

1	Neopost Group activity	3	5	Corporate governance	95
	Key figures	4		Board of Directors	96
	Strategy	6		Committees	98
	History	7		By-laws	99
	Organisational structure	7		Management team	99
	Document systems	9		Remuneration of managers and directors	100
	Mailing systems	9		Stock options	101
	Logistics systems	10		Free shares	102
	Customer services	11		Employee savings plan	102
2	Management discussion and analysis	13	6	Internal control	103
	Review of the Neopost Group's financial position and results in 2006	14		Chairman's report on internal control	104
	Financial instruments	17		Auditors' report on the Chairman's report	114
	Risk factors	18	7	Capital	115
	Social and environmental information	19		Authorisations to increase the capital	116
	Ownership structure	20		Securities giving access to capital	116
	Outlook for 2007 and beyond	21		Changes in Neopost S.A.'s share capital since creation	117
	Report of the statutory auditors on the profit forecasts	22		Current ownership of capital and voting rights	118
3	Consolidated financial statements	23		Changes in share ownership structure	118
	Consolidated balance sheets	24		Place of the issuing entity in the Neopost Group	118
	Consolidated income statements	26		Pledges, warranties and securities on Neopost's shares or assets	118
	Consolidated cash flow statements	27	8	Neopost shares	119
	Statement of recognised income and expense in financial years 2005 & 2006	28		Market for Neopost S.A. shares	120
	Changes in shareholders' equity	29		Share price performance	121
	Notes to the consolidated financial statements	30		Share price and trading information over 18 months	122
	Auditors' report on the consolidated financial statements	70		Dividends	122
4	Parent company financial statements	71	9	Other legal and financial information	123
	Summary of Neopost S.A. management report	72		General information	124
	Parent company balance sheet	78		Recent events	125
	Parent company income statement	80		Officer responsible for the reference document and auditors	125
	Parent company cash flow statement	81		Statements by officers	126
	Notes to the parent company financial statements	82		Fees paid to the auditors and members of their networks	126
	Statutory Auditors' Report on the annual financial statements	93		Information policy	127
	Special report of the statutory auditors on certain related-party transactions	94		Publication of information	127
				Table of contents	130

Reference document 2006

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

The consolidated financial statements, annual accounts and auditors' reports for the year ended 31 January 2006 may be found on pages 21 to 72 and 73 to 94 of the reference document registered with the AMF on 24 May 2006, number D.06-477.

The consolidated financial statements, annual accounts and auditors' reports for the year ended 31 January 2005 may be found on pages 21 to 52 and 67 to 84 of the reference document registered with the AMF on 27 May 2005, number R.05-076.

The management reports for 31 January 2006 and 31 January 2005 may be found on pages 11 to 20 and 11 to 16 of reference documents D.06-477 and R.05-076.



This reference document was presented to the Autorité des Marchés Financiers on 20 April 2007, in accordance with Article 212-13 of the AMF's General Regulations. It may only be used to support financial transactions if accompanied by an information statement certified by the AMF.

1

Neopost Group activity

Key figures	4
Strategy	6
Technological innovation	6
Geographic expansion	6
Focus on high-end equipment	6
Increased sales per customer	6
Increased productivity	6
History	7
First LBO in 1992	7
Second LBO in 1997	7
Initial public offering in 1999	7
Major acquisitions in 2002	7
Organisational structure	7
Head office	7
Research and development centres	7
Trademarks and patents	7
Production centres	7
Distribution	8
Customers	8
Ownership of buildings	8
Investment	8
Document systems	9
A full product range that meets customer needs	9
Incoming mail	9
Outgoing mail	9
Neopost: the world leader	9
Mailing systems	9
Very competitive product range	9
Productivity gains for customers and postal services	10
Neopost: world number two	10
Logistics systems	10
Solutions for shippers and carriers	10
Shipping stations	10
Reliable management of parcel-related information	10
Customer services	11
Advising businesses	11
Online services	11
Maintenance	11
Financing solutions	11
Provision of supplies	11

1 Neopost Group activity

Key figures

Key figures All indicators are positive

Neopost generated sales of €918.5m in 2006, reflecting record organic growth (11.9% at constant exchange rates). This achievement was accompanied by a strong improvement in margins.

Current operating margin rose from 24.8% of sales in 2005 to 26.0% in 2006, while net margin rose from 16.7% to 17.1%.

Returns to shareholders

An ordinary dividend of €3.30 per share is proposed to shareholders for 2006 (up 10% from 2005).

At 31 January 2007, Neopost had also bought back 2.4% of its share capital. These two operations form part of the strategy of returning value to shareholders adopted by the Group.

Sales

+11.9%

at constant exchange rates

Current operating margin

26.0%

of sales

Net margin

17.1%

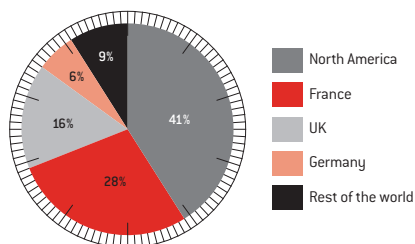
of sales

Dividend

€3.30

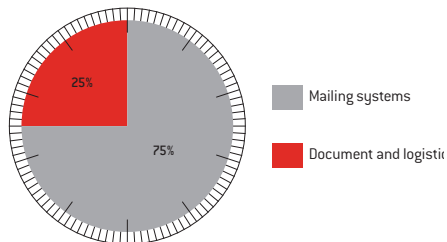
per share

Total sales = €918.5m.



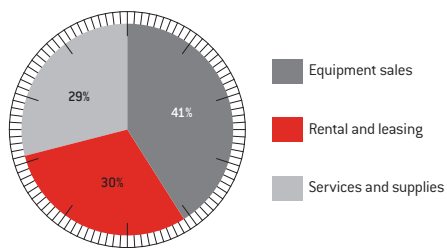
← Sales by country

Neopost's sales breakdown by region is balanced. The Group recorded strong organic growth in all of its markets in 2005.



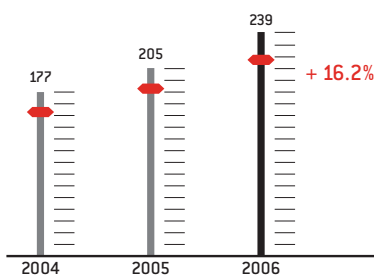
← Sales by business

In 2006, sales of mailing systems increased by 13% while sales of document and logistics systems increased by 9% thanks to the success of new products and the acceleration of cross-selling.



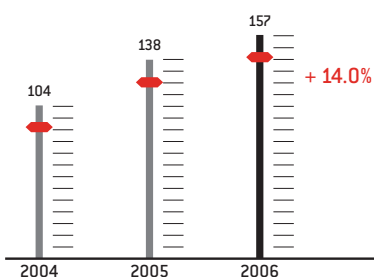
← Sales by revenue category

Equipment sales grew by a very strong 21% in 2006 thanks to good performances in the North American and British markets. Recurring revenue also increased they account for 59% of sales.



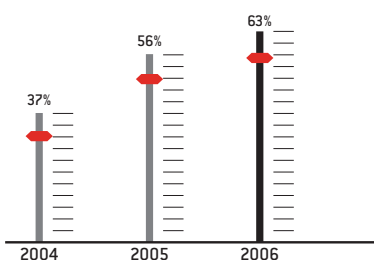
← Current operating income (€m)

In 2006, current operating income increased by 16.2%. The sharp increase in current operating margin, which rose to 26.0% of sales, was mainly due to the product mix moving upmarket, as well as the larger proportion of sales generated by services.



← Net income (€m)

Net income increased by 14.0% year on year in 2006 to €157.3m, while net margin rose to 17.1% of sales from 16.7% a year ago.



← Gearing

Neopost's gearing rose in 2006 compared with 2005, but is still very low for the industry, given the growing weighting of leasing and financing activities.

Strategy

The long-term profitable growth model of Neopost has already proved its strength, as demonstrated by the results for 2006. The Group is committed to continuing along this route, with clear priorities established for all: increase sales per customer by focusing more on high-end equipment, developing services still further and improving distribution.

Technological innovation

Innovation is central to the Neopost model. If it is to be a winner, the Group must anticipate future generations of machinery and solutions which can manage as efficiently as possible the flow of information relating to mail handling and parcel shipping. In 2006, Neopost devoted 4.6% of its sales to research and development, reflecting a 16% increase on 2005 and a faster growth rate than sales. It is particularly thanks to this investment in technological innovations that the Group has been able to develop online services which were marketed in the US in June 2006. It is also thanks to this investment that the Group has been able to develop for the British market a dynamic scale which is able to measure envelope size and weight at the same time at speeds of 7,000 per hour.

Geographic expansion

Neopost is constantly striving to improve its position by looking for ways to improve its sales organisation, be it by building up its teams in the fastest-growing markets or continuing to take over distributors. Whereas ten years ago, the Group only had a presence in four countries, it now has subsidiaries in 14 countries covering the majority of the world market. Neopost's products are distributed in more than 90 countries, while it is a priority for the Group to expand in countries offering the greatest potential.

This desire to improve market coverage was reflected in further acquisitions in 2006. As part of the reorganisation of its distribution network, Neopost acquired three dealers in Europe (Italy and Netherlands) and 12 dealers in the US in Massachusetts, Oregon, Alabama, Indiana, Texas and Michigan. The Group also disposed of two agencies in Georgia and Florida. 40% of the US market was covered by a single sales organisation at 31 January 2007, compared with 24% a year ago.

This policy of improving market coverage will continue in 2007.

Focus on high-end equipment

In 2004, Neopost adopted a commercial strategy called "Sustained Profitable Growth" which focused mainly on moving to higher-end equipment, developing cross-selling and retaining customers. The success of this strategy has been seen in 2005 and 2006. At the higher end of the market, for example, the number of mailing machines produced in 2006 increased 30% year on year.

Increased sales per customer

Neopost believes that it is in a good position to take advantage of market growth. As a result, the Group has set increasing sales per customer as a priority. Technological development, which continues to reduce the life expectancy of products, is a real market opportunity for Neopost. By focusing more on high-end equipment, the Group can improve the number of opportunities to increase sales and develop cross-selling. In services, development of the product offering, particularly leasing and supplies, plus the launch of new services, also offer Neopost new sources of profitable and recurring growth.

Increased productivity

Increasing productivity is a constant concern for Neopost. Major investment in CRM (customer relationship management) and information systems should bear fruit over the next three years. In 2006, Neopost reorganised its operations in a number of countries, which is also making an active contribution to this aim. In France, for example, the customer service departments at two distribution subsidiaries (Satas and Neopost France) have been merged since mid-2006. In addition to these programmes, a number of other factors will continue to have a positive effect on profitability, including new generations of digital machines that are cheaper to produce, migration of the product mix towards higher-end equipment, subcontracting of some production to China, improving distribution and the growth of leasing and supplies.

History

First LBO in 1992

Neopost was formed by a group of investors led by Fonds Partenaires through the buy-out of Alcatel's mailroom solutions division. 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 acquisition in succession of Roneo Vickers in the UK and Netherlands in 1980, then of FME Corp of the US in 1981.

Second LBO in 1997

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

Initial public offering in 1999

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

Major acquisitions in 2002

Neopost was already world number two, but strengthened its position very significantly with the acquisition of Ascom Hasler, the franking systems division of the Swiss company Ascom, then number three in the world.

In the same year, Neopost consolidated its position in Germany, the third-largest market in the world, by acquiring the German company Stielow, a Neopost distributor and specialist in mailroom equipment.

Organisational structure

Head office

Neopost's head office is in Bagneux in greater Paris. Neopost S.A. is a financial holding company. 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.

Research and development centres

Neopost has three main specialised research and development centres. These are in Bagneux (France) for mailing systems, Shelton (USA) for infrastructure and networks, and Drachten (Netherlands) for document management systems. More than 300 engineers and technicians work at these centres.

The Neopost group has substantial expertise in postal system requirements, paper handling, cryptography, inkjet printing and software development.

The Group has formed strategic alliances with recognised partners for the supply of components and complementary technology. An example is the alliance with Hewlett Packard in inkjet technology.

Trademarks and patents

The Group is the owner of its trademarks and has close to 600 families of patents published. Neopost registers on average 40 patents per year. The geographical coverage of these patents is essentially European and American. Neopost is not dependent on any patent which might bring into question the Group's level of business or profitability.

Production centres

Neopost has two assembly centres: Lude (France) for middle and top of the range mailing systems, and Drachten (Netherlands) for middle and top of the range document systems. These two centres employ more than 800 people.

Neopost subcontracts part of its production to two completely independent subcontractors in China. These subcontractors assemble mailing systems and entry-range document systems.

The Group believes that it has adequate production capacity to handle growing business.

1 Neopost Group activity

Organisational structure

Distribution

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

The Group has subsidiaries in 14 countries accounting for a total of 94% ⁽¹⁾ of the worldwide installed base of mailing systems: Germany, Austria, Belgium, Canada, Spain, USA, France, Italy, Ireland, Japan, Norway, Netherlands, Switzerland and the United Kingdom.

Neopost also has a network of local distributors in about 80 countries on top of the countries covered by its subsidiaries. These distributors

are independent and have signed long-term distribution contracts with Neopost.

Customers

Neopost has a customer base of about 800,000 accounts. While growing strongly, the Group has managed to keep its organisation flexible and highly decentralised, ensuring that all its employees can be more available and react more quickly to its customers.

Ownership of buildings

The table below shows an inventory of the main properties owned and rented by Neopost Group. These represent the bulk of the buildings occupied.

	Office floorspace (owned) (m ²)	Factory floors- pace (owned) (m ²)	Office floorspace (rented) (m ²)	Factory floors- pace (rented) (m ²)	Monthly rent (offices) (€m)	Monthly rent (factories) (€m)
France	2,685	10,339	18,318	-	3.0	-
North America	2,230	-	19,649	-	4.3	-
UK	-	-	8,210	-	1.0	-
Germany	890	-	5,234	-	0.3	-
Rest of the world	5,337	8,605	7,729	-	4.5	-
Total	11,142	18,944	59,140	-	13.1	-

Investment

In 2006, Neopost invested €80.2m, before acquisitions of distributors and loans, compared with €73.2m in 2005 and €67.8m in 2004.

Details of investments are shown in the table below:

(€m)	At 31 January		
	2007	2006	2005
Acquisition of rights and licences	4.8	5.9	5.2
Capitalisation of research costs	8.7	12.7	7.6
Acquisition of equipment	7.7	9.1	10.9
Replacement of installed base of franking machines	48.6	32.3	30.9
Other investments	10.4	13.2	13.2
Total	80.2	73.2	67.8

The Group also invested €19.0m to acquire distributors in 2006, compared with €20.6m in 2005 and €11.0m in 2004.

This investment was financed either from Group cash or from existing credit lines.

Neopost expects to invest similar amounts in 2007 as it did in 2006.

The Group also expects to continue making acquisitions of distributors in Europe and the US in 2007.

⁽¹⁾ : Postal statistics at end December 2006 and Neopost estimates.

Document systems

A full product range that meets customer needs

Neopost simplifies the daily business of processing incoming and outgoing mail by designing, producing and marketing dedicated machines and equipment.

Incoming mail

For incoming mail, Neopost offers a range of equipment including several innovative models for opening and extracting mail which can handle a wide range of letter sizes and paper types.

The Group also distributes mailroom accessories, furnitures and supplies bought from outside suppliers.

At the same time, Neopost offers its customers software to assist incoming mail management. This includes mail sorting solutions based on voice-recognition technology, along with global mail, e-mail and fax management software.

Outgoing mail

For outgoing mail, Neopost offers its customers a highly competitive range of mail folders/inserters which make it possible to automate the assembly, folding and insertion of documents into envelopes. The whole range is particularly innovative, modular and ergonomic. It is intended for the office (entry-level) and mailroom (mid range) markets.

Here too, Neopost's product range includes software which interfaces with databases and makes it possible, for example, to publish, prepare for insertion, compile and route documents.

Neopost: the world leader

Neopost is the world's leading manufacturer of folders/inserters for offices and mailrooms, with an estimated world market share of 60% ⁽²⁾.

Mailing systems

Very competitive product range

Mailing systems help Neopost's customers manage the sending of letters and parcels through postal services simply and efficiently, while allowing them to pay postal charges in a secure manner.

Franking machines have developed into real postal terminals. When connected to servers, they can gather data, exchange information, recharge postage credit automatically, automatically update prices, and weigh items at the same time.

Neopost offers a full range of digital mailing systems with inkjet printing, with performance ranging from 1,200 to 15,000 letters per hour. Systems are available for customers with daily mail volume starting at 15 to 20 letters per day.

Neopost's franking product range includes software which makes it possible, for example, to control franking machines by computer, manage and monitor sensitive mail (particularly registered letters) and control postage budgets by consolidating all the company's mail-related data.

⁽²⁾ : Neopost estimate based on research in 2001 by the Office of Fair Trading, the British competition authority.

1 Neopost Group activity

Mailing systems
Logistics systems

Productivity gains for customers and postal services

Mailroom systems offer appreciable advantages to users. They avoid having to buy and handle stamps. They make it possible to process very large volumes of mail in minimum time, and to manage spending on postage automatically. They also make it possible for companies to cut costs and sometimes to take advantage of preferential prices.

Such systems also help the postal services to collect a large part of their postage revenue securely and without the least cost – from 30% to 50% depending on the country. They give post offices concrete data and detailed statistics about their customers' actual needs, making them a real CRM tool. Such systems can enable postal services to customise their products and increase competitiveness

in preparation, for example, for the disappearance of national monopolies in Europe, scheduled for 2009.

Neopost: world number two

With an installed base of more than 700,000 machines, about 25% ⁽³⁾ of the total, Neopost is the second-largest manufacturer in the world and the leading European manufacturer of franking machines. The Group is either number one or number two in all the markets in which it operates.

Neopost has in-depth knowledge of the postal business. Over 75 years, the Group has acquired expertise in the regulatory and competitive environment in each market in which it operates, allowing it to anticipate regulatory changes and market trends.

Logistics systems

Solutions for shippers and carriers

The range of products and services developed by Neopost Logistic Systems in parcel transport mainly covers shipping stations, digitisation of documents and parcel tracking.

Neopost offers carriers in Europe and shippers in the United States innovative solutions for managing information flows related to parcel shipments. These solutions help shippers increase productivity and carriers improve efficiency. The wealth of data exchanged between shippers, carriers and addressees is central to developments in the transport world.

Shipping stations

Shipping stations are Neopost's main business in this area. These are specialist terminals, or software on PCs or the Internet, which help users to improve management of shipments, manage addressee databases, select the most economical price from a list of carriers, generate shipping labels and documents, and then manage the entire tracking of the parcel with the chosen carrier.

These shipping stations offer a range of related services, making it possible to track parcels up to delivery and check aspects of billing.

Reliable management of parcel-related information

The number of parcels is growing constantly, particularly as e-commerce develops. Information flows related to these parcel flows are increasing even more rapidly. Neopost offers solutions for computerised entry, digitisation and electronic distribution of transaction information. Each day, Neopost processes and manages hundreds of thousands of items of information and transportation documents.

Neopost is a partner to the largest carriers in France including DHL/Danzas, Geodis/Calberson and Mory Team in digitisation and archiving of receipts that can be accessed rapidly over the Internet, database hosting and the development of interactive services specifically for the transport business.

Neopost has won two key contracts in this market, demonstrating real recognition of its expertise. The first was with Parcel Force, the carrier subsidiary of Royal Mail (the British postal service) for management of all parcel shipping services over the internet, while the second was a similar contract with Geopost, a subsidiary of La Poste.

⁽³⁾ : Postal statistics at end December 2006 and Neopost estimates.

Customer services

Advising businesses

Neopost's customer companies appreciate this specialist expertise in selecting the solutions best suited to their mail management problems. Neopost provides important advice and training in organising mailrooms, and selecting equipment and furniture according to each customer's particular needs. Neopost also includes in this review all of its mail management software which plays a part in really automating the mailroom function.

Online services

Neopost has launched a full range of online services for its customers based on the extended connectivity of new generation mailing machines, first in the US (mid 2006) and then in the UK (end 2006). These services include mail traceability management (proof of receipt), an ink level alert system, centralised accounting for postage, downloading of updated postage prices, parcel shipping management, and remote maintenance diagnosis (for both mailing machines and document systems). These services will be launched shortly in France.

Maintenance

In all countries where the Group operates directly through a subsidiary, Neopost has call centres and maintenance teams which act both to prevent breakdowns and to carry out repairs on all Group products, as well as making regular inspections at the request of the postal services. These activities are paid for by Neopost's customers and are carried out under maintenance and service contracts. Supplying consumables completes the range of services provided by Neopost.

Financing solutions

Neopost has wholly-owned leasing subsidiaries in the United States, the United Kingdom, France, Canada, and, since recently, Germany, Italy, Belgium, Holland and Ireland. These subsidiaries offer financing services only to Group customers for products distributed by Neopost. It is a service much appreciated by the Group's customers. In June 2006, Neopost launched a new financial service: postage financing. This is a service which has been launched initially in the United States. It enables customers to be certain of having postage credit to use their machines at any time.

Provision of supplies

The mailing machines distributed by Neopost over the last few years use inkjet as the printing system. Neopost therefore supplies its customers with inkjet cartridges which comply with postal service constraints. Orders for these supplies are made still easier by the introduction of mailing machines which are connected to the internet and which send an e-mail to the customer to place an order when they detect that the ink level is too low.

2

Management discussion and analysis

Review of the Neopost Group's financial position and results in 2006	14
Income statement	14
Record sales growth in 2006	14
Very strong growth in North America	14
Solid growth in France	15
Record growth in the UK	15
Strong growth in Germany	15
Strong growth in the rest of the world	15
Sharp increase in equipment sales	15
Continuing improvement of market coverage	15
Expansion of the financial services business	15
Launch of online services	15
Increased spending on research and development	15
Sharp increase in current operating income	15
Increased net interest expense	16
Stable tax rate	16
Sharp increase in net income	16
Cash flow and financial position	16
Continuing shareholder return policy	16
New share buyback programme	17
Financial instruments	17
Foreign currency risk hedging	17
Interest rate risk hedging	17
Risk factors	18
Legal risks	18
Market risks	18
Risks related to the Group's operations	18
Industrial and environmental risks	19
Technological risks	19
Insurance	19
Social and environmental information	19
Health and safety	19
Training	19
Environmental information	20
Ownership structure	20
Outlook for 2007 and beyond	21
Report of the statutory auditors on the profit forecasts	22

2 Management discussion and analysis

Review of the Neopost Group's financial position and results in 2006

Review of the Neopost Group's financial position and results in 2006

Record sales growth in 2006 brought an 11.9% increase year-on-year at constant exchange rates.

Margins increased sharply, with operating margin reaching 26.0% of sales.

Income statement

(€m)	2006 (year ended 31 January 2007)		2005 (year ended 31 January 2006)	
Sales	918.5	100.0%	827.3	100.0%
Cost of sales	(212.5)	(23.1)%	(195.1)	(23.6)%
Gross margin	706.0	76.9%	632.2	76.4%
R&D expenses	(42.1)	(4.6)%	(36.2)	(4.4)%
Sales and marketing expenses	(229.8)	(25.0)%	(205.8)	(24.9)%
Administrative expenses	(120.7)	(13.1)%	(110.4)	(13.3)%
Service and other expenses	(67.5)	(7.4)%	(69.7)	(8.4)%
Employee profit-sharing	(7.1)	(0.8)%	(4.6)	(0.6)%
Current operating income (EBIT)	238.8	26.0%	205.5	24.8%
Proceeds from asset disposals and other	1.5	0.1%	0.8	0.1%
Operating income	240.3	26.1%	206.3	24.9%
Net financial income (expense)	(18.8)	(2.0)%	(11.6)	(1.4)%
Net income before tax	221.5	24.1%	194.7	23.5%
Income taxes	(64.8)	(7.1)%	(57.4)	(6.9)%
Results of associated companies	0.6	0.1%	0.7	0.1%
Minority interests	-	-	-	-
Net income	157.3	17.1%	138.0	16.7%

Record sales growth in 2006

In 2006, Neopost generated €918.5m of sales, an increase of 11.9% at constant exchange rates.

Neopost sales reached a record level during the year. The Group posted strong growth in all markets and businesses. This solid performance was yet another demonstration of the strength of Neopost's profitable growth model. The performance also confirms the Group's ability year after year to take full advantage of developments in the postal sector and resulting market opportunities.

Revenue from mailing systems increased by 13.0% (before exchange rate effects). Document and logistics systems sales increased 8.9%

(before exchange rate effects), illustrating the success of the Group's marketing strategy which is aimed at developing cross-selling between its two business lines. The breakdown of sales between mailing systems and document and logistics systems was relatively stable at 75.4% and 24.6% respectively.

Very strong growth in North America

2006 sales amounted to €377.1m. Full-year sales increased 15.3% before exchange rate effects, demonstrating the competitiveness and sales momentum Neopost deployed successfully in decertification programmes finishing at the end of 2006 in the US and Canada.

Solid growth in France

Full-year sales amounted to €252.1m. This reflected solid 4.7% growth year on year.

Record growth in the UK

Sales amounted to €148.9m in 2006, an increase of 24.9% over the full year, reflecting an excellent performance in the first nine months of the year thanks to Neopost's ability to adapt its services to the new British postage pricing method (based on envelope size as well as weight). Business was also helped by the echo effect of decertification in 2001-2002.

Strong growth in Germany

Sales amounted to €56.0m. Sales grew 4.7% compared with a high base in 2005, when they had been helped by a substantial increase in sales prompted by the financial incentive programme introduced by the German postal service to encourage the installation of new mailing machines.

Strong growth in the rest of the world

Neopost's sales reached €84.4m. Sales grew 5.4% over the full year despite a high basis of comparison. In 2005 the Group had enjoyed a particularly high level of sales, mainly thanks to decertification programmes in the Netherlands and Switzerland.

Sharp increase in equipment sales

By revenue category, Neopost experienced a very sharp rise in equipment sales in 2006 (+21.0% before exchange rate effects), particularly in North America and the UK. This is a good omen for future years since today's equipment sales represent tomorrow's recurring revenue for Neopost. In 2006, recurring revenue accounted for 59% of sales, compared to 63% a year earlier.

Continuing improvement of market coverage

With a view to continuing to improve distribution, Neopost acquired three distributors in Europe (Italy and Netherlands) and 12 in the US in Massachusetts, Oregon, Alabama, Indiana, Texas and Michigan. The Group also sold two agencies in Georgia and Ohio. 40% of the US market was covered by a single sales organisation at 31 January 2007 compared with 24% a year ago and zero two years ago.

This policy of improving market coverage will continue in 2007.

Expansion of the financial services business

In mid-2006, Neopost successfully launched a new service in the United States aimed at financing postage for its customers.

The financial services business continues to grow, and accounted for 6.4% of sales in 2006. The portfolio had reached €398.7m at the end of January 2007. This reflects an increase of 24.4% from the end-January 2006 level of €320.4m and was mainly due to strong growth in Europe and North America.

Launch of online services

Neopost has launched a full range of online services for its customers based on the extended connectivity of new generation franking machines, first in the US (mid 2006) and then in the UK (end 2006). These services include mail traceability management (proof of receipt), an ink level alert system, centralised accounting for postage, downloading of updated postage prices, parcel shipping management, and remote maintenance diagnosis (for both mailing machines and document systems). These services will be launched shortly in France.

Increased spending on research and development

This year, Neopost further increased spending on research and development.

R&D expenses amounted to 4.6% of sales in 2006 compared with 4.4% a year ago. A significant proportion of the research and development spending was capitalised during the year €8.7m at 31 January 2007 compared with €12.7m at 31 January 2006.

The main focus of research and development is on future generations of hardware, software, infrastructure and networks to manage information flows between customers and postal services and/or carriers.

Sharp increase in current operating income

Strong growth in 2006 combined with continuing efforts to improve margins helped Neopost to increase current operating income once again. Current operating income increased 16.2% year on year to €238.8m, a much faster rate of growth than sales. The Group also reported another current operating margin record of 26.0% of sales.

2 Management discussion and analysis

Review of the Neopost Group's financial position and results in 2006

This increase in current operating margin was mainly due to:

- sales growth;
- a shift in the product mix towards higher-end machines;
- a growing proportion of supplies-related sales;
- the development of financial services;
- improved productivity;
- control of exchange rate effects.

Increased net interest expense

Net interest expense increased to €18.8m in 2006 from €11.6m in 2005.

This had been expected for a number of reasons:

- the Group's dividend policy in 2006, which was aimed at paying back to shareholders all of the increase in net equity generated during the period;
- investment in financial services;
- acquisitions of distributors;
- higher interest rates.

Stable tax rate

The average tax rate was stable at a slightly below 30% in 2006 (29.3%).

Sharp increase in net income

Net income increased by 14.0% year on year in 2006 to €157.3m. This was 17.1% of sales compared with 16.7% a year ago.

Cash flow and financial position

Key features of 2006 were the following:

- cash flow after net cost of debt and taxes were up 10.3% year on year to €212.6m due to the Group's good business performance;
- working capital requirement excluding leasing improved very sharply thanks to a reduction in accounts receivable and an increase in other operating liabilities and tax payable;
- the growth in financing business was funded out of Group cash instead of by drawing down existing credit lines;

- net investment amounted to €95.7m. Of this, €15.5m was for the acquisition and disposal of distributors in the USA and Europe, and €8.7m for the capitalisation of R&D expenses. The remainder was mainly for the replacement of the installed base of franking machines and the acquisition of software;
- payment of €94.2m in dividends for 2005;
- buyback of 776,834 shares, intended for cancellation, for €68.1m.

Neopost ended 2006 with net debt of €338.4m, giving gearing of 63.0%, up from 56.5% a year ago. This is a very low level for the industry given the rental and leasing businesses. The interest cover ratio (EBITDA/interest) ⁽⁴⁾ is 15.8 and EBITDA gearing is 1.1.

There are no restrictions on the use of Group cash. Neopost is, however, obliged to comply with loan covenants (see risk factors below). The Group had unused credit lines of €355m, £59m and US\$43m at 31 January 2007.

Continuing shareholder return policy

In 2006, Neopost introduced a shareholder return policy intended to return to shareholders all the increase in the Group's net equity, except in the event of a major acquisition. Returns are made in the form of share buybacks (about 2% of the number of shares in circulation each year) and the rest in the form of dividends.

This policy will continue in 2007 in respect of 2006.

The Board of Directors has decided to request approval from shareholders at the next Annual General Meeting to pay an ordinary dividend of €3.30 per share for 2006. This marks a 10% increase on 2005, when a dividend of €3.00 per share was paid, in the form of an ordinary dividend of €2.20 per share and an exceptional dividend of €0.80 per share.

This dividend of €3.30 per share represents a total sum of €104m, giving a yield of 3.5% based on the 29 December 2006 share price of €95.15. Excluding the liquidity contract, the Group also bought back 776,834 shares (2.4% of the share capital) between 1 February 2006 and 31 January 2007 for €68.1m.

As part of an operation terminating at the end of March 2007, the Group also bought back a further 326,333 of its shares for €32m.

⁽⁴⁾ : EBITDA (€296.8m) is the sum of current operating income (€238.8m) plus depreciation of tangible fixed assets (€44.2m) and intangible fixed assets (€13.8m).

