

FIRST-HALF REPORT
2012

neopost 

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1 Comments on Neopost's results and financial structure

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1 Comments on Neopost's results and financial structure

Sales reached €508.7 million during the first half of 2012, an increase of 5.2% compared to the first half of 2011. Sales were stable at constant exchange rates.

Current operating income reached €122.4 million in the first half of 2012 compared with €120.8 million in the first half of 2011, with current operating margin ⁽¹⁾ of 24.1% compared with 25.0% in the first half of 2011. Excluding expenses related to acquisitions, the current

operating margin would be of 24.7% of sales compared with 25.0% year-on-year.

The net income reached €80.0 million; an increase of 25.6% compared with the first half of 2011, due to the growth of the current operating income, the decrease of the cost of debt and the accounting of a provision for optimization in 2011. The net margin ⁽²⁾ represented 15.7% of sales compared to 13.2% in 2011.

HISTORICAL BREAKDOWN OF INCOME STATEMENTS

(In millions of euros)	H1 2012		H1 2011		FY 2011	
	(ended 31/07/2012)		(ended 31/07/2011)			
Sales	508.7	100.0%	483.6	100.0%	1,002.6	100.0%
Cost of sales	(109.3)	(21.5)%	(105.5)	(21.8)%	(222.3)	(22.2)%
Gross margin	399.4	78.5%	378.1	78.2%	780.3	77.8%
R&D expenses	(13.9)	(2.7)%	(15.2)	(3.1)%	(30.0)	(3.0)%
Selling expenses	(131.4)	(20.8)%	(119.5)	(24.7)%	(246.1)	(24.6)%
Administrative expenses	(81.0)	(15.9)%	(75.2)	(15.6)%	(151.8)	(15.1)%
Maintenance and other operating expenses	(42.8)	(8.4)%	(43.0)	(8.9)%	(86.4)	(8.6)%
Employee profit-sharing and share-based payments	(4.7)	(0.9)%	(4.4)	(0.9)%	(9.5)	(0.9)%
Current operating income excluding costs related to acquisitions	125.6	24.7%	120.8	25.0%	256.5	25.6%
Expenses related to acquisitions	(3.2)	(0.6)%	-	-	-	-
Current operating income	122.4	24.1%	120.8	25.0%	256.5	25.6%
Income from asset sales and other	-	-	-	-	-	-
Structure optimization expenses	-	-	(19.5)	(4.0)%	(19.5)	(1.9)%
Operating income	122.4	24.1%	101.3	21.0%	237.0	23.7%
Net financial income (expense)	(12.6)	(2.5)%	(14.7)	(3.0)%	(27.6)	(2.8)%
Income before tax	109.8	21.6%	86.6	18.0%	209.4	20.9%
Income taxes	(30.0)	(5.9)%	(23.4)	(4.9)%	(55.4)	(5.6)%
Income from associates	0.2	0.0%	0.5	0.1%	0.6	0.1%
NET INCOME	80.0	15.7%	63.7	13.2%	154.6	15.4%
Net income attributable to non-controlling interests	0.8		0.5		1.0	
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	79.2		63.2		153.6	

FIRST HALF 2012 SALES UP DUE TO POSITIVE CURRENCY EFFECTS

In the first half of 2012, sales rose by 5.2% year-on-year to €508.7 million and were stable at constant exchange rates.

Sales benefited from the acquisitions of GBC Australia (consolidated since June 2011) and GMC Software Technology (consolidated since July 2012). On the other hand, compared with last year, sales suffered from the lack of postal rate changes in several countries.

During the first semester, Neopost has seen a shortfall in equipment sales in both North America and France. In North America, to respond to the temporary decline in the number of leasing contracts coming to an end between two decertification echo phases, the Group redeployed its sales force at the start of the year. In France, the new organization set up after combining the distribution subsidiaries disrupted our sales operations slightly longer than expected. In both cases, the sales productivity is starting to pick up again. In other markets, Neopost's growth momentum remains firm.

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

(2) Net margin = net income/sales

Sales of mailing systems decreased by 2.8% at constant exchange rates in the first half of the year mainly because of lower revenues from postal rate changes and the end of the echo effect from the 2006 decertification programme in North America. Mailing systems accounted for 67.1% of the Group's total sales in the first half of 2012.

Sales of document and logistics systems saw further growth of 6.2% at constant exchange rates thanks to the competitiveness of the Group's products and services, to the positive impact of consolidating GBC Australia and GMC Software Technology, when 2011 benefited from the Chronopost contract.

Equipment sales declined by 3.5% at constant exchange rates in the first half of 2012. This decline was due solely to lower sales in North America and France. The other markets are still growing.

Recurring revenue increased by 1.6% at constant exchange rates, despite lower revenues in postal rate changes compared to 2011. Recurring revenues represent 69.9% of total sales in the first half of 2012.

SALES DECREASE IN NORTH AMERICA

Sales rose by 4.1% in the first half of 2012. At constant exchange rates, sales fell by 5.2%. This decline was mainly due to the end of the "echo effect" of the 2006 decertification programme. To offset the lower number of expiring mailing system leasing contracts, Neopost redeployed its sales force, with a particular focus on cross selling notably on document systems. This redeployment is starting to pay off. In addition, the number of contracts to be renewed will rise again due to the echo effect following the 2008 decertification programme. The Group therefore expects an improvement of the situation in the second half, despite cautious stances on the part of customers in the high-end folder/inserters business.

SALES DECLINE IN FRANCE

First half of 2012 sales declined by 9.3% year-on-year. This was due to a high base for comparison, since Neopost benefited in 2011 from a postal rate change in July along with a significant contract win from Chronopost. The fall was also due to the introduction of the new commercial organization following the merger of the Neopost France and Satas distribution subsidiaries. The resulting disruption was greater and lasted longer than initially expected. However, the situation is gradually improving and the Group expects more solid business levels in the second half.

SALES GROWTH IN THE UNITED KINGDOM

Although the economic environment remains tough in the UK, sales continued to grow, rising by 8.9% or 2.1% at constant exchange rates in the first half of 2012.

SALES GROWTH IN GERMANY

In a market driven by major contract wins, Neopost sales continued to grow in the first half of 2012, coming in up 4.3%.

STRONG SALES GROWTH IN THE REST OF WORLD

First half sales rose by 31.9% or 27.7% at constant exchange rates. This strong growth resulted from the successful integration of distribution company GBC Australia and the first month of consolidation for GMC Software Technology, as well as good performances in Benelux, Italy and Ireland.

CURRENT OPERATING INCOME

Current operating income reached €122.4 million in the first half of 2012 compared with €120.8 million in the first half of 2011.

The current operating margin ⁽¹⁾ stands at 24.1% compared with 25.0% in the first half of 2011. Excluding expenses related to acquisitions, the current operating margin reaches 24.7% of sales compared with 25.0% year-on-year.

This performance – in line with the Group's plan for 2012 – is mainly due to investments relating to the adoption of the distribution channel for the entry-level segment, as well as the dilutive impact of the consolidation of GBC Australia and GMC Software Technology on operating margin.

OPTIMIZATION PLAN

In July 2011, the Group announced an optimization plan in the US and in Europe in order to continue to streamline its organizational structure and create new momentum.

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

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

1 Comments on Neopost's results and financial structure

In France, Neopost combined its two distribution subsidiaries: Neopost France and Satas in order to use a single brand name and optimize coverage of the French market, while also creating new sales and marketing momentum.

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

The Group has also begun to implement a new organizational structure to cover the entry-level segment in its five main markets. In some countries, this results in restructuring costs.

The Group confirms that the provisions of €19.5 million recorded at 31 July 2011 are sufficient. At 31 January 2012, the balance of the provision for the structure optimization amounted to €15.0 million. At 31 July 2012, the provision amounted €8.3 million.

DECREASE OF COST OF DEBTS

Net cost of debt declined following the decrease of the average net debt over the semester. Net cost of debt reached €13.7 million compared with €15.3 million in the first half of 2011.

STABLE INCOME TAX RATE

The average tax rate is relatively stable, at 27.3% in the first half of 2012 compared with 27.0% in the first half of 2011.

GROWTH OF NET INCOME

Net income for the first half of 2012 increased to €80.0 million compared with €63.7 million in the first half of 2011, or €76.4 million excluding expenses for structure optimization, i.e. an increase of 4.7%. Net margin stands at 15.7% of sales.

The net income attributable to owners of the parent company amounts to €79.2 million.

REFINANCING

The refinancing of the private placement with Crédit Agricole (€133m) which matures in December 2012 and the multi-currency revolving syndicated credit facility (€675m) maturing in June 2013 is well under way. In June, the Group raised \$175 million from a private placement in the United States with different insurance companies. The issue consists of a number of tranches with maturities of between 4 and 10 years. They are subject to fixed annual interest rates of between 3.17% and 4.50% depending on the maturity. The conditions obtained for this private placement are excellent and confirm the quality of the credit rating of Neopost, investment grade equivalent.

Cash flow and financial structure

During H1 2012, the Group continued the development of its leasing activity and acquired GMC Software Technology.

Key features of the first half of 2012 were the following:

- cash flow before net cost of debt and taxes stable to €155.3 million versus €154.8 million during the first half of 2011;
- a -€54.1 million variation of the working capital requirement, excluding leasing receivables, explained by the seasonal evolution of both accounts receivable and prepaid income;
- investments which amounted to €124.4 million during the first half of 2012, of which, €85.2 million were for payments related to acquisitions, essentially GMC, and €10.7 million for the capitalization of R&D expenses. The remainder was mainly for the replacement of the installed base of franking machines and the acquisition of software.

The net debt increased to €765.3 million at the 31st of July 2012 versus €707.2 million at the same period last year. This increase is essentially related to the acquisition of GMC. The Group reminds that the entire debt is used to finance equipment placed with its client and is more than covered by future cash flows from leasing and rental activities.

