2019
Half-year Financial Report

As of July 31, 2019

quadient
Because connections matter.

Contents

1

COMMENTS ON NEOPOST'S RESULTS AND FINANCIAL STRUCTURE

For the half of 2019, the Group achieved sales of €556,9 million, up 5.5% compared to the first half of 2018, i.e. up by 2.4% excluding currency effects or +2.3% in organic terms[1].

Major Operations (83% of total sales), gathering the Group's four major solutions across the two main geographies, i.e. North America and the Main European countries, show a 1.1%-organic growth in total sales. This performance was driven by the 5.3% organic growth in North America, where each of the four major solutions is showing growth. The segment of the Main European countries recorded a 3.3%-decrease in sales, excluding currency and scope effects.

Moreover, Additional Operations (17% of total sales) posted a 8.2%-organic growth. This growth reflects the good performance in each one of the four major solutions in the other geographies while the other solutions are declining.

The share of recurring revenues in total Group sales remains high and stands at 69%.

Current operating income before acquisition-related expenses totaled €92.6 million in H1 2019, up by 2.3% compared to H1 2018. Current operating margin before acquisition-related expenses stood at 16.6% of sales, compared with 17.2% a year earlier.

Net attributable income was down 21.8%, ending at €47 million.

Historical breakdown of income statements

(In millions of euros)	H1 2019 (ended 31/07/2019)		H1 2018 (ended 31/07/2018)		FY 2018	
Sales	**556.9**	**100.0%**	**527.7**	**100.0 %**	**1 091.9**	**100.0 %**
Cost of sales	(145.9)	(26.2)%	(128.1)	(24.3) %	(271.9)	(24.9) %
Gross margin	**411.0**	**73.8%**	**399.6**	**75.7 %**	**820.0**	**75.1 %**
R&D expenses	(24.5)	(4.4)%	(28.0)	(5.3) %	(56.9)	(5.2) %
Selling expenses	(136.1)	(24.4)%	(132.4)	(25.1) %	(274.1)	(25.1) %
Administrative expenses	(107.2)	(19.3)%	(96.7)	(18.3) %	(194.4)	(17.8) %
Maintenance and other operating expenses	(50.7)	(9.1)%	(51.8)	(9.8) %	(94.5)	(8.7) %
Employee profit-sharing and share-based payments	0.1	0.0%	(0.2)	(0.0) %	(0.8)	(0.1) %
Current operating income excluding expenses related to acquisitions	**92.6**	**16.6%**	**90.5**	**17.2 %**	**199.3**	**18.2 %**
Expenses related to acquisitions	(10.8)	(1.9)%	(5.1)	(1.0) %	(17.2)	(1.6) %
Current operating income	**81.8**	**14.7%**	**85.4**	**16.2 %**	**182.1**	**16.6 %**
Proceeds from asset sales	0.1	0.00%	(0.1)	(0.0) %	(11.5)	(1.0)%
Structure optimization expenses	(2.7)	-0.50%	(2.5)	(0.5) %	(13.1)	(1.2)%
Other operating expenses	(0.0)	0.00%	(0.5)	(0.1) %	0	(0.0) %
Operating income	**79.2**	**14.2%**	**82.3**	**15.6 %**	**157.5**	**14.4 %**
Financial income/(expenses)	(19.1)	(3.4)%	(14.5)	(2.9) %	(30.5)	(2.8) %
Income before taxes	**60.1**	**10.8%**	**67.8**	**12.8 %**	**127.0**	**11.6 %**
Income taxes	(13.6)	(2.4)%	(8.5)	(1.6) %	(36.8)	(3.4) %
Income from associated companies	0.6	0.1%	0.9	0.2 %	1.4	0.1 %
NET INCOME	**47.1**	**8.5%**	**60.2**	**11.4 %**	**91.6**	**8.4 %**
Attributable to:						
• holders of the parent company	47.1	8.5%	60.0	11.4 %	91.5	8.4 %
• non-controlling interests	0.0	0.0%	0.2	0.0 %	0.1	0.0 %

(1) H1 2019 sales is compared to H1 2018 sales to which is added revenue from Parcel Pending for an amount of €11.4 million and deducted revenue from Satori Software and Human Inference for a total amount of €10.9 million.

Major Operations

Good dynamics in Customer Experience Management

Sales of Customer Experience Management in the first half of 2019 were up organically by 8.5%, at €49.7 million thanks to the good performances recorded in North America and in the Germany/Italy/Switzerland region.

The increase in sales came mainly from the strong growth in SaaS(1) subscriptions as well as in revenue related to maintenance and professional services, stemming from the licenses sold in 2018 and, more generally, from revenues generated by the growing base of customers.

Continuous strong growth in Business Process Automation

Sales of Business Process Automation in the first half of 2019 were up organically by 20.5%, at €30.2 million.

This increase was due to the strong momentum in France, as well as in the United States, largely due to the development of new offers combined with Mail-related Solutions. Conversely, the United Kingdom/Ireland region recorded a decrease in revenue due to a decline in the number of license deals versus last year.

SaaS subscriptions were up strongly this semester, resulting in a high level of recurring revenue at close to 80% of the total sales of the activity. Business Process Automation also benefitted from an increase in the client base across all countries within Major Operations.

Minor decline in Mail-related Solutions thanks to growth in North America

Sales of Mail-related Solutions in the first half of 2019 were down organically by 2.1 %, at €360.0 million.

This good resilience was stemmed from growth recorded in North America, largely owing to a strong increase in hardware sales. It resulted from an optimized management of the installed base (renewal of leasing contracts), the acquisition of new customers as well as the development of new offers combined with Business Process Automation solutions.

The Main European countries experienced a moderate decline of their mail-related activities except in the Germany/ Italy/ Switzerland region where the decline was stronger.

The level of recurring revenue in this activity remains high at above 70%.

Acceleration in Parcel Locker Solutions

Sales of Parcel Locker Solutions in the first half of 2019 stood at €19.9 million, versus less than €3.7 million in the first half of 2018. It benefited from the consolidation of Parcel Pending, a US company acquired at the end of January 2019. Parcel Pending's integration is well underway. Its first-half 2019 sales growth was above 30%, strongly contributing to the 23.2% organic sales growth of the whole activity.

(1) SaaS = Software as a Service

Additional Operations

Sales of Additional Operations in the first half of 2019 stood at €97.1 million. Excluding currency and scope effects linked to the divestments of Satori Software and Human Inference, sales recorded an organic growth of +8.2%.

This growth particularly reflects the good performance of each one of the major solutions. The Group specifically notes the good one-off performance of both Customer Experience Management in Asia-Pacific and the remaining of Europe and export markets in mail-related activity as well as the continuous expansion of Parcel Lockers in Japan. Other solutions (shipping software, Graphics, automated packing systems) are declining.

Half-year highlights

Refinancing

On May 15, 2019, the Group announced that it has successfully raised the equivalent of EUR 210.0 million (EUR 130.0 million and USD 90.0 million) through a *Schuldschein*, a private placement loan issued under German law. This transaction, mainly intended to repay existing lines maturing in 2019, allows the extension of the average maturity of the Group's debt under very favorable conditions.

Post-closing events

Phased shutdown of the activity of Australian subsidiary Temando

In September 2019, the Group decided a phased shutdown of the activity of its subsidiary Temando (shipping software dedicated to e-commerce) which was part of its Additional Operations. The business will be subject to an orderly shutdown over time, subject to Temando's legal obligations to its customers and other stakeholders. This subsidiary recorded sales below 5 million euros and an operating loss of about 8 million euros in 2018.

Change in name

On September 23, the Group announced its decision to change its name to Quadient in place of Neopost. The choice of a unified and modern brand is the result of implementing a new Group organization as part of the Group's "Back to Growth" strategy, moving away from a holding company operating independent businesses to a single company with an integrated portfolio of solutions.

Current operating income

The Group's current operating income before acquisition-related expenses stood at €92.6 million in the first half of 2019 versus €90.5 million one year earlier. This evolution is due:

- to the increase in means deployed in Major Operations in order to support the acceleration of growth in each Major Solution, including the integration of Parcel Pending, the launch of new verticals, the reinforcement of customer acquisition teams and marketing activities as well as an increase in R&D and innovation expenses;
- to a significant improvement in Additional Operations' profitability thanks to the top line growth, cost reductions, sales efficiency and a reduction in R&D expenses;
- and to a positive currency effect amounting to €2.8 million.

The current operating margin before acquisitions-related expenses stood at 16.6% of sales.

Acquisition-related expenses totaled €10.8 million, versus €5.1 million a year earlier. The change was notably due to the increase in the level of Group activity in terms of acquisitions and divestments.

Current operating income in the first half of 2019 amounted to €81.8 million, versus €85.4 million the previous financial year.

Operating income

The Group recorded €2.7 million in expenses for the optimization of structures in the first half of 2019, stable on the first half of 2018.

After recognizing these non-current items, operating income was down €2.6 million at €79.2 million in the first half of 2019, versus €82.3 million one year earlier.

Net income

Net cost of debt amounted to -€17.5 million, versus -€15.8 million in the first half of 2018. Group issued a *Schuldschein* private placement in the first half of 2019 in order to refinance its lines maturing in 2019 and early 2020. This resulted in carrying charges for an amount of €1.4 million. Moreover, the Group also recorded an interest expense amounting to €1.3 million, related to the implementation of the IFRS 16 standard.

In the first half of 2019, the Group also recorded currency losses of -€1.6 million, versus a gain of €0.8 million in the first half of 2018.

Net financial losses therefore came to -€19.1 million in in the first half of 2019, versus a loss of -€14.5 million in the first half of 2018.

The corporate tax rate ended at 22.6%, versus 12.5% in in the first half of 2018. This change represents a normalization of the tax rate compared with the first half of 2018 which benefited from the recognition of interest on arrears in relation to the cancellation of taxes on dividends(1) in France, for an amount of €4.8 million.

Net attributable income was down 21.8%, ending at €47.1 million. Diluted earnings per share stood at €1.18, versus €1.50 in the first half of 2018.

Cash flow generation

EBITDA(2) totaled €136.9 million, versus €130.2 million in the first half of 2018, largely due to the implementation of the IFRS 16 standard. Excluding IFRS 16, EBITDA would have amounted to €125.1 million in the first half of 2019.

The seasonal deterioration of working capital occurring every year during the first half of the year was amplified this year by a temporary increase in inventories attributable to good momentum in equipment placements.

The Group recorded a further decrease in its lease receivables. The portfolio of leasing and other financing services reached €685.1 million as of July 31, 2019 versus €706.2 million as of January 31, 2019 representing an organic 4.3%-decrease.

Interest and taxes paid amounted to -€37.3 million in the first half of 2019 versus -€16.7 million one year earlier. The difference was mainly due to the €13.1 million received in France for dividend tax repayment and interest on arrears during the first half of 2018.

Investments in tangible and intangible fixed assets are in line with the guidance given during the announcement of the strategic plan. They amounted to €48.5 million compared to €40.4 million in the first half of 2018, when the Group benefitted of a €4.6 million-subsidy granted by the Japanese government for the roll-out of the Packcity parcel lockers in Japan.

In total, the Group generated cash flow after capex of €21.0 million (i.e. €10.5 million excluding the implementation of the IFRS 16 standard versus €54.9 million one year before). Given the seasonality of the cash flow generation which is higher in the second semester than in the first, thanks notably to the increase in deferred income, the Group is confident in its ability to reach a free cash flow conversion rate(3) above 50% in full-year 2019, excluding IFRS 16 impacts.

Additionally, in the first half of 2019, the Group paid €12.5 million in tax related to the capital gain made on the divestment of Satori Software realized at the end of the 2018 financial year. This amount was recorded in the line “Acquisitions net of divestments”.

The net debt, as at July 31, 2019, stood at €709.1 million, versus €617.5 million as at January 31, 2019. This increase was mainly due to the implementation of the IFRS 16 standard leading to a €80.8 million-increase of the net debt. The leverage ratio (net debt/EBITDA) was stable at 2.3 excluding the impact of the IFRS 16. The Group would like to point out that its net debt is fully backed by future cash flows coming from its rental and leasing activities.

Shareholders’ equity was €1,277.5 million as at July 31, 2019, versus €1,247.4 million as at January 31, 2019. Gearing came out stable, at 49% of shareholders' equity excluding IFRS 16 impacts.

(1) The dividend tax repayment was booked to the income statement in FY 2017, but not the interest on arrears. The amounts in repayment of tax and interests were received in H1 2018.

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

(3) Free cash flow conversion rate = cash flow from operations after capex / current operating income before acquisition-related expenses

Ownership structure

At 31 July 2019, Neopost S.A.'s[(1)] share ownership was as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	537,286	1.555%	537,286	1.562%
Directors (non-executive)	6,147	0.018%	6,147	0.018%
Treasury shares held under liquidity contract	154,021	0.446%		0.000%
Treasury shares held for stock option and free share allocations	5,968	0.017%		0.000%
Teleios Capital Partners GmbH[(1)]	2,361,200	6.832%	2,361,200	6.863%
Marathon Asset Management, LLP[(1)]	1,607,000	4.649%	1,607,000	4.671%
Dimensional Fund Advisors, L.P. (U.S.)[(1)]	1,513,500	4.379%	1,513,500	4.399%
Wellington Management Company, LLP[(1)]	1,360,900	3.937%	1,360,900	3.956%
Braun von Wyss & Müller AG[(1)]	1,279,200	3.701%	1,279,200	3.718%
Norges Bank Investment Management (Norway)[(1)]	1,155,600	3.343%	1,155,600	3.359%
Other shareholders	24,582,090	71.123%	24,582,090	71.453%
TOTAL	**34,562,912**	**100.00 %**	**34,402,923**	**100.00 %**

(1) Source: Ipreo as at July 31, 2019

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 between the 1st February 2019 and the 20 September 2019:

Date	Name of the Investment Funds	Threshold cross
04/07/2019	Teleios Capital Partners LLC	Crossing upwards the 5% with 5.07% of voting rights
18/07/2019	Teleios Capital Partners LLC	Crossing upwards the 6% with 6.223% of voting rights
07/08/2019	Teleios Capital Partners LLC	Crossing upwards the 7% with 7.05% of voting rights
27/08/2019	Teleios Capital Partners LLC	Crossing upwards the 8% with 8.02% of voting rights
20/09/2019	Teleios Capital Partners LLC	Crossing upwards the 9% with 9.10% of voting rights

Information on related parties

Neopost[(1)] 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[(1)] also holds a 6.79% stake in X'Ange Capital 2 and a 5.96% stake in Partech Entrepreneur II, all non-consolidated companies. The transactions with these companies are not significant.

