NEOPOST

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2017 HALF-YEAR FINANCIAL REPORT
AT 31 JULY 2017

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COMMENTS ON NEOPOST'S RESULTS AND FINANCIAL STRUCTURE

In the first half of 2017, the Group achieved €558.8 million in sales, up +0.4% year-on-year and up +0.1% before currency effects, with organic change[1] of (0.9)%.

HY 2017 current operating income totaled €100.8 million, before acquisition-related expense, up +0.9% compared with the first half of 2016. Current operating margin (before acquisition-related expense) remained stable at 18.0% of sales.

Factoring in the impact of asset disposals, net attributable income came out at €50.8 million in HY1 2017, compared with €58.3 million one year earlier. The net margin[2] was 9.1% of sales, from 10.5% in first-half 2016.

Cash flow after investments rose sharply to €61.0 million from €44.1 million in the same period in 2016.

Historical breakdown of income statements

(In millions of euros)	**HY 2017 (ended 31/07/2017)**		**HY 2016 (ended 31/07/2016)**		**FY 2016**	
Sales	**558.8**	***100.0%***	**556.5**	***100.0%***	**1,158.7**	***100.0%***
Cost of sales	(138.0)	*(24.7)%*	(137.0)	*(24.6)%*	(293.3)	*(25.3)%*
Gross margin	**420.8**	***75.3%***	**419.5**	***75.4%***	**865.4**	***74.7%***
R&D expenses	(27.6)	*(4.9)%*	(24.2)	*(4.3)%*	(52.0)	*(4.5)%*
Selling expenses	(139.4)	*(25.0)%*	(144.9)	*(26.0)%*	(293.0)	*(25.4)%*
Administrative expenses	(99.6)	*(17.9)%*	(96.7)	*(17.4)%*	(197.1)	*(17.0)%*
Maintenance and other operating expenses	(52.0)	*(9.3)%*	(52.2)	*(9.4)%*	(106.8)	*(9.2)%*
Employee profit-sharing and share-based payments	(1.4)	*(0.2)%*	(1.6)	*(0.3)%*	(0.5)	*(0.0)%*
Current operating income excluding expenses related to acquisitions	**100.8**	***18.0%***	**99.9**	***18.0%***	**216.0**	***18.6%***
Expenses related to acquisitions	(5.8)	*(1.0)%*	(6.1)	*(1.1)%*	(13.1)	*(1.1)%*
Current operating income	**95.0**	***17.0%***	**93.8**	***16.9%***	**202.9**	***17.5%***
Proceeds from asset sales	(0.0)	*0.0%*	(0.0)	*0.0%*	(0.0)	*0.0%*
Structure optimization expenses	(5.9)	*(1.1)%*	(6.3)	*(1.1)%*	(15.3)	*(1.3)%*
Other operating expenses	(6.2)	*(1.1)%*	(1.5)	*(0.3)%*	(6.7)	*(0.6)%*
Operating income	**82.9**	***14.8%***	**86.0**	***15.5%***	**180.9**	***15.6%***
Financial income/(expenses)	(16.8)	*(3.0)%*	(13.0)	*(2.4)%*	(30.5)	*(2.6)%*
Income before taxes	**66.1**	***11.8%***	**73.0**	***13.1%***	**150.4**	***13.0%***
Income taxes	(17.6)	*(3.1)%*	(17.0)	*(3.0)%*	(37.7)	*(3.3)%*
Income from associated companies	-	-	-	-	1.3	*0.1%*
NET INCOME	**48.5**	***8.7%***	**56.0**	***10.1%***	**114.0**	***9.8%***
Attributable to:						
• holders of the parent company	50.8	*9.1%*	58.3	*10.5%*	118.2	*10.2%*
• non-controlling interests	(2.3)	*(0.4)%*	(2.3)	*(0.4)%*	(4.2)	*(0.4)%*

(1) HY 2017 sales are compared with HY 2016 sales with the addition of €5.6 million related to the icon Systemhaus acquisition (5 months) and minus €0.2 million for the disposal of DMTI (3 weeks).

(2) Net margin = Group share of net income / total sales.

EDS

Enterprise Digital Solutions posted a +16.9% increase in sales in the first half of 2017 at constant exchange rates. Restated for the scope effects of the acquisition of icon Systemhaus and the disposal of DMTI Spatial, sales grew +7.1% on an organic basis.

This sales performance falls short of expectations and is largely due to the under-performance of icon Systemhaus and license sales in the United States. Maintenance revenues, however, were up sharply.

In this division, GMC Software, Satori and Human Inference were combined under the Quadient brand to target the broader customer experience market with a unique portfolio of solutions bringing together customer communication management and data quality capabilities.

Neopost Shipping

In the first half of 2017, Neopost Shipping's sales growth topped 10%, at +11.6%, excluding currency effects. This increase was due to sales of three CVP-500 automated packaging solutions notably to existing customers, and to the growth of the Packcity business in Japan.

SME Solutions

SME Solutions' sales for the first half of 2017 were down (2.1)%, and down (2.5)% at constant exchange rates.

Communication & Shipping Solutions activities were up +5.7%, excluding currency effects. Graphic activities were down slightly, while digital communication and logistics grew about +13%, excluding currency effects. Growth has yet to reach a level sufficient to offset the decline in Mail Solutions business within this division.

Mail Solutions activities were down (3.7)%, excluding currency effects, slightly better than expected. Once again, the decline in Mail Solutions was more contained in North America, and sharper in Europe. Conditions in the mail solutions market remain tough and the Group continues to expect a structural decline in its Mail Solutions business of between (4)% and (6)%.

Half-year highlights

Neopost raised the equivalent of €215 million (US$ 87 million and €135 million) in February 2017, maturing in 3, 5 and 6 years, through a Schuldschein private placement under German law. In June, Neopost opened a new revolving euro/dollar credit line for €400 million with 10 international banks. This is a five-year facility with two one-year extension options. The Group used these financing transactions, which were largely oversubscribed under very good conditions, to redeem existing lines and extend the maturity of its debt.

Neopost disposed of its SME Solutions subsidiaries in Indonesia, Malaysia, Singapore and Thailand as part of a portfolio optimization strategy. These assets had been booked as assets held for sale in the financial statements at January 31, 2017. The EDS division's DMTI Spatial subsidiary was disposed of at the end of this first-half 2017.

Neopost also increased its stake in Temando from 55% to 65% during the first half, through a reserved capital issue. Early in September 2017, after first-half closing, the Group bought back all the minority shareholdings and now holds 100% of that company's capital.

Current operating income

The current operating margin[1] in the EDS division, declined slightly, attributable to commercial investments aimed at new vertical markets. It came out at 12.4% of sales in HY 2017, from 13.9% in HY 2016.

The current operating margin[1] in the Neopost Shipping division, excluding Temando, was also down due to the pound sterling's impact on the profitability of some contracts. It came out at 1.7% of sales in HY 2017, from 8.2% in HY 2016.

In the SME Solutions division, the current operating margin[1], was up at 21.8% of sales from 21.0% in the first half of 2016. The Group's new digital communication and logistics businesses are not dilutive. The Group is starting to see results from its programs to reduce costs and optimize organization to adapt to new businesses and tougher market conditions for its legacy businesses. During the first half of 2017, SME Solutions' net operating expenditure was lower by €11 million, at constant exchange rates. In two and a half years, Neopost reduced this division's cost base by €47 million, on course to meet the target of cutting costs by at least €50 million[2] by the end of 2017.

Excluding investments in innovation and Temando, and before acquisition-related expense, the Group's operating margin rose to 20.3% in HY 2017 from 20.1% one year earlier.

Innovation-related expenditure concerned the development of the CVP-500 automated packaging system, a web distribution platform, and the development of digital applications for SMEs. It totaled €5 million in HY 2017, unchanged from the first half of 2016.

The Group's current operating income before acquisition-related expense stood at €100.8 million, up 0.9% from €99.9 million in the first half of 2016. Current operating margin (before acquisition-related expense) remained stable at 18.0% of sales.

Acquisition-related expenses were unchanged year-on-year at €5.8 million.

Current operating income was €95.0 million in the first half of 2017, compared with €93.8 million in the prior year.

Non-current items

As announced during its 2014 annual results presentation, the Group recognized structural optimization charges in the amount of €5.9 million in HY 2017, the same amount as in HY 2016.

During the first half, Neopost disposed of its subsidiaries in Indonesia, Malaysia, Singapore and Thailand (SME Solutions division), as well as DMTI Spatial (EDS division). With respect to Temando, the Group reviewed its business plan and bought back the minority shareholdings in September 2017. Consequently, part of the earn-out and the purchase and sale options were adjusted. The goodwill recorded at the time of the acquisition was also partly depreciated.

After these exceptional items, operating income totaled €82.9 million at July 31, 2017, versus €86.0 million one year earlier.

Net income

The net cost of debt stood at €(16.7) million compared with €(14.5) million in the first half of 2016. This increase in the cost of debt is due solely to one-off items related to refinancing during the half. They fall into two categories: cost of carry/carrying costs and early amortization of financing costs for the credit lines redeemed.

In addition, no foreign exchange gains were posted in the first half, unlike in the previous year when forex gains totaled €1.7 million.

Overall, net financial income/(loss) came to a loss of €(16.8) million in the first half, compared with €(13.0) million one year earlier.

The tax rate was 26.6% up from 23.3% in HY 2016, due to losses on asset disposals and adjustments for Temando which do not grant entitlement to tax credits. Excluding these losses, the tax rate was 24.3% in HY 2017, in line with the usual rates.

The Group's net attributable income came out at €50.8 million from €58.3 million in HY 2016, which represents a net margin of 9.1%, compared with 10.5% in the prior year. Diluted net income per share[3] was €1.27, down from €1.46 in HY 2016.

Before asset disposals and adjustments related to Temando, the Group's net attributable income remained practically stable at €57 million.

(1) Before acquisition-related expense.
(2) Relative to the 2014 cost base.
(3) Earnings per share are calculated after deducting dividends paid to ODIRNANE bond holders.

Strong cash flow generation

EBITDA[(1)] was up 2.7% to €142.1 million in HY 2017 from €138.4 million in the same period in 2016.

The change in working capital requirement is in line with what is usual for this period of the year.

Leasing and other financing services receivables amounted to €732.6 million at July 31, 2017, from €798.1 million as of 31 January 2017, a decrease of (3.1)% at constant exchange rates.

Investments in tangible and intangible fixed assets amounted to €43.8 million, an increase on the €41.8 million at July 31, 2016, largely attributable to the Group's investment in Packcity Japan. Total cash flows before acquisitions and dividends rose sharply to €61.0 million, from €44,1 million one year earlier.

Given the strong cash flow from operations, the reduction in the leasing portfolio and the weaker dollar, net debt was down significantly at July 31, 2017 to €715.2 million, from €818.5 million at July 31, 2016. The net debt to EBITDA ratio was 2.4 in HY 2017, compared with 2.7 in the prior year. Banking covenants are met. Neopost points out that its net debt is fully backed by future cash flows expected from its rental and leasing activities.

The Group had €1,135.6 million in equity at July 31, 2017, up from €1,077.5 million one year earlier. As such, gearing came out at 63% of shareholders' equity compared with 76% at July 31, 2016.

(1) EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets

Ownership structure

At 31 July 2017, Neopost S.A.'s share ownership was as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	690,439	*1.998%*	690,439	*2.003%*
Directors (non-executive)	3,953	*0.011%*	*3,953*	*0.011%*
Treasury shares held under liquidity contract	76,947	*0.223%*	-	-
Treasury shares held for stock option and free share allocations	15,876	*0.046%*	-	-
Marathon Asset Management LLP *	2,078,207	*6.013%*	2,078,207	*6.029%*
JPMorgan Asset Management U.K. Limited *	1,431,480	*4.142%*	1,431,480	*4.153%*
LSV Asset Management *	1,413,517	*4.090%*	1,413,517	*4.101%*
HOOPP Investment Management *	1,300,219	*3.762%*	1,300,219	*3.772%*
MFS Investment Management *	1,281,956	*3.709%*	1,281,956	*3.719%*
Dimensional Fund Advisors, L.P. *	1,265,414	*3.661%*	1,265,414	*3.671%*
Norges Bank Investment Management (NBIM) *	1,227,643	*3.552%*	1,227,643	*3.561%*
First Eagle Investment Management, L.L.C. *	1,189,366	*3.441%*	1,189,366	*3.450%*
BWN AG *	1,116,457	*3.230%*	1,116,457	*3.239%*
Natixis Asset Management *	1,040,216	*3.010%*	1,040,216	*3.018%*
Other shareholders	20,431,222	*59.113%*	20,431,222	*59.272%*
TOTAL	**34,562,912**	**100.000%**	**34,470,089**	***100.000%***

* *Source: Nasdaq at 31 July 2017.*

To the Group's knowledge, there is no other shareholder owning more than 3% of the capital or voting rights.

