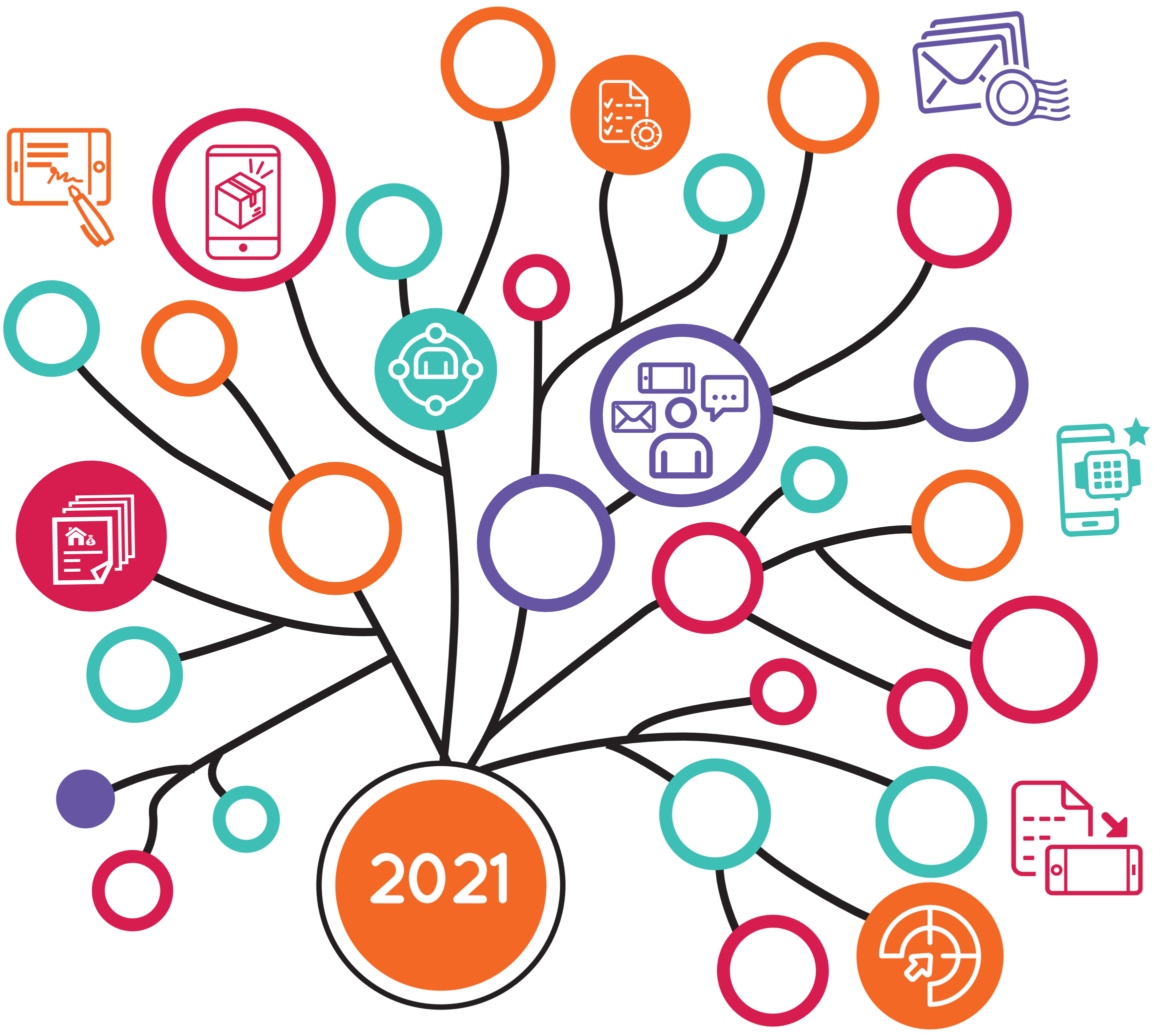
quadient



HALF-YEAR FINANCIAL REPORT

As of 31 July 2021

Contents

COMMENTS ON QUADIENT'S RESULTS AND FINANCIAL STRUCTURE

1

For the half of 2021, the Group achieved sales of 503.8 million euros, up 3.9% compared to the first half of 2020, *i.e.* up by 11.1% in organic terms[1].

Major Operations (c. 91% of total sales) show a 9.0%-organic decline in total sales. North America posted a 12.0% organic growth. The segment of the Main European countries recorded a 5.4%-increase in sales, excluding currency and scope effects and International posted a 5.2% organic growth.

Moreover, Additional Operations (c. 9% of total sales) posted a 39.1%-organic growth.

The share of recurring revenues in total Group sales remains high and stands at 71%.

Current operating income before acquisition-related expenses totaled 70.4 million euros in H1 2021, up organically by 28.2% compared to H1 2020. Current operating margin before acquisition-related expenses stood at 14.0% of sales.

Net attributable income was up 110.2%, ending at 45.0 million euros.

1.1 Half-year highlights

Release of Version 1.2 of Cloud-based Platform Quadient Impress

On 4 February 2021, Quadient announced the general availability of Quadient® Impress version 1.2, an upgrade of the multichannel outbound document management platform that automates the customer communication workflow for small and medium businesses. Quadient Impress version 1.2 includes architecture upgrades throughout the cloud-based platform that speed the task of preparing and sending customer communications on-site or remotely with greater scalability and enhanced security.

Quadient exercises its residual maturity par call for its bond maturing in June 2021

On 8 February 2021, Quadient announced the exercise of the residual maturity par call for its bond ISIN FR0011993120, maturing on 23 June 2021, for a total amount of 163.2 million euros. The exercise of this call occurred on 23 March 2021 and resulted in savings of around 1 million euros in financial expenses.

Quadient moves up three places in the 2020 Gaïa Research Ranking

On 18 February 2021, Quadient announced it is sixth in the 2020 Gaïa Research global ranking, moving up three places compared to the previous year. Quadient that it also holds the fifth position among companies with revenues above 500 million euros. Every year, the rating recognizes the best performing companies in France in environmental, social and corporate governance (ESG), among a selected panel of 230 small and medium-sized companies listed on Euronext Paris.

Quadient nearly doubles US Smart Locker Installations in 2020 and reaches 13,000 units worldwide

On 1 March 2021, Quadient announced its base of smart locker stations has surpassed 13,000 worldwide, representing more than 600,000 boxes overall and positioning Quadient as the second largest global provider of Parcel Locker Solutions.

Acquisition of Beanworks, a Leading FinTech in SaaS Accounts Payable Automation Solutions

On 22 March 2021, Quadient announced the signing of a definitive agreement to acquire Beanworks, a fast-growing market leader specializing in Software as a Service (SaaS) Accounts Payable Automation solutions.

Quadient Increases its Commitment to ESG by Joining the United Nations Global Compact as a Signatory Member

On 25 March 2021, Quadient announced it has joined the United Nations Global Compact, the world's largest corporate sustainability initiative. Quadient joins more than 12,000 companies across the globe in aligning strategies and operations with the UN Global Compact's ten universal principles on human rights, labor, environment and anti-corruption.

Quadient and Major Parcel Delivery Player Relais Colis Sign Strategic Partnership to Roll-Out 500 Parcel Lockers in French Retail Stores

On 13 April 2021, Quadient announced a strategic partnership with Relais Colis, a major player in parcel delivery to consumers in France. Through the partnership, Quadient will drive the roll-out of its new Parcel Pending Lite automated lockers to large and medium-sized retail partners of the Relais Colis network in France.

(1) H1 2021 sales are compared to H1 2020 sales, from which is deducted revenue prorata temporis from Proship and the graphics activities in Australia and New Zealand and to which is added revenue prorata temporis from YayPay and Beanworks, for a consolidated amount of -13,0 million euros, and are restated after a 20,4 million euros negative currency impact over the period.

Through an agreement for 500 units to be progressively installed in France over three years, Relais Colis is trusting Quadient in what will be one of the first large-scale deployments of the new Parcel Pending Lite unit after its global launch in 2020. This innovative and patented solution provides multiple benefits to Relais Colis, to the stores where it will be installed and to online shoppers.

Quadient Recognized as Technology Leader in CCM and Customer Journey Mapping by Global Research Firm

On 19 April 2021, Quadient announced it is the only customer communications management (CCM) solutions provider that has been recognized as a leader in both CCM and customer journey mapping in two separate SPARK Matrix™ research reports recently published by Quadrant Knowledge Solutions, a global research and consulting firm. Additionally, Quadient is the only technology company to appear in both reports, which highlights Quadient's unique position in bridging the CCM and Customer Experience Management (CXM) markets.

Quadient was named a technology leader in the 2021 SPARK Matrix for CCM, recognized for offering a variety of CCM offerings that enable greater control over customer communications and provide a holistic view of CCM workflows, with key features that include streamlined processes, enhanced efficiency and personalized omnichannel communications from a single cloud-based or on-premises platform.

In the SPARK Matrix Customer Journey Mapping report, Quadient was named a leader for its software as a service (SaaS) journey mapping tool that incorporates the digital and physical touchpoints across an organization with which customers interact into lucid journey maps.

Quadient Introduces Inspire Evolve, a Cloud-based Customer Communications Management Solution, and Continues Software Strategy of SaaS Footprint Expansion

On 4 May 2021, Quadient announced the global launch of Inspire Evolve, a high-performance, software-as-a-service (SaaS) customer communications management (CCM) solution. The solution supports rapid enterprise transformation by empowering all employees, regardless of technical expertise, with the ability to control customer communications with little reliance on IT. With Inspire Evolve, customer communications can be maintained and delivered in the cloud by individual lines of business in the moment they are needed.

Inspire Evolve addresses the growing demand for a powerful cloud-based customer communications solution that easily integrates with and streamlines existing technology, requiring minimal implementation lead times and helping teams rapidly design and deliver secure, personalized human-centric communications.

Quadient's Accounts Receivable Automation Solution YayPay Joins Sage Marketplace to address Small and Medium Businesses Needs

On 24 May 2021, Quadient announced that its software-as-a-service (SaaS) accounts receivable (AR) automation solution YayPay by Quadient is now available to small and medium-sized businesses through the web-based Marketplace of Sage, the global leader in cloud business management solutions.

Part of Quadient's Intelligent Communication Automation (ICA) solutions portfolio, YayPay will be made available to Sage X3 clients *via* the Sage Marketplace, a web-based application listing both resale and referral independent software vendor partner applications that integrate with Sage cloud products. This partnership aligns Quadient with one of the world's leading providers of business management and financial technologies.

Quadient Signs with Pickup a Strategic Deal to Roll Out 1,500 Automated Parcel Lockers in France

Quadient announced on 1 June 2021 the conclusion of a strategic deal with Pickup, the largest out-of-home drop-off and pick-up network in France, a subsidiary of French postal group La Poste and of DPDgroup and a long-standing partner for Quadient in the French market. The deal covers the roll-out of 1,500 parcel locker stations in local retail stores over three years.

In response to the strong growth of e-commerce, particularly over the last year, Pickup is increasing the capacity of its French network, already made of 15,000-pick-up stores and 500 smart lockers installed in high-traffic locations such as post offices, train stations and supermarkets.

Radisson Hotel Group Americas Selects Beanworks by Quadient to Automate and Streamline Accounts Payable Workflows

Quadient announced on 10 June 2021 that Beanworks by Quadient, its leading accounts payable (AP) automation solution, has been selected by several hotels within the Radisson Hotel Group Americas to simplify their AP workflows.

Quadient Enhances Accounts Receivables Cloud Platform with Advanced Business Intelligence Capacities

Quadient announced on 21 June 2021 the launch of an advanced Business Intelligence (BI) module for its cloud-based accounts receivable (AR) automation solution, YayPay by Quadient. The advanced BI module for YayPay enables AR teams to conduct comprehensive analysis of the data that matters the most to their business, to drill deeper into AR data than ever before and visualize AR health with dynamic dashboards.

YayPay by Quadient's new advanced BI module leverages hundreds of data elements with easy-to-use filters and presets, enabling business users to quickly combine multiple reports into a single dashboard tailored to their unique needs. Advanced reports and analysis are scheduled with updated data to be automatically delivered by email, providing insights into payor trends and pitfalls, productivity tracking according to unique KPIs, and detailed customer dispute information.

Quadient Announces Agreement to Divest its Automated Packaging Solutions Business to Standard Investment

Quadient announced on 24 June 2021 it has entered into a sale agreement with Dutch private equity firm Standard Investment for the sale of its Automated Packaging Solutions (APS) business and production facility based in Drachten, the Netherlands.

Two of the Largest Global Insurance Companies Select Award-Winning CCM Solution Quadient Inspire

Quadient announced on 28 June 2021 today that it has secured two of the largest insurance companies in the USA and France this month. Both organizations have selected Quadient Inspire, the leading Customer Communications Management (CCM) solution.

In the United States, one of the top three US property and casualty insurance firms has decided to adopt Quadient's award-winning CCM solution as their platform for all claims communications. This contract is one of the largest deals in the CCM industry in the past 5 years, and contributes to solidify Quadient's market leadership position, with now three of the top four US insurance companies standardizing on Quadient Inspire. In Europe, a French-based international insurance group, one of the largest mutual insurance companies in the world has also made the choice to implement Quadient Inspire.

Quadient Introduces Next-Generation Mailing and Shipping Intelligent Solutions in Europe

Quadient announced on 30 June 2021 it is bringing its most technologically advanced mailing solutions—the iX-Series mailing systems and SMART mail management software—to Europe. The intelligent iX-Series is now generally available in Germany, with an upcoming rollout in other European markets to include SMART.

Quadient Recognized as a Top 10 French Software Leader for Fourth Year in a Row by Truffle 100 Annual Ranking

Quadient announced on 8 July 2021 that it has been ranked in the top 10 of the Truffle 100 report for the fourth consecutive year. Quadient placed ninth in this year's ranking, organized by Truffle Capital and teknowlogy Group | CXP-PAC. The Truffle 100 ranking of the French software industry is based on reported software revenues of each participating company.

Divestment of Packaging Solutions Business and Production Site

Quadient announced on 2 August 2021 the successful completion of the transaction for the divestment of its Automated Packaging Solutions (APS) business and production facility based in Drachten, the Netherlands. Total consideration from the sale to Standard Investment private equity firm amounts to more than 20 million euros.

This new milestone of the Company's strategy contributes to its portfolio streamlining and industrial footprint optimization. The sale of the production facility will allow Quadient to immediately externalize approximately 14 million euros per year of production costs related to its Mail-Related Solutions business.

The Drachten production site will continue to provide mid-range Document Systems solutions to Quadient for a period of time, while production is gradually transferred from Drachten to other Quadient industrial sites and suppliers, ensuring business continuity.

1.2 Post-closing events

Quadient Introduces the iX-9, a High-output Mailing and Shipping System Combined with All-in-one Mail Center Software

On 9 August 2021, Quadient announced the general availability in the US of the latest addition to its successful iX-Series: the iX-9 Series high-volume mailing system, available both stand-alone and integrated with the company's SMART® cloud-based mail center software.

The iX-9 expands Quadient's intelligent iX-Series mailing and shipping systems first introduced in the US in 2020, with more than 15,000 units shipped since launch. The iX-Series includes Quadient's most advanced shipping, mailing, accounting and reporting software suite, available in the iX-3, iX-5, iX-7 and now iX-9 models, to meet the needs of businesses of all sizes. Ideally fit for high volumes, the iX-9 Series automatically seals, weighs, measures, meters and stacks large mail runs in minutes. Additionally, the iX-9 also meets the latest USPS Intelligent Mail Indicia (IMI) and Dimensional Weighing (DIM) requirements.

Quadient Among Finalists for Parcel and Postal Technology International Awards 2021

On 8 September 2021, Quadient announced it has been selected as a finalist once again for the Parcel and Postal Technology International Awards. Its innovative solution Campus Hub is in the 2021 shortlist for the "Final Mile Innovation of the Year" category. Campus Hub is a smart parcel locker solution that enables university campuses to seamlessly manage the growing volume of packages and goods to be delivered and distributed to students.

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Independent Consulting Study Reveals Strong Total Economic Impact for Users of Accounts Receivable Automation Solution YayPay by Quadient

On 13 September 2021, Quadient announced the publication of a study conducted by Forrester Consulting, part of a leading global research and advisory firm, showing that YayPay by Quadient, an accounts receivable (AR) management and automation solution, can help reduce days sales outstanding (DSO), improve the customer experience, accurately predict cash flow and reduce lost revenue, with a return on investment (ROI) for a composite customer of over 400% over three years.