(1) The name Neopost S.A. will be changed into Quadient S.A. in 2020 during the next AGM. In the meantime, Neopost S.A. will operate under the commercial name Quadient.

Risk factors

Risk assessment

Risk analysis and process monitoring

The Group has implemented a mapping process for its risks. The risk map was updated between the end of 2017 and the beginning of 2018 under the supervision of the head of internal control. The aim was to update and extend the map of existing risks. This was done by holding discussions with key Group managers and subsidiary management teams (selection of the 20 top managers). A list of risks classified by theme was then drawn up and rated by the persons interviewed, based on two criteria: impact and likelihood.

The risk map is then presented to the Chief Executive Officer, the audit committee and other relevant key people.

A number of operational action plans were introduced across the Group, overseen by clearly identified individuals and monitored on a regular basis at the highest level.

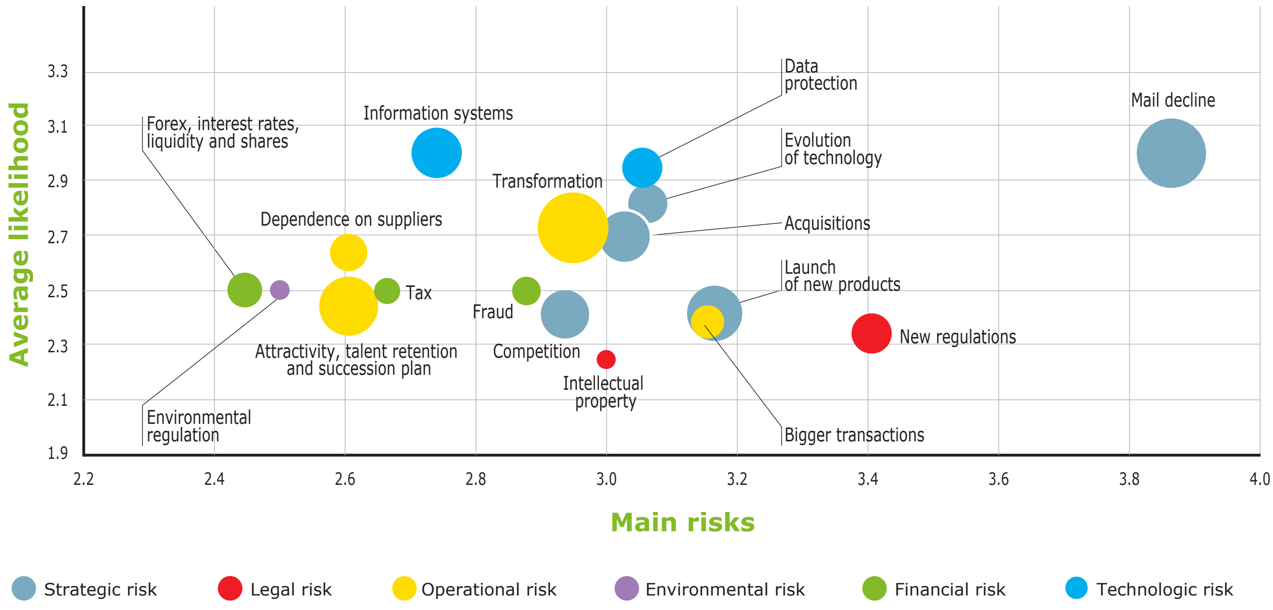
In addition to the review carried out by the audit committee at the end of March 2018, risks are reviewed by the Board of directors before taking any major decision (new acquisitions, restructuring, new credit lines, etc.). A status report was produced in September 2018. Risks are discussed by the Board from a Group-wide perspective when the three-year plan is drawn up, during which:

- Neopost Chief Executive Officer presents market conditions: change in regulation, market trends, competition;
- the chief financial officer presents the Group strategy and financial objectives (by country, business line, etc.). Risks are also assessed as part of the preparation and presentation of the budget.

Risk Map

Risks are classified by category: strategic, operational, legal, technological, financial and environmental. During the interviews, they are rated on a scale of 1 to 4 in terms of impact and likelihood, 4 being the highest level of risk. The risk map below represents the situation after the last risk assessment.

The horizontal axis represents the impact and the vertical axis the likelihood. The size of the circles represents the number of occurrences (*i.e.* number of times the risk was mentionned during the interviews).



Main risks

Strategic	Operational	Legal	Technological	Financial	Environmental
Highest risks					
• Decline in mail volumes • Launch of new products • Competition	• Transformation • Attractivity, talent retention and succession plan		• Data protection		
Moderate risks					
• Evolution of technology • Acquisitions	• Bigger transactions • Dependence on suppliers	• New regulations • Intellectual property	• Information systems	• Forex, interest rates, liquidity and shares • Tax • Fraud	• Environmental regulation

The table below gives a precise description and dedicated action plan for each of the 6 risk categories and the way these risks are mitigated.

Strategic risks
Higher risks

Risks	Risk management system
Mail decline	
Mail volumes are down in all countries where the Group operates. Experts anticipate a further decline of about (3) to (6)% per year. The Group's Mail Solutions activities are linked to mail volumes. These activities were down by (5.3)% in 2015, by (4.6)% in 2016, by (4,3)% in 2017 and by (3,8)% in 2018.	To mitigate this decline, the Group continues to innovate to gain market share and develops complementary activities which enjoy strong growth. Thanks to these activities, Neopost reduced the organic decline of its Group sales by (1.8)% in 2015, (2.1)% in 2016 and (2.2)% in 2017. Sales increased by 0.2% in 2018.
Launch of new products	
Developing and launching new products and 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, to develop and produce new ones at the best price, and within the deadlines set by demand, and to distribute and market them.	A very strict procedure is applied for each launch of a new product. It includes Group project, planning, risk assessment and steering committee. All concerned departments are involved in the project and in the steering comity.
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. Its main market is North America. Francotyp Postalia is listed on the Frankfurt Stock Exchange. Germany is its main market. Regarding its digital communications and shipping activities, the Group made a number of acquisitions, notably: GMC Software in 2012, Proship in 2014, Icon Systemhaus in 2016 and Parcel Pending in January 2019. 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 strategic and marketing department regularly analyze the competition and this topic is discussed during the Board Meetings and during the Executive Committee Meetings at least once a year. Regarding the new activities linked to digital communication and shipping activities, the Group has access to market studies made by renowned research firms.

Lower risks

Risks	Risk management system
Evolution of technology	
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.	A department named Neo Lab has been created. Its aims at identifying new technologies that may impact our markets. It allow to study how to integrate them by new developments or acquisitions.
Acquisitions	
The Group recently made several acquisitions: GMC Software in 2012, Human Inference in 2012, DMTI Spatial in 2013, Proship in 2014, Icon Systemhaus in 2016 and Parcel Pending in January 2019. In 2015 Neopost took a majority stake in Temando then bought out all the minority shareholders in 2017 and now own 100% of the Company. These acquisitions, as do 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. New entities are subject to a specific follow-up during operating reviews. Post mortem analysis are performed one or two years after acquisition. In the past, the Group has proved its ability to draw conclusions. Neopost completed the divestment of DMTI Spatial, Satori Software and Human Inference in 2017, January 2019 and February 2019.

Operational risks

Higher risks

Risks	Risk management system
Transformation	
Taking into account mail decline in its legacy business, the Group develops new activities. Transformation and the ability to move quickly are key for the Group financial result in the future.	Training is organized for senior leaders and for sales force to facilitate the move to digital. In order to speed up the process, transformatin department was created early 2019. It gathers strategic initiatives, merger & acquisition, legal & compliance as well as internal communication.
Retention, attractivity, motivation and succession plan	
Intellectual and human capital is a real source of value creation and talent management has become essential. In a constantly changing employment market, it is essential to retain and motivate talents. Some positions require particular attention due to their key role in the organization and the associated specific skills.	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.(1), as well as at the level of each subsidiary. These plans are regularly updated and reviewed by the remuneration and nomination committee.

(1) The name Neopost S.A. will be changed into Quadient S.A. in 2020 during the next AGM. In the meantime, Neopost S.A. will operate under the commercial name Quadient.

Lower risks

Risks	Risk management system
Bigger transactions	
The Group has a portfolio of about 500,000 customers, none of which accounts for more than 1% of sales. The progressive ramp up of new activities in digital communication and logistics leads to an increase in the size of transactions compared to the legacy business where the transactions are relatively small.	These deals rarely exceed 5 million of euros and are carefully scrutinized by Group management and Group financial department.
Dependence on supplier	
The Group's main supplier is Hewlett-Packard (HP) for inkjet printing heads and cartridges. HP accounted for 6.1% and 7.0% of total Group purchases in 2018 and 2017.	The top five suppliers and the top ten suppliers respectively account for 19.9% and 27.8% of total purchases in 2018 versus 26.0% and 34.1% in 2017. A disruption in supply from any one of these suppliers could significantly affect the Group's business, despite the contractual clauses in the agreements protecting the Group against such risk. The Group has already put in place alternative solutions in case such an event should actually occur. The Group works with three OEM vendors (tier one suppliers), which assemble entry-level and mid-range machines in Asia. Production is divided between these three tier one suppliers. In the event one of these suppliers should fail, the other two could take over production. 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 molds, specific tools and industrial design.

Legal risks

Lower risks

Risks	Risk management system
New regulations	
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.	The Group legal councel department and its local delegates follow the evolution of regulations. Group projets are launched to adapt the Group's processes to new regulations such as Sapin II law and GDPR [(1)].
Intellectual property	
The Group is the owner of its trademarks and has about 340 families of patents published. Neopost registered 9 patents in 2018. 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.

(1) General data protection regulation.

Technologic risks

Higher risks

Risks	Risk management system
Data protection	
Neopost decentralized organization and growth by acquisitions lead to great diversity in terms of data base.	The Group information security officer reports to the Group IT director and is in charge of the definition and application of Group security policies. In terms of security, postal audits were conducted successfully in all countries concerned in 2018, and continuous improvement plans are designed to meet postal requirements every year. The Group security policy has been updated. Based on the ISO 27001 standard, the policy started to be rolled-out early 2017, particularly in markets that commercialize SaaS offerings. Requirements relating to the GDPR ruling has also been addressed in these planned roll-outs to ensure compliance as of May 2018.

Lower risks

Risks	Risk management system
Information systems	
Neopost decentralized organization and growth by acquistions lead to great diversity in terms of information systems.	The main responsibility of the head of Information Systems is to ensure that the Group’s information system strategy is coordinated and consistent, and that Group policy is applied at local level. The Group head of information systems leads a network of subsidiary information system managers who also report to the Chairpersons of their respective subsidiaries. This new organization steps up the contribution made by IT resources to innovation as well as facilitating the integration of new SaaS products.

Financial risks

Lower risks

Risks	Risk management system
Exchange, rate, liquidity and shares	
The Group is mainly exposed to currency exchange rate risks through its international activity and to interest rate risks through its debt. Neopost enjoys a natural hedge on its current operating margin and its net income. Based on the 2019 budget, the breakdown of sales and costs in United States dollars is as follows: sales 42.1%, cost of sales 59.4%, operating costs 34.4%, interest expense 33.6%. A 5.0% decrease in the euro/United States dollar exchange rate from the budget rate of 1.20 would have the following impacts on the Group's income statement: sales (22.7) million euros, current operating income (4.0) million euros and net income (2.1) million euros. Based on the 2019 budget, the breakdown of sales and costs in pounds sterling is as follows: sales 7.9%, cost of sales 9.8%, operating costs 7.9%. A 5.0% decrease in the euro/pound sterling exchange rate from the budget rate of 0.91 would have the following impacts on the Group's income statement: sales (4.2) million of euros, current operating income (0.8) million euros and net income (0.6) million euros. The other currencies are not a major concern for the Group. None of them, individually taken, represents more than 5.0% of total sales. Beyond the natural hedge, no guarantee can however be given regarding the Group's ability to hedge exchange rate risk effectively. To limit the impact of a rise in interest rates on its interest expenses, the Neopost group has a risk-hedging policy aimed at protecting a maximum annual interest rate for the three years ahead at all times.	The Group believes that its cash flow has defined in the consolidated cash flow statement in chapter 6 of this 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. Group debt is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 January 2019, the Group complies with all covenants (cf. note 11-2-3 to the consolidated financial statements). The Group treasurer, who reports to the Group chief financial officer, monitors exchange rate and interest rate risks for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the chief financial officer to provide complete visibility on the financial risks relating to hedging activities, and to measure the financial impact of unhedged positions. Neopost uses the services of an independent consultancy based in Paris. This consultancy helps Neopost in its exchange rate risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group treasurer in light of the strategy in place. Please see tables below for detailed impacts of interest and exhange rate risks.
Tax	
With regard to their current activities in France and abroad, 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 Netherlands related to the 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 a provision was booked in the 2018 accounts. In July 2014, the American holding received a notification of tax adjustments and a provision was booked.	A tax review is performed annually at least in each entity with the help of an external tax adviser. Each tax investigation must be reported to the Group. An agreement has been signed with a global tax adviser.