Neopost was communicated the following thresholds for the first-half of 2017:

Date	Name of the Investment Funds	Threshold cross
3 February 2017	MFS Investment Management	Crossing downwards the 10% with 9.68% of voting rights
6 February 2017	Bank of Montreal	Crossing upwards the 5% with 6.23% of voting rights
9 February 2017	Bank of Montreal	Crossing downwards the 5% with 4.78% of voting rights
22 May 2017	MFS Investment Management	Crossing downwards the 5% with 4.77% of voting rights
6 June 2017	First Eagle Investment Management	Crossing downwards the 5% with 4.55% of voting rights
18 July 2017	JP Morgan Asset Management	Crossing upwards the 5% with 5.05% of voting rights

Information on related parties

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

Neopost also holds a 6.53% stake in X'Ange Capital, a 7.39% stake in X'Ange Capital 2 and a 6.2% stake in Partech Entrepreneur II, all non-consolidated companies. The transactions with these companies are not significant.

Risk factors

Neopost reviewed the risks that could have a significant negative impact on its activity, its financial position 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 12 months a material impact on the Group's financial position or profits.

Market risks

For more information see note 11-4 to the consolidated financial statements.

Liquidity risk

The Group believes that its cash flow has defined in the consolidated cash flow statement in part 5 of the 2016 registration document will easily enable it to service its debt, given the current level of that debt. Debt by maturity is detailed in note 11-2-5 to the consolidated financial statements of the 2016 registration document. 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 2017, the Group complies with all covenants.

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

Exchange rate risk

The Group has adopted a policy of hedging exchange rate risk (see financial instruments above).

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

Based on the 2017 budget, the breakdown of sales and costs in United States dollars is as follows: sales 43.2%, cost of sales 48.7%, operating costs 33.7%, interest expenses 39.8%. A 5% decrease in the euro/United States dollar exchange rate from the budget rate of 1.09 would have the following impacts on the Group's income statement: sales (25.3) million euros, current operating income (7.1) million euros and net income (4.2) million euros.

Based on the 2017 budget, the breakdown of sales and costs in pounds sterling is as follows: sales 9.4%, cost of sales 8.0%, operating costs 10.7%. A 5% decrease in the euro/pound sterling exchange rate from the budget rate of 0.85 would have the following impacts on the Group's income statement: sales (5.5) million euros, current operating income (1.8) million euros and net income (1.3) million euros.

The other currencies are not a major concern for the Group. None of them, individually taken, represents more than 5% of the total sales apart from the Australian dollar which represents 5.2% of sales.

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

Regarding debt, borrowings in foreign currencies are mainly in dollars. An increase or a decrease of 5% in the dollar would lead to an increase or a decrease in gross debt of 16.5 million euros.

Regarding shareholder's equity, a decrease of 5% in the dollar would have had an impact of +14.7 million euros and a decrease of 5% in the sterling pound would have an impact of +2.9 million euros on the accounts as of 31 January 2017.

Interest rate risk

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

Risks related to the Group's operations

Decline in mail volume

Mail volumes are down in most countries where the Group operates. Experts anticipate a further decline of about 3-6% per year. The Group's Mail Solutions activities are linked to mail volumes. These activities were down by (5.3)% in 2015 and (4.6)% in 2016 excluding currency effects. To mitigate this decline the Group continues to innovate to gain market share and developes complementary activities which enjoy strong growth. Thanks to these activities, Neopost reduced the organic decline of its Group sales by (1.8)% in 2015 and (2.1)% in 2016.

However, no guarantee can be given on the Group's future ability to mitigate the pace of decline in Mail Solutions.

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

Postal authorities' regulations

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

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

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

Competition

Neopost has two main competitors in its legacy business (Mail Solutions): world leader Pitney Bowes and Francotyp Postalia, No. 3 in the world.

Pitney Bowes is listed on the New York Stock Exchange. It achieved sales of 3.4 billion dollars in 2016 and an operating margin before acquisition related and restructuring costs of 18.5%. Its main market is North America.

Francotyp Postalia is listed on the Frankfurt Stock Exchange. It achieved sales of 203 million euros and an operating margin of 4.8% in 2016. Germany is its main market.

Although the Group believes that its competitive position in the mail solutions market is sustainable and that the industry framework is established by local postal regulations, it is not impossible for new competitors to break into the market for the supply of either products or services. The Group cannot guarantee that it will be able to maintain or increase its market share in the markets in which it already operates, or penetrate new markets.

Regarding its digital communications and shipping activities, the Group recently made several acquisitions: GMC Software AG in July 2012, Human Inference in December 2012, DMTI Spatial in October 2013, ProShip in May 2014 and icon Systemhaus in July 2016. In April 2015 Neopost took a majority stake in Temando. These acquisitions operate on markets where the competitive landscape is different from that of Mail Solutions. Neopost's competitors in these new markets are more numerous and could have greater financial resources than the Group, which might affect the Group's competitiveness. The Group cannot therefore guarantee that it will be able to maintain or increase its market share in these markets.

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

Technological developments and new markets

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

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

Risk related to acquisitions

The Group recently made several acquisitions: GMC Software AG in July 2012, Human Inference in December 2012, ProShip in May 2014 and icon Systemhaus in July 2016. In April 2015 Neopost took a majority stake in Temando. These acquisitions, as with all acquisitions, bring about uncertainty as to the consolidation of the acquired teams, and on the capacity to develop appropriate products and generate synergies within Neopost's historical distribution network. These recent acquisitions have been included in Enterprise Digital Solutions and Neopost Shipping divisions, which achieved respectively +11.2% and +7.8% in 2016 on a organic basis, excluding currency effects.

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

Dependence on customers and suppliers

The Group has hundreds of thousands of customers, none of which accounts for more than 1% of sales.

The Group's main supplier is Hewlett Packard (HP) for inkjet printing heads and cartridges. A new agreement with HP was finalized with effect on 1 February 2017. This agreement is the continuity of previous agreements in operation since 1999. HP accounted for 8.0% of total Group purchases in 2016 and 2015. The top five supliers and the top ten suppliers respectively account for 18.4% and 25.6% of total purchases in 2016 versus 18.6% and 28.0% of total purchases in 2015.

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

Risk of losing key personnel

To reduce the risk of losing key personnel, the Group has put in place retention incentives such as phantom shares and free shares. It has also implemented contingency plans for all major key positions at the level of the holding company, Neopost S.A., as well as at the level of each subsidiary. These plans are regularly updated and reviewed by the remuneration committee and the nomination committee.

Risk linked to protection of intellectual property

The Group is the owner of its trademarks and has about 390 families of patents published. Neopost registered around 13 patents in 2016. The geographical coverage of these patents is essentially European and American. Neopost is not dependent on any single patent which might bring the Group's level of business or profitability into question.

Forecasts

Neopost provides its shareholders with information on its medium-term forecasts. These forecasts were formulated based on the Group's three-year plan. These forecasts were also formulated based on market conditions at the beginning of 2017, namely existing competitive dynamics within the three divisions of the Group and the economic conditions of the countries in which the Group operates. If market conditions or competitive dynamics happen to change significantly, the Group could not guarantee that it would achieve its forecasts.

Retirement benefit obligations

In the United Kingdom, the pension plan was closed to any new member in 2001 and the accrued benefits were frozen in June 2006. Every three years, the British authority requires a valuation based on different hypothesis than the one used according to the IAS 19. If this valuation leads to a deficit, then Neopost has to fill it. As of 31 January 2016, the British regulation did not identify any deficit. The next valuation will be performed in 2017.

Industrial and environmental risks

Given the nature of the Group's assembly and distribution businesses, the Group is not aware of any environmental risk or related to climate change that might have a material impact on its financial position, business or results. Please refer to the social and environmental information detailed in this same section 4 of the registration document.

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

Information on the level of technological risks represented by the Company

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

Risk related to shares

Neopost does not hold any stake in listed companies. The only shares owned are Neopost shares in relation to the liquidity contract or for future delivery to employees within the framework of long term incentive plans.

As of 31 July 2017, the Group owned 92,823 shares. Please refer to "Ownership structure" section in this part of the registration document. This risk is therefore not significant for Neopost.

Taxation

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

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

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

In July 2014, the American holding received a notification of tax adjustments. Discussions are already engaged with the Internal Revenue Service.

Insurance

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

Neopost's risks include a high level of geographic dispersion, which substantially dilutes the consequences of any claim. The cover negotiated by the Group is high and is aimed above all at insuring the largest risks which might have a material impact on the Group's financial position.

The operating damage and loss insurance cover was renegotiated for two years on 1 February 2016 with a decrease of the premium of (21)% without changing any of the guarantee. It was renewed on 1 February 2017 with an increase of the kick-back in exchange for an extended commitment to 31 January 2019.

The insurance covering transport risks was renewed on 1 February 2016 with an increase of the guarantee per claim up to 600,000 euros at no additional cost. The insurance was renewed again on 1 February 2017 with similar conditions.

The insurance policy covering "liability" was renewed on 1 February 2014 on a fixed premium basis, not linked with the sales level as before. This premium has been reduced by around 20% for a two-year period, as no claims had been filed. A renegotiation took place end of 2016. It led to a renewal for two years and a decrease of the premium by 10% without changing the guarantee conditions. This insurance policy was then extended to 31 January 2019.

Considering the development of Neopost in software activities, it was decided on 1 February 2014 to cover the risk of possible claims from third parties against Neopost for infringement of copyright and of intellectual property. This insurance has been taken out worldwide and covers risks up to 30 million euros per claim (10 million dollars in the United States). The policy has been renewed on 1 February 2016 for two years with an increase of the limit for the United States to 20 million dollars.

Total cost of insurance amounted to 0.7 million euros in 2016.

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

Neopost's transformation continues:

- in the Enterprise Digital Solutions division, the Group continues to invest to firmly anchor its leadership position and will benefit from icon Systemhaus's complementary range. The Group is targeting growth in excess of 10% per year and improved profit margins;
- in Neopost Shipping, the Group's offering is now established and will be rolled out to generate significant organic growth and improve profitability;
- in SME Solutions, the Group is accelerating the roll-out of digital and logistic solutions to offset the decline in sales of mail solutions. Meanwhile, Neopost will pursue its plan to lower net costs by at least €50 million[1] by January 31, 2018 to stabilize its operating margin around 22%;
- in addition, the Group's investment in innovation will stay on course, with an annual average budget of €10 million.

This strategy is designed to return Neopost to organic sales growth in the medium term. It will also ensure the Group maintains a current operating margin, before acquisition-related expense, above 18.0% throughout the period of transformation, and return it to above 20.0%, before acquisition-related expense, in the medium term.

(1) Relative to the 2014 cost base.

