

neopost 

07

2007 Reference Document

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Reference Document 2007



This reference document was presented to the Autorité des Marchés Financiers on 30 April 2008, 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.

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 2007 may be found on pages 23 to 70 and 71 to 94 of the reference document registered with the AMF on 20 April 2007, number D.07-364.

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 96 of the reference document registered with the AMF on 24 May 2006, number D.06-477.

The management reports for 31 January 2007 and 31 January 2006 may be found on pages 13 to 22 and 11 to 20 of reference documents D.07-364 and D.06-477.

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Neopost group activity

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Key figures

In 2007, Neopost generated sales of €907.1m, reflecting an organic growth of 2.4% at constant exchange rates. This growth was accompanied by a slight improvement in operating margins from 26.0% of sales in 2006 to 26.1% in 2007.

Following the Group's decision to accelerate the optimisation of its structure in R&D, supply chain and distribution, provisions for an amount of €20.5m were accounted for as at 31 January 2008.

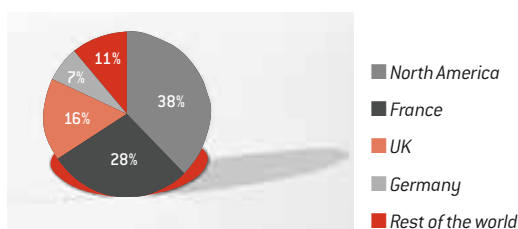
To demonstrate its confidence in its future, Neopost decided to propose to shareholders an ordinary dividend of €3.65 per share to be compared with €3.30 per share a year before. In 2007, Neopost also bought back 2.3% of its share capital.

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Total sales: €907.1m

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Sales by country



Neopost's sales breakdown by geography is balanced. In 2007, after 2006 which was a record year in sales' growth and consequently a strong base of comparison, Neopost recorded once again a good performance.

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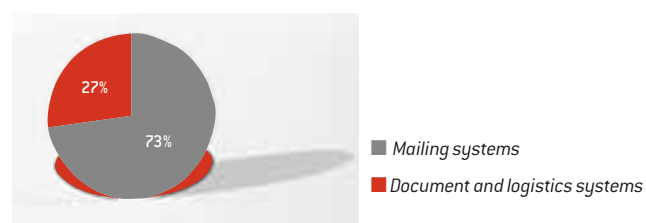
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Sales by business

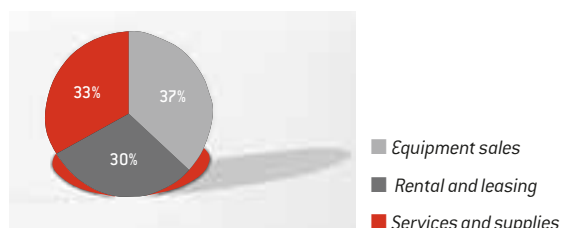


In 2007, sales of mailing systems were stable after the strong growth experienced in 2006. Sales of document and logistics systems increased strongly, bringing their share of total sales to 27%, thanks to the success of new products and the acceleration of cross-selling.

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Sales by revenue category



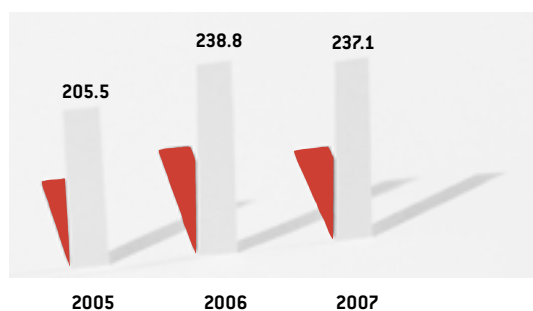
After the strong growth in equipment sales in 2006 on the North American and British markets, recurring revenues grew to reach 63% of total sales in 2007.

Sales**+2.4%**

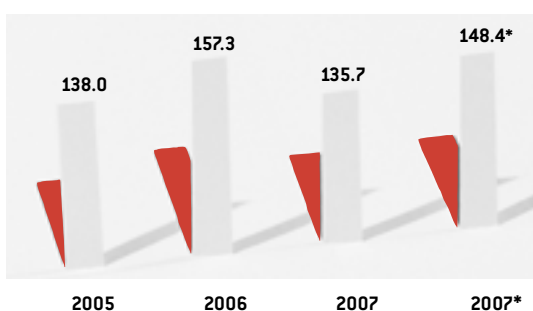
at constant exchange rates

Current operating margin**26.1%**

of sales

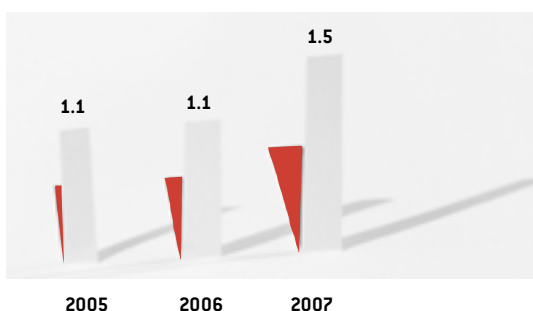
Dividend**€3.65**per share,
up 10.6% versus 2006**Current operating income
(€m)**

In 2007, current operating income slightly decreased by 0.7% but improved by 10 basis points in percentage of total revenue to 26.1% thanks to productivity improvement.

**Net income
(€m)**

In 2007, net income decreased by 5.7% compared with 2006 before provisions for structure optimisation. This is essentially due to an expected rise in financial expenses.

* before provisions for structure optimisation

Leverage ratio

As expected, Neopost's leverage ratio (net debt to EBITDA) rose in 2007 compared with 2006. This is due to the strong growth of the leasing and the financing activities, to numerous acquisitions and to the ongoing shareholders' return policy. However, it is still very low for the industry given the magnitude of the rental and leasing activities.

Strategy

The long-term profitable growth model of Neopost is set up to last. The Group is committed to continuing along this route, with clear priorities established for all: increase sales and profitability per customer by taking advantage of technological evolutions, focusing more on high-end equipment, developing services still further and optimising distribution.

Increase 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 [postage financing, online services] also offer Neopost new sources of profitable and recurring growth.

Taking advantage of technological and regulatory developments

Neopost allocates nearly 5% of sales to research and development with the aim of anticipating and developing future generations of the machines, software, infrastructure and networks that manage information flows between customers and postal authorities and/or carriers. Neopost has 300 engineers working on R&D (400 including subcontractors), of whom 60% are working on software, and had a budget of €48m in 2007. The Group's R&D is organised by project team, which helps to share the expertise of its centres in France, the Netherlands and the United States, as well as the contribution from subcontractors. This project-based organisation structure helps in particular to create close collaboration between the R&D department and the teams responsible for relations with postal authorities, which anticipate developments caused by technological and regulatory changes in each market. This investment is aimed at developing products and solutions that both meet new standards and improve ease of use, performance and reliability. Innovation is one of Neopost's strong points for taking advantage of technological and regulatory developments in the sector, and enjoying faster growth than the overall market.

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 with higher margin, developing cross-selling between

mailing systems and Document and Logistics systems and retaining customers who have the strongest consumption of supplies and services. 2007 is an illustration of this strategy, Document and Logistics systems revenue increased by 11% and recurring revenue by 8%.

Optimise distribution

Neopost has set improving its sales organisation by strengthening direct distribution as a priority. This strategy ensures that the Group is closer to its customers. It offers a source of additional revenue and improvement in profitability and enhances the Group's effectiveness in working towards its strategic and marketing objectives. Neopost is pursuing this strategy, particularly in the USA where, following the acquisition of Ascom Hasler in 2002, Neopost has two distribution networks. As of 31 January 2008, series of acquisitions of distributors, and less frequently disposals of territories, have led to 56% of the American market being covered by a single sales organisation compared with nothing three years ago. During the same period, direct distribution went from 31% to 44%. Ten years ago, the Group operated in only four countries, but now Neopost has subsidiaries in 14 countries which account for 95%⁽¹⁾ of the world market. Overall, excluding the acquisition of Ascom Hasler, around 45 distributors have been taken over during the last ten years.

Continue developing services

The development of Neopost's business from equipment supplier to a service company has made a major contribution to improving operating margin. Neopost is therefore continuing with this strategy, extending its range of services to include consulting, installation and maintenance of equipment and software, training, supply of consumables, and development of financial services, notably leasing and rentals. Total revenue from services, which is recurring by nature, accounted for 63% of sales in 2007.

Constantly increasing profitability

Neopost's strategy for sustained improvement in profitability, in addition to increasing volume, is based on migrating the business mix towards higher-end products, sales of supplies and consulting, financial services and online services, and specific productivity programmes. Year after year, the Group continues to invest in information technology and CRM (Customer Relationship Management) systems.

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

History

First LBO in 1992

Neopost was formed in 1992 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 in 1997.

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 several specialised research and development centres of which 3 are the most important ones. These are in Bagneux (France) for mailing systems, Milton (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 600 people.

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

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

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Organisational structure

Distribution

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

The Group has fully owned subsidiaries in 14 countries accounting for a total of 95% ⁽²⁾ of the worldwide installed base of mailing systems: Austria, Belgium, Canada, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Spain, Switzerland, the United Kingdom, and USA.

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 customers' requirements.

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 floorspace (owned) (m ²)	Office floorspace (rented) (m ²)	Factory floorspace (rented) (m ²)	Annual rent (offices) (€m)	Annual rent (factories) (€m)
France	3,073	9,520	23,535	7,800	5.3	0.1
North America	2,230	-	45,035	12,263	5.5	0.6
UK	-	-	8,910	-	1.0	-
Germany	890	-	5,238	-	0.4	-
Rest of the world	4,875	8,428	5,739	-	3.1	0.1
TOTAL	11,068	17,948	88,457	20,063	15.3	0.8

Investment

In 2007, Neopost invested €60.8m, before acquisitions of distributors and loans, compared with €80.2m in 2006 and €73.2m in 2005. Details of investments are shown in the table below:

(€m)	2008	2007	31 January 2006
Acquisition of rights and licences	4.5	4.8	5.9
Capitalisation of research costs	8.5	8.7	12.7
Acquisition of equipment	11.5	7.7	9.1
Replacement of installed base of franking machines	27.7	48.6	32.3
Other investments	8.6	10.4	13.2
Total	60.8	80.2	73.2

The Group also invested €29.4m to acquire distributors or companies allowing expanding its offer in 2007, compared with €19.0m in 2006 and €20.6m in 2005.

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

⁽²⁾ Postal statistics at end December 2006 and Neopost estimates.

Neopost expects to invest higher amounts in 2008 than it did in 2007 because the decertification of non-digital franking machines in the United States.

The Group also expects to continue making acquisitions of distributors in Europe and the US in 2008.

In 2008, the Group closed the acquisition for £26m of PFE Ltd, a company specialized in folders/inserters with greater capacity than those from Neopost.

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 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 is the world's leading manufacturer of folders/inserters for offices and mailrooms, with an estimated world market share of 60%⁽³⁾.

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 on the way.

Neopost offers a full range of digital mailing systems with inkjet printing, connectable on the Internet that offers an array of online services (see page 11). Their performance range from 1,200 to 15,000 letters per hour. Systems may equip customers with daily mail volume starting at 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.

⁽³⁾ Neopost estimate based on research in 2001 by the office of Fair Trading, the British competition authority.

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 for the main European countries, scheduled for 2011.

Neopost: world number two

With an installed base of more than 700,000 machines, about 25% ⁽⁴⁾ 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 (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.

⁽⁴⁾ 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. 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).

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, 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.

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Review of the Neopost group's financial position and results in 2007

In 2007, sales grew by 2.4% year-on-year at constant exchange rates compared with 2006.

Group current operating margin reached 26.1% of sales, a slight increase compared with 2006

Neopost has decided to accelerate a number of programmes aimed at improving the organisation of research and development, the supply chain, and distribution. These structure optimisation programmes were provisioned in the financial statements as at 31 January 2008.

In order to perform a comprehensive analysis of the 2007 performance, two sets of income statements are presented.

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Income statement at 31, January

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(€m)	2008		2008 Before provisions for optimisation		2007	
Sales	907.1	100.0%	907.1	100.0%	918.5	100.0%
Cost of sales	(199.3)	(22.0)%	(199.3)	(22.0)%	(212.5)	(23.1)%
Gross margin	707.8	78.0%	707.8	78.0%	706.0	76.9%
R&D expenses	(48.3)	(5.3)%	(48.3)	(5.3)%	(42.1)	(4.6)%
Sales and marketing expenses	(216.8)	(23.9)%	(216.8)	(23.9)%	(229.8)	(25.0)%
Administrative expenses	(122.3)	(13.5)%	(122.3)	(13.5)%	(120.7)	(13.1)%
Service and other expenses	(72.7)	(8.0)%	(72.7)	(8.0)%	(67.5)	(7.4)%
Employee profit-sharing	(10.6)	(1.2)%	(10.6)	(1.2)%	(7.1)	(0.8)%
Current operating income (EBIT)	237.1	26.1%	237.1	26.1%	238.8	26.0%
Proceeds from asset disposals	1.4	0.2%	1.4	0.2%	1.5	0.1%
Provisions for structure optimisation	(20.5)	(2.3)%	-	-	-	-
Operating income	218.0	24.0%	238.5	26.3%	240.3	26.1%
Net financial income (expense)	(28.8)	(3.2)%	(28.8)	(3.2)%	(18.8)	(2.0)%
Net income before tax	189.2	20.8%	209.7	23.1%	221.5	24.1%
Income taxes	(54.0)	(5.9)%	(61.8)	(6.8)%	(64.8)	(7.1)%
Results of associated companies	0.5	0.1%	0.5	0.1%	0.6	0.1%
Minority interests	-	-	-	-	-	-
Net income	135.7	15.0%	148.4	16.4%	157.3	17.1%

Sales growth in 2007

Over the full year, Neopost's sales amounted to €907.1m, an increase of 2.4% at constant exchange rates compared with 2006, during which sales grew by almost 12% excluding exchange rate effects, thanks to numerous favourable factors.