Risks	Risk management system
Fraud	
The Group has rolled out an initiative with managers of subsidiaries to ensure this risk is fully understood, to gather information on best practice and ensure standard practices are disseminated throughout the Group.	An anti-fraud policy was prepared and sent out in September 2014 to local chief financial officers and managing directors. The policy includes theoretical and practical recommendations to prevent fraud. If there is an attempted fraud using new methods, the head of internal control notifies local managing directors and chief financial officers where necessary. Neopost S.A.[1] has taken out a specific insurance policy to enhance its protection against this type of risk. As part of the planned Group ethics charter, the Group internal control department introduced a procedure for managing conflicts of interest since October 2012 (refer to chapter 2 of this registration document, section "By-laws for the Board and committees.".

Environmental risks
Lower risks

Risks	Risk management system
Environmental regulation	
Given the nature of the Group's assembly and distribution businesses, the Group is not aware of any environmental risk or risk 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 chapter 5 of this 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.

Exchange rate risk

	Impact on net income before tax on 2019 budget		Impact on equity as at 31 January 2019	
(In million euros)	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
USD	3.4	(3.4)	(17.7)	17.7
GBP	0.8	(0.8)	(2.4)	2.4

Interest rate risk

	31 January 2019			
(in million euros)	Impact on net income before tax	Impact on equity	Impact on USD denominated debt	Impact on EUR denominated debt
Impact of a rise of +0.5% in interest rates	(2.0)	1.8	(0.8)	0.1
Impact of a decrease of (0.5)% in interest rates	2,0	(1,8)	0.8	(0.3)

(1) The name Neopost S.A. will be changed into Quadient S.A. in 2020 during the next AGM. In the meantime, Neopost S.A. will operate under the commercial name Quadient.

Forecasts

Neopost provides its shareholders with information on its medium-term forecasts. These forecasts are formulated based on the Group's three-year plan and take into account market conditions at the beginning of 2019, namely the competitive environment and the economic conditions in the countries where the Group operates.

Should there be a significant change in market conditions or the competitive environment, the Group cannot guarantee that it would be able to achieve its forecasts.

Retirement benefit obligations

In the United Kingdom, the pension plan was closed to all new members in 2001 and accrued benefits were frozen in June 2006. Every three years, the British regulatory authority requires that a valuation be carried out based on different hypothesis than the one used according to IAS 19.

If this valuation leads to a deficit, then Neopost has to agree a schedule of contributions which will make good the deficit. As of 31 January 2018, the British regulation did not identify any deficit. The next valuation will be performed at 30 June 2020.

Insurance

All Group companies are covered by a worldwide insurance program which covers operating damage and loss, liability, and transport risks. All Group subsidiaries adhere to the guarantees set up and negotiated at 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 above all aimed 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 21% decrease in the premium without any change in the guarantee. It was renewed on 1 February 2017 and on 1 February 2019 for two years with an increase of kick-back in exchange for an extended commitment to 31 January 2021.

The insurance covering transport risks was renewed on 1 February 2016 with the guarantee per claim raised to 600,000 euros at no additional cost. The insurance was renewed again on 1 February 2019 under the same conditions.

The insurance policy covering "liability" was renegotiated on 1 February 2014 for two years on a fixed premium basis, not linked with the sales level as before. This premium has been reduced by around 20%, as no claims had been filed. A renegotiation took place on 1 February 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 then renewed for two year period ending on 31 January 2021.

Given 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 intellectual property. This insurance was taken out worldwide and covers risks for up to 30 million euros per claim (20 million dollars in the United States). The policy was renewed on 1 February 2019 for two years.

Total cost of insurance amounted to 0.7 million euros in 2018.

The Group's insurance policies are regularly updated to reflect changes in 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

2019 indications

Thanks to the good performance recorded in the first half of 2019, the Group is now expecting a slight organic sales growth for the full year 2019, versus sales almost stable previously.

The strength of current operating income[1] in the first half of the year confirms the Group's desire to accelerate the operational expenses required to roll out the strategic plan. It now expects to spend €15 million, mostly in the second half, i.e. the top of the range of €10 to €15 million announced in March 2019. In these conditions, the Group refines its outlook and expects now a current operating income1 of between €180 and €185 million[2].

The Group also confirms it expects a level of free cash flow generation higher than 50% of its current operating income before acquisition-related expenses, excluding the impacts of IFRS 16 standard.

Reminder of the key aspects of the "Back to Growth" financial trajectory

The Group expects its sales to grow at an average mid-single digit rate[3] annually and its current operating income[1] at an average high-single digit rate[3] annually throughout the plan period, fueled by organic growth as well as M&A[4].

The Group also aims at rebalancing its business portfolio, which will lead to Mail-related Solutions representing less than 50% of sales by 2022, in order to be in a position to achieve sustainable low single digit organic sales growth.

The Group will maintain a high level of free cash flow generation throughout the plan with a minimum annual conversion ratio (free cash flow after capex[5] / current operating income[1]) above 50%.

(1) Before acquisitions-related expenses
(2) At H1 2019 average exchange rate
(3) Excluding currency effects
(4) €400 million net of divestments over the period
(5) Free cash flow conversion rate = cash flow from operations after capex / current operating income before acquisition-related expenses.

2

CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2019

Consolidated financial statements

CONSOLIDATED ASSETS

(In millions of euros)	Notes	31 July 2019	31 July 2018	31 January 2019
Goodwill	**(4-1)**	**1,139.6**	**1,076.3**	**1,127.3**
Intangible fixed assets				
Gross value	**(4-2)**	534.1	536.5	508.0
Amortization	**(4-2)**	(393.1)	(350.0)	(369.9)
	(4-2)	**141.0**	**186.5**	**138.1**
Tangible fixed assets				
Gross value	**(4-3)**	693.8	642.7	660.3
Amortization	**(4-3)**	(535.5)	(503.5)	(511.6)
	(4-3)	**158.3**	**139.2**	**148.7**
Assets right of use				
Gross value	**(8)**	129.0	-	-
Amortization	**(8)**	(58.7)	-	-
	(8)	**70.3**	**-**	**-**
Other non-current financial assets				
Investments in associated companies		7.8	7.0	7.2
Non consolidated shares – Net		9.1	8.3	8.6
Non-current financial derivative instruments	**(12)**	4.1	7.8	6.8
Other non-current financial assets	**(4-4)**	45.2	49.7	41.6
		66.2	**72.8**	**64.2**
Net long-term lease receivables	**(6-2)**	413.2	428.1	422.8
Other net long-term receivables		3.2	3.7	3.4
Deferred tax assets	**(13-2)**	5.2	5.0	5.7
Total non-current assets		**1,997.0**	**1,911.6**	**1,910.2**
Net inventories and work in progress	**(6-5)**	**83.8**	**71.8**	**71.2**
Net receivables				
Net accounts receivable	**(6-2)**	197.7	204.8	229.8
Net short-term lease receivables	**(6-2)**	271.9	274.1	283.4
Income tax receivables		36.3	47.2	37.1
Net other receivables		6.4	10.6	6.6
		512.3	**536.7**	**556.9**
Prepaid expenses		40.3	42.3	39.0
Current financial derivative instruments	**(12)**	3.9	2.2	1.9
Cash and cash equivalents				
Short-term and liquid investments		0.6	0.2	0.4
Cash		426.2	197.6	245.5
		426.8	**197.8**	**245.9**
Total current assets		**1,067.1**	**850.8**	**914.9**
Assets held for sale	**(5)**	**-**		**7.8**
TOTAL ASSETS		**3,064.1**	**2,762.4**	**2,832.9**

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

CONSOLIDATED LIABILITIES

(In millions of euros)	Notes	31 July 2019	31 July 2018	31 January 2019
Shareholders' equity				
Share capital		34.6	34.6	34.6
Additional paid-in capital		52.9	52.9	52.9
Reserves and retained earnings		934.9	872.3	866.7
Cumulative translation adjustments		(13.3)	(32.2)	(23.2)
Treasury shares		(3.3)	(3.5)	(4.1)
Equity instruments	**(14-1)**	224.6	233.5	229.0
Net income		47.1	60.0	91.5
Total shareholders' equity		**1,277.5**	**1,217.6**	**1,247.4**
Attributable to:				
• holders of the parent company		1,268.5	1,209.1	1,238.6
• non-controlling interests		9.0	8.5	8.8
Non-current financial debts	**(12-2)**	841.3	815.7	673.8
Non-current lease obligations	**(8)**	60.9	-	-
Long-term provisions	**(11-1)**	25.4	28.0	26.3
Non-current financial derivative instruments	**(12)**	0.0	0.0	0.0
Other non-current liabilities	**(11-3)**	7.5	12.9	7.2
Deferred tax liabilities	**(13-2)**	144.6	157.7	144.8
Total non-current liabilities		**1,079.7**	**1,014.3**	**852.1**
Accounts payable				
Trade payables		67.6	68.9	80.1
Other operating liabilities		193.0	199.4	196.9
Tax payables		33.6	38.6	58.1
Short-term provisions	**(11-1)**	12.8	8.3	10.2
Deferred income		164.7	179.6	192.6
		471.7	**494.8**	**537.9**
Current financial derivative instruments	**(12)**	1.5	0.2	0.2
Current lease obligations	**(8)**	19.9	-	-
Financial debts				
Short-term portion of debts from credit institutions	**(12-2)**	208.7	31.7	185.8
Bank overdrafts	**(12-2)**	5.1	3.8	3.8
		213.8	**35.5**	**189.6**
Total current liabilities		**706.9**	**530.5**	**727.7**
Liabilities held for sale	**(5)**	**-**	**-**	**5.7**
TOTAL LIABILITIES		**3,064.1**	**2,762.4**	**2,832.9**

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

CONSOLIDATED INCOME STATEMENTS

(In millions of euros)	Notes	31 July 2019	31 July 2018	31 January 2019
Sales	**(6-1)**	**556.9**	**527.7**	**1,091.9**
Current operating expenses	**(6-3)**			
Cost of sales		(145.9)	(128.1)	(271.9)
Research and development expenses		(24.5)	(28.0)	(56.9)
Sales and marketing expenses		(136.1)	(132.4)	(274.1)
Administrative expenses		(107.2)	(96.7)	(194.4)
Service and other operating expenses		(50.7)	(51.8)	(94.5)
Employee profit-sharing, share-based payments		0.1	(0.2)	(0.8)
Expenses related to acquisitions	**(6-6)**	(10.8)	(5.1)	(17.2)
Total current operating expenses		**(475.1)**	**(442.3)**	**(909.8)**
Current operating income	**(6-3)**	**81.8**	**85.4**	**182.1**
Structure optimization expenses – net of reversals	**(6-7)**	(2.7)	(2.5)	(13.1)
Proceeds from asset sales		(0.0)	(0.5)	6.2
Other non-current operational expenses	**(6-9)**	0.1	(0.1)	(17.7)
Operating income		**79.2**	**82.3**	**157.5**
Interest expenses		(16.4)	(15.9)	(32.0)
Interests on lease obligations	**(8)**	(1.3)	-	-
Interest income		0.2	0.6	0.8
Net cost of debt		**(17.5)**	**(15.3)**	**(31.2)**
Losses on foreign exchange		(5.6)	(1.1)	(4.5)
Gains on foreign exchange		4.0	1.9	4.7
Net gains (losses) on foreign exchange		**(1.6)**	**0.8**	**0.2**
Other financial gains		0.0	-	0.5
Other financial losses		(0.0)	(0.0)	-
Income before tax		**60.1**	**67.8**	**127.0**
Share of results of associated companies		0.6	0.9	1.4
Income taxes	**(13-1)**	(13.6)	(8.5)	(36.8)
NET INCOME		**47.1**	**60.2**	**91.6**
Attributable to:				
• holders of the parent company		47.1	60.0	91.5
• non-controlling interests		0.0	0.2	0.1
NET EARNINGS PER SHARE (IN EUROS)	**(14-2)**	**1.24**	**1.61**	**2.40**
DILUTED NET EARNINGS PER SHARE (IN EUROS)	**(14-2)**	**1.18**	**1.50**	**2.27**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of euros)	**31 July 2019**	**31 July 2018**	**31 January 2019**
Net income	**47.1**	**60.2**	**91.6**
Actuarial variances recognized in equity	4.9	11.6	3.5
Deferred taxes on actuarial variances recognized in equity	(1.9)	(4.1)	(0.9)
Sub-total of items that could not be reclassified in net income	**3.0**	**7.5**	**2.6**
Change in fair value of hedging instruments	(2.7)	(0.7)	(3.8)
Deferred taxes on change in fair value of hedging instruments	0.8	0.2	1.9
Translation variance	9.9	16.4	25.4
Sub-total of items that could be reclassified in net income	**8.1**	**15.9**	**23.5**
TOTAL INCOME FOR THE YEAR	**58.2**	**83.6**	**117.7**
Attributable to:			
• holders of the parent company	58.2	83.4	117.6
• non-controlling interests	0.0	0.2	0.1

