



2017 Registration document

Including the annual financial report



NEOPOST
Send.Receive.Connect.

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Registration document 2017



This registration document was presented to the Autorité des Marchés Financiers on 27 April 2018, in accordance with article 212-13 of the AMF's General Regulations. It may be used to support financial transactions if accompanied by an information statement certified by the AMF. This document was made out by the Company and commits its signatories.

The following information is included for reference in this document in accordance with article 28 of European Commission regulation EC 809/2004:

The corresponding consolidated financial statements, annual accounts and auditors' report may be found on pages 85 to 180 of the registration document for year ending 31 January 2017 registered with the AMF on 27 April 2017, number D.17-0451.

The corresponding consolidated financial statements, annual accounts and auditors' reports may be found on pages 85 to 178 of the registration document for year ending 31 January 2016 registered with the AMF on 28 April 2016, number D.16-0429.

The management reports for 31 January 2017 and 31 January 2016 may be found on pages 47 to 58 and 47 to 59 of registration documents D.16-0429 and D.15-0446.

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NEOPOST GROUP ACTIVITY

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Key figures

Sales



organically
compared to 2016

Current operating margin ⁽¹⁾



of sales

Net margin



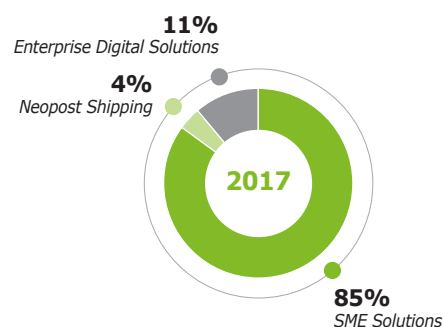
of sales

Sales in 2017 came to 1,112 million euros, down (4.1)% compared with 2016, and down (2.0)% at constant exchange rates. Organic growth was (2.2)%. 2017 current operating margin before acquisition-related expense was 18.2% of sales versus 18.6% in 2016. After acquisition-related expense and non-current items, operating income reached 166 million euros compared to 181 million euros a year before⁽¹⁾.

Neopost decided to propose to shareholders an ordinary dividend of 1.70 euro per share relative to the 2017 financial year, in line with its revised capital allocation policy announced in September 2015. An interim dividend of 0.80 euro per share was paid on 6 February 2018. The balance, *i.e.* 0.90 euro per share, will be paid on 7 august 2018, subject to approval by the Ordinary General Meeting of shareholders to be held on 29 June 2018.

Sales by division

The Enterprise Digital Solutions division posted a +1.7% increase in sales at constant exchange rates. Restated from scope effects of the acquisition of icon Systemhaus and the divestment of DMTI, sales decrease (0.3)% organically. Sales of the Neopost Shipping division increased +10.7 % at constant exchange rates. The sales of the SME division were down (3.0)% at constant exchange rates.

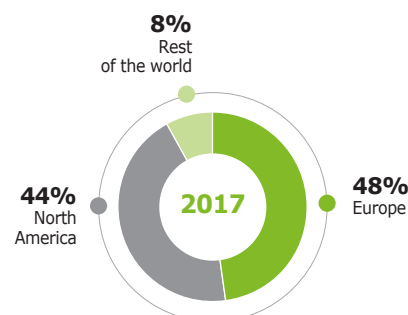


Sales by region

In North America, sales stood at 493 million euros, down (0.7)% at constant scope and exchange rates.

In Europe, sales decreased by (4.7)% at constant scope and exchange rates to reach 531 million euros.

Sales in Asia-Pacific went up by +4.4% at constant scope and exchange rates and came at 88 million euros.



(1) Current operating margin before acquisition-related expenses = current operating income before acquisition-related expense/sales.

Current operating income*(In million euros)*

The current operating income⁽¹⁾ came out at 202 million euros in 2017 from 216 million euros in 2016.

Current operating margin⁽²⁾ was 18.2% of sales versus 18.6% in 2016.

The EDS division posted a decrease in its current operating margin while Neopost Shipping EBIT was stable and SME Solutions EBIT increased slightly.

**Net attributable income***(In million euros)*

The net cost of debt was down to (32) million euros from (30) million euros in 2016. The average tax rate came to 0.6% in 2017, compared to 25.1% one year before thanks to the lowering of the tax rate in the United States as well as the cancellation of tax on dividends in France. The Group's net attributable income came in at 134 million euros, up +13.2% on 2016, which represents a net margin of 12.0% of sales, compared to 10.2% in 2016.

**Leverage ratio**

The net debt/EBITDA⁽²⁾ ratio improved at 2.4, compared with 2.6 a year earlier. At January 31, 2018, shareholders' equity was 1,169 million euros. The strong cash flow generation and the fall of the US dollar versus the euro brought led to a significant decrease in net debt, which at January 31, 2018 stood at 675 million euros versus 763 million euros one year before. Neopost points out that its net debt is fully backed by future cash flows from its rental and leasing activities.

**Net income****Dividend**

(1) Before acquisition-related expense.

(2) EBITDA = current operating income (191 million euros) + depreciation and amortization of tangible (48 million euros) and intangible (46 million euros) fixed assets.

Activity

Neopost is a global leader in digital communications, shipping and mail solutions. Its mission is to help companies improve the way they manage interactions with their clients and partners. Neopost provides the most advanced solutions for physical mail processing (mailing systems and folders-inserters), digital communications management (Customer Communications management and Data Quality applications), and supply chain and e-commerce process

optimization (from point of sale to delivery, including associated tracking services).

Neopost is organized around three divisions:

- Enterprise Digital Solutions;
- Neopost Shipping;
- SME Solutions.

Enterprise Digital Solutions

In its Enterprise Digital Solutions (EDS) division, Neopost offers digital communications solutions and Data Quality software.

Market

Customer Communications Management and Data Quality markets are growing niche markets. Their size is estimated between 1 and 1.5 billion US dollars⁽¹⁾ in sales each. Competition is fragmented but Neopost has been recognised as a leader in Customer Communications Management technology for several years in a row by the research firm Gartner.

Customers

Customers of the EDS division are primarily large accounts in vertical markets such as banks or insurance companies and print service providers.

Customer Communications Management

The EDS division offers solutions that allow a company to coordinate and harmonise all of their customer communication across different departments (sales, marketing, accounting, etc.), while adapting to each department's specific needs. The

Inspire software facilitates the creation and management of their transactional or marketing communication documents regardless of the media and the channel used (physical mail, e-mail, fax, text messages, websites, social networks, etc.).

Data Quality

In Data Quality, EDS markets software which enables companies to collect, manage and update accurate address databases in real time. EDS also offers Master Data Management solutions capable of creating a single database where all essential data used by the different services of the Company are stored.

Birth of Quadient

In 2017, EDS decided to combine the capabilities of three of its sister companies -GMC Software, Human Inference and Satori Software- and created Quadient. This new entity offers an improved and enhanced Data Quality and Customer Communications Management portfolio of solutions to support large organizations who have decided to make Customer Experience a key part of their strategy.

Neopost Shipping

Neopost Shipping markets a complete range of products and solutions which facilitates the entire supply-chain and e-commerce operation: automated parcel creation, preparation of shipments, data capture to allow track & trace and ultimately management of parcel delivery and returns.

Market

The market for shipping solutions is estimated between 2 and 3 billion US dollars in sales⁽¹⁾.

Customers

Neopost Shipping customers are primarily retailers, e-retailers, shippers, logistics operators, postal authorities and carriers.

Software solutions

Neopost Shipping's multi-carrier shipping platforms streamline fulfillment, generate labels, and create transport documents. Available in stand-alone solutions, interfacing with existing information systems or integrated with e-commerce platforms, these solutions adjust to the needs and volumes handled by retailers and online retailers.

Neopost Shipping offers also online and mobile solutions based on EDI, RFID or bar code data capture technologies to track and locate mail pieces and register proof of delivery.

(1) Neopost estimates.

Packcity

Packcity intelligent parcel lockers is an automated locker system that securely stores packages for easy consumer retrieval and returns if need be. Automated parcel lockers eliminates the need for multiple deliveries and re-delivery attempts and reduces the risk of lost packages, hence respecting delivery deadlines and lowering carbon emissions.

CVP-500

The automated packing solution CVP-500 addresses the specific needs of e-commerce. The system builds fit-to-size packages that reduce package volume up to 50%, saving on cardboard consumption and eliminating the need for void fill as well as providing significant savings in transportation costs.

SME Solutions

The SME Solutions division encompasses the legacy business of the Groupe related to mail solutions and graphics activities as well as the new activities in digital communications and shipping solutions.

Market

The size of the mail solutions' market is estimated to be around 3 billion US dollars⁽¹⁾ of sales per year. Neopost is ranked number 2 worldwide on this market, with a market share of 24%⁽²⁾ of the installed base consisting of about 2.0⁽²⁾ million franking machines. Its two main competitors are Pitney Bowes and Francotyp Postalia with market shares of 61% and 11%⁽²⁾ respectively. These market shares are nearly identical to those of the year before. Neopost, nonetheless, captures a growing part of the market revenue every year. More than 80% of the worldwide installed base of mailing systems is located in Canada (5%), France (10%), Germany (8%), the United Kingdom (11%) and the United States (51%).

Customers

SME Solutions' customers are mainly small and medium sized enterprises across all industry sectors.

Postal authorities' role

Postal authorities govern production, distribution and maintenance of franking machines.

Mail Solutions

Neopost supplies equipment, software and services to cover all steps in the incoming and outgoing mail handling chain. It provides important advice and training in organising mailroom, according to each customer's particular needs.

Neopost offers a competitive range of folders/inserters for the office, mailroom and mail centre segments. These systems, supplemented with software to interface with databases, make it possible to publish, prepare for insertion, combine and route

documents (pay slips, invoices, marketing mail shots). The Group also offers maintenance on these systems. Since these systems are connected to the Internet, the maintenance can be performed remotely. Neopost believes he is the world's leading manufacturer of folders/inserters for office and mailroom.

Furthermore, Neopost offers mailing systems which combine franking machines, franking management software solutions, accessories like postal scales, ink cartridges and other supplies to operate them. Neopost offers maintenance of its equipment (possibly remote) and the update of postal tariffs.

With an installed base of around 480,000 franking machines, i.e. about 24% of the total installed base, Neopost is the number two worldwide supplier of franking machines.

Finally, Neopost markets customised financing solutions for all equipment and services which it sells as well as long-term rentals in countries where regulation makes it mandatory, i.e. France for the entire franking machine, the United States and Canada for the meter. The Group also has a financial service called postage financing.

Graphic activities

Neopost distributes also a wide range of equipment for print finishing: guillotines, binding machines, laminating machines, paper folding machines for any type of format. These graphics solutions are available primarily in the Nordic countries and in Australia.

Digital & Shipping Solutions

Software developed by the two divisions EDS and Neopost Shipping are adapted to the requirements of small and medium sized enterprises and are marketed in a client server mode or a SaaS mode (Software as a Service) using the cloud. Neopost also call upon partners in order to create specific solutions like hybrid mail solutions.

(1) Neopost estimates.

(2) Postal statistics and Neopost estimates as at end 2017.

Strategy

Between 2012 and 2017 Neopost deployed a strategy consisting in expanding its offering to digital communications and shipping solutions in order to make the Group's activity less dependent on changes in mail volume and to create conditions for sustainable growth.

On 1st February 2018, a new Chief Executive Officer, Geoffrey Godet, was appointed by the Board of directors. His principal mission is to accelerate the Group's transformation. He will present its strategic plan for the next few years during an investor day to be held before the end of Neopost 2018 fiscal year.

Organizational structure

Head office

Neopost's head office is in Bagneux in the Paris region. All the Group's strategic assets such as the research and development, production and distribution activities described

below are held by wholly owned subsidiaries of Neopost S.A., the parent company of the Group.

Research and development centers

Neopost has several specialised research and development centres. The main R&D centres are located in Bagneux (France) for mailing systems, in Drachten (Netherlands), Loughton (United Kingdom) for folders/inserters, Hradec Králové (Czech Republic) for customer communications management software and Cavaillon (France) and Brisbane

(Australia) for shipping software and services. More than 800 engineers and technicians work in the R&D field at Neopost.

In order to increase its productivity, Neopost subcontracts part of its R&D efforts in Vietnam.

Production centers

Neopost has three assembly centers: Le Lude (France) for high-end mailing systems, Drachten (Netherlands) for mid-range folders/inserters and Loughton (United Kingdom) for high-end folders/inserters and the automated packing system CVP-500.

A team based in Hong Kong manages Neopost subcontractors in Asia. Neopost subcontractors assemble entry-level to

mid-range mailing systems and entry-level folders/inserters. This team also provides solutions for parcel lockers (Packcity).

The Memphis (United States) center is in charge of logistic and customization of products for North America.

All these centers account for around 690 people.

The Group believes that its production capacity is adapted to its activities.

Distribution

Neopost's international sales network is a key feature of its business.

The Group has wholly owned subsidiaries and branches in 29 countries: Australia, Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, Norway, New Zealand, Poland, Singapore, Spain,

Sweden, Switzerland, Taiwan, United Kingdom and United States.

Neopost also has a network of local distributors in about 90 countries in addition to the countries covered by its subsidiaries. These distributors are independent, essentially dedicated to Neopost products and have signed long-term distribution contracts with Neopost.

Investments

Excluding acquisitions, Neopost invested 98.8 million euros in 2017, compared with 82.2 million euros in 2016 and 85.9 million euros in 2015. Details of investments are shown in the table below:

<i>(In millions of euros)</i>	31 January 2018	31 January 2017	31 January 2016
Acquisition of rights and licences	3.8	4.4	4.6
Capitalisation of research costs	27.9	24.9	25.6
Acquisition of equipment	3.6	1.8	2.7
Replacement of installed base of franking machines	52.4	33.4	32.9
IT costs	1.4	5.2	8.2
Other investments	9.7	12.5	11.9
TOTAL	98.8	82.2	85.9

The breakdown of investments by geographical area is the following:

<i>(In millions of euros)</i>	31 January 2018	31 January 2017	31 January 2016
Europe	48.4	54.0	57.5
North America	23.6	24.7	27.8
Asia-Pacific & rest of the world	26.8	3.5	0.6
TOTAL	98.8	82.2	85.9

Regarding acquisitions, the Group invested 23.4 million euros in 2017, mainly for the acquisition of the minority interests in Temando compared with 24.0 million euros in 2016 and 27.8 million euros in 2015.

These investments and acquisitions were financed either with Group cash or with existing credit lines.

For 2018, the level of investment will depend on the strategy defined by the new Chief Executive Officer.

The Group may continue to acquire targeted companies in the future if opportunities arise.

History

Neopost was formed in 1992 through the buy-out of Alcatel's mailroom solutions division by a group of investors led by Fonds Partenaires. This division had been set up in 1970 following the acquisition of Société des Machines Havas and Satas, two companies operating in the French market for more than 40 years. It was then built up by the successive acquisitions of Roneo Vickers in the UK and the Netherlands in 1980, and FME Corp. in the USA in 1981.

In 1997, Neopost was taken over by another group of investors advised by BC Partners in association with the management.

Neopost listed on the main Paris Euronext market on 23 February 1999 at a price of 15 euros per share.

Neopost, already number two worldwide in 2002, strengthened its position significantly with the acquisition of Ascom Hasler, the mailing systems division of the Swiss company Ascom, which was then number three in the world.

In 2009, Neopost enhanced its service offering with the acquisition of Satori Software in the United States, one of the

world market leaders in postal address quality management tools.

In 2012, Neopost acquired GMC Software AG a leader in the field of Customer Communications management, and Human Inference, one of the leading European Data Quality solution providers.

In 2014, Neopost acquired ProShip, one of the largest providers of multi-carrier parcel shipping solutions in the United States.

In 2015, the Group took a majority stake in Temando, an Australian technology company providing shipping solutions for the e-commerce industry.

In 2016, Neopost continued to develop in digital communications through the acquisition of icon Systemhaus, the German leader in Customer Communications Management.

In 2017, Neopost bought back all the minority shareholdings and now holds 100% of the company's capital.

2

CORPORATE GOVERNANCE REPORT

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The Board of directors

The mission of the Board of directors is to determine the strategic directions to be followed by the Company and to oversee their implementations.

Governance structure

Neopost S.A., the holding company belonging to the Neopost group, is a limited company with a Board of directors. The Board opted, until the end of the 2017 fiscal period, to merge the offices of Chairman and Chief Executive Officer, in the opinion that this is the governance method best suited to Neopost's organization and operations. This unitary structure was introduced with a view to providing a more efficient and responsive Group governance, while ensuring a good balance of power.

In order to maintain a balance in discussions and within its governance structures, the Board of directors is comprised mainly of independent directors, the audit committee is made up exclusively of independent directors, the Group's policy for managing conflicts of interest was reconsidered under the review of by-laws applying to the Board and committees and a lead director was appointed in 2016.

Apart from the limitations imposed by law, regulations and the Board's own by-laws, no additional limitations have been placed by the Board on the powers granted to the Chief Executive Officer.

To step up the transformation of the Group, the Board of directors decided on 12 January 2018 to separate the functions of Chairman of the Board and Chief Executive Officer of the Group. This separation of functions complies with the undertaking of the General Meeting of 1 July 2016 and takes effect as from 1 February 2018.

Geoffrey Godet is therefore the new Chief Executive Officer of Neopost. Denis Thiery, Chairman of the Board, will provide his in-depth knowledge of the sector and company for the implementation of this new form of governance.

Missions of the Board of directors

The Board, a corporate body and forum for strategic discussion and decision-making, optimizes value creation while upholding the short-, medium- and long-term interests of the shareholders and all stakeholders.

Over and above the local legal requirements, Neopost places particular importance on the Board being able to perform the following roles:

- approve all decisions concerning the Company's major strategic, economic, social and financial orientations and ensure that these are implemented;
- to be informed of a change in the markets, the competitive environment and the key challenges, including in the domain of the Company's corporate social responsibility;
- ensure there is an effective system in place within the Company that offers reasonable assurance that operations are conducted in accordance with current rules and regulations;
- set up and run specialist committees with a view to enriching the decision-making process;
- approve the investment projects and all transactions, specifically acquisitions and disposals, likely to have a major impact on Neopost's results, balance sheet structure and risk profile;
- approve the annual budget, review and approve the financial statements at regular intervals;
- review the Company's financial communications policy;
- appoint the corporate officers in charge of running the Company;
- set the remuneration policy for general management on the recommendation of the remuneration committee;
- each year, prior to publication of the annual report, review on a case-by-case the position of each of the directors and then notify the shareholders of the results of its review with a view to identifying the independent directors;
- approve the Corporate governance report on the conditions for preparing and organizing the Board of directors' work, together with the Company's internal control procedures.

Details on how the Board of directors operates and on the rights, obligations and recruitment practices of its members within the limits of their authorized mandates are defined in the Company's by-laws. The by-laws also detail the Board's principal missions as well as the operations for which its approval is required.

The Board of directors

Composition of the Board of directors table for fiscal year 2017:

	Age	Nationality	Key competence	Independence	Years on the Board	Start/renewal of directorship	End of Directorship	End of term	Individual rate of attendance	Audit committee	Appointment committee	Remuneration committee
Denis Thiery	62	F	Finance & Management		10 years	July 2007	-	2019	100%			
Hélène Boulet-Supau	51	F	Finance Management, e-commerce	*	7 months	June 2017	-	2018	100%			•
Éric Courteille	50	F	Finance	*	6 years	July 2012 renewed June 2017	-	2020	100%	•		
Virginie Fauvel	43	F	e-business, Digital Technology	*	2 years	July 2016	-	2019	100%		•	
William Hoover Jr.	68	US	Strategic Consulting	*	5 years	July 2013, renewed June 2017	-	2020	71%	•		
Vincent Mercier*	68	F	Strategic Consulting	*	9 years	July 2009	-	2018	100%		•	•
Catherine Pourre	61	F	Finance	*	8 years	July 2010	-	2019	71%	•		•
Cornelius Geber	64	All	Transport & logistics	*	15 years	July 2002	June 2017	2017	67%			
Richard Troksa	55	US	Consulting, New Technology	*	2 years	July 2016	-	2019	100%		•	
Jean-Paul Villot	70	F	Trade, Finance & Management		22 years	September 1996	July 2017	2019	75%			
Nathalie Wright	53	F	Management, New Technology	*	4 months	September 2017	-	2019**	100 %			

* Vincent Mercier is the Board's Lead Director.

** The appointment of Nathalie Wright will be ratified at the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2018.

• Committee Chair

The Chairman of the Board

Denis Thiery



is 62 years old and a French citizen. He has been Chairman of the Board since 1 February 2018. He was Chairman & CEO of Neopost S.A. until 31 January 2018. Having graduated from HEC, he began his career as an auditor with Coopers & Lybrand in France and in the USA. From 1984 to 1991, he held a number of positions at Wang France, before becoming Financial Director in 1989. From 1991 to 1997, he was the Financial Director, and then Chief Executive of Moorings, the world leader in yacht chartering, based in the United States. Denis Thiery joined the Neopost group in 1998 as Group Financial Director and became Chief Executive Officer and then Chairman & CEO on 12 January 2010.

From 1 February 2018, the functions of Chairman and Chief Executive have been separated. Geoffrey Godet was appointed

Chief Executive Officer following the Board decision of 12 January 2017.

Denis Thiery was appointed as a director by the Annual General meeting of 10 July 2007. His mandate was renewed at the Annual General Meeting of 1 July 2016 for a new three-year term, *i.e.* until the Annual General Meeting of 2019.

Other mandates in the Group: director of Neopost Ltd (United Kingdom), Neopost Shipping (France) and Mailroom Holding Inc. (USA).

Other mandates outside of the Group: none.

Other mandates over the past five years (except those already listed above): none.

Mr. Denis Thiery and his affiliated parties hold 147,592 Neopost shares.

Members of the Board

The members of the Board of directors are proposed by the Board, on the advice of the appointments committee, and appointed by the Ordinary General Meeting. The General Meeting may revoke their appointments at any time.

Discussions held over an 18-month period on changes to the Board of directors are in line with Group strategy: regular renewal of Members (the Board has been getting younger since 2016, with the average age decreasing from 60.9 to 56.6), compliance with Law no. 2011-103 of 27 January 2011 on an equal representation of men and women, openness of the Board. In addition, in compliance with the undertakings of last year, on 12 January 2018, the Board decided to

implement a separation of the functions of Chairman of the Board and Chief Executive Officer of the Group. This separation of powers took effect on 1 February 2018.

The number of directors aged over 70 may not exceed one third of all directors during the period. The age limit for the Chairman is 65. The director representing employees was appointed in the Neopost France subsidiary. The term of each director's mandate is limited to three years. To help with the staggering of mandates and avoid a "block" renewal of the Board, the General Meeting of 30 June 2017 decided on the advance renewal of two directors.

Lead director

Although there are no formal recommendations regarding situations in which it is desirable to appoint a lead director, the Group is particularly sensitive to the position of the *Autorité des Marchés Financiers* (French Financial Markets Regulator).

Neopost therefore decided to appoint Vincent Mercier as lead director in 2016 from among the independent directors. His role is to ensure governance bodies are run correctly and efficiently, that there are no conflicts of interest and that the concerns of shareholders with respect to governance are taken into account. The lead director's missions and responsibilities notably include the following:

- participating in the preparation of the Board's meetings where necessary;
- requesting Board meetings under exceptional circumstances with a specific agenda and on his or her own

initiative, suggest linking up work sessions between independent directors;

- presiding over all Board meetings where the Chairman of the Board is absent, including work sessions between independent directors;
- ensuring the Board's by-laws are applied at Board meetings;
- liaising between the Chairman and other members of the Board;
- taking part in a periodic assessment of the Board's work, particularly through holding work meetings between independent directors;
- taking part in committee work where necessary;

The Board of directors

- providing guidance and recommendations to the Board in the case of conflicts or potential conflicts of interest, with a director;
- making himself/herself available, working with the Chairman of the Board to discuss governance questions with the shareholders.

In accordance with the recommendations of the Afep-Medef code, the Board updated its by-laws on 29 March 2016 with a precise definition of the lead director's missions, resources and prerogatives.

Vincent Mercier



Vincent Mercier is 68 years old and a French citizen. He is a civil engineering graduate from the *École des Mines* and has a Masters in economic science, as well as an MBA from Cornell University (USA). Until 2014, he was Chair of the supervisory Board of Roland Berger Strategy Consultants, where he served as director for France and China until 2010.

Vincent Mercier was appointed director of Neopost S.A. at the General Meeting of 7 July 2009. His mandate was renewed at the General Meeting of 1 July 2015 for a three-year term, namely until the 2018 General Meeting, where a further renewal will be proposed.

Other mandates in the Group: none.

Other mandates outside of the Group: director of Sucden, FM Logistic, Altavia Europe and ADIE.

Other mandates over the past five years (except those already listed above): Chair of the supervisory Board of Roland Berger Strategy Consultants until July 2014.

Vincent Mercier holds 2,400 Neopost shares.

Directors

Hélène Boulet-Supau



Hélène Boulet-Supau is 51 years old and a French citizen. Having graduated from ESSEC, she started her career at Arthur Andersen, before joining the Group Pierre et Vacances where she worked from 1991 to 2000, holding a variety of positions including financial director. Boulet-Supau then worked as a financial consultant, before taking over the reins of Larroque,

a company that designs and distributes womenswear, alongside the designer that founded the company. Since 2007, Hélène Boulet-Supau has been Chief Executive and a shareholder of Sarenza. She was awarded the Veuve Cliquot prize in 2013 for business women with outstanding entrepreneurial spirit and creativity.

Ratification of the co-optation of Hélène Boulet-Supau to the Board of directors was approved by the General Meeting of shareholders on 30 June 2017. Hélène Boulet-Supau's mandate extends for the remaining period of her predecessor, Isabelle Simon, namely until the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2018. Renewal of her mandates will then be submitted for the approval of this General Meeting.

Other mandates in the Group: none.

Other mandates outside of the Group: director of Sarenza SA

Other mandates over the past five years (except those already listed above): Board member of Sarenza SA

Hélène Boulet-Supau holds 850 Neopost shares.

Éric Courteille



Éric Courteille is 50 years old, and a French citizen. He is the CEO of New R SAS and has been Chief Executive Officer of La Redoute SAS since 2 June 2014. Éric Courteille is a graduate of ESCP-EAP and started his career at Arthur Andersen France, as an auditor, from 1995 to 2000. He then jointly founded the Sporever Group. From 2002 to 2006, he held a range of positions in the Financial Department of the PPR Group. At the end of 2006, he joined Redcats as Administrative and Finance Director for the brand The Sportsman's Guide (Redcats USA). He then became financial director and General Secretary of Redcats SA in April 2009.

On 4 July 2012, the Neopost S.A. General Meeting ratified the appointment of Éric Courteille as director. His mandate was renewed at the General Meeting of 30 June 2017 for a three-year term, namely until the General Meeting of 2020.

Other mandates in the Group: none.

The Board of directors

Other mandates outside of the Group: Chief Executive of BCR SAS; Chairman of NEW R SAS; Chief Executive of La Redoute SAS; permanent representative of R SAS as Chairman of Relais Colis SAS.

Other mandates over the past five years (except those already listed above): Chief Executive of NEW R SAS; Chairman of Relais Colis SAS; permanent representative of Relais Colis on management Board of Aubaines Magasins SAS; director of La Redoute SA (France) and La Redoute Catalogue Benelux (Belgium); Chairman of Redcats International Holding SAS, Giornica SAS and Redcats Business Development; director of Redcats USA Inc. (USA) and Redcats USA LLC (USA), director of Cyrillus UK Ltd (UK), director of Redcats UK (UK); Chairman of the Board and delegated director of Cyrillus Benelux SA (Belgium), Board member of Redcats Nordic AB (Sweden), Board member of Redcats Management Services SAS; permanent representative of Redcats SA on the management Board of SAS SADAS, SAS Cyrillus and SAS La Redoute Mag; Chairman of SAS DIAM, permanent representative of Redcats SA on the Board of directors of Cyrillus Benelux SA (Belgium), LMDV SA, Movitex SA and on the management Board of Redcats International SAS, permanent representative of SOGEP SAS as a director of Somewhere SA and permanent representative of La Redoute SA on the management Board of SAS La Redoute Mag.

Éric Courteille holds 267 Neopost shares.

Virginie Fauvel



Virginie Fauvel is 43 years old and a French citizen. She is a graduate of Nancy *École des Mines*. Virginie Fauvel started her career at Cetelem as director of Statistical Studies, Risks and CRM. She was appointed director of Digital Technology in 2004, heading the e-business entity and responsible for drawing up Cetelem's global online

strategy. Virginie Fauvel then directed the BNP Paribas entity dedicated to the online bank in Europe and in France, before founding Hello Bank!, the leading online bank in Italy, France, Belgium and Germany. She joined Allianz France in 2013 as a member of the executive committee, in charge of teams dedicated to the digital transformation of the company, big data, artificial intelligence, communication and marketing. Since 15 January 2018, Virginie Fauvel has been heading group transformation at Euler Hermes and is director of the Americas region. She has also been a Board member of the Euler Hermes Group since 1 April 2018.

Virginie Fauvel was appointed a director of Neopost S.A. at the General Meeting dated 1 July 2016 for a three-year term, namely until the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2019.

Other mandates in the Group: none.

Other mandates outside of the Group: member of the supervisory Board of the Europcar Group and Board member of Euler Hermes.

Virginie Fauvel holds 130 shares.

William Hoover Jr.



William Hoover Jr. is 68 years old and a U.S citizen. He was a Senior Partner at McKinsey for 30 years. A graduate of politics, philosophy and economics at Oxford University, Mr. William Hoover Jr also has an MBA from Harvard Business School. He established himself in Denmark in 1980 where he devoted his work to advising Scandinavian businesses, primarily in the fields of high technology, telecommunications and industry. Notably, he has advised businesses on setting up in and expanding to China.

His mandate was approved at the General Meeting held on 2 July 2013. This mandate was renewed at the General Meeting of 30 June 2017 for a three-year term, namely until the General Meeting of 2020.

Other mandates in the Group: none.

Other mandates outside of the Group: Board member of GN Great Nordic, a company listed on the Copenhagen stock exchange, Chairman of the Board of ReD Associates. All of these companies are Danish. William Hoover Jr. is also a director of the LEGO Foundation.

Other mandates over the past five years (except those already listed above): Board member of Danfoss AS, Board member of Sanistal A/S.

William Hoover Jr. holds 200 Neopost shares.

Catherine Pourre



Catherine Pourre is 61 years old, and a French citizen. She is a graduate of ESSEC, holds a law degree from the Catholic University of Paris and is a qualified chartered accountant. Catherine Pourre started her career with PriceWaterhouseCoopers, where she was a Partner from 1989 to 1999. She joined Unibail-Rodamco in 2002 as Deputy Chief Executive and then, from 2007 to 2013, served as a Board member of Unibail-Rodamco SE.

Catherine Pourre was appointed a director of Neopost S.A. at the General Meeting of 6 July 2010. Her mandate was renewed at the General Meeting of 1 July 2016 for a three-year term, namely until the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2019.

Other mandates in the Group: none.

Other mandates outside of the Group: director of Crédit Agricole SA, a listed Paris company, director of CACIB SA, director of SEB S.A., a listed company, as a permanent representative of the Strategic Equity Fund and director of CPO Services Sarl (Luxembourg), member of the supervisory Board of Bénéteau SA, a listed Paris company.

Other mandates over the past five years (except those already listed above): director of U&R Management BV (Netherlands), Board member and Executive Officer of central functions of Unibail-Rodamco SE, a listed European country governed by French law, CEO of Tayninh (listed company), Chair of SAS Doria and SAS Unibail Management, director of Comexposium Holding and Unibail-Rodamco Participations, director, Chair of

the audit committee and Chair of the appointments and remuneration committee of Viparis-Le Palais des Congrès de Paris, member of the supervisory Board of Uni-Expos, Chair of the audit committee of SCI Propexpo, CEO of Viparis Holding (formerly Unibail-Rodamco Finance), CEO of Espace Expansion Immobilière, director of Union Immobilière Internationale, Chair of the audit committee and Chair of the appointments and remuneration committee of Viparis-Porte de Versailles, Board member of Rodamco Europe N.V. (Netherlands), a listed company, director of Rodamco Europe Beheer B.V. (Netherlands), director of Unibail-Rodamco S.E. (Netherlands), representative of Unibail-Rodamco SE on the Board of directors of Crossroads Property Investors SA (Luxembourg) and Rodamco Europe N.V. (Netherlands) and Deputy Chief Executive of Unibail Management (France).

Catherine Pourre holds 456 Neopost shares.

Richard Troksa



Richard Troksa is 55 years old and is a U.S citizen. He is a consultant at Gold Aspen Executive Consulting, dedicated to providing advice in strategy and development in the field of new technology. Graduating with a master's degree in engineering science from the University of Colorado, Richard Troksa started his career at IBM in 1984, where

he was head of software development before being appointed Business Line Manager in 2003. He then joined Exstream Software, where he was appointed CEO in 2007. In 2008, he became Vice-President of the Enterprise Software branch at Hewlett-Packard (HP), a position he held until 2010. Richard Troksa has solid financial and managerial experience, combined with a new technology profile.

Richard Troksa was appointed director of Neopost S.A. at the General Meeting of 1 July 2016 for a three-year term, namely until the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2019.

Other mandates in the Group: none.

Other mandates outside of the Group: member of the Board of directors of 7 Summits Inc., member of the supervisory Board of Pulsar 360 Inc.

Other mandates over the past five years (except those already listed above): Board member of DocuLynx Inc.

Richard Troksa holds 1,500 Neopost shares.

Nathalie Wright



Nathalie Wright is 53 years old and a French citizen. A graduate in economics from Paris Assas University, the IAE and INSEAD, she started her career at Digital Equipment France before joining NewBridge Networks France. She held the positions of Sales Manager and Country Leader at MCI, then Easynet and finally, Vice-President, Southern Europe in charge of Commercial Strategy for France, Italy, Spain and the Middle East for AT&T. Nathalie Wright joined Microsoft in 2009, where she held the positions of director of the Public Sector division, then General Manager for Enterprise & Strategic Alliances for 5 years. In 2017, Nathalie Wright was appointed Vice-President Software France at IBM. She is currently Group Digital & IT Transformation Manager in the Rexel Group. Nathalie Wright was made a *Chevalier de la Légion d'Honneur* in 2011 for her actions promoting diversity in the workplace.

Nathalie Wright was co-opted to replace Jean-Paul Villot, who resigned from his directorship on 28 July last year. Her mandate extends for the remaining period of her predecessor, namely until the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2019.

Other mandates in the Group: none.

The departing directors

The mandate of Cornelius Geber was not renewed at the General Meeting held on 30 June 2017.

Jean-Paul Villot joined Neopost S.A. in September 1995 as Deputy Chief Executive and was then appointed Chief Executive Officer of Neopost S.A. in September 1996. On 19 June 2007, Jean-Paul Villot became Chairman of the Board of Neopost S.A. and remained in this position until 12 January 2010. Jean-Paul Villot played a considerable role in the development of Neopost.

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Corporate governance report

The Board of directors

Independent directors

In accordance with the recommendations of the Afep-Medef code, the by-laws of the Board and its committees provide that the Board of directors, the appointments committee and the remuneration committee be composed of a majority of directors deemed to be independent, and the proportion of independent members on the audit committee be at least two-thirds.

The Afep-Medef code provides the following definition of an independent director: "A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that may color his or her judgment."

Pursuant to the recommendations of this code, the appointments committee issues its recommendation on the independence of the members of the Board of directors in light of these independence criteria. The last report was presented to the Board of directors on 26 March 2018. It confirmed that eight out of the nine directors on the Board on 31 January 2018 (88%) were independent. Consequently, all directors on the Board of Neopost S.A, with the exception of the Chairman & CEO, are independent.

Criteria	Richard Troksa	Éric Courteille	William Hoover Jr.	Vincent Mercier	Catherine Pourre	Hélène Boulet-Supau	Virginie Fauvel	Nathalie Wright
Not be an employee or executive corporate officer of the Company, an employee, corporate officer or director of its parent company or of a company that it consolidates, and not have served in any of these capacities during the previous five years	✓	✓	✓	✓	✓	✓	✓	✓
Not be an executive corporate officer of another company in which the company holds, directly or indirectly, a position on the Board of directors, or in which an employee designated as such or an executive corporate director of the Company (either presently or within the last five years)	✓	✓	✓	✓	✓	✓	✓	✓
Not be a major client, supplier, corporate banker or financial banker of the Company or the Group, or be an entity for which the Company or Group represents a significant percentage of business	✓	✓ *	✓	✓	✓	✓	✓	✓
Not have close family ties with a corporate officer	✓	✓	✓	✓	✓	✓	✓	✓
Not have been an auditor of the Company in the previous five years	✓	✓	✓	✓	✓	✓	✓	✓
Not have been a director of the Company for more than twelve years. The loss of status as independent director occurs after a period of twelve years.	✓	✓	✓	✓	✓	✓	✓	✓

* None of the directors considered to be independent have any direct or indirect business links with the Company, with the exception of Éric Courteille who was appointed Chief Executive Officer of La Redoute. Mr. Courteille has business links with Packcity France and Temando France, Neopost subsidiaries, and during the fiscal period in question, the amount of transactions invoiced to La Redoute and its subsidiaries totaled 249,810 euros. This business link was considered non-material and does not compromise Eric Courteille's independence.

There are no family ties between the directors. None of the directors on the Board on 31 January 2018 have been found guilty of fraud, placed in receivership or been declared bankrupt, incurred any official public penalty and/or sanction, or been prevented from acting or operating in the

management or conduct of business, over the past five years. No directors have been involved in liquidation proceedings when they were a member of a Board of directors, a management organ or supervisory Board over the past five years.

The Board of directors

There are no potential conflicts of interest for the corporate officers and directors between their duties to Neopost and other interests or duties to which they may be bound.

No arrangements or agreements have been made with the principal shareholders, customers, suppliers or other parties, by virtue of which any of the corporate officers has been selected as a member of an administrative, management or supervisory body or as a member of the general management.

Gender equality and diversity on the Board

Indicator	2017	2016
Non-French national directors	2	3
% non-French nationals	22%	30%
Number of women	4*	3*
% women	44%	30%

* As at 31 January 2018.

The majority of Board members have extensive international experience. 22% are non-French nationals. Each director contributes to the Board's diversity through their range of different experience and expertise.

Four of the nine Board members are women, bringing their current representation to 44%.

In addition, each new director meets with the Group's senior managers to gain a deeper knowledge of the Company, its businesses and markets.

In January each year, the directors attend a special Board meeting on strategy. During this special "strategy session", management presents a number of topics for discussion concerning future strategy, the general activities of the various departments, new products (especially those that constitute a change of strategy for the Group) and new acquisitions. This year, three additional meetings were included in the "strategic sessions" to provide a more detailed presentation of the various departments.

Each new director is also registered with the French Institute of Directors (IFA).

All directors receive the press releases issued by the Group.

Training and orientation of new directors

When taking up office and to facilitate a smooth transition as a Board member, all new directors receive the documentation required to perform their duties. These include the Company's articles of association, the by-laws of the Board and its committees, the stock market code of ethics (to be signed) together with the annual calendar of authorization periods to trade on Neopost's securities, the annual schedule of Board and committee meetings, the date of the Annual General Meeting and the most recent registration document.

Work of the Board of directors

In the year ended 31 January 2018, the nine members of the Board of directors met seven times with a global attendance rate of 89.5%. On average, the meetings lasted four hours.

Directors' participation at Board meetings in 2017/2018:

	Attendance rate	Number of meetings
Denis Thiery	100%	7/7
Éric Courteille	100%	7/7
Virginie Fauvel	100%	7/7
Cornelius Geber	67%	2/3
William Hoover Jr ^(a)	71%	5/7
Vincent Mercier	100%	7/7
Catherine Pourre ^(a)	71%	5/7
Hélène Boulet-Supau	100%	7/7
Richard Troksa	100%	7/7
Jean-Paul Villot	75%	3/4
Nathalie Wright	100%	3/3

(a) These directors had long standing commitments notably with other directorships.

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Corporate governance report

The Board of directors

The main themes discussed at Board meetings in 2017 were as follows:

Group strategy	<ul style="list-style-type: none">• Highlights, presentation and analysis of fiscal 2016 results• Budget and outlook for fiscal 2017• Forecasts and quarterly results• Review of the acquisitions and projects underway• Feros Advisors (investors' targeting) introduction
Corporate Governance	<ul style="list-style-type: none">• Advance renewal of directors' mandates: Eric Courteille and William Hoover Jr.• Co-optation of Ms. Hélène Boulet-Supau and Ms. Nathalie Wright as directors• Independence of the Board members under the definition provided in the by-laws• Approval of the management report and the draft resolutions submitted to the combined Ordinary and Extraordinary General Meeting
Internal control	<ul style="list-style-type: none">• Results of the work conducted by the audit committee concerning audits and evaluation of the internal control system in the Group• Approval of the Chairman's report on the work of the Board and internal control and risk management procedures
Group finances	<ul style="list-style-type: none">• Approval of the annual and interim consolidated financial statements for the Neopost group• Approval of the annual and interim individual financial statements for Neopost S.A.• Cash and debt positions, dividends, launch and monitoring of share buyback programs• Refinancing operations• Payment of interim cash dividend
Remuneration	<ul style="list-style-type: none">• Results of the remuneration committee's work• Fixed and variable remuneration paid to the Chairman and CEO• Performance of free share allocation programs• New allocation of directors' fees for 2017• Plan for allocating free performance shares
Appointments	<ul style="list-style-type: none">• Replacing outgoing directors• Succession plan for the Chairman and Chief Executive Officer and members of the Excom, with the search for profiles and hearings of the candidates

Once finalized, all documents relating to a Board meeting's agenda are forwarded at the earliest opportunity to the directors by management several days before the meeting. The elements can be accessed by all Board members via the Internet platform that enables them to examine documents prior to meetings, as well as information such as the articles of association and the Board's by-laws. This platform also provides access to the documents of the various committees. This access is subject to the composition of the committees; for example, any given committee's documents will only be accessible to the directors sitting on that committee.

At the initiative of the lead director, "executive sessions" involving independent directors, without the presence of the Chairman & CEO. Three executive sessions were held during the 2017 fiscal period. During the forthcoming year, an executive session will systematically be held prior to each Board meeting.

According to the Company's by-laws, the Chairman & CEO's obligation to disclose information goes hand-in-hand with each director's duty to be diligent in remaining informed, to request any information they may require to aid understanding of the points on the agenda in good time from the Chairman & CEO, to make themselves available, and to give the time and attention needs to perform their duties.

Corporate governance code

Neopost has long pursued an active corporate governance policy. The Company has referred to the Afep-Medef code to draft this report.

Following the publication of the Afep-Medef code, which was revised in November 2016, the Board examined recommendations from the revised code at a meeting held on 27 March 2017.

Implementing the “comply or explain” principle of the Afep-Medef code

Under the “comply or explain” rule in article L.225-37 of the French commercial code and article 25-1 of the Afep-Medef code, Neopost considers that its practices comply with the

code’s recommendations. However, some recommendations have not been implemented during the 2017 fiscal period for the reasons provided in the following table:

Afep-Medef recommendations not applied	Neopost position and explanation
<p>Separation of the offices of Chairman of the Board of directors and Chief Executive Officer (article 3-2 of the code)</p> <p><i>“[...] it is essential for the shareholders and third parties to be fully informed of the choice made between separation of the offices of Chairman and Chief Executive Officer and maintenance of these positions as a single office.”</i></p>	<p>On expiry of the Chairman Jean-Paul Villot’s term of office in 2010, the Board of directors resolved to merge the offices of Chairman and CEO, believing that this was the governance method best suited to Neopost’s organization and operations. For Neopost this governance structure takes full advantage of the CEO’s business knowledge and experience, fosters a close relationship between the managers and shareholders, increases the Board’s responsiveness and allows for optimal coordination of operations within the Group.</p> <p>During the current period of transition, the Board decided to renew the Chairman and CEO’s term of office in 2016 to enable him to successfully complete Neopost’s transformation and support the renewal of the Board. In addition, the Board of directors discussed a change in Neopost’s governance to separate the roles of the Chairman and the Chief Executive Officer, and instructed Denis Thiery and the appointments committee to submit a proposal for this purpose within the two-year period of the mandate which was submitted for the Board’s approval following the General Meeting of 1 July 2016. (The separation of powers went into effect on 1 February 2018).</p> <p>To safeguard the balance of powers during this period of single office, the Board of directors has also implemented the guarantees required for this management model, in accordance with best practices for governance:</p> <ul style="list-style-type: none"> • independent directors making up two-thirds of the Board; • an independent audit committee; • a conflict of interest policy; • formal evaluation of the Board by an external body at the end of 2015/early 2016; • the appointment of a lead director in 2016; • Staggering the directors’ mandates. <p>Change in the composition of the Board has occurred in four areas: increasing the share of independent directors, having a younger Board with more female members, maintaining a strong international outlook and establishing consistency between the Board’s competencies and Neopost’s new strategy.</p>
<p>Termination of employment contract in case of appointment as executive director (article 22 of the code)</p> <p><i>“[...] When an employee is appointed as executive director, it is recommended to terminate his or her employment contract with the Company or with a company affiliated to the Group”</i></p>	<p>In the Board of directors’ opinion, the decision to retain Denis Thiery’s employment contract, initially agreed on 1 October 1998, is justified by 18 years of service in the Group (and 10 years under this employment contract until it was suspended in 2007 when he was appointed Chief Executive Officer). The decision allows the Company to have an internal promotion policy that allows the appointment to corporate officer positions of experienced senior executives with deep knowledge of Neopost’s businesses and markets. The loss of entitlements linked to their employment contracts and length of service (such as severance payments) would represent a constraint.</p> <p>The employment contract of the current CEO has been suspended and does not contain any clause relating to severance payments. It was reactivated on 1 February 2018 following the end of Denis Thiery’s mandate as Chief Executive Officer. The new Chief Executive Officer has no employment contract.</p>

By-laws for the Board and committees

The by-laws of the Board and committees were drafted on 30 March 2004. The most recent version, approved by the Board on 29 March 2016, is available on the Group’s website (www.neopost-group.com).

The aim of the by-laws is to specify the mission and competences of the lead director. It also establishes and sets out the role and operating procedures of the Board of

directors, together with the rights, obligations and recruitment practices of its members, within the scope of their authority, in order to ensure the Company’s long-term future, its smooth running and the sustained creation of value for shareholders, employees and the Company’s other stakeholders. Finally, the by-laws establish and define the mission and competences of the lead director.

The Board of directors

The by-laws can only be approved and amended upon decision of the Board of directors.

The following are attached to the by-laws:

- the regulations of the appointments committee;
- the regulations of the remuneration committee;
- the regulations of the audit committee;
- the definition of the role of an independent director, as provided by the appointments committee;
- the manager-shareholder's charter.

The by-laws set out the missions of the Board of directors.

In addition to the tasks attributed to it by law and by the articles of association, the Board approves strategic decisions, budgets, significant acquisitions and disposals, and restructuring plans. It also ensures the quality and reliability of financial and non-financial information and of shareholder communication.

In particular, the Board of director's tasks include:

- approving this governance report, organizing and preparing the Board's work and managing internal control procedures;
- defining the role of an independent director;
- defining the remuneration policy for the Group's executives;
- making necessary changes to the regulations governing the various committees.

The specialized committees make proposals to the Board relating to their field of expertise.

The by-laws set out the rights and obligations of directors, particularly as regards attendance, confidentiality of information, directors' information rights and restrictions in Neopost shares.

Rules on managing conflicts of interest are set out in the by-laws of the Board and committees: "Article 5 – Independence and conflict of interest: directors shall strive to avoid any conflict that may exist between their moral and material interests and those of the Company. They shall notify the Board of any conflict of interest in which they may be involved. In cases where they cannot avoid being in a situation of conflict of interest, they shall refrain from participating in the debates and any decisions with respect to the issues concerned." In addition, all directors must file an annual declaration with Neopost confirming the absence of any conflict of agreement and that they have not been found guilty of fraud, placed in receivership or been declared bankrupt.

The by-laws specify that a minimum of four Board meetings are to be held per fiscal year and that each director must hold Neopost shares worth at least one year of director's fees.

They also set out the rules for transcribing the minutes of meetings.

The full text of the by-laws is available on the Neopost group website: <https://www.neopost-group.com/>

Assessment of the Board

The issue of its composition is regularly discussed by the Board. In 2017, composition of the Board was discussed at each appointments committee meeting, which then reported to the Board of directors.

In compliance with the by-laws, the Board is assessed at least once a year at the initiative of the lead director. This self-assessment notably includes the composition of the Board, method of remuneration, new mandates and the staggering of mandates.

An outside firm, overseen by the appointments committee conducted a formal assessment of the Board in the 2015/2016 fiscal year to check compliance with the principle of the Board's work and to identify potential operating improvements and efficiencies. It conducted individual interviews with each director as part of the assessment, based on a detailed questionnaire. The Board will conduct this type of assessment every three years.

The conclusions of this assessment were reviewed by the Board at the session dated 29 March 2016 and were generally satisfactory. The main avenues for planned improvement concern:

- the designation and definition of the duties of a lead director among the independent directors: Vincent Mercier was appointed lead director in 2016;
- ideas to be put forward for anticipating changes in the composition of the Board and committees: the General Meeting of 30 June 2017 decided on the advance renewal of 2 independent directors;
- ideas to be put forward on the procedure or number of Board meetings to create more time for discussion and feedback from committee work: three additional half-day strategic meetings were held in 2017. These meetings were an opportunity for the executive teams from every business unit to meet in advance of Board meetings, thereby improving the procedure for sessions;
- the development of periodic information on the Group is communicated to directors in the form both of financial results and press releases.

Ethics charter

Following the initiatives for good corporate governance practices undertaken in the last few years, the directors' charter was approved on 28 March 2011.

It gives all directors free rein to put their skills into practice and make an effective contribution, while adhering to the rules of independence, ethics and integrity, as is expected of them. The eight articles of the directors' charter set out a number of principles:

- Article 1 – Administration and corporate interest;
- Article 2 – Compliance with laws and the articles of association;
- Article 3 – Exercise of office: guiding principles;
- Article 4 – Independence and duty of expression;
- Article 5 – Independence and conflict of interests;
- Article 6 – Integrity, loyalty and duty of discretion;
- Article 7 – Professionalism and involvement;
- Article 8 – Professionalism and efficiency.

Neopost has also drawn up an Ethics code designed to help employees and stakeholders by providing a framework for business decisions and activity. It includes its own references in terms of requirements and practice, as well as providing useful tools and resources for all Group employees.

In addition, an internal whistleblowing system has been implemented in the USA to detect, punish and prevent repetition of conduct or situations that are contrary to the ethical approach of the Neopost group.

Stock market code of ethics

In terms of stock market ethics, the Company's by-laws define the rights and commitments of Company directors with a particular emphasis on respecting the confidentiality of information received and restrictions on trading in Neopost shares.

The stock market ethics codes for "permanent insiders" and "informed employees and occasional insiders" were reviewed in 2017 to take EU reforms into account, in particular EU regulation 596/2014 on market abuse and the law of 31 June 2016 on reforming the repression system for market abuse. These stock market ethics codes set out the rules for corporate officers, informed employees and occasional insiders, and include:

- a summary of the existing laws and regulations in the field of stock market ethics together with the corresponding administrative and/or criminal penalties;
- a definition of the key concepts (insider information, informed employees, etc.);
- a summary of the confidentiality obligations imposed upon corporate officers, informed employees and occasional insiders;
- clarifications regarding the no-trading rules and an appendix containing a schedule of the periods during which trading is authorized – the Red and Green Periods table;
- clarifications, for the purposes of transparency and prudence, of the Company's disclosure obligations vis-à-vis the *Autorité des Marchés Financiers* – AMF (French Financial Markets Regulator), with an appendix containing a model declaration;
- a summary of specific provisions relating to stock options and free shares.

Every corporate officer and informed employee must sign an undertaking certifying that he/she has read and understood the stock market code of ethics and promises to comply with the terms of the code. The Group's legal department is tasked with checking compliance with the Group's codes.

Committees

Remuneration committee

Indicateurs	2017	2016
Number of meetings	3	4
% average participation	100%	87,5%
Number of members	3*	4*
% independent directors	100%	75%

* Four until 28 July 2017, then three.

The Board is assisted by a remuneration committee comprising three independent directors. It met three times in 2017 with a 100% participation rate. Meetings last an average of 90 minutes.

The remuneration committee comprises Catherine Pourre (Chair), Vincent Mercier and Hélène Boulet-Supau, all independent directors, and, until 28 July 2017, Jean-Paul Villot.

Remuneration committee meetings are preceded by preparatory meetings between the committee chair, the Group HR director and, the Chairman and CEO, where relevant.

The Chairman and CEO can take part in the remuneration committee's work. However, he does not contribute in deliberations related to his remuneration or any other subject concerning him.

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Corporate governance report

Committees

The task of the remuneration committee is to submit proposals to the Board of directors regarding the remuneration of Group executives and the allocation of stock options or share subscriptions and the allocation of free shares. To this end, and in accordance with the by-laws, the remuneration committee is responsible for:

- setting the general remuneration policy for the Chairman and CEO, including pension, retirement and severance pay and miscellaneous benefits;
- proposing and evaluating each year the rules for setting the variable portion of executive corporate officers' remuneration and ensuring that the criteria selected are in line with the Company's short-, medium- and long-term strategic orientations;
- evaluating the Group's salary policy;
- receiving notification from general management on the remuneration of the main executive managers;
- reviewing the remuneration figures which will be published in the notes to the Company accounts;
- setting the amount of directors' fees and their distribution among Board members according to their individual contribution to the Board and the specialist committees.

The main topics discussed at the Remuneration committee meetings in 2017 were:

Executive corporate officers	<ul style="list-style-type: none"> • Remuneration of the Chairman and CEO, notably the evaluation of 2016 qualitative objectives achievement • Competitiveness and remuneration study for all of the executive committee conducted by specialized firm • Remuneration of the new CEO • Remuneration of the executive committee • 2016 Group bonus and 2017 Group bonus targets
Directors' fees	<ul style="list-style-type: none"> • Review of criteria for allocating directors' fees for fiscal 2017 • Budget for directors' fees for fiscal 2017 • Commission a study on directors' fees, particularly to validate the allocation of directors' fees in relation to the market, define a better system for remunerating the Chairman, verify practices concerning the committees, members, chairs and the lead director
Remuneration policy and regulations	<ul style="list-style-type: none"> • Review and monitor of the performance conditions applicable to the variable remuneration
Employee savings and stock plans	<ul style="list-style-type: none"> • Ongoing performance shares and stock option plans • Targets for the 2017 performance share plan • Amendment to the 2017 free share plan subject to performance conditions • Allocation of performance shares

The remuneration committee mainly interacts with the general management and the Human Resources Department. The committee meets at least once a year with the HR Director to obtain the relevant information and analyses for its deliberations.

The remuneration committee draws on the wage studies and benchmarks prepared by the human resources department.

Audit committee

Indicators	2017	2016
Number of meetings	3	3
% average participation ^(a)	89%	100%
Number of members	3	4
% of independent directors	100%	100%

(a) William Hoover Jr. was appointed Audit committee member in July 2017. He had thus not scheduled the next committee meeting to come as at 22 September 2017 and was unable to make himself available that day. All other members were 100% present.

The Board is assisted by an audit committee, composed of three independent members, which met three times in 2017

with an attendance rate of 89%. On average, the meetings lasted for two hours.

The audit committee comprises Catherine Pourre, Éric Courteille (Chair) and William Hoover Jr., all independent directors. The appointments committee considered that Catherine Pourre and Éric Courteille fulfilled the criteria to be considered financial experts on the committee, due to their training and experience (see the detailed biographies of directors at the beginning of this section).

The audit committee monitors all matters relating to the drafting and audit of financial and accounting information, specifically:

- the process of preparing financial information, particularly by examining the scope of the consolidated companies;
- the efficiency of internal control and risk management systems, the application and implementation of corrective measures, where needed;
- legal checks of the annual financial statements and, where necessary, the consolidated financial statements by the statutory auditors;
- the competence and independence of the external experts used by the Group.

In this context, the task of the committee is:

- to review the scope of consolidation and examine all draft consolidated and corporate financial statements and related reports which will be submitted to the Board for approval;
- to select a consolidation frame of reference, to ensure the appropriateness and permanence of the accounting policies

used to draw up the consolidated and parent-company financial statements and to ensure the appropriateness of the treatment of significant operations at Group level;

- to ensure with respect to the General Management that all legal and financial communications are correctly performed with respect to stock market authorities;
- to assess the level of satisfaction of statutory auditors with the quality of information received from the Company's departments when performing their task and gather comments from managerial staff as regards the degree of sensitivity of the statutory auditors to the Group's business and its environment;
- to examine any information to its knowledge with respect to operations and transactions by the Company involving ethical problems, and with respect to transactions which, due to their nature and the person concerned, may reveal a conflict of interests;
- to ensure that key risks are identified, managed and brought to its attention. To this end, it examines the internal control and risk management systems, the internal audit programme, monitors its development and the results of action plans, and draws the Board's attention to any improvements that have been made or remain to be made;
- to issue an opinion on the appointment renewal of the statutory auditors;
- to ensure the statutory auditor's independence and objectivity.

The main topics discussed at the Audit committee meetings in 2017 were:

Financial position	<ul style="list-style-type: none"> • Review of the annual financial statements • Review of the management report • Review of the statutory auditors' tasks and fees • Review of acquisition price allocation • Review of deferred taxes • Examination of off-balance sheet commitments • Presentation of work to measure the impact on IFRS 15 (new revenue recognition standard) • Validation of specific expenses (excluding auditing)
Internal audit and risk management	<ul style="list-style-type: none"> • Review of internal audit procedures • Monitoring of the programmes carried out by internal audit • Presentation of the work on the impacts of the future application of other IFRS measures to implement the "Sapin II" law on corruption and influence peddling
Miscellaneous	<ul style="list-style-type: none"> • Approach of work for the annual closing

The audit committee primarily interacts with general management, the finance department, the Head of Internal Control and the Company's statutory auditors. The statutory auditors attend every audit committee meeting.

The audit committee can commission specific studies as required and may call on the services of outside experts.

Appointments committee

Indicators	2017	2016
Number of meetings	6	3
% average participation	100%	92%
Number of members	3	4
% of independent directors	100%	50%

The Board is assisted by an appointments committee, composed of three independent members, which met six times in 2017 with an attendance rate of 100%. On average, the meetings lasted for 90 minutes.

As at 31 January 2018, this committee comprises Vincent Mercier (Chair), Virginie Fauvel and Richard Troksa, all independent directors.

The tasks of the committee are to:

- propose the definition of independent director;
- wherever necessary, issue an opinion on the independence of a given director and suggest potential changes to the composition of the Board;
- pre-select candidates to the Board on the basis of the criteria of independence, competence, motivation and availability;
- ensure suitability with respect to the Board's current composition and desired changes;
- maintain a certain number of independent directors on the Board;
- pre-select the future Chairman or Chief Executive Officer;
- examine all issues regarding the rights and obligations of Board members.

The main topics discussed at the Appointments committee meetings in 2017 were:

Selection/appointment of directors	<ul style="list-style-type: none"> • Recommendation on the re-appointment of directors whose term of office is due to expire • Selection of Nathalie Wright to replace Jean-Paul Villot • Review of the composition of the Board and its committees • Separation of functions: identifying profiles and conducting interviews • Appointment of a salaried director within Neopost France
Independence of the directors	<ul style="list-style-type: none"> • Checking the independence criteria for each director
Balanced representation for women and men	<ul style="list-style-type: none"> • Drawing up policy and targets to improve gender balance on the Board • Study on gender parity in Neopost
Miscellaneous	<ul style="list-style-type: none"> • Ideas on the succession plan for the Group's talents • Presentation and description of the principles of separating functions • Staggering of mandates aimed at a maximum of 3 mandate validations per year

Management team

The key task of the management team is to help draw up the Group's strategic decisions and coordinate their implementation worldwide. On 1 February 2018, it consisted of the following:

Geoffrey Godet	Chief Executive Officer
Henri Dura	Enterprise digital solutions director
Daniel Malouf	Neopost Shipping director
Jean-François Labadie	Finance & legal director
Thierry Le Jaoudour	Technology and innovation director
Dennis LeStrange	SME solutions director
Nikolaus Scholz ^(a)	Strategy & marketing director
Gil Wozelka	Chief People & Transformation director

(a) Nikolaus Scholz left the Company on 28/02/2018.

The Chief Executive Officer

Geoffrey Godet



Appointed Chief Executive Officer of Neopost as of 1 February 2018, Geoffrey Godet, 40, is a dual French and American citizen and a graduate of HEC. He has spent his entire career with the Flatirons Jouve Group, a leader in digital solutions for banking, insurance, healthcare, manufacturing, aeronautics, publishing, media and education. The Flatirons Jouve

Group is present in the United States, France, the United Kingdom, Germany, the Nordic countries, China and India. Since 2004, Geoffrey has been Chief Executive Officer of Flatirons Solutions, based in California, and most recently was Chairman and Chief Executive Officer of Jouve, based in Paris. Prior to that, he was successively marketing and communications director, Head of the cultural heritage digitization division and managing director of Jouve Aviation Solutions.

Remuneration of managers and directors

The gross remuneration of the management team on 31 January 2018, including the Chairman & CEO Denis Thiery, is as follows:

(In thousands of euros)	31 January 2018	31 January 2017
Remuneration of the management team		
Fixed remuneration	2,698.8	2,640.7
Variable annual remuneration	1,661.1	1,570.7
Variable multi-annual remuneration	-	-
Benefits in kind (company cars, social security for business directors)	268.9	145.9
Directors' fees	30.0	30.0
Valuation of stock options ^(a)	-	-
Valuations of attribution of securities giving access to capital ^(a)	1,579.0	749.0
TOTAL	6,237.8	5,136.3

(a) The indicated amount corresponds to the total award for the financial year.

