of 31 July 2009	39.2	8.2	53.1	38.4	138.9

As of 31 July 2009, no indication of impairment was identified.

(1) EBITDA is calculated by adding depreciation expenses and provisions (net of reversals) back to current operating income.

Note 6: Tangible fixed assets

	Land and buildings	Machinery and equipment	Rental equipment	Other	Total
Gross value as of 31 January 2009	29.7	103.4	377.3	38.3	548.7
Acquisitions	0.5	7.1	8.9	5.5	22.0
Disposal	(2.0)	(8.3)	(54.3)	(4.5)	(69.1)
Other changes	(0.3)	0.5	-	1.4	1.6
Translation difference	(0.5)	(2.4)	(13.1)	0.1	(15.9)
Gross value as of 31 July 2009	27.4	100.3	318.8	40.8	487.3
Cumulative depreciation	(13.1)	(73.4)	(238.3)	(22.0)	(346.8)
Net book value as of 31 July 2009	14.3	26.9	80.5	18.8	140.5

In the United States, the fully depreciated installed base of mailing machines was disposed (reduction from the gross amount and depreciation for US$73.7m).

	Land and buildings	Machinery and equipment	Rental equipment	Other	Total
Depreciation as of 31 January 2009	13.1	79.8	290.4	20.6	403.9
Increase	0.6	3.8	12.2	4.9	21.5
Disposal	(0.4)	(8.5)	(54.3)	(4.1)	(67.3)
Other changes	(0.1)	0.3	0.2	0.7	1.1
Translation difference	(0.1)	(2.0)	(10.2)	(0.1)	(12.4)
Depreciation as of 31 July 2009	13.1	73.4	238.3	22.0	346.8

As of 31 July 2009, no indication of impairment was identified.

Note 7: Other financial assets non current

The other non current financial assets break down as follows:

	As of 31 July 2009	As of 31 January 2009
Investment in an associate	2.7	2.9
Other financial assets non current	23.7	28.6
Total	26.4	31.5

7-1: INVESTMENTS IN AN ASSOCIATE

	As of 31 July 2009	As of 31 January 2009
Investment in an associate:		
Dynapost	2.7	2.9

Dynapost, whose contribution to Group shareholders' equity amounted to €2.7m As of 31 July 2009, is consolidated using the equity method. The company's contribution to earnings in the period ended 31 July 2009 was €0.3m. Neopost S.A. received a €0.5m dividend from Dynapost for the 2008 fiscal year.

7-2: OTHER FINANCIAL ASSETS NOT CURRENT

	As of 31 July 2009	As of 31 January 2009
Other non current financial assets		
Deposits, loans and guarantees	13.7	19.9
Net retirement plan asset	5.8	4.8
Assets available for sale	4.2	4.2
Financial instruments	0.3	-
Other	0.4	0.4
Total – gross value	24.4	29.3
Impairment of assets available for sale	(0.7)	(0.7)
Total	23.7	28.6

Financial assets available for sale represent the stake owned by Neopost S.A. in a venture capital company, which has an industrial purpose.

During the first half of semester, the variance in "other financial assets" is not significant.

As of 31 July 2009, no indication of impairment was identified.

Note 8: Inventories and work in progress

	As of 31 July 2009	As of 31 January 2009
Gross value	67.6	55.0
Depreciation	(11.7)	(9.5)
Total	55.9	45.5

	As of 31 July 2009		
	Gross value	Depreciation	Net
Work in progress	2.2	-	2.2
Raw materials	13.7	(3.5)	10.2
Finished goods	46.2	(6.5)	39.7
Spare parts for maintenance	5.6	(1.8)	3.8
Total	67.7	(11.8)	55.9

Note 9: Receivables

	As of 31 July 2009	As of 31 January 2009
Receivables		
Gross value	138.0	181.2
Impairment	(12.5)	(13.5)
Total	125.5	167.7
Lease receivables		
Short-term	177.6	179.2
Long-term	330.0	325.3
Gross value	507.6	504.5
Impairment	(8.7)	(8.8)
Total	498.9	495.7
Net other receivables		
Long-term receivables	8.4	9.2
Income tax credit receivables	24.5	20.8
Other receivables	12.3	19.2
Total	45.2	49.2
Total	669.6	712.6

	As of 31 July 2009	As of 31 January 2009
Receivables – Depreciation		
Depreciation at the beginning of the period	13.5	13.1
Increase	1.1	4.1
Used	(1.7)	(3.8)
Unused	(0.1)	(0.2)
Translation difference	(0.3)	0.3
Total	12.5	13.5

FINANCING LEASES

	As of 31 July 2009	As of 31 January 2009
Non-current receivables		
Financing leases – gross receivables	395.5	394.5
Unearned financial income	(65.5)	(69.2)
Total	**330.0**	**325.3**
Current receivables		
Financing leases – gross receivables	231.3	226.8
Unearned financial income	(53.7)	(47.6)
Total	**177.6**	**179.2**
Gross receivables on financing leases		
Less than one year	231.3	226.8
1 to 5 years	393.2	390.0
More than 5 years	2.3	4.5
Total gross receivables	**626.8**	**621.3**
Unearned financial income on financing leases	**(119.2)**	**(116.8)**
Net investment in financing leases		
Less than one year	177.6	179.2
1 to 5 years	327.8	321.0
More than 5 years	2.2	4.3
Total	**507.6**	**504.5**

The lease receivable increase is due to the new leasing service offer for the indirect distribution networks in North America, in Europe and for subsidiaries switching to a direct distribution mode.