The Forrester Total Economic Impact™ (TEI) study was commissioned to examine the benefits businesses realize by deploying YayPay. To produce the study, Forrester interviewed YayPay stakeholders and decision-makers at businesses using YayPay. Forrester then designed a composite organization to model YayPay's Total Economic Impact for its customers.

1.3 Historical breakdown of income statements

(In million of euros)	H1 2021 (ended 31/07/2021)		H1 2020 (ended 31/07/2020)		FY 2020 (ended 31/01/2021)	
Sales	**503.8**	**100.0%**	**484.9**	**100.0%**	**1,029.4**	**100.0%**
Cost of sales	(137.3)	(27.3)%	(129.0)	(26.6)%	(285.7)	(27.8)%
Gross margin	**366.4**	**72.7%**	**355.9**	**73.4%**	**743.7**	**72.2%**
R&D expenses	(27.0)	(5.4)%	(24.6)	(5.1)%	(54.9)	(5.3)%
Selling expenses	(127.5)	(25.3)%	(126.4)	(26.1)%	(252.2)	(24.5)%
Administrative expenses	(90.9)	(18.0)%	(100.5)	(20.8)%	(194.4)	(18.9)%
Maintenance and other operating expenses	(50.8)	(10.1)%	(45.1)	(9.3)%	(91.5)	(8.9)%
Employee profit-sharing and share-based payments	0.1	0.0%	1.7	0.4%	0.9	0.1%
Current operating income excluding expenses related to acquisitions	**70.4**	**14.0%**	**61.0**	**12.6%**	**151.6**	**14.7%**
Expenses related to acquisitions	(5.7)	(1.1)%	(11.1)	(2.3)%	(19.5)	(1.9)%
Current operating income	**64.7**	**12.8%**	**49.9**	**10.3%**	**132.1**	**12.8%**
Structure optimization expenses and other operating expenses	(12.2)	(2.4)%	(8.1)	(1.7)%	(36.2)	(3.5)%
Operating income	**52.5**	**10.4%**	**41.8**	**8.6%**	**95.9**	**9.3%**
Financial income/(expenses)	2,7	0.5%	(17.2)	(3.5)%	(31.6)	(3.1)%
Income before taxes	**55.2**	**11.0%**	**24,9**	**5,1%**	**64.3**	**6.2%**
Income taxes	(9.7)	(1.9)%	(2.7)	(0.6)%	(23.8)	(2.3)%
Income from associated companies	0.3	0.1%	(0.4)	(0.1)%	0.9	0.1%
NET INCOME	**45.8**	**9.1%**	**21.8**	**4.5%**	**41.4**	**4.0%**
Attributable to:						
• holders of the parent company	45.0	8.9%	21.4	4.4%	40.4	3.9%
• non-controlling interests	0.8	0.2%	0.4	0.1%	1.0	0.1%

1.3.1 CONSOLIDATED SALES IN H1 2021

Consolidated sales amounted to 503.8 million euros in the first half of 2021, a 3.9%-increase compared to the first half of 2020. Organic growth was +11.1%. Changes of scope are related to the divestment of ProShip end-February 2020, the acquisition of YayPay on 29 July 2020, the divestment from the Graphics activities in Australia and New Zealand on 21 January 2021 and the acquisition of Beanworks on 23 March 2021.

Quadient's strategy is to promote subscription-related revenues in all solutions, particularly through software SaaS[1] subscription as well as rental and leasing.

Consolidated sales

(In million euros)	H1 2021	H1 2020	Change	Change at constant rates	Organic change
Major Operations	**457.8**	**436.6**	**+4.9%**	**+9.6%**	**+9.0%**
Intelligent Communication Automation[a,b]	96.6	86.5[a]	+11.6%	+14.6%	+11.7%
Mail-Related Solutions[b]	320.3	318.4[a]	+0.6%	5.1%	+5.1%
Parcel Locker Solutions	41.9	31.5	+30.0%	40.7%	+40.7%
Additional Operations	**46.0**	**48.3**	**(4.9)%**	**(4.7)%**	**+39.1%**
GROUP TOTAL	**503.8**	**484.9**	**+3.9%**	**+8.1%**	**+11.1%**

(In million euros)	H1 2021	H1 2020	Change	Change at constant rates	Organic change
Major Operations	**457.8**	**436.6**	**+4.9%**	**+9.6%**	**+9.0%**
North America	250.4	238.8	+4.8%	+13.0%	+12.0%
Main European countries [c]	182.7	173.1	+5.6%	+5.4%	+5.4%
International [d]	24.7	24.6	+0.7%	+5.2%	+5.2%
Additional Operations	**46.0**	**48.3**	**(4.9)%**	**(4.7)%**	**+39.1%**
GROUP TOTAL	**503.8**	**484.9**	**+3.9%**	**+8.1%**	**+11.1%**

(a) *Intelligent Communication Automation gathers Business Process Automation and Customer Experience Management activities formerly presented within Major Operations.*
(b) *Product reclassification from Intelligent Communication Automation to Mail-Related Solutions.*
(c) *Including Austria, Benelux, France, Germany, Ireland, Italy, Switzerland and the United Kingdom.*
(d) *International includes the activities of Parcel Locker Solutions in Japan and of Customer Experience Management outside of North America and the Main European countries.*

Solution Profit Margin

(In million euros)	H1 2021	H1 2020	Change	Organic change
Major Operations	**34.4%**	**36.7%**	**(236)bp**	**(192)bp**
Intelligent Communication Automation	16.0%	21.9%	(590)bp	(270)bp
Mail-Related Solutions	44.5%	45.0%	(46)bp	(96)bp
Parcel Locker Solutions	(1.4)%	(5.5)%	+412bp	+538bp
Additional Operations	**17.6%**	**11.6%**	**+603bp**	**+668bp**
GROUP TOTAL	**32.8%**	**34.2%**	**(138)BP**	**(160)BP**

(1) *SaaS = Software as a Service.*

1.3.2 MAJOR OPERATIONS

Revenue from **Major Operations** stood at 457.8 million euros (c. 91 % of total sales) in H1 2021, up 9.0% on an organic basis compared to H1 2020. Subscription-related revenue (69% of Major Operations sales) is up by 3.6% organically vs. H1 2020while licenses and hardware sales benefitted from a strong rebound in H1 2021 (+25.3% organically vs. H1 2020).

Sales in **North America** (55% of Major Operations sales) posted a strong perfomance in H1 2021 (+12.0%), driven by the rebound in Mail-Related Solutions and double-digit organic growth across Intelligent Communication Automation and Parcel Locker Solutions businesses.

Main European countries posted a 5.4% organic sales growth in H1 2021 compared to H1 2020, though the region continued to be impacted by Covid-19 restrictions.

The **International** segment delivered a solid organic sales growth (+5.2%) in H1 2021, mainly thanks to Parcel Locker Solutions in Japan.

Intelligent Communication Automation

Intelligent Communication Automation sales stood at 96.6 million euros in H1 2021, up 11.7% organically compared to H1 2020.

Intelligent Communication Automation customer base crossed for the first time the 10,000 customers threshold at the end of H1 2021 with more than 1,200 new customers gained in H1 2021 across all software solutions. This reflects in particular a strong contribution from cross-selling into Quadient's SMBs customers generated by Mail-Related Solutions salesforce.

Intelligent Communication Automation benefited from a growing customer demand for AR and AP solutions. AR/AP solutions recorded an organic revenue growth of around 70% in H1 2021.

The share of SaaS / subscription customers went up from 65% at the end of 2020 to 70% at the end of H1 2021. Subscription-related revenue (66% of Intelligent Communication Automation sales in H1 2021) were up 19.9%, showing strong double-digit growth for both SMBs (+31%) and large accounts (+13%). Growth was driven by sustained increases in both SaaS and volume-based activities.

Trends in professional services revenue improved, particularly in France and the UK. In spite of the signature of a large deal in Q2 2021, licence sales recorded a decline, mainly due to the shift in business model to SaaS subscription both for SMBs and large accounts, in line with the Company's strategy.

Intelligent Communication Automation solution profit margin stood at 16.0% in H1 2021, down organically by 270 bps compared to H1 2020.

The level of profit margin reflects the high profitability of the installed base that was offset by the dilutive impact of the recently acquired fast growing YayPay and Beanworks businesses, increased investments in R&D related to Cloud-platform expansion as well as additional investments in go-to-market and marketing. In addition, as expected, the continuing shift in customer base from license sales to SaaS model is also impacting the near-term solution profit margin.

Mail-Related Solutions

Mail-Related Solutions sales stood at 320.3 million euros in H1 2021, up by 5.1% organically compared to H1 2020. Sales experienced positive organic growth across all geographies, with a sustained performance in North America and improved business trend in Europe.

Subscription-related revenue (72% of of Mail-Related Solutions sales in H1 2021) was slightly down (-1.5%), reflecting the overall good resilience of the installed base despite the decrease in supply consumption due to the lingering Covid-19 impact on usage in H1 2021, particularly in Europe.

License and hardware sales continued to experience a strong rebound with organic growth at c.27% thanks to good traction in new customer acquisitions. The Group is benefitting from the success of its new iX range of intelligent mailing and shipping systems now widely available in the US and recently launched in Germany. The share of new generation of smart devices has grown from 4.9% of the installed base at the end of 2020 to 8.5% at the end of H1 2021.

Mail-Related Solutions solution profit margin stood at 44.5% in H1 2021, down organically by 96 bps compared to H1 2020.

This small decline mainly reflects a revenue mix effect: the share of hardware sales was much higher than in H1 2020 thanks to the strong rebound recorded in H1 2021, while the share of subscription-related revenue was impacted by the lower level of hardware placements in 2020. Moreover, the solution profit margin was impacted by increased freight costs.

Parcel Locker Solutions

Parcel Locker Solutions sales stood at 40.9 million euros in the first half of 2021, up +40.7% organically compared to the first half of 2020, benefitting from a strong momentum in all verticals, from carriers to retail and from property managers to education campuses and corporate offices. The installed base went up by more than 1,500 units, from 13,000 lockers installed at the end of 2020 to more than 14,500 units at the end of H1 2021.

Subscription-related revenue (56% of Parcel Locker Solutions sales in H1 2021) posted a double-digit growth (+20.1%) due to the expansion of the installed base in the United States in 2020, with sustained increase in maintenance and volume-based revenue.

Hardware sales recorded a sustained growth, reflecting strong dynamics in the retail sector in the United States thanks to the rollout of the Lowe's contract (completed in Q1 2021) and good traction in the universities.

The UK market recorded a promising start during the first semester.

Parcel Locker Solutions solution profit margin stood at -1.4% in H1 2021, up organically by 538 bps compared to H1 2020.

The level of profit margin reflects on the one hand the high profitability of the installed base (profit margin between 25% and 30%) and on the other hand the increased level of investments in R&D and go-to-market asplanned, the increase in freight costs related to the installation of new units, as well as the different revenue mix with higher rate of subscription revenue versus H2 2020.

1.3.3 ADDITIONAL OPERATIONS

Revenue from **Additional Operations** recorded revenue of 46.0 million euros (c. 9% of total sales) in the first half of 2021, up 39.1% on an organic basis compared to the first half of 2020.

1.3.4 CURRENT OPERATING INCOME[1]

	H1 2021			H1 2020		
	Major Operations	Additional Operations	Group total	Major Operations	Additional Operations	Group total
Revenue	457.8	46.0	503.8	436.6	48.3	484.9
Current operating income before acquisition-related expenses	70.6	(0.2)	70.4	64.7	(3.7)	61.0

Gross margin was 72.7% in H1 2021 compared to 73.4% in H1 2020, the increase in revenue being partially offset by an unfavourable change in revenue mix as well as increased freight costs.

Current operating income before acquisition-related expenses (current EBIT) stood at 70.4 million euros in H1 2021 compared to 61.0 million euros in H1 2020, mainly reflecting the strong increase in the level of activity compared to H1 2020 and the improvement in profitability thanks to higher revenue generated by the installed base while investments were increased as planned (R&D, go-to-market, acquisitions). Additionally, thanks to a further simplification and integration of the organization and the reduction of its global real estate footprint, the Company recorded savings in G&A expenses.

Current operating margin before acquisition-related expenses therefore stood at 14.0% of sales in H1 2021 compared to 12.6% in H1 2020, with both Major Operations and Additional Operations having improved their profitability during H1 2021.

Acquisition-related expenses stood at 5.7 million euros in H1 2021 compared to 11.1 million euros in H1 2020, reflecting notably lower M&A fees.

Current operating income stood at 64.7 million euros in H1 2021 compared to 49.9 million euros in H1 2020.

1.3.5 OPERATING INCOME

Optimization and other operating expenses stood at 12.2 million euros in H1 2021, including restructuring costs as well as expenses linked to the Drachten factory divestment (closed on 30 July 2021), compared to 8.1 million euros in H1 2020.

Operating income stood at 52.5 million euros in H1 2021 compared to 41.8 million euros in H1 2020.

(1) *Current operating income before acquisition-related expenses.*

1.3.6 NET INCOME

The **net cost of debt** stood at 11.6 million euros in H1 2021 compared to 15.9 million euros in H1 2020, benefiting from the refinancing operations achieved in 2020.

The Group recorded **currency gains and other financial items** of 14.3 million euros in H1 2021 compared to a 1.0 million euros loss related to currency and other financial items in H1 2020, thanks to the increase of the fair value of the investments made by Quadient for the benefit of the professional private equity funds X'Ange 2 and Partech Entrepreneurs.

As a result, **net financial result** was a gain of 2.7 million euros in H1 2021 compared to a loss of 16.9 million euros in H1 2020.

Income tax amounted to 9.7 million euros in H1 2021 compared to 2.7 million euros in H1 2020. H1 2020 income tax benefited from tax loss carry-back measures in the United States in the COVID-19 context.

The **corporate tax rate** stood at17.6% in H1 2021 compared to 11.1% in H1 2020.

Net attributable income amounted to 45.0 million euros in H1 2021 compared to 21.4 million euros in H1 2020. **Earnings per share** stood at 1.19 euro in H1 2021 compared to 0.5 euro in H1 2020.

1.3.7 CASH FLOW GENERATION

EBITDA[1] stood at 118.3 million euros in H1 2021 compared to 104.1 million euros in H1 2020 reflecting the increase in current operating income. **EBITDA margin** was 23.5 % in H1 2021 compared to 21.5% in H1 2020, improving in spite of the dilutive impact of both Beanworks and YayPay acquisitions.

The change in **working capital** generated a net cash outflow of 5.9 million euros in H1 2021 compared to a net cash out flow of 25.0 million euros in H1 2020, mainly reflecting the better collection of receivables.

The Group recorded a decrease in its **lease receivables** (-32.1 million euros in H1 2021 compared to -53.6 million euros in H1 2020) thanks to a slowdown in leasing portfolio decrease compared to H1 2020.

The **leasing portfolio and other financing services** stood at 575.3 million euros as at 31 July 2021 compared to 613.4 million euros as at 31 July 2020, representing an organic decrease of 5.2% in H1 2021 versus an organic decrease of 7.6% in H1 2020. At the end of H1 2021, the default rate of the leasing portfolio stood at around 1.8%.

Interest and taxes paid stood at 40.9 million euros in H1 2021 compared to 15.6 million euros in H1 2020, mainly due to a normalization of tax paid compared to 2020 that benefited from measures in the COVID-19 context.

Capital expenditure stood at 38.6 million euros in H1 2021, a stable level compared to in H1 2020.

In total, the Group recorded **cash flow after capital expenditure** of 53.7 million euros in H1 2021 compared to 75.5 million euros in H1 2020.

1.3.8 DEBT AND LIQUIDITY POSITION

Net debt was up by 13.4 million euros to 525.8 million euros as at 31 July 2021 from 512.4 million euros as at 31 January 2021. The leverage ratio (net debt/EBITDA) improved at 2.0x as at 31 July 2021 compared to 2.1x as at 31 January 2021, in spite of Beanworks acquisition. The Group's net debt is backed by future cash flows generated from its rental, leasing and financing activities.

Excluding leasing, the leverage ratio remained low at 0.7x as at 31 July 2021 compared to 0.4x as at 31 January 2021.

Shareholders' equity stood at 1,280.4 million euros as at 31 July 2021 compared to 1,240.3 million euros as at 31 January 2021. The gearing[2] ratio stood at 41% of shareholders' equity as at 31 July 2021, the same level as at 31 January 2021.