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(In millions of euros)	**Notes**	**31 July 2019**	**31 July 2018**	**31 January 2019**
Net income attributable to shareholders of the parent company		47.1	60.0	91.5
Net income attributable to non-controlling interests		0.0	0.2	0.1
Expenses (income) with no cash effect	**(9-1)**	53.2	40.6	88.0
Share of results of associated companies (net of dividends received)		(0.6)	(0.9)	(1.1)
Income taxes expense (including deferred taxes)	**(13-1)**	13.6	8.5	36.8
Net cost of debt		17.5	15.3	31.2
Cash flow before net cost of debt and income taxes		**130.8**	**123.7**	**246.5**
Working capital variation	**(9-2)**	(54.6)	(40.6)	15.1
Increase (decrease) in lease receivables		30.7	28.8	32.2
Cash flow from operating activities		**106.9**	**111.9**	**293.8**
Interests paid		(17.5)	(17.6)	(31.4)
Interests paid on lease obligation		(1.3)	-	-
Income taxes paid		(18.5)	1.0	(22,4)
Net cash flow from operating activities (A)		**69.6**	**95.3**	**240,0**
Investments in tangible fixed assets	**(4-3)**	(31.1)	(23.5)	(54,3)
Investments in intangible fixed assets	**(4-2)**	(17.4)	(16.9)	(33,6)
Financial investments	**(9-3)**	(11.7)	(1.9)	(26,3)
Sub-total investments		**(60.2)**	**(42.3)**	**(114,2)**
Disposals of fixed assets		0.0	0.6	8,0
Repayment of loans and other long-term advances		0.1	0.3	(0,6)
Net cash flow from investing activities (B)		**(60.1)**	**(41.4)**	**(106,8)**
Parent company capital increase		-	-	-
Share buyback – liquidity contract		0.2	0.6	0,3
Dividends paid to shareholders		-	(27.5)	(58,5)
New medium and long-term borrowings	**(9-4)**	217.3	3.4	25,4
ODIRNANE issued*	**(13-1)**	(4.5)	(4.5)	(8,9)
Repayment of long-term borrowings	**(9-4)**	(30.1)	(33.7)	(35,3)
Repayment of lease obligation	**(8)**	(10.5)	-	-
Net cash flow from financing activities (C)		**172.4**	**(61.7)**	**(77,0)**
Cumulative translation adjustments on cash and cash equivalents **(D)**		(2.3)	14.0	(1,9)
Change in net cash (A) + (B) + (C) + (D)		**179.6**	**6.2**	**54,3**
Net cash – opening		**242.1**	**187.8**	**187,8**
Net cash – closing		**421.7**	**194.0**	**242,1**
Cash and cash equivalents		426.8	197.8	245,9
Overdrafts		(5.1)	(3.8)	(3,8)
NET CASH – CLOSING		**421.7**	**194.0**	**242,1**

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 2018	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,135.0**	**(4.7)**	**(48.6)**	**1,169.2**
Attributable to:								
• holders of the parent company								1,161.1
• non-controlling interests								8.1
Net income		-	-	-	91.6	-	-	91.6
Items that could not be reclassified in net income		-	-	-	2.6	-	-	2.6
Items that could be reclassified in net income		-	-	-	(1.9)	-	25.4	23.5
Total comprehensive income 2018		**-**	**-**	**-**	**92.3**	**-**	**25.4**	**117.7**
Treasury shares – liquidity contract		-	-	-	(0.3)	0.5	-	0.2
Free shares attributed (2,412 shares)		-	-	-	(0.0)	0.1	-	0.1
2017 dividend		-	-	-	(31.0)	-	-	(31.0)
Share-based payments		-	-	-	0.7	-	-	0.7
ODIRNANE interests		-	-	-	(8.9)	-	-	(8.9)
Minority interests		-	-	-	0.3	-	-	0.3
Other		-	-	-	(0.9)	-	-	(0.9)
Consolidated shareholders' equity at 31 January 2019	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,187.2**	**(4.1)**	**(23.2)**	**1,247.4**
Attributable to:								
• holders of the parent company								1,238.6
• non-controlling interests								8.8
Transition to IFRS 16		-	-	-	(5.7)	-	-	(5.7)
Consolidated shareholders' equity at 1 February 2019	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,181.5**	**(4.1)**	**(23.2)**	**1,241.7**
Movements first half of 2019								
Net income		-	-	-	47.1	-	-	47.1
Items that could not be reclassified in net income		-	-	-	3.0	-	-	3.0
Items that could be reclassified in net income		-	-	-	(1.8)	-	9.9	8.1
Comprehensive income first half 2019		**-**	**-**	**-**	**48.3**	**-**	**9.9**	**58.2**
Treasury shares – liquidity contract		-	-	-	(0.4)	0.6	-	0.2
Free shares attributed (4,032 shares)		-	-	-	(0.3)	0.2	-	(0.1)
2018 dividend		-	-	-	(18.2)	-	-	(18.2)
Share-based payments		-	-	-	0.5	-	-	0.5
ODIRNANE interests		-	-	-	(4.5)	-	-	(4.5)
Other		-	-	-	(0.3)	-	-	(0.3)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2019	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,206.6**	**(3.3)**	**(13.3)**	**1,277.5**
Attributable to:								
• holders of the parent company								1,268.5
• non-controlling interests								9.0

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

** The share capital is fully released.*

(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 2018	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,135.0**	**(4.7)**	**(48.6)**	**1,169.2**
Attributable to:								
• holders of the parent company								1,161.1
• non-controlling interests								8.1
Movements first half of 2018								
Net income		-	-	-	60.2	-	-	60.2
Items that could not be reclassified in net income		-	-	-	7.5	-	-	7.5
Items that could be reclassified in net income		-	-	-	(0.5)	-	16.4	15.9
Comprehensive income first half of 2018		**-**	**-**	**-**	**67.2**	**-**	**16.4**	**83.6**
Treasury shares – liquidity contract		-	-	-	(0.5)	1.1	-	0.6
Free shares attributed (2,412 actions)		-	-	-	(0.1)	0.1	-	0.0
2017 dividends		-	-	-	(31.0)	-	-	(31.0)
Share-based payments		-	-	-	(0.2)	-	-	(0.2)
ODIRNANE interests		-	-	-	(4.5)	-	-	(4.5)
Other		-	-	-	(0.1)	-	-	(0.1)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2018	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,165.8**	**(3.5)**	**(32.2)**	**1,217.6**
Attributable to:								
• holders of the parent company								1,209.1
• non-controlling interests								8.5

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 2019 and 31 July 2018 and fiscal year 31 January 2019.

The consolidated half-year financial statements were approved by the Board of directors on 23 September 2019.

On 23 September 2019, the Group announced its choice to adopt the name Quadient instead of Neopost. This choice of a brand, unified and modern, is the achievement of the implementation of the Group's new organization in charge of the "Back to Growth" strategy. The name Neopost S.A. will be turned into Quadient S.A. in 2020 during the next General Shareholders Meeting. In the meantime, Neopost S.A. will operate under the commercial name Quadient. For purpose of simplicity, the name Neopost is kept in all the notes to the consolidated financial statements hereafter.

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 2018 and 31 January 2019 have been reclassified to be comparable to the presentation adopted as at 31 July 2019.

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 help companies improve the way they manage interactions with their clients and partners. Neopost provides the most advanced solutions for physical mail processing (mailing systems and folders-inserters), digital communications management (Customer Communications management and Data Quality applications), and supply chain and e-commerce process optimization (from point of sale to delivery, including associated tracking services).

The term "Neopost SA" 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 SA shares are listed on compartment A of Euronext Paris and are included on the SBF 120 index.

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 at the time was ranked third in the world. In 2009, Neopost acquired the company Satori Software. 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. In 2017, the Group divested its distribution subsidiaries in Indonesia, Malaysia, Singapore and Thailand and its subsidiary DMTI Spatial. Neopost also acquired Temando's remaining minority interests in September 2017 and now owns 100% of the company. In 2018, Neopost started the implementation of its new strategy "Back to Growth". In January 2019, Neopost acquired 100% of the company Parcel Pending Inc., leader in the american parcel locker market and the main supplier of residential, commercial, retail and universities in the United States and Canada. In January 2019, Neopost also sold its 100% stake in the company Quadient Data USA (former Satori Software), one of the leaders in address quality solutions in the United States, acquired in 2009.

Main events of the period

On 8 February 2019, Neopost announced the disposal of Quadient Data Netherlands BV (former Human Inference), a leading data processing solutions provider. As of 31 January 2019, the assets and liabilities of the two legal entities sold have been disclosed as assets held for sale in compliance with IFRS 5.

Note 2 Accounting policies

2-1 : Accounting standards applied

The interim consolidated accounts ended at 31 July 2019 comply with the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The interim consolidated accounts at 31 July 2019 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2019 and published on the 29 April 2019.

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 2019. 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 2019 as approved by the European Union.

The IFRS are available on the European Commission website: https://ec.europa.eu/info/law/international-accounting-standards- regulation-ec-no-1606-2002/

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 1st February 2019:

- IFRS 16: Leases;
- IFRIC 23: Uncertainty over income tax treatments;

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

- IFRS 17: Insurance contracts;
- Amendment to IFRS 3: Definition of a business;
- Amendments to IAS 1 and IAS 8: Definition of material;

First application of IFRS 16

IFRS 16 – Leases is applicable for annual reporting periods beginning on or after 1st January 2019. This standard replaces IAS 17 – Leases and three interpretations.

The standard requires the lessees to recognize a right-of-use asset and a lease obligation, without differentiating between operating leases and finance leases.

Method and exemptions adopted

Neopost applied IFRS 16 starting from 1st February 2019, using the simplified retrospective approach. The assets right of use has therefore been estimated since the starting date of the lease.

Neopost applied the exemptions allowed by IFRS 16, in particular to not recognize contracts that cover a period of less than twelve months and leases for which the underlying asset is of a low value.

Natures and features of the contracts

For Neopost, the contracts within the scope of IFRS 16 are mainly real estate leases and car rentals.

Key assumptions adopted

The application of IFRS 16 to lease contracts on intangible assets is an option that the Group chose not to pursue.

In order to assess the residual duration for real estate leases, the Group has made an analysis of its sites, to consider renewals reasonably certain to be exercised. This duration is in general nine years concerning the french contracts.

The Group called upon the services of an external company to determine the discount rates to be applied on leases, reflecting the geographical area and the remaining life of the lease.

Impacts of the first application of IFRS 16

The impacts of the application of IFRS 16 as of 1st February 2019 are the following:

- Recognition of assets right of use for a net amount of 81.3 million euros ;
- Recognition of a lease obligation for an amount of 91.4 million euros, including 71.0 million euros for long term leases, corresponding to the future minimum payments due to the lessor at 1st February 2019 over the remaining life of the lease;
- Cancellation of liabilities related to the recognition of leases on a straight-line basis for (4.4) million euros;
- Recognition, under the equity, of an impact on group reserves, without restatement of the comparative period, for (5.7) million euros.

	31 January 2019	Impact of the transition to IFRS 16	1 February 2019
Assets right of use	-	81.3	81.3
Non-current assets	1,910.2	-	1,910.2
Current assets	914.9	-	914.9
Assets held for sale	7.8	-	7.8
TOTAL ASSETS	**2,832.9**	**81.3**	**2,914.2**
Equity	**1,247.4**	**(5.7)**	**1,241.7**
Non – current lease obligations	-	71.0	71.0
Other non - current liabilities	852.1	-	852.1
Non current liabilities	**852.1**	**71.0**	**923.1**
Current lease obligations	-	20.4	20.4
Other current liabilities	727.7	(4.4)	723.3
Current liabilities	**727.7**	**16.0**	**743.7**
Liabilities held for sale	5.7	-	5.7
TOTAL LIABILITIES	**2,832.9**	**81.3**	**2,914.2**

The difference between the lease commitments on future minimum payments on real estate leases presented as of 31 January 2019 in accordance with IAS 17 and the lease obligation at 1st February 2019 measured according to IFRS 16 is explained as follows:

Commitments on real estate leases at 31 January 2019	**91.4**
Impacts related to changes in scope	0.2
Car rentals	9.2
Impact of discounting of leases contracts	(9.4)
LEASE OBLIGATION AT 1 FEBRUARY 2019	**91.4**

The average discount rate for lease liabilities at the transition date is 2.75%.

First application of IFRIC 23

IFRIC 23 - Uncertainty over income tax treatments has been adopted by the European Union in October 2018 and becomes mandatory for annual periods beginning on or after the 1st January 2019. This interpretation clarifies the application of the standard IAS 12 - Income Taxes regarding the recognition and the measurement of the income tax, when there is uncertainty over the income tax treatments.

The Group applied IFRIC 23 as of 1st February 2019, after having conducted an analysis within its subsidiaries, in order to identify and list the tax uncertainties under IFRIC 23.The application of this interpretation, had no significant impact on the financial statements of the Group.

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 2019		31 July 2018		31 January 2019	
	Period end	Average	Period end	Average	Period end	Average
United States dollar (USD)	1.12	1.13	1.17	1.20	1.15	1.18
Pound Sterling (GBP)	0.92	0.88	0.89	0.88	0.88	0.89
Canadian dollar (CAD)	1.47	1.50	1.53	1.55	1.51	1.53
Swiss franc (CHF)	1.10	1.13	1.16	1.17	1.14	1.15
Japanese yen (JPY)	121.04	123.81	130.84	130.78	124.8	129.50
Norwegian kroners (NOK)	9.78	9.71	9.53	9.57	9.66	9.61
Swedish kroners (SEK)	10.66	10.57	10.26	10.23	10.37	10.29
Danish kroners (DKK)	7.47	7.47	7.45	7.45	7.47	7.45
Australian dollar (AUD)	1.62	1.60	1.58	1.58	1.58	1.59
Singapore dollar (SGD)	1.53	1.53	1.60	1.60	1.55	1.59
Indian rupee (INR)	76.70	78.51	80.44	79.95	81.69	80.99
Brazilian real (BRL)	4.22	4.34	4.38	4.24	4.20	4.33
Chinese yuan (CNY)	7.67	7.66	8.02	7.71	7.70	7.80
Czech koruna (CZK)	25.66	25.67	25.60	25.56	25.76	25.66
Hungarian forint (HUF)	326.48	321.30	320.43	316.67	315.88	319.71
Polish zloty (PLN)	4.29	4.29	4.28	4.25	4.27	4.27
New-Zealand dollar (NZD)	1.69	1.68	1.72	1.70	1.66	1.71

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 SA 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 2019 are as follows:

- on 8 February 2019, Mailroom Holding BV sold 100% of the shares held in its subsidiary Quadient Data Netherlands BV. The effective exit date from the scope of consolidation is 1st February 2019.