Note 10: Provisions

	As of 31 January 2009	Increase	Decrease	Unused	Other	As of 31 July 2009	Short-term portion	Long-term portion
Provisions for business risks	2.2	-	(0.1)	(1.1)	(0.2)	0.8	0.5	0.3
Customer guarantees	1.5	-	(0.2)	(0.1)	-	1.2	1.2	-
Retirement liabilities	8.1	0.4	(0.9)	-	-	7.6	0.2	7.4
Structure optimisation	16.6	-	(6.7)	-	(0.8)	9.1	9.1	-
Reorganisation and restructuring	8.2	-	(1.6)	-	-	6.6	6.5	0.1
Other	12.2	2.6	(2.7)	(0.3)	(1.2)	10.6	9.2	1.4
Total	**48.8**	**3.0**	**(12.2)**	**(1.5)**	**(2.2)**	**35.9**	**26.7**	**9.2**

The most important retirement obligation for the Group relates to the UK. This pension fund shows a net surplus of GBP5m as of 31 July 2009. It is accounted for in non-current financial assets.

At the end of January 2008, Neopost has decided to accelerate a number of programmes aimed at improving the organisation of research and development, the supply chain, and distribution.

These optimisation programmes were provisioned for an amount of €20.5m in the financial statements as at 31 January 2008.

The optimisation plan is still on-going. The cost for the optimisation plan was partially compensated by a provision reversal of €6.7m during the period.

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.

11-1: ANALYSIS BY TYPE OF DEBT

	Short-term debt	Short-term part of long-term debt	Long-term debt	As of 31 July 2009	As of 31 January 2009
Revolving credit facility [b]	-	531.5	-	531.5	486.6
Accrued interest and other	-	-	-	-	0.1
Bank loans	**-**	**531.5**	**-**	**531.5**	**486.7**
US private placement $175m [a]	-	-	123.8	123.8	136.7
US private placement €25m	-	-	25.0	25.0	25.0
Accrued interest	-	2.8	-	2.8	2.6
US private placements [c]		**2.8**	**148.8**	**151.6**	**164.3**
Caisses Régionales Credit Agricole private placement	-	-	133.0	133.0	133.0
Accrued interest	-	0.8	-	0.8	0.8
CRPP private placement [d]	**-**	**0.8**	**133.0**	**133.8**	**133.8**
Debt on leased assets	-	0.7	0.6	1.3	1.3
Other [e]	10.3	3.3	10.2	23.8	15.4
Other debt	**10.3**	**4.0**	**10.8**	**25.1**	**16.7**
Total	**10.3**	**539.1**	**292.6**	**842.0**	**801.5**

(a) Of the $175m of the US private placement, $75m at variable rates was swapped on the day the debt was issued. The amount of the debt presented above reflects the fair value of the debt and the swap, with the impact being a €0.1m decrease in liabilities as of 31 July 2009.

(b) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of €750m 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. Thanks to the exercise of the first extension option, the maturity of the line has been extended to June 2013 for a notional amount of €675m with the financial conditions described above. At the end of July 2009, Neopost draw €390m and USD 200m.

(c) On 16 September 2003, Neopost completed a private placement in the USA, one note consisted of $175m of notes redeemable in September 2010 and paying interest at 4.83%, another note consisted of €25m of notes redeemable in September 2010 and paying interest at 4.52%.

(d) On 1st December 2006, Neopost arranged a private placement with Caisses Régionales du Crédit Agricole. The two notes of this debt are for the same time period and are both redeemable in December 2012. The interest paid on this debt is structured interest which was swapped on issue, with the conditions and terms being the same as the debt notes. After the swap, the debt carries interest at 4.094%.

(e) Other debt s of 31 July 2009 mainly includes: €10.3m of bank overdrafts; €9.2m of profit-sharing and incentive payments deposited by employees with the Group's French entities.

The debt resulting from the September 2003, December 2006 and June 2007 private placements and revolving credit facility are subject to covenants such as net debt to EBITDA ratio and minimum net assets.

The shareholders' equity of the Group must not be less than €400m.

The covenant net debt to EBITDA ratio for the US private placement is calculated on the basis of the consolidated financial statements,

EBITDA is calculated by adding depreciation amortisation and provisions (net of reversals) for the period to operating income. The net debt to EBITDA ratio must be 3 or less.

The covenant net debt to EBITDA ratio for the CRPP private placements and revolving credit facility is calculated using the same method. The net debt to EBITDA ratio must be 3.25 or less.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants as of 31 July 2009.

11-2: LIQUIDITY RISKS

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. As of 31 July 2009, 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.

