2014 FIRST-HALF REPORT

neopost

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1 Comments on Neopost's results and financial structure

During the first half of the year 2014, the Group generated sales of €530.7 million, a decrease of 0.6% compared to the first half of 2013. At constant exchange rates, sales rose 1.7% and organic growth stood at +0.4%.

Current operating income before acquisition-related costs came to €118.7 million compared with €125.8 million in the first half of 2013. Current operating margin before acquisition-related costs [1] reached 22.4% of sales compared with 23.6% in the first half of 2013. This reflects current operating margin of 23.5% achieved by the traditional network of Neopost (Neopost Integrated Operations) and 10.0% achieved by the Communication & Shipping Solutions Dedicated Units.

Net attributable income totalled €69.0 million in the first half of 2014 compared with €80.1 million in the first half of 2013. Net margin [2] was 13.0% compared with 15.0% in the first half of 2013 wich benefited from atypically low taxes, due to non-recurring items.

HISTORICAL BREAKDOWN OF INCOME STATEMENTS

(In millions of euros)	H1 2014 (ended 31/07/2014)		H1 2013 (ended 31/07/2013)		FY 2013	
Sales	**530.7**	***100.0%***	**533.7**	***100.0%***	**1,095.5**	***100.0%***
Cost of sales	(117.3)	*(22.1)%*	(118.4)	*(22.2)%*	(257.7)	*(23.5)%*
Gross margin	**413.4**	***77.9%***	**415.3**	***77.8%***	**837.8**	***76.5%***
R&D expenses	(17.8)	*(3.3)%*	(15.5)	*(2.9)%*	(30.7)	*(2.8)%*
Selling expenses	(138.4)	*(26.1)%*	(135.0)	*(25.3)%*	(272.6)	*(24.9)%*
Administrative expenses	(85.0)	*(16.0)%*	(86.3)	*(16.2)%*	(164.8)	*(15.0)%*
Maintenance and other operating expenses	(49.3)	*(9.3)%*	(48.2)	*(9.0)%*	(97.8)	*(8.9)%*
Employee profit-sharing and share-based payments	(4.2)	*(0.8)%*	(4.5)	*(0.8)%*	(9.4)	*(0.9)%*
Current operating income before expenses related to acquisitions	**118.7**	***22.4%***	**125.8**	***23.6%***	**262.5**	***24.0%***
Expenses related to acquisitions	(5.6)	*(1.1)%*	(3.7)	*(0.7)%*	(8.4)	*(0.8)%*
Current operating income	**113.1**	***21.3%***	**122.1**	***22.9%***	**254.1**	***23.2%***
Proceeds from asset sales and other	-	-	-	-	-	-
Structure optimization expenses	-	-	(12.6)	*(2.4)%*	(12.5)	*(1.1)%*
Non current income related to acquisition	-	-	12.8	*2,4%*	15.0	*1.3%*
Operating income	**113.1**	***21.3%***	**122.3**	***22.9%***	**256.6**	***23.4%***
Financial income / (expense)	(17.6)	*(3.3)%*	(19.1)	*(3.6)%*	(37.5)	*(3.4)%*
Income before taxes	**95.5**	***18.0%***	**103.2**	***19.3%***	**219.1**	***20.0%***
Income taxes	(26.9)	*(5.1)%*	(23.5)	*(4.4)%*	(55.8)	*(5.1)%*
Income from associated companies	0.4	*0.1%*	0.4	*0.1%*	0.7	*0.1%*
NET INCOME	**69.0**	***13.0%***	**80.1**	***15.0%***	**164.0**	***15.0%***
Net income attributable to non-controlling interests	-		-		-	
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**69.0**		**80.1**		**164.0**	

SALES UP 1.7% AT CONSTANT EXCHANGE RATES IN THE FIRST HALF OF 2014

Following a stable first quarter (up 0.3% at constant exchange rates from Q1 2013), the pace of sales growth picked up to 3.2% in the second quarter (at constant exchange rates). Rising 1.7% at constant exchange rates, sales for the first half of 2014 as a whole totalled €530.7 million, benefiting from the scope effect related to the acquisitions of DMTI Spatial in 2013, as well as ProShip (SPSI) and DCS in 2014. Like-for-like, organic growth in the first half of 2014 was positive at 0.4% (compared with -0.4% in the first quarter and positive 1.2% in the second quarter).

(1) Current operating margin before acquisition-related costs= Current operating income before acquisition-related costs as a percentage of sales.
(2) Net margin = net income/sales.

RESILIENCE OF MAIL SOLUTIONS ACTIVITIES

Sales by Mail Solutions were down 1.5% in first-half 2014 at constant exchange rates. Following a first quarter marked by the end of the decertification echo effect in the US market and a high basis for comparison for equipment sales, especially for mid- to high-end folders/inserters, Mail Solutions' business volume improved in the second quarter, helped by a recovery in equipment sales, especially in North America, and the strong resilience in recurring revenue.

Mail Solutions accounted for 81% of Group sales in the first half of 2014.

DYNAMISM IN COMMUNICATION & SHIPPING SOLUTIONS ACTIVITIES

In first-half 2014, Communication & Shipping Solutions posted a 18.2% increase in sales at constant exchange rates, buoyed by the Group' acquisition of DMTI Spatial in 2013, as well as ProShip and DCS in 2014. Restated for the scope effect of these acquisitions, organic growth in sales for Communication & Shipping Solutions stood at 9.3%. However, organic growth rises to 12.8% if we strip out 2013 revenue generated by the installation of automated parcel lockers for Australia Post.

Shipping Solutions enjoyed solid growth. Robust growth continued in Customer Communication Management, with a strong performance for both direct sales by GMC Software Technology and sales by the subsidiaries in the Neopost distribution network. Data Quality saw more modest growth.

Communication & Shipping Solutions sales accounted for 19% of total sales in the first half of 2014.

CHANGE IN SALES BY REGION

By region, the Group saw growth in **North America**, with sales up 2.2% at constant exchange rates in the first half of 2014. After a contraction in the first quarter, growth was brisk in the second quarter, driven notably by the increase in equipment sales in Mail Solutions and the robust growth in licence sales in Communication & Shipping Solutions. The Group also benefited from the consolidation of DMTI Spatial and ProShip.

Despite the continuing challenges in the economic climate, especially in France, sales in **Europe** increased by 2.1% at constant exchange rates in the first half of 2014, mainly due to the strong levels of growth recorded in Germany, the UK and the Nordic countries.

In contrast, sales declined 4.1% in the **Asia-Pacific** region at constant exchange rates. It is important to note that in 2013 the Group earned revenue from the installation of the automated parcel lockers for Australia Post. Excluding this revenue, sales continued to grow in the Asia-Pacific region.

CHANGE IN SALES BY REVENUE TYPE

Turning to revenue type, **equipment and licence sales** rose 3.7% at constant exchange rates in first-half 2014, reflecting the combination of a slight contraction in sales at Mail Solutions and vigorous growth in sales of licences at Communication & Shipping Solutions.

Sales of equipment and licenses accounted for 33% of sales in first half of 2014.

Recurring revenues rose 0.8%, at constant exchange rates. Neopost continued to grow leasing, financing and maintenance services revenue for Mail Solutions, whereas revenue from rentals and consumables was down. Recurring revenue for Communication & Shipping Solutions rose sharply.

Recurring revenue accounted for 67% of sales in H1 2014.

CURRENT OPERATING INCOME

Current operating income before acquisition-related expenses stood at €118.7 million in the first half of 2014, compared with €125.8 million in first-half 2013. Current operating margin before acquisition-related expenses was 22.4% of sales, compared with 23.6% in first-half 2013. The margin breaks down into:

- an operating margin excluding acquisition-related expenses for Neopost Integrated Operations (NIO, €481 million in sales in first-half 2014) of 23.5%, versus 24.5% one year earlier. This slight decrease mainly comes from the investments required to generate commercial synergies in the NIO distribution network and from the slightly dilutive impact of the growth in revenues posted by Communication & Shipping Solutions (CSS) in this same network;
- an operating margin excluding acquisition-related expenses for CSS Dedicated Units (CSS DU, sales of €60 million in the first half of 2014) of 10.0%, compared with 11.0% one year earlier. Investments by these dedicated units, notably to develop new projects such as Packcity or CVP-500, were sustained in the first half. The DMTI Spatial, ProShip and DCS acquisitions also had a dilutive effect on operating margin for CSS Dedicated Units.

Acquisition-related expenses amounted to €5.6 million in first-half 2014, compared with €3.7 million in the year-earlier period. This increase was mainly due to the fees paid to the Group's counsels. Current operating income was €113.1 million in first-half 2014, compared with €122.1 million in the prior year.

CONTINUED DEVELOPMENT OF CSS BUSINESS

Acquisition of DCS and ProShip

Neopost finalised the acquisition of Data Capture Solutions Ltd (DCS) in the UK in the first half of 2014, a company specialising in software solutions, particularly for document capture. With sales totalling £3.7 million in 2013, DCS was consolidated in Neopost's financial statements as of May 2014.

The other acquisition in the period was ProShip, one of the largest providers of multi-carrier parcel shipping solutions in the United States. With sales totalling $10 million in 2013, ProShip was also consolidated as of May 2014.

Kick-off of the operational phase of Packcity in France

As part of the Packcity pilot program launched at the end of 2013, Neopost ID installed new automated parcel lockers for dropping off and picking up e-commerce parcels in the Paris region and in other large cities in France during the first half. The number of locker points in operation has now risen to 10 or so. The results of the pilot are convincing indeed with 60% of packages picked up on the same day. The lockers are user-friendly and easy to access for customers. They also attract footfall, generating additional flows and potential customers for the terminal locations.

Under the agreement with GeoPost, two additional sites have been installed in Paris and the region. Neopost plans to step up deployment during Q4 2014.

CONTINUED OPTIMISATION OF FINANCING STRUCTURE

Public bond issue

On 13 June 2014, Neopost successfully placed an inaugural €350 million public bond issue with a 7-year maturity. This issue is unrated and has an annual coupon rate of 2.50%. The placement has allowed the maturity of the Group's debt to be extended, while at the same time diversifying its sources of financing. It will notably contribute to the redemption payment for the €300 million convertible bond (OCEANE) which reaches maturity on 1 February 2015. The inflow of temporary liquidities related to the time difference between the public bond issue and the redemption of the OCEANE bond has enabled Neopost to reduce drawings on its revolving credit line to zero. At 31 July 2014, the Group had undrawn credit facilities of €500 million.

New US private placement after the interim reporting date

To continue its financing cost optimisation strategy and extend its debt maturity, in September 2014, Neopost carried out a new $90 million senior unsecured debt issue in the form of a private placement in the United States. With six- to eight-year maturities, this private placement is at a variable rate of 3-month Libor + 1.75%. The funds raised will be used for the early repayment of the $90 million *Schuldschein* private placement with a residual maturity of two years.

The cost of carry of these two transactions is estimated at €2 million in second-half 2014. They will yield savings in the region of €6 million in 2015.

NET INCOME

In 2013, Neopost renegotiated the acquisition contract with GMC Software Technology, resulting in non-taxable exceptional income of €12.8 million.

Moreover, in 2013, the Group decided to accelerate optimisation of its structures to further enhance efficiency in the distribution network and across its supply chain. Consequently, the Group booked provisions for a total of €12.6 million at 31 July 2013.

The net cost of debt remained practically stable at €18.7 million (€18.3 million in first-half 2013). Gains on hedging transactions and other financial expense came to €1.1 million in the first half of 2014, compared with a loss of €0.8 million one year earlier.

The average tax rate was 28.2% in the period, compared with 22.8% in first-half 2013. The situation in the first half of 2013 was atypical and arose from the non-taxable nature of the exceptional income relating to the renegotiation of the GMC Software Technology acquisition agreement.

Net attributable income totalled €69.0 million in H1 2014, and was €80.1 million in the same period in 2013.

SOLID FINANCIAL POSITION

Cash flow before net cost of debt and income taxes came to €148.3 million compared with €155.5 million in the first half of 2013, in line with current operating income's change.

The seasonal change in working capital requirement is identical to last year.

Neopost continued to see growth in revenue from leasing and other financing services (€687.6 million at 31 July 2014, equating to 5% at constant exchange rates, versus 31 July 2013).

Tax payment rose steeply year-on-year (to €32.2 million from €10.9 million), driven up by the end of tax losses carry forward in some countries and substantial tax refunds in first-half 2013.

As a result, net cash flow from operating activities was €46.0 million, compared with €76.2 million in first-half 2013.

In addition, the Group finalised the acquisition of DCS and ProShip during the first half of the year, and made the final payment for the acquisition of GMC Software Technology.

Neopost also paid the interim dividend in respect of 2013 in February 2014. Note that payment of the interim dividend for fiscal 2012 was made in January 2013.

Net debt increased to €913.3 million at 31 July 2014 from €869.8 million at 31 January 2014, restated for the interim dividend payment, and €807.5 million at 31 July 2013. The Group states that future cash flow from its leasing and rental activities is still much higher than its debt level.