New share buyback programme

A new share buyback programme involving a maximum of 10% of the issued share capital at a maximum purchase price of 1.3 times

the closing price on 9 July 2007 will be presented for approval to the shareholders' AGM to be held on 10 July 2007.

Financial instruments

Neopost uses financial instruments to hedge exchange rate and interest rate risks.

Neopost uses the services of an independent consultancy based in Paris. This company assists Neopost in the Group's exchange rate and interest rate risk hedging strategy, and values its portfolios under IFRS to ensure continuity of methodology and provide an opinion independent of any financial institution. This company has the technical and human resources to monitor interest rate and exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

Foreign currency risk hedging

Neopost has a policy of centralising 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.

Interest rate risk hedging

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 introduced a policy of centralising 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 favourable movements. Hedging strategies involve definite and optional derivative instruments, and open positions are maintained if possible. The valuation of the open position based on market forward interest rates, along with the interest rates obtained through hedging operations, should always protect the reference interest rate. Hedging strategies cover the period three years ahead at all times. However, the level of coverage and the weightings of the various derivative instruments may vary from one year to the next, since the aim is to maintain greater scope for optimising positions in later years.

Sensitivity to interest rate risk is as follows:

- in the event of a 1 percentage point rise in interest rates, the impact on financial expenses on the hedged portion of Neopost's debt is (€1.3m) on euro debt and +\$0.2m on dollar debt;
- in the event of a 1 percentage point fall in interest rates, the impact on financial expenses on the hedged portion of Neopost's debt is +€1.5m on euro debt and (\$0.1m) on dollar debt.

The unhedged portion of Neopost's debt remains exposed to interest rate movements. The impact of a 1 percentage point rise in interest rates is estimated at (€0.6m) on euro debt and (\$1.7m) on dollar debt. The impact of a 1 percentage point fall in interest rates is estimated at +€0.6m and +\$1.7m.

Risk factors

Legal risks

There is currently no exceptional item, lawsuit or dispute likely to have a material impact, or which has recently had a material impact, on the Group's business, profits, financial position or assets.

Market risks

Liquidity risk

The Group believes that its cash flow will easily enable it to service its debt, given the current level of that debt. Group debt (US 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. At 31 January 2007, the Group was complying with all covenants.

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

Exchange rate risk

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

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

On the basis of the 2007 budget, the breakdown of sales and costs in dollars is: sales 42%, cost of sales 51%, operating costs 35%, interest expenses 49%. The Group is therefore naturally hedged and should be able to preserve its operating margin and net margin, however the dollar performs against the euro. A change in the dollar from the budget rate of 1.28 to 1.30 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales (€6.8m), operating income (€1.8m) and net income (€1.0m).

Interest rate risk

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

Risks related to the Group's operations

Postal authorities regulations

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

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

Competition

Neopost has two main competitors, Pitney Bowes which is the world leader, and Francotyp Postalia which is world number three. Although the Group believes that its competitive position in the mailroom equipment market is sustainable and that the industry framework is established by local postal regulations, it is not impossible that new competitors may break into the market for the supply of either products or services. Competitors to the Group may also have greater financial resources than Neopost, which might affect the Group's competitiveness. The Group cannot guarantee that it will be able to maintain or increase its market share in the markets in which it already operates, or penetrate new markets.

Technological developments and new markets

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

Dependence on customers and suppliers

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

The Group has three principal suppliers which now account for about 48% of its supplies. These are Hewlett Packard in the United States for inkjet franking heads, Elite in China for the production of entry-level franking machines, and Otima in France for the production of metal parts. A disruption in supply from these three suppliers might significantly affect the Group's business, although clauses in the contracts do guarantee the Group against this risk.

Industrial and environmental risks

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

Technological risks

The obligations regarding information under article L. 225-102-2 of the Commercial Code are not applicable to Neopost given its activities.

Insurance

All Group companies are covered by a worldwide insurance programme which covers "operating damage and loss, liability, and transport" risks. All Group subsidiaries participate in guarantees set up and negotiated at the Company 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 loss. The cover negotiated by the Group is very high and is aimed above all at insuring the largest risks which might have a material impact on the Group's financial position. Certain risks are no longer covered by insurance companies, such as damage resulting from unfair competition, counterfeiting, misleading advertising and failure to comply with copyright or literary and artistic rights.

Cover amounts to €61m per claim for "operating damages and loss", €30m for "liability", and €0.5m for "transport". The total cost of this cover amounted to €0.7m in 2006.

The Group's insurance has been updated to reflect the Group's scope of consolidation and to cover industrial risks within the global insurance market framework.

The Group's guarantees are placed with leading insurers with worldwide reputations.

Social and environmental information

The following is in accordance with NRE (new economic regulation) legislation and decree 2002-221, dated 20 February 2002. The social information in this paragraph refers to Neopost Group's two production companies in France and the Netherlands which employed 849 people at 31 January 2007.

Health and safety

Indicator	Unit	2006	2005
Frequency rate of accidents at work	Number of accidents x 10 ⁶ / hours worked	18.7	5.6
Seriousness rate of accidents at work	Number of days off x 10 ³ / hours worked	0.1	0.1

Training

Indicator	Unit	2006	2005
Total number of hours training during year	Hours	14,514	6,533
Number of employees involved in at least one training session in year	Number	1,594	638

2 Management discussion and analysis

Social and environmental information Ownership structure

Environmental information

	Unit	2006	2005
Water consumption	m ³	13,651	14,452
Electricity consumption	Kwh	3,860,542	3,375,961
Gas consumption	m ³	338,753	347,798
Waste packaging produced	Tonnes	844	560
Industrial waste produced	Tonnes	1,457	913
Of which dangerous waste	Tonnes	22	13
% recycled	%	92%	87%

These figures should be compared with the 22% increase in production at these two sites. It should be noted that the reporting tools for waste improved substantially in 2006 and therefore now give a good picture of the true situation.

Ownership structure

At 31 January 2007, Neopost S.A.'s share ownership was as follows:

	Number	%
Management and employees	698,200	2.167%
Directors (non-executive)	4,186	0.013%
Shares held under liquidity contract	43,771	0.136%
Treasury stock held for cancellation	776,834	2.411%
Other shareholders (*)	30,699,914	95.273%
Total	32,222,905	100.000%

(*) At 31 January 2007, four shareholders had declared that they had crossed a disclosure threshold: Fidelity Funds with 3,334,081 shares or 10.35% of the share capital as at 26 April 2001; Harris Associates with 1,594,721 shares or 4.95% of the capital as at 1 September 2005; Jupiter Asset Management Limited with 2,022,772 shares or 6.28% of the capital as at 2 October 2006; and Arnhold & Bleichroeder Advisers with 1,255,301 shares or 3.90% of the capital as at 18 October 2006.

Outlook for 2007 and beyond

The postal sector is changing rapidly as a result of deregulation and economic and competitive pressures which are forcing postal organisations to improve efficiency and productivity. This is leading to a search for greater automation of mail sorting and delivery. These developments are creating new needs for customers upstream and therefore new market opportunities for Neopost, such as *pricing in proportion* in the UK in 2006 and *shape-based pricing* in the US. Technological and regulatory innovation will therefore continue to drive the market, in addition to decertification programmes, the development of online services and sales of supplies.

Neopost is particularly well placed to take maximum advantage of these opportunities thanks to the Group's status as partner to postal services, decentralised structure, continuing investment in R&D and position as challenger in a fast-changing market. As a result, Neopost will continue to roll out its profitable growth model which is based on the four following pillars:

- a focus on high-end equipment;
- the expansion of services;
- optimisation of distribution;
- specific productivity improvement programmes.

In 2007, Neopost expects sales to grow by at least 5% to 6% (before exchange rate effects), since the plan to change the postage pricing method in the United States has just been confirmed. The impact of this change for Neopost is estimated at 1 to 2 points of additional growth in 2007 (before exchange rate effects). The Group believes that it will be able to generate more than a billion euros in sales by 2008, at constant exchange rates.

When it comes to current operating margin, Neopost anticipates a 30 to 50 basis point improvement per year in 2007 and 2008.

There have been no significant changes in the Group's commercial or financial positions since the 2006 accounts were closed.

Report of the statutory auditors on the profit forecasts

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors and in accordance with EU Regulation N° 809/2004, we hereby report on the profit forecasts for Neopost Group, which are included in Section 2 part "Outlook for 2007" of its Prospectus dated April 20, 2007.

In accordance with the requirements of EU Regulation N° 809/2004 and relevant CESR guidance, management is responsible for the preparation of these forecasts together with the material assumptions on which they are based.

It is our responsibility to provide an opinion, in terms defined by Appendix 1, Paragraph 13.3 of EU Regulation N° 809/2004, on these forecasts.

We conducted our work in accordance with French professional standards. This work consisted in assessing the procedures implemented by management for the preparation of the profit forecasts and performing such procedures as to enable us to assess whether the basis of accounting applied are consistent with the accounting policies adopted for the preparation of the Neopost Group's historical financial statements. Our work also consisted in collecting information and making the necessary enquiries in order

to obtain reasonable assurance that the profit forecasts have been properly prepared on the basis of the assumptions stated.

It should be noted that actual profits are likely to differ from the profit forecasts since anticipated events frequently do not occur as expected and the variations could be material. Consequently, we do not express any opinion on the possibility that such events will occur.

In our opinion:

- The profit forecasts have been properly prepared on the basis stated.
- The basis of accounting applied in the preparation of these profit forecasts is consistent with the accounting policies adopted by Neopost Group.

This report is intended for the sole purpose of the public offering in France and other European Union countries in which the prospectus, registered with the French Stock Exchange Regulatory Body (AMF), will be published and may not be used for any other purpose.

Paris and Neuilly-sur-Seine, April 20, 2007

The Statutory Auditors

PERONNET ET ASSOCIES

ERNST & YOUNG et Autres

French original signed by
Olivier Peronnet

French original signed by
Michel Gauthier

3

Consolidated financial statements

Consolidated balance sheets	24
Consolidated income statements	26
Consolidated cash flow statements	27
Statement of recognised income and expense in financial years 2005 & 2006	28
Changes in shareholders' equity	29
Notes to the consolidated financial statements	30
Note 1 Presentation of the Neopost Group and its consolidated financial statements	30
Note 2 Accounting policies	30
Note 3 Scope of consolidation and accounting policies	37
Note 4 Scope of consolidation at 31 January 2007	39
Note 5 Goodwill	41
Note 6 Intangible assets	43
Note 7 Property, plant and equipment	44
Note 8 Other financial assets	45
Note 9 Inventories and work in progress	45
Note 10 Receivables	46
Note 11 Provisions	48
Note 12 Debt	50
Note 13 Tax position	54
Note 14 Segment information	55
Note 15 Details of expenses by category	59
Note 16 Proceeds from asset disposals	59
Note 17 Earnings per share	59
Note 18 Headcount, employee profit-sharing and share-based payments	60
Note 19 Risk management and commitments given and received	64
Note 20 Information on related parties	69
Note 21 Events after the balance sheet date	69
Auditors' report on the consolidated financial statements	70

3 Consolidated financial statements

Consolidated balance sheets

Consolidated balance sheets

Consolidated assets

		At 31 January	
(€m)	Notes	2007	2006
Goodwill	(5)	529.5	514.3
Intangible fixed assets	(6)		
Gross value		148.5	133.7
Amortisation		(95.7)	(83.6)
		52.8	50.1
Tangible fixed assets	(7)		
Gross value		592.0	575.9
Depreciation		(448.0)	(444.9)
		144.0	131.0
Other financial assets	(8)		
Investments in associates		3.5	3.3
Available for sale assets		2.2	2.0
Other financial assets		10.0	6.1
Provisions for impairment of available for sale assets		(0.5)	(0.5)
		15.2	10.9
Net long-term lease receivables	(10)	264.6	213.3
Other net long-term receivables		3.8	3.5
Deferred tax assets	(13)	44.3	48.8
Total non-current assets		1,054.2	971.9
Net inventories and work in progress	(9)	50.1	49.0
Net receivables	(10)		
Net accounts receivable		142.8	164.0
Net short-term lease receivables		134.1	107.1
Income tax receivables		10.2	17.5
Net other receivables		7.5	13.7
		294.6	302.3
Prepaid expenses		26.5	22.6
Financial instruments		4.5	2.5
Cash and cash equivalents		157.8	112.9
Total current assets		533.5	489.3
Total assets		1,587.7	1,461.2

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

Consolidated liabilities and shareholders' equity

		At 31 January	
(€m)	Notes	2007	2006
Shareholders' equity			
Share capital		32.2	32.2
Issue and conversion premium		110.2	171.2
Reserves and retained earnings		308.7	201.4
Treasury stock		(72.6)	(28.8)
Attributable to equity holders		157.3	138.0
Translation variance		1.3	(0.2)
		<u>537.1</u>	<u>513.8</u>
Long-term provisions	(11)	<u>40.3</u>	<u>55.5</u>
Debt	(12)	<u>312.1</u>	<u>189.9</u>
Deferred tax liabilities	(13)	<u>22.7</u>	<u>30.3</u>
Total non-current liabilities		<u>375.1</u>	<u>275.7</u>
Accounts payable			
Accounts payable		52.9	55.1
Other operating liabilities		205.2	178.2
Income taxes		59.3	50.9
Short-term provisions	(11)	16.2	18.6
Deferred income		156.6	154.7
		<u>490.2</u>	<u>457.5</u>
Financial instruments		<u>1.2</u>	<u>0.9</u>
Debt			
Short-term portion of long-term debt		175.2	211.3
Bank overdrafts		8.9	2.0
	(12)	<u>184.1</u>	<u>213.3</u>
Total current liabilities		<u>675.5</u>	<u>671.7</u>
Total liabilities		<u>1,587.7</u>	<u>1,461.2</u>

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

3 Consolidated financial statements

Consolidated income statements

Consolidated income statements

(€m)	Notes	2007	At 31 January 2006
Sales	(14)	918.5	827.3
Current operating expenses	(15)		
Cost of sales		(212.5)	(195.1)
R&D expenses		(42.1)	(36.2)
Sales and marketing expenses		(229.8)	(205.8)
Administrative expenses		(120.7)	(110.4)
Service and other expenses		(67.5)	(69.7)
Employee profit-sharing, share-based payments	(18)	(7.1)	(4.6)
Current operating income		238.8	205.5
Impairment of goodwill		-	-
Proceeds from asset disposals	(16)	1.5	0.8
Operating income	(14)	240.3	206.3
Interest charges		(20.4)	(13.0)
Interest income		0.3	0.2
Net cost of debt	(12)	(20.1)	(12.8)
Losses on foreign exchange		(4.2)	(15.7)
Gains on foreign exchange		5.6	16.7
Net gains (losses) on foreign exchange	(19)	1.4	1.0
Other financial gains (losses)		(0.1)	0.2
Share of results of associated companies		0.6	0.7
Income before tax		222.1	195.4
Income taxes	(13)	(64.8)	(57.4)
Net income before results of businesses divested		157.3	138.0
Profit after tax of businesses divested		-	-
Net income		157.3	138.0
Of which:			
Attributable to equity holders		157.3	138.0
Minority interests		-	-
Basic earnings per share (€)	(17)	4.99	4.32
Fully-diluted earnings per share (€)	(17)	4.91	4.19

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

Consolidated cash flow statements

	At 31 January	
(€m)	2007	2006
Net income	157.3	138.0
Depreciation (reversal) of tangible assets	44.3	49.8
Depreciation (reversal) of intangible assets	13.9	10.5
Provisions (reversals)	(8.1)	(4.4)
Gains (losses) on changes in fair value	(1.6)	(0.6)
Proceeds (expenses) on stock options	4.9	2.5
Net gains (losses) on disposals of fixed assets	1.5	0.8
Share of results of associates (net of dividends received)	(0.4)	(0.3)
Other items	0.8	(3.5)
Cash flow after net cost of debt and income taxes	212.6	192.8
Tax charge (including deferred taxes)	64.8	57.5
Net cost of debt	20.4	11.7
Cash flow before net cost of debt and income taxes	297.8	262.0
(Increase) decrease in inventories	(2.4)	(2.5)
(Increase) decrease in accounts receivable	16.6	(15.8)
Increase (decrease) in accounts payable	0.8	10.2
Increase (decrease) in other current assets and liabilities	51.4	(6.7)
Net change in lease debt and receivables	(51.8)	(23.4)
Cash flow from operating activities	312.4	223.8
Interest paid	(19.5)	(13.0)
Income taxes paid	(70.4)	(51.0)
Net cash flow from operating activities (A)	222.5	159.8
Investments in tangible fixed assets	(61.2)	(49.0)
Investments in other intangible fixed assets	(19.0)	(24.2)
Acquisition of securities and loans advanced	(19.0)	(20.6)
Sub-total investments	(99.2)	(93.8)
Disposals of fixed assets	3.5	3.2
Disposals of securities and other financial assets	-	-
Repayment of loans and other long-term advances	-	0.1
Net cash flow from investing activities (B)	(95.7)	(90.5)
Parent company capital increase	10.8	11.9
Share buyback	(68.1)	(28.8)
Dividends paid to shareholders	(94.2)	(111.5)
New medium and long-term debt	186.4	55.1
Repayment of debt	(125.0)	(2.1)
Net change in other debts and accrued interest not yet matured	1.6	0.3
Net cash flow from financing activities (C)	(88.5)	(75.1)
Effect of exchange rate movements on cash and cash equivalents (D)	(0.3)	4.0
Change in net cash (A) + (B) + (C) + (D)	38.0	(1.8)
Net opening cash	110.9	112.7
Net closing cash	148.9	110.9
Cash and cash equivalents	157.8	112.9
Bank overdrafts	(8.9)	(2.0)
Net closing cash	148.9	110.9

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

Statement of recognised income and expense in financial years 2005 & 2006

(€m)	At 31 January	
	2007	2006
Income for the year	157.3	138.0
Actuarial variances recognised on the balance sheet	13.9	(5.6)
Change in fair value of hedging instruments	1.7	(0.6)
Deferred taxes	(4.2)	1.7
Translation variance	1.5	(0.6)
Total income and expense recognised directly in shareholders' equity	12.9	(5.1)
Total income and expense for the year	170.2	132.9

Changes in shareholders' equity

(€m)	Par value	Number of shares	Share capital	Additional paid-in capital (*)	Reserves, retained earnings and net income	Treasury stock	Translation difference	Total
Consolidated shareholders' equity at 31 January 2005	1.00	31,856,937	31.9	159.6	314.9	-	0.4	506.8
Movements in 2005:								
Net income			-	-	138.0	-	-	138.0
Total income and expense recognised in shareholders' equity			-	-	(4.5)	-	(0.6)	(5.1)
Total movements in 2005			-	-	133.5	-	(0.6)	132.9
Capital increase: exercise of options	1.00	349,722	0.3	11.6	-	-	-	11.9
Treasury stock in process of cancellation (299,572 shares)			-	-	-	(24.6)	-	(24.6)
Treasury stock - liquidity contract (52,701 shares)			-	-	-	(4.2)	-	(4.2)
Dividends			-	-	(111.5)	-	-	(111.5)
Share-based payments			-	-	2.5	-	-	2.5
Consolidated shareholders' equity at 31 January 2006	1.00	32,206,659	32.2	171.2	339.4	(28.8)	(0.2)	513.8
Movements in 2006:								
Net income			-	-	157.3	-	-	157.3
Total income and expense recognised in shareholders' equity			-	-	11.4	-	1.5	12.9
Total movements in 2006			-	-	168.7	-	1.5	170.2
Capital increase: exercise of options (315,818 shares)	1.00	315,818	0.3	10.5	-	-	-	10.8
Capital reduction (299,572 shares)	1.00	(299,572)	(0.3)	(24.3)	-	24.6	-	-
Treasury stock in process of cancellation (776,834 shares)			-	-	-	(68.1)	-	(68.1)
Treasury stock - liquidity contract (-8,930 shares)			-	-	-	(0.3)	-	(0.3)
Dividends			-	(47.2)	(47.0)	-	-	(94.2)
Share-based payments			-	-	4.9	-	-	4.9
Consolidated shareholders' equity at 31 January 2007	1.00	32,222,905	32.2	110.2	466.0	(72.6)	1.3	537.1

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

(*) Additional paid-in capital includes issue and translation premiums.

The following transactions were recognised in 2006:

- buyback of 776,834 shares for €68.1m, with view to cancellation;
- payment of dividends amounting to €94.2m.

The Group also owned 43,771 shares worth €4.2m under a liquidity contract at 31 January 2007, compared with 52,701 shares worth €4.2m at 31 January 2006.

Notes to the consolidated financial statements

Financial statements for the years ended 31 January 2006 and 2007.

(All amounts stated hereafter are in millions of euro, rounded to one decimal place).

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

Neopost was created in 1992 through a leveraged buyout (LBO) of Alcatel's mail processing equipment division. A second LBO took place in 1997. In February 1999, the Group listed on the Paris stock market. Since then, Neopost has made acquisitions of varying sizes, of which the largest was the 2002 purchase of Ascom Hasler – the mailing systems division of Swiss company Ascom – which ranked third in the world in its market.

Neopost supplies mail-handling solutions to its customers. The Group offers solutions covering franking, folding, insertion and addressing, as well as logistics traceability. Neopost offers a full range of services, including in particular consulting, maintenance and financing solutions.

The term "Neopost S.A." refers to the parent company (excluding consolidated subsidiaries), which is listed and registered in France, while "Neopost" and "the Group" refer to the economic group formed by the parent company and its consolidated subsidiaries.

The parent company's head office is located at 113, rue Jean Marin Naudin 92220 Bagneux (France).

Neopost S.A. shares are listed on section A of Eurolist by Euronext Paris.

The consolidated financial statements were approved by the Board of Directors on 23 March 2007..

Note 2 Accounting policies

In accordance with European regulation 1606/2002 dated 19 July 2002 in respect of international standards, Neopost Group's consolidated financial statements for the year ending 31 January 2007 have been prepared under IASB international standards (IFRS: International Financial Reporting Standards), applicable at 31 January 2007, as approved by the European Union.

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

The basis of presentation of the financial information at 31 January 2007, as described in the notes below, is the International Accounting Standards whose application is compulsory from 31 January 2007, as currently known. The standards and interpretations, as adopted by the European Union, and whose application is compulsory from 2006, have not had any impact on the financial statements.

The Group has taken advantage of the option offered by IAS 19 "Employee benefits" systematically to recognise all actuarial variances on post-employment benefits in a separate heading under equity.

The Group has not applied in advance the regulations that are compulsory for financial years starting after 1 January 2007, in particular IFRS 7 "Financial instruments: disclosures".

2-1: BUSINESS COMBINATIONS - GOODWILL

Business combinations are recognised using the acquisition method. At the date on which control is taken of a company, 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 on first consolidation.

Any negative goodwill is recognised immediately through the income statement after confirmation of the nature of this negative goodwill and its constituent components.

Positive goodwill relating to companies controlled is posted to the balance sheet under the asset account "goodwill".

In accordance with IFRS 3 “Business combinations”, this goodwill on first consolidation is not amortised but is tested for loss of value once a year, or more frequently where there is evidence of impairment, in accordance with IAS 36 “Asset impairment”.

These tests consist of ensuring that the realisable value of each of the Group's cash-generating units is at least equal to the corresponding net asset value (including goodwill). Realisable value is determined on the basis of discounted projections of future cash flow from operations over a period of three years, plus a terminal value established by using a perpetual growth rate of 2.5%. The discount rate used is the Group's weighted average cost of capital before tax and adjusted for cash-generating unit-specific risk.

2-2: INVESTMENT

All investment is recognised at the initially paid cost. This equates to the price paid (including transaction costs) or the fair value of the assets used for payment.

Following initial recognition, investments classified as “assets held for trading purposes” or “available for sale assets” are valued at fair value on the accounting date.

Gains and losses on investments held for trading purposes are charged to the income statement. Gains and losses on investments available for sale are posted to a specific line under shareholders' equity, until the investment is sold or it has been demonstrated that the investment has lost value. When this happens, the cumulative profit or loss previously recognised in shareholders' equity is then charged to the income statement.

Other long-term investments intended to be held to maturity, such as bonds, are then valued at amortised cost using the effective interest rate method. For investments recognised at amortised cost, gains and losses are charged to the income statement when the investments are released from assets or lose value, as well as through the amortisation process.

For investments which are actively traded on organised financial markets, fair value is determined by reference to the published market price on the accounting date. For investments where there is no published price on an active market, the fair value is determined by reference to the current market value of another virtually identical instrument or calculated on the basis of expected cash flow from the investment.

2-3: IMPAIRMENT TEST

At each accounting date, the Group assesses whether there is any evidence that an asset has lost value. If there is such evidence, or where an annual impairment test is required, the Group estimates the asset's realisable value. The realisable value of an asset or cash-generating unit is the higher of its fair value minus selling costs and its going concern value.

The realisable value is determined for an asset considered individually, unless that asset does not generate cash inflows independently of cash inflows generated by other assets or groups of assets. If the book value of an asset exceeds its realisable value, the asset is considered to have lost value and the book value is written down to its realisable value. To determine going concern value, estimated future cash flows (described in §5.2 of this reference document) are discounted using a discount rate before tax which reflects current market assessments of the time value, monetary value and asset-specific risks. Impairment of continuing businesses is charged to the appropriate expense category of the income statement, based on the function of the impaired asset.

At each accounting date, an assessment is made to ascertain whether there is any evidence that a loss of value previously recognised is likely no longer to exist or to have diminished. If there is such evidence, the realisable value is determined. A previously determined loss of value is reversed if there has been a change in the estimates used to determine the realisable value of the asset since the last loss of value was recognised. If this is the case, the book value of the asset is raised to the level of its realisable value. The increased book value following reversal of a loss of value must not exceed the book value which would have been determined, net of depreciation, if no loss of value had been recognised on the asset in previous years. A reversal of loss of value is charged to the income statement, except where the asset is recognised at a revalued amount. In this case, the loss of value is treated as a positive revaluation. 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 possible residual value, is spread systematically over the remaining useful life of the asset.

Amortisation of goodwill forms part of operating income. Such amortisation is not reversible.

2-4: INTANGIBLE ASSETS

Intangible assets acquired separately are recognised at acquisition cost. Intangible assets acquired as part of a business combination are recognised at fair value on the acquisition date separately from goodwill if they meet the two following conditions:

3 Consolidated financial statements

Notes to the consolidated financial statements

- they are identifiable, *i.e.* they result from legal or contractual rights;
- they are separable from the acquired entity.

Intangible assets include software, patents, lease rights and activated development expenses.

Development expenses

In accordance with IAS 38 "Intangible assets", development costs meeting the following conditions are recognised as intangible 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 amortised over a period of six years, reflecting the average useful life of products marketed.

Other intangible assets

Other intangible assets are amortised in a straight line over a period representing the best estimate of the assets' useful life.

2-5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost minus cumulative depreciation and loss of value.

Demonstration equipment

Demonstration equipment is recognised under property, plant and equipment and depreciated over four years, which is generally considered the useful life.

Spare parts

Spare parts and parts for maintenance used over more than one year or which can only be used with a fixed asset are recognised under property, plant and equipment and depreciated over their useful life.

Rented equipment

Rented franking machines consist of two distinct components with different useful lives: a "meter" part and a "base" part.

Depreciation periods are the useful life of the asset in question:

	US	France
IJ25	3 years	5 years
Meters	5 years	5 years
Bases	n/a	6 years

Depreciation periods

Depreciation uses the straight-line method and is over the useful life of the asset in question:

Plant	20 years
Office buildings	40 years
Leased assets	5 years
Equipment	5 to 10 years
Tools	3 years
Furniture and fixtures	10 years
R&D equipment	5 years
Leased equipment	3, 5 or 6 years
Demo equipment	4 years
Spare parts	4 years
Refurbished equipment	3 years

2-6: PROPERTY AND EQUIPMENT ACQUIRED ON FINANCING LEASES

For financing lease contracts which transfer 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 capitalised and depreciated over the asset's useful life. Amounts included on the liabilities side of the balance sheet under "debt" represent the present value of remaining lease payments; this figure is reduced by the fraction of each rent paid. Lease contracts under which the lessor does not transfer all the risks and benefits of ownership of the asset are recognised as an expense in a straight line until the term of the contract.

2-7: RENTED PROPERTY AND EQUIPMENT

Rental contracts under which the Group does not transfer all the risks and benefits of ownership of the asset are classified as rentals. Rental payments are recognised as income from ordinary activities during the period in which they are acquired.

2-8: INVENTORIES AND WORK IN PROGRESS

Inventories and work in progress are measured at the lowest of cost or replacement value (for purchased goods) or full production cost (for produced goods) which must not exceed net realisable value.

Production cost is calculated using the weighted average cost method.

The calculation of inventory impairment takes into account inventory turnover and the obsolescence of equipment and goods.

2-9: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable are recognised and recorded at the initial amount of the invoice minus provisions for writing down unrecoverable amounts. A provision is then created where there is objective evidence that the Group will not be able to recover the receivable. Unrecoverable receivables are recognised as losses when they are identified as such.

2-10: CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the balance sheet include:

- cash: cash and bank accounts;
- cash equivalents: short-term and liquid investments that are easily converted into a known amount of cash and exposed to negligible risk of a change in value.

Net cash in the cash flow statement is cash on the balance sheet minus bank overdrafts.

2-11: TREASURY STOCK

Equity instruments which have been bought back are deducted from shareholders' equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of instruments representing shareholders' equity.

2-12: DEBT

Simple bond issues

Bond issues are initially recognised at fair value, which generally equates to the amount received, net of issue costs.

After initial recognition, bond issues are valued at amortised cost using the effective interest rate method which takes account of issue costs and any redemption discount or premium.

Bonds with conversion options and bonds redeemable in shares

For bonds, on initial recognition compound financial instruments are split into a debt component and an equity component. The fair value of the debt component at issue is determined by discounting the future contractual cash flow by using the applicable market rate for a bond issue by the company on the same terms but without the conversion option. The debt component is then valued on the basis of amortised cost.

The value of the equity component is determined at issue on the basis of the difference between the fair value of the debt component and the fair value of the bond issue. The value of the conversion option is not revised in future years.

Issue costs are allocated to the debt and equity components on the basis of their respective book values at the time of the issue.

Treatment of borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of an eligible asset (inventories, tangible and intangible assets) are included in the cost of this asset. The accounting treatment of borrowing costs included in the cost of an asset is then the same, in terms of amortisation or provisions, as the asset in question.

Borrowing costs relating to funds borrowed in a general way and used to obtain an eligible asset are included in the cost of the asset by applying a multiple to the expenses relating to the asset. This multiple is the weighted average of the borrowing costs on the company's loans during the year, other than loans taken out specifically with the aim of acquiring the asset in question.

2-13: PROVISIONS

Provisions are recognised when the following conditions are met simultaneously by Neopost 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.

Possible liabilities are not recognised and are described in the notes where they are material, except in the case of business combinations where they are identifiable items.

2-14: RETIREMENT BENEFIT OBLIGATIONS

Group companies participate in pension schemes and other staff benefits in accordance with the laws and customs of each country.

Details of the measurement and accounting policies applied by the Group with respect to these liabilities are as specified by IAS 19:

- defined benefit schemes: the liabilities are valued 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. Liabilities are recognised under "Provisions for retirement benefit obligations";
- defined contribution schemes: the cost of these schemes is recognised as an expense on the basis of contributions made.