In 2007, excluding exchange rates, revenue from mailing systems was almost stable [-0.3%] while document and logistics systems sales increased by 10.6% [before exchange rate effects]. It illustrates the complementarities between the two divisions: The mailing systems divisions showed strong growth in 2006, while the Document and Logistics systems division showed robust growth in 2007. The

breakdown of sales in 2007 between mailing systems and document and logistics systems was at 73% and 27% respectively.

After excellent performances in equipment sales on both the American and the British markets in 2006, equipment sales decreased by 6.6% excluding exchange rate effects in 2007. Recurring revenues (financial services, supplies, maintenance) were up 8.4%. This growth reflects the increase in equipment sales in 2006 and underlines the strength of Neopost model. In 2007, recurring revenues represented 63% of total Group and equipment sales represent 37%.

Stable revenue in North America

In 2007, sales amounted to €346.9m. Over the full year, sales are stable (0.0%) excluding exchange rate effects but are up 1.6% in the USA. During the first semester, Neopost benefited from a postal rate change in the United States (Shape-Based Pricing), which led customers to equip themselves with dynamic scales. During the second semester, the Group suffered from tougher than expected market conditions and from a particularly high comparison basis due to the fact that two decertification programmes, one in the USA and the other in Canada, ended on 31 December 2006, which led to a 15% growth in 2006 excluding exchange rate effects.

Solid performance in France

Over the full year, sales amounted to €255.3m. Sales for 2007 were up 1.2% compared with 2006, which constituted a solid performance. 2006 benefited from a postal rate change, which was not the case in 2007. Excluding that postal rate change, growth would have reached 4.0%.

Remarkable performance in the UK

In 2007, sales amounted to €142.4m. Over the full year, sales decreased by 2.9% excluding exchange rate effects. This was a remarkable performance given the exceptionally strong sales recorded in 2006, as a result of the change in the way postal costs are calculated («Pricing in Proportion»). Indeed, Neopost enjoyed 25% growth in this market in 2006.

Strong growth in Germany

Sales amounted to €63.0m. Over the full year, sales grew by 12.7%. This high level of growth was due to Neopost's strength in this market and, to a lesser extent, to the acquisition of a distributor in the north of the country.

Very high growth in the rest of the world

Neopost's sales reached €99.5m. Over the full year, sales grew by 18.8% excluding exchange rate change. This very strong growth was mainly due to numerous successes in export markets, the strong performances of a number of European subsidiaries (particularly those in Belgium, Italy and Norway) and also to the consolidation of two distributors in Switzerland, acquired in July and October 2007.

Strong development of the financial services and of the supplies sales

2007 revenues coming from financial services showed a very strong growth, +21.2% excluding exchange rate changes compared with 2006. Financial services represent 8.0% of total sales as at 31 January 2008 versus 6.8% one year before. The portfolio reached €425.4m at end January 2008 versus €398.7m at end January 2007, implying an increase of 6.7% in one year. Excluding exchange rate effects, the portfolio grew by 16.6%.

Supplies sales also increased sharply, +19.4% excluding exchange rate changes. Supplies now represent 13.6% of total Group sales as of 31 January 2008.

Continuing effort in research and development

In 2007, the Group maintained its effort in terms of Research & Development. The cash impact of R&D amounted to €47.6m in 2007 versus €45.6m in 2006.

The R&D expenses accounted for in the income statement reached 5.3% of sales in 2007 compared with 4.6% a year ago. This evolution is exclusively related to the application of the IFRS standards, because cash expenses are of the same order of magnitude.

A significant proportion of the research and development spending was capitalised during the year, €8.5m at 31 January 2008 compared with €8.7m at 31 January 2007.

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.

Continuing improvement of market coverage

With a view to continuing to improve distribution, Neopost continues to increase its direct distribution in Europe and in the United States. In the United States, the Group also tries to limit competition between its two distribution networks: Neopost and Hasler.

In Europe, Neopost acquired two important distributors in Switzerland, based in Zurich and Geneva. Neopost also acquired a distributor in the North of Germany and two small distributors in Italy.

The market coverage rationalization improves quickly in the United States. Since the 31st of January 2007, the Group acquired 6 distributors in California, Colorado, Florida, Maryland, Wisconsin and divested territories such as Alabama, Minnesota, Nevada and Pennsylvania. As a result, at the end of January 2008, 56% of the American market was covered by a single commercial organization versus 40% one year ago and 0% at the end of 2004. The share of the installed base covered by direct distribution was 44% as at 31 of January 2008 versus 31% at end 2004.

The market coverage optimization policy will continue in 2008.

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Reinforcement of the product range

The Group continues to reinforce its product range and its software solution range through focused acquisitions.

Neopost acquired in February 2007, Valipost, a French company specialised in software solutions for the industrial mail sector. This company realised sales of €3m in 2007.

The Group announced in September 2007 and closed in March 2008 the acquisition of PFE. PFE is a British private group and is a worldwide player in folding/inserting systems. PFE and Neopost's product ranges are complementary, PFE's offer being more focused on the higher volume market than Neopost. The activities of PFE acquired by Neopost generated sales of around £26m in 2007. PFE will be consolidated within Neopost accounts starting in March 2008.

Slight increase in current operating margin

Despite a weaker than expected growth in 2007, the Group managed to slightly increase its current operating margin thanks to the increase of its recurring revenues, to its continuous margin improvement efforts and to its control of exchange rate effects on its margins (for both \$ and £).

The current operating margin reached 26.1% versus 26.0% one year ago. The current operating income reaches €237.1m versus €238.8m at 31 January 2007, i.e. a 0.7% decrease in absolute terms related to currency impacts EUR/USD and EUR/GBP.

Acceleration of the structure optimisation

Neopost has decided to accelerate a number of programmes aimed at improving the organisation of research and development, the supply chain, and distribution.

With respect to R&D, technological developments and recent acquisitions in the software field have prompted Neopost to merge a number of its R&D centres in order to improve their efficiency.

With respect to the supply chain, Neopost will enhance its processes with two logistics platforms, one in Europe and the other in North America, the systematic use of direct shipment, and the rationalisation of refurbishing units.

In the United States, Neopost has taken major steps to optimize its distribution over the past years, in particular by increasing the proportion of direct distribution and lessening competition between Hasler and Neopost, its two networks. While pursuing these efforts, the Group now intends to migrate to common IT platforms, as quickly as possible, specifically the ERP (Oracle) and postage meter resetting systems, to increase productivity and customer satisfaction.

These optimisation programmes were provisioned for an amount of €20.5m in the financial statements as at 31 January 2008. After tax, the impact on net income is reduced to €12.7m. For the most part, these provisions will have a cash impact. Once in place, these programmes could lead to an annual cost saving of about 6 to €7m by 2010.

Strong increased in financial costs

Net financial costs for 2007 increased to €28.8m from €18.8m in 2006. This increase was expected because it is related to an increase in net debt, to the increase in financing rates and to exchange rate losses, which amounted to €2.2m in 2007 versus an exchange rate gain of €1.4m in 2006.

The increase in net debt is the result of the Group policy to take advantage of the gearing. This policy can be explained by:

- the Group's policy of return to shareholders, which aims at paying back to shareholders all of the increase in net equity generated during the period;
- the financing of the growth in financial services;
- the acquisitions of distributors and targeted companies.

Slight decrease in tax rate

The average tax rate decreased slightly to 28.6% in 2007 versus 29.3% in 2006.

Decrease of net income

In this context, net income for 2007 amounted to €135.7m, i.e. 15.0% of total sales down 13.7% compared with 2006.

Excluding provisions for optimisation of the Group's structure, net income was €148.4m, i.e. 16.4% of total sales and down 5.7% compared to 2006. Fully-diluted earnings per share excluding provisions were down only 4.7% because of share buy-backs during the period.

Impact of PFE consolidation

If PFE had been consolidated over 11 months in 2007, as will be the case in 2008, the current operating margin of Neopost would have reached 25.2% of sales.

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 buy-backs (minimum 2% of the number of shares in circulation each year) and the rest in the form of dividends.

This policy will continue in 2008 in respect of 2007.

The Board of Directors has decided to request approval from shareholders at the next Annual General Meeting to pay an ordinary dividend of €3.65 per share for 2007. This marks a 10.6% increase on 2006, when a dividend of €3.30 per share was paid.

This €3.65 per share dividend equates to a total pay out of €113m and a yield of more than 5% based on the share price at 31 January 2008. With respect to share buy-backs, excluding the liquidity contract, the Group bought back 724,364 shares (2.3% of the share capital) between 1 February 2007 and 31 January 2008 for €67m.

New share buy-back programme

A new share buy-back programme involving a maximum of 10% of the issued share capital at a maximum purchase price of 1.3 times the closing price on 7 July 2008 will be presented for approval to the shareholders' AGM to be held on 8 July 2008.

Cash flow and financial position

Key features of 2007 were the following:

- cash flow after net cost of debt and taxes were up 2.7% year on year to €218.4m;
- an increase in working capital requirement excluding leasing essentially due to tax effects;
- a strong growth in financing requirements linked to the growth in financial services;
- net investment amounted to €92.5m. Of this, €29.4m was for the acquisition and disposal of distributors in the USA and Europe, and €8.5m 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 €102.6m in dividends for 2006;
- buy-back of 724,364 shares intended for cancellation, for €67.0m.

Neopost ended 2007 with net debt of €445.8m, i.e. a gearing of 90%. This is a very low level for the industry given the rental and leasing businesses. The interest cover ratio (EBITDA/interest)⁽¹⁾ is 10.5 and the leverage ratio (Net debt/EBITDA) is 1.5.

There are no restrictions on the use of Group cash. Neopost is, however, obliged to comply with debt covenants (see risk factors below). The Group had unused credit lines of €463m at 31 January 2008.

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.

(1) EBITDA (€302.5m) is the sum of current operating income (€237.1m) plus depreciation of tangible fixed assets (€47.2m) and intangible fixed assets (€18.2m).

Foreign currency risk hedging

Neopost has a policy of centralising its exchange rate 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.

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 -€1.0m on Euro debt and -\$0.4m 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 +€0.5m on euro debt and +\$0.5m 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 -€1.4m on Euro debt and -\$1.7m on dollar debt. The impact of a 1 percentage point fall in interest rates is estimated at +€1.4m and +\$1.7m.

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.

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 2008, 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 2008 budget, the breakdown of sales and costs in dollars is: sales 38%, cost of sales 42%, operating costs 36%, interest expenses 38%. 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 10% change in the dollar from the budget rate of 1.45 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales -€33.2m, operating income -€10.5m and net income -€6.5m.

On the basis of the 2008 budget, the breakdown of sales and costs in British pounds is: sales 20%, cost of sales 34%, operating costs 12%. The Group is therefore naturally hedged and should be able to preserve its operating margin and net margin, however the British pound performs against the euro. A 10% change in the British pound from the budget rate of 0.69 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales -€17.1m, operating income -€5.1m and net income -€1.3m.

Interest rate risk

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

Risks related to the Group's operations

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 two main suppliers which now account for about 49% of its supplies. These are Hewlett Packard in the United States for inkjet franking heads and cartridges, Elite in China for the production of entry-level and mid-range franking machines. 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. Neopost has organized back-up solutions in case such a possibility would occur.

Forecasts

Neopost provides to its shareholders information on its forecasts for 2008 and beyond. These forecasts have been established based on the Group 2008 budget and three year plan. These forecasts were also established taking into account market conditions existing end of 2007, i.e. competition conditions existing between the different suppliers of mailroom equipment and economic conditions in the countries where the group do business. If competition and economic conditions would change significantly, the group would not be able to guarantee the achievement of its forecasts.

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.

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Risk factors

Social and environmental information

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 2007.

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.

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Social and environmental information

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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 835 people at 31 January 2008.

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Health and safety

Indicator	Unit	2007	2006
Frequency rate of accidents at work	Number of accidents x 106/hours worked	13.4	18.7
Seriousness rate of accidents at work	Number of days off x 103/hours worked	0.1	0.1

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Training

Indicator	Unit	2007	2006
Total number of hours training during year	Hours	15,394	14,514
Number of employees involved in at least one training session in year	Number	587	1,594

Environmental information

	Unit	2007	2006
Water consumption	m ³	4,841	13,651 ⁽¹⁾
Electricity consumption	Kwh	3,945,601	3,860,542
Gas consumption	m ³	318,505	338,753
Waste packaging produced	Tonnes	818	844
Industrial waste produced	Tonnes	1,509	1,457
Of which dangerous waste	Tonnes	12	22
% recycled	%	83%	92% ⁽²⁾

⁽¹⁾ In 2006, water consumption for Neopost Industries S.A. included water consumption at Bagneux and Le Lude (8,197 m³ and 1,950m³ respectively). However, to better reflect water usage that has an operating purpose, Bagneux (offices only) has been taken off the consolidation in 2007.

⁽²⁾ The recycling rate in 2006 took only the Dutch production company into account.