The Group has a robust **liquidity position** of 722 million euros as at 31 July 2021, including 322 million euros in cash and 400 million euros of undrawn credit line, the latter maturing in 2024.

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

(2) *Net debt/ shareholders' equity.*

1.4 Ownership structure

At 31 July 2021, Quadient S.A.'s share ownership was as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	437,994	1.27%	437,994	1.28%
Directors (non-executive)	19,492	0.06%	19,492	0.06%
Treasury shares held under liquidity contract	135,726	0.39%	-	-
Treasury shares held for stock option and free share allocations	95,804	0.28%	-	-
Teleios Capital Partners GmbH[a]	5,300,000	15.33%	5,300,000	15.44%
Dimensional Fund Advisors, LP (US)[a]	1,520,800	4.40%	1,520,800	4.43%
Janus Henderson Investors (U.K.)[a]	1,513,700	4.38%	1,513,700	4.41%
Marathon Asset Management, LLP[a]	1,165,500	3.37%	1,165,500	3.39%
Wellington Management Company, LLP[a]	1,062,300	3.07%	1,062,300	3.09%
The Vanguard Group, Inc.[a]	1,045,900	3.03%	1,045,900	3.05%
Other shareholders	22,265,696	64.42%	22,265,696	64.86%
TOTAL	**34,562,912**	**100.00%**	**34,331,382**	**100.00%**

(a) *Source: Ipreo as at 31 July 2021.*

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

Quadient was communicated the following thresholds between 1 February 2021 and 24 September 2021:

Date	Name of the Investment Funds	Threshold cross
03/03/2021	Norges Bank	Crossed the 3% threshold with 2.98% of the voting rights
22/03/2021	Janus Henderson Group plc	Crossed the 4% threshold with 4.03% of the voting rights
10/05/2021	Norges Bank	Crossed the 3% threshold with 3.06% of the voting rights
05/07/2021	LLB Fund Services AG	Crossed the 3% threshold with 2.97% of the voting rights

1.5 Information on related parties

Quadient 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.

1.6 Risk factors

1.6.1 RISK ASSESSMENT

The Group has implemented a mapping process for its risks. The risk map was updated in January 2020 and in March 2020 to take into account the COVID-19 crisis. This was done by holding discussions with key Group managers and subsidiary management teams (selection of the 20 top managers) under the supervision of the head of Internal Control. A list of risks classified by theme was then drawn up and rated by the persons interviewed, based on two criteria: impact and likelihood. Ratings have then been updated in February 2021.

The risk map is presented to the Chief Executive Officer, the audit committee and the management team.

A number of operational action plans are 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 2021, risks are reviewed by the Board of directors before taking any major decision (new acquisitions, restructuring, new credit lines, etc.). Risks are discussed by the Board from a Group-wide perspective when the three-year plan is drawn up, during which:

- Quadient's 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.

Regarding the CSR (corporate social responsibility)/ non-financial risks, they have been assessed with the same methodology. They are presented in the risk mapping for the highest ones and in a more detailed way in chapter 5 "Non-financial performance statement" of the 2020 Universal Registration Document.

In addition, the risks and opportunities related to the Group's external environment are analyzed every year during preparation of the three-year strategic plan.

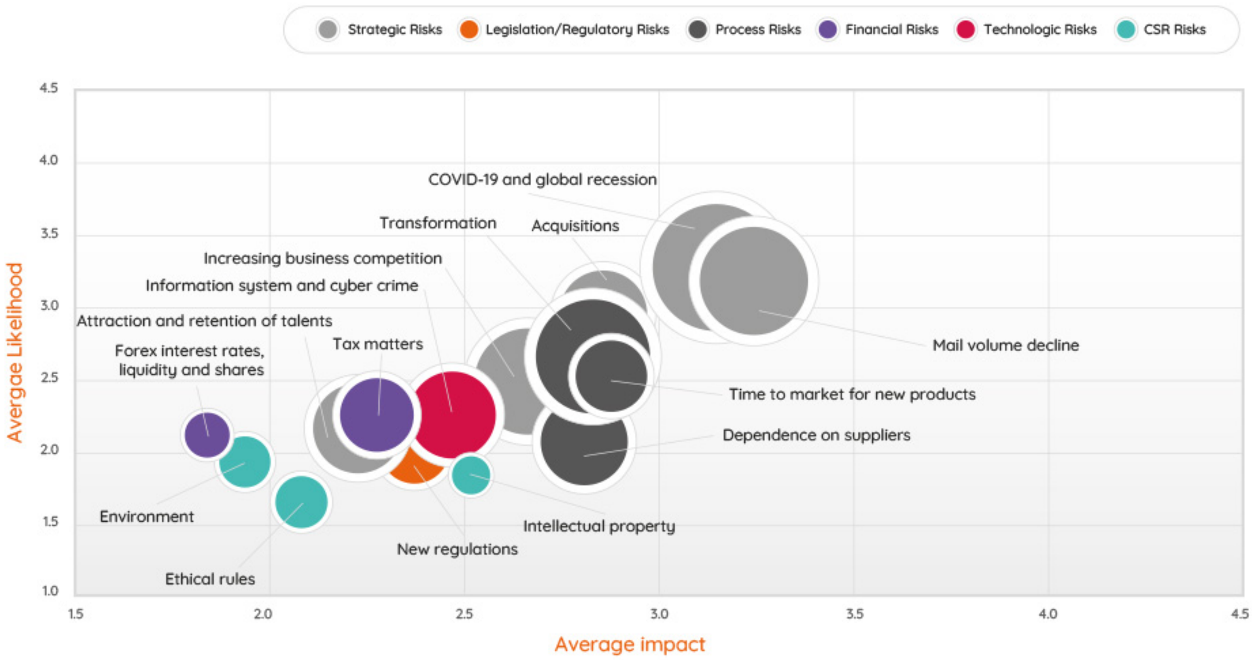
Finally, the directors of operating entities are responsible for identifying and assessing the risks associated with the activities they supervise. The results of their assessments are sent to the Group management and reviewed and discussed during operational reviews. Highlighting "red flags" risk areas is always part of the process.

1.6.2 MAIN RISKS AND RISK MANAGEMENT SYSTEMS

Risks are classified by category: strategic, operational, legal, technological, financial and CSR/extra-financial. 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. Risk values are expressed in net value knowing that they have been rated in terms of impact and likelihood after taking into account management systems to mitigate them. 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 risk value that is calculated by multiplying the average impact mentioned during interviews by the average likelihood and by the number of occurrences (*i.e.* number of times the risk was mentioned during the interviews).

The graphic below presents the top 16 risks identified during the last risk assessment.



SUMMARY OF THE SIX MAIN RISK CATEGORIES

Strategic	Operational	Legal	Technological	Financial	CSR/Extrafinancial
High risks					
• COVID-19 crisis and risk of global recession • Mail volume decline • New competition • Acquisitions	• Transformation		• Information systems and cybercriminality		• Attractivity, talent retention and succession plans • Data privacy
Low risks					
	• Time to market for new products • Dependence on suppliers	• Change in regulations		• Tax • Forex, interest rates, liquidity and shares	• Ethics and compliance • Environment • Intellectual property

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

Strategic risks

HIGH RISKS

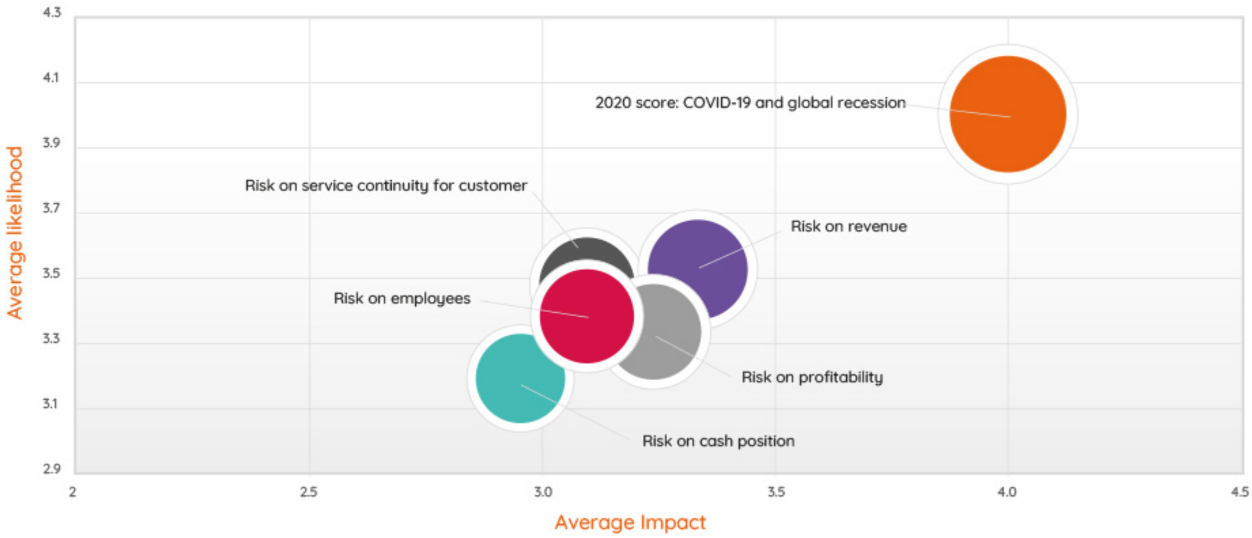
Risks	Risk management system
COVID-19 crisis and global recession	
COVID-19 crisis started in China in December 2019. It has spread to Italy since the beginning of February 2020 and then in other European countries, in North America and in South America. Containment measures have been taken in most countries and business and production activities are widely impacted but differently depending on the country. Risk related to COVID-19 are rated in the graph above.	Since beginning of February 2020, business continuity committees have been created in each regions and in each production sites. A weekly ExCom meeting was also dedicated to COVID-19. Quadient has demonstrated its capacity to run operations in the most efficient way during this period.
Five major risks have been identified:	

Risk on employees and human capital
COVID-19 represents a risk on human capital. Health and safety of the Group's employees and works conditions allowing the maximum of security are key.
	Risk on employees and human capital.
	• Since beginning of February 2020, measures have been taken:
	  • communication: health and safety preventive measures;
	  • preparation of home office and trainings on different applications;
	  • travel: travel ban on international flights except for imperious reasons, business trip reduction, cancellation or postponement of meetings or events.
	• Since March 2020:
	  • home office for all employees if possible;
	  • repatriation of employees. no more internal or external face to face meetings;
	  • very limited number of on site service visit during containment period.

Risk on service continuity for customer The majority of regions where Quadient operates were subject to containment measures in 2020. Service continuity for customers must be organized and, in the meantime, the maximum of security must be applied for the employees.	**Risk on service continuity for customer** On site service visit have been reduced to the minimum during containment period and organized in the most safer way for the Group's employees and customers. Meanwhile call centres have been prepared and equipped for home office. Service continuity has been set up and is in line with preventive measures.
Risk on revenue Containment of populations in main regions during certain period may lead to a reduction of the activity. Quadient could be exposed on its non-recurring revenue: hardware and license sales. On the opposite, this crisis may create opportunities in terms of revenue, especially for the Group's digitalization solutions.	**Risk on revenue** Home office for sales people and service business continuity during containment period have been established very quickly and as a consequence all measures have been taken to reduce the impact on revenue. The percentage of recurring revenue is also key to assess risk on revenue. Thanks to actions taken, sales decreased by 7,3% in a contained organic decline. Guidance has been revised from (10)% to (8)% in organic growth.
Risk on profitability Risk on revenue could have an impact on the level of profitability. The impact depends on the magnitude of the decline and on the actions taken to adapt cost structure.	**Risk on profitability** The Group has performed a review of all variable costs that could be postponed (third parties, projects…). Action plan takes into account the level of the activity. Partial unemployment has been put in place. Guidance has also been revised with a better profitability than expected at the beginning of the fiscal year.

Risks	Risk management system
Risk on cash position	**Risk on cash position**
Group cash position could be impacted by the recession: decrease of cash inflows in relation with a drop of revenue and with customers' cash issues.	Since 31 January 2021, Quadient has paid back on the 23 March its bond 2.50% for the total outstanding amount of 163.2 million euros. After the acquisition of Beanworks fully paid in cash for an amount slightly above 70 million euros, Quadient is still getting a strong liquidity position with both a fair amount of available cash and an unused revolving credit line of 400 million euros. This credit line is available in euros and US dollars under the condition to meet covenants. This credit line is spread over a syndicate of 11 financial institutions. Risk of counterpart is limited as they are rated A *a minima*. Cash management department members use SaaS [a] applications and would perform their task without any difficulties in case of strict confinement. Cash management is performed through automatic cash pooling without any risk of liquidity for subsidiaries. Cash reportings are in place in order to anticipate potential impact on cash.

(a) *Software as a Service.*



Risks	Risk management system
Mail volume decline	
Mail volumes are down in all countries where the Group operates. Quadient expects a better than (5)% organic CAGR revenue decline over the 2021-2023 period. The Group's Mail Related 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, by (3.8)% in 2018, by (3.0)% in 2019 and by (10.1)% in 2020 due to COVID-19 crisis ((6.3)% in Q3 2020 and (7.1)% in Q4 2020).	To mitigate this decline, the Group continues to innovate to gain market share and develops complementary activities which enjoy strong growth. Quadient has announced its new strategy for the three coming years in January 2019. Named "Back to Growth". Main orientations are described in the section "Transformation" below. As part of this strategy, Quadient shut down Temando (shipping solutions). The Group also sold Proship (shipping solutions) and Quadient Oceania (mainly graphics activities in Australia and New Zealand) in February 2020 and January 2021 and acquired YayPay (AR automation) and Beanworks (AP automation) in July 2020 and March 2021.
Increasing competition in new activities	
Quadient has two main competitors in its legacy business (Mail-Related 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 new activities (Intelligent Communication Automation and Parcel Locker Solutions), the Group operates on markets where the competitive landscape is different from Mail-Related Solutions. Quadient'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. Finally, according to market research and consulting firm IDC, Quadient is number two worldwide in the customer communications management software market and is also considered as a market leader in AR automation software.	The Group's strategic and marketing department regularly analyze the competition and this topic is discussed during the Board meetings and during the management team meetings at least once a year. Regarding new activities, the Group has access to market studies made by renowned research firms.
Acquisitions	
Quadient unveiled in January 2019 its new strategy for the 2019-2022 period. Named "Back to Growth", this strategy aims at expanding and growing the Group while accelerating its transformation. To achieve this strategy, the Group seized selected bolt-on acquisition opportunities which, together with organic growth in selected business segments, have contributed to scale up the Group's major offers. In this context, the Group acquired Parcel Pending in January 2019, YayPay in July 2020 and Beanworks in March 2021. 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 Quadient's historical distribution network.	All project are thoroughly analyzed and then presented to the investment committee and to the Board. Strict financial criterias are applied during the analysis of the target and in terms of return on investment. Ability of integration is also a key topic. These acquisitions are then included in the three major solutions: Mail-Related Solutions, Intelligence Communication Automation and Parcel Locker Solutions, and in the four main regions (North America and main European countries: France/Benelux, United Kingdom/Ireland, Germany/Austria/Switzerland/Italy).

Operational risks

HIGH RISKS

Risks	Risk management system
Transformation	
The "Back to Growth" strategy, implemented early 2019, implied many changes and was built around the following pillars: • reinvest in Quadient highly cash generative legacy Mail-Related Solutions offering; • focus on four major solutions in the main geographies; • seize bolt-on acquisition opportunities; • streamline the Group's organization; • either grow, improve or divest the Group's Additional Operations by no later than 2022; • adapt the Group's shareholder return policy. Transformation and the ability to move quickly are key for the Group financial result in the future. The phase two of "Back to Growth" will encompass further changes in Quadient's operating model. While the COVID-19 crisis is accelerating digitization, the needs for customer communications management, Customer Experience Management, accounts receivable (AR) and accounts payable (AP) automation solutions are increasingly converging. Quadient has therefore decided to combine its Customer Experience Management and Business Process Automation software solutions into a true end-to-end cloud-based global business communications platform named "Intelligent Communication Automation". Going forward, Quadient will continue to build on its strengths to roll out the second phase of its "Back to Growth" strategic plan.	Implemented early 2019, the "Back to Growth" strategic plan involved both a strong refocus of Quadient's solutions portfolio and a major transformation of its operating model. Quadient aimed at building leading market positions in highly growing businesses that are synergistic with its foundational mail-related activities. Customer communication and experience management, business process and document workflow automation, as well as automated Parcel Locker Solutions were selected to be the Company's growth engines while continuing to benefitfrom Quadient's strong position in the highly profitable and cash generative mail-related business. Gradually increasing the part of these growth engines within Quadient's total revenue has been set as a critical metric of Quadient's transformation: in two years, combining organic growth initiatives and targeted acquisitions, the software and Parcel Locker Solutions went up from 18% of total revenue in 2018 to 27% in 2020. This best-of-breed suite of business communications management software, which addresses the needs of customers of all size, features Quadient Inspire, Quadient Impress as well as Quadient's comprehensive SaaS AP/AR automation offer which has been strengthened by the recent acquisitions of YayPay and Beanworks. Based on 2020 figures, Intelligent Communication Automation already represents 183 million euros in revenue, including 59% of subscription-related revenue, the latter having increased by 13% in 2020.