2

Corporate governance report

Remuneration of managers and directors

The variable component is determined subject to achieving objectives relating to turnover, operational results and working capital within the Group. The variable remuneration listed in the above table corresponds to the provisions made during the previous fiscal year for the current fiscal year.

On 31 January 2018, with respect to pensions, the Chairman and Chief Executive Officer and a number of Group senior executives are eligible for a defined-contribution scheme (article 83 of the French general tax code), with a total contribution of 5% of salary, subject to a limit of five times the Social Security ceiling, as well as a defined-benefits scheme (article 39 of the French general tax code) with a guaranteed annuity of 1.1% of salary for each year of employment for a

minimum of eight years and a maximum of twenty years. This annuity is paid after deduction of annuities paid under defined-contribution schemes in force.

Before the age of 67, the benefit is reduced in proportion to the remaining number of years. At the end of January 2018, pension liabilities totaled 9,067.4 thousand euros, compared to 9,392.0 thousand euros on 31 January 2017 and concern some members of the management team. At the end of January 2018, cumulative payments totaled 6,929.9 thousand euros versus 4,936.6 thousand euros at the end of January 2017.

On 31 January 2018, no loans or guarantees have been granted or set up for any manager or director.

Number of options granted/warranted or share purchased to the top ten employees non corporate officer

Since 2012, there has been no subscription or stock purchase plan. As regards previous or ongoing plans, no options have been exercised by the top ten employees (non-corporate officers).

Stock subscriptions or stock purchase options

The following plans have been approved:

Date of Annual General Meeting	Number of options to be allocated	Length of authorization
9 February 2000	1,200,000	5 years
9 July 2003 ^(a)	900,000	38 months
5 July 2006	960,000	38 months
7 July 2009	960,000	38 months

(a) Of which 33,300 were allocated for stock purchase in accordance with the authorizations of the Annual General Meetings of 9 July 2003 and 6 July 2005.

These stock subscription or stock purchase options are attributed to the management committee and employees showing the best potential.

The Group considers that a single person meets the criteria of director, as set out in article L.621-18-2-I-b of the monetary and financial code, namely one person with the power to take

management decisions concerning corporate strategy and with regular access to privileged information concerning Neopost, directly or indirectly. This person is Denis Thiery, the Chairman & CEO, until 31 January 2018.

The details of these subscription plans are provided in table no. 8 of the Afep-Medef code in this section.

Performance share

Date of Annual General Meeting	Number of allocated shares	Length of authorization
5 July 2006	320,000	38 months
6 July 2010	400,000	26 months
4 July 2012	300,000	26 months
1 July 2015	360,000	26 months
1 July 2016	400,000	26 months
30 June 2017	400,000	26 months

The awards granted are listed in table #9 of the Afep-Medef recommendations in this section.

Employee savings plan

A Group company savings plan (PEE) was introduced by Neopost S.A. in September 1998. Employees of Neopost S.A. or French companies related to it as defined in article L.225-180 of the French commercial code, are eligible to join the Neopost company savings plan, subject to a minimum of six months of service in the Company.

A collective pension saving scheme (PERCO) was introduced in Neopost S.A. and in the French companies of the Group, open to employees that have a minimum of three months of service in the Company. A collective employee shareholding plan (FCPE) was approved by the Securities and Stock Exchange Commission, since renamed the AMF, on 19 January 1999. This plan was created to manage the amounts received under

Remuneration of managers and directors

the Neopost group company savings plan. The Neopost group FCPE mainly invests the amounts received in Neopost S.A. shares and the investments are frozen for a period of five years, except in legally-allowed cases of early release.

The Neopost S.A. Annual General Meeting of 30 June 2017 granted the Board of directors the powers required to issue, in one or more installments and over a 26-month period, shares reserved for employees in belonging to the Neopost group company savings plan, subject to a nominal limit of 600,000 euros.

Non-executive directors

TABLE OF THE DIRECTOR'S FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS
TABLE #3 AFEP-MEDEF CODE

(In euros)	31 january 2018	31 january 2017
Directors' fees		
Hélène Boulet-Supau	23,100	
Jacques Clay	-	19,028
Éric Courteille	41,500	38,389
Virginie Fauvel	36,500	17,472
Cornelius Geber	13,400	34,944
William Hoover Jr.	31,400	28,389
Vincent Mercier	46,500	44,000
Catherine Pourre	43,900	44,944
Isabelle Simon	-	32,445
Richard Troksa	34,000	14,971
Agnès Touraine	-	21,528
Jean-Paul Villot	23,100	33,389
Nathalie Wright	11,400	-
Total directors' fees	304,800	329,500
Other remuneration	-	-
Chairman's fees	30,000	30,000
TOTAL FOR NON-EXECUTIVE DIRECTORS AND CHAIRMAN	334,800	359,500
Maximum amount authorized by the General meeting	370,000	370,000

The methods for calculating the remuneration of non-executive directors are as follows:

- Chairman of the Board: fixed amount of 30,000 euros per year;
- director's basic fees: 15,500 euros per year;
- the Board of directors met seven times during fiscal 2017; director's fees for attending scheduled meetings total a maximum of 13,000 euros per year for a 100% attendance rate at these meetings. Director's attendance fees are also awarded for non-scheduled meetings, for a maximum of 3,000 euros per year, irrespective of the number of additional sessions;
- committee members (the appointments committee and the remuneration committee count as a single committee): 5,000 euros per year;
- committee chairperson: 5,000 euros extra per year;
- lead director: 5,000 euros extra per year.

The directors receive no other remuneration other than the Neopost S.A. director's fees.

On 31 January 2018 no loans or guarantees had been granted to any manager or director.

On 31 January 2018, no post-mandate liabilities, such as remuneration, compensation or benefits, had been entered into by the Company for the benefit of its non-executive directors.

The Chairman & Chief Executive Officer - 2017 Remuneration

The total remuneration and benefits in kind paid by Neopost S.A. and the companies it controls to Denis Thiery, Chairman and CEO, during fiscal 2017, were awarded on the basis of the resolution voted by the General Meeting on 30 June 2017, which approved the principles and criteria for calculating and determining the various elements of this remuneration.

The gross remuneration of Neopost S.A.'s Chairman and Chief Executive Officer consists of fixed and variable remuneration, in euros and in US dollars, which is set each year by the Board of directors on the basis of the remuneration committee's proposals.

As far as the variable compensation is concerned, 80% of the variable component paid in 2017 was determined on the basis of certain quantitative objectives relating to the Group's profit and loss (sales, operating profit and capital employed) and 20% on the basis of pre-established and carefully defined qualitative objectives, namely developing the management team, finalizing the structure and development of Neopost Shipping, continuing the development of the Enterprise Digital Solutions division, accelerating the development of new activities linked to digital

communication and Shipping in the SME Solutions division and continuing the executive committee succession plan. Each of these criteria is given a weighting of 20%.

In addition, the upper and lower limits of this variable component are expressed as a percentage of the fixed remuneration awarded, 100% of objectives achieved and with a pre-determined ceiling of 150%.

The principle of allocating deferred or a long-term variable remuneration, or exceptional remuneration, does not apply to the Chairman & CEO.

There are no plans to award any compensation or benefits to the Chairman & CEO in the event of termination or a change in role, or for non-competition obligations.

The Chairman & CEO is paid 30,000 euros in directors' fees per year. 40,000 performance shares were awarded during the fiscal year and he continues to benefit from a supplementary pension scheme.

The total remuneration and benefits in kind paid and due by Neopost S.A. and the companies that it controls during fiscal 2017 ended on 1 January 2018, to Denis Thiery, Chairman & CEO, is broken down as follows:

Overview of the components of the remuneration of the Chairman & CEO	Paid or due as of 31 January 2018
(In thousands of euros)	
Fixed remuneration ^(a)	663.0
Annual variable remuneration ^(b)	paid: 562.1 due: 663.0
Multi-annual variable remuneration	None
Director's fees	30.0
Benefits in kind (company car, social security for business directors)	23.1
Exceptional remuneration	None
Compensation linked to taking up roles or termination	None
Valuation of performance shares awarded during the financial year	517.7

(a) The fixed remuneration is divided in two parts : 530,400 euros paid in France and 172,380 United States dollars paid in the United States. The amount in United States dollars has been frozen considering that it does not have to change with the evolution of EUR/USD exchange rate. It has been frozen to 20% of the fixed remuneration in euros translated with the exchange rate at the time ie 1.30.

(b) The annual variable remuneration "due" corresponds to the bonus provisioned in Neopost S.A. and Mailroom Holding Inc. financial statement at the end of the financial year while the annual variable remuneration "paid" corresponds to the bonus paid relative to the previous year.

The Group quantitative criteria for variable remuneration for 2017 were as follows:

Weight	Criteria	Threshold (0.0%)	Target (100%)	Maximum (150%)
40%	Sales	1,087.0	1,144.2	1,178.5
40%	EBIT	17.1%	18.4%	19.2%
20%	Capital employed	(37.0)	(41.2)	(45.3)

The quantitative criterias were adjusted to take into account the 2017 scope effects (divestment of DMTI Spatial).

Remuneration of managers and directors

The achievements were as follow:

Weight	Criteria	Performance*	Bonus
40%	Sales	1,136.6	87%
40%	EBIT	18.2%	83%
20%	Capital employed	(48,6)	150%
Total			97.8%

* Performance measured taking into account exchange rates applied when defining the criteria and adjusted by the scope effects.

In addition, the remuneration committee estimated that the individual performance objectives were achieved to a level of 60.0% when the maximum stood at 150%. Overall, Denis Thiery's performance stands at 90.24% and his annual

variable remuneration for 2017 amounts to 598,290 euros (i.e. 478,633 euros and 155,556 US dollars) subject to the approval of the General Assembly as at 29 June 2018.

SUMMARY TABLE OF REMUNERATION, OPTIONS AND SHARE GRANTED TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 1 AFEP-MEDEF CODE

(In thousands of euros)	31 January 2018	31 January 2017
Denis Thiery – Chairman & CEO		
Remuneration due for the financial year	1,379.1	1,379.2
Valuation of long-term variable remuneration awarded during the financial year	-	-
Valuation of options awarded during the financial year ^(a)	-	-
Valuation of performance shares awarded during the financial year ^(a)	517.1	286.1
TOTAL	1,896.8	1,665.3

(a) The indicated amount corresponds to the total award for the financial year.

SUMMARY TABLE OF REMUNERATION PAID TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 2 AFEP-MEDEF CODE

(In thousands of euros)	31 January 2018		31 January 2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Denis Thiery – Chairman & CEO				
Fixed remuneration ^(a)	663.0	663.0	663.0	663.0
Annual variable remuneration ^(b)	663.0	562.1	663.0	383.5
Multi-annual variable remuneration	-	-	-	-
Director's fees	30.0	30.0	30.0	30.0
Benefits in kind (company car, social security for business directors)	23.1	23.1	23.2	23.2
TOTAL	1,379.1	1,278.2	1,379.2	1,099.7

(a) The fixed remuneration is divided in two parts : 530,400 euros paid in France and 172,380 United States dollars paid in the United States. The amount in United States dollars has been frozen considering that it does not have to change with the evolution of EUR/USD exchange rate. It has been frozen to 20% of the fixed remuneration in euros translated with the exchange rate at the time ie 1.30.

(b) The annual variable remuneration in the column "amounts due" corresponds to the bonus provisioned in Neopost S.A. and Mailroom Holding Inc. financial statement at the end of the financial year while the column "amounts paid" corresponds to the actual bonus payment relative to the previous year.

Remuneration of managers and directors

SUMMARY TABLE OF DIRECTORS' FEES AND OTHER REMUNERATION OF TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE #3 AFEP-MEDEF CODE

(In thousands of euros)	31 January 2018	31 January 2017
Denis Thiery – Chairman & CEO		
Director's fees	30.0	30.0
Other remunerations	-	-
TOTAL	30.0	30.0

The directors' fees are paid for the corporate mandate that Denis Thiery exercises in the Group's holding company.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE YEAR TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 4 AFEP-MEDEF CODE

(In euros)	Number and date of plan	Type of options	Valuation of options ^(a)	Number of options granted during the fiscal year	Exercise price	Exercise period
Denis Thiery – Chairman & CEO ^(b)	-	-	-	-	-	-

(a) IFRS valuation standards.

(b) No stock-option was awarded during the financial year.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 5 AFEP-MEDEF CODE

(In euros)	Number and date of plan	Number of options exercised during the year	Exercise Price
Denis Thiery – Chairman & CEO	-	-	-

PERFORMANCE SHARE GRANTED DURING THE YEAR TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 6 AFEP-MEDEF CODE

(In thousands of euros)	Number and date of plan	Number of shares granted during the year	Valuation of shares ^(a)	Vesting date	Availability date	Performance criteria
Denis Thiery – Chairman & CEO	27/03/2017	40,000	517.7	28/03/2020	28/03/2020	Sales EBIT Relative TSR ^(b)

(a) IFRS valuation standards.

(b) TSR = Total Shareholder Return.

PERFORMANCE SHARE GRANTED DURING THE YEAR TO DENIS THIERY – CHAIRMAN & CHIEF EXECUTIVE OFFICER

TABLE # 7 AFEP-MEDEF CODE

	Date of plan	Number of shares available during the fiscal year	Acquisition conditions
Denis Thiery – Chairman & CEO	24/03/2014	12,330 ^(a)	0 ^(b)
Denis Thiery – Chairman & CEO	01/07/2015	20,000 ^(a)	2,108 ^(b)

(a) Shares available subject to meeting performance targets.

(b) Shares issued during the fiscal year.

Remuneration of managers and directors

HISTORY OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED

TABLE # 8 AFEP-MEDEF CODE

Stock options						
Date of Annual General Meeting	05/07/2006	05/07/2006	07/07/2009	07/07/2009	07/07/2009	07/07/2009
Date of Board meeting (start of exercise period)	15/01/2008	03/07/2008	18/02/2009	12/01/2010	12/01/2011	12/01/2012
Expiry date	15/01/2018	03/07/2018	18/02/2019	12/01/2020	12/01/2021	12/01/2022
Performance conditions	no	no	yes	yes	yes	yes
Initial adjusted number of options available for subscription or purchase ^(a)	462,000	9,500	325,885	475,000	239,400	260,800
including attributable under performance conditions	0	8,760	63,000	154,000	40,000	75,000
Total of options adjusted as at 31 January 2017 ^(a)	341,265	-	226,883	346,181	197,013	225,618
including exercisable by Chairman & Chief Executive Officer Denis Thiery	43,803	-	24,638	54,750	10,951	22,998
Initial subscription or purchase price (in euros)	68.10	69.53	63.30	57.19 57.89	66.64 67.24	52.30 53.50
Adjusted subscription or purchase price (in euros)	62.19	63.51	57.81	52.23 52.87	60.86 62.32	47.76 48.85
Total number of subscribed options	-	-	(602)	(27,172)	-	(9,000)
Total number of options adjusted ^(a) , cancelled or nullified	(341,265)	(740)	(51,764)	(68,563)	(30,335)	(54,385)
NUMBER OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS OUTSTANDING AS AT 31 JANUARY 2018	0	8,760	174,517	250,446	166,678	162,233
including exercisable by Chairman & CEO Denis Thiery	0	-	12,837	43,800	8,723	11,114

(a) Adjusted value after the payment of dividends, partly paid from capital reserves.

HISTORY OF PERFORMANCE SHARE GRANTED

TABLE # 9 AFEP-MEDEF CODE

Performance shares						
Date of Annual General Meeting	06/07/2010	04/07/2012	04/07/2012	01/01/2015	01/07/2016	01/07/2016
Date of Board meeting	12/01/2012	25/03/2013	24/03/2014	01/07/2015	01/07/2016	27/03/2017
Performance conditions	yes	yes	yes	yes	yes	yes
Total number of shares granted including to Chairman & CEO	77,000	146,900	150,060	199,500	149,000	246,700
Denis Thiery	-	27,000	24,660	40,000	34,000	40,000
Vesting date of shares						
1 st vesting period	13/01/2014	26/03/2015	25/03/2016	02/07/2017	02/07/2019	28/03/2020
2 nd vesting period	13/01/2015	26/03/2016	25/03/2017	02/07/2018	n/a	n/a
End date of the conversion period						
1 st vesting period	14/01/2016	27/03/2017	26/03/2018	03/07/2019	n/a	n/a
2 nd vesting period	14/01/2017	27/03/2018	26/03/2019	03/07/2020	n/a	n/a
Number of shares vested	35,684	4,229	0	7,692	-	-
Total number of shares cancelled or nullified	41,316	131,571	133,060	98,808	2,500	700
NUMBER OF SHARES OUTSTANDING AT 31 JANUARY 2018	0	11,100^(a)	17,000^(a)	93,000	146,500	246,000

(a) Shares related to international plans for which none will be delivered.

In application of article L.621-18-2 of the monetary and financial code, declarations on Neopost securities transactions by Denis Thiery have been disclosed to the AMF and published on the Group's website. It is precised that Denis Thiery made no transaction over fiscal 2017.

It is hereby specified that Denis Thiery undertakes to hold a minimum of 50,000 Neopost shares until the end of his corporate appointment. Denis Thiery and his affiliated parties hold 147,592 shares as of 31 January 2018.

Remuneration of managers and directors

TABLE # 10 AFEP-MEDEF CODE

This table describes the long-term variable remuneration. It is not shown here because this method of remuneration is not used by Neopost.

TABLE # 11 AFEP-MEDEF CODE

Executive manager	Employment contract	Supplementary Pension plan	Compensation or benefits due or likely to be due in case of termination or change in function	Non-compete clause compensation
Denis Thiery	Suspended	Yes	No	No
Start date of the mandate: 12 January 2010				
End date of the mandate: renewal submitted to the Annual General Meeting called to approve the accounts as of 31 January 2019				

The estimated total annual annuity as of 31 January 2018 for the Chairman & CEO would be 286,115 euros under the supplementary pension scheme. In order to qualify for this annuity, the CEO must permanently leave the Neopost S.A. workforce and liquidate his pension entitlements from both the French Social Security pension scheme and supplementary schemes.

Over the 2017 financial year, the cumulative amount of contributions paid under the defined-contribution scheme is 9,817.5 euros.

Pursuant to articles L.225-37 *et seq.* of the French commercial code, all components of this remuneration will be subject to a resolution submitted for approval at the General Shareholder Meeting of 29 June 2018.

The Chairman – 2018 Remuneration

As the functions of Chairman & Chief Executive Officer have been separated as from the 2018 fiscal year, the remuneration aspects of this report concern two corporate officers: Denis Thiery, in his capacity as Chairman of the Board, and Geoffrey Godet, in his capacity as Chief Executive Officer.

Pursuant to article L.225-37-2 of the French commercial code, as introduced by the law on transparency, the fight against corruption and the modernization of the economy, known as the Sapin II law, this report sets out the principles and criteria for establishing, distributing and awarding the fixed, variable and exceptional components comprising the total remuneration and fringe benefits awarded to the Chairman of the Board, Denis Thiery, on account of his corporate appointment, which shall be the subject of a resolution put to the vote at the General Shareholder Meeting of 29 June 2018.

Should the General Shareholder Meeting of 29 June 2018 not approve this resolution, the remuneration shall be set in accordance with existing practice within the Company.

At Neopost, corporate director remuneration policy is established by the Board of directors following a proposal by the remuneration committee.

The Board of directors and the remuneration committee refer in particular to the recommendations of the Afep-Medef code when establishing the remuneration and benefits awarded to its executive director. In accordance with these recommendations, they ensure this remuneration policy complies with principles of comprehensiveness, balance, comparability, coherence, transparency and measure, as well as taking market practice into account.

The remuneration policy for the Chairman is therefore established on the basis of his duties within Neopost, his experience, years of service and performance, as well as market practice. It is hereby specified that following the termination of his corporate appointment as Chief Executive Officer, the suspended employment contract of Denis Thiery, signed with Neopost S.A. when he joined the Neopost group on 1 October 1988, has been reactivated. As from 1 February 2018, he will hold the salaried position of "International Coordinator", a level IIIC senior executive under the collective labor agreement for French metal industries. He will assist the Chief Executive Officer with the Group's international development within the framework of its current transformation. He will hold this position until 30 June 2018, which date he will retire. For this purpose, an amendment to Denis Thiery's employment contract has been drawn up and signed, subject to the procedure set out in articles L.225-38 *et seq.* of the French commercial code.

Due to the amount of time spent in the United States on account of the importance of this country for Neopost, approximately 20% of Mr. Denis Thiery's remuneration for his salaried position as "International Coordinator" is paid in dollars by the subsidiary Mailroom Holding Inc.

It is also precised that Denis Thiery's employment contract does not contain any clause relating to severance pay or compensation for a non-compete clause.

Decisions regarding the Chairman's remuneration are the responsibility of the Board of directors and are based on proposals from the remuneration committee.

The remuneration of Denis Thiery consists of Directors' fees, a fixed annual compensation for his social mandate, a fixed and variable compensation for his employment contract, retirement liabilities and benefits in kind.

Remuneration of managers and directors

1° Directors fees

The Board of directors may decide to pay the Chairman of the Board director attendance fees. The principle is to award a fixed amount.

The Chairman should receive 30,000 euros maximum in director's fees in 2018 for the corporate position he holds in Neopost S.A. This amount is unchanged from the previous year.

2° Fixed annual remuneration

Fixed annual remuneration is set by the Board of directors following a recommendation from the remuneration committee applying the principles of the Afep-Medef code. The fixed remuneration of the Chairman has been established in relation to the scope of the position and practice observed in French and international groups where the activity, turnover, market capitalization, number of employees and challenges are similar to those of Neopost.

For 2018, as in each year, the remuneration committee uses studies produced by the external consultants Willis Towers Watson to obtain remuneration benchmarks for all Board positions. As regards remuneration of the Chairman, the committee refers to a panel comprising about 15 companies and, with the assistance of the aforementioned consultants, verifies the positioning of remuneration of the Chairman, which appears in line with the practices of this panel, both in terms of structure and amount.

For the 2018 fiscal year, Denis Thiery's fixed annual remuneration shall be 120,000 euros. However, this will be paid as from 1 July 2018 on a pro rata basis.

The quantitative Group criteria for 2018, at constant scope and level of investments and innovation efforts identical to those made in 2017, are as follow:

Weight	Criteria	Threshold (0.0%)	Target (100%)	Maximum (150%)
40%	Sales^(a)	1,023.2	1,077.0	1,109.3
40%	EBIT	17.1%	18.4%	19.2%
20%	Capital employed	(29.3)	(32.5)	(35.8)

(a) The sales' criteria takes into account the 2018 budgeted exchange rates which are significantly lower than the previous year, notably on the EUR/USD.

The qualitative part take into account formalized individual objectives, based on criteria linked to his function of *International Coordinator*.

Reasonable business expenses incurred for performing his duties will be reimbursed by the Company on presentation of appropriate receipts, in accordance with Company policy.

4° Performance share

As of the 2018 fiscal year, Denis Thiery is no longer eligible for any new long-term remuneration plans by the Company. The final acquisition of the free shares allocated during previous

3° Fixed and variable annual remuneration under the employment contract

The remuneration structure and the objectives of the variable component are proposed by the remuneration committee and decided by the Board of directors, as an extension of the remuneration policy currently in force within the Company. Variable remuneration depends on quantitative objectives based on the results of the Group in relation to sales, operational margins and working capital, in addition to specific qualitative objectives of individual performance.

Under his position as *International Coordinator*, from 1 February to 30 June 2018, Denis Thiery is scheduled to receive the following remuneration on a pro rata basis:

- fixed annual gross remuneration of 530,400 euros paid in France by the Company;
- fixed annual gross remuneration of 172,380 US dollars, paid in the United States by the subsidiary Mailroom Holding Inc.;
- annual variable remuneration depending on specific collective performance objectives (quantitative objectives known as the "Group Bonus") for 80% of this variable remuneration and individual performance (qualitative objectives) for 20% of this variable remuneration. This variable annual component of the remuneration shall represent 100% of the fixed annual remuneration for achieved quantitative and qualitative objectives and may be raised to 150% if objectives are exceeded. It shall be divided according to the fixed remuneration proportions between the Company and Mailroom Holding Inc.

years remains subject to conditions of performance recorded three years after the date of allocation.

The delivery of free shares remains subject to the existence of a corporate appointment or employment contract with the Group. Subsequently, no deliveries can take place after the termination of existing appointments and employment contracts.

In application of article L.225-197-1 of the French commercial code, it is hereby precised that the Chairman remains committed to keeping 50,000 acquired free shares in registered form, which cannot be assigned until the end of his corporate appointment as Chairman of the Board.

5° The commitments mentioned in the first and sixth paragraphs of the article L.225-42-1

The supplementary pension scheme of the Chairman shall last until 30 June 2018 inclusive.

The supplementary pension scheme of the Chairman, that also benefits to executive committee members who are Neopost S.A. employees, comprises a defined contribution pension plan (article 83 of the general tax code), into which is paid a total of 5% of his remuneration, capped at 5 times the Social Security ceiling and a defined contribution pension plan (article 39 of the French general tax code) with an annuity obligation of 1.1% of remuneration per year of service capped at 30% for a minimum of eight years and a maximum of 20 years, with this annuity being paid after deduction of that provided by the defined contribution schemes in force.

In order to qualify for this annuity, the Chairman must permanently leave the Neopost S.A. workforce and liquidate his pension entitlements from both the French Social Security pension scheme and supplementary schemes.

6° The advantages of all kinds

The Chairman benefits from the current life and disability insurance and supplementary health-insurance schemes, social security for company directors, a company car, assistance with

filing his annual French and US tax declarations and reimbursement of reasonable business expenses incurred for performing his duties on presentation of appropriate receipts, in accordance with Company policy. However, the life and disability insurance and the supplementary health-insurance schemes as well as the social security for company executive shall terminate on 30 June 2018.

The Chairman does not receive any other remuneration for his corporate appointment. He does not therefore receive any multi-annual variable remuneration, exceptional remuneration or any allocation of options to subscribe to or purchase shares. He is not entitled to any severance pay or compensation relating to a non-compete clause.

These items of remuneration will be subject to a resolution submitted by the Board of directors to the General Shareholder Meeting. The resolution will be worded as follows: "Having read the report on Corporate Governance provided for in article L.225-37-2 of the French commercial code, the General Meeting, ruling under the conditions for a quorum and majority required for Ordinary General Meetings, approves the principles and criteria for calculating and determining the breakdown between the fixed, variable and exceptional components comprising the total remuneration and benefits in kind, detailed in the aforementioned report and payable to the Chairman, Mr. Denis Thiery, in respect of his corporate office."

The Chief Executive Officer – Remuneration 2018

Pursuant to article L.225-37-2 of the French commercial code, as introduced by the law on transparency, the fight against corruption and the modernization of the economy, known as the Sapin II law, this report drawn up by the Board of directors sets out the principles and criteria for establishing, distributing and awarding the fixed, variable and exceptional components comprising the total remuneration and fringe benefits awarded to the Chief Executive Officer, Geoffrey Godet, on account of his corporate appointment, which shall be put to the vote at the General Meeting of 29 June 2018.

Should the General Meeting of 29 June 2018 not approve this resolution, the remuneration shall be set in accordance with existing practice within the Company.

Pursuant to article L.225-37-2, it is hereby specified that the payment of variable and exceptional components to Geoffrey Godet for the 2018 fiscal period shall be subject to approval by the General Meeting called to vote on the financial statements for the fiscal year ended 31 January 2019.

At Neopost, remuneration policy stipulates that the remuneration of corporate directors is established by the Board of directors following a proposal by the remuneration committee.

The Board of directors and the remuneration committee refer in particular to the recommendations of the Afep-Medef code when establishing the remuneration and benefits awarded to its executive director. In accordance with these recommendations, they ensure this remuneration policy complies with principles of comprehensiveness, balance,

comparability, coherence, transparency and measure, as well as taking market practice into account.

The remuneration policy for the Chief Executive Officer is therefore established on the basis of his duties within Neopost, his experience, years of service and performance, as well as market practice. Any future increases in remuneration shall take into account the performance of Neopost and market practice.

Due to the amount of time spent in the United States on account of the importance of this country for Neopost, approximately 20% of Geoffrey Godet's fixed and variable remuneration is paid in US dollars by the subsidiary Mailroom Holding Inc. for his mandate within this company.

Finally, Geoffrey Godet has no employment contract within the Company or any other company within the Group.

Decisions regarding the remuneration of the Chief Executive Officer are the responsibility of the Board of directors and are based on proposals from the remuneration committee.

The remuneration of the Chief Executive Officer breaks down as follows:

1° Director fees

Providing he is appointed a director by the forthcoming General Meeting, the Board of directors may decide to pay director's attendance fees to the director-corporate officer. The principle is to award a fixed amount.

Remuneration of managers and directors

The Chief Executive Officer should receive 30,000 euros maximum in director's fees in 2018 on an annual basis for his mandate as director of Neopost S.A.

2° Fixed annual remuneration

Fixed annual remuneration is set by the Board of directors following a recommendation from the remuneration committee applying the principles of the Afep-Medef code. The fixed remuneration of the CEO has been established in relation to the scope of the position and practice observed in French and international groups where the activity, turnover, market capitalization, number of employees and challenges are similar to those of Neopost.

For 2018, as in each year, the remuneration committee uses studies produced by the external consultants Willis Towers Watson to obtain remuneration benchmarks for all Board positions. As regards remuneration of the CEO, the committee refers to a panel comprising about 15 companies and, with the assistance of the aforementioned consultants, verifies the positioning of remuneration of the CEO. For fiscal 2018, his fixed annual remuneration will be as follows:

- fixed annual gross remuneration for his duties as CEO of the Company of 510,000 euros paid in France;

- fixed annual gross remuneration of 112,000 US dollars for his duties as director of the subsidiary Mailroom Holding Inc., paid in the United States.

This fixed remuneration appears to be in line with the practice of the chosen panel, both as regards structure and amount.

The breakdown of the fixed annual gross remuneration between the various duties of CEO of the Company and director of the subsidiary Mailroom Holding Inc., may be reviewed under joint agreement, to take into account, in particular the time and resources dedicated to each of these duties.

3° Variable annual remuneration

Variable annual remuneration depends on CEO performance, as well as on progress achieved by the Group.

In 2018, for example, the variable component of CEO remuneration will represent 100% of the fixed component for quantitative and qualitative objectives achieved. This can rise to 150% if objectives are exceeded. It will break down according to the proportions of fixed remuneration between the Company and Mailroom Holding Inc.

Variable remuneration is based on Group results regarding turnover, operational margins and capital employed comprising 80% of the target bonus, with the remaining 20% comprising specific qualitative objectives regarding individual performance.

The quantitative Group criteria for 2018, at constant scope and level of investments and innovation efforts identical to those made in 2017, are as follow:

Weight	Criteria	Threshold (0.0%)	Target (100%)	Maximum (150%)
40%	Sales^(a)	1,023.2	1,077.0	1,109.3
40%	EBIT	17.1%	18.4%	19.2%
20%	Capital Employed	(29.3)	(32.5)	(35.8)

(a) The sales' criteria takes into account the 2018 budgeted exchange rates which are significantly lower than the previous year, notably on the EUR/USD.

The qualitative component is based on achieving formalized individual objectives, namely criteria relating to the strategic, commercial and technological developments of the Group and the organization of the Group, together with the management and development of talents and the succession plan for key positions within the Group.

For 2018, the qualitative objectives of Geoffrey Godet are as follows:

- define a new strategy and a new organisation for the Group;
- define the product mix necessary to revert to a sustainable sales growth in the coming years;
- the executive committee succession plan;
- manage efficiently the financial communication and the investor relations;
- Improve strategic and operations reviews at Board level.

It is however precised that, notwithstanding the achievement of said objectives, no variable remuneration will be paid in

cases of resignation or dismissal for gross negligence (as defined by French labor law), occurring prior to the date of payment.

4° Performance shares

The long-term component of Geoffrey Godet's remuneration solely comprises performance share allocation plans open to a range of beneficiaries within the Group, following a decision by the Board of management ruling in accordance with recommendations from the remuneration committee.

The allocations awarded to corporate officers are capped at:

- 20% of the total number of free shares allocated annually; and
- 150% of the annual fixed remuneration in IFRS value.

The final acquisition of the free shares allocated is subject to conditions of presence and performance recorded by the Board of directors at the end of a period of three years after the date of allocation.

The delivery of free shares is subject to the existence of a corporate appointment or employment contract with the Group. Subsequently, no delivery can take place after the termination of directorship and a potential employment contract.

The CEO may be granted for 40,000 performance share during 2018 fiscal year.

It is hereby specified that these free shares cannot be sold until the end of Geoffrey Godet's corporate appointments, applying to up to 50% of number of acquired free shares and this, until he holds a quantity of 50,000 acquired free shares, which he shall then be bound to keep until the termination of said corporate appointments.

5° New position allowance

Geoffrey Godet will be paid a new position allowance of a maximum of 250,000 euros intended to compensate for expenses and losses relating to moving from the USA and settling in France, together with the loss of the benefits he would have enjoyed in his previous position, which will not be totally compensated for by the conditions governing his new position. This allowance will be paid on the decision of the Board of directors ruling on the basis of justifications provided to the Company.

6° The commitments specified in the first and sixth paragraphs of article L.225-42-1

SUPPLEMENTARY PENSION SCHEME

The Chief Executive Officer will benefit from the same supplementary pension scheme as the salaried executive committee members of Neopost S.A.

The CEO's supplementary pension scheme comprises a defined-contribution scheme (article 83 of the French general tax code) into which is paid a total of 5% of his remuneration, capped at 5 times the Social Security ceiling.

In order to qualify for this annuity, the CEO must liquidate his pension entitlements from both the French Social Security pension scheme and supplementary schemes.

He may also potentially benefit from an additional pension currently being examined by the remuneration committee.

COMPENSATION FOR TERMINATION OF DUTIES

In the event of dismissal (except for gross negligence as defined by French labor laws) during the first two years of his appointment to these duties, the CEO will receive compensation, for which the gross amount will depend on the extent of achieving annual performance objectives, which shall be set by the Board of directors following recommendations from the appointments committee.

In the event of reaching these objectives in accordance with the criteria set out and confirmed by the Board of directors, the gross amount of this compensation shall equal six months of remuneration on the basis of his fixed and variable annual remuneration for achieved objectives. Throughout the two-year period, this compensation is subject to approval by the General Meeting in accordance with applicable legal rules.

7° Benefits in kind

The CEO benefits from the current life and disability insurance and supplementary health-insurance schemes, social security for company directors, a company car, assistance with filing his annual French and US tax declarations and reimbursement of reasonable business expenses incurred for performing his duties on presentation of appropriate receipts, in accordance with Company policy.

The CEO does not receive any other remuneration for his corporate appointment. He does not therefore receive any multi-annual variable remuneration, exceptional remuneration or any allocation of options to subscribe to or purchase shares. The CEO has not signed a non-compete clause, but must give a notice period of six months in the event of resignation.

These items of remuneration will be subject to a resolution submitted by the Board of directors to the General Shareholder Meeting. The resolution will be worded as follows: "Having read the report on Corporate Governance provided for in article L.225-37-2 of the French commercial code, the General Meeting, ruling under the conditions for a quorum and majority required for Ordinary General Meetings, approves the principles and criteria for calculating and determining the breakdown between the fixed, variable and exceptional components comprising the total remuneration and benefits in kind, detailed in the aforementioned report and payable to the CEO, Mr. Geoffrey Godet, in respect of his corporate office."

Regulated agreements

Denis Thiery, Chairman

EMPLOYMENT CONTRACT

Following the termination of his corporate appointment as Chief Executive Officer, the suspended employment contract of Denis Thiery, signed with Neopost S.A. when he joined the Neopost group on 1 October 1988, has been reactivated. Subsequent to a Board decision of 12 January 2018, an amendment to Denis Thiery's employment contract has been drawn up and signed under which he will hold a salaried position as 1 February 2018 of International Coordinator in order to assist the CEO in the international development of the Group within the framework of its current transformation. He will hold this position until 30 June 2018, which date he will claim his pension entitlements.

Under this position as International Coordinator, the remuneration of Denis Thiery, based pro rata on time worked (from 1 February to 30 June 2018), is as follows:

- fixed annual gross remuneration of 530,400 euros paid in France by the Company;
- fixed annual gross remuneration of 172,380 US dollars, paid in the United States by the subsidiary Mailroom Holding Inc.;
- annual variable remuneration depending on specific collective performance objectives (quantitative objectives known as the "Group Bonus") for 80% of this variable remuneration and individual performance (qualitative objectives) for 20% of this variable remuneration. This variable annual component of the remuneration shall represent 100% of the fixed annual remuneration for achieved quantitative and qualitative objectives and may be raised to 150% if objectives are exceeded. It will break down according to the proportions of fixed remuneration between the Company and Mailroom Holding Inc.

The 2018 criteria and objectives of this variable remuneration are listed in the Report on Corporate Governance above.

COLLECTIVE PENSION SCHEME

Pursuant to article R.225-30 of the French commercial code, the following commitment approved for previous fiscal periods, continued for the most recent period ending on 31 January 2018 :

- A defined-contribution pension scheme (article 83 of the French general tax code) with a contribution of 5% of annual remuneration, capped at 5 times the Social Security ceiling.
- For the defined-benefit pension scheme (article 39 of the French general tax code):
 - the legal age of retirement is 67;
 - the annuity commitment is 1.1% of the annual remuneration per full year of service, capped at 22% (with this annuity being paid after deduction of annuities paid under defined-contribution schemes in force);
 - the reference remuneration is the average of the gross salaries of the last best calendar years preceding the end of activity;
 - the number of years of service taken into account is a minimum of eight and a maximum of twenty.

Geoffrey Godet, Chief Executive Officer

Pursuant to article L.225-38 of the French commercial code (by reference to article L.225-42-1 of the commercial code), subsequent new agreements were authorized during the fiscal period ending on 31 January 2018 following decisions taken by the Board of directors on 12 January 2018.

COLLECTIVE PENSION SCHEME

A defined-contribution pension scheme (article 83 of the French general tax code) with a contribution of 5% of annual remuneration, capped at 5 times the Social Security ceiling.

In order to qualify for this annuity, the CEO must liquidate his pension entitlements from both the French Social Security pension scheme and supplementary schemes.

COMPENSATION FOR TERMINATION OF DUTIES

In the event of dismissal by the Board of directors (except for gross negligence as defined by French labor laws) during the first two years of his appointment to the position of Chief Executive Officer:

- compensation subject to annual performance objectives set out and confirmed by the Board of directors ruling on the recommendations of the remuneration committee.
- if the aforementioned performance objectives have been achieved, gross compensation, equaling six months of the CEO's remuneration on the base of his fixed and variable annual remuneration for achieved objectives.

Summary table of the Extraordinary General Meeting delegations to the Board of directors

The General Shareholder Meeting of Neopost S.A. held on 30 June 2017 approved the following resolutions, giving the Board of directors powers to:

- issue ordinary shares and securities giving access to the Company's share capital, with shareholders' pre-emptive subscription rights being maintained, for a period of 26 months;
- issue ordinary shares, with the waiver of shareholders' pre-emptive subscription rights through an offer to the public, for a period of 26 months;
- issue ordinary shares, with the waiver of shareholders' pre-emptive subscription rights through private placement as stipulated in clause II of article L.411-2 of the French monetary and financial code, for a period of 26 months;
- issue securities giving access to the Company's share capital, with the waiver of shareholders' pre-emptive subscription rights through an offer to the public, for a period of 26 months;
- issue securities giving access to the Company's share capital, with the waiver of shareholders' pre-emptive subscription rights through private placement as stipulated in clause II of article L.411-2 of the French monetary and financial code, for a period of 26 months;
- increase the value of issues in the event of oversubscription, in the event of issuing ordinary shares or securities giving access to the Company's share capital, for a period of 26 months;
- increase share capital by capitalizing reserves, profits or premiums, for a period of 26 months;
- increase the share capital by issuing shares to remunerate contributions in kind, within the limit of 10% of share capital, for a period of 26 months;
- issue ordinary shares and securities giving access to the Company's share capital, in the case of a public exchange offering initiated by the Company, for a period of 26 months;
- increase the capital and conduct share transfers reserved for Group employees in application of the provisions of article L.3332-1 *et seq.* of the French labor code, for a period of 26 months;
- proceed with increases in capital reserved for financial institutions or companies created specifically for implementing an employee savings scheme for the benefit of the employees of certain subsidiaries or foreign branch offices of the Group, equivalent to the existing saving schemes of the Group's French and foreign companies for ordinary shares and securities giving access to the Company's share capital, for a period of 18 months;
- grant free shares either existing or to be issued entailing the waiver of shareholders' pre-emptive subscription rights, for a period of 26 months;
- cancel the shares acquired under the Company's share buy-back programme, for a period of 18 months.

The full wording of these authorizations is available on request from Neopost S.A. head office.

The General Shareholder Meeting of Neopost S.A. called on 29 June 2018 to vote on the financial statements for the financial period ended 31 January 2018 will be asked to renew these authorizations on similar terms. Only the resolution concerning allocations of free shares will not be proposed to this meeting.

Information that could have an impact in the event of a takeover bid or exchange offer

In accordance with the provisions of article L.225-100-3 of the French commercial code, the factors that could have an impact on a takeover bid are as follows:

- the Company's capital structure as described in part 6 of the registration document;
- direct or indirect investments in the Company's capital known to the Company pursuant to articles L.233-7 and L.233-12 of the French commercial code, as described in part 3 of the registration document;
- the rules applicable to the appointment and replacement of members of the Board of directors and amendments to the

Company's articles of association, which are determined by General Meetings;

- the Board of directors' powers as delegated by the General Shareholder Meeting, particularly those relating to the issue or buy-back of shares, as described in part 6 of the registration document.

To the best of the Company's knowledge, there are no agreements between shareholders that could lead to restrictions in the transfer of shares and the exercise of voting rights.

Practical information for attending the General Meeting

Article 18 of the Company's articles of association, cited in part 7 of this registration document, describes the exact procedures for shareholder participation in General Meetings.

Practical information for attending General Meetings

All shareholders may participate in the General Meeting, regardless of the number of shares they own, notwithstanding any provisions to the contrary provided for by the articles of association.

The rights of shareholders to participate in the General Meeting is subject to their shares being registered in their name, or in the name of the intermediary acting on their behalf pursuant to paragraph 7 of article L.228-1 of the French commercial code, no later than zero hour, Paris time, on the second business day prior to the General Meeting, *i.e.* 27 June 2018, either in the registered share accounts kept for the Company by its representative or in the bearer share accounts kept by the authorized intermediary.

Registration of the shares in bearer share accounts kept by financial intermediaries must be evidenced by a certificate of participation issued by such intermediaries, or can be transmitted electronically if applicable in the conditions stipulated in article R.225-61 of the French commercial code. This certificate of participation must be attached to the voting form or the proxy form, or to the request for an admission card in the shareholder's name or broker that manages the share account.

Shareholders that have not received their requested admission card two working days prior to the General Meeting no later than zero hour, will be issued with a certificate.

If shareholders do not wish to attend the General Meeting in person, they may elect one of the following three options:

1. send a proxy vote to the Company without specifying a proxy holder. All proxy votes granted without a specified proxy shall result in a vote for the approval of the draft resolutions presented or accepted by the Board of directors and, if this is not the case, vote against their approval.
2. authorize a proxy vote by their spouse or partner with whom they have entered into a civil union or any other natural or legal person of their choosing, in accordance with article L.225-106 of the French commercial code. Duly completed and signed proxy forms must include the full name and address of the shareholder and their proxy and be mailed along with a photocopy of the shareholder's ID and that of their proxy to CACEIS Corporate Trust. The same formalities apply for canceling a proxy as for granting it.
3. vote by mail.

No arrangements have been made for voting by electronic means of communication at this General Meeting. Therefore no site of the type referred to in article R.225-61 of the French commercial code will be set up for this purpose.

Practical information for attending the General Meeting

In accordance with the provisions of article R.225-79 of the French commercial code, notifications to appoint a proxy holder or withdraw a proxy may also be sent electronically, as follows:

- for direct registered shareholders: by sending an email with an electronic signature obtained from an accredited certification service provider to: ct-mandataires-assemblees-neopost@caceis.com, indicating their name, address and CACEIS Corporate Trust ID (information printed in the top left-hand corner of share accounts statements) or indicate their ID with their bank or broker if shares are registered in the name of the bank or broker that manages the share account, as well as the full name of the proxy holder or the person from whom the proxy is being withdrawn;
- for bearer shareholders: by sending an email with an electronic signature obtained from an accredited certification service provider to: ct-mandataires-assemblees-neopost@caceis.com indicating their name, address and full bank details and the full name of the designated proxy holder or the person from whom the proxy is being withdrawn, asking their bank or broker managing the share account to send written confirmation by letter to CACEIS Corporate Trust;
- Service Assemblée Générale – 14, rue Rouget de Lisle; 92862 ISSY-LES-MOULINEAUX Cedex 9 (or by fax to +33 (0) 1.49.08.05.82).

Only duly completed and signed notifications received at the latest three days prior to the General Meeting will be taken into account. In addition, the aforementioned email address may only be used to send notifications to appoint or withdraw proxies; requests or notifications concerning other matters will not be taken into account and/or processed.

Shareholders who have cast a postal vote, appointed a proxy or requested an admission card or share ownership certificate may still sell all or some of their shares. However, if the sale takes place two business days prior to the General Meeting, namely no later than zero hour, Paris time on 27 June 2018, the Company will take the appropriate measures to cancel or amend the related postal vote, proxy, admission card or share ownership certificate. The shareholder's bank or broker must therefore notify the Company or its registrar of any such sales and provide it with the necessary information.

Information concerning any sales or other transactions carried out after the second business day prior to the General Meeting, no later than zero hour, Paris time, will not be submitted by the bank or broker concerned or taken into account by the Company, notwithstanding any agreements to the contrary.

Postal voting forms or proxy forms will be automatically sent by mail to the holders of registered shares.

Pursuant to the applicable laws and regulations, all documents that must be made available to shareholders for the purpose of Annual General Meetings, within the

legally prescribed timeframes, may be consulted at the Neopost S.A. head office and on the Company's website <https://www.neopost-group.com/en/finance/general-meetings> or sent following a written request to CACEIS Corporate Trust.

Bearer shareholders should request a postal/proxy voting form by way of a letter, which must be received by registered mail with acknowledgement of receipt by CACEIS Corporate Trust – Service Assemblée Générale – 14, rue Rouget de Lisle – 92862 ISSY-LES-MOULINEAUX Cedex 9 at least six days prior to the General Meeting.

In order for postal votes to be taken into account, the completed and duly signed postal voting forms must be sent to CACEIS Corporate Trust – Service Assemblée Générale – 14, rue Rouget de Lisle – 92862 ISSY-LES-MOULINEAUX Cedex 9 at least three days prior to the General Meeting.

Shareholders who have cast a postal vote, appointed a proxy or requested an admission card or share ownership certificate will not be able to participate in the General Meeting in any other way, notwithstanding any provisions to the contrary provided for by the articles of association.

Shareholders may submit written questions to the Company as from the publication date of this Notice of Annual General Meeting. Any such questions must be sent to the Company's head office, by registered mail with acknowledgement of receipt by the fourth business day prior to the date of the Annual General Meeting. A share registration certificate must be attached to this letter. The Board of directors is required to reply to these questions during the Annual General Meeting and a joint response can be given to questions which have the same content. Answers to the questions will be posted on the Company's website at the following address:

<https://www.neopost-group.com/en/finance/general-meetings>

Shareholders that meet applicable conditions may table items on the agenda or proposed resolutions at the Annual General Meeting by sending a request by registered letter with acknowledgement of receipt at least 25 calendar days prior to the date of the Annual General Meeting. A share registration certificate must be sent with any such request, evidencing that the applicant holds or represents at least 5% of the Company's capital.

Any draft resolutions proposed by shareholders, as well as a list of any items that have been included in the agenda of the General Meeting further to a shareholder's request, will be published on the Company's website:

<https://www.neopost-group.com/en/finance/general-meetings>

In addition, review by the General Meeting of any points or draft solutions submitted is conditioned on the relevant shareholders providing, on the second business day prior to the date of the General Meeting, no later than zero hour Paris time, a new certificate evidencing that their shares are registered on accounts in accordance with the requirements specified above.

Statutory auditors' special report on regulated related party agreements and commitments

Annual General Meeting called to approve the accounts for the financial year ending 31 January 2018

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present our report on regulated related party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose, and the benefits to the company of the agreements and commitments, that have been indicated to us or that we would have identified performing our role, without expressing an opinion on their usefulness or their merit or searching for other agreements or commitments.

It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

However, we are required, if any, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) of the implementation, during the year of related party agreements and commitments already approved by the Annual General Meeting.

We performed the procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1. AGREEMENTS AND COMMITMENTS TO BE AUTHORIZED BY THE ANNUAL GENERAL MEETING

Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of the following agreement previously authorized by your Board of Directors.

Collective pension plans

Relevant person:

Mr. Geoffrey Godet, Chief Executive Officer of Neopost SA (as of February 1, 2018)

Nature, object and conditions:

The Board of Directors of January 12, 2018 has authorized Mr. Geoffrey Godet to benefit from a defined contribution pension plan settled in 2001 for employees. The contribution amounts to 5 % of the salary which cannot exceed 5 times the annual limit defined by the French social security system.

Interest for Neopost SA:

The Board of Directors, upon recommendation of the Remuneration Committee (*Comité des Rémunérations*), was committed to ensure that these elements comply with the remuneration policy and has noted that the defined contribution pension plan was granted on the same basis and in the same terms as granted to his predecessor.

Compensation for termination of duties*Relevant person:*

Mr. Geoffrey Godet, Chief Executive Officer of Neopost SA (as of February 1, 2018)

Nature, object and conditions:

The Board of Directors of January 12, 2018 has authorized the payment of a compensation in case of dismissal (except for gross negligence as defined by the French labor laws (*Droit du travail*) of Mr. Geoffrey Godet of the post of CEO, if it intervenes during the first two years following its designation. The gross amount will depend on the extent of achieving annual performance objectives, which shall be set by the Board of directors. In the event of reaching these objectives in accordance with the criteria set out and confirmed by the Board of directors, the gross amount of this compensation shall equal six months of remuneration on the basis of his fixed and variable annual remuneration for achieved objectives.

Interest for Neopost SA:

The Board of Directors, upon recommendation of the Remuneration Committee (*Comité des Rémunérations*), was committed to ensure that these elements comply with the remuneration policy and has considered that the termination allowance took into account the general interest of the company, market practices and the expected level of performance. In addition, the conditions for granting this indemnity, its maximum amount and its calculation method have been defined in accordance with the recommendations of the AFEP MEDEF corporate governance code for listed companies. In particular, this allowance is limited in time (two years) and depends on the achievement of individual and group performances objectives.

Employment contract*Relevant person:*

Mr. Denis Thiery, Chairman of the Board and Chief Executive Officer until January 31, 2018 then Chairman of the Board as of February 1, 2018

Nature, object and conditions:

The Board of Directors of January 12, 2018 has authorized the "reactivation" of Mr. Denis Thiery's employment contract, on October 1, 1998 with resumption of seniority acquired prior to his position of CEO of your company as well as the seniority acquired during the exercise of his duties as CEO. An amendment this employment contract has been and signed February 1, 2018 which provides for:

- Mr. Denis Thiery will hold a salaried position as 1 February 2018 of International Coordinator in order to assist the CEO in the international development of the Group within the framework of its current transformation. He will hold this position until 30 June 2018, which date he will claim his pension entitlements.
- Under this position as International Coordinator, the remuneration of Denis Thiery, based pro rata on time worked (from 1 February to 30 June 2018), is as follows:
 - fixed annual gross remuneration of 530,400 euros paid in France by the Company;
 - fixed annual gross remuneration of 172,380 US dollars, paid in the United States by the subsidiary Mailroom Holding Inc.;
 - annual variable remuneration depending on specific collective performance objectives (quantitative objectives known as the "Group Bonus") for 80% of this variable remuneration and individual performance (qualitative objectives) for 20% of this variable remuneration. This variable annual component of the remuneration shall represent 100% of the fixed annual remuneration for achieved quantitative and qualitative objectives and may be raised to 150% if objectives are exceeded. It will break down according to the proportions of fixed remuneration between the Company and Mailroom Holding Inc.

Interest for Neopost SA:

The Board of Directors, upon recommendation of the Remuneration Committee (*Comité des Rémunérations*), was committed to ensure that these elements comply with the remuneration policy determined on the basis of the positions held with Neopost, experience, seniority, performance as well as market practices.

2. AGREEMENTS AND COMMITMENTS AUTHORIZED IN PRIOR YEARS BY THE ANNUAL GENERAL MEETING

Agreements and commitments authorized in prior years that were not implemented during the year

We have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, were not implemented during the year.

Collective pension plans

The benefit of the two collective pension plans agreed on October 3, 2006, and modified on March 28, 2011 has been maintained for Mr. Denis Thiery (Chairman and Chief Executive Officer during the year):

- a defined contribution pension plan settled in 2001 for employees. The contribution amounts to 5 % of the salary which cannot exceed 5 times the annual limit defined by the French social security system.
- a pension scheme to the benefit of its top management. If the beneficiary is still in the company's staff at the day of the pension payment under old age insurance program, the beneficiary will benefit from an annuity at a rate of 1,1 % of the benchmark remuneration per full year of service subject to a maximum of 22%. The benefit is net of the earnings from other additional pension plans. A minimum of 8 years' and a maximum of 20 years' seniority will be taken into account. The benchmark remuneration shall be equal to the average gross wages of the last three full years before retirement date.

Paris-La Défense and Paris, April 26, 2017

The statutory auditors

ERNST & YOUNG et Autres

FINEXSI AUDIT

Pierre BOURGEOIS

Lucas ROBIN

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MANAGEMENT REPORT

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Review of the Neopost group's financial position and results in 2017

In full-year 2017, the Group generated sales of 1,111.7 million euros, down (4.1)% year-on-year, (2.0)% excluding currency effects, and (2.2)% on an organic basis.

2017 current operating income before acquisition-related expense was 202.3 million euros, down from 216.0 million euros in 2016. The Group's current operating margin before acquisition-related expense⁽¹⁾ was 18.2% of sales in 2017

versus 18.6% in 2016. After acquisition-related expense, the current operating margin amounted to 191.0 million euros or 17.2% of 2017 sales.

The tax rate shrank to 0.6% from 25.1% in 2016 due to the lowering of the tax rate in the United States as well as the cancellation of tax on dividends in France.

Income statement

(In millions of euros)	31 January 2018		31 January 2017	
Sales	1,111.7	100.0%	1,158.7	100.0%
Cost of sales	(279.3)	(25.1)%	(293.3)	(25.3)%
Gross margin	832.4	74.9%	865.4	74.7%
R&D expenses	(56.9)	(5.1)%	(52.0)	(4.5)%
Selling expenses	(279.6)	(25.1)%	(293.0)	(25.4)%
Administrative expenses	(194.9)	(17.6)%	(197.1)	(17.0)%
Maintenance & other operating expenses	(99.9)	(9.0)%	(106.8)	(9.2)%
Employee profit-sharing and share-based payments	1.2	0.0%	(0.5)	(0.0)%
Current operating income excluding expenses related to acquisitions	202.3	18.2%	216.0	18.6%
Expenses related to acquisitions	(11.3)	(1.0)%	(13.1)	(1.1)%
Current operating income	191.0	17.2%	202.9	17.5%
Proceeds from asset sales	(0.1)	0.0%	0.0	0.0%
Structure optimization expense	(13.2)	(1.2)%	(15.3)	(1.3)%
Other operating expenses	(11.3)	(1.0)%	(6.7)	(0.6)%
Operating income	166.4	15.0%	180.9	15.6%
Financial income/(expenses)	(34.6)	(3.1)%	(30.5)	(2.6)%
Income before taxes	131.8	11.9%	150.4	13.0%
Income taxes	(0.8)	(0.1)%	(37.7)	(3.3)%
Income from associated companies	1.7	0.1%	1.3	0.1%
NET INCOME	132.7	11.9%	114.0	9.8%
Attributable to:				
• holders of the parent company	133.8	12.0%	118.2	10.2%
• non-controlling interests	(1.1)	(0.1)%	(4.2)	(0.4)%

(1) Current operating margin before acquisition-related expense = current operating income before acquisition-related expense/sales.

Change in sales by division

(In millions of euros)	2017	2016	Change	Change at constant exchange rates	Organic change ^(a)
Enterprise Digital Solutions (EDS)	135.9	136.5	(0.4)%	+1.7%	(0.3)%
Neopost Shipping ^(a)	57.2	53.0	+8.0%	+10.7%	+10.7%
SME Solutions	941.3	990.9	(5.0)%	(3.0)%	(3.0)%
Eliminations	(23.0)	(21.7)	-	-	-
TOTAL	1,111.7	1,158.7	(4.1)%	(2.0)%	(2.2)%

(a) 2017 sales are compared with 2016 sales, with the addition of 2.7 million euros which accounts for sales generated by Icon Systemhaus and the divestment of DMTI Spatial.

Enterprise Digital Solutions (EDS)

In full-year 2017, Enterprise Digital Solutions sales rose +1.7% excluding currency effects. Restated for scope effects stemming from the acquisition of icon Systemhaus and the disposal of DMTI Spatial, sales declined by (0.3)% on an organic basis.

The underperformance mainly resulted from the lack of sales of large license contracts by GMC Software for Customer Communications Management, whereas the Group had expected to see a recovery in this activity in the fourth quarter. Yet, given the high number of large contracts signed in fourth-quarter 2016, GMC Software recorded an organic sales decline of (11.9)% in fourth-quarter 2017.

However, GMC Software's annual sales grew +3.2% excluding currency effects thanks to an increase in maintenance and service sales as well as the signing of a significant number of new small license contracts, contributing to a continued increase in the customer base.

The underperformance from the EDS division is also attributable to an organic decline in the Data Quality management business (6.2)% and in the activity of icon Systemhaus (11.0)% over the full-year.

Neopost Shipping

In full-year 2017, Neopost Shipping sales rose +10.7% excluding currency effects.

Double digit growth was driven by the strong performances in the roll-out of Packcity automated parcel lockers in Japan in partnership with Yamato Transport. The number of installed

parcel lockers now totals 2,600, versus 200 a year earlier. End of March, Neopost manages a network of more than 3,000 automated parcel lockers around the world.

Growth in the division was also driven by accelerated sales in the CVP-500 automated packaging system with placements totalling 10 units this year versus 6 in the previous fiscal year.

In addition, Temando is currently preparing for the launch of its shipment module for Magento's new e-commerce solutions platform (scheduled for spring 2018).

SME Solutions

SME Solutions sales in full-year 2017 were down (5.0)% to 941.6 million euros and down (3.0)% at constant exchange rates.

Mail Solutions sales fell (4.3)% excluding currency effects. This business has proved more resilient in North America than in Europe, where the decline is more marked, confirming the trend observed for some time now.

Within this division, Communication & Shipping Solutions sales rose +5.5%, with a (6.0)% decrease in graphic activities and a +17.5% increase in digital communications and logistics, thus demonstrating the division's ability to support its customers with customer communication and parcel management software.

Research and development effort

Research and development expenses amounted to 56.9 million euros in 2017, compared with 52.0 million euros in 2016, respectively representing 5.1% and 4.5% of the 2017 and 2016 sales. The expenses presented in the income statement do not reflect the whole effort as a part of the amount of R&D expenses is capitalized: 24.9 million euros in 2017 versus 24.9 million euros in 2016.

The main focus of research and development is on developing future offers in the Communications & Shipping Solutions activities.

It is also on future generations of hardware, software, infrastructure and networks to manage information flows between customers and postal services and/or carriers.

Current operating margin⁽¹⁾

	2017				
	EDS	Neopost Shipping ^(a)	SME Solutions	Innovation ^(b)	Total
<i>(In millions of euros)</i>					
Current operating income before acquisition-related expense	15.7	(12.5)	206.6	(7.5)	202.3
Current operating margin before acquisition-related expense	11.6%	(21.8)%	21.9%	n/a	18.2%

	2016				
	EDS	Neopost Shipping ^(a)	SME Solutions	Innovation ^(b)	Total
<i>(In millions of euros)</i>					
Current operating income before acquisition-related expense	21.3	(11.5)	213.9	(7.7)	216.0
Current operating margin before acquisition-related expense	15.6%	(21.6)%	21.6%	n/a	18.6%

(a) Including Temando and CVP-500.

(b) Innovation include the costs of developing a web-based platform and applications for small businesses, as well as the CVP-500 sales and related expense.

EDS posted a decrease in its current operating margin, which came out at 11.6% of sales versus 15.6% in 2016. The decline resulted from the contraction in the sales of licenses.

The current operating margin⁽¹⁾ of Neopost Shipping⁶ was stable at (21.8)%. Excluding Temando and CVP-500, the margin ended at 8.2% of sales compared with 8.8% in 2016.

The current operating margin⁽¹⁾ of SME Solutions rose to 21.9% of sales from 21.6% in 2016. The savings and optimization programs continue to produce results. In 2017, SME Solutions' net operating expenditure was further reduced by 20.8 million euros after already being cut by 23.2 million euros in 2016. In all, Neopost has reduced the cost base of this division by 57 million euros in three years, consistent with the announced target of at least 50.0 million euros. Innovation

expense includes the development of a web-based platform and digital applications for small businesses. Total innovation expense came out at 7.5 million euros in 2017, in line with 2016.

The Group's current operating income before acquisition-related expense stood at 202.3 million euros, versus 216.0 million euros in 2016. Current operating margin before acquisition-related expense was 18.2% of sales versus 18.6% in 2016.