At 31 July 2014, shareholders' equity was €779.9 million, up from €750.5 million for the prior year. Gearing was therefore 117% versus 113% at 31 January 2014, restated for the interim dividend payment, and 108% at 31 July 2013. The leverage ratio was 2.8 in the first half of 2014, compared with 2.6 at 31 January 2014, restated for the interim dividend payment, and 2.4 the first half of 2013.

Ownership structure

At 31 July 2014, Neopost S.A.'s share ownership was as follows:

	Number	%
Management and employees	744,976	*2.16%*
Directors (non-executive)	59,850	*0.17%*
Shares held under liquidity contract	96,932	*0.28%*
Treasury stock held for stock option and free share allocations	42,601	*0.12%*
First Eagle Asset Management [a]	3,353,969	*9.71%*
MFS Investment Management [a]	3,191,236	*9.23%*
Alken Asset Management LLP [a]	2,813,364	*8.14%*
Columbia Wanger Asset management LLC [a]	2,329,555	*6.74%*
Marathon Asset Management [a]	1,781,516	*5.15%*
Mondrian Investment Partners Ltd [a]	1,001,632	*2.90%*
Norges Bank Investment Management [a]	995,921	*2.88%*
LSV Asset Management [a]	837,618	*2.42%*
BlackRock Institutional trust Company NA [a]	786,757	*2.28%*
Montanaro Asset Management Limited [a]	649,000	*1.88%*
Other shareholders	15,874,126	*45.93%*
TOTAL	**34,559,053**	***100.00%***

(a) Source Thomson Reuters as at 31 July 2014.

Neopost was communicated the following thresholds for the first-half of 2014:

Date	Name of the Investment Funds	Threshold cross
3 February 2014	UBS AG	Crossing upwards the 5% with 5.11% of voting right
7 February 2014	UBS AG	Crossing downwards the 5% with 4.55% of voting right
13 February 2014	First Eagle Investment Management LLC	Crossing downwards the 10% with 9.98% of voting right
12 June 2014	UBS AG	Crossing upwards the 5% with 5.08% of voting rights
16 June 2014	UBS AG	Crossing downwards the 5% with 4.97% of voting rights
26 June 2014	Ameriprise	Crossing upwards the 5% with 7.00% of voting rights
1 July 2013	UBS AG	Crossing upwards the 5% with 5.23% of voting rights
11 August 2014	UBS AG	Crossing downwards the 5% with 3.89% of voting rights

Information on related parties

No significant change occurred during the semester.

Neopost specifies that it has a stake of 35.0% in Docapost BPO IS and 24% in AMS Investissement, companies consolidated using the equity method. Transactions with these companies are not material.

Neopost has also a stake of 6.53% in X'Ange Capital, and 7.39% in X'Ange 2, non consolidated companies. Transactions with these companies are not material.

Risk factors

Neopost reviewed the risks that could have a significant negative impact on its activity, its financial situation or its results as well as on its capacity to reach its objectives. The Group considers that there are no other significant risks than those stated below.

LEGAL RISKS

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

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. As of 31 July 2014, the covenants i.e. shareholders' equity equivalent or above €525 million and leverage ratio equivalent or below 3.25 are met. Shareholders' equity reached €779.9 million and the leverage ratio stood at 2.8 at 31 July 2014.

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

Exchange rate risk

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

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

Based on the 2014 budget, the breakdown of sales and costs in USD is: sales 36.3%, cost of sales 43.7%, operating costs 30.9% and interest expenses 25.8%. A 5% decline in the EUR/USD exchange rate from the budget rate of 1.36 would have the following impact on the Group's income statement: sales -€19.6 million, current operating income -€5.2 million and net income -€3.4 million.

Based on the 2014 budget, the breakdown of sales and costs in GBP is: sales 10.1%, cost of sales 10.7%, operating costs 8.1%. A 5% decline in the EUR/GBP exchange rate from the budget rate of 0.86 would have the following impact on the Group's income statement: sales -€5.4 million, current operating income -€1.8 million and net income -€1.3 million.

Other currencies are not a stake for the Group. None of them represents more than 5% of sales.

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

Regarding debt, borrowings in foreign currencies are mainly in dollars. An increase or a decrease of 5% in the dollar would lead to an increase or a decrease in gross debt of €12.8 million as of 31 January 2014.

Regarding shareholder's equity, a decrease of 5% in the dollar would have had an impact of -€1.6 million and a decrease of 5% in the pound would have an impact of -€0.8 million on the accounts as of 31 January 2014.

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

Decline in mail volume

Mail volumes are down in most countries where the Group operates. Experts anticipate a further decline of about 3-5% per year until the 2020s, after which they expect mail volumes to stabilise. The Group's Mail Solutions activities are linked to mail volumes. Until now, Neopost managed to maintain its level of business in Mail Solutions thanks to market share gains and further geographic expansion, notably in the Asia-Pacific region. The Group will continue to innovate to gain market share but no guarantee can be given as to the Group's future ability to stabilize its level of business in Mail Solutions.

The impact of this risk on the Group's financial situation cannot be assessed.

Given this situation, Neopost decided to invest in complementing activities, such as: Communication & Shipping Solutions activities which enjoy strong growth. Between 2011 and 2013, their share in total Group sales have more than doubled.

Postal authorities regulations

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

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

The impact of this risk on the financial situation of the Group cannot be assessed.

Competition

Neopost has two main competitors: world leader Pitney Bowes and Francotyp Postalia, No. 3 in the world.

Pitney Bowes is listed on the New York Stock Exchange. It achieved sales of $3.9 billion in 2013 and an operating margin before acquisition related costs of 18.4%. Its main market is North America.

Francotyp Postalia is listed on the Frankfurt Stock Exchange. It achieved sales of €169 million and an operating margin of 13.1% in 2013. Germany is its main market.

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 for new competitors to break into the market for the supply of either products or services. 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.

The Group recently made several acquisitions: GMC Software AG in July 2012, Human Inference in December 2012, DMTI Spatial in October 2013 and ProShip and DCS in May 2014. These acquisitions operate on markets where the competitive landscape is different from that of Mail Solutions. Neopost's competitors in these new markets are more numerous and could have greater financial resources than the Group, which might affect the Group's competitiveness. The Group cannot therefore guarantee that it will be able to maintain or increase its market share in the markets.

The impact of this risk on the Group's financial situation cannot be assessed.

Technological developments and new markets

The markets for the Group's products, software and services are and will continue to be subject to rapid changes in technology, continual improvement of existing products and software, and the frequent introduction of new products, software and services. Developing and launching services requires major investments. 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 at the deadlines set by demand, as well as to distribute and market them.

The impact of this risk on the Group's financial situation cannot be assessed.

Risk related to acquisitions

The Group recently made several acquisitions: GMC Software AG in July 2012, Human Inference in December 2012, DMTI Spatial in October 2013 and ProShip and DCS in May 2014. These acquisitions, as with all acquisitions, bring out uncertainty as to the consolidation of the acquired teams, and on the capacity to develop appropriate products and generate synergies within Neopost's historical distribution network. These recent acquisitions have been included in the Communication & Shipping Solutions Dedicated Units reporting segment, which achieved organic growth excluding currency effects of 15.3% in 2013 and of 9.8% during the first half of 2014.

The impact of this risk on the Group's financial situation cannot be assessed.

Dependence on customers and suppliers

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

The Group's main supplier is Hewlett Packard (HP) for inkjet printing heads and cartridges. In 2009, Neopost renewed its agreement with HP concerning ink cartridges and printing heads for another seven years. This agreement was signed as a continuation of the agreement already in place for ten years. In 2013, HP accounted for 11.3% of total

Group purchases *versus* 12.0% in 2012. The top five suppliers and the top ten suppliers respectively account for 34.8% and 42.2% of total purchases in 2013 *versus* 35.4% and 45.0% in 2012.

A disruption in supply from these suppliers might significantly affect the Group's business, despite the clauses in the agreements protecting the Group against this risk. The Group has already put in place alternative solutions in case such an event might occur. The Group works with three OEM vendors (tier one suppliers), which assemble the entry-level and mid-range machines in Asia. Production is divided between these three tier one suppliers. In the event a given supplier should fail, the other two could take over the production of the failed supplier. Neopost also has a choice of strategic tier two suppliers, and for each of these, a replacement supplier has been selected. In addition, the Group is the owner of all moulds, specific tools and industrial design.

Risk of losing key personnel

To reduce the risk of losing key personnel, the Group has put in place retention incentives such as stock options and free shares. It has also implemented contingency plans for all major key positions at the level of the holding company, Neopost S.A., as well as at the level of each subsidiary. These plans are regularly updated and reviewed by the remuneration committee. The Board of Directors of Neopost S.A. decided at its meeting held on 16 January 2013 to set up a first deferred incentive plan called a phantom share plan based on the value of the Neopost S.A.'s ordinary shares, in which the managers of the company and its subsidiaries can recommend certain employees to participate. A second plan was set up on 15 January 2014. The purpose of these plans is to attract, reward and retain the most qualified people to hold positions of responsibility within Neopost S.A. and its affiliates according to definition of article L. 225-197-2 of the French Commercial Code.

The total number of phantom shares awarded under each of these plans cannot be higher than 105,000.

Risk linked to protection of intellectual property

The Group is the owner of its trademarks and has about 450 families of patents published. Neopost registered around fifteen patents in 2013. The geographical coverage of these patents is essentially European and American. Neopost is not dependent on any single patent which might bring the Group's level of business or profitability into question.

Forecasts

Neopost provides its shareholders with information on its 2014 forecasts. These forecasts were formulated based on the Group's 2014 budget and three-year plan. These forecasts were also formulated based on market conditions at the beginning of 2014, namely existing competitive dynamics between mailroom equipment suppliers and the economic conditions of the countries in which the Group operates. If market conditions or competitive dynamics happen to change significantly , the Group could not guarantee that it would achieve its forecasts.

RETIREMENT BENEFIT OBLIGATIONS

In the United Kingdom, the retirement pension plan was closed in 2006 and the accrued benefits were frozen. To eliminate its liability as assessed in accordance with the law, Neopost has made a schedule. The last payments were made in the second semester 2012 for 4.7 million British pound.

No other significant commitment has been identified to date.

INDUSTRIAL AND ENVIRONMENTAL RISKS

Given the nature of the Group's assembly and distribution businesses, the Group is not aware of any environmental risk that might have a material impact on its financial position, business or results. Please refer to the social and environmental information detailed in this same section 3 of the 2013 registration document.

Regarding industrial risks, the Group updates a Disaster Recovery Plan every year. This plan allows the Group to assert that these risks would not have a material impact on its financial position, business or results.

INFORMATION ON THE LEVEL OF TECHNOLOGICAL RISKS REPRESENTED BY THE COMPANY

The obligations regarding information under article L. 225-102-2 of the French Commercial Code (*Code de commerce*) are not applicable to Neopost, given its activities.

RISK RELATED TO SHARES

Neopost does not hold any stake in listed companies. The only shares owned are Neopost shares in relation to the liquidity contract or for future delivery to employees within the framework of long term incentive plans. As of 31 July 2014, the Group owned 139,533 shares. This risk is therefore not significant for Neopost.

TAXATION

With regard to their current activities, Neopost entities are regularly subject to tax audits.

Tax adjustments or uncertain tax positions not yet subject to tax adjustment are covered with appropriate provisions. The amounts of these provisions are regularly revised.

In 2012, Neopost received a notification of tax adjustments in the Netherlands related to financial years 2006, 2007, 2008. The Groups believes that it has serious arguments against the different points raised by the Dutch tax authorities. A Mutual Agreement Procedure was initiated between France and the Netherlands regarding these tax adjustments. The procedure is still under way and at this stage of the process, no provision has been booked.

The American holding company received a notification of tax adjustments in July 2014. Discussions are engaged with the Internal Revenue Service.

INSURANCE

All Group companies are covered by a worldwide insurance program which covers operating damage and loss, liability, and transport risks. All Group subsidiaries participate in guarantees set up and negotiated at the Group 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 claim. The cover negotiated by the Group is high and is aimed above all at insuring the largest risks which might have a material impact on the Group's financial position. Certain risks are no longer, or with great difficulty, 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 cover was renegotiated on 1 February 2013, without any increase in the premium rate and without changing any of the guarantee conditions within a long-term agreement of two years. This policy was renegotiated on 1 February 2014 with the same conditions up to 31 January 2016.

The insurance covering transport risks which includes a guarantee of €500,000 per claim and extension of coverage extended to the USA was renegotiated without any changes on 1 February 2013. On 1 February 2014, this policy was renewed with the same conditions.

The insurance policy covering "liability" was renewed on 1 February 2013 with the same conditions as before. On 1 February 2014, this policy has been renegotiated on a fixed premium basis, not linked with the sales level as before. This premium has been reduced by around 20% for a two-year period, as no claims had been filed.