The Group also decided to apply in advance at 1 February 2004 the option offered by the IAS 19 amendment. This consists of recognising all actuarial variances systematically under a separate equity heading.

2-15: DERIVATIVE INSTRUMENTS

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 recognises 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 relationship 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 the following:

- fair value hedges;
- 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 recognised at fair value up to the risk hedged. In this way, changes in the two items are recognised symmetrically under net financial expenses, so that only ineffective hedging impacts the income statement.

This approach is applied in particular to fixed rate for variable rate swaps and to the corresponding hedged debt.

FUTURE CASH FLOW HEDGES

For changes in the fair value of derivative instruments, changes in the effective part of the hedging relationship are charged to shareholders' equity, while changes in the fair value of the ineffective part are charged to the income statement.

Profits and losses which are recognised 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 variable rate against fixed rate swaps, as well as 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 part of the hedging instrument is charged directly to shareholders' equity, while the ineffective part is charged to the income statement. When the Group withdraws from a foreign business, the cumulative value of profits and losses which have been recognised directly in shareholders' equity is recognised 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.

2-16: TAXATION

In accordance with IAS 12, Neopost uses a balance sheet approach to account for deferred taxes. This consists of calculating the deferred tax on timing 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 realised 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 to the extent that 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. Unrecognised deferred tax assets are valued at each accounting date and are recognised to the extent that it becomes probable that future profits will make them recoverable.

2-17: REVENUES

Rental of mailroom equipment

The Neopost Group rents equipment to its customers in France and in the United States. Contracts are generally for periods of one to four years. Charges for equipment rentals and bases and maintenance contracts are billed in advance; the related revenue is taken to income as earned.

The balance is shown in deferred income.

Equipment sales

Equipment sales are recognised when the goods are shipped. This reflects the transfer to the buyer of major risks and benefits inherent in ownership of the item by virtue of:

- very short lead times between shipping, delivery and installation;
- the fact that the products are most often installed directly by the customer;
- the fact that the return rate after shipping is very low.

Leasing

Neopost has leasing subsidiaries in the USA, Canada, the UK, France, Germany, Ireland, Holland, Italy and Belgium.

These subsidiaries provide leasing services solely to Neopost customers which 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 recognises 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. Lease income is then recognised in revenues 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 all of the risks and benefits inherent in ownership of the assets in question.

Maintenance contracts

On the request of postal organisations, the company carries out preventative maintenance work and repairs to its products. These operations take place under maintenance contracts and are invoiced to customers at the start of the contract. Revenue relating to maintenance rental contracts is presented under deferred income and recognised as sales pro rata, reflecting the degree of progress of the transaction.

2-18: DEFERRED INCOME

Revenue from mailroom equipment rental and maintenance contracts is stated under deferred income and taken to sales on a pro rata basis.

2-19 COST OF SALES

Cost of sales consists of production-related direct costs (purchases, labour, etc.) plus depreciation of equipment rented to customers and sales-related transport and logistics costs.

2-20: R&D EXPENSES

R&D expenses comprise the cost of carrying out of research work, including depreciation of equipment used in this activity.

These costs are expensed in the year in which they are incurred, and are identified in the income statement.

Development expenses which meet the activation criteria are presented on the balance sheet under intangible assets (see: Intangible assets) and are then amortised over 6 years.

2-21: 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.

2-22: IMPAIRMENT OF GOODWILL

Possible impairment of goodwill is charged to operating income. Such impairment is not reversible.

2-23: PROCEEDS FROM ASSET DISPOSALS

This includes proceeds from the disposal of tangible and intangible assets as well as shares in companies consolidated either fully or on an equity basis, and non-consolidated shares.

2-24: USE OF ESTIMATES

In order to prepare this financial information, Neopost has made estimates and used assumptions which affect the amounts

presented under assets and liabilities, as well as information about possible assets and liabilities at the date on which this financial information and the amounts presented under income and expense for the year were drawn up.

The main material estimates made when preparing the financial statements relate in particular to retirement benefit obligations, deferred taxes, some provisions and the useful life of non-current assets.

The 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.

The Group checks the need to write down goodwill at least once a year. This requires an estimate of the going concern value of the cash-generating units to which the goodwill is allocated. Determining this going concern value requires the Group to make estimates of the expected future cash flow at the cash-generating units and also to choose an appropriate discount rate to calculate the present value of these cash flows.

2-25: EARNINGS PER SHARE

Basic earnings per share are calculated by dividing earnings for the period attributable to equity holders by the weighted average number of ordinary shares in circulation during the period.

Fully-diluted earnings per share are calculated by dividing earnings for the period attributable to equity holders after elimination of interest on bonds convertible into shares by the weighted average number of ordinary shares in circulation during the year, adjusted for the effects of dilutive options and the conversion of bonds convertible into shares.

The calculation for fully-diluted earnings per share only takes into account instruments which have a dilutive effect, *i.e.* which have the effect of reducing earnings per share.

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 in issue and the number of ordinary shares which might have been issued at the average market price is treated as an issue of ordinary shares without offset. In this way, options only have a dilutive effect when the average market price of ordinary shares during the period exceeds the exercise price of the options.

2-26: REGULATED TRANSACTIONS IN EQUITY INSTRUMENTS

Group employees, including directors, may receive remuneration in the form of transactions where payment is based on shares. They will receive equity instruments in the future in return for service rendered. For stock options, fair value is determined by an outside consultant who uses an appropriate valuation method.

The cost of regulated transactions in equity instruments with employees is measured at the fair value of the instruments awarded at the acquisition date. The cost is recognised during the period in which the performance and/or service terms are met, with the balancing entry being an equivalent increase in equity. The cumulative expense recognised 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.

Only plans awarded after 7 November 2002, and under which rights allowing the exercise of options had not yet been vested at 1 February 2005, are recognised under IFRS 2.

Stock option benefits are subject to the recipient being active in the company at the exercise date. There is no option for settling options in cash.

2-27: STANDARDS USED IN PREPARING FIRST FINANCIAL STATEMENTS UNDER IFRS

Business combinations

Business combinations that predate the transition date (1 February 2004) have not been restated, in accordance with the option under IFRS 3.

Actuarial variances on retirement benefit obligations

The option under IFRS 1, consisting of posting to shareholders' equity actuarial variances not yet recognised at the transition date, has been adopted by the Group.

Cumulative translation adjustment

Balance sheets are converted into euros at the year-end exchange rate and the income statement at the average exchange rate for the year. Any translation adjustment is posted to shareholders' equity.

The Group has transferred to "consolidated reserves" the cumulative translation adjustment arising from the conversion of foreign subsidiaries' accounts at 1 February 2004 after allowing for IFRS adjustments to the opening balance sheet. This adjustment had no overall impact on opening shareholders' equity at 1 February 2004. The new IFRS figure for cumulative translation adjustment is therefore zero at 1 February 2004. If these subsidiaries are sold in

the future, the proceeds from the sale will not include a reversal of translation adjustments prior to 1 February 2004 but will include translation adjustments recognised after that date.

Share-based payments

A consequence of the application of IFRS 2 is the recognition at fair value of stock options awarded by Neopost to its employees. For unwound stock option plans, Neopost has applied IFRS 2 retrospectively for plans awarded after 7 November 2002, for which rights had not yet been vested at 1 February 2005.

Application of IAS 32 and IAS 39

IAS 32 and IAS 39 deal with the presentation, measurement and reporting of financial instruments. In particular, they call for systematic recognition on the balance sheet of all financial instruments as well as the posting to shareholders' equity of the fair value of the conversion option attached to debt convertible into equity instruments.

Neopost has decided to apply IAS 32 and IAS 39 from 1 February 2004.

Note 3 Scope of consolidation and accounting policies

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

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

3-1: SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements for Neopost S.A. and its subsidiaries. The subsidiaries are consolidated on the basis of the level of control exercised 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.

The scope of consolidation at 31 January 2007 includes the following companies:

- Mail Services was created on 20 January 2006 and is fully consolidated. The company's business is to bring together the maintenance and service activities of the two French sales companies, Neopost France and Satas. This company is wholly-owned by Neopost S.A.;
- Mailroom Finance Inc (US) was created on 26 March 2006 and is fully consolidated. It is wholly-owned by Mailroom Holding Inc. The company's role is to finance postage costs for Group customers in the United States;
- Neopost Finance Sprl (Belgium) was set up at the end of 2005 and is fully consolidated. It is 99% owned by Neopost Sprl (Belgium) and 1% owned by Neopost S.A.. The company is intended to carry out the Belgian subsidiary's leasing business;
- Neopost Rental Srl (Italy) was created at the end of 2006 and is fully consolidated. It is wholly-owned by Neopost Srl (Italy). The company is intended to carry out the Italian subsidiary's leasing business;

- Neopost Finance BV (Holland) was created at the end of 2006 and is intended to carry out the Dutch subsidiary's leasing business. It is fully consolidated and wholly owned by Neopost Holland.

Two subsidiaries are consolidated using the equity method:

- «Dynapost», of which the Group owns 35%;
- «NBG ID», of which Neopost owns 24%, and which has been consolidated using the equity method since 1 February 2004.

3-2: FOREIGN CURRENCY PAYABLES AND RECEIVABLES

Transactions in foreign currencies are recorded at the exchange rate on the date of the transaction. All assets and liabilities denominated in foreign currencies are converted at the exchange rate on the accounting date. The gains and losses resulting from such translation are recognised in the income statement, with the exception of variances on loans or borrowings which form part of net investment in a foreign entity. These are posted directly to shareholders' equity until disinvestment.

3-3: TRANSLATION OF FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

The operating currency for each of the Group's entities is the currency of the economic environment in which that entity operates.

Assets and liabilities of subsidiaries which are presented in local currencies are translated into euros, the currency used in the Group's consolidated financial statements, at the end of period exchange rate. Income and expenses are converted at the average exchange rate over the period.

The resulting translation variance is recognised in the translation variance reserve under shareholders' equity.

3 Consolidated financial statements

Notes to the consolidated financial statements

The conversion rates used for the main currencies are as follows:

	2007		At 31 January 2006	
	Period end	Average	Period end	Average
US dollar (USD)	1.2954	1.2633	1.2118	1.2318
Pound sterling (GBP)	0.6633	0.6798	0.6843	0.6825
Canadian dollar (CAD)	1.5325	1.4354	1.3870	1.4862
Swiss franc (CHF)	1.6214	1.5809	1.5547	1.5484
Japanese yen (JPY)	157.27	146.685	142.17	137.25
Norwegian krone (NOK)	8.148	8.069	8.0920	8.0050

3-4: ELIMINATION OF INTERNAL MARGIN

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.

The intra-Group margin generated by industrial subsidiaries on equipment sold to the distribution subsidiaries that stock this equipment is eliminated.

Note 4 Scope of consolidation at 31 January 2007

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Neopost S.A. Bagneux – France APE code: 741J / SIREN code: 402 103 907 SIRET code: 402 103 907 00026		-	-	Parent	21
Satas Clichy – France APE code: 300A / SIREN code: 348 878 232 SIRET code: 348 878 232 00159	Neopost S.A.	100.00%	100.00%	Full	318
Neopost France Nanterre – France APE code: 713G / SIREN code: 378 778 542 SIRET code: 378 778 542 00266	Neopost S.A.	100.00%	100.00%	Full	371
Neopost Technologies S.A. Bagneux – France APE code: 300A / SIREN code: 662 023 910 SIRET code: 662 023 910 00125	Neopost France/ Satas	100.00%	100.00%	Full	119
Neopost Industrie S.A. Bagneux – France APE code: 741A / SIREN code: 440 736 080 SIRET code: 662 023 910 00125	Neopost S.A./ Neopost Technologies S.A.	100.00%	100.00%	Full	402
Mail Finance Arcueil – France APE code: 713E / SIREN code: 421 591 116 SIRET code: 421 591 116 00015	Neopost S.A./ Satas/ Neopost France	100.00%	100.00%	Full	21
Neopost Diva Cavaillon – France APE code: 722C / SIREN code: 402 391 593	Neopost S.A.	100.00%	100.00%	Full	87
Mail Services Nanterre – France APE code: 713E / SIREN code: 488 197 831	Neopost S.A.	100.00%	100.00%	Full	342
Neopost NBG ID Cavaillon – France APE code: 524Z / SIREN code: 442 529 285	Neopost S.A.	24.00%	24.00%	Equity	-
Dynapost Montrouge – France APE code: 741G / SIREN code: 390 426 450	Neopost S.A.	35.00%	35.00%	Equity	-
Mailroom Holding BV Drachten – Netherlands	Neopost S.A.	100.00%	100.00%	Full	-
Neopost Technologie BV Drachten – Netherlands	Mailroom Holding BV	100.00%	100.00%	Full	311
Neopost BV Drachten – Netherlands	Mailroom Holding BV	100.00%	100.00%	Full	101
Neopost Finance BV Drachten – Netherlands	Neopost BV	100.00%	100.00%	Full	-
Neopost Inc. Hayward, California - USA	Neopost S.A.	99.99%	100.00%	Full	873
Mailroom Finance Inc California – USA	Mailroom Holding Inc	100.00%	100.00%	Full	-
Neopost Online Inc. Redwood City, California - USA	Neopost Inc.	93.79%	93.79%	Full	-

3 Consolidated financial statements

Notes to the consolidated financial statements

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Neopost Loop One Inc. Austin, Texas – USA	Neopost Inc.	100.00%	100.00%	Full	21
Neopost Leasing, Inc. Hayward, California – USA	Neopost Inc.	99.99%	100.00%	Full	-
Neopost Leasing Canada Scarborough, Ontario – Canada	Neopost Leasing Inc.	99.99%	100.00%	Full	-
Neopost (Holdings) Ltd Romford, Essex – UK	Neopost S.A.	100.00%	100.00%	Full	-
Neopost Ltd Romford, Essex – UK	Neopost Holdings Ltd	100.00%	100.00%	Full	646
Neopost Finance Ltd Romford, Essex – UK	Neopost Ltd	100.00%	100.00%	Full	20
Neopost International Supply Ltd Romford, Essex – UK	Neopost Holdings Ltd	100.00%	100.00%	Full	17
Neopost Srl Milan – Italy	Neopost S.A.	100.00%	100.00%	Full	68
Neopost Rental Srl Milan – Italy	Neopost Srl/Neopost S.A.	100.00%	100.00%	Full	-
Neopost Spri Brussels – Belgium	Neopost S.A.	100.00%	100.00%	Full	57
Neopost Finance Spri Brussels – Belgium	Neopost Spri/Neopost S.A.	100.00%	100.00%	Full	-
Neopost Ireland Ltd Dublin – Ireland	Neopost S.A.	100.00%	100.00%	Full	45
Neopost Finance Ireland Dublin – Ireland	Neopost S.A.	100.00%	100.00%	Full	-
Mailroom Equipment Ltd Dublin – Ireland	Neopost S.A.	100.00%	100.00%	Full	-
Neopost Mailing Logistic Systems (SI) Barcelona – Spain	Neopost S.A.	100.00%	100.00%	Full	9
Mailroom Holding Inc. Shelton, Connecticut – USA	Neopost S.A.	100.00%	100.00%	Full	9
Mailroom Technology Inc. Shelton, Connecticut – USA	Mailroom Holding Inc.	100.00%	100.00%	Full	34
Mailroom Services Inc. Shelton, Connecticut – USA	Mailroom Holding Inc.	100.00%	100.00%	Full	325
Mailroom Finance Inc. Shelton, Connecticut – USA	Mailroom Holding Inc.	100.00%	100.00%	Full	-
Hasler Inc. Shelton, Connecticut – USA	Mailroom Holding Inc.	100.00%	100.00%	Full	170
Hasler Financial Services Shelton, Connecticut – USA	Hasler Inc.	100.00%	100.00%	Full	-
Neopost Canada Ltd Markham – Canada	Neopost S.A.	100.00%	100.00%	Full	158
AMS Holding Ltd Croydon – UK	Neopost Holdings Ltd	100.00%	100.00%	Full	-
AMS UK Croydon – UK	AMS Holdings Ltd	100.00%	100.00%	Full	-
AMS UK Leasing Croydon – UK	AMS UK	100.00%	100.00%	Full	-

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Neopost GmbH & Co KG Olching – Germany	Neopost S.A./ Neopost Verwaltung GmbH	100.00%	100.00%	Full	287
Mail Leasing GmbH Munich – Germany	Neopost GmbH & Co KG	100.00%	100.00%	Full	5
Neopost Industrie AG Berne – Switzerland	Neopost S.A.	100.00%	100.00%	Full	-
Neopost Japan Tokyo – Japan	Neopost S.A.	100.00%	100.00%	Full	22
Neopost Norge AS Oslo – Norway	Neopost S.A.	100.00%	100.00%	Full	35
Neopost Verwaltung GmbH Munich – Germany	Neopost S.A.	100.00%	100.00%	Full	-
Stielow Ltd Hertfordshire (London) – UK	Neopost GmbH & Co Kg	100.00%	100.00%	Full	-
BTA Digital Works AG Rüti – Switzerland	Neopost S.A.	100.00%	100.00%	Full	27
BTA Digital Works GmbH Amberg – Germany	Bta Digital Works AG	100.00%	100.00%	Full	5
BTA Mailtek GmbH Rüti – Switzerland	Bta Digital Works AG	100.00%	100.00%	Full	-

Note 5 Goodwill

Gross goodwill at 31 January 2006	514.3
Acquisitions	17.0
Disposals	(0.1)
Translation difference	(1.7)
Gross goodwill at 31 January 2007	529.5

Changes in goodwill are mainly due to €14.0m (\$17.8m) of goodwill on the acquisition of 12 local distributors in the United States in Oregon, Massachusetts, Alabama, Indiana, Texas and Michigan. These distributors are wholly-owned and were paid for entirely in cash. They were acquired in February, March, April, May, July, August, September and December.

3 Consolidated financial statements

Notes to the consolidated financial statements

5-1: ACQUISITION OF DISTRIBUTORS IN THE UNITED STATES

Property, plant and equipment	\$0.2m
Intangible assets	\$0.4m
Inventories	\$0.7m
Accounts receivable	\$2.6m
Total assets	\$3.9m
Deferred income	(\$1.4m)
Accounts payable	(\$0.7m)
Total liabilities	(\$2.1m)
Acquisition price	\$19.6m
Goodwill	\$17.8m

Initial recognition of some of these acquisitions is provisional since the fair value of the assets, liabilities and contingent liabilities in the businesses acquired was not determined before the end of the period.

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

	France	USA	UK	Germany	Netherlands	Other	Total
Gross goodwill at 31 January 2007	175.4	170.4	74.2	52.1	20.9	36.5	529.5

5-2: GOODWILL IMPAIRMENT TEST

A loss of value test is carried out at least once a year. Cash flow is calculated on the basis of an annual growth rate of 2.5% with the exception of companies being expanded (Norway, Bta Switzerland,

Japan) or at the end of restructuring (Germany). For these, the rate used is based on three-year estimates prepared by the Group. Industrial margins are reallocated by cash-generating unit. The discount rate used is the average cost of capital adjusted for tax plus, where necessary, a specific risk premium.

Note 6 Intangible assets

	Concessions, rights, licences	Development costs	Other	Total
Gross value at 31 January 2005	34.0	36.2	40.1	110.3
Acquisitions	5.9	-	5.6	11.5
Capitalisation	-	12.7	-	12.7
Disposals	-	-	(1.3)	(1.3)
Other changes	0.3	(1.6)	-	(1.3)
Translation difference	1.2	-	0.6	1.8
Gross value at 31 January 2006	41.4	47.3	45.0	133.7
Acquisitions	4.8	-	5.5	10.3
Capitalisation	-	8.7	-	8.7
Disposals	-	-	(0.5)	(0.5)
Other changes	(1.4)	-	(0.2)	(1.6)
Translation difference	(1.6)	-	(0.5)	(2.1)
Gross value at 31 January 2007	43.2	56.0	49.3	148.5
Cumulative amortisation	(31.4)	(30.2)	(34.1)	(95.7)
Net book value at 31 January 2007	11.8	25.8	15.2	52.8

The movement in intangible assets was mainly due to the recognition of research and development expenses and the acquisition of Oracle and Siebel licences in the USA.

	Concessions, rights, licences	Development costs	Other	Total
Amortisation at 31 January 2005	26.0	17.4	29.7	73.1
Charges	2.6	5.8	2.1	10.5
Disposals	-	-	(1.0)	(1.0)
Other changes	-	(0.3)	0.4	0.1
Translation difference	0.9	-	-	0.9
Amortisation at 31 January 2006	29.5	22.9	31.2	83.6
Charges	3.6	7.3	3.0	13.9
Disposals	-	-	(0.6)	(0.6)
Other changes	(0.8)	-	0.6	(0.2)
Translation difference	(0.9)	-	(0.1)	(1.0)
Amortisation at 31 January 2007	31.4	30.2	34.1	95.7

3 Consolidated financial statements

Notes to the consolidated financial statements

Note 7 Property, plant and equipment

	Land and buildings	Plant and equipment	Rental equipment	Other	Total
Gross value at 31 January 2005	27.8	104.2	388.5	26.0	546.5
Acquisitions	0.8	9.1	32.3	6.8	49.0
Disposals / retirement	(0.5)	(11.3)	(18.0)	(6.3)	(36.1)
Other changes	-	(0.3)	-	-	(0.3)
Translation difference	-	2.6	14.0	0.2	16.8
Gross value at 31 January 2006	28.1	104.3	416.8	26.7	575.9
Acquisitions	1.7	7.7	48.6	3.2	61.2
Disposals / retirement	(0.4)	(10.6)	(14.7)	(7.0)	(32.7)
Other changes	-	(0.3)	(0.8)	4.1	3.0
Translation difference	(0.2)	(1.7)	(13.4)	(0.1)	(15.4)
Gross value at 31 January 2007	29.2	99.4	436.5	26.9	592.0
Cumulative depreciation	(13.0)	(76.7)	(342.5)	(15.8)	(448.0)
Net book value at 31 January 2007	16.2	22.7	94.0	11.1	144.0

The movement in property, plant and equipment is mainly due to growth in the installed base of mailing machines in France and North America.

	Land and buildings	Plant and equipment	Rental equipment	Other	Total
Depreciation at 31 January 2005	11.4	81.4	309.0	14.0	415.8
Charges	0.8	8.8	36.7	3.5	49.8
Disposals / retirement	-	(11.4)	(20.0)	(2.4)	(33.8)
Other changes	-	-	0.1	(0.1)	-
Translation difference	-	1.8	11.2	0.1	13.1
Depreciation at 31 January 2006	12.2	80.6	337.0	15.1	444.9
Charges	0.8	8.9	31.5	3.1	44.3
Disposals / retirement	(0.4)	(10.4)	(14.3)	(2.6)	(27.7)
Other changes	0.5	(1.0)	(1.0)	0.2	(1.3)
Translation difference	(0.1)	(1.4)	(10.7)	-	(12.2)
Depreciation at 31 January 2007	13.0	76.7	342.5	15.8	448.0

Note 8 Other financial assets

	At 31 January	
	2007	2006
Investments in associated companies		
Dynapost	3.5	3.3
NBG ID	-	-
Total investments in associated companies	3.5	3.3
Other financial assets		
Assets available for sale	2.2	2.0
Deposits, loans and guarantees	10.0	6.1
Total other financial assets - gross value	12.2	8.1
Provisions for impairment of assets available for sale	(0.5)	(0.5)
Total other financial assets - net value	15.2	10.9

Dynapost is consolidated using the equity method. The company's contribution to Group equity amounted to €3.5m at 31 January 2007. Its share of net income at the same date was €0.6m. Neopost S.A. received €0.4m in dividends from Dynapost in respect of 2006.

Since NBG ID closed 2006 with net income and shareholders' equity of close to zero, Neopost's consolidated attributable share of earnings and equity is not presented above.

Note 9 Inventories and work in progress

	At 31 January	
	2007	2006
Gross value	62.3	61.4
Depreciation	(12.2)	(12.4)
Total	50.1	49.0

	At 31 January 2007		
	Gross value	Depreciation	Net
Work in progress	1.9	-	1.9
Raw materials	17.7	(3.5)	14.2
Finished goods	35.5	(6.6)	28.9
Spare parts for maintenance	7.2	(2.1)	5.1
Total	62.3	(12.2)	50.1

The increase in inventories and work in progress was mainly due to an increase in finished goods inventory to be able to supply the fast-growing North American market.

3 Consolidated financial statements

Notes to the consolidated financial statements

Note 10 Receivables

	At 31 January	
	2007	2006
Accounts receivable		
Gross value	155.7	178.1
Impairment	(12.9)	(14.1)
Total	142.8	164.0
Lease receivables		
Short term	136.1	108.6
Long term	269.5	217.2
Gross value	405.6	325.8
Impairment	(6.9)	(5.4)
Total	398.7	320.4
Net other receivables	21.5	34.7
Total	563.0	519.1

The decline in receivables (ex leasing) is due to actions to recover accounts receivable at various Group companies.

■ FINANCING LEASES

	At 31 January	
	2007	2006
Non-current receivables		
Financing leases - gross receivables	332.6	269.7
Unearned financial income	(63.1)	(52.5)
Total	269.5	217.2
Current receivables		
Financing leases - gross receivables	182.5	145.8
Unearned financial income	(46.4)	(37.2)
Total	136.1	108.6
Gross receivables on financing leases		
Less than one year	182.5	145.8
1 to 5 years	327.4	264.2
More than 5 years	5.2	5.5
Total gross receivables	515.1	415.5
Unearned financial income on financing leases	(109.5)	(89.7)
Net investment in financing leases		
Less than one year	136.1	108.6
1 to 5 years	264.4	213.0
More than 5 years	5.1	4.2

The increase in lease receivables is due to the expansion of Neopost's leasing service, mainly in France, the US, the UK, Germany, Ireland and Belgium.

Notes to the consolidated financial statements

■ ANALYSIS BY MATURITY

	Gross at 31 January 2007	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable	155.7	155.7	-	-
Lease receivables				
Short term	136.1	136.1	-	-
Long term	269.5	-	264.4	5.1
	405.6	136.1	264.4	5.1
Net other receivables	21.5	19.8	1.4	0.3
Total	582.8	311.6	265.8	5.4

	Gross at 31 January 2006	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable	178.1	178.1	-	-
Lease receivables				
Short term	108.6	108.6	-	-
Long term	217.2	-	213.0	4.2
	325.8	108.6	213.0	4.2
Net other receivables	34.7	31.2	-	3.5
Total	538.6	317.9	213.0	7.7

■ ANALYSIS BY CURRENCY

	Gross at 31 January 2007	EUR	USD	CAD	GBP	CHF	JPY	NOK
Accounts receivable	155.7	85.0	54.6	3.5	11.5	-	0.5	0.6
Lease receivables								
Short term	136.1	43.1	65.6	4.6	22.8	-	-	-
Long term	269.5	70.7	118.8	7.0	73.0	-	-	-
	405.6	113.8	184.4	11.6	95.8	-	-	-
Net other receivables	21.5	17.1	3.8	0.5	-	0.1	-	-
Total	582.8	215.9	242.8	15.6	107.3	0.1	0.5	0.6

	Gross at 31 January 2006	EUR	USD	CAD	GBP	CHF	JPY	NOK
Accounts receivable	178.1	89.6	69.7	4.4	12.6	0.3	0.7	0.8
Lease receivables								
Short term	108.6	36.8	48.9	3.7	19.2	-	-	-
Long term	217.2	62.9	89.5	5.2	59.6	-	-	-
	325.8	99.7	138.4	8.9	78.8	-	-	-
Net other receivables	34.7	29.5	1.1	0.3	3.5	0.3	-	-
Total	538.6	218.8	209.2	13.6	94.9	0.6	0.7	0.8

3 Consolidated financial statements

Notes to the consolidated financial statements

Note 11 Provisions

	31 January 2006	Added	Used	Other	31 January 2007	Short term portion	Long term portion
Provisions for business risk	2.5	0.3	(0.6)	0.1	2.3	2.0	0.3
Customer guarantees	5.8	0.3	(2.8)	(0.6)	2.7	2.5	0.2
Retirement benefit obligations	53.7	0.5	(14.4)	(0.4)	39.4	0.3	39.1
Reorganisation and restructuring	5.3	0.2	(1.5)	(0.7)	3.3	3.2	0.1
Other	6.8	7.5	(5.4)	(0.1)	8.8	8.2	0.6
Total	74.1	8.8	(24.7)	(1.7)	56.5	16.2	40.3

	31 January 2005	Added	Used	Other	31 January 2006	Short term portion	Long term portion
Provisions for business risk	4.0	0.9	(2.2)	(0.2)	2.5	2.1	0.4
Customer guarantees	4.4	3.5	(1.5)	(0.6)	5.8	4.9	0.9
Retirement benefit obligations	48.2	5.8	(0.3)	-	53.7	0.1	53.6
Reorganisation and restructuring	7.2	1.1	(3.8)	0.8	5.3	5.3	-
Other	8.6	4.1	(5.7)	(0.2)	6.8	6.2	0.6
Total	72.4	15.4	(13.5)	(0.2)	74.1	18.6	55.5

The movement in other provisions is mainly due to a provision for accelerated turnover of the installed base of mailing machines in France.

11-1: RETIREMENT BENEFIT OBLIGATIONS

Neopost Group provides various types of retirement benefits to its employees. Such schemes depend on local legal requirements as well as the historical operating practices of the specific business unit.

Termination benefits are generally lump-sum payments based upon the number of years served by the employee and his/her salary 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.

Companies in the USA and UK make investments in pension funds.

The retirement benefits of French employees are not covered by investments in pension funds, except at Neopost France and Satas, which have covered part of their retirement benefit obligations through investments in funds managed by insurance companies.

Defined benefit schemes: 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. Liabilities are recognised under "Provisions for retirement benefit obligations".

In the first half of 2006, the defined benefit scheme in the UK was closed. The rights built up have been frozen and the deficit will be

made good by the Group. A new defined contribution scheme has been set up.

Defined contribution schemes: the cost of these schemes is recognised as an expense on the basis of contributions made.

First-time adoption of IFRS option used by the Group: in accordance with the option offered under IFRS 1, the Group has decided to recognise all actuarial gains and losses on pension and related liabilities not yet recognised in accounts under French GAAP at 31 January 2004 directly through shareholders' equity at 1 February 2004.

The Group also decided to apply in advance at 1 February 2004 the option offered by the IAS 19 amendment. This consists of systematically recognising all actuarial variances under a separate equity heading.

At 31 January 2007, the total value of actuarial variances recognised through equity (using the SORIE method) was €4.4m.

The above actuarial assumptions relate to the English subsidiary which accounts on its own for 87% of provisions for retirement benefit obligations.