LOW RISKS

Risks	Risk management system
Time to market for 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 departments concerned by this launch are involved in the project and in the steering comity.
Dependence on suppliers	
The Group's main supplier is Zhilai for parcel lockers. Zhilai accounted for 6.4% of total Group purchases in 2020. The top five suppliers and the top ten suppliers respectively accounted for 19.6% and 27.9% of total purchases in 2020 compared to 18.7% and 27.6% in 2019. The Group works also with OEM vendors. 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 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. Quadient 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. The Group has put in place alternative solutions for procurement. The Group has not been or very few impacted by the COVID-19 crisis for procurement.

Legal risks

LOW RISKS

Risks	Risk management system
New regulations	
Quadient operates in several regions and in different activities. Some activities are under special regulations. This is the case for Mail-Related Solutions and postal regulations. Other activities are also under specific regulations such as intellectual property and data privacy.	The Group legal counsel 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[(a)]. 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.

(a) General data protection regulation.

Technological risks

HIGH RISKS

Risks	Risk management system
Information system and cyber criminality	
Quadient past decentralized organization and growth by acquisitions lead to great diversity in terms of information systems. Harmonization of IT infrastructures, and applications is part of the "Back to Growth" strategy.	A Chief Digital Officer was appointed in 2019. His responsibility is to align operational processes and IT within the Group. All IT teams report to him. This new team aims to focus on operational processes, cooperate with the management team in order to enforce "Back to Growth" strategy. IT security in terms of infrastructure and application is a key topic. A new quaterly information security Board and a new global Incident management Process have been established in 2020. The Group's global Information Security Policy has been updated and many communications to employees have been done in order to promote best practises and to avoid cyber attack.

Financial risks

LOW RISKS

Risks	Risk management system
Tax matters	
With regard to their current activities in France and abroad, Quadient 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, Quadient received a notification of tax adjustments in the Netherlands related to the financial years 2006, 2007, 2008. A mutual agreement was signed in 2019 by the Group with a payment of 15.7 million euros to the Dutch administration and a refund of 9.1 million euros by the French administration. An investigation is still on going in United Kingdom. The audit challenges the remuneration of the factories and the leasing activity set up with a centralized role of Quadient Finance Ireland. A provision is for an amount of 9.1 million euros regarding the Leasing aspect and 3 million for the royalties/factory aspect. This 3 million is a net position between the potential reassessment in the United Kingdom and a MAP to be initiated to symmetrically correct the corporate tax in the Netherlands.	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 to manage tax issues at Group level. A tax director has been appointed in December 2020.
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. Quadient enjoys a natural hedge on its current operating margin and its net income. Based on the 2021 budget, the breakdown of sales and costs in United States dollars is as follows: sales 45.8%, cost of sales 42.7%, operating costs 38.0%, interest expense 32.9%. A 5.0% decrease in the euro/United States dollar exchange rate from the budget rate of 1.24 would have the following impacts on the Group's income statement: sales (23.9) million euros, current operating income (6.2) million euros and net income (3.7) million euros. Based on the 2021 budget, the breakdown of sales and costs in pounds sterling is as follows: sales 7.1%, cost of sales 5.1%, operating costs 8.9%. A 5.0% decrease in the euro/pound sterling exchange rate from the budget rate of 0.92 would have the following impacts on the Group's income statement: sales (3.7) million of euros, current operating income (0.3) million euros and net income (0.2) 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, Quadient 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 (as defined in the consolidated cash flow statement in chapter 6 of the 2020 universal registration document) will easily enable it to service its debt, given the current level of debt. Debt by maturity is detailed in note 12-2-5 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. As of 31 January 2021, the Group complies with all covenants (cf. note 12-2-3 to the consolidated financial statements included in the 2020 Universal Registration Document). The Group treasurer, who reports to the Group chief financial officer, monitors exchange rate and interest rate risks for all Quadient Group's 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. Quadient uses the services of an independent consultancy based in Paris. This consultancy helps Quadient 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 exchange rate risks.

CSR risks

HIGH RISKS

Risks	Risk management system
Attraction and retention of talents	
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 avoid risk of losing key employees, 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 all the Group's entities. These plans are regularly updated and reviewed by the remuneration and nomination committee.
Data privacy	
Quadient decentralized organization and growth by acquisitions lead to great diversity in terms of data base.	The head of IT security reports to the Chief Digital Officer and is in charge of the definition and of the application of IT security policies within the Group. In terms of security, postal audits were conducted successfully in all countries concerned in 2019, 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.

LOW RISKS

Risks	Risk management system
Ethics and compliance	
A code of ethics has been set up. No matter in which entity or country we are operating, rules and principles have been defined.	The code of ethics covers human rights, health and safety at work, diversity and human development, ethic and fair business relationship, environment and social responsibility. A whistle blowing procedure has been enforced. Training have been performed in 2020 for all employees.
As all companies, Quadient is exposed to risk of fraud and especially due to the development of cybercriminality. 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. Quadient S.A. 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 the 2020 universal registration document, section "By-laws for the Board and committees).
Environment	
Quadient has analyzed the potential effects of climate change on its activities. Three risks that could have a medium- or long-term impact have been identified. Please refer to the social and environmental information detailed in chapter 5 of the 2020 universal registration document.	Aware of the consequences of climate change, Quadient is committed to reducing its carbon footprint and has defined its low carbon strategy and set targets in line with the "well below 2°C" trajectory.
Intellectual property	
The Group is the owner of its trademarks and has about 304 families of patents published. The geographical coverage of these patents is essentially European and American.	Quadient is not dependent on any single patent which might bring the Group's level of business or profitability into question.

Exchange rate risk

(In million euros)	Impact on net income before tax on 2021 budget		Impact on equity as at 31 January 2021	
	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
USD	5.7	(5.7)	17.2	(17.2)
GBP	0.3	(0.3)	8.9	(8.9)

1.7 Outlook

Quadient expects the following trends in the second half of 2021:

- Regarding Intelligent Communication Automation, continued strong growth momentum is expected for subscription-related revenue, while the shift in model from license to SaaS should further accelerate in H2 2021;
- Regarding Mail-Related Solutions, organic sales decline is expected to be at low-single digit level in H2 2021;
- Regarding Parcel Locker Solutions, due to the particularly high comparison basis set by the Lowe's contract in H2 2020 (Parcel Locker Solutions organic growth stood at c. +29% in Q3 2020 and c. +88% in Q4 2020), Quadient expects a c. 15% organic decline in H2 2021 revenue, despite the dynamic rollout of new lockers planned in H2 2021 and the growing level of subscription-related revenue from the installed base.

In addition, Quadient is now factoring in the divestment of its automated packing systems business (as from early August 2021) and the negative impact this has on its expected total organic revenue growth in 2021 compared to its initial guidance.

Thanks to better-than-expected performance across all solutions offsetting the negative impact of divestment of automated packing systems, Quadient maintains its full-year 2021 organic sales growth guidance unchanged at above 4%.

In the meantime, Quadient expects that the operating efficiencies implemented (real estate footprint, simplification and further integration of the organization) will positively impact the Group current EBIT[(1)] and more than offset the anticipated increase in freight costs in H2 2021 as well as active hiring campaigns and continued investment in talent to support growth.

As a result, the guidance on current EBIT organic growth[(2)] for full-year 2021 is revised upward and is now expected above 6% (vs. between 5% and 6% previously).

Quadient additionally confirms its medium-term targets, aiming at achieving a minimum 3% organic revenue CAGR over 2021-2023 and delivering a minimum mid-single digit organic Current EBIT CAGR over 2021-2023.

(1) Current EBIT = current operating income before acquisition-related expenses.

(2) On the basis of 2020 current operating income before acquisition-related expenses excluding Parcel Pending's earn-out reversal, i.e. €145 million, with a scope effect resulting in a €140 million proforma.

2 CONSOLIDATED FINANCIAL STATEMENTS AT 31 JULY 2021

2.1 Consolidated financial statements

CONSOLIDATED ASSETS

(In million euros)	Notes	31 July 2021	31 July 2020	31 January 2021
Goodwill – Net	**(4-1)**	**1,106.4**	**1,040.0**	**1,026.0**
Intangible fixed assets				
Gross value	**(4-2)**	573.6	553.9	567.6
Amortization	**(4-2)**	(453.3)	(425.5)	(439.8)
		120.3	**128.4**	**127.8**
Tangible fixed assets				
Gross value	**(4-3)**	587.9	600.0	599.6
Amortization	**(4-3)**	(454.5)	(447.6)	(455.1)
		133.4	**152.4**	**144.5**
Assets right of use				
Gross value	**(7)**	130.4	137.2	132.0
Amortization	**(7)**	(75.9)	(76.6)	(69.4)
		54.5	**60.6**	**62.6**
Other non-current financial assets				
Investments in associated companies		9.2	7.5	8.8
Non-current financial derivative instruments	**(11)**	0.3	1.8	0.8
Other non-current financial assets	**(4-4)**	80.0	53.0	55.2
		89.5	**62.3**	**64.8**
Net long-term lease receivables	**(5-2)**	349.9	375.1	357.5
Other net long-term receivables		3.6	3.2	3.2
Deferred tax assets	**(12-2)**	20.1	17.9	17.0
Total non-current assets		**1,877.7**	**1,839.9**	**1,803.4**
Net inventories and work in progress	**(5-5)**	**64.5**	**75.0**	**71.2**
Net receivables				
Net accounts receivable	**(5-2)**	182.2	187.0	231.5
Net short-term lease receivables	**(5-2)**	225.4	238.3	240.7
Income tax receivables		39.6	47.1	42.8
Net other receivables		19.0	9.4	8.2
		466.2	**481.8**	**523.2**
Prepaid expenses		41.2	42.0	41.2
Current financial assets		3.1	0.1	0.7
Current financial derivative instruments	**(11)**	5.2	6.0	6.9
Cash and cash equivalents				
Short-term and liquid investments		0.3	0.3	0.5
Cash		321.4	532.6	513.2
		321.7	**532.9**	**513.7**
Total current assets		**901.9**	**1,137.8**	**1,156.9**
TOTAL ASSETS		**2,779.6**	**2,977.7**	**2,960.3**

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

CONSOLIDATED LIABILITIES

(In million euros)	Notes	31 July 2021	31 July 2020	31 January 2021
Shareholders' equity				
Share capital		34.6	34.6	34.6
Additional paid-in capital		52.9	52.9	52.9
Reserves and retained earnings		969.9	935.2	937.6
Cumulative translation adjustments		(22.9)	(36.0)	(33.1)
Treasury shares		(5.8)	(3.3)	(3.2)
Equity instruments	**(13-1)**	206.7	215.6	211.1
Net income		45.0	21.4	40.4
Total shareholders' equity		**1,280.4**	**1,220.4**	**1,240.3**
Attributable to:				
• holders of the parent company		1,272.6	1,213.8	1,233.2
• non-controlling interests		7.8	6.6	7.1
Non-current financial debts	**(11-2)**	686.8	771.0	767.1
Non-current lease obligations	**(7)**	47.1	51.0	53.8
Long-term provisions	**(10-1)**	26.0	25.3	26.8
Non-current financial derivative instruments	**(11)**	1.6	2.9	2.1
Other non-current liabilities		0.8	1.3	0.8
Deferred tax liabilities	**(12-2)**	145.9	143.8	148.2
Total non-current liabilities		**908.2**	**995.3**	**998.8**
Accounts payable				
Trade payables		64.9	56.3	75.5
Other operating liabilities	**(5-6)**	213.5	197.4	199.7
Tax payables		24.8	32.7	42.1
Short-term provisions	**(10-1)**	9.3	9.5	10.2
Deferred income		162.8	167.8	187.5
		475.3	**463.7**	**515.0**
Current financial derivative instruments	**(11)**	2.1	1.2	1.0
Current lease obligations	**(7)**	19.3	19.4	19.8
Financial debts				
Short-term portion of debts from credit institutions	**(11-2)**	89.9	271.2	180.6
Bank overdrafts	**(11-2)**	4.4	6.5	4.8
		94.3	**277.7**	**185.4**
Total current liabilities		**591.0**	**762.0**	**721.2**
TOTAL LIABILITIES		**2,779.6**	**2,977.7**	**2,960.3**

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

CONSOLIDATED INCOME STATEMENTS

(In million euros)	Notes	31 July 2021	31 July 2020	31 January 2021
Sales	**(5-1)**	**503.8**	**484.9**	**1,029.4**
Current operating expenses				
Cost of sales		(137.3)	(129.0)	(285.7)
Research and development expenses		(27.0)	(24.6)	(54.9)
Sales and marketing expenses		(127.5)	(126.4)	(252.2)
Administrative expenses		(90.9)	(100.5)	(194.4)
Service and other operating expenses		(50.8)	(45.1)	(91.5)
Employee profit-sharing, share-based payments		0.1	1.7	0.9
Expenses related to acquisitions	**(5-7)**	(5.7)	(11.1)	(19.5)
Total current operating expenses		**(439.1)**	**(435.0)**	**(897.3)**
Current operating income	**(5-3)**	**64.7**	**49.9**	**132.1**
Structure optimization expenses – net of reversals	**(5-8)**	(4.7)	(7.5)	(16.4)
Proceeds from asset sales		-	(0.0)	(0.2)
Other non-current operational expenses	**(5-9)**	(7.5)	(0.6)	(19.6)
Operating income		**52.5**	**41.8**	**95.9**
Interest expenses		(11.4)	(15.2)	(31.3)
Interests on lease obligations	**(7)**	(1.1)	(1.2)	(2.4)
Interest income		0.9	0.5	1.0
Net cost of debt		**(11.6)**	**(15.9)**	**(32.7)**
Losses on foreign exchange		(2.8)	(7.1)	(7.6)
Gains on foreign exchange		3.0	5.8	7.5
Net gains (losses) on foreign exchange		**0.2**	**(1.3)**	**(0.1)**
Other financial gains		14.1	0.3	1.2
Other financial losses		-	-	-
Income before tax		**55.2**	**24.9**	**64.3**
Share of results of associated companies		0.3	(0.4)	0.9
Income taxes	**(12-1)**	(9.7)	(2.7)	(23.8)
NET INCOME		**45.8**	**21.8**	**41.4**
Attributable to:				
• holders of the parent company		45.0	21.4	40.4
• non-controlling interests		0.8	0.4	1.0
NET EARNINGS PER SHARE *(IN EUROS)*	**(13-2)**	**1.19**	**0.50**	**0.92**
DILUTED NET EARNINGS PER SHARE *(IN EUROS)*	**(13-2)**	**1.12**	**0.50**	**0.92**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In million euros)	31 July 2021	31 July 2020	31 January 2021
Net income	**45.8**	**21.8**	**41.4**
Actuarial variances recognized in equity	12.0	(5.7)	(5.1)
Deferred taxes on actuarial variances recognized in equity	(4.6)	1.3	1.7
Sub-total of items that could not be reclassified in net income	**7.4**	**(4.4)**	**(3.4)**
Change in fair value of hedging instruments	0.8	0.5	(1.1)
Deferred taxes on change in fair value of hedging instruments	(0.2)	0.0	0.4
Translation variance	10.2	(32.2)	(29.3)
Sub-total of items that could be reclassified in net income	**10.8**	**(31.7)**	**(30.0)**
TOTAL INCOME FOR THE YEAR	**64.0**	**(14.3)**	**8.0**
Attributable to:			
• holders of the parent company	63.2	(14.7)	7.0
• non-controlling interests	0.8	0.4	1.0