Considering the development of Neopost in software activities, it has been decided since 1 February 2014 to cover the risk of possible claims from third parties against Neopost for infringement of copyright and of intellectual property. This insurance has been taken out worldwide and covers risks up to €30 million per claim (10 million in the United States). The policy is signed for a two-year period.

Total cost of insurance amounted to €0.7 million in 2013.

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

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

Outlook

In the light of the performance achieved in the first half of the year, Neopost confirms expecting organic sales growth of between +1% and +3% for 2014. To this end, the Group made the following assumptions regarding organic growth: sales more or less stable at Mail Solutions and double-digit growth at Communication & Shipping Solutions.

On the earnings front, the Group confirms expecting a current operating margin [1] before acquisition-related expenses of between 22.5% and 23.5%[2] of sales, despite the dilutive effects of recent acquisitions, DCS and ProShip.

(1) Excluding new acquisitions.
(2) Current operating margin before acquisition-related costs= Current operating income before acquisition-related costs as a percentage of sales.

2 Consolidated financial statements at 31 July 2014

Consolidated financial statements

CONSOLIDATED ASSETS

(In millions of euros)	Notes	31 July 2014	31 July 2013	31 January 2014
Goodwill	(4)	**1,005.9**	**971.1**	**977.3**
Intangible fixed assets				
Gross value		377.2	320.6	345.2
Depreciation		(184.9)	(148.9)	(167.4)
	(5)	**192.3**	**171.7**	**177.8**
Tangible fixed assets				
Gross value		543.1	506.2	525.4
Depreciation		(411.5)	(367.3)	(391.4)
	(6)	**131.6**	**138.9**	**134.0**
Other non-current financial assets				
Investments in associated companies		2.5	2.5	2.1
Other available for sale assets (net)		2.7	3.1	2.3
Non-current financial derivative instruments		1.6	8.9	9.5
Other non-current financial assets		34.2	28.6	32.2
	(7)	**41.0**	**43.1**	**46.1**
Net long-term lease receivables	(8)	**434.3**	**415.5**	**424.2**
Other net long-term receivables	(8)	**2.2**	**2.3**	**2.0**
Deferred tax assets	(13)	**7.0**	**11.1**	**9.9**
Total non-current assets		**1,814.3**	**1,753.7**	**1,771.3**
Net inventories	(9)	**77.4**	**68.3**	**69.1**
Net receivables				
Net accounts receivable	(8)	181.6	173.9	219.0
Net short-term lease receivables	(8)	253.3	238.8	250.6
Income tax receivables	(8)	29.7	40.2	40.2
Net other receivables	(8)	7.4	9.9	6.2
		472.0	**462.8**	**516.0**
Prepaid expenses		**47.1**	**44.5**	**36.1**
Current financial derivative instruments	(11)	**4.2**	**1.4**	**0.1**
Cash and cash equivalents				
Short-term and liquid investments		21.6	18.5	39.1
Cash		344.9	133.7	147.6
		366.5	**152.2**	**186.7**
Total current assets		**967.2**	**729.2**	**808.0**
TOTAL ASSETS		**2,781.5**	**2,482.9**	**2,579.3**

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

CONSOLIDATED LIABILITIES

(In millions of euros)	Notes	31 July 2014	31 July 2013	31 January 2014
Shareholders' equity				
Share capital		34.5	34.4	34.5
Additional paid-in capital		128.1	165.4	170.0
Reserves and retained earnings		608.3	537.0	472.2
Cumulative translation adjustments		(52.3)	(55.1)	(61.4)
Treasury shares		(7.7)	(11.3)	(9.7)
Net income		69.0	80.1	164.0
Total Shareholders' Equity		**779.9**	**750.5**	**769.6**
Attributable to:				
• holders of the parent company		779.3	750.5	769.6
• non-controlling interests		0.6	-	-
Long-term provisions	(10)	**18.2**	**20.0**	**19.7**
Debt	(11)	**958.9**	**874.5**	**907.9**
Non-current financial derivative instruments	(11)	**2.4**	**2.6**	**2.9**
Other non-current liabilities	(12)	**13.7**	**10.3**	**12.2**
Deferred tax liabilities	(13)	**137.0**	**136.2**	**142.1**
Total non-current liabilities		**1,130.2**	**1,043.6**	**1,084.8**
Accounts payable				
Trade payables		61.1	75.0	73.8
Other operating liabilities		267.7	297.5	292.5
Income taxes		35.4	33.3	47.8
Short-term provisions	(10)	9.0	17.7	13.4
Deferred income		176.9	179.6	210.6
		550.1	**603.1**	**638.1**
Current financial derivative instruments	(11)	**0.4**	**0.5**	**0.1**
Debt				
Short-term portion of long-term debt		317.3	73.8	82.3
Bank overdrafts		3.6	11.4	4.4
	(11)	**320.9**	**85.2**	**86.7**
Total current liabilities		**871.4**	**688.8**	**724.9**
TOTAL LIABILITIES		**2,781.5**	**2,482.9**	**2,579.3**

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

CONSOLIDATED INCOME STATEMENTS

(In millions of euros)	Notes	31 July 2014	31 July 2013	31 January 2014
Sales	**(14)**	**530.7**	**533.7**	**1,095.5**
Current operating expenses	**(16)**			
Cost of sales		(117.3)	(118.4)	(257.7)
Research & development expenses		(17.8)	(15.5)	(30.7)
Sales and marketing expenses		(138.4)	(135.0)	(272.6)
Administrative expenses		(85.0)	(86.3)	(164.8)
Service and other operating expenses		(49.3)	(48.2)	(97.8)
Employee profit-sharing, share-based payments	**(18)**	(4.2)	(4.5)	(9.4)
Expenses related to acquisitions	**(15)**	(5.6)	(3.7)	(8.4)
Total current operating expenses		**(417.6)**	**(411.6)**	**(841.4)**
Current operating income		**113.1**	**122.1**	**254.1**
Impairment of goodwill		-	-	-
Proceeds from assets sales		0,0	-	(0.0)
Structure optimization expense	**(10)**	-	(12.6)	(12.5)
Non-current gains related to acquisitions	**(15)**	-	12.8	15.0
Operating income		**113.1**	**122.3**	**256.6**
Interest expenses		(19.0)	(18.5)	(37.9)
Interest income		0.3	0.2	0.9
Net cost of debt		**(18.7)**	**(18.3)**	**(37.0)**
Losses on foreign exchange		(3.6)	(3.9)	(6.9)
Gains on foreign exchange		4.5	2.4	4.8
Net gains (losses) on foreign exchange	**(19)**	**0.9**	**(1.5)**	**(2.1)**
Other financial gains		0.2	0.7	1.6
Other financial losses		-	-	(0.0)
Share of results of associated companies		0.4	0.4	0.7
Income before tax		**95.9**	**103.6**	**219.8**
Income taxes	**(13)**	(26.9)	(23.5)	(55.8)
Net income before results of businesses divested		**69.0**	**80.1**	**164.0**
Profit after tax of businesses divested		-	-	-
NET INCOME		**69.0**	**80.1**	**164.0**
Attributable to:				
• holders of the parent company		69.0	80.1	164.0
• non-controlling interests		-	-	-
BASIC EARNINGS PER SHARE (in euros)	**(17)**	**2.01**	**2.34**	**4.78**
DILUTED EARNINGS PER SHARE (in euros)	**(17)**	**1.92**	**2.22**	**4.54**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of euros)	31 July 2014	31 July 2013	31 January 2014
Net income	**69.0**	**80.1**	**164.0**
Actuarial variances recognized in equity	2.9	(1.0)	(1.5)
Deferred taxes on actuarial variances recognized in equity *	(1.0)	0.3	(3.3)
Sub-total of items that could not be reclassified in net income	**1.9**	**(0.7)**	**(4.8)**
Change in fair value of hedging instruments	-	0.7	0.2
Deferred taxes on change in fair value of hedging instruments	-	(0.2)	-
Translation variance	9.1	(2.1)	(8.4)
Sub-total of items that could be reclassified in net income	**9.1**	**(1.6)**	**(8.2)**
TOTAL INCOME AND EXPENSE FOR THE YEAR	**80.0**	**77.8**	**151.0**
Attributable to:			
• holders of the parent company	80.0	77.8	151.0
• non-controlling interests	-	-	-

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

* Of which -€3.3 million related to a tax adjustment from 21% to 35% on the United Kingdom pension fund of £20.2 million at 31 January 2014.

CONSOLIDATED STATEMENTS OF CASH FLOW

(In millions of euros)	Notes	31 July 2014	31 July 2013	31 January 2014
Net income		69.0	80.1	164.0
Amortization (reversal) of tangible fixed assets	(6)	23.2	23.0	46.8
Amortization (reversal) of intangible fixed assets	(5)	16.7	14.2	30.2
Provisions (reversals) [a]	(10)	(4.2)	6.7	1.7
(Gain) losses in fair value of financial derivative instruments		(0.9)	1.5	2.1
Proceeds (expenses) from share-based payments	(18)	2.1	2.5	5.3
Net gains (losses) on disposals of fixed assets		0.0	-	0.0
Share of results of associated companies (net of dividends received)		(0.4)	(0.4)	(0.0)
Other, net [b]		(1.5)	(13.9)	(20.1)
Cash flow after net cost of debt and income taxes		**104.0**	**113.7**	**230.0**
Income taxes expense (including deferred taxes)	(13)	25.6	23.5	55.8
Net cost of debt		18.7	18.3	37.0
Cash flow before net cost of debt and income taxes		**148.3**	**155.5**	**322.8**
(Increase) decrease in inventories	(9)	(7.5)	(0.1)	1.3
(Increase) decrease in accounts receivable	(8)	37.1	29.2	(15.8)
Increase (decrease) in deferred income		(36.1)	(40.2)	(9.0)
Increase (decrease) in accounts payable		(13.3)	4.2	2.1
Increase (decrease) in other current assets and liabilities		(22.8)	(35.4)	(12.1)
(Increase) decrease in lease receivables	(8)	(6.5)	(4.6)	(33.0)
Cash flow from operating activities		**99.2**	**108.6**	**256.3**
Interest paid		(21.0)	(21.5)	(37.0)
Income taxes paid	(13)	(32.2)	(10.9)	(29.1)
Net cash flow from operating activities (A)		**46.0**	**76.2**	**190.2**
Investments in tangible fixed assets	(6)	(20.6)	(23.3)	(46.1)
Investments in intangible fixed assets	(5)	(24.8)	(26.2)	(48.5)
Financial investments		(51.5)	(39.9)	(40.3)
Sub-total investments		**(96.9)**	**(89.4)**	**(134.9)**
Disposals of fixed assets	(5) (6)	1.0	0.6	3.0
Repayment of loans and other long-term advances		0.1	1.2	1.6
Net cash flow from investing activities (B)		**(95.8)**	**(87.6)**	**(130.3)**
Parent company capital increase		0.6	0.4	5.1
Share buyback – liquidity contract		(2.0)	0.7	(8.7)
Dividends paid to shareholders		(61.9)	-	(71.9)
New medium and long-term borrowings	(11)	355.2	14.8	74.3
Repayment of long-term borrowings	(11)	(63.6)	(10.4)	(40.8)
Variation of other financial debts and accrued interests		-	-	-
Net cash flow from financing activities (C)		**228.3**	**5.5**	**(42.0)**
Cumulative translation adjustments on cash and cash equivalents (D)		2.1	(3.9)	13.8
Change in net cash (A)+(B)+(C)+(D)		**180.6**	**(9.8)**	**31.7**
Net cash – opening		**182.3**	**150.6**	**150.6**
Net cash – closing		**362.9**	**140.8**	**182.3**
Cash and cash equivalents		366.5	152.2	186.7
Bank overdrafts		(3.6)	(11.4)	(4.4)
NET CASH – CLOSING		**362.9**	**140.8**	**182.3**

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

(a) At 31 July 2014, the provision variation is mainly related to provision reversals for €6.5 million and to added charges on assets depreciation for €2.2 million. At 31 July 2013, the provision variations were mainly related to added charges on provision for €7.6 million and to provision reversal on assets depreciation for €0.9 million.

(b) Including a price revision of €0.6 million on the acquisitions of GMC Software AG, Neosys and Human Inference at 31 July 2014, €14.9 million at 31 January 2014 and €12.8 million at 31 July 2013.

CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Par value	Number of shares	Share capital *	Additional paid-in capital *	Reserved retained earnings and net income	Treasury shares	Cumulative translation adjustments	Total
Consolidated shareholders' equity at 31 January 2013	**1 EUR**	**34,440,318**	**34.4**	**165.0**	**607.8**	**(7.6)**	**(53.0)**	**746.6**
Attributable to:								
• holders of the parent company								746.6
• non-controlling interests								-
Net income		-	-	-	164.0	-	-	164.0
Items that could not be reclassified in net income		-	-	-	(4.8)	-	-	(4.8)
Items that could be reclassified in net income		-	-	-	0.2	-	(8.4)	(8.2)
Total comprehensive income in 2013		**-**	**-**	**-**	**159.4**	**-**	**(8.4)**	**151.0**
Capital increase: share options issued (107,685 shares)	1 EUR	107,685	0.1	5.0	-	-	-	5.1
Treasury shares – Liquidity contract [a]		-	-	-	1.1	1.1	-	2.2
Free shares attributed (107,069 shares)		-	-	-	(3.9)	(3.2)	-	(7.1)
2012 dividends		-	-	-	(71.9)	-	-	(71.9)
2013 interim dividends		-	-	-	(61.9)	-	-	(61.9)
Share-based payments		-	-	-	5.3	-	-	5.3
Other		-	-	-	0.3	-	-	0.3
Consolidated shareholders' equity at 31 January 2014	**1 EUR**	**34,548,003**	**34.5**	**170.0**	**636.2**	**(9.7)**	**(61.4)**	**769.6**
Attributable to:								
• holders of the parent company								769.6
• non-controlling interests								-
Movements first half of 2014								
Net income		-	-	-	69.0	-	-	69.0
Items that could not be reclassified in net income		-	-	-	1.9	-	-	1.9
Items that could be reclassified in net income		-	-	-	-	-	9.1	9.1
Total result first half of 2014		**-**	**-**	**-**	**70.9**	**-**	**9.1**	**80.0**
Capital increase: share options issued (11,050 shares)	1 EUR	11,050	0.0	0.6	-	-	-	0.6
Treasury shares – Liquidity contract [a]		-	-	-	(0.1)	(2.1)	-	(2.2)
Free shares attributed (76,430 actions)	1 EUR	-	-	-	(2.5)	4.1	-	1.6
2013 dividends [b]		-	-	(42.5)	(29.8)	-	-	(72.3)
Share-based payments		-	-	-	2.1	-	-	2.1
Other		-	-	-	0.5	-	-	0.5
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2014	**1 EUR**	**34,559,053**	**34.5**	**128.1**	**677.3**	**(7.7)**	**(52.3)**	**779.9**
Attributable to:								
• holders of the parent company								779.3
• non-controlling interests								0.6

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

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

(a) At 31 July 2014, the Group had 96,932 shares held for the liquidity contract and 42,601 shares held to fulfill the commitments on the stock option and free share attribution programs for employee and Group executives, compared to 55,514 and 118,361 shares respectively on 31 January 2014.
Under the liquidity contract shares cannot be sold freely by Neopost except if the contract is cancelled. This contract was signed, in accordance with the AFEI's code of ethic, with Exane BNP Paribas on 2 November 2005 for one year renewable by tacit agreement. The amount allocated to this contract was €8 million originally. The purpose is to reduce excessive volatility of the Neopost share and improve liquidity.

(b) Payment of balance of 2013 dividend amounting to €2.10 per share included €1.23 deducted from the additional paid-in capital.

(In millions of euros)	Par value	Number of shares	Share capital *	Additional paid-in capital *	Reserved retained earnings and net income	Treasury shares	Cumulative translation adjustments	Total
Consolidated shareholders' equity at 31 January 2013	**1 EUR**	**34,440,318**	**34.4**	**165.0**	**607.8**	**(7.6)**	**(53.0)**	**746.6**
Attributable to:								
• holders of the parent company								746.6
• non-controlling interests								-
Movements first half of 2013								
Net income		-	-	-	80.1	-	-	80.1
Items that could not be reclassified in net income		-	-	-	(0.7)	-	-	(0.7)
Items that could be reclassified in net income					0.5		(2.1)	(1.6)
Total result first half of 2013		**-**	**-**	**-**	**79.9**	**-**	**(2.1)**	**77.8**
Capital increase: share options issued (10,600 shares)	1 EUR	10,600	0.0	0.4	-	-	-	0.4
Treasury shares – Liquidity contract [a]		-	-	-	0.6	-	-	0.6
Free shares attributed (68,154 actions)	1 EUR	-	-	-	(1.8)	(3.7)	-	(5.5)
2012 Dividends [b]		-	-	-	(71.9)	-	-	(71.9)
Share-based payments		-	-	-	2.5	-	-	2.5
Consolidated shareholders' equity at 31 July 2013	**1 EUR**	**34,450,918**	**34.4**	**165.4**	**617.1**	**(11.3)**	**(55.1)**	**750.5**
Attributable to:								
• holders of the parent company								750.5
• non-controlling interests								-

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

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

(a) At 31 July 2013, the Group had 87,149 shares held for the liquidity contract and 131,216 shares held to fulfill the commitments on the stock option and free share attribution programs for employee and Group executives, compared to 106,121 and 76,430 shares respectively on 31 January 2013.

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

(b) Payment of balance of 2012 dividend amounting to €2.10 per share.

Notes to the consolidated financial statements

Financial statements for half-year ended 31 July 2014 and 2013 and fiscal year ended 31 January 2014.

(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, of which the largest was the purchase in 2002 of Ascom Hasler – the mailing systems division of Swiss company Ascom – which ranked third in the world in its market and the acquisition in 2008 of PFE International Ltd, a worldwide folder/inserter company. In 2012, Neopost acquired GMC Software AG, parent company of the group GMC Software Technology, leader in the field of Customer Communication Management and Human Inference, specialist in Master Data Management. In 2013, Neopost acquired DMTI Spatial, the leading Canadian provider of location-based data quality solutions.

Neopost supplies mail-handling solutions to its customers. The Group offers solutions covering franking, folding, insertion and addressing, documents and logistics management, data quality, as well as logistics traceability. Neopost offers a full range of services, including 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 indexes.

The consolidated half-year financial statements were approved by the Board of Directors on 29 September 2014.

Certain amounts at 31 July 2013 and 31 January 2014 have been reclassified to conform to this period presentation.

Note 2 Accounting policies

The interim consolidated accounts ended 31 July 2014 comply with the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The interim consolidated accounts at 31 July 2014 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2014 and published on the 29 April 2014.

Accounting standards used for the preparation of the interim consolidated financial statements are the same as those used for the preparation of the annual consolidated financial statements at 31 January 2014. Neopost group's consolidated financial statements comply with the international accounting standards issued by the IASB (standards IFRS: International Financial Reporting Standards) applicable to 31 July 2014 as approved by the European Union.

The IFRS are 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 new standards and interpretations, adopted by the European Union and subject to mandatory application for financial years starting after 1 February 2014, had no significant impact on the accounts as at 31 July 2014:

- amendment IAS 32: Disclosures – offsetting financial assets and liabilities;
- amendment IAS 36: Recoverable amount disclosures for non-financial assets;
- amendment IAS 39 and IFRS 9: Novation of derivatives and continuation of hedge accounting;
- IFRS 10: Consolidated financial statements;
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosure of interests in other companies.

The Group has not applied in advance the regulations that are compulsory for financial years starting after 1 February 2015:

- amendment IAS 19: Defined benefit plan – employee contributions;
- IFRIC 21: Levies.

The Group is currently assessing the effects of these new standards but does not expect any significant impact on its financial position.

Moreover, the Group does not apply the following texts which were not adopted by the European Union at 31 July 2014:

- IFRS 9: Financial instruments;
- amendment IFRS 11: Accounting for acquisitions of interests in joint operations;
- amendments IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization;
- IFRS 14: Regulatory deferral accounts;
- IFRS 15: Revenue from contracts with customers.

The tax expense on the result at the end of July 2014 is calculated by applying to the current profit before tax the tax rate estimated for the exercise for every fiscal territory.

Note 3 Scope of consolidation and accounting policies

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

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

Subsidiaries controlled directly by the parent company or through other subsidiaries are consolidated using the full consolidation method. Stakes in associated companies over which the investor has significant influence are consolidated using the equity method. Significant influence is assumed when the investor controls directly or through subsidiaries 20% or more of the voting power of the investee.

3-1: SCOPE OF CONSOLIDATION

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

Changes in the scope of consolidation for the first half-year 2014 are as follow:

- Neopost Ltd acquired the company DCS on 26 March 2014, fully consolidated;
- ProShip Inc, who was created by Mailroom Holding Inc on 29 April 2014 and who acquired SPSI's activities, is fully consolidated;
- the company Packcity SAS, created on 20 May 2014, 100% owned by Neopost S.A, is fully consolidated;
- the company Packcity France, created on 24 July 2014, 75% owned by Packcity SAS, is fully consolidated;
- the company Packcity Geopost, created on 30 July 2014, 66% owned by Packcity France, is fully consolidated.

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 half-year end exchange rate. Income and expenses are converted at the average exchange rate over the period.

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

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

	31 July 2014		31 July 2013		31 January 2014	
	Period end	Average	Period end	Average	Period end	Average
US dollar (USD)	1.3379	1.3692	1.3275	1.3099	1.3516	1.3307
Pound sterling (GBP)	0.7928	0.8158	0.8735	0.8560	0.8214	0.8487
Canadian dollar (CAD)	1.4610	1.4971	1.3669	1.3416	1.5131	1.3825
Swiss franc (CHF)	1.2169	1.2186	1.2317	1.2312	1.2220	1.2312
Japanese yen (JPY)	137.6600	139.7633	130.00	127.45	138.1300	131.5667
Norwegian krone (NOK)	8.4050	8.2748	7,8655	7.6053	8.5110	7.8885
Sweden krone (SEK)	9.2261	9.0207	8.7128	8.5357	8.8509	8.6678
Danish krone (DKK)	7.4564	7.4618	7.4545	7.4566	7.4619	7.4579
Australian dollar (AUD)	1.4396	1.4826	1.4725	1.3234	1.5516	1.3994
Singapore dollar (SGD)	1.6681	1.7197	1.6899	1.6376	1.7278	1.6702
Indian rupee (INR)	81.0170	82.7590	80.1880	73.3244	84.6880	78.9118
Brazilian real (BRL)	3.0156	3.1107	3.0330	2.7095	3.2829	2.9123
Chinese yuan (CNY)	8.2621	8.4779	8.1361	8.0883	8.1923	8.1627
Czech koruna (CZK)	27.5700	27.4391	25.8570	25.7609	27.5000	26.1474
Hungarian forint (HUF)	312.9600	308.2179	299.67	296.23	313.2600	297.6459
Polish zloty (PLN)	4.1691	4.1696	4.2370	4.2001	4.2488	4.2002
Indonesian rupiah (IDR)	15,490.5800	15,940.8966	13,621.57	12,847.41	16,464.5800	14,161.5520
Thai baht (THB)	42.9590	44.3900	41.5370	39.3341	44.5990	41.2315
Malaysian ringgit (MYR)	4.2769	4.4457	4.3153	4.0639	4.5245	4.2238

Note 4 Goodwill

Gross goodwill at 31 January 2014	**977.3**
Acquisitions	27.7
Other	(3.6)
Translation difference	4.5
GOODWILL GROSS VALUE AT 31 JULY 2014	**1,005.9**

At 31 July 2014, the goodwill variation is mainly explained on the one hand, by the goodwill of €8.2 million recorded with the acquisition of DCS in Great-Britain, €16.0 million with the acquisition of SPSI in the United States, €2.1 million with the acquisition of dealers in Germany, €2.1 million with the acquisition of dealers in Australia; and on the other hand, by the registration of the fair value of the assets and liabilities acquired with DMTI Spatial.

In 2013, SPSI and DCS have respectively generated sales of $10 million and £4 million.

All the acquisitions are fully paid for by the Group through its available financing lines.

Accounting entries for these acquisitions are provisional since the fair value of the assets, liabilities and any liabilities that may be identified in the business acquired was not finalized before the end of the period. It will be finalized within twelve months of the date on which control was acquired.

Acquisition fees regarding new acquisitions are booked in the current operating income and are presented on a separated line called “Expenses related to acquisitions”.

Goodwill is broken down as follow by cash-generating unit:

	31 July 2014	31 January 2014
Goodwill		
France	167.4	167.4
United States	296.2	294.5
United Kingdom	124.2	115.8
Germany	68.1	66.9
Netherlands & Belgium	28.3	28.3
Switzerland	24.7	24.6
Denmark	16.0	16.0
Sweden	15.0	15.5
Norway	7.5	7.7
Australia & Asia	36.4	32.0
Italy	6.6	6.6
Ireland	5.5	5.5
Canada	1.5	1.3
Finland	2.3	1.9
Neopost Integrated Operations	**799.7**	**784.0**
CSS Dedicated Units	**206.2**	**193.3**
TOTAL GOODWILL	**1,005.9**	**977.3**

The CSS Dedicated Units segment groups three cash-generating units: Neopost ID, Customer Communication Management and Data Quality. These three cash-generating units are tested separately for impairment.

A goodwill impairment test was performed at 31 January 2014 following the methodology described in notes 2-2 and 4-2 of the consolidated financial statements shown in the 2013 Registration Document.