Note 12: 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 expense and the actual tax expense is as follows:

	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Net income of consolidated companies before income tax	104.8	105.7	214.8
Tax rate for the consolidating company	34.30%	34.30%	34.30%
Theoretical income tax expense	35.9	36.3	73.7
Recognised in shareholders' equity	(0.9)	(1.1)	(1.0)
Permanent differences	(0.9)	(2.2)	(4.3)
Tax rate differences	(4.0)	(1.6)	(10.5)
Total tax expense	**30.1**	**31.4**	**57.9**
Current tax expense	16.7	22.8	30.8
Deferred tax expense	13.4	8.6	27.1
Total tax expense	**30.1**	**31.4**	**57.9**
Deferred tax expense recognised in income statement	12.0	9.7	28.1
Due and deferred tax recognised in shareholders' equity	1.4	(1.1)	(1.0)
Deferred tax total	**13.4**	**8.6**	**27.1**

Note 13: Segment information

Since the 1st February 2009, Neopost has applied IFRS 8 instead of IAS 14. This rule dictates the use of a method based on internal reporting used by the Management in order to determine the segments on which to communicate.

Taking into account the importance of postal authority regulation in each country, Neopost organizes its operations by geographical segment.

Thus, the IFRS 8 does not imply a change in the segment information shown.

In each geographical segment, Neopost's activities consist of the renting of mailroom equipment, the equipement sales, related services and leasing. Markets are mainly located in Europe and the USA.

BREAKDOWN BY GEOGRAPHICAL SEGMENT

Neopost's net income breaks down by geographical segment as follows:

As of 31 July 2009	Europe	North America	Other	Eliminations	Total
External revenue	276.3	179.0	2.0	-	457.3
Inter-segment revenue	76.9	2.1	-	(79.0)	-
Total revenue	**353.2**	**181.1**	**2.0**	**(79.0)**	**457.3**
Segment income	96.9	30.3	0.1	-	127.3
Share-based payment					(2.8)
Unallocated expenses					(8.1)
Operating income					**116.4**
Net financing expenses					(11.8)
Share in results of companies consolidated using equity method					0.3
Non-controlling interests					-
Taxes					(30.1)
Net income					**74.8**

As of 31 July 2008	Europe	North America	Other	Eliminations	Total
External revenue	296.8	153.2	2.8	-	452.8
Inter-segment revenue	77.2	22.5	-	(99.7)	-
Total revenue	**374.0**	**175.7**	**2.8**	**(99.7)**	**452.8**
Segment income	97.8	27.9	0.5	-	126.2
Share-based payment					(4.2)
Unallocated expenses					(7.0)
Operating income					**115.0**
Net financing expenses					(9.4)
Share in results of companies consolidated using equity method					0.1
Taxes					(31.4)
Net income					**74.3**

As of 31 January 2009	Europe	North America	Other	Eliminations	Total
External revenue	577.1	336.1	4.9	-	918.1
Inter-segment revenue	160.0	47.5	-	(207.5)	-
Total revenue	**737.1**	**383.6**	**4.9**	**(207.5)**	**918.1**
Segment income	197.4	59.5	0.9	-	257.8
Share-based payment					(6.9)
Unallocated expenses					(14.6)
Operating income					**236.3**
Net financing expenses					(21.9)
Share in results of companies consolidated using equity method					0.5
Non-controlling interests					(0.1)
Taxes					(57.9)
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 (other than depreciation and provisions) include share-based payments for an amount of €2.8m.

Unallocated expenses mainly represent Group parent company expenses.

The statement of financial position sheet breaks down by geographical segment as follows:

As of 31 July 2009	Europe	North America	Other	Total
Segment assets	748.5	271.0	1.0	1,020.5
Unallocated assets				782.5
Total assets				**1,803.0**
Segment liabilities	304.4	150.3	0.6	455.3
Unallocated liabilities				904.9
Total liabilities excluding consolidated equity				**1,360.2**

As of 31 July 2008	Europe	North America	Other	Total
Segment assets	872.8	178.0	0.6	1,051.4
Unallocated assets				625.8
Total assets				**1,677.2**
Segment liabilities	379.4	134.5	0.6	514.5
Unallocated liabilities				727.9
Total liabilities excluding consolidated equity				**1,242.4**

As of 31 January 2009	Europe	North America	Other	Total
Segment assets	933.6	326.1	1.4	1,261.1
Unallocated assets				588.0
Total assets				**1,849.1**
Segment liabilities	459.7	224.1	0.9	684.7
Unallocated liabilities				728.1
Total liabilities excluding consolidated equity				**1,412.8**

Unallocated assets and liabilities are either Neopost S.A. assets and liabilities or assets and liabilities of the three manufacturing companies. The three industrial sites (Le Lude – France, Drachten – the Netherlands and Loughton – UK) operate worldwide and their assets and liabilities cannot be broken down by geographical segment.

Other segment items break down by geographical segment as follows:

As of 31 July 2009	Europe	North America	Other	Not allocated	Total
Investment:					
Tangible fixed assets	11.8	7.2	-	3.0	22.0
Intangible fixed assets	2.4	0.1	-	5.6	8.1
Total investment	**14.2**	**7.3**	**-**	**8.6**	**30.1**
Depreciation and amortisation:					
Tangible fixed assets	11.9	7.7	-	1.9	21.5
Intangible fixed assets	1.3	2.5	-	5.5	9.3
Total depreciation and amortisation	**13.2**	**10.2**	**-**	**7.4**	**30.8**
Loss of value	**-**	**-**	**-**	**-**	**-**

As of 31 July 2008	Europe	North America	Other	Not allocated	Total
Investment:					
Tangible fixed assets	20.3	5.8	-	3.3	29.4
Intangible fixed assets	2.4	1.5	-	10.5	14.4
Total investment	**22.7**	**7.3**	**-**	**13.8**	**43.8**
Depreciation and amortisation:					
Tangible fixed assets	14.2	11.6	-	1.8	27.6
Intangible fixed assets	1.2	2.2	-	4.5	7.9
Total depreciation and amortisation	**15.4**	**13.8**	**-**	**6.3**	**35.5**
Loss of value	-	-	-	-	-