3-3 : Other information relating 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 6.79% stake in X'Ange Capital 2 and a 6.23% stake in Partech Entrepreneur II, both non-consolidated companies. The transactions with these companies are not significant.

Off-balance sheet commitments relating to the scope of consolidation

Neopost SA has an investment commitment with Partech Entrepreneur II for an amount of 0.2 million euros compared with 0.6 million as at 31 January 2019.

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

4-1 : Goodwill

Gross goodwill at 31 January 2019	**1,168.7**
Other variations	6.6
Purchase price allocation	(3.4)
Translation differences	8.5
Gross goodwill at 31 July 2019	**1,180.4**
Cumulative impairment	(40.8)
NET BOOK VALUE AT 31 JULY 2019	**1,139.6**

In the first half of 2019, the goodwill variation is explained, on the one hand, by the recognition of some provisions not included in the provisional acquisition balance sheet of Parcel Pending integrated as of 31 January 2019 and, on the other hand, by the purchase price allocation realized as part of the acquisition of Parcel Pending in the United States for (3.4) million euros.

IAS 36 prescribes that an impairment test is performed annually for each cash-generating units (CGU) or group of CGUs to which the goodwil is allocated.

According to IAS 36, the goodwill must be allocated to each CGU or each group of CGUs expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is so allocated must represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment as defined by the IFRS 8 - Operating Segments, before aggregation.

As part of the new strategy announced in January 2019, the Group has reorganized its operational segments hence its goodwill monitoring.

Previously, with the exception of recent acquisitions that were the object of an individual follow-up to assess the contractual engagement related to these acquisitions, the goodwill was monitored per division: Neopost Shipping, Enterprise Digital Solutions and SME, this last division was tested at country level.

Hereafter, the value of goodwill determined by the Group is the object of a follow-up at the level of operational segments, consisting of the geographical areas where Group activities are conducted. This level of test of the goodwill is based on organizational and strategic criteria (interdependance of flows, commercial synergies, integrated solutions in commercial offers...). When it has been necessary, the goodwill has been reallocated to new geographic areas. Furthermore, the Group keeps monitoring separately the goodwil allocated to CGU or group of CGUs "Other solutions" (ex-Neopost Shipping), Temando and Parcel Pending.

The level of analysis at which the group Neopost determine the recoverable amount of the goodwill thus corresponds to the following CGUs or groups of CGUs:

	31 July 2019	31 January 2019
France - Benelux	203.4	203.5
United Kingdom - Ireland	148.4	148.8
Germany - Austria - Italy - Switzerland (DACHIT)	146.4	146.2
North America	413.3	406.2
Parcel Pending	103.3	97.1
Major Operations	**1,014.8**	**1,001.8**
International operations	**102.7**	**103.9**
Temando	**0.0**	**0.0**
Other solutions	**22.1**	**21.6**
NET BOOK VALUE	**1,139.6**	**1,127.3**

A goodwill impairment test is performed during annual closings following the methodology described in note 4-5 of the consolidated financial statements shown in the 2018 registration document.

Since there were no evidence of impairment as at 31 July 2019, the group Neopost did not test for impairment its CGUs or groups of CGUs.

4-2 : Intangible assets

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Gross value at 31 January 2019	**34.9**	**128.0**	**237.4**	**56.7**	**51.0**	**508.0**
Acquisitions/Capitalization	0.1	0.9	15.6	-	0.8	17.4
Disposals	-	(0.1)	-	-	-	(0.1)
Other changes	0.6	0.5	-	-	2.9	4.0
Translation difference	0.1	1.8	2.1	(0.1)	0.9	4.8
Gross value at 31 July 2019	**35.7**	**131.1**	**255.1**	**56.6**	**55.6**	**534.1**
Cumulative amortization	(31.9)	(110.8)	(167.6)	(49.6)	(33.2)	(393.1)
NET BOOK VALUE AT 31 JULY 2019	**3.8**	**20.3**	**87.5**	**7.0**	**22.4**	**141.0**

The change in intangible fixed assets is mainly due to the capitalization of development costs and to the allocation of the purchase price of Parcel Pending realized in the first half of 2019.

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Amortization at 31 January 2019	**31.5**	**107.6**	**154.5**	**45.6**	**30.7**	**369.9**
Charges	0.4	4.4	12.4	1.4	2.0	20.6
Disposals	-	(0.1)	-	-	-	(0.1)
Other changes	-	(2.7)	-	2.7	(0.0)	(0.0)
Translation difference	0.0	1.6	0.7	(0.1)	0.5	2.7
AMORTIZATION AT 31 JULY 2019	**31.9**	**110.8**	**167.6**	**49.6**	**33.2**	**393.1**

At 31 July 2019, 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 2019	**32.5**	**61.0**	**493.0**	**38.1**	**6.6**	**29.1**	**660.3**
Acquisitions	0.4	1.0	24.3	1.2	1.3	2.9	31.1
Disposals	-	(1.4)	(4.9)	(0.1)	(0.9)	(0.7)	(8.0)
Other changes	0.1	0.6	0.0	0.3	0.0	(0.7)	0.3
Translation difference	(0.2)	(0.3)	9.8	0.2	0.1	0.5	10.1
Gross value at 31 July 2019	**32.8**	**60.9**	**522.2**	**39.7**	**7.1**	**31.1**	**693.8**
Cumulative amortization	(19.0)	(50.3)	(411.0)	(34.5)	(3.4)	(17.3)	(535.5)
NET BOOK VALUE AT 31 JULY 2019	**13.8**	**10.6**	**111.2**	**5.2**	**3.7**	**13.8**	**158.3**

The other variations mainly represent reclassifications.

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Amortization at 31 January 2019	**18.4**	**50.5**	**389.5**	**33.1**	**3.6**	**16.5**	**511.6**
Charges	0.6	1.3	19.0	1.3	0.4	1.0	23.6
Disposals	-	(1.4)	(4.9)	(0.1)	(0.5)	(0.5)	(7.4)
Other changes	-	0.0	-	0.0	-	0.0	0.0
Translation difference	0.0	(0.1)	7.4	0.2	(0.1)	0.3	7.7
AMORTIZATION AT 31 JULY 2019	**19.0**	**50.3**	**411.0**	**34.5**	**3.4**	**17.3**	**535.5**

At 31 July 2019, no evidence of impairment was noted on tangible fixed assets.

The variations of the gross value and the amortization of the right of use assets, recognized as part of the application of IFRS 16, are presented in the Note 8.

4-4 : Other non-current financial assets

	31 July 2019	31 January 2019
Deposits, loans and guarantees	4.7	4.4
Pension plan net asset	40.5	37.2
TOTAL	**45.2**	**41.6**

At 31 July 2019, the deposits, loans and guarantees include an escrow account for 1.3 million euros related to the sale of Quadient Data USA (1.1 million euros at 31 January 2019) and a deposit for 1.0 million euros related to the liquidity contract (1.0 million euros at 31 January 2019).

The Group has a pension plan in the United Kingdom that shows a surplus of 40.5 million euros (37.1 million pounds sterling) at 31 July 2019 compared with 37.2 million euros (32.6 million pounds sterling) at 31 January 2019. 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 2019, assets and liabilities classified as held for sale for respectively 14.4 million euros (7.8 million euros after depreciation) and 5.7 million euros are related to Quadient Data Netherlands and Quadient Data GmbH (former Human Inference, sold at the beginning of February 2019). These companies were part of the Enterprise Digital Solutions cash-generating unit. The goodwill has been valuated using the relative fair value method.

These assets and liabilities were measured at their fair value: the net book value of assets and liabilities as at 31 January 2019 has been compared to the sale price. This had led to the recognition of a depreciation booked in other operational expenses for an amount of 6.6 million euros.

Note 6 Operating data

6-1: Sales breakdown

Sales breakdown as follows:

- By business - Group sales

The Group sales are composed of five revenues categories: (1) the mail related solutions, (2) the business process automation, (3) the customer experience management, (4) the parcel locker solutions and (5) the other activities. The other activities comprise the revenues which are not part of the four major solutions and they include in particular graphics activities, other shipping software solutions and the CVP-500.

	31 July 2019	31 July 2018	31 January 2019
Mail related solutions	392.3	386.4	792.4
Business process automation	31.1	25.0	53.8
Customer experience management	64.9	55.0	121.6
Parcel locker solutions	29.4	10.9	21.6
Other activities	39.2	50.4	102.5
TOTAL	**556.9**	**527.7**	**1,091.9**

- By business - Major operations

The major operations have been defined around the four major solutions defined above, in two main geograpahic areas which are North America and Europe, including twelve countries. The revenues of additional operations are realized on activities that are different from the four major solutions, in all geographic areas, as well as on the four major solutions outside the main geographic areas.

	31 July 2019	31 July 2018	31 January 2019
Mail related solutions	360.0	354.9	727.5
Business process automation	30.2	24.5	52.3
Customer experience management	49.7	44.5	100.3
Parcel locker solutions	19.9	3.7	6.0
Major operations	**459.8**	**427.6**	**886.1**
Additional operations	**97.1**	**100.1**	**205.8**
TOTAL	**556.9**	**527.7**	**1,091.9**

- By type of revenues

	31 July 2019	31 July 2018	31 January 2019
Equipment and licenses sales	171.7	154.7	332.4
Recurring revenue	385.2	373.0	759.5
TOTAL	**556,9**	**527,7**	**1,091.9**

- By geographic area

	31 July 2019	31 July 2018	31 January 2019
France - Benelux	105.1	106.6	210.8
North America	250.2	211.5	446.4
Germany - Austria - Italy - Switzerland (DACHIT)	57.9	60.6	126.0
United Kingdom – Ireland	46.5	48.9	102.8
Rest of the world *	97.1	100.1	205.9
TOTAL	**556.9**	**527.7**	**1,091.9**

** The "Rest of the world" sales correspond to the sales of the segment "additional operations"*

6-2 : Accounts receivable and lease receivables

Accounts receivable

	31 July 2019	31 January 2019
Accounts receivable		
Gross value	216.6	247.8
Depreciation	(18.9)	(18.0)
Total	**197.7**	**229.8**
Lease receivables		
Short term	276.2	288.1
Long term	418.6	428.7
Gross value	**694.8**	**716.8**
Depreciation	(9.7)	(10.6)
Total	**685.1**	**706.2**
TOTAL	**882.8**	**936.0**

	31 July 2019	31 January 2019
Accounts receivable – Depreciation		
Depreciation at the beginning of the year	18.0	17.6
Charges	2.4	4.2
Used	(0.7)	(0.9)
Not used	(0.3)	(1.7)
Other	(0.5)	(1.4)
Translation difference	0.0	0.2
TOTAL	**18.9**	**18.0**

Financing leases

	31 July 2019	31 January 2019
Non-current receivables		
Financing leases – gross receivables	507.6	515.5
Unearned financial income	(89.0)	(86.8)
Total	**418.6**	**428.7**
Current receivables		
Financing leases – gross receivables	332.7	343.7
Unearned financial income	(56.5)	(55.6)
Total	**276.2**	**288.1**
Gross receivables on financing leases		
Less than one year	332.7	343.7
One to five years	500.0	507.6
More than five years	7.6	7.9
Total gross value	**840.3**	**859.2**
Unearned financial income on financing leases	**(145.5)**	**(142.4)**
Net investment in financing leases		
Less than one year	276.2	288.1
One to five years	411.2	421.0
More than five years	7.4	7.7
TOTAL	**694.8**	**716.8**

6-3 : Current operating income and EBITDA

	31 July 2019		31 July 2018		31 January 2019	
	Gross value	In %	Gross value	In %	Gross value	In %
Sales	556.9	100.0%	527.7	100%	1,091.9	100.0%
Cost of sales	(145.9)	(26.2)%	(128.1)	(24.3)%	(271.9)	(24.9)%
Gross margin	**411.0**	**73.8%**	**399.6**	**75.7%**	**820.0**	**75.1%**
Operating expenses	(329.2)	(59.1)%	(314.2)	(59.5)%	(637.9)	(58.4)%
Current operating profit	**81.8**	**14.7%**	**85.4**	**16.2%**	**182.1**	**16.7%**
Amortization of fixed assets	55.1	9.9%	44.8	8.5%	90.3	8.3%
EBITDA	**136.9**	**24.6%**	**130.2**	**24.7%**	**272.4**	**24.9%**

6-4 : Breakdown of expenses by categories

	31 July 2019	31 July 2018	31 January 2019
Cost of inventories recognized as expense	128.9	113.0	240.4
Wages, bonuses, commissions and payroll charges	223.1	219.7	452.5
Rents and associated costs	4.0	15.9	31.2
Fees	21.1	15.1	36.7
Transport and travel	21.0	21.2	40.1
Fixed assets – depreciation and amortization	55.1	44.8	90.3
Other	22.0	12.6	18.6
Total expenses by category	**475.2**	**442.3**	**909.8**
Cost of sales	145.9	128.1	271.9
Operating expenses	329.2	314.2	637.9
TOTAL	**475.2**	**442,3**	**909,8**

6-5 : Inventories and work in progress

	31 July 2019			31 January 2019		
	Gross value	Provision	Net	Gross value	Provision	Net
Work in progress	6.0	(0.7)	5.3	5.2	(0.7)	4.5
Raw materials	13.3	(2.0)	11.3	12.4	(1.9)	10.5
Finished goods	73.8	(9.3)	64.5	63.0	(9.6)	53.4
Spare parts	4.5	(1.8)	2.7	4.8	(2.0)	2.8
TOTAL	**97.6**	**(13.8)**	**83.8**	**85.4**	**(14.2)**	**71.2**

	31 July 2019	
	Gross value	Provision
Opening	85.4	(14.2)
Net inventory entries	12.2	-
Charges	-	(0.5)
Used	-	1.0
Translation difference	(0.1)	0.2
TOTAL	**97.6**	**(13.7)**

6-6 : Expenses and gains related to acquisitions

	31 July 2019	31 July 2018	31 January 2019
Consulting fees	6.2	0.0	7.0
Amortization of intangible assets recognized as part of the purchase price allocation	4.6	5.1	10.2
EXPENSES RELATED TO ACQUISITIONS	**10.8**	**5.1**	**17.2**

6-7 : Structure optimization expenses - net of reversal

The Group continued its structure optimization program. An expense of 2.7 million euros, net of reversals not used for 0.9 million euros, is recorded in this regard in the first half of 2019 compared with 2.5 million euros in the first half of 2018 and 13.1 million euros in 2018. This expense is mainly related to the costs incurred by the implementation of some actions related to reorganizations within the Group and to expenses related to staff reduction.