Note 5 Intangible fixed assets

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Gross value at 31 January 2014	**30.7**	**94.4**	**128.9**	**33.5**	**57.7**	**345.2**
Acquisitions	0.1	2.7	-	5.6	0.8	9.2
Capitalization	-	-	15,6	-	-	15.6
Disposals	-	(0.0)	-	-	-	(0.0)
Other changes	-	3.9	4.1	(0.2)	(2.7)	5.1
Translation difference	0.0	0.4	0.3	0.2	1.2	2.1
Gross value at 31 July 2014	**30.8**	**101.4**	**148.9**	**39.1**	**57.0**	**377.2**
Cumulative amortization	(28.6)	(62.1)	(65.5)	(10.2)	(18.5)	(184.9)
NET BOOK VALUE AT 31 JULY 2014	**2.2**	**39.3**	**83.4**	**28.9**	**38.5**	**192.3**

Change in intangible fixed assets is mainly due to the capitalization of development costs and IT implementation projects.

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Amortization at 31 January 2014	**28.0**	**56.8**	**57.4**	**9.4**	**15.8**	**167.4**
Charges	0.6	4.9	8.0	0.8	2.4	16.7
Disposals	-	(0.1)	(0.0)	-	-	(0.1)
Other changes	-	0.2	0.1	(0.2)	-	0.1
Translation difference	0.0	0.3	0.0	0.2	0.3	0.8
AMORTIZATION AT 31 JULY 2014	**28.6**	**62.1**	**65.5**	**10.2**	**18.5**	**184.9**

At 31 July 2014, no indication of impairment was noted.

Note 6 Tangible fixed assets

	Land and buildings	Machinery and equipment	Rented equipment	IT Equipment	Demonstration equipment	Other	Total
Gross value at 31 January 2014	**33.9**	**75.4**	**347.4**	**32.4**	**8.0**	**28.3**	**525.4**
Acquisitions	0.1	0.5	15.9	1.7	1.2	1.2	20.6
Disposals	(0.1)	(3.7)	(3.0)	(0.1)	(0.7)	(0.0)	(7.6)
Other changes	0.2	0.9	0.1	0.3	(0.0)	(0.4)	1.1
Translation difference	0.2	0.6	2.2	0.3	0.1	0.2	3.6
Gross value at 31 July 2014	**34.3**	**73.7**	**362.6**	**34.6**	**8.6**	**29.3**	**543.1**
Cumulative amortization	(19.1)	(60.7)	(278.6)	(28.1)	(4.4)	(20.6)	(411.5)
NET BOOK VALUE AT 31 JULY 2014	**15.2**	**13.0**	**84.0**	**6.5**	**4.2**	**8.7**	**131.6**

	Land and buildings	Machinery and equipment	Rented equipment	IT Equipment	Demonstration equipment	Other	Total
Amortization at 31 January 2014	**18.3**	**59.9**	**262.6**	**26.1**	**5.1**	**19.4**	**391.4**
Charges	0.8	3.0	16.4	1.6	0.3	1.1	23.2
Disposals	(0.1)	(3.4)	(2.2)	(0.1)	(1.0)	(0.0)	(6.8)
Other changes	-	0.7	-	0.2	(0.0)	(0.1)	0.8
Translation difference	0.1	0.5	1.8	0.3	0.0	0.2	2.9
AMORTIZATION AT 31 JULY 2014	**19.1**	**60.7**	**278.6**	**28.1**	**4.4**	**20.6**	**411.5**

At 31 July 2014, no indication of impairment was noted.

Note 7 Other non-current financial assets

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

	31 July 2014	31 January 2014
Investments in associated companies	2.5	2.1
Other non-current financial assets	38.5	44.0
TOTAL	**41.0**	**46.1**

7-1: INVESTMENTS IN ASSOCIATED COMPANIES

	31 July 2014	31 January 2014
Docapost BPO IS	2.4	2.0
AMS Investissement	0.1	0.1
TOTAL	**2.5**	**2.1**

Docapost BPO IS, whose contribution to Group shareholders' equity amounted to €2.4 million at 31 July 2014, is consolidated using the equity method. The company's contribution to earnings in the period ended 31 July 2014 was €0.4 million.

AMS Investissement, whose contribution to Group shareholders' equity amounted to €0.1 million at 31 July 2014, is consolidated using the equity method since July 2011.

7-2: OTHER NON-CURRENT FINANCIAL ASSETS

	31 July 2014	31 January 2014
Deposits, loans and guarantees	5.7	7.6
Pension plan net asset	28.5	24.6
Available for sale financial assets (net)	2.7	2.3
Non-current financial derivative instruments	1.6	9.5
TOTAL	**38.5**	**44.0**

At 31 July 2014, the deposits, loans and guarantees contain in particular a deposit of €2.6 million related to the liquidity contract, compared to €4.6 million at 31 January 2014.

The Group has a net pension plan asset in the United Kingdom which shows a surplus of £22.6 million at 31 July 2014 versus £20.2 million at 31 January 2014. The variation of this pension plan is mainly related to the variation of the actuarial difference for an amount of £2.3 million.

This pension plan has not admitted any new member since 2001 and the rights of its members were frozen in June 2006. Every three years, the British regulator requires a valuation with different assumptions than those used for the valuation under IAS 19 revised. If the valuation asked by the British regulator shows a deficit, Neopost has to make payments to offset it. The next valuation will be done before the annual closing.

Non-current financial derivative instruments are mainly related to the fair value of the rate swap on the bond.

Note 8 Receivables

	31 July 2014	31 January 2014
Accounts receivable		
Gross value	199.9	234.4
Provision	(18.3)	(15.4)
Total	**181.6**	**219.0**
Lease receivables		
Short-term	256.8	254.8
Long-term	439.9	429.6
Gross value	**696.7**	**684.4**
Provision	(9.1)	(9.6)
Total	**687.6**	**674.8**
Net other receivables		
Other long-term receivables	2.2	2.0
Tax receivables	29.7	40.2
Other short-term receivables	7.4	6.2
Net other receivables	**39.3**	**48.4**
TOTAL	**908.5**	**942.2**

	31 July 2014	31 January 2014
Accounts receivable – Provision		
Provision at the beginning of the year	15.4	15.0
Charges	3.7	1.1
Used	(0.8)	(0.2)
Unused	(0.2)	(0.4)
Translation difference	0.2	(0.1)
TOTAL	**18.3**	**15.4**

FINANCING LEASES

	31 July 2014	31 January 2014
Non-current receivables		
Financing leases – gross receivables	528.2	518.0
Unearned financial income	(88.3)	(88.4)
Total	**439.9**	**429.6**
Current receivables		
Financing leases – gross receivables	316.9	313.9
Unearned financial income	(60.1)	(59.1)
Total	**256.8**	**254.8**
Gross receivables on financing leases		
Less than one year	316.9	313.9
1 to 5 years	522.6	512.8
More than 5 years	5.6	5.2
Total gross value	**845.1**	**831.9**
Unearned financial income on financing leases	**(148.4)**	**(147.5)**
Net investment in financing leases		
Less than one year	256.8	254.8
1 to 5 years	434.6	424.6
More than 5 years	5.3	5.0
TOTAL	**696.7**	**684.4**

The increase in lease receivables relates to the gradual extension of the leasing offer to the European subsidiaries, Australia, to the new subsidiaries created during the switch to a direct distribution mode and to the indirect distribution network in North America. The increase is also related to a better penetration of the market in the countries where these leasing offers were already marketed.

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

- unguaranteed residual values accruing to the benefit of the lessor;
- contingent rents recognized in the income for the period.

Note 9 Inventories and work in progress

	31 July 2014			31 January 2014		
	Gross value	Provision	Net	Gross value	Provision	Net
Work in progress	4.2	(0.5)	3.7	3.3	(0.5)	2.8
Raw materials	12.4	(1.8)	10.6	12.1	(1.8)	10.3
Finished goods	69.4	(9.7)	59.7	62.5	(9.4)	53.1
Spare parts	5.5	(2.1)	3.4	5.0	(2.1)	2.9
TOTAL	**91.5**	**(14.1)**	**77.4**	**82.9**	**(13.8)**	**69.1**

	31 July 2014	
	Gross Value	Provision
Opening	82.9	(13.8)
Net inventory entries	7.5	-
Charges	-	(0.8)
Used	-	0.7
Acquisitions	0.1	-
Translation difference	1.0	(0.1)
Other movements	-	(0.1)
TOTAL	**91.5**	**(14.1)**

Note 10 Provisions

	31 January 2014	Added	Used	Unused	Other	31 July 2014	Short-term portion	Long-term portion
Structure optimization July 2013	7.3	-	(2.4)	-	0.1	5.0	5.0	-
Structure optimization January 2013	0.2	-	(0.2)	-	0.0	-	-	-
Cost accounting	1.8	-	(1.8)	-	0.3	0.3	0.3	-
Retirement benefit obligations	16.9	0.3	(2.0)	-	0.1	15.3	-	15.3
Provisions for business risk	0.2	0.1	(0.0)	-	0.0	0.3	0.3	-
Customer guarantees	0.2	-	(0.0)	-	-	0.2	0.2	-
Long term incentive (phantom shares)	1.6	0.9	-	-	0.0	2.5	-	2.5
Other	4.9	1.3	(0.6)	(2.0)	0.0	3.6	3.2	0.4
TOTAL	**33.1**	**2.6**	**(7.0)**	**(2.0)**	**0.5**	**27.2**	**9.0**	**18.2**

10-1: STRUCTURE OPTIMIZATION

July 2013

The Group decided to implement a new optimization plan in order to continue to improve the efficiency of its operations. This concerns how its distribution and supply chain are organized. In terms of distribution, the plan aims to continue to adapt its network to marketing the Group's new products and services in North America and at certain European subsidiaries. In terms of the supply chain, increasing the use of remanufacturing – a process that consists of reusing as many parts and sub-modules as possible from machines at the end of their lease contract to create new equipment – will result in a new division of production between the Group's European plants and its sub-contractors in Asia. A provision of €12.7 million was booked in July 2013.

As at 31 July 2014, the balance of this provision is €5.0 million compared with €7.3 million at the end of January 2014.

10-2: RETIREMENT BENEFIT OBLIGATIONS

The main retirement obligation for the Group is the obligation for the United Kingdom. This pension fund shows a net asset of €28.5 million as at 31 July 2014 (£22.6 million) compared to €24.6 million at 31 January 2014 (£20.2 million). It is accounted for in non-current assets. When a pension plan shows a net asset based on the assumptions used, IAS 19 revised states that this net asset should only be recognized in the balance sheet if an economic benefit is possible for the company. Regarding the rules of the pension plan, Neopost has an unconditional repayment right of all the amounts left in the plan after the payment of the last pension to the last member of the pension plan. We consider this to be a sufficient justification to recognize the net asset of the pension fund in the consolidated balance sheet, in accordance with IAS 19 revised/IFRIC 14.

The United Kingdom pension plan has not admitted any new member since 2001 and the rights of its members were frozen in June 2006. Every three years, the British regulator requires a valuation with different assumptions than those used for the valuation under IAS 19 revised. If the valuation asked by the British regulator shows a deficit, Neopost has to make payments to offset it. The next valuation for the British regulator will be done before the annual closing.

The majority of pension obligations in the United Kingdom and in the United States are financially hedged.

The retirement benefits of French employees are not covered by investments in pension funds except at Neopost France and Mail Services, which have covered part of their retirement benefit obligations through investments in funds managed by insurance companies. The Chairman and Chief Executive Officer and other Group executives have a defined benefit pension scheme (article 39 of the French General Tax Code).

An expense of €1.4 million was recorded as at 31 January 2014 as defined contribution pension plan for all Group entities. The Group did not carry out a new valuation at 31 July 2014.

10-3: LONG TERM INCENTIVE (PHANTOM SHARES)

The Board of directors of Neopost S.A. decided to set up differed incentive plans called a phantom share plan based on the value of the ordinary shares of Neopost S.A. in which the managers of the company and its subsidiaries can recommend certain employees to participate. The purpose of these plans is to attract, reward and retain the most qualified people to hold positions of responsibility within Neopost S.A. and its affiliates according to definition of the article L. 225-197-2 of the French Commercial Code.

The Board of directors of Neopost S.A. decided at its meeting held on 16 January 2013 to set up a first differed incentive plan in which the total number of phantom shares awarded cannot be higher than 105,000. At 31 January 2013, 98,600 phantom shares were attributed in relation with this plan.

The Board of directors of Neopost S.A. decided at its meeting held on 15 January 2014 to set up a first differed incentive plan in which the total number of phantom shares awarded cannot be higher than 105,000. At 31 January 2014, 60,200 phantom shares were attributed in relation with this plan.

The liability is recognized when the phantom shares are attributed and the expense, spread out on the acquisition period (four years), represents the valuation of the number of phantom shares attributed with the last share price at the end of the financial year. At each closing date, the provision is revaluated based on the last share price and the headcount variation.