As of 31 January 2009	Europe	North America	Other	Not allocated	Total
Investment:					
Tangibles fixed assets	26.5	16.3	-	4.2	47.0
Intangibles fixed assets	9.2	3.3	-	24.8	37.3
Total investment	**35.7**	**19.6**	**-**	**29.0**	**84.3**
Depreciation and amortisation:					
Tangible fixed assets	24.9	19.3	-	3.7	47.9
Intangible fixed assets	2.9	5.7	-	8.8	17.4
Total depreciation and amortisation	**27.8**	**25.0**	**-**	**12.5**	**65.3**
Loss of value	-	-	-	-	-

Note 14: Details of expenses by category

	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Cost of inventories recognised as expense	89.9	83.0	173.9
Wages, bonuses, commissions and payroll expenses	161.5	138.8	309.8
Tax	12.1	12.5	21.4
Rents	10.5	9.5	21.2
Fees	7.4	6.5	10.4
Subcontracting	21.2	21.8	72.1
Asset impairment	30.8	35.5	65.3
Other	7.5	30.2	8.1
Total expenses by category	**340.9**	**337.8**	**682.2**

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.

Fully-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.

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

	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Net income (€m)	74.8	74.3	156.9
Number of shares (thousands)*	30,609	30,984	30,985
Exercise of stock-options, treasury stock in process of reduction and liquidity contract (thousands)	(72)	(75)	(238)
Weighted average number of ordinary shares in circulation (thousands)	30,537	30,909	30,747
Weighted average number of stock options in circulation (thousands)	79	198	132
Number of shares, fully diluted (thousands)*	30,616	31,107	30,879
Earnings per share (€)	2.45	2.41	5.10
Fully-diluted earnings per share (€)	2.44	2.39	5.08

* Weighted average during the period.

Note 16: Share-based payments

The expenses booked with respect of share-based payments and securities giving access to capital are as follows:

	As of 31 July 2009	As of 31 July 2008	As of 31 January 2009
Stock options valuation	1.4	1.6	4.0
Securities giving access to capital valuation	1.4	2.6	2.9

1,200,000 option plan

The shareholders' meeting of 9 February 2000 authorized a stock option plan involving of 1,200,000 options over four years.

Options have been granted as follows:

Date of Board meeting [a]	03/04/00	05/07/00	15/01/01	18/01/02	23/05/02	09/07/02	02/10/02	14/01/03	08/07/03	14/01/04	Total
Nature of options	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	
Exercise price	35.00	32.39	24.40	35.05	43.49	40.50	33.40	32.03	37.10	41.53	
Exercise period [b]	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	
Number of options granted	159,000	41,000	208,460	248,500	33,500	65,000	8,000	494,500	30,000	134,500	1,422,460
• *to Chairman* [d]	-	-	*25,000*	*30,000*	-	-	-	*60,000*	-	-	*115,000*
• *to Chief Executive Officer*	-	-	*10,000*	*20,000*	-	-	-	*40,000*	-	-	*70,000*
• *to top 10 employees*	*41,000*	*41,000*	*48,000*	*64,000*	*33,500*	*65,000*	*8,000*	*152,000*	*30,000*	*52,000*	*534,500*
Number of options exercised	94,834	33,000	158,374	187,915	29,400	65,000	8,000	409,838	8,900	77,950	1,073,211
• *by Chairman* [d]	-	-	*25,000*	*30,000*	-	-	-	*60,000*	-	-	*115,000*
• *by Chief Executive Officer*	-	-	*10,000*	*20,000*	-	-	-	*40,000*	-	-	*70,000*
• *by top 10 employees*	*30,000*	*33,000*	*42,000*	*56,000*	*29,400*	*65,000*	*8,000*	*141,200*	*8,900*	*35,000*	*448,500*
Number of options cancelled [c]	52,072	8,000	36,154	41,400	2,600	-	-	44,700	17,000	33,500	235,426
Number of options outstanding as of 31 July 2009	12,094	-	13,932	19,185	1,500	-	-	39,962	4,100	23,050	113,823

(a) The date of the Board meeting is the start date for calculating exercise of the options.

(b) The options can be exercised from the date of the Board meeting each year in tranches of 20%, except for French beneficiaries who have to wait until the end of the second year to be able to exercise 40% of their options.

(c) Mainly because of the end of the Group's employment contract with the beneficiary.

(d) The Chairman and the Chief Executive Officer are the only Board members of the Company to have received options.

Options were exercised during the 1st semester as follows:

Date of Board meeting	03/04/00	05/07/00	15/01/01	18/01/02	23/05/02	09/07/02	02/10/02	14/01/03	08/07/03	14/01/04	Total
Number of options exercised	700	-	1,980	400	-	-	-	2,410	-	5,400	10,960
• *by Chairman*	-	-	-	-	-	-	-	-	-	-	-
• *by Chief Executive Officer*	-	-	-	-	-	-	-	-	-	-	-
• *by top 10 employees*	-	-	-	-	-	-	-	-	-	*2,000*	*2,000*

900,000 option plan

The Annual General Meeting on 9 July 2003 authorized the creation of a new stock option plan involving 900,000 options over 38 months.