Ownership structure

At 31 January 2008, Neopost S.A.'s share ownership was as follows:

	Number	%
Management and employees	708,500	2.234%
Directors (non-executive)	6,153	0.019%
Shares held under liquidity contract	74,414	0.235%
Treasury stock held for cancellation	724,364	2.285%
Other shareholders*	30,195,493	95.227%
TOTAL	31,708,924	100.000%

* At 31 January 2008, four shareholders had declared that they had crossed a disclosure threshold: Arnhold & Bleichroeder Advisers with 3,529,773 shares or 11.13% of the capital as at 21 January 2008; Fidelity Investments with 3,334,081 shares or 10.51% of the share capital as at 26 April 2001; Harris Associates with 1,676,639 shares or 5.29% of the capital as at 30 October 2007; and Jupiter Asset Management Limited with 2,022,772 shares or 6.38% of the capital as at 2 October 2006.

Promising prospects

In 2008, Neopost will continue to benefit from favourable factors such as decertification of all non-digital mailing systems in the United States, and postal rate changes in the Group's main markets. As a result, despite weaker economic conditions in the United States, the Group should manage to increase sales by at least 3% in 2008, excluding exchange rate effects and excluding the acquisition of PFE.

PFE should bring Neopost about 3 additional points of growth at constant exchange rates.

Neopost has set the target of gaining 50 basis points in current operating margin compared to the 25.2% level the Group would have reached with PFE consolidated over 11 months in 2007.

Beyond 2008, Neopost anticipates favourable market conditions, thanks in particular to continuing technological developments and postal deregulation in Europe. Neopost business model will continue to bear fruit, both in terms of revenue growth and productivity improvement.

Given these factors, the synergies from the integration of PFE and the accelerated optimisation programmes, the Group should be able to improve its current operating margin beyond 26%.

There have been no significant changes in the Group's commercial or financial positions since the 2007 accounts were closed.

Report of the Statutory Auditors on the profit forecast

This is a free translation into English of the Statutory Auditors' Report issued in the French language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

Year ended January 31, 2008

To the Chairman of the Board of Directors,

In our capacity as statutory auditors and in compliance with EU Regulation N° 809/2004, we hereby report on the forecast of current operating margin for Neopost Group for the year 2008, which is included in section 2 "Promising prospects" of its prospectus dated April 30, 2008.

In accordance with EU regulation N° 809/2004 and relevant CESR guidance, management is responsible for the preparation of this forecast together with the material assumptions on which it is based.

It is our responsibility to express our conclusion, pursuant to Appendix 1, paragraph 13.3 of EU regulation N° 809/2004, as to the proper compilation of the profit forecast.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes). Our work consisted in an assessment of the preparation process for the profit forecast, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of Neopost Group. We also gathered all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the profit forecast has been properly compiled on the basis stated.

It should be noted that, given the uncertain nature of forecasts, the actual figures are likely to be significantly different from those forecasts and that we do not express a conclusion on the achievability of these figures.

We conclude that:

- this profit forecast has been properly prepared on the basis stated;
- the accounting methods applied in the preparation of this profit forecast are consistent with the accounting principles adopted by Neopost Group.

This report is issued for the sole purpose of the public offering in France and other European Union countries in which the prospectus, as approved by 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 30, 2008
The Statutory Auditors
French original signed by

PÉRONNET ET ASSOCIÉS
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

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Consolidated balance sheets

■ CONSOLIDATED ASSETS

(€m)	Notes	2008	31 January 2007
Goodwill	(5)	575.0	529.5
Intangible fixed assets			
Gross value		158.4	148.5
Amortisation		(111.1)	(95.7)
	(6)	47.3	52.8
Tangible fixed assets			
Gross value		563.6	592.0
Depreciation		(429.0)	(448.0)
	(7)	134.6	144.0
Other financial assets			
Investments in associated companies		2.9	3.5
Assets available for sale		2.8	2.2
Other financial assets		8.7	10.0
Provisions for impairment of assets available for sale		(0.6)	(0.5)
	(8)	13.8	15.2
Net long-term lease receivables	(10)	283.0	264.6
Other net long-term receivables		5.4	3.8
Deferred tax assets	(13)	44.5	44.3
Total non-current assets		1,103.6	1,054.2
Net inventories and work in progress	(9)	43.3	50.1
Net receivables			
Net accounts receivable		156.9	142.8
Net short-term lease receivables		142.3	134.1
Income tax receivables		22.2	10.2
Net other receivables		12.9	7.5
	(10)	334.3	294.6
Prepaid expenses		32.2	26.5
Financial instruments	(20)	4.7	4.5
Cash and cash equivalents		149.6	157.8
Total current assets		564.1	533.5
Total assets		1,667.7	1,587.7

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

■ CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY

(€m)	Notes	2008	31 January 2007
Shareholders' equity			
Share capital		31.7	32.2
Issue and conversion premium		52.7	110.2
Reserves and retained earnings		370.8	308.7
Treasury stock		(73.6)	(72.6)
Net income attributable to shareholders		135.7	157.3
Translation variance		(24.5)	1.3
		492.8	537.1
Provisions	(11)	42.1	40.3
Debt	(12)	284.8	312.1
Deferred tax liabilities	(13)	25.9	22.7
Total non-current liabilities		352.8	375.1
Accounts payable			
Accounts payable		53.5	52.9
Other operating liabilities		204.2	205.2
Income taxes		60.0	59.3
Provisions	(11)	22.9	16.2
Deferred income		167.0	156.6
		507.6	490.2
Financial instruments	(20)	3.9	1.2
Debt			
Short-term portion of long-term debt		300.5	175.2
Bank overdrafts		10.1	8.9
	(12)	310.6	184.1
Total current liabilities		822.1	675.5
Total liabilities		1,667.7	1,587.7

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

Consolidated income statements

(€m)	Notes	2008	31 January 2007
Sales	(14)	907.1	918.5
Current operating expenses	(15)		
Cost of sales		(199.3)	(212.5)
R&D expenses		(48.3)	(42.1)
Sales and marketing expenses		(216.8)	(229.8)
Administrative expenses		(122.3)	(120.7)
Service and other expenses		(72.7)	(67.5)
Employee profit-sharing, share-based payments	(19)	(10.6)	(7.1)
Current operating income		237.1	238.8
Impairment of goodwill		-	-
Proceeds from asset disposals	(16)	1.4	1.5
Provisions for structure optimisation	(17)	(20.5)	-
Operating income		218.0	240.3
Interest charges		(27.4)	(20.4)
Interest income		0.5	0.3
Net cost of debt	(12)	(26.9)	(20.1)
Losses on foreign exchange		(3.8)	(4.2)
Gains on foreign exchange		1.6	5.6
Net gains (losses) on foreign exchange	(20)	(2.2)	1.4
Other financial gains (losses)		0.3	(0.1)
Share of results of associated companies		0.5	0.6
Income before tax		189.7	222.1
Income taxes	(13)	(54.0)	(64.8)
Net income before results of divested businesses		135.7	157.3
Profit after tax of divested businesses		-	-
Net income		135.7	157.3
Of which:			
Attributable to equity holders		135.7	157.3
Minority interests		-	-
Basic earnings per share (€)	(18)	4.35	4.99
Fully-diluted earnings per share (€)	(18)	4.28	4.91

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

Consolidated cash flow statements

(€m)	2008	31 January 2007
Net income	135.7	157.3
Depreciation (reversal) of tangible assets	47.2	44.3
Amortisation (reversal) of intangible assets	18.2	13.9
Provisions (reversals)	4.5	(8.1)
Gains (losses) on changes in fair value	0.5	(1.6)
Proceeds (expenses) on stock options	8.7	4.9
Net gains (losses) on disposals of fixed assets	1.4	1.5
Share of results of associated companies (net of dividends received)	0.5	(0.4)
Other items	1.7	0.8
Cash flow after net cost of debt and income taxes	218.4	212.6
Tax charge (including deferred taxes)	54.0	64.8
Net cost of debt	27.4	20.4
Cash flow before net cost of debt and income taxes	299.8	297.8
(Increase) decrease in inventories	5.7	(2.4)
(Increase) decrease in accounts receivable	(20.7)	16.6
Increase (decrease) in accounts payable	(4.1)	0.8
Increase (decrease) in other current assets and liabilities	(11.4)	51.4
Change in lease receivables	(63.4)	(86.8)
Cash flow from operating activities	205.9	277.4
Interest paid	(27.4)	(19.5)
Income taxes paid	(48.3)	(70.4)
Net cash flow from operating activities (A)	130.2	187.5
Investments in tangible fixed assets	(44.4)	(61.2)
Investments in other intangible fixed assets	(16.4)	(19.0)
Acquisition of securities and loans granted	(31.1)	(19.0)
Sub-total investments	(91.9)	(99.2)
Disposals of fixed assets	1.7	3.5
Repayment of loans and other long-term advances	(2.3)	-
Net cash flow from investing activities (B)	(92.5)	(95.7)
Parent company capital increase	10.1	10.8
Share buy-back - held for cancellation	(67.0)	(68.1)
Share buy-back - liquidity contract	(2.8)	-
Dividends paid to shareholders	(102.6)	(94.2)
New medium and long-term debt	287.2	186.4
Change in leasing debt ^(a)	(129.8)	35.0
Repayment of debt	(37.3)	(125.0)
Net change in other debts and accrued interest not yet matured	3.2	1.6
Net cash flow from financing activities (C)	(39.0)	(53.5)
Effect of exchange rate movements on cash and cash equivalents (D)	(8.1)	(0.3)
Change in net cash (A) + (B) + (C) + (D)	(9.4)	38.0
Net opening cash	148.9	110.9
Net closing cash	139.5	148.9
Cash and cash equivalents	149.6	157.8
Bank overdrafts	(10.1)	(8.9)
Net closing cash	139.5	148.9

^(a) At 31 January 2008, the «Net change in lease debt» is the result of the repayment of all revolving credit facilities which were contracted directly by the leasing subsidiaries with local banks. Neopost S.A., as the parent company, is now financing the total Group debt on the market and coordinate the financing needs of the leasing subsidiaries through interco-loans.

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

Statement of recognised income and expense in financial years 2007 & 2006

(€m)	2008	31 January 2007
Income for the year	135.7	157.3
Actuarial variances recognised on the balance sheet	-	13.9
Change in fair value of hedging instruments	(1.9)	1.7
Deferred taxes	0.6	(4.2)
Translation variance	(25.8)	1.5
Total income and expense recognised directly in shareholders' equity	(27.1)	12.9
Total income and expense for the year	108.6	170.2

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

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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 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 ^(a)	(72.6)	1.3	537.1
Movements in 2007:								
Net income			-	-	135.7	-	-	135.7
Total income and expense recognised in shareholders' equity			-	-	(1.3)	-	(25.8)	(27.1)
Total movements in 2007			-	-	134.4	-	(25.8)	108.6
Capital increase: exercise of options (262,853 shares)	1.00	262,853	0.3	9.8	-	-	-	10.1
Capital reduction (776,834 shares)	1.00	(776,834)	(0.8)	(67.3)	-	68.1	-	-
Treasury stock in process of cancellation (724,364 shares) ^(a)			-	-	-	(67.0)	-	(67.0)
Treasury stock - liquidity contract (+30,643 shares) ^(b)			-	-	-	(2.1)	-	(2.1)
Dividends ^(c)			-	-	(102.6)	-	-	(102.6)
Share-based payments			-	-	8.7	-	-	8.7
Consolidated shareholders' equity at 31 January 2008	1.00	31,708,924	31.7	52.7	506.5 ^(d)	(73.6)	(24.5)	492.8

* Additional paid-in capital includes issue and translation premiums

^(a) Buy-back of 724,364 shares for €67.0m, with view to cancellation.

^(b) The Group owned 74,414 shares worth €6.8m under a liquidity contract at 31 January 2008, compared with 43,771 shares worth €4.2m at 31 January 2007. On the 2 November 2005, Exane BNP Paribas was mandated for a one-year period with tacit renewal for the implementation of this contract, which is conforming to the AFEI's compliance manual. Neopost allocated €8m for the conduct of the contract. The purpose is to reduce excessive volatility of the stock and to maximise its liquidity.

^(c) Payment of dividends amounting to €3.30 per share.

^(d) The fair value of the derivatives instruments represented a €3.0m gain at the beginning of the year versus €1.1m at the end.

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

Notes to the consolidated financial statements

Financial statements for the years ended 31 January 2008 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

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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.

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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 by Euronext Paris.

The consolidated financial statements were approved by the Board of Directors on 1 April 2008.

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 2008 have been prepared under IASB international standards (IFRS: International Financial Reporting Standards), applicable at 31 January 2008, as approved by the European Union.

The basis of presentation of the financial information at 31 January 2008, as described in the notes below, is the International Accounting Standards whose application is compulsory from 31 January 2008, as currently known. The standards and interpretations, as adopted by the European Union, and whose application is compulsory from 2007, 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 2008.

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 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.

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 and Neopost Ag) 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. Cash generating units are the countries for the Group's traditional business. The discount rate used is the average cost of capital adjusted for tax plus, where necessary, a specific risk premium.

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:

- 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.

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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 using the straight line method 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, other than IJ25, consist of two distinct components with different useful lives: a meter and a base.

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

	North America	France
IJ25	3 years	5 years
Meter	5 years	5 years
Base	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 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.

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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.

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 five 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.

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

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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 buy-back 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 2008 includes the following companies:

- Valipost was acquired on 16 February 2007 and is fully consolidated. It's a French market leader in software solutions for industrial mail producers. This company is wholly-owned by Neopost S.A.;
- Neopost GmbH & Co KG and Neopost Verwaltung GmbH acquired a dealer in Germany and created a subsidiary called «Franck & Nennecke» on 26 June 2007. This subsidiary is fully consolidated;
- Neopost S.A. acquired on 6 July 2007 an important distributor in Switzerland and created a subsidiary «Neopost AG» in Zurich. This company is fully consolidated;
- at the beginning of the year, Neopost Industrie AG held a 30% stake in Ducourrier Ag. On 30 September 2007, Neopost Ag [Suisse] acquired the remaining 70% which allows it to fully consolidate Ducourrier Ag.