Acquisition-related expense totaled 11.3 million euros, compared with 13.1 million euros in 2016.

Current operating income in 2017 amounted to 191.0 million euros, against 202.9 million euros the previous year.

(1) Current operating margin before acquisition-related expense = current operating income before acquisition-related expense/sales.

Non-current items

The Group recorded a 13.2 million euros expense for the optimization of structures in 2017, compared with 15.3 million euros in 2016.

It finalized the disposal of its subsidiaries in Indonesia, Malaysia, Singapore and Thailand (SME Solutions), as well as its DMTI Spatial subsidiary (EDS).

The Group also acquired Temando's minority interests in September 2017. The earn-out commitment booked when

Neopost acquired its first stake in Temando, was canceled to take into account the new business plan and the goodwill was depreciated consequently.

In all, income from disposals and other operational expense totaled 11.3 million euros, against 6.7 million euros in 2016.

Factoring in these non-current items, operating income came out at 166.4 million euros in 2017, versus 180.9 million euros in the previous year.

Financial income

Net cost of debt amounted to (32.2) million euros, compared with (29.7) million euros in 2016. The carrying costs stemming from the refinancing transactions done in 2017 (*Schuldschein* in February and revolving credit facility in June) amounted to 1 million euros.

In 2017 the Group also recorded currency losses and other financial items of (2.4) million euros, compared with (0.8) million in 2016.

Net financial income amounted to (34.6) million euros in 2017, versus (30.5) million euros in 2016.

Net income

The tax rate shrank to 0.6% from 25.1% in 2016, due to the lowering of the tax rate in the United States as well as the cancellation of tax on dividends in France.

Net attributable income thus came out at 133.8 million euros, up 13.2% on 2016, for a net margin of 12.0% compared with 10.2% in 2016. Earnings per share⁽¹⁾ increased 14.2% to 3.62 euros from 3.17 euros in 2016.

Financial position

EBITDA⁽²⁾ totaled 284.7 million euros, compared with 294.9 million euros in 2016. The EBITDA⁽¹⁾ margin grew slightly to 25.6% of sales, compared with 25.5% in 2016.

The change in the working capital requirement was positive at 20.6 million euros, thanks notably to the decrease in trade accounts receivable.

The leasing portfolio and other financing services were down (2.8)% excluding currency effects, generating a cash inflow of 22.8 million euros. After recognizing the decline in the US dollar, the portfolio stood at 710.6 million euros, down from 798.1 million euros at 31 January 2017.

Investments in tangible and intangible fixed assets amounted to 98.8 million euros versus 82.2 million euros a year earlier. The increase was entirely due to the roll-out of Packcity in Japan.

In total, the Group generated 149.2 million euros in cash flow before acquisitions and dividends, in line with last year, even though investments were higher in 2017.

In terms of external growth, the Group invested 23.5 million euros, mainly for the acquisition of the minority interests in Temando for an amount close to that paid in 2016 (24.0 million euros).

Strong cash flow generation and the fall in the US dollar versus the euro led to a significant decrease in net debt, which at 31 January 2018 stood at 674.9 million euros, versus 763.0 million euros a year earlier. The Group would like to point out that its net debt is fully backed by future cash flows from its rental and leasing activities.

At 31 January 2018, shareholders' equity was 1,169.2 million euros, against 1,139.0 million euros a year earlier.

Gearing came out at 57.7% of shareholders' equity compared with 67.0% at 31 January 2017.

At 31 January 2018, the leverage ratio (net debt/EBITDA) had improved to 2.4, compared with 2.6 on 31 January 2017.

(1) Earnings per share are calculated after deducting dividends paid to ODIRNANE bond holders.

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

Dividend

The Board of Directors will submit its proposed dividend of 1.70 euro per share in respect of fiscal year 2017, the same amount as for fiscal year 2016, for the approval of the Annual General Meeting on 29 June 2018. If approved, the balance of 0.90 euro per share will be paid on 7 August 2018, following

the payment of an interim dividend of 0.80 euro per share on 6 February 2018. The final 2017 dividend will be paid entirely in cash, as was the interim dividend.

	Date^(a) of the interim dividend	Amount of the interim dividend	Date^(a) of the balance of the dividend	Amount of the balance of the dividend	Amount of the full year dividend
2017	06/02/2018	EUR 0.80	07/08/2018	EUR 0.90	EUR 1.70
2016	07/02/2017	EUR 0.80	08/08/2017	EUR 0.90	EUR 1.70
2015	09/02/2016	EUR 0.80	09/08/2016	EUR 0.90	EUR 1.70
2014	10/02/2015	EUR 1.80	06/08/2015	EUR 2.10	EUR 3.90

(a) Payment date.

Share buyback program

A share buyback program involving a maximum of 10% of the issued share capital at a maximum purchase price of 50 euros will be presented for approval to the Annual General Meeting to be held on 29 June 2018.

Risk factors

Risk assessment and internal control

Risk Factors

Risk assessment

The Group has implemented a mapping process for its risks. The risk map is drawn up for a four-year period and updated in 2010, 2014 and 2017 under the supervision of the head of internal control. The aim is to update and extend the existing risk map. This is done by holding discussions with key Group managers and subsidiary management teams (selection of the 20 top managers). A list of risks classified by theme is then drawn up and rated by the persons interviewed, based on two criteria: impact and likelihood.

The risk map is then presented to the Chairman & CEO, the audit committee and other relevant key personnel.

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

In addition to the review carried out by the audit committee at the end of March 2018, risks are reviewed by the Board of directors before taking any major decision (new acquisitions, restructuring, credit allocation, etc.) and a status report is produced in September. Risks are discussed by the Board from

a Group-wide perspective when the three-year plan is drawn up, during which:

- the Chief Executive Officer presents market conditions (postal regulations, market trends, competition);
- the Chief Financial and Legal 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.

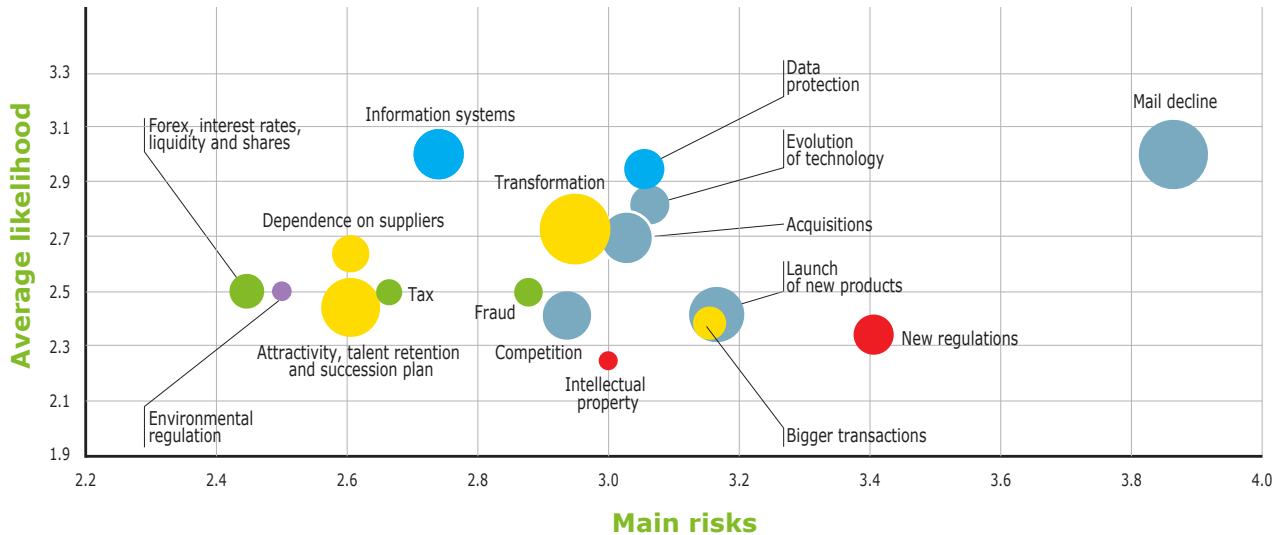
In addition, the risks and opportunities related to the Group's external environment are analyzed every year during preparation of the three-year strategic plan.

As part of the Group's decentralized organization, 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 general management and reviewed and discussed during operational reviews. Highlighting Red Flags risk areas is always part of the process.

Main risks, control activities and insurance

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

assessment performed in 2017. The horizontal axis represents the impact and the vertical axis the likelihood. The size of the circles represents the number of occurrences (i.e. number of times the risk was cited during the interviews).



● Strategic risk
 ● Legal risk
 ● Operational risk
 ● Environmental risk
 ● Financial risk
 ● Technologic risk

Main risks

Strategic	Operational	Legal	Technological	Financial	Environmental
Highest risks					
<ul style="list-style-type: none"> Decline in mail volumes Launch of new products Competition 	<ul style="list-style-type: none"> Transformation Attractivity, talent retention and succession plan 		<ul style="list-style-type: none"> Data protection 		
Moderate risks					
<ul style="list-style-type: none"> Evolution of technology Acquisitions 	<ul style="list-style-type: none"> Bigger transactions Dependence on suppliers 	<ul style="list-style-type: none"> New regulations Intellectual property 	<ul style="list-style-type: none"> Information systems 	<ul style="list-style-type: none"> Forex, interest rates, liquidity and shares Tax Fraud 	<ul style="list-style-type: none"> Environmental regulation

Risk factors

The table below gives a precise description and dedicated action plan for each of the 17 identified risks and the way these risks are mitigated.

Highest risks

Risks	Risk management system
Decline in mail volumes	
Mail volumes decrease in most countries where the Group operates. Experts anticipate a further decline of about (3) to (6)% per year. The Group's Mail Solutions activities are linked to mail volumes. Excluding currency effects these activities were down by (5.3)% in 2015, by (4.6)% in 2016 and by (4,3)% in 2017.	To mitigate this decline the Group continues to innovate to gain market share and is developing complementary activities which enjoy strong growth. Thanks to these activities, Neopost limited the organic decline of its Group sales by (1.8)% in 2015, (2.1)% in 2016 and (2,2)% in 2017.
Launch of new products	
Developing and launching products requires major investments. The Group's results and future financial position will depend in part on its ability to improve its products and services, develop and produce new ones at lower prices, deliver on time as well as distribute and market them.	A very strict procedure is applied for each new product launch. It involves a Group project, planning, risk assessment and steering committee. All departments concerned are involved in the Group project and in the steering committee.
Competition	
Neopost has two main competitors in its legacy business (Mail Solutions): world leader Pitney Bowes and Francotyp Postalia, No. 3 worldwide. Pitney Bowes is listed on the New York Stock Exchange and its main market is the United States of America. Francotyp Postalia is listed on the Frankfurt Stock Exchange. Germany is its main market. Regarding Neopost's digital communications and shipping activities, the Group had made several acquisitions since 2012: GMC Software AG in July 2012, Human Inference in December 2012, DMTI Spatial in October 2013, ProShip in May 2014 and icon Systemhaus in July 2016. In addition, between April 2015 and September 2017, Neopost took full control of Temando. All these companies operate on markets where the competitive landscape is different from that of Mail Solutions. Neopost's competitors in these new markets are more numerous and could have greater financial resources than the Group, a factor that could impair the Group's competitiveness.	The strategic and marketing department regularly analyzes the competition, this topic is discussed with the executive committee and the Board on directors at least once a year. With regard to the new activities related to digital communication and shipping, the group has access to market research carried-out by major research consulting firms.
Transformation	
To counter the decline in mail volumes in its legacy business, the Group is developing new activities. This entails a considerable efforts in terms of transformation. The rate at which this transformation can be achieved is a key factor for the Group financial results in the future.	Training programs have been organized for managers and sales teams to familiarize them with new products. In addition, a one-year training program has been launched to provide continuous support to management committees of the SME division to help them better manage all aspects of this transformation.
Attractivity, talent retention and succession plan	
Intellectual and human capital is a real source of productivity and talent management has become essential. In a constantly changing employment market, it is essential to retain and motivate talent. Some positions require particular attention due to their key role in the organization and the associated specific skills. The succession plan is a tool that should ensure the continuity of the organization's business by identifying these key positions, measuring the risk of failure of the people occupying them and implementing the actions necessary to ensure the succession.	To reduce the risk of losing key personnel, the Group has put in place retention incentives such as phantom shares and free shares. It has also implemented contingency plans for all major key positions at the level of the holding company, Neopost S.A., as well as at the level of each subsidiary. These plans are regularly updated and reviewed by the remuneration committee and the nomination committee.

Risks	Risk management system
Data protection	
Neopost decentralized organization and growth by acquisitions lead to great diversity in terms of information systems and data base.	The Head of Information Systems Security reports to the Head of Information Systems. He is in charge of defining and applying the security policies within the Group. In terms of security, postal audits were conducted successfully in all countries concerned in 2017. Continuous improvement plans are designed to meet postal requirements every year. The Group security policy was updated. Based on the ISO 27001 standard, the policy was rolled out early 2017, particularly in markets that commercialize SaaS offerings. Requirements relating to the GDPR ruling will also be addressed in these planned roll-outs to comply with regulation by May 2018.

Moderate risks

Risks	Risk management system
Evolution of technology	
The markets for the Group's products, software and services are and will continue to be subject to rapid changes in technology, as well as continual improvement in existing products and software, and the frequent introduction of new products, software and services.	A new department named Neopost Lab has been created for the purpose of identifying new technologies that may impact Neopost's markets and envisaging how these technologies can be integrated by carrying out new developments or acquisitions.
Acquisitions	
The Group recently made several acquisitions: GMC Software AG in July 2012, Human Inference in December 2012, DMTI Spatial in October 2013, ProShip in May 2014 and icon Systemhaus in July 2016. In addition, between April 2015 and September 2017, Neopost took full control of Temando. These acquisitions, like all acquisitions, cause uncertainty as to the consolidation of the acquired teams, and o the capacity to develop appropriate products and generate synergies within Neopost's historical distribution network.	These acquisitions have been integrated into the Enterprise Digital Solutions and Neopost Shipping divisions. New entities are subject to a specific monitoring during operating reviews. In addition, a post mortem analysis is performed one or two years after integration. Group has proved in the past its ability to draw conclusions. As such, the Group decided to divest Neosys in 2016 and DMTI in 2017.
Bigger transactions	
The Group has a portfolio of about 500, 000 customers, none of which accounts for more than 1% of sales. The progressive ramp up of new activities in digital communication and logistics leads to an increase in the size of transactions compared to the legacy business where the transactions are relatively small.	These deals rarely exceed 5 million euros and are carefully monitored by general management and Group finance department.
Dependence on suppliers	
The Group has hundreds of thousands of customers, none of which accounts for more than 1% of sales. The Group's main supplier is Benchmark, OEM mid-range supplier in Asia. Benchmark accounted for 24.8% of total Group purchases in 2017 and 10.5% in 2016.	The top five suppliers and the top ten suppliers respectively account for 26.0% and 34.1% of total purchases in 2017 versus 18.4% and 25.6% in 2016. A disruption in supply from any one of these suppliers could significantly affect the Group's business, despite the contractual clauses in the agreements protecting the Group against such risk. The Group has already put in place alternative solutions in case such an event 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 the production. Neopost also has a choice of strategic tier two suppliers, and for each of these, a replacement supplier has been selected. In addition, the Group is the owner of all molds, specific tools and industrial design.

Risk factors

Risks	Risk management system
<p style="text-align: center;">New regulations</p> <p>The Group is not aware of any governmental, legal or arbitral proceedings that could have or had a material impact on the Group's financial position or profits over the past 12 months.</p>	
<p style="text-align: center;">Intellectual property</p> <p>The Group is the owner of its trademarks and has about 376 families of patents published. Neopost registered 12 patents in 2017. The geographical coverage of these patents is essentially European and American.</p>	
<p style="text-align: center;">Information systems</p> <p>Neopost highly decentralized organization and growth by acquisition strategy have resulted in great diversity in terms of information systems and infrastructures.</p>	
<p style="text-align: center;">Market (exchange, rate, liquidity et shares)</p> <p>The Group is mainly exposed to currency exchange rate risks through its international activity and to interest rate risks through its debt. Neopost benefits from a natural hedge on its current operating margin and its net income. Based on the 2018 budget, the breakdown of sales and costs denominated in United States dollars is as follows: sales 41.5%, cost of sales 48.8%, operating costs 32.6% and interest expenses 27.1%. A 5% decrease in the euro/United States dollar exchange rate from the budget rate of 1.20 would have the following impacts on the Group's income statement: sales (22.8) million euros, current operating income (6.0) million euros and net income (3.7) million euros. Based on the 2018 budget, the breakdown of sales and costs denominated in pounds sterling is as follows: sales 9.0%, cost of sales 6.6 %, operating costs 10.5%. A 5% decrease in the euro/pound sterling exchange rate from the budget rate of 0.91 would have the following impacts on the Group's income statement: sales (4.9) million euros, current operating income (1.6) million euros and net income (1.2) million euros. The other currencies are not a major concern for the Group. None of them, individually taken, represents more than 5% of the total sales. However, other than the natural hedge, no guarantee can be given regarding the Group's ability to hedge exchange rate risk effectively. To limit the impact of a rise in interest rates on its interest expenses, the Neopost group has a risk-hedging policy aimed at protecting a maximum annual interest rate for the three years ahead at all times. Sensitivity to interest rate risk based on constant debt for 2018 is as follows:</p> <ul style="list-style-type: none"> • in the event of a 0.5% rise in interest rates, the impact on financial results is below 0.1 million euros on euro denominated debt and (0.9) million dollars on dollar denominated debt; • in the event of a 0.5% fall in interest rates, the impact on financial results is below 0.1 million euros on euro denominated debt and +0.9 million dollars on dollar denominated debt. 	
<p>Neopost legal counsel department at Group and subsidiary level monitor regularly the evolution of regulations. if necessary Group projects are launched to adapt processes to new regulations such as Sapin 2 law and GDPR.</p>	
<p>Neopost is not dependent on any single patent which might bring the Group's level of business or profitability into question.</p>	
<p>Since early 2016, the head of Information Systems and his team have been integrated into the new technology and innovation department which reports to the Chief Technology and Innovation Officer. The main responsibility of the head of Information Systems is to ensure that the Group's information system strategy is coordinated and consistent, and that Group policy is applied at local level. The Group head of Information Systems leads a network of subsidiary information system managers who also report to the Chairpersons of their respective subsidiaries. This new organization boosts the contribution made by IT resources to innovation and facilitates the integration of new SaaS projects.</p>	
<p>The Group believes that its cash flow has defined in the consolidated cash flow statement in part 5 of this document will easily enable it to service its debt, given the current level of that debt. Debt by maturity is detailed in note 11-2-5 to the consolidated financial statements. Group debt is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. At 31 January 2018, the Group complies with all covenants note 11-2-3.</p> <p>The Group treasurer, who reports to the Group Chief Financial Officer, monitors exchange rate and interest rate risks for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the Chief Financial Officer to provide complete visibility on the financial risks relating to hedging activities, and to measure the financial impact of unhedged positions. Neopost uses the services of an independent consultancy based in Paris. This consultancy helps Neopost in its exchange rate risk hedging policy, and values its portfolio of hedging instruments under IFRS. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group treasurer in light of the strategy in place.</p> <p>Please see to tables below for detailed impacts on interest and exchange rate risks.</p>	

Risks	Risk management system
Tax	
With regard to their current activities, Neopost entities are regularly subject to tax audits. Tax adjustments or uncertain tax positions not yet subject to tax adjustments are covered with appropriate provisions. The amounts of these provisions are regularly revised. In 2012, Neopost received a notification of tax adjustments in the Netherlands related to financial years 2006, 2007, 2008. The Groups believes that it has serious arguments against the different points raised by the Dutch tax authorities. A mutual agreement procedure was initiated between France and the Netherlands regarding these tax adjustments. The procedure is still under way and at this stage of the process no provision has been booked. In July 2014, the American holding received a notification of tax adjustments and a provision has been booked.	A tax review is performed at least once a year in each entity with the help of an external tax adviser. Each tax investigation must be reported to Group. An agreement has been signed with a global tax adviser to manage the Group's tax issue.
Fraud	
The Group has rolled out an initiative with managers of subsidiaries to ensure this risk is fully understood, to gather information on best practices and to ensure standard practices are enforced throughout the Group.	A policy to combat fraud was prepared and sent out in September 2014 to the Chief Financial Officers and managing directors of different subsidiaries. The policy includes theoretical and practical recommendations to prevent fraud. If there is evidence of attempted fraud using new methods, the head of internal control notifies the subsidiary COOs and CFOs where necessary. Neopost S.A. has taken out a specific insurance policy to enhance its protection against this type of risk. Within the framework of the Group ethics charter, the Group's internal control department introduced a procedure to manage conflicts of interest as early as October 2012.
Environmental regulation	
Given the nature of the Group's assembly and distribution businesses, the Group is not aware of any risk of an environmental nature or which are related to climate change that might have a material impact on its financial position, business or results. Please refer to the social and environmental information detailed in the section 4 of this registration document.	Regarding industrial risks, the Group updates a Disaster Recovery Plan every year. This plan allows the Group to assert that these risks would not have a material impact on its financial position, business or results.

Exchange rate risk

(in million euros)	Impact on net income before tax on 2018 budget		Impact on equity as at 31 January 2018	
	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
USD	5.6	(5.6)	(2.2)	2.2
GBP	1.6	(1.6)	(15.1)	15.1

Interest rate risk

(in million euros)	31 January 2018	
	Impact on net income before tax	Impact on equity
Impact of the rise of +0.5% in interest rates	(2.7)	1.5
Impact of the decrease of +0.5% in interest rates	2.9	(1.5)

Forecasts

Neopost provides its shareholders with information on its medium-term forecasts. These forecasts are formulated based on the Group's three-year plan and take into account on market conditions at the beginning of 2017, namely the competitive environment within the three divisions of the

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

Retirement benefit obligations

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

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

Insurance

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

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

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

The insurance covering transport risks was renewed on 1 February 2016 with the guarantee per claim raised to 600,000 euros at no additional cost. The insurance was renewed again on 1 February 2018 under the same conditions.

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

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

Total cost of insurance amounted to 0.7 million euros in 2017. The Group's insurance policies are regularly updated to reflect changes in the Group's scope of consolidation and to cover industrial risks within the global insurance market framework. The Group's guarantees are placed with leading insurers with worldwide reputations.

Group internal control and internal audit procedures at Neopost

Internal Control mainframe

As part of the organization of the internal control and for the preparation of this report, Neopost adheres to the AMF reference framework, first published in January 2007, updated in July 2010 and then revised in May 2015, and the AMF Guide on the application of its recommendations.

In accordance with the AMF definition, the Company has designed and implemented its internal control system to ensure:

- reliability of financial information;
- compliance with existing laws and regulations;
- implementation of the instructions and directions given by general management;
- proper functioning of the Company's internal processes, especially those relating to the protection of its assets.

On a general level, the internal control system helps the Company monitor its activities, improves the efficiency of its operations and ensures the efficient use of its resources.

Internal Control organization

The Neopost group internal audit function was set-up early 2009, its purpose is to serve the Group at three levels:

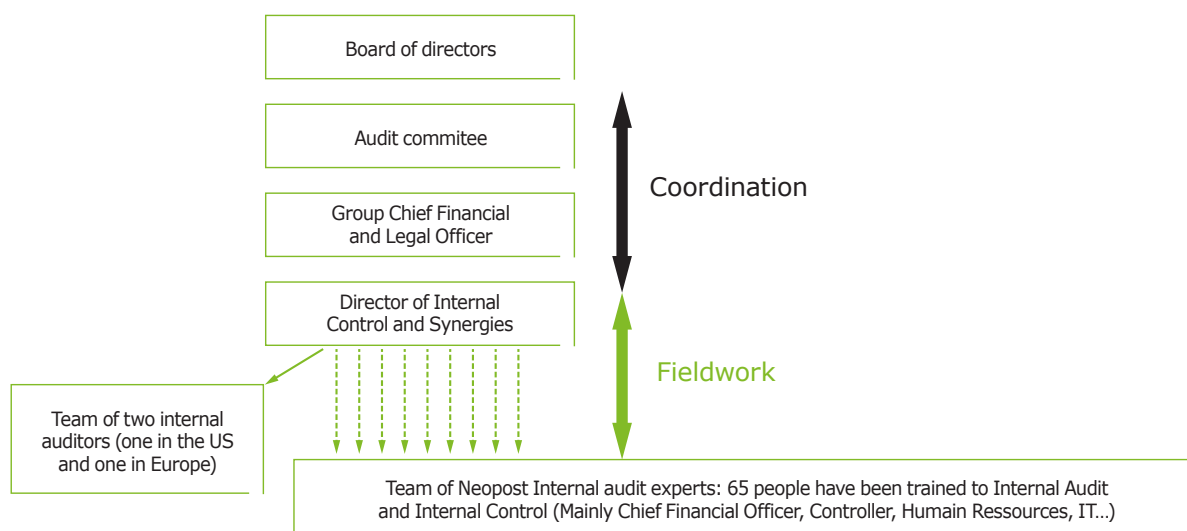
- identify and assess risk;
- conduct internal audits;
- coordinate internal control.

The Group's internal control department coordinates the work of a team of 2 permanent auditors (one in the United States and another in Europe) and that of a network of specially trained non-permanent auditors comprising the chief financial officers and financial controllers in the various Group companies. 65 people have received training in internal control and audits and conduct audits on regular basis. They are selected in accordance of the skills required for each audit. This structure gives the Group access to a wide range of skills.

The internal control department reports to the Group finance department, and is able to address all topics without restriction. It also reports to the audit committee twice per year: audit plan, main internal audit conclusions, specific projects such as antitrust policy, risk assessment, whistleblowing implementation in the United States, new acquisitions, etc.

Internal controls at Neopost

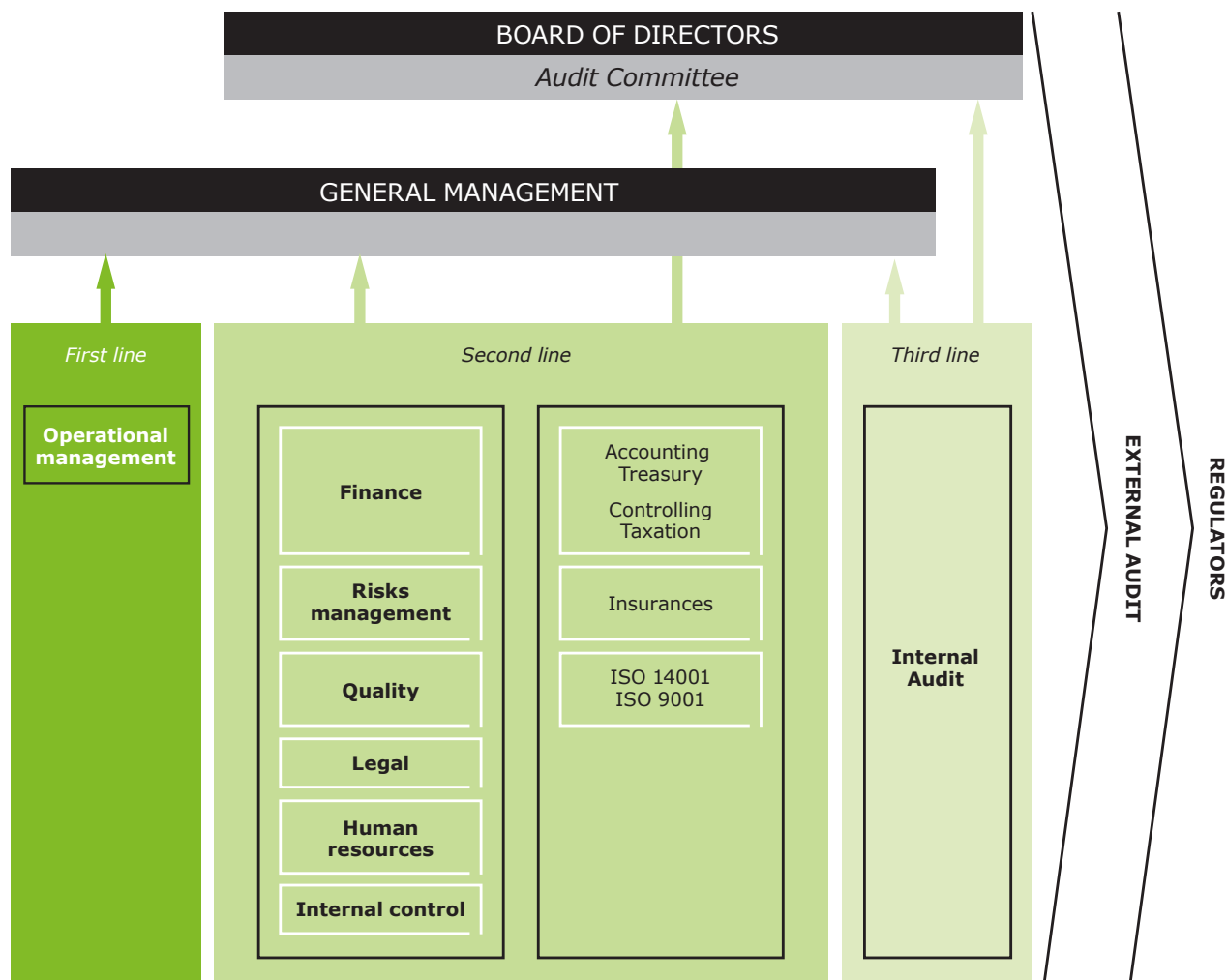
Internal controls at Neopost



3 Management Report

Risk factors

Internal Control system



Internal control system is organized around three pillars:

- the first line of defense is composed of the operational management which is in charge of communication and application of procedures;
- the second line is composed of functional departments: Finance, Quality, Risks management, Internal Control, Legal and Human resources;
- the third line involves internal audit.

A manual of procedures has been drafted and covers the following topics:

- budget consolidation and reporting;
- investment and assets management;
- cash flow;
- communication (including financial communication...);
- finance and accounting principles;

- legal;
- conflict of interests;
- anti fraud policy;
- code of ethic;
- insurance manual;
- HR Procedure.

Every new or updated procedure is circulated electronically to the manager of each subsidiary. Each subsidiary arranges internal communication of the procedure and ensures they are implemented and applied by employees. The procedures are permanently available on the Group's Intranet dedicated to internal control.

The consistent involvement of general management in subsidiaries' operations through monthly reviews also allows for the rapid identification of any anomalies and the efficient and timely implementation of appropriate remedial action plans.

Furthermore, the internal audit department conducts cross audits to strengthen these controls.

An Intranet dedicated to internal control was launched in early March 2016. With a new dedicated space for each subsidiary, it is designed to improve circulation of procedures and to facilitate communication by providing information on internal control, audits, legal affairs and cash management.

A self-assessment questionnaire on internal control was created in 2008 and is regularly update on the basis of the control targets defined within the AMF reference framework and to take into account the specific circumstances of Neopost.

The questionnaire was reviewed in 2015 to consolidate it into 60 questions and add a section on action plan monitoring. The answers were presented to the audit committee at its meeting in March 2017. The answers are used to inform the audit plan.

Accounting and financial information

Preparation and reliability control of information

Each Group subsidiary has a team which reports to the chief financial officer who is a member of the subsidiary's management committee. Each team includes a management control structure and is responsible for preparing accounting and management data as part of the monthly reporting process.

The Group Finance department is responsible for identifying changes in operating conditions in order to anticipate any possible impacts these may have on the Company's accounting practices. general management is also informed about significant local developments at monthly Operational Reviews, and during other visits to subsidiaries. The Group financial controller has the role of coordinator in this domain.

Consolidation

The current electronic reporting and consolidation system, which is in place at all Group consolidated subsidiaries, delivers consistent monitoring of budget and management data, improves lead times for producing the data (through automatic task scheduling management, with a reminder system) and improves the accuracy of consolidation information. Using the analysis data which is provided by the subsidiaries' management control departments via this system and reviewed by local management, the Group's chief financial officer receives a permanent flow of data that explains any differences in the consolidated reporting.

The number of access authorizations to the information system is limited to a certain number per subsidiary to ensure the reliability and integrity of the reporting and consolidation data. This system has made it possible to monitor management indicators; it also produces sales and marketing data for the subsidiaries.

Cash and financing

Neopost S.A.'s Financial team manages the Group's cash centrally. In order to mitigate the Group's risk exposure, the Company has developed procedures, including exchange rate and interest rate risk management, cash pooling and the optimization of the Group's financing requirements.

Information Systems

Within the Technology and Innovation department, the information systems teams are continuing the harmonization of the ERP/CRM within the Group, especially in Europe. Moreover, to support the deployment of SaaS-based Communication and Shipping Solutions (CSS), the Group's platform has been enhanced to offer subscription models to clients.

The security of information systems is a major focus for Neopost. This need for security is even greater with the deployment of new SaaS solutions. With that in mind, the Group established a specialized structure whose purpose is to ensure the roll out of the security policy and ultimately to ensure the compliance of all structures marketing digital offers under ISO 27001.

At the core of information systems, data management is paramount. By harnessing Big Data technologies, Neopost is developing solutions to improve internal operations and providing solutions to clients. In this regard, the Group is ensuring that employee or client data management is compliant with the new GDPR regulations which will become effective from May 2018. To ensure such compliance, a focused structure was established in 2017 with the support of an expert in the field.

As part of the Group's transformation, communication among employees is key. The I.T. teams are working on standardizing communication tools to facilitate the exchange of information.

Ethical reference framework

The Neopost group redefined its corporate values to reflect its new organizational identity, new businesses and strategic shift in recent years:

- focus on the customer;
- promote innovation;
- drive to succeed;
- foster teamwork.

The Group's ethical principles

The Group revised its Code of ethic and published the new version early 2017. Based on Neopost's new corporate values, the Code of ethic lays down the main ethical standards and behaviors that the Group wants to promote in its relations with its customers, suppliers, investors, partners and employees.

The Group's Code of ethic lays out the key values which are then rolled out at each subsidiary. It is then the responsibility of each subsidiary to follow through with the necessary reminders to observe local regulations and practices in effect.

Risk factors

The code of ethic covers the following topics:

- respect for fundamental human rights;
- commitment to employees (health, work safety, diversity, open dialog, employability, etc.);
- business integrity: antitrust regulation, conflict of interest, bribery, insider trading, relation with third party;
- Group assets and third party assets : asset protection, confidential data and data protection, intellectual property;
- responsible citizenship.

A person in charge has been appointed for each topic : employee (HR Group), fraud and conflict of interest (director of internal control), Bribery and competition (Group legal counsel), responsible citizenship (Group director of quality). A whistle-blowing procedure has been set up at each level.

Operational management of each entity is in charge of communicating and applying of code of ethics.

Application of the Sapin 2 law

French Sapin 2 law which went into force on June 1st 2017 requires large companies to implement an anti-corruption compliance program within all their subsidiaries. The anti-corruption compliance program involves the adaptation of the Code of ethic in order to define and illustrate prohibited acts and behaviors likely to characterize acts of corruption or of influence peddling. Such Code of ethic have been incorporated into internal applicable rules and regulations of each Group company.

To comply with the legal requirements, Neopost group ensure that:

- the Code of ethic is made available to and understood by all employees;
- sanctions are imposed for breaching the code of conduct and notably for influence peddling.

Internal audit

The Group's internal audit missions respect the following principal working standards:

- a scoping letter;
- an opening meeting with the local management;

- a wrap-up brief following the audit;
- delivery of a preliminary report by the Auditors;
- a response from the audited entities with specific action plans for each audit point (manager, description of the action plan and deadline);
- delivery of the final report to the managing director, the Group chief financial officer, the Chairman and CEO and the Regional director;
- the quarterly follow-up audit via a communication to the regional director and a review during the Operating Reviews.

Three types of audits were conducted in 2017:

- general audits: 23 audits covering all aspects of internal control were carried out in 16 different entities. They dealt with all topics covered by the self-assessment questionnaire;
- thematic audits: 5 on specific topics;
- follow-up audit: 4 for situations requiring a regular follow-up.

In addition, training sessions for new Auditors were held in December 2017 in Europe. In all, since 2009, around 65 employees with complementary roles in the Group (chief financial officer, Auditor, accountant, quality assurance director, Chief Executive Officer, investor relations manager, and human resources manager, etc.) have received training.

The 2018 audit plan was presented to the audit committee on Friday, 23rd March 2018. It contains the audit schedule, structured around 30 or so audits, including general and thematic audits (each Group entity is audited at least once every two years), and audits of newly acquired entities, as well as production and leasing units.

As in previous years, the Group will pursue the recruitment and training, notably targeting finance department personnel who will join the internal audit team to conduct more cross-audits during the financial year. Neopost opted for an audit system consisting of audits in subsidiaries that are carried out by employees from another subsidiary or from head office, with the aim of sharing best practices.

Ownership structure

Neopost group is not controlled either directly or indirectly. There is no agreement which might lead to a change of control.

At 31 January 2018, Neopost S.A.'s share ownership is as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	672,581	1.946%	672,581	1.955%
Directors (non-executive)	4,353	0.013%	4,353	0,013%
Treasury shares held under liquidity contract	153,027	0.443%	-	-
Treasury shares held for stock option and free share allocations	10,761	0.031%	-	-
Marathon Asset Management LLP ^(a)	2,015,432	5.831%	2,015,432	5.859%
LSV Asset Management ^(a)	1,396,200	4.040%	1,396,200	4.059%
BWM AG ^(a)	1,285,699	3.720%	1,303,943	3.738%
Dimensional Fund Advisors, L.P. ^(a)	1,282,564	3.711%	1,227,481	3.728%
Schroder Investment Management Ltd. (SIM) ^(a)	1,187,441	3.436%	1,187,441	3.452%
Norges Bank Investment Management (NBIM) ^(a)	1,144,008	3.310%	1,144,008	3.326%
Other shareholders	25,410,846	73.351%	25,352,407	73.871%
TOTAL	34,562,912	100.000	34,399,124	100.000

(a) Source: Nasdaq at 31 January 2018.

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

At 31 January 2017, Neopost S.A.'s share ownership broke down as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	704,076	2.037	704,076	2.044
Directors (non-executive)	65,527	0.190	65,527	0.190
Treasury shares held under liquidity contract	108,167	0.313	-	-
Treasury shares held for stock option and free share allocations	4,268	0.012	-	-
First Eagle Investment Management LLC ^(a)	3,482,105	10.075	3,482,105	10,108
MFS Investment Management ^(a)	3,336,247	9.653	3,336,247	9.684
Marathon Asset Management LLP ^(a)	2,149,268	6.218	2,149,268	6.239
Braun, von Wyss & Müller AG ^(a)	1,511,288	4.373	1,511,288	4.387
LSV Asset Management ^(a)	1,252,682	3.624	1,252,682	3.636
Norges Bank Investment Management (NBIM) ^(a)	1,196,571	3.462	1,196,571	3.473
HOOPP Investment Management ^(a)	1,100,219	3.183	1,100,219	3.194
Other shareholders	19,652,494	56.860	19,652,494	57.046
TOTAL	34,562,912	100.000	34,450,477	100.000

(a) Source: Nasdaq at 31 January 2017.

Ownership structure

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

At 31 January 2016, Neopost S.A.'s share ownership broke down as follows:

	Number of shares	%	Number of voting rights	%
Management and employees	727,209	2.104	727,209	2,113
Directors (non-executive)	64,775	0.187	64,775	0.188
Treasury shares held under liquidity contract	152,709	0.442	-	-
Treasury shares held for stock option and free share allocations	19	0.000	-	-
MFS Investment Management ^(a)	4,154,848	12.021	4,154,848	12.074
First Eagle Investment Management LLC ^(a)	3,500,380	10.128	3,500,380	10.173
Marathon Asset Management LLP ^(a)	2,155,778	6.237	2,155,778	6.265
BlackRock Institutional Trust Company NA ^(a)	1,456,053	4.213	1,456,053	4.231
Other shareholders	22,351,141	64.668	22,351,141	64.956
TOTAL	34,562,912	100.000	34,410,184	100.000

(a) Source: Nasdaq at 31 January 2016.

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

For more information, please refer to section 6 of this reference document.

Summary of Neopost shareholder threshold crossings since 1 February 2017:

Date	Name of Investment Fund	Threshold crossed
31/01/2017	MFS Company	Crossed the 5% threshold with 9.68% of the voting rights
06/02/2017	Bank of Montreal	Crossed the 5% threshold with 6.23% of the voting rights
09/02/2017	Bank of Montreal	Crossed the 5% threshold with 4.78% of the voting rights
22/05/2017	MFS Company	Crossed the 5% threshold with 4.77% of the voting rights
06/06/2017	First Eagle Investment Management	Crossed the 5% threshold with 4.55% of the voting rights
18/07/2017	JP Morgan Asset Management	Crossed the 5% threshold with 5.05% of the voting rights
02/08/2017	JP Morgan Asset Management	Crossed the 5% threshold with 5.02% of the voting rights
02/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 5.01% of the voting rights
03/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 4.99% of the voting rights
10/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 5.06% of the voting rights
11/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 4.99% of the voting rights
16/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 6.14% of the voting rights
17/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 3.91% of the voting rights
18/08/2017	Goldman Sachs Group	Crossed the 5% threshold with 4.99% of the voting rights
12/10/2017	JP Morgan Asset Management	Crossed the 5% threshold with 4.99% of the voting rights
20/12/2017	Norges Bank	Crossed the 5% threshold with 5.23% of the voting rights
22/12/2017	Norges Bank	Crossed the 5% threshold with 4.93% of the voting rights
09/01/2018	Norges Bank	Crossed the 5% threshold with 5.46% of the voting rights
22/01/2018	Norges Bank	Crossed the 5% threshold with 4.91% of the voting rights
25/01/2018	Norges Bank	Crossed the 5% threshold with 5.54% of the voting rights
26/01/2018	Norges Bank	Crossed the 5% threshold with 4.83% of the voting rights

Indications for 2018

Group sales are expected to continue to decline on an organic basis in 2018, owing to the following factors:

- Enterprise Digital Solutions: low-single-digit growth;
- Neopost Shipping: double-digit growth;
- SME Solutions: a continued decline in legacy and graphics activities of between (4)% and (6)%, and double-digit growth in digital communication and shipping solutions.

On the basis of innovation efforts identical to those made in 2017, and continued cost-cutting at SME Solutions, the Group's current operating margin excluding acquisition-related expense should come out at around 18%. The Group will continue to generate a high level of operating cash flow.

Between the closing of the 2017 accounts and the publication of this report, there has been no significant change in the Group's operating or financial position.

4

CORPORATE SOCIAL RESPONSIBILITY

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Social, societal and environmental information

Information presented pursuant to the Grenelle II law, 2010-788 of 12 July 2010 and its implementing decree No. 2012-557 of 24 April 2012. The notes and methodologies related to the reporting scope are presented at the end of the chapter.

Preamble

In the midst of a transformation that will optimize the Group's overall performance, encourage further innovation and expand its range of products, services and solutions, Neopost continued its strategy of developing new activities externally. Since 2016, it has been reorganizing itself into three divisions, and to support this change, in light of its efforts to focus more on digital technologies, numerous training actions have been carried out throughout the Group.

At the same time, in the fall of 2017, the Group launched a consultation and cross-functional reflection process with its internal and external stakeholders to build its materiality matrix.

In this context, Neopost launched a Code of Ethics among its various subsidiaries, in addition to the four new Group values

updated in 2017. Since the Neopost group is relatively decentralized and present in 29 countries, each subsidiary is required to conduct its activities in compliance with the laws, regulations and standards in force as a responsible corporate citizen.

Finally, the Group's CSR approach is based on the following four pillars:

- commitment to our employees;
- act in a responsible manner;
- limit our impact on the environment;
- support local communities.

Managing of the ethical and CSR approach

The Group has been voluntarily and actively engaged in a process to improve Corporate Social Responsibility (CSR) since 2004. Within the Group, the CSR and QHSE department relies on a network of local officers who are present in the various Group companies and works in close collaboration with the Human Resources, Innovation and Technology, Supply Chain, Legal and Financial, and communications departments. Questions concerning the Group's CSR strategy are presented and handled by the Group's Executive Committee.

In addition, a Group Ethics committee is composed of members of the Legal, CSR and QHSE, and internal control departments. This committee ensures compliance with the Group's commitments regarding ethical issues. There are also local committees in some countries like in the United States.

In 2017, the Group began efforts to develop its materiality analysis with all of its stakeholders combined with CSR risks assessment. In the long term, this will allow it to identify future

priority CSR issues in a context of organizational and digital transformation and define quantitative objectives to better measure extra-financial performance. The ultimate goal is to be able to integrate all of these measures into the Group's global strategy for sustainable development. An initial phase was conducted in 2017 with individual interviews carried out with the various members of the Executive Committee and strategic decision-makers for the Group. The second phase of consultation with employees and external stakeholders will take place in 2018.

In addition, some United Nations Sustainable Development Goals (SDGs) have gradually been integrated into the Group's CSR concerns. In September 2015, the 193 UN Member States unanimously adopted 17 new global "Sustainable Development Goals" aimed at ending extreme poverty, fighting inequality and injustice and protecting the planet by 2030.



More specifically, the Group wishes to contribute to the achievement of the following five SDGs:

- Goal 5, “Achieve gender equality and empower all women and girls”, since the Group is committed to gender equality and, as far as possible, wants to recruit more women and give them access to managerial positions through internal promotion. In this context, a working group focused on promoting diversity and gender parity is holding discussions on the subject at the European level (Neopost USA already set up a Diversity Council in 2009) that will define Group-wide targets for the coming years. Main target: employees;
- Goal 8, which aims to “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. In accordance with its Code of Ethics and Supplier Code of Conduct, the Group is extremely vigilant with respect to the working conditions of all of its suppliers and partners and is committed to respecting the fundamental principles set out in the Universal Declaration of Human Rights and International Labor Organization Conventions. In addition, the Group contributes to job creation in the various regions of the

world in which it operates. Main targets: partners and employees;

- Goal 9, “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”; as a committed and innovative player in digital communications (CMM solutions, digitization) and the value chain around parcels (CVP-500, parcel lockers), the Neopost group is involved in the subject at its own level. Main targets: partners, customers and communities;
- Goal 12, “Ensure sustainable consumption and production patterns”. Neopost plays a role in the circular economy through its remanufacturing process whereby used products are recovered for refurbishment and their functionality upgraded. In addition, the Group deploys collection processes for its end-of-life products and consumables. Main targets: customers;
- Goal 13, “Take urgent action to combat climate change and its impacts”, through the various initiatives adopted by the Group to reduce its energy consumption, optimize upstream and downstream freight transport, and reduce the carbon footprint of its products, which are presented in the following section dedicated to the environment. Main targets: communities.

The results of the materiality analysis currently being developed are expected to fine-tune the Group's contributions to the SDGs.

Finally, an overview of the CSR approach is also presented on the Group's new corporate website: <https://www.neopost-group.com/en/corporate-social-responsibility>, as is its Code of Ethics presented below.

A recognized award-winning CSR approach

In 2017, as in previous years, the Neopost group has been distinguished by the most prestigious extra-financial rating agencies, including Vigeo Eiris and Oekom Research AG, whose C+ score gave it "Prime" status.

As part of its environmental strategy, since 2009, the Group has been submitting climate change data to the Carbon Disclosure Project (CDP). The CDP is an independent international organization that offers a global system for measuring and publishing environmental information and assesses companies' strategy, involvement, and results to combat climate change and promote sustainable water management and forestry protection. For several years, the results of this evaluation for the Neopost group have improved steadily. In 2017, the Group achieved an A- "Leadership" rating in recognition of efforts made to manage the risks associated with climate change and reduce its greenhouse gas (GHG) emissions.

In addition, Neopost obtained the "Gold" certification awarded by EcoVadis for its Corporate Social Responsibility commitment and performance. EcoVadis is specialized in supplier evaluation

for global supply chains and assesses commitment to sustainable business development. Its rating methodology is based on international standards for sustainable development, such as the Global Reporting Initiative (GRI), the United Nations Global Compact, and ISO 26000. It is based on 21 indicators that are grouped into the following four areas: Environment, Social Policy and Working Conditions, business Ethics, and Responsible Supply Chain. The evaluation of the initiatives deployed by Neopost allowed the Group to obtain an overall rating of 67/100, an increase of 10 points compared to 2015. This rating gives the Group a "Gold" certification and ranks it among the 2% of suppliers recognized by EcoVadis as being the most advanced and most committed to sustainable development, all sectors combined.

In 2017, Neopost was also ranked ninth out of 230 companies in the 2017 Gaïa Index, which selects the best French mid-sized listed companies in terms of sustainable development. The Gaïa-Index, a subsidiary of Ethifinance, specialized in the analysis and ESG rating (Environment, Social, Governance) of French and European Intermediate-Sized Enterprises (ISEs) listed on the stock market. Neopost also ranked eighth out of 87 companies with "revenue of over EUR 500 million".

Finally, in 2017, it was once again confirmed that Neopost would be included in the Ethibel EXCELLENCE investment register, an honor granted to investment funds that invest exclusively in shares or bonds listed on that Investment Register and which have achieved an A, B or C rating. Most of these companies are above the industry average in all areas of Corporate Social Responsibility (CSR).

Act in a responsible and ethical manner

Focus on the Group's Code of Ethics

The purpose of this Code of Ethics is to define the ethical standards and key behaviors that the Group wishes to promote internally among its employees and in the context of the dialogue that it has with all of its external stakeholders. It covers the following topics: Human Rights, Employees (health and safety at work, diversity, fairness and respect, employee development, open dialogue, and representative bodies), business Ethics (anti-trust laws and fair competition, corruption and bribery, political engagement, communication), business relationships (customers and partners), Group Assets and Third Parties (protection of the Group's assets, confidential information and data protection, respect for intellectual property rights), Citizenship and Responsible Engagement (environmental protection and societal commitment).

The Group's Code sets the standard and main principles that are adjusted and rolled out within each subsidiary. To facilitate its internal distribution to various subsidiaries and externally to customers, suppliers, and all Group partners, the Code has been translated into English (US and British versions), Dutch, German, and Italian. It is available on the Group's new corporate website: <https://www.Neopost-group.com/en/corporate-social-responsibility/our-code-of-ethics-and-our-values>

In 2017, 88% of the Group's subsidiaries had distributed it to all of their employees using various distribution methods. 50% of subsidiaries started distributing hard copies to their teams as of September 2017. Others distributed a digital version and 15 entities have already posted it on their local Intranet. The four entities that have not yet shared it with all of their employees have already done so with management and were committed to distribute it to all of their teams by the end of March 2018.

79% have recorded and monitored the distribution to their teams via signed paper or electronic notifications of receipt and it is officially presented to new hires during orientation sessions. Neopost USA and ProShip have put a specific procedure in place. Notifications of receipt are recorded online on their HR platform and electronic signature is systematically requested.

As regards employee awareness and communication, meetings and training sessions were organized and some divisions such as EDS offered e-learning sessions to their teams and mandatory exams with questions, while others launched Emailing campaigns or distributed newsletters, such as Neopost Germany. Of the subsidiaries that had issued the Code of Ethics by the end of 2017, at least 49.7% (with a total of 2,822 employees) had offered specific training on the subject.

Certain entities (65.6%) included it in their internal company rules, others (34.4%), such as Neopost USA and Neopost AG in Switzerland, in their employee handbook. Some included it in both. Neopost Australia integrated it directly into all of its policies and procedures, dedicated a specific "Confluence" space on its Intranet and also organized an introductory session to the Code of Ethics in October 2017.

Human Rights

Neopost conducts its activities in accordance with the fundamental principles set forth in the United Nations Universal Declaration of Human Rights and the conventions of the International Labor Organization (ILO), as specified in its updated Code of Ethics distributed in 2017.

A policy concerning the fight against modern slavery and human trafficking has been deployed since the end of 2016 among the Group's suppliers. Employees in contact with suppliers and partners are also informed of and trained in the Supplier Code of Conduct.

It also condemns all forms of illegal, forced, or compulsory labor, in particular child labor, discrimination in hiring and employment, and restriction of the freedom of association and the right to collective bargaining.

The Group also ensures that its activities comply with its Code of Ethics through internal control procedures and systems, including regular operational reviews, risk management (see section 3 of this document), internal audits, and evaluation of its suppliers.

Information security and data protection

In addition to intelligent equipment dedicated to the processing of traditional mail, the Group's offerings now include solutions and software for managing digital communication or facilitating package processing and tracking. As a result, Neopost handles a large quantity of confidential data every day. Protection of such data is one of the Group's main concerns with respect to postal transactions, customer data, or its employees' internal data.

The Neopost group has implemented information security policies that define the requirements to be complied with for the correct and secure use of its own data and the data entrusted to it by its stakeholders such as employees, customers, suppliers, and other partners.

The Group is currently implementing a certification program based on ISO 27001 as part of the development of its digital solutions. A project team dedicated to the integration of the new European General Data Protection regulation (GDPR) into its practices (regulation No. 2016/679) was set up in 2017.

Commitment to our employees

The Group recruits and supports its employees from a sustainable perspective in which training, growth, and development take priority throughout their careers. It also attaches importance to the quality of life at work and the health and safety of its employees. Change management is essential to support the modifications in the Group's organization and business lines in a context of digital transformation and to enhance its attractiveness.

The information presented below concerns the consolidated companies of the Neopost group included in the CSR reporting scope as of 31 January 2018 defined in the notes.

Group employees

Present in 29 countries, the Group's total workforce (within and outside of the CSR scope) was 5,856 employees at 31 January 2018. Headcount was down 3.22%; however this

reduction does not reflect the growth and development recorded in some Neopost entities such as GMC Software and Proship.

The headcount included in the CSR reporting scope is 5,798 or 5,647.74 Full Time Equivalent (FTE), i.e. 99% of the Group's total headcount.

Pursuant to the reporting protocol, all employees on permanent contracts, fixed-term contracts or apprenticeship contracts were included in the calculation method. Employees on temporary employment contracts and interns are not recorded in the Group headcount.

The percentage of women at Neopost group has been relatively stable for several years and was 31.6% in 2017.

Breakdown by gender	31 January 2018	%	31 January 2017	%
Number of women	1,829	31.6	1,832	31.7
Number of men	3,969	68.4	3,945	68.3
Total number of employees	5,798	100.0	5,777	100.0

Methodology: workforce present as of 31 January 2018 with an employment contract with a Group Company (excluding temporary employees and interns).

Breakdown by region

67% of employees are located in Europe, while 28% are in North America and 5% in Asia-Pacific.

Breakdown by region	North America	Europe and other	Asia-Pacific	Total
As of 31 January 2018^(a)	1,616	3,888	294	5,798
As of 31 January 2017 ^(b)	1,806	3,667	304	5,777

(a) Headcount per capita as of 31 January 2018.

(b) Headcount per capita as of 31 January 2017.

Breakdown by age

The Neopost group employee age pyramid is relatively balanced and remains stable with two almost identical age ranges, as in the previous year: 28.4% for employees aged 36

to 45 and 29.5% for those aged 46 to 55 years. The share of over-55s increased slightly to 17.8% of the total headcount.

Breakdown by age	31 January 2018 ^(a)	%	31 January 2017 ^(b)	%
Under 25	148	2.5	147	2.5
25 to 35	1,261	21.8	1,300	22.5
36 to 45	1,650	28.4	1,665	28.8
46 to 55	1,710	29.5	1,727	29.9
56 and over	1,029	17.8	938	16.3
Total number of employees	5,798	100.0	5,777	100.0

(a) Per capita headcount of companies included in the CSR reporting scope for the 2017 financial year.

(b) Per capita headcount of companies included in the CSR reporting scope for the 2016 financial year.

Recruitments and departures

The number of recruitments represents the number of people who joined the Group on permanent contracts during the financial year. The Group made 742 new hires in 2017.

Departures represent the number of permanent contracts terminated with a Group company: due to resignation, lay-off, termination by mutual consent, retirement, death and end of probation period. The Group recorded 889 departures in 2017.

Hires on permanent contracts represent 12.8% of the workforce of Group entities included in the CSR reporting scope as of 31 January 2018. Neopost USA is still the main contributor, with 25.9% of new hires in 2017. GMC Software Technology is a close second, with 24.1%, followed by Neopost Ltd with 9.2%.



Permanent employees

98,5%

Of employees have a permanent contract

98.5% of employees have a permanent contract. The Group has relatively little exposure to precarious work situations and, as of 31 January 2018, employees on temporary employment contracts made up 3.19% of the Group's entire workforce. In addition, 106 employees were recruited on fixed-term contracts and 57 employees left the Group after the end of their temporary contract.

Breakdown of recruitments by reason	31 January 2018 ^(b)	31 January 2017
Hires ^(a)	742	779
Departures ^(a)	889	930

(a) Hires and departures within the internal mobility are not taken into account.

In 2017, resignations accounted for 50% of all contract terminations, followed by lay-offs (29.8%).

Breakdown of departures by reason	31 January 2018	%	31 January 2017	%
Lay-offs	265	29.8	388	41.7
Resignations	444	50.0	391	42.0
Termination by mutual consent	100	11.2	71	7.6
Retirements	45	5.1	54	5.8
End of probation period	31	3.5	20	2.2
Death	4	0.4	6	0.7
End of contract ^(a)	-	-	-	-

(a) The departures at the end of fixed-term contracts were not recorded because they were excluded from the reporting scope of hires and departures.

The Group's recruitment rate (number of recruitments divided by the headcount at the start of the year) was 12.55% and the departure rate (number of departures divided by the headcount at the start of the year) was 15.03%, including Temando data for 2016 on a like-for-like basis. The employee turnover rate (arithmetic average of the number of employees who left and the number of incoming employees, divided by the initial number of employees at the beginning of the period) is 13.8%.

Recruiting and supporting talents

The Neopost group seeks to recruit talents in the various countries in which it operates. In a context of transformation, it has put in place a process and tools dedicated to recruitment, the details of which are most often determined locally. The Group's offers are also available externally on LinkedIn. Neopost is regularly evaluated on Glassdoor and communicates on social networks. The Corporate website has also been reviewed to this effect.

With this in mind, to enhance its attractiveness, it is in regular contact with local schools and universities. For example, GMC software cooperates regularly with local universities and High Schools in the Czech Republic, and some employees have conducted courses and organized IT events and BarCamps, which are participatory workshops related to new technologies in which the content is suggested by the participants, at Hradec Králové University and elsewhere. The EDS division is seeking to hire millennials to fill developer positions for its digital activities. The Shipping and SME Solutions divisions also want to attract and retain talents and consideration is being given as to how to improve the attractiveness of the Group and its brand among potential candidates.

In order to develop and maintain the employability of its staff, the Group encourages training and promotes internal mobility. As a result, the Group continues to work on the implementation of a new Intranet that will allow better access to the available job offers within Neopost. Training and support are offered to internal applicants to facilitate their career development within Neopost.

Remuneration and recognition

The Group's remuneration policy aims to contribute to the achievement of its objectives. Neopost believes that wages and benefits must be competitive and fair to attract and retain talent over time. In addition to the base salary, reward bonuses are paid to employees according to collective and individual performances. These shared principles are adapted to take into account laws, the economic environment and the job market in the Group's different countries of operation. In all countries where the Group operates, entities comply with minimum wage legislation in the country and sometimes grant significantly higher wages.

Every year, the Group conducts a campaign to increase remuneration. In some countries, including France, Neopost uses collective performance remuneration tools such as profit-sharing and incentive schemes. The Group also uses employee retention and long-term motivation schemes such as free shares, performance shares and phantom shares.

For more detailed information, refer to note 9 to the consolidated financial statements and note 15 to the parent company financial statements of this Document.

Training Group employees

Employee development indicators increased significantly in 2017. As a result, 4,514 Group employees (including 3,164 non-managers) attended at least one training session in 2017, an increase of 6.3% on 2016. On a like-for-like basis between 2016 and 2017, this figure is 3.8%.



Training

78%

Of employees received
at least one training
course in 2017

Social, societal and environmental information

By way of comparison, in terms of general trends, in France only 36% of workers receive professional training per year, compared with 53% in Germany, 56% in the United Kingdom and more than 65% in the Scandinavian countries, according to a study conducted by the FFP (Professional Training Federation) with the support of Roland Berger in 2017.

In 2017, 127,026 hours were devoted to employee training, a significant increase of 15.57% on 2016. On a like-for-like basis between 2016 and 2017, this represents an increase of 13.5%.

This represents an annual average of 28.1 training hours per employee compared with 25.9 hours in 2016.

At the same time, the Neopost group entities included in the scope of CSR reporting have dedicated a budget of 3.1 million

euros to the training of their employees with larger investments than in 2016 (+16.4%).

The total number of training hours shown in the table below corresponds to the training programs of each entity, managed by the local human resources departments. Some training hours are not included in these data, such as those relating to internal training for technicians on the maintenance of equipment on customer premises. Each entity is responsible for training its employees, and for defining and locally implementing its own training and skills development plans. Training requirements are identified during annual evaluation interviews or during specific discussions with managers.

Training	Unit	31 January 2018	31 January 2017
Total number of hours training during the year ^(a)	hours	127,026	110,034
Total number of training hours focusing on the environment, health and safety ^(b)	hours	7,767	3,584
Number of employees having taken at least one training session during the year ^(b)	number	4,514	4,246

(a) Excluding training hours spent by maintenance technicians on product maintenance.

(b) The number of hours and employees trained was revised with Temando data in 2016.

To support change management among its employees and prepare for the jobs of tomorrow, the Group has identified and focused on four major categories of training. Indeed, with the transformation of its entire organizational structure and the increased use of digital technology in its activities, the Neopost group wanted to continue the development of hard skills (technical skills and business) for employees, which must be updated regularly and supplemented by soft skills (know-how, behavioral and human skills), which are essential for developing adaptive skills, creativity and innovation. More recently, the focus has been on training specifically related to digital and practices related to the Group's business.