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2017

Consolidated balance sheet

CONSOLIDATED ASSETS

(In millions of euros)	Notes	31 July 2017	31 July 2016	31 January 2017
Goodwill				
Gross value		1,089.0	1,140.0	1,120.8
Depreciation		(23.5)	-	-
	(4-1)	**1,065.5**	**1,140.0**	**1,120.8**
Intangible fixed assets				
Gross value	**(4-2)**	505.2	487.8	518.5
Amortization	**(4-2)**	(300.1)	(270.2)	(295.3)
	(4-2)	**205.1**	**217.6**	**223.2**
Tangible fixed assets				
Gross value	**(4-3)**	609.9	597.3	618.0
Amortization	**(4-3)**	(481.8)	(465.0)	(486.2)
	(4-3)	**128.1**	**132.3**	**131.8**
Other non-current financial assets				
Investments in associated companies		4.7	3.8	4.7
Other assets available for sale – Net		7.2	5.5	6.1
Non-current financial derivative instruments	**(11)**	5.9	8.2	8.0
Other non-current financial assets	**(4-4)**	36.9	30.9	34.1
		54.7	**48.4**	**52.9**
Net long-term lease receivables	**(6-2)**	**450.8**	**481.5**	**489.7**
Other net long-term receivables		**1.9**	**2.2**	**2.5**
Deferred tax assets	**(12-2)**	**22.8**	**15.1**	**17.3**
Total non-current assets		**1,928.9**	**2,037.1**	**2,038.2**
Net inventories and work in progress	**(6-5)**	**72.8**	**80.0**	**71.9**
Net receivables				
Net accounts receivable	**(6-2)**	229.9	221.3	268.8
Net short-term lease receivables	**(6-2)**	281.8	298.9	308.4
Income tax receivables		41.1	39.2	49.5
Net other receivables		9.4	9.6	8.8
		562.2	**569.0**	**635.5**
Prepaid expenses		**44.2**	**42.6**	**42.4**
Current financial derivative instruments	**(11)**	**3.5**	**0.3**	**0.3**
Cash and cash equivalents				
Short-term and liquid investments		0.1	0.1	0.1
Cash		169.0	80.3	96.0
		169.1	**80.4**	**96.1**
Total current assets		**851.8**	**772.3**	**846.2**
Assets held for sale	**(5)**	**-**	**-**	**2.0**
TOTAL ASSETS		**2,780.7**	**2,809.4**	**2,886.4**

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

CONSOLIDATED LIABILITIES

(In millions of euros)	Notes	31 July 2017	31 July 2016	31 January 2017
Shareholders' equity				
Share capital		34.6	34.6	34.6
Additional paid-in capital		52.9	52.9	52.9
Reserves and retained earnings		794.1	736.5	709.0
Cumulative translation adjustments		(26.5)	(5.5)	4.4
Treasury shares		(3.8)	(3.1)	(3.4)
Equity instruments	**(13-1)**	233.5	206.1	223.3
Net income		50.8	56.0	118.2
Total shareholders' equity		**1,135.6**	**1,077.5**	**1,139.0**
Attributable to:				
• holders of the parent company		1,129.3	1,068.5	1,132.0
• non-controlling interests		6.3	9.0	7.0
Non-current financial debts				
Financial debts from credit institutions	**(11-2)**	868.2	746.0	753.6
Other financial debts	**(13-1-2)**	-	29.7	-
		868.2	**775.7**	**753.6**
Long-term provisions	**(10-1)**	**31.5**	**26.4**	**27.7**
Non-current financial derivative instruments	**(11-1)**	**0.0**	**0.3**	**0.0**
Other non-current liabilities	**(10-3)**	**18.1**	**69.5**	**50.3**
Deferred tax liabilities	**(12-2)**	**190.2**	**179.7**	**197.4**
Total non-current liabilities		**1,108.0**	**1,051.6**	**1,029.0**
Accounts payable				
Trade payables		71.5	67.8	79.4
Other operating liabilities		203.3	215.7	228.4
Tax payables		40.0	39.4	50.5
Short-term provisions	**(10-1)**	10.0	13.5	12.2
Deferred income		186.4	174.7	216.6
		511.2	**511.1**	**587.1**
Current financial derivative instruments	**(11-1)**	**0.3**	**0.5**	**0.9**
Financial debts				
Short-term portion of credit institution debt	**(11-2)**	13.7	146.3	99.7
Short-term portion of other financial debt	**(13-1-2)**	9.5	15.8	24.9
Bank overdrafts	**(11-2)**	2.4	6.6	5.8
		25.6	**168.7**	**130.4**
Total current liabilities		**537.1**	**680.3**	**718.4**
TOTAL LIABILITIES		**2,780.7**	**2,809.4**	**2,886.4**

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

CONSOLIDATED INCOME STATEMENTS

(In millions of euros)	Notes	31 July 2017	31 July 2016	31 January 2017
Sales	**(6-1)**	**558.8**	**556.5**	**1,158.7**
Current operating expenses	**(6-3)**			
Cost of sales		(138.0)	(137.0)	(293.3)
Research and development expenses		(27.6)	(24.2)	(52.0)
Sales and marketing expenses		(139.4)	(144.9)	(293.0)
Administrative expenses		(99.6)	(96.7)	(197.1)
Service and other operating expenses		(52.0)	(52.2)	(106.8)
Employee profit-sharing, share-based payments		(1.4)	(1.6)	(0.5)
Expenses related to acquisitions	**(6-6)**	(5.8)	(6.1)	(13.1)
Total current operating expenses		**(463.8)**	**(462.7)**	**(955.8)**
Current operating income	**(6-3)**	**95.0**	**93.8**	**202.9**
Proceeds from asset sales		(0.0)	(0.0)	(0.0)
Structure optimization expenses – net of reversals	**(6-7)**	(5.9)	(6.3)	(15.3)
Other non-current operational expenses	**(6-7)**	(6.2)	(1.5)	(6.7)
Operating income		**82.9**	**86.0**	**180.9**
Interest expenses		(17.3)	(14.7)	(31.3)
Interest income		0.6	0.2	1.6
Net cost of debt		**(16.7)**	**(14.5)**	**(29.7)**
Losses on foreign exchange		(6.7)	(1.3)	(5.8)
Gains on foreign exchange		6.6	3.0	5.0
Net gains (losses) on foreign exchange		**(0.1)**	**1.7**	**(0.8)**
Other financial gains		-	-	-
Other financial losses		(0.0)	(0.2)	-
Income before tax		**66.1**	**73.0**	**150.4**
Share of results of associated companies		-	-	1.3
Income taxes	**(12-1)**	(17.6)	(17.0)	(37.7)
NET INCOME		**48.5**	**56.0**	**114.0**
Attributable to:				
• holders of the parent company		50.8	58.3	118.2
• non-controlling interests		(2.3)	(2.3)	(4.2)
NET EARNINGS PER SHARE *(IN EUROS)*	**(13-2)**	**1.34**	**1.56**	**3.17**
DILUTED NET EARNINGS PER SHARE *(IN EUROS)*	**(13-2)**	**1.27**	**1.46**	**2.97**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of euros)	**31 July 2017**	**31 July 2016**	**31 January 2017**
Net income	**48.5**	**56.0**	114.0
Actuarial variances recognized in equity	(1.1)	(7.1)	(4.7)
Deferred taxes on actuarial variances recognized in equity	0.2	2.4	1.6
Sub-total of items that could not be reclassified in net income	**(0.9)**	**(4.7)**	**(3.1)**
Change in fair value of hedging instruments	(0.1)	-	1.6
Deferred taxes on change in fair value of hedging instruments	0.0	(0.1)	(0.6)
Translation variance	(30.9)	(9.3)	0.6
Sub-total of items that could be reclassified in net income	**(31.0)**	**(9.4)**	**1.6**
TOTAL INCOME FOR THE YEAR	**16.6**	**41.9**	**112.5**
Attributable to:			
• holders of the parent company	18.9	44.2	116.7
• non-controlling interests	(2.3)	(2.3)	(4.2)

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(In millions of euros)	Notes	31 July 2017	31 July 2016	31 January 2017
Net income attributable to shareholders of the parent company		50.8	58.3	118.2
Net income attributable to non-controlling interests		(2.2)	(2.3)	(4.2)
Expenses (income) with no cash effect	**(8-1)**	54.5	39.8	94.1
Share of results of associated companies (net of dividends received)		0.0	0.0	(1.0)
Income taxes expense (including deferred taxes)	**(12-2)**	17.6	17.0	37.7
Net cost of debt		16.7	14.5	29.7
Cash flow before net cost of debt and income taxes		**137.4**	**127.3**	**274.5**
Working capital variation	**(8-2)**	(25.1)	(42.6)	(8.6)
Increase (decrease) in lease receivables		25.4	18.6	15.2
Cash flow from operating activities		**137.7**	**103.3**	**281.1**
Interest paid		(17.2)	(16.3)	(29.6)
Income taxes paid		(15.8)	(1.0)	(22.2)
Net cash flow from operating activities (A)		**104.7**	**86.0**	**229.3**
Investments in tangible fixed assets	**(4-3)**	(26.6)	(23.4)	(47.0)
Investments in intangible fixed assets	**(4-2)**	(17.2)	(18.4)	(35.2)
Financial investments	**(8-3)**	(1.2)	(22.8)	(24.0)
Sub-total investments		**(45.0)**	**(64.6)**	**(106.2)**
Disposals of fixed assets		1.4	0.5	1.4
Repayment of loans and other long-term advances		0.5	1.4	1.2
Net cash flow from investing activities (B)		**(43.1)**	**(62.7)**	**(103.6)**
Parent company capital increase		0.0	0.0	-
Share buyback – liquidity contract		(0.7)	(0.1)	(0.3)
Dividends paid to shareholders		(27.6)	(27.5)	(58.5)
New medium and long-term borrowings	**(11-2)**	209.8	34.3	19.6
ODIRNANE issued *	**(13-1)**	(4.5)	(4.5)	(8.9)
Repayment of long-term borrowings	**(11-2)**	(152.8)	(26.0)	(62.3)
Net cash flow from financing activities (C)		**24.2**	**(23.8)**	**(110.4)**
Cumulative translation adjustments on cash and cash equivalents **(D)**		(9.4)	10.6	11.3
Change in net cash (A) + (B) + (C) + (D)		**76.4**	**10.1**	**26.6**
Net cash – opening		**90.3**	**63.7**	**63.7**
Net cash – closing		**166.7**	**73.8**	**90.3**
Cash and cash equivalents		169.1	80.4	96.1
Bank overdrafts		(2.4)	(6.6)	(5.8)
NET CASH – CLOSING		**166.7**	**73.8**	**90.3**

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

* *ODIRNANE: senior unsecured net share settled undated bond convertible into new shares and/or exchangeable for existing shares.*

CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Par value	Number of shares	Share capital *	Additional paid-in capital	Reserves retained earnings and net income	Treasury shares	Cumulative translation adjustments	Total
Consolidated shareholders' equity at 31 January 2016	**EUR 1**	**34,562,912**	**34.6**	**64.5**	**969.1**	**(3.4)**	**3.8**	**1,068.6**
Attributable to:								
• holders of the parent company								1,064.5
• non-controlling interests								4.1
Net income		-	-	-	114.0	-	-	114.0
Items that could not be reclassified in net income		-	-	-	(3.1)	-	-	(3.1)
Items that could be reclassified in net income		-	-	-	1.0	-	0.6	1.6
Total comprehensive income 2016		**-**	**-**	**-**	**111.9**	**-**	**0.6**	**112.5**
Treasury shares – liquidity contract		-	-	-	0.7	-	-	0.7
Free shares attributed (12,751 shares)		-	-	-	(0.3)	-	-	(0.3)
2015 dividends		-	-	(11.6)	(19.4)	-	-	(31.0)
2016 interim dividends		-	-	-	(27.6)	-	-	(27.6)
Share-based payments		-	-	-	0.3	-	-	0.3
Equity instruments								
• ODIRNANE interests		-	-	-	(8.9)	-	-	(8.9)
• Put and call options		-	-	-	21.6	-	-	21.6
Minority interests		-	-	-	3.1	-	-	3.1
Consolidated shareholders' equity at 31 January 2017	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,050.5**	**(3.4)**	**4.4**	**1,139.0**
Attributable to:								
• holders of the parent company								1,132.0
• non-controlling interests								7.0
Movements first half of 2017								
Net income		-	-	-	48.5	-	-	48.5
Items that could not be reclassified in net income		-	-	-	(0.9)	-	-	(0.9)
Items that could be reclassified in net income		-	-	-	(0.1)	-	(30.9)	(31.0)
Comprehensive income first half 2017		**-**	**-**	**-**	**47.5**	**-**	**(30.9)**	**16.6**
Treasury shares – liquidity contract		-	-	-	0.7	0.1	-	0.8
Free shares attributed (8,392 shares)		-	-	-	(0.2)	(0.5)	-	(0.7)
2016 dividends		-	-	-	(31.0)	-	-	(31.0)
Share-based payments		-	-	-	(0.3)	-	-	(0.3)
Equity instruments								
• ODIRNANE interests		-	-	-	(4,5)	-	-	(4,5)
• Put/call		-	-	-	14,8	-	-	14,8
Other		-	-	-	0.9	-	-	0.9
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2017	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,078.4**	**(3.8)**	**(26.5)**	**1,135.6**
Attributable to:								
• holders of the parent company								1,129.3
• non-controlling interests								6.3

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

* *The share capital is fully released.*

Consolidated balance sheet

(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 2016	**EUR 1**	**34,562,912**	**34.6**	**64.5**	**969.1**	**(3.4)**	**3.8**	**1,068.6**
Attributable to:								
• holders of the parent company								1,064.5
• non-controlling interests								4.1
Movements first half of 2016								
Net income		-	-	-	56.0	-	-	56.0
Items that could not be reclassified in net income		-	-	-	(4.7)	-	-	(4.7)
Items that could be reclassified in net income		-	-	-	(0.1)	-	(9.3)	(9.4)
Comprehensive income first half of 2016		**-**	**-**	**-**	**51.2**	**-**	**(9.3)**	**41.9**
Treasury shares – liquidity contract		-	-	-	0.0	0.3	-	0.3
Free shares attributed (4,111 actions)	EUR 1	-	-	-	(0.1)	0.0	-	(0.1)
2015 dividends		-	-	(11.6)	(19.4)	-	-	(31.0)
Share-based payments		-	-	-	(0.6)	-	-	(0.6)
Equity instruments								
• ODIRNANE interests		-	-	-	(4.5)	-	-	(4.5)
Other		-	-	-	2.9	-	-	2.9
Consolidated shareholders' equity at 31 July 2016	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**998.6**	**(3.1)**	**(5.5)**	**1,077.5**
Attributable to:								
• holders of the parent company								1,068.5
• non-controlling interests								9.0

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

* *The capital is fully released.*

Notes to the consolidated financial statements

Financial statements for half-year ended 31 July 2017 and 31 July 2016 and fiscal year 31 January 2017.