At 31 January

2007 2006

Change in value of obligations

Present value of obligations (DBO) at start of period	140.1	116.7
Service cost	2.4	2.7
Discounting cost	6.9	5.2
Contributions paid by employees	0.4	0.9
Actuarial (gains) or losses	(7.6)	16.8
Payments made	(2.9)	(4.0)
Curtailment gain	(3.2)	-
Other (translation difference)	1.9	1.8

Present value of liabilities (DBO) at end of period**138.0 140.1**

End of period DBO relating to fully or partly-funded schemes	131.7	134.8
End of period DBO relating to unfunded or not fully funded schemes	6.3	5.3

Movement in hedging assets

Fair value of hedging assets at beginning of period	85.8	69.0
Expected return on scheme assets	4.4	4.3
Actuarial gains (losses)	1.9	11.2
Contributions paid by employer	6.4	2.8
Contributions paid by employees	0.4	0.9
Payments made by fund	(2.8)	(3.6)
Other (translation difference)	2.3	1.2

Fair value of hedging assets at end of period**98.4 85.8****Financial hedging**

Scheme position	(39.6)	(54.3)
Cost of unrecognised past service	-	-

Provision / (Asset)**(39.6) (54.3)****Amount recognised through income statement for period**

Service cost	2.4	2.7
Discounting cost	6.9	5.2
Curtailment gain	(3.2)	-
Expected return on scheme assets	(4.4)	(4.3)

Total retirement benefit expense**1.7 3.6****Amount recognised in statement of recognised income and expense for period**

Actuarial gains (losses)	9.5	(5.6)
On obligations	7.6	(16.8)
On hedging assets	1.9	11.2

Actuarial assumptions (*)

Discount rate (%)	5.0%	4.5%
Expected long-term inflation rate (%)	3.1%	2.9%
Expected long-term rate of wage increases (%)	4.1%	3.9%
Expected long-term rate of annuity increases (%)	3.1%	2.9%
Growth rate of medical costs (%)	n/a	n/a
Expected return on scheme assets (%)	6.5%	6.5%

Breakdown of hedging assets

Bonds	69%	74%
Equities	21%	23%
Real estate	8%	3%
Other investments	2%	0%

(*) Average weighted by total value of obligation where a number of schemes are aggregated. The above actuarial assumptions relate to the English subsidiary which accounts on its own for 87% of "provisions for retirement benefit obligations".

3 Consolidated financial statements

Notes to the consolidated financial statements

Note 12 Debt

Neopost's financing strategy is coordinated by the Group's Chief Finance Officer. All Group exposure to interest rate and exchange rate risk is now centralised within the Group cash management department.

12-1: ANALYSIS BY TYPE OF DEBT

	Short-term debt	Short-term part of long-term debt	Long-term debt	At 31 January 2007	At 31 January 2006
Revolving credit facility ⁽²⁾	-	35.0	-	35.0	105.0
Accrued interest and other	-	0.1	-	0.1	0.1
Bank loans	-	35.1	-	35.1	105.1
US private placement \$175m ⁽¹⁾	-	-	135.4	135.4	144.7
US private placement \$10m	-	-	7.7	7.7	8.3
US private placement €25m	-	-	25.0	25.0	25.0
Accrued interest	-	3.0	-	3.0	3.0
US private placements ⁽³⁾	-	3.0	168.1	171.1	181.0
Caisses Régionales Credit Agricole private placement	-	-	133.0	133.0	-
Accrued interest	-	0.9	-	0.9	-
CRPP private placement ⁽⁴⁾	-	0.9	133.0	133.9	-
Debt on leased assets	-	1.1	0.9	2.0	1.6
Other ⁽⁵⁾	8.9	2.2	7.6	18.7	10.4
Other debt	8.9	3.3	8.5	20.7	12.0
Total debt before leasing companies	8.9	42.3	309.6	360.8	298.1
Leasing companies debt ⁽⁶⁾	-	132.9	2.5	135.4	105.1
Total	8.9	175.2	312.1	496.2	403.2

(1) Of the \$175m of the US private placement, \$75m at variable rates was swapped on the day the debt was issued. The amount of the debt presented above reflects the fair value of the debt and the swap, with the impact being a €0.4m increase in liabilities at 31 January 2007.

(2) On 21 January 2005, Neopost arranged a multi-currency revolving credit line for the equivalent of €350m to replace the revolving credit line set up on 19 December 2003, which was cancelled at the same time. The interest rate was indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.275% to 0.60% depending on the Group's net debt to gross operating income ratio. This credit line comes to term in January 2010.

(3) On 16 September 2003, Neopost completed a private placement in the USA, comprising three tranches. The first tranche consisted of \$175m of notes redeemable in September 2010 and paying interest at 4.83%. The second tranche consisted of \$10m of notes redeemable in September 2008 and paying interest at 3-month USD Libor plus 0.55%. The third tranche consisted of €25m of notes redeemable in September 2010 and paying interest at 4.52%.

(4) On 1 December 2006, Neopost arranged a private placement with Caisses Régionales du Crédit Agricole. The two tranches of this debt are for the same time period and are both redeemable in December 2012. The interest paid on this debt is structured interest which was swapped on issue, with the conditions and term being the same as the debt tranches. After the swap, the debt carries fixed interest at 4.094%.

(5) Other debt at 31 January 2007 mainly includes: €8.9m of bank overdrafts and €6.5m of profit-sharing and incentive payments deposited by employees with the Group's French entities.

(6) The movement in leasing facilities is due to the use of some of the Group's cash to finance the leasing business, as part of the effort to optimise the Group's cash position. The leasing subsidiaries have available the necessary credit lines to repay loans advanced at any time, with the exception of the Mail Leasing GmbH and Neopost Finance subsidiaries (these subsidiaries have borrowed €6.3m and €1.8m respectively from their parent company). Mail Leasing GmbH has repaid €1.2m of its loan from a banking pool. The American subsidiaries, Neopost Leasing Inc and Hasler Financial Services, have increased their drawings by \$12.5m and \$33.3m respectively. Neopost Finance Ltd has kept its level of drawing at £1m. The rest of the movement is due to dollar/euro and pound/euro translation differences. Lease receivables to be financed also increased substantially during the period.

The debt resulting from the September 2003, January 2005 and December 2006 private placements and revolving credit facility are subject to covenants such as the net debt to EBITDA ratio, minimum net assets and EBITDA to net interest charges.

The shareholders' equity of the Group must be not less than €378m for both the private placement and the revolving credit facility.

For the net debt to EBITDA ratio for the private placements and revolving credit facility, the covenant is calculated on the basis of the consolidated financial statements, including leasing companies

using the equity method. EBITDA is calculated by adding depreciation for the period to operating income before employee profit-sharing. The net debt to EBITDA ratio must be 3 or less.

The EBITDA to net interest charges ratio, before adjusting for leasing, is calculated using the Group's consolidated financial statements and must not fall below 4.5.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 January 2007.

12-2: ANALYSIS BY CURRENCY

	At 31 January	
	2007	2006
EUR	257.0	185.1
USD	235.9	215.1
GBP	3.3	3.0
Total	496.2	403.2

12-3: ANALYSIS BY MATURITY

	At 31 January	
	2007	2006
2007 ⁽¹⁾	184.2	213.3
2008	11.4	3.0
2009	2.4	11.2
2010	162.8	3.0
2011	2.4	172.7
2012	133.0	-
Total	496.2	403.2

(1) Drawings on the Group's various revolving credit lines with maturities of less than six months are considered repayable in 2007, even though the lines may carry a later maturity (see Credit Line below).

3 Consolidated financial statements

Notes to the consolidated financial statements

12-4: ANALYSIS BY INTEREST RATE

At 31 January 2007	Type of interest rate	Reference rate	Margin	Drawdown rate	Date of next rate fixing	Total effective rate ^(*)
US private placement \$175m	Fixed	4.8300	-	4.8300	-	4.9835
US private placement \$10m	Variable	USD LIBOR 3 months	0.55	5.91063	16/03/2007	N/A
US private placement €25m	Fixed	4.5200	-	4.5200	-	4.6651
CRPP private placement	Fixed	4.0940	-	4.0940	-	4.1918
Neopost S.A. revolving credit facility	Variable	EURIBOR	0.2750	3.8811	28/02/2007	3.0899
Mail Finance SAS revolving credit facility	Variable	EURIBOR	0.45	4.063	28/02/2007	3.1394
Mail Leasing GmbH credit lines	Variable	EURIBOR	0.75	4.2105	28/02/2007	N/A
Neopost Inc./Hasler Inc. revolving credit facility ⁽¹⁾	Variable	USD LIBOR	0.60	5.9266	28/02/2007	4.0844
Neopost Ltd revolving credit facility	Variable	GBP LIBOR	0.60	6.0464	28/02/2007	5.6068

At 31 January 2006	Type of interest rate	Reference rate	Margin	Drawdown rate	Date of next rate fixing	Total effective rate ^(*)
US private placement \$175m	Fixed	4.83	-	4.8300	-	4.9835
US private placement \$10m	Variable	USD LIBOR 3 months	0.55	5.04125	16/03/2006	N/A
US private placement €25m	Fixed	4.52	-	4.5200	-	4.6651
Neopost S.A. revolving credit facility	Variable	EURIBOR	0.2750	2.6592	28/02/2006	3.0899
Mail Finance SAS revolving credit facility	Variable	EURIBOR	0.45	2.8340	28/02/2006	3.1394
Crédit Mail Leasing GmbH credit lines	Variable	EURIBOR	0.75	3.4060	28/02/2006	N/A
Neopost Inc./Hasler Inc. revolving credit facility ⁽¹⁾	Variable	USD LIBOR	0.60	5.1700	28/02/2006	4.0844
Neopost Ltd revolving credit facility	Variable	GBP LIBOR	0.60	5.20395	28/02/2006	5.6068

^(*) The total effective rate for the transaction is calculated on completion and includes costs relating to the transaction. For revolving credit facilities, it is calculated on the total value of the line.

⁽¹⁾ Since there are a number of drawdowns, the interest rate presented is an average rate. The next drawdown date is the main renewal date.

As part of its financial policy, Neopost actively hedges its floating-rate and fixed-rate debt.

12-5: CREDIT LINES

Group companies had the following revolving credit facilities at 31 January 2007:

Company	Amount	Drawing currency	Amount drawn at 31 January 2007	Expiry of facility	Number of banks in pool
Neopost S.A.	EUR 350m	EUR/GBP/USD/JPY/ CAD/CHF/NOK	EUR 35.0m	January 2010	21
Mail Finance SAS	EUR 80m	EUR	EUR 40.0m	January 2010	7
Neopost Finance Ltd	GBP 60m	GBP	GBP 1.0m	July 2009	3
Neopost Leasing Inc./Hasler Financial Services Inc. (co-borrowers)	USD 160m	USD	USD 116.7m	December 2009	5

The Neopost Leasing Inc / Hasler Financial Services Inc credit line has been raised to \$160m.

12-6: FAIR VALUE OF DEBT

The book value of current loans and variable rate debt is close to their fair value. With respect to the long-term debt, the fair value of the \$175m loan is \$170.2m or €131.4m, compared with a book value of €135.4m. The fair value of the €25m loan is €24.6m compared with a book value of €25m.

Costs relating to the arrangement of the CRPP private placement in December 2006 totalled €0.2m. These costs are being amortised over the duration of the debt, *i.e.* six years.

The difference between the straight-line amortisation of these costs and the calculation of the amortised cost of capital is not material, so there has been no restatement for the IFRS accounts.

12-7: CAPITALISED/AMORTISED DEBT COSTS

Costs relating to the arrangement of the US private placement in September 2003 totalled €1m. These costs are being amortised over the duration of the debt, *i.e.* seven years.

Costs relating to the arrangement of a new revolving credit facility in January 2005 totalled €0.7m. These costs are being amortised over the duration of the debt, *i.e.* five years.

**12-8: HEDGING OF NET INVESTMENT
IN FOREIGN OPERATIONS**

The US private placement totalling \$185m by Neopost S.A. 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 recognised in shareholders' equity to offset any gain or loss on translation of the net investment in the subsidiaries.

3 Consolidated financial statements

Notes to the consolidated financial statements

Note 13 Tax position

The Group's French companies use the tax consolidation system. The same is true for Neopost S.A.'s subsidiaries in each of the countries in which they are registered.

The rates used in the main countries to calculate current and deferred tax at 31 January 2007 are as follows:

	Current tax	Deferred tax
France	34.30%	34.30%
UK	30.00%	30.00%
Netherlands	29.60%	25.50%
USA	41.00%	41.00%
Germany	37.05%	37.05%

The tax rate in the Netherlands changed to 25.5% on 1 January 2007. This is the rate which has been used to measure deferred tax.

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

	At 31 January	
	2007	2006
Net income of consolidated companies before income tax	222.1	195.4
Tax rate for the consolidating company	34.30%	34.43%
Theoretical income tax charge	76.2	67.3
Recognised in shareholders' equity	(2.3)	(2.4)
Permanent differences	(3.1)	(4.2)
Tax rate differences	(6.0)	(3.3)
Total tax	64.8	57.4

	At 31 January	
	2007	2006
Current tax charge	80.7	50.9
Deferred tax charge	(15.9)	6.5
Total tax	64.8	57.4
Deferred tax charge recognised in income statement	(13.6)	4.2
Due and deferred tax recognised in shareholders' equity	(2.3)	2.3
Deferred tax total	(15.9)	6.5

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

	At 31 January	
	2007	2006
Profit-sharing and other expenses deductible in later periods	8.7	4.1
Elimination of margins on inventories	6.1	3.1
Provisions	16.5	15.0
Goodwill	11.3	25.5
Other	1.7	1.1
Deferred tax assets	44.3	48.8
Other restatements on depreciation	-	1.3
Provisions on intra-Group inventories	0.7	0.4
Deferred charges	-	0.4
Elimination of margins on leased and demo equipment	(17.7)	(13.0)
Research and development	7.6	8.1
Leasing business	46.0	38.8
Impairment	(11.0)	(6.6)
Other	(2.9)	0.9
Deferred tax liabilities	22.7	30.3

Note 14 Segment information

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

Neopost has chosen a breakdown by geographic zone as its primary segment given the importance of postal authority regulation in each country.

14-1: BREAKDOWN BY GEOGRAPHIC ZONE

Neopost's net income breaks down by geographic zone as follows:

At 31 January 2007	Europe	North America	Other	Eliminations	Total
External sales	538.0	377.2	3.3	-	918.5
Inter-segment sales	199.7	48.1	-	(247.8)	-
Total sales	737.7	425.3	3.3	(247.8)	918.5
Segment income	210.5	45.7	0.2	-	256.4
Unallocated charges					(16.1)
Operating income					240.3
Net financing charges					(18.8)
Share in results of companies consolidated using equity method					0.6
Taxes					(64.8)
Net income					157.3

3 Consolidated financial statements

Notes to the consolidated financial statements

At 31 January 2006	Europe	North America	Other	Eliminations	Total
External sales	489.9	333.9	3.5	-	827.3
Inter-segment sales	119.8	44.4	-	(164.2)	-
Total sales	609.7	378.3	3.5	(164.2)	827.3
Segment income	183.1	34.0	-	-	217.1
Unallocated charges					(10.8)
Operating income					206.3
Net financing charges					(11.6)
Share in results of companies consolidated using equity method					0.7
Taxes					(57.4)
Net income					138.0

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

respect of share-based payments and are booked under "Unallocated charges".

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

Unallocated charges mainly represent Group parent company charges.

Expenses recognised during the year but with no effect on Group cash (before depreciation and provisions) mainly relate to charges in

The balance sheet breaks down by geographic zone as follows:

At 31 January 2007	Europe	North America	Other	Total
Segment assets	626.6	147.6	0.2	774.4
Unallocated assets				813.3
Total assets				1,587.7
Segment liabilities	504.0	198.2	0.3	702.5
Unallocated liabilities				348.1
Total liabilities				1,050.6

At 31 January 2006	Europe	North America	Other	Total
Segment assets	616.9	117.9	0.2	735.0
Unallocated assets				726.2
Total assets				1,461.2
Segment liabilities	487.2	188.1	0.3	675.6
Unallocated liabilities				271.8
Total liabilities				947.4

Unallocated assets and liabilities are manufacturing companies and Neopost S.A. assets and liabilities.

Other segment items break down by geographic zone as follows:

At 31 January 2007	Europe	North America	Other	Unallocated	Total
Investment:					
Property, plant and equipment	29.2	24.0	-	8.0	61.2
Intangible assets	6.7	5.6	-	6.7	19.0
Total investment	35.9	29.6	-	14.7	80.2
Depreciation and amortisation:					
Property, plant and equipment	22.6	17.7	-	4.0	44.3
Intangible assets	6.6	3.6	-	3.7	13.9
Total depreciation and amortisation	29.2	21.3	-	7.7	58.2
Loss of value	-	-	-	-	-
At 31 January 2006	Europe	North America	Other	Unallocated	Total
Investment:					
Property, plant and equipment	24.8	18.8	-	5.4	49.0
Intangible assets	9.9	6.4	-	7.9	24.2
Total investment	34.7	25.2	-	13.3	73.2
Depreciation and amortisation:					
Property, plant and equipment	26.3	18.7	0.1	4.7	49.8
Intangible assets	6.2	2.1	-	2.2	10.5
Total depreciation and amortisation	32.5	20.8	0.1	6.9	60.3
Loss of value	-	-	-	-	-

14-2: BREAKDOWN BY BUSINESS SEGMENT

The breakdown of revenues by business is as follows:

At 31 January 2007	Mailing	Other	Total
External sales	692.8	225.7	918.5
At 31 January 2006	Mailing	Other	Total
External sales	618.6	208.7	827.3

"Other" mainly includes the logistics and documents systems business.

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

3 Consolidated financial statements

Notes to the consolidated financial statements

At 31 January

	2007	2006
Equipment rental and leasing	273.2	271.3
Services and supplies	272.5	246.2
Equipment sales	372.8	309.8
Total	918.5	827.3

The breakdown of assets by business segment is as follows:

At 31 January 2007	Mailing	Other	Total
Segment assets	819.0	388.1	1 207.1
Unallocated assets			380.6
Total assets			1 587.7

At 31 January 2006	Mailing	Other	Total
Segment assets	839.8	290.2	1 130.0
Unallocated assets			331.2
Total assets			1 461.2

The breakdown of other segment items by business segment is as follows:

At 31 January 2007	Mailing	Other	Unallocated	Total
Investment:				
Property, plant and equipment	44.4	2.3	14.5	61.2
Intangible assets	2.4	6.3	10.3	19.0
Total investment	46.8	8.6	24.8	80.2

At 31 January 2006	Mailing	Other	Unallocated	Total
Investment:				
Property, plant and equipment	32.9	2.0	14.1	49.0
Intangible assets	6.7	5.7	11.8	24.2
Total investment	39.6	7.7	25.9	73.2

Note 15 Details of expenses by category

	31 January 2007
Cost of inventories recognised as expense	164.4
Wages, bonuses, commissions and payroll charges	297.6
Tax	21.5
Rents	18.6
Fees	16.5
Subcontracting	65.8
Asset impairment	58.1
Other	37.2
Total expenses by category	679.7
Cost of sales	212.5
Operating expenses	467.2
Total	679.7

Note 16 Proceeds from asset disposals

The €1.5m gain in the income statement relates to the disposal of two local distributors in the United States, in Georgia and Ohio.

Note 17 Earnings per share

Basic earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in circulation during the year.

Fully-diluted earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in circulation during the year, plus the weighted average number of ordinary shares which would have been issued on conversion of all potential dilutive ordinary shares.

3 Consolidated financial statements

Notes to the consolidated financial statements

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

	At 31 January	
	2007	2006
Net income (€m)	157.3	138.0
Number of shares in circulation (thousands)	31,907	31,857
Stock options exercised, shares bought back for cancellation and liquidity contract (thousands)	(409)	77
Weighted average number of shares in circulation (thousands) ^(*)	31,498	31,934
Weighted average number of stock options in circulation (thousands)	503	992
Number of shares, fully diluted (thousands) ^(*)	32,001	32,926
Earnings per share (€)	4.99	4.32
Fully-diluted earnings per share (€)	4.91	4.19

(*) Weighted average over the period.

Note 18 Headcount, employee profit-sharing and share-based payments

18-1: HEADCOUNT

The geographical breakdown of staff on fixed-term and permanent contracts at the end of the period, excluding staff on long-term leave, is as follows:

	France	North America	UK	Netherlands	Rest of the world	Total
At 31 January 2006	1,659	1,495	656	394	545	4,749
At 31 January 2007	1,681	1,590	683	412	560	4,926

The breakdown of staff on fixed-term and permanent contracts at the end of the period, excluding staff on long-term leave, by type of activity is as follows:

	Research and production	Sales and sales administration	Other	Total
At 31 January 2006	1,050	2,390	1,309	4,749
At 31 January 2007	1,047	2,523	1,356	4,926

At 31 January 2007, the Group had 513 temporary staff, compared with 381 at 31 January 2006.

18-2: EMPLOYEE PROFIT-SHARING

Profit-sharing plans

The profit-sharing reserve is calculated by Neopost France, Satas, Mail Services, Neopost Industrie, Neopost Technologie and Neopost Diva in accordance with common law in France.

Incentive plans

Neopost France, Satas, Mail Services, Neopost Technologies and Neopost Industrie have each agreed employee incentive plans linked to business performance.

The sums paid out with respect to the profit-sharing and incentive plans, and in share-based payments, in the last five years are as follows:

				At 31 January	
(€m)	2007	2006	2005	2004	2003
Profit-sharing	<u>6.5</u>	5.2	4.6	4.1	3.4
Incentive	<u>2.1</u>	2.1	1.9	1.9	1.6
Stock options	<u>3.7</u>	2.5	2.0	-	-
Securities giving access to capital	<u>1.2</u>	-	-	-	-

The French companies (Neopost France, Satas, Mail Services, Neopost Industrie and Neopost Technologies) have works councils, in accordance with the law.

In 1998, the Group set up CIEEN (information committee for Neopost's European employees), which meets at least once a year. The French companies (Neopost France, Satas, Mail Services, Neopost Industrie and Neopost Technologies) prepare and distribute a social report as required by law.

18-3: SHARE-BASED PAYMENTS

1,200,000 option plan

The shareholders' meeting of 9 February 2000 authorized a stock option plan involving the granting of 1,200,000 options over four years.

Options have been awarded as follows:

Date of board meeting ⁽¹⁾	03/04/00	05/07/00	15/01/01	18/01/02	23/05/02	09/07/02	02/10/02	14/01/03	08/07/03	14/01/04	Total
Nature of options	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	warrant	
Exercise price	35.00	32.39	24.40	35.05	43.49	40.50	33.40	32.03	37.10	41.53	
Exercise period ⁽²⁾	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	
Number of options awarded	158,990	41,000	208,450	248,500	33,500	65,000	8,000	494,500	30,000	134,500	<u>1,422,440</u>
- to Chairman ⁽⁴⁾	-	-	25,000	30,000	-	-	-	60,000	-	-	115,000
- to top 10 employees	41,000	41,000	58,000	84,000	33,500	65,000	8,000	192,000	30,000	52,000	604,500
Number of options exercised	87,145	33,000	140,702	154,310	20,400	22,800	6,400	246,609	7,800	34,500	<u>753,666</u>
- by Chairman ⁽⁴⁾	-	-	25,000	30,000	-	-	-	48,000	-	-	103,000
- by top 10 employees	30,000	33,000	49,924	68,000	20,400	22,800	6,400	109,040	7,800	10,000	357,364
Number of options cancelled ⁽³⁾	50,250	8,000	34,754	41,800	1,500	1,800	-	39,100	17,000	22,000	<u>216,204</u>
Number of options outstanding at 31 January 2007	<u>21,595</u>	-	<u>32,994</u>	<u>52,390</u>	<u>11,600</u>	<u>40,400</u>	<u>1,600</u>	<u>208,791</u>	<u>5,200</u>	<u>78,000</u>	<u>452,570</u>

(1) The date of the Board meeting is the start date for calculating exercise of the options.

(2) The options can be exercised from the date of the Board meeting each year in tranches of 20%, except for French beneficiaries who have to wait until the end of the second year to be able to exercise 40% of their options.

(3) Mainly because of the end of the Group's employment contract with the beneficiary.

(4) The Chairman is the only Board member of the Company to have received options.

3 Consolidated financial statements

Notes to the consolidated financial statements

Options were exercised during the period as follows:

Date of board meeting	03/04/00	05/07/00	15/01/01	18/01/02	23/05/02	09/07/02	02/10/02	14/01/03	08/07/03	14/01/04	Total
Number of options exercised	14,705	-	41,646	68,508	8,400	11,600	6,400	127,359	2,800	18,800	300,218

900,000 option plan

The Annual General Meeting on 9 July 2003 authorised the creation of a new stock option plan involving 900,000 options over 38 months.

Options have been awarded as follows:

Date of board meeting ⁽¹⁾	14/01/04	13/01/05	11/01/06	04/07/06	Total
Nature of options	warrant	warrant	warrant	warrant	
Exercise price	41.53	57.50	85.90	90.90	
Exercise period ⁽³⁾	10 years	10 years	10 years	10 years	
Number of options awarded	256,500	320,000	274,500	33,300	884,300
- to Chairman ⁽²⁾	100,000	100,000	-	33,300	233,300
- to top 10 employees	71,000	78,000	96,000	-	245,000
Number of options exercised	47,900	11,800	1,100	-	60,800
- by Chairman ⁽²⁾	40,000	-	-	-	40,000
- by top 10 employees	2,000	1,000	-	-	3,000
Number of options cancelled ⁽⁴⁾	8,000	16,000	3,000	-	27,000
Number of options outstanding at 31 January 2007	200,600	292,200	270,400	33,300	796,500

⁽¹⁾ The date of the Board meeting is the start date for calculating exercise of the options.

⁽²⁾ The Chairman is the only Board member of the Company to have received options.

⁽³⁾ The options can be exercised from the date of the Board meeting each year in tranches of 20%.

⁽⁴⁾ Mainly because of the end of the Group's employment contract with the beneficiary.

Options were exercised during the period as follows:

Date of board meeting ⁽¹⁾	14/01/04	13/01/05	11/01/06	04/07/06	Total
Number of options exercised	4,900	9,600	1,100	-	15,600

⁽¹⁾ The date of the Board meeting is the start date for exercise of the options.

960,000 option plan

The Extraordinary General Meeting on 5 July 2006 authorised the creation of a new stock option plan involving 960,000 options over 38 months.

Options have been awarded as follows:

Date of board meeting ⁽¹⁾	16/01/07	Total
Nature of options	Warrant/purchase	
Exercise price	97.60	
Exercise period ⁽³⁾	10 years	
Number of options awarded	205,000	205,000
- to Chairman ⁽²⁾	-	-
- to top 10 employees	38,000	38,000
Number of options exercised	-	-
- by Chairman ⁽²⁾	-	-
- by top 10 employees	-	-
Number of options cancelled ⁽⁴⁾	-	-
Number of options outstanding at 31 January 2007	205,000	205,000

⁽¹⁾ The date of the Board meeting is the start date for calculating exercise of the options.

⁽²⁾ The Chairman is the only Board member of the Company to have received options.

⁽³⁾ The options can be exercised from the date of the Board meeting each year in tranches of 20%.

⁽⁴⁾ Mainly because of the end of the Group's employment contract with the beneficiary.

Information relating to the three plans

No options had matured at 31 January 2007.

The bracket of exercise price of options in circulation at 31 January 2007 was €24.40 to €97.60 (€24.40 to €85.90 at 31 January 2006).

The weighted average residual life of options in circulation was 7.2 years at 31 January 2007 compared with 7.8 years at 31 January 2006.

The weighted average price of options exercised during the period was € 34.18 compared with €34.17 the previous year.

The fair value of options awarded is estimated at the award date using the Black and Scholes method, allowing for the terms on which the instruments were awarded. The table below shows the factors used in the model.

	04/07/06	11/01/06	13/01/05
Dividend yield	2.42%	2.65%	2.60%
Historical volatility	34%	36%	44%
Risk-free interest rate	4.08%	3.25%	3.20%
Expected option life	6 years	6 years	6 years
Stock price of reference	€90.90	€85.90	€57.50

The award made on 16 January 2007 is currently being measured. The impact on the financial statements is not material at 31 January 2007.

Account has been taken of turnover in France and abroad, but no other details of options awards have been taken into account in assessing fair value.

The expected option life is based on historical data and is not necessarily indicative of the actual exercising of options.

The key factor in awarding options is the recipient's potential contribution to the company's earnings.

3 Consolidated financial statements

Notes to the consolidated financial statements

Free share plans

At the Extraordinary General Meeting on 6 July 2005, shareholders authorised the Board of Directors to award up to 900,000 free shares either in issue or to be issued (this number being based on the total number of shares which might be subscribed or purchased under stock option plans as stipulated by the Combined General Meeting on 9 July 2003). In accordance with this authorisation, 33,300 free shares were awarded to the Chairman on 28 March 2006.

The Extraordinary General Meeting on 5 July 2006 authorised the Board of Directors to arrange a plan to award up to 320,000 free shares either already in issue or to be issued.

Number of shares available for award	320,000
Awarded on 3 October 2006	5,000
Awarded on 16 January 2007	26,000
Awarded on 16 January 2007: Co-investment	134,100
Number of shares outstanding at 31 January 2007	154,900

There are several objectives in the award of free shares:

- attracting and retaining strong potential;
- acknowledging exceptional performance;
- inspiring strong motivation and commitment to the company's results through a specific free share plan called co-investment based on the Group's future performance.

Note 19 Risk management and commitments given and received

19-1: COMMITMENTS GIVEN

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

Foreign currency risk hedging

RISK MANAGEMENT POLICY

Neopost has a policy of centralising its foreign currency risk, enabling it to monitor the Group's overall exchange rate risk exposure and to gain full control over the market instruments used in hedging operations.

For each consolidated position that is managed, Neopost implements a hedging strategy at the same time as it sets the reference exchange rate to be defended. The hedging strategy involves a combination of definite or optional forward currency purchases or sales, along with open positions protected by stop losses. These stop losses are predetermined exchange rates that trigger transactions when they are hit. As a result, the hedging strategy enables Neopost to defend a reference exchange rate for the entire position in the event of adverse exchange rate movements.

YEAR-END POSITION

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

■ **FINANCIAL YEAR 2006** – asset and liability hedging: hedging positions covering financial assets or liabilities on Neopost's balance sheet at 31 January 2007 and expected to be realised no later than April 2007

Notional value (millions)	USD	GBP	CAD	JPY	NOK	DKK
Financial assets	35.2	23.0	9.5	28.5	2.9	-
Financial liabilities	18.3	35.6	-	-	-	0.2
Net position before hedging	16.9	(12.6)	9.5	28.5	2.9	(0.2)
Hedging	(5.5)	6.8	(7.5)	(26.8)	-	-
Net position after hedging	11.4	(5.8)	2.0	1.7	2.9	(0.2)

■ **2007 BUDGET**: hedging positions covering anticipated financial assets and liabilities in financial year 2007, expected to be realised no later than April 2008

Notional value (millions)	USD	GBP	CAD	JPY	NOK	DKK
Financial assets - forecast	183.0	122.8	14.0	277.6	17.5	-
Financial liabilities - forecast	119.0	160.6	-	-	-	7.4
Net position before hedging	64.0	(37.8)	14.0	277.6	17.5	(7.4)
Hedging	(41.5)	27.4	(12.8)	(275.0)	(13.6)	-
Net position after hedging	22.5	(10.4)	1.2	2.6	3.9	(7.4)

Neopost uses symmetrical options tunnels in particular. These instruments are unlikely to be exercised in a non-reciprocal manner in terms of the spot exchange rate or expiry date. As a result, for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was USD10.5 million sold; CAD4.3 million sold; GBP10.6 million bought, NOK4.3 million sold and JPY82.5 million sold.