10-4: OTHER

At 31 July 2014, the amount of €3.6 million recorded under "Other" mainly includes provision for litigation as of €2.3 million compared to €4.9 million at 31 January 2014.

Note 11 Financial instruments and financial debts

Neopost's financing strategy is coordinated by the Group Chief Financial Officer. All Group exposure to interest rate and exchange rate risk is centralized within the Group cash management department.

Financial instruments mentioned in the Notes 11 and 19, especially those presented in Note 11-1 are level 2 financial instruments, for which fair value is based on observable data.

11-1: ANALYSIS OF BALANCE SHEET BY FINANCIAL INSTRUMENTS

	31 July 2014		Breakdown by instrument category				
	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/ Debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	41.0	41.0	-	2.7	36.7	-	1.6
Leasing receivables [a]	687.6	687.9	-	-	687.6	-	-
Other long-term receivables	2.2	2.2	-	-	2.2	-	-
Accounts receivable [b]	181.6	181.6	-	-	181.6	-	-
Other receivables [b]	7.4	7.4	-	-	7.4	-	-
Derivative financial instruments [c]	4.2	4.2	-	-	-	-	4.2
Cash and cash equivalents [d]	366.5	366.5	366.5	-	-	-	-
ASSETS	**1,290.5**	**1,290.8**	**366.5**	**2.7**	**915.5**	**-**	**5.8**
Financial debts and bank overdrafts [e]	1,279.8	1,285.3	277.8	-	-	1,002.0	-
Other long-term debts	13.7	13.7	-	-	13.7	-	-
Accounts payable [b]	61.1	61.1	-	-	61.1	-	-
Other operating liabilities [b]	267.7	267.7	-	-	267.7	-	-
Derivative financial instruments [c]	2.8	2.8	-	-	-	-	2.8
LIABILITIES	**1,625.1**	**1,630.6**	**277.8**	**-**	**342.5**	**1,002.0**	**2.8**

(a) Due to large number of deals handled by the Group leasing entities, the Group did not perform an individual valuation for each deal. The assumptions used are the following: average maturity of three years for the portfolio, a yield curve with a term at 31 July 2014 and a constant exchange rate. The valuation is performed excluding credit spread. The American and British portfolio "Postage Financing" is comprised of very short term maturity (less than a month) and renewable credits. The fair value considered is as mentioned in the balance sheet.

(b) Historical cost valuation.

(c) Valuation method described in note 2-15 of the 2013 Registration Document.

(d) Valuation based on realizable value.

(e) The fair value of the debt is the portion of the OCEANE that was swapped for €150 million and a part of the bond that was swapped for €125 million. The swap and the debt are accounted for at their fair value as mentioned in note 19.

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

- for all floating-rate debt described in note 11-2: the drawdown is performed on one-month, three-month, and six-month basis and with a variable rate (EURIBOR and USD LIBOR), there is no difference between the fair value and the value as appearing in the balance sheet which represents an amount of €322.6 million.
- concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 July 2014. The difference between the fair value and the value as appearing in the balance sheet is €4.5 million;
- concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Debts in foreign currencies were valued at constant exchange rate.

	31 January 2014		Breakdown by instrument category				
	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/ Debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	46.1	46.1	-	2.3	34.3	-	9.5
Leasing receivables [a]	674.8	678.5	-	-	674.8	-	-
Other long-term receivables	2.0	2.0	-	-	2.0	-	-
Accounts receivable [b]	219.0	219.0	-	-	219.0	-	-
Other receivables [b]	6.2	6.2	-	-	6.2	-	-
Derivative financial instruments [c]	0.1	0.1	-	-	-	-	0.1
Cash and cash equivalents [d]	186.7	186.7	186.7	-	-	-	-
Assets	**1,134.9**	**1,138.6**	**186.7**	**2.3**	**936.3**	**-**	**9.6**
Financial debts and bank overdrafts [e]	994.6	998.8	154.5	-	-	840.1	-
Other long-term debts	12.2	12.2	-	-	12.2	-	-
Accounts payable [b]	73.8	73.8	-	-	73.8	-	-
Other operating liabilities [b]	292.5	292.5	-	-	292.5	-	-
Derivative financial instruments [c]	3.0	3.0	-	-	-	-	3.0
Liabilities	**1,376.1**	**1,380.3**	**154.5**	**-**	**378.5**	**840.1**	**3.0**

(a) Due to the large number of deals handled by the Group leasing entities. The Group did not perform an individual valuation for each deal. The assumptions used are the following: average maturity of three years for the portfolio, a yield curve with a term at 31 January 2014 and a constant exchange rate. The valuation is performed excluding credit spread. The American and British portfolio "Postage Financing" is comprised of very short term maturity (less than a month) and renewable credits. The fair value considered is as mentioned in the balance sheet.

(b) Historical cost valuation.

(c) Valuation method described in note 2-15 of the 2013 Registration Document.

(d) Valuation based on realizable value.

(e) The fair value of the debt is the portion of the OCEANE that was swapped for €150 million. The swap and the debt are accounted for at their fair value as mentioned in note 19.

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

- for all floating-rate debt described in note 11-2: the drawdown is performed on one-month, three-month, and six-month basis and with a variable rate (EURIBOR and USD LIBOR), there is no difference between the fair value and the value as appearing in the balance sheet which represents an amount of €385.1 million.
- concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2014. The difference between the fair value and the value as appearing in the balance sheet is €4.2 million;
- concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Debts in foreign currencies were valued at constant exchange rates.

11-2: ANALYSIS BY TYPE OF DEBT

	Financial debts and bank overdrafts	Short-term part of long-term debt	Long-term debt	31 July 2014	31 January 2014
Convertible Bonds (OCEANE) [a]	-	306.5	-	306.5	312.6
Bonds issue – Neopost S.A. 3.50% [b]	-	3.4	150.0	153.4	150.8
Bonds issue – Neopost S.A. 2.50% [c]	-	0.9	349.2	350.1	-
US private placement [d]	-	0.6	168.2	168.8	167.0
AXA/CA CIB private placement [e]	-	0.4	100.0	100.4	100.4
France private placement [f]	-	0.6	50.0	50.6	50.6
German law private placement (*Schuldschein*) [g]	-	0.5	133.7	134.2	133.5
Revolving credit facility [h]	-	0.1	-	0.1	63.7
Other debts	3.6	4.3	7.8	15.7	16.0
TOTAL	**3.6**	**317.3**	**958.9**	**1,279.8**	**994.6**

(a) Neopost issued Bonds Convertible or Exchangeable for New or Existing Shares (OCEANE) on 21 October 2009 with a maturity of 1st February 2015, representing 3,622,750 convertible bonds, with a value of €82.81 each, quoted on Euronext Paris under the ISIN number FR0010814061, with a fixed rate of 3.75%. IFRS accounting entails an initial debt for €284.5 million and equity of €10.2 million before tax, representing a debt issued at 4.8822%. Debt has been swapped against variable rate for a notional amount of €150 million and the debt fair value adjustment represents an amount of €2.5 million. The fair value of the swap is recorded in current financial derivative instruments (assets) for an amount of €4.3 million. At 31 July 2014, the net impact in the financial income of this fair value hedge is €0.2 million same as 31 January 2014.

(b) Neopost issued a Bond for a nominal amount of €150 million on 6 December 2012 on Euronext Paris under ISIN number FR0011368521 after filing a prospectus with Autorité des Marchés Financiers (approval number 12–588 of 4 December 2012). This Bond is payable on 6 December 2019 and carries a fixed interest rate of 3.50%. This Bond has been places with a limited number of qualified investors.

(c) Neopost issued an inaugural €350 million public bond on 23 June 2014 quoted on Euronext Paris under ISIN number FR0011993120 after filing a prospectus with Autorité des Marchés Financiers (approval number 14-310 of 19 June 2014). This bond carries a fixed interest of 2.50% and is payable on 23 June 2021. IFRS accounting entails an initial debt for €348.1 million, representing a debt issued at 2.5830%. The Debt has been swapped against variable rate for a notional amount of €125 million and the debt fair value adjustment represents an amount of €1.1 million. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of €1.2 million. At 31 July 2014, the impact in the financial income of this fair value hedge is lower than €0.1 million.

(d) On 20 June 2012, Neopost concluded a private placement in the United States consisting of five tranches with different maturities between four and ten years for a total of US$175 million. The different tranches bear a fixed interest rate of between 3.17% and 4.50% depending on the maturity of the tranche. A complementary US$50 million tranche with a maturity of six years has been set up. The new issue was finalized in October 2013 at a variable rate of three-month LIBOR USD, with availability of funds deferred to 23 January 2014.

(e) On 24 September 2012, Neopost concluded a private placement with the AXA Group and Crédit Agricole CIB for €100 million repayable on 24 September 2017. This debt bears a variable interest rate, the benchmark of which is the three-month EURIBOR.

(f) On 31 July 2012, Neopost concluded a private placement with Société Générale for €50 million payable on 31 July 2017. Société Générale subsequently placed this amount with a group of qualified investors. This debt bears a variable interest rate, the benchmark of which is the six-month EURIBOR.

(g) In August and October 2012, Neopost concluded a private placement under German law (*Schuldschein*) with qualified investors for a total amount of €67 million and US$95 million for a period of four years. This debt bears a variable interest rate, the benchmark of which is the six-month EURIBOR and the three-month LIBOR USD. Neopost paid $5 million off in advance in April 2013.

(h) On 17 January 2013, Neopost arranged a revolving credit line for drawdown in euros and in US dollars for an initial amount equivalent to €500 million for a duration of five years. The interest rate is indexed to the EURIBOR or LIBOR USD over the relevant drawdown period plus a margin depending on the leverage ratio calculated on the Group's consolidated financial statements. At the end of July 2014, Neopost had not used the line. On 28 February 2014 Neopost signed an agreement in order to, in particular, postpone the redemption date of this revolving credit facility line to February 2019.

With the exception of the Bonds Convertible or Exchangeable for New or Existing Shares (OCEANE) and the bond issued on 23 June 2014, which are not subjected to any covenant, the other debts (Obligations, private placements and revolving credit facilities) are subject to covenants such as "net debt to EBITDA" ratio and "minimum shareholders' equity".

The covenant "net debt to EBITDA" ratio is calculated on the basis of the consolidated financial statements. EBITDA is the current operating income out of depreciation and amortization of intangible and tangible assets. The net debt to EBITDA ratio must be 3.25 or less.

The shareholders' equity of the Group must not be less than €525 million.

Failure to comply with these covenants may lead to early repayment of the debt.

Neopost complied with all covenants at 31 July 2014.

Note 12 Other non-current liabilities

Other non-current liabilities include long-term deferred income of €6.7 million and the long-term part of the earn-outs for an amount of €6.1 million related to the acquisitions of DMTI Spatial, SPSI and DCS.

Note 13 Tax position

The Group's French companies use the tax consolidation system. The same applies to Neopost S.A.'s subsidiaries in each of the countries in which they are registered.

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

	31 July 2014	31 July 2013	31 January 2014
Net income of consolidated companies before income tax	95.9	103.6	219.8
Tax rate for the consolidating company	38%	36.10%	38%
Theoretical income tax charge	36.5	37.4	83.5
Permanent differences	1.3	(4.5)	(9.3)
Income tax rate differences	(13.7)	(10.8)	(25.9)
Tax on dividends	0.9	2.2	4.0
Others	1.9	(0.8)	3.5
TOTAL INCOME TAX	**26.9**	**23.5**	**55.8**

	31 July 2014	31 July 2013	31 January 2014
Current income tax charge	30.6	18.3	45.9
Deferred income tax charge	(3.7)	5.2	9.9
TOTAL INCOME TAX	**26.9**	**23.5**	**55.8**

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

	31 January 2014	Reclassification	Changes recognized through equity	Changes recognized through P&L	Acquisitions	Foreign exchange differences	31 July 2014
Profit-sharing and other expenses with deferred deductibility	44.7	(0.6)	-	7.8	-	0.6	52.5
Tax loss carry-forward	10.5	(0.2)	-	1.8	-	0.0	12.1
Patents	3.3	-	-	-	-	-	3.3
Financial instruments	1.1	0.1	0.0	(0.1)	-	-	1.1
Other	6.7	0.9	-	(0.6)	-	0.1	7.1
Deferred tax assets before tax consolidation	**66.3**	**0.2**	**0.0**	**8.9**	**-**	**0.7**	**76.1**
Tax consolidation	(56.4)	(12.7)	-	-	-	-	(69.1)
DEFERRED TAX ASSETS	**9.9**	**(12.5)**	**0.0**	**8.9**	**-**	**0.7**	**7.0**

At 31 January 2014, the deferred tax assets recognition was reviewed. There were no non activated tax loss carry forward at 31 July 2014.