The consolidated half-year financial statements were approved by the Board of directors on 25 September 2017.

Unless otherwise indicated, all amounts stated hereafter are in millions of euros, rounded to one decimal place. Therefore, the sum of rounded amounts may present immaterial differences with the total shown.

Some amounts as at 31 July 2016 and 31 January 2017 have been reclassified to be comparable to the presentation adopted as at 31 July 2017.

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

Neopost is a global leader in digital communications, shipping and mail solutions. Its mission is to guide and support organizations in how they send and receive communications and goods, helping them better connect with their business environment through hardware, software and services. Neopost supplies innovative user-friendly solutions for physical and digital communications management for large enterprises and SMEs, as well as shipping processes for supply-chain and e-commerce players.

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 42-46 avenue Aristide Briand, 92220 Bagneux (France).

Neopost S.A. shares are listed on compartment A of Euronext Paris and are included on the SBF 120 index.

1-1: History

Neopost was created in 1992 through a Leveraged Buy-Out (LBO) of Alcatel's mail processing equipment division. A second LBO took place in 1997. In February 1999, the Group was listed on the Paris stock exchange. Since then, Neopost has made acquisitions of various sizes. In 2002, Neopost acquired Ascom Hasler – the mailing systems division of the Swiss company Ascom – which ranked third in the world. In 2012, Neopost acquired GMC Software AG, parent company of the group GMC Software Technology AG, leader in the field of customer communication management and Human Inference, a specialist in master data management. In 2013, Neopost acquired DMTI Spatial, the leading Canadian provider of location-based data quality solutions. In 2014, Neopost acquired ProShip, one of the largest providers of multi-carrier parcel shipping solutions. In 2015, Neopost acquired a 55% stake in Temando Holdings Pty Ltd, an Australian company that provides logistic solutions to the e-commerce sector. In 2016, Neopost acquired icon Systemhaus GmbH, German leader in customer communication solutions, mainly active in Germany and Austria.

1-2: Main events of the period

Assets disposal

In the first half of full year 2017, the group disposed of its SME Solution subsidiaries in Indonesia, Malaysia, Singapore and Thailand and its canadian subsidiary DMTI Spatial from EDS division.

Temando

Neopost performed a capital increase of 7 million of Australian dollars into Temando on the first quarter 2017, increasing its stake from 55% to 65%.

The Group revised the business plan of Temando and acquired the remaining minority interests in September 2017. As a consequence, the earn-out debt associated to Temando was reversed for an amount of 28.6 million euros and put and call debt on minority shareholders adjusted to its fair market value at 9.5 million euros. The goodwill related to the acquisition of Temando was partly depreciated by 23.5 million euros.

Note 2 Accounting policies

2-1: Accounting standards applied

The interim consolidated accounts ended 31 July 2017 comply with the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The interim consolidated accounts at 31 July 2017 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2017 and published on the 28 April 2017.

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 2017. Neopost group's consolidated financial statements comply with the international accounting standards (standards IFRS: International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) applicable to 31 July 2017 as approved by the European Union.

The IFRS are available on the European Commission website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm #adopted-commission

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

Standards, amendments and interpretation adopted by the European Union that are mandatory for financial years beginning on or after 1 February 2017:

- amendments IAS 7: disclosure initiative;
- amendments IAS 12: recognition of deferred tax assets on unrealized losses;
- improvement to IFRS 2014-2016 cycle.

These new standards applicable to Neopost for financial year starting on 1 February 2017 had no significant impact on the financial statements.

Standards, amendments and interpretations adopted by the European Union and that are mandatory for financial years beginning after 1 February 2018 and not early adopted by the Group:

- IFRS 9: Financial instruments.

Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union:

- IFRS 14: Regulatory deferral accounts;
- IFRS 15: Revenue from contracts with customers;
- IFRS 16: Leases;
- IFRIC 22: Foreign currency transactions and advance consideration;
- IAS 40: Transfer of investment property.

Regarding IFRS 16, analysis is ongoing and the Group cannot comment now on what the financial implications of this standard might be. Regarding the other standards mandatory after 1 February 2018 and new standards not yet adopted, the Group is also assessing the effects but does not expect any significant impact on its financial position.

2-2: 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 year-end exchange rate. Income and expenses are translated at the average exchange rate over the period.

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

The exchange rates for the main Group's currencies are as follows:

	31 July 2017		31 July 2016		31 January 2017	
	Period end	Average	Period end	Average	Period end	Average
United States dollar (USD)	1.17	1.10	1.1113	1.1189	1.0755	1.1044
Pound Sterling (GBP)	0.89	0.86	0.8440	0.7927	0.8611	0.8276
Canadian dollar (CAD)	1.46	1.45	1.4643	1.4683	1.4056	1.4545
Swiss franc (CHF)	1.14	1.08	1.0823	1.0948	1.0668	1.0883
Japanese yen (JPY)	129.70	122.87	114.8300	122.2833	121.9400	119.7733
Norwegian kroners (NOK)	9.31	9.24	9.5092	9.3855	8.8880	9.2430
Swedish kroners (SEK)	9.54	9.61	9.5673	9.3331	9.4505	9.4860
Danish kroners (DKK)	7.44	7.44	7.4374	7.4462	7.4373	7.4432
Australian dollar (AUD)	1.47	1.44	1.4782	1.5083	1.4198	1.4780
Singapore dollar (SGD)	1.59	1.53	1.5015	1.5300	1.5201	1.5246
Indian rupee (INR)	75.27	71.44	74.4070	75.1727	72.8005	74.2785
Brazilian real (BRL)	3.68	3.49	3.6478	4.0056	3.3535	3.7775
Chinese yuan (CNY)	7.89	7.52	7.3908	7.3356	7.3970	7.3645
Czech koruna (CZK)	26.08	26.63	27.0310	27.0420	27.0210	27.0339
Hungarian forint (HUF)	304.62	309.09	312.1900	312.6499	310.6400	310.9852
Polish zloty (PLN)	4.25	4.25	4.3630	4.3668	4.3239	4.3603
New-Zealand dollar (NZD)	1.57	1.54	1.5615	1.6295	1.4709	1.5750

Note 3 Scope and principles of consolidation

3-1: Accounting policies relating to the scope of consolidation

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 indirectly 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 rights in the company held.

3-2: Changes in the scope of consolidation

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

Changes in the scope of consolidation for the first half-year 2017 are as follows:

- Sale of legal entities of the Neosys perimeter in Asia-Pacific;
- Merge Afterprint/Neopost Norge;
- Sale of DMTI Spatial in Canada.

3-3: Other information relating to the scope of consolidation

Information on related parties

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

Neopost also holds a 6.53% stake in X'Ange Capital, a 7.39% stake in X'Ange Capital 2 and a 6.2% stake in Partech Entrepreneur II, all non-consolidated companies. The transactions with these companies are not significant.

Off-balance sheet commitments relating to the scope of consolidation

Neopost S.A. has a share purchase commitment with X'Ange Capital 2 for an amount of 0.3 million euros as at 31 July 2017 compared with 0.4 million euros as at 31 January 2017.

Neopost S.A. has an investment commitment with Partech Entrepreneur II for an amount of 1.8 million euros compared with 2.8 million as at 31 January 2017.

Note 4 Intangible assets, tangible assets and other non-current assets

4-1: Goodwill

Gross goodwill at 31 January 2016	**1,120.8**
Exit perimeter	(6.2)
Translation difference	(25.6)
Gross goodwill at 31 july 2017	**1,089.0**
Depreciation	(23.5)
NET BOOK VALUE AT 31 JULY 2017	**1,065.5**

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

	31 July 2017	31 January 2017
France	167.4	167,4
United States	325.6	345,8
United Kingdom	124.0	124,4
Germany	66.5	66,5
Netherlands & Belgium	28.3	28,3
Switzerland	25.4	26,2
Denmark	16.0	16,0
Sweden	14.7	14,8
Norway	7.2	7,5
Australia & Asia	30.4	31,4
Italy	6.6	6,6
Ireland	5.5	5,5
Canada	2.4	2,3
Finland	2.3	2,3
SME Solutions	**822.3**	**845,0**
Enterprise Digital Solutions	**202.1**	**209,5**
Neopost Shipping	**21.3**	**22.6**
Temando	**19.8**	**43.7**
NET BOOK VALUE	**1,065.5**	**1,120,8**

A goodwill impairment test was performed at 31 January 2017 following the methodology described in note 4-5 of the consolidated financial statements shown in the 2016 registration document. Based on the delays faced by Temando to deliver the initial business plan, it has been decided to isolate Temando from the rest of Shipping business and perform a dedicated follow-up on this subsidiary. A specific impairment test on the goodwill related to Temando was performed using a revised business plan and the valuation resulting from the repurchase of the minority interests which led to a goodwill depreciation of 23.5 million euros as of 31 July 2017.

4-2: Intangible assets

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Gross value at 31 January 2017	**35.3**	**136.4**	**215.4**	**57.6**	**73.8**	**518.5**
Acquisitions/Capitalization	-	2.8	13.6	0.4	0.4	17.2
Scope variation	-	(0.8)	(7.8)	(0.1)	(6.1)	(14.8)
Disposals	-	(2.0)	-	-	(0.2)	(2.2)
Other changes	-	0.5	-	-	(0.1)	0.4
Translation difference	(0.3)	(5.3)	(4.2)	(0.3)	(3.8)	(13.9)
Gross value at 31 July 2017	**35.0**	**131.6**	**217.0**	**57.6**	**64.0**	**505.2**
Cumulative amortization	(30.7)	(94.5)	(125.9)	(16.8)	(32.2)	(300.1)
NET BOOK VALUE AT 31 JULY 2017	**4.3**	**37.1**	**91.1**	**40.8**	**31.8**	**205.1**

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

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Amortization at 31 January 2017	**30.5**	**94.8**	**117.8**	**15.5**	**36.7**	**295.3**
Charges	0.3	5.9	12.2	1.6	3.1	23.1
Scope variation	-	(0.8)	(3.0)	(0.1)	(5.1)	(9.0)
Disposals	-	(1.8)	-	-	-	(1.8)
Other changes	-	-	0.2	-	-	0.2
Translation difference	(0.1)	(3.6)	(1.3)	(0.2)	(2.5)	(7.7)
AMORTIZATION AT 31 JULY 2017	**30.7**	**94.5**	**125.9**	**16.8**	**32.2**	**300.1**

At 31 July 2017, no evidence of impairment was noted on intangible fixed assets.

4-3: Tangible assets

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Gross value at 31 January 2017	**35.0**	**68.9**	**434.6**	**38.8**	**8.3**	**32.4**	**618.0**
Acquisitions	0.1	1.6	20.5	0.8	1.2	2.4	26.6
Scope variation	-	(0.1)	-	(1.0)	-	(1.0)	(2.1)
Disposals	(0.0)	(2.4)	(2.1)	(0.9)	(1.0)	(0.6)	(7.0)
Other changes	0.5	0.3	-	0.2	(0.0)	(1.3)	(0.3)
Translation difference	(0.4)	(0.9)	(21.2)	(1.2)	(0.3)	(1.3)	(25.3)
Gross value at 31 July 2017	**35.2**	**67.4**	**431.8**	**36.7**	**8.2**	**30.6**	**609.9**
Cumulative amortization	(19.6)	(59.5)	(345.2)	(30.7)	(4.7)	(22.1)	(481.8)
NET BOOK VALUE AT 31 JULY 2017	**15.6**	**7.9**	**86.6**	**6.0**	**3.5**	**8.5**	**128.1**

The other variations mainly represent reclassifications.