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(In million euros)	Notes	31 July 2021	31 July 2020	31 January 2021
Net income attributable to shareholders of the parent company		45.0	21.4	40.4
Net income attributable to non-controlling interests		0.8	0.4	1.0
Expenses (income) with no cash effect or with cash effect below operating activities	**(8-1)**	40.1	60.9	132.2
Share of results of associated companies (net of dividends received)		(0.3)	0.4	(0.9)
Income taxes expense (including deferred taxes)	**(12-1)**	9.7	2.7	23.8
Net cost of debt		11.6	15.9	32.7
Cash flow before net cost of debt and income taxes		**106.9**	**101.7**	**229.2**
Working capital variation	**(8-2)**	(5.9)	(25.0)	2.2
Increase (decrease) in lease receivables		32.1	53.6	62.0
Cash flow from operating activities		**133.1**	**130.3**	**293.4**
Interests paid		(18.0)	(15.0)	(24.3)
Interests paid on lease obligation	**(7)**	(1.1)	(1.2)	(2.4)
Income taxes paid		(21.8)	0.6	(10.5)
Net cash flow from operating activities (A)		**92.2**	**114.7**	**256.2**
Investments in tangible fixed assets	**(4-3)**	(18.8)	(18.8)	(37.6)
Investments in intangible fixed assets	**(4-2)**	(17.6)	(17.6)	(34.2)
Impact of changes in assets right-of-use	**(7)**	(2.2)	(2.8)	(17.8)
Financial investments	**(8-3)**	(72.2)	(9.2)	(8.9)
Sub-total investments		**(110.8)**	**(48.4)**	**(98.5)**
Disposals of fixed assets		-	0.0	0.2
Income from investments		6.6	0.9	1.4
Repayment of loans and other long-term advances		(0.8)	0.8	(0.9)
Net cash flow from investing activities (B)		**(105.0)**	**(46.7)**	**(97.8)**
Share buyback – liquidity contract		(2.1)	(1.4)	(1.2)
Dividends paid to shareholders		-	-	(12.0)
New medium and long-term borrowings	**(8-4)**	2.6	49.7	48.4
ODIRNANE issued*	**(12-1)**	(4.5)	(4.5)	(8.9)
Repayment of long-term borrowings	**(8-4)**	(168.1)	(70.1)	(153.9)
Repayment of lease obligation	**(7)**	(7.8)	(7.7)	(3.5)
Net cash flow from financing activities (C)		**(179.9)**	**(34.0)**	**(131.1)**
Cumulative translation adjustments on cash and cash equivalents **(D)**		1.1	(1.0)	(11.8)
Change in net cash (A) + (B) + (C) + (D)		**(191.6)**	**33.0**	**15.5**
Net cash – opening		**508.9**	**493.4**	**493.4**
Net cash – closing		**317.3**	**526.4**	**508.9**
Cash and cash equivalents		321.7	532.9	513.7
Overdrafts		(4.4)	(6.5)	(4.8)
NET CASH – CLOSING		317.3	526.4	508.9

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 million 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 2020	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,167.7**	**(2.8)**	**(3.8)**	**1,248.6**
Attributable to:								
• holders of the parent company								1,238.4
• non-controlling interests								10.2
Net income		-	-	-	41.4	-	-	41.4
Items that could not be reclassified in net income		-	-	-	(3.4)	-	-	(3.4)
Items that could be reclassified in net income		-	-	-	(0.7)	-	(29.3)	(30.0)
Comprehensive income 2020		**-**	**-**	**-**	**37.3**	**-**	**(29.3)**	**8.0**
Change in treasury shares – liquidity contract		-	-	-	(0.1)	(0.1)	-	(0.2)
Free shares delivered (26,464 shares)		-	-	-	(0.4)	(0.3)	-	(0.7)
2019 dividends		-	-	-	(12.0)	-	-	(12.0)
Share-based payments		-	-	-	0.2	-	-	0.2
ODIRNANE interests		-	-	-	(8.9)	-	-	(8.9)
Fair value adjustment on the investments in X'Ange and Partech		-	-	-	5.4	-	-	5.4
Other		-	-	-	(0.1)	-	-	(0.1)
Consolidated shareholders' equity at 31 January 2021	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,189.1**	**(3.2)**	**(33.1)**	**1,240.3**
Attributable to:								
• holders of the parent company								1,233.2
• non-controlling interests								7.1
Movements first half of 2021								
Net income		-	-	-	45.8	-	-	45.8
Items that could not be reclassified in net income		-	-	-	7.4	-	-	7.4
Items that could be reclassified in net income		-	-	-	0.6	-	10.2	10.8
Comprehensive income first half 2021		**-**	**-**	**-**	**53.8**	**-**	**10.2**	**64.0**
Treasury shares – liquidity contract		-	-	-	0.8	(0.6)	-	0.2
Free shares attributed (23,700 shares)		-	-	-	(0.4)	(2.0)	-	(2.4)
2020 dividend		-	-	-	(17.0)	-	-	(17.0)
Share-based payments		-	-	-	(0.1)	-	-	(0.1)
ODIRNANE interests		-	-	-	(4.5)	-	-	(4.5)
Other		-	-	-	(0.1)	-	-	(0.1)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2021	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,221.6**	**(5.8)**	**(22.9)**	**1,280.4**
Attributable to:								
• holders of the parent company								1,272.6
• non-controlling interests								7.8

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

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

(In million 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 2020	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,167.7**	**(2.8)**	**(3.8)**	**1,248.6**
Attributable to:								
• holders of the parent company								1,238.4
• non-controlling interests								10.2
Movements first half of 2020								
Net income		-	-	-	21.8	-	-	21.8
Items that could not be reclassified in net income		-	-	-	(4.4)	-	-	(4.4)
Items that could be reclassified in net income		-	-	-	0.5	-	(32.2)	(31.7)
Comprehensive income first half 2020		**-**	**-**	**-**	**17.9**	**-**	**(32.2)**	**(14.3)**
Treasury shares – liquidity contract		-	-	-	(0.5)	(0.2)	-	(0.7)
Free shares attributed (26,464 shares)		-	-	-	(0.4)	(0.3)	-	(0.7)
2019 dividend		-	-	-	(12.0)	-	-	(12.0)
Share-based payments		-	-	-	(0.6)	-	-	(0.6)
ODIRNANE interests		-	-	-	(4.5)	-	-	(4.5)
Fair value adjustment on the investments in X'Ange and Partech					5.0	-	-	5.0
Other		-	-	-	(0.4)	-	-	(0.4)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JULY 2020	**EUR 1**	**34,562,912**	**34.6**	**52.9**	**1,172.2**	**(3.3)**	**(36.0)**	**1,220.4**
Attributable to:								
• holders of the parent company								1,213.8
• non-controlling interests								6.6

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

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

2.2 Notes to the consolidated financial statements

Financial statements for half-year ended 31 July 2021 and 31 July 2020 and fiscal year 31 January 2021.

The consolidated half-year financial statements were approved by the Board of directors on 24 September 2021.

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 2020 and 31 January 2021 have been reclassified to be comparable to the presentation adopted as at 31 July 2021.

TABLE OF CONTENTS

NOTE 1 PRESENTATION OF THE QUADIENT GROUP AND ITS CONSOLIDATED FINANCIAL STATEMENTS

Quadient is the driving force behind the most meaningfull customer experience. By focusing on three major business areas which are Intelligent Communication Automation (ICA), Mail Related Solutions (MRS) and Parcel Lockers Solutions (PLS), Quadient assists on a daily basis hundred of thousands of companies in building powerfull connections with their customers and in delivering exceptional customer experiences, in a world where interaction have to be always more connected, personal and mobile.

The term "Quadient S.A." refers to the parent company (excluding consolidated subsidiaries), which is listed and registered in France, while "Quadient" 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).

Quadient shares are listed on compartment B of Euronext Paris.

1-1: History

Quadient 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, Quadient has made acquisitions of various sizes.

In 2002, Quadient acquired Ascom Hasler – the mailing systems division of the Swiss company Ascom – which at the time was ranked third in the world.

In 2012, Quadient acquired GMC Software AG, parent company of the group GMC Software Technology AG, leader in the field of customer communication management,

In 2016, Quadient 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, provider of location-based data quality solutions acquired in 2013.

In 2018, Quadient 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 2018, Quadient 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.

In 2019, Quadient divested Quadient Data Netherlands BV (former Human Inference), subsidiary specialized in master data management acquired in 2012. Quadient also decided the shutdown of its Australian subsidiary Temando (e-commerce shipping software) acquired in 2015 for 55% and then in 2017 for the remaining 45%.

In 2019, the Group also announced its decision to change the name Neopost to become Quadient. This choice of an unified and modern brand is the result of deploying a new Group organization as part of the Group's "Back to growth" strategy, moving away from companies operating independent businesses to a single company with an integrated portfolio of solutions.

In 2020, Quadient divested Proship Inc., subsidiary acquired in 2014, whose business was to provide automated multi-carrier shipping software. Quadient also acquired 100% of the company YayPay, leading Fintech company specialized in account receivables automation solutions. Finally, at the end of the financial year, Quadient divested the company Quadient Oceania Pty Ltd in Australia.

1-2: Main events of the period

ACQUISITION OF BEANWORKS

On 22 March 2021, Quadient acquired the company Beanworks, a leader in Software as a Service (SaaS) accounts payable automation solutions.

The acquisition of Beanworks completes Quadient's software portfolio with advanced accounts payable automation capabilities. Quadient now offers a true end-to-end cloud-based global business communication platform.

Quadient owns a majority stake of approximately 96%, with two key leaders retaining a minority equity stake. Quadient has a mecanism to increase its ownership up to 100% in the coming years. This investment generates a net cash-out of 72.3 million euros.

DIVESTMENT OF THE AUTOMATED PACKAGING SOLUTIONS (APS) BUSINESS

On 30 July 2021, Quadient announced the divestment of its automated packaging solutions business (APS) along with the Drachten (the Netherlands) manufacturing.

NOTE 2 ACCOUNTING POLICIES

2-1: Accounting standards applied

The interim consolidated accounts ended at 31 July 2021 comply with the principles of the norm IAS 34 with summarized financial statements completed by detailed notes.

The interim consolidated accounts at 31 July 2021 do not include all information required in the fiscal year accounts and must be read along with the fiscal year accounts ended 31 January 2021 and published on the 17 May 2021.

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 2021. Quadient 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 2021 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 1 January 2021:

- amendment to IFRS 3: Definition of a business;
- amendments to IAS 1 and IAS 8: Definition of material;
- amendments to IAS 39, IFRS 7 and IFRS 9 regarding pre-replacement issues in the context of the IBOR reform.

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

- amendment to IFRS 16: rent concessions related to Covid-19;
- amendments to IAS 1: Presentation of the financial statements, classification of liabilities as current and non-current;
- amendments to IAS 1: Presentation of the financial statements, disclosure of accounting policies;
- amendments to IAS 8: Definition of accounting estimates;
- amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction.

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 2021		31 July 2020		31 January 2021	
	Period end	Average	Period end	Average	Period end	Average
United States dollar (USD)	1.19	1.20	1.18	1.11	1.21	1.15
Pound Sterling (GBP)	0.85	0.86	0.90	0.88	0.88	0.89
Canadian dollar (CAD)	1.48	1.49	1.59	1.52	1.55	1.54
Swiss franc (CHF)	1.08	1.10	1.08	1.06	1.08	1.07
Japanese yen (JPY)	130.39	130.49	124.31	119.38	127.05	122.19
Norwegian kroners (NOK)	10.44	10.18	10.73	10.86	10.34	10.76
Swedish kroners (SEK)	10.19	10.15	10.28	10.63	10.11	10.45
Danish kroners (DKK)	7.44	7.44	7.44	7.46	7.44	7.45
Australian dollar (AUD)	1.61	1.57	1.65	1.68	1.58	1.65
Singapore dollar (SGD)	1.61	1.60	1.62	1.56	1.61	1.58
Indian rupee (INR)	88.39	88.30	88.64	82.80	88.43	85.40
Brazilian real (BRL)	6.07	6.42	6.12	5.66	6.66	6.05
Chinese yuan (CNY)	7.68	7.76	8.26	7.81	7.80	7.89
Czech koruna (CZK)	25.50	25.77	26.18	26.56	26.02	26.53
Hungarian forint (HUF)	357.20	357.53	344.95	348.19	358.39	353.27
Polish zloty (PLN)	4.56	4.54	4.40	4.45	4.53	4.47
New-Zealand dollar (NZD)	1.70	1.68	1.78	1.77	1.69	1.76

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

Changes in the scope of consolidation for the first half-year 2021 are as follows:

- on 22 March 2021, Quadient acquired the company Beanworks, fully consolidated given the contractual agreements signed with the minority shareholders as part of the acquisition deal;
- on 30 July 2021, Quadient divested its automated packaging solutions (APS) business and the Drachten (the Netherland) factory.

3-3: Other information relating the scope of consolidation

Quadient 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.

NOTE 4 INTANGIBLE ASSETS, TANGIBLE ASSETS AND OTHER NON-CURRENT ASSETS

4-1: Goodwill

	Gross value	Impairment	Net value
Goodwill at 31 January 2021	**1,112.6**	**(86.6)**	**1,026.0**
Beanworks acquisition	72.1	-	72.1
Other variations	0.6	-	0.6
Translation difference	7.2	0.5	7.7
GOODWILL AT 31 JULY 2021	**1,192.4**	**(86.0)**	**1,106.4**

In 2021 first-half year, the goodwill variation is explained by the recognition of a 72.1 million euros first goodwill related to Beanworks acquisition in Canada in March 2021.

The cumulative impairment amounts to 86.0 million euros at the 31 July 2021.

The level of analysis at which the Quadient Group determines the recoverable amount of the goodwill thus corresponds to the following CGUs or groups of CGUs:

	31 July 2021	31 January 2021
North America (NORAM)	397.5	392.7
France – Benelux (FRBNL)	203.5	203.5
United Kingdom – Ireland (UK-IE)	149.4	149.1
Germany – Austria – Italy – Switzerland (DACH-IT)	146.3	146.3
Parcel Pending (PP)	85.4	83.6
International[a]	36.2	36.2
YayPay	13.2	12.3
Beanworks	72.7	-
Major Operations	**1,104.2**	**1,023.7**
Additional Operations[a]	**2.2**	**2.3**
GOODWILL NET BOOK VALUE	**1,106.4**	**1,026.0**

(a) International and Additional Operations group several CGU or group of CGUs

A goodwill impairment test is performed during annual closings or if there is an evidence of impairment, following the methodology described in note 4-5 of the consolidated financial statements in the 2020 universal registration document.

Since there were no evidence of impairment as at 31 July 2021, the Group 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 2021	**33.1**	**120.5**	**306.1**	**56.8**	**51.1**	**567.6**
Acquisitions/Capitalization	-	0.2	16.2	-	1.2	17.6
Scope variation	(0.1)	(4.3)	(14.0)	-	0.4	(18.0)
Disposals	0.0	-	(0.0)	-	-	(0.0)
Other changes	0.0	0.4	3.7	-	(0.4)	3.7
Translation difference	0.0	0.9	1.2	0.1	0.5	2.7
Gross value at 31 July 2021	**33.0**	**117.7**	**313.2**	**56.9**	**52.8**	**573.6**
Cumulative amortization	(31.8)	(108.1)	(225.5)	(55.5)	(32.4)	(453.3)
NET BOOK VALUE AT 31 JULY 2021	**1.2**	**9.6**	**87.7**	**1.4**	**20.4**	**120.3**

The change in intangible fixed assets is mainly due to the capitalization of development. The line “Scope variation” mainly includes the release of assets related to the divested automated packaging solutions business and Drachten factory.

The other changes mainly include some reclassifications.