Options have been granted as follows:

Date of Board meeting [a]	14/01/04	13/01/05	11/01/06	04/07/06	Total
Nature of options	warrant	warrant	warrant	warrant	
Exercise price	41.53	57.50	85.90	90.90	
Exercise period [c]	10 years	10 years	10 years	10 years	
Number of options granted	256,500	320,000	275,500	33,300	885,300
• *to Chairman* [b]	*100,000*	*100,000*	-	*33,300*	*233,330*
• *to Chief Executive Officer*	*15,000*	*12,000*	*15,000*	-	*42,000*
• *to top 10 employees*	*56,000*	*66,000*	*81,000*	-	*203,000*
Number of options exercised	160,000	54,400	7,660	-	222,060
• *by Chairman* [b]	*80,000*	-	-	-	*80,000*
• *by Chief Executive Officer*	-	-	-	-	-
• *by top 10 employees*	*46,000*	*19,200*	*3,160*	-	*68,360*
Number of options cancelled [d]	10,500	41,800	59,600	-	111,900
Number of options outstanding as of 31 July 2009	86,000	223,800	208,240	33,300	551,340

(a) The date of the Board meeting is the start date for calculating exercise of the options.

(b) The Chairman and the Chief Executive Officer are the only Board members of the Company to have received options.

(c) The options can be exercised from the date of the Board meeting each year in tranches of 20%.

(d) Mainly because of the end of the Group's employment contract with the beneficiary.

Options were exercised during the 1st semester as follows:

Date of Board meeting	14/01/04	13/01/05	11/01/06	04/07/06	Total
Number of options exercised	8,560	10,800	-	-	19,360
• *by Chairman*	-	-	-	-	-
• *by Chief Executive Officer*	-	-	-	-	-
• *by top 10 employees*	*5,000*	*5,000*	-	-	*10,000*

960,000 option plan

The Extraordinary General Meeting on 5 July 2006 authorised the creation of a new stock option plan involving 960,000 options over 38 months.

Options have been granted as follows:

Date of Board meeting [a]	16/01/07	15/01/08	03/07/08	18/02/09	18/02/09	06/07/09	Total
Nature of options	Warrant/ purchase	Warrant/ purchase	Warrant/ purchase	Warrant/ purchase	Warrant/ purchase	Warrant/ purchase	
					Performance [e] based		
Exercise price	97.60	68.10	71.03	63.30	63.30	63.30	
Exercise period [c]	10 years	10 years	10 years	10 years	10 years	10 years	
Number of options granted	205,000	462,000	9,500	262,885	63,000	8,000	1,010,385
• *to Chairman* [b]	-	*15,000*	-	-	-	-	*15,000*
• *to Chief Executive Officer* [b]	-	*40,000*	-	-	*22,500*	-	*62,500*
• *to top 10 beneficiaries*	*38,000*	*56,000*	*9,500*	*30,000*	40,500	*8,000*	182,000
Number of options exercised	-	-	-	-	-	-	-
• *by Chairman* [b]	-	-	-	-	-	-	-
• *by Chief Executive Officer* [b]	-	-	-	-	-	-	-
• *by top 10 employees*	-	-	-	-	-	-	-
Number of options cancelled [d]	24,000	30,500	-	-	-	-	54,500
Number of options outstanding as of 31 July 2009	181,000	431,500	9,500	262,885	63,000	8,000	955,885

(a) The date of the Board meeting is the start date for calculating exercise of the options.

(b) The Chairman and the Chief Executive Officer are the only Board members of the Company to have received options.

(c) The options can be exercised from the date of the Board meeting each year in tranches of 20%.

(d) Mainly because of the end of the Group's employment contract with the beneficiary.

(e) For the performance-based option attribution, the number shown is the maximum attributable.

Information relating to the three plans

No option has matured As of 31 July 2009.

A new attribution occurred on the 18 February 2009. This attribution is based on performance criteria (sales growth and current operating margin improvement, return to the shareholders) for the Chief Executive Officer and part of the Group executive committee.

The bracket of exercise price of options in circulation as of 31 July 2009 was €24.40 to €97.60 (31 July 2008 was €24.40 to €97.60).

The weighted average residual life of options in circulation was 7.3 years as of 31 July 2009 compared with 7.3 years as of 31 July 2008.

The weighted average price of options exercised during the first semester 2009 was €45.09 compared with €40.52 at 31 July 2008.

The fair value of options awarded is estimated at the award date using the Black & Scholes method until 2008 and Bjerksund & Stensland since 2009, allowing for the terms on which the instruments were awarded.

The table below shows the factors used in the model.

	18/02/09	15/01/08 03/07/08*	16/01/07	04/07/06	11/01/06	13/01/05
Dividend yield	5.4033%	5.3%	3.00%	2.42%	2.65%	2.60%
Historical volatility	23.40%	26.53%	17.5%	34%	36%	44%
Risk-free interest rate	2.9746%	4.2232%	4.19%	4.08%	3.25%	3.20%
Excepted option life	6 years	6 years	6 years	6 years	6 years	6 years
Stock price of reference	€61.70	€62.28 €68.28*	€84.87	€78.15	€71.36	€49.67

The expected option life is based on historical data and is not necessarily indicative of the actual exercising of options.