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Amortization at 31 January 2017	**19.1**	**60.5**	**346.6**	**31.9**	**4.5**	**23.6**	**486.2**
Charges	0.6	2.0	18.3	1.5	0.6	1.0	24.0
Scope variation	-	(0.1)	-	(0.9)	-	(1.1)	(2.1)
Disposals	-	(2.3)	(2.1)	(0,8)	(0.2)	(0.5)	(5.9)
Other changes	-	-	(0.1)	-	-	-	(0.1)
Translation difference	(0.1)	(0.6)	(17.5)	(1.0)	(0.2)	(0.9)	(20.3)
AMORTIZATION AT 31 JULY 2017	**19.6**	**59.5**	**345.2**	**30.7**	**4.7**	**22.1**	**481.8**

At 31 July 2017, no evidence of impairment was noted on tangible fixed assets.

4-4: Other non-current financial assets

	31 July 2017	31 January 2017
Deposits, loans and guarantees	6.4	4.7
Pension plan net asset	30.5	29.4
TOTAL	**36.9**	**34.1**

At 31 July 2017, the deposits, loans and guarantees contain in particular a deposit for 3.7 million euros related to the liquidity contract compared with 2.2 million euros at 31 January 2017.

The Group has a pension plan in the United Kingdom that shows a surplus of 27.3 million pounds sterling (30.5 million euros) at 31 July 2017 compared with 25.3 million pounds sterling (29.4 million euros) at 31 January 2017. The change in the pension plan's net assets is mainly related to actuarial differences.

The tax rate applicable for the cash refund of this asset in the United Kingdom will be 35%. This tax effect is presented in the consolidated financial statements liabilities on the line deferred tax liabilities.

Note 5 Assets held for sale

As at 31 January 2017, the assets classified as assets held for sale for an amount of 2.0 million euros were related to the distribution subsidiaries in Thailand, Singapore, Malaysia and Indonesia. These assets were valuated at their fair value which led to recognition of a depreciation that was booked in other operational expenses for an amount of 4.5 million euros.

Note 6 Operating data

6-1: Sales breakdown

Sales breakdown as follows:

- By business

	31 July 2017	31 July 2016	31 January 2017
Enterprise Digital Solutions	69.0	58.7	136.5
Neopost Shipping	24.3	22.9	48.5
SME Solutions	473.0	483.2	990.9
Eliminations	(10.2)	(9.7)	(21.7)
Innovation *	2.7	1.4	4.5
TOTAL	**558.8**	**556.5**	**1,158.7**

* Innovation includes the automated packing system CVP-500 sales.

- By type of revenues

	31 July 2017	31 July 2016	31 January 2017
Equipment rental and leasing	135.4	138.7	276.9
Services and supplies	246.2	243.8	500.4
Equipment and licenses sales	177.2	174.0	381.4
TOTAL	**558.8**	**556.5**	**1,158.7**

- By geographic area

	31 July 2017	31 July 2016	31 January 2017
North America	251.5	247.4	515.8
Europe	263.0	267.7	557.5
Asia-Pacific	44.3	41.4	85.4
TOTAL	**558.8**	**556.5**	**1,158.7**

6-2: Accounts receivable and lease receivables

	31 July 2017	31 January 2017
Accounts receivable		
Gross value	248.5	287.7
Depreciation	(18.6)	(18.9)
Total	**229.9**	**268.8**
Lease receivables		
Short term	286.0	312.8
Long term	456.9	496.4
Gross value	**742.9**	**809.2**
Depreciation	(10.3)	(11.1)
Total	**732.6**	**798.1**
TOTAL	**962.5**	**1,066.9**

	31 July 2017	31 January 2017
Accounts receivable – Depreciation		
Depreciation at the beginning of the year	18.9	20.7
Charges	2.0	3.5
Used	(1.2)	(5.0)
Not used	(0.3)	(0.3)
Scope variation	(0.2)	-
Translation difference	(0.6)	(0.0)
TOTAL	**18.6**	**18.9**

FINANCING LEASES

	31 July 2017	31 January 2017
Non-current receivables		
Financing leases – gross receivables	545.3	593.3
Unearned financial income	(88.4)	(96.9)
Total	**456.9**	**496.4**
Current receivables		
Financing leases – gross receivables	343.0	374.3
Unearned financial income	(57.0)	(61.5)
Total	**286.0**	**312.8**
Gross receivables on financing leases		
Less than one year	343.0	374.3
1 to 5 years	536.6	584.2
More than 5 years	8.7	9.1
Total gross value	**888.3**	**967.6**
Unearned financial income on financing leases	**(145.4)**	**(158.4)**
Net investment in financing leases		
Less than one year	286.0	312.8
1 to 5 years	448.5	487.6
More than 5 years	8.4	8.8
TOTAL	**742.9**	**809.2**

The information regarding the contingent rents recognized in the income of the period required by IAS 17 and related to finance lease lessors does not apply to Neopost.

6-3: Current operating income and EBITDA

	31 July 2017		31 July 2016		31 January 2017	
	Gross value	%	Gross value	%	Gross value	%
Sales	558.8	100%	556.5	100%	1,158.7	100%
Cost of sales	(138.0)	(24.7)%	(137.0)	(24.6)%	(293.3)	(25.3)%
Gross margin	**420.8**	**75.3%**	**419.5**	**75.4%**	**865.4**	**74.7%**
Operating expenses	(325.8)	(58.3)%	(325.7)	(58.5)%	(662.5)	(57.2)%
Current operating profit	**95.0**	**17.0%**	**93.8**	**16.9%**	**202.9**	**17.5%**
Amortization of fixed assets	47.1	8.4%	44.6	8.0%	92.0	7.9%
EBITDA	**142.1**	**25.4%**	**138.4**	**24.9%**	**294.9**	**25.4%**

6-4: Breakdown of expenses by categories

	31 July 2017	31 July 2016	31 January 2017
Cost of inventories recognized as expense	120.9	115.5	253.4
Wages, bonuses, commissions and payroll charges	227.1	224.2	453.5
Rents and associated costs	15.1	15.8	32.2
Fees	12.8	12.3	26.7
Transport and travel	22.9	23.1	45.3
Fixed assets – depreciation and amortization	47.1	44.6	92.0
Other	17.9	27.2	52.7
Total expenses by category	**463.8**	**462.7**	**955.8**
Cost of sales	138.0	137.0	293.3
Operating expenses	325.8	325.7	662.5
TOTAL	**463.8**	**462.7**	**955.8**

6-5: Inventories and work in progress

	31 July 2017			31 January 2017		
	Gross value	Provision	Net	Gross value	Provision	Net
Work in progress	5.8	(0.6)	5.2	4.1	(0.5)	3.6
Raw materials	11.2	(1.8)	9.4	11.1	(1.7)	9.4
Finished goods	64.5	(9.6)	54.9	66.5	(10.9)	55.6
Spare parts	5.0	(1.7)	3.3	5.1	(1.8)	3.3
TOTAL	**86.5**	**(13.7)**	**72.8**	**86.8**	**(14.9)**	**71.9**

	31 July 2017	
	Gross value	Provision
Opening	86.8	(14.9)
Net inventory entries	3.8	-
Charges	-	(0.4)
Used	-	1.3
Acquisitions	(2.6)	-
Translation difference	(1.5)	0.3
TOTAL	**86.5**	**(13.7)**

6-6: Expenses and gains related to acquisitions

	31 July 2017	31 July 2016	31 January 2017
Acquisitions expenses (fees)	0,0	1.0	2.0
Amortization of intangible assets after the purchase price allocation	5.8	5.1	11.1
EXPENSES RELATED TO ACQUISITIONS	**5.8**	**6.1**	**13.1**

6-7: Costs (net of reversals) to optimize structures and other operating charges

The Group continued its structure optimization programme. An expense of 5.9 million euros was recorded in this regard in the first half of 2017 compared with 6.3 million euros in the first half of 2016.

Moreover, the Group decided in 2016 to change its channels to operate in some secondary markets for the SME Solutions division.

In the first semester 2017, the subsidiaries from SME Solutions division in Indonesia, Malaysia, Singapore and Thailand and DMTI Spatial (from the EDS division) were sold. The impact of these sales was partly recorded in the 2016 accounts for 6.7 million euros in other operating charges mainly driven by 4.5 million euros related to the depreciation of assets to be sold. Additional charges reaching 11.3 million euros were recorded in the first semester 2017.

	31 July 2017	31 July 2016	31 January 2017
STRUCTURE OPTIMIZATION EXPENSES (NET OF REVERSALS)	**5.9**	**6.3**	**15.3**
Net impact of divestments	11.3	1.5	6.7
Impairment of goodwill - Temando	23.5	-	-
Reversal of earn-out - Temando	(28.6)	-	-
OTHER NON-CURRENT OPERATING EXPENSES	**6.2**	**1.5**	**6.7**

The goodwill depreciation is detailed in the note 4.1.

Based on the revised business plan of Temando, financial indicators that will trigger the earn-out payment might not be reached. The earn-out debt was then reversed for 28.6 millions of Australian dollars.

6-8: Off-balance sheet commitments related to operational data

	Currency	31 July 2017	31 January 2017
Bank guarantee in favor of the British postal service	**GBP**	0.8	0.8
Bank guarantee in favor of the Irish postal service	**EUR**	1.7	1.7

Note 7 Segment information

Neopost's activity is divided into three divisions.

- Enterprise Digital Solutions which offers digital communications solutions;
- Neopost Shipping which develops a complete range of products and solutions that optimize processes for supply-chain and e-commerce players;
- SME Solutions which encompasses the legacy business of the Group related to mail solutions as well as the new activities in digital communications, shipping solutions and graphics.

These activities generate different levels of sales and operating margin.

Furthermore, Neopost groups in the segment innovation the costs of developing web-based platform and Saas applications for small businesses as well as the sales and expenses related to the automated packing system CVP-500.

Neopost's income breaks down by activities as follows:

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Elimination	Innovation	31 July 2017
Total sales	**69.0**	**24.3**	**473.0**	**(10.2)**	**2.7**	**558.8**
Segment income	**8.6**	**(5.5)**	**103.2**	**-**	**(5.5)**	**100.8**
In percentage	12.4%	(22.6)%	21.8%	-	n/a	18.0%
Structure optimization expenses						(5.9)
Proceeds from net assets sales						(0.0)
(Expenses) and gains related to acquisitions						(5.8)
Other operational expenses						(6.2)
Operating income						**82,9**
Financial result						(16.8)
Share of results of associated companies						0.0
Income taxes						(17.6)
RÉSULTAT NET						**48.5**

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Eliminations	Innovation	31 July 2016
Total sales	**58.7**	**22.9**	**483.2**	**(9.7)**	**1.4**	**556.5**
Segment income	**8.2**	**(4.4)**	**101.5**	**-**	**(5.4)**	**99.9**
in percentage	13.9%	(19.2)%	21.0%	-	n/a	18.0%
Structure optimization expenses						(6.3)
Proceeds from net assets sales						(0.0)
(Expenses) and gains related to acquisitions						(6.1)
Other operational expenses						(1.5)
Operating income						**86.0**
Financial result						(13.0)
Share of results of associated companies						0.0
Income taxes						(17.0)
NET INCOME						**56.0**

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Eliminations	Innovation	31 January 2017
Total sales	**136.5**	**48.5**	**990.9**	**(21.7)**	**4.5**	**1,158.7**
Segment income	**21.3**	**(6.8)**	**213.9**	**-**	**(12.4)**	**216.0**
in percentage	15.6%	(14.0)%	21.6%	-	n/a	18.6%
Structure optimization expenses						(15.3)
Proceeds from net assets sales						(0.0)
(Expenses) and gains related to acquisitions						(13.1)
Other operational expenses						(6.7)
Operating income						**180.9**
Financial result						(30.5)
Share of results of associated companies						1.3
Income taxes						(37.7)
NET INCOME						**114.0**

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

(Expenses) or income recognized during the year but with no effect on Group cash (before amortization, depreciation and provisions) mainly relate to charges in respect of share-based payments, in the amount of 0.3 million euros compared with 0.6 million euros as at 31 July 2016.

The balance sheet breaks down by sector as follows:

The financial result is mainly due to the financial costs associated with each line of debt. The breakdown of the impacts of hedge accounting is presented in note 11 for the portion of derivative financial instruments related to foreign exchange and interest rates.