	31 January 2014	Reclassification	Changes recognized through equity	Changes recognized through P&L	Acquisitions	Foreign exchange difference	31 July 2014
Leasing activity & restatement of depreciation	153.4	-	-	2.4	-	1.3	157.1
Elimination of margins on inventories, rented and demo equipment	(7.2)	-	-	0.0	-	(0.0)	(7.2)
Research and development	18.6	-	-	2.2	-	0.0	20.8
Bond convertible into shares (OCEANE)	(0.7)	-	-	(0.5)	-	-	(1.2)
Treasury shares	2.5	(0.1)	(1.6)	0.1	-	-	0.9
Intangible assets after purchase price allocation	15.3	(0.9)	-	(1.0)	1.3	0.2	14.9
Other	16.6	1.0	0.9	2.0	-	0.3	20.8
Deferred tax liabilities before tax consolidation	**198.5**	**0.0**	**(0.7)**	**5.2**	**1.3**	**1.8**	**206.1**
Tax consolidation	(56.4)	(12.7)	-	-	-	-	(69.1)
DEFERRED TAX LIABILITIES	**142.1**	**(12.7)**	**(0.7)**	**5.2**	**1.3**	**1.8**	**137.0**

Note 14 Segment information

Neopost's activities are divided into two categories: revenues from mail-related activities (mailing systems, document systems – desktop, professional folder/inserters, other mailroom equipments – and related services) are consolidated within Mail Solutions while revenues from non-mail related activities (data quality, customer communication management, shipping solutions, print finishing and graphic solutions) are grouped together under Communication & Shipping Solutions (CSS). These two activities present different outlooks in terms of sales growth.

Revenues from the Mail Solutions category are generated by the Neopost network: Neopost Integrated Operations (Neopost operating companies engineering, producing and distributing Neopost products and services). Revenues for the Communication & Shipping Solutions (CSS) category come from sales generated either by the Neopost network from its existing client base, or directly by specialist subsidiaries, the CSS Dedicated Units (GMC Software Technology, Human Inference, Neopost ID, Satori Software and DMTI Spatial), from key account clients. These two segments generate different levels of operating margin.

Neopost's income breaks down by activities as follow:

		Neopost Integrated Operations		CSS Dedicated Units	Eliminations	31 July 2014
Mail Solutions		431.7		-		431.7
Communication & Shipping Solutions (CSS)		48.9		59.9	(9.8)	99.0
Total sales		**480.6**		**59.9**	**(9.8)**	**530.7**
Segment income	**23.5%**	**112.7**	**10.0%**	**6.0**	**-**	**118.7**
Structure optimization expenses						-
(Expenses) and gains related to acquisitions						(5.6)
Operating income						**113.1**
Financial result						(17.6)
Share of results of associated companies						0.4
Income taxes						(26.9)
NET INCOME						**69.0**

		Neopost Integrated Operations		CSS Dedicated Units	Eliminations	31 July 2013
Mail Solutions		446.6		-	-	446.6
Communication & Shipping Solutions (CSS)		45.3		50.1	(8.3)	87.1
Total sales		**491.9**		**50.1**	**(8.3)**	**533.7**
Segment income	**24.5%**	**120.3**	**11.0%**	**5.5**	**-**	**125.8**
Structure optimization expenses						(12.6)
(Expenses) and gains related to acquisitions						9.1
Operating income						**122.3**
Financial result						(19.1)
Share of results of associated companies						0.4
Income taxes						(23.5)
Net income						**80.1**

		Neopost Integrated Operations		CSS Dedicated Units	Eliminations	31 January 2014
Mail Solutions		909.4		-	-	909.4
Communication & Shipping Solutions (CSS)		94.4		109.9	(18.2)	186.1
Total sales		**1,003.8**		**109.9**	**(18.2)**	**1,095.5**
Segment income	**24.8%**	**249.1**	**12.2%**	**13.4**	**-**	**262.5**
Structure optimization expenses						(12.5)
(Expenses) and gains related to acquisitions						6.6
Operating income						**256.6**
Financial result						(37.5)
Share of results of associated companies						0.7
Income taxes						(55.8)
Net income						**164.0**

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 recognized during the semester but with no effect on Group cash (before depreciation and provisions) mainly relate to charges in respect of shared-based payments, in the amount of €3.0 million versus €3.3 million as at 31 July 2013.

The financial result is mainly due to the financial costs associated with each line of debt. Impact detail of hedge accounting is presented in Note 19 to the portion of derivative financial instruments related to foreign exchange and interest rates.

The balance sheet breaks down by activities as follow:

	Neopost Integrated Operations	CSS Dedicated Units	Other	31 July 2014
Segment assets	2,183.7	339.2	258.6	2,781.5
TOTAL ASSETS				**2,781.5**
Segment liabilities	656.5	74.6	1,270.5	2,001.6
Shareholders' equity				779.9
TOTAL LIABILITIES				**2,781.5**

	Neopost Integrated Operations	CSS Dedicated Units	Other	31 July 2013
Segment assets	2,133.6	308.1	41.2	2,482.9
Total assets				**2,482.9**
Segment liabilities	696.8	89.2	946.4	1,732.4
Shareholders' equity				750.5
Total liabilities				**2,482.9**

	Neopost Integrated Operations	CSS Dedicated Units	Other	31 January 2014
Segment assets	2,197.5	315.1	66.7	2,579.3
Total assets				**2,579.3**
Segment liabilities	725.6	97.9	986.2	1,809.7
Shareholders' equity				769.6
Total liabilities				**2,579.3**

The column "Other" is representing the net financial debt of Neopost S.A. and certain assets which cannot be allocated neither to Neopost Integrated Operations nor CSS Dedicated Units.

Other segment items break down by activities as follow:

	Neopost Integrated Operations	CSS Dedicated Units	31 July 2014
Investments of the period			
Tangible fixed assets	19.7	0.9	20.6
Intangible fixed assets	17.4	7.4	24.8
TOTAL INVESTMENTS	**37.1**	**8.3**	**45.4**
Amortization of the period			
Tangible fixed assets	22.6	0.6	23.2
Intangible fixed assets	12.2	4.5	16.7
TOTAL AMORTIZATION	**34.8**	**5.1**	**39.9**
LOSS OF VALUE	-	-	-

	Neopost Integrated Operations	CSS Dedicated Units	31 July 2013
Investments of the period			
Tangible fixed assets	22.8	0.5	23.3
Intangible fixed assets	21.9	4.3	26.2
Total investments	**44.7**	**4.8**	**49.5**
Amortization of the period			
Tangible fixed assets	22.7	0.3	23.0
Intangible fixed assets	10.5	3.7	14.2
Total amortization	**33.2**	**4.0**	**37.2**
Loss of value	-	-	-

	Neopost Integrated Operations	CSS Dedicated Units	31 January 2014
Investments of the period			
Tangible fixed assets	43.6	2.5	46.1
Intangible fixed assets	37.3	11.2	48.5
Total investments	**80.9**	**13.7**	**94.6**
Amortization of the period			
Tangible fixed assets	45.9	0.9	46.8
Intangible fixed assets	23.5	6.7	30.2
Total amortization	**69.4**	**7.6**	**77.0**
Loss of value	-	-	-

The breakdown of sales by business is as follows:

	31 July 2014	31 July 2013	31 January 2014
Mail Solutions	431.7	446.6	909.4
Communication & Shipping Solutions (CSS)	99.0	87.1	186.1
TOTAL	**530.7**	**533.7**	**1,095.5**

The breakdown of sales by type of revenues is as follows:

	31 July 2014	31 July 2013	31 January 2014
Equipment rental and leasing	135.5	142.3	279.8
Services and supplies	220.5	218.6	452.5
Equipment sales	174.7	172.8	363.2
TOTAL	**530.7**	**533.7**	**1,095.5**

This breakdown is only available for sales.

The exposure to customer counterparty risk (trade receivables, leasing receivables) is limited and is described in note 19-3.

Note 15 Expenses and gains related to acquisitions

Expenses and gains related to acquisitions are detailed as below:

	31 July 2014	31 July 2013	31 January 2014
Acquisition expenses (fees)	(1.8)	(0.2)	(1.4)
Amortization of intangible assets after Purchase Price Allocation	(3.8)	(3.5)	(7.0)
Expenses related to acquisitions	**(5.6)**	**(3.7)**	**(8.4)**
Price revision	-	12.8	15.0
Non-current gains related to acquisitions	**-**	**12.8**	**15.0**

Expenses related to the acquisitions are included in the current operating profit.

In 2013, Neopost renegotiated share purchase agreements, in particular the agreement for the acquisition of GMC Software AG. By freeing itself from the constraints relating to the initially planned earn-out payments, Neopost and GMC Software AG will be able to achieve commercial and technological synergies more quickly. This renegotiation was reflected in a non-taxable income of €12.8 million in 2013 financial statements.

Regarding Neosys, the criteria for the payment of the earn-out have not been met. The earn-out initially recorded has been reversed in 2013.

Note 16 Details of expenses by category

	31 July 2014	31 July 2013	31 January 2014
Cost of inventories recognized as expense	87.5	85.5	197.4
Wages, bonuses, commissions and payroll charges	214.2	210.4	426.7
Rents and associated costs	9.4	10.0	19.4
Fees	11.5	10.7	20.3
Travelling	22.6	21.1	41.8
Fixed assets depreciation/amortization and impairment	39.9	37.2	76.9
Expenses related to acquisitions	5.6	3.7	8.4
Other	26.9	33.0	50.5
Total expenses by category	**417.6**	**411.6**	**841.4**
Cost of sales	117.3	118.4	257.7
Operating expenses	300.3	293.2	583.7
TOTAL	**417.6**	**411.6**	**841.4**

Note 17 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 period.

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 period, plus the weighted average number of ordinary shares which would have been issued on conversion of all potential dilutive ordinary shares.

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

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

	31 July 2014	31 July 2013	31 January 2014
Net Income – Attributable to Holders of the parent company	**69.0**	**80.1**	**164.0**
Impact of dilutive instruments:			
Dilutive stock-options	-	-	-
Dilutive free shares	1.0	1.1	1.8
Conversion of bonds (OCEANE)	3.6	3.7	7.2
Diluted net income	**73.6**	**84.9**	**173.0**
Number of shares	34,420	34,233	34,374
Effect on a *prorata* time basis of dividend payments in shares, the exercise of stock options, share buyback for cancellation and liquidity contract	(5)	68	(105)
Weighted average number of outstanding shares in circulation (in thousands) *	**34,415**	**34,301**	**34,269**
Weighted average number of stock options	21	8	3
Weighted average number of outstanding free shares	239	255	218
Number of shares related to bonds (OCEANE)	3,623	3,623	3,623
Number of shares fully diluted (in thousands) *	**38,298**	**38,187**	**38,113**
BASIC EARNINGS PER SHARE (in euros)	**2.01**	**2.34**	**4.78**
DILUTED EARNINGS PER SHARE (in euros)	**1.92**	**2.22**	**4.54**

* Weighted average over the period.

There are no anti-dilutive instruments.

Note 18 Share-based payments

The sums paid out with respect in share-based payments are as follows:

	31 July 2014	31 July 2013	31 January 2014
Stock options valuation	0.3	0.5	0.8
Securities giving access to capital valuation	1.8	2.0	4.5

INFORMATION RELATING TO THE FOUR STOCK OPTION PLANS

Regarding warrant or purchase options plans, there was no allocation in the first half-year 2014.

Variations on the first half-year are as follow: 11,050 exercises of options and 25,640 cancellations.

INFORMATION RELATING TO THE TWO FREE SHARE PLANS

Regarding free share plans, 150,060 shares were attributed as at 24 March 2014.

In the first half year, the deliveries and cancellations are as follow:

Date of the plan	Deliveries	Included Chairman and Chief Executive Officer Mr. Denis Thiery	Cancellations
12/01/2012 – Performance	20,100	6,300	-
12/01/2011 – Performance	38,080	14,280	16,266
27/07/2010 – Performance	1,200	-	-
12/01/2012 – Presence	-	-	370
12/01/2011 – Presence	150	-	100
27/07/2010 – Presence	13,625	-	100
18/02/2009 – Presence	3,275	-	75
TOTAL	**76,430**	**20,580**	**16,911**

Note 19 Risk management and commitments given and received

19-1: MARKET RISKS

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

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

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

However, no guarantee can be given regarding the Group's ability to hedge effectively against market risks.

Exchange rate risks

NATURAL HEDGE

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

Based on the 2014 budget, the breakdown of sales and costs in USD is: sales 36.3%, cost of sales 43.7%, operating costs 30.9%, interest expenses 25.8%. A 5% change in the EUR/USD exchange rate from the budget rate of 1.36 would have the following impact on the Group's income statement: sales -€19.6 million, current operating income -€5.2 million and net income -€3.4 million.

Based on the 2014 budget, the breakdown of sales and costs in GBP is: sales 10.1%, cost of sales 10.7%, operating costs 8.1%. A 5% change in EUR/GBP exchange rate from the budget rate of 0.86 would have the following impact on the Group's income statement: sales -€5.4 million, current operating income -€1.8 million and net income -€1.3 million.