Account has been taken of turnover in France and abroad, but no other details of options awards have been taken into account in accessing fair value.

The key factor in awarding options is the recipient's potential contribution to the Company's earnings

In accordance with IFRS 2, the number of options included in the evaluation is revised at each closing date and the estimated expense is corrected accordingly. Therefore, the booked expense matches with the final number of options that are actually attributed.

Free share plans

At the Extraordinary General Meeting on 6 July 2005, shareholders authorised the Board of Directors to award up to 900,000 free shares either in issue or to be issued (this number being based on the total number of shares which might be subscribed or purchased under stock option plans as stipulated by the Combined General Meeting on 9 July 2003). In accordance with this authorisation, 33,300 free shares were awarded to the Chairman on 28 March 2006.

The Extraordinary General Meeting on 5 July 2006 authorised the Board of Directors to arrange a plan to award up to 320,000 free shares either already in issue or to be issued.

Date of Board meeting	03/10/06	16/01/07	16/01/07	23/03/07	25/09/07	15/01/08	01/04/08	03/07/08	18/02/09	18/02/09	06/07/09	Total
			Co-invest	Co-invest	Co-invest				Performance-Based			
Number of shares granted (*)	5,000	26,000	134,100	24,300	6,600	26,160	8,900	4,000	63,000	60,000	4,000	**362,060**
• *to Chairman*	-	-	-	*24,300*	-	-	*1,500*	-	-	-	-	*25,800*
• *to Chief Executive Officer*	-	-	*32,400*	-	-	*6,660*	-	-	*22,500*	-	-	*61,560*
Number of shares cancelled	(2,000)	-	(40,500)	-	-	-	-	-	-	-	-	**(42,500)**
Number of shares actually attributed	(1,500)	(25,500)	(49,200)	(12,150)	-	-	-	-	-	-	-	**(88,350)**
• *to Chairman*	-	-	-	*(12,150)*	-	-	-	-	-	-	-	*(12,150)*
• *to Chief Executive Officer*	-	-	*(16,200)*	-	-	-	-	-	-	-	-	*(16,200)*
Number of shares outstanding as of 31 july 2009	**1,500**	**500**	**44,400**	**12,150**	**6,600**	**26,160**	**8,900**	**4,000**	**63,000**	**60,000**	**4,000**	**231,210**

(*) Under the co-invest or the performance-based share attributions, the indicated number of shares is the highest number.

There are several objectives in the award of free shares:

- attracting and retaining strong potential;
- acknowledging exceptional performance;
- inspiring strong motivation and commitment to the Company's results through, among others, a specific free share plan called co-investment based on the Group's future performance.

Neopost S.A. has put in place a co-investment plan of free share allocation to its managers against an investment in Neopost shares equal to 10% of the maximum number of free shares attributable. The number of shares allocated is conditioned by objectives of performance such as return on equity and capital employed.

A new attribution takes place on 18 February 2009. This attribution is subjected to conditions of performance (sales growth and current operating margin improvement, return to the shareholders) for the Chief Executive Officer and part of the Group executive committee.

The fair value of the allocated shares is calculated on the basis of the share price on the day of the assignment minus of the value of expected dividends and an estimate of the loss in value related to the vesting conditions. For co-invest and performance-based plans, the global expense has been calculated on the best estimate of the number of shares whose property will be transferred, i.e. 50%. The expense has been allocated on the duration of the plan.

In accordance with the IFRS 2, the allocated shares number will be reviewed at every closing and the estimated expense consequently adjusted, so that the booked expenses are in accordance with the number of shares effectively assigned.

Note 17: Risk management and commitments given and received

17-1: COMMITMENTS GIVEN

The Group Treasurer, who reports to the Group Chief Financial Officer, monitors exchange rate and 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 Financial Officer to provide complete visibility on the financial risks relating to the hedging activities and to measure the financial impact of unhedged positions.

Neopost uses the services of an independent consultancy firm based in Paris. This firm helps Neopost in its exchange rate and 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.

Note: The amounts shown in the tables of the following note indicate the notional amounts of the commitments but are not representative of any unrealized gain or loss

Foreign currency risk hedging

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 mechanically enables Neopost to defend a reference exchange rate for the entire position in the event of adverse exchange rate movements.

FIRST HALF 2009 POSITION

The tables below represent Neopost's positions as of 31 July 2009 as regards exchange rate hedging.

FINANCIAL YEAR 2009 – ASSETS POSITION HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST'S STATEMENT OF FINANCIAL POSITION AS OF 31 JULY 2009 AND EXPECTED TO BE REALISED NO LATER THAN OCTOBER 2009.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	CHF
Financial assets	34.2	23.7	1.1	24.5	15.6	2.5
Financial liabilities	13.1	47.4	0.0	0.1	0.0	1.8
Net position before hedging	**21.1**	**(23.7)**	**1.1**	**24.4**	**15.6**	**0.7**
Hedging	(22.6)	26.3	(0.9)	(20.0)	(10.5)	(1.4)
Net position after hedging	**(1.5)**	**2.6**	**0.2**	**4.4**	**5.1**	**(0.7)**

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 USD8.0m sold, GBP5.6m bought, JPY10.0m sold and NOK2.0m sold.

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: USD1.0m sold, GBP3.0m bought, JPY10.0m sold, NOK2.0m sold.