Neopost also makes use of asymmetrical options tunnels. The asymmetrical part of this kind of transaction is presented in the table above with a view to reflecting the Group's commitment as closely as possible. By currency, the asymmetrical part is as follows: GBP8.5 million bought, JPY87.5 million sold, NOK3.3 million sold, USD13.5 million sold and CAD3.1 million 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 expiries of less than twelve months at 31 January 2007. These instruments are listed below by type and by currency for the period to which they relate.

3 Consolidated financial statements

Notes to the consolidated financial statements

2006 – Asset and liability hedging

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	5.5	-	-	-	-
CAD	-	5.5	1.0	2.0	-	-
JPY	-	26.8	-	-	-	-
GBP	5.3	-	-	-	1.5	0.5

2007 BUDGET – hedging of anticipated positions

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	15.5	12.5	25.0	-	1.0
CAD	-	5.4	4.3	9.2	-	1.8
JPY	-	92.5	95.0	195.0	-	25.0
NOK	-	6.0	4.3	9.4	-	0.8
GBP	8.3	-	-	-	19.1	10.6

INSTRUMENT VALUATION

Derivative instruments are recognised in accordance with the accounting principles and methods presented in Note 2.

Hedging instruments relating to the 2006 fiscal year, *i.e.* hedging assets and liabilities on the balance sheet as at 31 January 2007, have been fully valued and recognised at their market value at 31 January 2007. The market value represents a positive net value of € 0.1m.

Hedging instruments relating to the 2007 fiscal year, *i.e.* hedging anticipated financial flows, have been fully valued and recorded at their market value at 31 January 2007. The time value of these hedging instruments has been recognised 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 recognised as a balance sheet adjustment. At 31 January 2007, financial instruments were represented by financial assets of €0.7m and financial liabilities of €0.1m, and had a negative impact of €0.1m on net financing expense.

CREDIT RISK

All operations are carried out with the 21 international banks that take part in the revolving credit facility.

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.

Neopost has a policy of centralising 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 optimising positions in later years.

YEAR-END POSITION

The table below sets out Neopost's year-end position:

Notional value (millions)	EUR				USD				GBP			
	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities	(89.1)	(34.9)	(133.0)	(257.0)	(120.1)	(185.5)	-	(305.6)	(1.6)	(0.6)	-	(2.2)
Net position before hedging	(89.1)	(34.9)	(133.0)	(257.0)	(120.1)	(185.5)	-	(305.6)	(1.6)	(0.6)	-	(2.2)
Fixed-rate debt	-	25.0	133.0	158.0	-	100.0	-	100.0	-	-	-	-
Hedging	17.5	102.5	25.0	145.0	7.5	50.0	-	57.5	-	-	-	-
Open position in market after hedging	(71.6)	92.6	25.0	46.0	(112.6)	(35.5)	-	(148.1)	(1.6)	(0.6)	-	(2.2)

For 2006, Neopost's policy was to fix its net interest expenses in advance. As a result, after hedging, 67% of projected Neopost group debt is not exposed to long-term interest rates for the current year. Only 33% of the projected debt remains exposed to long-term rates at 31 January 2007.

- 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).

HEDGING INSTRUMENTS

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

- firm derivatives: swaps and forward rate agreements;

Management mandates, packaged bank hedging products and derivative instruments that introduce a reference other than the underlying (quanto swaps for example) are strictly forbidden by internal procedures.

INSTRUMENT DETAILS

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

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap - buyer	USD	-	75.0	-
Swap - receiver	EUR	15.0	55.0	25.0
	USD	7.5	50.0	-
Cap - buy	EUR	2.5	47.5	-
	USD	-	120.0	-
Knock-out cap - buy	EUR	-	20.0	-
Knock-in cap - sell	EUR	-	12.5	-
	USD	7.5	5.0	-
Floor - sell	EUR	2.5	37.5	-

3 Consolidated financial statements

Notes to the consolidated financial statements

INSTRUMENT VALUATION

Derivative instruments are recognised in accordance with the accounting principles and methods presented in Note 2. All interest rate derivative instruments are valued on the balance sheet and in the income statement at their market value, in accordance with IAS 39.

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

The net impact on the Group's net financial expense is zero. Net assets have been increased by €1.2m. Financial instruments represent a financial asset of €3.5m and a financial liability of €0.5m, of which €0.3m is for restatement of the private placement debt at fair value and €0.2m for financial instruments.

SENSITIVITY TO INTEREST RATE VARIATIONS

Sensitivity to interest rate risk is as follows:

- the sensitivity of hedged positions represents variable-rate debt hedged by financial instruments (the underlying includes \$75m of the private placement swapped at origination). The impact presented reflects changes in both the underlying and the debt;
- the sensitivity of hedged positions represents the change in unhedged variable-rate debt on the anticipated portion of the debt in 2007/2008;
- the sensitivity of fixed-rate debt represents the change in fair value of fixed-rate debt.

The values below are expressed in millions of the relevant currency. They indicate the positive or negative impact of a rise or fall in interest rates on the Group's net financing charges. The change in fair value of the fixed-rate debt is shown for information.

Sensitivity of hedged positions	1% rise in interest rates	1% fall in interest rates
EUR	(1.3)	1.5
USD	0.2	(0.1)

Sensitivity of open positions	1% rise in interest rates	1% fall in interest rates
EUR	(0.6)	0.6
USD	(1.7)	1.7

Sensitivity of fixed-rate debt – change in fair value	1% rise in interest rates	1% fall in interest rates
EUR	0.9	(0.8)
USD	3.0	(3.1)

CREDIT RISK

All operations are carried out with the 21 international banks that take part in the revolving credit facility.

Other commitments given

	2007	At 31 January 2006
Bank guarantees in favour of the UK postal service	£0.8m	£0.8m
Bank guarantee in favour of the Irish postal service	€1.7m	€1.7m
Guarantee for Mail Leasing GmbH's primary credit facility	€3.8m	€5.0m
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	€0.1m	€0.1m

19-2: COMMITMENTS RECEIVED

No material commitment has been received to this date.

Note 20 Information on related parties

The gross remuneration of the management team, including Chairman and CEO Jean-Paul Villot, is as follows:

(in thousands euro)	At 31 January	
	2007	2006
Remuneration of corporate officers		
Fixed remuneration	2,081.7	1,934.8
Variable remuneration	686.6	573.3
Benefits in kind	23.5	17.0
Directors' fees	25.0	25.0
Stock options	1,474.9	1,104.9
Securities giving access to capital	1,174.2	-
Pensions ^(*)	1,438.0	-

^(*) Of which €161K related to 2006 pension rights.

Variable remuneration is determined on the basis of the attainment of Group sales, operating income and working capital requirement targets.

Note 21 Events after the balance sheet date

There have been no material changes in the Group's commercial or financial position between the balance sheet date of 31 January 2007 and the date on which the Board of Directors approved the consolidated financial statements.

Auditors' report on the consolidated financial statements

To the Shareholders,

Following our appointment as Statutory Auditors by your Shareholders' Annual General Meetings, we have audited the accompanying consolidated financial statements of Neopost S.A. for the year ended January 31, 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and of the financial position of the Group as at January 31, 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

We have performed an assessment of the approaches adopted by the group in terms of the valuation of goodwill, as described in notes 2 and 5 of the notes to the consolidated financial statements, and which involves significant estimates. Our work performed consisted in assessing the figures and assumptions on which the estimates are based and in reviewing the computations performed by the group. Within the framework of the justification of our assessments, we made sure of the reasonableness of these estimates.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, April 19, 2007

The Statutory Auditors

PERONNET ET ASSOCIES

ERNST & YOUNG et Autres

French original signed by
Olivier Peronnet

French original signed by
Michel Gauthier

4

Parent company financial statements

Summary of Neopost S.A. management report	72
Parent company income statement	72
Parent company balance sheet	72
Five-year results table	74
Dividends	75
Share buyback programme	75
Identity of shareholders – voting rights and changes in ownership structure	76
Directors' appointments	76
Remuneration of corporate officers	76
List of outstanding authorizations for Board of Directors from Annual General Meetings in respect of capital increases	77
Risk management and use of financial instruments	77
Special report	77
Outlook	77
 Parent company balance sheet	 78
 Parent company income statement	 80
 Parent company cash flow statement	 81
 Notes to the parent company financial statements	 82
Note 1 Presentation of the company	82
Note 2 Summary of accounting policies	82
Note 3 Financial assets	83
Note 4 Receivables	84
Note 5 Short-term investments	84
Note 6 Translation adjustments	84
Note 7 Shareholders' equity	84
Note 8 Provisions for risks and contingencies	85
Note 9 Debt	85
Note 10 Income tax	86
Note 11 Information on associated companies	86
Note 12 Risk management and financial instruments (at 31 January 2007)	86
Note 13 Subsidiaries and equity interests	91
Note 14 Remuneration of corporate officers	92
Note 15 Headcount	92
 Statutory Auditors' Report on the annual financial statements	 93
 Special report of the statutory auditors on certain related-party transactions	 94

Summary of Neopost S.A. management report

Parent company income statement

Neopost S.A.'s operating loss amounted to (€3.4m) compared with a profit of €0.1m at 31 January 2006. Operating revenue consists of sums billed to subsidiaries for assistance, brand royalties and

rebilling of costs paid on behalf of subsidiaries, and amounted to €12.1m (€11.0m at 31 January 2006). This covers part of the operating costs of €15.6m (€11.0m at 31 January 2006).

Net financial income amounted to €153.9m compared with €22.6m last year, broken down as follows:

(€m)	At 31 January	
	2007	2006
Interest charges on external borrowings	(14.5)	(10.7)
Net income on internal loans and borrowings	(3.3)	(1.8)
Dividends received	174.8	29.7
Write-off of receivables	(0.9)	(0.8)
Revenue from disposals of securities	0.5	0.3
Net gain on foreign exchange and swaps	8.0	7.0
Provision for losses on foreign exchange	(6.0)	(0.8)
Provision for impairment of equity investments	(4.7)	-
Other	-	(0.3)
Total	153.9	22.6

Net income amounted to €157.5m (€34.1m at 31 December 2006) after inclusion of €6.1m in net tax income (€11.3m at 31 December 2006) resulting from use of the tax consolidation system.

Parent company balance sheet

Assets

Financial assets

In financial year 2006, Neopost S.A. bought 776,834 shares or 2.4% of its capital at 31 January 2007 for €68.1m with a view to cancellation, compared with €24.6 million at 31 January 2006.

Net financial assets amounted to €794.0m at 31 January 2007 compared with €743.4m at 31 January 2006.

The balance of the movement in financial assets over the period was mainly due to further loans being made to the Group's subsidiaries.

Other receivables

Sundry receivables totalled €126m at 31 January 2007 compared with €115.6m at 31 January 2006 and broke down as follows:

(€m)	2007	At 31 January 2006
Subsidiary current accounts – cash facility		
Mail Finance	18.5	20.2
Neopost Technologies S.A	5.3	11.3
Neopost Inc	64.1	51.2
Neopost Japan	1.5	1.7
Mail Leasing GmbH	6.3	2.3
Neopost SRL (Italy)	4.9	3.9
Neopost Canada	10.4	2.5
Satas	3.7	-
Other	5.0	6.0
Accounts receivable (services invoiced)	5.9	5.3
Tax receivables	0.4	11.2
Total	126.0	115.6

Liabilities

315,818 options were exercised for a total of €10,794,598.57. As a result, share capital increased by €315,818 and additional paid-up capital by €10,478,780.57.

capital decreased by €299,572 and additional paid-up capital by €24,284,428.

Allocations were made to reserves and retained earnings as approved by the Ordinary General Meeting.

Following a share buyback, there was also a capital reduction of 299,572 actions for a total of €24,584,000. As a result, share

(€m)	Par value	Number of shares	Share capital	Additional paid-in capital	Reserves, retained earnings and income for the year	Total
Shareholders' equity at 31 January 2006	1.00	32,206,659	32,206,659	174,196,298	65,521,209	271,924,166
Capital increase: exercise of options	1.00	315,818	315,818	10,478,781	-	10,794,599
Capital reduction: cancellation of 299,572 treasury shares	1.00	(299,572)	(299,572)	(24,284,428)	-	(24,584,000)
Allocation to legal reserve	-	-	-	-	(5,015)	(5,015)
Dividends paid	-	-	-	(47,176,186)	(47,084,768)	(94,260,954)
Net income	-	-	-	-	157,504,712	157,504,712
Shareholders' equity at 31 January 2007	1.00	32,222,905	32,222,905	113,214,465	175,936,138	321,373,508

4 Parent company financial statements

Summary of Neopost S.A. management report

Debt

Debt at 31 January 2007 broke down as follows:

(€m)	2007	At 31 January 2006
US private placement	167.8	177.7
Caisses Régionales Crédit Agricole private placement	133.0	-
Revolving credits	35.0	105.1
Borrowings from subsidiaries	28.8	32.6
Accrued interest	4.0	3.0
Other	1.2	1.2
Total	369.8	319.6

On 1 December 2006, Neopost arranged a private placement with Caisses Régionales du Crédit Agricole. The two tranches of this debt are for the same time period and are both redeemable in December 2012. The interest paid on this debt is structured interest

which was swapped on issue, with the conditions and term being the same as the debt tranches. After the swap, the debt carries fixed interest at 4.094%.

Five-year results table

As required by article 148 of the decree dated 23 March 1967:

(€m)	2003	2004	2005	2006	At 31 January 2007
Share capital					
Capital at year end	30.3	30.3	31.9	32.2	<u>32.2</u>
Number of shares	30,305,239	30,329,339	31,856,937	32,206,659	<u>32,222,905</u>
Operations and earnings					
Net sales	9.4	10.1	9.9	11.0	<u>12.1</u>
Income before tax, depreciation and provisions	15.9	44.5	22.3	23.8	<u>162.0</u>
Income tax	1.4	3.4	0.9	11.3	<u>6.1</u>
Depreciation and provisions	(7.2)	(9.8)	1.6	(1.0)	<u>(10.6)</u>
Net income	10.1	38.1	24.8	34.1	<u>157.5</u>
Income paid out	30.3	37.9	111.5	95.7	<u>103.6</u>
Earnings per share					
Income after tax, before depreciation and provisions	0.57	1.58	0.75	1.09	<u>5.22</u>
Income after tax, depreciation and provisions	0.33	1.26	0.78	1.06	<u>4.89</u>
Dividends paid	1.00	1.25	3.50	3.0	<u>3.3</u>
Employees					
Average employees	18	20	20	22	<u>21</u>
Total wages	1.97	2.1	2.5	2.6	<u>3.1</u>
Employment benefits paid (social security, payroll charges)	0.89	1.0	1.2	1.2	<u>3.8</u>

Dividends

Neopost's particularly healthy balance sheet enabled the Group to continue its ordinary dividend pay-out policy initiated in 2003.

The Board of Directors has decided to request approval from shareholders at the Annual General Meeting for the payment of an ordinary dividend of €3.30 per share in respect of 2006.

The proposed total dividend for 2006 amounts to €103.6m.

The total amount of dividends paid for the two previous years may be found in the table above.

Share buyback programme

Neopost S.A.'s share buyback programme was approved by shareholders at the AGM on 5 July 2006 and implemented by the Board of Directors on the same day. Such buybacks have been used to limit dilution due to the potential exercise of stock options awarded to certain employees.

As part of this programme, Neopost S.A. signed a liquidity contract on 2 November 2005, conforming to the AFEI model contract and the AFEI's compliance manual dated 14 March 2005, and approved by the AMF on 22 March 2005. Exane BNP Paribas was mandated to execute

this contract, worth €8m. The purpose of the contract is to improve the volatility of Neopost shares and therefore to make access to the shares easier for a larger number of investors.

The following transactions have been carried out between the start of the programme and 31 January 2007:

- Number of shares held at start of programme: 499,267
- Number of shares bought since start of programme: 450,912
- Number of shares sold since start of programme: 129,574
- Number of shares transferred since start of programme: nil
- Number of shares cancelled over last 24 months: 299,572
- Percentage of share capital owned as treasury stock directly and indirectly: 2.55%
- Number of shares held: 820,605

Shares bought for cancellation

The treasury stock portfolio comprised 820,605 shares at 31 January 2007, of which 43,771 shares are held under the liquidity contract, and 776,834 are held with a view to cancellation.

The transactions to purchase these shares are all listed below.

Cash transactions:

Date	Broker	Type of transaction	Number of shares	Average price of transaction	Value of transaction
01/08/2006 to 31/08/2006	CA CHEVREUX	Cash purchase	172,812	87.1677	15,063,621.93

Transactions to unwind derivative products over the period

Barclays Capital was mandated to purchase futures during the year to assist execution of the programme and avoid any direct action in the market by management.

This contract was to purchase a number of shares at the average price for the period for a fixed sum.

Date	Broker	Buy/sell	Number of shares	Price	Amount €	Underlying derivative transaction	Market
29/03/2006	Barclays Capital	Buy	354,625	84.5964	30,000,000	Futures purchase maturity 29/03/06 concluded 06/02/06	OTC
30/06/2006	Barclays Capital	Buy	92,760	86.2437	8,000,000	Futures purchase maturity 30/06/06 concluded 07/06/06	OTC
26/01/2007	Barclays Capital	Buy	156,637	95.7628	15,000,000	Futures purchase maturity 26/01/07 concluded 13/12/06	OTC

Summary of Neopost S.A. management report

Transactions under liquidity contract

At 31 January 2007, the liquidity contract showed a balance of 43,771 shares with a book value of €4,199,021.87 and cash of €4,875,181.85, of which €4,619,849.90 is invested in short-term mutual funds.

New programme

A new share buyback programme will be presented to shareholders for approval at the AGM on 10 July 2007. This will involve a maximum of 10% of the issued share capital at a maximum purchase price of

1.3 times Neopost's share price on the day before the AGM, i.e. 9 July 2007. Such buybacks will be used in particular to reduce the number of shares in circulation and limit dilution due to the potential exercise of stock options awarded to certain employees.

Identity of shareholders – voting rights and changes in ownership structure

The number of shareholders, the total number of voting rights, and changes to capital during the last three years are presented below:

	2007		2006		At 31 January 2005	
	Number	%	Number	%	Number	%
Management and employees	698,200	2.167%	582,628	1.81%	553,318	1.74%
Directors	4,186	0.013%	4,086	0.01%	3,450	0.01%
Liquidity contract	43,771	0.136%	52,701	0.16%	-	-
Treasury stock held for cancellation	776,834	2.411%	299,572	0.93%	-	-
Other shareholders	30,699,914	95.273%	31,267,672	97.09%	31,300,169	98.25%
Total	32,222,905	100.00%	32,206,659	100.00%	31,856,937	100.00%

At 31 January 2007, the Company's capital was made up of 32,222,905 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 turnover, the Company does not know exactly how many shareholders it has. To the Company's knowledge, no shareholder owns more than 3% of its capital other than those mentioned below.

At 31 January 2007, four investment funds declared that they had crossed reporting thresholds: Fidelity Investments with 10.35%, Harris Associates with 4.95%, Arnhold & Bleichroeder Advisers with 3.90% and Jupiter Asset Management Limited with 6.28%.

Movements in share capital over the last three years have been:

- capital increase through exercise of options: 124,393 shares in 2004, 349,722 shares in 2005 and 315,818 shares in 2006;
- capital reduction through cancellation of 299,572 shares of treasury stock;
- conversion of OCEANE bonds into 1,403,275 shares.

Directors' appointments

The composition of the Board of Directors and details of directors' appointments are presented in pages 96 and 97 of this reference document.

Remuneration of corporate officers

During the period, Neopost and the companies which the Group controls paid total remuneration and benefits in kind of €609,725 to Jean-Paul Villot (CEO). This broke down as follows:

- fixed remuneration €436,240
- variable remuneration €145,741
- directors' fees €25,000
- benefits in kind €2,744

Variable remuneration is based on the Group's results in terms of sales, operating income and working capital requirement.

With respect to pensions, the Chief Executive has a defined contribution pension plan (article 83 of the General Tax Code), into which is paid a total of 8% of his remuneration, and a defined benefit pension scheme (article 39 of the General Tax Code) with an annuity obligation of 1% of pay per year of service capped at 30% (this annuity being paid after deduction of that provided by the defined contribution schemes in force).

With respect to the 2006 fiscal year, the company paid director's fees of €25,000 to Mr. Jean-Paul Villot, €30,000 to Messrs Henk Bodt, Jacques Clay, Cornelius Geber, Michel Guillet, Raymond Svider and Eric Licoys, and €25,000 to Mr Michel Rose.

Mr Bourigeaud received \$32,370 in directors' fees from Mailroom Holding Inc. (USA).

List of outstanding authorizations for Board of Directors from Annual General Meetings in respect of capital increases

The list of outstanding authorizations may be found on page 116 of this reference document.

Risk management and use of financial instruments**Legal risks**

Details of the legal risks faced by the Group may be found on page 18 of this reference document.

Market risks

Details of the market risks faced by the Group may be found on page 18 of this reference document.

Risks related to the Group's operations

Details of risks related to the Group's operations may be found on page 18 of this reference document.

Special report

The special auditors' report includes agreements or transactions under articles L. 225-38 et seq of the new Commercial Code.

Outlook

Neopost S.A. will continue to act as holding company for the Neopost group.

4 Parent company financial statements

Parent company balance sheet

Parent company balance sheet

ASSETS

(€m)	Notes	2007	2006
Intangible assets			
Gross value		6.8	6.8
Amortisation		(6.6)	(6.5)
		0.2	0.3
Property, plant and equipment			
Gross value		0.7	0.7
Depreciation		(0.6)	(0.5)
		0.1	0.2
Financial assets			
Gross value		799.1	743.7
Provisions		(5.1)	(0.3)
	(3)	794.0	743.4
Net receivables			
Net accounts receivable		5.9	5.3
Net other receivables		120.1	110.3
	(4)	126.0	115.6
Short-term investments and cash & cash equivalents			
Short-term investments	(5)	27.9	-
Cash & cash equivalents		14.1	9.5
		42.0	9.5
Prepaid expenses			
		1.6	1.6
Cumulative foreign exchange difference	(6)	22.3	16.3
Total Assets		986.2	886.9

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

Parent company balance sheet

■ LIABILITIES

(€m)	Notes	At 31 January	
		2007	2006
Capital		32.2	32.2
Additional paid-in capital		113.2	174.2
Reserves		18.4	31.4
Income for the year		157.5	34.1
Cumulative foreign exchange difference		-	-
Shareholders' equity	(7)	321.3	271.9
Provisions for risks and contingencies	(8)		
Provision for risks		22.3	16.3
Provision for contingencies		0.2	0.2
		22.5	16.5
Debt	(9)		
Bank loans		339.8	285.8
Other borrowings and debt		30.0	33.8
Convertible bond		-	-
		369.8	319.6
Accounts payable			
Trade payables		7.0	4.6
Other operating liabilities		238.6	255.2
Taxes		3.1	2.1
Deferred income		0.2	0.2
		248.9	262.1
Cumulative foreign exchange difference	(6)	23.7	16.8
Total liabilities		986.2	886.9

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

4 Parent company financial statements

Parent company income statement

Parent company income statement

(€m)	At 31 January	
	2007	2006
Revenue from services	12.1	11.0
Reversal of depreciation and provisions	0.1	0.1
Revenue from operations	12.2	11.1
Other input costs and external charges	(15.0)	(10.6)
Other expenses	(0.2)	(0.3)
Depreciation and provisions	(0.4)	(0.1)
Operating expenses	(15.6)	(11.0)
Investment income (dividends)	174.8	29.7
Investment income (interest)	10.8	6.8
Other interest and financial income	18.2	16.0
Reversal of depreciation and provisions	-	-
Financial income	203.8	52.5
Interest charges	(39.1)	(29.0)
Commitment commissions	(0.2)	(0.2)
Depreciation and provisions	(10.6)	(0.7)
Financial expenses	(49.9)	(29.9)
Net financial income (expense)	153.9	22.6
Current operating income	150.5	22.7
Extraordinary proceeds from hedging transactions	-	-
Extraordinary proceeds from capital transactions	0.9	0.1
Reversal of depreciation and provisions	-	-
Extraordinary income	0.9	0.1
Extraordinary expenses on hedging transactions	-	-
Extraordinary expenses on capital transactions	-	-
Depreciation and provisions	-	-
Extraordinary expenses	-	-
Extraordinary net income (loss)	0.9	0.1
Income tax	6.1	11.3
Net income	157.5	34.1

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

Parent company cash flow statement

(€m)	At 31 January	
	2007	2006
Net income	157.5	34.1
Depreciation and amortisation charge (reversal)	0.3	0.2
Provisions for risks and contingencies (reversal)	10.7	0.9
Funds generated from operations	168.5	35.2
(Increase) decrease in accounts receivable	(0.6)	(1.2)
Increase (decrease) in accounts payable	2.4	(0.2)
Increase (decrease) in other operating payables and receivables	(24.5)	56.5
Cash flow from operating activities (A)	145.8	90.3
Investment in property, plant and equipment	-	-
Investment in other intangible assets	(0.1)	(0.3)
Securities bought and loans advanced	(55.4)	(61.4)
Sub-total investment	(55.5)	(61.7)
Disposals of fixed assets	-	-
Repayment of loans and advances granted	-	3.3
Cash flow from investment activities (B)	(55.5)	(58.4)
Dividends paid	(94.2)	(111.5)
Parent company capital increase	10.8	12.0
Parent company capital reduction (share buyback)	(24.6)	-
New medium and long-term debt	133.0	55.0
Loans repaid	(83.6)	5.8
Net change in other debt and accrued interest	0.8	(0.3)
Cash flow from financing activities (C)	(57.8)	(39.0)
Impact of exchange rate movements on cash and cash equivalents (D)	-	-
Change in net cash & cash equivalents (A) + (B) + (C) + (D)	32.5	(7.1)
Opening cash & cash equivalents	9.5	16.6
Closing cash & cash equivalents	42.0	9.5

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

Notes to the parent company financial statements

For years ended 31 January 2007 and 31 January 2006.

(All amounts stated hereafter are in millions of euros)

Note 1 Presentation of the company

Neopost S.A. is the holding company of the Neopost Group, and was created in 1992 through a leveraged buyout (LBO) of Alcatel's mail processing equipment division.

A second LBO took place in 1997.

Note 2 Summary of accounting policies

The parent company financial statements are prepared in accordance with the new chart of accounts and provisions of French accounting principles.

The basic method for valuing accounting entries is the historical cost method.

At 1 February 2005, the company applied new regulations relating to the definition, measurement and recognition of assets (CRC regulation 04-06) and amortisation or depreciation (CRC regulation 02-10). The company has generally decided to use the prospective method. These new provisions have not had any impact on the 2006 financial statements nor on the opening balance sheet at 1 February 2006.

2-1: TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are valued at cost (purchase price plus related expenses, excluding fixed asset acquisition expenses).

Assets are depreciated according to their useful lives.

The most common depreciation periods are as follows:

Software	1 year	Straight-line
Fixtures	10 years	Straight-line
Office furniture and equipment	4 & 8 years	Straight-line

2-2: FINANCIAL ASSETS

Following the second LBO and with retroactive effect at 1 February 1997, equity investments were valued at the sum of restated shareholders' equity and a multiple of their average operating income in 1999, 2000 and 2001.

An impairment test is carried out at least once a year. The valuation of majority stakes is reviewed every year based on cash flow with an annual growth rate of 2%. The companies which are in a development phase or which are at the end of a restructuring period are valued with a growth rate based on the Group 3 year plan. Industrial margins are allocated. The discounting rate is the weighed average cost of capital before tax increased, if need be, by a premium for specific risks.

2-3: SHORT-TERM INVESTMENTS

Short-term investments are valued on a line-by-line basis at their weighted average price.

Note 3 Financial assets

(€m)	At 31 January	
	2007	2006
Gross value		
Investments in Neopost Inc.	74.6	74.6
Investments in Neopost Holdings Ltd	35.3	35.3
Investments in Neopost France	133.9	133.9
Investments in Satas	61.0	61.0
Investments in Mailroom Holding Inc.	34.3	34.3
Investments in Ascom Holding Ltd	42.6	42.6
Investments in Neopost GmbH	38.7	38.7
Investments in Neopost Japan	3.1	3.1
Investments in Neopost Canada Ltd	5.8	5.8
Investments in Neopost Verwaltungs (Stielow GmbH)	3.3	3.3
Investments in Stielow KG	-	-
Investments in Neopost NBG ID	0.0	0.0
Investments in Neopost Srl.	1.3	1.3
Investments in Neopost Diva	2.5	2.5
Investments in Mail Finance	8.6	8.6
Investments in Dynapost	2.4	2.4
Investments in Neopost Holding GmbH	0.0	0.0
Investments in Mailroom Holding BV	26.0	26.0
Investments in Neopost SPRL/BVA	0.5	0.5
Investments in Neopost SL	0.0	0.0
Investments in Neopost Industrie AG	0.1	0.1
Investments in Neopost Ireland Ltd	1.0	1.0
Investments in Neopost Participation	0.0	0.0
Investments in Xange Capital	2.2	1.8
Investments in Neopost Norge AS	1.0	1.0
Investments in Hasler Australia	0.0	0.0
Investments in Mailroom Equipment Ltd	4.6	4.6
Investments in BTA	7.0	7.0
Investments in BTA Earn out	1.2	1.2
Investments in Mail Services	2.5	2.5
Loans to subsidiaries	123.9	114.6
Accrued interest not yet matured on loans to subsidiaries	1.1	1.2
Equity loan to SL	0.3	0.3
Kontu GmbH loan	1.5	-
Other securities	101.7	101.7
Liquidity contract	9.0	8.2
Treasury stock	68.1	24.6
Total gross value	799.1	743.7
Impairment		
Investments in Mailroom Equipment Ltd	(4.6)	-
Investments in Xange Capital	(0.5)	(0.3)
Investments in NBG ID	0.0	0.0
Total net value	794.0	743.4

4 Parent company financial statements

Notes to the parent company financial statements

Neopost S.A. bought back 2.4% of its shares for €68.1m at 31 January 2007 with a view to cancellation. Neopost S.A. also holds 43,771 shares worth €4.2m under a liquidity contract.

The balance of the movement in financial assets over the period was mainly due to further loans being made to the Group's subsidiaries.

An impairment test was carried out on Neopost S.A. investments at 31 January 2007; total impairment of €4.6m was recognised in respect of investments in Mailroom Equipment Ltd.

Note 4 Receivables

Total receivables of €126m mainly represent €118.2m in short-term advances to subsidiaries and €5.9m of receivables from subsidiaries.

All receivables mature in less than one year.

Note 5 Short-term investments

Short-term investments are exclusively in money market mutual funds.

Note 6 Translation adjustments

A translation adjustment is created for each asset or liability denominated in a foreign currency, by reference to the closing exchange rate.

Translation adjustment assets and liabilities are offset between hedging financial instruments (exchange rate futures) and the appropriate receivables and payables. This offset amounted to €6.6m at 31 January 2007. After offset, the translation adjustment asset came out at €22.3m and the liability at €23.7m.