In this context, 47% of the training sessions were offered in the form of e-learning and the majority (52%) in class-rooms and 1% were by phone, mainly as part of foreign language courses. e-learning is highly developed within the EDS division, especially at its GMC Software entity, which offers online training courses on sustainable development and, more recently, on the updated code of ethics to all of its employees.

Focus on digital-based training

Digital-based training has increased significantly in line with the Group's more recent activities, and more than 82% of the entities offered sessions to their teams in 2017 involving a total number of 35,100 training hours. This enables the Group's

employees to acquire new skills and develop their expertise in the face of competition amid the significant changes taking place in the digital professions. In France, 652 employees took training sessions in digital technology, in Europe a total of 1,765, in the USA and Canada 339, and in Asia and Australia 20. By way of comparison, at the global level, in 2017, only 35% of French employees took training sessions related to digital skills, compared with 46% in Europe (Germany, the United Kingdom, and Italy in particular) according to a study conducted by the FFP (Professional Training Federation) with the support of Roland Berger in 2017.

For example, in 2017, Neopost Shipping offered training on social networks and digital marketing, DCS on cyber-security, and GMC on programming skills, programming languages and technologies for NISA-NTSA Big data, which included the implementation of a complete data analysis solution, business Analytics, Data Science, and Dataviz, and Neopost Nv on OMS Cloud. In addition, Neopost AG offered e-Learning sessions on "Deciphering the Digital Revolution", one-on-one training in email marketing automation and Google Analytics, and E-learning sessions on Neostamp/Neocloud. More globally, at the prospective level, entities are conducting R&D on artificial intelligence and, more generally, the development of innovation using new technologies within the Group such as using 3D printers to build certain machines, and machine models such as the CVP-500, which is visible with virtual or augmented reality glasses.

Other categories of training

The soft skills offer targets behavioral, human, and coping skills and promote creativity and innovation in a context of transformation. They are an advantage for evolving in a changing world. They accounted for 20,706.18 hours of the total number of training hours in 2017, mostly externally, and were offered by 70% of entities. For example, Neopost Canada and Neopost Nv offered their employees the DISC personality assessment tool, Neopost France training sessions in management and change management (in the form of Lego games), and Neopost Australia offered training sessions on the following topics: development of negotiation skills, communication, teamwork, time management, motivation, critical thinking, conflict resolution, and emotional intelligence. In addition, Neopost Services trained certain employees in communication and leadership and in the development of personal charisma and self-confidence, and NTL offered E-learning sessions in well-being at work and time management.

In terms of hard skills (evolution and transformation of businesses), the Group also ensures that its employees have regular access to regulatory monitoring for the management of different risks. To strengthen technical and business skills, in most Group subsidiaries, each manager defines a training plan for the employees on his or her team. The topics covered are very diverse and meet the needs of the entities, but IT training sessions and language and team management courses are offered by a large majority of them. For example, Neopost BV offered foreign language courses and training sessions dedicated to the sale and use of machines. NHK-NSHK offered 72 hours of French lessons to its teams, Neopost Japan trained some of its teams in ISO certification, and Temando in Australia offered software training. In France, NISA-NTSA offered English courses and sessions in graphical interface design and marketing, and NSA offered training in internal audits and Company law. In the United States, the Women's Alliance offered sessions on Finance and business sense, for example.

Lastly, bridges between business lines are also being developed as part of the diversification of the Group's activities.

In addition, specific training sessions on internal business practices mainly concern current and future products and solutions, internal processes and the sharing of the best practices of the Group. As regards processes and project management, GMC has offered sessions mainly in the form of E-learning. To adapt to changes in the mail solutions market, and to develop technicians' skills, Neopost AG introduced a training monitoring tool to estimate the training budget for a three-year period. This three-year training plan aims to have 75% of "hybrid" technicians, capable of working on several product ranges.

In addition, 61% of the entities offered training related to health and safety at work. The number of hours dedicated to training was 7,767.50 hours in 2017, up 71.72% on 2016. Of these, 4,771 were devoted to well-being at work.

In addition, for certain entities, employee training is promoted and offered on an ongoing basis, as it is at Neopost USA, Neopost Ltd, and GMC, which have implemented comprehensive e-learning training programs that are available to all of their employees with content adapted to the specificities of each business.

Development of skills and talent and access to mobility

The development of skills and talents is a core priority for the Group, and it has set up training courses to support the development of employees and identify their future skills needs. Most entities have locally developed training plans to ensure the development and updating of various skills.

In 2017, 90% of the workforce included in the CSR scope had an annual evaluation interview. These interviews are designed to assess employees' progress towards achieving their prior year's targets, set goals for the following year, evaluate employee satisfaction, and also assess their specific training and development needs, particularly in terms of career development in France or abroad. Accordingly, training sessions are regularly offered to employees to develop their business skills and their ability to adapt within an organization in mid-transformation. In addition, employees receive regular feedback on their work in a more informal way.

In order to promote internal mobility and promotion, the human resources departments of the various Group entities regularly distribute career opportunities not only within their entity but also to other Group entities or internationally by simultaneously developing bridges between business lines.

Neopost USA has launched several initiatives, including:

- an internal training course available to all employees. NeoU is a "university" offering employees 24/7 access to several types of training courses;
- the Career Center: on Intranet, employees can view and apply for available jobs, with priority given to in-house hiring.

Neopost France, Neopost Ltd and GMC Software Technology have set up an induction program for new hires and mentoring with a manager. In these entities a team of employees was specifically trained to welcome and train new employees and teach them how to use Neopost software tools.

Neopost Canada developed a program to encourage its employees to build on their initial studies and acquire new skills.

Organization of working time

Working time

The duration of weekly working time is set in accordance with local laws or collective agreements. The daily schedule is the standard used on all sites. However, at the factories in Loughton (United Kingdom), Drachten (the Netherlands) and Le Lude (France), the Group may use two eight-hour shifts. The length of the working week is between 35 and 40 hours depending on the entity. The average within the Group is 38.3 hours.

Finally, the organization of working time and the development of social benefits to preserve the work-life balance are now promoted by the Group through various initiatives taken at local level.

Quality of life and well-being at work

Focus on teleworking

The Group offers employees the option of working remotely (teleworking) and adopting flexible working hours, as long as this remains compatible with the nature and purpose of their duties and complies with local laws.

In 2017, 55% of the Group's entities took measures to promote flexibility at work and the development of teleworking in particular.

This allows the Group to innovate and experiment with new ways of working locally or with subsidiaries abroad and to save space and transportation while promoting a better work-life balance. Several general studies on the subject, such as Malakoff Médéric's "comptoir mm de la nouvelle entreprise" dating from January 2018, show that this concept is already well anchored in the USA and the Nordic countries.

Within the Group, it is being largely developed within the EDS division as it is more suited to a digital workflow based on agility, flexibility, responsiveness, and innovation. Another interesting example: 7.6% of the workforce of Neopost USA works remotely. Other entities are also looking into the options of teleworking. Neopost Industrie and Neopost Technologies renewed their teleworking agreement in 2016. Neopost Norge recently introduced the concept, as did Neopost Australia, Neopost AG, NTL, Neopost Denmark, Neopost Services, Neopost Germany, DCS, ProShip, and Neopost Ltd-NISL.

Eligible personnel apply to their managers and the human resources department. If the proposed workspace meets the safety and other criteria set by the manager, the employee is granted approval for teleworking one day a week for the first year. A procedure for occasionally working from home is also available to all Neopost Industrie and Neopost Technologies employees.

Initiatives to promote well-being at work

Neopost wants to be an attractive and inclusive Company and many initiatives have been taken to promote well-being and quality of work life in various countries. Improvement of working conditions is carried out locally and according to the cultural context, the collective agreements in force, and the labor legislation of the countries concerned. Taking into account the well-being and health of its employees is one of the Group's priorities.

In terms of initiatives, several measures have been taken to this effect: some entities offer supplementary days in addition to the statutory requirements for maternity or paternity leave, as well as other parenthood benefits (NHK-NSHK, Neopost Ireland, systemhaus, Human Inference, Neopost USA, GMC Software, and DCS) and others (52% of entities) have given their employees the option to adopt flexible hours or weeks with compressed schedules (DCS, Neopost Germany, Neopost USA, the four Quadient entities, Neopost Canada, Neopost Denmark, NTBv and Neopost Sverige, Neopost France and NISA-NTSA, Neopost Nv, Neopost BV, and Neopost Australia). The right to disconnect is offered by Neopost AG, Neopost Japan, and Neopost France, to name but a few.

At the workplace level, employee relaxation areas exist in certain entities such as Neopost Norge and ProShip. Neopost USA and GMC Software also make sports equipment available to their employees.

For example, Neopost USA is regularly rewarded for its work to promote quality of life and well-being at work by the Healthy Workplace Employer Recognition Program of the Fairfield County business Council (Connecticut) and was once again given the Healthy Workplace Award by the American Heart Association. GMC Software Technology won first place in 2016 in the "Information Technology" category of the "Best Employers" awards in the Czech Republic.

In addition, the entities have Works Councils or equivalent structures pursuant to local legislation that offer leisure activities based on employee interests. In parallel, at the head office in Bagneux, several in-house associations or clubs such as Neorun, Neogolf, and Neozoom allow Group employees to come together to share their hobbies and passions, particularly in the sports, artistic and cultural fields. For example, Neopost Services actively supported Neovoile, Neotennis and "Les Petits Princes" in 2017. These collective initiatives make it possible to unite teams internally and to foster exchange between colleagues outside working hours.

Finally, team building events have been implemented by Neopost Italy, Neopost Shipping, Neopost Denmark, Neopost S.A. and Temando, and the EDS division, to name but a few.

Absenteeism

Absenteeism rates remain relatively low at Neopost and decreased slightly from 3.71% in 2016 to 3.03% in 2017 on a like-for-like basis.

Employees absent due to long-term illness accounted for 1.7% of the workforce (104 people) as of 31 January 2018.

The table below shows the absenteeism caused by workplace accidents resulting in time off work, accidents while commuting, time off for occupational illnesses and sick leave. In 2017, these were calculated on the basis of working days.

% Average absenteeism by category	31 January 2018	31 January 2017
Workplace accidents resulting in time off work	0.08%	0.08%
Workplace accidents while commuting	0.05%	0.01%
Occupational illnesses	0.01%	0.02%
Illness (excluding maternity and paternity leave)	2.89%	2.43%
% Average Group absenteeism	3.03%	2.54%

The data concern all Group companies included in the CSR reporting scope for the financial year.

Methodology:

- absenteeism rate due to accidents with lost time = number of days lost due to an accident/number of days worked by the Group expressed in working days;
- absenteeism rate due to travel accidents = number of days lost due to a travel accident/number of days worked by the Group expressed in working days;
- absenteeism rate due to occupational illnesses = number of days of sick leave/number of days worked by the Group expressed in working days;
- absenteeism rate due to illnesses = number of days of sick leave/number of days worked by the Group expressed in working days.

Some entities introduced in-depth measures to reduce absenteeism and to understand and act on its causes.

Group-employee dialogue and the International Labor Organization

International Labor Organization (ILO)

Neopost operates in Europe, North America, Japan and Australia, in countries subject to the rule of law that observe the eight core conventions of the International Labor Organization (ILO).

Neopost is also present in other Asian countries, including Singapore, China, Hong Kong, and India, which together represents 1.3% of the Group's total workforce.

Compliance with Human Rights, freedom of association and collective bargaining rights, the elimination of forced and compulsory labor, the abolition of child labor and the fight against discrimination and corruption all form part of the Group's values and its positions are detailed in the updated version of the Code of Ethics.

Dialogue with employees

The social dialogue policy is enshrined in the Group's Code of Ethics. This notably includes the respect for the rights of employees to form and join the trade unions or professional organizations of their choice. Employees can also manage collective bargaining on issues of collective interest such as social and economic issues.

At the European level, an information exchange and dialogue structure, the CIEEN (Neopost Employees European Information committee), which brings together the majority of the Group's subsidiaries, was set up in 1998 with European social partners. Its objective is to improve the level of

information, dialogue, and exchange of views between management and representatives of European employees within the Group by addressing topics related to the strategy and financial and economic position of the Group and future prospects, particularly in terms of recruitment, production, or business development.

The Group maintains and fosters regular dialogue with its employees and representatives. At every level of the organization, managers remain attentive to employees and keep them regularly informed.

In accordance with Neopost's values, each legal entity must apply this policy at the local level and establish bodies for dialogue and communication with its employees whilst complying with applicable local legislation.

Local initiatives go beyond legal obligations in terms of Group-employee dialogue, implementing mechanisms for communication and dialogue at the local level. For example, Neopost USA has established a quarterly communication forum coordinated by its employees.

Neopost also values the opinion of its employees. In order to assess the level of engagement of its employees and identify areas for improvement in the organization, in 2017, the Group launched a new monthly engagement survey in partnership with the start-up Supermood, which calculates an Employee Net Promoter Score. Every month, one question is asked to a group of 1,000 employees worldwide, whose opinions are sought twice a year to assess their perception of the Group and their working environment. At the same time, within the subsidiaries, employees respond anonymously to surveys dedicated to their entity or division. The first findings will be used to develop action plans that promote the development of well-being at work and employee engagement on a daily basis.

It is a vital component of dialog in the Group. The results will help Group management to identify and give priority to areas where employees feel that it is possible to increase their level of motivation and commitment to the Company's objectives. In 2016, Neopost USA's NeoFit program earned it first prize. NeoFit informs company employees about the programs available in Neopost USA and provides the opportunity to participate in its various health and wellness activities.

A whistle-blowing procedure is in place to facilitate confidential reporting of sensitive issues by Neopost USA, Neopost Canada, GMC and Neopost Technologies BV. In addition, a working group at the head office is currently working on defining a Group-level whistleblowing procedure.

Review of collective agreements

Each entity is responsible for drawing up and signing company-wide agreements that relate to it, in accordance with local legislation in force. As Neopost operates in countries that observe the ILO international conventions (concerning freedom of association and the effective recognition of collective bargaining rights), the majority of the Group's entities have employee representative bodies.

All companies included in the French scope have employee representative bodies in accordance with the legislation in force: employee delegates; union delegates; works councils; and the Health, Safety and Working Conditions committee.

During the 2017 financial year, the Group's companies entered into 16 collective agreements or amendments (9 in France, 3 in Belgium, 3 in Germany and 1 in Sweden). These Company agreements mainly concern annual negotiations for wages, working time and employee profit-sharing. The number of collective agreements signed by the French companies increased with 9 agreements signed in 2017, compared with 8 in 2016. Moreover, as of 31 January 2018, a total of 93 collective agreements in force within the Group were ratified either in 2017 or in prior years. The majority of the collective agreements concerns France, for which the Group has detailed reporting. In many countries, the definition of a collective agreement is not the same as in France.

Among the 93 Group-wide agreements signed and validated as of 31 January 2018, the main subjects are the following:

- for 38% of entities, working conditions and working time;
- for 38%, health and safety at work (well-being and stress management in particular);
- for 31% of entities, wage policy and benefits, in particular remuneration, retirement savings plan, health insurance, compulsory annual negotiations;
- 22% of entities have implemented employee development agreements (training, employability, job management, and skills management);
- 19% of entities signed diversity agreements.

Collective agreements	31 January 2018	31 January 2017
Number of collective agreements signed with personal representative bodies during the year ^(a)	16	17
Number of effective collective agreements in force during the year ^(b)	93	95

(a) Number of new collective agreements signed during fiscal year 2017.

(b) Total number of agreements in force in fiscal year 2017.

Here are some examples of collective agreements signed by Group entities and currently in force:

- Neopost France (20 agreements in force): did not sign any new agreements in 2017. Several agreements are already in effect, however, such as: agreement on professional equality between women and men (diversity); two amendments to the employee profit-sharing agreement for the Company's results in 2016; in 2015, one agreement on health and retirement and benefits, in 2014, one agreement on jobs and skills management and since 2012, one agreement on working time and flexibility at work;
- Neopost Services (13 agreements in force): 5 collective agreements signed in 2017 (Generation Contract Agreement, gender equality agreement, health and retirement and benefits agreement of 30 November 2017, telework agreement of 17/02/2017, amendment to the agreement on profit-sharing). Other examples include: 1 agreement on quality of life at work dated 28/10/2016, 1 agreement on health and retirement and benefits expenses dated 15/12/2015, 1 agreement on on-call duty dated 26/03/2015;
- Neopost Industrie and Neopost Technologies (18 agreements in force): 3 agreements signed in 2017: 2017-2018-2019 profit-sharing agreement, Le Lude and Bagneux on-call agreement, and Generation Contract Agreement No. 2. In addition, other existing agreements included: second agreement on teleworking, second amendment to the agreement on employee profit-sharing Neopost group diversity charter in France, Disabled Workers charter, generation contract, gender equality agreement no. 2 (02/04/2015);

- Neopost S.A. (1 agreement in force) and 1 agreement signed in 2017;
- Neopost GmbH (33 agreements): 3 agreements signed in 2017. Agreement on workstations, 2 agreements on sales commission remuneration;
- Neopost Sverige AB (1 agreement in force): 1 agreement signed in 2017. Agreement on working conditions;
- Neopost Technologie Bv (1 agreement in force): No new agreements in 2017. 1 agreement on working conditions;
- Neopost BV (1 agreement in force): No new agreements signed in 2017. 1 agreement on working conditions;
- Neopost Nv (4 agreements in force): 3 agreements signed in 2017 related to working conditions;
- Neopost Finland Oy (1 agreement in force). No new agreements signed in 2017.

Diversity and respect for equal opportunities

Since the Group is present in 29 countries, diversity is part of its DNA and enriches the working environment through the exchange and understanding of different points of view within multicultural teams while the emergence of innovative solutions is encouraged. For Neopost, this is also a lever for commitment, performance, and creativity.

The Code of Ethics issued in September 2017 states that each entity is responsible for deploying the Group policy in terms of equality and diversity. Since each country has its own specificities and regulations, action plans are drawn up according to local priorities.

The principles of equal treatment apply to all forms of discrimination that may exist, including those related to age, gender, ethnic or social origin, nationality, language, religion, health, disability, marital status, sexual orientation, political or philosophical opinions, veteran status, membership of a trade union or any other characteristic protected by applicable laws and regulations.

In particular, these principles include:

- equal access to employment: all recruitments must be based solely on motivation and skills;
- equal pay: the Group ensures that individual pay rises are based on the same conditions for all employees (only skills and results are taken into account);
- equal access to professional training and promotion: the Group stresses that there cannot be any discrimination or prejudice associated with subjective criteria and that all employees must be treated equally.

The purpose of the agreement on gender equality in the workplace, signed by Neopost France, Neopost Technologies, Neopost Industrie and Neopost Services, is to facilitate the long-term professional development of women in the Company regarding access to employment, training and professional promotion. Neopost stresses that it remains vigilant regarding professional equality when employees are hired and throughout their career with the Company.

Several *contrats de génération* (generation contracts) have been signed in France. The purpose of these agreements is to hire young people on permanent contracts and keep older employees in employment to ensure the transmission of knowledge and skills between the generations. Neopost companies firmly believe that diversity is a source of innovation, improves employee performance, and meets the needs of our customer base.

Employees are remunerated on the basis of their knowledge, skills, motivation, and performance. Several initiatives have been introduced to promote diversity and equal opportunity. For example, in the Nordic countries, each entity has a Human Resources booklet setting out their non-discrimination principles. Neopost Sverige AB, the Group's Swedish-based company, has introduced a local diversity policy. This policy has been signed by all its employees. Managers are tasked with ensuring compliance with the policy by their teams.

In the United States and United Kingdom, diversity is monitored and documented in accordance with applicable local laws. In 2009, Neopost USA, which has been proactive in this regard, established a Diversity Council (peer network) responsible for promoting diversity in the workplace. All Neopost USA employees take part in a training course entitled "Respectful Workplace Training". As a contractual Government partner, Neopost USA develops a positive discrimination action plan each year. All sites with more than 50 employees focus first and foremost on diversity in recruitment.

Measures to promote diversity are also in evidence in other Group entities. To increase diversity and prevent all forms of discrimination in their working environment, Neopost Australia and Neopost Ltd in the United Kingdom have equal opportunity policies. Neopost Ltd also introduced an anti-harassment and anti-bullying policy and a business integrity policy. All Neopost Ltd employees are required to comply with these Company policies. All employees have also been informed about complaint and conflict-resolution procedures. In addition, all employees are required to attend diversity training, which goes beyond the legal obligations.

Representation of women in the workforce



With a rate of 31.6%, the percentage of women managers in the Neopost group remains relatively stable, and for women managers, the 26.0% rate in 2017 reflected a very slight increase on the 2016 fiscal year. Aware that measures must be taken to develop gender diversity within teams and to facilitate women's access to managerial positions, the Human Resources department set up a working group in 2017 dedicated to this issue that is directed from the head office in Bagneux. In the same spirit as that in the United States (the Diversity Council created in 2009), this working group should help to develop an action plan for these topics with quantified objectives for the coming years.

Representation of women		31 January 2018	31 January 2017
Representation of women in the workforce ^(a)	% of workforce	31.6%	31.7%
Representation of women among managers ^(b)	% of managers	26.0%	24.9%

(a) Number of women in the per capita headcount compared with the total per capita Group headcount in the CSR scope.

(b) Number of women managers in the total number of managers in the CSR scope.

Moreover, in accordance with the Cope-Zimmermann Law aimed at "seeking a balanced representation of women and men on Boards of directors", which as of 2017 requires a minimum threshold of 40% of women in governance, 40% of the Board members are women since the summer of 2017. This point is discussed in detail in chapter 2 of this Document.

Employment of disabled persons

The integration of and non-discrimination against disabled persons are principles respected by each entity of the Group. Each of the Group's entities is responsible for locally defining and implementing its policy on the recruitment and continued employment of disabled persons, in full respect of each individual's situation.

In France, the policy governing the employment of disabled persons applies to existing employees, potential employees and sub-contractors (contracts with French organizations that help disabled persons return to work) and aims to promote equal opportunity and non-discrimination. Moreover, measures pertaining to professional integration and continued employment of disabled workers are addressed each year with the representative unions in the Company as part of the mandatory annual negotiations.

Neopost Industrie and Neopost Technologies recently drew up a charter for Workers with Disabilities.

For example, Neopost France's policy on the employment of disabled persons provides for:

- an additional day of paid leave to all disabled employees declared to the Human Resources department, to give them the opportunity to complete any medical and administrative formalities related to their disability;
- the appointment of a disability representative in charge of helping disabled employees with their administrative formalities and making sure their workstation accommodates their needs;
- an action program rolled out to raise employee awareness to the issue of disability. Information on the initiative was sent to all personnel to inform them of existing measures within the Company and to advise them on the measures to take to perform the administrative procedures for disabled workers.

The policy's aim is to ensure that we identify all the people concerned in the Company to make sure they are provided with the support and assistance they need throughout their careers.

For its part, the management of Neopost Industrie undertakes not to discriminate against disabled workers during the recruitment process, to place job offers on the AGEFIPH website, and to look at means of adapting workstations. Raising awareness among employees and fostering internal discussion are also key components of Neopost Industrie and Neopost Technologies' policy, with the publication of a comic strip aimed at eliminating stereotypes and promoting better understanding of disability throughout the Company.

Neopost Canada drafted an employment equity and accessibility for Ontarians with disabilities charter to encourage the recruitment and promotion of disabled persons.

At Neopost USA, available positions are published on recruitment websites for US Army veterans and disabled persons.

Neopost Sverige AB recruits people who suffered from a temporary disability and became unemployed as a result. The Company helps them to return to the active market by hiring them initially on fixed-term contracts, then once they prove their ability and motivation, they are offered the opportunity to continue their career in Neopost Sverige AB under a permanent contract.

Neopost AG in Switzerland continues to support disabled people. For example, it promotes employment of people with disabilities by outsourcing some tasks, such as consumables order fulfillment or warehousing jobs to the sheltered employment foundation, ESPAS. The foundation works to promote social and employment inclusion of people whose health prevents them from playing a full role in the workforce. Its primary aim is the integration of men and women with a physical or mental disability. ESPAS offers commercial and industrial outsourcing opportunities for companies, institutions and other organizations. 94 employees with disabilities are part of the workforce and the Group wants to facilitate their hiring and integration by offering adapted workstations.

Rate of disabled persons	31 January 2018	31 January 2017
Employment rate of disabled persons at Group level ^(a)	1.6%	1.6%
Employment rate of disabled persons in France ^(b)	3.8%	3.3%

(a) Number of disabled employees in the per capita headcount compared with the total per capita Group headcount in the CSR scope as at 31 January of the prior financial year.

(b) Number of disabled employees in the per capita headcount compared with the per capita headcount in the French scope (including the employees of Neopost Services, Neopost France, Neopost Industrie, Neopost Technologies, Neopost Shipping SA and Neopost S.A.) as at 31 January of the prior financial year.

Health and safety at work

Health and safety at work are areas of concern addressed by the entire Group and handled by each entity. Each Group entity is responsible for developing a local health and safety policy according to its activities and coordinating its own health and safety management system.

The Group has had OHSAS 18001 certification since 2006, mainly for its industrial sites. This certification, issued by an independent third party, attests to Neopost's commitment to the health and safety of its employees. Renewed every year, OHSAS 18001 also reflects the Group's continued improvements in the areas of health and safety at work. In 2017, 16 companies of the Group, including all of the industrial sites, were certified OHSAS 18001. Above and beyond compliance with regulations, each site has implemented prevention plans to improve safety. These plans include, for example, the investment needed to improve workstation ergonomics, provide personal protective equipment, replace equipment and ensure that it remains compliant, and deliver fire-prevention training. An annual report, in the form of a single document on occupational risk assessment for French entities, identifies the risks by population for the purposes of control and prevention.

A number of Group entities, though not certified, have established preventative measures, such as laying down procedures in the event of fires or other disasters; making employees aware of these procedures and giving them some basic training; and training special teams in charge of safety.

The issue of stress at work is addressed by a large number of Group entities. A number of preventative and training initiatives implemented are described below:

- Neopost USA regularly organizes sessions on stress management. Furthermore, a 24/7 help program is available for any employees needing advice or counseling. Training on health and stress at work is also available online for all employees;
- for the fifth year running, the Fairfield County business Council recognized Neopost USA for promoting the health and safety and well-being of its employees in the workplace;
- for several years, Neopost France has been pursuing its "Quality of life in the workplace" approach designed to ensure that the health, well-being and quality of life of its employees in the workplace remains one of its top corporate priorities;
- for its part, Neopost Services has developed a preventive action plan, as well as training programs on psycho-social risks. A hotline is available 24/7 offering help and advice from psychologists to all employees struggling with professional or personal problems.

Workplace accidents

In 2017, the number of workplace accidents decreased by 18.7%, from 107 in 2016 to 87 this year. The number of accidents resulting in time off work also declined (by 8.3% to 33 in 2017, versus 36 in 2016). The frequency rate was down by 0.4 points on 2016. With 1,089 days of incapacity for work, the severity rate for accidents with work stoppages also fell by 0.1 points in 2017.

Workplace accidents	Unit	31 January 2018	31 January 2017
Number of workplace accidents		87	107
Workplace accidents resulting in time off work		33	36
Number of days lost through accidents resulting in time off work		1,089	1,523
Frequency rate of workplace accidents	(No. of accidents resulting in time off work x 10 ⁶) (No. of hours worked)	4.2	4.6
Severity rate of workplace accidents	(No. of days lost x 10 ³) (No. of hours worked)	0.14	0.19

Review of collective agreements on health and safety

Each entity is responsible for drawing up and signing company-wide agreements that relate to it. In 2017, 8 collective agreements on health and safety are in force within Neopost.

The majority of the collective agreements concerns France. In many countries, the definition of a collective agreement is not the same as in France.

Examples of collective agreements on health and safety signed by Group entities:

- Neopost France (two agreements): 2015, agreement on coverage of healthcare costs, agreement on retirement and benefits;
- Neopost Services (2 agreements): 2015, agreement on coverage of healthcare costs and agreement on retirement and benefits; 2016, agreement on the quality of life at work;
- Neopost GmbH (2 agreements): agreement on workstations, agreement on the protection of non-smokers;
- Neopost Nv (one agreement): agreement on Psychosocial Risks;
- Neopost BV (one agreement): Agreement on Health and Safety at Work.

Support local communities and develop relationships with stakeholders

Socio-economic and territorial impact of Neopost activities

The main economic impact of the Group is linked to direct employment and household consumption of employees, as well as the contribution of the Group to public finances through the payment of social security contributions and tax.

Each site fits into the local economic fabric but has no significant influence on indirect jobs and the development of new local infrastructure.

Neopost operates in 29 countries and mainly employs people from local communities.

The French entities Neopost Industrie, Neopost Technologies, Neopost Services and Neopost France have entered into generation contracts in order to develop the hiring and employment of young people, who are supported by a senior tutor from the Company to facilitate their integration.

Business ethics and fair practices

Through its updated Code of Ethics, the Group has strengthened its existing systems to fight against corruption and influence peddling. In 2017, 44% of entities trained the relevant people (managers and sales teams) in anti-corruption practices. The Group regularly updates its risk mapping (for more information on the Group's risk management, see section 3 of this Document).

Prevention of and fight against fraud and corruption

In accordance with its Code of Ethics, Neopost complies with the anti-corruption laws of the countries in which it operates and has a zero tolerance policy for corrupt practices, including in particular giving or accepting bribes, either by an employee or a third party acting on behalf of the Company. It rejects all forms of corruption, and prohibits demanding, accepting, offering or giving bribes, gifts or other benefits, either directly or indirectly.

Occupational illnesses

The majority of the Group's employees have commercial or administrative (tertiary) duties. Consequently, their exposure to occupational illnesses is low.

However, the prevention of risks and occupational diseases is very important in the production units, notably concerning risks related to manual handling, carrying loads, the use of automatic screwdrivers, and the use of chemicals. Priority is placed on employee training and awareness-raising campaigns, as well as on the provision of adequate personal and collective protective equipment. The average absenteeism rate was 2.06% in 2017, of which 0.06% corresponds to accidents with lost time.

It provides information and training to its employees on the prevention of fraud and corruption. The fact that more than two-thirds of the Board is made up of independent directors, the Board's by-laws and the establishment of a Conflict of Interest Policy and a fraud prevention procedure in 2012 minimize the risk of abuse and misdeeds. In addition, the managers in question are required to sign a conflict of interest form every year as part of the internal control process. As part of the distribution of the Code of Ethics, 68% of the entities defined disciplinary measures and sanctions in the event of non-compliance with the Code, in particular with regard to the topic of corruption.

Anti-trust laws and fair competition

The Group avoids anti-competitive practices, including pricing, the rigging of tenders and responses to tenders, or sharing customers, markets or territories. Neopost forbids its staff from entering into any agreement with competitors intended to restrict the nature or quantity of products and services offered for sale, as well as any agreement with suppliers or other partners to obstruct fair competition, or the exchange of information with competitors on corporate strategy on products or pricing.

Product safety for users

The Group is particularly vigilant as regards the safety of the products it places on the market and as regards compliance with European and international regulatory requirements. These requirements are taken into account during product development. Approval and qualification tests are first carried out internally before being confirmed by independent external laboratories. Externally conducted tests make it possible to ensure product safety. They mainly cover compliance with UL (Underwriters Laboratories) requirements; Russian GOST-R regulatory requirements and EC requirements regarding in particular electromagnetic compatibility (directive 2004/108/EC), limiting the voltage used in electrical equipment (directive 2006/95/EC "Low voltage") or the restriction of the use of certain hazardous substances (directive 2011/65/EC "RoHS"). Other external tests make it possible to check compliance with electromagnetic compatibility (EMC) requirements, with US Federal Communications Commission (FCC) requirements and with the Australian c-tick label

guaranteeing low exposure to electromagnetic fields. Tests are also conducted on product sound emissions, on drop tests and on compliance with Energy Star requirements. Energy Star is a label created by the US Environmental Protection Agency (EPA) and recognized by the European Union. It defines energy consumption criteria to improve the energy efficiency of office equipment. This efficiency depends on electricity consumption in use and on the existence of a sleep mode.

The regulatory context regarding electrical and electronic equipment changes constantly at both the European and international level. The active participation by the Group in the professional organizations of the French Information Technology Industry Union (AFNUM) and the working meetings of the National Authority in France allows Neopost to follow these developments and to anticipate future ones. Among the regulatory texts with which the Group must comply, particular attention is paid to the RoHS and WEEE EU directives, the French decree on the use of nanomaterials (now applicable) and the REACH regulation.

Other Human Rights initiatives

Neopost operates in states based on the rule of law that respect the international conventions of the International Labor Organization on the basic principles of Human Rights. For the few countries that have not signed these conventions, especially in Asia, the local management's mission is to ensure respect for Human Rights as defined by the ILO, in accordance with the Group's values and its updated Code of Ethics, which applies in all countries including Group subsidiaries.

Forging relationships with partners, customers, suppliers, and employees

Each Group company is responsible for dialogue with its stakeholders at the local level. The overall mapping of the Group's stakeholders is being updated as part of materiality analysis. The dialogue established with the stakeholders already identified remains regular and constructive.

Relationships with postal organizations

The Neopost group has forged strong, long-standing relationships with postal organizations. These relationships are essential to its core business, including the production and distribution of franking systems. Each new franking system launch is accompanied by a postal certification that gives it the authorization to market the new products and collect the resulting revenues on their behalf.

In each country where Neopost is present, Group entities have signed partnership contracts with postal organizations. The Group decided to create an internal reference, the Postal Compliance management System, bringing together all the main postal requirements of these organizations. Internal audits ensure the application of good practices and ensure postal requirements are met. A cross-audit program was set up by the Group's information security officer in collaboration with the Group's CSR & QHSE manager to assess the compliance of the entities with the PCMS.

Throughout the year regular meetings with postal organizations are arranged by the Group entities. Postal organizations also conduct audits in the Group's distribution entities and production facilities and even its subcontractors. This audit program verifies that Group companies have implemented the measures necessary to meet the needs of

these postal organizations, trends in postal standards and information security requirements.

For several years the Neopost group has been a reliable partner supporting postal organizations in their growth, and providing ever more innovative solutions. The confidence gained over the years allows Neopost to work with its partners on other projects, such as an online parcel management platform developed by the Group for the Royal Mail in the United Kingdom and the Singapore postal service.

In 2014, Neopost Shipping and Pickup, the *La Poste* Group subsidiary in France, entered into an agreement to establish and operate a network of automated and secure parcel lockers for delivering parcels in France. The terminals, related software and installation and maintenance services are provided by the Neopost group to Packcity France, a company jointly owned by Neopost and GeoPost. Two separate networks are operated by Packcity France. The first of these is the GeoPost network, with terminals incorporated in their pick-up points. The second consists of 2,000 terminals open to all carriers, as well as large distribution companies and specialist retailers offering "click & collect services", as well as to entities that wish to offer a concierge service. Today, more than 6,500 e-retailers currently offer delivery to 350 lockers provided by Packcity to its customers.

Relationships with customers and distributors

Direct and indirect sales networks are essential to the development of the Group and the success and performance of Neopost are closely linked to that of its distributors in their respective markets. Neopost also has mutually beneficial partnerships with them and offers its customers innovative, high-quality, and environmentally friendly solutions that meet their needs. Finally, the Group is particularly vigilant when it comes to regulations concerning the security of its solutions and regularly carries out all the tests necessary to launch them on the market.



Since the Group's culture is highly customer-focused, two annual satisfaction and loyalty surveys are conducted by the Group with thousands of Neopost customers. These surveys are conducted by phone in the Group's main countries, working with an external specialist customer relations firm. The purpose of these surveys is to evaluate customer base trends regarding Mailing and Document Systems and to propose action plans to continue to satisfy customers as far as possible. In total more than 40 criteria are evaluated on a 1 to 5 satisfaction scale. The Group assesses the strengths and weaknesses, as well as their importance, in order to determine priority areas for improvement. Improvement plans are then prepared and managed both at Group level and at the level of business entities. These plans focus on two complementary areas: the product range and all customer-facing processes. According to the latest survey carried out in 2017, the rate remains relatively stable from one year to the next and more than 95% of customers are satisfied. In addition, on-the-spot surveys are conducted by the commercial companies to measure customers' satisfaction in real time, to hear what

they have to say about key processes and to respond quickly to any customer dissatisfaction.

To support Neopost's digital transformation, two initial surveys on digital applications were conducted and the findings used to improve the Group's products, solutions, and related services. These customer satisfaction and loyalty surveys were also extended to all major applications in 2017. In addition, we are conducting a survey of our traditional customers' appetite for digital.

On top of the actions carried out at Group level, many initiatives are implemented at local level by distribution entities. Commercial companies regularly communicate with their customers about company news and new offerings by sending emailings or newsletters. Throughout the year, they also organize events to present new products and solutions, and participate in trade fairs, conventions and conferences, which offer several opportunities to talk to their customers.

In 2017, 66% of the entities completed studies or questionnaires related to CSR topics notably within the context of calls for tenders for customers, and for the purposes of audits or to fulfill legal obligations. This particularly concerns topics such as Human Rights (the fight against modern slavery in particular), ethics, working conditions, the environment, health and safety.

Lastly, the Group wants to strengthen the protection and security of its customers' data and is preparing the implementation of the General Data Protection regulation as part of a working group that meets several times a year. Respect for intellectual property rights is also specified in the Group's Code of Ethics.

Relations with subcontractors and suppliers and Responsible Purchasing Policy

Neopost extends its CSR and ethics commitments to all of its partners, which must comply with applicable laws and regulations, the conventions of the International Labor Organization and the Group's responsible purchasing policy. It is for this reason that the Supplier Code of Conduct developed in 2016 has been distributed among the Group's supplier network, as has the Policy against Modern Slavery and Human Trafficking.

Neopost seeks to forge mutually beneficial partnerships with its suppliers, and to conduct responsible, ethical and sustainable business with them. The Group endeavors to work only with partners who share its values and have ethical standards equivalent to its own.

Suppliers are selected carefully, fairly and equitably. They are chosen according to an established purchasing strategy, or via

call for tenders, or based on their ability to fulfill the Group's requirements in terms of quality, price, service, reliability, technology, safety, the environment and ethical values. The Group also endeavors not to create a situation of mutual dependency with respect to sales, technology and know-how.

Neopost's relations with its suppliers are based on frequent discussions and contact during which their mutual interests are reviewed and discussed. They take into account their respective corporate strategies and the volume of business in the short and medium term, while making sure that all regulatory, environmental and social constraints are respected.

In accordance with its purchasing policy, Neopost puts particular emphasis on ensuring suppliers meet its requirements through discussions, site visits, audits and performance evaluations conducted by its teams. An audit is carried out during the selection process and may be repeated at a later date, if necessary. All of our OEM partners report annually to the Group focusing mainly on HSE (health, safety and the environment) to assess their performance in these areas. All of our OEM suppliers are ISO 9001, ISO 14001 and OHSAS 18001 or SA 8000 certified. In 2015, CSR audits were conducted at OEM partners in Asia (China and Malaysia) to study their CSR practices. These CSR audits covered issues such as forced labor, child labor, working hours, employment contracts and remuneration, training, discrimination, local economic development, and charitable initiatives.



**Responsible
procurement**

82%

**Of suppliers evaluated in 2017
comply with the requirements
of our Suppliers Code of
Conduct**

In addition, the Group launched an initial evaluation campaign with its main production suppliers in 2017. As such, 116 suppliers representing approximately 80% of the purchasing revenue were assessed. Of these, 82% met the requirements of the Supplier code of conduct. An action plan is required from suppliers which do not fully comply with the rules of the Group Supplier Code of Conduct. A second campaign will be launched in 2018 to assess 131 other suppliers and thus cover more than 99% of the amount of production purchases.

Finally, with regard to the regulation of conflict minerals, a project policy is being drafted at the Group level.

Since Neopost has production facilities in Europe (France, the Netherlands and the United Kingdom), and in Asia (China and Malaysia), production purchasing takes place mainly in Asia (41%) and Europe (39%), followed by the United States (15%) and France (5%).

51% of this amount is used for the purchase of generic products from our OEM (Original Equipment Manufacturer) and ODM (Original Design Manufacturer) partners. The purchase of raw materials, parts, components and sub-assemblies from tier 2 suppliers accounts for 27% of purchases. Of this amount, the purchase of ink cartridges for our mailing systems represents 22%.

The purchase of generic products represents between 75% and 80% of the products manufactured by the Group. OEM partners are primarily located in Asia (China and Malaysia). In collaboration with our engineering teams, they produce products designed by our R&D teams on an industrial scale and then oversee their production. They operate independently even though Neopost can, from time to time, impose a tier 2 supplier of its choice (parts, components and sub-assembly). Our ODM partners are also located in Asia (China), the United States and Europe (Austria). They design, manufacture and produce their products for Neopost, according to approved specifications.

Purchases from tier 2 suppliers are intended for the Group's production facilities. Despite the limitations that may be involved, the Group endeavors to secure local supply sources (from the same country or at least the same continent) for its parts, components and sub-assemblies, whenever possible, including for those supplying our OEM partners.

The Group has very little recourse to subcontracting. The Group only makes recourse to subcontracting to meet peak production requirements or the occasional needs of a specific industrial process.

Relations with employees

Neopost also established a communication department that supports, among other things, internal communication of management to employees. This communication comes through several categories of information which are: appointments and change in organization, acquisitions and partnerships, business news related to the activity of the Group, people news, news related to the Neopost community and finally more communication detailing particular technical points which require more precise explanation. In addition, a great number of subsidiaries have their own additional internal newsletter. In order to maintain and to strengthen the regular dialogue with their employees, Neopost companies have put in place, at the local level, numerous communication tools, such as team meetings, entity communication meetings, and internal newsletters.

In addition, an annual innovation day is organized in Bagneux and a laboratory allows employees to demonstrate product prototypes and models.

Relations with shareholders, financial partners and extra-financial rating agencies

Neopost provides its shareholders with transparent, regular and reliable information and maintains ongoing communication and a regular dialogue with them.

This corporate social responsibility report is included in the Group's registration document in order to communicate openly on its approach to sustainable development. Pursuant to French legislation, each year Neopost undertakes to communicate on indicators relevant to its activity in the areas of employee-related information, environmental information and information on corporate social commitments.

Furthermore, in the interests of transparency, Neopost regularly responds to questionnaires from extra-financial rating agencies, the results of which are presented in the preamble.

Acting with local communities

Overview of sponsorship and volunteering actions

In the various countries where it is present, the Group would like to support local communities and territories in a cooperative, civically minded manner.



Partnership & sponsorship

68%

Of Group companies support local communities in 2017

In January 2017, 68% of the Group's entities declared having undertaken sponsorship and volunteering actions at the local level to support solidarity initiatives. As such, 136,083 euros was collected for general interest projects in various sectors, notably health and education, which regularly appear among the many sponsorship actions identified via a qualitative questionnaire sent to the various countries.

In addition, the Group's employees spent 2,969 hours volunteering, and some subsidiaries, such as Neopost USA, even give their employees time to support charitable projects. At the same time, collections of clothing and food were organized in the United States and Europe for the end-of-year holiday season.

In France, Neopost S.A. has continued its partnership with the Make a Wish Foundation, whose mission is to fulfill the dreams of children with serious illnesses or disabilities with a donation of 5,000 euros made in the framework of the annual gala organized by the association.

As a faithful partner of the association since 2007, Neopost France has been a loyal partner of SOS Villages d'enfants (SOS Children's Villages) through profit-sharing. In 2017, Neopost renewed its commitment alongside the association by pledging to donate 10 euros for any signed Neotouch contract to contribute to the financing of renovation work in various reception areas. In 2017, 20,000 euros was donated and, since 2007, more than 255,000 euros has been raised for SOS Children's Villages. Founded in 1956, the organization allows orphaned children that have been abandoned or separated from their parents, to have the chance to grow up together in

Social, societal and environmental information

the warmth and safety of a new family life under the loving care of an SOS mother.

The United States, which has traditionally sensitive to and trained in the culture of giving, is still very active in these efforts within the Group. For example, 170 employees participated in the Breast Cancer Walk in October 2017 and 140 employees collected food for a local food bank, the Milford Food Bank, for underprivileged families in local communities in November 2017. Neopost USA employees are engaged with non-profit organizations in many cities thanks to the territorial network of its various offices (districts) in the United States. As is the case each year, most employees chose local causes related to health, well-being and social bond issues to raise funds and support organizations that help the poorest young people and adults. Finally, Neopost USA's Customer Interaction Center is also an annual supporter of the American Heart Association Dallas Heart Walk.

In addition, the EDS division has a centralized policy for its four entities regarding team-building exercises, which bring teams together and promotes the sharing of values through participation in actions related to the environment, health, solidarity and social bonding, and education. In 2017, several entities organized or participated in Community Days. EDS gives all of its employees one paid day leave per year to help local communities. In this context, this often involves manual work (zoo maintenance assistance, dog shelters, schools, protection of nature) or meal or product distributions carried out for associations. For example, at the end of 2017, French employees were involved with the "Les Restos du Cœur" association to distribute hot meals to the poor. In addition, Satori US participated in the United Way Day of Caring and helped the National Down Syndrome Society. As regards the environment, at the end of 2017, GMC Software team in Toronto joined the Ontario Streams environmental organization to plant 150 shrubs, which will have a direct positive impact on plant and animal life. In addition, in the Czech Republic, employees helped a kennel by repainting the site and preparing it for the winter. There was also a solidarity action for the West Berkshire Mencap Children's Service in 2017.

Since 1998 ProShip has supported the annual Chip for Charity Golf Outing organized in southern Wisconsin in the United States. Thanks to this event, ProShip employees raised cumulatively close to 1 million euros to support the Succinic Semialdehyde Dehydrogenase Deficiency (SSADHD) Association, which helps children suffering from this rare neurological disorder and their families. The purpose of this structure is to support research to find a better treatment for the disease. In addition, employees at ProShip took part in the Briggs & Al's charity walk and run in aid of children in Wisconsin hospital. They collected toys and funds for the Christmas Clearing Council in Waukesha County (USA) to help underprivileged families during the Christmas holidays.

Neopost Ireland chose to support the following projects in 2017: Just Giving charity funding, Look Better & Feel Better Team Alannah Charity, St Francis Hospice, Capuchin Centre for the Homeless, Alnone, and The Clion's Foundation.

In 2017, Neopost Australia took part in "Real Men Wear Pink", a fundraising day in support of the National Breast Cancer

Foundation, which mobilizes for research against the cancer. In this context, all employees wore pink and made donations. The entity is also involved in the Workplace Giving program, which allows employees of the Company to select associations they want to support by making a donation directly from their salary (on the same principle as the rounding of salaries in France). This system has the twofold advantage of reducing fundraising costs and putting Neopost Australia employees in direct contact with the organizations they support. News and detailed reports are published on a dedicated web page accessible to employees who have made donations. Since 2015, funds were donated to the following organizations: Autism Spectrum Australia, Baker IDI, Barnardos, Black Dog Institute, Bush Heritage Australia, CanTeen Australia, Children's Medical Research Institute, Cure Brain Cancer Foundation, Garvan Institute, House With No Steps, International Fund for Animal Welfare, Oxfam Australia, Redkite, Royal Institute for Deaf and Blind Children, Surf Life Saving Foundation, and World Animal Protection.

Neopost AG in Switzerland once again participated in a solidarity race to support the Telethon.

Since 2014, Neopost Canada has been an active participant in the Partners for Life program. This is a national independent non-profit organization whose mission is to manage Canada's blood system. Four times a year, a bus transports employees from the Company to the collection center. 11 employees were given the opportunity to donate blood during their working hours, thus saving the equivalent of 9 lives. In addition, the entity supported The St. Baldrick's Foundation, a non-profit organization whose goal is to raise funds for the search for treatments to cure children with cancer. In education, Neopost Canada supported the Aga Khan Foundation Canada. In addition, 40 participants raised 325 Canadian dollars for the Red Door Family Shelter and 50 participants also collected food for a food bank. A fundraising event called Jeans Week at Work was also organized and raised 667 Canadian dollars from 70 participants.

Neopost Italy also offered 19 employees the opportunity to participate in a solidarity race, which raised 3,000 euros for a local association.

In 2017, Neopost Denmark was involved with the No child must starve operation against hunger.

In the United Kingdom, Neopost Ltd employees vote every year to select one charity that will receive funds collected through the solidarity events they organize. In addition, for several years, Neopost Ltd has made corporate donations and supported local initiatives such as the Red Cross Christmas Present Appeal, the Havering Business Awards, Thames Valley Air Ambulance, the Seafar Villa Community Football Club and the London Gateway YMCA. The Company also encourages and supports employees who want to make a direct contribution, by offering them two days a year of paid voluntary work with a charitable organization. In 2016, employees volunteered to support scouting activities, the homeless at Christmas, adventure camps for disabled children and other Community initiatives.

In addition, Neopost Technology Ltd supported the British Lung Foundation by organizing several sporting challenges with 94 participants who raised more than 2,000 pounds sterling.

This non-exhaustive overview illustrates that Neopost and its employees are involved in a range of charitable projects, reflecting their support to local communities and therefore make teamwork more meaningful.

Partnerships with trade bodies, schools and universities

Active participation in professional organizations, such as the French Digital Industries Alliance (AFNUM) and the Sarthe Union of Metallurgy Industries (UIMS), and in working meetings of the National Authority in France allows Neopost to follow regulatory changes and anticipate future ones.

Each year, Group companies establish apprenticeship programs and welcomes trainees, while also offering both work experience and end-of-studies internships. In this context, in 2017, the Neopost group companies welcomed 93 apprentices, mainly in Europe. The NTB industrial site trained 48 apprentices (compared to 33 in 2016).

A number of Group entities have developed close relationships with schools and universities, including for instance Human Inference with Nyenrode University (Netherlands) and GMC Software Technology with Seneca University in Toronto, as well as various universities in the Czech Republic with various initiatives such as student support, participation in conferences or events related to the digital world.

Neopost Australia encourages students to participate in Work Experience programs to help them to select, discover, and observe trades and activities that may interest them and, in this context, three 10-year-old students from three different schools were invited to participate in 2017.

Neopost Canada entered into a partnership with Pierre Elliot Trudeau High School by joining and participating in a cooperative program consisting of two sessions per year in which 3 volunteer employees coach students over a period of about three months.

Relations with schools and universities provide a series of opportunities to showcase the professions and career options within Neopost group and thereby encourage the recruitment of talented young graduates.

Limiting our impact on the environment

As a responsible company, Neopost has been committed to protecting and preserving the environment for many years. In 2017, the main environmental issues addressed by the Group are those related to its traditional activity. The materiality analysis currently being defined will allow for the review of environmental issues and their priority with regard to the Group's new activities in the field of digital communication by 2018.

Challenges and environmental policy

One aim of Neopost's policy is to reduce the environmental footprint of its activities and services. In this context, the issues facing the Group are mainly local in scope: water consumption and discharge, energy consumption on industrial and tertiary sites, and carbon footprint.

It also promotes the development of circular economy principles through three levers of action: products innovation and ecodesign, waste recovery and recycling, and the organization of the remanufacturing of its products.

ISO 14001 certification program

Neopost deploys its environmental policy in particular through its ISO 14001 certification program that involves the implementation of an environmental management system at the site level.

Based on the Group's guidelines and recommendations, each entity is responsible for defining its own objectives and action plans that contribute to Neopost's overall environmental performance while meeting its specific local challenges. To do this, the Group relies on its network of QHSE managers and officers present within each company, which is in charge of deciding the defined actions.

In 2017, 19 of the 34 Group companies included in this reporting were certified according to ISO 14001. This number includes all of the Group's industrial and logistics sites.



ISO 14001
certification

100%

Of industrial and logistic
sites are certified

Training and educating employees

Employee training is an integral part of the environmental approach taken by the Group and its companies, and is one of the keys to its success. The majority of the Group's entities provide their employees and all new hires with training on the environment and health and safety, as well as with more targeted information on ISO 14001, if needed.

Communication and awareness-raising initiatives focused on environmental issues and on the policy adopted by the Group's different companies on energy savings and recycling in particular are regularly organized for employees.

Reducing the Group's environmental footprint

Controlling environmental risks

The Neopost group evaluates and takes account of pollution risks and risks linked to climate disruption in its comprehensive approach to risk management in order to determine the most appropriate solutions. In 2017, no major pollution risk was identified. However, the Group did identify the following risks linked to climate disruption:

- Risks linked to natural hazards and events: some of the Group's sites, as well as some of its industrial and supplier partners are exposed to natural hazards and events due to their geographic location. These hazards include: earthquakes or climatic events such as hurricanes, cyclones, typhoons as well as flooding and tidal waves. These events are likely to affect the availability of some resources, damaging production facilities, slowing down the supply chain, temporarily halting production and distribution and potentially threatening the safety of employees.
- Risk linked to the change in regulations on reducing greenhouse gas emissions. The Group is focused on changes in existing and future regulations, and tightening of such regulations could have an unfavorable impact on future business and sales, meaning an increase in operating costs and reduced profitability.
- Risk linked to a change in stakeholders' behavior. The ambition shared by clients, investors and shareholders and the change in regulations to reduce CO₂ emission has given rise to an increasing interest in companies with business and products that have minimal possible impact on the environment. Most of the tenders for the public and private sectors include environmental performance criteria, with a focus on the carbon footprint for products and services delivered. Article 173 of the French Energy Transition for Green Growth act requests that institutional investors publish their ESG (environmental, social and governance) criteria in a transparent way for their investing activities.

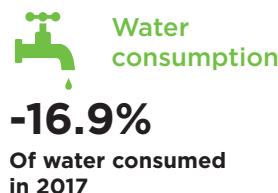
To manage these risks and mitigate their impact, Neopost has implemented a certain number of measures which are explained below.

Provisions and guarantees for environmental hazards

In 2017, no risk of pollution liable to have a significant impact on the Group's financial position, activities or results was identified.

Controlling water consumption

In 2017, total water consumption was 57,001 m³. This 16.9% decrease compared to 2016 stems from the method used to estimate this data.



The majority of the Group's companies rent the premises they occupy and do not necessarily have direct access to their own consumption. For one-third of them, it is an estimate prorated for the rented area or calculated according to the number of Full time Equivalent (FTE), and provided by the building management company. This method has the disadvantage of overestimating actual consumption because it often takes into account other services that can be offered (restaurant, gym) or other water use for a building (watering the building's surrounding areas).

For example, water consumption for Neopost S.A., Neopost Industrie SA, and Neopost Technologie SA fell sharply compared with 2016 (-47.0%). While water consumption was estimated in the building prior to the move in September 2016, it is now obtained by a direct reading of the meters for the areas occupied. This data, which is much more precise, makes it possible to take into account only the consumption linked to the presence of the Group's employees and exclude consumption related to other uses in the building.

Water consumption relates mainly to sanitary use, which represents 98.5% of the total consumption of the Group. Preventive maintenance programs, replacement of sanitary equipment with equipment that consumes less water or the installation of sensors to control water distribution, helped to reduce waste.

Regarding industrial processes, consumption sharply increased this year (+67.6%). 870 m³ of water were consumed at the production sites of Neopost Technology Limited in Loughton and Neopost Technology BV in Drachten.

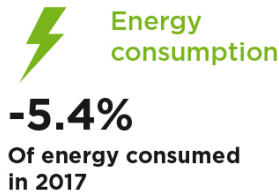
Water consumption	Unit	31 January 2018 ^(a)	31 January 2017 ^(b)
Water consumption for sanitary use	m ³	56,131	68,057
Consumption of water used in industrial processes	m ³	870	519
TOTAL	m³	57,001	68,576

(a) Data from Neopost Services, Neopost Ltd Ireland, Human Inference, Systemhaus, Neopost Norge, Neopost Hong Kong, Neopost Australia, and Temando for which these data were not available. Data for these entities were estimated on the basis of the Group's average consumption per FTE, excluding production sites.

(b) The 2016 data presented in the table have been corrected for DCS.

Reducing energy consumption

In 2017, the Group's overall energy consumption decreased by 5.4% compared to 2016 (30,562 MWh in 2017 compared to 32,300 MWh in 2016). The scope of reporting is different from last year. This year, it includes the energy consumption of Temando and Icon Systemhaus, while the consumption of Neopost Malaysia and DMTI was not taken into account since those companies left the Group at the end of 2016. On a like-for-like basis, energy consumption decreased by 7.2% compared to 2016.



Electricity remains the main source of energy used by the Group. Electricity consumption decreased by 11.4% from 19,338 MWh in 2016 to 17,130 MWh in 2017. Taking the same reporting scope between 2016 and 2017, energy consumption decreased by 11.04% (16,962 MWh in 2017 compared with 19,068 MWh in 2016). This is the result of initiatives taken by each Group company to reduce their energy consumption and the effects of decisions to change, renovate, or close premises. Several companies have also installed LED lighting systems and motion sensors. Local measures have also been taken to limit the number of individual printers in favor of common

multifunction printers or to update their obsolete equipment fleet with more energy-efficient equipment (Energy Star label, etc.). Measures were also taken by the IT teams, who have virtualized several of the physical servers on the Neopost sites and operated clusters in external data centers. Finally, the Group organizes campaigns to raise staff awareness to eco-gestures.

Natural gas is the second source of energy used by the Group. Consumption in 2017 was down 3.4% compared to 2016 (11,233 MWh in 2017 compared to 11,630 MWh in 2016), including consumption comparison at equal scope between 2016 and 2017.

Heating network consumption increased sharply in 2017 by 102.1%. It went from 1,027 MWh in 2016 to 2,076 MWh in 2017. This is explained by the integration of Iconhaus with 684 MWh, or 32.9% of total heating network consumption, in the reporting scope. To this is added the "Résonance" building, in which Neopost S.A. and Neopost Technologies SA and some of the activities of Neopost Industrie SA, Neopost France, GMC, and Neopost Shipping are housed, resulting in an increase of 269 MWh compared to the previous year (+342%). Finally, consumption at GMC increased by 64 MWh (+14.6% compared to 2016), which is justified by the extension of its R&D site based in the Czech Republic.

The source of energy least used by the Group is fuel oil. Its consumption fell by 59.7% compared to last year (305 MWh in 2016 compared to 123 MWh in 2017). This decrease stems mainly from a mistake in the reporting of the GMC's sites which did not use this source of energy last year.

Energy consumption	Unit	31 January 2018	31 January 2017 ^(a)
Electricity consumption	MWh	17,130	19,338
Gas consumption	MWh	11,233	11,630
Heating network consumption	MWh	2,076	1,046
Fuel oil consumption	MWh	123	305
TOTAL ENERGY CONSUMPTION	MWh	30,562	32,319

(a) The 2016 data presented in the table have been corrected for heating network consumption for NSA.

Carbon footprint

The carbon footprint of the Group is based on the Greenhouse Gas (GHG) Protocol methodology (www.ghgprotocol.org/). CO₂ emission factors used for each energy source are reviewed annually and updated accordingly. This update may influence important developments.

Since 2009, the Group has been submitting data to the Carbon Disclosure Project (CDP). The CDP assesses companies on their climate change management and performance and attributes ratings ranging from "D-" (lowest score) to "A" (highest score).

In 2017, the Group received an "A-" score for the first time, thus reaching the "Leadership" level obtained by 18% of responding companies, which positions Neopost above the average of the companies in the information technology sector (average score C).

Direct emissions (scope 1)

Scope 1 emissions increased by 1.1% compared to 2016. 73% of scope 1 emissions are directly related to the fuel consumption of the Group's fleet of vehicles. While the number of kilometers driven in 2017 remained stable compared to 2016 (+0.22%), fuel consumption was down 2%. A policy for the Group's fleet of vehicles has been in existence for several years. It sets a limit for CO₂ emissions at 110g CO₂/km for vehicles rented by the Group for the sales force and service. Combined with the eco-driving actions carried out by some Group companies, it contributes to the reduction of scope 1 emissions. Fossil fuel combustion at Neopost sites represented 16.6% of scope 1 emissions in 2017. The share of those

emissions decreased by 5.8% compared to 2016 due to the lower consumption of fuel oil. Several actions have helped to maintain or even reduce the consumption of natural gas in the Group's production plants. For example, NISA replaced one of the Le Lude site's boilers to improve its energy efficiency and lowered the temperature setpoint of its warehouses, as has NTL in Loughton, NTB in Drachten, and NISL in Memphis. In September 2016, the Group's head office moved to a High Environmental Quality (HQE) and a Building Research Establishment Environmental Assessment Method (BREEAM) building called "Résonance". Since this building does not use gas for heating, the consumption of the NISA, NTSA, Neopost France, NSA, GMC and Shipping companies housed in this building is zero.

Finally, the lowest source of scope 1 emissions is from building air conditioning systems. These represent 10.1% of scope 1 emissions and are up 45.2% from 2016.

Direct emissions (scope 1)	Unit	31 January 2018	31 January 2017
Emissions related to company vehicles ^(a)	Teq CO ₂	10,155	10,296
Emissions related to natural gas combustion	Teq CO ₂	2,272	2,360
Emissions related to refrigerant gas	Teq CO ₂	1,406	968
Emissions related to fuel oil combustion	Teq CO ₂	32	87
TOTAL SCOPE 1	Teq CO₂	13,865	13,711

(a) No data for icon systemhaus and Human Inference.

Indirect emissions (scope 2)

GHG emissions from indirect emissions also decreased by 10.5% in 2017 compared to 2016. This decrease is due to the reduction in electricity consumption in 2017 of 11.4% compared to 2016 and the actions carried out locally by the various Group companies. 4.6% of total electricity consumption comes from renewable energy suppliers, which helps to reduce indirect emissions. Last year, only Neopost Canada had signed a contract with a renewable energy supplier (Bullfrog). In 2017, Neopost Norge in Norway, Neopost Denmark, Neopost Sverige AB in Sweden, Neopost AG in Switzerland and Neopost Canada used renewable energy

suppliers. The share of renewable electricity present in the power generation mix for the other Group companies was not taken into account for 2017.