6-8 : Disposal of assets

During the first half of 2019, there was no significant disposal of assets.

In 2018, revenues from the disposals of assets amounted to 6.2 million euros and they were mainly related to the disposal of a building in Clichy (France) for approximately 8.0 million euros, offset by the release of the net book value of tangible assets as part of relocations.

6-9 : Other operational expenses and income

	31 July 2019	31 July 2018	31 January 2019
Capital gain on the sale of Quadient Data USA	-	-	39.4
Assets held for sale depreciation	-	-	(6.6)
Fixed assets depreciation	-	-	(24.9)
Impairment of goodwill	-	-	(19.8)
Other	0.1	(0.1)	(5.8)
OTHER OPERATIONAL (EXPENSES) INCOME	**0.1**	**(0.1)**	**(17.7)**

In 2018, the sale of the subsidiary Quadient Data USA (former Satori Software) had led to a capital gain of 39.4 million euros.

The disclosure of Quadient Data Netherlands (former Human Inference) sale which occurred at the beginning of February 2019 in compliance with IFRS 5 had led to an expense of 6.6 million euros (see note 5).

Fixed assets depreciations were recorded for 24.9 million euros. They were related to the overhaul of different projects, out of which the most significant was the roll-out of common IT tools in Europe.

The line other included in particular an exceptional depreciation of irrecoverable assets related to the leasing activity.

Still in 2018, goodwill depreciation was related to Temando and is detailed in the note 4-5 to the consolidated financial statements 2018.

6-10 : Off-balance sheet commitments related to operational data

	Currency	31 July 2019	31 January 2019
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

Since the beginning of the fiscal year and after the implementation of the Group's new strategy announced in January 2019, the activity of Neopost is divided in two big categories: the major operations and the additional operations.

- Major operations

Neopost focuses on four major solutions which are businesses where Neopost has already built strong legitimacy and that have the potential to reach a significant size and/or provide significant growth potential. These solutions are (1) the mail related solutions, (2) the business process automation, (3) the customer experience management and (4) the parcel locker solutions.

From a geographical standpoint, twelve out of twenty-nine countries where Neopost operates directly accounted for more than 85% of the Group's total sales in 2018. As part of its strategy, Neopost concentrates its efforts on these countries gathered on four segments: North America, France - Benelux, DACHIT (Germany, Austria, Switzerland, Italy) and United Kingdom -Ireland.

- Additional operations

The portfolio of additional operations includes all businesses that are not part of the four major solutions, as well as all operations outside the main geographies. Activities included in additional operations' scope are the four major solutions in other geographies and the other activities, in particular graphics activites, other shipping software and the CVP-500.

The segment "Innovation" includes in 2018 and in 2019 the charges linked to the development of new projects for the customer experience management.

Neopost's income breaks down by activities as follows:

	France-Benelux	North America	DACHIT	United-Kingdom -Ireland	Innovation	Major operations	Additional operations	31 July 2019
Total sales	105.1	250.2	57.9	46.5	0.1	**459.8**	**97.1**	**556.9**
Segment income	26.4	54.1	7.8	7.4	(2.5)	**93.2**	**(0.6)**	**92.6**
in percentage	25.1%	21.6%	13.4%	15.9%	n/a	**20.3%**	**(0.6)%**	**16.6%**
Expenses related to acquisitions								(10.8)
Current operating income								**81.8**
Structure optimization expenses								(2.7)
Proceeds from net assets sales								(0.0)
Other operational gains and expenses								0.1
Operating income								**79.2**
Financial result								(19.1)
Share of results of associated companies								0.6
Income taxes								(13.6)
NET INCOME								**47.1**

	France-Benelux	North America	DACHIT	United-Kingdom -Ireland	Innovation	Major operations	Additional operations	31 July 2018
Total sales	106.6	211.5	60.6	48.9	0.0	**427.6**	**100.1**	**527.7**
Segment income	26.6	47.6	9.7	12.8	(1.4)	**95.3**	**(4.8)**	**90.5**
In percentage	25.0%	22.5%	15.9%	26.1%	n/a	**22.3%**	**(4.8)%**	**17.2%**
Expenses related to acquisitions								(5.1)
Current operating income								**85.4**
Structure optimization expenses								(2.5)
Proceeds from net assets sales								(0.5)
Other operational gains and expenses								(0.1)
Operating income								**82.3**
Financial result								(14.5)
Share of results of associated companies								0.9
Income taxes								(8.5)
Net income								**60.2**

	France-Benelux	North America	DACHIT	United-Kingdom -Ireland	Innovation	Major operations	Additional operations	31 January 2019
Total sales	210.8	446.4	126.0	102.8	0.1	**886.1**	**205.8**	**1,091.9**
Segment income	52.5	104.2	28.8	24.8	(4.3)	**206.0**	**(6.7)**	**199.3**
In percentage	24.9%	23.3%	22.9%	24.1%	n/a	**23.2%**	**(3.3)%**	**18.2%**
Expenses related to acquisitions								(17.2)
Current operating income								**182.1**
Structure optimization expenses								(13.1)
Proceeds from net assets sales								6.2
Other operational gains and expenses								(17.7)
Operating income								**157.5**
Financial result								(30.5)
Share of results of associated companies								1.4
Income taxes								(36.8)
Net income								**91.6**

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

Amounts recognized during the year but which had no effect on Group cash (before amortization, depreciation and provisions) mainly relate to amounts recorded in respect of share-based payments, which represent an expense of 0.5 million euros at the first half 2019 compared with a gain of 0.2 million euros at the first half 2018 and an expense of 0.7 million euros in 2018.

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 12 for the portion of derivative financial instruments related to foreign exchange and interest rates.

The balance sheet breaks down by sector as follows:

	France-Benelux	North America	DACHIT	United-Kingdom -Ireland	Major operations	Additional operations	Other	31 July 2019
Segment assets	1,013.9	869.9	197.6	256.3	**2,337.7**	**172.6**	**553.8**	3,064.1
TOTAL ASSETS								**3,064.1**
Segment liabilities	132.1	253.1	53.2	86.5	**524.9**	**74.0**	**1,187.7**	1,786.6
Equity								1,277.5
TOTAL LIABILITIES								**3,064.1**

	France-Benelux	North America	DACHIT	United-Kingdom -Ireland	Major operations	Additional operations	Other	31 Jauary 2019
Segment assets	996.4	835.3	203.9	**251.6**	**2,287.2**	**182.1**	**363.6**	2,832.9
Total assets								**2,832.9**
Segment liabilities	155.2	249.5	63.7	**75.6**	**544.0**	**72.2**	**969.3**	1,585. 5
Equity								1,247.4
Total liabilities								**2,832.9**

The column "Other" includes the net indebtedness of Neopost SA, factories and supply-chain assets and liabilities as well as some assets and liabilities that cannot be allocated to an operational segment.

Note 8 Assets right of use and lease obligations

As of 31 July 2019, the impacts of the application of IFRS 16 on the balance sheet, the income statement and the cash flow statement are the following:

- **Impacts on the balance sheet**

	1 February 2019	Amorti zation	Reimbur sements	Reclassifi cations	Translation differences	Equity	31 July 2019
Right of use assets	81.3	(10.9)	-	-	(0.1)	**-**	70.3
IMPACT ON ASSETS	**81.3**	**(10.9)**	**-**	**-**	**(0.1)**	**-**	**70.3**
Equity	**(5.7)**	**-**	**-**	**-**	**-**	**(0.2)**	**(5.9)**
Non – current lease obligations	71.0	-	-	(10.0)	-	**-**	60.9
Current lease obligations	20.4	-	(10.5)	10.0	-	**-**	19.9
Other current liabilities	(4.4)	-	-	-	-	**-**	(4.4)
Liabilities	**87.0**	**-**	**(10.5)**	**-**	**-**	**-**	**76.2**
IMPACT ON LIABILITIES	**81.3**	**-**	**(10.5)**	**-**	**-**	**(0.2)**	**70.3**

- **Impacts on the income statement**

	31 July 2019
Cancellation of rent expenses	11.8
Amortization expenses	(10.9)
EBIT impact	**0.9**
Amortization of the period	10.9
EBITDA impact	**11.8**
Financial interests	(1.3)
NET INCOME IMPACT	**(0,4)**

- **Impacts on the cash flow statement**

	31 July 2019
Net Income	**(0.4)**
Amortization	10.9
Net cost of debt	1.3
Interests paid	(1.3)
Net cash flow from operating activities	**10.5**
Repayment of lease obligation	(10.5)
Net cash flow from financing activities	**(10.5)**
CHANGE IN NET CASH	**-**

- **Tables of variations of the assets right-of-use and the lease obligations**

As of 31 July 2019, the assets right of use net value amounts to 70.3 million euros.

	Buildings	Other intangible assets	Assets right of use
Gross value at 1 February 2019	**119.9**	**9.2**	**129.1**
Translation differences	(0.1)	-	(0.1)
Gross value at 31 July 2019	**119.8**	**9.2**	**129.0**
Amortization at 1 February 2019	**(47.7)**	**-**	**(47.7)**
Charges	(8.0)	(2.9)	(10.9)
Translation differences	(0.1)	-	(0.1)
Amortization at 31 July 2019	**(55.8)**	**(2.9)**	**(58.7)**
NET VALUE AT 31 JULY 2019	**64.0**	**6.3**	**70.3**

As of 31 July 2019, the lease obligations amount to 80.8 million euros including 60.9 million euros of long term portion.

	1 February 2019	Reclassifications	Translation differences	Reimbursements	31 July 2019
Non – current lease obligations	71.0	(10.0)	(0.1)	-	60.9
Current lease obligations	20.4	10.0	-	(10.5)	19.9
LEASE OBLIGATIONS	**91.4**	**-**	**(0.1)**	**(10.5)**	**80.8**

Note 9 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.

9-1 : Expenses (income) with no cash effect

	31 July 2019	31 July 2018	31 January 2019
Amortization of fixed assets	55.1	44.8	90.3
Provisions (reversals)	(4.1)	(1.7)	(2.4)
(Gains) and losses in fair value	1.6	(0.8)	(0.2)
(Proceeds) expenses from share based payments	0.5	(0.2)	0.7
Net (gains) losses on disposals of fixed assets	0.0	0.5	(45.5)
Goodwill impairment	-	-	19.8
Intangible assets impairment	-	-	24.9
Other	0.1	(2.0)	0.4
TOTAL	**53.2**	**40.6**	**88.0**

As at 31 July 2019, the line amortization of fixed assets includes the amortization of the assets right of use recognized as part of the application of IFRS 16 (see Note 8) for 10.9 million euros.

As at 31 July 2019, the change in provisions (reversals) mainly relates to reversals on assets depreciation for an amount of (1.9) million euros and to reversals of provisions under liabilities for (2.2) million euros.

As at 31 July 2018, the change in provisions (reversals) was mainly related to added charges on assets depreciation for an amount of 1.3 million euros and to reversals of provisions under liabilities for 3.0 million euros.

As at 31 January 2019, the provision variation was mainly related to additional charges on assets depreciation for an amount of 2.5 million euros and to added charges on provisions presented in liabilities for 4.8 million euros.

In 2018, the net (gains) or losses on disposals of fixed assets were mainly related to the sale of a bulding in Clichy (France) and the divestment of the subsidiary Quadient Data USA (former Satori Software).

As at 31 July 2019, the line "Other" includes the research tax credit for 0.9 million euros and the impact on the current operating income following the IFRS 16 application for (0.9) million euros.

The line "Other" included the research tax credit as at 31 July 2018.

As at 31 January 2019, the line "Other" was mainly related to the depreciation of Quadient Data Netherlands (former Human Inference) assets classified as assets held for sale (6.6 million euros), the reversal of the earn-out not paid on icon Systemhaus acquisition (7.5 million euros), the research tax credit (3.6 million euros) and the depreciation of non recoverable leasing assets (4.3 million euros).