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Amortization at 31 January 2021	**31.5**	**109.3**	**215.1**	**54.0**	**29.9**	**439.8**
Charges	0.3	2.1	14.3	1.4	2.2	20.3
Scope variation	0.1	(4.2)	(8.8)	-	0.1	(12.8)
Disposals	-	(0.0)	0.0	-	-	0.0
Other changes	(0.1)	0.1	4.2	-	-	4.2
Translation difference	0.0	0.8	0.7	0.1	0.2	1.8
AMORTIZATION AT 31 JULY 2021	**31.8**	**108.1**	**225.5**	**55.5**	**32.4**	**453.3**

At 31 July 2021, 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 2021	**32.7**	**59.1**	**434.2**	**34.5**	**6.8**	**32.3**	**599.6**
Acquisitions	0.4	0.5	15.2	0.9	0.2	1.6	18.8
Scope variation	(13.0)	(12.8)	-	0.1	(0.6)	0.5	(25.8)
Disposals	(0.4)	(0.9)	(6.0)	(0.2)	(0.6)	(0.5)	(8.6)
Other changes	0.1	0.4	0.0	0.2	(0.2)	(0.3)	0.2
Translation difference	0.2	0.4	2.3	0.3	0.0	0.5	3.7
Gross value at 31 July 2021	**20.0**	**46.7**	**445.7**	**35.8**	**5.6**	**34.1**	**587.9**
Cumulative amortization	(11.6)	(40.9)	(347.5)	(31.8)	(3.2)	(19.5)	(454.5)
NET BOOK VALUE AT 31 JULY 2021	**8.4**	**5.8**	**98.2**	**4.0**	**2.4**	**14.6**	**133.4**

The other variations mainly represent reclassifications.

The line "Scope variation" includes the acquisition of the tangible assets of Beanworks for a gross value of 0.5 million euros and the exit of the assets related to the automated packaging solutions business and Drachten factory divested at the end of July 2021, for a gross amount of 26.1 million euros.

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Amortization at 31 January 2021	**20.2**	**50.7**	**331.9**	**31.0**	**3.3**	**18.0**	**455.1**
Charges	0.6	1.2	19.3	1.1	0.3	1.3	23.8
Scope variation	(9.3)	(10.8)	-	0.1	-	0.3	(19.7)
Disposals	-	(0.8)	(6.0)	(0.3)	(0.4)	(0.3)	(7.8)
Other changes	-	0.3	(0.3)	(0.4)	(0.3)	-	(0.7)
Translation difference	0.1	0.3	2.6	0.3	0.3	0.2	3.8
AMORTIZATION AT 31 JULY 2021	**11.6**	**40.9**	**347.5**	**31.8**	**3.2**	**19.5**	**454.5**

At 31 July 2021, no evidence of impairment was noted on tangible fixed assets.

The variation of assets right-of-use gross value and amortization, recognized as part of the application of IFRS 16, are presented in the note 7.

4-4: Other non-current financial assets

	31 July 2021	31 January 2021
Deposits and guarantees	4.4	3.8
Loans	3.5	0.6
Pension plan net asset	49.9	36.3
Other financial assets	22.2	14.5
TOTAL	**80.0**	**55.2**

At 31 July 2021, the deposits and guarantees include escrow accounts in the United States for 0.7 million euros (0.9 million euros at 31 January 2021) and a guarantee deposit for 1.7 million euros related to the liquidity contract (1.1 million euros at 31 January 2021).

The loans mainly include loans granted to Quadient Oceania buyers in 2020 and to the automated packaging solutions business buyers in 2021, as part of the divestment processes.

The Group has a pension plan in the United Kingdom that shows a surplus of 49.9 million euros (42.5 million pounds sterling) at 31 July 2021 compared with 36.3 million euros (32.1 million pounds sterling) at 31 January 2021. 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.

The other financial assets include the investments realized by Quadient for the benefit of the professional private equity funds X'Ange 2, X'Ange 3 and Partech Entrepreneurs. These assets are valued at their fair value as at 31 July 2021.

4-5: Off balance sheet commitments

Quadient S.A. has an investment commitment with X'Ange 3 for an amount of 4.3 million euros at the 31 July 2021.

NOTE 5 OPERAFTING DATA

5-1: Sales breakdown

Sales breakdown as follows:

- By business – Group sales

Group sales are composed of four revenue categories: (1) Mail Related Solutions, (2) Intelligent Communication Automation, (3) Parcel Locker Solutions and (4) Other activities. The other activities comprise revenues that are not part of the three major solutions and include in particular graphics activities, other shipping software solutions and the automated packing systems (CVP) divested at the end of July 2021.

	31 July 2021	31 July 2020	31 January 2021
Mail Related Solutions	341.8	333.6	686.7
Intelligent Communication Automation*	96.8	92.8	195.5
Parcel Locker Solutions	41.8	32.9	85.8
Other activities	23.4	25.6	61.4
TOTAL	**503.8**	**484.9**	**1,029.4**

* *The Intelligent Communication Automation solution groups the former solutions Business Process Automation and Customer Experience Management.*

- By business – Major operations

Major Operations have been defined around the three major solutions defined above, in the two main geographic areas of North America and Europe, including twelve countries. To these are added, grouped under the name International, the Parcel Locker Solution revenue earned in Japan and Intelligent Communication Automation revenue earned outside the twelve countries mentioned here above.

The revenues of Additional Operations are realized on activities that are not included in the three major solutions, in all geographic areas, as well as on the three major solutions outside the main geographic areas mentioned before.

	31 July 2021	31 July 2020	31 January 2021
Mail Related Solutions	320.3	312.9	641.4
Intelligent Communication Automation*	96.6	92.2	194.5
Parcel Locker Solutions	40.9	31.5	83.4
Major operations	**457.8**	**436.6**	**919.3**
Additional operations	**46.0**	**48.3**	**110.1**
TOTAL	**503.8**	**484.9**	**1,029.4**

* *The Intelligent Communication Automation solution groups the former solutions Business Process Automation and Customer Experience Management.*

- By type of revenues

	31 July 2021	31 July 2020	31 January 2021
Equipment and licenses sales	145.9	123.0	300.8
Recurring revenue*	292.5	292.6	588.9
Rental revenue	65.4	69.3	139.7
TOTAL	**503.8**	**484.9**	**1,029.4**

* *Recurring revenue mainly comprises maintenance, professional services and software right-of-use.*

- By geographic area

	31 July 2021	31 July 2020	31 January 2021
France - Benelux	94.1	87.3	186.6
North America	250.4	238.8	501.3
Germany - Austria - Italy - Switzerland	47.6	47.5	101.0
United Kingdom – Ireland	41.0	38.3	79.6
International[a]	24.7	24.7	50.8
Rest of the world[b]	46.0	48.3	110.1
TOTAL	**503.8**	**484.9**	**1,029.4**

(a) *International sales correspond to Parcel Locker Solutions in Japan and Intelligent Communication Automation outside the twelve major countries.*

(b) *"Rest of the world" sales correspond to the sales of the "Additional Operations" segment.*

5-2: Accounts receivable and lease receivables

ACCOUNTS RECEIVABLE

	31 July 2021	31 January 2021
Accounts receivable		
Gross value	202.8	252.9
Depreciation	(20.6)	(21.4)
Total	**182.2**	**231.5**
Lease receivables		
Short term	229.9	245.6
Long term	355.5	362.5
Gross value	**585.4**	**608.1**
Depreciation	(10.1)	(9.9)
Total	**575.3**	**598.2**
TOTAL	**757.5**	**829.7**

	31 July 2021	31 January 2021
Accounts receivable – Depreciation		
Depreciation at the beginning of the year	21.4	18.1
Charges	1.3	9.1
Used	(1.7)	(4.2)
Not used	(0.6)	(0.8)
Other	0.0	(0.3)
Translation difference	0.2	(0.5)
TOTAL	**20.6**	**21.4**

FINANCING LEASES

	31 July 2021	31 January 2021
Non-current receivables		
Financing leases – gross receivables	432.8	442.3
Unearned financial income	(77.3)	(79.8)
Total	**355.5**	**362.5**
Current receivables		
Financing leases – gross receivables	278.2	294.1
Unearned financial income	(48.3)	(48.5)
Total	**229.9**	**245.6**
Gross receivables on financing leases		
Less than one year	278.2	294.1
One to five years	429.4	437.8
More than five years	3.4	4.5
Total gross value	**711.0**	**736.4**
Unearned financial income on financing leases	**(125.6)**	**(128.3)**
Net investment in financing leases		
Less than one year	229.9	245.6
One to five years	352.6	359.2
More than five years	2.9	3.3
TOTAL	**585.4**	**608.1**

5-3: Current operating income and EBITDA

	31 July 2021		31 July 2020		31 January 2021	
	Gross value	In%	Gross value	In%	Gross value	In%
Sales	503.8	100%	484.9	100.0%	1,029.4	100.0%
Cost of sales	(137.3)	(27.3)%	(129.0)	(26.6)%	(285.7)	(27.8)%
Gross margin	**366.5**	**72.7%**	**355.9**	**73.4%**	**743.7**	**72.2%**
Operating expenses	(301.8)	(59.9)%	(306.0)	63.1%	(611.6)	(59.4)%
Current operating profit*	**64.7**	**12.8%**	**49.9**	**10.3%**	**132.1**	**12.8%**
Amortization of fixed assets	53.6	10.6%	54.2	11.2%	113.9	11.1%
EBITDA	**118.3**	**23.5%**	**104.1**	**21.5%**	**246.0**	**23.9%**

* *The current operating profit of the year 2020 included the reversal of Parcel Pending unpaid earn-out for an amount of 6.5 million euros.*

5-4: Breakdown of expenses by categories

	31 July 2021	31 July 2020	31 January 2021
Cost of inventories recognized as expense	119.4	116.5	257.9
Wages, bonuses, commissions and payroll charges	219.8	213.1	429.8
Rents and associated costs	2.4	3.0	5.0
Fees	21.2	22.3	45.7
Transport and travel	9.2	12.2	21.6
Fixed assets – depreciation and amortization	53.6	53.9	113.9
Other	13.5	14.0	23.4
Total expenses by category	**439.1**	**435.0**	**897.3**
Cost of sales	137.3	129.0	285.7
Operating expenses	301.8	306.0	611.6
TOTAL	**439.1**	**435.0**	**897.3**

5-5: Inventories and work in progress

	31 July 2021			31 January 2021		
	Gross value	Depreciation	Net	Gross value	Depreciation	Net
Work in progress	1.3	(0.1)	1.2	8.5	(0.7)	7.8
Raw materials	8.9	(1.6)	7.3	13.5	(2.1)	11.4
Finished goods	62.8	(9.3)	53.5	59.6	(10.3)	49.3
Spare parts	4.3	(1.8)	2.5	4.4	(1.7)	2.7
TOTAL	**77.3**	**(12.8)**	**64.5**	**86.0**	**(14.8)**	**71.2**

	31 July 2021	
	Gross value	Depreciation
Opening	86.0	(14.8)
Net inventory entries	7.2	-
Charges	-	(0.6)
Used	-	1.7
Scope variation	(16.1)	1.0
Other	(0.1)	-
Translation difference	0.3	(0.1)
TOTAL	**77.3**	**(12.8)**

5-6: Other operating liabilities

The other operating liabilities for an amount of 213.5 million euros as at 31 July 2021, compared with 197.4 million euros as at 31 July 2020 and 199.7 million euros as at 31 January 2021 mainly comprise customer credit balances, debts to employees, short-term part of earn-outs and deposits made by customers in relation to postage prepayment.

5-7: Expenses and gains related to acquisitions

	31 July 2021	31 July 2020	31 January 2021
Consulting fees	3.0	5.0	9.9
Amortization of intangible assets recognized as part of the purchase price allocation	2.7	3.0	6.6
Other expenses related to acquisitions*	-	3.1	3.0
EXPENSES RELATED TO ACQUISITIONS	**5.7**	**11.1**	**19.5**

* *In 2020, this line included the costs related to YayPay acquisition (non-recourse loan to YayPay founders) and Proship divestment (mainly retention bonuses contingent to the transaction closing).*

5-8: Structure optimization expenses – net of reversal

The Group continued its structure optimization program. An expense of 4.7 million euros, net of reversals not used for 0.1 million euros, is recorded in this regard in the first half of 2021 compared with 7.5 million euros in the first half of 2020 and 16.4 million euros in 2020. 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.

5-9: Other operational expenses and income

	31 July 2021	31 January 2021
Automated packaging solutions business and Drachten factory divestment	(4.6)	-
Quadient Oceania divestment	0.2	(18.2)
Other	(3.1)	(1.4)
OTHER OPERATIONAL (EXPENSES) INCOME	**(7.5)**	**(19.6)**

At the 31 July 2021, the other operational expenses mainly include the loss of 4.6 million euros related to the Automated packaging solutions business divestment, non-recurring fees and an exeptional expense related to assets write-off.

In 2020, Quadient Oceania divestment has led to an expense of 18.2 million euros, related to net assets of the company divested release and to the recognition of the cumulative translation adjustments in the profit & loss statement.

5-10: Off-balance sheet commitments related to operational data

Quadient has a bank guarantee in favor of the British postal service for 0.8 million pounds sterling and in favor of the Irish postal service for 1.7 million euros.

NOTE 6 SEGMENT INFORMATION

Since the announcement of the Group's strategy in January 2019, the activity of Quadient is split into two big categories: the major operations and the additional operations.

- Major Operations

Quadient focuses on three major solutions which are businesses where Quadient 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 Intelligent Communication Automation and (3) the Parcel Locker Solutions.

From a geographical standpoint, Quadient concentrates its efforts on twelve countries gathered on four segments: North America (NORAM), France – Benelux (FR-BNL), Germany, Austria, Switzerland, Italy (DACH-IT), United Kingdom – Ireland (UK-IE).

In 2020, a fifth geographical segment has been created in the major operations, the International segment, which groups two activities: Parcel Lockers Solutions in Japan and Intelligent Communication Automation in the other regions of the world. These two activities have revealed a strong potential of growth for the future and a real complementarity with the rest of the major activities.

The segment "Innovation" includes in 2020 and in 2021 the charges linked to the development of new projects for Intelligent Communication Automation.

- Additional Operations

The portfolio of additional operations includes operations outside the main geographies as well as other activities, in particular graphics activities, other shipping software solutions and the automated packing system (CVP) divested at the end of July 2021.

Quadient's income breaks down by activities as follows:

	FR-BNL	NORAM	DACH-IT	UK-IE	International	Innovation	Major operations	Additional operations	31 July 2021
Total sales	*94.1*	*250.4*	*47.6*	*41.0*	*24.7*	-	457,8	46.0	**503.8**
Segment income	*20.1*	*41.3*	*5.7*	*3.7*	*1.6*	*(1.8)*	70.6	(0.2)	**70.4**
in percentage	*21.4%*	*16.5%*	*12.0%*	*9.1%*	*6.3%*	*n/a*	15.4%	(0.4)%	14.0%
Expenses related to acquisitions									(5.7)
Current operating income									**64.7**
Structure optimization expenses									(4.7)
Proceeds from net assets sales									-
Other operational gains and expenses									(7.5)
Operating income									**52.5**
Financial result									2.7
Share of results of associated companies									0.3
Income taxes									(9.7)
NET INCOME									**45.8**

	FR-BNL	NORAM	DACH-IT	UK-IE	International	Innovation	Major operations	Additional operations	31 July 2020
Total sales	*87.3*	*238.8*	*47.5*	*38.3*	*24.6*	*0.1*	436.6	48.3	**484,9**
Segment income	*19.2*	*39.4*	*5,7*	*4.2*	*0.9*	*(4.7)*	64.7	(3.7)	61.0
in percentage	*22.1%*	*16.5%*	*11.9%*	*10.9%*	*3.6%*	*n/a*	14.8%	(7.7)%	12.6%
Expenses related to acquisitions									(11.1)
Current operating income									**49.9**
Structure optimization expenses									(7.5)
Proceeds from net assets sales									0.0
Other operational gains and expenses									(0.6)
Operating income									**41.8**
Financial result									(16.9)
Share of results of associated companies									(0.4)
Income taxes									(2.7)
NET INCOME									**21.8**

	FR-BNL	NORAM	DACH-IT	UK-IE	International	Innovation	Major Operations	Additional Operations	31 January 2021
Total sales	*186.6*	*501.3*	*101.0*	*79.6*	*50.7*	*0.1*	919.3	110.1	**1,029.4**
Segment income	*42.2*	*93.1*	*12.5*	*9.5*	*4.5*	*(9.1)*	152.7	(1.1)	151.6
in percentage	*22.6%*	*18.6%*	*12.4%*	*11.9%*	*8.9%*	*n/a*	16.6%	(1.0)%	14.7%
Expenses related to acquisitions									(19.5)
Current operating income									**132.1**
Structure optimization expenses									(16.4)
Proceeds from net assets sales									(0.2)
Other operational expenses and income									(19.6)
Operating income									**95.9**
Financial result									(31.6)
Share of results of associated companies									0.9
Income taxes									(23.8)
NET INCOME									**41.4**

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

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

The balance sheet breaks down by sector as follows:

	FR-BNL	NORAM	DACHIT	UK-IE	International	Major operations	Additional operations	Other	31 July 2021
Segment assets	*906.3*	*857.3*	*205.3*	*281.3*	*84.0*	2,334.2	6.1	439.3	2,779.6
TOTAL ASSETS									**2,779.6**
Segment liabilities	*122.4*	*257.9*	*54.8*	*91.8*	*36.5*	563.4	21.7	914.1	1,499.2
Equity									1,280.4
TOTAL LIABILITIES									**2,779.6**

	FR-BNL	NORAM	DACHIT	UK-IE	International	Major operations	Additional operations	Other	31 January 2021
Segment assets	*887.5*	*852.8*	*212.9*	*271.7*	*86.1*	2,311.0	13.2	636.1	2,960.3
TOTAL ASSETS									**2,960.3**
Segment liabilities	*139.9*	*274.1*	*64.1*	*96.6*	*38.8*	613.5	24.5	1,081.9	1,720.0
Equity									1,240.3
TOTAL LIABILITIES									**2,960.3**

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

These assets and liabilities are not allocated to the different operational segments as only an allocation based on the total sales could be done. However, that would generate, year on year, variations potentially significant for specific geographical areas, without a direct connection to their own performance.