In contrast to electricity, emissions related to heating network consumption were up 17.2% in 2017 compared to 2016. This increase was due to the integration of icon Systemhaus' data into the 2017 reporting scope (6.8 Teq CO₂ in 2017), the increased consumption of 15% of GMC's sites (+25.4% Teq CO₂ compared with 2016) and also due to the full annual consumption of the Group's new headquarters for the first time in 2017 (+14,4 Teq CO₂ compared with 2016).

Indirect emissions (scope 2)	Unit	31 January 2018	31 January 2017
Emissions related to electricity purchased	Teq CO ₂	6,663	7,507
Emissions related to urban heating purchases ^(a)	Teq CO ₂	333	284
TOTAL SCOPE 2	Teq CO₂	6,996	7,791

(a) The data concern all companies included in the Group's CSR reporting scope, with the exception of Neopost AG, which could not report data on energy from a heating network, as the information was not available at the time this report was drafted.

Other indirect emissions (scope 3)

GHG emissions from other indirect emissions that are taken into account are linked to business trips, upstream and downstream freight transport, and the processing of waste from electrical and electronic equipment, as well as emissions linked to the consumption of electricity when end customers use franking machines that were marketed in 2017. Other sources of indirect emissions were not included this year because they were not available when this report was written up or they were too complex to calculate. These indirect

emissions include emissions linked to the buying of goods and services, energy consumption from the Group's IT servers, commuting – workplace for the Group's employees or even emissions linked to other product ranges manufactured by the Group and marketed in 2017. In 2017, the scope 3 emissions came out at 24,470 equivalent tonnes of CO₂. Freight transport accounted for the largest part with 9,185 equivalent tonnes of CO₂ (37.5%). This was followed by emissions linked to business trips with 7,880 equivalent tonnes of CO₂ (32.2%), electricity consumption for the use of franking machines which

were marketed in 2017 with 7,264 equivalent tonnes of CO₂ (29.7%), and finally, emissions linked to waste from electrical

and electronic equipment with 141 equivalent tonnes of CO₂ (0.6%).

Other indirect emissions (scope 3)	Unit	31 January 2018	31 January 2017
Emissions related to freight transportation	Teq CO ₂	9,185	10,683
Emissions related to business travels	Teq CO ₂	7,880	6,285
Emissions related to the use of franking machines sold ^(a)	Teq CO ₂	7,264	7,608
Emissions related to WEEE treatment ^(b)	Teq CO ₂	141	148
TOTAL SCOPE 3	Teq CO₂	24,470	24,724

(a) Emissions were calculated for the countries where franking machines are placed on the market. The calculation is based on the annual consumption of the franking machine during its use, multiplied by the average duration of the leasing contract, multiplied by the number of machines placed on the market in 2017 in a given country and multiplied by the emission factor of the country.

(b) Emission estimates based on the quantity of electrical and electronic equipment waste reported in 2017, multiplied by the quantity of CO₂ generated per tone of waste treated for the end of life scenario corresponding to the French model.

Land use

The surface area of the buildings occupied by the Group for carrying out its production and commercial activities is the only use of land under the Group's control.

There was no extraction of resources present on or in the land.

Air, water and land emissions

Given the Group's activities, the only emissions that significantly affect the environment are greenhouse gases (GHGs) as defined in the paragraph relating to the Group's carbon footprint.

Regarding water used in the Group's processes, only water mixed with safe cleaning products is discharged into the sewage system, in accordance with local regulations. Water mixed with hazardous chemicals are collected and treated as hazardous waste.

In 2017, no accident or work resulting in the pollution of water, air or soil was reported.

Noise pollution

No noise pollution from activities carried out on Group production sites in 2017 was identified.

Protection of biodiversity

Taking into account the activities of the Group and the geographical location of each of its sites, no significant impact has been identified with regard to the protection of biodiversity in 2017.

Fight against food waste

Given the nature of its activities, the Group has no significant impact on food waste.

Committing to circular economy procedures

Innovating and designing sustainable products

In order to reduce the impact of its products throughout their life cycle, Neopost actively and successfully implemented an ecodesign policy as of 2006, which has now become an integral part of the Group's CSR strategy. (For more information, see the White Paper, "A sustainable approach for sustainable development", which can be viewed on the Group website).

Demonstrating the compatibility of economic and environmental aspects, the Company defined a strategy, methods, tools and processes allowing it to obtain very promising results concerning the environmental impact of its new generation of products. Today, all new ranges benefit from this ecodesign approach.

Forever driven by innovation, the Group has designed and developed an automated packaging solution that makes made-to-measure parcels in real-time. Beyond its productivity performances, this solution named CVP-500, saves up to 20% on packaging materials and reduces the volume of parcels thus produced by 50%. In 2016, Neopost stood out among logistics and packaging professionals by obtaining three prestigious prizes in France and the US, which are listed below:

- *Stratégies Logistique de l'Innovation Durable* (Logistics Strategies in Sustainable Innovation) awards companies in the transport, logistics and supply chain sectors for accomplishing outstanding and innovative achievements in terms of the environment, sustainable development and CSR;
- Pack Experts' Innovation Award. As part of Neopost Shipping's participation in the ALL4PACK exhibition, held in mid-November, the CVP-500 system was chosen among 42 innovations. Originally, 250 applications were submitted by the exhibitors, and a panel from the specialized international press performed a rigorous selection process, eliminating 208. The 42 successful innovations were exhibited at the PACK INNOVATION space for the length of the trade show. And, among these innovations, nine were singled out by the Pack Experts Committee to receive the 2016 innovation awards, including Neopost Shipping's CVP-500 solution. The panel's verdict was unanimous: "The right packaging to meet the needs of e-commerce and designed for all of supply chain, through to the end customer";

- 2016 Green Supply Chain Award. This award recognizes companies which make sustainability one of their strategic priorities and which work tirelessly to obtain quantifiable environmental results for their own operations and supply chain... But the award also recognizes providers of supply chain solutions and services that assist customers in conducting quantifiable sustainable development activities.

Organizing the remanufacturing of products

Remanufacturing is a new step in the Group's environmental strategy, which is part of a broader circular economy policy. This is an industrial process in which a product is recovered in the field (product at end of contract, demo, swap) then inspected, disassembled, cleaned and updated in terms of functionality (hardware and software). Worn-out parts are replaced with new parts or are themselves remanufactured. Once re-assembled, the machine is tested and packaged. Remanufactured products are thus equivalent to new products in terms of functionalities and reliability. They are placed back on the market, with the same warranty as new products.

47,903 units (franking machines, folder/inserters and accessories) were remanufactured in 2016. This year, 47,781 products out of the 57,092 units collected were remanufactured before being put on the market again.



Equipment reuse

47,781

**Remanufactured products
in 2017**

A recent study (2014) on remanufacturing products in the Group's franking machine range measured the impact of remanufacturing on the rollout of such products in customers' premises. The study, which was conducted by independent circular economy specialists, shows that a remanufactured

machine results in an environmental gain of up to potentially 37% versus a brand new machine in terms of greenhouse gases (GHG) generated throughout the lifecycle.

Beyond the environmental impacts and raw materials savings, product remanufacturing is part of a virtuous approach. Such an approach particularly means workers are kept in employment in the Group's production facilities, but also better controls the quality of its machine fleet products in customers' premises. Since 2014, twenty direct jobs were notably kept on the Lude industrial site in addition to six indirect jobs at local subcontractors.

Recovering and recycling waste

The most challenging waste categories for the Group are waste produced by its industrial activities, by maintenance activities at client sites, and waste generated by marketing its products and consumables.

Waste from services (administration and sales) is not significant and, in most cases the Group has no control over how that waste is processed. In 2017, waste generated by distribution companies (NIOs) and by maintenance operations at client sites have been excluded from the reporting scope.

For industrial activities, non-hazardous waste remained stable compared to last year (+0.1%). 90.4% of the volume of this waste was sent to recovery channels so that it could be recycled in the form of raw materials (81.8%) or for energy recovery (8.6%). The rest of this waste (9.6%) was sent to the technical landfill center.

Hazardous waste rose 10.2% in 2017. This mainly consists of waste generated from painting processes at the Neopost Technologie Limited and Neopost Technologies BV production sites as well as from the emptying of the hydrocarbon separator and the collection of cutting oils during the machining of parts on the NTL site.

Waste related to industrial activities	Unit	31 January 2018 ^(a)	31 January 2017
Non-hazardous industrial waste	Tonnes	1,293.8	1,294.1
Hazardous industrial waste	Tonnes	17.3	15.7
TOTAL	Tonnes	1,311.1	1,309.8
% of waste recovered	%	90.4%	99.3%

(a) The data relate to all companies involved in industrial activities: NISA, NTSA, NTL, NTB, NISL Memphis.



Waste recycling

90.4%

Of industrial waste valorized

Waste generated by the marketing of products and consumables includes waste from their packaging and transportation. In 2017, this volume decreased 28.7% due to a lower number of equipment placed on the market this year.

Concerning the end-of-life of consumables, Neopost implemented its collection program based on the principle of returning used consumables using a return envelope to optimize the existing local processes and extend those practices within each Group company to meet the requirements of directive 2012/29/EC. In 2017, the rate of collection of Neopost consumables was 41%.



Cartridges end of life

41%

Of cartridges sold by Neopost in 2017 were collected

Waste generated by marketing of products and consumables	Unit	31 January 2018	31 January 2017
Packaging material marketed by Neopost ^(a)	Tonnes	380	533
Consumable waste collected ^(b)	Tonnes	44.0	49.0

(a) The data relate to all packaging materials used in packing the products manufactured and distributed by the Group. They do not include packaging materials used for non-Group products that may be sold locally by Neopost distribution companies. These data were updated for 2017 based on the more precise calculation methodology used in 2016.

(b) The data relate to all Neopost companies having set up a process of collection and treatment of consumables sold by the Group.

In 2017, the Group participated to a study on the re-use of professional WEEE for export, managed by ADEME (Agency for the Environment and Energy Management), in which the specificity and originality of its remanufacturing approach was highlighted.

In 2017, the volume of waste electrical and electronic equipment decreased of 4.6% compared with 2016. This year, the Group collected 57,092 units of used equipment

worldwide, representing approximately 1,104 tonnes of used equipment that gave a second life to 47,781 new products. Used equipment not routed into this process, residual production waste (including from remanufacturing), as well as IT waste generated at each site constitute the share of waste electrical and electronic equipment (WEEE) reported by the Group. At the same time, the WEEE recovery rate fell by two points.

End-of-life waste from products marketed	Unit	31 January 2018	31 January 2017
Electrical and electronic equipment waste	Tonnes	943	989
% of waste recovered ^(a)	%	73%	75%

(a) Material recovery and energy recovery

Notes regarding methodology and the CSR reporting scope

CSR reporting scope

The information presented below concerns the consolidated companies of the Neopost group as at 31 January 2018 included in the CSR reporting scope.

The reporting scope was established pursuant to articles L.233-1 and L.233-3 of the French commercial code and covers all the Group's activities in accordance with the rules defined below.

The reporting scope includes all companies under the Group's operational control prior to 31 January of the reporting year and meeting one of the following two conditions:

- all companies with activities related to the supply chain (manufacturing, assembly, customization, purchases and logistics);
- all companies exercising R&D, retail or finance activities, and having employees comprising over 0.3% of the Group's headcount, i.e. 20 employees (with the exception of the consolidated reporting scopes for Human Inference, GMC Software Technology, Neopost Norge, Neopost Distribution Germany, Neopost Australia and Neopost USA).

The following are therefore excluded from the scope of reporting: Neopost India, Neopost Finance Ireland Ltd Conso, Mail Finance, Neopost Rental Srl, Neopost Mailing Logistics System, Neopost Asia-Pacific (Holding) PTE Ltd, Neosys Documail (S) PTE Ltd, Temando UK Ltd, SDS, Quadient data UK, Neopost Global Services and Packcity Japon. Thus 58 people are excluded representing 0.99% of the total employees of the Group. The scope of CSR reporting therefore represents 99.01% of the global workforce. In addition, Neopost Malaysia and DMTI Spatial were no longer part of the Group in 2017.

When one of the Group companies is not able to provide data for one specific indicator, and no estimation can be made, the Company is excluded from the indicator in question and an explanatory note specifies the scope or calculation method used for each indicator.

Changes in the scope of reporting or calculation methodologies do not always make it possible to draw a relevant comparison of data for fiscal year 2017 with 2016's. These changes are mentioned and specified for the indicators whenever they have occurred to facilitate the correct interpretation of the indicators. A notable change affects some social data: the change in the number of days worked for the portion dedicated to absenteeism.

Furthermore, some indicators have not been mentioned in this report since they were deemed not relevant to the activity exercised by the Neopost group. This information concerns the environment with the indicator relating to land use and biodiversity.

Reporting process

The reporting process for 2017 was set forth in detail in a CSR reporting protocol for the collection of the necessary quantitative and qualitative information. This protocol was deployed in English in all RSE Group companies and is also available on the new secure CSR website on Sharepoint. It was used to clarify the definitions and calculation methods for each indicator and to detail the steps of the reporting process, as indicated below:

- planning, collection, consolidation of qualitative and quantitative data and consistency check;
- data verification: in accordance with regulations, Neopost submitted the information contained in this CSR report for audit.

In January 2018, as has been the case every year since 2015, specific web meetings were also proposed to entities that wanted to develop certain aspects of the reporting further. Quantitative data was collected from the entities using dashboards and the qualitative data was collected through seven online questionnaires accessible on the new secure website dedicated to CSR benchmarks in the various countries.

Independent verifier's report on consolidated social, societal and environmental information presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC⁽¹⁾, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Neopost S.A., we present our report on the consolidated social, environmental and societal information established for the year ended on the January 31st 2018, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company for environmental, social and societal reporting in their version December 2017 (hereafter referred to as the "Criteria"), and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work mobilized the skills of five people between October 2017 and April 2018 for an estimated duration of eight weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000⁽²⁾.

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code (*Code de commerce*) with the limitations specified in the "CSR reporting scope" section of the management report.

Conclusion

Based on this work, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook interviews with the people responsible for the preparation of the CSR Information in the different departments Quality, Hygiene, Safety and Environment (QHSE), in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important⁽¹⁾:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of entities that we selected⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 18% of headcount and 10% to 42% of quantitative environmental information⁽³⁾, that were considered as representative characteristics of the environmental domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

(1) Social information:

- KPIs (Quantitative information): total headcount, hiring and terminations, number of hours of training and people trained, work accidents, notably their frequency and their severity, lost working time due to sickness.
- Qualitative information: organisation of working time, health and safety at the work place, policies in place regarding training, diversity and equality of treatment and opportunities, anti-discrimination policies and actions.

Environmental and societal information:

- KPIs (Quantitative information): energy consumptions in KWh (electricity, natural gas, fuel and heating network), GHG emissions (scope 1&2), amount of hazardous and non-hazardous waste generated by production sites and percentage valorized, amount of electrical and electronic waste collected, and water consumptions (m³).
- Qualitative information: general environmental policy (organisation, approaches to evaluation and certification), waste management, measures undertaken to improve energy and resource efficiency, especially remanufacturing actions, importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers, business ethics (actions undertaken to prevent bribery and corruption).

(2) Subsidiaries GMC Software (Czech Republic), Human Inference (Netherlands) of the BU Quadiant and NTB (Netherlands).

(3) Energy consumption, water consumption, amount of hazardous and non-hazardous waste (for all subsidiaries with industrial activity).

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 17th April 2018

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Partner, Sustainable Development
Eric Duvaud

Partner
Bruno Perrin

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FINANCIAL STATEMENTS

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Consolidated financial statements

Consolidated balance sheet

CONSOLIDATED ASSETS

<i>(In million euros)</i>	Notes	31 January 2018	31 January 2017
Goodwill	(4-1)	1,061.5	1,120.8
Intangible fixed assets			
Gross value	(4-2)	516.5	518.5
Amortization	(4-2)	(325.5)	(295.3)
	(4-2)	191.0	223.2
Tangible fixed assets			
Gross value	(4-3)	617.8	618.0
Amortization	(4-3)	(481.4)	(486.2)
	(4-3)	136.4	131.8
Other non-current financial assets			
Investments in associated companies		6.1	4.7
Other assets available for sale – net		8.0	6.1
Non-current financial derivative instruments	(11)	7.2	8.0
Other non-current financial assets	(4-4)	38.7	34.1
		60.0	52.9
Net long-term lease receivables	(6-2)	430.4	489.7
Other net long-term receivables		4.0	2.5
Deferred tax assets	(12-4)	4.6	17.3
Total non-current assets		1,887.9	2,038.2
Net inventories and work in progress	(6-5)	65.6	71.9
Net receivables			
Net accounts receivable	(6-2)	243.5	268.8
Net short-term lease receivables	(6-2)	280.2	308.4
Income tax receivables		53.0	49.5
Net other receivables		8.0	8.8
		584.7	635.5
Prepaid expenses		41.8	42.4
Current financial derivative instruments	(11)	9.5	0.3
Cash and cash equivalents			
Short-term and liquid investments		0.2	0.1
Cash		192.8	96.0
		193.0	96.1
Total current assets		894.6	846.2
Assets held for sale	(5)	-	2.0
TOTAL ASSETS		2,782.5	2,886.4

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

CONSOLIDATED LIABILITIES

<i>(In million euros)</i>	Notes	31 January 2018	31 January 2017
Shareholders' equity			
Share capital	(13-1)	34.6	34.6
Additional paid-in capital	(13-1)	52.9	52.9
Reserves and retained earnings	(13-1)	763.2	709.0
Cumulative translation adjustments	(13-1)	(48.6)	4.4
Treasury shares	(13-1)	(4.7)	(3.4)
Equity instruments	(13-2)	238.0	223.3
Net income		133.8	118.2
Total shareholders' equity	(13-1)	1,169.2	1,139.0
Attributable to:			
• holders of the parent company		1,161.1	1,132.0
• non-controlling interests		8.1	7.0
Non-current financial debts	(11-2)	845.8	753.6
Long-term provisions	(10-1)	28.1	27.7
Non-current financial derivative instruments	(11)	0.0	0.0
Other non-current liabilities		14.2	50.3
Deferred tax liabilities	(12-4)	155.6	197.4
Total non-current liabilities		1,043.7	1,029.0
Accounts payable			
Trade payables		78.4	79.4
Other operating liabilities		210.9	228.4
Tax payables		46.0	50.5
Short-term provisions	(10-1)	11.0	12.2
Deferred income		201.2	216.6
		547.5	587.1
Current financial derivative instruments	(11)	0.1	0.9
Financial debts			
Short-term portion of debts from credit institutions	(11-2)	16.8	99.7
Short-term portion of other financial debts	(13-2)	-	24.9
Bank overdrafts	(11-2)	5.2	5.8
		22.0	130.4
Total current liabilities		569.6	718.4
TOTAL LIABILITIES		2,782.5	2,886.4

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

Consolidated income statements

<i>(In million euros)</i>	Notes	31 January 2018	31 January 2017
Sales	(6-1)	1,111.7	1,158.7
Current operating expenses			
Cost of sales		(279.3)	(293.3)
research and development expenses		(56.9)	(52.0)
Sales and marketing expenses		(279.6)	(293.0)
Administrative expenses		(194.9)	(197.1)
Service and other operating expenses		(99.9)	(106.8)
Employee profit-sharing, share-based payments		1.2	(0.5)
Expenses related to acquisitions	(6-6)	(11.3)	(13.1)
Total current operating expenses	(6-3)	(920.7)	(955.8)
Current operating income	(6-3)	191.0	202.9
Proceeds from asset sales		(0.1)	(0.0)
Structure optimization expenses – net of reversals	(10-1)	(13.2)	(15.3)
Other operational expenses	(6-7)	(11.3)	(6.7)
Operating income		166.4	180.9
Interest expenses		(34.5)	(31.3)
Interest income		2.2	1.6
Net cost of debt		(32.3)	(29.7)
Losses on foreign exchange		(15.0)	(5.8)
Gains on foreign exchange		12.6	5.0
Net gains (losses) on foreign exchange		(2.4)	(0.8)
Other financial gains		0.1	-
Other financial losses		-	-
Income before tax		131.8	150.4
Share of results of associated companies		1.7	1.3
Income taxes	(12-3)	(0.8)	(37.7)
NET INCOME		132.7	114.0
Attributable to:			
• holders of the parent company		133.8	118.2
• non-controlling interests		(1.1)	(4.2)
NET EARNINGS PER SHARE (IN EUROS)	(13-3)	3.62	3.17
DILUTED NET EARNINGS PER SHARE (IN EUROS)	(13-3)	3.35	2.97

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

Consolidated statements of comprehensive income

<i>(In million euros)</i>	31 January 2018	31 January 2017
Net income	132.7	114.0
Actuarial differences recognized in equity	2.8	(4.7)
Deferred taxes on actuarial differences recognized in equity	(1.8)	1.6
Sub-total of items that could not be reclassified in net income	1.0	(3.1)
Change in fair value of hedging instruments	3.4	1.6
Deferred taxes on change in fair value of hedging instruments	(1.2)	(0.6)
Translation difference	(53.0)	0.6
Sub-total of items that could be reclassified in net income	(50.8)	1.6
TOTAL INCOME FOR THE YEAR	82.9	112.5
Attributable to:		
• holders of the parent company	84.0	116.7
• non-controlling interests	(1.1)	(4.2)

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

Consolidated statements of cash flow

<i>(In million euros)</i>	Notes	31 January 2018	31 January 2017
Net income attributable to shareholders of the parent company		133.8	118.2
Net income attributable to non-controlling interests		(1.1)	(4.2)
Expenses (income) with no cash effect	(8-1)	94.8	94.1
Share of results of associated companies (net of dividends received)		(1.4)	(1.0)
Income taxes expense (including deferred taxes)	(12-3)	0.8	37.7
Net cost of debt		32.2	29.7
Cash flow before net cost of debt and income taxes		259.1	274.5
Working capital variation	(8-2)	20.6	(8.6)
Increase (decrease) in lease receivables		22.8	15.2
Cash flow from operating activities		302.5	281.1
Interest paid		(30.3)	(29.6)
Income taxes paid		(24.3)	(22.2)
Net cash flow from operating activities (A)		247.9	229.3
Investments in tangible fixed assets	(4-3)	(63.9)	(47.0)
Investments in intangible fixed assets	(4-2)	(34.9)	(35.2)
Financial investments	(8-3)	(23.4)	(24.0)
Sub-total investments		(122.2)	(106.2)
Disposals of fixed assets		3.1	1.4
Repayment of loans and other long-term advances		(1.8)	1.2
Net cash flow from investing activities (B)		(120.9)	(103.6)
Parent company capital increase	(13-1)	-	-
Share buyback – liquidity contract	(13-1)	(0.7)	(0.3)
Dividends paid to shareholders		(58.6)	(58.5)
New medium and long-term borrowings	(11-2)	219.9	19.6
ODIRNANE*	(13-2)	(8.9)	(8.9)
Repayment of long-term borrowings	(11-2)	(165.7)	(62.3)
Net cash flow from financing activities (C)		(14.0)	(110.4)
Cumulative translation adjustments on cash and cash equivalents (D)		(15.5)	11.3
Change in net cash (A) + (B) + (C) + (D)		97.5	26.6
Net cash – opening		90.3	63.7
Net cash – closing		187.8	90.3
Cash and cash equivalents		193.0	96.1
Bank overdrafts		(5.2)	(5.8)
NET CASH – CLOSING		187.8	90.3

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

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

Changes in shareholders' equity

<i>(In million euros)</i>	Par value	Number of shares	Share capital*	Additional paid-in capital*	Reserves retained earnings and net income	Treasury shares	Cumulative translation adjustments	Total
Consolidated shareholders' equity at 31 January 2016	EUR 1	34,562,912	34.6	64.5	969.1	(3.4)	3.8	1,068.6
Attributable to:								
• holders of the parent company								1,064.5
• non-controlling interests								4.1
Net income		-	-	-	114.0	-	-	114.0
Items that could not be reclassified in net income		-	-	-	(3.1)	-	-	(3.1)
Items that could be reclassified in net income		-	-	-	1.0	-	0.6	1.6
Comprehensive income 2016		-	-	-	111.9	-	0.6	112.5
Treasury shares – liquidity contract		-	-	-	0.7	-	-	0.7
Free shares attributed (12,751 shares)		-	-	-	(0.3)	-	-	(0.3)
2015 dividends		-	-	(11.6)	(19.4)	-	-	(31.0)
2016 interim dividends		-	-	-	(27.6)	-	-	(27.6)
Share-based payments		-	-	-	0.3	-	-	0.3
Equity instruments								
• ODIRNANE interests		-	-	-	(8.9)	-	-	(8.9)
• put and call options		-	-	-	21.6	-	-	21.6
Other		-	-	-	3.1	-	-	3.1
Consolidated shareholders' equity at 31 January 2017	EUR 1	34,562,912	34.6	52.9	1,050.5	(3.4)	4.4	1,139.0
Attributable to:								
• holders of the parent company								1,132.0
• non-controlling interests								7.0
Net income		-	-	-	132.7	-	-	132.7
Items that could not be reclassified in net income		-	-	-	1.0	-	-	1.0
Items that could be reclassified in net income		-	-	-	2.2	-	(53.0)	(50.8)
Comprehensive income 2017		-	-	-	135.9	-	(53.0)	82.9
Treasury shares – liquidity contract		-	-	-	(0.1)	(1.3)	-	(1.4)
Free shares attributed (13,507 shares)		-	-	-	(0.4)	(0.0)	-	(0.4)
2016 dividends		-	-	-	(31.0)	-	-	(31.0)
2017 interim dividends		-	-	-	(27.5)	-	-	(27.5)
Share-based payments		-	-	-	(0.6)	-	-	(0.6)
Equity instruments								
• ODIRNANE interests		-	-	-	(8.9)	-	-	(8.9)
• put and call options		-	-	-	23.8	-	-	23.8
Minority interests		-	-	-	(6.5)	-	-	(6.5)
Other		-	-	-	(0.2)	-	-	(0.2)
CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 JANUARY 2018	EUR 1	34,562,912	34.6	52.9	1,135.0	(4.7)	(48.6)	1,169.2
Attributable to:								
• holders of the parent company								1,161.1
• non-controlling interests								(8.1)

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.

Notes to the consolidated financial statements

Financial statements for the years ended 31 January 2018 and 31 January 2017.

The consolidated financial statements were approved by the Board of directors on 26 March 2018.

Unless otherwise indicated, all amounts stated hereafter are in million 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 January 2017 have been reclassified to be comparable with the presentation adopted as at 31 January 2018.



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

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

The term "Neopost S.A." refers to the parent company (excluding consolidated subsidiaries), which is listed and registered in France, while "Neopost" and "the Group" refer to the economic group formed by the parent company and its consolidated subsidiaries.

The parent company's head office is located at 42-46 avenue Aristide Briand, 92220 Bagneux (France).

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

1-1: History

Neopost was created in 1992 through a Leveraged Buy-Out (LBO) of Alcatel's mail processing equipment division. A second LBO took place in 1997. In February 1999, the Group was listed on the Paris stock exchange. Since then, Neopost has made acquisitions of various sizes. In 2002, Neopost acquired Ascom Hasler – the mailing systems division of the Swiss company Ascom – which ranked third in the world. In 2012, Neopost acquired GMC Software AG, parent company of the group GMC Software Technology, leader in the field of

customer communications management and Human Inference, a specialist in master data management. In 2013, Neopost acquired DMTI Spatial, the leading Canadian provider of location-based data quality solutions. In 2014, Neopost acquired ProShip, one of the largest providers of multi-carrier parcel shipping solutions. In 2015, Neopost acquired a 55% stake in Temando Holdings Pty Ltd, an Australian company that provides logistic solutions to the e-commerce sector. In 2016, Neopost acquired icon Systemhaus GmbH, German leader in customer communications management solutions, operating mainly in Germany and Austria.

1-2: Main events of the period

Assets disposals

The Group divested its SME Solution distribution subsidiaries in Indonesia, Malaysia, Singapore and Thailand and its Canadian subsidiary DMTI Spatial from EDS division. These assets disposals have led to an expense of 11.3 million euros.

Temando

Neopost subscribed 7 million Australian dollars to a capital increase carried out by Temando in the first quarter 2017, thus increasing its stake from 55% to 65%.

The Group revised the business plan of Temando and acquired this latter's remaining minority interests in September 2017. Neopost now owns 100% of the company. As a consequence, the earn-out debt associated to Temando was totally reversed for an amount of 28.6 million euros. The goodwill recognized at the time of the acquisition was partly depreciated by 22.9 million euros.

Note 2 Accounting policies

2-1: Accounting standards applied

The consolidated financial statements comply with the international accounting standards (IFRS: International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board). The IFRS applicable as at 31 January 2018 as approved by the European Union are available on the European Commission website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

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

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

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

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

- IFRS 9: financial instruments;
- IFRS 15: revenue from contracts with customers.

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

- IFRS 14: regulatory deferral accounts;
- IFRS 16: leases;
- IFRIC 22: Foreign currency transactions and advance consideration;

- IAS 40: Investment property;
- IFRIC 23: Uncertainty over income tax treatments;
- IFRS 17: Insurance contracts.

For Neopost, IFRS 15 has been applicable since 1st February 2018. It can be applied using either the full-retrospective or the modified-retrospective approach. Neopost has opted for the modified-retrospective approach with cumulative effect at first application. It will be applied to new contracts signed on or after the date the standard goes into force and to contracts in progress on that date. An indepth analysis carried out in 2016 and 2017 revealed that the standard will not have a significant impact on revenue recognition in the Neopost Group. The key points of focus identified concern checking the revenue recognition timetable for licenses sales, in particular those requiring a high level of customization to adapt the solution to the client's specific environment.

Regarding IFRS 9 and IFRS 16, analyses are ongoing and the Group cannot comment at this time as to what the financial implications of these standards might be. The Group is also assessing the effects of the other standards that are mandatory after 1 February 2018 as well as new standards not yet adopted, but does not expect these to have any significant impact on its financial position.

2-2: Use of estimates

In order to prepare this financial information, Neopost has made estimates and used assumptions that may affect the amounts presented under assets and liabilities, as well as the amounts presented under income and expenses for the year.

The main material estimates made when preparing the financial statements relate in particular to retirement benefit obligations, deferred taxes, goodwill, some provisions and the useful life of fixed assets.

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

	31 January 2018		31 January 2017	
	Period end	Average	Period end	Average
United States dollar (USD)	1.2457	1.1424	1.0755	1.1044
Pound Sterling (GBP)	0.8791	0.8779	0.8611	0.8276
Canadian dollar (CAD)	1.5290	1.4737	1.4056	1.4545
Swiss franc (CHF)	1.1631	1.1199	1.0668	1.0883
Japanese yen (JPY)	135.6000	127.7400	121.9400	119.7733
Norwegian kroners (NOK)	9.5620	9.3820	8.8880	9.2430
Swedish kroners (SEK)	9.7645	9.6624	9.4505	9.4860
Danish kroners (DKK)	7.4419	7.4395	7.4373	7.4432
Australian dollar (AUD)	1.5357	1.4819	1.4198	1.4780
Singapore dollar (SGD)	1.6288	1.5661	1.5201	1.5246
Indian rupee (INR)	79.1800	73.9458	72.8005	74.2785
Brazilian real (BRL)	3.9368	3.6478	3.3535	3.7775
Chinese yuan (CNY)	7.8340	7.6699	7.3970	7.3645
Czech koruna (CZK)	25.2720	26.1964	27.0210	27.0339
Hungarian forint (HUF)	310.6500	309.2960	310.6400	310.9852
Polish zloty (PLN)	4.1503	4.2393	4.3239	4.3603
New-Zealand dollar (NZD)	1.6803	1.6052	1.4709	1.5750

These estimates and assessments are reviewed regularly on the basis of actual experience and various other factors considered reasonable, which form the basis of the measurement of book value for assets and liabilities. Actual outcomes might differ substantially from these estimates if different assumptions or conditions are applied.

2-3: Foreign currency payables and receivables

Transactions in foreign currencies are recorded at the exchange rate in force on the date of the transaction. All assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate in force at closing. The resulting gains and losses are recognized in the income statement, with the exception of variances on loans or borrowings which form part of the net investment in a foreign entity. These are booked directly under shareholders' equity until disinvestment.

2-4: 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.

Financial statements 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 so as cash flow statements are translated at the average exchange rate over the period.

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

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 to be compliant with Neopost group's 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 exerts significant influence are consolidated using the equity method. Significant influence is assumed when the investor controls directly or indirectly through subsidiaries 20% or more of the voting rights in the company in question.

3-2: Changes in the scope of consolidation

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

Changes in the scope of consolidation for financial year 2017 are as follows:

- Neopost divested the Neosys companies in Singapore, Thailand, Indonesia and Malaysia on 23 March 2017;
- The company Afterprint AS was merged into the company Neopost Norge AS on 31 March 2017;

- The companies Neopost Holding Inc and Priority Mailing Systems LLC were merged into the company Neopost USA Inc on 31 May 2017;
- Neopost sold the company DMTI Spatial on 11 July 2017;
- Neopost USA Inc acquired the company Claritus Inc on 11 August 2017, fully consolidated;
- The company PSB Postsysteme GmbH was merged into the company Neopost GmbH & Co. KG on 29 November 2017;
- The company Hans Hoepfner Büromaschinen GmbH was merged into the company Neopost GmbH & Co. KG on 22 December 2017.

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

Information on related parties

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

Neopost also holds a 3.14% stake in X'Ange Capital, a 7.39% stake in X'Ange 2 and a 6.22% stake in Partech Entrepreneur II, all non-consolidated companies. The transactions with these companies are not significant.

Off-balance sheet commitments relating to the scope of consolidation

Neopost S.A. has a share purchase commitment with X'Ange 2 for an amount of 0.2 million euros as at 31 January 2018 compared with 0.4 million euros as at 31 January 2017.

Neopost S.A. has an investment commitment with Partech Entrepreneur II for an amount of 1.2 million euros compared with 2.8 million euros as at 31 January 2017.

3-4: Other information relating to the scope of consolidation

Companies consolidated using the equity method

Company name	Parent company	% interest	% control
France			
Docapost BPO IS	Neopost S.A.	35%	35%
AMS Investissement	Neopost S.A.	24%	24%

Fully consolidated companies

Company name	Parent company	% interest	% control
France			
Neopost S.A.	-	-	-
Neopost France	Neopost S.A.	100%	100%
Neopost Technologies	Neopost France	100%	100%
Neopost Industrie	Neopost S.A./Neopost Technologies	100%	100%
Mail Finance SAS	Neopost S.A./Neopost France	100%	100%
Neopost Services	Neopost S.A.	100%	100%
Neopost Shipping	Neopost S.A.	100%	100%
Quadient France SAS	Quadient Group AG	100%	100%
Packcity SAS	Neopost S.A.	100%	100%
Packcity France	Packcity SAS	75%	100%
Packcity Geopost	Packcity France	66%	100%
Temando SAS	Temando Holdings Pty Ltd	100%	100%
Netherlands			
Mailroom Holding BV	Neopost S.A.	100%	100%
Neopost Technologies BV	Mailroom Holding BV	100%	100%
Neopost BV	Mailroom Holding BV	100%	100%
Neopost Finance BV	Neopost BV	100%	100%
Quadient Data Netherlands B.V.	Mailroom Holding BV	100%	100%
United Kingdom			
Neopost Holdings Ltd	Neopost S.A.	100%	100%
Neopost Ltd	Neopost Holdings Ltd	100%	100%
Neopost Finance Ltd	Neopost Ltd	100%	100%
Neopost International Supply Ltd	Neopost Holdings Ltd	100%	100%
The Ink People Ltd	Neopost Ltd	100%	100%
Neopost Technologies Ltd	Neopost Technology (Holdings) Ltd	100%	100%
Neopost Technology (Holdings) Ltd	Neopost S.A.	100%	100%
Quadient Data UK Ltd	Neopost Ltd	100%	100%
Quadient UK Ltd	Quadient Group AG	100%	100%
DCS Ltd	Neopost Ltd	100%	100%
Temando UK Ltd	Temando Holdings Pty Ltd	100%	100%
Neopost Shipping Ltd	Neopost Ltd	100%	100%

Consolidated financial statements

Company name	Parent company	% interest	% control
Germany			
Neopost GmbH & Co. KG	Neopost S.A./Neopost Verwaltung GmbH	100%	100%
Neopost Leasing GmbH	Neopost GmbH & Co. KG	100%	100%
Neopost Verwaltung GmbH	Neopost S.A.	100%	100%
Rena GmbH	Neopost S.A.	100%	100%
FrancoTech GmbH	Neopost GmbH & Co. KG	100%	100%
Neopost Software GmbH	Neopost GmbH & Co. KG	100%	100%
Quadient Germany GmbH	Quadient Group AG	100%	100%
Quadient Data Germany GmbH	Quadient Data Netherlands B.V.	100%	100%
icon Systemhaus GmbH	Neopost Software GmbH	100%	100%
Austria			
icon International Software D&S AG	icon Systemhaus GmbH	100%	100%
Switzerland			
Neopost AG	Neopost S.A.	100%	100%
Neopost MailFin AG	Neopost AG	100%	100%
Quadient Group AG	Neopost S.A.	100%	100%
Quadient Switzerland AG	Quadient Group AG	100%	100%
Italy			
Neopost Srl	Neopost S.A.	100%	100%
Neopost Rental Srl	Neopost Srl	100%	100%
Quadient Italy Srl	Quadient Group AG	100%	100%
Belgium			
Neopost Nv	Neopost S.A.	100%	100%
Neopost Finance Sprl	Neopost Nv/Neopost S.A.	100%	100%
Ireland			
Neopost Ireland Ltd	Neopost S.A.	100%	100%
Neopost Finance (Ireland) Ltd	Neopost S.A.	100%	100%
Neopost SDS Ltd	Neopost S.A.	100%	100%
Neotouch Cloud Solutions Dac	Neopost S.A.	70%	100%
Neopost Global Services Ltd	Neopost S.A.	100%	100%
Spain			
Neopost Mailing Logistic Systems	Neopost S.A.	100%	100%
Quadient Software Spain S.A.	Quadient Group AG	100%	100%
Norway			
Neopost Norge AS	Neopost S.A.	100%	100%
Neopost Finance AS	Neopost Norge AS	100%	100%
Sweden			
Neopost Sverige AB	Neopost S.A.	100%	100%
Neopost Finans AB	Neopost Sverige AB	100%	100%
Neopost Sweden Finance AB	Neopost Sverige AB	100%	100%
Denmark			
Neopost Danmark A/S	Neopost S.A.	100%	100%
Neopost Finance Danmark Aps	Neopost Danmark A/S	100%	100%
Quadient Denmark Aps	Quadient Group AG	100%	100%

Consolidated financial statements

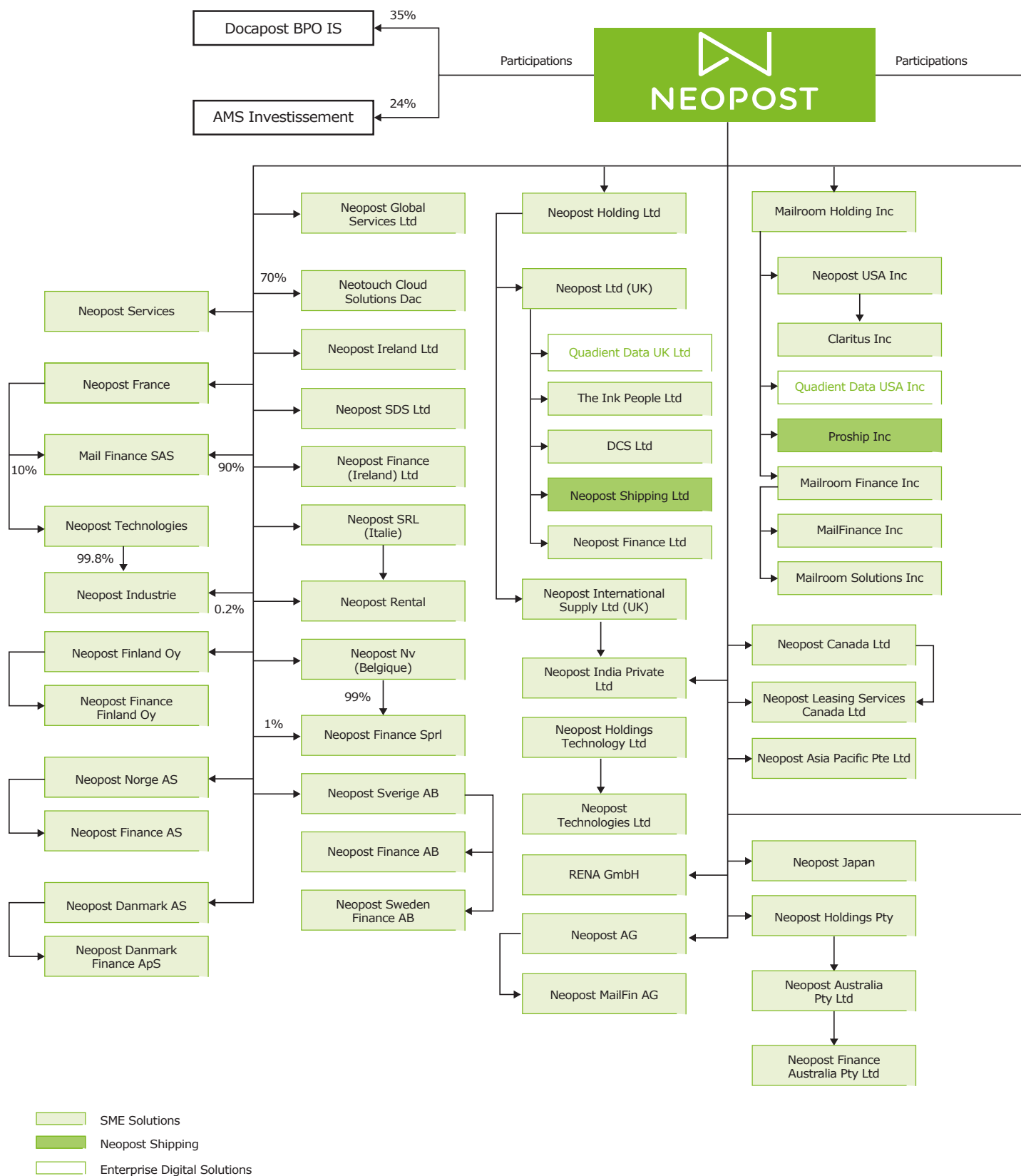
Company name	Parent company	% interest	% control
Finland			
Neopost Finland Oy	Neopost S.A.	100%	100%
Neopost Finance Finland Oy	Neopost S.A.	100%	100%
Czech Republic			
Quadient s.r.o	Quadient Group AG	100%	100%
Quadient Czech s.r.o	Quadient Group AG	100%	100%
Hungary			
Quadient Hungary Kft.	Quadient Group AG	100%	100%
Poland			
Quadient Poland Sp. z o.o.	Quadient Group AG	100%	100%
United States of America			
Mailroom Holding Inc.	Neopost S.A.	100%	100%
Neopost USA Inc.	Mailroom Holding Inc.	100%	100%
Mail Finance Inc.	Mailroom Finance Inc.	100%	100%
Mailroom Finance Inc.	Mailroom Holding Inc.	100%	100%
Quadient Data USA Inc.	Mailroom Holding Inc.	100%	100%
Mailroom Solutions Inc.	Mailroom Finance Inc.	100%	100%
Neopost Digital Solutions USA Inc.	Mailroom Holding Inc.	100%	100%
Quadient USA Inc.	Quadient Group AG	100%	100%
ProShip Inc.	Mailroom Holding Inc.	100%	100%
Temando LLC	Temando Holdings Pty Ltd	100%	100%
icon Communication Dynamics Inc.	icon Systemhaus GmbH	100%	100%
Claritus Inc	Neopost USA Inc	100%	100%
Canada			
Neopost Canada Ltd	Neopost S.A.	100%	100%
Neopost Leasing Services Canada Ltd	Neopost Canada Ltd	100%	100%
Quadient Canada Inc.	Quadient Group AG	100%	100%
India			
Neopost India Private Ltd	Neopost International Supply Ltd	100%	100%
Quadient India Pvt Ltd	Quadient Group AG	100%	100%
Japan			
Neopost Japan	Neopost S.A.	100%	100%
Packcity Japan	Neopost Shipping	51%	100%
Hong-Kong			
Neopost Hong Kong Ltd	Mailroom Holding BV	100%	100%
Neopost Supply Hong-Kong Ltd	Mailroom Holding BV	100%	100%
Australia			
Neopost Holdings Pty Ltd	Neopost S.A.	100%	100%
Neopost Australia Pty Ltd	Neopost Holdings Pty Ltd	100%	100%
Neopost Finance Australia Pty Ltd	Neopost Australia Pty Ltd	100%	100%
Quadient Australia Pty Ltd	Quadient Group AG	100%	100%
Neopost Shipping Holding Pty Ltd	Neopost S.A.	100%	100%
Temando Holdings Pty Ltd	Neopost Shipping Holdings Pty Ltd	100%	100%
Temando Pty Ltd	Temando Holdings Pty Ltd	100%	100%
Temando Development Pty Ltd	Temando Holdings Pty Ltd	100%	100%
Temando Global Services Pty Ltd	Temando Holdings Pty Ltd	100%	100%

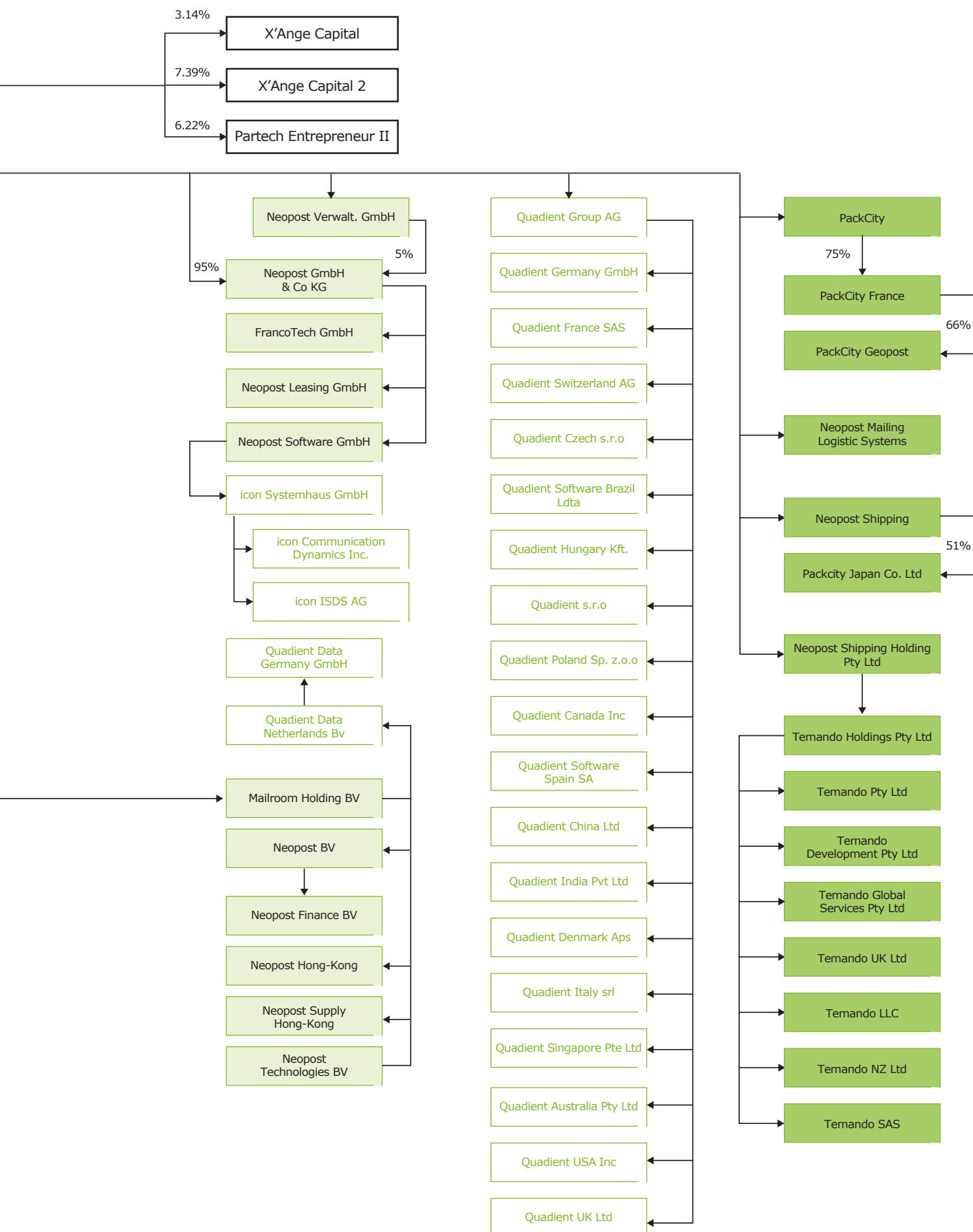
Company name	Parent company	% interest	% control
Singapore			
Neopost Asia-Pacific (Holding) Pte Ltd	Neopost S.A.	100%	100%
Quadient Singapore Pte Ltd	Quadient Group AG	100%	100%
Brazil			
Quadient Software Brazil Ltda.	Quadient Group AG	100%	100%
China			
Quadient China Ltd	Quadient Group AG	100%	100%
New Zealand			
Temando NZ Ltd	Temando Holdings Pty Ltd	100%	100%

The most important subsidiaries, in term of percentage of Group sales, are the following:

	31 January 2018	31 January 2017
Neopost USA Inc.	28.8%	29.0%
Neopost France	14.5%	14.5%
Neopost Ltd	5.9%	7.6%
Mail Finance Inc.	5.9%	5.6%
Neopost GmbH & Co. KG	4.5%	4.3%
Neopost Australia Pty Ltd	4.2%	4.1%
	63.8%	65.1%
Other subsidiaries	36.2%	34.9%
TOTAL	100.0%	100.0%

3-5: Organization chart of the Group





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

4-1: Goodwill

4-1-1: Accounting principles

In accordance with IFRS 3, business combinations are recognized using the acquisition method. At the date on which control of a company is taken, the assets and liabilities acquired are measured at fair value. Any variance between the cost of acquiring the shares and the acquirer's share of this revalued net asset value constitutes goodwill.

Any negative goodwill is recognized immediately in the income statement after confirmation of the nature of this negative goodwill and its constituent components.

Goodwill is not amortized but is subject to an annual impairment test as described in note 4-5.

Commitment to purchase non-controlling interests

In accordance with IAS 39, sell options granted to minority shareholders are recognized as debt measured at the estimated exercise price of the option. The relevant portion of subsidiaries' net assets is transferred from "non-controlling interests" to "other financial debts". The non-controlling interests' share of net income is unchanged and still reflects the proportion owned by minorities.

The recognition in goodwill of the difference between the strike price of the option and the value of non-controlling interests is booked under shareholders' equity.

4-1-2: Changes in goodwill

Gross goodwill at 31 January 2016	1,096.5
Acquisitions	33.1
Other	(16.1)
Translation difference	7.3
Gross goodwill at 31 January 2017	1,120.8
Acquisitions	14.0
Exit from consolidation scope	(6.1)
Translation difference	(45.0)
Gross goodwill at 31 January 2018	1,083.7
Impairment	(22.9)
Translation difference	0.8
NET GOODWILL AT 31 JANUARY 2018	1,061.5

In 2017, the goodwill gross value variation is mainly explained by the acquisition of Claritus Inc in the United States of America and by the divestments of Neosys and DMTI Spatial.

The goodwill impairment is detailed in the note 4-5-2 and concerns Temando.

In 2016, the goodwill variation was mainly explained by the goodwill of 29.4 million euros recorded with the acquisition of icon Systemhaus GmbH in Germany, in which 12.8 million euros were related to the earn-outs and by the recognition of the fair value of the assets and liabilities acquired with icon for an amount of (6.0) million euros. The reclassification of the distribution subsidiaries assets in Thailand, Singapore, Indonesia and Malaysia in assets held for sales had an impact of (6.5) million euros on the goodwill.

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

Earn-outs are generally based on sales growth estimates and/or current income targets for two to five years after the acquisition. The amounts booked at 31 January 2018 correspond to the best estimate of the future performance of these acquisitions.

As of 31 January 2018, the Group's financial statements show a debt of 11.9 million euros relative to earn-outs compared with 46.9 million euros as at 31 January 2017. Goodwill related to the earn-out recorded on Temando as at 31 January 2017 has been totally reversed (28.6 million euros) with the purchase of the remaining interests.

4-1-3: Breakdown of goodwill by cash-generating unit

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

	31 January 2018	31 January 2017
France	167.4	167.4
United States	325.3	345.8
United Kingdom	124.1	124.4
Germany	66.6	66.5
Netherlands & Belgium	28.3	28.3
Switzerland	25.1	26.2
Denmark	16.0	16.0
Sweden	14.4	14.8
Norway	7.1	7.5
Australia & Asia	29.2	31.4
Italy	6.6	6.6
Ireland	5.5	5.5
Canada	2.4	2.3
Finland	2.3	2.3
SME Solutions	820.3	845.0
Enterprise Digital Solutions	200.9	209.5
Neopost Shipping	20.5	22.6
Temando	19.8	43.7
TOTAL NET GOODWILL	1,061.5	1,120.8

4-2: Intangible assets**4-2-1: Accounting principles**

Intangible fixed assets acquired separately are recognized at acquisition cost. Intangible fixed assets acquired as part of a business combination are recognized at fair value on their acquisition date, separately from goodwill if they meet the two following conditions:

- they are identifiable, *i.e.* they result from legal or contractual rights;
- they are separable from the acquired entity.

Intangible fixed assets include software, patents, lease rights and activated development expenses.

Development expenses

In accordance with IAS 38, development expenses meeting the following conditions are recognized as intangible fixed assets:

- the project is clearly identified and the costs relating to it are individually identified and reliably monitored;

- the technical feasibility of the project has been demonstrated;
- there is a proven intention to complete the project and use or sell the products developed under it;
- the necessary resources for completing the project are available;
- the existence of a potential market for the production arising from this project or its internal usefulness has been demonstrated.

Such development expenses are amortized over a period of four to ten years, reflecting the average useful life of marketed products.

Other intangible fixed assets

Other intangible fixed assets are amortized on a straight line basis over a period representing the best estimate of the assets' useful life.

4-2-2: Changes in intangible assets

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Gross value at 31 January 2016	33.8	123.9	185.1	53.0	65.0	460.8
Acquisitions/capitalization	0.3	4.4	24.9	5.2	0.4	35.2
Scope variation	-	1.2	3.8	-	-	5.0
Disposals	-	(0.1)	(0.2)	(0.0)	(0.0)	(0.3)
Other changes	0.9	4.3	-	-	5.7	10.9
Translation difference	0.3	2.7	1.8	(0.6)	2.7	6.9
Gross value at 31 January 2017	35.3	136.4	215.4	57.6	73.8	518.5
Acquisitions/capitalization	0.0	3.8	27.9	1.4	1.8	34.9
Scope variation	-	(0.8)	(7.6)	(0.1)	(6.0)	(14.5)
Disposals	(0.0)	(1.0)	(0.1)	(0.0)	(0.2)	(1.3)
Other changes	-	0.9	0.0	0.0	(0.6)	0.3
Translation difference	(0.5)	(8.6)	(6.0)	(0.3)	(6.0)	(21.4)
Gross value at 31 January 2018	34.8	130.7	229.6	58.6	62.8	516.5
Cumulative amortization	(30.9)	(99.0)	(138.0)	(24.1)	(33.5)	(325.5)
NET BOOK VALUE AT 31 JANUARY 2018	3.9	31.7	91.6	34.5	29.3	191.0

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

	Concessions, rights	Licenses	Development expenses	IT costs	Other	Total
Amortization at 31 January 2016	29.8	81.6	93.1	13.0	29.6	247.1
Charges	0.6	11.5	22.9	3.0	5.8	43.8
Scope variation	-	0.2	1.6	-	-	1.8
Disposals	-	(0.1)	(0.1)	(0.0)	-	(0.2)
Other changes	-	0.2	0.0	-	(0.1)	0.1
Translation difference	0.1	1.4	0.3	(0.5)	1.4	2.7
Amortization at 31 January 2017	30.5	94.8	117.8	15.5	36.7	295.3
Charges	0.6	11.5	24.9	3.2	5.6	45.8
Scope variation	-	(0.8)	(2.9)	(0.1)	(5.1)	(8.9)
Disposals	-	(0.3)	-	-	(0.2)	(0.5)
Impairment	-	-	-	5.7	-	5.7
Translation difference	(0.2)	(6.2)	(1.8)	(0.2)	(3.5)	(11.9)
AMORTIZATION AT 31 JANUARY 2018	30.9	99.0	138.0	24.1	33.5	325.5

An exceptional amortization expense related to the implementation of the Ineo platform was recorded in the amount of 5.7 million euros. It is due to the abandonment of the project.

4-3: Tangible assets

4-3-1: Accounting principles

Tangible fixed assets acquired separately are initially measured at acquisition cost in accordance with IAS 16. This cost includes expenses directly attributable to the acquisition of the asset. Tangible fixed assets acquired as part of a business combination are recognized at fair value on their acquisition date, separately from goodwill.

The value of tangible assets is then reduced by the amount of accumulated depreciation and impairment losses.

Demonstration equipment

Demonstration equipment recognized under tangible fixed assets is depreciated using the straight line method over four years, which is generally considered to be their useful life.

Spare parts

Spare parts and maintenance parts that are used over more than one year or which can only be used with a fixed asset are recognized under tangible fixed assets and depreciated over their useful life.

Rented equipment

Rented franking machines other than IS-280 consist of two distinct components with different useful lives: a meter and a base.

The depreciation periods, which correspond to the useful life of the asset in question, are as follows:

- IS-280: three years in North America and five years in France;
- meter: five years;
- base: six years, France only.

The intra-Group margin generated by industrial subsidiaries on equipment sold to the distribution subsidiaries that rent this equipment is eliminated, and depreciation is recalculated on the basis of the new value thus obtained.

Depreciation periods

Depreciation uses the straight-line method and is over the useful life of the asset:

- lands and buildings: twenty to forty years;
- equipment: five to ten years;
- tools: three years;
- office furniture: ten years;
- research equipment: five years;
- rented equipment: three, five or six years;
- demonstration equipment: four years;
- spare parts: four years;
- refurbished machinery: three years.

Goods acquired under financing leases

For finance lease contracts that transfer almost all of the risks and benefits of ownership to the Group, the fair value of the property (or the discounted value of minimum payments if lower) at the beginning of the contract is capitalized and depreciated over the asset's useful life. Amounts included on the liabilities side of the balance sheet under financial debt represent the present value of remaining lease payments; this amount is reduced by the fraction of each rent paid.

4-3-2: Changes in tangible assets

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Gross value at 31 January 2016	35.6	75.0	407.2	35.0	7.7	33.3	593.8
Acquisitions	0.2	1.8	33.4	2.4	2.5	6.7	47.0
Scope variation	-	-	-	0.7	-	0.2	0.9
Disposals	(3.3)	(7.1)	(10.9)	(1.5)	(1.7)	(2.5)	(27.0)
Other changes	3.0	0.8	(0.0)	1.7	(0.0)	(6.0)	(0.5)
Translation difference	(0.5)	(1.6)	4.9	0.5	(0.2)	0.7	3.8
Gross value at 31 January 2017	35.0	68.9	434.6	38.8	8.3	32.4	618.0
Acquisitions	0.3	3.6	52.4	1.7	1.9	4.0	63.9
Scope variation	-	(0.1)	(0.0)	(1.0)	(0.0)	(1.1)	(2.2)
Disposals	(0.0)	(6.9)	(8.0)	(0.6)	(2.0)	(1.2)	(18.7)
Other changes	0.9	0.4	0.0	0.3	0.0	(2.0)	(0.4)
Translation difference	(0.5)	(1.0)	(36.7)	(2.0)	(0.4)	(2.2)	(42.8)
Gross value at 31 January 2018	35.7	64.9	442.3	37.2	7.8	29.9	617.8
Cumulative amortization	(20.2)	(56.8)	(345.1)	(31.8)	(5.1)	(22.4)	(481.4)
NET BOOK VALUE AT 31 JANUARY 2018	15.5	8.1	97.1	5.4	2.7	7.5	136.4

The other variations mainly represent reclassifications.

	Land and buildings	Machinery and equipment	Rented equipment	IT equipment	Demonstration equipment	Other	Total
Amortization at 31 January 2016	21.3	64.7	317.4	28.9	4.3	22.7	459.3
Charges	1.1	4.2	35.8	3.5	1.1	2.5	48.2
Scope variation	-	-	-	0.6	-	0.1	0.7
Disposals	(3.3)	(7.1)	(10.9)	(1.5)	(0.7)	(2.3)	(25.8)
Other changes	0.1	-	0.0	(0.1)	(0.1)	0.1	0.0
Translation difference	(0.1)	(1.3)	4.3	0.5	(0.1)	0.5	3.8
Amortization at 31 January 2017	19.1	60.5	346.6	31.9	4.5	23.6	486.2
Charges	1.2	3.9	36.3	3.1	1.1	2.3	47.9
Scope variation	-	(0.1)	(0.0)	(0.9)	(0.0)	(1.0)	(2.0)
Disposals	(0.0)	(6.8)	(8.0)	(0.5)	(0.4)	(0.8)	(16.5)
Other changes	0.0	0.1	(0.1)	(0.1)	0.0	0.0	0.0
Translation difference	(0.1)	(0.8)	(29.7)	(1.7)	(0.2)	(1.7)	(34.2)
AMORTIZATION AT 31 JANUARY 2018	20.2	56.8	345.1	31.8	5.1	22.4	481.4

At 31 January 2018, no evidence of impairment was noted on tangible fixed assets.