9-2 : Working capital variation

	31 July 2019	31 July 2018	31 January 2019
Inventories variation	(12.2)	(5.4)	(1.5)
Trade accounts receivable variation	29.1	41.6	12.2
Deferred income variation	(29.2)	(24.5)	(0.9)
Trade accounts payable variation	(9.0)	(9.3)	1.3
Other current assets and liabilities variation	(33.3)	(43.0)	4.0
TOTAL	**(54.6)**	**(40.6)**	**15.1**

As at 31 July 2019, the variation of the other current assets and liabilities is mainly explained by time differences on VAT receipts and disbursements.

As at 31 July 2018, the variation of the other current assets and liabilities was mainly explained by a VAT receivable in France and in the United Kingdom.

As at 31 January 2019, the variation of the other current assets and liabilities was mainly explained by time differences on prepayments.

9-3 : Financial investments

At 31 July 2019, the sale of Quadient Data Netherlands BV (former Human Inference) generates a cash collection of 1.2 million euros. The tax paid on Quadient Data USA (former Satori) sale triggeres a cash out for a 12.5 millions euros tax in the United States.

At 31 July 2018, the net cash-out related to financial investments amounted to 1.9 million euros.

As at 31 January 2019, financial investments net of cash acquired have led to a cash out of 26.3 million euros, which included the following operations: a cash collection related to the sale of Quadient Data USA (ex-Satori Software) and cash-outs mostly triggered by the acquisition of Parcel Pending in the United States and the payment of the last earn-out on the acquisition of icon Systemhaus.

9-4: New borrowings and repayment of borrowings

In May 2019, Neopost issued a Schuldschein private placement under German law for the equivalent of 210 million euros (90 million United States dollars and 130 million euros) maturing in four, five, six and seven years. This private placement is refinancing the euro private placement maturing in December 2019 for a notional amount of 150 million euros.

In June 2019, Neopost repaid at maturity 26 million United States dollars of the United States private placement.

Note 10 Headcount and employee benefits

10-1 : Payroll

	31 July 2019	31 July 2018	31 January 2019
Wages and salaries, bonus and commissions	176.2	173.0	356.6
Social costs	46.4	46.5	95.0
Share-based payments	0.5	0.2	0.7
Pension expenses under defined contribution plans	-	-	0.2
TOTAL	**223.1**	**219.7**	**452.5**

10-2 : Retirement benefit obligations

The main retirement obligation for the Group is the obligation for the United Kingdom. This pension fund shows a net asset of 40.5 million euros (37.1 million pounds sterling) as at 31 July 2019 compared with 37.2 million euros as at 31 January 2019 (32.6 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. In 2017, the British regulator did not identify any deficit.

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 Chief Executive Officer and other Group executives have a defined benefit pension scheme (article 39 of the French general tax code).

An expense of 0.2 million was recorded as at 31 January 2019 as defined contribution pension plan for all Group entities. The Group did not carry out a new valuation at 31 July 2019.

10-3 : Share-based payments

The expenses or (income) recorded with respect to the share-based payments are as follows:

	31 July 2019	31 July 2018	31 January 2019
Free share granted valuation	0.5	(0.2)	0.7

Information relating to the four stock-option plans

Regarding warrant or purchase options plans, there was no allocation in the first half-year 2019.

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

Information relating to the free share plans

Concerning the free share pans, 12,000 free shares have been attributed on 26 April 2019.

10-4 : Long term incentives (phantom shares)

Plan	Number of shares initially granted	Number of out-standing shares	31 January 2019	Added	Used	Other*	31 July 2019	Short term portion	Long term portion
July 2016	147,600	51,325	1.1	0.0	(0.6)	(0.1)	0.4	0.4	-
March 2017	82,000	71,340	0.5	0.1	-	(0.1)	0.5	0.5	-
LONG TERM INCENTIVES			**1.6**	**0.1**	**(0.6)**	**(0.2)**	**0.9**	**0.9**	**-**

* Revaluation of previous plans based on Neopost's share price at 31 July 2019.

Note 11 Other provisions, contingent liabilities and other non-current liabilities

11-1 : Other provisions

	31 January 2019	Added	Used	Non-used	Other	31 July 2019	Short term portion	Long term portion
Other provisions								
Structure optimization	5.1	3.6	(3.7)	(0.9)	0.2	4.3	4.3	-
Customer guarantees/business risk	0.3	-	-	-	-	0.3	0.3	-
Provisions for business risk	4.4	0.4	(0.5)	(0.2)	(0.1)	4.0	1.7	2.3
Other	2.8	0.2	(1.4)	(0.1)	5.0	6.5	5.6	0.9
	12.6	**4.2**	**(5.6)**	**(1.2)**	**5.1**	**15.1**	**11.9**	**3.2**
Retirement benefit obligations	22.3	0.4	(0.7)	0.0	0.2	22.2	-	22.2
Long term incentives – note 10-4	1.6	0.1	(0.6)	-	(0.2)	0.9	0.9	-
TOTAL	**36.5**	**4.7**	**(6.9)**	**(1.2)**	**5.1**	**38.2**	**12.8**	**25.4**

Structure optimization

The Group continues the optimization of its operations.

Provisions of a total amount of 5.1 million euros were booked as at 31 January 2019. During 2019 first half-year, additional charges of 3.6 million euros were booked and (3.7) million euros were used. As at 31 July 2019, the balance of these provisions is 4.3 million euros.

11-2 : 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 Group has not identified any significant contingent liability as at 31 July 2019.

11-3 : Other non-current debts

As of 31 July 2019, the other non-operating debts amount to 7.5 million euros and they mainly represent earn-out debts. These debts amounted to 7.2 million euros as at 31 January 2019.

Earn-outs are generally based on achieving financial targets in terms of revenue over two years following the acquisition. Earn-out values recorded as of 31 July 2019 are the best estimate of the future performance of our acquisitions.

Note 12 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 12, especially those presented in table 12-1, are level 2 financial instruments, whose fair value is based on observable data.

12-1 : Breakdown of the balance sheet by financial instruments

	31 July 2019		Breakdown by instrument category				
	Book value	Fair value	Fair value through P&L	Fair Value through equity	Loans and receivables /Debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	58.4	58.4	-	9.1	45.2	-	4.1
Lease receivables [a]	685.1	697.9	-	-	685.1	-	-
Other long term receivables	3.2	3.2	-	-	3.2	-	-
Receivables [b]	197.7	197.7	-	-	197.7	-	-
Other receivables [b]	6.4	6.4	-	-	6.4	-	-
Derivative financial instruments [c]	3.9	3.9	-	-	-	-	3.9
Cash and cash equivalents [d]	426.8	426.8	-	-	426.8	-	-
ASSETS	**1,381.5**	**1,394.3**	**-**	**9.1**	**1,364.4**	**-**	**8.0**
Financial debts from credit institutions and bank overdrafts [e]	1,055.1	1,064.7	159.1	-	-	896.0	-
Other long-term debts	7.5	7.5	-	-	7.5	-	-
Accounts payable [b]	67.6	67.6	-	-	67.6	-	-
Other operating liabilities [b]	193.0	193.0	-	-	193.0	-	-
Derivative financial instruments [c]	1.5	1.5	-	-	-	-	1.5
LIABILITIES	**1,324.7**	**1,334.3**	**159.1**	**-**	**268. 1**	**896.0**	**1.5**

(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 2019 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 2018 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 and the portion of the Schuldschein debt that was swapped for 29.5 million euros. The swap and the debt are recognized at their fair value as mentioned in note 11-4 of the 2017 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 2018 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 530.6 million euros;*
- *concerning fixed rate debts, the fair value is calculated from the yield curve as at 31 July 2019. The difference between the fair value and the value as appearing in the balance sheet is 9.7 million euros.*

Debt in foreign currencies is valued at constant exchange rates.

	31 January 2019		Breakdown by instrument category				
	Book value	**Fair value**	**Fair value through P&L**	**Fair value through equity**	**Loans and receivables /Debts**	**Debts at amortized costs**	**Derivative instruments**
Non-current financial assets	57.0	57.0	-	8.6	41.6	-	6.8
Lease receivables [(a)]	706.2	715.0	-	-	706.2	-	-
Other long term receivables	3.4	3.4	-	-	3.4	-	-
Receivables [(b)]	229.8	229.8	-	-	229.8	-	-
Other receivables [(b)]	6.6	6.6	-	-	6.6	-	-
Derivative financial instruments [(c)]	1.9	1.9	-	-	-	-	1.9
Cash and cash equivalents [(d)]	245.9	245.9	-	-	245.9	-	-
ASSETS	**1,250.8**	**1,259.6**	**-**	**8.6**	**1,233.5**	**-**	**8.7**
Financial debts from credit institutions and bank overdrafts [(e)]	863.4	870.7	159.4	-	-	704.0	-
Other long-term debts	7.2	7.2	-	-	7.2	-	-
Accounts payable [(b)]	80.1	80.1	-	-	80.1	-	-
Other operating liabilities [(b)]	196.9	196.9	-	-	196.9	-	-
Derivative financial instruments [(c)]	0.2	0.2	-	-	-	-	0.2
LIABILITIES	**1,147.8**	**1,155.1**	**159.4**	**-**	**284.2**	**704.0**	**0.2**

(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 2019 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 2018 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 and the portion of the Schuldshein debt that was swapped for 29.5 million euros. The swap and the debt are recognized at their fair value as mentioned in note 12-4 of the 2018 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 2018 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 380.8 million euros;*
- *concerning fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2019. The difference between the fair value and the value as appearing in the balance sheet is 7.3 million euros;*

Debt in foreign currencies was valued at constant exchange rates.

12-2 : Breakdown by type of debt

	Financial debts and bank overdrafts	Short-term part of long-term debt	Long-term debt	31 July 2019	31 January 2019
Bonds issue – Neopost SA 3.50% [a]	-	153.4	-	153.4	150.8
Bonds issue – Neopost SA 2.50% [b]	-	0.9	330.1	331.0	335.0
United States private placement [c]	-	5.2	103.2	108.4	128.0
Schuldschein [d]	-	46.6	380.1	426.7	212.8
Revolving credit facility [e]	-	0.1	-	0.1	0.1
Other debt	5.1	2.5	27.9	35.5	36.7
TOTAL	**5.1**	**208.7**	**841.3**	**1,055.1**	**863.4**

(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 3.6 million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 3.5 million euros. As at 31 July 2019, the net impact of the recognition of this fair value hedge is a financial revenue of 0.1 million euros. On the 9 July 2018, Neopost bought back on the market a nominal of 23.0 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. In 2017, Neopost repaid a total of 79 million United States dollars and on 20 June 2018, Neopost repaid 5 million United States dollars which matured. The amount of the private placement is 30.0 million United States dollars at the end of July 2019.

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 and the debt fair value adjustment represents an amount of (0.8) million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 0.7 million euros. As at 31 July 2019, the net impact of the recognition of this fair value hedge is a financial revenue of 0.4 million euros.

In May 2019, Neopost concluded private placements under German law (Schuldschein) consisting of nine tranches with different maturities between three and six years for a total amount of 130 million euros and 90 million United States dollars.

(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. The maturity of the revolving credit line has been extended to the 20 June 2023, with the extension of an extension option. 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 2019, Neopost do not used that credit facility.

12-3 : Financial ratios

With the exception of the Neopost SA 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 2019.

12-4 : Risk management

12-4-1 : 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 2019 – ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST'S BALANCE SHEET AT 31 JULY 2019 AND EXPECTED TO BE REALIZED NO LATER THAN OCTOBER 2019

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Financial assets	42.0	8.0	3.0	6.7	902.3	6.3	9.3	4.8	29.7	1.7	5.6	0.1
Financial liabilities	16.9	6.4	1.8	1.2	165.5	1.8	5.9	6.7	63.3	0.5	1.3	0.1
Net position before hedging	**25.1**	**1.6**	**1.2**	**5.5**	**736.8**	**4.5**	**3.4**	**(1.9)**	**(33.6)**	**1.2**	**4.3**	**-**
Hedging	(28.6)	(1.7)	(1.2)	(8.0)	(640.9)	(8.0)	-	-	33.6	(1.0)	(4.2)	-
NET POSITION AFTER HEDGING	**(3.5)**	**(0.1)**	**-**	**(2.5)**	**95.9**	**(3.5)**	**3.4**	**(1.9)**	**-**	**0.2**	**0.1**	**-**

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 4.5 million United States dollars sold, 100.0 million Japanese yen sold, 3.5 million Swedish koruna sold, 1.6 million Australian dollars sold, 2.5 million Norwegian kroners sold, and 0.3 million Canadian 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: 3.5 million United States dollars sold, 25.0 million Japanese yen sold, 3.5 million Swedish koruna sold, 1.1 million Australian dollars sold and 2.5 million Norwegian kroners sold.

2019 BUDGET: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN SECOND HALF-YEAR 2019 EXPECTED TO BE REALIZED NO LATER THAN APRIL 2020

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Projected financial assets	89.6	12.9	12.4	31.6	1,625.2	47.8	9.3	13.6	9.2	1.8	15.4	2.0
Projected financial liabilities	64.8	11.2	3.5	2.2	364.8	8.5	26.0	(0.2)	252.3	4.6	-	3.6
Net position before hedging	**24.8**	**1.7**	**8.9**	**29.4**	**1,260.4**	**39.3**	**(16.7)**	**13.8**	**(243.1)**	**(2.8)**	**15.4**	**(1.6)**
Hedging	(14.5)	(3.2)	(0.9)	(6.0)	-	(6.9)	7.0	(3.6)	111.4	-	-	1.2
NET POSITION AFTER HEDGING	**10.3**	**(1.5)**	**8.0**	**23.4**	**1,260.4**	**32.4**	**(9.7)**	**10.2**	**(131.7)**	**(2.8)**	**15.4**	**(0.4)**

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 3.0 United States dollars sold, 0.3 million Canadian dollars sold, 2.0 million Norwegian kroners sold and 4.0 million Swedish koruna 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: 1.5 million United States dollars sold, 0.8 million Sterling pounds sold, 0.3 million Canadian dollars sold, 2.0 million Norwegian kroners sold and 1.5 million Swedish koruna 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 2019. These instruments are listed below by type and by currency for the period to which they relate.