At 31 July 2012, shareholders' equity increased significantly to €748.2 million compared with €627.6 million a year earlier, thanks to the growth of the net income and the creation of new shares relating to partial payment of the dividend in shares.

Gearing therefore improved to 102% compared with 112% a year ago. The ratio of net debt to EBITDA increased slightly to 2.4 compared with 2.2. The Group meets its banking covenants.

At 31 July 2012, the Group had undrawn credit lines of above €500 million.

Ownership structure

At 31 July 2012, Neopost S.A.'s share ownership was as follows:

	Number	
Management and employees	578,334	1.68%
Directors (non-executive)	174,331	0.51%
Shares held under liquidity contract	91,237	0.26%
Treasury stock held for stock option and free share allocations	0	0.00%
First Eagle Asset Management ^(a)	3,462,727	10.06%
MFS Investment Management ^(a)	2,163,079	6.28%
Marathon Asset Management ^(a)	1,920,278	5.58%
Mondrian Investments Partners Limited ^(a)	1,688,847	4.91%
Alken Asset Management LLP ^(a)	1,369,727	3.98%
Jupiter Asset Management ^(a)	1,328,779	3.86%
Columbia, Wanger Asset Management ^(a)	1,322,905	3.84%
Franklin Equity Group ^(a)	1,206,412	3.50%
Capital Research Global investors ^(a)	1,045,350	3.04%
BlackRock Institutional Trust Company N.A. ^(a)	1,021,370	2.97%
Other shareholders	17,053,012	49.53%
TOTAL	34,426,388	100.00%

^(a) Source Thomson Reuters as at 31 July 2012.

Neopost was communicated the following thresholds for the first-half of 2012.

Date	Name of the Investment Funds	Threshold cross
8 February 2012	Credit Suisse Group AG	Crossing upwards the 5% with 5.36% of voting rights
10 February 2012	Credit Suisse Group AG	Crossing downwards the 5% with 4.82% of voting right
17 February 2012	Jupiter Asset Management Ltd	Crossing downwards the 5% with 4.77% of voting right
20 February 2012	First Eagle Investment Management LLC	Crossing downwards the 10% with 9.99% of voting right
5 March 2012	First Eagle Investment Management LLC	Crossing upwards the 10% with 10.003% of voting rights
21 March 2012	First Eagle Investment Management LLC	Crossing downwards the 10% with 9.99% of voting right
3 April 2012	First Eagle Investment Management LLC	Crossing upwards the 10% with 10.001% of voting rights
7 June 2012	BlackRock Inc.	Crossing downwards the 5% with 4.01% of voting right
18 July 2012	Massachusetts Financial Services Company	Crossing upwards the 5% with 5.15% of voting rights
14 August 2012	Massachusetts Financial Services Company	Crossing upwards the 5% with 6.47% 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 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 this company 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. At 31 July 2012, the covenants i.e. shareholders' equity equivalent or above €525 million and leverage ratio equivalent or below 3.25 are met.

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

Exchange rate risk

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

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

Based on the 2012 budget, the breakdown of sales and costs in USD is: sales 37% cost of sales 44%, operating costs 33% and interest expenses 28%. A 5% change in the EUR/USD exchange rate from the

budget rate of 1.34 would have the following impact on the Group's income statement: sales -€18.8 million, current operating income -€5.3 million and net income -€3.5 million.

Based on the 2012 budget, the breakdown of sales and costs in GBP is: sales 11% cost of sales 17%, operating costs 8%. A 5% change 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 -€5.8 million, current operating income -€1.7 million and net income -€1.2 million.

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

Interest rate risk

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

RISKS RELATED TO THE GROUP'S OPERATIONS

Postal authorities regulations

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

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

Competition

Neopost has two main competitors, Pitney Bowes, which is the world leader, and Francotyp Postalia which is world number three.

Pitney Bowes is listed on the New York Stock Exchange. It achieved sales of 5.3 billion US dollars in 2011 and an operating margin of 20.6%. Its main market is North America. The division of Pitney Bowes which is comparable to Neopost business is called SMB solutions.

Francotyp Postalia is listed on the Frankfurt Stock Exchange. It achieved sales of €159 million and an operating loss of €1.6 million in 2011. 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 that new competitors may break into the market for the supply of either products or services. Competitors to the Group may also have greater financial resources than Neopost, which might affect the Group's competitiveness. The Group cannot guarantee that it will be able to maintain or increase its market share in the markets in which it already operates, or penetrate new markets.

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

Technological developments and new markets

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

Dependence on customers and suppliers

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

The 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 the print heads. This agreement was signed as a continuation of that already in place for 10 years. In 2011, HP accounted for 12.8% of total Group purchases versus 11.5% in 2010. The top five suppliers and the top ten suppliers respectively account for 30.7% and 36.3% of total purchase in 2011 and 26.6% and 31.2% in 2010.

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. The Group works with three OEM vendors (tier one suppliers), who assemble the entry-level and mid-range machines in Asia. Production is divided between these three tier one suppliers. In the event of failure of a supplier, 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 functions 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 appointments committee.

Forecasts

Neopost provides to its shareholders with information on its 2012 forecasts. These forecasts have been formulated based on the Group 2012 budget and the 3-year plan. These forecasts have also been formulated based on market conditions as at beginning 2011, namely existing competitive dynamics between mailroom equipment suppliers and the economic conditions of the countries in which the Group operates. If market conditions happen to change in a significant way, the Group could not guarantee to reach its guidances.

RETIREMENT BENEFIT OBLIGATIONS

The Group operates a pension fund in the UK which will not admit any new members and for which the rights of its members were frozen in June 2006. In accordance with the requirements of the UK regulator, a valuation of the hedging requirements is made every 3 years, with the last one made on the data recorded on 30 June 2010. A schedule to make up the deficit was decided in accordance with the 2008 hedging requirements, as follows: £5.2 million in 2010 and £4.6 million in 2011. A new schedule will be defined in September 2012.

No other significant commitment has been identified to date.

INDUSTRIAL AND ENVIRONMENTAL RISKS

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

TECHNOLOGICAL RISKS

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

RISK RELATED TO SHARES

This risk is not significant for Neopost.

INSURANCE

All Group companies are covered by a worldwide insurance programme which covers "operating damage and loss, liability, and transport" risks. All Group subsidiaries participate in guarantees set up and negotiated at the 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 programme was renegotiated on 1 February 2011, decreasing the premium rate by 20% without changing any of the guarantee conditions within a longterm agreement of two years.

The insurance programme which covers "transport risks" was also renegotiated on 1 February 2011, facilitating a stable premium rate and retaining the pricing conditions while maintaining the amounts covered at €500,000 per claim. The coverage is extended to the USA. On 1 February 2012, this contract was again renegotiated with the same agreements.

The insurance programme which covers "liability" was renewed on 1 February 2010 for a two-year period, maintaining cover at €30 million per claim and securing a 12% reduction in the premium for 2010 and an additional 8% decrease in 2011. On 1 February 2012, this contract was renegotiated for a period of two years with the same agreements.

The total cost of insurance amounted to €0.7 million in 2011.

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

The economic climate was difficult and uncertain in the first half of 2012. In the second quarter, equipment sales in the United States and France were lower than the Group expected. However, Neopost foresees a gradual improvement in both of these countries in the second half.

As a result, the Group targets an increase of its full-year 2012 sales between 2 to 4% at constant exchange rates. This target is based on the following assumptions:

- €22 million of additional sales from the acquisition of GMC Software Technology;

- sales growth of 0-2% at constant exchange rates excluding GMC Software Technology ⁽¹⁾;

- The Group counts on positive currency effects for a total impact expected around 5% over the full year.

Neopost confirms that it expects current operating margin excluding acquisition related costs of around 25.2% including the consolidation of GMC.

(1) Versus the previous forecast of at least 2%.

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2 Consolidated financial statements at 31 July 2012

Consolidated financial statements

Consolidated financial statements

CONSOLIDATED ASSETS

(In millions of euros)	Notes	31 July 2012	31 July 2011	31 January 2012
Goodwill	(4)	942.5	792.4	803.8
Intangible fixed assets				
Gross value		230.9	176.1	201.5
Depreciation		(124.3)	(100.3)	(109.8)
	(5)	106.6	75.8	91.7
Tangible fixed assets				
Gross value		501.0	437.6	467.6
Depreciation		(356.5)	(302.7)	(328.0)
	(6)	144.5	134.9	139.6
Other non-current financial assets				
Investments in associated companies		1.8	2.2	2.3
Other available for sale assets		4.7	4.2	4.5
Non-current financial derivative instruments	(19)	9.3	4.6	8.5
Other non-current financial assets		17.7	24.8	23.9
Impairment of available for sale financial assets		(1.9)	(1.0)	(1.9)
	(7)	31.6	34.8	37.3
Net long-term lease receivables	(8)	429.5	374.8	404.1
Other net long-term receivables	(8)	12.3	10.9	11.5
Deferred tax assets	(13)	9.0	15.1	12.6
Total non-current assets		1,676.0	1,438.7	1,500.6
Net inventories	(9)	76.8	69.4	67.5
Net receivables				
Net accounts receivable		184.9	169.7	195.0
Net short-term lease receivables		226.2	195.0	212.8
Income tax receivables		37.2	43.8	37.8
Net other receivables		10.4	19.3	14.6
	(8)	458.7	427.8	460.2
Prepaid expenses		53.5	32.0	42.7
Current financial derivative instruments	(19)	-	0.1	0.1
Cash & cash equivalents				
Short-term and liquid investments		0.5	0.1	27.8
Cash		133.5	160.8	144.0
		134.0	160.9	171.8
Total current assets		723.0	690.2	742.3
TOTAL ASSETS		2,399.0	2,128.9	2,242.9