4-4: Other non-current financial assets**4-4-1: Accounting principles**

Other non current assets are initially recognized either at their acquisition cost including transaction costs or at the fair value of the assets used for payment.

Following initial recognition, assets classified as "Assets held for trading purposes" or "Financial assets available for sale" are measured at fair value on the closing date.

Gains and losses on financial assets held for trading purposes are recognized in the income statement. Gains and losses on assets available for sale are booked under

shareholders' equity until the asset is sold or there is evidence that the asset has lost value. When this happens, the cumulative profit or loss previously recorded under shareholders' equity is recognized in the income statement.

The depreciation of financial assets available for sale is booked in the profits and losses income statement once the loss exceeds 40% of the book value during a period of eighteen consecutive months.

4-4-2: Other non-current financial assets

	31 January 2018	31 January 2017
Deposits, loans and guarantees	3.3	4.7
Pension plan net asset	35.4	29.4
TOTAL	38.7	34.1

At 31 January 2018, the deposits, loans and guarantees item notably includes a deposit for 1.1 million euros related to the liquidity contract compared with 2.2 million euros at 31 January 2017.

The Group has a pension plan in the United Kingdom that shows a surplus of 31.2 million pounds sterling (35.4 million euros) at 31 January 2018 compared with 25.3 million pounds

sterling (29.4 million euros) at 31 January 2017. The change in the pension plan's net assets is mainly related to actuarial differences.

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

4-5: Impairment test**4-5-1: Impairment test method**

Impairment tests compare the recoverable amount of a non-current asset with its net carrying amount. If the asset's carrying amount is higher than its recoverable amount, it is written down to its recoverable amount. The recoverable amount of an asset or group of assets is the higher of its fair value less disposal costs and its value in use.

Fair value less disposal costs is determined using available information to establish the best estimate of the disposal price net of the costs necessary to carry out the sale in an arm's length transaction between knowledgeable, willing parties.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or group of assets, taking into accounts its residual value.

Goodwill

Goodwill is tested for impairment at least once a year and whenever there is any evidence of impairment. Goodwill is tested for impairment at the level of the Cash Generated Units (CGU) defined by the Group. A CGU is a business unit generating independent cash flows. In the Group's organization, CGUs generally correspond to countries for the SME Solutions division and to product lines for the other divisions. The Group has seventeen CGUs as at 31 January 2018.

Given the fact that having a reliable basis to determine the fair value less reliable costs of an asset or a group of assets is rare, unless otherwise indicated, the Group uses the value in use to measure the recoverable amount of an asset or group of assets.

The value in use of each CGU is determined as follows:

- the Group projects future cash flows based on revenue growth assumptions over five years. Industrial margins and net assets are reallocated to the countries where the equipment in question is installed and leasing margins and net assets are reallocated to the countries where the signatories of finance lease contracts are located;
- beyond this explicit time frame, the terminal value is calculated by applying a perpetuity growth rate to the latest cash flow;
- the cash flows are then discounted. The discounting rate is the weighted average cost of capital for which the tax rate has been restated and to which a specific risk premium might be added.

Goodwill impairment is recognized under operating expenses. Such impairment is not reversible.

Other non-current assets

Other non-current assets are tested for impairment only if evidence of an impairment is noted.

A loss of value related to any other non-current asset except goodwill can be reversed if there is any evidence that a loss of value previously recognized is likely to no longer exist or to have diminished. If this is the case, the book value of the asset is raised to the level of its recoverable amount. The increased book value following reversal of a loss of value cannot exceed the book value that would have been determined, net of depreciation, if no loss of value had been recognized on the asset in previous years. After recognition of a reversal of loss of value, the depreciation charge is adjusted for future periods so that the revised book value of the asset minus its possible residual value is spread systematically over the remaining useful life of the asset.

4-5-2: Goodwill impairment test

Goodwill was tested for impairment based on value in use. Given the delays encountered by Temando, it has been decided to isolate this subsidiary acquired in 2015 from the Shipping CGU. The impairment test performed as at 31 July 2017, based on a revised business plan and the valuation

resulting from the repurchase of the minority interests resulted in goodwill depreciation of 22.9 million euros. The impairment test performed as at 31 January 2018 did not reveal any additional depreciation.

For the main cash-generating units, the following assumptions were used (the same as the assumptions used for the divisions Enterprise Digital Solutions, Neopost Shipping and Temando):

	SME Solutions			Enterprise Digital Solutions Neopost Shipping and Temando
	Europe	North America	Asia/Australia	
Average five-year EBITDA growth for SME Solutions	(1.9)%	(2.9)%	(4.0)%	-
Average five-year revenue growth for CSS	-	-	-	12,0%
Average growth rate to perpetuity	0.6%	0.3%	1.4%	2.0%
Average discount rate (before tax)	8.4%	13.5%	7.8%	10.6%
Weighted Average Cost of Capital (WACC)	6.2%	9.8%	5.5%	7.2%
Specific risk premium	-	-	-	0.8%

Sensitivity

Three sensitivity tests were carried-out: the first one by fixing average five-year EBITDA growth assumptions, the second one by fixing the discount rate assumptions and the third one by fixing average five-year revenue growth assumptions to determine at which rates the valuation of goodwill becomes equal to the value of the discounted cash flow.

By fixing average five-year EBITDA growth and average growth rate to perpetuity as defined in the table above, the valuation of several cash-generating units become equal to the book value of capital employed with a discount rate of 11.3% for SME Solutions in Europe, 11.6% for SME Solutions in Asia,

16.6% for SME Solutions in North America, 9.4% for Enterprise Digital Solutions, 12.8% for Neopost Shipping and 14.0% for Temando.

By fixing the average discount rates as defined in the table above and assuming a growth rate to infinity of 0%, the valuation of several cash-generating units becomes equal to the book value of capital employed with an average five-year EBITDA growth rate of (3.8)% for SME Solutions in Europe, (17.5)% for SME Solutions in Asia, (13.3)% for SME Solutions in North America.

By fixing the average discount rates as defined in the table above and assuming a growth rate to infinity of 0%, the valuation of several cash-generating units becomes equal to the book value of capital employed with an average five-year

revenue growth rate of 7.5% for Enterprise Digital Solutions, 11.2% for Neopost Shipping and 58.5% for Temando.

In all cases, the sensitivity tests did not call into question the book value of the cash-generating units as at 31 January 2018.

Note 5 Assets held for sale

IFRS 5 "Non-current assets held for sale and discontinued operations" specifies the accounting treatment applicable to assets held for sale and the presentation and disclosure of discontinued operations.

Assets held for sale

Non-current assets held for sale are presented separately in the statement of financial position as soon as the Group has decided to sell these assets and when the sale is considered to be highly probable. These assets are measured at the lower of the carrying amount and the fair value less costs to sell.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of this subsidiary shall be classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

As at 31 January 2017, assets classified as held for sale for an amount of 2.0 million euros were related to the distribution subsidiaries in Thailand, Singapore, Malaysia and Indonesia.

Discontinued operations

A discontinued operation is a component operation of an entity that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When the criteria are met, the net income and the cash flow of discontinued operations are presented on a separate line in the consolidated income statements and consolidated statement of cash flow. The Group decides if a discontinued operation forms a separate major line of business or geographical region of operations substantially based on its contribution to the Group financial statements.

These assets were measured at their fair value which led to recognition of a depreciation booked in other operational expenses for an amount of 4.5 million euros.

Note 6 Operating data

6-1: Sales

6-1-1: Accounting principles

In accordance with IAS 18, sales are measured at the fair value of the consideration received, net of any trade discount and volume rebates and excluding any VAT or other taxes. Sales are recognized at the date on which the Group transfers substantially all the risks and rewards of ownership to the buyer and retains neither continuing managerial involvement nor effective control over the goods sold.

Rental of mailroom equipment

The Neopost group rents equipment to its customers in France, United States and Canada under rental contracts in which the Group does not transfer all the risks and benefits of ownership of the assets. Contracts are generally for periods of one to five years. Rentals and maintenance contracts are normally billed in advance; the related revenue is recorded in income as earned. The balance is shown in deferred income.

Equipment sales

Equipment sales are recognized when the goods are shipped. This reflects the transfer to the buyer of major risks and benefits inherent to the ownership of the item because:

- the lead times between shipping, delivery and installation are very short;
- the products are most often installed directly by the customer;
- the return rate after shipping is very low.

Finance leases

Neopost has leasing subsidiaries in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States.

These subsidiaries provide leasing services exclusively to Neopost customers that relate solely to Neopost products. When a customer of a Neopost distribution company chooses to finance the acquisition of equipment via a leasing company, the Group recognizes an equipment sale and records as an asset an amount equal to the net present value of the lease payments receivable over the term of the financing. Financial income is then recognized in sales on the basis of interest actually received over the term of the financing. Refinancing costs are recorded as financial expenses.

The accounting treatment for the lease financing activity of these companies is justified by the fact that the Group transfers to its customers almost all of the risks and benefits inherent in the ownership of the assets in question.

As a supplement to this finance leases activity, Neopost offers financing solutions on franking machines in the United States and in the United Kingdom.

Maintenance contracts

At the request of postal organizations, Group companies may be required to carry out preventative maintenance work and repairs on its products, among other things. These operations are conducted under maintenance contracts and are invoiced to customers at the start of the contract. Sales relating to maintenance and rental contracts are presented under deferred income and recognized as revenue on a pro rata basis, reflecting the degree of progress of the transaction.

Software and associated services

The Group derives revenues from the following sources:

- software licenses sales;
- pay-per-click software or solutions;
- sales of data bases (mostly location-based data);
- software maintenance (help desk services and rights to future product enhancements);

- software implementation and support services.

The Group begins to recognize revenue once the arrangements are signed and as long as all the following conditions are met:

- the Group has entered into a legally binding agreement with a customer;
- the software or service has been delivered;
- license fees are fixed and there are no uncertainties on the completion of the contract;
- collection is probable.

Software license sales

Software license revenue comprises all amounts invoiced related to the right to use the software, either through an initial license or through the purchase of additional modules or user rights. Revenue is recognized when IAS 18 criteria are met. In the pay-per-click mode, the revenue is recognized on the actual consumption.

Software maintenance

Software maintenance is included in most software license contracts and is generally priced as a percentage of the initial software license fees. Maintenance provides customers with rights to software upgrades, maintenance enhancements and access to the help desk during the term of the contract. Revenue is recognized on a straight-line basis over the term of the arrangement.

Professional services

Software implementation and support services represent income from consulting and implementation services sold separately under professional service contracts. Professional service contracts are accounted for on a percentage-of-completion basis in accordance with IAS 11 whereby revenue and profit recognized during the year are based on project hours incurred as a proportion of the total projected hours to complete. These estimates are continually re-evaluated and revised, when necessary, at each reporting date. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period in which the change in estimates occurs. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident.

6-1-2: Sales breakdown

Sales breakdown as follows:

- By division

	31 January 2018	31 January 2017
Enterprise Digital Solutions	135.9	136.5
Neopost Shipping	49.6	48.5
SME Solutions	941.6	990.9
Eliminations	(23.0)	(21.7)
Innovation*	7.6	4.5
TOTAL	1,111.7	1,158.7

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

- By type of revenue

	31 January 2018	31 January 2017
Equipment and licenses	353.5	381.6
Recurring revenue	758.2	777.1
TOTAL	1,111.7	1,158.7

- By geographic region

	31 January 2018	31 January 2017
North America	493.2	515.8
Europe	530.3	557.5
Rest of the world	88.2	85.4
TOTAL	1,111.7	1,158.7

6-2: Accounts receivable and lease receivables**6-2-1: Accounting principles**

Accounts receivable are recognized and recorded at the initial amount of the invoice. Accounts receivable may be written down for impairment. Depreciation is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be

measured reliably. Depreciation is estimated taking into account historical loss experience, the age of the receivable and a detailed risk assessment. Unrecoverable receivables are recognized as losses when they are identified as such.

6-2-2: Receivables detail

	31 January 2018	31 January 2017
Accounts receivable		
Gross value	261.1	287.7
Depreciation	(17.6)	(18.9)
Total	243.5	268.8
Lease receivables		
Short term	284.7	312.8
Long term	436.2	496.4
Gross value	720.9	809.2
Depreciation	(10.3)	(11.1)
Total	710.6	798.1
TOTAL	954.1	1,066.9

6-2-3: Receivable ageing

	31 January 2018	31 January 2017
Accounts receivable – Gross value		
Not overdue	138.7	152.7
Overdue:	122.4	135.0
• < 30 days	47.7	62.7
• 31-60 days	20.5	21.1
• 61-90 days	14.1	11.7
• 91-180 days	13.2	12.4
• 181-360 days	10.3	10.9
• > 360 days	16.6	16.2
TOTAL	261.1	287.7

Credit risk is limited because of the diversity and the very high number of customers, as well as the low unit value of each contract.

6-2-4: Accounts receivable depreciation

	31 January 2018	31 January 2017
Accounts receivable – Depreciation		
Depreciation at the beginning of the year	18.9	20.7
Charges	4.5	3.5
Used	(4.3)	(5.0)
Not used	(0.5)	(0.3)
Translation difference	(1.0)	(0.0)
TOTAL	17.6	18.9

6-2-5: Financing leases

	31 January 2018	31 January 2017
Non-current receivables		
Financing leases – gross receivables	521.3	593.3
Unearned financial income	(85.1)	(96.9)
Total	436.2	496.4
Current receivables		
Financing leases – gross receivables	339.8	374.3
Unearned financial income	(55.1)	(61.5)
Total	284.7	312.8
Gross receivables on financing leases		
Less than one year	339.8	374.3
One to five years	513.1	584.2
More than five years	8.2	9.1
Total gross value	861.1	967.6
Unearned financial income on financing leases	(140.2)	(158.4)
Net investment in financing leases		
Less than one year	284.7	312.8
One to five years	428.2	487.6
More than five years	8.0	8.8
TOTAL	720.9	809.2

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

6-2-6: Breakdown by maturity

	31 January 2018	< 1 year	1 to 5 years	> 5 years
Accounts receivable	261.1	261.1	-	-
Lease receivables				
Short term	284.7	284.7	-	-
Long term	436.2	-	428.2	8.0
	720.9	284.7	428.2	8.0
TOTAL	982.0	545.8	428.2	8.0

Depreciations on trade receivables are not broken down by maturity. However, their amount is relatively low and corresponds mainly to receivables over 180 and 360 days.

Depreciations on lease receivables are not broken down by maturity. They are, however, not significant in terms of the amount of receivables.

	31 January 2017	< 1 year	1 to 5 years	> 5 years
Accounts receivable	287.7	287.7	-	-
Lease receivables				
Short term	312.8	312.8	-	-
Long term	496.4	-	487.6	8.8
	809.2	312.8	487.6	8.8
TOTAL	1,096.9	600.5	487.6	8.8

6-2-7: Breakdown by currencies

	31 January 2018	EUR	USD	CAD	GBP	CHF	NOK	SEK	JPY	DKK	AUD	Other
Accounts receivable	261.1	115.3	77.2	10.0	23.4	6.9	2.1	3.1	2.4	3.8	11.4	5.5
Lease receivables												
Short term	284.7	65.5	164.9	3.8	32.8	2.4	1.8	2.1	0.1	2.0	9.1	0.2
Long term	436.2	138.6	210.5	5.8	46.5	4.8	4.2	3.2	0.0	4.9	17.7	-
	720.9	204.1	375.4	9.6	79.3	7.2	6.0	5.3	0.1	6.9	26.8	0.2
TOTAL	982.0	319.4	452.6	19.6	102.7	14.1	8.1	8.4	2.5	10.7	38.2	5.7

The column "Other" groups the following currencies: Singapore dollar, Indian rupee, Czech koruna, Polish zloty, Brazilian real, Chinese yuan, Hungarian forint and New Zealand dollar.

	31 January 2017	EUR	USD	CAD	GBP	CHF	NOK	SEK	JPY	DKK	AUD	Other
Accounts receivable	287.7	118.9	99.4	5.1	29.7	7.0	1.4	2.7	2.7	2.6	12.3	5.9
Lease receivables												
Short term	312.8	68.1	187.5	4.4	34.2	2.5	1.8	2.2	0.0	1.9	10.2	-
Long term	496.4	151.0	247.1	6.6	52.2	5.3	4.3	4.2	0.2	5.0	20.4	0.1
	809.2	219.1	434.6	11.0	86.4	7.8	6.1	6.4	0.2	6.9	30.6	0.1
TOTAL	1,096.9	338.0	534.0	16.1	116.1	14.8	7.5	9.1	2.9	9.5	42.9	6.0

6-3: Current operating income and EBITDA

6-3-1: Accounting principles

Gross margin is defined as the difference between sales and cost of sales.

EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization) is determined by adding to the current operating profit the amount of depreciation and amortization of fixed assets.

Cost of sales

Cost of sales consists of production-related direct costs (purchases, labour) plus depreciation of equipment rented to customers and sales-related transport and logistics costs.

Research and development expenses

Research and development expenses comprise the cost of carrying out research work, including depreciation of equipment used in this activity.

These costs are expensed in the year in which they are incurred, and are clearly identified in the income statement.

Development expenses that meet the activation criteria are presented in the balance sheet under intangible fixed assets (see note 4-2-2) and are then amortized.

Sales and marketing expenses

Sales and marketing expenses include the costs of sales departments, including advertising and promotional costs, and the cost of selling supplies.

6-3-2: Gross margin and EBITDA calculation

	31 January 2018		31 January 2017	
	Gross value	%	Gross value	%
Sales	1,111.7	100.0%	1,158.7	100.0%
Cost of sales	(279.3)	(25.1)%	(293.3)	(25.3)%
Gross margin	832.4	74.9%	865.4	74.7%
Operating expenses	(641.4)	(57.7)%	(662.5)	(57.2)%
Current operating profit	191.0	17.2%	202.9	17.5%
Amortization of fixed assets	93.7	8.4%	92.0	7.9%
EBITDA	284.7	25.6%	294.9	25.4%

6-4: Breakdown of expenses by categories

	31 January 2018	31 January 2017
Cost of inventories recognized as expense	259.1	264.5
Wages, bonuses, commissions and payroll charges	443.4	453.5
Rents and associated costs	28.0	32.2
Fees	26.9	26.7
Transport and travel	43.1	45.3
Fixed assets – depreciation and amortization	93.7	92.0
Other	26.5	41.6
Total expenses by category	920.7	955.8
Cost of sales	279.3	293.3
Operating expenses	641.4	662.5
TOTAL	920.7	955.8

6-5: Inventories and work in progress**6-5-1: Accounting principles**

Inventories and work in progress are measured at the lower of the cost or replacement value (for purchased goods) or the cost of full production (for produced goods) which must not exceed the net realizable value.

Production cost is calculated using the weighted average cost method.

Inventory depreciation is calculated on the basis of inventory turnover and the obsolescence of equipment and goods.

The intra-Group margin generated by industrial subsidiaries on equipment sold to the distribution subsidiaries that stock this equipment is eliminated.

6-5-2: Inventories by categories

	31 January 2018			31 January 2017		
	Gross value	Provision	Net	Gross value	Provision	Net
Work in progress	4.6	(0.7)	3.9	4.1	(0.5)	3.6
Raw materials	10.5	(1.9)	8.6	11.1	(1.7)	9.4
Finished goods	59.9	(9.8)	50.1	66.5	(10.9)	55.6
Spare parts	4.8	(1.8)	3.0	5.1	(1.8)	3.3
TOTAL	79.8	(14.2)	65.6	86.8	(14.9)	71.9

6-5-3: Changes in inventories

	31 January 2018	
	Gross value	Provision
Opening	86.8	(14.9)
Net inventory entries	(2.0)	-
Charges	-	(1.7)
Disposals	-	1.9
Scope variation	(2.6)	-
Translation difference	(2.4)	0.5
TOTAL	79.8	(14.2)

6-6: Expenses and gains related to acquisitions

Transaction costs related to acquisitions are recorded under current operating expenses and presented on a separated line entitled "Expenses related to acquisitions".

This line includes advisor fees and amortization of intangible assets recognized after purchase price allocation.

	31 January 2018	31 January 2017
Acquisition fees	0.2	2.0
Amortization of intangible assets after purchase price allocation	11.1	11.1
EXPENSES RELATED TO ACQUISITIONS	11.3	13.1

6-7: Other operational expenses

The Group pursued the optimization of its structure. An expense of 13.2 million euros, net of an unused provision reversal of 0.8 million euros, is recorded in this regard at the end of the financial year compared with 15.3 million euros in 2016.

Moreover, in 2016 the Group decided to change its channel to operate in some secondary markets for the SME Solutions division. In 2017, the subsidiaries from SME Solutions division

in Indonesia, Malaysia, Singapore and Thailand and DMTI Spatial (from the EDS division) were sold. The impact of these divestments was partly recorded in the 2016 financial statements for 6.7 million euros in other operating expenses of which 4.5 million euros related to the depreciation of assets held for sale. Additional charges reaching 11.3 million euros were booked in 2017.

	31 January 2018	31 January 2017
STRUCTURE OPTIMIZATION EXPENSES	13.2	15.3
Net impact of divestments	11.3	6.7
Impairment of goodwill	22.9	-
Earn-out reversal	(28.6)	-
Fixed assets depreciation	5.7	-
OTHER NON-CURRENT OPERATING EXPENSES	11.3	6.7

Goodwill depreciation is detailed in note 4-5-2 and relates to Temando. On the basis of Temando's revised business plan, the financial indicators that would have triggered the earn-out payment were not reached. The earn-out debt was thus

reversed for 28.6 million euros. An exceptional amortization expense was recorded for an amount of 5.7 million euros, related to the abandonment of the implementation of the Ineo platform project.

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

	Currency	31 January 2018	31 January 2017
Bank guarantee in favor of the British postal service	GBP	0.8	0.8
Bank guarantee in favor of the Irish postal service	EUR	1.7	1.7

Note 7 Segment information

Neopost's activity is divided into three divisions:

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

activities in digital communications, shipping solutions and graphics.

These activities generate different levels of sales and operating margin.

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

Neopost's income breaks down by division as follows:

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Eliminations	Innovation	31 January 2018
Total sales	135.9	57.2	941.6	(23.0)	-	1,111.7
Segment income	15.7	(12.5)	206.6	-	(7.5)	202.3
in percentage	11.6%	(21.8)%*	21.9%	-	n/a	18.2%
Structure optimization expenses						(13.2)
Proceeds from net assets sales						(0.1)
(Expenses) and gains related to acquisitions						(11.3)
Other operational expenses						(11.3)
Operating income						166.4
Financial result						(34.6)
Share of results of associated companies						1.7
Income taxes						(0.8)
NET INCOME						132.7

* Neopost Shipping's segment income excluding Temando is 8.2%.

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Eliminations	Innovation	31 January 2017
Total sales	136.5	53.0	990.9	(21.7)	-	1,158.7
Segment income	21.3	(11.5)	213.9	-	(7.7)	216.0
in percentage	15.6%	(21.6)%*	21.6%	-	n/a	18.6%
Structure optimization expenses						(15.3)
Proceeds from net assets sales						(0.0)
(Expenses) and gains related to acquisitions						(13.1)
Other operational expenses						(6.7)
Operating income						180.9
Financial result						(30.5)
Share of results of associated companies						1.3
Income taxes						(37.7)
Net income						114.0

* Neopost Shipping's segment income excluding Temando was 8.8%.

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

Amounts recognized during the year but which had no effect on Group cash (before amortization, depreciation and provisions) mainly relate to amounts in respect of share-based

payments, represent a profit of 0.6 million euros compared with an expense 0.4 million euros in 2016.

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

The balance sheet breaks down by sector as follows:

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	Other	31 January 2018
Segment assets	369.9	50.5	2,223.2	5.7	133.2	2,782.5
TOTAL ASSETS						2,782.5
Segment liabilities	108.9	34.0	602.1	2.2	866.1	1,613.3
Equity						1,169.2
TOTAL LIABILITIES						2,782.5

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

The column "Other" comprises the net financial debt of Neopost S.A. and certain assets that cannot be allocated to any other division.

Other segment items break down by sector as follows:

	Enterprise Digital Solutions	Neopost Shipping	SME Solutions	Innovation	31 January 2018
Investments of the period					
Tangible assets	0.7	27.7	35.5	-	63.9
Intangible assets	22.5	0.8	10.2	1.4	34.9
TOTAL INVESTMENTS	23.2	28.5	45.7	1.4	98.8
Amortization of the period					
Tangible assets	0.7	2.7	44.5	-	47.9
Intangible assets	18.3	2.8	23.7	1.0	45.8
TOTAL AMORTIZATION	19.0	5.5	68.2	1.0	93.7
IMPAIRMENT	-	-	-	-	-

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

Note 8 Cash flow details

Cash flows correspond to consolidated balance sheet items. However, these flows may differ from balance sheet variations in particular because of translation of operations in foreign

currencies, translation of subsidiaries' financial statements denominated in foreign currencies and scope variations.

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

	31 January 2018	31 January 2017
Amortization (reversal) of fixed assets	93.7	92.0
Provisions (reversals)	0.8	(2.0)
Gains (losses) in fair value	2.4	0.8
Proceeds (expenses) from share based payments	(0.6)	0.3
Net gains (losses) on disposals of fixed assets	0.1	0.0
Other	(1.6)	3.0
TOTAL	94.8	94.1

As at 31 January 2018, the provision variation is mainly related to additional charges on asset depreciation for an amount of 0.1 million euros and to added charges on provisions presented in liabilities for 0.7 million euros. As at 31 January 2017, the provision variation was mainly related to reversals of asset depreciation for an amount of 0.3 million euros and to reversals of provisions presented in liabilities for 1.7 million euros.

As at 31 January 2018, the line "Other" mainly related to the research tax credit for an amount of 1.6 million euros. As at 31 January 2017, it was mainly composed of research tax credit and the depreciation of assets classified as assets held for sale.

8-2: Working capital variation

	31 January 2018	31 January 2017
Inventories variation	2.0	4.3
Trade accounts receivable variation	9.0	(11.0)
Deferred income variation	(4.7)	(1.2)
Trade accounts payable variation	5.7	(1.9)
Other current assets and liabilities variation	8.6	1.2
TOTAL	20.6	(8.6)

The variation of the other current assets and liabilities is mainly explained by earn-outs reversals with no cash effect.

8-3: Financial investments

As at 31 January 2018, financial investments net of cash acquired have led to a cash out of 23.4 million euros, mostly related to the acquisition of Claritus Inc. in the United States and the buying of Temando minority interests.

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

8-4: New borrowings and repayment of borrowings

In February 2017, Neopost raised the equivalent of 215 million euros (86.5 million United States dollars and 135 million euros) maturing in three, five and six years, through a Schuldschein private placement under German law.

In April 2017, Neopost repaid before maturity 110 million United States dollars of the United States private placement.

In June 2017, Neopost contracted a new revolving euro/dollar credit line for 400 million euros with ten international banks. This is a five-year facility with a one-year extension option.

In November 2017, Neopost prepaid 19.0 million euros from the United States private placement.

Note 9 Headcount and employee benefits

9-1: Headcount

The geographical breakdown of employees on fixed-term and permanent contracts at the end of the period, excluding employees on long-term leave, is as follows:

	France	North America	United Kingdom	Netherlands	Rest of the world	Total
31 January 2018	1,413	1,687	771	315	1,670	5,856
31 January 2017	1,450	1,744	832	323	1,702	6,051

The breakdown of employees on fixed-term and permanent contracts at the end of the period, excluding employees on long-term leave, by type of activity is as follows:

	Sales	Services	Manufacturing	Research & development	Leasing	Administration	Total
31 January 2018	1,779	1,422	629	806	67	1,153	5,856
31 January 2017	1,888	1,464	654	773	65	1,207	6,051

At 31 January 2018, the Group had 185 temporary staff compared with 145 at 31 January 2017.

9-2: Employee benefits

Employee benefits are measured in accordance with IAS 19. They comprise short-term benefits, long-term benefits and post-employment benefits.

Group employees are entitled to short-term benefits such as paid vacation, paid sick leave, bonuses and other benefits (other than termination benefits), payable within twelve months of the end of the period in which the corresponding services are rendered by employees. These benefits are recorded in current liabilities and expenses of

the period in which the service is rendered by the employee.

Long-term benefits (during employment), payable before the employee's departure, correspond primarily to long-service bonuses. Post-employment benefits are paid when the employee retires and include retirement bonuses, supplementary pension benefits and coverage of certain medical costs for retired employees and employees on early retirement.

	31 January 2018	31 January 2017
Wages and salaries, bonus and commissions	350.4	359.7
Social costs	93.2	92.6
Share-based payments	(0.6)	0.4
Pension expenses under defined contribution plans	0.4	0.8
TOTAL	443.4	453.5

9-3: Retirement benefit obligations

9-3-1: Accounting principles

Group companies participate in pension schemes and other staff benefits in accordance with the laws and customs of each country.

The measurement and accounting policies applied by the Group with respect to these liabilities are in accordance with IAS 19:

- defined benefits schemes under which the employer guarantees a future level of benefits: the liabilities are measured on the basis of actuarial valuations using the projected unit of credit method. These calculations use assumptions regarding mortality rates, staff turnover and wages, which reflect the economic conditions in each country or for each Group company. The liabilities are recognized under provisions for retirement benefit obligations.

Termination benefits are generally lump-sum payments based upon the number of years served by the employee and his/her salary as at retirement or termination of employment. Pension benefits are generally determined using a formula based on the number of years served by the employee and his/her average final earnings;

- defined contributions schemes: the cost of these schemes is recognized as an expense on the basis of contributions made. These schemes have no legal or constructive obligation to pay further contributions, the employer's obligation is limited to the regular payment of contributions.

9-3-2: Obligation details

The main retirement obligation for the Group is the obligation for the United Kingdom. This retirement obligation is mainly covered by a pension fund showing a net asset of 35.4 million euros (31.2 million pounds sterling) as at 31 January 2018 compared with 29.4 million euros as at 31 January 2017 (25.3 million pounds sterling). It is accounted for in non-current assets. When a pension plan shows a net asset based on the assumptions used, IAS 19 states that this net asset should only be recognized in the balance sheet if an economic benefit is possible for the Company. Regarding the rules of the pension plan, Neopost has an unconditional repayment right of all the amounts left in the plan after the payment of the last pension to the last member of the pension plan. We consider this to be a sufficient justification to recognize the net asset of the pension fund in the consolidated balance sheet, in accordance with IAS 19/IFRIC 14.

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

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

	31 January 2018	31 January 2017
Change in value of obligations		
Present value of obligations at start of period	210.1	193.8
Service cost	2.1	2.4
Discounting cost	4.9	5.5
Actuarial (gains) or losses	1.2	31.7
Payments made	(10.3)	(7.1)
Scope variation	0.3	(0.3)
Other (of which translation difference)	(6.1)	(15.9)
Present value of liabilities at end of period	202.2	210.1
Change in hedging assets		
Fair value of hedging assets at beginning of period	215.0	207.5
Expected return on plan assets	5.2	5.9
Actuarial gains (losses)	4.4	27.4
Contributions paid by employer	4.9	1.6
Payments made by fund	(9.5)	(7.2)
Scope variation	0.3	0.1
Other (of which translation difference)	(6.5)	(20.3)
Fair value of hedging assets at end of period	213.8	215.0
Financial hedging		
Plans' position	11.6	4.9
of which recognized in Assets	35.4	29.4
of which recognized in Liabilities	(23.8)	(24.5)
Amount recognized in the consolidated income statements		
Service cost	2.1	2.4
Discounting cost	4.9	5.5
Expected return on plan assets	(5.2)	(5.9)
Total retirement benefit expense	1.8	2.0
Amount recognized in the consolidated statements of comprehensive income		
Actuarial gains (losses)	(3.2)	4.3
On obligations	1.2	31.7
On hedging assets	(4.4)	(27.4)
Amount recognized in statement of recognized income and expense to date	(1.1)	2.1
Actuarial assumptions		
Discount rate*	2.5%	2.8%
Expected long-term inflation rate – Retail Price Inflation (RPI)*	3.2%	3.4%
Expected long-term inflation rate – Consumer Price Index (CPI)*	2.1%	2.4%
Expected long-term rate of annuity increases*	3.1%	3.2%
Breakdown of hedging assets		
Equities	12%	13%
Bonds	33%	46%
Real estate	4%	4%
Other investments	51%	37%

* The above actuarial assumptions relate to the English subsidiary which alone accounts for 73% of the Group's retirement benefit obligations.

9-3-3: Changes in obligation

Group pension liabilities were as follows over the last five years:

	2017	2016	2015	2014	2013
Obligation – present value	202.2	210.1	193.8	212.6	158.9
Fair value of assets	213.8	215.0	207.5	214.8	166.6
Plan (surplus)/deficit	(11.6)	(4.9)	(13.7)	(2.2)	(7.7)
Actuarial gains/(losses)					
On liabilities	1.2	(31.7)	18.0	(34.9)	(4.1)
On assets	(4.4)	27.4	(7.8)	26.2	2.6

The discount rates used are based on the yields on bonds issued by high quality companies (AA) or, where the market is not liquid, on government bonds with the same maturity as the calculations and the same currency (reference: Iboxx). These references are compliant with the requirements of IAS 19 and are the same as those used in previous years.

The effective return on Group assets plan in 2017 is a gain of 2.4% compared with 2.9% in 2016.

Assumptions such as medical expenses of retired employees are not included in this plan. In terms of salary, only the last

salaries at the time the plan was frozen are taken into account, without revaluation (only the annuity is revaluated).

Actuarial differences are systematically recognized in shareholders' equity and reported under consolidated statement of comprehensive income. The cumulative actuarial difference shows a loss of 1.1 million euros as at 31 January 2018 compared with a gain of 2.1 million euros as at 31 January 2017.

The expense related to the French subsidiaries' defined contribution pension plans amounted to 0.4 million euros in 2017 compared with 0.8 million euros in 2016.

9-4: Share-based payments**9-4-1: Accounting principles**

Group employees, including directors, may receive remuneration based on shares. They will ultimately receive equity instruments in return for services rendered. The fair value is determined by an outside consultant using an appropriate valuation method.

The cost of equity-settled transactions with employees is measured at the fair value of the instruments awarded at the vesting date. The cost is recognized during the period in which the performance terms are met and/or the services are rendered, with the balancing entry being an equivalent increase in equity. The cumulative expense

recognized for such transactions at the end of each period until the rights acquisition date reflects the run-off of this acquisition period and the Group's best estimate at that date of the number of instruments to be acquired.

The awarding of these instruments is subject to the beneficiary being on the Company's payroll at the delivery date of the options or free shares and for some of the plans, to the achievement of performance targets. It is not possible to settle these options or these free shares in cash.

9-4-2: Stock option plans

No more stock options have been granted since January 2013. Arrangements relating to plans still in force in 2015 are described in previous Neopost registration documents.

Options have been valued based on the Bjerksund & Stensland (2002) model to which the non-transferability

value is added as calculated by the difference between the Bjerksund & Stensland model and the Black, Scholes & Merton (1973) model for options with a duration equivalent to the non-transferability period.

The terms and conditions of the shareholder-approved employee stock-option plans are as follows:

Start date	Adjusted number of options granted ^(a)	Of which subject to conditions ^(b)	Adjusted exercise price ^(a)	Outstanding options 31/01/2017	Options expired	Options cancelled or adjusted ^(a)	Outstanding options 31/01/2018	Expiry date
15/01/2008	473,839	-	€62.18	333,380	(333,380)	-	-	15/01/2018
03/07/2008	9,742	-	€63.49	8,760	-	-	8,760	03/07/2018
18/02/2009	332,734	64,600	€57.80	194,342	-	(19,825)	174,517	18/02/2019
12/01/2010	487,191	157,927	€52.22 – €52.86	287,692	-	(37,246)	250,446	12/01/2020
12/01/2011	245,585	41,018	€60.85 – €62.31	184,858	-	(18,180)	166,678	12/01/2021
12/01/2012	267,538	76,917	€47.75 – €48.84	181,655	-	(19,422)	162,233	12/01/2022

(a) Adjusted number since the payment of the balance of the dividend partly issued from capital reserves.

(b) Options granted with performance conditions.

9-4-3: Free share plans

Free shares are granted for the purposes of:

- attracting and retaining high potential employees;
- acknowledging exceptional performance;
- fostering strong motivation and commitment to the Company's performance by granting specific free share plans based on the Group's future results.

The fair value of the shares thus allocated is calculated based on the share price on the allocation date from which anticipated dividend are deducted. The overall expense was calculated by estimating a number of shares whose ownership will be transferred corresponding to a percentage of the maximum attributable amount. This assumption is considered the most likely on the date of allocation. This expense is spread out over the vesting period. The number of shares is adjusted at each closing date and the expense is revaluated consequently to ensure that the period expense corresponds to the number of shares effectively attributed.

The shares allocated with performance conditions are dependent on the performance indicators below:

- growth in consolidated sales;
- current operating margin (current operating income divided by consolidated sales);
- shareholder return (variation in the share price over the period plus dividends compared with the average performance of companies belonging to the same index as Neopost).

For these free shares allocated, the vesting period is three years divided in two blocks of 50% each: the first block is delivered at the end of the second year and the second block at the end of the third year. Since July 2016 attribution, the vesting period is three years in one block.

Free share attributions made before 2016 are submitted to a lock-up period, starting at the delivery date, of two years for French tax resident beneficiaries.

Start date	Number of shares granted	Of which subject to conditions ^(a)	Outstanding shares 31/01/2017	Shares granted	Shares delivered	Shares cancelled	Outstanding shares 31/01/2018	End of lock-up period date
12/01/2012	159,700	77,000	5,115	-	(5,115)	-	-	14/01/2018
25/03/2013	146,900	146,900	22,200	-	(700)	(10,400)	11,100	18/01/2018
24/03/2014	150,060	150,060	67,930	-	-	(50,930)	17,000	26/03/2019
01/07/2015	199,500	199,500	177,000	-	(7,692)	(76,308)	93,000	03/07/2020
01/07/2016	149,000	149,000	146,500	-	-	-	146,500	n/a
27/03/2017	246,700	246,700	-	246,700	-	(700)	246,000	n/a

(a) Shares granted with performance conditions.

Shares granted with performance conditions have a lock-up period of two years, versus three years for other shares. The date of the end of the lock-up period is the later date.

9-4-4: Changes in share-based payments valuation

Expenses recorded with respect to the profit-sharing, incentive plans and share-based payments, in the last five years are as follows:

	31 January 2018	31 January 2017	31 January 2016	31 January 2015	31 January 2014
Stock options valuation	-	-	-	-	0.8
Free share granted valuation	(0.6)	0.4	1.9	3.3	4.5

9-5: Long term incentives (phantom shares)

The Board of directors of Neopost S.A. decided to set up deferred incentives plans called phantom share plans based on the value of the ordinary share of Neopost S.A. in which the managers of the Company and its subsidiaries can recommend certain employees to participate. The purpose of these plans is to attract, reward and retain the most qualified people to hold positions of responsibility within Neopost S.A. and its affiliates within the meaning of article L.225-197-2 of the French commercial code.

The liability is recognized when the phantom shares are attributed and the expense, spread out over the acquisition period (four years for 2014, 2015 and 2016 plans and three years for 2017 plan), represents the valuation of the number of phantom shares attributed at the last share price before the end of financial year. At each closing date, the provision is revaluated based on the last share price and the headcount variation.

	Number of shares originally granted	Number of outstanding shares	31 January 2017	Added	Used	Non-used	31 January 2018	Short term portion	Long term portion
January 2014 plan	69,200	-	0.8	-	(0.6)	(0.2)	-	-	-
January 2015 plan	67,000	26,250	1.0	0.1	(0.5)	(0.1)	0.5	0.5	-
July 2016 plan	147,600	137,600	0.3	0.5	-	(0.0)	0.8	-	0.8
March 2017 plan	98,020	78,020	-	0.2	-	-	0.2	-	0.2
Long term incentives			2.1	0.8	(1.1)	(0.3)	1.5	0.5	1.0

The January 2014 and January 2015 plans are contingent upon the employee being on the company's payroll. The July 2016 and March 2017 plans are subject to the cumulative conditions of employee presence and Group performance.

9-6: Executive compensation

The main role of the management team is to make strategic decisions for the Group and coordinate their implementation around the world.

The gross remuneration of the management team (whose members are mentioned in chapter 2 "Corporate Governance") including Chairman & Chief Executive Officer Mr Denis Thiery, amounted to 6.2 million euros in 2017, compared with 5.1 million euros in 2016.

Variable remuneration is determined on the basis of attaining Group sales, operating income and working capital requirement targets. The variable remunerations shown in this table are the amounts booked during the current financial year.

The Group recognized an expense of 1.6 million euros in 2017 in respect of stock options and free shares granted to the management team, compared with 0.7 million euros in 2016. 122,000 shares were granted to members of the management team during the 2017 financial year compared with 89,000 in the previous year.

With respect to pensions, the Chairman & Chief Executive Officer, as well as a number of other Group executives benefit from a defined contribution pension plan (article 83 of the French general tax code), into which is paid a total of 5% of their remuneration, within the limit of five times the Social Security maximum amount as well as a defined benefit pension scheme (article 39 of the French general tax code) with an annuity obligation of 1.1% of pay per year of service for a minimum of eight years and a maximum of twenty years. This annuity is paid after the deduction of the annuities paid within the usual defined contribution plans.

For employee taking their retirement before reaching the legal full retirement age, the benefit is subject to a reduction proportional to the number of remaining years (this annuity being net of benefits from other applicable defined contribution plans). The amount of these liabilities at the end of January 2018 totaled 9.1 million euros compared with 9.4 million euros as at 31 January 2017 and concerns all the members of the management team. Cumulative payments stand at 6.9 million euros as at 31 January 2018.

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

10-1: Other provisions**10-1-1: Accounting principles**

Provisions are recognized when the following conditions are met simultaneously at the end of the period in question:

- a current obligation (legal, regulatory, contractual or implied) resulting from past events;

- a probability that an outflow of resources will be necessary to extinguish the obligation with no offset expected;

- an amount that can be reliably measured.

Provisions are split on the balance sheet between current and non-current liabilities.

10-1-2: Changes in other provisions

	31 January 2017	Added	Used	Non-used	Other	31 January 2018	Short term portion	Long term portion
Other provisions								
Structure optimization	7.5	14.0	(15.1)	(0.8)	(0.3)	5.3	5.3	-
Business risk/customer guarantees	0.5	0.1	(0.0)	(0.2)	0.0	0.4	0.4	-
Dispute provisions	3.6	1.7	(0.6)	(0.4)	0.3	4.6	2.0	2.6
Other	1.7	3.4	(0.7)	(0.6)	(0.3)	3.5	2.8	0.7
	13.3	19.2	(16.4)	(2.0)	(0.3)	13.8	10.5	3.3
Retirement benefit obligations – note 9-3	24.5	5.3	(5.0)	(0.1)	(0.9)	23.8	-	23.8
Long term incentives – note 9-5	2.1	0.8	(1.1)	(0.3)	(0.0)	1.5	0.5	1.0
TOTAL	39.9	25.3	(22.5)	(2.4)	(1.2)	39.1	11.0	28.1

	31 January 2016	Added	Used	Non-used	Other	31 January 2017	Short term portion	Long term portion
Other provisions								
Structure optimization	9.7	15.4	(17.6)	(0.1)	0.1	7.5	7.5	-
Business risk/customer guarantees	0.5	0.2	(0.0)	(0.2)	0.0	0.5	0.5	-
Dispute provisions	3.6	0.5	(0.8)	(0.1)	0.4	3.6	1.6	2.0
Other	2.1	1.0	(0.5)	(0.6)	(0.3)	1.7	1.3	0.4
	15.9	17.1	(18.9)	(1.0)	0.2	13.3	10.9	2.4
Retirement benefit obligations – note 9-4	23.2	2.4	(1.0)	(0.4)	0.3	24.5	-	24.5
Long term incentives – note 9-5	1.9	1.5	(1.2)	(0.1)	0.0	2.1	1.3	0.8
TOTAL	41.0	21.0	(21.1)	(1.5)	0.5	39.9	12.2	27.7

Structure optimization

The Group pursues the optimization of its operations in 2017.

Provisions totaling 7.5 million euros were booked as at 31 January 2017. In 2017, additional expenses of 14.0 million euros were booked and (15.1) million euros were used.

As at 31 January 2018, the balance of these provisions is 5.3 million euros.

Other

As at 31 January 2018, a total of 3.5 million euros (1.7 million euros as at 31 January 2017) is booked under "Other provisions."

10-2: Contingent liabilities**10-2-1: Accounting principles**

Unlike the definition of provision given in the note 10-1-1, a contingent liability is:

- either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group;
- or a present obligation that arises from past events but not recognized because it is unlikely that an outflow of

resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are described in the notes when they are material, except in the case of business combinations where they are identifiable items that are backed by present obligations and can be estimated reliably.

10-2-2: Contingent liabilities identified

In their everyday activities, Neopost entities are regularly subject to tax investigations.

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

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

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

10-3: Other non-current debts

As of 31 January 2018, other non-current debt amounted to 14.2 million euros.

Earn-outs debts decreased from 45.1 million euros as at 31 January 2017 to 10.6 million euros, mainly due to the reversal of Temando's earn-out debt (refer to note 1-2).

Earn-outs are generally based on achieving financial targets in terms of revenue growth and/or operating margins over two to five years following the acquisition. Earn-out values recorded as of 31 January 2018 are the best estimate of the future performance of our acquisitions.

Note 11 Financial instruments, financial debts and risk management

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

Financial instruments mentioned in notes 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 January 2018		Breakdown by instrument category				
	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables / debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	60.0	60.0	-	8.0	44.8	-	7.2
Lease receivables ^(a)	710.6	716.3	-	-	710.6	-	-
Other long term receivables	4.0	4.0	-	-	4.0	-	-
Receivables ^(b)	243.5	243.5	-	-	243.5	-	-
Other receivables ^(b)	8.0	8.0	-	-	8.0	-	-
Derivative financial instruments ^(c)	9.5	9.5	-	-	-	-	9.5
Cash and cash equivalents ^(d)	193.0	193.0	193.0	-	-	-	-
ASSETS	1,228.6	1,234.3	193.0	8.0	1,010.9	-	16.7
Financial debts and bank overdrafts ^(e)	867.8	879.6	159.0	-	-	708.8	-
Other long-term debts	14.2	14.2	-	-	14.2	-	-
Accounts payable ^(b)	78.4	78.4	-	-	78.4	-	-
Other operating liabilities ^(b)	210.9	210.9	-	-	210.9	-	-
Derivative financial instruments ^(c)	0.1	0.1	-	-	-	-	0.1
LIABILITIES	1,171.4	1,183.2	159.0	-	303.5	708.8	0.1

(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 January 2018 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 the same as that applied in the balance sheet.

(b) Historical cost valuation.

(c) Valuation method described in note 11-4.

(d) Valuation based on realizable value.

(e) The fair value of the debt includes the portion of the 2.50% Neopost bond that was swapped for 125 million euros and the portion of the Schuldschein debt that was swapped for 29.5 million euros. The swap and the debt are recognized at their fair value as mentioned in note 11-4.

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

- for all floating-rate debt described in note 11-2-6, 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 368.7 million euros;

- concerning fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2018. The difference between the fair value and the value as appearing in the balance sheet is 11.7 million euros.

Debt in foreign currencies was valued at constant exchange rates.

	31 January 2017		Breakdown by instrument category				
	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/ Debts	Debts at amortized costs	Derivative instruments
Non-current financial assets	52.9	52.9	-	6.1	38.8	-	8.0
Lease receivables ^(a)	798.1	795.4	-	-	798.1	-	-
Other long term receivables	2.5	2.5	-	-	2.5	-	-
Receivables ^(b)	268.8	268.8	-	-	268.8	-	-
Other receivables ^(b)	8.8	8.8	-	-	8.8	-	-
Derivative financial instruments ^(c)	0.3	0.3	-	-	-	-	0.3
Cash and cash equivalents ^(d)	96.1	96.1	96.1	-	-	-	-
Assets	1,227.5	1,224.8	96.1	6.1	1,117.0	-	8.3
Financial debts and bank overdrafts ^(e)	859.1	874.1	131.1	-	-	728.0	-
Other financial debts	24.9	24.9	-	-	24.9	-	-
Other long-term debts	50.3	50.3	-	-	50.3	-	-
Accounts payable ^(b)	79.4	79.4	-	-	79.4	-	-
Other operating liabilities ^(b)	228.4	228.4	-	-	228.4	-	-
Derivative financial instruments ^(c)	0.9	0.9	-	-	-	-	0.9
Liabilities	1,243.0	1,258.0	131.1	-	383.0	728.0	0.9

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

(b) Historical cost valuation.

(c) Valuation method described in note 11-4.

(d) Valuation based on realizable value.

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

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

- for all floating-rate debt described in note 11-2-6. 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 322.1 million euros;
- concerning fixed rate debts, the fair value has been calculated from the yield curve as at 31 January 2017. The difference between the fair value and the value as appearing in the balance sheet is 15.0 million euros.

Debt in foreign currencies was valued at constant exchange rates.

11-2 Financial debt analysis

11-2-1: Accounting principles

Interest-bearing loans

Interest-bearing loans are initially recognized at their fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortized cost: any difference between the nominal value (net of transaction costs) and the repayment value is taken

in the income statement over the life of the loan, using the effective interest rate method.

Net financial debt

Net financial debts include interest-bearing loans and interest payables, net of cash and cash equivalents.

11-2-2: Breakdown by type of debt

	Financial debts and bank overdrafts	Short-term part of long-term debt	Long-term debt	31 January 2018	31 January 2017
Bonds issue – Neopost S.A. 3.50% ^(a)	-	0.8	150.0	150.8	150.8
Bonds issue – Neopost S.A. 2.50% ^(b)	-	5.4	352.9	358.3	359.4
United States private placement ^(c)	-	4.7	117.2	121.9	266.0
Schuldschein ^(d)	-	2.1	204.2	206.3	-
Revolving credit facility ^(e)	-	0.1	-	0.1	60.4
Other debt	5.2	3.7	21.5	30.4	22.5
TOTAL	5.2	16.8	845.8	867.8	859.1

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

(b) Neopost issued an inaugural 350 million euros public bond on 23 June 2014 quoted on Euronext Paris under ISIN number FR0011993120 after filing a prospectus with the Autorité des Marchés Financiers (approval number 14-310 of 19 June 2014). This bond carries a fixed interest of 2.50% and is payable on 23 June 2021. IFRS accounting entails an initial debt of 348.1 million euros, representing a debt issued at 2.5830%. The debt has been swapped against variable rate for a notional amount of 125 million euros and the debt fair value adjustment represents an amount of 3.9 million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 3.6 million euros. As at 31 January 2018, the impact in the financial charges of this fair value hedge is 0.2 million euros.

(c) On 20 June 2012, Neopost concluded a private placement in the United States consisting of five tranches with different maturities between four and ten years for a total of 175 million United States dollars. The different tranches bear a fixed interest rate of between 3.17% and 4.50% depending on the maturity of the tranche. On 24 April 2017, Neopost prepaid 60 million United States dollars and on 14 November 2017 prepaid 19 million United States dollars. On 20 June 2017, Neopost repaid 5 million United States dollars which matured. The amount of the private placement is 61 million United States dollars at the end of January 2018.

A complementary 50 million United States dollars tranche with a maturity of six years was set up in October 2013. The new issue was finalized on 23 January 2014 at a variable rate of three-month LIBOR USD. The debt was prepaid on 24 April 2017.

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

(d) In February 2017, Neopost concluded private placements under German law (Schuldschein) consisting of ten tranches with different maturities between three and six years for a total amount of 135 million euros and 86.5 million United States dollars. The debt has been swapped against variable rate for a notional amount of 29.5 million euros and the debt fair value adjustment represents an amount of 0.2 million euros. The fair value of the swap is recorded in non-current financial derivative instruments (assets) for an amount of 0.3 million euros. As at 31 January 2018, the impact in the financial charges of this fair value hedge is 0.1 million euros.

(e) On 20 June 2017, Neopost arranged a revolving credit line for drawdown in euros and in United States dollars for an initial amount equivalent to 400 million euros for a period of five years in replacement of the revolving credit facility concluded on 17 January 2013. The interest rate is indexed to the EUIBOR or LIBOR USD over the relevant drawdown period plus a margin depending on the debt coverage ratio by the EBITDA calculated on the Group's consolidated financial statements excluding leasing activities. At the end of January 2018, Neopost do not used that credit facility.

11-2-3: Financial ratios**11-2-3-1: Definitions used in financial covenants****Consolidated net debt**

Net debt is calculated as follows:

Financial debts from credit institutions in non-current financial debts

+ Financial debts in current liabilities

- Cash and cash equivalents

The net amount obtained is restated for the value of current and non-current asset and liability derivative instruments, together with any guarantee commitments of the Neopost group.

Consolidated EBITDA

EBITDA is the consolidated current operating income excluding the depreciation and amortization of intangible and tangible assets.

Cost of net financial debt

The cost of net financial debt used when calculating covenants is equivalent to the aggregate presented in the consolidated income statement.

Restatement of leasing activities

With a few rare exceptions, leasing activities are the responsibility of distinct legal entities. This separation allows for the calculation of consolidated aggregates excluding the leasing activity. Activities that are not isolated in distinct legal entities are not restated.

Consolidated net debt excluding leasing is calculated on the basis of a restated consolidated balance sheet whereby the leasing companies are consolidated under the equity method and not included in the Group scope of consolidation. Using this restated balance sheet, the aggregate is calculated on the basis of the same balance sheet items used for calculating consolidated net debt.

Leasing net debt is calculated using these same consolidated financial statements, but in this case only for the scope of leasing companies.

Consolidated EBITDA excluding leasing is calculated on the basis of a restated consolidated income statement whereby the leasing companies are consolidated under

the equity method and not included in the Group scope of consolidation. Using this restated income statement, the aggregate is calculated on the basis of the same income statement items used for calculating consolidated net debt.

Leasing net portfolio

The leasing net portfolio is calculated on the basis of consolidated income statements through the addition of net long-term lease receivables and net short-term lease receivables. The net denotes that the leasing portfolio gross value is reduced by the amount of bad debt provision.

Default rate

The default rate is calculated on the basis of the ratio of provisions for bad debt on lease receivables to the leasing net portfolio.

11-2-3-2: Applicability and definition of financial covenants

With the exception of the Neopost S.A. 2.50% bond issue, which is not subject to any covenant, the various debts (bonds, private placements and revolving credit facilities) are

subject to financial covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complies with all covenants at 31 January 2018.

**11-2-3-3: Covenants calculation
AGGREGATES**

The aggregates presented below are those used for calculating the covenants as set out in 11-2-3-1.

	31 January 2018	31 January 2017
Consolidated net debt	661.2	758.9
Consolidated net debt excluding leasing	137.7	155.3
Leasing net debt	523.5	603.6
Consolidated EBITDA	284.8	294.9
Consolidated EBITDA excluding leasing	190.2	201.1
Cost of net financial debt	32.3	29.7
Leasing net portfolio	690.8	778.1
Provision for bad debt	10.3	11.1

RATIOS CALCULATION

	Covenant to comply	31 January 2018	31 January 2017
United States private placement			
Consolidated net debt/consolidated EBITDA	< 3.25	2.32	2.57
Other debt subject to the covenants			
Consolidated net debt excluding leasing/consolidated EBITDA excluding leasing	< 3.0	0.72	0.77
Cost of net financial debt/consolidated EBITDA	> 4	8.84	10.01
Leasing net debt/leasing net portfolio	< 90%	76.2%	77.6%
Default rate	<= 5%	1.49%	1.43%

Shareholders' equity attributable to holders of the parent company must be greater than 525 million euros or the US Private Placement and 600 million euros for other debt. Shareholders' equity attributable to holders of the parent company amounted to 1,161.1 million euros as at 31 January 2018, the ratio is respected.

11-2-4: Breakdown by currency

	31 January 2018	31 January 2017
Euros (EUR)	623.8	529.7
United States dollars (USD)	234.9	329.2
Other currencies	9.1	0.2
TOTAL	867.8	859.1

The table above is based on exchange rates as at 31 January for each year.

11-2-5: Breakdown by maturity

Debts are positioned according to their contractual maturity date. The table below is based on constant exchange rates.

	31 January 2018	31 January 2017
2017	-	105.6
2018	22.0	7.7
2019	176.2	269.3
2020	74.6	35.7
2021	386.4	389.7
2022	124.8	51.1
2023 and beyond	83.8	-
TOTAL	867.8	859.1

11-2-6: Breakdown by interest rate

As part of its financial policy, Neopost actively hedges its floating-rate and fixed-rate debt.

	Type of interest rate	Reference rate	Drawdown rate	31 January 2018 Total effective rate *
Bonds issue – Neopost S.A. 3.50%	Fixed	3.50	-	3.5899
Bonds issue – Neopost S.A. 2.50%	Fixed	2.50	-	2.5830
United States private placement	Fixed	Between 3.89 and 4.50 depending on the maturity	-	Between 4.03 and 4.63 depending on the maturity
	Variable	LIBOR USD 3 months	3.23738	4.0328
Schuldschein – Neopost S.A. EUR 61.5 million	Fixed	Between 1.10 and 1.833 depending on the maturity	-	Between 1.2181 and 1.9208 depending on the maturity
Schuldschein – Neopost S.A. EUR 14.5 million	Variable	EURIBOR 6 months	1.1000	1.3296
Schuldschein – Neopost S.A. EUR 45.0 million	Variable	EURIBOR 6 months	1.4000	1.7471
Schuldschein – Neopost S.A. EUR 14.0 million	Variable	EURIBOR 6 months	1.5500	1.9995
Schuldschein – Neopost S.A. USD 7.5 million	Fixed	4.056	-	4.1439
Schuldschein – Neopost S.A. USD 30.0 million	Variable	LIBOR USD 3 months	3.1900	4.0399
Schuldschein – Neopost S.A. USD 33.0 million	Variable	LIBOR USD 3 months	3.4900	4.2811
Schuldschein – Neopost S.A. USD 16.0 million	Variable	LIBOR USD 3 months	3.7400	4.9579
Revolving credit facility	Variable	LIBOR USD/EUR 1 month	-	0.9137

* The total effective rate for the transaction is calculated on completion and includes costs relating to the transaction.

11-2-7: Credit lines

The Group had the following revolving credit facility at 31 January 2018 which can be drawn in euros (EUR) and United States dollars (USD):

	Amount	Amounts drawn at 31 January 2018	Expiry of facility	Number of banks in pool
Bank pool	EUR 400 million	-	June 2022	11

The interest rate is indexed to EURIBOR or LIBOR USD plus margin depending on the leveraged ratio based on the consolidated financial statements excluding leasing activity.

The margin is fixed at 0.60% and may vary between 0.50% and 1.15%. An additional margin of 0.25% is added to the margin for the drawdown in United States dollars.

11-2-8: Fair value of debt

The book values of current loans and variable rate debt are close to their fair values. Fixed rate debt is analyzed as follows:

	31 January 2018 Book value	Accrued interest	Fair value	Fair value +50 bps	Fair value -50 bps
Bonds issue Neopost S.A. 3.5% EUR 150 million	150.8	0.8	154.7	156.1	153.3
Bonds issue Neopost S.A. 2.5% EUR 350 million	358.0	5.3	364.5	368.3	360.5
United States private placement USD 175 million	49.2	0.3	48.7	49.2	48.0
Schuldschein EUR	62.5	1.0	64.7	65.5	63.9
Schuldschein USD	6.1	0.1	6.0	70.0	69.8

11-3 Financial income and expenses**11-3-1: Accounting principles****Effective interest rate**

The effective interest rate is the rate used to precisely discount future cash flows to maturity, so as to obtain the net value of the debt at the initial recognition date. To calculate the effective interest rate of a financial debt, the future cash flows are determined based on the contractual repayment dates.

Transaction costs

Transaction costs are the marginal costs directly attributable to the arrangement of a credit facility. These include fees and commissions paid to brokers and advisers, levies charged by the market authorities, stock exchange fees and transfer taxes and duties. However they do not include issue premiums, the allocation of internal administrative expenses and head office expenses. For financial debt measured at amortized cost, transaction costs are included in the amortized costs calculation using the effective interest rate method and are amortized in the income statement over the life of the instrument.

11-3-2: Cost of debt

The table below represents the gross cost of debt by currency after exercise of the hedging instruments and the effects of the valuation of portfolio interest rate transactions for the financial year ended on 31 January 2018. The calculation is based on the debt detailed in the note 11-2-2. The net

financing cost rate, calculated from the net cost of debt, i.e. 32.3 million euros, divided by the average net debt (average financial debt – average cash and cash equivalents) during the year, equals 4.16%.

Currency	Gross rate	Amount in currency
Euros (EUR)	2.72%	16.4
Financial costs before hedging impact	2.58%	15.6
Hedging impact	0.14%	0.8
United States dollars (USD)	4.07%	13.0
Financial costs before hedging impact	4.19%	13.4
Hedging impact	(0.12)%	(0.4)

11-3-3: Capitalized/amortized debt costs

Costs relating to the arrangement of the different debts totaled 3.1 million euros in 2017.

The difference between the straight-line amortization of these costs and the calculation of the amortized cost of capital is not material. As a result, there is no restatement for the IFRS accounts.

11-4 Risk management**11-4-1: Accounting principles**

Neopost uses derivative instruments to limit its exposure to the risk of fluctuations in interest rates and exchange rates.

In accordance with IAS 39, Neopost initially recognizes all derivative instruments on the balance sheet under financial instruments at fair value. This is estimated on the basis of market conditions. The fair value of the derivatives is then re-assessed at each accounting date thereafter.

Accounting for hedging transactions

On instigation of the hedge, the Group clearly identifies the hedging and hedged items. This hedging is formally documented by identifying the hedging strategy, the risk hedged and the method used to assess the effectiveness of the hedge. Tests are then carried out to demonstrate the effectiveness of the hedge.