Note 7 Shareholders' equity

	Par value	Number of shares	Capital	Additional paid-in capital	Reserves	Total
Year-end shareholders' equity at 31 January 2005	1.00	31,856,937	31.9	162.6	142.9	337.4
Dividends paid	-	-	-	-	(111.5)	(111.5)
Capital increase	1.00	349,722	0.3	11.6	-	11.9
Income for the year	-	-	-	-	34.1	34.1
Year-end shareholders' equity at 31 January 2006	1.00	32,206,659	32.2	174.2	65.5	271.9
Dividends paid	-	-	-	(47.2)	(47.0)	(94.2)
Capital increase	1.00	315,818	0.3	10.5	-	10.8
Capital reduction	1.00	(299,572)	(0.3)	(24.3)	-	(24.6)
Allocation to legal reserve	-	-	-	-	(0.1)	(0.1)
Income for the year	-	-	-	-	157.5	157.5
Year-end shareholders' equity at 31 January 2007	1.00	32,222,905	32.2	113.2	175.9	321.3

Note 8 Provisions for risks and contingencies

	At 31 January 2007	2006
Provisions for risks		
Unrealised foreign exchange loss	22.3	16.3
Total	22.3	16.3
Provisions for contingencies		
Retirement obligations	0.2	0.2
Total	0.2	0.2

Note 9 Debt

At 31 January 2006 and 2007, debt broke down as follows:

	Less than one year	One to five years	More than five years	At 31 January 2007	2006
Revolving credit facility ⁽¹⁾	35.0	-	-	35.0	105.0
Accrued interest and other	0.1	-	-	0.1	0.1
Bank loans	35.1	-	-	35.1	105.1
Caisse Régionale private placement	-	-	133.0	133.0	-
Accrued interest	0.9	-	-	0.9	-
CRPP private placements ⁽²⁾	0.9	-	133.0	133.9	-
US private placement \$175m	-	135.1	-	135.1	144.7
US private placement \$10m	-	7.7	-	7.7	8.3
US private placement €25m	-	25.0	-	25.0	25.0
Accrued interest	3.0	-	-	3.0	3.0
US private placements ⁽³⁾	3.0	167.8	-	170.8	181.0
Neopost Holdings Ltd borrowing	0.7	2.9	0.7	4.3	4.9
Neopost Holdings Ltd borrowing	3.0	12.1	3.0	18.1	20.5
Neopost Limited borrowing	1.1	4.2	1.1	6.4	7.2
Other	-	1.2	-	1.2	1.2
Other borrowings	4.8	20.4	4.8	30.0	33.8
Total	43.8	188.2	137.8	369.8	319.6

(1) On 21 January 2005, Neopost arranged a multi-currency revolving credit line for the equivalent of €350 million to replace the revolving credit line set up on 19 December 2003, which was cancelled at the same time. The interest rate was indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.275% to 0.60% depending on the Group's net debt to EBITDA ratio. This credit line comes to term in January 2010.

(2) On 1 December 2006, Neopost arranged a private placement with Caisses Régionales du Crédit Agricole. The two tranches of this debt are for the same time period and are redeemable in December 2012. The interest paid on this debt is structured interest which was swapped on issue, with the conditions and term being the same as the debt tranches. After the swap, the debt carries fixed interest at 4.094%.

(3) On 16 September 2003, Neopost completed a private placement in the USA, comprising three tranches. The first tranche consisted of \$175 million of notes redeemable in September 2010 and paying interest at 4.83%. The second tranche consisted of \$10 million of notes redeemable in September 2008 and paying interest at 3-month USD Libor plus 0.55%. The third tranche consisted of €25 million of notes redeemable in September 2010 and paying interest at 4.52%.

4 Parent company financial statements

Notes to the parent company financial statements

The debt resulting from the September 2003 and December 2006 private placements and January 2005 revolving credit facility are subject to covenants such as a net debt to EBITDA ratio, minimum net assets and EBITDA to net interest charges.

The shareholders' equity of the Group must not be less than €378 million for both the US private placement and the revolving credit facility.

As regards the net debt to EBITDA ratio for the private placements and revolving credit facility, the covenant is calculated on the basis of the consolidated financial statements, including leasing companies

using the equity method. EBITDA is calculated by adding depreciation for the period to operating income before employee profit-sharing. The net debt to EBITDA ratio must be 3 or less.

The EBITDA to net interest charges ratio, before adjusting for leasing, is calculated using the Group's consolidated financial statements and must not fall below 4.5.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 January 2007.

Note 10 Income tax

Neopost S.A. is the parent company of a group which is consolidated for tax purposes under the terms of article 223A of the General Tax Code. In this respect, Neopost S.A. alone is 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. For 2006, the tax benefit due to tax consolidation has been put at €6.1m.

Note 11 Information on associated companies

Figures for associated companies break down as shown below:

	Total	Associated companies	
		Majority stake	Minority stake
Financial assets	720.5	715.9	4.6
Receivables	124.0	124.0	-
Debt	30.0	30.0	-
Financial expenses	10.8	10.8	-
Financial income	14.1	14.1	-
Dividends	174.8	174.4	0.4

Note 12 Risk management and financial instruments

12-1: LEGAL RISKS

Details of legal risks are given in the 2006 reference document.

12-2: MARKET RISKS

Financing policy is coordinated by the Group Chief Finance Officer. All Group exposure to interest rate and exchange rate risk is now centralised within the Group cash management department.

Liquidity risk

The Group's cash requirement plus debt servicing account for a significant proportion of its cash flow.

The Group believes that its cash flow 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. Group debt (US private placement and revolving loan) are subject to compliance with covenants.

Failure to comply with these covenants may lead to early repayment of the debt. At 31 January 2007, the Group was easily complying with all covenants.

Hedging of exchange rate risk

RISK MANAGEMENT POLICY

Neopost has a policy of centralising its exchange risk, enabling it to monitor the Group's overall exchange rate risk exposure and to gain full control over the market instruments used in hedging operations.

For each consolidated position that is managed, Neopost implements a hedging strategy at the same time as it sets the reference exchange rate to be defended. The hedging strategy involves a combination of definite or optional forward currency purchases or sales, along with open positions protected by stop losses. These stop losses are predetermined exchange rates that trigger transactions when they are hit. As a result, a mathematical algorithm means that 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 consultancy helps Neopost in its exchange rate risk hedging policy, and values its portfolio of hedging instruments. This ensures the consistency of methodologies used and provides a financial opinion independent of any financial institution.

Neopost S.A., as the centralising 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.

■ **2006** : hedging positions covering financial assets and liabilities on Neopost S.A.'s balance sheet or foreign exchange contracts relating to the 2006 fiscal year.

(€m)	USD	GBP	CAD	JPY	NOK	DKK
Neopost S.A. financial assets	4.2	0.2	0.2	0.4	0.4	-
Foreign exchange contract assets	31.0	22.8	9.3	28.1	2.5	-
Total assets	35.2	23.0	9.5	28.5	2.9	-
Neopost S.A. financial liabilities	3.9	1.5	-	-	-	-
Foreign exchange contract liabilities	14.4	34.1	-	-	-	0.2
Total liabilities	18.3	35.6	-	-	-	0.2
Net position before hedging	16.9	(12.6)	9.5	28.5	2.9	(0.2)
Neopost S.A. hedging	(5.5)	6.8	(7.5)	(26.8)	-	-
Net position after hedging	11.4	(5.8)	2.0	1.7	2.9	(0.2)

4 Parent company financial statements

Notes to the parent company financial statements

■ 2007 BUDGET: hedging positions relating to the 2007 budget.

(€m)	USD	GBP	CAD	JPY	NOK	DKK
Neopost S.A. projected financial assets	14.6	2.0	1.2	8.5	1.7	-
Foreign exchange contract assets	168.4	120.8	12.8	269.1	15.8	-
Total assets	183.0	122.8	14.0	277.6	17.5	-
Neopost S.A. projected financial liabilities	9.9	4.5	-	-	-	-
Foreign exchange contract liabilities	109.1	156.1	-	-	-	7.4
Total liabilities	119.0	160.6	-	-	-	7.4
Net position before hedging	64.0	(37.8)	14.0	277.6	17.5	7.4
Neopost S.A. hedging	(41.5)	27.4	(12.8)	(275.0)	(13.6)	-
Net position after hedging	22.5	(10.4)	1.2	2.6	3.9	7.4

Neopost uses symmetrical options tunnels in particular. These instruments are unlikely to be exercised in a non-reciprocal manner in terms of the spot exchange rate or expiry date. As a result, for each tunnel only one of the two options is reported in the table above. The value of the commitment in these symmetrical options was USD10.5 million sold; CAD4.3 million sold; GBP10.6 million bought; NOK4.3 million sold; and JPY82.5 million sold.

Neopost also makes use of asymmetrical options tunnels. With a view to reflecting the Group's commitment as closely as possible, the asymmetrical part of this kind of transaction is presented in the table above. By currency, the asymmetrical part is as follows: GBP8.5 million bought; JPY87.5 million sold, NOK3.3 million sold; USD13.5 million sold; and CAD3.1 million 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 expiries of less than twelve months at 31 January 2007. These instruments are listed below by type and by currency.

■ 2006

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	5.5	-	-	-	-
CAD	-	5.5	1.0	2.0	-	-
JPY	-	26.8	-	-	-	-
GBP	5.3	-	-	-	1.5	0.5

■ 2007 BUDGET

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	15.5	12.5	25.0	-	1.0
CAD	-	5.4	4.3	9.2	-	1.8
JPY	-	92.5	95.0	195.0	-	25.0
NOK	-	6.0	4.3	9.4	-	0.8
GBP	8.3	-	-	-	19.1	10.6

INSTRUMENT VALUATION

Hedging instruments relating to fiscal year 2006 have all been valued and recognised at market value at 31 January 2007.

Financial instruments relating to the 2007 budget have not been valued in Neopost S.A.'s financial statements.

The net market value of these instruments is €0.2 million for the USD position, €0.3 million for the GBP position, and €0.3 million for the CAD position. The value of the JPY and NOK positions is close to zero.

CREDIT RISK

All operations are carried out with the 21 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
Hasler Inc.	Short term advance	USD	7.3	-
Neopost Canada Ltd	Short term loan	CAD	16.0	16.0
Neopost Canada Ltd	Loan	CAD	2.8	2.8
Neopost Int. Supply Ltd	Short term advance	GBP	44.2	44.0
Neopost Ltd	Short term advance	GBP	15.4	15.0
Neopost Industrie AG	Short term advance	CHF	0.4	-
Neopost Inc.	Short term advance	USD	83.1	83.1
Neopost Inc.	Loan	USD	26.3	26.3
Neopost Inc. ⁽¹⁾	Loan	USD	67.0	-
Neopost Japan Inc.	Short term advance	JPY	239.5	239.5
Neopost Ltd	Borrowing	GBP	2.9	2.9
Neopost Holdings Ltd	Borrowing	GBP	16.2	16.2
Neopost Norge AS	Short term advance	NOK	6.8	6.8
Neopost Norge AS	Loan	NOK	17.0	17.0

(1) Neopost S.A.'s loan to its Neopost Inc subsidiary enabled Neopost Inc to repay debt raised from a banking syndicate in March 2000. This loan was made in conjunction with the US private placement. Since the two positions were symmetrical, no hedging was carried out.

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.

Neopost has a policy of centralising 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 optimising positions in later years.

Neopost works with the same consultancy for hedging both interest rate risk and exchange rate risk.

4 Parent company financial statements

Notes to the parent company financial statements

YEAR-END POSITION

The table below sets out Neopost S.A.'s year-end position:

(€m)	EUR	USD
Financial assets	-	-
Financial liabilities	194.4	188.2
Net position before hedging	(194.4)	(188.2)
Fixed-rate debt	159.4	103.2
Hedging	122.5	75.0
Net position after hedging	87.5	(10.0)

HEDGING INSTRUMENTS

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

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

- swaptions (used either alone or in combination).

Management mandates, packaged bank hedging products and derivative instruments that introduce a reference other than the underlying (quanto swaps for example) are strictly forbidden by internal procedures.

INSTRUMENT DETAILS

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

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap - buyer	USD	-	75.0	-
Swap - receiver	EUR	-	52.5	25.0
Cap - buy	EUR	-	45.0	-
	USD	-	75.0	-
Knock-out cap - buy	EUR	-	15.0	-
Knock-in cap - sell	EUR	-	12.5	-
Floor - sell	EUR	-	30.0	-

INSTRUMENT VALUATION

The valuation of the aforementioned instruments is not included in the accounts.

For information, the valuation of these instruments at the end of the year was €1.4 million for euro instruments and \$1.9 million for US dollar instruments.

PLEDGES OF INVESTMENT SECURITIES

None.

OTHER COMMITMENTS GIVEN

At 31 January

	2007	2006
Bank guarantees in favour of the UK postal service	£0.8m	£0.8m
Bank guarantee in favour of the Irish postal service	€1.7m	€1.7m
Guarantee for Mail Leasing GmbH's primary credit facility	€3.8m	€5.0m
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	€0.1m	€0.1m

Note 13 Subsidiaries and equity interests

	Capital	Other reserves	% interest	Gross value	Provisions	Net book value	Loans and avances	2007 net income	2007 sales	2006 net income	2006 sales	Dividends paid
French subsidiaries and equity interests												
Satas												
Clichy	4.60	10.8	100.00%	61.0	-	61.0	3.8	9.5	101.7	14.1	96.6	14.0
Neopost France												
Nanterre	84.0	19.7	100.00%	133.9	-	133.9	0.5	14.1	132.9	21.2	127.1	20.9
Mail Finance												
Arcueil	9.50	11.2	90.00%	8.6	-	8.6	18.6	3.3	14.9	5.6	13.0	-
DIVA												
Cavaillon	0.04	4.5	100.00%	2.5	-	2.5	-	0.8	6.5	0.7	5.4	-
Dynapost												
Montrouge	1.6	6.5	35.00%	2.40	-	2.40	-	1.7				0.4
Neopost Industrie S.A.												
Bagneux	22.0	2.2	100.00%	0.04	-	0.04	-	9.2	67.9	Nil	Nil	0.01
Neopost NBG ID												
Cavaillon	0.04	(0.0)	24.00%	0.0	-	0.0	-	-	-	-	-	-
Mail Services												
Bagneux	2.5		100.00%	2.5	-	2.5	-	1.7	27.4	-	-	-
Foreign subsidiaries and equity interests												
Neopost Inc.												
Hayward, California USA	\$0.00	\$14.9	100.00%	€74.6	-	€74.6	\$177.9	\$1.3	\$237.0	\$0.54	\$206.6	-
Mailroom Holding BV												
Drachten Netherlands	€18.15	€2.4	100.00%	€26.0	-	€26.0	-	€25.0	Nil	(€0.07)	Nil	-
Neopost SPRL												
Brussels Belgium	€0.52	€4.8	100.00%	€0.5	-	€0.5	-	€1.7	€12.5	€1.6	€11.8	-
Neopost Srl												
Milan Italy	€0.01	€0.5	100.00%	€1.3	-	€1.3	€8.0	€0.9	€12.1	€0.7	€10.4	-
Neopost (Holdings) Ltd												
Romford, Essex UK	£48.84	(£59.4)	100.00%	€77.9	-	€77.9	-	£75.2	Nil	£0.21	Nil	£75.0
Neopost SL												
Barcelona Spain	€0.0	(€0.2)	100.00%	€0.0	-	€0.0	€1.1	€0.0	€0.8	(€0.06)	€0.7	-
Neopost Ireland Ltd												
Dublin Ireland	€0.05	€1.4	100.00%	€1.0	-	€1.0	-	€0.9	€8.2	€0.3	€6.9	-

4 Parent company financial statements

Notes to the parent company financial statements

	Capital	Other reserves	% interest	Gross value	Provisions	Net book value	Loans and avances	2007 net income	2007 sales	2006 net income	2006 sales	Dividends paid
Mailroom Equipment Ltd Dublin Ireland	€0.5	-	100.00%	€4.6	(€4.6)	-	-	-	-	-	-	-
Neopost Industrie AG Bern Switzerland	CHF0.1	(CHF0.9)	100.00%	€0.1	-	€0.1	-	CHF0.5	CHF0.7	CHF0.5	CHF0.6	-
Neopost GmbH & Co KG Olching Germany	€4.0	(€10.6)	100.00%	€38.7	-	€38.7	€8.9	€1.6	€46.7	€0.7	€45.6	-
Neopost Holding Ltd Croydon UK	£9.314	£3.46	100.00%	-	-	-	-	-	Nil	-	Nil	-
Mailroom Holding Inc. Shelton USA	\$30.0	\$17.2	100.00%	€34.3	-	€34.3	-	\$3.6	\$54.8	\$3.62	\$52.0	-
Neopost Japan Tokyo Japan	¥60.0	¥37.3	100.00%	€3.1	-	€3.1	¥240.1	¥5.2	¥491.4	(¥20.6)	¥476.9	-
Neopost Canada Ltd Markham Canada	CAD7.15	CAD5.4	100.00%	€5.8	-	€5.8	CAD19.1	(CAD1.6)	CAD41.3	CAD1.0	CAD36.7	-
Neopost Verwaltungs (Stielow GmbH) Munich Germany	€0.3	€4.1	100.00%	€3.3	-	€3.3	-	€0.0	Nil	€0.3	Nil	-
Neopost Norge AS Oslo Norway	NOK8.4	NOK2.5	100.00%	€1.0	-	€1.0	NOK24.1	(NOK1.6)	NOK58.9	(NOK0.8)	NOK50.9	-
BTA Rüti Switzerland	CHF10.9	-	100.00%	€7.0	-	€7.0	-	CHF0.5	CHF0.7	CHF0.6	CHF3.9	-

Note 14 Remuneration of corporate officers

The remuneration of corporate officers is stated on pages 69 and 100 of this reference document.

Note 15 Headcount

The average number of employees of Neopost S.A. was 21 in 2006.

Statutory Auditors' Report on the annual financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meetings, we hereby report to you, for the year ended January 31, 2007, on:

- the audit of the accompanying annual financial statements of Neopost S.A.,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2007 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. Justification of assessments

In accordance with the requirements of Article L. 823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

We have performed an assessment of the approaches adopted by your Company, on the basis of the information available as of the date hereof, in terms of the valuation of financial fixed assets, as described in paragraph 2-2 of the notes to the financial statements. Our work performed consisted in assessing the figures and assumptions on which the estimates are based and in reviewing the computations performed by the Company. Within the framework of the justification of our assessments, we made sure of the reasonableness of these estimates.

The assessments were thus made in the context of the performance of our audit of the annual financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France. We have no matters to report regarding:

- the fair presentation and the conformity with the annual financial statements of the information given in the Directors' Report and in the documents addressed to the Shareholders with respect to the financial position and the annual financial statements;
- the fair presentation of the information given in the Directors' Report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the names of the principal shareholders has been properly disclosed in the Directors' Report

Paris and Neuilly-sur-Seine, April 19, 2007

The Statutory Auditors

PERONNET ET ASSOCIES

ERNST & YOUNG et Autres

French original signed by
Olivier Peronnet

French original signed by
Michel Gauthier

Special report of the statutory auditors on related-party transactions

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report on the agreements and commitments with related parties.

1. Agreements and commitments, approved in the year ended January 31, 2007.

In accordance with article L.225-40 of the French Company Law (Code de Commerce), we have been informed of agreements and commitments concluded during the year and previously authorised by your board of directors.

We are not required to ascertain whether any other contractual agreements exist but to inform you, on the basis of the information provided to us, of the essential terms and conditions of agreements indicated to us. It is your responsibility, under the terms of Article R 225-31 of the Code de Commerce, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

Collective pension plans

(Concerning Mr Jean-Paul VILLOT – chairman of the board of director)

Your board of directors agreed, on October 3, 2006, the modification or opening of the following collective pension plans, particularly to the benefit of your chairman.

- Your company raised pension plan contributions settled in 2001 for its employees from 4 to 5 % of the gross wages which cannot exceed 5 times the annual limit defined by the French social security system, as of January 1st, 2006.
- An amendment to this pension plan has thus been signed the October 17, 2006.
- Your company' introduced an additional defined contribution scheme plan. This scheme's goal is to provide the delivery of a defined contribution pension plan as soon as a member of the top management retires. The contribution amounts to 3% of the gross wages which cannot exceed 8 times the annual limit defined by the French social security system, as of January 1st, 2006.
- A collective pension contract was thus been signed on December 19, 2006.

- NEOPOST S.A has introduced a pension scheme to the benefit of its top management. On condition 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% of the benchmark remuneration per year of service, up to a limit of 30 years. The benefit is net of the earnings from other additional pension plans. The benchmark remuneration shall be equal to the average gross wages of the last two full years before retirement date.

Thus, on December 19, 2006, your company has agreed a defined contribution pension contract to collect funds necessary to pay Pension supplements.

2. Agreements and commitments, approved in prior years, and remained effective in the year ended January, 31, 2007.

In addition, and, in accordance with the French Company Law (Code de Commerce), we have been advised that the following agreements, approved in prior years, remained effective in the year ended January 31, 2007.

General assistance agreement

As part of general assistance agreement, NEOPOST S.A. invoices its subsidiaries for industrial, commercial and administrative services, for an amount of 0,6% of their total budgeted sales.

This led to €6 985 939 in revenues for NEOPOST S.A for the year ended January 31, 2007.

License Agreement

As part of trademark licensing contracts, NEOPOST S.A. invoices its subsidiaries 0,5% of their external budgeted sales for the use of Neopost trademarks.

This led to €3 714 434 in revenues for NEOPOST S.A for the year ended January 31, 2007.

Tax consolidation

NEOPOST S.A. is parent company of a tax consolidated group since February 1st, 1997 in sense of article 223A of General Tax Code.

Tax consolidation has generated a tax profit of €6 087 389 for the year ended January 31, 2007.

Neuilly-sur-Seine and Paris, April 19, 2007

The statutory auditors
French original signed by

Michel GAUTHIER

Member of the Compagnie Régionale de Versailles

Olivier PERONNET

Member of the Compagnie Régionale de Paris

5

Corporate governance

Board of Directors	96
Chairman	96
Other members of the Board of Directors	96
Committees	98
Remuneration committee	98
Audit committee	98
Appointments committee	98
By-laws	99
Management team	99
Remuneration of managers and directors	100
Management team	100
Directors	100
Chairman and CEO	101
Stock options	101
Free shares	102
Employee savings plan	102

Board of Directors

The Board of Directors has the task of setting the Company's strategy and ensuring its implementation.

Chairman

■ **Jean-Paul Villot** (62) joined Neopost S.A. in September 1995 as Deputy Managing Director, and was appointed Chairman and CEO of Neopost S.A. in September 1996. Mr. Villot is a graduate of France's École des Mines (engineering) and IAE (business) schools, and has held various professional positions in France and abroad, working in sales and general management at Bull and Schlumberger. Between 1991 and his arrival at Neopost, he was Executive Director and member of the management committee of Dutch photocopier manufacturer Océ. He was in charge of around half of the activities of this multinational company. Following the adoption of France's NRE (new economic regulations) act, Mr. Villot has been confirmed in his position as Chairman and CEO.

The Chairman's appointment as director will be renewed at the AGM convened to approve the accounts for the year ending 31 January 2007.

Other Group appointments: Director of Neopost Diva (France), Neopost BV (Netherlands), Neopost Holdings Ltd (UK), Chairman of supervisory board of Neopost Industrie BV (Netherlands), Chairman of Mailing Logistics Systems SL (Spain) and Neopost Ltd (UK).

Other appointments: Member of supervisory board of X'Ange Capital (France) and Atria Capital Partenaires (Paris) and Director of Océ France.

Other appointments over the last five years (excluding those listed above): Chairman of Neopost Inc (USA) until 2006.

Other members of the Board of Directors

■ **Henk Bodt** (69) was previously Vice President of the Philips Group, in charge of the Consumer Electronics, Business Electronics, Medical Systems and Semiconductors divisions. Prior to this, he was President of Océ, Europe's leading producer of photocopiers and printers. Mr. Bodt has been a Director of Neopost S.A. since June 1999.

Other Group appointments: None.

Other appointments: Director of ASML (Holland), DSM (Holland) and Delft Instruments (Holland).

Other appointments over the last five years (excluding those listed above): None

■ **Bernard Bourigeaud** (63) has been Chairman since 1991 of the board of Atos Origin, a leader in global information technology solutions. Before that, for eleven years Bernard Bourigeaud was director of the management consulting division of Deloitte Haskins and Sells France. He also managed the Continental Grain agribusiness in Britain. He is also French Foreign Trade Adviser and member of the French National Economic Commission (of the Economics and Finance Ministry).

Bernard Bourigeaud was appointed a Director of Neopost S.A. on 5 July 2004.

Other Group appointments: Director of Mailroom Holding Inc since 5 July 2004.

Other appointments: Executive Director of Atos Origin International (Belgium), Member of supervisory board of Atos Worldwide Processing GmbH (Germany) and Atos Euronext Market Solutions Holding SAS (France), and Director of Tibco Software Inc. (USA).

Other appointments over the last five years (excluding those listed above): Member of Supervisory Board of Hagemeyer NV (Netherlands), Director of Business Objects (France) and SNT group NV (Netherlands).

■ **Jacques Clay** (59) is Chairman and CEO of Oleastrat SAS (France), having been in charge of the international activities of Open Harbor Europe SAS until 31 October 2004. Mr. Clay spent most of his career at Hewlett Packard, working in Europe and the USA, where he was in charge of several international divisions. In particular, he developed HP's PC division to a multi-billion dollar business, making HP the third-largest company in this sector. Mr. Clay has been a director of Neopost S.A. since January 2003.

Other Group appointments: None.

Other appointments: Chairman of supervisory board of Advestigo SA (France), director of Wstore Europe SA (France), Chairman of supervisory board of Polyspace Technologies (France) and Oleastrat SAS (France).

Other appointments over the last five years (excluding those listed above): in the USA: Managing Director of ITS, Aka Alladvantage Inc. In France, Chairman of the supervisory board of Takasic SA and Netquartz SA (France).

■ **Cornelius Geber** (55) is currently a director of a number of German and international companies. He was previously a consultant to the general management of the German postal authorities, and was Chairman of the Board of Directors of German transport company Kühne & Nagel AG & Co, Hamburg/Bremen, between 1993 and 1999. He is a member of the consultative committee of the German National Logistics Association. Mr. Geber was made a Director of Neopost S.A. in July 2002.

Other Group appointments: None.

Other appointments: Managing Partner of GC Beteiligungs und Management GmbH (Germany), Managing Director of Celanese Europe Holding GmbH (Germany), Vice-Chairman of the board of Inconso AG (Germany), director of Celanese AG (Germany), Kiala SA (Belgium), Mory Group (France) and director of GC Beteiligungs und Management AG (Switzerland).

Other appointments over the last five years (excluding those listed above): Director of Cargofresh AG (Germany), member of Supervisory Board of Friedrich Grohe AG & Co KG, Paul Günther Logistik AG, Ifco Systems N.V. and Chairman of the Board of Ponaxis AG (Germany).

■ **Michel Guillet** (62) was until 2005 Managing Partner of BC Partners, the consultancy arm of the BC European Capital investment fund. He also co-founded BC Partners in 1987. He previously held various management positions, including those of Chairman of Thomson's commercial refrigeration division and Managing Director of Lohr, a maker of car transporters. Michel Guillet has been a Director of Neopost S.A. since September 1997.

Other Group appointments: None.

Other appointments: None.

Other appointments over the last five years (excluding those listed above): Managing director then Chairman of LMBO Europe SAS (France) until 2004, Director of Novalis SAS (France) from 2002 to 2003, Director of Finalin SA (Luxembourg) in 2002.

■ **Éric Licoys** (68) is currently Chairman of ACG France. He has spent a large portion of his career in the banking industry. Among other positions, he has been Managing Director of Banque Occidentale pour l'Industrie et le Commerce, Board Member and Managing Director of Compagnie Financière Barclays, and Chairman of Fonds Partenaire Gestion. Between 1999 and 2002, he was Board Member and Managing Director of Vivendi Universal. He has been a director of Neopost S.A. since July 2003.

Other Group appointments: None.

Other appointments: Chairman of supervisory board of Marathon (formerly Finhera, France), Craye Moniteur Holding (France) and MB Electronique SA, Chairman of Cocifa SAS and Director of Intermediate Capital Group (ICG) (UK).

Other appointments over the last five years (excluding those listed above): Chairman of the supervisory board of Groupe Canal +, Viventures Partners, Divendo, Hermes Metal Yudigar, Groupe Express, Photo Service, Photo Station, Vice-President of Groupe Express-Expansion and of Vivendi Environnement; Chairman of the board of Financière Photo Europe, of ACG France; board member of Banque Eurofin-HSBC, Groupe Cegetel, CGEA Onyx, Media Overseas, Compagnie Générale des Eaux, Vivendi Universal, Vivendi Universal Net, Vivendi Universal Publishing, Comareg, UGC, VU Games, Sierra Entertainment Inc; Member of the supervisory board of Bona Sabla, Groupe Express-Expansion, Cinven and Dalkia France.

■ **Michel Rose** (64) is Deputy Managing Director of Lafarge with responsibility for the cement business. He joined Lafarge in 1970 and has held many executive positions in the group. In particular, he was Deputy Managing Director for human resources and communication, followed by the biotechnology division, after which he was Managing Director for North America. Michel Rose has been a Director of Neopost since July 2005.

Other Group appointments: None.

Other appointments: Director of Lafarge North America, Lafarge Morocco, Cementia (Switzerland), Malayan Cement (Malaysia) and Essilor International (France), Chairman of Ecole des Mines de Nancy Foundation.

■ **Raymond Svider** (43) has been Partner of BC Partners Ltd (UK) since January 1992. He was previously Vice-Chairman at the investment bank Wasserstein Perella & Co. Raymond Svider has been a Director of Neopost S.A. since September 1997.

Other Group appointments: None.

Other appointments: Director of STPI France, Tera Consultants France, Unity Media SCA (Luxembourg) and Unity Media Management SA (Luxembourg), and member of the supervisory board of Finakabel Verwaltungs AG (Germany).

Other appointments over the last five years (excluding those listed above): Director of Polyconcept Holding BV (Netherlands) and Polyconcept Holding SA (France), P&F Management BV (Netherlands) until 2004, Chairman of Board of Directors of Steelco SA (France) from 2002 to 2004, member of supervisory board of Zippo Europe SA (France) until 2004, director then partner of Finapol SARL (Luxembourg) from 2002 to 2004, and director of Polyconcept (UK) until 2002.

The Board of Directors met five times in fiscal year 2006. The attendance rate was 82%.

Each director's term of office is limited to three years. 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.

Board of Directors Committees

No director is elected from among the employees. There are no women on Neopost's Board of Directors. There is no family link between board members. No board member was condemned for fraud or incurred any public sanction over the past 5 years. No board member was involved in a bankruptcy while being a member of a board, a member of an executive body, or a member of a supervisory board over the past 5 years.

There are no conflicts of interest for corporate officers and executives between their duties in respect of Neopost and their other interests or duties.

The appointments committee presents a report each year on the independence of the Board of Directors in accordance with the stipulated criteria.

Such a report was presented to the Board of Directors on 23 March 2007. This confirmed that six of the Board's members are independent of the Group (see page 104 for the definition of an independent director), in the sense of the Viénot and Bouton reports, and as defined by the Board of Directors' by-laws.