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

CONSOLIDATED LIABILITIES

(In millions of euros)	Notes	31 July 2012	31 July 2011	31 January 2012
Shareholders' equity				
Share capital		34.4	32.9	33.5
Additional paid-in capital		164.5	111.3	132.3
Reserves and retained earnings		495.9	494.6	422.3
Cumulative translation adjustments		(22.8)	(54.2)	(38.1)
Treasury shares		(3.8)	(20.7)	(7.8)
Net income		80.0	63.7	154.6
Total Shareholders' Equity		748.2	627.6	696.8
Attributable to:				
• holders of the parent company		748.2	627.6	696.8
• non-controlling interests		-	-	-
Long-term provisions	(10)	14.5	10.1	12.9
Debt	(11)	451.4	433.8	306.3
Non-current financial derivative instruments	(19)	6.0	5.3	7.4
Other non-current liabilities	(12)	38.6	12.3	12.6
Deferred tax liabilities	(13)	116.0	79.4	100.7
Total non-current liabilities		626.5	540.9	439.9
Accounts payable				
Trade payables		70.9	60.9	75.8
Other operating liabilities		274.0	240.9	218.6
Income taxes		32.4	34.6	43.6
Short-term provisions	(10)	13.5	26.3	21.0
Deferred income		182.2	159.6	204.8
		573.0	522.3	563.8
Current financial derivative instruments	(19)	3.4	3.8	3.3
Debt				
Short-term portion of long-term debt		437.2	426.1	532.3
Bank overdrafts		10.7	8.2	6.8
	(11)	447.9	434.3	539.1
Total current liabilities		1,024.3	960.4	1,106.2
TOTAL LIABILITIES		2,399.0	2,128.9	2,242.9

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

2 Consolidated financial statements at 31 July 2012

Consolidated financial statements

CONSOLIDATED INCOME STATEMENTS

(In millions of euros)	Notes	31 July 2012	31 July 2011	31 January 2012
Sales	[14]	508.7	483.6	1,002.6
Current operating expenses				
Cost of sales		(109.3)	(105.5)	(222.3)
R&D expenses		(13.9)	(15.2)	(30.0)
Sales and marketing expenses		(131.4)	(119.5)	(246.1)
Administrative expenses		(81.0)	(75.2)	(151.8)
Service and other operating expenses		(42.8)	(43.0)	(86.4)
Employee profit-sharing, share-based payments		(4.7)	(4.4)	(9.5)
Expenses related to acquisitions	[16]	(3.2)	-	-
Total current operating expenses		(386.3)	(362.8)	(746.1)
Current operating income		122.4	120.8	256.5
Impairment of goodwill		-	-	-
Structure optimization expense	[10]	-	(19.5)	(19.5)
Proceeds from assets sales		-	-	-
Operating income		122.4	101.3	237.0
Interest expenses		(14.0)	(15.7)	(32.2)
Interest income		0.3	0.4	1.8
Net cost of debt		(13.7)	(15.3)	(30.4)
Losses on foreign exchange		(4.4)	(2.1)	(1.7)
Gains on foreign exchange		5.5	2.5	4.6
Net gains (losses) on foreign exchange		1.1	0.4	2.9
Other financial gains		-	0.2	0.1
Other financial losses		-	-	(0.2)
Share of results of associated companies		0.2	0.5	0.6
Income before tax		110.0	87.1	210.0
Income taxes	[13]	(30.0)	(23.4)	(55.4)
Net income before results of businesses divested		80.0	63.7	154.6
Profit after tax of businesses divested		-	-	-
NET INCOME		80.0	63.7	154.6
Attributable to:				
• holders of the parent company		79.2	63.2	153.6
• non-controlling interests		0.8	0.5	1.0
BASIC EARNINGS PER SHARE (in euros)	[17]	2.37	1.96	4.71
DILUTED EARNINGS PER SHARE (in euros)	[17]	2.27	1.91	4.50

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of euros)	31 July 2012	31 July 2011	31 January 2012
Net income	80.0	63.7	154.6
Change in fair value of hedging instruments	0.1	(1.7)	(1.7)
Deferred taxes on change in fair value of hedging instruments	-	0.6	0.7
Actuarial variances recognized in equity	(7.0)	1.6	(4.1)
Deferred taxes on actuarial variances recognized in equity	1.6	(0.5)	1.2
Translation variance	15.3	(5.9)	10.2
Total other comprehensive income	10.0	(5.9)	6.3
TOTAL INCOME AND EXPENSE FOR THE YEAR	90.0	57.8	160.9
Attributable to:			
• holders of the parent company	89.2	57.3	159.9
• non-controlling interests	0.8	0.5	1.0

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

2 Consolidated financial statements at 31 July 2012

Consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

(In millions of euros)	Notes	31 July 2012	31 July 2011	31 January 2012
Net income		80.0	63.7	154.6
Depreciation (reversal) of tangible fixed assets	(6)	22.5	23.1	45.0
Amortization (reversal) of intangible fixed assets	(5)	11.4	8.4	17.6
Provisions (reversals) ^(a)	(8) to (10)	(4.2)	18.9	19.8
(Gain) losses in fair value of financial derivative instruments		(1.1)	(0.4)	(2.9)
Proceeds (expenses) from share-based payments	(18)	3.8	3.6	7.1
Net gains (losses) on disposals of fixed assets		-	-	-
Share of results of associated companies (net of dividends received)		0.5	0.2	0.1
Other, net		(1.3)	(1.4)	(2.8)
Cash flow after net cost of debt and income taxes		111.6	116.1	238.5
Income taxes expense (including deferred taxes)	(13)	30.0	23.4	55.4
Net cost of debt		13.7	15.3	30.4
Cash flow before net cost of debt and income taxes		155.3	154.8	324.3
(Increase) decrease in inventories		(7.7)	(5.2)	(1.6)
(Increase) decrease in accounts receivable		28.7	17.0	(4.4)
Increase (decrease) in deferred income		(36.0)	(37.1)	4.3
Increase (decrease) in accounts payable		(7.1)	(6.7)	4.7
Increase (decrease) in other current assets and liabilities		(32.0)	(23.3)	(7.9)
(Increase) decrease in lease receivables		(14.1)	(10.9)	(32.7)
Cash flow from operating activities		87.1	88.6	286.7
Interest paid		(18.8)	(21.0)	(30.5)
Income taxes paid		(24.9)	(18.1)	(29.6)
Net cash flow from operating activities (A)		43.4	49.5	226.6
Investments in tangible fixed assets	(6)	(23.0)	(24.5)	(48.3)
Investments in intangible fixed assets	(5)	(18.9)	(11.7)	(23.1)
Financial investments		(85.2)	(49.1)	(52.9)
Sub-total investments		(127.1)	(85.3)	(124.3)
Disposals of fixed assets		0.7	0.7	2.5
Repayment of loans and other long-term advances		2.0	0.2	6.5
Net cash flow from investing activities (B)		(124.4)	(84.4)	(115.3)
Parent company capital increase		-	1.3	1.7
Share buyback – liquidity contract		2.7	(0.6)	3.1
Dividends paid to shareholders		-	-	(76.7)
New medium and long-term borrowings		185.7	64.6	5.2
Repayment of long-term borrowings		(157.8)	(5.6)	(4.5)
Net cash flow from financing activities (C)		30.6	59.7	(71.2)
Cumulative translation adjustments on cash and cash equivalents (D)		8.7	-	(3.0)
Change in net cash (A)+(B)+(C)+(D)		(41.7)	24.8	37.1
Net cash – opening		165.0	127.9	127.9
Net cash – closing		123.3	152.7	165.0
Cash and cash equivalents		134.0	160.9	171.8
Bank overdrafts		(10.7)	(8.2)	(6.8)
NET CASH – CLOSING		123.3	152.7	165.0

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

(a) At 31 July 2012, the provision variation is mainly related to the provision reversal for €7.0 million and to added charges of €2.8 million on assets depreciation. At 31 July 2011, the provision variation was mainly related to an added charge of €19.5 million for structure optimization and a €1.5 million provision reversal.

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 2011	1 EUR	32,294,363	32.3	76.8	565.6	(20.2)	(48.3)	606.2
Attributable to:								
• holders of the parent company								606.2
• non-controlling interests								-
Net income	-	-	-	-	154.6	-	-	154.6
Total other comprehensive income	-	-	-	-	(3.9)	-	10.2	6.3
Total comprehensive income in 2011	-	-	-	-	150.7	-	10.2	160.9
Capital increase: share options issued (42,055 shares)	1 EUR	42,055	0.1	1.6	-	-	-	1.7
Treasury shares – Liquidity contract	-	-	-	-	(0.7)	(0.4)	-	(1.1)
Free shares attributed (54,005 shares)	-	-	-	-	(4.7)	3.5	-	(1.2)
Issue of new shares – free shares attributed (27,370 shares)	1 EUR	27,370	0.0	(0.0)	-	-	-	-
2010 Dividends	-	-	-	-	(72.5)	-	-	(72.5)
2011 Interim dividends	-	-	-	-	(59.1)	-	-	(59.1)
Dividends share-based payments (1,088,254 shares)	1 EUR	1,088,254	1.1	53.9	-	-	-	55.0
Share-based payments	-	-	-	-	7.1	-	-	7.1
Other	-	-	-	-	(9.5)	9.3	-	(0.2)
Consolidated shareholders' equity at 31 January 2012	1 EUR	33,452,042	33.5	132.3	576.9	(7.8)	(38.1)	696.8
Attributable to:								
• Holders of the parent company								696.8
• Non-controlling interests								-
Movements first half of 2012								
Net income	-	-	-	-	80.0	-	-	80.0
Total other comprehensive income	-	-	-	-	(5.3)	-	15.3	10.0
Total result first half of 2012	-	-	-	-	74.7	-	15.3	90.0
Capital increase: share options issued (1,100 shares)	1 EUR	1,100	0.0	0.0	-	-	-	0.0
Treasury shares – Liquidity contract ^(a)	-	-	-	-	(0.7)	1.2	-	0.5
Free shares attributed (16,630 actions)	-	-	-	-	(1.8)	2.8	-	1.0
Issue of new shares – free shares attributed (18,820 actions)	1 EUR	18,820	0.0	(0.0)	-	-	-	-
2011 Dividends ^(b)	-	-	-	-	(70.0)	-	-	(70.0)
Dividends share-based payments (954,426 shares)	1 EUR	954,426	0.9	32.2	-	-	-	33.1
Share-based payments	-	-	-	-	3.8	-	-	3.8
Other	-	-	-	-	(7.0)	-	-	(7.0)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2012	1 EUR	34,426,388	34.4	164.5	575.9	(3.8)	(22.8)	748.2
Attributable to:								
• holders of the parent company								748.2
• 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 2012, the Group had 91,237 shares held for the liquidity contract versus 94,407 on 31 January 2012, and a portfolio of treasury shares of 45,520 shares held to cover the commitments on the stock option and free share attribution programmes for employees and Group executives. This portfolio was totally used during the first semester 2012.