2019: 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	-	20.6	4.5	-	-	8.0
GBP	-	1.7	-	-	-	-
CAD	-	1.0	0.3	-	-	0.3
NOK	-	3.0	2.5	-	-	5.0
JPY	101.0	616.8	100.0	-	-	125.0
SEK	-	1.0	-	-	-	7.0
CZK	33.6	-	-	-	-	-
SGD	-	1.0	-	-	-	-
AUD	-	1.5	1.6	-	-	2.7

2019 BUDGET: HEDGING OF ANTICIPATED POSITIONS FOR SECOND HALF-YEAR 2019

Notional value – Total	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	10.0	3.0	-	-	4.5
GBP	-	2.5	1.0	-	-	0.8
CAD	-	0.2	0.3	-	-	0.8
NOK	-	2.0	2.0	-	-	4.0
JPY	20.0	20.0	-	-	-	-
SEK	-	1.4	4.0	-	-	5.5
CHF	7.0	-	-	-	-	-
DKK	2.2	5.8	-	-	-	-
CZK	111.4	-	-	-	-	-
PLN	1.2	-	-	-	-	-

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11-4-1 of the 2018 registration document. As of 1st 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 2019.

Neopost uses the IFRS 9 standard for hedging instruments accounting.

Notional value	31 January 2019	Changes recognized through equity- Fair value *via* OCI*	Changes recognized through equity- Aligned cost of hedge	Changes recognized in the income statement- Fair value *via* P&L	Changes recognized in the income statement – Non-aligned cost of hedge	31 July 2019
Financial assets	**0.1**	**-**	**0.1**	**-**	**-**	**0.2**
• Cash flow hedge	-	-	0.1	-	-	0.1
• Ineffective hedge	0.1	-	-	-	-	0.1
Financial liabilities	**0.2**	**-**	**0.5**	**(0.1)**	**(0.1)**	**0.5**
• Cash flow hedge	0.2	-	0.5	-	-	0.7
• Ineffective hedge	-	-	-	(0.1)	(0.1)	(0.2)

* *OCI: Other Comprehensive Income.*

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 2019 position by maturity for the major currencies:

	EUR				USD			
Notional value	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Debt	206.2	470.8	31.0	708.1	41.8	357.2	1.0	400.0
Of which fixed-rate debts	155.7	400.8	31.0	587.6	7.4	45.9	-	53.3
CORRESPONDING HEDGE MATURITIES	**-**	**70.0**	**-**	**70.0**	**-**	**175.0**	**-**	**175.0**

Derivative instrument details

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	-	154.5	-
Swap – receiver	USD	-	70.0	-
Cap – buyer	USD	-	105.0	-
	EUR	-	70.0	-
Floor – buyer	USD	-	63.3	-
Floor – receiver	USD	15.0	15.0	-

Instrument valuations

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11-4-1 of the 2018 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 IFRS 9. As of 1st 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 2019.

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, have been charged to net financial expense. Changes in the intrinsic value of these instruments have been recognized as a restatement of equity.

Neopost applies IFRS 9 on hedge instruments.

	31 January 2019	**Premium on new operations**	**Changes recognized through equity-Fair Value *via* OCI***	**Changes recognized through equity-Aligned cost of hedge**	**Changes recognized in the income statement-Fair Value *via* P&L**	**Changes recognized in the income statement-Non-aligned cost of hedge**	**31 July 2019**
Financial assets (derivatives)	**9.1**	**0.5**	**(2.6)**	**-**	**(1.5)**	**(0.3)**	**5.2**
Debt and swap at fair value hedge	4.6	-	-	-	(0.2)	-	4.4
Derivative instruments qualified as cash flow hedges	3.8	0.5	(2.6)	-	(0.8)	(0.4)	0.5
Derivative instruments not eligible	0.7	-	-	-	(0.5)	0.1	0.3
Financial liabilities (derivatives)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments qualified as cash flow hedges	-	-	-	-	-	-	-
Derivative instruments not eligible	-	-	-	-	-	-	-

** OCI: Other Comprehensive Income.*

As at 31 July 2019, the impact of the valuation of financial instruments according to IFRS 13 is nearly flat.

12-4-2 : 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 2019.

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 2019, the Group has 400 million euros of undrawn in credit lines.

12-4-3 : 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.

12-4-4 : Dependence on suppliers

The main supplier of the Group is Hewlett-Packard (HP), ink cartridges' supplier. HP accounted for 6.1% of total Group purchases in 2018 compared with 7.0% in 2017.

The top five and the top ten suppliers respectively account for 19.9% and 27.8% of total Group purchases in 2018, compared with 26.0% and 34.1% in 2017.

Any disruption in supply from anyone of these suppliers could significantly affect the Group's business, even though clauses are written into the contracts to protect the Group against this risk. The Group has already put in place alternative solutions in case such an event actually occurs.

12-4-5 : 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 8.0 million euros before netting and recorded derivatives under liabilities of 1.5 million euros before netting. These transactions are carried out with seven banking partners. As at 31 July 2019, the impact of offsetting would be as follows on the financial statements: the value of financial instruments under assets would be 7.1 million euros and the value of financial instruments under liabilities is 0.1 million euros.

12-4-6 : Brexit risk exposure

Neopost's activity in the United Kingdom consists of hardware sales within Mail Solutions and licenses sales within the digital communications solutions activity. Neopost also owns a logistic hub and a folder-inserter factory. These activities generate import and export flows which can be important in particular with European countries, North-America and the Asia-Pacific area. These activities could be affected by Brexit but, at this stage, we cannot evaluate what the financial implications would be.

Note 13 Tax position

13-1: Tax proof

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

	31 July 2019	31 July 2018	31 January 2019
Net income of consolidated companies before income tax	60.7	68.7	128.5
Tax rate for the consolidating company	32.0%	34.3%	34.3%
Theoretical income tax charge	19.4	23.6	44.1
Permanent differences	2.0	0.1	(1.0)
Income tax rate differences	(6.7)	(9.6)	(20.6)
Tax on dividends [(a)]	-	(4.8)	(4.5)
ODIRNANE	(1.4)	(1.5)	(3.1)
Prior year tax repayment	0.5	-	0.9
Rate decrease and other exceptional items [(b)]	1.1	0.9	21.0
Other	(1.3)	(0.2)	-
TOTAL INCOME TAX	**13.6**	**8.5**	**36.8**
EFFECTIVE TAX RATE	**22.6%**	**12.5%**	**28.7%**

(a) As of 31 January 2019, the proceed of 4.5 million euros represents the payment of the default interests related to the abolition of the tax on dividends.

(b) In 2018, the exceptional items are composed of (i) the re-evaluation of the French deferred tax, related to the change of the corporate tax rate, (ii) the provision for tax exposure related to the on-going procedure with the Netherlands (MAP) and (iii) the impact of the non-taxable non-current operations.

	31 July 2019	31 July 2018	31 January 2019
Current income tax charge	17.3	15.3	51.2
Deferred income tax charge	(3.7)	(6.8)	(14.4)
TOTAL INCOME TAX	**13.6**	**8.5**	**36.8**

13-2 : Deferred tax assets and liabilities

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

	31 January 2019	Reclassifications	Changes recognized through equity	Changes recognized in the income statement	Foreign exchange differences	31 July 2019
Tax loss carry-forward	0.5	-	-	(0.1)	-	0.4
Pension provision	5.4	-	-	0.5	-	5.9
Expenses with deferred deductibility						
• Inventories and bad debt	4.2	-	-	(0.2)	0.1	4.1
• Employees related provisions	2.1	-	-	(0.4)	-	1.7
• Deferred income	7.9	-	-	(0.4)	0.2	7.7
• Fixed assets amortization	46.2	-	-	5.1	1.4	52.7
• Other expenses with deferred deductibility	2.5	-	-	0.2	-	2.7
Patents	3.3	-	-	(0.3)	-	3.0
Restructuring provisions	0.6	-	-	(0.7)	-	(0.1)
Other	0.4	-	0.9	(0.4)	-	0.9
Deferred tax assets before tax consolidation	**73.1**	**-**	**0.9**	**3.3**	**1.7**	**79.0**
Tax consolidation	(67.4)	(6.4)	-	-	-	(73.8)
DEFERRED TAX ASSETS	**5.7**	**(6.4)**	**0.9**	**3.3**	**1.7**	**5.2**

The tax loss carry forwards recognized as deferred tax assets have been depreciated where it is deemed unlikely that the Group will be able to use these in the five next years. This provision, presented on the line "Tax loss carry-forward", amounts to 25.9 million euros as at 31 July 2019 compared to 31.2 million euros as at 31 January 2019. This provision reversal is related to the decrease of tax loss carry forward in the Group. There are non-activated tax losses within the Group.

	31 January 2019	Reclas-sifications	Changes recognized through equity	Changes recognized in the income statement	Foreign exchange differences	31 July 2019
Eliminations on margin on inventories, rented and demo equipment	(4.6)	-	-	0.3	-	(4.3)
Capitalization of research and development expenses	19.1	-	-	(0.2)	0.3	19.2
Amortization of intangible assets recognized after purchase price allocation	10.0	-	-	(1.3)	1.3	10.0
Leasing activities	111.5	-	-	0.4	3.4	115.3
Amortization restatements	10.2	-	-	(0.9)	0.1	9.4
Goodwill amortization	32.3	-	-	1.3	0.8	34.4
Pension fund United Kingdom	13.1	-	1.8	-	(0.7)	14.2
Provisions with deferred deductibility	3.1	-	-	(0.4)	0.1	2.8
Other *	17.5	-	(0.5)	0.6	(0.1)	17.5
Deferred tax liabilities before tax consolidation	**212.2**	**-**	**1.3**	**(0.3)**	**5.2**	**218.4**
Tax consolidation	(67.4)	(6.4)	-	-	-	(73.8)
DEFERRED TAX LIABILITIES	**144.8**	**(6.4)**	**1.3**	**(0.3)**	**5.2**	**144.6**
NET DEFERRED TAX	**(139.1)**	**-**	**(0.4)**	**3.6**	**(3.5)**	**(139.4)**

** the line "Other" includes the provisions for tax risks*

Note 14 Shareholders' equity and earnings per share

14-1: Equity instruments - ODINARNE issue

On 16 June 2015, Neopost SA 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 0.53 euro dividend distribution that occurred at the beginning of August 2019, the conversion ratio was adjusted to 1.340 with effect from 2 August 2019.

As at 31 July 2019, the amount of accrued coupons represents 1.1 million euros and is a current debt.

14-2 : Earnings per share

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

	31 July 2019	31 July 2018	31 January 2019
Net income – attributable to equity holders of the parent company	**47.1**	**60.0**	**91.5**
ODIRNANE dividends	(4.5)	(4.5)	(8.9)
Restated basic earnings (A)	**42.6**	**55.5**	**82.6**
Effect of dilutive instruments:			
• Dilutive free shares	0.9	0.3	0.7
• ODIRNANE conversion	4.5	4.5	8.9
Diluted net income (B)	**48.0**	**60.3**	**92.2**
Number of outstanding shares	34,261	34,412	34,402
Effect on a *prorata* time basis of dividend payments in shares, the exercise of stock-options, share buybacks for cancellation and liquidity contract	(6)	(6)	12
Weighted average number of shares outstanding (in thousands)* (C)	**34,255**	**34,406**	**34,414**
Weighted average number of outstanding free shares, *prorata* time basis	232	176	229
Number of shares related to bonds (ODIRNANE), *prorata* time basis	6,147	5,537	5,968
Number of shares fully diluted (in thousands)* (D)	**40,634**	**40,119**	**40,611**
NET EARNINGS PER SHARE (IN EUROS) **(A)/(C)**	**1.24**	**1.61**	**2.40**
DILUTED NET EARNINGS PER SHARE (IN EUROS) **(B)/(D)**	**1.18**	**1.50**	**2.27**

** Weighted average over the period.*

There are no anti-dilutive instruments.

Note 15 Post-closing events

In September 2019, Neopost decided a phased shutdown of the activity of its subsidiary Temando (shipping software dedicated to e-commerce) which was part of its additional operations. The business will be subject to an orderly shutdown over time, subject to Temando's legal obligations to its customers and other stakeholders. The Group considers that the shutdown costs will be approximately 6 million euros including around 4 million euros of assets depreciation.

From 31 July 2019 until the approval of the consolidated financial statements by the Board of directors on the 23 September 2019, there was no other significant change in the Group's commercial or financial situation.

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

Neopost S.A.

Period from February 1 to July 31, 2019

To the Shareholders Neopost S.A.,

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, 2019;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the Board of Directors' responsibility. 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 do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at July 31, 2019 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

Without modifying the conclusion presented above, we draw your attention on the note 2 "Accounting Principles" of the notes of the condensed half-yearly consolidated financial statements that exposes the impact of the application of the new IFRS standard IFRS 16, mandatory since January 1st, 2019.

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, September 26, 2019

The Statutory Auditors

French original signed by

FINEXSI AUDIT	ERNST & YOUNG et Autres
Lucas Robin	Pierre Bourgeois

3

STATEMENT OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

3 Statement of the person responsible for the interim financial report

"I hereby certify, after having taken all reasonable measures to this effect that the information contained in this 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 Geoffrey Godet

Chief Executive Officer

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

Because connections matter.

42-46, AVENUE ARISTIDE BRIAND
92220 BAGNEUX - FRANCE

www.quadient.com