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.

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Notes to the consolidated financial statements

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

		2008		31 January 2007
	Period end	Average	Period end	Average
US dollar (USD)	1.4870	1.3793	1.2954	1.2633
Pound sterling (GBP)	0.7477	0.6900	0.6633	0.6798
Canadian dollar (CAD)	1.4846	1.4694	1.5325	1.4354
Swiss franc (CHF)	1.6051	1.6480	1.6214	1.5809
Japanese yen (JPY)	157.93	160.717	157.27	146.685
Norwegian krone (NOK)	8.0760	7.9744	8.148	8.069

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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.

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Note 4 Scope of consolidation at 31 January 2008

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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	304
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	124
Neopost Industrie S.A. Bagneux - France APE code: 741A/SIREN code: 440 736 080 SIRET code: 440 736 080 000 19	Neopost S.A./ Neopost Technologies S.A.	100.00%	100.00%	Full	403
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	20
Neopost Diva Cavaillon - France APE code: 722C/SIREN code: 402 391 593	Neopost S.A.	100.00%	100.00%	Full	85

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Mail Services					
Nanterre - France APE code: 713E/SIREN code: 488 197 831	Neopost S.A.	100.00%	100.00%	Full	331
Valipost					
Lens - France APE code: 6202A/SIREN code: 443 241 690	Neopost S.A.	100.00%	100.00%	Full	10
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	308
Neopost BV					
Drachten - Netherlands	Mailroom Holding BV	100.00%	100.00%	Full	103
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	806
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	-
Neopost Loop One Inc.					
Austin, Texas - USA	Neopost Inc.	100.00%	100.00%	Full	24
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	629
Neopost Finance Ltd					
Romford, Essex - UK	Neopost Ltd	100.00%	100.00%	Full	19
Neopost International Supply Ltd					
Romford, Essex - UK	Neopost Holdings Ltd	100.00%	100.00%	Full	18
Neopost Srl					
Milan - Italy	Neopost S.A.	100.00%	100.00%	Full	72
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	62
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	46
Neopost Finance Ireland					
Dublin - Ireland	Neopost S.A.	100.00%	100.00%	Full	2

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Notes to the consolidated financial statements

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
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. Milton, Connecticut - USA	Neopost S.A.	100.00%	100.00%	Full	10
Mailroom Technology Inc. Milton, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	32
Mailroom Services Inc. Milton, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	312
Mailroom Finance Inc. Milton, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	-
Hasler Inc. Milton, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	326
Hasler Financial Services LLC Milton, Connecticut - USA	Hasler Inc.	100.00%	100.00%	Full	-
Neopost Canada Ltd Markham - Canada	Neopost S.A.	100.00%	100.00%	Full	132
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	-
Neopost GmbH & Co KG Olching - Germany	Neopost S.A./Neopost Verwaltung GmbH	100.00%	100.00%	Full	301
Mail Leasing GmbH Munich - Germany	Neopost GmbH & Co KG	100.00%	100.00%	Full	5
Neopost Japan Tokyo - Japan	Neopost S.A.	100.00%	100.00%	Full	23
Neopost Norge AS Oslo - Norway	Neopost S.A.	100.00%	100.00%	Full	42
Neopost Verwaltung GmbH Munich - Germany	Neopost S.A.	100.00%	100.00%	Full	-
Franck & Nennecke GmbH Munich - Germany	Neopost GmbH & Co Kg & Neopost Verwaltung GmbH	100.00%	100.00%	Full	29
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	25
Neopost Industrie AG Berne - Switzerland	Neopost S.A.	100.00%	100.00%	Full	-
Neopost AG Chlieren - Switzerland	Neopost S.A.	100.00%	100.00%	Full	35
Ducourrier AG Geneve - Switzerland	Neopost AG & Neopost Industrie AG	100.00%	100.00%	Full	10
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 2007	529.5
Acquisitions	50.4
Other	1.0
Translation difference	(5.9)
Gross goodwill at 31 January 2008	575.0

Changes in goodwill are mainly due to:

- €23.9 m (\$34.7 m) of goodwill on the acquisition of 6 local distributors in the United States in Colorado, Florida, Maryland, California et Wisconsin;
- €2.7m of goodwill on the acquisition of Valipost, closed on 16 February 2007;
- €12.3m of goodwill on the acquisition of Neopost Ag (Ruf) on 6 July 2007;
- CHF 7.9m of goodwill on the acquisition of Ducourrier Ag on 30 September 2007;
- €5.9m of goodwill on the acquisition of Franck & Nennecke on 26 June 2007.

These distributors are wholly-owned and were paid for entirely in cash.

5-1: ACQUISITIONS

	Neopost Ag (Ruf)	Valipost	Ducourrier Ag	Franck & Nennecke	Distributors in the US
Property, plant and equipment	0.1 m€	0.1 m€	-	0.1 m€	0.6 m\$
Intangible assets	-	0.1 m€	-	-	0.5 m\$
Inventories	1.5 m€	0.1 m€	0.3 m Chf	0.5 m€	1.5 m\$
Accounts receivable	0.5 m€	0.4 m€	0.2 m Chf	0.5 m€	2.3 m\$
Other debtors	0.2 m€	0.1 m€	0.4 m Chf	0.3 m€	-
	2.3 m€	0.8 m€	0.9 m Chf	1.4 m€	4.9 m\$
Deferred income	-	0.3 m€	-	0.5 m€	3.1 m\$
Accounts payable	2.0 m€	0.5 m€	0.6 m Chf	0.9 m€	1.4 m\$
	2.0 m€	0.8 m€	0.6 m Chf	1.4 m€	4.5 m\$
Acquisition price	9.7 m€	2.7 m€	5.0 m Chf	3.3 m€	22.9 m\$
Goodwill	9.4 m€	2.7 m€	4.7 m Chf	3.3 m€	22.5 m\$
Purchase accounting	2.9 m€	-	3.2 m Chf	2.6 m€	-
Earn out	-	-	-	-	12.1 m\$
Acquisition fees	-	-	-	-	0.1 m\$
Total goodwill	12.3 m€	2.7 m€	7.9 m Chf	5.9 m€	34.7 m\$

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 country for the Group's traditional businesses.

	France	USA	UK	Germany	Netherlands	Other	Total
Gross goodwill at 31 January 2008	178.1	188.9	74.2	58.3	20.9	54.6	575.0

5-2: GOODWILL IMPAIRMENT TEST

A goodwill impairment test was performed on the 31 January 2008 and has not led to any impairment.

Note 6 Intangible assets

	Concessions, rights, licences	Development costs	Other	Total
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
Acquisitions	4.5	-	3.4	7.9
Capitalisation	-	8.5	-	8.5
Disposals	-	-	(1.1)	(1.1)
Other changes	0.3	-	(0.9)	(0.6)
Translation difference	(3.1)	-	(1.7)	(4.8)
Gross value at 31 January 2008	44.9	64.5	49.0	158.4
Cumulative amortisation	(33.5)	(42.1)	(35.5)	(111.1)
Net book value at 31 January 2008	11.4	22.4	13.5	47.3

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

	Concessions, rights, licences	Development costs	Other	Total
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
Charges	4.0	11.9	2.3	18.2
Disposals	-	-	(0.5)	(0.5)
Other changes	0.2	-	-	0.2
Translation difference	(2.1)	-	(0.4)	(2.5)
Amortisation at 31 January 2008	33.5	42.1	35.5	111.1

Note 7 Property, plant and equipment

	Land and buildings	Plant and equipment	Rental equipment	Other	Total
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
Acquisitions	1.5	11.5	27.7	3.7	44.4
Disposals/retirement	-	(3.8)	(19.7)	(2.7)	(26.2)
Other changes	-	(0.3)	(19.7)	0.4	(19.6)
Translation difference	(0.3)	(5.4)	(20.5)	(0.8)	(27.0)
Gross value at 31 January 2008	30.4	101.4	404.3	27.5	563.6
Cumulative depreciation	(14.4)	(76.6)	(321.0)	(17.0)	(429.0)
Net book value at 31 January 2008	16.0	24.8	83.3	10.5	134.6

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 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
Charges	1.4	7.0	35.9	2.9	47.2
Disposals/retirement	-	(3.2)	(19.2)	(1.5)	(23.9)
Other changes	-	(0.4)	(21.7)	0.1	(22.0)
Translation difference	-	(3.5)	(16.5)	(0.3)	(20.3)
Depreciation at 31 January 2008	14.4	76.6	321.0	17.0	429.0

Note 8 Other financial assets

8-1: INVESTMENTS IN ASSOCIATED COMPANIES

	2008	31 January 2007
Investments in associated companies		
Dynapost	2.9	3.5
NBG ID	-	-
Total investments in associated companies	2.9	3.5

Dynapost is consolidated using the equity method. The company's contribution to Group equity amounted to €2.9m at 31 January 2008. Its share of net income at the same date was €0.5m. Neopost S.A. received €1.1m in dividends from Dynapost in respect of 2007.

Since NBG ID closed 2007 with net income and shareholders' equity close to zero, Neopost's consolidated attributable share of earnings and equity is not presented above.

8-2: OTHER FINANCIAL ASSETS NOT CURRENT

	2008	31 January 2007
Other financial assets		
Assets available for sale	2.8	2.2
Deposits, loans and guarantees	8.7	10.0
Total other financial assets - gross value	11.5	12.2
Provisions for impairment of assets available for sale	(0.6)	(0.5)
Total other financial assets - net value	10.9	11.7

Available for sale assets represent the stake owned by Neopost S.A. in a venture capital company, which has an industrial purpose.

During the year, the movement caused by the results of the «other financial assets» is not significant.

Note 9 Inventories and work in progress

	2008	31 January 2007
Gross value	52.3	62.3
Depreciation	(9.0)	(12.2)
Total	43.3	50.1

	31 January 2008		
	Gross value	Depreciation	Net
Work in progress	2.0	-	2.0
Raw materials	16.1	(3.4)	12.7
Finished goods	28.3	(3.7)	24.6
Spare parts	5.9	(1.9)	4.0
Total	52.3	(9.0)	43.3

Note 10 Receivables

	2008	31 January 2007
Accounts receivable		
Gross value	170.0	155.7
Impairment	(13.1)	(12.9)
Total	156.9	142.8
Lease receivables		
Short term	144.5	136.1
Long term	287.9	269.5
Gross value	432.4	405.6
Impairment	(7.1)	(6.9)
Total	425.3	398.7
Net other receivables	40.5	21.5
Total	622.7	563.0

	31 January 2008
Accounts receivable - Gross value	
Not overdue	90.0
Overdue:	80.0
• < 30	26.7
• 31-60	19.7
• 61-90	9.5
• 91-180	8.0
• 181-360	10.0
• > 360	6.1
Total	170.0

Receivables overdue by less than 60 days are mainly explained by contractual terms of payments of less than 30 days.

The credit risk is limited because of the diversity and the number of customers (800,000 customers) on one hand, and because of the low unit value of each contract on the other hand.

	2008	31 January 2007
Accounts receivable - Depreciation		
Depreciation at the beginning of the year	12.9	14.1
Charges	2.5	2.5
Used	(1.5)	(3.5)
Non used	-	-
Translation difference	(0.8)	(0.2)
Total	13.1	12.9

FINANCING LEASES

	2008	31 January 2007
Non-current receivables		
Financing leases - gross receivables	354.7	332.6
Unearned financial income	(66.8)	(63.1)
Total	287.9	269.5
Current receivables		
Financing leases - gross receivables	188.5	182.5
Unearned financial income	(44.0)	(46.4)
Total	144.5	136.1
Gross receivables on financing leases		
Less than one year	188.5	182.5
1 to 5 years	350.9	327.4
More than 5 years	3.8	5.2
Total gross receivables	543.2	515.1
Unearned financial income on financing leases	(110.8)	(109.5)
Net investment in financing leases		
Less than one year	144.5	136.1
1 to 5 years	284.3	264.4
More than 5 years	3.6	5.1

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.

ANALYSIS BY MATURITY

	Gross at 31 January 2008	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable	170.0	170.0	-	-
Lease receivables				
Short term	144.5	144.5	-	-
Long term	287.9	-	284.3	3.6
	432.4	144.5	284.3	3.6
Net other receivables	40.5	36.9	3.3	0.3
Total	642.9	351.4	287.6	3.9

	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

ANALYSIS BY CURRENCY

	Gross at 31 January 2008	EUR	USD	CAD	GBP	CHF	JPY	NOK
Accounts receivable	170.0	91.0	48.2	3.9	22.7	2.5	0.6	1.1
Lease receivables								
Short term	144.5	46.0	71.0	4.8	22.7	-	-	-
Long term	287.9	85.0	129.3	7.2	66.4	-	-	-
	432.4	131.0	200.3	12.0	89.1	-	-	-
Net other receivables	40.5	33.9	6.7	-	[1.3]	1.2	-	-
Total	642.9	255.9	255.2	15.9	110.5	3.7	0.6	1.1

	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

Note 11 Provisions

	31 January 2007	Added	Used	Non used	Other	31 January 2008	Short term portion	Long term portion
Provisions for business risk	2.3	0.7	(0.2)	(0.9)	-	1.9	1.6	0.3
Customer guarantees	2.7	0.5	(1.3)	(0.2)	(0.2)	1.5	1.5	-
Retirement benefit obligations	39.4	1.0	(12.4)	(0.5)	(2.7)	24.8	0.3	24.5
Structure optimisation	-	20.5	-	-	-	20.5	8.1	12.4
Reorganisation and restructuring	3.3	7.2	(1.2)	(0.3)	0.1	9.1	4.4	4.7
Other	8.8	4.0	(3.1)	(2.6)	0.1	7.2	7.0	0.2
Total	56.5	33.9	(18.2)	(4.5)	(2.7)	65.0	22.9	42.1

The provision for structure optimisation is explained in Note 17.