2009 BUDGET – SECOND HALF 2009 POSITION: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN FINANCIAL YEAR 2008 EXPECTED TO BE REALISED NO LATER THAN APRIL 2010.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	CHF	SEK	DKK
Financial assets – forecast	74.8	81.1	4.4	117.0	11.9	4.2	17.0	-
Financial liabilities – forecast	42.8	102.7	0.0	0.0	0.0	2.8	0.0	2.3
Net position before hedging	**32.0**	**(21.6)**	**4.4**	**117.0**	**11.9**	**1.4**	**17.0**	**(2.3)**
Hedging	(27.9)	11.6	(4.6)	(55.0)	(7.1)	(4.1)	-	-
Net position after hedging	**4.1**	**(10.0)**	**(0.2)**	**62.0**	**4.8**	**(2.7)**	**17.0**	**(2.3)**

Neopost uses symmetrical options tunnels. 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 USD8.0m sold, GBP4.3m bought, CAD1.3m sold, CHF1.2m sold.

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: USD8.0m sold, GBP4.2m bought, CAD1.6m sold and CHF0.8m 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:

- 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 as of 31 July 2009. These instruments are listed below by type and by currency for the period to which they relate.

FINANCIAL YEAR 2009 – ASSETS POSITION HEDGING

Notional amount (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	13.6	8.0	11.0	-	2.0
GBP	17.7	-	2.0	-	10.6	5.6
CAD	-	0.9	-	-	-	-
NOK	-	6.5	2.0	4.0	-	-
JPY	-	-	10.0	20.0	-	-
CHF	-	1.4	-	-	-	-

2009 BUDGET – SECOND HALF 2009 POSITION

Notional amount (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	11.9	8.0	16.0	-	-
GBP	3.1	-	-	-	8.5	4.3
CAD	0.6	2.3	1.3	2.9	-	-
NOK	-	7.1	-	-	-	-
JPY	-	55.0	-	-	-	-
CHF	-	2.1	1.2	2.0	-	-

At end-July 2009, the operations shown in the above table are broken down as follows:

Notional amount (millions) Cash flow hedge	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	25.5	16.0	16.0	-	-
GBP	20.8	-	-	-	9.9	9.9
CAD	0.6	3.2	1.3	1.3	-	-
NOK	-	13.6	2.0	2.0	-	-
JPY	-	55.0	10.0	10.0	-	-
CHF	-	3.5	1.2	1.2	-	-

Notional amount (millions) Ineffective portion of hedge instruments	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	-	-	11.0	-	2.0
GBP	-	-	2.0	-	9.2	-
CAD	-	-	-	1.6	-	-
NOK	-	-	-	2.0	-	-
JPY	-	-	-	10.0	-	-
CHF	-	-	-	0.8	-	-

INSTRUMENT VALUATION

Derivative instruments are recognised in accordance with the accounting principles and methods presented in note 2.

Hedging instruments relating to the 2009 fiscal half-year, i.e. hedging assets and liabilities on the statement of financial position as of 31 July 2009, were fully valued and recognised at their market value as of 31 July 2009.

Hedging instruments relating to the 2009 fiscal half-year, i.e. hedging anticipated financial flows, were fully valued and recorded at their market value as of 31 July 2009. The time value of these hedging instruments has been recognised in the profit and loss account as has the change in intrinsic value of non-hedging transactions. Changes in the intrinsic value of hedging transactions have been recognised as a balance sheet adjustment.

Amount (millions)	As of 31 January 2009	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	As of 31 July 2009
Financial assets	-	0.3	0.5	0.8
• Cash flow hedge	-	0.3	-	0.3
• Ineffective portion of hedge instruments	-	-	0.5	0.5
Financial liabilities	0.7	(0.4)	0.1	0.4
• Cash flow hedge	0.7	(0.4)	0.1	0.4
• Ineffective portion of hedge instruments	-	-	-	0.0

CREDIT RISK

All operations are carried out with the 17 international banks that take part in the revolving credit facility.

Financial instruments are carried by the legal entities that have the corresponding debt on their statement of financial position.

Hedging of interest rate risk

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.

Neopost introduced 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.

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 favorable 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.

HALF-YEAR POSITION

The table below sets out Neopost's position as of 31 July 2009:

				EUR				USD
Notional value (millions)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Financial liabilities	403.4	164.8	-	568.2	203.4	175.7	-	379.1
Fixed-rate debt	-	158.0	-	158.0	-	100.0	-	100.0
Open position in market after hedging	115.0	160.0	-	275.0	80.0	115.0	-	195.0

				GBP				SEK
Notional value (millions)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Financial liabilities	0.5	0.5	-	1.0	16.3	31.1	-	47.4
Fixed-rate debt	-	-	-	-	-	-	- -	
Open position in market after hedging	-	-	-	-	-	-	-	-

For the 2nd half-year of 2009, Neopost's policy has been to fix its net interest expenses in advance. As a result, after hedging, 85% of projected Neopost group debt is not exposed to long-term interest rates for the current year. Only 15% of the projected debt remains exposed to long-term rates as of 31 July 2009.

HEDGING INSTRUMENTS

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

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

Management mandates, 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.