The treatment of derivative instruments identified as forming hedges varies in accordance with IAS 39 definitions, according to whether they are:

- fair value hedges;
- future cash flow hedges;
- net investment hedges.

Fair value hedges

Changes in the fair value of derivative instruments are charged to the income statement. At the same time, the item hedged is also recognized at fair value up to the risk hedged. As a consequence, changes in the two items are recognized symmetrically under net financial expenses, so that only ineffective hedging impacts the income statement.

11-3-4: Hedging of net investments in foreign operations

The 30 million United States dollars tranche of the private placement issued in September 2014, payable in September 2020, is intended to cover the net investment in subsidiaries based in the United States. This loan is used to hedge the Group's exposure to exchange rate risk on these investments. Translation gains or losses on this loan are recognized in shareholders' equity to offset any gain or loss on translation of the net investment in the subsidiaries.

This approach is applied in particular to swaps of fixed to variable rate and to the corresponding hedged debt.

Future cash flow hedges

For changes in the fair value of derivative instruments, changes in the effective portion of the hedging relationship are charged to shareholders' equity, while changes in the fair value of the ineffective portion are charged to the income statement.

Profits and losses that are recognized through equity are posted to the income statement for the period during which the hedged transaction affects net income.

This treatment is applied in particular to swaps of fixed to variable rate, as well as to the purchase and sale of currency futures or options.

Net investment hedges

The accounting principle is similar to future cash flow hedges. The gain or loss relating to the effective portion of the hedging instrument is charged directly to shareholders' equity, while the ineffective portion is charged to the income statement. When the Group withdraws from a foreign business, the cumulative value of profits and losses that have been recognized directly in shareholders' equity is recognized through the income statement.

Recognition of derivatives not qualifying as hedging instruments

For derivatives, which do not meet the criteria for recognition as hedging instruments as described above, any gain or loss resulting from changes in fair value is charged to the income statement.

11-4-2: Market risks

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

The Group treasurer, who reports to the Group chief financial officer, monitors exchange rate and interest rate risks for all Neopost group entities. A report showing the Group's underlying position and hedges is sent each month to the chief financial officer to provide complete visibility on the financial risks relating to hedging activities, and to measure the financial impact of unhedged positions.

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

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

Exchange rate risk**Natural hedge**

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

Based on the 2018 budget, the breakdown of sales and costs in United States dollars is as follows: sales 41.5%, cost of sales 48.8%, operating costs 32.6%, interest expenses 27.1%. A 5% decrease in the euro/United States dollar exchange rate from the budget rate of 1.20 would have the

following impacts on the Group's income statement: sales (22.8) million euros, current operating income (6.0) million euros and net income (3.9) million euros.

Based on the 2018 budget, the breakdown of sales and costs in pounds sterling is as follows: sales 9.0%, cost of sales 6.6%, operating costs 10.5%. A 5% decrease in the euro/pound sterling exchange rate from the budget rate of 0.91 would have the following impacts on the Group's income statement: sales (4.9) million euros, current operating income (1.6) million euros and net income (1.2) million euros.

The other currencies are not a major concern for the Group. None of them, individually taken, represents more than 5% of the total sales. Beyond the natural hedge, no guarantee can however be given regarding the Group's ability to hedge exchange rate risk effectively.

Risk management policy

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

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

Year-end position

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

FINANCIAL YEAR 2017 – ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST S.A.'S BALANCE SHEET AT 31 JANUARY 2018 AND EXPECTED TO BE REALIZED NO LATER THAN APRIL 2018

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Total assets	47.0	9.3	5.6	9.3	1,653.8	7.2	17.2	11.8	7.0	(0.1)	4.8	1.5
Total liabilities	25.7	9.8	5.6	1.3	194.1	4.2	11.2	7.8	146.5	3.8	1.6	0.4
Net exposure before hedging	21.3	(0.5)	(0.0)	8.0	1,459.7	3.0	6.0	4.0	(139.5)	(3.9)	3.2	1.1
Hedging	(23.2)	-	1.4	-	(901.6)	(0.8)	10.9	-	122.1	(0.6)	-	-
NET EXPOSURE AFTER HEDGING	(1.9)	(0.5)	1.4	8.0	558.1	2.2	16.9	4.0	(17.4)	(4.5)	3.2	1.1

Neopost uses notably symmetrical options tunnels. These instruments are unlikely to be exercised in a reciprocal manner in terms of the spot exchange rate or expiry date. As a result, for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was 2.0 million United States dollars sold and 100.0 million Japanese yen sold.

Neopost also makes use of asymmetrical options tunnels. The asymmetrical part of this kind of transaction is presented in the table above with a view to reflecting the Group's commitment as closely as possible. By currency the asymmetrical part is as follows: 2.0 million United States dollars sold and 50.0 million Japanese yen sold.

2018 BUDGET: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN FINANCIAL YEAR 2018 EXPECTED TO BE REALIZED NO LATER THAN APRIL 2019

Notional value	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Total assets	181.4	41.2	14.8	43.6	3,159.3	70.5	43.3	34.1	33.2	9.4	26.3	1.7
Total liabilities	127.5	28.7	10.2	3.1	875.1	9.5	39.1	6.6	475.5	9.7	1.5	3.1
Net exposure before hedging	53.9	12.5	4.6	40.5	2,284.2	61.0	4.2	27.5	(442.3)	(0.3)	24.8	(1.4)
Hedging	(42.2)	(7.0)	(3.3)	(18.5)	(1,200.0)	(29.5)	-	(8.5)	140.0	-	(13.0)	-
NET EXPOSURE AFTER HEDGING	11.7	5.5	1.3	22.0	1,084.2	31.5	4.2	19.0	(302.3)	(0.3)	11.8	(1.4)

Neopost uses symmetric options tunnels in particular. These option instruments are unlikely to be exercised in a 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 11.5 million United States dollars sold, 2.0 million pounds sterling sold, 1.2 million Canadian dollars sold, 6.5 million Norwegian kroners sold, 550.0 million Japanese yen sold, 11.0 million Swedish kroners sold and 5.5 million Australian dollars sold.

Neopost also makes use of asymmetric options tunnels. The asymmetric part of this kind of options is presented in the table above with a view to reflecting the Group's maximum commitment. The asymmetric part by currency is as follows: 11.5 million United States dollars sold, 2.0 million pounds sterling sold, 1.0 million Canadian dollars sold, 6.5 million Norwegian kroners sold, 350.0 million Japanese yen sold, 11.0 million Swedish kroners sold and 4.0 million Australian dollars sold.

Hedging instruments

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

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

Instrument details

The instruments in the portfolio have a maturity of less than twelve months as at 31 January 2018. These instruments are listed below by type and by currency for the period to which they relate.

2017: ASSETS AND LIABILITIES HEDGING

Notional value – Cash flow hedging	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	19.2	2.0	-	-	4.0
GBP	0.5	0.5	-	-	-	-
CAD	1.9	0.5	-	-	-	-
JPY	-	751.6	100.0	-	-	150.0
SEK	-	0.8	-	-	-	-
CHF	10.9	-	-	-	-	-
CZK	122.1	-	-	-	-	-
SGD	-	0.6	-	-	-	-

2018 BUDGET: HEDGING OF ANTICIPATED POSITIONS

Notional value – Total	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	19.2	19.5	-	-	23.0
GBP	-	3.0	2.0	-	-	4.0
CAD	-	1.2	1.2	-	-	2.1
NOK	-	5.5	6.5	-	-	13.0
JPY	-	300.0	550.0	-	-	900.0
SEK	-	7.5	11.0	-	-	22.0
DKK	-	8.5	-	-	-	-
CZK	120.0	-	-	40.0	20.0	-
AUD	-	3.5	5.5	-	-	9.5

At year-end, the operations shown in the above table are broken down as follows:

Notional value – Cash flow hedging	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	19.2	19.5	-	-	11.5
GBP	-	3.0	2.0	-	-	2.0
CAD	-	1.2	1.2	-	-	1.2
NOK	-	5.5	6.5	-	-	6.5
JPY	-	300.0	550.0	-	-	550.0
SEK	-	7.5	11.0	-	-	11.0
DKK	-	8.5	-	-	-	-
CZK	120.0	-	-	20.0	20.0	-
AUD	-	3.5	5.5	-	-	5.5

Notional value – Ineffective portion of hedge instruments	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	-	-	-	-	11.5
GBP	-	-	-	-	-	2.0
CAD	-	-	-	-	-	1.0
NOK	-	-	-	-	-	6.5
JPY	-	-	-	-	-	350.0
SEK	-	-	-	-	-	11.0
CZK	-	-	-	20.0	-	-
AUD	-	-	-	-	-	4.0

Instrument valuations

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11-4-1. As of 1st February 2013 and according to IFRS 13 standards Neopost set up a credit risk methodology concerning the valuation of financial instruments. In light of the immaterial impact of credit risk, Neopost decided not to recognize them in the financial statements at 31 January 2018.

Hedging instruments relating to the 2017 financial year, *i.e.* hedging assets and liabilities on the balance sheet as at 31 January 2018, have been fully valued and recognized at

their market value at 31 January 2018 in the financial income.

Derivative instruments relating to the 2018 financial year, *i.e.* hedging anticipated financial flows, have been fully valued and recognized at their market value at 31 January 2018. The time value of these hedging instruments has been recognized in the income statement, as has the change in intrinsic value of non-hedging transactions. Changes in the intrinsic value of hedging transactions have been recognized as a shareholders' equity adjustment.

Notional value	31 January 2017	Changes recognized through equity	Changes recognized in the income statement	31 January 2018
Financial assets	0.2	1.9	(0.1)	2.0
• Cash flow hedge	0.2	1.9	(0.2)	1.9
• Ineffective hedge	-	-	0.1	0.1
Financial liabilities	0.4	0.1	(0.4)	0.1
• Cash flow hedge	0.4	0.1	(0.5)	-
• Ineffective hedge	-	-	0.1	0.1

Sensitivity of the instruments

Concerning the financial instruments hedging the operations carried out in financial year 2017 for which the commitments are still in the balance sheet at year-end 2017, the impact of a 10% increase in the foreign currency versus the euro would be a (0.9) million euros loss. The impact of a 10% decrease

in the foreign currency versus the euro would be a 0.9 million euros gain.

Concerning the operations hedging the 2018 budget positions, the sensitivity to an exchange rate change is detailed in the tables below.

For a 10% increase in foreign currency versus the euro:

	Impact on equity	Impact on net income
Financial assets	0.6	0.0
Financial liabilities	(4.1)	(1.1)

For a 10% decrease in foreign currency versus the euro:

	Impact on equity	Impact on net income
Financial assets	5.2	0.0
Financial liabilities	(0.5)	(0.1)

Exchange rate deal counterparty risk

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

Interest rate risk**Risk management policy**

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

Neopost has a policy of centralizing its interest rate risk, enabling it to monitor the Group's overall interest rate risk exposure and to gain full control over the market instruments used in hedging operations. The Group hedges its interest rate risk depending on its current debt levels, but also according to likely future movements in debts, arising from drawings on its revolving credit facilities.

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

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

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

Year-end position

The table below sets out Neopost's year-end position by maturity for the major currencies:

Notional value	EUR				USD			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Debt	13.8	539.0	71.0	623.8	10.2	266.5	16.0	292.7
Of which fixed-rate debts	6.2	170.7	57.0	233.9	6.4	93.5	-	99.9
CORRESPONDING HEDGE MATURITIES	155.0	-	-	155.0	-	95.0	-	95.0

The corresponding interest flows (excluding margin impacts) were calculated based on constant debt interest rate conditions and exchange rate parity at year-end. The following schedule is obtained:

	2018	2019	2020	2021
Interest on fixed rates	7.0	6.5	4.7	2.5
Interest on the variable rate position	6.2	7.7	8.7	11.2
Interest on hedging operations	(2.1)	(2.1)	(1.2)	(0.2)
TOTAL	11.1	12.1	12.2	13.5

Sensitivity of the financial results to interest rate changes is as follows:

	2018	2019	2020	2021
Sensitivity to a +0.5% increase in interest rates	1.3	1.6	2.5	3.4
Sensitivity to a (0.5)% decrease in interest rates	(1.2)	(1.4)	(2.5)	(3.4)

For 2017, Neopost's policy was to fix its net interest expenses in advance. As a result, after hedging and on a fixed-debt basis, 75% of Neopost group debt was not exposed to long-term interest rates for the current year. Only 25% of the debt remained exposed to long-term rates as at 31 January 2018.

Instrument details

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

- firm derivatives: swaps and FRA (Forward Rate Agreement);

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

Management mandates, packaged bank hedging products and derivative instruments that introduce a reference other than the underlying asset (*quanto* swaps for example) are strictly forbidden by internal procedures.

Derivative instrument details

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

Notional value	Currency	< 1 year	1 to 5 years	> 5 years
Cross currency swap - Lender EUR/Borrower USD	EUR/USD	-	18.3/20.0	27.4/30.0
Swap – buyer	EUR	-	125.0	29.5
Swap – receiver	USD	-	40.0	-
Cap – buyer	USD	-	55.0	-
	EUR	130.0	-	-
Floor – receiver	USD	-	30.0	-
Floor – buyer	EUR	-	18.3	-

DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

Notional value	Currency	< 1 year	1 to 5 years	> 5 years
Swap – buyer	EUR	-	125.0	29.5

DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

Notional value	Currency	< 1 year	1 to 5 years	> 5 years
Cross currency swap	EUR/USD	-	-	27.4/30.0
Swap – receiver	USD	-	40.0	-
Cap – buyer	USD	-	55.0	-
Floor – buyer	USD	-	30.0	-

INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

Notional value	Currency	< 1 year	1 to 5 years	> 5 years
Cross currency swap - Lender EUR/Borrower USD	EUR/USD	-	18.3/20.0	-
Cap – buyer	EUR	130.0	-	-
Floor – buyer	EUR	-	18.3	-

Instrument valuations

Derivative instruments are recognized in accordance with the accounting principles and methods presented in note 11-4-1. All interest rate derivative instruments are thus valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39. As of 1 February 2013 and according to IFRS 13 standard, Neopost set up a credit risk methodology concerning the valuation of financial instruments. In light of the immaterial impacts of credit risk, Neopost decided not to recognize them in the financial statements at 31 January 2018.

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

	31 January 2017	Premium on new operations	Changes recognized in equity	Changes recognized in the income statement	31 January 2018
Financial assets (derivatives)	8.0	-	1.2	3.5	12.7
Debt and swap at fair value hedge	6.1	-	-	(2.0)	4.1
Derivative instruments qualified as cash flow hedges	1.9	-	1.2	3.2	6.3
Derivative instruments not eligible	-	-	-	2.3	2.3
Financial liabilities (derivatives)	0.2	-	(0.1)	(0.1)	-
Derivative instruments qualified as cash flow hedges	0.2	-	(0.1)	(0.1)	-
Derivative instruments not eligible	-	-	-	-	-

Sensitivity to interest rate variations

The impact on the accounts of an increase of 0.5% in the interest rates for the year ending 31 January 2018 is as follows:

	31 January 2018	Impact on equity	Income statement impact	31 January 2018
Financial assets (derivatives)	12.7	1.5	(2.8)	11.4
Debt and swap at fair value hedge	4.1	-	(2.8)	1.4
Derivative instruments qualified as cash flow hedges	6.3	1.5	-	7.7
Derivative instruments not eligible	2.3	-	-	2.3
Financial liabilities (derivatives)	-	-	-	-
Derivative instruments qualified as cash flow hedges	-	-	-	-
Derivative instruments not eligible	-	-	-	-

The impact on the accounts of a decrease of 0.5% on the interest rates for the year ending 31 January 2018 is as follows:

	31 January 2018	Impact on equity	Income statement impact	31 January 2018
Financial assets (derivatives)	12.7	(1.5)	2.8	14.0
Debt and swap at fair value hedge	4.1	-	2.8	6.9
Derivative instruments qualified as cash flow hedges	6.3	(1.5)	-	4.8
Derivative instruments not eligible	2.3	-	-	2.3
Financial liabilities (derivatives)	-	-	-	-
Derivative instruments qualified as cash flow hedges	-	-	-	-
Derivative instruments not eligible	-	-	-	-

Fixed income transaction counterparty risk

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

11-4-3: Liquidity risk

The Group believes that its cash flow before net cost of debt and income taxes (as defined in the consolidated statements of cash flow) will easily enable it to service its debt, given the current level of that debt. Group debt (United States private placement and revolving loan) is subject to compliance with covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants as at 31 January 2018.

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

As at 31 January 2018, the Group has 400 million euros in unused credit lines.

11-4-4: 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.

11-4-5: Dependence on suppliers

Neopost has hundreds of thousands of suppliers, none of which represents more than 1% of the sales. The main supplier of the Group is Benchmark, mid-range OEM supplier in Asia. In 2017, Benchmark accounted for 24.8% of total Group purchases in 2017 compared with 10.5% in 2016. The top five and the top ten suppliers respectively account for 26.0% and 34.1% of total Group purchases in 2017, compared with 18.4% and 25.6% in 2016.

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

11-4-6: Banking counterparty risk exposure

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

Regarding the offsetting of derivatives in accordance with IFRS 7, Neopost recorded derivatives under assets of 16.7 million euros before netting and recorded derivatives under liabilities of 0.1 million euros before netting. These transactions are carried out with eight banking partners. As at 31 January 2018, the offsetting would have no impact on the balance sheet records.

11-4-7: Brexit risk exposure

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

Note 12 Tax position

12-1 Accounting principles

In accordance with IAS 12, Neopost uses a balance sheet approach to account for deferred taxes. This consists of calculating the deferred tax on temporary differences, which are the difference between the tax base of an asset or liability and its book value on the balance sheet. Neopost also applies the variable carry-forward method.

Deferred taxes are valued at the tax rate, either in force or coming into force, which is expected to be applied for the year in which the asset is realized or the liability settled.

Due and deferred tax assets and liabilities are offset for a given tax authority where there is a legally enforceable right to offset.

The book value of deferred tax assets is revised at each accounting date and reduced if it is unlikely that adequate taxable profits will be available to make use of the benefit of all or part of the deferred tax asset. Unrecognized deferred tax assets are valued at each accounting date and are recognized if it is probable that future profits will make them recoverable.

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

12-2 Main tax rates

The rates used in the main countries to calculate current and deferred tax at 31 January 2018 are as follows:

	Current tax	Deferred tax
France	34.3%	34.3% - 25%
United Kingdom	20.0%	20.0%
Netherlands	25.0%	25.0%
United States	38.1%	26.1%
Germany	31.7%	31.7%

12-3 Tax proof

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

	31 January 2018	31 January 2017
Net income of consolidated companies before income tax	133.5	151.7
Tax rate for the consolidating Company	34.3%	34.3%
Theoretical income tax charge	45.8	52.0
Permanent differences	7.2	4.2
Income tax rate differences	(14.5)	(15.3)
Tax on dividends	(7.4)	1.4
ODIRNANE	(3.1)	(3.1)
Prior year tax repayment	(0.8)	(2.9)
Rate decrease (France and United States) and other exceptional items *	(25.6)	1.4
TOTAL INCOME TAX	0.8	37.7
EFFECTIVE TAX RATE	0.6%	25.1%

* This line is composed of (i) the application of a new tax rate in France as well as in the United States of America, applicable as of 1st January 2018, which led to a revaluation of the deferred tax mainly generated by the leasing activities and (ii) an impairment of tax loss carry forwards recognized as deferred tax assets as soon as it is deemed unlikely that the Group will be able to use it in the five next years.

	31 January 2018	31 January 2017
Current income tax charge	14.7	34.6
Deferred income tax charge	(13.9)	3.1
TOTAL INCOME TAX	(0.8)	37.7

12-4 Deferred tax assets and liabilities

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

	31 January 2017	Reclassifications	Changes recognized through equity	Changes recognized in the income statement	Scope variation	Foreign exchange differences	31 January 2018
Tax loss carry-forward	24.4	-	-	(22.0)	(1.1)	(0.3)	1.0
Pension provision	6.2	-	0.4	(0.4)	-	(0.1)	6.1
Expenses with deferred deductibility:							
• inventories and bad debt	7.4	-	-	(2.4)	-	(0.7)	4.3
• employees related provisions	3.0	-	-	(0.8)	-	(0.2)	2.0
• deferred income	10.4	-	-	(1.6)	-	(1.1)	7.7
• fixed assets amortization	51.7	-	-	(18.8)	-	(5.4)	27.5
• other expenses with deferred deductibility	3.8	-	-	(1.0)	(0.0)	(0.4)	2.4
Patents	3.3	-	-	-	-	-	3.3
Restructuring provisions	1.5	-	-	(1.0)	-	(0.1)	0.4
Other	2.8	-	(1.1)	(1.5)	(0.3)	0.1	0.0
Deferred tax assets before tax consolidation	114.5	-	(0.7)	(49.5)	(1.4)	(8.2)	54.7
Tax consolidation	(97.2)	47.1	-	-	-	-	(50.1)
DEFERRED TAX ASSETS	17.3	47.1	(0.7)	(49.5)	(1.4)	(8.2)	4.6

At 31 January 2018, the recognition of deferred tax assets was reviewed. The tax loss carry forwards recognized as deferred tax assets have been depreciated when it is deemed unlikely that the Group will be able to use these in the five next years. There is no significant non-activated tax loss as at 31 January 2018.

	31 January 2017	Reclassifications	Changes recognized through equity	Changes recognized in the income statement	Scope variation	Foreign exchange difference	31 January 2018
Eliminations on margin on inventories, rented and demo equipment	(6.2)	-	-	1.3	-	0.3	(4.6)
Capitalization of research and development expenses	23.5	-	-	0.8	-	(1.6)	22.7
Amortization of intangible assets recognized after purchase price allocation	19.0	-	-	(3.1)	-	(1.9)	14.0
Leasing activities	179.4	-	-	(54.4)	-	(19.8)	105.2
Amortization restatements	10.9	-	-	0.2	-	(0.2)	10.9
Goodwill amortization	44.0	-	-	(7.7)	-	(4.8)	31.5
Pension	10.4	-	2.1	0.2	-	(0.2)	12.5
Provisions with deferred deductibility	4.7	-	-	(0.4)	-	(0.4)	3.9
Other	8.9	-	1.1	(0.3)	-	(0.1)	9.6
Deferred tax liabilities before tax consolidation	294.6	-	3.2	(63.4)	-	(28.7)	205.7
Tax consolidation	(97.2)	47.1	-	-	-	-	(50.1)
DEFERRED TAX LIABILITIES	197.4	47.1	3.2	(63.4)	-	(28.7)	155.6
NET DEFERRED TAX	(180.1)	-	(3.9)	13.9	(1.4)	20.5	(151.0)

Note 13 Shareholders' equity and earnings per share

13-1 Shareholders' equity

13-1-1: Share capital

At 31 January 2018, the share capital totaled 34.6 million euros divided into 34,562,912 ordinary shares with a par value of 1 euro each. The share capital is fully released.

13-1-2: Additional paid-in capital

Additional paid-in capital represents the net amount received by the Company in excess of the par value on issuance, fully distributable. As at 31 January 2018, additional paid-in capital amounted to 52.9 million euros stable on 31 January 2017.

13-1-3: Reserves and retained earnings

This item mainly comprises cumulated net income over the years, as well as dividend payments and the delivery of free shares.

13-1-4: Cumulative translation adjustments

Financial statements of subsidiaries established in local currencies are translated into euros at the year-end exchange rate. Income and expenses are translated at the average exchange rate over the period.

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

Cumulative translation adjustments as at 31 January 2018 amounted to (48.6) million euros compared with 4.4 million euros at 31 January 2017.

13-1-5: Dividend per share

Consolidated retained earnings before appropriation of 2017 net income of the parent company amounted to 246.9 million euros as at 31 January 2018 compared with 25.4 million euros as at 31 January 2017.

A dividend of 1.70 euro should be paid, subject to the next General Annual Meeting's approval, in relation to 2017 financial results. An interim dividend of 0.80 euro was paid on 6 February 2018. The dividend paid in 2016 was 1.70 euro of which 0.80 euro was prepaid on 7 February 2017.

13-1-6: Liquidity contract and share buyback program

Equity instruments acquired by the Company are deducted from shareholders' equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of instruments representing shareholders' equity.

As at 31 January 2018, the Group held 153,027 shares within the framework of the liquidity contract and 10,761 shares for the purposes of fulfilling the commitments on the stock-option and free share attribution programs reserved for employees and Group executives. This compares with 108,167 and 4,268 respectively as at 31 January 2017.

Under the liquidity contract, shares cannot be sold freely by Neopost unless the contract is cancelled. This contract was signed in accordance with the French association of investment companies (AFEI) code of ethics, with Exane BNP Paribas.

Number of shares	31 January 2017	Bought	Sold	Free shares delivery	31 January 2018
Liquidity contract	108,167	672,605	(627,745)	-	153,027
Share-based payments	4,268	20,000	-	(13,507)	10,761

13-1-7: Equity management

In terms of equity management, the Group's objective is to maintain business continuity in order to generate a return for shareholders and to optimize cost of capital. The Group manages its capital structure in relation to economic conditions, and can adjust the amount of dividends and share buybacks accordingly.

13-1-8: Information on investors

Neopost carried out an analysis of its shareholder base as at 31 January 2018. No shareholder holding more than 3% of share capital has significant business dealings of any kind with Neopost.

13-2 Equity instruments issued

13-2-1: ODIRNANE issue

On 16 June 2015, Neopost S.A. issued a senior unsecured net share settled undated bond convertible into new shares and/or exchangeable for existing shares (ODIRNANE) for a notional

amount of 265 million euros representing 4,587,156 shares with a nominal value of 57.77 euros. This bond is traded on the open market *Freiverkehr* of the Frankfurt stock exchange.

Following the 0.80 euro dividend paid out on 6 February 2018, the ratio has since been adjusted to 1.207.

As at 31 January 2018, the amount of accrued coupons represents 1.1 million euros and is booked as current debt.

13-2-2: Put and call options

In 2015, Neopost and Temando signed put and call options deed on the basis of which Neopost would progressively acquire the remaining shares of Temando Holdings Pty Ltd. The amount of these options recognized in equity instruments as at 31 January 2017 was 35.3 million Australian dollars or 23.7 million euros.

In September 2017, the Group bought back all of Temando's minority shareholdings and now holds 100% of the Company's capital. The put and call options were reversed.

13-3 Earnings per share

13-3-1: Accounting principles

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

Fully-diluted earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would have been issued on conversion of all potential dilutive ordinary shares.

The calculation used to determine fully-diluted earnings per share only takes into account instruments with a dilutive effect. *i.e.* those which have the effect of reducing earnings

per share. It was considered that ODIRNANE has a dilutive impact.

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

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

13-3-2: Earnings per share calculation

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

	31 January 2018	31 January 2017
Net income – attributable to equity holders of the parent company	133.8	118.2
ODIRNANE dividends	(8.9)	(8.9)
Restated basic earnings	124.9	109.3
Effect of dilutive instruments:		
Dilutive stock options	-	-
Dilutive free shares	1.1	0.3
ODIRNANE conversion	8.9	8.9
Diluted net income (B)	134.9	118.5
Number of outstanding shares	34,399	34,451
Effect on a <i>pro rata</i> time basis of dividend payments in shares, the exercise of stock options, share buybacks for cancellation and liquidity contract	51	(23)
Weighted average number of shares outstanding (in thousands)^(a) (C)	34,450	34,428
Weighted average number of outstanding stock options, <i>pro rata</i> time basis	-	-
Weighted average number of outstanding free shares, <i>pro rata</i> time basis	243	213
Number of shares related to bonds (ODIRNANE), <i>pro rata</i> time basis	5,537	5,266
Number of shares fully diluted (in thousands)^(a) (D)	40,230	39,907
NET EARNINGS PER SHARE (IN EUROS) (A)/(C)	3.62	3.17
DILUTED NET EARNINGS PER SHARE (IN EUROS) (B)/(D)	3.35	2.97

(a) Weighted average over the period.

There are no anti-dilutive instruments.

Note 14 Post-closing events

Between the end of the financial year at 31 January 2018 and the approval of the consolidated financial statements by the Board of directors, there were no significant changes in the Group's commercial or financial situation or any significant acquisitions.

A new Chief executive officer, Geoffrey Godet, was appointed starting 1st February 2018 in order to be compliant with the recommendation to separate the functions of chief executive officer and Chairman of the Board of directors.

Note 15 Fees paid to the statutory auditors and members of their networks

Accounted for by the Group in 2017 and 2016:

	Ernst & Young				Finexsi Audit			
	Amount (before VAT)		%		Amount (before VAT)		%	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>(In thousands of euros)</i>								
Audit, certification and examination of individual and consolidated financial statements								
Issuer	528	531	22%	19%	234	222	88%	87%
Fully-consolidated subsidiaries	1,879	1,854	77%	66%	33	32	12%	13%
Other services than certification of financial statements								
Issuer*	22	41	1%	1%	-	-	-	-
Fully-consolidated subsidiaries	-	-	-	-	-	-	-	-
Audit sub-total	2,429	2,426	86%	86%	267	254	100%	100%
Other services provided by auditor and its network								
Acquisitions	40	203	1%	7%	-	-	-	-
Legal & tax	220	154	8%	5%	-	-	-	-
Other	118	43	5%	2%	-	-	-	-
Other services sub-total	378	400	14%	14%	-	-	-	-
TOTAL	2,807	2,826	100%	100%	267	254	100%	100%

* These services consisted of the work done by the auditors in relation with the interim dividend payment.

Statutory auditors' report on the financial statements

Finexsi Audit

14, rue de Bassano
75116 Paris
S.A. au capital de € 57 803
412 029 357 R.C.S. PARIS
Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et Autres

Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre
Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Year ended January 31, 2018

To the Annual General Meeting of Neopost S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying consolidated financial statements of Neopost S.A. for the year ended January 31, 2018

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at January 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from February 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Goodwill valuation

Risk identified	Our response
<p>Goodwill amounts to M€ 1,061 as at January 31, 2018. Goodwill is tested for impairment at least once a year or when there is an indication of impairment. Impairment tests are carried out at CGU level, CGUs generally corresponding to countries for the SME Solutions division and to product ranges for the other divisions. There are seventeen CGUs as at January 31, 2018. Impairment is recorded when the asset's recoverable amount is lower than its recoverable amount. Unless otherwise indicated, the Group uses the value in use to measure the recoverable amount of Goodwill at each CGU level.</p> <p>Value in use corresponds to the current value of the future cash flows that the Group expects to obtain from identified CGUs.</p> <p>Future cash flows are based on revenue growth assumptions over 5 years. Industrial margins and net assets are reallocated to the country where the equipment is installed and leasing margins and net assets are reallocated to the country where the signatories of finance lease contracts are located.</p> <p>The terminal value is calculated by applying a perpetuity growth rate to the last cash flow. The assumptions, sensitivity analyses and results of the tests performed are disclosed in further detail in Note 4-5 to the consolidated financial statements.</p> <p>Valuation of goodwill is considered to be a key audit matter, due to its significant amount and the fact that its valuation is largely based on management's judgment, particularly regarding the growth rate used for cash flow projections and the discount rate applied.</p>	<p>We obtained an understanding of the procedure and controls put in place by Neopost S.A.'s management for determining the recoverable amount of goodwill and the calculation of the impairment tests, in particular in the determination of the cash flows used in the calculation of the recoverable value.</p> <p>Regarding methodology applied, we:</p> <ul style="list-style-type: none"> • examined the conformity of the methodology applied in determining the CGUs with the IFRS in force; • assessed the integrity of the impairment model applied and the calculation formulas used. <p>We also analyzed the key assumptions used in the cash flow forecasts. Our work consisted in:</p> <ul style="list-style-type: none"> • comparing the projected cash flows with historical data; • analyzing the consistency of projected cash flows with the Group's strategic initiatives; • examining whether these future cash flows, amongst others, were based on the 2018-2020 strategic plan as prepared by management and presented by the Board of Directors; • assessing the long-term growth rates and discount rates applied to the impairment review for each CGU, comparing the rates utilized to third party evidence and in relation to the discount rate, our independently estimated discount rates; • assessing the sensitivity analyses in relation to key assumptions to consider the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, in particular relating to forecast future cash flows, including long-term growth rates and discount rates applied. <p>We also assessed the appropriateness of the disclosures in the consolidated financial statements.</p>

REVENUE ACCOUNTING

Risk identified

As described in Note 6-1 ("Sales") the Group assessed sales at the fair value of the consideration expected, net of any trade discount and volume rebates and excluding any VAT or other taxes. Sales are recognized at the date on which the Group transfers substantially all the risks and rewards of ownership to the buyer and retains neither continuing managerial involvement nor effective control over the goods sold.

The terms of the commercial contracts between the Group and its customers include the terms and conditions for the transfer of ownership and the performance of services. The analysis of those conditions is decisive for the correct accounting of revenue. The accounting standards for the registration of this type of contract require judgment in particular for complex contracts.

In particular, for financial leases, the Group recognizes a sale of equipment and records a receivable amounting to the net present value of lease payments receivable over the term of the financing.

For software and associated services and sales of patents, the Group recognizes revenue, as long as the following conditions are met:

- the group has entered into a legal binding agreement with a customer;
- the software or service has been delivered;
- license fees are fixed and there are no uncertainties on the completion of the contract;
- collection is probable.

An error in the analysis of the contractual obligations and their realization can lead to an erroneous accounting of the revenue

As a result, we have considered revenue recognition as a key audit matter, since it is sensitive to management's judgments and estimates, and therefore, may have a significant impact on the financial statements.

Our response

We performed walkthroughs to understand the procedures including IT systems implemented by the most significant components.

We analyzed the compliance of the revenue recognition rules with IFRS.

We evaluated and tested key controls on the process of revenue recognition for the most significant components.

We conducted disaggregated analytical procedures at the level of each scoped subsidiary, and at group level by geographic region, and by products to analyze changes in sales throughout the year.

We made selections on the turnover and examined:

- the related documentation to ensure the accounting on the correct accounting period;
- the documentation for some manual entries impacting the turnover accounts by focusing on non-recurrent transactions.

We also examined the relevance of the disclosures in the consolidated financial statements.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Neopost S.A. by the annual general meeting held on July 8, 2004 for Finexsi Audit and on September 9, 1997 for ERNST & YOUNG et Autres.

As at January 31, 2018, Finexsi Audit were in the fourteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres were in their twenty-first year (twenty years of which since securities of the Company were admitted to trading on a regulated market respectively).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

Statutory auditors' report on the financial statements

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, April 26, 2018

The Statutory Auditors
French original signed by

FINEXSI AUDIT

Lucas Robin

ERNST & YOUNG et Autres

Pierre Bourgeois

Management discussion and analysis of Neopost S.A.'s annual results

Unless otherwise indicated, all the amounts stated hereafter are in million of euros, rounded to one decimal place.

2017 Significant events

There was no significant event.

Operating income

Neopost S.A.'s operating profit amounted to 8.7 million euros compared with a profit of 9.1 million euros as at 31 January 2017.

Financial income/(expense)

Net financial income amounted to 66.1 million euros, down from 268.1 million euros last year. Dividends received by the Company totaled 101.5 million euros as at 31 January 2018 compared with 284.6 million euros for the prior year. Net interest income from Group subsidiaries rose to 21.4 million euros from 20.2 million as at 31 January 2017. Interest expense for external borrowings was 35.4 million euros, compared with 34.8 million euros one year previously.

Interest expenses: until 31 January 2017, the procedures for recognition of the long-standing borrowing, by the Company, were applied based on methods recommended by the PCG. Effective from 1st february 2017, the company chose to apply the preferential method, i.e. the spreading of issue costs for all the new contracts.

Extraordinary net income (loss)

Treasury share disposals under the liquidity contract generated 1.1 million euros (1.5 million euro as at 31 January 2017) in extraordinary income on capital transactions and 1.2 million euros (0.4 million euros as at 31 January 2017) in extraordinary expense. Moreover an exceptional amortization charge on intangible fixed assets capitalized in respect of the implementation of the Inéo platform in the amount of 5.7 million euros was recognized in the accounts on 31 January 2018, due to the abandonment of the project.

Income tax

Net income was positive 78.9 million euros (280.1 million euros as at 31 January 2017), after a net tax benefit totaling 1.6 million euros (1.9 million euros as at 31 January 2017) resulting from the tax consolidation system and recorded tax proceeds of 8.3 million euros in respect of the claim relating to a contribution of 3%, settled during dividend distribution by the Company in 2013, 2014 and 2015.

In accordance with article 223 quater of the French general tax code (CGI), the financial statements for the current year include 81,522 euros in non-tax-deductible expenses (article 39-4 of the CGI), but do not include non-tax-deductible general expenses (article 39-5 of the CGI).

Shareholders' equity

Neopost S.A.'s shareholders' equity amounted to 363.9 million euros as at 31 January 2018, an increase of 20.4 million euros year-on-year. This increase corresponds to the income for the 2017 financial year, after deduction of the 58.5 million euros in dividends paid or due to shareholders (an interim dividend of 27.5 million euros in respect of 2016 and 31.0 million euros for the balance in respect of 2016).

Maturity of suppliers debts

	31 January 2018	31 January 2017
Trade payables		
Not overdue (including accrued invoices)	4.5	9.3
Overdue	-	-
TOTAL	4.5	9.3

Suppliers are contractually paid in 30 days.

Five-year results table

	31/01/2014	31/01/2015	31/01/2016	31/01/2017	31/01/2018
Share capital					
Capital at year end closing	34.5	34.6	34.6	34.6	34.6
Number of shares	34,548,003	34,562,604	34,562,912	34,562,912	34,562,912
Operations and earnings					
Sales before tax	19.0	19.1	34.9	44.6	45.3
Earning before taxes, depreciation/amortization and provisions	45.0	64.2	40.5	277.0	83.3
Income taxes	12.2	8.0	6.6	1.9	9.9
Amortization expense and provisions	6.7	(1.7)	(0.2)	1.2	(14.3)
Net income	63.9	70.5	47.0	280.1	78.9
Distributed earnings	134.1	134.3	58.5	58.6	58.5
Earnings per share <i>(in euros)</i>					
Earnings after tax, before depreciation/amortization and provisions	1.66	2.09	1.36	8.07	2.70
Earnings after tax, depreciation/amortization and provisions	1.85	2.04	1.36	8.10	2.28
Dividends paid	3.90	3.90	1.70	1.70	1.70
Employees					
Average workforce	31	33	34	35	35
Payroll	6.2	6.4	5.6	5.6	5.6
Employee benefits paid (Social security, social welfare)	3.8	3.7	3.7	2.8	4.9

Dividends

The Board of directors has decided to submit a dividend of 1.70 euro per share for approval at the Annual General Meeting of shareholders on 29 June 2018 in respect of the 2017 financial year. If approved, the balance of 0.90 euro per share will be paid on 7 August 2018, following payment of an interim dividend of 0.80 euro per share on 6 February 2018. The balance of the 2017 dividend will be paid entirely in cash, as was the case with the interim dividend.

The Board of directors proposes the following allocation of income:

<i>(In euros)</i>	31 January 2018
Allocation of income subject to the approval of the Annual General Meeting of shareholders:	
• Retained earnings - before interim dividends	221,472,736.14
• Net income at 31 January 2018	78,918,634.27
• Deduction from issue premium	-
TOTAL	300,391,370.41
Allocation:	
• Legal reserve	-
• Interim dividends paid for 2017	27,519,899.20
• Balance of 2017 dividends	30,959,211.60
• Retained earnings	241,912,259.61
TOTAL	300,391,370.41

The total amount of dividends paid for the three previous years may be found in the table for the five previous financial years.

Statutory auditors' engagement

- Finexsi Audit, represented by Lucas Robin;
- Ernst & Young et Autres, represented by Pierre Bourgeois.

Post-closing events

There has been no material change in the Company's commercial or financial situation between the year-end closing at 31 January 2018 and the publication date of this report.

A new CEO, Geoffrey Godet, was appointed following the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer from 1st February 2018.

2018 outlook

Neopost S.A. will continue to act as the holding Company for the Neopost group.

Parent company statements of financial position

Parent company balance sheet

ASSETS

<i>(In millions of euros)</i>	Notes	31 January 2018	31 January 2017
Intangible fixed assets			
Gross value		66.3	67.0
Amortization		(33.5)	(26.1)
	(3)	32.8	40.9
Tangible fixed assets			
Gross value		0.1	0.1
Amortization		(0.1)	(0.0)
	(3)	0.0	0.1
Financial assets			
Gross value		1,486.4	1,507.9
Impairment		(10.9)	(10.9)
	(4)	1,475.5	1,497.0
Net receivables			
Net accounts receivable		20.1	28.1
Net other receivables		218.5	221.0
	(5)	238.6	249.1
Short-term investments and cash & cash equivalents			
Treasury stock		4.7	3.3
Short term securities		-	0.0
Cash & cash equivalents		110.2	29.4
	(6)	114.9	32.7
Financial derivative instruments		7.5	-
Prepaid expenses		4.6	4.0
Unrealized foreign exchange losses	(7)	12.0	0.9
TOTAL ASSETS		1,885.9	1,824.7

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

Parent company statements of financial position

LIABILITIES

<i>(In millions of euros)</i>	Notes	31 January 2018	31 January 2017
Share capital		34.6	34.6
Additional paid-in capital		52.9	52.9
Reserves		197.5	(24.1)
Net income		78.9	280.1
Shareholders' equity	(8)	363.9	343.5
Contingency and loss provisions			
Loss provisions		12.0	0.9
Contingency provisions		1.3	1.1
	(9)	13.3	2.0
Debt			
Bank loans		1,100.0	1,097.5
Other borrowings and debt		0.6	0.6
	(10)	1,100.6	1,098.1
Accounts payable			
Trade payables		4.5	9.3
Provisional dividends payable		27.5	27.6
Other operating liabilities		337.5	321.7
Taxes		0.3	2.6
		369.8	361.2
Financial derivative instruments		-	0.3
Overdrafts		1.9	3.0
Unrealized foreign exchange gains	(7)	36.4	16.6
TOTAL LIABILITIES		1,885.9	1,824.7

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

Parent company income statement

<i>(In millions of euros)</i>	Notes	31 January 2018	31 January 2017
Revenue from services		45.3	44.6
Reversal of depreciation, amortization and allowances		0.3	0.9
Revenue from operations		45.6	45.5
Other purchase costs and operating expenses		(33.4)	(33.0)
Other expenses		(0.4)	(0.4)
Depreciation, amortization and allowances		(3.1)	(3.0)
Operating expenses		(36.9)	(36.4)
Operating income	(11-1)	8.7	9.1
Investment income (dividends)		101.5	284.6
Investment income (interest)		24.4	23.0
Other interest and financial income		42.7	37.1
Reversals of depreciation, amortization and allowances		-	4.0
Financial income		168.6	348.7
Interest expenses		(90.0)	(78.5)
Commitment commissions		(1.0)	(1.4)
Depreciation, amortization and allowances		(11.5)	(0.7)
Financial expenses		(102.5)	(80.6)
Financial result	(11-2)	66.1	268.1
Current operating income		74.8	277.2
Extraordinary capital gains			
• proceeds from assets sales		-	-
• other		1.1	1.5
Extraordinary income		1.1	1.5
Extraordinary capital losses			
• net book value of assets sales		-	(0.1)
• extraordinary amortization charges on intangible fixed assets		(5.7)	-
• other		(1.2)	(0.4)
Extraordinary expenses		(6.9)	(0.5)
Extraordinary net income	(11-3)	(5.8)	1.0
Income tax	(11-4)	9.9	1.9
NET INCOME		78.9	280.1

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

Parent company statements of cash flow

<i>(In millions of euros)</i>	31 January 2018	31 January 2017
Net income	78.9	280.1
Depreciation and amortization expenses (reversal)	8.7	2.8
Contingency and loss provision (reversal)	11.3	0.3
Gains (losses) on changes in fair value	9.0	0.2
Funds generated from operations	107.9	283.4
(Increase) decrease in accounts receivable	8.0	(15.8)
Increase (decrease) in accounts payable	(4.8)	0.4
(Increase) decrease in other operating payables and receivables	22.7	(157.1)
Cash flow from operating activities (A)	133.8	110.9
Investments in intangible fixed assets	-	-
Investments in tangible fixed assets	(0.5)	(5.1)
Securities acquired and (increase) decrease in loans granted	(31.8)	(18.0)
Sub-total investments	(32.3)	(23.1)
Disposals of fixed assets	-	-
Cash flow from investment activities (B)	(32.3)	(23.1)
Dividends paid	(58.5)	(58.6)
New financial debts	204.7	36.8
Repayment of borrowings	(159.7)	(57.4)
Net change in other debts and accrued interest not yet matured	1.9	0.1
Cash flow from financing activities (C)	(11.6)	(79.1)
Impact of exchange rate changes on cash and cash equivalents (D)	(8.0)	9.4
Change in net cash & cash equivalents (A) + (B) + (C) + (D)	81.9	18.1
Opening cash & cash equivalents	26.4	8.3
CLOSING CASH & CASH EQUIVALENTS	108.3	26.4

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

Change in Neopost S.A. shareholders' equity

	Par value	Number of shares	Share capital	Additional paid-in capital	Reserves	Total
Shareholders' equity at 31 January 2016	EUR 1	34,562,912	34.6	64.5	22.9	122.0
2015 Dividends – balance payment	-	-	-	(11.6)	(19.4)	(31.0)
2016 Interim dividend payment	-	-	-	-	(27.6)	(27.6)
Net income	-	-	-	-	280.1	280.1
Shareholders' equity at 31 January 2017	EUR 1	34,562,912	34.6	52.9	256.0	343.5
2016 Dividends – balance payment	-	-	-	-	(31.0)	(31.0)
2017 Interim dividend payment	-	-	-	-	(27.5)	(27.5)
Net income	-	-	-	-	78.9	78.9
SHAREHOLDERS' EQUITY AT 31 JANUARY 2018	EUR 1	34,562,912	34.6	52.9	276.4	363.9

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

Notes to the parent company financial statements

For the financial years ended 31 January 2018 and 31 January 2017.

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



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Note 1 Presentation of the Company

Neopost S.A. is a French law company, listed in Paris stock exchange market and located at 42-46, avenue Aristide Briand, 92220 Bagneux (France).

Key dates:

1992: Neopost S.A. is the holding Company of the Neopost group, and was created through a leveraged buyout (LBO) of Alcatel's mail processing equipment division;

1997: a second LBO took place;

1999: Neopost was floated on the *Premier Marché* of Euronext Paris stock market on 23 February at a price of 15 euros per share;

2002: acquisition of Ascom Hasler the number 3 worldwide in Mail Solutions;

2009: Neopost enhanced its service offering with the acquisition of Satori Software, one of the world market leaders in postal address quality management tools;

2012: acquisition of GMC Software Technology, a leader in the market of Customer Communications management (CCM) and Human Inference, specialist in Data Quality and Master Data management (MDM);

2013: acquisition of DMTI Spatial, the leading Canadian provider of location-based data quality solutions;

2014: acquisition of ProShip, a leading American provider of high-volume multi-carrier parcel shipping solutions;

2015: acquisition of a majority stake in Temando Holding Pty Ltd, an Australian company providing logistic solutions for the e-commerce sector.

2016:

- Yamato Transport and Neopost formed a joint venture to launch an open parcel locker network in Japan;
- acquisition of icon Systemhaus GmbH, the German leader in Customer Communications Management solutions.

Highlights of 2017:

- disposal of DMTI Spatial;
- increasing participation of Temando, the stake percentage is 100%.

These event did not have an impact on Neopost S.A. accounts.

Note 2 Main accounting policies

The financial statements closed on 31 January 2018 are prepared in accordance with the measures of the French commercial code (articles L.123-12 to L.123-28) of the ANC regulation no.2014-03 dated 05/06/2014 modified by the ANC regulation no.2016-07 dated 26/12/2016 related to the general accounting plan and the French accounting regulatory committee (*Comité de la Réglementation Comptable* – CRC) regulations.

The provisions regarding financial derivative instruments have been supplemented by 2015-05 *Autorité des normes comptables* (ANC) regulation of 2 July 2015.

The following rules are applied in accordance with the prudence principle:

- business continuity;
- independence of financial years;
- continuity of accounting methods from one year to another;

and in accordance with the general rules of establishment and presentation of annual financial statements.

The basic method for valuing accounting entries is the historical cost method.

Since 1st February 2005, the Company applied regulations relating to the definition, measurement and recognition of assets (CRC regulation 04-06) and amortization or depreciation (CRC regulation 02-10).

Borrowings issue costs: until January 2017, the procedures for recognition of the long-standing borrowing, by the Company, were applied based on methods recommended by the PCG. Effective from 1st february 2017, the company chose to apply the preferential method, i.e. the spreading of issue costs over the contract duration. The impact of this new method is not significant.

8.3 million euros in tax proceeds were recognized in January 2018, in respect of the claim relating to a contribution of 3%, settled during dividend distribution by the Company in 2013, 2014 and 2015.

Note 3 Intangible fixed assets and tangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at cost (purchase price plus related expenses)

Assets are amortized on a straight-line basis according to their useful lives.

The most common amortization periods are as follows:

- IT implementation projects: five or seven years;
- patent & software: five years;
- fixtures: ten years;
- office furniture and equipment: four, five or eight years.

	Intangible fixed assets	Tangible fixed assets
Net book value at 31 January 2016	38.6	0.1
Acquisitions	5.1	0.0
Amortization	(2.8)	(0.0)
Net book value at 31 January 2017	40.9	0.1
Acquisitions	0.5	0.0
Amortization	(8.6)	(0.1)
NET BOOK VALUE AT 31 JANUARY 2018	32.8	0.0

An exceptional amortization charge on intangible fixed assets capitalized in respect of the implementation of the Inéo platform in the amount of (5.7) million euros was recognized in the accounts on 31 January 2018, due to the abandonment of the project.

Note 4 Financial assets

Financial assets are valued at their acquisition cost (purchase price plus related expenses) or at their contribution value.

An impairment test is carried out at least once a year. The Group projects future cash flows. These cash flows are based on revenue and operating income growth assumptions over five years. The valuation of majority

stakes is reviewed every year. The discounting rate is the weighted average cost of capital after tax to which a specific risk premium might be added.

The deposit account opened at Exane BNP Paribas for the liquidity contract, which has investments in money market funds, falls into that category.

Parent company statements of financial position

	31 January 2018	31 January 2017
Investments – Gross value		
Mail Finance	8.6	8.6
Mailroom Holding BV	26.0	26.0
Mailroom Holding Inc.	246.2	246.2
Neopost AG	12.5	12.5
Neopost Asia-Pacific (Holding) Pte Ltd	2.9	2.9
Neopost Canada Ltd	9.3	9.3
Neopost Danmark A/S	16.1	16.1
Neopost Finance (Ireland) Ltd	15.0	15.0
Neopost Finance Finland Oy	0.0	0.0
Neopost Finland Oy	2.9	2.9
Neopost France	194.9	194.9
Neopost GmbH & Co. KG	43.3	38.8
Neopost Holdings Ltd	77.9	77.9
Neopost Holdings Pty Ltd	43.2	43.2
Neopost Industrie	0.0	0.0
Neopost Ireland Ltd	1.0	1.0
Neopost Japan	3.1	3.1
Neopost Mailing Logistic Systems	0.0	0.0
Neopost Norge AS	4.5	4.5
Neopost Nv	0.5	0.5
Neopost SDS Ltd	4.6	4.6
Neopost Services	2.5	2.5
Neopost Shipping Holding Pty Ltd	20.5	20.5
Neopost Shipping	7.2	7.2
Neopost Srl	1.3	1.3
Neopost Sverige AB	10.7	8.8
Neopost Technology (Holdings) Ltd	33.7	33.7
Neopost Verwaltung GmbH	3.3	3.3
Neotouch Cloud Solutions Dac	0.0	0.0
Quadient Group AG	132.3	132.3
RENA GmbH	6.3	6.3
Packcity SAS	0.5	0.5
AMS Investissement	0.1	0.1
Docapost BPO IS	2.4	2.4
X'Ange Capital	0.1	0.2
X'Ange Capital 2	4.0	3.8
Partech Entrepreneur II	3.8	2.2
Investments – Total gross value	941.2	933.1
Loans to subsidiaries	543.8	572.4
Equity loan to Neopost Mailing Logistic Systems	0.3	0.3
Liquidity contract	1.1	2.1
Total gross value	1,486.4	1,507.9
Impairment		
Neopost SDS Ltd	(4.6)	(4.6)
RENA GmbH	(6.3)	(6.3)
TOTAL NET VALUE	1,475.5	1,497.0

The changes in financial assets over the period are mainly due to:

- the increase in Neopost GmbH & Co. KG participation of 4.5 million euros;
- the increase in Neopost Sverige AB participation of 1.9 million euros;
- the purchase of a stake in X'Ange Capital 2 for 0.2 million euros;

- the purchase of a stake in Partech Entrepreneur II for 1.6 million euros;

- and the decrease of (28.6) million euros in long-term loans to the Group's subsidiaries.

An impairment test was carried out on Neopost S.A. investments at 31 January 2018, no impairment was noted during the year.

Note 5 Receivables

Trade receivables are valued at their nominal value. When appropriate, provisions have been booked to take into

account potential recovery difficulties.

	31 January 2018	31 January 2017
Subsidiary current accounts – cash facility:		
Quadient Data Netherlands BV	4.1	3.1
DMTI Spatial	-	2.4
FrancoTech GmbH	0.8	0.8
Quadient USA Inc.	4.4	7.8
Quadient Canada Inc.	3.0	3.4
Quadient Data Germany GmbH	1.0	1.1
Quadient Data UK Ltd	2.1	1.8
Quadient Singapore Pte Ltd	2.7	4.9
Quadient Australia Pty Ltd	2.0	2.1
Quadient France SAS	0.8	1.8
Quadient Software Spain SA	0.6	2.0
Quadient Italy srl	1.6	1.5
Quadient Poland Sp. z o.o	0.9	-
Quadient s.r.o	3.6	3.1
Quadient UK Ltd	-	2.1
Mail Finance Inc.	-	17.1
Mailroom Finance Inc.	33.0	24.3
Mailroom Holding BV	3.3	2.3
Neopost AG	1.3	1.4
Neopost Asia-Pacific (Holding) Pte Ltd	0.0	0.0
Neopost Digital Solutions	10.2	-
Neopost Finance Ltd	3.3	0.2
Neopost Finance (Ireland) Ltd	64.5	86.6
Neopost France	0.7	5.5
Neopost Global Services Ltd	0.2	1.1
Neopost GmbH & Co. KG	5.4	6.8
Neopost Holdings Pty Ltd	-	3.1
Neopost International Supply Ltd	1.8	-
Neopost Ltd	1.0	-
Neopost SDS Ltd	3.3	-
Neopost Srl	12.3	5.2
Neopost Rental Srl	3.5	3.5
Neopost Japan	2.5	3.7
Neopost Software GmbH	1.7	-
Neopost Technologies	3.3	4.4
Packcity SAS	5.8	4.7
ProShip Inc.	5.6	3.8
Temando LLC	5.2	-
Temando UK Ltd	2.1	1.4
Other	2.0	3.8
Total subsidiary current accounts	199.6	216.8
Accounts receivables (intercompany billing services)	20.1	28.1
Tax receivables	12.3	1.5
Accrued income	2.3	0.8
Other	4.2	1.9
Total gross value	238.6	249.1
Impairment	-	-
TOTAL NET VALUE	238.6	249.1

Parent company statements of financial position

Total receivables variation (238.6 million euros as at 31 January 2018 compared to 249.1 million euros as at 31 January 2017) is mainly explained by a decrease of short-term advances to subsidiaries for 17.2 million euros, by a decrease of 8.0 million euros of receivables from subsidiaries related to intercompany billing services and the increase in the receivable from the French government in the amount of

10.8 million euros, largely owing to 8.3 million euros recorded in respect of the claim relating to a contribution of 3%, settled during dividend distribution by the Company in 2013, 2014 and 2015.

Receivables are paid in 30 days.

The breakdown by maturity at 31 January 2018 is as follows:

	Gross value	Less than 1 year	More than 1 year
Loans	544.1	-	544.1
Other financial assets	1.1	-	1.1
Tax receivables	12.3	12.3	-
Group and related entities	199.6	199.6	-
Receivables and related accounts	20.1	20.1	-
Accrued income	2.3	2.3	-
Other receivables	4.2	4.2	-
TOTAL	783.7	238.5	545.2

Note 6 Short-term investments

Short-term investments and cash & cash equivalent are made up of treasury shares, short term securities and cash & cash equivalents. Short-term securities are valued using the First In First Out (FIFO) method. When the realizable value is lower than the acquisition cost, depreciation is recorded in the financial result for the amount of that difference.

Since 2008, the Group applies the CRC 2008-15 rules relative to accounting for stock-option and free share attributions. As soon as it is likely that the entity will deliver existing shares to the plan beneficiaries, a liability (contingency provision) should be accounted for, on the basis of a probability that an outflow of resources will be necessary: the value of the outflow of resources is estimated on the basis of the probable cost of buying back the shares if they are not already held or of their entry cost on the date of plan allocation, determined in accordance with the following principles:

- if the allocation of options and free shares is subject to the fact that the beneficiary is still in the Company's staff during a certain period of time, the accounting method for this liability is spread over the vesting period. The free shares attribution expenses are recorded in the income statement on the line employees expenses;
- the treasury shares allocated to specific plans remain measured at the acquisition cost and will not be depreciated. The booking cost is the cost to acquire these shares (if the shares have been allocated to a specific plan from their acquisition) or their net book value at the plan allocation date in the case of a future allocation. The shares acquired with a view to be attributed to employees and that are not attached to a determined plan remain measured according to general rules that apply to short-term investments.

	31 January 2018	31 January 2017
Short-term investments and cash & cash equivalents		
Treasury shares	4.7	3.3
Securities	-	0.0
Cash	110.2	29.4
TOTAL	114.9	32.7

Treasury shares

The number of treasury shares at the end of January 2018 is 163,788 of which 153,027 are held for the liquidity contract and 10,761 with the aim of fulfilling the obligations of the stock-option and free share plans attributed to employees and directors of the Group.

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

The transactions in 2017 are the following:

	31 January 2017		Bought		Sold		Transferred		31 January 2018	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Liquidity contract	108,167	3.2	672,605	23.3	(627,645)	(21.9)	-	-	153,027	4.3
Coverage of obligations	4,268	0.1	20,000	0.8	-	-	(13,507)	(0.5)	10,761	0.4
TOTAL	112,435	3.3	692,605	23.8	(627,745)	(21.9)	(13,507)	(0.5)	163,788	4.7

Note 7 Transactions in foreign currencies

A translation adjustment is determined for each asset or liability denominated in a foreign currency, at the closing exchange rate. Translation differences are offset between assets and liabilities denominated in one currency and having the same maturity.

Assets and liabilities translation differences are offset between hedging financial instruments (exchange rate futures) and the appropriate receivables and payables. This offset amounted to 15.3 million euros at 31 January 2018. After offset, the

translation adjustment asset came out at 12.0 million euros and the translation adjustment liability at 36.4 million euros. An allowance equivalent to the amount of foreign exchange assets is recorded.

Note 8 Shareholders' equity

8-1 Capital

At 31 January 2018, the share capital totaled 34.6 million euros divided into 34,562,912 ordinary shares with a par value of 1 euro each, the share capital is fully released. There was no change during 2017.

8-2 Additional paid-in capital

Additional paid-in capital represents the net amount received by the Company in excess of the par value on issuance, fully distributable. At 31 January 2018, additional paid-in capital amounted to 52.9 million euros. There was no change in the 2017.

8-3 Reserves, retained earnings

This item mainly comprises cumulated net income over the years and dividend payments.

8-4 Dividend per share

Consolidated retained earnings before appropriation of 2017 net income of the parent company amounted to 246.9 million euros as at 31 January 2018 compared with 25.4 million euros as at 31 January 2017.

A dividend of 1.70 euro will be paid in relation to 2017 financial results of which 0.80 euro was prepaid on 6 February 2018. The dividend relative to 2016 fiscal year was 1.70 euro of which 0.80 euro was prepaid on 7 February 2017.

Note 9 Contingency and loss provisions

Contingency and loss provisions, accounted for in accordance with CRC regulation no. 2000-06, are intended to cover risks and expenses that events occurring during the year or developments make likely. The purposes of the

provisions are clear but their realization, timing or amounts are uncertain. The provision amount corresponds to the best possible estimate of the cash payment for which there is no equivalent offset.

	31 January 2017	Added	Used	Non-used	31 January 2018	Expiry
Loss provisions						
Unrealized foreign exchange losses	0.9	11.1	-	-	12.0	n/a
Total loss provisions	0.9	11.1	-	-	12.0	
Contingency provisions						
Retirement indemnities	0.7	0.1	-	-	0.8	n/c
Treasury shares	0.1	0.8	(0.5)	-	0.4	1 to 2 years
Phantom shares	0.1	0.1	(0.1)	-	0.1	2 to 4 years
Others	0.2	1.3	(1.5)	-	0.0	n/a
Total contingency provisions	1.1	2.3	(2.1)	-	1.3	
TOTAL	2.0	13.4	(2.1)	-	13.3	

Treasury shares

At 31 January 2018, the Group has 153,027 shares held for the liquidity contact and 10,761 shares to fulfill the commitments on the stock-option and free share attribution

programs for employees and Group executives, compared with 108,167 shares and 4,268 shares as at 31 January 2017.

	31 January					31 January
	Number	2017	Added	Used	Non-used	Number
TOTAL	4,268	0.1	0.8	(0.5)	-	10,761

Deferred incentive plan (phantom share plan)

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

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

Since 2013, four deferred incentive plans were set up. July 2017 plan amounted to 78,020 phantom shares granted to the whole group Neopost employees.

During 2017 an impairment of 0.1 million of euros has been booked and a reversal of 0.1 million of euros has been booked as well. This provision is adjusted at each closing.