	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

11-1: RETIREMENT BENEFIT OBLIGATIONS

Neopost 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.

The above actuarial assumptions relate to the English subsidiary which accounts on its own for 80% of provisions for retirement benefit obligations.

	2008	31 January 2007
Change in value of obligations		
Present value of obligations (DBO) at start of period	138.0	140.1
Service cost	1.0	2.4
Discounting cost	6.0	6.9
Contributions paid by employees	-	0.4
Actuarial (gains) or losses	(3.6)	(7.6)
Payments made	(3.6)	(2.9)
Effect of reductions/liquidation	(0.5)	(3.2)
Other (translation difference)	(15.3)	1.9
Present value of liabilities (DBO) at end of period	122.0	138.0
End of period DBO relating to fully or partly-funded schemes	115.1	131.7
End of period DBO relating to unfunded or not fully funded schemes	6.9	6.3
Movement in hedging assets		
Fair value of hedging assets at beginning of period	98.4	85.8
Expected return on scheme assets	5.9	4.4
Actuarial gains (losses)	-	1.9
Contributions paid by employer	8.5	6.4
Contributions paid by employees	-	0.4
Payments made by fund	(3.4)	(2.8)
Other (translation difference)	(11.9)	2.3
Fair value of hedging assets at end of period	97.5	98.4
Financial hedging		
Scheme position	(24.5)	(39.6)
Cost of unrecognised past service	-	-
Provision/(Asset)	(24.5)	(39.6)
Amount recognised through income statement for period		
Service cost	1.5	2.4
Discounting cost	6.0	6.9
Effect of reductions/liquidation	(0.5)	(3.2)
Expected return on scheme assets	(6.1)	(4.4)
Total retirement benefit expense	0.9	1.7
Amount recognised in statement of recognised income and expense for period		
Actuarial gains (losses)	3.4	9.5
On obligations	3.6	7.6
On hedging assets	(0.2)	1.9
Actuarial assumptions*		
Discount rate (%)	5.6%	5.0%
Expected long-term inflation rate (%)	3.6%	3.1%
Expected long-term rate of wage increases (%)	4.6%	4.1%
Expected long-term rate of annuity increases (%)	3.5%	3.1%
Growth rate of medical costs (%)	n/a	n/a
Expected return on scheme assets (%)	6.4%	6.5%
Breakdown of hedging assets		
Bonds	41%	69%
Equities	47%	21%
Real estate	7%	8%
Other investments	5%	2%

* 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 80% of «provisions for retirement benefit obligations».

Note 12 Financial instruments and financial debts

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 OF BALANCE SHEET BY FINANCIAL INSTRUMENTS

	Book value	Fair value	Breakdown by instrument category				
			Fair value through P&L	Assets Available for sale	Loans and receivables/ Debts	Debts at amortised costs	Derivative instruments
31 January 2008							
Non-current financial assets	13.8	13.8	-	5.1	8.7	-	-
Other long-term receivables	5.4	5.4	-	-	5.4	-	-
Receivables	156.9	156.9	-	-	156.9	-	-
Other receivables	12.9	12.9	-	-	12.9	-	-
Derivative financial instruments	4.7	4.7	-	-	-	-	4.7
Cash and cash equivalents	149.6	149.6	149.6	-	-	-	-
Assets	343.3	343.3	149.6	5.1	183.9	-	4.7
Financial debts and bank overdrafts	595.4	600.3	50.8	-	-	544.6	-
Accounts payable	53.5	53.5	-	-	53.5	-	-
Other operating liabilities	204.2	204.2	-	-	204.2	-	-
Derivative financial instruments	3.9	3.9	-	-	-	-	3.9
Liabilities	857.0	861.9	50.8	-	257.7	544.6	3.9

12-2: ANALYSIS BY TYPE OF DEBT

	Short-term debt	Short-term part of long-term debt	Long-term debt	31 January 2008	31 January 2007
Revolving credit facility ⁽¹⁾	-	285.9	-	285.9	35.0
Accrued interest and other	-	0.1	-	0.1	0.1
Bank loans	-	286.0	-	286.0	35.1
US private placement \$175m ⁽³⁾	-	-	118.1	118.1	135.4
US private placement \$10m	-	6.7	-	6.7	7.7
US private placement €25m	-	-	25.0	25.0	25.0
Accrued interest	-	3.0	-	3.0	3.0
US private placements ⁽²⁾	-	9.7	143.1	152.8	171.1
Caisses Régionales Credit Agricole private placement	-	-	133.0	133.0	133.0
Accrued interest	-	0.8	-	0.8	0.9
CRPP private placement ⁽⁴⁾	-	0.8	133.0	133.8	133.9
Debt on leased assets	-	0.8	0.5	1.3	2.0
Other ⁽⁵⁾	10.1	3.2	8.2	21.5	18.7
Other debt	10.1	4.0	8.7	22.8	20.7
Total debt before leasing companies	10.1	300.5	284.8	595.4	360.8
Leasing companies debt ⁽⁴⁾	-	-	-	-	135.4
Total	10.1	300.5	284.8	595.4	496.2

(1) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of €750 m to replace all Neopost Group facilities which have been cancelled at the same time (including leasing revolving facilities). The interest rate is indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.20%. This credit line comes to term in June 2012. On request of Neopost, the maturity of the line can be extended to June 2014 thanks to two options of one year each at the sole discretion of each participating bank acting individually. At the end of January, Neopost had drawn €185 m and USD150 m.

(2) 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%.

(3) 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 2008.

(4) On 1st 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 terms being the same as the debt tranches. After the swap, the debt carries interest at 4.094%.

(5) Other debt at 31 January 2008 mainly includes: €10.1m of bank overdrafts; €9.7m of profit-sharing and incentive payments deposited by employees with the Group's French entities.

The debt resulting from the September 2003, December 2006 and June 2007 private placements and revolving credit facility are subject to covenants such as net debt to EBITDA ratio and minimum net assets.

The shareholders' equity of the Group must not be less than €400m.

The covenant net debt to EBITDA ratio for the US private placement 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 covenant net debt to EBITDA ratio for the CRPP private placements and revolving credit facility is calculated on the basis of the consolidated financial statements. EBITDA is calculated by adding depreciation for the period to operating income before employee profit-sharing. The net debt to EBITDA ratio must be 3.25 or less.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 January 2008.

12-3: ANALYSIS BY CURRENCY

	2008	31 January 2007
EUR	366.0	257.0
USD	228.3	235.9
GBP	1.1	3.3
Total	595.4	496.2

12-4: ANALYSIS BY MATURITY

	2008	31 January 2007
2007	-	184.2
2008 ⁽¹⁾	310.7	11.4
2009	2.1	2.4
2010	145.2	162.8
2011	2.2	2.4
2012	135.2	133.0
Total	595.4	496.2

(1) Drawings on the Group's various revolving credit lines with maturities of less than six months are considered repayable in 2008, even though the lines may carry a later maturity [see Credit Line below].

12-5: ANALYSIS BY INTEREST RATE

31 January 2008	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	5.6075	16/03/2008	N/S
US private placement €25m	Fixed	4.5200	-	4.5200	-	4.6651
CRPP private placement	Fixed	4.0940	-	4.0940	-	4.1918
Credit revolving Neopost S.A.	Variable	EURIBOR/ LIBOR	0.20	EUR 4.3890 USD 3.4712	29/02/2008	4.7461

* 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 based on EUR drawdown.

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/S
US private placement €25m	Fixed	4.5200	-	4.5200	-	4.6651
Neopost S.A. revolving credit facility	Fixed	4.0940	-	4.0940	-	4.1918
Mail Finance SAS revolving credit facility	Variable	EURIBOR	0.2750	3.8811	28/02/2007	3.0899
Crédit Mail Leasing GmbH credit lines	Variable	EURIBOR	0.45	4.063	28/02/2007	3.1394
Neopost Inc./Hasler Inc. revolving credit facility ⁽¹⁾	Variable	EURIBOR	0.75	4.2105	28/02/2007	N/S
Neopost Ltd revolving credit facility	Variable	USD LIBOR	0.60	5.9266	28/02/2007	4.0844
Credit Revolving Neopost Ltd	Variable	GBP LIBOR	0.60	6.0464	28/02/2007	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 based on EUR drawdown.

⁽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.

12-6: COST OF DEBT

The table below represents the gross cost of debt by currency after exercise of the hedging instruments for the fiscal year ended on 31 January 2008. The calculation is based on the debt detailed above (see §12-2) with the exception of the «Other debt», for which interest cost is €1.5m.

Currency	Gross rate	Amount of (€m)
EUR	4.37	14.1
Financial costs before hedging impact	4.56	14.7
Hedging impact	(0.19)	(0.6)
USD	5.94	15.1
Financial costs before hedging impact	5.31	13.5
Hedging impact	0.63	1.6

12-7: CREDIT LINES

Group companies had the following revolving credit facilities at 31 January 2008:

Company	Amount	Drawing currency	Amount drawn at 31 January 2008	Expiry of facility	Number of banks in pool
Neopost S.A.	EUR750m	EUR/GBP/ USD/JPY/ CAD/CHF/ NOK/SEK/ DKK	EUR185m USD150m	June 2012	17

On request of Neopost, the maturity of the line can be extended to June 2014 thanks to two options of one year each, at the sole discretion of each participating bank acting individually.

12-8: FAIR VALUE OF DEBT

The book values of current loans and variable rate debts are close to their fair value.

Concerning the fixed rate debts:

As at 31 January 2008 in currency of the debt	Book value	Fair value	Fair value +100bp	Fair value -100bp
US private placement 175 M\$	175.5	178.6	176.1	181.3
US private placement 25 M€	25.0	25.3	24.7	25.9
CRPP private placement 133 M€	133.0	134.5	128.9	140.4

1

12-9: 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.

2

3

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.

4

5

Costs relating to the arrangement in June 2007 of the €750m credit revolving facilities totalled €1.3m. These costs are being amortised over the duration of the debt, i.e. five years. The costs of the credit revolving facilities, which were reimbursed in June 2007, were fully amortised during the year for a total amount of €0.5m.

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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.

12-10: 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.

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 2008 are as follows:

	Current tax	Deferred tax
France	34.30%	34.30%
UK	30.00%	28.00%
Netherlands	25.50%	25.50%
USA	41.00%	41.00%
Germany	37.05%	27.845%

On 1 January 2008, the tax rate changed in Germany to 27.845% and on 1 April 2008 in the UK to 28.00%. These are the rates which has been used to measure deferred tax.

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

	2008	31 January 2007
Net income of consolidated companies before income tax	189.7	222.1
Tax rate for the consolidating company	34.30%	34.30%
Theoretical income tax charge	65.1	76.2
Recognised in shareholders' equity	(3.1)	(2.3)
Permanent differences	(2.5)	(3.1)
Tax rate differences	(5.5)	(6.0)
Total tax	54.0	64.8

	2008	31 January 2007
Current tax charge	48.6	80.7
Deferred tax charge	5.4	(15.9)
Total tax	54.0	64.8
Deferred tax charge recognised in income statement	8.5	(13.6)
Due and deferred tax recognised in shareholders' equity	(3.1)	(2.3)
Deferred tax total	5.4	(15.9)

Notes to the consolidated financial statements

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

	2008	31 January 2007
Profit-sharing and other expenses deductible in later periods	7.9	8.7
Elimination of margins on inventories	4.3	6.1
Provisions	22.1	16.5
Goodwill	8.6	11.3
Other	1.6	1.7
Deferred tax assets	44.5	44.3
Provisions on intra-Group inventories	0.5	0.7
Elimination of margins on rented and demo equipment	(17.4)	(17.7)
Research and development	6.9	7.6
Leasing business	41.8	46.0
Impairment	(4.1)	(11.0)
Other	(1.8)	(2.9)
Deferred tax liabilities	25.9	22.7

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:

31 January 2008	Europe	North America	Other	Eliminations	Total
External sales	557.4	346.9	2.8	-	907.1
Inter-segment sales	157.5	47.9	-	(205.4)	-
Total sales	714.9	394.8	2.8	(205.4)	907.1
Segment income	204.0	54.9	0.2	-	259.1
Provisions for structure optimisation					(20.5)
Unallocated charges					(20.6)
Operating income					218.0
Net financing charges					(28.8)
Share in net income of associated companies					0.5
Taxes					(54.0)
Net income					135.7

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 net income of associated companies					0.6
Taxes					(64.8)
Net income					157.3

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

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

Expenses recognised during the year but with no effect on Group cash (before depreciation and provisions) mainly relate to charges in respect of share-based payments €8.7m and are booked under «Unallocated charges».

Unallocated charges mainly represent Group parent company charges.

The balance sheet breaks down by geographic zone as follows:

31 January 2008	Europe	North America	Other	Total
Segment assets	673.5	100.3	0.2	774.0
Unallocated assets				893.7
Total assets				1,667.7
Segment liabilities	532.5	123.2	0.3	656.0
Unallocated liabilities				518.9
Total liabilities				1,174.9

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

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

Notes to the consolidated financial statements

Other segment items break down by geographic zone as follows:

31 January 2008	Europe	North America	Other	Unallocated	Total
Investment:					
Property, plant and equipment	23.3	14.5	-	6.6	44.4
Intangible assets	8.2	4.4	-	3.8	16.4
Total investment	31.5	18.9	-	10.4	60.8
Depreciation and amortisation:					
Property, plant and equipment	27.0	17.2	-	3.0	47.2
Intangible assets	5.9	3.9	-	8.4	18.2
Total depreciation and amortisation	32.9	21.1	-	11.4	65.4
Loss of value	-	-	-	-	-

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	-	-	-	-	-

14-2: BREAKDOWN BY BUSINESS SEGMENT

The breakdown of revenues by business is as follows:

31 January 2008	Mailing	Other	Total
External sales	663.8	243.3	907.1
31 January 2007	Mailing	Other	Total
External sales	692.8	225.7	918.5

«Other» mainly includes the logistics and documents systems business.