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	Other	31 July 2017
Segment assets	341.9	48.4	2,272.8	(0.2)	117.8	2,780.7
TOTAL ASSETS						**2,780.7**
Segment liabilities	100.8	41.1	607.6	1.6	894.0	1,645.1
Equity						1,135.6
TOTAL LIABILITIES						**2,780.7**

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	Other	31 January 2017
Segment assets	387.0	87.1	2,368.5	0.8	43.0	2,886.4
TOTAL ASSETS						**2,886.4**
Segment liabilities	115.8	82.9	681.6	1.5	865.6	1,747.4
Equity						1,139.0
TOTAL LIABILITIES						**2,886.4**

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

Other segment items break down by sector as follows:

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	31 July 2017
Investments of the period					
Tangible assets	0.4	6.9	19.3	0.0	26.6
Intangible assets	10.7	0.4	5.0	1.1	17.2
TOTAL INVESTMENTS	**11.1**	**7.3**	**24.3**	**1.1**	**43.8**
Amortization of the period					
Tangible assets	0.4	0.9	22.7	0.0	24.0
Intangible assets	9.4	1.4	11.4	0.9	23.1
TOTAL AMORTIZATION	**9.8**	**2.3**	**34.1**	**0.9**	**47.1**
IMPAIRMENT	**-**	**-**	**-**	**-**	**-**

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	31 January 2017
Investments of the period					
Tangible assets	0.6	4.0	42.4	-	47.0
Intangible assets	18.1	1.1	14.2	1.8	35.2
TOTAL INVESTMENTS	**18.7**	**5.1**	**56.6**	**1.8**	**82.2**
Amortization of the period					
Tangible assets	0.7	1.1	46.4	-	48.2
Intangible assets	15.3	2.6	25.0	0.9	43.8
TOTAL AMORTIZATION	**16.0**	**3.7**	**71.4**	**0.9**	**92.0**
IMPAIRMENT	**-**	**-**	**-**	**-**	**-**

Note 8 Cash flow details

Cash flows correspond to consolidated balance sheet items. However, these flows may differ from balance sheet variations in particular because of translation of operations in foreign currencies, translation of subsidiaries' financial statements denominated in foreign currencies and scope variations.

8-1: Expenses (income) with no cash effect

	31 July 2017	31 July 2016	31 January 2017
Amortization (reversal) of fixed assets	47.1	44.6	92.0
Provisions (reversals)	2.1	(1.8)	(2.0)
Gains (losses) in fair value of financial derivative instruments	0.1	(1.7)	0.8
Proceeds (expenses) from share based payments	(0.3)	(0.6)	0.3
Net gains (losses) on disposals of fixed assets	0.1	0.0	0.0
Other	5.4	(0.7)	3.0
TOTAL	**54.5**	**39.8**	**94.1**

The change in provisions (reversals) of provisions mainly relates to reversals of provisions for impairment of assets for 0.3 million euros and to provisions under liabilities for 2.4 million euros as at 31 July 2017 .

As at 31 January 2017, the provision variation was mainly related to reversal on assets depreciation for an amount of 0.3 million euros and to reversals on provisions presented in liabilities for 1.7 million euros

As at 31 July 2016, the provision variation was mainly related to reversal on provisions presented in liabilities for 2.2 million euros and to additional charges on provisions on assets depreciation for an amount of 0.4 million euros.

The line "Other" includes the research tax credit and the impairment of assets sold as at 31 July 2017. As at 31 January 2017, the line "Other" was mainly composed of research tax credit and the depreciation of assets classified as assets held for sale. As at 31 July 2016, the line "Other" included the research tax credit.

8-2: Working capital variation

	31 July 2017	31 July 2016	31 January 2017
Inventories variation	(3.8)	(3.0)	4.3
Trade accounts receivable variation	27,8	30.9	(11.0)
Deferred income variation	(23.2)	(39.2)	(1.2)
Trade accounts payable variation	(1.5)	(14.4)	(1.9)
Other current assets and liabilities variation	(24.4)	(16.9)	1.2
TOTAL	**(25.1)**	**(42.6)**	**(8.6)**

As at 31 July 2017, the variation of the other current assets and liabilities is mainly explained by lower bonuses to be paid to sales representatives and districts as well as regularization of employee benefits.

As at 31 July 2016, the variation of other current assets and liabilities was mainly explained by a tax regularization in the United Kingdom.

As at 31 January 2017, the variation of the other current assets and liabilities is mainly explained by the minority interests variation.

8-3: Financial investments

At 31 July 2017, the net cash-out related to financial investments amounted to 1.2 million euros.

At 31 July 2016, the net cash-out related to financial investments amounted to 22.8 million euros and mainly concerns the acquisition of icon Systemhaus GmbH for an amount of 18.4 million euros.

As at 31 January 2017, financial investments net of cash acquired have led to a cash out of 24.0 million euros, mostly related to the acquisition of icon Systemhaus GmbH.

8-4: New borrowings and repayment of borrowings

In term of financing, Neopost raised the equivalent of 215 million euros (86.5 million United States dollars and 135 million euros) in February 2017, maturing in 3, 5 and 6 years, through a *Schuldschein* private placement under German law. In June, Neopost opened a new revolving euro/dollar credit line for 400 million euros with 10 international banks. This is a five-year facility with two one-year extension options. The Group used these financing transactions, which were largely oversubscribed under very good conditions, to redeem existing lines and extend the maturity of its debt. In April 2017, Neopost repayed before maturity a total amount of 110 million United States dollars from the USPP debt.

Note 9 Headcount and employee benefits

9-1: Payroll

	31 July 2017	31 July 2016	31 January 2017
Wages and salaries, bonus and commissions	180.5	178.1	359.7
Social costs	46.9	46.7	92.6
Share-based payments	(0.3)	(0.6)	0.4
Pension expenses under defined contribution plans	-	-	0.8
TOTAL	**227.1**	**224.2**	**453.5**

9-2: Retirement benefit obligations

The main retirement obligation for the Group is the obligation for the United Kingdom. This pension fund shows a net asset of 30.5 million euros (27.3 million pounds sterling) as at 31 July 2017 compared with 29.4 million euros as at 31 January 2017 (25.3 million pounds sterling). It is accounted for in non-current assets. When a pension plan shows a net asset based on the assumptions used, IAS 19 states that this net asset should only be recognized in the balance sheet if an economic benefit is possible for the Company. Regarding the rules of the pension plan, Neopost has an unconditional repayment right of all the amounts left in the plan after the payment of the last pension to the last member of the pension plan. We consider this to be a sufficient justification to recognize the net asset of the pension fund in the consolidated balance sheet, in accordance with IAS 19/IFRIC 14.

The United Kingdom pension plan has not admitted any new members since 2001 and the rights of its members were frozen in June 2006. Every three years, the British regulator requires a valuation using different assumptions than those used for the valuation under IAS 19. If the valuation requested by the British regulator shows a deficit, Neopost has to make payments to offset it. As at 31 January 2015, the British regulator did not identify any deficit. The next valuation will be performed in 2017.

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

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

An expense of 0.8 million was recorded as at 31 January 2017 as defined contribution pension plan for all Group entities. The Group did not carry out a new valuation at 31 July 2017.

9-3: Share-based payments

The expenses or (income) recorded with respect to the profit-sharing, incentive plans and share-based payments are as follows:

	31 July 2017	31 July 2016	31 January 2017
Stock-options valuation	-	-	-
Free share granted valuation	(0.3)	(0.6)	0.4

Information relating to the four stock-option plans

Regarding warrant or purchase options plans, there was no allocation in the first half-year 2017.

Variations on the first half-year are as follow: no exercise of option and no cancellation.

Information relating to the free share plans

Regarding free share plans, 247,000 shares were attributed as the 27 march 2017.

9-4: Long term incentives (phantom shares)

	Number of shares initially granted	31 January 2017	Added	Used	Non-used	Other *	31 July 2017	Short term portion	Long term portion
January 2014 plan	69,200	0.8	0.2	-	-	0,2	1.2	1.2	-
January 2015 plan	67,000	1.0	0.3	-	-	0.2	1.5	0.8	0.7
July 2016 plan	147,600	0.3	0.4	-	-	0.1	0.8	-	0.8
March 2017 plan	82,000	-	0.2	-	-	-	0.2	-	0.2
LONG TERM INCENTIVES		**2.1**	**1.1**	**-**	**-**	**0.5**	**3.7**	**2.0**	**1.7**

* Revaluation of existing plans as at 1 February 2017 based on the share price at 31 July 2017.

Note 10 Other provisions, contingent liabilities and other non-current liabilities

10-1: Other provisions

	31 January 2017	Added	Used	Non-used	Other	31 July 2017	Short term portion	Long term portion
Other provisions								
Structure optimization	7.5	6.7	(8.2)	(0.8)	(0.1)	5.1	5.1	-
Customer guarantees/business risk	0.5	-	-	-	-	0.5	0.5	-
Provisions for business risk	3.6	0.3	(0.5)	(0.3)	-	3.1	1.2	1.9
Other	1.7	0.3	(0.6)	-	0.3	1.7	1.2	0.5
	13.3	**7.3**	**(9.3)**	**(1.1)**	**0.2**	**10.4**	**8.0**	**2.4**
Retirement benefit obligations – note 9-2	24.5	3.7	(0.5)	-	(0.3)	27.4	-	27.4
Long term incentives – note 9-4	2.1	1.6	-	-	-	3.7	2.0	1.7
TOTAL	**39,9**	**12.6**	**(9.8)**	**(1.1)**	**(0.1)**	**41.5**	**10.0**	**31.5**

Structure optimization

The Group continued the optimization of its operations.

Provisions of a total amount of 7.5 million euros were booked as at 31 January 2017. During 2017 first half-year, additional charges of 6.7 million euros were booked and (8.2) million euros were used.

As at 31 July 2017, the balance of these provisions is 5.1 million euros.

Other

As at 31 July 2017, a total of 1.7 million euros (1.7 million euros as at 31 January 2017) is booked under "Other provisions".

10-2: Contingent liabilities

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

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

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

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

10-3 : Other non-current liabilities

As of 31 July 2017, the other non-operating debts amount 18.1 million euros.

On the first semester 2017, the earn-out debts decreased from 45.1 million euros to 14.1 million euros. This drop was mainly driven by the reversal of the earn-out debt on Temando (refer to note 1-2).

Earn-out are usually based on financial targets such as revenue growth and operating margins on the 2 to 5 years following the acquisition. Earn-out values recorded as of 31 July 2017 are reflecting the best estimate of the future performance of our acquisitions.

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 notes 10, especially those presented in table 11–1, are level 2 financial instruments, whose fair value is based on observable data.

11-1: Breakdown of the balance sheet by financial instruments

	31 July 2017		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	54.7	54.7	-	7.2	41.6	-	5.9
Lease receivables [a]	732.6	737.9	-	-	732.6	-	-
Other long term receivables	1.9	1.9	-	-	1.9	-	-
Receivables [b]	229.9	229.9	-	-	229.9	-	-
Other receivables [b]	9.4	9.4	-	-	9.4	-	-
Derivative financial instruments [c]	3.5	3.5	-	-	-	-	3.5
Cash and cash equivalents [d]	169.1	169.1	169.1	-	-	-	-
ASSETS	**1,201.1**	**1,206.4**	**169.1**	**7.2**	**1,015.4**	**-**	**9.4**
Financial debts from credit institutions and bank overdrafts [e]	884.3	897.2	159.3	-	-	725.0	-
Other financial debts	9.5	9.5	-	-	9.5	-	-
Other long-term debts	18.1	18.1	-	-	18.1	-	-
Accounts payable [b]	71.5	71.5	-	-	71.5	-	-
Other operating liabilities [b]	203.3	203.3	-	-	203.3	-	-
Derivative financial instruments [c]	0.3	0.3	-	-	-	-	0.3
LIABILITIES	**1,187.0**	**1,199.9**	**159,3**	**-**	**302.4**	**725.0**	**0.3**

(a) Due to the large number of deals handled by the leasing entities, the Group did not perform an individual valuation for each deal. The assumptions used are the following: average maturity of three years for the portfolio, yield curve ending on 31 July 2017 and constant exchange rate. The valuation is performed excluding credit spread. The British and American Postage Financing portfolio are comprised of very short-term maturities (less than a month) and renewable credits, the fair value considered is as mentioned in the balance sheet.

(b) Historical cost valuation.

(c) Valuation method described in note 11-4 of the 2016 registration document.

(d) Valuation based on realizable value.

(e) The fair value of the debt is the portion of the 2.50% Neopost bond that was swapped for 125 million euros. The swap and the debt are recognized at their fair value as mentioned in note 11-4 of the 2016 registration document..