Deferred incentive plan	Number of shares granted to Neopost S.A. employees
Plan January 2013	6,500
Plan January 2014	2,550
Plan January 2015	2,500
Plan July 2016	3,700
Plan March 2017	2,100

Note 10 Financial debt

At 31 January 2018 and 2017, debt breaks down as follows:

	Less than one year	One to five years	More than five years	31 January 2018	31 January 2017
Undated bonds (ODIRNANE) ^(a)	1.1	265.0	-	266.1	266.1
Bonds issue – Neopost S.A. 3.50% ^(b)	0.8	150.0	-	150.8	150.8
Bonds issue – Neopost S.A. 2.50% ^(c)	5.3	349.1	-	354.4	354.2
United States private placements ^(d)	4.7	77.1	40.1	121.9	266.0
Schuldschein ^(e)	2.1	120.6	83.9	206.6	-
Revolving credit facility ^(f)	0.2	-	-	0.2	60.4
Borrowing from Neopost Ireland Ltd	-	0.6	-	0.6	0.6
TOTAL	14.2	962.4	124.0	1,100.6	1,098.1

(a) On 16 June 2015, NEOPOST S.A. issued a net share settled undated senior unsecured bonds 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.

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

(c) Neopost issued an inaugural 350 million euros public bond on 23 June 2014 quoted on Euronext Paris under ISIN number FR0011993120 after filing a prospectus with the Autorité des Marchés Financiers (approval number 14-310 of 19 June 2014). This bond carries a fixed interest of 2.50% and is payable on 23 June 2021.

(d) On 20 June 2012, Neopost concluded a private placement in the United States consisting of five tranches with different maturities between four and ten years for a total of 175 million United States dollars. The different tranches bear a fixed interest rate of between 3.17% and 4.50% depending on the maturity of the tranche. On 24 April 2017, Neopost prepaid 60 million United States dollars and on 14th November 2017 prepaid 19 million United States dollars. On 20 June 2017, Neopost repaid 5 million United States dollars which matured. The amount of the private placement is 61 million United States dollars at the end of January 2018.

A complementary 50 million United States dollars tranche with a maturity of six years was set up in October 2013. The new issue was finalized on 23 January 2014 at a variable rate of three-month LIBOR USD. The debt was prepaid on 24 April 2017.

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

(e) In February 2017, Neopost concluded private placements under German law (Schuldschein) consisting of ten tranches with different maturities between three and six years for a total amount of 135 million euros and 86.5 million United States dollars.

(f) On 20 June 2017, Neopost arranged a revolving credit line for drawdown in euros and in United States dollars for an initial amount equivalent to 400 million euros for a period of five years in replacement of the revolving credit facility concluded on 17 January 2013. The interest rate is indexed to the 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 January 2018, Neopost do not used that credit facility.

Parent company statements of financial position

With the exception of the Neopost S.A. 2.50% bond issue which is not subject to any covenant, the various debts (bonds, private placements and revolving credit facilities) are

subject to financial covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complies with all covenants at 31 January 2018.

Maturities and liabilities as at 31 January 2018 are as follows:

	Gross value	Less than 1 year	One to five years	More than 5 years
Undated bonds (ODIRNANE)	266.1	1.1	265.0	-
Bonds issue – Neopost S.A. 3.50%	150.8	0.8	150.0	-
Bonds issue – Neopost S.A. 2.50%	354.4	5.3	349.1	-
United States private placements	121.9	4.7	77.1	40.1
<i>Schuldschein</i>	206.6	2.1	120.6	83.9
Bank loans	0.2	0.2	-	-
Borrowing from Neopost Ireland Ltd	0.6	-	0.6	-
Trade payables	4.5	4.5	-	-
Provisional dividends payable	27.5	27.5	-	-
Tax and social security liabilities	3.6	3.6	-	-
Other debt	334.2	334.2	-	-
TOTAL	1,470.4	384.0	962.4	124.0

Note 11 Income statement

11-1 Operating income

Neopost S.A.'s operating profit amounted to 8.7 million euros compared with a profit of 9.1 million euros at 31 January 2017 and breaks down as follow:

	31 January 2018	31 January 2017
Assistance to subsidiaries	16.2	17.7
Brand royalties	8.7	9.1
Rebilling of costs paid on behalf of subsidiaries	20.4	17.8
Reversal of depreciation, amortization	0.3	0.9
Revenue from operations	45.6	45.5
Wages, bonuses, commissions and payroll charges	(10.5)	(8.4)
Fees	(3.9)	(3.7)
Expenses related to acquisitions	(0.2)	(1.9)
Purchases, maintenance costs	(8.0)	(7.0)
Transport and travel	(3.1)	(4.7)
Staff seconded	(3.8)	(4.9)
Insurance	(0.5)	(0.7)
Taxes	(1.0)	(0.2)
Rents and associated costs	(1.1)	(0.9)
Directors' fees	(0.3)	(0.4)
Loss on treasury shares delivered for the allocation of free shares	(0.5)	(0.3)
Borrowing expenses	(0.7)	(0.1)
Depreciation and amortization expenses	(3.1)	(3.0)
Other expenses	(0.2)	(0.2)
Operating expenses	(36.9)	(36.4)
Operating income	8.7	9.1

The brand name contract and management fees contract generated an income of 24.9 million euros as at 31 January 2018 compared with 26.8 million euros as at

31 January 2017. The expenses incurred by the division SME Solutions were billed to the concerned entities.

Parent company statements of financial position

The operating expenses include a cost of 0.5 million euros due to the loss on treasury shares delivered for the allocation of free shares (0.3 million euros at 31 January 2017).

Date	Number of shares granted	Loss on treasury shares
01/07/2015	7,692	0.5

11-2 Financial income/(expenses)

Net financial income amounted to 66.1 million euros compared with 268.1 million euros a year before and breaks down as follows:

	31 January 2018	31 January 2017
Interest expenses on external borrowings	(35.4)	(34.8)
Net income on internal loans and borrowings	21.4	20.2
Dividends received	101.5	284.6
Revenue from disposals of securities	0.1	0.0
Other financial products	2.5	4.9
Net gain on foreign exchange and swaps	(12.5)	(10.1)
(Provision)/reversal for losses on foreign exchange	(11.2)	(0.6)
Reversal of impairment on receivables	-	4.0
Reversal of impairment on equity investments	(0.3)	(0.1)
TOTAL	66.1	268.1

Interest expenses: until January 2017, the procedures for recognition of the long-standing borrowing, by the Company, were applied based on methods recommended by the PCG.

Effective from 1st february 2017, the company chose to apply the preferential method, i.e. the spreading of issue costs for all the new contracts.

11-3 Extraordinary income

Treasury shares disposals under the liquidity contract generated extraordinary income from capital transactions of 1.1 million euros (1.5 million euros at 31 January 17) and extraordinary expenses from capital transactions of 1.2 million euros (0.4 million euros at 31 January 2017). An exceptional

amortization charge on intangible fixed assets capitalized in respect of the implementation of the Inéo platform in the amount of (5.7) million euros was recognized in the accounts on 31 January 2018 due to the abandonment of the project.

11-4 Income tax

Neopost S.A. is the parent company of an integrated tax group under the terms of article 223A of the French general tax code. In this context, Neopost S.A. is only liable for income tax due by its subsidiaries with a view to determining the whole Group's earnings. The tax consolidation agreement used in the Group is based on the principle of neutrality and provides that the tax burden is borne by the Company as in the absence of tax

consolidation. The tax is thus calculated on the Company's own taxable income. The tax savings realized by the Group, through losses, adjustments or tax credits, are retained by the parent company and regarded as an immediate gain for the year (in a year in which the Company show some profits, the parent company will then bear a tax charge).

Non-deductible tax expenses:

In accordance with article 223 quater of the French general tax code, the financial statements for the financial year ended 31 January 2018 contain 81,522 euros of non-deductible expenses for income tax (article 39-4 of the French general tax code), but do not contain overhead costs, which are non-deductible for tax purposes (article 39-5 of the French general tax code).

The French tax consolidation group included the following companies in 2017:

- Neopost France;
- Neopost Services;
- Mail Finance;
- Neopost Industrie S.A.;
- Neopost Technologies S.A.;
- Neopost Shipping.

Parent company statements of financial position

The employment and competitiveness tax credit (*Crédit d'impôt pour la Compétitivité et l'Emploi – CICE*) coming from the tax consolidation amounted to 1.6 million euros as at 31 January 2018 compared with 1.4 million euros as at 31 January 2017.

For 2017, the tax benefit coming from the tax consolidation was 1.6 million euros (1.9 million euros for 2016).

8.3 million euros in tax proceeds was recognized, on January 2018, in respect of the claim relating to a contribution of 3%,

settled during dividend distribution by the Company in 2013, 2014 and 2015.

Losses carried forward amounted to 56.7 million euros as at 31 January 2018. A tax loss carry forward of 4.9 million euros was used as at 31 January 2017. The group tax result submitted to ordinary tax rate is a loss and the group tax result submitted to the reduced tax rate is a profit.

Net income amounted to 78.9 million euros (280.1 million euros as at 31 January 2017).

	Income before tax	Theoretical tax	Net income
Current income	74.8	2.1	76.9
Extraordinary income (loss)	(5.8)	2.0	(3.8)
Sub-total	69.0	4.1	73.1
Tax credits offsetting	-	1.7	1.7
Additional 3% tax on dividends	-	(0.9)	(0.9)
Claim of additional 3% tax on dividends	-	8.3	8.3
Effect of tax consolidation	-	(3.3)	(3.3)
TOTAL	69.0	9.9	78.9

Note 12 Information on associated companies

Figures for associated companies break down as shown below:

	31 January 2018	Associated companies	
		Majority stake	Minority stake
Financial assets	1,475.5	1,465.1	10.4
Receivables	219.7	219.7	-
Financial debt	0.6	0.6	-
Financial expenses	3.0	3.0	-
Financial income (interest)	24.4	24.4	-
Financial income (dividends)	101.5	100.8	0.7

Note 13 Risk management and financial instruments

The n°2015-05 Autorité des normes comptables (ANC) regulation of July 2, 2015 regarding forward financial derivative instruments and hedging operations is applicable since 1st January 2017.

The foreign exchange forward contracts and options outstanding as at 31 January are reassessed at that date.

Unrealized gains or losses resulting from this revaluation are:

- accounted for in compensation of unrealized gains or losses on assets or liabilities hedged by these instruments;
- deferred if these instruments have been allocated to operations related to the following year.

The effects of interest rate hedges (swaps, forward rate agreements, caps, etc.) are calculated using a *prorata temporis* over the contract's length, and accounted for in interest expenses for the year.

Parent company statements of financial position

13-1 Liquidity risk

The Group's cash requirement and the debt servicing account form a significant proportion of its cash flow.

The Group believes that its cash flow (defined in the consolidated cash flow statement in part 5 of this document) will enable it to service its debt, given the current level of business. However, this ability will depend on the Group's future performance, which is partly related to the economic cycle, which the Group cannot control. No guarantee can therefore be given regarding the Group's ability to cover its financial needs.

With the exception of the Neopost S.A. 2.50% bond issue, which is not subject to any covenant, the various debts (bonds, private placements and revolving credit facilities) are subject to financial covenants. Failure to comply with these covenants may lead to early repayment of the debt. Neopost complies with all covenants at 31 January 2018.

13-2 Exchange rate risk hedging

Risk management policy

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

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

Neopost uses the services of an independent consultancy based in Paris. This company assists Neopost in the Group's exchange rate risk hedging policy and values its portfolios, thus ensuring continuity of methodology and providing an opinion independent of any financial institution.

Neopost S.A., as the centralizing company, grants foreign exchange contracts at guaranteed exchange rates to subsidiaries exposed to exchange rate risks, and reverses the resulting positions in the market.

Year-end position

The tables below show Neopost S.A.'s year-end hedging positions.

FINANCIAL YEAR 2017 – ASSETS AND LIABILITIES HEDGING: HEDGING POSITIONS COVERING FINANCIAL ASSETS OR LIABILITIES ON NEOPOST S.A.'S BALANCE SHEET AT 31 JANUARY 2018 AND EXPECTED TO BE REALIZED NO LATER THAN APRIL 2018

(Notional value)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Neopost S.A. financial assets	6.0	0.5	0.2	0.8	11.0	1.3	1.0	0.7	0.4	0.1	1.6	0.0
Foreign exchange contract assets	41.0	8.7	5.4	8.4	1,642.8	5.9	16.2	11.1	6.6	(0.2)	3.2	1.5
Total assets	47.0	9.2	5.6	9.2	1,653.8	7.2	17.2	11.8	7.0	(0.1)	4.8	1.5
Neopost S.A. financial liabilities	2.4	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	-	0.2	-
Foreign exchange contract liabilities	23.3	9.7	5.6	1.3	194.0	4.1	11.2	7.8	146.4	3.8	1.4	0.4
Total liabilities	25.7	9.8	5.6	1.3	194.1	4.1	11.2	7.8	146.5	3.8	1.6	0.4
Net exposure before hedging	21.3	(0.6)	-	7.9	1,459.7	3.1	6.0	4.0	(139.5)	(3.9)	3.2	1.1
Neopost S.A. hedging	(23.2)	-	1.4	-	(901.6)	(0.8)	10.9	-	122.1	(0.6)	-	-
NET EXPOSURE AFTER HEDGING	(1.9)	(0.6)	1.4	7.9	558.1	2.3	16.9	4.0	(17.4)	(4.5)	3.2	1.1

Neopost uses notably symmetrical options tunnels. These instruments are unlikely to be exercised in a reciprocal manner in terms of the spot exchange rate or expiry date. As a result, for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was 2.0 million United States dollars sold and 100.0 million Japanese yen sold.

Neopost also makes use of asymmetrical options tunnels. The asymmetrical part of this kind of transaction is presented in the table above with a view to reflecting the Group's commitment as closely as possible. By currency the asymmetrical part is as follows: 2.0 million United States dollars sold and 50.0 million Japanese yen sold.

Parent company statements of financial position

2018 BUDGET: HEDGING POSITIONS COVERING ANTICIPATED FINANCIAL ASSETS AND LIABILITIES IN FINANCIAL YEAR 2018 EXPECTED TO BE REALIZED NO LATER THAN APRIL 2019

(Notional value)	USD	GBP	CAD	NOK	JPY	SEK	CHF	DKK	CZK	SGD	AUD	PLN
Neopost S.A. projected financial assets	22.6	3.2	0.8	3.4	29.0	5.0	3.7	2.5	2.5	0.1	5.2	0.2
Foreign exchange contract assets	158.8	38.0	14.0	40.2	3,130.3	65.5	39.6	31.6	30.7	9.2	21.1	1.6
Total assets	181.4	41.2	14.8	43.6	3,159.3	70.5	43.3	34.1	33.2	9.3	26.3	1.8
Neopost S.A. projected financial liabilities	15.0	1.0	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.0	0.3	0.0
Foreign exchange contract liabilities	112.5	27.8	10.1	3.0	875.1	9.5	38.8	6.4	475.4	9.7	1.2	3.1
Total liabilities	127.5	28.7	10.2	3.1	875.2	9.5	39.1	6.5	475.5	9.7	1.5	3.1
Net exposure before hedging	53.8	12.4	4.6	40.5	2,284.1	61.0	4.2	27.6	(442.3)	(0.4)	24.8	(1.3)
Neopost S.A. hedging	(42.2)	(7.0)	(3.3)	(18.5)	(1,200.0)	(29.5)	-	(8.5)	140.0	-	(13.0)	-
NET EXPOSURE AFTER HEDGING	11.7	5.4	1.3	22.0	1,084.1	31.5	4.2	19.1	(302.3)	(0.4)	11.8	(1.3)

Neopost uses symmetric options tunnels in particular. These option instruments are unlikely to be exercised in a 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 was 11.5 million United States dollars sold, 2.0 million pounds sterling sold, 1.2 million Canadian dollars sold, 6.5 million Norwegian kroners sold, 550.0 million Japanese yen, 11.0 million Swedish kroners sold and 5.5 million Australian dollars sold.

Neopost also makes use of asymmetric options tunnels. The asymmetric part of this kind of options is presented in the table above with a view to reflecting the Group's maximum commitment. The asymmetric part by currency is as follows: 11.5 million United States dollars sold, 2.0 million pounds sterling sold, 1.0 million Canadian dollars sold, 6.5 million Norwegian kroners sold, 350.0 million Japanese yen, 11.0 million Swedish kroners sold and 4.0 million Australian dollars sold.

Hedging instruments

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

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

Parent company statements of financial position

Instrument details

The instruments in the portfolio have a maturity of less than twelve months at 31 January 2018. These instruments are listed below by type and by currency for the period to which they relate.

2017 – ASSETS AND LIABILITIES HEDGING

Notional value – Cash flow hedging	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	19.2	2.0	-	-	4.0
GBP	0.5	0.5	-	-	-	-
CAD	1.9	0.5	-	-	-	-
JPY	-	751.6	100.0	-	-	150.0
SEK	-	0.8	-	-	-	-
CHF	10.9	-	-	-	-	-
CZK	122.1	-	-	-	-	-
SGD	-	0.6	-	-	-	-

2018 BUDGET – HEDGING OF ANTICIPATED POSITIONS

Notional value - Total	Forward purchases	Forward sales	Put options bought	Put options sold	Call options bought	Call options sold
USD	-	19.2	19.5	-	-	23.0
GBP	-	3.0	2.0	-	-	4.0
CAD	-	1.2	1.2	-	-	2.1
NOK	-	5.5	6.5	-	-	13.0
JPY	-	300.0	550.0	-	-	900.0
SEK	-	7.5	11.0	-	-	22.0
DKK	-	8.5	-	-	-	-
CZK	120.0	-	-	40.0	20.0	-
AUD	-	3.5	5.5	-	-	9.5

Instrument valuations

Hedging instruments relating to the 2017 financial year, *i.e.* hedging assets and liabilities on the balance sheet as at 31 January 2018, have been fully valued and recognized at their market value at 31 January 2018.

Financial instruments relating to the 2018 budget have not been valued in Neopost S.A.'s financial statements.

Exchange rate deal counterparty risk

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

Hedging of foreign-currency loans and current account advances

Subsidiary	Loan/borrowing/short-term advance	Currency	Amount	Notional amount of financial instruments
Neopost USA Inc. ^(a)	Short term advance	USD	(110.6)	
Mail Finance Inc. ^(a)	Short term loan	USD	(0.5)	
Mail Finance Inc. ^(a)	Loan	USD	180.0	
Mail Finance Inc. ^(a)	Loan	USD	145.0	
Mailroom Holding Inc. ^(a)	Loan	USD	14.0	
Mailroom Holding Inc. ^(a)	Short term advance	USD	(8.1)	
Mailroom Finance Inc. ^(a)	Short term loan	USD	41.2	
Mailroom Finance Inc. ^(a)	Loan	USD	25.0	
Quadient Data USA Inc. ^(a)	Short term advance	USD	(5.5)	
ProShip Inc. ^(a)	Short term loan	USD	7.0	
Quadient USA Inc. ^(a)	Short term loan	USD	5.5	
Temando LLC ^(a)	Short term loan	USD	6.5	
Neopost International Supply Ltd ^(a)	Short term loan	USD	2.3	
Neotouch Cloud Solutions Dac ^(a)	Short term advance	USD	(0.1)	
Neopost Global Services Ltd ^(a)	Short term loan	USD	0.1	
Neopost Digital Solutions Inc. ^(a)	Short term loan	USD	12.7	
Neopost Supply Hong Kong ^(a)	Short term advance	USD	(2.0)	312.5
Neopost International Supply Ltd	Short term advance	GBP	(0.8)	
Neopost Ltd	Short term advance	GBP	(13.5)	
Neopost Finance Ltd	Short term loan	GBP	2.9	
Data Capture Solutions Ltd	Short term loan	GBP	0.1	
Quadient UK Ltd	Short term advance	GBP	(0.9)	
Neopost Technologies Ltd	Short term advance	GBP	(3.4)	
Neopost Finance (Ireland) Ltd	Loan	GBP	50.0	
Neopost Finance (Ireland) Ltd	Short term loan	GBP	4.7	
Quadient Group AG	Short term advance	GBP	(0.1)	
Quadient Data UK Ltd	Short term loan	GBP	1.8	
Neopost Global Solutions Ltd	Short term loan	GBP	0.2	
Temando UK Ltd	Short term loan	GBP	1.8	
DCS	Short term advance	GBP	(2.5)	40.3
Neopost AG	Short term advance	CHF	(4.1)	
Neopost AG	Loan	CHF	6.1	
Mail Finance AG	Short term advance	CHF	(5.8)	
Quadient Group AG	Short term advance	CHF	(29.4)	
Quadient Switzerland AG	Short term advance	CHF	(1.9)	
Neopost Finance (Ireland) Ltd	Loan	CHF	6.0	
Neopost Finance (Ireland) Ltd	Short term loan	CHF	1.9	(27.2)
Quadient Group AG	Short term loan	CZK	0.0	
Quadient s.r.o	Loan	CZK	92.1	
Quadient Czech S.r.o	Short term advance	CZK	(3.0)	89.1
Neopost Japan	Short term loan	JPY	343.0	
Neopost Japan	Loan	JPY	61.0	
Packicity Japan	Loan	JPY	1,275.0	1,679.0
Neopost Norge AS	Short term advance	NOK	(10.4)	
Neopost Finanz Norge AS	Short term advance	NOK	(2.1)	
Neopost Finance (Ireland) Ltd	Loan	NOK	35.0	
Neopost Finance (Ireland) Ltd	Short term loan	NOK	14.4	36.9

Parent company statements of financial position

Subsidiary	Loan/borrowing/short-term advance	Currency	Amount	Notional amount of financial instruments
Neopost Sverige AB	Loan	SEK	53.6	
Neopost Sverige AB	Short term advance	SEK	(17.5)	
Neopost Finance (Ireland) Ltd	Loan	SEK	45.0	
Neopost Finance (Ireland) Ltd	Short term loan	SEK	7.0	
Neopost Finans AB	Short term advance	SEK	(5.3)	82.8
Neopost Finance (Ireland) Ltd	Loan	DKK	40.0	
Neopost Finance (Ireland) Ltd	Short term loan	DKK	7.7	
Neopost Danmark AS	Short term advance	DKK	(13.8)	
Neopost Danmark Finans AS	Short term advance	DKK	(2.0)	31.9
Quadiant Canada Inc	Short term loan	CAD	4.5	4.5
Quadiant Poland sp z.o.o	Short term loan	PLN	3.9	3.9
Neopost Asia-Pacific Pte Ltd	Short term loan	SGD	0.2	
Quadiant Singapore Ltd	Short term loan	SGD	4.4	4.6
Temando Holding Pty	Short term advance	AUD	(0.3)	
Neopost Finance (Ireland) Ltd	Loan	AUD	30.0	
Temando Pty Ltd	Short term advance	AUD	(0.1)	
Neopost Finance (Ireland) Ltd	Short term loan	AUD	3.2	
Neopost Shipping Holding Pty	Short term loan	AUD	41.0	
Quadiant Australia Pty Ltd	Short term loan	AUD	3.0	
Neopost Holdings Pty Ltd (Australie)	Short term advance	AUD	(3.7)	73.1

(a) Neopost S.A. naturally hedges these loans by debts in united States dollar (private placements, Schuldschein, revolving credit facilities).

13-3 Hedging of interest rate risk

Risk management policy

To limit the impact of a rise in interest rates on its interest expenses, the Neopost group has a risk-hedging policy aimed at protecting a maximum annual interest rate for the three years ahead at all times. management horizon used is rolling in order to always have three years of management.

Neopost has a policy of centralizing its interest rate risk, enabling it to monitor the Group's overall interest rate risk exposure and to gain full control over the market instruments used in hedging operations. The Group hedges its interest rate risk depending on its current debt levels, but also according to likely future movements in debts, arising from drawings on its revolving credit facilities.

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

The table below sets out Neopost S.A.'s year-end position:

	EUR	USD
Financial assets	-	-
Financial liabilities	908.6	238.9
Net exposure before hedging	(908.6)	(238.9)
Fixed-rate debt	733.3	145.0
Hedging	155.0	95.0

Year-end position

A hedging strategy is adopted on the basis of the position to be managed and the reference interest rate adopted. The strategy is aimed at protecting the reference interest rate and at taking advantage, at least to some extent, of favorable movements. Hedging strategies involve definite and optional derivative instruments, and open positions are maintained if possible. The valuation of the open position based on market forward interest rates, along with the interest rates obtained through hedging operations, should always protect the reference interest rate. Hedging strategies cover the period three years ahead at all times. However, the level of coverage and the weightings of the various derivative instruments may vary from one year to the next, since the aim is to maintain greater scope for optimizing positions in later years.

Neopost works with the same consultancy for hedging both interest rate risk and exchange rate risk.

Parent company statements of financial position

Hedging instruments

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

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

- swaptions (used either alone or in combination).

Management mandates, packaged bank hedging products and derivative instruments that introduce a reference other than the underlying assets (quanto swaps for example) are strictly forbidden by internal procedures.

Instrument details

The instruments in the portfolio at 31 January 2018 are listed below, according to type, currency and maturity.

(Notional value)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Cross currency Swap	EUR/USD	-	18.3/20.0	27.4/30.0
Swap – buyer	EUR	-	125.0	29.5
Swap – receiver	USD	-	40.0	-
Cap – buyer	USD	-	55.0	-
	EUR	130.0	-	-
Floor – receiver	USD	-	30.0	-
Floor – buyer	EUR	-	18.3	-

Instrument valuations

The valuation of the aforementioned instruments is not included in the accounts.

For information, the valuation of these instruments with the IFRS at the end of the year under assets is +7.2 million euros.

Customer credit risk

As the Group's parent holding company, Neopost S.A. is not exposed to any customer credit risk.

Pledges of investment securities

None.

Commitments received

No significant commitment received.

Other commitments given

	Currency	31 January 2018	31 January 2017
Bank guarantee in favor of the British postal service	GBP	0.8	0.8
Bank guarantee in favor of the Irish postal service	EUR	1.7	1.7
X'Ange Capital 2 – Share purchase commitment	EUR	0.2	0.4
Partech Entrepreneur II – Investment commitment	EUR	1.2	2.8

Note 14 Subsidiaries and equity interests

Company name	Equity	Value of investments			Loans and advances	2017 net income	2017 sales	Dividends paid
		Gross value	Net book value					
Neopost France Nanterre – France	EUR 100.0	EUR 194.9	EUR 194.9	-		EUR 19.6	EUR 171.7	EUR 16.7
Mail Finance Nanterre – France	EUR 14.3	EUR 8.6	EUR 8.6	-		EUR 0.7	EUR 44.3	EUR 1.6
Neopost Industrie Bagneux – France	EUR 22.1	EUR 0.0	EUR 0.0	-		EUR (1.9)	EUR 53.8	-
Neopost Services Nanterre – France	EUR 2.8	EUR 2.5	EUR 2.5	-		EUR 1.6	EUR 32.1	EUR 0.7
Neopost Shipping Cavaillon – France	EUR 14.8	EUR 7.2	EUR 7.2	-		EUR 0.2	EUR 21.6	EUR 2.3
Packcity SAS Cavaillon – France	EUR (0.1)	EUR 0.5	EUR 0.5	EUR 5.9		EUR (0.1)	EUR 0.6	-
Docapost BPO IS Charenton-le-Pont – France	EUR 17.0	EUR 2.4	EUR 2.4	-		EUR 5.0	EUR 92.3	EUR 0.4
AMS Investissement Paris, 9 th – France	EUR 0.5	EUR 0.1	EUR 0.1	-		-	-	-
Mailroom Holding BV Drachten – Netherland	EUR 53.1	EUR 26.0	EUR 26.0	EUR 24.8		EUR 0.0	-	-
Neopost SRI Milan – Italy	EUR 10.9	EUR 1.3	EUR 1.3	EUR 12.3		-	EUR 16.7	-
Neopost Nv Zaventem – Belgium	EUR 4.6	EUR 0.5	EUR 0.5	-		EUR 1.5	EUR 16.9	EUR 8.7
Neopost Mailing Logistic Systems Barcelone – Espagne	EUR (0.6)	EUR 0.0	EUR 0.0	EUR 0.7		-	EUR 0.3	-
Neopost Ireland Ltd Dublin – Ireland	EUR 3.6	EUR 1.0	EUR 1.0	-		-	EUR 10.1	EUR 5.3
Neopost SDS Ltd Dublin – Ireland	-	EUR 4.6	-	-		EUR (1.4)	EUR 0.3	-
Neopost Finance Ireland Ltd Dublin – Ireland	EUR 42.8	EUR 15.0	EUR 15.0	EUR 219.7		EUR 23.9	EUR 38.5	EUR 20.0
Neotouch Cloud Solutions Dac Dublin – Ireland	-	EUR 0.0	EUR 0.0	-		EUR 0.7	EUR 5.3	-
Neopost Global Services Ltd Dublin – Ireland	-	EUR 0.0	EUR 0.0	EUR 0.3		EUR 1.0	EUR 7.4	-
Neopost AG Schlieren – Switzerland	CHF 2.4	EUR 12.5	EUR 12.5	CHF 7.6		CHF 2.0	CHF 22.3	-
Quadient Group AG Effretikon – Switzerland	CHF 10.1	EUR 132.3	EUR 132.3	-		CHF 0.4	CHF 30.2	-
Neopost GmbH & Co KG Munich – Germany	EUR 1.4	EUR 43.3	EUR 43.3	EUR 5.4		EUR (2.8)	EUR 54.9	-
Neopost Verwaltung GmbH Munich – Germany	EUR 3.9	EUR 3.3	EUR 3.3	EUR 6.1		EUR (0.1)	-	-
Rena GmbH Munich – Germany	EUR 1.5	EUR 6.3	-	-		-	-	-

Parent company statements of financial position

Company name	Equity	Value of investments			2017 net income	2017 sales	Dividends paid
		Gross value	Net book value	Loans and advances			
Neopost Holdings Ltd Romford – UK	GBP 70.3	EUR 77.9	EUR 77.9	-	-	-	GBP 36.2
Neopost Technology (Holdings) Ltd Loughton – UK	GBP 3.6	EUR 33.7	EUR 33.7	-	-	-	-
Neopost Norge AS Oslo – Norway	NOK 29.7	EUR 3.8	EUR 3.8	-	NOK 1.9	NOK 96.5	-
Neopost Sverige AB Solna – Sweden	SEK 23.7	EUR 10.7	EUR 10.7	SEK 53.6	SEK 1.7	SEK 162.1	-
Neopost Danmark AS Rodovre – Denmark	DKK 35.5	EUR 16.1	EUR 16.1	-	DKK 2.6	DKK 89.0	DKK 4.0
Neopost Finance Finland Oy Helsinki – Finland	EUR 0.1	EUR 0.0	EUR 0.0	-	-	EUR 0.1	-
Neopost Finland Oy Helsinki – Finland	EUR 1.3	EUR 2.9	EUR 2.9	-	-	EUR 5.1	-
Mailroom Holding Inc. Milford – USA	USD 568.4	EUR 246.2	EUR 246.2	USD 14.0	USD 1.3	-	-
Neopost Canada Ltd Markham – Canada	CAD 7.7	EUR 9.3	EUR 9.3	-	CAD (12.9)	CAD 28.6	CAD 5.6
Neopost Asia-Pacific (Holding) Pte Ltd Singapore	SGD (1.2)	EUR 2.8	EUR 2.8	-	EUR (1.2)	-	-
Neopost Holdings Pty Ltd Sydney – Australia	AUD 84.0	EUR 43.2	EUR 43.2	-	AUD 0.1	AUD 71.8	-
Neopost Shipping Holding Pty Ltd Sydney – Australia	AUD 26.8	EUR 20.5	EUR 20.5	AUD 41.0	AUD (1.9)	-	-
Neopost Japan Inc. Tokyo – Japan	JPY 100.7	EUR 3.1	EUR 3.1	JPY 404.0	JPY 52.1	JPY 814.7	-

Note 15 Remuneration of the Chairman and Chief Executive Officer and non-executive directors

15-1 Remuneration of the Chairman & Chief Executive Officer

SUMMARY OF THE REMUNERATION AND OPTIONS AND SHARES GRANTED TO CORPORATE OFFICER

(In thousands of euros)	31 January 2018	31 January 2017
Denis Thiery – Chairman & Chief Executive Officer^(b)		
Remunerations due for year	1,379.1	1,379.2
Valuation of multi-year variable remuneration granted during the year	-	-
Valuation of the options granted during the year ^(a)	-	-
Valuation of the performance shares granted during the year ^(a)	517.7	286.1
TOTAL	1,896.8	1,665.3

(a) The amount shown is the total cost of allocations made during the year.

(b) Since 1 February 2018, Denis Thiery is no longer Chief Executive Officer, he remains Chairman of the Board of directors.

SUMMARY OF REMUNERATION PAID TO CORPORATE OFFICER

(In thousands of euros)	31 January 2018		31 January 2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Denis Thiery – Chairman & Chief Executive Officer				
Fixed remuneration ^(a)	663.0	663.0	663.0	663.0
Annual variable remuneration ^(b)	663.0	562.1	663.0	383.5
Multi-annual variable remuneration	-	-	-	-
Directors' fees	30.0	30.0	30.0	30.0
Benefits in kind (Company car, social guarantee for management team)	23.1	23.1	23.2	23.2
TOTAL	1,379.1	1,278.2	1,379.2	1,099.7

(a) The fixed remuneration is divided in two parts : 530,400 euros paid in France and 172,380 United States dollars paid in the United States. The amount in United States dollars has been frozen considering that it does not have to change with the evolution of EUR/USD exchange rate. It has been frozen to 20% of the fixed remuneration in euros translated with the exchange rate at the time ie 1.30.

(b) The annual variable remuneration in the column "amounts due" corresponds to the bonus recorded in Neopost S.A. and Mailroom Holding Inc. financial statement at the end of the financial year while the column "amounts paid" corresponds to the actual bonus payment relative to the previous year.

SUMMARY OF DIRECTORS' FEES AND OTHER REMUNERATION OF CORPORATE OFFICER

(In thousands of euros)	31 January 2018	31 January 2017
Denis Thiery – Chairman & Chief Executive Officer		
Directors' fees	30.0	30.0
Other remuneration	-	-
TOTAL	30.0	30.0

Chief Executive Officer	Employment contract	Supplementary pension plan	Compensation or benefit likely to be paid in case of termination or change in function	Non-compete clause compensation
Denis Thiery	Suspended	yes	no	no
Start date of the mandate: 12 January 2010				
End date of the mandate: renewal submitted to the General				
Meeting called to approve the accounts as of 31 January 2019				

The Chief Executive Officer's remuneration is partly fixed and partly variable. Variable remuneration is based on the Group's performance in terms of sales, operating margin and capital employed for 80% of the target bonus, along with specific objectives on individual performance for 20%. Variable remuneration shown in the column amounts paid of this table is the amount paid in the current year but relative to the previous year. The variable remuneration paid to the Chairman & Chief Executive Officer is equal to 100% of his fixed remuneration when all objectives are achieved, and to 150% maximum in case of overachievement. With regard to the financial year ended on 31 January 2018, the Chairman & Chief Executive Officer has achieved his objectives at a level of 90.24%. Therefore, his variable remuneration excluding director's fees is set at 478,633 euros paid by Neopost S.A. and 155,556 United States dollars paid by Mailroom Holding Inc. after the approval by the annual general meeting of 28 June 2018.

Directors' fees paid to Denis Thiery relate to his appointment at Neopost S.A.

With respect to pensions, the Chairman & Chief Executive Officer and other group executives have a defined contribution pension plan (article 83 of the French general tax code), into which is paid a total of 5% of their remuneration, within the limit of five times the maximum amount as determined by Social Security and a defined benefit pension scheme (article 39 of the French general tax code) with an annuity obligation of 1.1% of pay per year of service, for a maximum of twenty years. This annuity is paid after the deduction of the annuities paid within the usual defined contribution plans.

Before the age of 67 years, the benefit is subject to reduction proportional to the number of years remaining. The amount of these obligations at the end of January 2018 was 9,067.4 thousand euros versus 9,392.0 thousand euros as at 31 January 2017 and related to all members of the management team. Cumulative payments stand at 6,929.9 thousand euros as at 31 January 2018.

The estimated pension amount linked to current supplementary pension schemes would be 286,115 euros as at 31 January 2018 for the Chairman and CEO. In order to benefit from this pension, the Chairman and Chief Executive Officer has to cease his professional career, be part of

Parent company statements of financial position

Neopost S.A.'s staff at the date of retirement, liquidate his retirement pensions in the French Social Security system and complementary pension schemes.

As of 31 January 2018, no loans or guarantees have been granted to any manager.

The *Autorité des Marchés Financiers* declarations of Denis Thiery required under article L.621-18-2 of the French monetary and financial code (*Code monétaire et financier*)

have been submitted to the *Autorité des Marchés Financiers* and published on the Group website.

During fiscal year 2017, Denis Thiery did not do any transaction on Neopost's shares.

It must be noted that Denis Thiery has committed to hold at least 50,000 Neopost shares until the end of his mandate.

Denis Thiery and his related parties hold 147,592 Neopost shares at 31 January 2018.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE YEAR TO CORPORATE OFFICER

	Plan number and date	Nature of options	Valuation of options ^(a)	Number of options granted during the year	Exercise price	Exercise period
Denis Thiery – Chairman & Chief Executive Officer ^(b)	-	-	-	-	-	-

(a) IFRS valuation.

(b) No stock options were attributed during the year.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY CORPORATE OFFICER

	Plan number and date	Number of options exercised during the year	Exercise price
Denis Thiery – Chairman & Chief Executive Officer	-	-	-

Free shares

There are several objectives in the grant of free shares:

- attracting and retaining employees with strong potential;

- acknowledging exceptional performance;

- inspiring strong motivation and commitment to the Company's results through specific free share plans called co-investment and performance based on the Group's future performance.

PERFORMANCE SHARES GRANTED DURING THE YEAR FOR CORPORATE OFFICER

	Date of the plan	Number of shares attributed in 2014	Shares valuation ^(a) (in thousands of euros)	Vesting date	Availability date	Performance criteria
Denis Thiery – Chairman & Chief Executive Officer	27/03/2017	40,000	517.7	28/03/2020	28/03/2020	Total sales EBIT Relative TSR ^(b)

(a) IFRS valuation.

(b) TSR: Total shareholders Return.

PERFORMANCE SHARES BECOMING AVAILABLE DURING THE YEAR FOR CORPORATE OFFICER

	Date of the plan	Number of shares which became available in 2014 ^(a)	Vesting conditions ^(b)
Denis Thiery – Chairman & Chief Executive Officer	24/03/2014	12,330	0
Denis Thiery – Chairman & Chief Executive Officer	01/07/2015	20,000	2,108

(a) Shares available subject to achievement of target performance criteria.

(b) Shares delivered during the financial year.

15-2 Remuneration of non-executive directors

(In euros)	31 January 2018	31 January 2017
Non-executive directors' fees		
Hélène Boulet-Supau	23,100	-
Jacques Clay	-	19,028
Éric Courteille	41,500	38,389
Virginie Fauvel	36,500	17,472
Cornelius Geber	13,400	34,944
William Hoover Jr.	31,400	28,389
Vincent Mercier	46,500	44,000
Catherine Pourre	43,900	44,944
Isabelle Simon	-	32,445
Agnès Touraine	-	21,528
Richard Troska	34,000	14,972
Jean-Paul Villot	23,100	33,389
Nathalie Wright	11,400	-
Total non-executive directors' fees	304,800	329,500
Other remuneration	-	-
Chairman's fees	30,000	30,000
TOTAL	334,800	359,500

To calculate directors' fees, the following method is used:

- Chairman of the Board: fixed amount of 30,000 euros per year;
- basic directors' fees: 15,500 euros per year;
- directors' attendance fees: maximum of 13,000 euros a year for a 100% attendance rate at the scheduled meetings. Director's attendance fees are also awarded for non-scheduled meetings, for a maximum of 3,000 euros per year, irrespective of the number of additional sessions;
- committee members (the appointment committee and remuneration committee count for only one committee): 5,000 euros per year;

- chairing of a committee: 5,000 euros supplementary per year;
- lead director: 5,000 euros supplementary per year.

The directors do not receive any remuneration from Neopost S.A. other than directors' fees.

As of 31 January 2018, no loans or guarantees have been granted to any director.

As of 31 January 2018, no post-appointment commitments such as remuneration, compensation or benefits have been granted to its officers by the Company.

Note 16 Headcount

The number of employees of Neopost S.A. as at 31 January 2018 was 35, all executives.

Statutory auditors' report on the financial statements

Finexsi Audit

14, rue Bassano
75116 Paris
S.A. au capital de € 57 803

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG et Autres

Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Year ended January 31, 2018

To the Annual General Meeting of Neopost S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying financial statements of Neopost S.A. for the year ended January 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at January 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from February 1st, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

We draw attention to the following matters described in Note 2 "Accounting policies" to the financial statements :

- the change in accounting method relating to first application of Regulation 2015-05 of the French Accounting Standards Authority relating to the recognition of forward financial instruments and hedging transactions, mandatory from January 1, 2017.
- the change in accounting method relating to the capitalization of borrowing costs according to the preferential method of the French chart of accounts.

Our opinion is not modified in respect of this matter.

Statutory auditors' report on the financial statements

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

VALUATION OF INVESTMENTS

Risk identified	Our response
Investments in subsidiaries amount to Me 1,476 net at January 31, 2018.	We have assessed compliance of the methodology used by the Company for test indicators and the estimate of the recoverable value of each investment with accounting standards.
As described in the note 4 to the annual financial statements ("Financial assets"), financial assets are valued at their acquisition cost or at their contribution value.	We have analyzed forecasts of future cash flows prepared by management and compared the assumptions with available data on the market.
An impairment test is carried out at least once a year through the projection of future cash flows.	We have also compared the carrying amounts of the Company's investments in subsidiaries with the most significant net asset value of the subsidiaries.
These cash flows are based on revenue and operating income growth assumptions over five years.	In addition, we have compared the book values of investments in subsidiaries with the share of equity of all subsidiaries restated of dividends paid over the last 3 years.
The result of this test relies on the judgments and estimates of management, on which these assumptions are based. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting both potential impairment charges and also potential reversals of impairment taken in prior years.	
Due to the uncertainty of forecasting and discounting future cash flows, the level of management's judgement involved and the significance of the entity's investment in subsidiaries, this audit area is considered to be a key audit matter.	

Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have made sure such information complies with the source documents submitted to us. Based on our work, we have no matters to report on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Neopost S.A. by your annual general meeting held on July 8, 2004 for Finexsi Audit and on September 9, 1997 for ERNST & YOUNG et Autres.

As at January 31, 2018, Finexsi Audit were in the fourteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres were in their twenty-first year (twenty years of which since the securities of the Company were admitted to trading on a regulated market respectively).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Statutory auditors' report on the financial statements

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, April 26, 2018

The Statutory Auditors
French original signed by

Finexsi Audit

Lucas Robin

ERNST & YOUNG et Autres

Pierre Bourgeois

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Neopost share capital

Securities giving access to capital

On 16 June 2015, Neopost S.A. issued net share settled undated unsecured bonds 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 "Freiverkehr" open market of the Frankfurt stock exchange under ISIN code FR0012799229 (see note 13-2-1 to the consolidated financial statements chapter 5).

Moreover, the stock options and free shares are described in note 9-4 of the consolidated financial statements in this registration document.

The maximum number of shares that may result from the exercise of these stock options is 762,634. At 31 January 2018, none of the stock options were in the money.

Changes in Neopost S.A.'s share capital

Date	Operation	Issue price per share		Number of shares		Share capital
		Par value	Paid-in capital	Issued/ cancelled	Total	
31/01/2007	Capital increase through the exercise of options	EUR 1	EUR 33.18	315,818	32,222,905	EUR 33,222,905
23/03/2007	Cancellation of treasury stock	EUR 1	EUR 86.62	(776,834)	31,446,071	EUR 31,446,071
31/01/2008	Capital increase through the exercise of options	EUR 1	EUR 37.40	262,853	31,708,924	EUR 31,708,924
01/04/2008	Cancellation of treasury stock	EUR 1	EUR 76.98	(724,364)	30,984,560	EUR 30,984,560
31/01/2009	Capital increase through the exercise of options	EUR 1	EUR 37.94	188,135	31,172,695	EUR 31,172,695
31/03/2009	Cancellation of treasury stock	EUR 1	EUR 21.29	(335,178)	30,837,517	EUR 30,837,517
11/01/2010	Share issue under the interim dividend payment	EUR 1	EUR 53.46	326,501	31,164,018	EUR 31,164,018
31/01/2010	Capital increase through the exercise of options	EUR 1	EUR 38.94	57,869	31,221,887	EUR 31,221,887
11/08/2010	Share issue under the payment of the outstanding balance of the dividend	EUR 1	EUR 52.37	569,868	31,791,755	EUR 31,791,755
11/01/2011	Share issue under the interim dividend payment	EUR 1	EUR 55.98	439,432	32,231,187	EUR 32,231,187
31/01/2011	Capital increase through the exercise of options	EUR 1	EUR 42.29	63,176	32,294,363	EUR 32,294,363
31/07/2011	Capital increase through new shares	EUR 1	EUR (1)	27,370	32,321,733	EUR 32,321,733
04/08/2011	Share issue under the payment of the outstanding balance of the dividend	EUR 1	EUR 51.24	647,183	32,968,916	EUR 32,968,916
11/01/2012	Share issue under the interim dividend payment	EUR 1	EUR 46.93	441,071	33,409,987	EUR 33,409,987
31/01/2012	Capital increase through the exercise of options	EUR 1	EUR 39.37	42,055	33,452,042	EUR 33,452,042
27/07/2012	Capital increase through new shares	EUR 1	EUR (1)	18,820	33,470,862	EUR 33,470,862

Date	Operation	Issue price per share		Number of shares		Share capital
		Par value	Paid-in capital	Issued/ cancelled	Total	
03/08/2012	Share issue under the payment of the outstanding balance of the dividend	EUR 1	EUR 33.72	954,426	34,425,288	EUR 34,425,288
31/01/2013	Capital increase through the exercise of options	EUR 1	EUR 31.03	15,030	34,440,318	EUR 34,440,318
31/01/2014	Capital increase through the exercise of options	EUR 1	EUR 46.78	107,685	34,548,003	EUR 34,548,003
31/01/2015	Capital increase through the exercise of options	EUR 1	EUR 54.89	14,601	34,562,604	EUR 34,562,604
31/01/2016	Capital increase through the exercise of options	EUR 1	EUR 50.00	308	34,562,912	EUR 34,562,912

There were no changes in Neopost S.A.'s share capital between 1 February 2016 and 31 January 2018.

Breakdown of share capital and voting rights

Total number of voting rights and shareholders

At 31 January 2018, the Company's share capital comprised 34,562,912 shares, each carrying one voting right. There is no shareholder pact or agreement. Given the large free float, the high proportion of capital owned by foreign entities and the high trading volumes, the Company does not know the exact number of shareholders. To the Company's knowledge, no shareholder owns more than 3% of its capital other than those mentioned in chapter 3 of this registration document.

In addition to the ownership disclosure requirements as defined under articles L.233-7 to L.233-14 of the French commercial code, Neopost S.A. requires all shareholders whose ownership rises above 3%, and every subsequent 1% increment, to disclose any increase or decrease in their interest. This requirement was introduced by the Annual General meeting of 5 October 1998. Failure to comply with ownership disclosure requirements will lead to the forfeiture of

voting rights for a two-year period starting from the date on which disclosure is finally made.

Neopost group is controlled neither directly nor indirectly. There is no agreement which might lead to a change of control.

Treasury shares

The number of treasury shares at the end of January 2018 was 163,788 of which 153,027 held within the framework of the liquidity contract and 10,761 acquired to fulfill the obligations relating to the stock-option and free share plans awarded to employees or corporate officers.

In 2005, Neopost signed a liquidity contract with Exane BNP Paribas worth a total value of 8 million euros. At 31 January 2018, the Group owned 153,027 shares within the framework of this liquidity contract, with a book value of 4.3 million euros.

Changes in shareholder structure

Please refer to the section "Shareholder structure" in chapter 3 "management report" of this registration document.

Neopost shares

Transactions carried out on Neopost shares by members of the Board

	Net change	Number of shares owned at 31 January 2018	Number of shares owned at 31 January 2017
Hélène Boulet-Supau	+400	400	-
Éric Courteille	-	267	267
Virginie Fauvel	-	130	130
Cornelius Geber	-	1,328	1,328
William Hoover Jr.	-	200	200
Vincent Mercier	-	2,400	2,400
Catherine Pourre	-	456	456
Denis Thiery	+2,108	147,592	145,484
Richard Troksa	+500	500	-
Jean-Paul Villot	+2,731	60,375	59,846
Nathalie Wright		0	-

Place of the issuing entity in the Neopost group

Refer to note 3-5 in chapter 5 "Consolidated financial statements" of this registration document.

Pledges, warranties and securities on Neopost's shares or assets

None.

Neopost shares

Market for Neopost S.A. shares**Shares**

Neopost shares are listed in compartment A of Euronext Paris and are part of the SBF 120 index.

Own share purchases

In accordance with articles L.225-209 et seq. of the French commercial code, Neopost S.A. is authorized to buy its own shares notably for the purposes of cancelling them and regulating its share price. This authorization was renewed by the 30 June 2017 Annual General Meeting, and is subject to the following conditions:

- maximum purchase price: 50 euros;
- the maximum number of Neopost shares that Neopost S.A. may acquire under this authorisation is equal to 10% of its total number of shares in issue.

At 31 January 2018, Neopost S.A. used this authorization notably for the liquidity contract, and held 163,788 shares, with a book value of 4.7 million euros.

A new share buyback program involving a maximum of 10% of the issued share capital and at a maximum purchase price of 50 euros per share will be submitted for approval to the forthcoming Annual General meeting on 29 June 2018 convened to vote on the financial statements for the financial year ended 31 January 2018 (this 18-month authorization will cancel and replace the authorization given to the Board of directors by shareholders as at the 30 June 2017 Annual General Meeting). These purchases will notably limit the dilution arising from the potential exercise of stock options and free shares awarded to certain Group employees.

Share price performance

Since 1 February 2017 until 19 April 2018, relative to SBF 120:



Share price and trading information over 18 months

	Highest price (in euros)	Lowest price (in euros)	Average daily trading volume	Average daily trading value (in millions of euros)
September 2016	24.48	21.32	115,462	2.66
October 2016	27.87	22.91	119,296	2.98
November 2016	28.45	25.37	93,927	2.55
December 2016	30.94	25.77	125,627	3.66
January 2017	32.00	29.51	87,396	2.69
February 2017	31.00	27.74	94,816	2.75
March 2017	36.00	28.46	127,601	4.02
April 2017	38.43	35.20	156,116	5.76
May 2017	40.35	36.07	123,939	4.75
June 2017	41.84	37.90	130,117	5.24
July 2017	41.11	38.04	89,840	3.56
August 2017	39.15	35.37	66,459	2.49
September 2017	37.02	32.51	90,741	3.08
October 2017	34.80	31.14	94,896	3.14
November 2017	32.51	26.76	101,281	2.96
December 2017	28.22	22.81	192,245	4.66
January 2018	27.24	23.86	130,066	3.30
February 2018	24.54	22.00	128,407	2.94

Source: NYSE Euronext.

Dividends

See chapter 3 "management report" and chapter 5 "parent company statements of financial position" of this registration document.



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General information

Company name and head office

Neopost S.A.

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

Telephone: +33 1 45 36 30 00

Legal form and jurisdiction

Limited-liability company with a Board of directors, governed by French legislation. Neopost S.A. is ruled by the French commercial code and by all other applicable laws and regulations. The Company has two Auditors, as required by the law (see next pages).

Date of incorporation and term

Neopost S.A. (then known as Afisup) was incorporated on 21 February 1995 for a period of 99 years, expiring on 1 September 2094.

Corporate purpose (summary of article 2 of the articles of association)

Neopost S.A.'s purpose is, in all countries, to research, design, manufacture, develop, sell, rent (with or without buy or sell option), distribute and maintain machines, equipment and software for the processing and routing of mail and parcels, along with all other office machines, equipment and software and all accessories required for the installation and operation of these machines, equipment and software. Its purpose also includes carrying out all subcontracting operations, providing all services and exploiting all patents, brands, expertise and procedures concerning these machines, equipment and software.

Registration

Neopost S.A. is registered with the Nanterre commerce and companies' registry under no 402 103 907.

Consultation of legal documents

Documents and information relating to Neopost S.A. may be consulted at the Company's head office.

Financial year (article 6 of the articles of association)

Each Neopost S.A. financial year lasts twelve months, starting on 1 February and ending on 31 January of the following calendar year.

Appropriation of earnings (article 19 of the articles of association)

Profits are determined and appropriated in accordance with the laws and regulations in force.

Annual General Meeting (article 18 of the articles of association)

Shareholders' Meetings are convened and hold deliberations in accordance with the law. Admission is governed by the French commercial code. Each share in the Company carries one voting right. There are no double voting rights. There are no restrictions on voting rights. The terms for exercising voting rights comply with the laws and regulations in force.

Statutory threshold crossing disclosures (summary of article 11 of the articles of association)

In addition to the ownership disclosure requirements stated under articles L.233-7 to L.233-14 of the French commercial code, Neopost S.A. requires all shareholders whose ownership rises above 3%, and every subsequent 1% increment, to disclose any increase or decrease in their holding. This requirement was introduced by the Annual General Meeting of 5 October 1998. Failure to comply with ownership disclosure requirements will lead to the forfeiture of voting rights for a two-year period starting from the date on which disclosure is finally made.

Recent events

N/A

Officer responsible for the registration document and Auditors

Officer responsible for the registration document

Geoffrey Godet, Neopost S.A. Chief Executive Officer.

Auditors

Statutory auditors

- Ernst & Young et Autres, formerly Barbier Frinault & Autres

Represented by Pierre Bourgeois

ERNST & YOUNG et Autres, 1-2, Place des Saisons – 92400 Courbevoie – Paris – La Défense 1 – France

Member of the Compagnie Régionale de Versailles

Start of first appointment: 9 September 1997 (for the remaining term of the preceding auditor's appointment)

Duration of current appointment: 6 years (from 2 July 2013)

Expiry of current appointment: the end of the Annual General Meeting convened to vote on the financial statements for the financial year ending 31 January 2019.

- Finexsi Audit

Represented by Lucas Robin

14, rue de Bassano – 75116 Paris – France

Member of the Compagnie Régionale de Paris

Start of first appointment: 6 July 2010

Duration of current appointment: 6 years (from 1 July 2016)

The appointment of Finexsi Audit was renewed during the Annual General Meeting on 1 July 2016 for a six-year period *i.e.* until the General Meeting convened to vote on the financial statements for the financial year ending 31 January 2022.

Statements by officer

Alternate Auditors

- Auditex

1-2, Place des Saisons – 92400 Courbevoie – Paris – La Défense 1 – France

Alternate auditor to Ernst & Young et Autres

Start of first appointment: 8 July 2008

Duration of current appointment: 6 years (from 1 July 2014)

Expiry of current appointment: the end of the Annual General Meeting convened to vote on the financial statements for the financial year ending 31 January 2020.

- Olivier Courau

14, rue de Bassano – 75116 Paris – France

Alternate auditor to Finexsi Audit

Start of first appointment: 1 July 2016

Duration of current appointment: 6 years (from 1 July 2016)

Olivier Courau was appointed alternate auditor during the Annual General Meeting on the 1 July 2016 for a six-year period *i.e.* until the General Meeting convened to vote on the financial statements for the financial year ending 31 January 2022.

Statements by officer

"I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this registration document is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report in part 3 presents a fair view of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation as well as the main risks and uncertainties to which they are exposed.

I have received a completion letter from the statutory auditors stating that they have verified the information contained in this registration document related to the financial position and financial statements, and that they have read the registration document in its entirety".

Mr. Geoffrey Godet,

Chief Executive Officer

Fees paid to the statutory auditors and members of their networks

Refer to the note 15 in chapter 5 "Consolidated statements of financial position" of this registration document.

Information policy

Officers in charge of financial information

Jean-François Labadie	Group Chief Financial and Legal Officer
Gaële Le Men	Corporate and Financial Communication Director
Address	Neopost S.A. 42-46, avenue Aristide Briand 92220 Bagneux, France
Telephone	+33 1 45 36 30 00
Fax	+33 1 45 36 30 30
Website (French/English)	www.neopost-group.com

Shareholder information

This document will be sent to shareholders free of charge upon request. Documents and information relating to Neopost S.A. may be consulted at the Company's head office.

This registration document and all press releases, analyst presentations, annual reports and other information may be consulted on the Group's website: www.Neopost-group.com.

Financial communication schedule

31 May 2018	First quarter 2018 sales
29 June 2018	Annual General Meeting (AGM)
7 August 2018	Payment of the balance of the 2017 dividend
25 September 2018	Second quarter 2018 sales and first half 2018 results
26 September 2018	Information meeting
3 December 2018	Third quarter 2018 sales
Before end of January 2019	Investor day
31 January 2019	End of 2018 fiscal year
March 2019	Fourth quarter 2018 sales and 2018 annual results

Publication of information

Information published in the French Official Bulletin of Legal Notices (BALO)

7 February 2017	Publication of the ODIRNANE new conversion ratio
19 May 2017	Publication of preliminary notice of shareholders' AGM
9 June 2017	Publication of notice convening shareholders' AGM
7 July 2017	Publication of final full year accounts
11 August 2017	Publication of the ODIRNANE new conversion ratio

Information published in the Nanterre commercial court registry

27 March 2017	Appointment of a Director
30 June 2017	Director's end of term
27 July 2017	Resignation of a Director
25 September 2017	Appointment of a Director
12 January 2018	Dissociation of the functions of Chairman of the Board and of Chief Executive Officer

Information published in "Le Publicateur Légal"

11 May 2017	Resignation and coopation of Directors
3 October 2017	Non-renewal of a Director's mandate
3 October 2017	Resignation and coopation of Directors

Information published in the "Petites affiches"

9 June 2017	Publication of notice convening shareholders' AGM
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Information about the Annual General Meeting may be consulted on Neopost's website: <https://www.neopost-group.com/en/finance/general-meetings>

Publication of press releases

3 February 2017	ODIRNANE: Notice of the new Conversion Ratio – February 2017
9 February 2017	GMC Software named a leader for fourth consecutive time in Gartner magic quadrant
22 February 2017	Neopost successfully completes a largely oversubscribed Schuldschein private placement
28 March 2017	2016 Annual Results and Q4 2016 Sales
1 June 2017	Q1 2017 sales
20 June 2017	Neopost renews its revolving credit facility in advance under more favorable conditions
30 June 2017	2016 Dividend
3 July 2017	Appointment of Hélène Boulet-Supau, Chief Executive Officer of Sarenza, as an independent director
12 July 2017	Neopost finalizes the divestment of DMTI Spatial
4 August 2017	ODIRNANE: Notice of the new Conversion Ratio – August 2017
12 September 2017	Birth of Quadient for an enhanced customer experience
25 September 2017	Nathalie Wright, Vice President of Software at IBM France, appointed as an independent director
26 September 2017	2017 half-year results and second quarter sales
11 October 2017	Neopost confirms its place among the top 10 French software publishers and developers
4 December 2017	Q3 2017 sales
5 December 2017	2017 interim dividend
4 January 2018	Information group website
16 January 2018	Neopost governance evolves to accelerate the Group's transformation
23 January 2018	2018 Financial Schedule

These press releases may be consulted on Neopost's website: <https://www.neopost-group.com/en/news>

Notification to "Autorité des Marchés Financiers"

13 February 2017	Share buybacks – January 2017
8 February 2017	Number of shares and voting rights – January 2017
7 March 2017	Share buybacks – February 2017
8 March 2017	Number of shares and voting rights – February 2017
12 April 2017	Share buybacks – March 2017
10 April 2017	Number of shares and voting rights – March 2017
9 May 2017	Share buybacks – April 2017
15 May 2017	Number of shares and voting rights – April 2017
12 June 2017	Share buybacks – May 2017
15 June 2017	Number of shares and voting rights – May 2017
6 July 2017	Share buybacks – June 2017
6 July 2017	Description of share buyback program - 2017 program
18 July 2017	Number of shares and voting rights – June 2017
7 August 2017	Share buybacks July 2017 – End of 2016 program
30 August 2017	Number of shares and voting rights – July 2017
13 September 2017	Share buybacks – August 2017
7 September 2017	Number of shares and voting rights – August 2017
6 October 2017	Share buybacks – September 2017
6 October 2017	Number of shares and voting rights – September 2017
13 November 2017	Share buybacks – October 2017
8 November 2017	Number of shares and voting rights – October 2017
11 January 2017	Share buybacks – November 2017
11 December 2017	Number of shares and voting rights – November 2017
8 January 2018	Share buybacks – December 2017
18 January 2018	Number of shares and voting rights – December 2017

This information may be consulted on Neopost's website:

<https://www.Neopost-group.com/en/finance/regulated-information/number-of-shares-and-voting-rights>

<https://www.Neopost-group.com/en/finance/regulated-information/Neopost-capital>

<https://www.Neopost-group.com/en/finance/regulated-information/shares-buyback>

Presentations to analysts

Full-year 2016 results presentation

Interim 2017 results presentation

These presentations may be consulted on Neopost's website:

<https://www.Neopost-group.com/en/finance/financial-documents/analysts-presentation>

Annual report and registration document

These documents may be consulted on Neopost's website:

<https://www.Neopost-group.com/en/finance/financial-documents/annual-reports>

<https://www.Neopost-group.com/en/finance/financial-documents/financial-reports>

Interim report

This document may be consulted on Neopost's website:

<https://www.Neopost-group.com/en/finance/financial-documents/financial-reports>

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