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

	2008	31 January 2007
Equipment rental and leasing	270.1	273.2
Services and supplies	304.2	272.5
Equipment sales	332.8	372.8
Total	907.1	918.5

The breakdown of assets by business segment is as follows:

31 January 2008	Mailing	Other	Total
Segment assets	860.0	402.6	1,262.6
Unallocated assets			405.1
Total assets			1,667.7

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

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

31 January 2008	Mailing	Other	Unallocated	Total
Investment:				
Property, plant and equipment	31.5	2.1	10.8	44.4
Intangible assets	5.6	3.2	7.6	16.4
Total investment	37.1	5.3	18.4	60.8

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

Note 15 Details of expenses by category

	2008	31 January 2007
Cost of inventories recognised as expense	161.8	164.4
Wages, bonuses, commissions and payroll charges	286.6	297.6
Tax	23.1	21.5
Rents	18.8	18.6
Fees	9.0	16.5
Subcontracting	75.5	65.8
Asset depreciation and amortisation	65.4	58.1
Other	29.8	37.2
Total expenses by category	670.0	679.7
Cost of sales	199.3	212.5
Operating expenses	470.7	467.2
Total	670.0	679.7

Note 16 Proceeds from asset disposals

The €1.4m gain in the income statement relates to the disposal of two local distributors in the United States, in Pennsylvania and Nevada.

Note 17 Provisions for structure optimisation

Neopost has decided to accelerate a number of programmes aimed at improving the organisation of research and development, the supply chain, and distribution.

With respect to R&D, technological developments and recent acquisitions in the software field have prompted Neopost to merge a number of its R&D centres in order to improve their efficiency.

With respect to the supply chain, Neopost will enhance its processes with two logistics platforms, one in Europe and the other in North America, the systematic use of direct shipment, and the rationalisation of refurbishing units.

In the United States, Neopost has taken major steps to optimize its distribution over the past years, in particular by increasing the proportion of direct distribution and lessening competition between Hasler and Neopost, its two networks. While pursuing these efforts, the Group now intends to migrate to common IT platforms, as quickly as possible, specifically the ERP (Oracle) and postage meter resetting systems, to increase productivity.

These optimisation programmes were provisioned for an amount of €20.5m in the financial statements as at 31 January 2008.

After tax, the impact on net income is only €12.7m.

Note 18 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.

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

	2008	2008 Before structure optimisation	2007
31 January			
Net income (€m)	135.7	148.4	157.3
Number of shares in circulation (thousands)	31,446	31,446	31,907
Stock options exercised, shares bought back for cancellation and liquidity contract (thousands)	(233)	(233)	(409)
Weighted average number of shares in circulation (thousands)*	31,213	31,213	31,498
Weighted average number of stock options in circulation (thousands)	523	523	503
Number of shares, fully diluted (thousands)*	31,736	31,736	32,001
Earnings per share (€)	4.35	4.75	4.99
Fully-diluted earnings per share (€)	4.28	4.68	4.91

* Weighted average over the period.

Note 19 Headcount, employee profit-sharing and share-based payments

19-1: 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	NorthAmerica	UK	Netherlands	Rest of the world	Total
At 31 January 2008	1,669	1,642	666	411	666	5,054
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 2008	1,018	2,605	1,431	5,054
At 31 January 2007	1,047	2,523	1,356	4,926

At 31 January 2008, the Group had 317 temporary staff, compared to 513 at 31 January 2007.

19-2: 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:

(€m)	2008	2007	2006	2005	31 January 2004
Profit-sharing	5.0	6.5	5.2	4.6	4.1
Incentive	1.9	2.1	2.1	1.9	1.9
Stock options	3.0	3.7	2.5	2.0	-
Securities giving access to capital	5.7	1.2	-	-	-

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.

19-3: 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	159,000	41,000	208,460	248,500	33,500	65,000	8,000	494,500	30,000	134,500	1,422,460
• 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	92,664	33,000	151,524	181,905	23,800	55,000	8,000	342,938	8,900	50,050	947,781
• by Chairman ⁽⁴⁾	-	-	25,000	30,000	-	-	-	48,000	-	-	103,000
• by top 10 employees	30,000	33,000	52,000	76,000	23,800	55,000	8,000	140,700	8,900	16,500	443,900
Number of options cancelled ⁽³⁾	51,042	8,000	35,744	41,800	2,600	-	-	43,900	17,000	26,000	226,086
Number of options outstanding at 31 January 2008	15,294	-	21,192	24,795	7,100	10,000	-	107,662	4,100	58,450	248,593

⁽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.

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	5,519	-	11,325	27,595	3,400	32,200	1,600	95,729	1,100	15,550	194,018

900,000 option plan

The Annual General Meeting on 9 July 2003 authorised the set up 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	275,500	33,300	885,300
• 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	94,875	27,400	7,660	-	129,935
• by Chairman ⁽²⁾	40,000	-	-	-	40,000
• by top 10 employees	33,400	4,000	3,160	-	40,560
Number of options cancelled ⁽⁴⁾	8,900	22,200	8,000	-	39,100
Number of options outstanding at 31 January 2008	152,725	270,400	259,840	33,300	716,265

(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	46,675	15,600	6,560	-	68,835

(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 set up 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	15/01/08	Total
Nature of options	Warrant/ purchase	Warrant/ purchase	
Exercise price	97.60	68.10	
Exercise period ⁽³⁾	10 years	10 years	
Number of options awarded	205,000	463,500	668,500
• to Chairman ⁽²⁾	-	15,000	15,000
• to Chief Executive Officer ⁽²⁾	-	40,000	40,000
• to top 10 employees	38,000	56,000	94,000
Number of options exercised	-	-	-
• by Chairman ⁽²⁾	-	-	-
• by Chief Executive Officer ⁽²⁾	-	-	-
• by top 10 employees	-	-	-
Number of options cancelled ⁽⁴⁾	2,000	-	2,000
Number of options outstanding at 31 January 2008	203,000	463,500	666,500

(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.

Information relating to the three plans

No options had matured at 31 January 2008.

The bracket of exercise price of options in circulation at 31 January 2008 was €24.40 to €97.60 (€24.40 to €97.60 at 31 January 2007).

The weighted average residual life of options in circulation was 7.8 years at 31 January 2008 compared with 7.2 years at 31 January 2007.

The weighted average price of options exercised during the period was €38.40 compared with €34.18 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.

	16/01/07	04/07/06	11/01/06	13/01/05
Dividend yield	3.00%	2.42%	2.65%	2.60%
Historical volatility	17.50%	34%	36%	44%
Risk-free interest rate	4.19%	4.08%	3.25%	3.20%
Expected option life	6 years	6 years	6 years	6 years
Stock price of reference	€97.60	€90.90	€85.90	€57.50

The award made on 15 January 2008 is currently being measured. The impact on the financial statements is not material at 31 January 2008.

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

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

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
<i>Awarded on 3 October 2006</i>	<i>5,000</i>
<i>Awarded on 16 January 2007</i>	<i>26,000</i>
<i>Awarded on 16 January 2007: Co-investment</i>	<i>134,100</i>
<i>Awarded on 23 March 2007: Co-investment</i>	<i>24,300</i>
<i>Awarded on 25 September 2007: Co-investment</i>	<i>6,600</i>
<i>Awarded on 15 January 2008</i>	<i>26,160</i>

Number of shares outstanding at 31 January 2008 **97,840**

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.

Neopost put a co-investment plan through a free assignment of shares to the managers. The number of shares allocated is conditioned by performance objectives.

The fair value of the allocated shares is calculated on the basis of the share price on the day of the assignment minus of the value of estimated dividends. The global expense has been calculated on the best estimate of the number of shares whose property will be

transferred, i.e. 50%. The expense has been charged on the duration of the plan.

The allocated shares number will be reviewed at every closing and the estimated expense consequently adjusted, so that the booked expenses are in accordance with the number of shares effectively assigned.

Note 20 Risk management and commitments given and received

20-1: 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 2007 - Asset and liability hedging: Hedging positions covering financial assets or liabilities on Neopost's balance sheet at 31 January 2008 and expected to be realised no later than April 2008.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	DKK
Cash flow hedging						
Financial assets	20.2	18.1	1.7	20.0	5.3	-
Financial liabilities	15.2	26.1	-	-	-	0.2
Net position before hedging	5.0	[8.0]	1.7	20.0	5.3	0.2
Hedging	[5.3]	7.7	[1.7]	[12.5]	[2.0]	-
Net position after hedging	[0.3]	[0.3]	-	7.5	3.3	0.2

■ 2008 BUDGET: hedging positions covering anticipated financial assets and liabilities in financial year 2008, expected to be realised no later than April 2009.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	DKK
Financial assets - forecast	191.7	165.8	13.7	228.3	26.9	-
Financial liabilities - forecast	120.4	198.7	-	-	-	6.5
Net position before hedging	71.3	[32.9]	13.7	228.3	26.9	[6.5]
Hedging	[58.3]	11.1	[9.8]	[120.3]	[8.0]	-
Net position after hedging	13.3	[21.8]	3.9	108.0	18.9	[6.5]

Notes to the consolidated financial statements

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 USD14.0m sold; CAD4.2m sold; GBP4.6m bought, NOK4.0m sold and JPY35.0m 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: GBP3.8m bought, JPY30.0m sold, NOK4.0m sold, USD13.0m sold and CAD3.3m sold.

The amount for the acquisition of PFE International Ltd was hedged by GBP forward purchases for GBP 19.0m and by an asymmetrical options tunnel of GBP 0.8m/GBP 1.5m. All the transactions matured in February 2008.

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 2008. These instruments are listed below by type and by currency for the period to which they relate.

2007 - ASSET AND LIABILITY HEDGING

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
Cash flow hedging						
USD	-	5.3	-	-	-	-
CAD	-	1.7	-	-	-	-
JPY	-	12.5	-	-	-	-
NOK	-	2.0	-	-	-	-
GBP	7.7	-	-	-	-	-

2008 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	-	37.0	21.0	29.0	-	2.0
CAD	-	5.6	4.2	8.8	-	1.2
JPY	-	85.3	35.0	65.0	-	-
NOK	-	4.0	4.0	8.0	-	-
GBP	25.5	-	-	-	11.0	6.5

At year end, the operations shown in the above table are broken down as follows:

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
Cash flow hedge						
USD	-	37.0	21.0	14.0	-	-
CAD	-	5.6	4.2	4.2	-	-
JPY	-	85.3	35.0	35.0	-	-
NOK	-	4.0	4.0	4.0	-	-
GBP	25.5	-	-	-	5.3	5.3

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
Ineffective portion of hedge instruments						
USD	-	-	-	15.0	-	2.0
CAD	-	-	-	4.6	-	1.2
JPY	-	-	-	30.0	-	-
NOK	-	-	-	4.0	-	-
GBP	-	-	-	-	5.7	1.2

INSTRUMENT VALUATIONS

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

Hedging instruments relating to the 2007 fiscal year, i.e. hedging assets and liabilities on the balance sheet as at 31 January 2008, have been fully valued and recognised at their market value at 31 January 2008.

Hedging instruments relating to the 2008 fiscal year, i.e. hedging anticipated financial flows, have been fully valued and recorded at their market value at 31 January 2008. 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.

Amount (millions)	31 January 2007	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	31 January 2008
Financial assets	1.0	1.6	(0.1)	2.5
• Cash flow hedge	0.9	1.6	(0.1)	2.4
• Ineffective hedge	0.1	-	-	0.1
Financial liabilities	0.2	2.3	-	2.5
• Cash flow hedge	0.2	2.3	(0.2)	2.3
• Ineffective hedge	-	-	0.2	0.2

SENSITIVITY OF THE INSTRUMENTS

Concerning the financial instruments hedging the operations realised during full year 2007 and for which the commitments are still in the balance sheet at year end 2007, the hedged and the unhedged positions are not significant and an exchange rate change has no significant impact on the full year 2007 accounts.

Concerning the operations hedging the full year 2008 positions, the sensitivity to an exchange rate change is as follows:

For a 10% increase in foreign currency versus EUR:

Amount (millions)	Impact on equity	Impact on the net income
Financial assets	4.7	-
Financial liabilities	(1.5)	(0.5)

For a 10% decrease in foreign currency versus EUR:

Amount (millions)	Impact on equity	Impact on the net income
Financial assets	(4.0)	(0.7)
Financial liabilities	1.4	0.3

Notes to the consolidated financial statements

CREDIT RISK

All operations are carried out with the 17 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 by maturity:

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 debts	(199.7)	(166.1)	-	(365.8)	(153.8)	(175.6)	-	(329.4)	(0.5)	(0.4)	-	(0.9)
Of which, Fixed-rate debts	-	158.0	-	158.0	-	100.0	-	100.0	-	-	-	-
Corresponding hedge maturities	15.0	145.0	-	160.0	20.0	45.0	-	65.0	-	-	-	-

The corresponding interest flows were calculated based on a constant debt, interest rate conditions at year end and exchange rates at 31 of January 2008. The following schedule is obtained:

Amount (€m)	2008	2009	2010	2011	2012
Interest on fixed rates	11.7	10.7	8.6	5.1	4.3
Interests on the variable rate position	6.2	6.8	11.9	16.9	19.9
Interests on hedging operations	2.5	3.0	1.6	1.6	0.8
Total	20.4	20.5	22.1	23.6	25.0

Sensitivity of the financial results to interest rate changes is as follows:

Amount (€m)	2008	2009	2010	2011	2012
Sensitivity to a 1% decrease in interest rates	2.2	2.5	3.5	4.3	4.6
Sensitivity to a 1% increase in interest rates	(1.8)	(2.1)	(3.1)	(4.0)	(4.6)

For 2008, Neopost's policy was to fix its net interest expenses in advance. As a result, after hedging, 54% of projected Neopost group debt is not exposed to long-term interest rates for the current year. Only 46% of the projected debt remains exposed to long-term rates at 31 January 2008.