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

- *for all floating-rate debt described in note 11–2-6 of the 2016 registration document. The drawdown is performed on a one-month, three-month and six-month basis and with a variable rate (EURIBOR and USD LIBOR); there is no difference between the fair value and the value as appearing in the balance sheet which represents an amount of 338.3 million euros;*
- *concerning fixed rate debts, the fair value is calculated from the yield curve as at 31 July 2017. The difference between the fair value and the value as appearing in the balance sheet is 13.0 million euros.*

Debt in foreign currencies is valued at constant exchange rates.

	31 January 2017		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	52.9	52.9	-	6.1	38.8	-	8.0
Lease receivables [(a)]	798.1	795.4	-	-	798.1	-	-
Other long term receivables	2.5	2.5	-	-	2.5	-	-
Receivables [(b)]	268.8	268.8	-	-	268.8	-	-
Other receivables [(b)]	8.8	8.8	-	-	8.8	-	-
Derivative financial instruments [(c)]	0.3	0.3	-	-	-	-	0.3
Cash and cash equivalents [(d)]	96.1	96.1	96.1	-	-	-	-
Assets	**1,227.5**	**1,224.8**	**96.1**	**6.1**	**1,117.0**	**-**	**8.3**
Financial debts from credit institutions and bank overdrafts [(e)]	859.1	874.1	131.1	-	-	728.0	-
Other financial debts	24.9	24.9	-	-	24.9	-	-
Other long-term debts	50.3	50.3	-	-	50.3	-	-
Accounts payable [(b)]	79.4	79.4	-	-	79.4	-	-
Other operating liabilities [(b)]	228.4	228.4	-	-	228.4	-	-
Derivative financial instruments [(c)]	0.9	0.9	-	-	-	-	0.9
Liabilities	**1,243.0**	**1,258.0**	**131.1**	**-**	**383.0**	**728.0**	**0.9**

(a) Due to the large number of deals handled by the leasing entities, the Group did not perform an individual valuation for each deal. The assumptions used are the following: average maturity of three years for the portfolio, yield curve ending on 31 January 2017 and constant exchange rate. The valuation is performed excluding credit spread. The British and American Postage Financing portfolio are comprised of very short-term maturities (less than a month) and renewable credits, the fair value considered is as mentioned in the balance sheet.

(b) Historical cost valuation.

(c) Valuation method described in note 11-4 of the 2016 registration document.

(d) Valuation based on realizable value.

(e) The fair value of the debt is the portion of the 2.50% Neopost bond that was swapped for 125 million euros. The swap and the debt are recognized at their fair value as mentioned in note 11-4 of the 2016 registration document.

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

- *for all floating-rate debt described in note 11–2-6 of the 2016 registration document. The drawdown is performed on a one-month, three-month and six-month basis and with a variable rate (EURIBOR and USD LIBOR); there is no difference between the fair value and the value as appearing in the balance sheet which represents an amount of 322.1 million euros;*
- *concerning fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2017. The difference between the fair value and the value as appearing in the balance sheet is 15.0 million euros.*

Debt in foreign currencies was valued at constant exchange rates.

11-2: Financial debt by type of debt

	Financial debts and bank overdrafts	Short-term part of long-term debt	Long-term debt	31 July 2017	31 January 2017
Bonds issue – Neopost S.A. 3.50% [(a)]	-	3.4	150.0	153.4	150.8
Bonds issue – Neopost S.A. 2.50% [(b)]	-	1.0	353.5	354.5	359.4
United States private placement [(c)]	-	4.9	140.7	145.6	266.0
Schuldschein [(d)]	-	1.5	208.8	210.3	-
Revolving credit facility [(d)]	-	-	-	-	60.4
Other debt	2.4	2.9	15.2	20.5	22.5
TOTAL	**2.4**	**13.7**	**868.2**	**884.3**	**859.1**

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

(b) Neopost issued an inaugural 350 million euros public bond on 23 June 2014 quoted on Euronext Paris under ISIN number FR0011993120 after filing a prospectus with the Autorité des Marchés Financiers (approval number 14–310 of 19 June 2014). This bond carries a fixed interest of 2.50% and is payable on 23 June 2021. IFRS accounting entails an initial debt of 348.1 million euros, representing a debt issued at 2.5830%. The debt has been swapped against variable rate for a notional amount of 125 million euros and the debt fair value adjustment represents an amount of 4.7 million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 4.6 million euros. As at 31 July 2017, the impact in the financial income of this fair value hedge is a financial charges of 0.1 million euros.

(c) On 20 June 2012, Neopost concluded a private placement in the United States consisting of five tranches with different maturities between four and ten years for a total of 175 million United States dollars. The different tranches bear a fixed interest rate of between 3.17% and 4.50% depending on the maturity of the tranche. On 24 April 2017, Neopost prepaid 60 million United States dollars and on 20 June 2017, Neopost repaid 5 million United States dollars which matured. The amount of the private placement is 80 million United States dollars at the end of July 2017.

A complementary 50 million United States dollars tranche with a maturity of six years was set up. The new issue was finalized on 23 January 2014 at a variable rate of three-month LIBOR USD. The debt was prepaid on 24 April 2017.

On 4 September 2014, Neopost concluded a 90 million United States dollars private placement amortizable in three equal instalments starting in September 2020. This private placement bears a variable rate of three-month LIBOR USD.

(d) In February 2017, Neopost concluded private placements under German law (Schuldschein) consisting of ten tranches with different maturities between three and six years for a total amount of 135 million euros and 86.5 million United States dollars.The debt has been swapped against variable rate for a notional amount of 29.5 million euros. As at 31 July 2017, the impact in the financial result is not considered to be significant.

(e) On 20 June 2017, Neopost arranged a revolving credit line for drawdown in euros and in United States dollars for an initial amount equivalent to 400 million euros for a period of five years in replacement of the revolving credit facility concluded on 17 January 2013. The interest rate is indexed to the EUIBOR or LIBOR USD over the relevant drawdown period plus a margin depending on the debt coverage ratio by the EBITDA calculated on the Group's consolidated financial statements excluding leasing activities. At the end of July 2017, Neopost do not used that credit facility.

11-3: Financial ratios

With the exception of the Neopost S.A. 2.50% bond issue, which is not subject to any covenant, the various debts (bonds, private placements and revolving credit facilities) are subject to financial covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complies with all covenants at 31 July 2017.

11-4: Risk management

11-4-1: 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 risk

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.

First half-year position

The tables below represent Neopost's half year-end positions as regards exchange rate hedging for commercial activities.

FINANCIAL YEAR 2017 – ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST'S BALANCE SHEET AT 31 JULY 2017 AND EXPECTED TO BE REALIZED NO LATER THAN OCTOBER 2017

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Financial assets	50.9	7.6	10.4	3.9	336.5	8.6	14.6	8.0	12.0	1.8	4.2	1.0
Financial liabilities	24.5	7.4	5.9	2.8	76.0	3.0	14.8	8.7	130.1	5.7	0.3	0.8
Net position before hedging	**26.4**	**0.2**	**4.5**	**1.1**	**260.5**	**5.6**	**(0.2)**	**(0.7)**	**(118.1)**	**(3.9)**	**3.9**	**0.2**
Hedging	(27.9)	0.0	(1.9)	(1.1)	(300.0)	(8.1)	0.2	0.0	118.1	1.5	(5.9)	0.0
NET POSITION AFTER HEDGING	**(1.5)**	**0.2**	**2.6**	**0.0**	**(39.5)**	**(2.5)**	**0.0**	**(0.7)**	**0.0**	**(2.4)**	**(2.0)**	**0.2**

Neopost uses symmetrical collars in particular. These option 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 collar only one of the two options is reported in the table above. The value of the commitment in these symmetric options is 5.0 million United States dollars sold, 1.7 million Canadian dollars sold, 100.0 million Japanese Yen sold, 2.5 million Swedish Koruna sold and 2.0 million Australian dollars sold.

Neopost also makes use of asymmetric options collars. The asymmetric part of this kind of transaction is presented in the table above with a view to reflect the Group's maximum commitment. The asymmetric part by currency is as follows: 2.0 million United States dollars sold, 0.2 million Canadian dollars sold, 100.0 million Japanese Yen sold, 2.5 million Norwegian kroners sold and 2.0 million Australian dollars sold.

2017 BUDGET: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN SECOND HALF-YEAR 2017 EXPECTED TO BE REALISED NO LATER THAN APRIL 2018

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Projected financial assets	98.0	21.5	10.4	31.9	1,891.9	38.8	18.7	16.9	(20.0)	8.0	17.1	2.8
Projected financial liabilities	67.1	12.8	12.2	(0.4)	537.6	4.0	40.2	(3.8)	250.9	6.9	1.1	2.3
Net position before hedging	**30.9**	**8.7**	**(1.8)**	**32.3**	**1,354.3**	**34.8**	**(21.5)**	**20.7**	**(270.9)**	**1.1**	**16.0**	**0.5**
Hedging	(34.1)	(5.5)	0.0	(16.7)	(615.6)	(2.5)	8.7	(3.6)	171.1	0.0	(7.8)	0.0
NET POSITION AFTER HEDGING	**(3.2)**	**3.2**	**(1.8)**	**15.6**	**738.7**	**32.3**	**(12.8)**	**17.1**	**(99.8)**	**1.1**	**8.2**	**0.5**

Neopost uses symmetric collars in particular. These option 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 collar only one of the two options is reported in the table above. The value of the commitment in these symmetric options is 13.0 United States dollars sold, 3.1 million pounds sterling sold, 6.5 million Norwegian kroners sold and 350.0 million Japanese Yen sold and 2.8 million Australian dollars sold.

Neopost also makes use of asymmetric collars. The asymmetric part of this kind of options is presented in the table above with a view to reflecting the Group's maximum commitment. The asymmetric part by currency is as follows: 10.5 million United States dollars sold, 2.4 million pounds sterling sold, 6.5 million Norwegian kroners sold and 150.0 million Japanese Yen sold and 2.8 million Australian dollars sold.

Instrument and valuations

The Neopost group hedges its exchange rate risk using over-the-counter derivative instruments contracted with external counterparties.

The instruments in the portfolio have a maturity of less than twelve months as at 31 July 2017. These instruments are listed below by type and by currency for the period to which they relate.

2017: ASSETS AND LIABILITIES HEDGING

Notional value – Cash flow hedging	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	20.9	5.5	-	-	7.0
GBP	-	-	-	-	-	-
CAD	-	-	1.7	-	0.9	2.8
NOK	-	1.1	-	-	-	-
JPY	-	100.0	100.0	-	-	200.0
SEK	2.0	5.0	2.5	-	-	5.0
CHF	0.2	-	-	-	-	-
DKK	-	-	-	-	-	-
CZK	118.1	-	-	-	-	-
SGD	1.5	-	-	-	-	-
AUD	-	1.9	2.0	-	-	4.0
PLN	-	-	-	-	-	-

2017 BUDGET: HEDGING OF ANTICIPATED POSITIONS FOR SECOND HALF-YEAR 2017

Notional value – Total	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	10.6	20.0	-	-	23.5
GBP	-	-	3.1	-	-	5.5
CAD	0.5	0.5	-	-	-	-
NOK	-	3.7	6.5	-	-	13.0
JPY	-	115.6	350.0	-	-	500.0
SEK	-	2.5	-	-	-	-
CHF	8.7	-	-	-	-	-
DKK	5.4	9.0	-	-	-	-
CZK	171.1	-	-	-	-	-
SGD	-	-	-	-	-	-
AUD	-	2.3	2.8	-	-	5.5
PLN	-	-	-	-	-	-

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11–4-1 of the 2015 registration document. As of 1 February 2013 and according to IFRS 13 standards Neopost set up a credit risk methodology concerning the valuation of financial instruments. In light of the immaterial impact of credit risk, Neopost decided not to recognize them in the financial statements at 31 July 2017.

Hedging instruments relating to the 2016 first half-year, *i.e.* hedging assets and liabilities on the balance sheet as at 31 July 2017, have been fully valued and recognized at their market value at 31 July 2017 in the financial income.

Derivative instruments relating to the 2017 second half-year, *i.e.* hedging anticipated financial flows, have been fully valued and recognized at their market value at 31 July 2017. 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.

Notional value	31 January 2017	Changes recognized through equity	Changes recognized in the income statement	31 July 2017
Financial assets	**0.2**	**0.6**	**-**	**0.8**
• Cash flow hedge	0.2	0.6	-	0.8
• Ineffective hedge	-	-	-	-
Financial liabilities	**0.4**	**0.3**	**(0.5)**	**0.2**
• Cash flow hedge	0.4	0.3	(0.5)	0.2
• Ineffective hedge	-	-	-	-

Interest rate risk

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.