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 2011 dividend amounting to €2.10 per share.

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Consolidated financial statements

(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 2011	1 EUR	32,294,363	32.3	76.8	565.6	(20.2)	(48.3)	606.2
Attributable to:								
• holders of the parent company								606.2
• non-controlling interests								-
Movements first half 2011:								
Net income	-	-	-	-	63.7	-	-	63.7
Total other comprehensive income	-	-	-	-	-	-	(5.9)	(5.9)
Total result first half 2011	-	-	-	-	63.7	-	(5.9)	57.8
Capital increase: share options issued (30.610 shares)	1 EUR	30,610	0.0	1.3	-	-	-	1.3
Treasury shares – liquidity contract ^(a)	-	-	-	-	-	(2.3)	-	(2.3)
Free shares attributed (47.068 shares)	-	-	-	-	-	1.8	-	1.8
Issue of new shares – Free share attributed (27,370 shares)	1 EUR	27,370	0.0	(0.0)	-	-	-	-
2010 dividends ^(b)	-	-	-	-	(72.5)	-	-	(72.5)
Dividend share-based payments (647.183 shares)	1 EUR	647,183	0.6	33.2	-	-	-	33.8
Share-based payments	-	-	-	-	3.6	-	-	3.6
Other	-	-	-	-	(2.1)	-	-	(2.1)
Consolidated shareholders' equity at 31 July 2011	1 EUR	32,999,526	32.9	111.3	558.3	(20.7)	(54.2)	627.6
Attributable to:								
• holders of the parent company								627.6
• non-controlling interests								-

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 2011, the Group had 100,314 shares held for the liquidity contract and 53,657 shares held to cover the commitments on the stock option and free share attribution programmes for employees and Group executives. Respectively, compared to 69,931 shares and 100,725 shares as at 31 January 2011.

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

(b) Payment of balance of 2010 dividend amounting to €2.25 per share.

Notes to the consolidated financial statements

Half year ended 31 July 2012 and 2011 and fiscal year ended 31 January 2012.

(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.

Neopost supplies mail-handling solutions to its customers. The Group offers solutions covering franking, folding, insertion and addressing, as well as logistics traceability. Neopost offers a full range of services, including 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-Marie-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 semestrial financial statements were approved by the Board of Directors on 24 September 2012.

Certain amounts at 31 July 2011 and 31 January 2012 have been reclassified to conform to this period presentation.

Note 2 Accounting policies

The interim consolidated accounts ended 31 July 2012 comply with the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The interim consolidated accounts at 31 July 2012 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2012 and published on the 27 April 2012.

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 2012. 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 2012 as approved by the European Union.

The IFRS are available on the European Commission website: http://ec.europa.eu/atoz_fr.htm

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 2012, had no significant impact on the accounts as at 31 July 2012:

- Amendments IFRS 7: Disclosures – Transfers of Financial Assets; The Group has not applied in advance the regulations that are compulsory for financial years starting after 31 July 2012:
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosure of Interests in Other Entities;
- IFRS 13: Fair Value Measurement;
- Amendments IAS 12: Deferred Tax – Recovery of Underlying Assets;
- IAS 19 revised: Employee benefits;
- IAS 27 revised: Separate financial statements;
- IAS 28 revised: Investments in associates and joint ventures;

2 Consolidated financial statements at 31 July 2012

Notes to the consolidated financial statements

- Amendments IAS 1: Presentation of Items of Other Comprehensive Income;
- Amendments IFRS 1: Severe hyperinflation;
- Amendments IFRS 7: Disclosures – Transfers of Financial Assets;
- Amendments IAS 32: Disclosures – Financial Assets and Financial Liabilities.

The Group is currently assessing the effects of these new standards.

The tax expense on the result at end of July 2012 is calculated by applying to the current result before tax the tax rate estimated for the exercise for every fiscal territory.

Note 3 Scope of consolidation and accounting policies

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

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

Subsidiaries controlled directly by the parent company or through other subsidiaries are consolidated using the full consolidation method. 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 1st half-year 2012 are as follow:

- Neopost S.A. acquired GMC Software Technology on 11 July 2012, fully consolidated;
- Neopost Asia Pacific Pte Ltd based in Singapore acquired the company Neosys on 20 July 2012, fully consolidated;
- Neopost Gmbh & Co KG acquired the distributor Co-Winco on 27 February 2012, fully consolidated;
- Neopost AG acquired Multimap on 18 July 2012, fully consolidated;
- Mailroom Finance Inc. created the company Mailroom Solutions Inc.;
- Neopost Holding Pty Ltd created the company Neopost Finance Australia Pty Ltd.

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 2012		31 July 2011		31 January 2012	
	Period end	Average	Period end	Average	Period end	Average
US dollar (USD)	1.2284	1.2864	1.4260	1.4180	1.3176	1.3877
Pound sterling (GBP)	0.7840	0.8151	0.8749	0.8743	0.8351	0.8665
Canadian dollar (CAD)	1.2312	1.2938	1.3556	1.3761	1.3134	1.3738
Swiss franc (CHF)	1.2014	1.2032	1.1418	1.2533	1.2048	1.2281
Japanese yen (JPY)	96.03	102.96	110.59	115.49	100.63	110.08
Norwegian krone (NOK)	7.4215	7.5358	7.7310	7.8176	7.6560	7.7809
Sweden krone (SEK)	8.3590	8.8301	9.0689	8.9742	8.8967	9.0219
Danish krone (DKK)	7.4407	7.4355	7.4494	7.4568	7.4346	7.4493
Australian dollar (AUD)	1.1675	1.2480	1.3050	1.3551	1.2366	1.3395
Singapore dollar (SGD)	1.5278	1.6222	1.7185	1.7681	1.6487	1.7434

Note 4 Goodwill

Gross goodwill at 31 January 2012	803.8
Acquisitions	120.6
Other	0.5
Translation difference	17.6
GOODWILL GROSS VALUE AT 31 JULY 2012	942.5

At 31 July 2012, the goodwill variation is mainly explained by the goodwill of €115.3 million recorded with the acquisition of GMC Software Technology in Switzerland.

(In millions of euros)	GMC
Tangible fixed assets	0.2
Intangible fixed assets	6.2
Inventories	-
Accounts receivable	11.4
Other receivable	3.9
Cash	6.3
Total assets	28.0
Deferred Income	8.6
Trade payables & other payables	8.3
Long term provisions	1.2
Total liabilities excluding shareholders' equity	18.1
Net total assets	9.9
Purchase price	125.2
Of which, Earn-out	46.7
GOODWILL ON 2012 ACQUISITIONS	115.3

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

Accounting entries for these acquisitions is provisional since the fair value of the assets, liabilities and any liabilities that may be identified in the business acquired was not finalised before the

2 Consolidated financial statements at 31 July 2012

Notes to the consolidated financial statements

end of the period. It will be finalised within 12 months of the date on which control was acquired.

GMC generated annual sales of around 42 million of CHF in 2011. In 2012, the net impact for the group sales will be around €22 million for seven months of consolidation.

The other acquisitions do not have a material impact on the group's sales in 2012.

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

There were no other price adjustments other than earn-outs.

Goodwill is broken down by cash-generating unit, which correspond to the countries for the Group's businesses.

	France	US	UK	Germany	Netherlands	Switzerland	Denmark	Sweden	Norway	Australia	Other	Total
GOODWILL GROSS VALUE AT 31 JULY 2012	175.3	297.8	114.0	67.2	23.0	150.1	16.0	16.3	7.1	30.6	45.1	942.5
Goodwill gross value at 31 January 2012	175.7	284.6	114.6	64.5	23.0	33.9	16.0	15.4	7.0	28.6	40.5	803.8

A goodwill impairment test was performed at 31 January 2012 following the methodology described in note 2-2 of the consolidated financial statements shown in the 2011 Reference Document.

At 31 July 2012, no indication of impairment was noted.

Note 5 Intangible fixed assets

	Concessions, rights	Licences	Development expenses	IT costs	Other	Total
Gross value at 31 January 2012	28.5	58.0	76.1	14.8	24.1	201.5
Acquisitions	-	2.2	-	4.1	1.9	8.2
Capitalization	-	-	10.7	-	-	10.7
Disposals	-	(0.2)	-	-	(0.3)	(0.5)
Other changes	0.1	5.3	-	0.2	1.8	7.4
Translation difference	-	1.8	0.1	0.3	1.4	3.6
Gross value at 31 July 2012	28.6	67.1	86.9	19.4	28.9	230.9
Cumulative amortization	(23.7)	(44.9)	(37.4)	(10.6)	(7.7)	(124.3)
NET BOOK VALUE AT 31 JULY 2012	4.9	22.2	49.5	8.8	21.2	106.6

Change in intangible fixed assets is mainly due to R&D costs capitalized.