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

RISK MANAGEMENT POLICY

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

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

FIRST HALF-YEAR POSITION

The tables below represent Neopost's positions at 31 July 2014 as regards exchange rate hedging.

FINANCIAL YEAR 2014: ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST'S BALANCE SHEET AT 31 JULY 2014 AND EXPECTED TO BE REALISED NO LATER THAN OCTOBER 2014.

(Notional value)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	AUD
Financial assets	37.1	9.5	1.7	8.1	52.7	8.8	1.9	4.4	6.2
Financial liabilities	13.0	6.4	-	0.4	52.1	5.6	0.2	1.6	0.8
Net position before hedging	**24.1**	**3.1**	**1.7**	**7.7**	**0.6**	**3.2**	**1.7**	**2.8**	**5.4**
Hedging	(17.7)	(1.2)	(0.8)	(7.5)	-	(3.4)	-	-	(4.5)
NET POSITION AFTER HEDGING	**6.4**	**1.9**	**0.9**	**0.2**	**0.6**	**(0.2)**	**1.7**	**2.8**	**0.9**

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 USD 3.8 million sold, GBP 1.2 million sold, CAD 0.4 million sold, NOK 1.0 million sold and AUD 1.3 million 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: USD 3.8 million sold, GBP 0.8 million sold, CAD 0.4 million sold, NOK 1.0 million sold and AUD 1.3 million sold.

2014 BUDGET: HEDGING POSITION COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN SECND HALF-YEAR 2014 EXPECTED TO BE REALISED NO LATER THAN APRIL 2015.

(Notional value)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	AUD
Financial assets – forecast	78.7	14.7	5.7	16.1	116.2	33.4	8.0	23.8	12.6
Financial liabilities – forecast	59.0	15.0	-	0.2	175.1	(4.9)	1.9	0.4	(0.8)
Net position before hedging	**19.7**	**(0.3)**	**5.7**	**15.9**	**(58.9)**	**38.3**	**6.1**	**23.4**	**13.4**
Hedging	(14.6)	-	(2.3)	-	-	(24.6)	-	-	(3.7)
NET POSITION AFTER HEDGING	**5.1**	**(0.3)**	**3.4**	**15.9**	**(58.9)**	**13.7**	**6.1**	**23.4**	**9.7**

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 is USD 3.0 million sold, SEK 9.5 million sold and CAD 1.2 million 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: USD 3.0 million sold, SEK 9.5 million sold and CAD 1.2 million sold.

HEDGING INSTRUMENTS

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

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

INSTRUMENT DETAILS

The instruments in the portfolio have expiries of less than twelve months at 31 July 2014. These instruments are listed below by type and by currency for the period to which they relate.

2014: ASSETS AND LIABILITIES HEDGING

(Notional value - Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	10.2	3.8	7.5	-	-
GBP	0.8	-	1.2	2.0	-	-
CAD	0.5	0.5	0.4	0.8	-	-
NOK	-	5.5	1.0	2.0	-	-
JPY	-	-	-	-	-	-
SEK	1.6	5.0	-	-	-	-
CHF	-	-	-	-	-	-
AUD	-	2.0	1.3	2.5	-	-

2014 BUDGET: HEDGING OF ANTICIPATED POSITIONS FOR SECOND HALF-YEAR 2014

(Notional value - Total)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	8.6	3.0	6.0	-	-
GBP	1.2	1.2	-	-	-	-
CAD	-	-	1.2	2.3	-	-
NOK	-	-	-	-	-	-
SEK	-	5.6	9.5	19.0	-	-
CHF	-	3.7	-	-	-	-

At 31 July 2014, the operations shown in the above table are broken down as follows:

(Notional value - Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	8.6	3.0	3.0	-	-
GBP	1.2	1.2	-	-	-	-
CAD	-	-	1.2	1.2	-	-
NOK	-	-	-	-	-	-
SEK	-	5.6	9.5	9.5	-	-
CHF	-	3.7	-	-	-	-

(Notional value - Ineffective portion of hedge instruments)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	-	-	3.0	-	-
GBP	-	-	-	-	-	-
CAD	-	-	-	1.2	-	-
NOK	-	-	-	-	-	-
SEK	-	-	-	9.5	-	-
CHF	-	-	-	-	-	-

INSTRUMENT VALUATIONS

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 2 of the 2013 Reference Document. Since 1 February 2013 and according to IFRS 13 standards, Neopost set up a credit risk methodology valuation concerning the valuation of financial instruments. In light of the immaterial impact of credit risk, Neopost decided not to recognize them in the financial statements at 31 July 2014.

Hedging instruments relating to the first-half year 2014, i.e. hedging assets and liabilities on the balance sheet as at 31 July 2014, have been fully valued and recognized at their market value at 31 July 2014 in the financial income.

Hedging instruments relating to the second half-year 2014, i.e. hedging anticipated financial flows, have been fully valued and recognized at their market value at 31 July 2014. The time value of these hedging instruments has been recognized in the income statement, as has the change in intrinsic value of non-hedging transactions. Changes in the intrinsic value of hedging transactions have been recognized as a shareholders' equity adjustment.

	31 January 2014	Changes recognized in comprehensive income	Changes recognized in the Income statement	31 July 2014
Financial assets	**0.1**	**(0.1)**	**-**	**-**
• Cash flow hedge	0.1	(0.1)	-	-
• Ineffective hedge	-	-	-	-
Financial liabilities	**-**	**0.3**	**-**	**0.3**
• Cash flow hedge	-	0.3	-	0.3
• Ineffective hedge	-	-	-	-

EXCHANGE RATE DEAL COUNTERPARTY CREDIT RISK

Operations are carried out with first rank 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 balance sheet.

Interest rate risks

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 has a policy of centralizing 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 optimizing positions in later years.

HALF-YEAR END POSITION

The table below sets out Neopost's position by maturity at 31 July 2014, for the main currencies:

	EUR				USD			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial debts	**315.5**	**224.4**	**499.2**	**1,039.2**	**5.3**	**115.6**	**119.6**	**240.5**
Of which fixed-rate debts	150.0	-	275.0	425.0	-	50.0	125.0	175.0
CORRESPONDING HEDGE MATURITIES	**75.0**	**190.0**	**-**	**265.0**	**-**	**85.0**	**-**	**85.0**

HEDGING INSTRUMENTS

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

- firm derivatives: swaps and FRA (Forward Rate Agreements);
- plain vanilla options: caps and floors (used either alone or in combination);
- knock-in or knock-out barrier options: caps and floors (used either alone or in combination);
- swaptions (used either alone or in combination).

Management 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.

DERIVATIVE INSTRUMENT DETAILS

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

	Currency	Less than year	1 to 5 years	Maturity more than 5 years
Swap – buyer	EUR	150.0	-	125.0
	USD	-	40.0	-
Swap – receiver	EUR	-	75.0	-
	USD	-	45.0	-
Cap – buy	EUR	25.0	115.0	-
	USD	-	-	-
Knock-out cap – buy	EUR	50.0	-	-
Floor – sell	EUR	-	20.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap – buyer	EUR	150.0	-	125.0

DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
	USD	-	40.0	-
Swap – receiver	EUR	-	75.0	-
	USD	-	45.0	-
Cap – buy	EUR	-	80.0	-
Floor – sell	EUR	-	20.0	-

INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Cap – Buy	EUR	25.0	35.0	-
	USD	-	-	-
Knock-out cap-buy	EUR	50.0	-	-

INSTRUMENT VALUATIONS

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 2 of the 2013 Reference Document. All interest rate derivative instruments are valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39. Since 1 February 2013 and according to IFRS 13 standards, Neopost set up a credit risk methodology valuation concerning the valuation of financial instruments. In light of the immaterial impact of credit risk, Neopost decided not to recognize them in the financial statements at 31 July 2014.

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

	31 January 2014	Premium on new operations	Changes recognized as a balance sheet adjustment	Changes recognized in the Income statement	31 July 2014
Financial assets (derivatives)	**9.5**	**0.3**	**-**	**(3.9)**	**5.9**
Debt and Swap at Fair Value Hedge	9.1	-	-	(3.6)	5.5
Derivative instruments qualified as cash flow hedge	0.4	0.1	-	(0.2)	0.3
Derivative instruments not eligible	-	0.2	-	(0.1)	0.1
Financial liabilities (derivatives)	**2.9**	**-**	**(0.4)**	**-**	**2.5**
Derivative instruments qualified as cash flow hedge	2.8	-	(0.4)	-	2.4
Derivative instruments not eligible	0.1	-	-	-	0.1

As at 31 July 2014, the impact of the valuation of financial instruments according to IFRS 13 is nearly flat.

INTEREST RATE DEALCOUNTERPARTY RISK

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

19-2: LIQUIDITY RISK

The Group believes that its cash flow will easily enable it to service its debt, given the current level of that debt. With the exception of the Bonds Convertible or Exchangeable for New or Existing Shares (OCEANE), the Groups debt (obligations, private placements and revolving loan) is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 July 2014, the Group complied 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.

As at 31 July 2014, the Group has slightly more than €500 million of undrawn credit line.

19-3: CREDIT RISK

CUSTOMERS' CREDIT RISK EXPOSURE (RECEIVABLES, LEASE RECEIVABLES)

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

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

During the monthly Operating Reviews, led by the Group Finance Department, the accounts receivable of each subsidiary are analyzed.

19-4: SUPPLIER'S RISK EXPOSURE

The main supplier of the Group is Hewlett Packard for inkjet printing heads and cartridges. In 2009, Neopost renewed for seven years its agreement with HP concerning the ink cartridges and print heads. This agreement was signed as a continuation of that already in place for ten years. In 2013, HP accounted for 11.3% of total Group purchases versus 12% in 2012. The top five suppliers and the top ten suppliers respectively account for 34.8% and 42.2% in 2013 and 35.4% and 45.0% in 2012.

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.

19-5: BANKING COUNTERPART RISK EXPOSURE

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

19-6: TAXATION

In their current activity, Neopost entities are regularly subject to tax investigations.

Tax adjustments or uncertain tax positions not yet subject to tax adjustments, are covered with appropriate provisions. The amounts of these provisions are regularly revised.

The American holding received a tax adjustments notification in July 2014. Discussions have been initiated with the Internal Revenue Service (IRS).

For the financial year ended on 31 January 2013, Neopost received in the Netherlands a notification of tax adjustments related to fiscal year 2006, 2007 and 2008. The Group believes that it has serious arguments the different points noted by the Dutch tax authorities. A mutual agreement procedure was initiated between France and the Netherlands about these tax adjustments. At this stage of the process, no provision has been booked.

19-7: COMMITMENTS GIVEN

BANK GUARANTEES

Bank guarantees are detailed as below:

	Currency	31 July 2014	31 January 2014
Bank guarantee in favor of the British postal service	GBP	0.8	0.8
Bank guarantee in favor of the Irish postal service	EUR	1.7	1.7
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	GBP	0.1	0.1
X'Ange 2 – Share purchase commitment	EUR	2.3	3.0

RETIREMENT BENEFIT OBLIGATIONS IN THE UNITED KINGDOM

The Group operates a pension fund in the United Kingdom which has not admitted any new members and for which the rights of its members were frozen in June 2006. In accordance with the requirements of the British regulator, a valuation of the hedging requirements is made every three years, with the last one made on the data recorded on 30 June 2011. A schedule to make up the deficit was decided in accordance with the 2008 hedging requirements, as follows: £5.2 million in 2010 and £4.0 million in 2011. A new schedule has been defined in 2012: two payments were made during the second half of 2012 for an amount of £4.7 million.

No other significant commitment has been identified to date.

Note 20 Information on related parties

No significant changes occurred during the semester.

Neopost owns a 35% stake in Docapost and a 24% stake in AMS Investissement. The transactions with these companies, consolidated using the equity method, are not significant.

Neopost also holds 6.53% in X'Ange Capital and 7.39% in X'Ange 2, both non consolidated companies. The transactions with these companies are not significant.

Note 21 Equity management

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

Note 22 Post closing events

From the half-year closing as at 31 July 2014 until the approval of the consolidated financial statements by the Board of directors, there was no significant change in the Group's commercial or financial situation neither significant acquisition.

Statutory auditors' review report on the half-yearly financial information

Period from February 1 to July 31, 2014

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Neopost S.A. for the period from February 1 to July 31, 2014;
- the verification of the information contained in the half-yearly management report.

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

1. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

2. SPECIFIC VERIFICATION

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

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

Paris and Paris-La Défense, September 29, 2014

The statutory auditors
French original signed by

FINEXSI AUDIT	ERNST & YOUNG et Autres
Didier Bazin	Pierre Bourgeois

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 first half report is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import. I certify, to my knowledge, that the 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 its subsidiaries included in the consolidation. The management report on page 2 presents a fair view of the significant events that occurred in the first half of the year and their impact on the accounts, the main transactions between related parties as well as the main risks and uncertainties for the remaining 6 months of the year."

Monsieur Denis Thiery

Chairman

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