See the Chairman's report on internal control on page 104 for an assessment of the Board's work.

Committees

Remuneration committee

The remuneration committee consists of the independent directors Michel Guillet, Cornelius Geber and Éric Licoys. Its brief is to make proposals to the Board of Directors regarding directors' fees, the remuneration of Group executives and the allocation of stock options and free shares.

The committee met twice in 2006. The attendance rate was 100%.

issues, and concerning any transactions that create a conflict of interest due to their nature or the people involved;

- to bring to the Board's attention improvements that have been made or are yet to be made in internal control methods.

The committee met three times in 2006. The attendance rate was 100%.

Audit committee

The Audit committee consists of the independent directors Henk Bodt, Jacques Clay and Raymond Svider, and its brief is as follows:

- to give an opinion on the appointment or reappointment of the auditors;
- to ensure the independence and objectivity of the auditors;
- to select consolidation guidelines, 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, on behalf of general management, that the Group fulfils all its legal and financial reporting requirements to the stock market authorities;
- to evaluate the extent to which the auditors are satisfied with the quality of information received from the Group's departments in carrying out their audit, and to seek the views of management regarding the auditors' sensitivity to the Group's activities and operating environment;
- to examine all information brought to its attention concerning any of the Company's operations and transactions that raise ethical

Appointments committee

At a meeting on 1 April 2003, the Board of Directors decided to set up an appointments committee.

The committee consists of the independent directors Michel Guillet, Cornelius Geber, Eric Licoys and Jean-Paul Villot. Its brief is as follows:

- to propose a definition of an independent director;
- to give an opinion, when required, on the independence of a given director, and make suggestions to the Board concerning changes in its composition;
- to pre-select Board candidates according to the following criteria:
 - independence, competence, motivation and availability,
 - suitability with respect to the Board's current composition and desired changes,
 - the requirement to maintain a certain number of independent directors on the Board;
- to pre-select the future Chairman and CEO;
- to examine all issues relating to the rights and obligations of members of the Board of Directors.

The committee met twice in 2006. The attendance rate was 100%.

By-laws

The Board of Directors adopted a set of by-laws on 30 March 2004.

The aim of the by-laws is to specify the tasks and operating methods of the Board of Directors, along with its members' rights, obligations and recruitment practices, 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.

The by-laws can be approved and altered only on the decision of the Board of Directors.

Attached to the by-laws are the following:

- the regulations of the appointments committee;
- the regulations of the remuneration committee;
- the regulations of the audit committee;
- the definition of an independent director as provided by the appointments committee on 14 January 2004;
- the manager-shareholder's charter.

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 Directors' tasks include:

- approving the Chairman's report, organising 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 define the rights and obligations of directors, particularly as regards attendance, confidentiality of information, directors' information rights and restrictions on trading in Neopost shares.

They 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.

The by-laws 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: http://www.neopost.com/investors/regulated_information/#

Management team

The main role of the management team is to make strategic decisions for the Group and coordinate their implementation around the world. The management team includes the following:

Jean-Paul Villot	Chairman and CEO
Henri Dura	Strategic marketing
Bernard Duret	Industry / Research and development
Dennis Gilham	Relationships with postal authorities and partnerships
Chris Hockey	Human resources
G�rard Keraval	Europe and rest of the world
Alain Midowski	Legal
Patrick Nangle	North America and Japan
Denis Thiery	Finance
Jos Van Stratum	Logistics System

With the exception of Jean-Paul Villot, none of the members of the management team is a member of Neopost S.A.'s Board of Directors.

Remuneration of managers and directors

Management team

The gross remuneration of the management team, including Chairman and CEO Jean-Paul Villot, is as follows:

[in thousands euro]	At 31 January	
	2007	2006
Remuneration of corporate officers		
Fixed remuneration	2,081.7	1,934.8
Variable remuneration	686.6	573.3
Benefits in kind	121.0	50.5
Directors' fees	25.0	25.0
Stock options	1,474.9	1,104.9
Securities giving access to capital	1,174.2	-
Pensions (*)	1,438.0	-

(*) Of which €161.0K related to 2006 pension rights.

Variable remuneration is determined on the basis of the attainment of Group sales, operating income and working capital requirement targets.

Directors

[€]	At 31 January		
	2007	2006	2005
Directors' fees			
Jean-Paul Villot	25,000	25,000	25,000
Henk Bodt	30,000	30,000	30,000
Jacques Clay	30,000	30,000	30,000
Cornelius Geber	30,000	30,000	30,000
Michel Guillet	30,000	30,000	30,000
Éric Licoys	30,000	30,000	27,500
Michel Rose	25,000	12,500	-
Raymond Svider	30,000	30,000	30,000
Total	230,000	217,500	202,500

The directors receive €25,000 in directors' fees plus €5,000 if they are on a committee.

With the exception of Mr Villot, details of whose remuneration are given in the paragraph below, and Mr Bourigeaud, the directors do not receive any remuneration from Neopost S.A. other than directors' fees.

Mr Bourigeaud received \$32,370.50 in directors' fees from Mailroom Holding Inc. (USA).

Remuneration of managers and directors Stock options

Chairman and CEO

[€]	At 31 January		
	2007	2006	2005
Remuneration of Jean-Paul Villot			
Gross fixed remuneration	436,240	345,000	268,368
Gross variable remuneration	145,741	130,463	91,605
Directors' fees	25,000	25,000	25,000
Benefits in kind	2,744	2,744	2,744
Total	609,725	503,207	387,717

Variable remuneration is based on the Group's results in terms of sales, operating income and working capital requirement.

Mr. Villot's directors' fees relate to directorships in Group companies.

With respect to pensions, the Chairman and CEO has a defined contribution pension plan (article 83 of the General Tax Code), into which is paid a total of 8% of his remuneration, and a defined benefit pension scheme (article 39 of the General Tax Code) with an annuity obligation of 1% of pay per year of service capped at 30% (this annuity being paid after deduction of that provided by the defined contribution schemes in force).

No loans or guarantees have been granted to any manager or director.

No post-appointment commitments such as remuneration, compensation or benefits have been granted to its officers by the Company.

The AMF declarations required of Mr Villot under article L. 621-18-2 of the Monetary and Financial Code are numbered 207D 0732, 207D 0733, 207D 0734 and 207D 3249.

Stock options

The following plans have been approved:

Date of AGM	Number of options awarded	Term of authorisation
9 February 2000	1,200,000	38 months
9 July 2003	900,000	38 months
5 July 2006	960,000	38 months

These stock options are awarded to members of the management committees and those employees showing the greatest potential.

The Group considers a person a director when the conditions laid down in article L. 621-18-2 of the Monetary and Financial Code are met, namely that a person has the power to take decisions regarding

the management and strategy of the company, and has regular access to privileged information about Neopost, either directly or indirectly. This is Mr Jean-Paul Villot, Chairman and CEO.

Details of the stock option plans may be found on pages 61 to 63 of this reference document.

Free shares

Employee savings plan

Free shares

At the 5 July 2006 AGM, shareholders authorised the award of up to 320,000 free shares, either in issue or to be issued, for a period of 38 months. Shares that have been awarded are described on page 64 of this reference document.

Employee savings plan

Neopost S.A. set up an employee savings plan in September 1998. The plan is open to employees of Neopost Group, Neopost S.A. or French companies related to Neopost S.A. in the sense of article L. 225-180 of the French Commercial Code, providing that these employees have been with the Group for at least six months.

A company mutual fund was set up and approved by the French stock market regulator (COB) on 19 January 1999. This fund manages money received under the Neopost employee savings plan. The company mutual fund invests the money it receives mainly in the shares of Neopost S.A., and assets are subject to a 5-year lock-up period, except in cases of legal early availability.

The shareholders' meeting of 5 July 2006 gave the Board of Directors the authorisation to issue, on one or more occasions and for a period of five years, shares reserved for employees, particularly employees that are members of the employee savings plan, up to a maximum par value of €600,000.

6

Internal control

Chairman's report on internal control	104
Preparation and organization of the Board of Directors' work	104
Neopost Group internal control procedures	106
Auditors' report on the Chairman's report	114

Chairman's report on internal control

In accordance with article L.225-37 of the French Commercial Code, the Chairman of the Board of Directors sets out the terms under which the board's work is prepared and organized, along with internal control procedures developed by the Company, in a report to the shareholders' meeting attached to the Board of Directors' management report.

It is the task of the Group's management, under the responsibility of the Board of Directors, to define and implement suitable and effective internal control procedures. The specific work described in this report is therefore carried out under the direction and direct supervision of the CEO. This report is also presented to and discussed by the Board each year.

Preparation and organization of the Board of Directors' work

Composition of the Board of Directors

Details of members of the Board of Directors are given in the Corporate governance chapter of the reference document.

In accordance with by-laws, at least two thirds of the directors (actually six out of nine) are independent under the definition provided in the joint AFEF/MEDEF report dated October 2003 on "Corporate Governance of Listed Companies" and approved by the appointments committee on 14 January 2004:

"An independent director is a person who has no relationship with Neopost, its Group or management that might compromise freedom of judgement".

Appended to this definition is a list of incompatible situations (employee or officer of Neopost or a Group company, customer, supplier, significant commercial or investment banker, director with close family ties with an officer, director for more than 12 years, auditor of the company over the last five years, etc).

Each director's other appointments are also detailed in the Corporate governance chapter of the reference document.

Role of the Board of Directors

The roles and tasks of the Board of Directors are described in the Corporate governance chapter of the reference document.

Details on how the Board of Directors operates, the rights, commitments and recruitment practices of its members and the real limits of their competence are defined in the by-laws. These also state the tasks and operations for which approval is necessary.

Operation of the Board of Directors

In addition to the information provided in the Corporate governance chapter, it should be noted that the Board of Directors met five times during the year (the by-laws require a minimum of four meetings per financial year). The average attendance rate was 82%.

Among the topics discussed at these meetings, were the following in particular:

- financial Security law: the Chairman's 2005 report on corporate governance and internal control, analysis of IFA recommendations on corporate governance;
- budgetary procedure: presentation of draft 2006 budget;
- 2006 outlook and quarterly results;
- cash and debt positions, dividends, launch and monitoring of share buyback programmes;
- observations of the audit committee;
- observations of the remuneration committee (i.e. Chairman's remuneration);
- independence of members of the Board in the light of the definition in the by-laws;
- composition of and regulations covering management committees;
- summary of the "Board practices" survey;
- organisation of training for Directors and strategic review session;
- three-year strategic plan (2007 - 2009);
- introduction to Neopost Group activities.

Note that active disputes are presented and discussed as a matter of course at Board meetings.

Information regarding the agenda of board meetings is sent by management as soon as it is finalised and, wherever possible, several days before the meetings. The Chairman, Chief Finance Officer and Legal Counsel review each others' documents before presentation to the Board.

The by-laws state that the Chairman of the Board's obligation comes with a commitment by each director to inform himself and request in good time from the Chairman the information necessary for him to understand the points on the agenda, to make himself available and devote the time and attention needed to carry out his functions.

The tasks and members of the specialist committees (audit, remuneration and appointments) are presented in the Corporate governance chapter. Regulations covering these committees are in the Board of Directors' by-laws.

In continuation of the actions undertaken in 2005 with respect to best corporate governance practice, Neopost distributed a self-assessment questionnaire to all directors on Board's operations and practices. This questionnaire was based on 40 proposals presented by the IFA (Institut Français des Administrateurs) in its white paper dated 19 October 2005 ("Sharing best corporate governance practice"). Action plans have been implemented on the basis of the opinions and suggestions provided. These include in particular:

- a training session in Group activities (with contributions from functional and operational Group managers on the specific problems they face);
- planning for a seminar in July 2007 on the strategic aspects and growth opportunities for the Neopost Group which will complement previous Board meetings on the subject.

No specific session of the Board of Directors is devoted to an analysis of risk control, but this is reviewed before any major decision (acquisition, credit allocation) and monitored thereafter. Risks are discussed by the Board in a more wide-ranging manner when the three-year plan is drawn up. During this cycle:

- the Neopost Group Chairman presents market conditions (postal regulations, market trends, competition);
- the Chief Finance Officer presents the Group's strategy and financial objectives (by country, business...).

Internal regulations governing remuneration of corporate officers

The remuneration committee of the Board of Directors, consisting of three independent directors, is tasked with making proposals to the Board of Directors regarding remuneration for corporate officers and awarding stock options. Based on these recommendations, and in accordance with the by-laws, the Board of Directors "confirms that the remuneration policy for corporate officers is appropriate to market conditions and that the correct information is given to shareholders regarding remuneration of corporate officers". The Board then takes the necessary decisions to set this remuneration.

The gross remuneration of Neopost S.A.'s Chairman and CEO consists of fixed and variable remuneration, which is set each year by the Board of Directors on the basis of proposals from the remuneration committee.

Variable remuneration in 2006 was determined according to the attainment of detailed targets relating to Group sales, operating

income and working capital requirement. Each of these criteria is given a weighting, which is reviewed each year by the remuneration committee. Variable remuneration is also expressed as a percentage of fixed remuneration, up to a predefined limit.

Directors received €25,000 of directors' fees and an additional €5,000 if they belong to one of the Board of Directors' three committees, as specified by the by-laws ("membership of a committee may entitle a director to additional directors' fees at the Board of Directors' discretion").

Apart from the chairman (whose remuneration is detailed in the corporate governance chapter of this report) and Mr Bourigeaud, directors do not receive any remuneration from Neopost S.A. apart from the directors' fees.

Mr Bourigeaud received US\$32,370.50 in directors' fees from Mailroom Holding Inc. (USA).

With respect to pensions, the Chairman and CEO has a defined contribution pension plan (article 83 of the General Tax Code), into which is paid a total of 8% of his remuneration, and a defined benefit pension scheme (article 39 of the General Tax Code) with an annuity obligation of 1% of pay per year of service capped at 30% (this annuity being paid after deduction of that provided by the defined contribution schemes in force).

No loans or guarantees have been granted to any manager or director.

No post-appointment commitments such as remuneration, compensation or benefits have been granted to its officers by the Company.

With respect to remuneration, the by-laws define the rights and obligations of directors, particularly as regards confidentiality of information and restrictions on trading in Neopost shares:

"On appointment [to the Board of Directors], directors undertake not to engage in any transaction relating to Neopost S.A. shares in respect of which they may be in possession of confidential information acquired through their work and to comply with Neopost S.A.'s manager-shareholder's charter."

At the 5 July 2006 AGM, shareholders authorised the award of up to 320,000 free shares, either in issue or to be issued, for a period of 38 months and the award of up to 960,000 shares in stock options. Stock awards are described on pages 63 and 64 of this reference document. Such awards are on the basis of recommendations from the remuneration committee.

Chairman's report on internal control

The main criterion for awarding options is the recipient's potential future contribution to the company's results. There are several objectives in the award of free shares:

- attracting and retaining strong potential;
- acknowledging exceptional performance;
- inspiring strong motivation and commitment to the company's results through a specific free share plan called co-investment based on the Group's future performance.

Role of the audit committee

The Board is assisted by an audit committee which meets at least twice a year, and whose role and tasks are described in the Corporate governance chapter of the reference document.

The committee's current area of competence relates mainly to ensuring that all financial data is compliant, on the basis of monthly reporting and financial statements (interim and annual).

There is no person specifically identified as a financial expert on the committee, but the three members all have professional experience at very high responsibility levels in major groups, and are on other companies' audit committees. They made a particularly active contribution during the introduction of IFRS in 2004, most notably in decisions on options eventually made by the Group. The audit committee has also been involved in the review of internal accounting and financial control procedures at the US subsidiary, Neopost Inc., and monitored these during 2006.

Neopost Group internal control procedures

This section defines internal control at Neopost and gives details of procedures for producing this report, presents the main internal control procedures in place within the Group and discusses the prospects for this area.

Definition of internal control

Internal control is defined in the Neopost Group and its subsidiaries as a process implemented by the Board of Directors, executives and employees to provide reasonable assurance that the following targets will be met: reliability of financial information; compliance with laws and regulations in force, application of instructions from general management, and the proper functioning of the company's internal procedures.

One of the objectives of the internal control system is to prevent and control risks resulting from the company's activities, along

with the risk of error and fraud, particularly in the accounting and financial field. Like any control system, however, it cannot absolutely guarantee the elimination of all these risks.

Preparation of Chairman's report

Neopost is cognizant of the report published on 22 January 2007 by the Groupe de Place (Market Group) under the aegis of the AMF: "Internal Control procedures: reference framework" (hereafter referred to as "AMF Reference Framework") for public companies. The company has taken note of the fact that the framework established "general principles and not rigid rules", and that it was published to encourage public companies to "develop their internal control procedures". The report is also very similar to the COSO (Committee of Sponsored Organisations of the Treadway Commission) standards previously used by Neopost.

The AMF recommends the use of the Reference Framework for financial years that are current from 1 January 2007. However, with a view to improvement and transparency, Neopost has decided on procedures which are intended to take the AMF Reference Framework into account from the first quarter of 2007. This is based in particular on the following five components of internal control:

- organisation and structure;
- internal information flows;
- risk management;
- control activities;
- monitoring of internal control.

During 2007, Neopost proposes to put the emphasis on accounting and financial internal control, making particular reference to the Application Guide attached to the AMF Reference Framework.

This report considers internal control at Neopost through the five components described in the AMF Reference Framework.

Organisation and structure

The first component of the AMF Reference Framework is aimed at creating "an organisation with clear definition of responsibilities, with adequate resources and skills, and with appropriate procedures, information systems, tools and practices".

This internal control structure consists of all elements intended to establish the general framework within which all employees carry out their business. It provides the overall tone for the general organisation of internal control.

Organisation and structure

ORGANISATIONAL STRUCTURE

Neopost operates directly in 13 countries and indirectly in almost 80 countries. The Group has adopted a decentralised organisation by country, based on the following entities:

- the Group Executive Committee, which has 18 members and takes part in developing and managing the Group's strategy. This committee focuses on the future, and its role is to realise the Group's medium-term ambitions, specify priority areas of development and identify future areas of expertise and synergies. The committee meets at least three times a year;
- the Group "Staff" Committee, which has 9 members, most of which are members of the Group Executive Committee. This committee's role is to ensure that targets and resources are consistent with the Group's strategy, to monitor the attainment of these targets, and to take day-to-day decisions at the Group level. This committee meets once every two weeks on average;
- strengthened management teams within each subsidiary, with the management committee responsible for implementing strategy, and for controlling operational aspects relating to its particular activities. These teams allow the Group to respond optimally to local conditions, particularly as regards postal regulations and understanding local markets;
- co-ordination teams, providing strategy assistance to local management. These teams have the task of ensuring that Group policies are applied consistently around the world, of managing major functional projects and of promoting and co-ordinating individual initiatives (marketing, services, human resources, legal and IT).

As well as complying with the powers reserved to the Board of Directors (see "Operation of the Board of Directors", the Group has established a formal model limiting the powers of the chairmen and CEOs of the legal entities which lists specific decisions requiring the prior approval of the Board of Directors or the equivalent body in each country.

RESPONSIBILITIES AND DELEGATION

Neopost's decentralised structure and its human scale (about 4,900 employees) mean that Group management gives subsidiaries considerable scope to define (and formalise, if appropriate) employees' roles and responsibilities. Each manager is responsible for presenting subordinates with their duties within this structure (in particular through an "on-boarding programme" at each subsidiary, when new employees are recruited).

Organisation charts are widely distributed and enable each employee to identify reporting lines within that subsidiary and, beyond that, at the Group level. Note that job descriptions generally specify two to three reporting levels. It is on this basis that individual targets are set, together with annual assessments and plans for cover or replacement in the event of the post being empty.

There is already an accounting and financial procedures manual covering the most critical information (see "Accounting and financial procedures manual" section in this report), reflecting the principle of separating tasks.

A particular effort was made in some subsidiaries in 2006 in terms of sales, with a review of thresholds for approval of sales proposals and levels of customer discounts.

Delegation of responsibilities from subsidiary chairmen to their main direct subordinates is currently being reorganised, in particular to include the latest regulations in respect of criminal liability. At the lower levels, the formalisation of further delegation is more variable (but, in principle, still subject to the Chairman's agreement), with a view to the current structure being flexible and reactive.

In terms of information systems, Neopost applies the rule of separating systems support functions and operational functions. Existing profiles are reviewed periodically and incompatible access is terminated.

Developing and managing skills

Neopost seeks and develops the following qualities in its staff:

- managerial and entrepreneurial skills in its managers;
- appropriate professional skills;
- ethical values and integrity;
- thoroughness;
- vision and initiative;
- specific expertise in areas of future development;
- ability to work in a team.

The Group sets human resources policy via a central department, which has particular responsibility for monitoring management teams. A similar procedure is used within operational entities, under the control of a local manager who is a member of the subsidiary's management committee. The main internal control tasks are as follows:

- setting annual targets with performance reviewed monthly by senior management according to a precise and clearly documented set of criteria;
- identifying areas of potential in order to maximise development opportunities, and identifying the Group's key personnel;
- drawing up a succession plan for all the Group's key positions;
- applying precise rules for remuneration and systematically validating the remuneration paid to managers by the general management;
- monitoring of employee numbers, costs and turnover on a monthly basis by subsidiary HR managers;

Chairman's report on internal control

- developing solutions enabling the Group to meet its skills requirements in strategic areas;
- constantly updating skills, particularly of top management, with specific training at the Neopost university; developed in partnership with HEC.

Human resources management is decentralised and complies with regulations in each country, particularly in terms of redundancies.

The most significant subsidiaries (France, USA, UK, Germany and Netherlands) have a clearly identified HR function which is directly involved in recruitment procedures. For subsidiaries which do not have a dedicated HR function, management is assisted in selecting and interviewing candidates by recruiters specialising in the post to be filled. At the end of this process, a report is sent to Group Human Resources.

Subsidiaries are responsible for organising training for their own employees. Specific training may be undertaken at the Group level, particularly for cross-Group projects of a certain size (eg: migration to Hyperion for financial reporting in 2005). A hotline for IT equipment is also available to employees.

Each year, each employee undergoes an assessment exercise on the basis of a form filled in by that person's direct superior (and, sometimes, under the supervision of a higher superior). Employees are strongly encouraged to take part in the performance assessment process on the basis of targets set at the beginning of the year.

Group Human Resources also carried out a survey in 2006 ("Engagement Survey" project) of all employees, to assess their motivation within the Group. This survey had 76 questions (prepared with the assistance of an outside consultant) with anonymous responses (and a 70% response rate). It was managed over the internet and helped assess the priorities specified by employees, and introduce suitable action plans country by country. These are to be monitored during subsidiaries' monthly Operational Reviews.

Information systems

The main responsibility of the Director of Information Systems is to ensure that the Group's information system strategy is coordinated and consistent, and that Group policy is applied at the local level. This director manages a network of information system managers in the subsidiaries, who also report to the chairman of their respective subsidiary.

Under the Director's responsibility, the three year system harmonisation plan has entered its second year.

In terms of system security, Group procedures, which have been duly formalised and distributed, comply with ISO 17799. They identify 253 security points, on the basis of which the programme efficiency of all Group subsidiaries is measured. The achievement rate for these 253 points is currently 90% (95% on server centres at key subsidiaries).

IT security managers have carried out audits of the various subsidiaries on the basis of these procedures, which have helped identify action plans that are monitored centrally by the Director of Information Systems.

Back-up and continuity plans are in place at the main subsidiaries. The systems harmonisation plan will in time allow smaller subsidiaries to operate on the basis of the larger subsidiaries' systems. Crashes are simulated regularly at subsidiaries' server centres to test system recovery capability.

Firewall systems control attempts at remote connection from unauthorised users. Intrusion attempts are monitored regularly by the Director of Information Systems. Anti-virus programmes are updated periodically.

As regards user satisfaction with the information systems, there is a Help Desk at the Group level which is being rolled out to subsidiaries. Indicators are monitored every month during subsidiaries' Operational Reviews, in the presence of members of Group management.

Accounting and financial procedures manual

The aim of the manual is to formalise procedures for circulating and treating accounting and financial information which exists within the Group. It is split into four sections, dealing respectively with accounting and financial information (budget procedures and subsidiary reporting and consolidation), investment procedures, cash management and financing procedures, and financial communication procedures.

The manual also contains a "Procedure for Procedures" section which specifies how to update the manual. It is the responsibility of the Group Management Controller to make such changes with the formal agreement of the manager in the area affected by the change.

Defining ethical standards: "Our principles and values"

GROUP ETHICS CHARTER

The Group has an Ethics Charter ("Neopost Way") which is available on the intranet and applies to all employees. It is given to every employee joining the Group on the day he/she is employed.

It is intended to be the central pillar on which Neopost wishes to base growth. This Charter states the values and standards which the Group wishes to promote. To this end, internal control is presented as a component of the Group's organising principles.

The Group's ethics code lays down major principles in a way that is sufficiently broad for them to be easily interpreted in subsidiaries and to enable each subsidiary to add to them the necessary information regarding compliance with local regulatory frameworks and practices.

REGULAR MONITORING OF ETHICS COMPLIANCE

With a view to promoting proper professional conduct, Group management visits subsidiaries regularly (at least once a year) to meet with operational managers, identify their expectations, answer their questions and reinforce the key messages regarding ethics compliance and duties regarding information to be passed on to all employees.

Each subsidiary has its own disciplinary procedures and reporting route for employees. If local management applies sanctions, this will mainly be on the basis of local regulations. Based on the same concept, while there is no comparable warning procedure at the Group level to the US whistleblowing system, it should be noted that short reporting lines within the Group mean that the detection or presumption of infringements of internal regulations should rise to general management very quickly. Senior managers would then take the necessary measures (immediate enquiry, in-depth investigation, disciplinary action, as appropriate). General management is concerned to protect the identity of employees who draw attention to potential failings in Group procedures.

For communicating with its employees, Neopost has the usual distribution channels (works council, posters, internal newspaper), but the Group is also rolling out an e-mail alert system providing automatic warning of changes to the Group's intranet site.

ETHICS TRAINING

The ethics training programme has been delivered to the sales teams in the North American and French subsidiaries. It is now being rolled out to other subsidiaries.

Internal information flows

The second component of the AMF Reference Framework is to set up the necessary procedures to "distribute internally relevant and reliable information which will help each employee to carry out his or her responsibilities".

Accounting and financial information

PREPARATION AND CONTROL OF INFORMATION RELIABILITY

Each Group subsidiary has a centralised team which reports to the Chief Finance Officer, who is a member of the subsidiary's management committee. Each team is responsible for preparing accounting and management data as part of the monthly reporting process, including a management control structure.

The Group Chief Finance Officer's department is responsible for identifying changes in operating conditions, so that it can take account of any effects on the company's accounting practices. General management is also informed of significant local developments at monthly Operational Reviews and other visits to subsidiaries. The Group Management Controller acts as coordinator in this area.

In addition to the internal control procedures described in the Control Activities section of this report, controls to guarantee the reliability of financial information are enhanced by:

- systematic reconciliation of accounting and management data;
- quarterly consolidation.

CONSOLIDATION

The current electronic reporting and consolidation system, which has been rolled out to all Group consolidated subsidiaries, enables uniform monitoring of budget and management data, improves lead times for producing such data (through automatic task scheduling management, with a reminder system) and improves the detail of consolidation information. The information available for analysis from the subsidiaries' Management Control departments using this system, as reviewed by local management, means that the Group Chief Finance Officer constantly has information explaining any variance in consolidated reporting.

The number of access licences to the information system is limited to two or three per subsidiary to ensure the reliability and integrity of the reporting and consolidation data.

In 2006, this system also made it possible to monitor management indicators. Over time, it will make it possible to produce sales and marketing data.

CASH AND FINANCING

Neopost S.A.'s financial team manages Group cash centrally. Procedures are in place to reduce exposure to risk, particularly regarding exchange rates and interest rates, cash pooling and optimising financing.

Chairman's report on internal control

Group level communication

INFORMING, COMMUNICATING AND MANAGING THE BUSINESS

A strategic three-year plan presenting objectives and directions is prepared in the second half of each year using an iterative process of proposals from subsidiaries. The strategic plan is then brought together and approved by the Executive Committee. This document is used as the basis for preparing annual targets and budgets which are rolled out monthly.

Budgets are prepared by each subsidiary on the basis of a procedure initiated each year by the Group Chief Finance Officer. Once approved locally then centrally, these budgets are used as the basis for discussion in monthly Operational Reviews with the CEO and Group Chief Finance Officer, or COO of the relevant region and Group Management Controller.

Each subsidiary reports monthly using a common model. This includes financial and operational data as well as performance measurement indicators by activity. These indicators form the link between efficient management of the businesses and the Group's strategic objectives.

The data is compared as a matter of course with figures for the previous year, the budget and updated forecasts. Any significant variance must be explained and a detailed action plan drawn up, for which responsibility is allocated and a deadline imposed.

General management meets subsidiaries' management committees each month to ensure that the actions undertaken by each entity are consistent with the strategy, annual targets and specific projects within the Group. During these Operational Reviews, results for the month, forecasts, and current and future action plans are also discussed. The schedule for these meetings is set and sent to all relevant managers a year in advance. The content of the meetings is to a large extent standardised. Ahead of these meetings, a similar process takes place within subsidiaries, during which the management committee reviews operational managers' results within their areas.

The three-year strategic plan, setting budget targets and procedures, and direct involvement by general management, are major elements of the management system.

FINANCIAL COMMUNICATION

The main aim of financial communication is to promote the Company's financial image to all existing and potential shareholders, all financial market operators and, more generally, the public.

Financial communication is aimed at a diverse public which mainly consists of institutional investors. For this reason, all financial communication is reviewed in advance by the Chief Finance Officer and Chairman before publication outside the Group.

Financial communication is based on the periodic organisation of roadshows in France (8 days), the United Kingdom (10 days), North America (14 days) and the rest of Europe (11 days), as well as presentations of the Group (8) at one to one meetings with fund managers or financial analysts (about 300 meetings). At such presentations, the Chairman and CEO, Chief Finance Officer, and Investor Relations Director are the only points of contact with shareholders and analysts.

The accounting and financial procedures manual sets out the procedures for producing the information communicated and defines responsibilities.

Risk management

The third component of the AMF Reference Framework is aimed at creating "a system for identifying and analysing the main risks in respect of the company's objectives, and ensuring that there are procedures for managing these risks".

Analysis of risks

The risks and opportunities relating 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 managers of operational entities are responsible for identifying and assessing the risks relating to the activities they supervise. The results of their analysis are sent to general management, and reviewed and discussed in Operational Reviews. During these reviews, areas of risk ("Red Flags") are systematically highlighted.

The risk management policy is described in the Risk Management chapter of the reference document.

Identifying risks

Risk management procedures have been strengthened as part of the project relating to the introduction of France's financial security act (Loi de Sécurité Financière) since 2004, with major risks being identified by process. Procedures were initially prepared on the basis of self-assessment questionnaires then interviews with key Group directors, managers and main subsidiaries. Risks were assessed by management in terms of relative importance and degree of control. Using answers to questionnaires helped in particular to identify the main existing control procedures and systems, and identify best internal control practice.

This work did not reveal any risks where control was inadequate and would require urgent corrective action. However, it did help identify measures to be developed to optimise the internal control system, for which various action plans have been developed. These extensive procedures now form an integral part of the control system or internal control procedures described above. Other action plans have

also been extended this year, particularly cross-subsidiary working groups covering the following subjects:

- monitoring of local postal regulations (see Management of Postal Regulations section in this report);
- respect for the environment (see Environment section in this report);
- information systems (see Information Systems section in this report).