	Concessions, rights	Licences	Development expenses	IT costs	Other	Total
Depreciation at 31 January 2012	22.4	39.9	32.7	9.3	5.5	109.8
Charges	1.3	3.2	4.7	1.0	1.2	11.4
Disposals	-	-	-	-	-	-
Other changes	-	0.5	-	-	0.5	1.0
Translation difference	-	1.3	-	0.3	0.5	2.1
DEPRECIATION AT 31 JULY 2012	23.7	44.9	37.4	10.6	7.7	124.3

At 31 July 2012, 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 2012	34.8	75.1	298.7	26.0	9.1	23.9	467.6
Acquisitions	0.1	1.1	17.2	1.0	2.1	1.5	23.0
Disposals	-	(0.5)	(4.9)	-	(0.2)	(0.1)	(5.7)
Other changes	0.2	-	-	0.9	0.1	0.4	1.6
Translation difference	0.6	1.1	10.8	0.7	0.4	0.9	14.5
Gross value at 31 July 2012	35.7	76.8	321.8	28.6	11.5	26.6	501.0
Cumulative amortization	(17.4)	(57.0)	(237.1)	(23.2)	(5.1)	(16.7)	(356.5)
NET BOOK VALUE AT 31 JULY 2012	18.3	19.8	84.7	5.4	6.4	9.9	144.5

	Land and buildings	Machinery and equipment	Rented equipment	IT Equipment	Demonstration equipment	Other	Total
Depreciation at 31 January 2012	16.5	53.9	217.7	20.7	4.4	14.8	328.0
Charges	0.7	3.0	15.6	1.5	0.7	1.0	22.5
Disposals	-	(0.3)	(4.7)	(0.1)	(0.2)	(0.2)	(5.5)
Other changes	0.1	(0.3)	-	0.6	-	0.6	1.0
Translation difference	0.1	0.7	8.5	0.5	0.2	0.5	10.5
DEPRECIATION AT 31 JULY 2012	17.4	57.0	237.1	23.2	5.1	16.7	356.5

At 31 July 2012, 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 2012	31 January 2012
Investments in associated companies	1.8	2.3
Other non-current financial assets	29.8	35.0
TOTAL	31.6	37.3

7-1: INVESTMENTS IN ASSOCIATED COMPANIES

	31 July 2012	31 January 2012
Docapost	1.7	2.2
AMS Investissement	0.1	0.1
TOTAL	1.8	2.3

Docapost, whose contribution to Group shareholders' equity amounted to €1.7 million at 31 July 2012, is consolidated using the equity method. The company's contribution to earnings in the period ended 31 July 2012 was €0.2 million. Neopost S.A. received €0.7 million in dividends from Docapost related to the 2011 financial year.

AMS Investissement, whose contribution to Group shareholders' equity amounted to €0.1 million at 31 July 2012, is consolidated using the equity method since July 2011.

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7-2: OTHER NON-CURRENT FINANCIAL ASSETS

	31 July 2012	31 January 2012
Deposits, loans and guarantees	6.0	6.0
Pension plan net asset	11.7	17.9
Available for sale financial assets	4.7	4.5
Non-current financial derivative instruments	9.3	8.5
Total other financial assets – gross value	31.7	36.9
Impairment of available for sale financial assets	(1.9)	(1.9)
TOTAL	29.8	35.0

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

At 31 July 2012, the deposits, loans and guarantees contain in particular a deposit of €2.4 million related to liquidity contract, compared to €2.5 million at 31 January 2012.

The Group has a net pension plan asset in the United Kingdom which shows a surplus of €11.7 million at 31 July 2012 versus €17.9 million at 31 January 2012. The variation of this pension plan is mainly related to the assets fair value and the discount rate variations.

Non-current financial derivative instruments are mainly related to the fair value of the rate swap on the convertible bonds (OCEANE).

Note 8 Receivables

	31 July 2012	31 January 2012
Accounts receivable		
Gross value	200.4	208.2
Provision	(15.5)	(13.2)
Total	184.9	195.0
Lease receivables		
Short-term	230.1	216.0
Long-term	435.2	409.5
Gross value	665.3	625.5
Provision	(9.6)	(8.6)
Total	655.7	616.9
Net other receivables		
Other long-term receivables	12.3	11.5
Tax receivables	37.2	37.8
Other short-term receivables	10.4	14.6
Net other receivables	59.9	63.9
TOTAL	900.5	875.8

	31 July 2012	31 January 2012
Accounts receivable – Provision		
Provision at the beginning of the year	13.2	10.3
Charges	2.4	3.2
Used	(1.0)	(0.3)
Unused	(0.2)	(0.3)
Acquisitions	0.6	-
Translation difference	0.5	0.3
TOTAL	15.5	13.2

■ FINANCING LEASES

	31 July 2012	31 January 2012
Non-current receivables		
Financing leases – gross receivables	525.4	493.5
Unearned financial income	(90.2)	(84.0)
Total	435.2	409.5
Current receivables		
Financing leases – gross receivables	287.1	268.5
Unearned financial income	(57.0)	(52.5)
Total	230.1	216.0
Gross receivables on financing leases		
Less than one year	287.1	268.5
1 to 5 years	519.9	488.2
More than 5 years	5.5	5.3
Total gross value	812.5	762.0
Unearned financial income on financing leases	(147.2)	(136.5)
Net investment in financing leases		
Less than one year	230.1	216.0
1 to 5 years	429.9	404.4
More than 5 years	5.3	5.1
TOTAL	665.3	625.5

The increase in lease receivables relates to the gradual extension of the leasing offer to the indirect distribution network in North America, to the European subsidiaries and to the new subsidiaries created during the switch to a direct distribution mode.

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.

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Note 9 Inventories and work in progress

	31 July 2012			31 January 2012		
	Gross value	Provision	Net	Gross value	Provision	Net
Work in progress	3.5	(0.2)	3.3	3.9	(0.4)	3.5
Raw materials	12.3	(2.3)	10.0	11.9	(2.5)	9.4
Finished goods	72.6	(12.5)	60.1	61.4	(10.4)	51.0
Spare parts	5.4	(2.0)	3.4	5.8	(2.2)	3.6
TOTAL	93.8	(17.0)	76.8	83.0	(15.5)	67.5

	31 July 2012	
	Gross Value	Provision
Opening	83.0	(15.5)
Net inventory entries	9.3	-
Charges	-	(2.0)
Used	-	1.0
Acquisitions	1.2	(0.2)
Translation difference	0.3	(0.3)
TOTAL	93.8	(17.0)

Note 10 Provisions

	31 January 2012					31 July 2012	Short-term portion	Long-term portion
	Added	Used	Unused	Other				
Structure optimization	15.0	-	(6.8)	-	0.1	8.3	8.3	-
Reorganization and restructuring	1.4	-	(0.1)	-	0.1	1.4	1.4	-
Retirement benefit obligations	11.7	1.5	(0.3)	(0.3)	1.4	14.0	-	14.0
Provisions for business risk	0.4	0.1	(0.1)	-	-	0.4	0.4	-
Customer guarantees	0.8	-	-	(0.6)	0.1	0.3	0.3	-
Other	4.6	0.8	(0.6)	(0.6)	(0.6)	3.6	3.1	0.5
TOTAL	33.9	2.4	(7.9)	(1.5)	1.1	28.0	13.5	14.5

10-1: STRUCTURES OPTIMIZATION

In July 2011, the group launched a structure optimization project in the US and Europe in order to pursue the streamlining of its organization and generate a new dynamic.

In the United States, the logistics activity was relocated from Austin, Texas to Milford, Connecticut, with the goal of integrating it more effectively within Neopost USA.

In France, the two distribution subsidiaries, Neopost France and Satas, were merged in order to use a single brand and optimize coverage of the French market whilst giving a new impetus to marketing and sales.

Moreover, the Group transferred to Bagneux the development and technical support activity dedicated to the addressing printers previously located in the region of Munich, Germany, with a view to consolidating its R&D and supply chain activities.

The Group is gradually implementing a new organizational structure to cover the entry-level market segment in its five major markets. In some countries, this will require structures to be adapted.

The Group has confirmed that the provisions of €19.5 million recorded at 31 July 2011 are sufficient. At 31 January 2012, the balance of the provision for the structure optimization amounted to €15.0 million. At 31 July 2012, the provision amounted €8.3 million.

10-2: REORGANIZATION AND RESTRUCTURING

Based on its strategic objectives, the Neopost group had adopted a certain number of reorganization and restructuring measures over the short term, for which provisions had been booked. On 31 July 2012, there remained provisions for restructuring operations of €1.4 million, particularly in Switzerland, the US, Sweden and Germany, versus €1.4 million on 31 January 2012.

10-3: RETIREMENT BENEFIT OBLIGATIONS

The most important retirement obligation for the Group is the one for the UK. This pension funds shows a net asset of €11.7 million as at 31 July 2012 (£9.2 million) compared to €17.9 million at 31 January 2012 (£15 million). It is accounted for in non-current assets.

The majority of pension obligations in the UK and the US 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.

10-4: OTHER

At 31 July 2012, the amount of €3.6 million recorded under "Other" mainly includes provision for litigation as of €2.6 million compared to €4.6 million at 31 January 2012.

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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 2012		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	31.6	31.6	9.3	4.7	17.6	-	-
Leasing receivables ^(e)	655.7	667.3	-	-	655.7	-	-
Other long-term receivables	12.3	12.3	-	-	12.3	-	-
Receivables ^(a)	184.9	184.9	-	-	184.9	-	-
Other receivables ^(a)	10.4	10.4	-	-	10.4	-	-
Current derivative financial instruments ^(b)	-	-	-	-	-	-	-
Cash and cash equivalents ^(d)	134.0	134.0	134.0	-	-	-	-
ASSETS	1,028.9	1,040.5	143.3	4.7	880.9	-	-
Financial debts and bank overdrafts ^(c)	899.3	923.5	160.9	-	-	738.4	-
Other long-term debts	38.6	38.6	-	-	38.6	-	-
Accounts payable ^(a)	70.9	70.9	-	-	70.9	-	-
Other operating liabilities ^(a)	274.0	274.0	-	-	274.0	-	-
Derivative financial instruments ^(b)	9.4	9.4	-	-	-	-	9.4
LIABILITIES	1,292.2	1,316.4	160.9	-	383.5	738.4	9.4

(a) Historical cost valuation.