INSTRUMENT DETAILS

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

Notional value (millions)	Currency	< 1 year	1 to 5 years	Maturity > 5 years
Swap – buyer	USD	-	75.0	-
Call swaption – sell	USD	15.0	5.0	-
	EUR	-	25.0	-
Swap receiver	USD	50.0	75.0	-
	EUR	97.5	75.0	-
Cap – buy	USD	15.0	35.0	-
	EUR	17.5	60.0	-
Knock-out cap – buy	USD	75.0	25.0	-
	EUR	7.5	25.0	-
Floor – sell	USD	15.0	60.0	-
	EUR	17.5	85.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

Notional value (millions)	Currency	< 1 year	1 to 5 years	Maturity > 5 years
Swap buyer	USD	-	75.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

Notional value (millions)	Currency	< 1 year	1 to 5 years	Maturity > 5 years
Swap receiver	USD	50.0	75.0	-
	EUR	97.5	75.0	-
Cap – buy	USD	15.0	35.0	-
	EUR	17.5	60.0	-
Floor – sell	USD	15.0	35.0	-
	EUR	17.5	60.0	-

DERIVATIVE INSTRUMENTS NOT ELIGIBLE FOR HEDGING ACCOUNTING

Notional value (millions)	Currency	< 1 year	1 to 5 years	Maturity > 5 years
Knock-out cap – buy	USD	75.0	25.0	-
	EUR	7.5	25.0	-
Floor – sell	USD	-	25.0	-
	EUR	-	25.0	-
Call swaption – sell	USD	15.0	5.0	-
	EUR	-	25.0	-

INSTRUMENT VALUATION

Derivative instruments are recognised in accordance with the accounting principles and methods presented in note 2. All interest rate derivative instruments are valued on the statement of financial position and in the profit and loss account at their market value, in accordance with IAS 39.

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

Amount (millions)	As of 31 January 2009	Premium on new operations	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	As of 31 July 2009
Debt and Swap at Fair Value Hedge	0.1	-	-	(0.1)	0.0
USPP – USD 75m	3.4	-	-	(0.6)	2.8
Swap payer – USD 75m	(3.3)	-	-	0.5	(2.8)
Financial assets (derivatives)	0.3	0.2	-	(0.2)	0.3
Derivative instruments qualified as cash flow hedge	0.1	0.2	-	-	0.3
EUR transactions	0.1	0.2	-	-	0.3
USD transactions	-	-	-	-	-
Derivative instruments not eligible for hedge accounting	0.2	-	-	(0.2)	-
EUR transactions	0.2	-	-	(0.2)	-
USD transactions	-	-	-	-	-
Financial liabilities (derivatives)	9.2	0.2	1.9	0.3	11.6
Derivative instruments qualified as cash flow hedge	7.7	0.2	1.9	(0.1)	9.7
EUR transactions	5.8	0.2	2.0	0.0	8.0
USD transactions	1.9	-	(0.1)	(0.1)	1.7
Derivative instruments not eligible for hedge accounting	1.5	-	-	0.4	1.9
EUR transactions	1.0	-	-	0.4	1.4
USD transactions	0.5	-	-	-	0.5

CREDIT RISK

All operations are carried out with the 17 international banks that take part in the revolving credit facility.

Retirement benefit commitments

The UK pension scheme was closed to new members in 2001, and then closed for future accruals in June 2006. We are 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 schedule of repayments agreed upon is as follows: £7.1m in 2009, (accounted for in H1 2009), £5.2m in 2010 and £4m in 2011.

17-2: COMMITMENTS RECEIVED

No material commitment has been received to this date.

Note 18: Information on associated companies associated companies

No significant changes occurred during the semester.

Neopost specifies that it owns a 35% stake in Dynapost, consolidated using the Equity method, with which inter-company transactions are not significant.

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

Note 19: Events after the statement of financial position date

Between the 31 July 2009 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. The only notable events are:

NEW PRIVATE PLACEMENT

In order to give comfort and flexibility to finance its future growth, the Group signed on 15 September 2009, a new line of credit revolving of an amount of €175m over 5 years from the Natixis/Banque Populaire/Caisse d'Epargne Group.

This line will be annually amortised after its second anniversary and its interest rate is indexed on the Euribor + 190 bps.

Neopost recalls that its next expiries of refunding are relating to the US private placement, due in September 2010 ($175m and €25m).

NEW ACQUISITION

Neopost enhanced its service offering with the acquisition of Satori Software in the United States, one of the world market leaders in postal address quality management tools for an initial amount of $17.5m.

Statutory Auditors' review report on the first half-yearly financial information

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

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

- our review of the accompanying condensed half-yearly consolidated financial statements of Neopost S.A., for the period from February 1, to July 31, 2009, 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.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in 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 the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Without modifying the conclusion expressed above, we draw your attention to note 2 to the condensed half-yearly consolidated financial statements which sets out the new standards and interpretations applied by your company as of February 1, 2009.

II. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Paris and Neuilly-sur-Seine,
September 30, 2009
The Statutory Auditors *French original signed by*

PÉRONNET ET ASSOCIÉS	ERNST & YOUNG et Autres
Olivier Péronnet	Philippe Diu

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 reference document 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 accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report on page 2 presents a fair view of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation as well as the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors stating that they have audited the information contained in this reference document about the financial position and financial statements, and that they have read the reference document in its entirety."

Denis Thiery

Chief Executive Officer

Design: Michel Jeanne

Photo credit: Philippe Zamora

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