NOTE 7 ASSETS RIGHT OF USE AND LEASE OBLIGATIONS

As of 31 July 2021, IFRS 16 impacts on the balance sheet, the income statement and the cash flow statement are the following:

- Impacts on the income statement

	31 July 2021	31 July 2020	31 January 2021
Cancellation of rent expenses	11.0	11.7	23.5
Amortization expenses	(9.5)	(10.5)	(20.8)
EBIT impact	**1.5**	**1.2**	**2.7**
Amortization of the period	9.5	10.5	20.8
EBITDA impact	**11.0**	**11.7**	**23.5**
Financial interests	(1.1)	(1.2)	(2.4)
Scope variation impact	-	0.4	-
Other operational expenses*	(0.1)	-	(1.3)
NET INCOME IMPACT	**0.3**	**0.4**	**(1.0)**

* *In 2020, this line included the asset right-of-use impairment related to the sites closed.*

- Impacts on the cash flow statement

	31 July 2021	31 July 2020	31 January 2021
Net Income	0.3	0.4	(1.0)
Amortization	9.5	10.5	22.5
Net cost of debt	1.1	1.2	2.4
Interests paid	(1.1)	(1.2)	(2.4)
Other	0.2	(0.4)	(0.2)
Net cash flow from operating activities	**10.0**	**10.5**	**21.3**
Impact of changes in the assets right-of-use	(2.2)	(2.8)	(17.8)
Net cash flow from investing activities	**(2.2)**	**(2.8)**	**(17.8)**
Changes in the lease obligation	(7.8)	(7.7)	(3.5)
Net cash flow from financing activities	**(7.8)**	**(7.7)**	**(3.5)**
CHANGE IN NET CASH	-	-	-

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

As of 31 July 2021, the assets right of use net value amounts to 54.5 million euros.

	Buildings	Other intangible assets	Assets right of use
Gross value at 31 January 2021	**112.7**	**19.3**	**132.0**
New contracts/renewals	2.2	0.0	2.2
Other changes*	(5.0)	-	(5.0)
Translation differences	1.2	-	1.2
Gross value at 31 July 2021	**111.1**	**19.3**	**130.4**
Amortization at 31 January 2021	**(57.8)**	**(11.6)**	**(69.4)**
Charges	(6.9)	(2.6)	(9.5)
Other changes*	3.5	-	3.5
Translation differences	(0.5)	(0.0)	(0.5)
Amortization at 31 July 2021	**(61.7)**	**(14.2)**	**(75.9)**
NET VALUE AT 31 JULY 2021	49.4	5.1	54.5

* *Other changes mainly concern terminated contracts or contracts not renewed.*

As at 31 July 2021, the lease obligations amount to 66.4 million euros including 19.3 million euros of short term portion.

	31 January 2021	Debt modification	Reimbursements	Translation differences	Other variations	31 July 2021
Non-current lease obligations	53.8	1.3	-	0.8	(8.8)	47.1
Current lease obligations	19.8	0.9	(10.0)	-	8.6	19.3
LEASE OBLIGATIONS	73.6	2.2	(10.0)	0.8	(0.2)	66.4

NOTE 8 CASH FLOW DETAILS

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

8-1: Expenses (income) with no cash effect or with cash effect below operating activities

	31 July 2021	31 July 2020	31 January 2021
Amortization of fixed assets	53.6	54.2	113.9
Provisions (reversals)	(2.8)	3.7	3.2
(Gains) and losses in fair value	(14.2)	1.3	(0.9)
(Proceeds) expenses from share based payments	(0.1)	(0.6)	0.2
Net (gains) losses on disposals of fixed assets	0.0	0.0	-
Reversal of earn out not paid	-	-	(6.5)
Quadient Oceania divestment	-	-	18.8
Automated packaging solutions business divestment	4.6	-	-
Other	(1.0)	2.3	3.5
TOTAL	**40.1**	**60.9**	**132.2**

As at 31 July 2021, the change in provisions (reversals) is mainly related to reversals of provisions on assets for an amount of (1.9) million euros and to reversals of provisions on liabilities for (0.9) million euros.

As at 31 July 2020, the change in provisions (reversals) was mainly related to additional charges on assets depreciation for an amount of 5.1 million euros (5.3 million euros as at 31 January 2021) and to reversals on provisions presented in liabilities for (1.4) million euros (compared with (1.8) million euros as at 31 January 2021).

The line "Gains and losses in fair value" includes the financial result items with no cash effect and in particular the increase of the fair value of the investments realized by Quadient for the benefit of the professional private equity funds X'Ange 2 and Partech Entrepreneurs.

The line "Other" mainly includes the research tax credit for (0.8) million euros as at 31 July 2021, (1.1) million euros as at 31 July 2020 and (1.8) million euros as at 31 January 2021. As at 31 July 2020 and as at 31 January 2021 this line also included the reclassification of the expenses related to the changes in scope in investing activities cash-flow.

8-2: Working capital variation

	31 July 2021	31 July 2020	31 January 2021
Inventories variation	(7.2)	1.2	(2.6)
Trade accounts receivable variation	55.5	35.5	(15.5)
Deferred income variation	(23.8)	(26.6)	(4.3)
Trade accounts payable variation	(8.2)	(22.6)	(1.0)
Other current assets and liabilities variation	(22.2)	(12.5)	25.6
TOTAL	**(5.9)**	**(25.0)**	**2.2**

As at 31 July 2021, changes in other current assets and liabilities are mainly explained by (i) time differences on VAT payments made and reimbursements received and by (ii) the payment during the first semester of variable salaries and bonus accrued as at 31 January 2021.

As at 31 July 2020, the variation of the other current assets and liabilities was mainly explained by (i) time differences on VAT payments made and reimbursements received and by (ii) postponement of social costs and other taxes payments in some countries where the Group operates.

As at 31 January 2021, the variation of the other current assets and liabilities was mainly explained by (i) timing differences on prepayments and (ii) postponement of VAT and other taxes payments in some countries where the Group operates.

8-3: Impact of changes in scope

At 31 July 2021, the acquisition of Beanworks generates a net cash out of 72.3 million euros.

At 31 July 2020, the acquisition of YayPay generated a net cash out of 21.0 million euros. The effective divestment of Proship, realized on 28 February 2020, generated a net cash collection of 11.9 million euros.

8-4: Reconciliation of the liabilities flows coming from financing activities

		Cash-flow movements		Non-cash changes		
	31 January 2021	New debt	Repayment	Other*	Translation difference	31 July 2021
Non – current financial debt	767.1	0.7	(2.9)	(80.2)	2.1	686.8
Current financial debt	180.6	1.9	(165.2)	72.6	0.0	89.9
FINANCIAL DEBT	**947.7**	**2.6**	**(168.1)**	**(7.6)**	**2.1**	**776.7**

* *The column "Other" is mainly composed of reclassifications and the variation of accrued interests not yet due.*

In March 2021, Quadient repaid at par, for an amount of 163.2 million euros, all the outstanding bonds on the bond issued in June 2014.

NOTE 9 HEADCOUNT AND EMPLOYEE BENEFITS

9-1: Payroll

	31 July 2021	31 July 2020	31 January 2021
Wages and salaries, bonus and commissions	170.9	168.4	338.1
Social costs	49.0	45.3	90.9
Share-based payments	(0.1)	(0.6)	0.2
Pension expenses under defined contribution plans	-	-	0.6
TOTAL	**219.8**	**213.1**	**429.8**

9-2: Retirement benefit obligations

The main retirement obligation for the Group is the obligation for the United Kingdom. This pension fund shows a net asset of 49.9 million euros (42.5 million pounds sterling) as at 31 July 2021 compared with 36.3 million euros (32.1 million pounds sterling) as at 31 January 2021. 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, Quadient 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, Quadient has to make payments to offset it. The valuation performed for the British regulator in June 2020 showed a non significant deficit related to the deteriorated economic conditions of the middle of the year 2020.

The retirement benefits of French employees are not covered by investments in pension funds except for Quadient France which has covered part of their retirement benefit obligations through investments in funds managed by insurance companies.

With the Exception of the United Kingdom, the Group did not carry out a new valuation as at 31 July 2021.

9-3: Share-based payments

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

	31 July 2021	31 July 2020	31 January 2021
Free share granted valuation	(0.1)	(0.6)	0.2

INFORMATION RELATING TO THE FOUR STOCK-OPTION PLANS

Regarding warrant or purchase options plans, there was no allocation during the first half-year 2021.

There were no exercise of option nor cancellation during 2021 first half-year.

INFORMATION RELATING TO THE FREE SHARE PLANS

There was no allocation of free share plans during the first half-year 2021. The change that occured during 2021 first semester is the June 2018 plan delivery.

NOTE 10 OTHER PROVISIONS, CONTINGENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

10-1: Other provisions

	31 January 2021	Added	Used	Non-used	Other	31 July 2021	Short term portion	Long term portion
Structure optimization	5.5	4.8	(5.0)	(0.1)	0.0	5.2	5.2	-
Customer guarantees/business risk	0.5	0.0	(0.1)	-	0.0	0.4	0.4	-
Provisions for business risk	4.2	0.7	(0.9)	0.0	(0.6)	3.4	1.6	1.8
Other	3.6	0.2	(0.5)	0.0	0.0	3.3	2.1	1.2
Retirement benefit obligations	23.2	0.3	(0.2)	-	(0.3)	23.0	-	23.0
TOTAL	**37.0**	**6.0**	**(6.7)**	**(0.1)**	**(0.9)**	**35.3**	**9.3**	**26.0**

STRUCTURE OPTIMIZATION

The Group continues the optimization of its operations.

Provisions of a total amount of 5.5 million euros were booked as at 31 January 2021. During 2021 first half-year, additional charges of 4.8 million euros were booked and (5.0) million euros were used. As at 31 July 2021, the balance of these provisions is 5.2 million euros.

10-2: Contingent liabilities

In their current activity, Quadient 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 2021.

NOTE 11 FINANCIAL INSTRUMENTS AND FINANCIAL DEBTS

Quadient'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 11, especially those presented in table 11-1, are level 2 financial instruments, whose fair value is based on observable data.

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

	31 July 2021		Breakdown by instrument category			
	Book value	Fair value	Fair value through P&L	Loans and receivables/ Debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	80.3	80.3	22.2	57.8	-	0.3
Lease receivables(a)	575.3	582.4	-	575.3	-	-
Other long term receivables	3.6	3.6	-	3.6	-	-
Receivables(b)	182.2	182.2	-	182.2	-	-
Other receivables(b)	19.0	19.0	-	19.0	-	-
Derivative financial instruments(c)	5.2	5.2	-	-	-	5.2
Cash and cash equivalents(d)	321.7	321.7	-	321.7	-	-
ASSETS	**1,187.3**	**1,194.4**	**22.2**	**1,159.6**	**-**	**5.5**
Financial debts from credit institutions and bank overdrafts(e)	781.1	791.9	29.9	-	751.2	-
Other long-term debts	0.8	0.8	-	0.8	-	-
Accounts payable(b)	64.9	64.9	-	64.9	-	-
Other operating liabilities(b)	213.5	213.5	-	213.5	-	-
Derivative financial instruments(c)	2.1	2.1	-	-	-	2.1
LIABILITIES	**1,062.4**	**1,073.2**	**29.9**	**279.2**	**751.2**	**2.1**

(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 2021 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 12-4 of the 2020 universal registration document.*

(d) *Valuation based on realizable value.*

(e) *The fair value of the debt includes the portion of the 2017 Schuldschein debt that was issued in euros and 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 2020 universal 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 12-2-6 of the 2020 universal 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 310.5 million euros;*
- *concerning fixed rate debts, the fair value is calculated from the yield curve as at 31 July 2021. The difference between the fair value and the value as appearing in the balance sheet is 10.7 million euros.*

Debt in foreign currencies is valued at constant exchange rates.

	31 January 2021		Breakdown by instrument category			
	Book value	Fair value	Fair value through P&L	Loans and receivables/ debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	56.0	56.0	14.5	40.7	-	0.8
Lease receivables[a]	598.2	601.0	-	598.2	-	-
Other long term receivables	3.2	3.2	-	3.2	-	-
Receivables[b]	231.5	231.5	-	231.5	-	-
Other receivables[b]	8.9	8.9	-	8.9	-	-
Derivative financial instruments[c]	6.9	6.9	-	-	-	6.9
Cash and cash equivalents[d]	513.7	513.7	-	513.7	-	-
ASSETS	**1,418.4**	**1,421.2**	**14.5**	**1,396.2**	**-**	**7.7**
Financial debts and bank overdrafts[e]	952.5	966.0	156.0	-	796.5	-
Other long-term debts	0.8	0.8	-	0.8	-	-
Accounts payable[b]	75.5	75.5	-	75.5	-	-
Other operating liabilities[b]	199.7	199.7	-	199.7	-	-
Derivative financial instruments[c]	1.0	1.0	-	-	-	1.0
LIABILITIES	**1,229.5**	**1,243.0**	**156.0**	**276.0**	**796.5**	**1.0**

(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 2021 and constant exchange rate. The valuation is performed excluding credit spread. The British and American postage financing portfolios are comprised of very short-term maturities (less than one month) and renewable credits, the fair value considered is the same as the one booked in the balance sheet.*

(b) *Historical cost valuation.*

(c) *Valuation method described in note 12-4 of the 2020 universal registration document.*

(d) *Valuation based on realizable value.*

(e) *The fair value of the debt includes the portion of the 2.50% Quadient S.A. bond that was swapped for 125 million euros and the portion of the Schuldschein debt that was swapped for 29.5 million euros. Swaps and debt are recognized at their fair value as mentioned in note 12-4 of the 2020 universal 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 12-2-6 of the 2020 universal 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 in the balance sheet which represents an amount of 433.9 million euros;*
- *concerning fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2021. The difference between the fair value and the value as appearing in the balance sheet is 19.9 million euros.*

Debts in foreign currencies are valued at constant exchange rates.