(b) Valuation method described in note 2-15 of the 2011 Reference Document.

(c) 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 follows:

- the drawdown on the revolving credit line for an amount of €293.2 million. The drawdown is performed on a one-month basis with a variable rate (EURIBOR and USD LIBOR); there is no difference between the fair value and the value as appearing in the balance sheet;
- concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 July 2012. The difference between the fair value and the value as appearing in the balance sheet is €7.5 million;
- concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Debt in foreign currencies was valued at constant exchange rate.

(d) Valuation based on realizable value.

(e) 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 3 years for the portfolio, a yield curve with a term at 31 July 2012 and a constant exchange rate. The valuation is performed excluding credit spread. Concerning the US portfolio "Postage Finance", as this is constituted of very short term maturity (less than a month) and a renewable credit, the fair value considered is as mentioned in the balance sheet.

	31 January 2012				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	37.3	37.3	8.4	5.0	23.9	-	-
Leasing receivables ^(e)	616.9	630.5	-	-	616.9	-	-
Other long-term receivables	11.5	11.5	-	-	11.5	-	-
Receivables ^(a)	195.0	195.0	-	-	195.0	-	-
Other receivables ^(a)	14.6	14.6	-	-	14.6	-	-
Current derivative financial instruments ^(b)	0.1	0.1	-	-	-	-	0.1
Cash and cash equivalents ^(d)	171.8	171.8	171.8	-	-	-	-
Assets	1,047.2	1,060.8	180.2	5.0	861.9	-	0.1
Financial debts and bank overdrafts ^(c)	845.4	866.1	155.7	-	-	689.7	-
Other long-term debts	12.6	12.6	-	-	12.6	-	-
Accounts payable ^(a)	75.8	75.8	-	-	75.8	-	-
Other operating liabilities ^(a)	218.6	218.6	-	-	218.6	-	-
Derivative financial instruments ^(b)	10.7	10.7	-	-	-	-	10.7
Liabilities	1,163.1	1,183.8	155.7	-	307.0	689.7	10.7

^(a) Historical cost valuation.

^(b) Valuation method described in note 2-15 of the 2011 Reference Document.

^(c) 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:

- the drawdown on the revolving credit line for an amount of €367.2 million. The drawdown is performed on a monthly basis with a variable rate (EURIBOR and USD LIBOR), there is no difference between the fair value and the value as appearing in the balance sheet;
- concerning the fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2012. The difference between the fair value and the value as appearing in the balance sheet is €19 million;
- concerning the other variable rate debts, there is no difference between the fair value and the value as appearing in the balance sheet.

Debt in foreign currencies was performed at constant exchange rates.

^(d) Valuation based on realizable value.

^(e) 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 3 years for the portfolio, a yield curve with a term at 31 January 2012 and a constant exchange rate. The valuation is performed excluding credit spread. Concerning the US portfolio "Postage Finance", as this is constituted of very short term maturity (less than a month) and a renewable credit, the fair value considered is as mentioned in the balance sheet.

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11-2: ANALYSIS BY TYPE OF DEBT

	Short-term debt	Short-term part of long-term debt	Long-term debt	31 July 2012	31 January 2012
Convertible Bonds	-	-	301.8	301.8	299.5
Coupon payable on 1 st February 2012	-	5.6	-	5.6	11.3
Convertible Bonds (OCEANE) ^(a)	-	5.6	301.8	307.4	310.8
Revolving credit facility ^(b)	-	293.2	-	293.2	380.1
Accrued interest and other	-	-	-	-	0.1
Bank loans	-	293.2	-	293.2	380.2
US private placement \$175m	-	-	142.5	142.5	-
Accrued interest	-	0.6	-	0.6	-
US private placement ^(c)	-	0.6	142.5	143.1	-
Caisses Régionales du Crédit Agricole private placement	-	133.0	-	133.0	133.0
Accrued interest	-	0.8	-	0.8	0.9
CRPP private placement ^(d)	-	133.8	-	133.8	133.9
Natixis BPCE private placement ^(e)	-	0.1	-	0.1	0.1
Debt on leased assets	-	0.3	0.1	0.4	0.6
Other ^(f)	10.7	3.6	7.0	21.3	19.8
Other debt	10.7	3.9	7.1	21.7	20.4
TOTAL	10.7	437.2	451.4	899.3	845.4

(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 €9.6 million. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of €9.2 million. At 31 July 2012, the net impact in the financial income of this fair value hedge is €0.4 million versus €0.3 million at 31 January 2012.

(b) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for an initial amount equivalent to €750 million. The interest rate is indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.20%. This credit line matured in June 2012 for the initial notional amount. Through the option to extend, the maturity of this debt is reported to June 2013 for a notional amount of €675 million with the same financial conditions seen above. At the end of July, Neopost had drawn €110 million and USD225 million.

(c) Neopost concluded on the 20 June 2012 a US private placement for an amount of USD175 million. The issue consists of a number of tranches with maturities of between 4 and 10 years. They are subject to fixed annual interest rates of between 3.17% and 4.50%, depending on the maturity.

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

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

(f) Other debt at 31 July 2012 mainly includes: €10.7 million of bank overdrafts and €9.4 million of profit sharing and incentive payments deposited by employees with the Group's French entities.

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

The covenant “net debt to EBITDA” ratio is calculated on the basis of the consolidated financial statements. EBITDA is calculated by adding depreciation and amortization expenses for the period to operating income. The net debt is the sum of current and non-current financial debts minus cash and cash equivalents. The net debt to EBITDA ratio must be 3.25 or less.

Except for the US Private Placement, the net assets of the Group must not be less than €400 million. Including the US Private Placement, this threshold is of €525 million.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 July 2012.

Note 12 Other non-current liabilities

Non-current liabilities include long-term deferred income of €6.8 million, a put option on minority interests of €12.5 million and the long-term part of the earn out related to the GMC acquisition of €18.2 million.

\$10.5 million or less. This put option on minorities at Priority Mailing Systems was valued at \$15.3 million on 31 July 2012.

The value of the put option was calculated based on the operating assumptions of PMSI over the next two years and must be equal to

Variation in the fair value of this put option will continue to be booked against goodwill in accordance with the accounting treatment applied at 31 January 2012.

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 2012	31 July 2011	31 January 2012
Net income of consolidated companies before income tax	110.0	87.1	210.0
Tax rate for the consolidating company	36.10%	34.30%	36.10%
Theoretical income tax charge	39.7	29.9	75.8
Permanent differences	1.4	1.9	(1.4)
Income tax rate differences	(9.4)	(6.5)	(16.8)
Others	(1.7)	(1.9)	(2.2)
TOTAL INCOME TAX	30.0	23.4	55.4
Current income tax charge	14.3	17.9	32.5
Deferred income tax charge	15.7	5.5	22.9
TOTAL INCOME TAX	30.0	23.4	55.4

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

	31 January 2012	Reclassification	Changes recognized through equity	Changes recognized through P&L	Acquisitions	Foreign exchange differences	31 July 2012
Profit-sharing and other expenses with deferred deductibility*	27.7	-	-	2.4	-	1.4	31.5
Tax loss carry-forward	4.9	-	-	1.2	-	-	6.1
Goodwill	2.1	(1.3)	-	(0.8)	-	-	-
Patents	3.3	-	-	-	-	-	3.3
Financial instruments	3.7	-	-	(0.5)	-	-	3.2
Other	4.8	1.3	-	(0.2)	0.7	0.3	6.9
Deferred tax assets before tax consolidation	46.5	-	-	2.1	0.7	1.7	51.0
Tax consolidation	(33.9)						(42.0)
DEFERRED TAX ASSETS	12.6						9.0

* Including provision for optimization plan for €3.7 million at 31 July 2012 versus €5.4 million at 31 January 2012.

At 31 January 2012, the deferred tax assets recognition was reviewed. There were no non-activated tax loss carry-forwards at 31 July 2012.

	31 January 2012	Reclassification	Changes recognized through equity	Changes recognized through P&L	Acquisitions	Foreign exchange difference	31 July 2012
Leasing activity & restatement of depreciation	120.5	-	-	13.8	-	7.9	142.2
Elimination of margins on inventories, rented and demo equipment	(9.2)	-	-	1.1	-	(0.2)	(8.3)
Research and development	13.2	-	-	2.1	-	-	15.3
Bond convertible into shares (OCEANE)	3.2	-	-	(0.5)	-	-	2.7
Treasury shares	1.0	-	(1.4)	0.4	-	-	-
Other	5.9	-	(2.4)	0.8	1.6	0.2	6.1
Deferred tax liabilities before tax consolidation	134.6	-	(3.8)	17.7	1.6	7.9	158.0
Tax consolidation	(33.9)						(42.0)
DEFERRED TAX LIABILITIES	100.7						116.0

Note 14 Segment information

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

The «rest of the world» is mainly composed of newly acquired activities, added with Europe because the management is the same.