Various action plans have been implemented at the Group level under the responsibility of clearly-identified individuals and are monitored regularly at the Group's highest management level. In fact, the working groups report at least once a year to the Group Executive Committee.

In addition to this system, which is managed at the Group level, Neopost has decided to extend the risk mapping exercise by focusing periodically on the most significant subsidiaries. This approach was applied to Germany in 2006 and will be repeated for another subsidiary in 2007.

Dependence on suppliers

Procedures have also been introduced in this area, aimed at better management of the contractual implications of this risk. The work continued when contracts came to term or new partnerships were established.

Assessment of sensitivity to risk of fraud

The Group's organisation structure and internal control system means that it has never faced significant evidence of fraud risk. Even so, procedures have been set up with subsidiary managers to ensure that they are fully aware of this risk. The procedures will help identify best practice and ensure that uniform standards are rolled out across the Group.

A survey on the risk of fraud was carried out using a questionnaire sent to all subsidiary managers. The results were consolidated centrally by the Group. Analysis of the returns did not indicate any deficiency prompting the introduction of additional procedures to combat fraud.

Neopost S.A. took out a specific insurance policy in the first half of 2006 to enhance its cover against this type of risk.

Control activities

The fourth component of the AMF Reference Framework aims to identify "[all] control activities in proportion to the challenges in each process, designed to reduce risks likely to affect achievement of the company's objectives".

Control of financial procedures

GROUP LEVEL CONTROLS

The highly decentralised structure of Neopost's businesses means that there is no Group level internal control manual as such, apart from the Procedures Manual described above. General management's regular involvement in subsidiaries' operating activities through monthly reviews also means that any disfunctionality identified can be addressed quickly, leading to effective reaction and the introduction of appropriate action plans.

Note that the Audit Committee carries out an independent review of the annual and interim accounts prior to their being presented to the Board of Directors. This ensures that the accounting methods used in preparing the parent company and consolidated financial statements are consistent and appropriate. The Committee's involvement during the introduction of IFRS has already been highlighted in this respect in the section on the Role of the Audit Committee in this report.

AUDITORS' WORK

As required by law, the Auditors carry out an audit of the annual consolidated financial statements as well as a limited review of the interim financial statements.

This work requires a review of the reporting packages for consolidation from the main subsidiaries for the interim financial statements, and from virtually all of them for the annual financial statements.

Each year, the Auditors also carry out a pre-account closing review to anticipate points arising in the preparation of the financial statements.

All significant Group entities are audited once a year and are also reviewed every six months by the Auditors. General management may ask the Auditors to extend their reviews to subsidiaries considered not material.

Any recommendations presented by the Auditors in carrying out their duties are reviewed by management and the Audit Committee; and, should the need arise, give rise to an action plan implemented by the Company.

Finally, in close collaboration with the Auditors, the Group constantly ensures its accounting principles comply with IFRS.

Control of operational procedures

The implementation and management of the procedures and controls presented below are intended to be a concrete operational response to the major risks to which the Group may be exposed. Controls relating to information systems were discussed in a specific section above.

Chairman's report on internal control

MANAGEMENT OF POSTAL REGULATIONS

All product development and introduction of administrative procedures in respect of postal authorities are carried out in compliance with local postal regulations. Each major subsidiary has a Postal Compliance Officer who is responsible for compliance with and monitoring of postal regulations as part of the Postal Compliance Management System. In functional terms, that officer reports to the Group Postal Compliance Officer. He carries out his own audits of subsidiaries in addition to the regular audits carried out by national postal authorities, the results of which are reported to general management.

INNOVATION AND DEVELOPMENT

A new product development charter ensures that new products comply with all existing regulations. This charter requires that each significant research and development (R&D) project be subject to a five-stage validation process. During this process, all parties involved in the project go through a formal review which deals with the marketing, sales, financial, technical (feasibility/production), environmental and legal (patent management) aspects. Migration from one stage to the next must be systematically approved by the Group "Staff" Committee (see Organisation and structure in the internal control environment section).

In 2006, 15 projects went through this critical cross-check.

QUALITY

Most subsidiaries have ISO 9001 certification (2000 version). Neopost's certification and quality control functions are independent of its development and manufacturing structures.

A Quality report is also reviewed monthly. It reports on two main indicators for the Group's product range ("Out of box failure" and "Breakdown visits per year").

Postal regulations make Neopost liable for the quality of operations the Group has decided to outsource (R&D, production). In order to meet these obligations, Neopost has placed employees with the most critical subcontractors (particularly in China) to monitor constantly compliance with pre-established quality standards, particularly in the event of an audit by the postal regulator.

ENVIRONMENT

Neopost has always taken its environmental responsibilities seriously. As part of its dedicated environmental policy, each major subsidiary has an Environmental Compliance Officer in charge of complying with local regulations. He reports to the Group Environmental Officer who himself reports to the Chairman and CEO.

The Group has also launched an ambitious programme of ISO 14001 certification. So far, the largest subsidiaries have obtained this certification.

Finally, it has been decided that all Group subsidiaries should also comply with the OHSAS 18001 health and safety standard. To date, the main subsidiaries have obtained certification and the other Group subsidiaries will obtain it by the end of 2007.

CUSTOMER RELATIONSHIP MANAGEMENT

A "net recommendation index", which is monitored each month, is created from satisfaction surveys of Neopost customers. Customer information is also managed in a specific tool which is in operation in France, being rolled out in the USA and introduced in Britain. This tool helps expand knowledge and tracking of customers and ensure that such data is kept within the company. Finally, a specific programme called Sustainable Profitable Growth has been rolled out. This is based on four pillars: retention of existing customers; development of cross-selling (additional sales to existing customers); identification of high-potential prospects; and segmentation of the customer base. This programme is monitored using four main indicators for each subsidiary and centrally at the Group level.

Monitoring the internal control system

The fifth component of the AMF Reference Framework is aimed at establishing "constant monitoring of internal control procedures and regularly reviewing their operation".

The Neopost Group Board of Directors has an Audit Committee, details of whose composition, number of meetings and main tasks are given in the Corporate Governance chapter of the reference document. More specifically, the Audit Committee's role in internal control consists of:

- reviewing and assessing any issue relating to the preparation, control and publication of financial documents distributed in relation to the financial statements;
- monitoring recommendations from the Auditors.

There is no internal audit function in the Neopost Group. However, the Group is currently studying the introduction of a cross-auditing system: employees from one subsidiary would be chosen to carry out independent audits of another subsidiary.

Internal control procedures for the preparation and handling of financial and accounting data

Internal control procedures for the preparation and handling of financial and accounting data are described in this report in each of the sections on the major components of the AMF Reference Framework to which they relate.

Main internal control actions planned for 2007

Work on internal control will continue in 2007.

To summarise the main work discussed in this report, Neopost will focus in particular on the following issues:

- reviewing accounting and financial internal control practice, in the light of control objectives described in the Application Guide accompanying the AMF Reference Framework;
- continuing to review internal audit procedures based on cross-auditing of subsidiaries;
- organising a seminar for directors on the strategic aspects and opportunities for Neopost Group, which is scheduled for July 2007;
- continuously updating identification of the major risks by process, particularly by focusing on other subsidiaries.

Auditors' report on the Chairman's report

To the Shareholders,

In our capacity as Statutory Auditors of Neopost S.A., and in accordance with Article L. 225-235 of French Company Law (Code de commerce), we report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of French Company Law (Code de commerce) for the year ended January 31, 2007.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted in:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;

- examining the evaluation of the adequacy and efficiency of the procedures, and notably considering the pertinence of the evaluation process in place and the tests performed;
- performing additional tests, as considered necessary, to those performed in the audit of the accounts, on the design and operation of these procedures, in order to corroborate the information given and the assertions made in this respect in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information and assertions given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board of Directors' report, prepared in accordance with Article L. 225-37 of French Company Law (Code de commerce).

Paris and Neuilly-sur-Seine, April 19, 2007

The Statutory Auditors

PERONNET ET ASSOCIES

ERNST & YOUNG et Autres

French original signed by
Olivier Peronnet

French original signed by
Michel Gauthier

7

Capital

Authorisations to increase the capital	116
Securities giving access to capital	116
Changes in Neopost S.A.'s share capital since creation	117
Current ownership of capital and voting rights	118
Total number of voting rights and shareholders	118
Treasury stock	118
Changes in share ownership structure	118
Place of the issuing entity in the Neopost Group	118
Pledges, warranties and securities on Neopost's shares or assets	118

Authorisations to increase the capital

Neopost S.A.'s shareholders' meeting of 5 July 2006 approved the resolutions set out below, renewing the general authorisation given by the shareholders' meeting of 6 July 2005, and thereby giving the Board of Directors powers for a period of 26 months to:

- increase the share capital on one or more occasions, with preferential subscription rights maintained, up to a maximum par value (excluding paid-in capital) of €5,000,000;
- issue securities giving access to the capital, on one or more occasions, with preferential subscription rights maintained, up to a maximum par value of €250,000,000;
- in the event of oversubscription, increase the amount of capital increases, with preferential subscription rights maintained, up to a maximum of 15% of the initial issue or €5,000,000;
- increase the share capital on one or more occasions, through the capitalisation of retained earnings, net income for the year, paid-in capital or other sums, as allowed by law and by-laws, through the creation and free allocation of shares or through an increase in the par value of existing shares up to a maximum par value (excluding paid-in capital) of €30,000,000;
- increase the share capital on one or more occasions by issuing ordinary shares and securities giving access to the capital by remunerating payments in kind up to a maximum of 10% of the capital;

- issue ordinary shares or securities giving access to the capital, without preferential subscription rights maintained, on one or more occasions, in the event of a public exchange offer initiated by the Company, up to a maximum of €5,000,000;
- carry out a capital increase reserved for Group employees in accordance with article L. 443-1 et seq of the French Labour Code, up to a maximum par value (excluding paid-in capital) of €600,000;
- award free shares, whether in issue or to be issued, up to a maximum of 320,000 shares for a period of 38 months;
- award options to buy shares in issue or to be issued, up to a maximum of 960,00 options for a period of 38 months.

The full text of these authorisations is available on request from Neopost S.A.'s head office.

At 31 January 2007, no authorisation to increase the Company's capital had been used.

The Neopost S.A. shareholders' meeting convened for 10 July 2007 to consider the financial statements for the fiscal year ended 31 January 2007 will be asked to renew these authorisations on similar terms except for the authorisation to award free shares and stock options, since these authorisations have been granted for a period of 38 months.

Securities giving access to capital

There are no securities giving access to Neopost S.A.'s capital, with the exception of stock options as described on pages 61 to 64 and

101 of this reference document. The maximum number of shares that may result from the exercise of these stock options is 1,454,070.

Changes in Neopost S.A.'s share capital since creation

Date	Operation	Issue price per share		Incorporation of retained earnings or paid-in capital	Number of shares		Share capital
		Par value	Paid-in capital		Issued	Total	
21/02/95	Creation of the company	FRF100	-	-	2,500	2,500	FRF 250,000
24/09/97	First capital increase through the selling of new shares	FRF100	-	-	116,630	119,130	FRF 11,913,000
24/09/97	Second capital increase through the selling of new shares	FRF100	FRF227	-	881,000	1,000,130	FRF 100,013,000
05/10/98	Share split	FRF4	-	-	24,003,120	25,003,250	FRF 100,013,000
23/02/99	Capital increase through the selling of new shares	FRF4	FRF94.39	-	5,081,634	30,084,884	FRF 120,339,536
11/03/99	Capital increase through the selling of new shares	FRF4	FRF74.71	-	220,355	30,305,239	FRF 121,220,956
14/06/99	Conversion of capital into euros	EUR1	-	FRF 77,568,381	-	30,305,239	EUR 30,305,239
31/01/04	Capital increase through the exercise of options ^(*)	EUR1	-	-	24,100	30,329,339	EUR 30,329,339
31/01/05	Capital increase through the exercise of options ^(*)	EUR1	-	-	124,323	30,453,662	EUR 30,453,662
31/01/05	Capital increase through conversion of Oceane	EUR1	-	-	1,403,275	31,856,937	EUR 31,856,937
31/01/06	Capital increase through the exercise of options ^(*)	EUR1	-	-	349,722	32,206,659	EUR 32,206,659
28/03/06	Cancellation of treasury stock	EUR1	-	-	299,572	31,907,087	EUR 31,907,087
31/01/07	Capital increase through the exercise of options ^(*)	EUR1	-	-	315,818	32,222,905	EUR 33,222,905
23/03/07	Cancellation of treasury stock	EUR1	-	-	776,834	31,446,071	EUR 31,446,071

(*) See stock option plans on pages 61 and 63.

Current ownership of capital and voting rights
Changes in share ownership structure
Place of the issuing entity in the Neopost Group
Pledges, warranties and securities on Neopost's shares or assets

Current ownership of capital and voting rights

Total number of voting rights and shareholders

At 31 January 2007, the Company's capital was represented by 32,222,905 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 turnover, the Company does not know exactly how many shareholders it has. To the Company's knowledge, no shareholder owns more than 3% of its capital other than those mentioned on page 20 of this reference document.

Treasury stock

At 31 January 2007, Neopost group owned 776,834 of its own shares, with a value of €68.1 million, with a view to cancelling them. The shares were cancelled by the Board of Directors on 23 March 2007.

In 2005, Neopost signed a liquidity contract with Exane BNP Paribas with a total value of €8 million. At 31 January 2007, the Group owned 43,771 shares, with a value of €4.2 million, under this liquidity contract.

Changes in share ownership structure

	2007		2006		At 31 January 2005	
	Number of shares	%	Number of shares	%	Number of shares	%
Employees	698,200	2.167%	582,628	1.809%	553,318	1.737%
Directors	4,186	0.013%	4,086	0.013%	3,450	0.011%
Shares held under liquidity contract	43,771	0.136%	52,701	0.164%	-	-
Treasury stock held for cancellation	776,834	2.411%	299,572	0.930%	-	-
Other	30,699,914	95.273%	31,267,672	97.084%	31,300,169	98.252%
Total	32,222,905	100.00%	32,206,659	100.00%	31,856,937	100.00%

Place of the issuing entity in the Neopost Group

Please see Note 4 to the Consolidated Financial Statements, pages 39 to 41 of this reference document.

Pledges, warranties and securities on Neopost's shares or assets

Néant.

8

Neopost shares

Market for Neopost S.A. shares	120
Shares	120
Share price performance	121
Share price and trading information over 18 months	122
Dividends	122

Market for Neopost S.A. shares

Shares

Neopost shares are listed on Eurolist by Euronext Paris and are a constituent of the SBF 120 index.

Purchases of own shares

In accordance with articles L.225-209 et seq of the French Commercial Code, Neopost S.A. is authorised to buy its own shares for the purposes of cancelling them and regulating its share price. This authorisation was renewed by the 5 July 2006 shareholders' meeting, and is subject to the following conditions:

- 3 maximum purchase price: €118.20 per share;
- 3 minimum selling price: €63.70 per share;
- 3 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 2007, Neopost S.A. had used this authorisation and bought 776,834 shares for €68.1 million with a view to cancelling them. The Company also bought 43,771 shares, with a value of €4.2 million, under the liquidity contract.

A new share buyback programme involving a maximum of 10% of the issued share capital and at a maximum purchase price of 1.3 times the closing price on 9 July 2007 will be presented for approval to the forthcoming Annual General Meeting on 10 July 2007 convened to consider the financial statements for the fiscal year ended 31 January 2007 (this 18-month authorisation will terminate the authorisation given to the Board of Directors by shareholders at the 5 July 2006 AGM). These purchases will serve in particular to limit dilution from the potential exercise of stock options awarded to certain Group employees.

Share price performance

Relative to SBF 120 from listing on 23 February 1999 until 28 February 2007.



Source: JCF Group.

Share price and trading information over 18 months
Dividends

Share price and trading information over 18 months

	Highest price (€)	Lowest price (€)	Average daily trading volume	Average daily trading value (€m)
September 2005	82.15	74.50	87,652	6.92
October 2005	84.85	76.50	130,608	10.69
November 2005	82.35	77.50	97,517	7.78
December 2005	85.95	80.40	82,159	6.91
January 2006	86.15	81.00	107,380	8.99
February 2006	84.60	78.90	105,834	8.69
March 2006	91.04	82.61	126,608	11.05
April 2006	95.40	88.21	118,093	10.87
May 2006	93.17	78.50	118,502	10.33
June 2006	88.31	80.13	157,358	13.51
July 2006	91.88	81.30	275,851	24.04
August 2006	91.90	84.00	72,111	6.31
September 2006	95.50	87.60	88,329	8.06
October 2006	100.10	92.75	133,275	12.86
November 2006	99.90	93.10	76,564	7.35
December 2006	98.85	93.65	127,181	12.11
January 2007	99.90	94.45	133,044	12.90
February 2007	102.54	95.02	127,827	12.66

Dividends

See pages 16 and 74 of this reference document.

9

Other legal and financial information

General information	124
Company name and head office	124
Legal form and jurisdiction	124
Date of incorporation and term	124
Corporate purpose (summary of Article 2 of the articles of association)	124
Registration	124
Consultation of legal documents	124
Fiscal year (Article 6 of the articles of association)	124
Appropriation of earnings (Article 19 of the articles of association)	124
Shareholders' meeting (Article 18 of the articles of association)	124
Ownership disclosure thresholds (summary of Article 11 of the articles of association)	124
 Recent events	 125
 Officer responsible for the reference document and auditors	 125
Officer responsible for the reference document	125
Auditors	125
 Statements by officers	 126
 Fees paid to the auditors and members of their networks	 126
 Information policy	 127
Officers in charge of financial information	127
Shareholder information	127
Financial communication plan	127
 Publication of information	 127
 Table of contents	 130

General information

Company name and head office

Neopost S.A.

113, rue Jean Marin Naudin, 92220 Bagneux.

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 covered by the French Commercial Code and decree 67-236 of 23 March 1967 on commercial companies, and by all other applicable French laws and regulations. The company has two auditors, as required by law (see page 125).

Date of incorporation and term

Neopost S.A. (then known as Afisup) was incorporated on 21 February 1995 for a period of 99 years, or until 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 Company Registry under code B 402 103 907.

Consultation of legal documents

Documents and information relating to Neopost S.A. may be consulted at the Company's head office.

Fiscal year (Article 6 of the articles of association)

Every Neopost S.A. fiscal 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.

Shareholders' meeting (Article 18 of the articles of association)

Shareholders' meetings are convened and deliberate in accordance with the law. Admission is governed by the French NRE (new economic regulations) act. 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.

Ownership disclosure thresholds (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%, to disclose any increase or decrease in their interest. This requirement was introduced by the shareholders' meeting of 5 October 1998. Failure to comply with ownership disclosure requirements will lead to the withdrawal of voting rights for a period of 2 years from the date on which disclosure is finally made.

Recent events

As of the date this report is presented, there have been no significant events since the accounting date.

Officer responsible for the reference document and auditors

Officer responsible for the reference document

Jean-Paul Villot, Chairman of Neopost S.A.'s Board of Directors.

Auditors

Statutory auditors:

■ Ernst & Young & Autres (formerly Barbier Frinault & Autres)

represented by Michel Gauthier

41, rue Ybry - 92576 Neuilly-sur-Seine

Member of the Compagnie Régionale de Versailles

Start of first mandate: 9 September 1997 (for the remaining term of the preceding auditor's mandate).

Duration of current mandate: 6 years (as of 9 July 2001).

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2007.

■ Peronnet & Associés S.A.

represented by Olivier Peronnet

21-23, avenue Pierre 1^{er} de Serbie – 75116 Paris

Member of the Compagnie Régional de Paris

Start of first mandate: 8 July 2004.

Duration of current mandate: 6 years.

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2010.

Alternate auditors:

■ Christian Chochon

41, rue Ybry - 92576 Neuilly-sur-Seine

Alternate auditor to Ernst & Young & Autres

Start of first mandate: 9 September 1997 (for the remaining term of the preceding auditor's mandate).

Duration of current mandate: 6 years (as of 9 July 2001).

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2007.

■ Finexsi Audit

represented by Stéphane Duvernois,

111, rue Cardinet – 75017 Paris

RCS Paris B 412 029 357

Alternate auditor to Peronnet & Associés S.A.

Start of first mandate: 8 July 2004.

Duration of current mandate: 6 years.

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2010.

9 Other legal and financial information

Statements by officers

Fees paid to the auditors and members of their networks

Statements by officers

"I confirm that, having taken all reasonable measures, to the best of my knowledge, the information presented in this reference document fairly reflects the current situation of Neopost S.A. and its subsidiaries. I confirm that no information liable to have a material impact has been omitted.

I have received a letter from the statutory auditors confirming their work has been completed. In this they confirm that they have investigated the information relating to the Company's financial position and financial statements presented in this reference document, and that they have read the reference document in its entirety."

The historical financial information in this reference document, R.05-076, has been reviewed by the statutory auditors. Their report on it contains observations which may be found on page 52 of the aforementioned document.

Jean-Paul Villot

Chairman of the Board

Fees paid to the auditors and members of their networks

In 2005 and 2006:

(in thousands euro)	Ernst & Young				Peronnet & Associés S.A.			
	Amount (before VAT)		%		Amount (before VAT)		%	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit								
Audit, certification and examination of individual and consolidated financial statements								
• Issuer	257	278	14%	15%	169	164	92%	93%
• Fully-consolidated subsidiaries	1,388	1,296	74%	69%	14	13	8%	7%
Other due diligence and services directly related to audit								
• Issuer	93	95	5%	5%	-	-	-	-
• Fully-consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	1,738	1,669	93%	89%	183	177	100%	100%
Other services provided by networks to fully-consolidated subsidiaries								
• Legal & tax	110	138	6%	7%	-	-	-	-
• Other	25	72	1%	4%	-	-	-	-
Sub-total	135	210	7%	11%	-	-	-	-
TOTAL	1,873	1,879	100%	100%	183	177	100%	100%

Information policy

Officers in charge of financial information

Denis Thierry	Chief Finance Officer
Gaële Chagnaud	Investor Relations Officer
Address	Neopost 113, rue Jean Marin Naudin 92220 Bagneux
Telephone	01 45 36 31 39
Fax	01 45 36 30 30
Website (French/English)	www.neopost.com

Shareholder information

This document will be sent to shareholders free of charge on request. Documents and information relating to Neopost S.A. may be consulted at the Company's head office.

This reference document and all press releases, analyst presentations, annual reports and other information may be consulted on the Group's website: www.neopost.com.

Financial communication plan

5 June 2007	First quarter 2007 sales press release
10 July 2007	AGM/EGM
13 July 2007	Dividend payment
4 September 2007	Second quarter 2007 sales press release
25 September 2007	First half 2007 results
4 December 2007	Third quarter 2007 sales press release
4 March 2008	Fourth quarter 2007 sales press release
March 2008	Full year 2007 results

Publication of information

■ INFORMATION PUBLISHED IN "BALO"

8 March 2006	Publication of full-year 2005 sales
31 May 2006	Publication of notice convening shareholders' AGM
9 June 2006	Publication of first quarter 2006 sales
28 June 2006	Publication of provisional full-year accounts
12 July 2007	Publication of voting rights at 5 July 2006 AGM
6 September 2006	Publication of second quarter 2006 sales
11 October 2006	Publication of final full-year accounts
23 October 2006	Publication of first half results
6 December 2006	Publication of third quarter 2006 sales
7 March 2007	Publication of fourth quarter 2006 sales

9 Other legal and financial information

Publication of information

■ INFORMATION PUBLISHED IN NANTERRE COURT REGISTRY

25 April 2006	Capital increase and reduction
1 August 2006	Full-year parent company and consolidated financial statements
12 December 2006	Amendment to by-laws to allow Board of Directors to meet by telephone or telecommunication equipment

■ INFORMATION PUBLISHED IN "PETITES AFFICHES"

11 April 2006	Capital increase and reduction
16 June 2006	Notice convening Annual General Meeting, agenda and formalities

Information about the shareholders' AGM may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/other_information/annual_general_meetings/general_meetings_fra.asp

■ PUBLICATION OF PRESS RELEASES

14 February 2006	New visual identity
7 March 2006	Publication of full-year 2005 sales
28 March 2006	Publication of full-year 2005 results
6 June 2006	Publication of first quarter 2006 sales
5 September 2006	Publication of second quarter 2006 sales
3 October 2006	Publication of first half 2006 results
5 December 2006	Publication of third quarter 2006 sales
6 March 2007	Publication of fourth quarter 2006 sales

These press releases may be consulted on Neopost's website:

http://www.neopost.com/newsroom/press_releases.asp

■ NOTIFICATION TO AUTORITÉ DES MARCHÉS FINANCIERS

January 2006	Share buyback
February 2006	Share buyback
March 2006	Share buyback
April 2006	Share buyback
May 2006	Share buyback
June 2006	Share buyback
July 2006	Description of programme
	Six-month liquidity contract report
	Share buyback
August 2006	Share buyback
September 2006	Share buyback
October 2006	Share buyback
November 2006	Share buyback
December 2006	Share buyback
	Six-month liquidity contract report
	Number of shares and voting rights
January 2007	Share buyback
February 2007	Number of shares and voting rights
	Share buyback

This information may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/other_information/shares_buyback/share_buyback_fra.asp

■ PRESENTATIONS TO ANALYSTS

Full-year 2005 results presentation

Interim 2006 results presentation

These presentations may be consulted on Neopost's website:

http://www.neopost.com/investors/analysts_presentations/analysts_presentations_fra.asp

■ 2005 ANNUAL REPORT AND REFERENCE DOCUMENT

These documents may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/periodic_information/annual_reports/annual_report_fra.asp

Table of contents

(Headings under Appendix 1 of regulation (EC) 809/2004)		Pages
1.	Officers responsible	
1.1.	Officers responsible for information in registration document	125
1.2.	Declaration by officers responsible for registration document	126
2.	Statutory auditors	
2.1.	Name and address of statutory auditors	125
2.2.	Resignation and non-renewal of statutory auditors	n/a
3.	Selected financial information	
3.1.	Historical financial information	7
3.2.	Interim information	n/a
4.	Risk factors	18 and 19
5.	Information on the issuer	
5.1.	Historical financial information	
5.1.1.	Corporate name and trading name of issuer	124
5.1.2.	Place and number of registration by issuer	124
5.1.3.	Date of incorporation and term	124
5.1.4.	Head office and legal form, address and telephone number	124
5.1.5.	Important information regarding issuer's business development	14 to 17
5.2.	Investment	
5.2.1.	Description of main historical investments	7
5.2.2.	Description of main current investments	8
5.2.3.	Information on main future investments	8
6.	Activities	
6.1.	Main activities	
6.1.1.	Nature of operations	9 to 11
6.1.2.	New products or services	6
6.2.	Main markets	9 to 11
6.3.	Exceptional events	n/a
6.4.	Dependence of issuer	19
6.5.	Competitive position	18
7.	Organisation chart	
7.1.	Issuer as member of group	39
7.2.	Issuer's major subsidiaries	39 to 41
8.	Property, plant and equipment	
8.1.	Major property, plant and equipment (including leased assets)	8
8.2.	Environment and property, plant and equipment	19 and 20
9.	Financial position and earnings	
	Financial position	14 to 16
9.1.	Operating income	14 to 16
9.1.1.	Major factors, extraordinary events and new developments	14 to 16

(Headings under Appendix 1 of regulation (EC) 809/2004)		Pages
9.1.2.	Explanation of changes in revenues and net income	14 to 16
9.1.3.	Influence of external factors (government, economics, politics)	n/a
10.	Cash and share capital	
10.1.	Issuer's share capital	29
10.2.	Cash flow	27
10.3.	Borrowings and financing structure	50 to 53
10.4.	Restrictions on use of capital	16
10.5.	Sources of expected financing	53
11.	Research and development, patents and licences	7
12.	Trends	
12.1.	Main trends	21
12.2.	Known future trends	21
13.	Profit forecasts or estimates	
13.1.	Main assumptions	21
13.2.	Statutory auditors' report	22
13.3.	Forecasts on comparable basis to historical data	22
13.4.	Qualification of forecasts in current prospectus	n/a
14.	Administrative, executive, supervisory and general management bodies	
14.1.	Administrative and management bodies	96 to 97 and 99
14.2.	Conflicts of interest in administrative and management bodies	98
15.	Remuneration and benefits of persons referred to under 14.1	
15.1.	Remuneration and benefits in kind	100 and 101
15.2.	Pensions and other benefits	100 and 101
16.	Operation of administrative and management bodies	
16.1.	Term of appointment	97
16.2.	Service contracts	n/a
16.3.	Audit and remuneration committees	98
16.4.	Compliance with current corporate governance legislation	99
17.	Employees	
17.1.	Number of employees	60
17.2.	Profit-sharing and stock options	61 to 64
17.3.	Employee profit-sharing in capital of issuer	20
18.	Main shareholders	
18.1.	Disclosure thresholds	20 and 124
18.2.	Different voting rights	118
18.3.	Control of main shareholders	118
18.4.	Agreement which might lead to change of control	n/a
19.	Related-party transactions	69
20.	Financial information on the issuer's assets, financial position and earnings	

9 Other legal and financial information

Table of contents

(Headings under Appendix 1 of regulation (EC) 809/2004)		Pages
20.1.	Historical financial information	24 to 69
20.2.	Pro forma financial information	n/a
20.3.	Financial statements	24 to 29
20.4.	Auditing of historical annual financial information	
20.4.1.	Auditors' report on historical financial information	70
20.4.2.	Auditors' review of other information in registration document	22, 93, 94 and 114
20.4.3.	Source of financial information not checked by auditors	8 to 10
20.5.	Date of last financial information	30
20.6.	Interim financial information and other	
20.6.1.	Published quarterly or interim information	n/a
20.6.2.	Compulsory financial information if registration document published more than nine months after accounting date	n/a
20.7.	Dividend distribution policy	16
20.7.1.	Dividend per share history	74
20.8.	Legal and arbitration procedures	18
20.9.	Material change in financial or commercial position	21
21.	Additional information	
21.1.	Share capital	
21.1.1.	Number of shares	73 and 74
21.1.2.	Shares not representing capital	n/a
21.1.3.	Treasury stock	75 and 76
21.1.4.	Convertible, exchangeable, or warrant securities	n/a
21.1.5.	Capital increase	73
21.1.6.	Stock options	61 to 63
21.1.7.	History of share capital	117
21.2.	Deed of incorporation and by-laws	
21.2.1.	Corporate purpose	124
21.2.2.	Members of Board of Directors	96
21.2.3.	Rights, privileges and restrictions pertaining to each existing category of shares	118
21.2.4.	Actions required to alter shareholder rights	n/a
21.2.5.	Ordinary and extraordinary general meetings	124
21.2.6.	Regulations delaying, deferring or preventing change of control	n/a
21.2.7.	Disclosure thresholds	20 and 124
21.2.8.	Terms governing capital changes	116
22.	Major contracts	n/a
23.	Information from third parties, experts' statements and declarations of interest	
23.1.	Experts' statements	n/a
23.2.	Information from third parties	n/a
24.	Documents available to the public	124 and 127 to 129
25.	Information on investments	83