Half-year position

The table below sets out Neopost's 31 July 2017 position by maturity for the major currencies:

Notional value	EUR				USD			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Debt	**9.9**	**579.7**	**71.0**	**660.6**	**7.2**	**205.5**	**46.0**	**258.7**
Of which fixed-rate debts	4.3	378.2	27.6	410.1	5.0	82.5	-	87.5
CORRESPONDING HEDGE MATURITIES	**85.0**	**75.0**	**-**	**160.0**	**25.0**	**95.0**	**-**	**120.0**

Derivative instrument details in the portfolio at 31 July 2017

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

Notional value	Currency	< 1 year	1 to 5 years	> 5 years
Cross Currency Swap	**EUR/USD**	-	-	45.7/50.0
Swap – buyer	**EUR**	-	125.0	29.5
Swap – receiver	**USD**	-	40.0	-
	EUR	10.0	-	-
Cap – buyer	**USD**	25.0	55.0	-
	EUR	75.0	75.0	-
Floor – receiver	**USD**	-	30.0	-

Instrument valuations

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11-4-1 of the 2016 registration document. All interest rate derivative instruments are thus valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39. As of 1 February 2013 and according to IFRS 13 standard, Neopost set up a credit risk methodology concerning the valuation of financial instruments. In lights of the immaterial impacts of credit risk, Neopost decided not to recognize them in the financial statements at 31 July 2017.

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

	31 janvier 2017	Prime sur nouvelles opérations	Mouvements de l'exercice par les capitaux propres	Mouvements de l'exercice par le résultat	31 juillet 2017
Financial assets (derivatives)	**8.0**	**-**	**(0.5)**	**1.5**	**9.0**
Debt and swap at fair value hedge	6.1	-	-	(1.4)	4.7
Derivative instruments qualified as cash flow hedges	1.9	-	(0.5)	1.6	3.0
Derivative instruments not eligible	-	-	-	1.3	1.3
Financial liabilities (derivatives)	**0.2**	**-**	**(0.1)**	**(0.1)**	**-**
Derivative instruments qualified as cash flow hedges	0.2	-	(0.1)	(0.1)	-

As at 31 July 2017, the impact of the valuation of financial instruments according to IFRS 13 is nearly flat.

11-4-2: 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 (United States private placement and revolving loan) is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants as at 31 July 2017.

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 2017, the Group has 400 million euros of undrawn in credit lines.

11-4-3: Credit risk

Customers' counterparty risk exposure (receivables, lease receivables)

Credit risk is limited because of the diversity and the very high number of customers and because of the low unit value of each contract. No customer accounts for more than 1% of sales.

The main subsidiaries are equipped with information & telecommunication (IT) tools and dedicated teams that allow them to tailor their receivables collection processes to every customer. 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.

11-4-4: Dependence on suppliers

The main supplier of the Group is Hewlett Packard (HP) for inkjet printing heads and cartridges. A new agreement was finalized with effect on 1 February 2017. This agreement is the continuity of previous agreements in operation since 1999. In 2016 and 2015, HP accounted for 8.0% of total Group purchases. The top five suppliers and the top ten suppliers respectively account for 18.4% and 25.6% in 2016, compared with 18.6% and 28.0% in 2015.

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

11-4-5: Banking counterparty risk exposure

The Group defined a list of the banks that subsidiaries are allowed to deal with and made it mandatory to use these authorized banks for cash deposits. Generally, banking services cannot be attributed to unauthorized banks. Exceptions can be made with the authorization of the Group treasury department.

Regarding the offsetting of derivatives in accordance with IFRS 7, Neopost recorded derivatives under assets of 9.4 million euros before netting and recorded derivatives under liabilities of 0.3 million euros before netting. These transactions are carried out with seven banking partners. As at 31 July 2017, the impact of offsetting would be as follows on the financial statements: the value of financial instruments under assets would be 9.1 million euros and the value of financial instruments under liabilities is nul.

Note 12 Tax position

12-1: Tax proof

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

	31 July 2017	31 July 2016	31 January 2017
Net income of consolidated companies before income tax	66.1	73.0	151.7
Tax rate for the consolidating company	34.3%	34.3%	34.3%
Theoretical income tax charge	22.7	25.1	52.0
Permanent differences	2.0	1.9	4.2
Income tax rate differences	(6.7)	(9.2)	(15.3)
Tax on dividends	0.9	0.6	1.4
ODIRNANE	(1.5)	(1.5)	(3.1)
Prior year tax repayment	(0.8)	-	(2.9)
Change in French rate to 28%	0.4	-	1.4
Other	0.6	0.1	0.0
TOTAL INCOME TAX	**17.6**	**17.0**	**37.7**
EFFECTIVE TAX RATE	**26.6%**	**23.3%**	**25.1%**

	31 July 2017	31 July 2016	31 January 2017
Current income tax charge	17.2	21.0	34.6
Deferred income tax charge	0.4	(4.0)	3.1
TOTAL INCOME TAX	**17.6**	**17.0**	**37.7**

12-2: Deferred tax assets and liabilities

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

	31 January 2017	Reclassi-fications	Changes recognized through equity	Changes recognized in the income statement	Acquisitions	Foreign exchange differences	31 July 2017
Tax loss carry-forward	24.4	-	-	2.8	-	(1.4)	25.8
Pension provision	6.2	-	1.2	0.0	-	(0.1)	7.3
Expenses with deferred deductibility							
• Inventories and bad debt	7.4	-	0.0	(0.4)	-	(0.5)	6.5
• Employees related provisions	3.0	-	0.0	0.1	-	(0.2)	2.9
• Deferred income	10.4	-	(0.1)	(0.4)	-	(0.7)	9.2
• Fixed assets amortization	51.7	-	-	(2.3)	-	(4.1)	45.3
• Other expenses with deferred deductibility	3.8	-	0.0	(0.7)	-	(0.3)	2.8
Patents	3.3	-	-	-	-	-	3.3
Restructuring provisions	1.5	-	-	(0.3)	-	(0.1)	1.1
Other	2.8	-	0.1	-	-	(0.2)	2.7
Deferred tax assets before tax consolidation	**114.5**	**-**	**1.2**	**(1.2)**	**-**	**(7.6)**	**106.9**
Tax consolidation	(97.2)	13.1	-	-	-	-	(84.1)
DEFERRED TAX ASSETS	**17.3**	**13.1**	**1.2**	**(1.2)**	**-**	**(7.6)**	**22.8**

At 31 July 2017, the deferred tax assets recognition was reviewed. There is no significant non-activated tax loss as at 31 July 2017.

	31 January 2017	Reclassi-fications	Changes recognized through equity	Changes recognized in the income statement	Acquisitions	Foreign exchange differences	31 July 2017
Eliminations on margin on inventories, rented and demo equipment	(6.2)	-	-	0.5	-	0.4	(5.3)
Capitalization of research and development expenses	23.5	-	-	0.3	-	(1.3)	22.5
Amortization of intangible assets recognized after purchase price allocation	19.0	-	-	(1.6)	-	(1.5)	15.9
Leasing activities	179.4	-	-	(1.4)	-	(14.6)	163.4
Amortization restatements	10.9	-	-	(0.2)	-	(0.2)	10.5
Goodwill amortization	44.0	-	-	3.5	-	(3.5)	44.0
Pension	10.4	-	0.8	-	-	(0.4)	10.8
Provisions with deferred deductibility	4.7	-	-	(0.1)	-	(0.3)	4.3
Other	8.9	-	1.0	(1.6)	-	(0.1)	8.2
Deferred tax liabilities before tax consolidation	**294.6**	**-**	**1.8**	**(0.6)**	**-**	**(21.5)**	**274.3**
Tax consolidation	(97.2)	13.1	-	-	-	-	(84.1)
DEFERRED TAX LIABILITIES	**197.4**	**13.1**	**1.8**	**(0.6)**	**-**	**(21.5)**	**190.2**
NET DEFERRED TAX	**(180.1)**	**-**	**(0.6)**	**(0.6)**	**-**	**13.9**	**(167.4)**

Note 13 Shareholders' equity and earnings per share

13-1: Equity instruments issued

13-1-1: ODIRNANE

On 16 June 2015, Neopost S.A. issued a senior unsecured net share settled undated bond convertible into new shares and/or exchangeable for existing shares (ODIRNANE) for a notional amount of 265 million euros representing 4,587,156 shares with a nominal value of 57.77 euros. This bond is traded on the open market "Freiverkehr" of the Frankfurt stock exchange under ISIN code FR0012799229.

Following the 0.80 euro dividend distribution that occurred on 3 February 2017, the conversion ratio was adjusted to 1.179.

As at 31 July 2017, the amount of accrued coupons represents 4.5 million euros and is a current debt.

13-1-2: Put and call options

Neopost and Temando signed put and call options deed on the basis of which Neopost would progressively acquire the remaining shares of Temando Holdings Pty Ltd. These put and call options on the outstanding 35%, were booked at their fair value in equity instruments for an amount of 14 million Australian dollars or 8.9 million euros. The corresponding other financial debts amounted to 9.5 million euros, the difference of 0.6 million euros was translation difference. The options' value was determined based on the repurchase price of minority interests performed in September 2017.

13-2: Earnings per share

Basic earnings per share are calculated by dividing earnings for the period attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the period. It is restated with the payment of the dividend related to the ODIRNANE issue.

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 outstanding during the year, plus the weighted average number of ordinary shares that would have been issued on conversion of all potential dilutive ordinary shares.

The calculation for fully-diluted earnings per share only takes into account instruments with a dilutive effect. i.e. which have the effect of reducing earnings per share. It was considered that ODIRNANE has a dilutive impact.

Neopost uses the share buyback method for stock-options. In calculating fully-diluted earnings per share, dilutive options are assumed to have been exercised. The income from these instruments is assumed to have been received when the ordinary shares are issued, at the average market price during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that might have been issued at the average market price is treated as an issue of ordinary shares without offset. In this way, options only have a dilutive effect when the average market price of ordinary shares during the period exceeds the exercise price of the options.

All non-dilutive options are excluded from the calculation of the weighted average number of stock-options outstanding.

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

	31 July 2017	31 July 2016	31 January 2017
Net income – attributable to equity holders of the parent company	**50.8**	**58.3**	**118.2**
ODIRNANE dividends	(4.5)	(4.5)	(8.9)
Restated basic earnings	**46.3**	**53.8**	**109.3**
Effect of dilutive instruments:			
Dilutive stock-options	-	-	-
Dilutive free shares	0.4	0.2	0.3
ODIRNANE conversion	4.5	4.5	8.9
Diluted net income	**51.2**	**58.5**	**118.5**
Number of outstanding shares	34,470	34,501	34,451
Effect on a *prorata* time basis of dividend payments in shares, the exercise of stock-options, share buybacks for cancellation and liquidity contract	(0)	(23)	(23)
Weighted average number of shares outstanding *(in thousands)* *****	**34,470**	**34,478**	**34,428**
Weighted average number of outstanding stock-options, *prorata* time basis	-	-	-
Weighted average number of outstanding free shares, *prorata* time basis	261	227	213
Number of shares related to bonds (ODIRNANE), *prorata* time basis	5,408	5,266	5,266
Number of shares fully diluted *(in thousands)* *****	**40,139**	**39,971**	**39,907**
NET EARNINGS PER SHARE *(IN EUROS)*	**1.34**	**1.56**	**3.17**
DILUTED NET EARNINGS PER SHARE *(IN EUROS)*	**1.27**	**1.46**	**2.97**

* *Weighted average over the period.*

There are no anti-dilutive instruments.

Note 14 Post-closing events

From 31 July 2017 until the approval of the consolidated financial statements by the Board of directors, there was no significant change in the Group’s commercial or financial situation neither significant acquisitions, excluding the acquisition of the minority interest in Temando.

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

Period from February 1 to July 31, 2017

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, 2017;
- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

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

Paris and Paris-La Défense, Septembre 27, 2017

The Statutory Auditors
French original by

FINEXSI AUDIT	ERNST & YOUNG et Autres
Lucas Robin	Pierre Bourgeois

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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 first half report is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import. I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all its subsidiaries included in the consolidation. The management report on page 2 presents a fair view of the significant events that occurred in the first half of the year and their impact on the accounts, the main transactions between related parties as well as the main risks and uncertainties for the remaining 6 months of the year.”

Monsieur Denis Thiery

Chairman

Designed & published by LABRADOR +33 (0)1 53 06 30 80

NEOPOST
Send.Receive.Connect.

42-46, AVENUE ARISTIDE BRIAND
92220 BAGNEUX - FRANCE

www.neopost.com