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

Neopost's income breaks down by geographic region as follows:

	Europe & rest of the world	North America	Other	31 July 2012
External sales	308.4	200.3	-	508.7
Inter-segment sales	0.6	4.3	(4.9)	-
Total sales	309.0	204.6	(4.9)	508.7
Segment income	103.1	63.5	(37.2)	129.4
Structure optimization expense				-
Share-based payments				(3.8)
Expenses related to acquisitions				(3.2)
Operating income				122.4
Financial result				(12.6)
Share of results of associated companies				0.2
Income taxes				(30.0)
NET INCOME				80.0

	Europe & rest of the world	North America	Other	31 July 2011
External sales	290.5	193.1	-	483.6
Inter-segment sales	0.9	4.8	(5.7)	-
Total sales	291.4	197.9	(5.7)	483.6
Segment income	99.0	62.6	(37.2)	124.4
Structure optimization expense				(19.5)
Share-based payments				(3.6)
Operating income				101.3
Financial result				(14.7)
Share of results of associated companies				0.5
Income taxes				(23.4)
Net income				63.7

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	Europe & rest of the world	North America	Other	31 January 2012
External sales	605.2	397.4	-	1,002.6
Inter-segment sales	1.7	6.7	(8.4)	-
Total sales	606.9	404.1	(8.4)	1,002.6
Segment income	204.4	132.6	(73.4)	263.6
Structure optimization expense				(19.5)
Share-based payment				(7.1)
Operating income				237.0
Financial result				(27.6)
Share of results of associated companies				0.6
Income taxes				(55.4)
Net income				154.6

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

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

Expenses recognized during the first semester but with no effect on Group cash (before depreciation and provisions) mainly relate

The balance sheet breaks down by geographical region as follows:

to charges in respect of share-based payments, in the amount of €3.8 million at 31 July 2012 (€3.6 million at 31 July 2011).

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.

	Europe & rest of the world	North America	Other	31 July 2012
Segment assets	1,145.1	827.4	426.5	2,399.0
TOTAL ASSETS				2,399.0
Segment liabilities	442.8	238.3	969.7	1,650.8
Shareholders' equity				748.2
TOTAL LIABILITIES				2,399.0

	Europe & rest of the world	North America	Other	31 July 2011
Segment assets	974.1	711.4	443.4	2,128.9
Total assets				2,128.9
Segment liabilities	324.8	195.2	981.3	1,501.3
Shareholders' equity				627.6
Total liabilities				2,128.9

	Europe & rest of the world	North America	Other	31 January 2012
Segment assets	1,077.8	774.6	390.5	2,242.9
Total assets				2,242.9
Segment liabilities	403.6	225.7	916.8	1,546.1
Shareholders' equity				696.8
Total liabilities				2,242.9

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

Other segment items break down by geographical region as follows:

	Europe & rest of the world	North America	Other	31 July 2012
Investment:				
Tangible fixed assets	11.4	10.4	1.2	23.0
Intangible fixed assets	3.3	0.8	14.8	18.9
TOTAL INVESTMENT	14.7	11.2	16.0	41.9
Depreciation and amortization:				
Tangible fixed assets	11.6	8.4	2.5	22.5
Intangible fixed assets	2.3	1.8	7.3	11.4
TOTAL DEPRECIATION AND AMORTIZATION	13.9	10.2	9.8	33.9
LOSS OF VALUE	-	-	-	-

	Europe & rest of the world	North America	Other	31 July 2011
Investment:				
Tangible fixed assets	14.0	8.1	2.4	24.5
Intangible fixed assets	1.1	1.9	8.7	11.7
Total investment	15.1	10.0	11.1	36.2
Depreciation and amortization:				
Tangible fixed assets	12.1	8.4	2.6	23.1
Intangible fixed assets	2.2	1.9	4.3	8.4
Total depreciation and amortization	14.3	10.3	6.9	31.5
Loss of value	-	-	-	-

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	Europe & rest of the world	North America	Other	31 January 2012
Investment:				
Tangible fixed assets	27.6	17.2	3.5	48.3
Intangible fixed assets	3.2	3.2	16.7	23.1
Total investment	30.8	20.4	20.2	71.4
Depreciation and amortization:				
Tangible fixed assets	24.0	15.9	5.1	45.0
Intangible fixed assets	4.4	3.8	9.4	17.6
Total depreciation and amortization	28.4	19.7	14.5	62.6
Loss of value	-	-	-	-

The breakdown of sales by business is as follows:

	31 July 2012	31 July 2011	31 January 2012
Mailing systems	341.5	332.9	681.9
Document & logistic systems	167.2	150.7	320.7
TOTAL	508.7	483.6	1,002.6

	31 July 2012	31 July 2011	31 January 2012
Equipment rental and leasing	144.0	137.0	279.5
Services and supplies	211.8	196.2	404.4
Equipment sales	152.9	150.4	318.7
TOTAL	508.7	483.6	1,002.6

This breakdown is only available for sales.

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

Note 15 Details of expenses by category

	31 July 2012	31 July 2011	31 January 2012
Cost of inventories recognized as expense	101.7	87.3	240.7
Wages, bonuses, commissions and payroll charges	190.8	194.5	358.0
Rents and associated costs	14.9	9.1	17.3
Fees	13.9	11.2	22.8
Travelling	16.0	19.1	34.3
Fixed assets depreciation/amortization and impairment	32.6	31.5	62.4
Expenses related to acquisitions	3.2	-	-
Other	13.2	10.1	10.6
Total expenses by category	386.3	362.8	746.1
Cost of sales	109.3	105.5	222.3
Operating expenses	277.0	257.3	523.8
TOTAL	386.3	362.8	746.1

Note 16 Expenses related to acquisitions

The expenses related to the acquisitions recorded at 31 July 2012 for an amount of €3.2 million in the current operating profit of the period are mainly related to advisor fees for an amount of €2.3 million and

amortization on intangible assets recognized after the purchase price allocation.

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.

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.

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

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 2012	31 July 2011	31 July 2011	31 January 2012	31 January 2012
			Before structure optimization expense		Before structure optimization expense
Net Income – Attributable to Holders of the parent company (in millions of euros)	79.2	63.2	75.9	153.6	166.1
Impact of dilutive instruments:					
Dilutive Stock-options	-	-	-	-	-
Dilutive free shares	1.8	2.1	2.1	3.6	3.6
Conversion of bonds convertible into shares (OCEANE)	3.7	3.7	3.7	7.4	7.4
Diluted net income (in millions of euros)	84.7	69.0	81.7	164.6	177.1
Number of shares	34,335	32,194	32,194	33,312	33,312
Effect on a <i>pro rata</i> time basis of dividend payments in shares, the exercise of stock options, share buyback for cancellation and liquidity contract	(911)	24	24	(711)	(711)
Weighted average number of outstanding shares in circulation (in thousands) *	33,424	32,218	32,218	32,601	32,601
Weighted average number of stock options	7	72	72	48	48
Weighted average number of outstanding free shares	285	237	237	341	341
Number of shares related to bonds convertible into shares OCEANE	3,623	3,623	3,623	3,622	3,622
Number of shares fully diluted (in thousands) *	37,339	36,150	36,150	36,612	36,612
BASIC EARNINGS PER SHARE (in euros)	2.37	1.96	2.36	4.71	5.09
DILUTED EARNINGS PER SHARE (in euros)	2.27	1.91	2.26	4.50	4.84

* Weighted average during the period.

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Note 18 Share-based payments

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

	31 July 2012	31 July 2011	31 January 2012
Stock options valuation	1.2	1.5	3.0
Securities giving access to capital valuation	2.6	2.1	4.1

INFORMATION RELATING TO THE FOUR STOCK OPTION PLANS

Regarding warrant or purchase options plans, there was no allocation in the first half 2012.

Variations on the first half year concern the exercise of options (1,100) and cancellations (100,107).

The 18 January 2002 and 23 May 2002 awarded options have expired in 31 July 2012.

INFORMATION RELATING TO THE TWO FREE SHARE PLANS

Regarding free share plans, there was no allocation in the first half 2012.

In the first half year, on the 320,000 free allocation shares, 28,890 shares were delivered with 5,228 shares to the Chairman and Chief Executive Officer Denis Thiery. On the 400,000 free allocation shares, 35,450 were delivered with 4,000 shares to the Chairman and Chief Executive Officer Denis Thiery.

During the same period, 32,392 shares have been cancelled on the 320,000 free share plan and 5,650 shares on the 400,000 free share plan.

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.

EXCHANGE RATE RISKS

The Group Treasurer, who reports to the Group Chief Financial Officer, monitors exchange rate risk for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the Chief 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 risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

NATURAL HEDGE

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

Based on the 2012 budget, the breakdown of sales and costs in USD is: sales 37%, cost of sales 44%, operating costs 33%, interest expenses 28%. A 5% change in the EUR/USD exchange rate from the budget rate of 1.34 would have the following impact on the Group's income statement: sales -€18.8 million, current operating income -€5.3 million and net income -€ 3.5 million.

Based on the 2012 budget, the breakdown of sales and costs in GBP is: sales 11%, cost of sales 17%, operating costs 8%. 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 -€5.8 million, current operating income -€1.7 million and net income -€1.2 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 2012 as regards exchange rate hedging.

FINANCIAL YEAR 2012: ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST'S BALANCE SHEET AT 31 JULY 2012 AND EXPECTED TO BE REALISED NO LATER THAN OCTOBER 2012.

(Notional value in millions)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	AUD
Financial assets	33.7	8.2	1.5	2.5	50.4	5.0	1.6	2.5	6.3
Financial liabilities	17.3	2.8	0.1	0.2	12.7	-	0.7	0.6	-
Net position before hedging	16.4	5.4	1.4	2.3	37.7	5.0	0.9	1.9	6.3
Hedging	(13.5)	(2.2)	(3.7)	(5.2)	(20.0)	(10.9)	-	-	(4.1)
NET POSITION AFTER HEDGING	2.9	3.2	(2.3)	(2.9)	17.7	(5.9)	0.9	1.9	2.2

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: 3.0 million sold, JPY 10.0 million sold, SEK 4.0 million sold, CAD 1.3 million sold, AUD 0.4 million sold and GBP 1.5 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 2.0 million sold, GBP 0.7 million sold, JPY 10.0 million sold, CAD 1.3 million sold, AUD 0.4 million sold and SEK 4.0 million sold.