HEDGING INSTRUMENTS

Neopost uses standard and 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	USD	-	15.0	-
	EUR	12.5	75.0	-
Cap - buy	USD	20.0	45.0	-
	EUR	2.5	70.0	-
Knock-out cap - buy	USD	-	120.0	-
	EUR	-	45.0	-
Floor- sell	USD	20.0	-	-
	EUR	2.5	85.0	-

■ DERIVATIVE INSTRUMENTS QUALIFIED AS FAIR VALUE HEDGE

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap - buyer	USD	-	75.0	-

■ DERIVATIVE INSTRUMENTS QUALIFIED AS CASH FLOW HEDGE

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Swap - receiver	USD	-	15.0	-
	EUR	12.5	75.0	-
Cap - buy	USD	20.0	45.0	-
	EUR	2.5	70.0	-
Floor- sell	USD	20.0	-	-
	EUR	2.5	47.5	-

■ INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
Knock-out cap - buy	USD	-	120.0	-
	EUR	-	45.0	-
Floor- sell	EUR	-	37.5	-

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.

Amount (€m)	31 January 2007	Premium on new operations	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	31 January 2008
Debt and Swap at Fair Value Hedge	[0.3]	-	-	[0.1]	[0.4]
USPP - USD 75m	1.3	-	-	[3.5]	[2.2]
Swap payer - USD 75m	[1.6]	-	-	3.4	1.8
Financial assets (derivatives)	3.4	0.3	[1.3]	[1.2]	1.2
Derivative instruments qualified as cash flow hedge	2.1	0.2	[1.3]	-	1.0
EUR transactions	2.1	0.2	[1.3]	-	1.0
USD transactions	-	-	-	-	-
Derivative instruments not eligible for hedge accounting	1.3	0.1	-	[1.2]	0.2
EUR transactions	0.1	0.1	-	[0.1]	0.1
USD transactions	1.2	-	-	[1.1]	0.1
Financial liabilities (derivatives)	0.2	0.3	0.1	0.1	0.7
Derivative instruments qualified as cash flow hedge	-	0.2	0.1	0.1	0.4
EUR transactions	-	0.2	0.1	0.1	0.4
USD transactions	-	-	-	-	-
Derivative instruments not eligible for hedge accounting	0.2	0.1	-	-	0.3
EUR transactions	0.2	0.1	-	-	0.3
USD transactions	-	-	-	-	-

SENSITIVITY TO INTEREST RATE VARIATIONS

The impact of an increase by 1% of the interest rates on the accounts for the year ending 31 January 2008 is as follows:

Amount (€m)	31 January 2007	Balance sheet impact	Income statement impact	31 January 2008
Debt and Swap at Fair Value Hedge	(0.4)	-	-	(0.4)
USPP - USD 75m	(2.2)	-	1.2	(1.0)
Swap payer - USD 75m	1.8	-	(1.2)	0.6
Financial assets (derivatives)	1.2	2.6	0.3	4.1
Derivative instruments qualified as cash flow hedge	1.0	2.6	0.2	3.8
EUR transactions	1.0	2.3	0.2	3.5
USD transactions	-	0.3	-	0.3
Derivative instruments not eligible for hedge accounting	0.2	-	0.1	0.3
EUR transactions	0.1	-	-	0.1
USD transactions	0.1	-	0.1	0.2
Financial liabilities (derivatives)	0.7	(0.1)	(0.4)	0.2
Derivative instruments qualified as cash flow hedge	0.4	(0.1)	(0.2)	0.1
EUR transactions	0.4	(0.1)	(0.2)	0.1
USD transactions	-	-	-	-
Derivative instruments not eligible for hedge accounting	0.3	-	(0.2)	0.1
EUR transactions	0.3	-	(0.2)	0.1
USD transactions	-	-	-	-

The impact of a decrease by 1% of the interest rates on the accounts for the year ending 31 January 2008 is as follows:

Amount (€m)	31 January 2007	Balance sheet impact	Income statement impact	31 January 2008
Debt and Swap at Fair Value Hedge	(0.4)	-	(0.1)	(0.5)
USPP - USD 75m	(2.2)	-	(1.3)	(3.5)
Swap payer - USD 75m	1.8	-	1.2	3.0
Financial assets (derivatives)	1.2	(2.3)	(0.2)	(1.3)
Derivative instruments qualified as cash flow hedge	1.0	(2.3)	(0.1)	(1.4)
EUR transactions	1.0	(2.2)	(0.1)	(1.3)
USD transactions	-	(0.1)	-	(0.1)
Derivative instruments not eligible for hedge accounting	0.2	-	(0.1)	0.1
EUR transactions	0.1	-	(0.1)	-
USD transactions	0.1	-	-	0.1
Financial liabilities (derivatives)	0.7	0.9	0.4	2.0
Derivative instruments qualified as cash flow hedge	0.4	0.9	(0.2)	1.1
EUR transactions	0.4	0.8	(0.2)	1.0
USD transactions	-	0.1	-	0.1
Derivative instruments not eligible for hedge accounting	0.3	-	0.6	0.9
EUR transactions	0.3	-	0.6	0.9
USD transactions	-	-	-	-

CREDIT RISK

All operations are carried out with the 17 international banks that take part in the revolving credit facility.

Other commitments given

(€m)	2008	31 January 2007
Bank guarantee 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
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	€0.1m	€0.1m

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20-2: COMMITMENTS RECEIVED

No material commitment has been received to this date.

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Note 21 Information on related parties

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21-1: REMUNERATION OF MANAGERS

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:

The gross remuneration of the management team, including the chairman Jean-Paul Villot and the Chief Executive Officer Denis Thierry is as follows:

(in thousands euro)

Remuneration of corporate officers	2008	31 January 2007
Fixed remuneration	2,225.3	2,081.7
Variable remuneration	1,322.0	1,317.0
Benefits in kind	132.5	23.5
Directors' fees	22.5	25.0
Stock options	1,047.3	1,474.9
Securities giving access to capital	3,957.7	1,174.2
Pensions	1,608.7*	1,438.0*

* Of which €170.7 thousands related to 2007 pension rights versus €161.0 thousands in 2006.

Variable remuneration is determined on the basis of the attainment of Group sales, operating income and working capital requirement targets. Variable remuneration shown in this table is the amount provisionned for the current year.

21-2: REMUNERATION OF DIRECTORS

Directors' fees (€)	31 January 2008
Jean-Paul Villot	15,000
Denis Thiery	7,500
Henk Bodt	40,000
Jacques Clay	35,000
Cornelius Geber	40,000
Michel Guillet	32,000
Éric Licoys	40,000
Michel Rose	27,000
Raymond Svider	29,000
Agnès Touraine	16,500
Total	282,000

To calculate Directors' fees, the following method is used:

- basic fees: €15,000 per year;
- attendance fees: €3,000 per meeting;
- committees members (Nomination committees and appointments committees count for only one committee): €5,000 per year;
- chairing a committee: an additionnal €5,000 per year.

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 \$31,260 in directors' fees from Mailroom Holding Inc. (USA).

21-3 : INFORMATIONS ON INVESTORS

Neopost carried out an analysis of its shareholder base as at 31 January 2008. No shareholder holding more than 3% of share capital has a significant activity of any sort with Neopost.

Note 22 Events after the balance sheet date

At the beginning of March 2008, Neopost close the acquisition of PFE International Limited («PFE»), a private British group and a worldwide supplier of folders/inserters.

Strong complementarities exist between Neopost and PFE's lines of folders/inserters, PFE's offer being strongly focused on the higher

volume market. The activities of PFE acquired by Neopost generated sales of around £26m in 2007.

PFE will be consolidated within Neopost accounts starting in March 2008.

Statutory Auditors' Report on the consolidated financial statements

Year ended January 31, 2008

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the annual financial statements. This report also includes information relating to the specific verification of information in the group management report. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

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To the shareholders,

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In compliance with the assignment entrusted to us by your Shareholders' Annual General Meetings, we have audited the accompanying consolidated financial statements of Neopost S.A. for the year ended January 31, 2008.

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These 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.

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I. Opinion on the financial statements

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We conducted our audit in accordance with the 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.

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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, 2008 and results of its operation for the year then ended in accordance with IFRSs as adopted by the EU.

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II. Justification of assessments

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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:

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Some accounting principles applied by Neopost Group involve a significant amount of judgments and estimates. The application of these judgments and estimates mainly relate to valuation of goodwill, depreciation of intangible and tangible assets, provision for risks and charges, valuation of employees benefits and deferred taxes. Detailed information relating to the application of these accounting principles is given in paragraphs 2, 5, 11 and 13 the notes to the consolidated financial statements.

Our work performed consisted in assessing the figures and assumptions on which these significant judgments and estimates made by the management and which can result from the application of these accounting principles, in order to assess their reasonableness, to compare the estimates of prior periods with the corresponding realizations, and to ensure that notes to the financial statements give relevant information on the assumptions and options used by the Company.

The assessments were thus made in the context of the performance of our audit of the consolidated 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 verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris and Neuilly-sur-Seine, April 15, 2008

The Statutory Auditors
French original signed by

PÉRONNET ET ASSOCIÉS

Olivier Péronnet

ERNST & YOUNG et Autres

Philippe Diu

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Parent company financial statements

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Summary of Neopost S.A. management report

Parent company income statement

Neopost S.A.'s operating loss amounted to (€5.2m) compared with a loss of (€3.4m) at 31 January 2007. Operating revenue consists of sums billed to subsidiaries for assistance, brand royalties and

rebilling of costs paid on behalf of subsidiaries, and amounted to €12.7m (€12.1m at 31 January 2007). This covers part of the operating costs of €18.1m (€15.6m at 31 January 2007).

Net financial income amounted to €101.2m compared with €153.9m last year. The break-down is the following:

(€m)	2008	31 January 2007
Interest charges on external borrowings	(24.3)	(14.5)
Net income on internal loans and borrowings	3.5	(3.3)
Dividends received	143.4	174.8
Write-off of receivables	(2.6)	(0.9)
Revenue from disposals of securities	0.7	0.5
Net gain on foreign exchange and swaps	(7.7)	8.0
Provision for losses on foreign exchange	(9.8)	(6.0)
Provision for impairment of equity investments	(2.0)	(4.7)
Total	101.2	153.9

Net income amounted to €106.7m (€157.5m at 31 January 2007) after taking into account a net tax income of €10.5m (€6.1m at 31 January 2007) resulting from the tax consolidation system.

Parent company balance sheet

Assets

Financial assets

In financial year 2007, Neopost S.A. bought 724,364 shares, i.e. 2.28% of its capital at 31 January 2008 for €67.0m with a view to cancellation.

The movement in financial assets over the period was mainly due to share buy-backs done by Hasler Inc (a subsidiary company) for €32.3m, to the acquisitions of Neopost AG for €9.7m and Valipost for €2.7m and to the decrease in short term loans to the Group's subsidiaries for €13.4m.

Net financial assets amounted to €760.0m at 31 January 2008 compared with €794.0m at 31 January 2007.

Other receivables

Sundry receivables totalled €300.3m at 31 January 2008 compared with €126.0m at 31 January 2007. The break down is the following:

(€m)	2008	31 January 2007
Subsidiary current accounts - cash facility		
Mail Finance	50.6	18.5
Neopost Technologies S.A.	0.6	5.3
Neopost Ltd	7.1	-
Neopost Inc	55.9	64.1
Leasing US	38.0	-
Hasler Inc	23.3	-
Hasler Finance Services	56.1	-
Neopost Japan	1.4	1.5
Mail Leasing GmbH	12.3	6.3
Neopost Srl (Italy)	5.1	4.9
Neopost Canada	15.9	10.4
Satas	0.8	3.7
Neopost Finance Ireland	8.1	1.8
Other	3.5	3.2
Accounts receivable (services invoiced)	7.5	5.9
Tax receivables	12.2	0.4
Other	1.9	-
Total	300.3	126.0

Liabilities

262,853 options were exercised for a total of €10,093,823.87. As a result, share capital increased by €262,853 and additional paid-in capital by €9,830,970.87

Following share buy-backs, there was a capital reduction of 776,834 shares for a total of €68,063,621.93. As a result, share capital decreased by €776,834 and additional paid-in capital by €67,286,787.93.

Allocation was made to retained earnings as approved by the Ordinary General Meeting.