11-2: Breakdown by type of debt

	Financial debts and bank overdrafts	Short-term part of long-term debt	Long-term debt	31 July 2021	31 January 2021
Bonds issue – Quadient S.A. 2.50%[(a)]	-	-	-	-	166.4
Bonds issue – Quadient S.A. 2.25%[(b)]	-	3.6	323.6	327.2	331.0
Schuldschein[(c)]	-	83.1	332.0	415.1	413.6
Revolving credit facility[(d)]	-	0.1	-	0.1	0.1
Other debts	4.4	3.1	31.2	38.7	41.4
TOTAL	**4.4**	**89.9**	**686.8**	**781.1**	**952.5**

(a) *Quadient issued an inaugural 350 million euros public bond on 23 June 2014 listed 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 was reimbursed on 23 March 2021.*

(b) *Quadient issued a 325 million euros public bond on 23 January 2020 listed on Euronext Paris under ISIN number FR0013478849 after filing a prospectus with the Autorité des Marchés Financiers (approval number 20-018 of 21 January 2020). This bond carries a fixed interest of 2.25% and is payable on 3 February 2025. IFRS accounting entails an initial debt of 323.1 million euros, representing a debt issued at 2.3750%.*

(c) *In February 2017, Quadient concluded private placements under German law (Schuldschein) consisting of ten tranches with different maturities between three and six years for a total amount of 135.0 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 (0.4) million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 0.4 million euros. As at 31 July 2021, the impact in the financial charges of this fair value hedge is 0.4 million euros. In February 2020, Quadient repaid 17.0 million euros and 7.5 million United States dollars which had matured. In May 2019, Quadient concluded private placements under German law (Schuldschein) consisting of nine tranches with different maturities of between three and six years for a total amount of 130.0 million euros and 90.0 million United States dollars. In February 2020, Quadient concluded private placements under German law (Schuldschein) consisting of four tranches with different maturities of between four and five years for a total amount of 30.5 million euros and 13.0 million United States dollars.*

(d) *On 20 June 2017, Quadient arranged a revolving credit line for drawdown in euros and in United States dollars for an initial amount equivalent to 400.0 million euros for a period of five years. The maturity of the revolving credit line has been extended to the 20 June 2024, thanks to the exercise of an extension option. The interest rate is indexed to the EURIBOR 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 2021, Quadient does not use that credit facility.*

11-3: Financial ratios

With the exception of the Quadient S.A. 2.25% bond issue which is not subject to any covenant, the various debts (Schuldscheins, and revolving credit facilities) are subject to financial covenants. Failure to comply with these covenants may lead to early repayment of the debt. Quadient complies with all covenants at 31 July 2021.

11-4: Risk management

11-4-1: MARKET RISKS

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

EXCHANGE RATE RISK

Quadient 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 Quadient's half year-end positions as regards exchange rate hedging for commercial activities.

FINANCIAL YEAR 2021 – ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON QUADIENT'S BALANCE SHEET AT 31 JULY 2021 AND EXPECTED TO BE REALIZED NO LATER THAN OCTOBER 2021

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Financial assets	51.0	6.9	3.9	3.5	280.2	7.3	6.9	2.2	7.4	0.6	2.1	0.1
Financial liabilities	14.4	3.6	3.2	0.7	96.4	2.1	8.1	1.3	54.7	0.9	0.3	0.1
Net position before hedging	**36.6**	**3.3**	**0.7**	**2.8**	**183.8**	**5.2**	**(1.2)**	**0.9**	**(47.3)**	**(0.3)**	**1.8**	**-**
Hedging	(36.5)	(3.4)	(0.7)	(2.6)	(183.9)	(5.1)	0.9	(0.9)	47.3	-	(1.8)	-
NET POSITION AFTER HEDGING	**0.1**	**(0.1)**	**-**	**0.2**	**(0.1)**	**0.1**	**(0.3)**	**-**	**-**	**(0.3)**	**-**	**-**

Quadient 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 17.0 million of United States dollars sold, 0.4 million of Sterling pounds sold, 35.0 million of Yens sold and 25.0 million Czech crowns bought.

Quadient also makes use of asymmetric options collars. There is no asymmetric options collar as at 31 July 2021.

2021 BUDGET: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN SECOND HALF-YEAR 2021 EXPECTED TO BE REALIZED NO LATER THAN APRIL 2022

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Projected financial assets	96.3	18.9	8.9	26.8	1,145.4	40.9	11.2	14.8	42.8	3.3	6.3	(1.2)
Projected financial liabilities	46.1	8.2	(3.8)	0.3	818.7	(3.0)	18.5	2.0	491.5	3.7	1.0	0.1
Net position before hedging	**50.2**	**10.7**	**12.7**	**26.5**	**326.7**	**43.9**	**(7.3)**	**12.8**	**(448.7)**	**(0.4)**	**5.3**	**(1.3)**
Hedging	(20.4)	(6.0)	(4.9)	(2.4)	(215.9)	(1.9)	-	(3.6)	257.7	(0.7)	(0.8)	-
NET POSITION AFTER HEDGING	**29.8**	**4.7**	**7.8**	**24.1**	**110.8**	**42.0**	**(7.3)**	**9.2**	**(191.0)**	**(1.1)**	**4.5**	**(1.3)**

Quadient 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 1.1 million of Sterling pounds sold and 60.0 million of Czech crowns bought.

Quadient 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 12.0 million of United States dollars sold, 0.6 million of Sterling pounds sold and 35.0 million of Yens sold.

Instrument and valuations

The Quadient 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 2021. These instruments are listed below by type and by currency for the period to which they relate.

2021: 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	-	19.5	17.0	-	-	17.0
GBP	-	3.0	0.4	-	-	0.4
CAD	-	0.7	-	-	-	-
NOK	-	2.6	-	-	-	-
JPY	-	148.9	35.0	-	-	35.0
SEK	-	5.1	-	-	-	-
CHF	1.9	1.0	-	-	-	-
DKK	-	0.9	-	-	-	-
CZK	22.3	-	-	25.0	25.0	-
AUD	-	1.8	-	-	-	-
PLN	-	-	-	-	-	-

2021 BUDGET: HEDGING OF ANTICIPATED POSITIONS FOR SECOND HALF-YEAR 2021

Notional value – Total	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	8.4	-	-	-	12.0
GBP	-	4.4	1.1	-	-	1.7
CAD	-	4.9	-	-	-	-
NOK	-	2.4	-	-	-	-
JPY	-	180.9	-	-	-	35.0
SEK	-	1.9	-	-	-	-
CHF	-	-	-	-	-	-
DKK	-	3.6	-	-	-	-
CZK	197.7	-	-	60.0	60.0	-
SGD	-	0.7	-	-	-	-
AUD	-	0.8	-	-	-	-
PLN	-	-	-	-	-	-

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 12-4-1 of the 2020 universal registration document. As of 1 February 2013 and according to IFRS 13 standards Quadient set up a credit risk methodology concerning the valuation of financial instruments. In light of the immaterial impact of credit risk, Quadient decided not to recognize them in the financial statements at 31 July 2021.

Quadient uses the IFRS 9 standard for hedging instruments accounting.

Notional value	31 January 2021	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 2021
Financial assets	**0.4**	**-**	**-**	**-**	**-**	**0.4**
• Cash flow hedge	0.5	-	-	-	-	0.5
• Ineffective hedge	(0.1)	-	-	-	-	(0.1)
Financial liabilities	**0.2**	**-**	**0.1**	**-**	**-**	**0.3**
• Cash flow hedge	0.2	-	0.1	-	-	0.3
• Ineffective hedge	-	-	-	-	-	-

* *OCI: Other Comprehensive Income.*

INTEREST RATE RISK

Quadient 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 Quadient's 31 July 2021 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	**55.9**	**517.3**	**-**	**573.2**	**45.5**	**173.4**	**-**	**218.9**
Of which fixed-rate debts	52.5	422.3	-	474.8	0.8	34.9	-	35.7
CORRESPONDING HEDGE MATURITIES	-	220.0	-	220.0	25.0	185.0	-	210.0

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	18.3/20.0	27.4/30.0	-
Swap – buyer	EUR	-	29.5	-
Swap – receiver	USD	25.0	70.0	-
Cap – buyer	USD	-	70.0	-
	EUR	-	70.0	-
Floor – buyer	USD	-	45.0	-
	EUR	150.0	-	-
Floor – receiver	USD	-	-	-

Instrument valuations

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 12-4-1 of the 2020 universal 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 1 February 2013 and according to IFRS 13 standard, Quadient set up a credit risk methodology concerning the valuation of financial instruments. In lights of the immaterial impacts of credit risk, Quadient decided not to recognize them in the financial statements at 31 July 2021.

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.

Quadient applies IFRS 9 on hedge instruments.

	31 January 2021	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 2021
Financial assets (derivatives)	**6.8**	**-**	**0.3**	**(0.1)**	**(2.5)**	**(0.2)**	**4.3**
Debt and swap at fair value hedge	2.0	-	-	-	(1.6)	-	0.4
Derivative instruments qualified as cash flow hedges	2.9	-	0.3	(0.1)	(0.5)	(0.2)	2.4
Derivative instruments not eligible	1.9	-	-	-	(0.4)	-	1.5
Financial liabilities (derivatives)	**2.2**	**-**	**(0.5)**	**-**	**-**	**-**	**1.7**
Derivative instruments qualified as cash flow hedges	2.2	-	(0.5)	-	-	-	1.7
Derivative instruments not eligible	-	-	-	-	-	-	-

* OCI: Other Comprehensive Income.

As at 31 July 2021, the impact of the valuation of financial instruments according to IFRS 13 is nearly flat.

11-4-2: LIQUIDITY RISK

The Group believes that its cash flow will easily enable it to service its debt, given the current level of that debt. Group debt (United States private placement and revolving loan) is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. Quadient complied with all covenants as at 31 July 2021.

As at 31 July 2021, the Group has 400 million euros of undrawn in credit lines.

11-4-3: CREDIT RISK

Customers' counterparty risk exposure (receivables, lease receivables)

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

The main subsidiaries are equipped with information & telecommunication (IT) tools and dedicated teams that allow them to tailor their receivables collection processes to every customer. In addition, the leasing and postage financing activities have their own credit scoring tools and systematically use an external credit scoring opinion at the inception of a new contract.

During the monthly operating reviews, led by the Group finance department, the accounts receivable of each subsidiary are analyzed.

11-4-4: DEPENDENCE ON SUPPLIERS

The main supplier of the Group is Zhilai, leading locker manufacturer in China. Zhilai accounted for 18.3% of total Group purchases in 2020 compared with 1.7% in 2019. In 2019, the main supplier was Hewlett-Packard (HP) who accounted for 6.1% of total Group purchases. The top five and the top ten suppliers respectively account for 19.6% and 27.9% of total Group purchases in 2020, compared with 18.7% and 27.6% in 2019.

Any disruption in supply from any one 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. Quadient has already put in place alternative solutions in case such an event actually occurs.

11-4-5: BANKING COUNTERPARTY RISK EXPOSURE

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

Regarding the offsetting of derivatives in accordance with IFRS 7, Quadient recorded derivatives under assets of 4.0 million euros before netting and recorded derivatives under liabilities of 1.7 million euros before netting. These transactions are carried out with seven banking partners. As at 31 July 2021, the net amount of these instruments is an asset of 2.3 million euros.

11-4-6: BREXIT RISK EXPOSURE

Quadient's business in the United Kingdom consists of hardware sales within Mail Related Solutions and sales of licenses in the digital communications solutions business. Quadient also owns a logistics hub and a folder-inserter factory. These activities generate import and export flows which can be sizeable, in particular with European countries, North-America and the Asia-Pacific area. These activities could be affected by Brexit but, at this stage, the Group has not identified any accounting impacts to be recognized in its financial statements.

NOTE 12 TAX POSITION

12-1: Tax proof

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

	31 July 2021	31 July 2020	31 January 2021
Net income of consolidated companies before income tax	55.5	24.5	65.2
Tax rate for the consolidating company	27.4%	32.0%	32.0%
Theoretical expense	15.2	7.8	20.9
Income tax rate differences	(3.6)	(4.7)	(9.6)
ODIRNANE	(1.2)	(1.4)	(2.9)
Permanent differences	(0.6)	(1.6)	11.8
Tax rate reduction and other non-recurring items*	(0.2)	3.0	3.3
Prior year tax repayment	0.2	(0.5)	0.1
Other	(0.1)	0.1	0.1
TOTAL INCOME TAX	**9.7**	**2.7**	**23.8**
EFFECTIVE TAX RATE	**17.6%**	**11.1%**	**36.5%**

* *For the financial year 2020, exceptional items mainly included a provision for fiscal risk.*

	31 July 2021	31 July 2020	31 January 2021
Current income tax expense (income)	20.9	(7.7)	10.7
Deferred income tax expense (income)	(11.2)	10.4	13.1
TOTAL INCOME TAX	**9.7**	**2.7**	**23.8**

12-2: Deferred tax assets and liabilities

Deferred taxes are mainly due to the following:

	31 January 2021	Changes recognized through equity	Changes recognized in the income statement	Other changes*	Foreign exchange differences	31 July 2021
Tax loss carry-forwards – Net	7.8	-	(0.7)	0.3	0.1	7.5
Pension provision	5.3	(0.4)	0.3	(0.1)	0.0	5.1
Expenses with deferred deductibility:						-
• inventories and bad debt	4.2	-	(0.2)	(0.1)	0.1	4.0
• employees related provisions	1.9	-	0.3	-	0.0	2.2
• fixed assets amortization	22.6	-	7.4	0.0	0.6	30.6
• other expenses with deferred deductibility	(0.9)	-	(0.7)	(0.0)	(0.0)	(1.6)
• Leasing activities	(92.5)	-	2.3	(1.8)	(1.9)	(93.9)
Patents	3.2	-	(0.7)	0.1	-	2.6
Eliminations of margins on inventories, rented and demo equipment	3.2	-	(0.0)	-	0.0	3.2
Capitalization of research and development expenses	(19.7)	-	(0.2)	-	1.2	(18.7)
PPA Taxes	(5.9)	-	0.8	-	(0.1)	(5.2)
Goodwill amortization	(36.1)	-	(1.2)	1.8	(0.6)	(36.1)
Pension	(12.8)	(4.2)	(0.0)	-	(0.5)	(17.5)
Other	(11.5)	(0.3)	3.8	0.2	(0.2)	(8.0)
DEFERRED TAXES ASSETS (LIABILITIES)	**(131.2)**	**(4.9)**	**11.2**	**0.4**	**(1.3)**	**(125.8)**

* *The column "Other changes" mainly includes the deferred taxes recognized at the acquisition of YayPay and some reclassifications.*

At 31 July 2021, the recognition of deferred tax assets was reviewed. 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 netted on the line "Tax loss carry-forwards" amounts to (21.0) million euros as at 31 July 2021. The depreciated tax loss carry-forwards represent a tax basis of approximately 81.8 million euros as at 31 July 2021. There are non-activated tax losses within the Group.

NOTE 13 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

13-1: Equity instruments – ODINARNE issue

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

The conversation ratio is 1.382 at the 31 July 2021. It has been adjusted to 1.411 with effect from 4 August 2021, following the 0.50 euro dividend distribution that occurred at the beginning of July.

As at 31 July 2021, the amount of accrued coupons represents 1.1 million euros and is a current debt.

13-2: 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 2021	31 July 2020	31 January 2021
Net income – attributable to equity holders of the parent company	**45.0**	**21.4**	**40.4**
ODIRNANE dividends	(4.5)	(4.5)	(8.9)
Restated basic earnings (A)	**40.5**	**16.9**	**31.5**
Effect of dilutive instruments:			
• Dilutive free shares	-	-	-
• ODIRNANE conversion	4.5	-	-
Diluted net income (B)	**45.1**	**16.9**	**31.5**
Number of outstanding shares	34,043	34,118	34,155
Effect on a *prorata* time basis of dividend payments in shares, the exercise of stock-options, share buybacks for cancellation and liquidity contract	(25)	(3)	(39)
Weighted average number of shares outstanding *(in thousands)** **(C)**	**34,018**	**34,115**	**34,116**
Weighted average number of outstanding free shares, *prorata* time basis	-	-	-
Number of shares related to bonds (ODIRNANE), *prorata* time basis	6,339	-	-
Number of shares fully diluted *(in thousands)** **(D)**	**40,357**	**34,115**	**34,116**
NET EARNINGS PER SHARE *(IN EUROS)* **(A)/(C)**	**1.19**	**0.50**	**0.92**
DILUTED NET EARNINGS PER SHARE *(IN EUROS)* **(B)/(D)**	**1.12**	**0.50**	**0.92**

* *Weighted average over the period.*

At 31 July 2021, the free shares have a relutive effect and they have been therefore excluded from the calculation of the diluted net earning per share.

In 2020, the potentially dilutive instruments described in the note 14-3-1 of 2020 universal registration document had a strengthening effect and had thus been excluded from the calculation of the diluted earnings per share.

NOTE 14 POST-CLOSING EVENTS

From 31 July 2021 until the financial statements approval by the Board of directors on the 24 September 2021, there was no significant change in the Group's commercial or financial situation.

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

Period from February 1 to July 31, 2021

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Quadient S.A., for the period from February 1 to July 31, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

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

Paris and Paris-La Défense, September 29, 2021

The Statutory Auditors

French original signed by

FINEXSI AUDIT	**ERNST & YOUNG et Autres**
Lucas Robin	May Kassis-morin

STATEMENT OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

3

"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 for the half year ended on 31 July 2021 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

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quadient

42-46, avenue Aristide Briand
92220 BAGNEUX - FRANCE

invest.quadient.com/en-US