2012 BUDGET: HEDGING POSITION COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN SECND HALF-YEAR 2012 EXPECTED TO BE REALISED NO LATER THAN APRIL 2013.

(Notional value in millions)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	AUD
Financial assets – forecast	83.7	18.7	9.0	14.6	126.9	23.4	4.6	9.0	8.4
Financial liabilities – forecast	60.0	18.2	(0.1)	(0.4)	76.2	(0.1)	5.2	2.6	-
Net position before hedging	23.7	0.5	9.1	15.0	50.7	23.5	(0.6)	6.4	8.4
Hedging	(19.3)	-	(1.8)	-	(15.0)	(2.7)	-	-	(1.0)
NET POSITION AFTER HEDGING	4.4	0.5	7.3	15.0	35.7	20.8	(0.6)	6.4	7.4

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 2.0 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 1.0 million sold.

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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 2012. These instruments are listed below by type and by currency for the period to which they relate.

2012: ASSETS AND LIABILITIES HEDGING

(Notional value in millions – Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	8.5	3.0	5.0	-	-
GBP	-	-	1.5	2.2	-	-
CAD	-	1.2	1.3	2.5	-	-
NOK	-	5.2	-	-	-	-
JPY	-	-	10.0	20.0	-	-
SEK	-	2.9	4.0	8.0	-	-
CHF	-	3.3	0.4	0.8	-	-

2012 BUDGET: HEDGING OF ANTICIPATED POSITIONS FOR SECOND HALF-YEAR 2012

(Notional value in millions – Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	16.3	2.0	3.0	-	-
GBP	-	-	-	-	-	-
CAD	-	1.6	-	-	-	-
NOK	-	-	-	-	-	-
JPY	-	15.0	-	-	-	-
SEK	-	2.7	-	-	-	-
CHF	-	1.0	-	-	-	-

At 31st July 2012, the operations shown in the above table are broken down as follows:

(Notional value in millions – Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	16.3	2.0	2.0	-	-
GBP	-	-	-	-	-	-
CAD	-	1.6	-	-	-	-
NOK	-	-	-	-	-	-
JPY	-	15.0	-	-	-	-
SEK	-	2.7	-	-	-	-
CHF	-	1.0	-	-	-	-

(Notional value in millions – Cash flow hedging)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	-	-	1.0	-	-
GBP	-	-	-	-	-	-
CAD	-	-	-	-	-	-
NOK	-	-	-	-	-	-
JPY	-	-	-	-	-	-
SEK	-	-	-	-	-	-
CHF	-	-	-	-	-	-

INSTRUMENT VALUATIONS

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 2 of the 2011 Reference Document.

Hedging instruments relating to the 2012 financial year, i.e. hedging assets and liabilities on the balance sheet as at 31 July 2012, have been fully valued and recognized at their market value at 31 July 2012 in the financial income.

Hedging instruments relating to the second half-year 2012, i.e. hedging anticipated financial flows, have been fully valued and recognized at their market value at 31 July 2012. 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.

(Amount in millions)	31 January 2012	Changes recognized in comprehensive income	Changes recognized in the Income statement	31 July 2012
Financial assets	0,1	-	(0.1)	-
• Cash flow hedge	0,1	-	(0.1)	-
• Ineffective hedge	-	-	-	-
Financial liabilities	0,5	0.6	-	1.1
• Cash flow hedge	0,4	0.6	-	1.0
• Ineffective hedge	0,1	-	-	0.1

EXCHANGE RATE DEAL COUNTERPARTY CREDIT RISK

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

INTEREST RATE RISK

The Group Treasurer, who reports to the Group Chief Financial Officer, monitors interest rate risk for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the Chief 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 interest rate risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor

interest rate and exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

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

RISK MANAGEMENT POLICY

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

Neopost 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.

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

A hedging strategy is adopted on the basis of the position to be managed and the reference interest rate adopted. The strategy is aimed at protecting the reference interest rate and at taking advantage, at least to some extent, of favourable movements. Hedging strategies involve definite and optional derivative instruments, and open positions are maintained if possible. The valuation of the open

position based on market forward interest rates, along with the interest rates obtained through hedging operations, should always protect the reference interest rate. Hedging strategies cover the period three years ahead at all times. However, the level of coverage and the weightings of the various derivative instruments may vary from one year to the next, since the aim is to maintain greater scope for optimizing positions in later years.

YEAR-END POSITION

The table below sets out Neopost's position by maturity at 31 July 2012, for the main currencies:

(Notional value in millions)	EUR				USD				GBP			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial debts	257.7	303.6	- 561.3		231.8	25.0	150.0	406.8	0.3	0.3	-	0.6
Of which fixed-rate debts	133.0	150.0	- 283.0		-	25.0	150.0	175.0	0.3	0.3	-	0.6
CORRESPONDING HEDGE MATURITIES	50.0	144.0	- 194.0		60.0	180.0	- 240.0		-	-	-	-

HEDGING INSTRUMENTS

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

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

- knock-in or knock-out barrier options: caps and floors (used either alone or in combination);
- swaptions (used either alone or in combination).

Management 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.

(Notional value in millions)	Currency	Less than year	1 to 5 years	Maturity more than 5 years
Swap – buyer	EUR	-	150.0	-
	USD	45.0	125.0	-
Swap – receiver	EUR	50.0	29.0	-
	USD	15.0	40.0	-
Cap – buy	EUR	-	45.0	-
	USD	-	15.0	-
Knock-out cap – buy	EUR	-	50.0	-
	USD	15.0	25.0	-
Floor- sell	EUR	-	20.0	-

DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

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

DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

(Notional value in millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap – receiver	USD	45.0	100.0	-
	EUR	50.0	29.0	-
Cap – buy	USD	15.0	40.0	-
	EUR	-	20.0	-
Floor- sell	USD	15.0	25.0	-
	EUR	-	20.0	-

INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

(Notional value in millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Cap – Buy	EUR	-	25.0	-
	USD	-	15.0	-
Knock-out cap-buy	EUR	-	50.0	-
Swap – receiver	USD	-	25.0	-

INSTRUMENT VALUATIONS

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 2 of the 2011 Reference Document. All interest rate derivative instruments are valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39.

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

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(Amount in millions of euros)	31 January 2012	Premium on new operations	Changes recognized as a balance sheet adjustment	Changes recognized in the Income statement	31 July 2012
Debt and Swap at Fair Value Hedge					
Liabilities - Convertible bonds OCEANE – €150 million	8.7	-	-	(0.9)	9.6
Assets - Swap €150 million	8.4	-	-	0.8	9.2
Financial assets (derivatives)	0.1	-	-	-	0.1
Derivative instruments qualified as cash flow hedge	0.1	-	-	-	0.1
EUR transactions	0.1	-	-	-	0.1
USD transactions	-	-	-	-	-
Derivative instruments not eligible for hedge accounting	-	-	-	-	-
EUR transactions	-	-	-	-	-
USD transactions	-	-	-	-	-
Financial liabilities (derivatives)	9.5	-	(0.8)	(1.3)	7.4
Derivative instruments qualified as cash flow hedge	7.0	-	(0.8)	0.1	6.3
EUR transactions	3.6	-	(0.2)	-	3.4
USD transactions	3.4	-	(0.6)	0.1	2.9
Derivative instruments not eligible for hedge accounting	2.5	-	-	(1.4)	1.1
EUR transactions	0.3	-	-	-	0.3
USD transactions	2.2	-	-	(1.4)	0.8

INTEREST RATE DEALCOUNTERPARTY RISK

Operations are carried out with the 16 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. Group debt is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 July 2012, 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 2012, 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 10 years. In 2011, HP accounted for 12.8% of total Group purchases versus 11.5% in 2010. The top five suppliers and the top ten suppliers respectively account for 30.7% and 36.3% in 2011 and 26.6% and 31.2% in 2010.

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.

Other commitments

	31 July 2012	31 January 2012
X'Ange 2 - Share purchase commitment (in million of euros)	4,0	4,2
Neosys - Thailand Subsidiary Share purchase commitment (in million of euros)	0,4	-

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.

19.6: COMMITMENTS GIVEN

Bank guarantees

No change on bank guarantee during the 1st half-year 2012. Detail of bank guarantee is available in the 2011 Reference Document.

Retirement benefit obligations in the United Kingdom

The Group operates a pension fund in the UK which will not admit any new members and for which the rights of its members were frozen in June 2006. In accordance with the requirements of the UK regulator, a valuation of the hedging requirements is made every 3 years, with the last one made on 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 million in 2011. A new schedule will be defined in September 2012.

Neopost also holds 6.53% in X'Ange Capital and 7.39% in X'Ange 2, non consolidated companies, with which the transactions are also 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.

2 Consolidated financial statements at 31 July 2012

Notes to the consolidated financial statements

Note 22 Post closing events

Since the closing of the consolidated accounts as at 31 July 2012 by the board of directors, there was no significant change to the Group's commercial or financial situation.

There were no significant acquisitions between the closing date and the date on which the document is presented to the AMF.

Statutory Auditor's Review Report on the first half-yearly financial information

Period from February 1 to July 31, 2012

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, 2012, and
- the verification of the information contained in the interim management report.

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

1. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

2. SPECIFIC VERIFICATION

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

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

Paris and Paris-La Défense, September 27, 2012

The statutory auditors
French original signed by

FINEXSI AUDIT
Didier Bazin

ERNST & YOUNG et Autres
Philippe Diu

2 Consolidated financial statements at 31 July 2012

3 Statement of the person responsible for the interim financial report

3 Statement of the person responsible for the interim financial report

“I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this reference document is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import. I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report on page 2 presents a fair view of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation as well as the main risks and uncertainties to which they are exposed. I have received a completion letter from the Statutory Auditors stating that they have audited the information contained in this reference document about the financial position and financial statements, and that they have read the reference document in its entirety.”

Denis Thiery

Chairman & Chief Executive Officer



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