(€)	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 2007	1,00	32,222,905	32,222,905	113,214,465	175,936,138	321,373,508
Capital increase: exercise of options	1,00	262,853	262,853	9,830,971	-	10,093,824
Capital reduction: cancellation of 776,834 treasury shares	1,00	(776,834)	(776,834)	(67,286,788)	-	(68,063,622)
Dividends paid	-	-	-	-	(102,604,643)	(102,604,643)
Net income	-	-	-	-	106,709,419	106,709,419
Shareholders' equity at 31 January 2008	1,00	31,708,924	31,708,924	55,758,648	180,040,914	267,508,486

Summary of Neopost S.A. management report

Debt

Debt at 31 January 2008 and 2007 breaks down as follows:

(€m)	2008	31 January 2007
US private placement	149.4	167.8
Caisses Régionales Crédit Agricole private placement	133.0	133.0
Revolving credit lines	285.9	35.0
Borrowings from subsidiaries	21.3	28.8
Accrued interest	3.9	4.0
Other	-	1.2
Total	593.5	369.8

On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of €750m to replace all Neopost facilities which have been cancelled at the same time (including leasing revolving facilities). The interest rate is indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.20%. This credit line comes to term in June 2012. On request of Neopost, the maturity of the line can be extended to June 2014 thanks to two options of one year each at the sole discretion of each participating bank acting individually. At the end of January 2008, Neopost had drawn €185m and USD150m.

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)	31/01/2004	31/01/2005	31/01/2006	31/01/2007	31/01/2008
Share capital					
Capital at year end	30.3	31.9	32.2	32.2	31.7
Number of shares	30,329,339	31,856,937	32,206,659	32,222,905	31,708,924
Operations and earnings					
Sales	10.1	9.9	11.0	12.1	12.7
Income before tax, depreciation and provisions	44.5	22.3	23.8	162.3	108.4
Income tax	3.4	0.9	11.3	6.1	10.5
Depreciation and provisions	(9.8)	1.6	(1.0)	(10.9)	(12.2)
Net income	38.1	24.8	34.1	157.5	106.7
Income paid out	37.9	111.5	94.2	102.6	112.8
Earnings per share					
Income after tax, before depreciation and provisions	1.58	0.75	1.09	5.22	3.75
Income after tax, depreciation and provisions	1.26	0.78	1.06	4.89	3.37
Dividends paid	1.25	3.50	3.00	3.30	3.65
Employees					
Average employees	20	20	22	21	21
Total wages	2.1	2.5	2.6	3.1	3.9
Employment benefits paid (social security, payroll charges)	1.0	1.2	1.2	3.8	2.7

Dividends

In 2005, Neopost introduced a shareholder return policy aimed at returning to shareholders 100% of the increase in the Group's net equity except in an event of a major acquisition. Returns are made in the form of share buy-backs (minimum 2% of the number of shares in circulation each year) and the rest in the form of dividends.

The Board of Directors has decided to request approval from shareholders at the Annual General Meeting for the payment of an ordinary dividend of €3.65 per share in respect of 2007, up 10.6% compared to 2006 (€3.30 per share).

The proposed total dividend for 2007 amounts to €112.8m.

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

Share buy-back programme

Neopost S.A.'s share buy-back programme was approved by shareholders at the AGM on 10 July 2007 and implemented by the Board of Directors on the same day. Such buy-backs have been used to limit dilution due to the potential exercise of stock options awarded to certain employees.

As part of this program, 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 liquidity of Neopost shares and therefore to make access to the shares easier for a larger number of investors.

Date	Broker	Buy/sell	Number of shares	Price	Amount €	Underlying derivative transaction	Market
02/05/2007	Barclays Capital	Buy	326,333	98.06	32,000,000	Futures purchase maturity 03/28/07 concluded 02/05/07	OTC
07/23/2007	Barclays Capital	Buy	398,031	87.93	35,000,000	Futures purchase maturity 01/23/08 concluded 07/23/07	OTC

Transactions under liquidity contract

At 31 January 2008, the liquidity contract showed a balance of 74,414 shares with a book value of €6,770,271.61 and cash of €2,482,880.66, of which €2,482,350.89 is invested in short-term mutual funds.

The following transactions have been carried out between the start of the programme and 31 January 2008:

■ number of shares held at start of programme:	370,708
■ number of shares bought since start of programme:	560,675
■ number of shares sold since start of programme:	132,605
■ number of shares transferred since start of programme:	nil
■ number of shares cancelled over last 24 months:	1,076,406
■ percentage of share capital owned as treasury stock directly and indirectly:	2.53%
■ number of shares held:	798,778

Shares bought for cancellation

The treasury stock portfolio comprised 798,778 shares at 31 January 2008, of which 74,414 shares are held under the liquidity contract, and 724,364 are held with a view to cancellation.

Transactions are listed below.

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.

New programme

A new share buy-back programme will be presented to shareholders for approval at the AGM on 8 July 2008. 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. 7 July 2008. Such buy-backs 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.

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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:

	2008		2007		31 January 2006	
	Number	%	Number	%	Number	%
Management and employees	708,500	2.234%	698,200	2.167%	582,628	1.81%
Directors	6,153	0.019%	4,186	0.013%	4,086	0.01%
Liquidity contract	74,414	0.235%	43,771	0.136%	52,701	0.16%
Treasury stock held for cancellation	724,364	2.285%	776,834	2.411%	299,572	0.93%
Other shareholders	30,195,493	95.227%	30,699,914	95.273%	31,267,672	97.09%
Total	31,708,924	100.00%	32,222,905	100.00%	32,206,659	100.00%

At 31 January 2008, the Company's capital was made up of 31,708,924 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 2008, four investment funds declared that they had crossed reporting thresholds: Arnhold & Bleichroeder Advisers with 11.13% at 21 January 2008, Fidelity Investments with 10.51% at 26 April 2006, Harris Associates with 5.29% at 30 October 2007, Jupiter Asset management Limited with 6.38% at 2 October 2006.

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

- capital increase through exercise of options: 349,722 shares in 2005, 315,818 shares in 2006, and 262,853 shares in 2007;
- capital reduction through cancellation of 776,834 shares of treasury stock.

Directors' appointments and remunerations

The composition of the Board of Directors, details of directors' appointments and their remunerations are presented in pages 100 and 104 of this reference document.

Remuneration of the Chairman and the CEO

During the period, the details of the remuneration paid by Neopost and its controlled companies to Jean-Paul Villot (Chairman of the Board) and Denis Thiery (Chief Executive Officer) are as follows:

	31 January 2008	
(€)	Chairman	CEO
Fixed remuneration	483,334	283,597
Variable remuneration	670,400	77,929
Directors' fees	15,000	7,500
Benefits in kind	2,744	2,744
Total	1,171,478	371,770
Stock-options	504,131	140,943
Free shares award	1,435,541	807,492

Variable remuneration is based on the Group's results in terms of sales, operating income and working capital requirement. Variable remuneration shown in the table above is the amount paid during the current year in respect to the year before. Directors' fees paid to Messrs Villot and Thierry relates to their appointments in Neopost S.A.

With respect to pensions, the Chairman and the Chief Executive Officer have 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).

The retirement benefit obligation amount at end-January 2008 is €1,608,660 of which €170,660 are related to 2007 pension rights.

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 Messrs Villot and Thierry under article L. 621-18-2 of the Monetary and Financial Code have been submitted to the AMF and published on the Goup website.

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 122 of this reference document.

Risk factors

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 19 of this reference document.

Industrials and environmental risks

Details of industrial and environmental risks may be found on page 19 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.

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Parent company balance sheet

ASSETS

(€m)	Notes	2008	31 January 2007
Intangible assets			
Gross value		6.9	6.8
Amortisation		(6.7)	(6.6)
		<u>0.2</u>	<u>0.2</u>
Property, plant and equipment			
Gross value		0.7	0.7
Depreciation		(0.6)	(0.6)
		<u>0.1</u>	<u>0.1</u>
Financial assets			
Gross value		767.1	799.1
Provisions		(7.1)	(5.1)
	(3)	<u>760.0</u>	<u>794.0</u>
Net receivables			
Net accounts receivable		7.5	5.9
Net other receivables		292.8	120.1
	(4)	<u>300.3</u>	<u>126.0</u>
Short-term investments and cash & cash equivalents			
Short-term investments	(5)	16.8	27.9
Cash & cash equivalents		10.9	14.1
		<u>27.7</u>	<u>42.0</u>
Prepaid expenses			
		-	1.6
Cumulative foreign exchange difference			
	(6)	<u>32.1</u>	<u>22.3</u>
Total Assets		<u>1,120.4</u>	<u>986.2</u>

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

■ LIABILITIES

(€m)	Notes	2008	31 January 2007
Capital		31.7	32.2
Additional paid-in capital		55.8	113.2
Reserves		73.3	18.4
Income for the year		106.7	157.5
Shareholders' equity	(7)	267.5	321.3
Provisions for risks and contingencies			
Provision for risks		32.0	22.3
Provision for contingencies		0.4	0.2
	(8)	32.4	22.5
Debt			
Bank loans		572.2	339.8
Other borrowings and debt		21.3	30.0
	(9)	593.5	369.8
Accounts payable			
Trade payables		3.8	7.0
Other operating liabilities		183.4	238.6
Taxes		0.4	3.1
Deferred income		0.3	0.2
		187.9	248.9
Cumulative foreign exchange difference	(6)	39.1	23.7
Total liabilities		1,120.4	986.2

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

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Parent company income statement

(€m)	2008	31 January 2007
Revenue from services	12.7	12.1
Reversal of depreciation and provisions	0.2	0.1
Revenue from operations	12.9	12.2
Other purchase costs and operating charges	(17.2)	(15.0)
Other expenses	(0.3)	(0.2)
Depreciation and provisions	(0.6)	(0.4)
Operating expenses	(18.1)	(15.6)
Investment income (dividends)	143.4	174.8
Investment income (interest)	17.5	10.8
Other interest and financial income	15.9	18.2
Financial income	176.8	203.8
Interest charges	(63.7)	(39.1)
Commitment commissions	(0.1)	(0.2)
Depreciation and provisions	(11.8)	(10.6)
Financial expenses	(75.6)	(49.9)
Net financial income (expense)	101.2	153.9
Current operating income	96.0	150.5
Extraordinary proceeds from capital transactions	0.2	0.9
Extraordinary income	0.2	0.9
Extraordinary expenses	-	-
Extraordinary net income (loss)	0.2	0.9
Income tax	10.5	6.1
Net income	106.7	157.5

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

Parent company cash flow statement

(€m)	2008	31 January 2007
Net income	106.7	157.5
Depreciation and amortisation charge (reversal)	0.1	0.3
Provisions for risks and contingencies (reversal)	11.0	10.7
Funds generated from operations	117.8	168.5
(Increase) decrease in accounts receivable	(1.5)	(0.6)
Increase (decrease) in accounts payable	(3.2)	2.4
Increase (decrease) in other operating payables and receivables	(224.6)	(24.5)
Cash flow from operating activities (A)	(111.5)	145.8
Investment in other intangible assets	-	(0.1)
Securities acquired and loans granted	32.0	(55.4)
Sub-total investment	32.0	(55.5)
Cash flow from investment activities (B)	32.0	(55.5)
Dividends paid	(102.6)	(94.2)
Parent company capital increase	10.1	10.8
Parent company capital reduction (share buy-back)	(68.1)	(24.6)
New medium and long-term debt	286.0	133.0
Loans repayment	(61.0)	(83.6)
Net change in other debt and accrued interest	(0.1)	0.8
Cash flow from financing activities (C)	64.3	(57.8)
Impact of exchange rate movements on cash and cash equivalents (D)	-	-
Change in net cash & cash equivalents (A) + (B) + (C) + (D)	(15.2)	32.5
Opening cash & cash equivalents	42.0	9.5
Closing cash & cash equivalents	26.8	42.0

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

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Notes to the parent company financial statements

For years ended 31 January 2008 and 31 January 2007.

(All amounts stated hereafter are in millions of euros, except contrary indication.)

Note 1 Presentation of the company

1

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.

2

A second LBO took place in 1997.

3

Note 2 Summary of accounting policies

4

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

5

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

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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 2007 financial statements nor on the opening balance sheet at 1 February 2007.

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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)	2008	31 January 2007
Gross value		
Investments in Neopost Inc.	74.6	74.6
Investments in Neopost (Holdings) Ltd	77.9	77.9
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 Neopost GmbH & Co KG	38.8	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 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 Mail Services	2.5	2.5
Investments in Valipost	2.7	-
Investments in Dynapost	2.4	2.4
Investments in Mailroom Holding BV	26.0	26.0
Investments in Neopost SPRL	0.5	0.5
Investments in Neopost SL	0.0	0.0
Investments in Neopost Industrie AG	0.1	0.1
Investments in Neopost AG	9.7	-
Investments in Neopost Ireland Ltd	1.0	1.0
Investments in Neopost Industrie	0.0	0.0
Investments in Xange Capital	2.7	2.2
Investments in Neopost Norge AS	1.0	1.0
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
Loans to subsidiaries	110.5	123.9
Accrued interest not yet matured on loans to subsidiaries	1.0	1.1
Equity loan to SL	0.3	0.3
Kontu GmbH loan	1.6	1.5
Other securities	69.4	101.7
Liquidity contract	9.3	9.0
Treasury stock	67.0	68.1
Deposits & guarantees	1.5	-
Total gross value	767.1	799.1
Impairment		
Investments in Mailroom Equipment Ltd	(4.6)	(4.6)
Investments in Xange Capital	(0.6)	(0.5)
Treasury stock	(1.9)	-
Total net value	760.0	794.0

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Notes to the parent company financial statements

Neopost S.A. bought back 724,364 or 2.28% of its shares for €67.0m at 31 January 2008 with a view to cancellation. Neopost S.A. also holds 74,414 shares worth €6.8m under a liquidity contract, versus 43,771 shares that represented €4.2m at 31 January 2007.

The movement in financial assets over the period was mainly due to share buy-backs done by Hasler Inc (a subsidiary company) for €32.3m, to the acquisitions of Neopost AG for €9.7m and Valipost

for €2.7m and to the decrease in short term loans to the Group's subsidiaries for €13.4m.

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, it has been maintained on 31 January 2008.

Note 4 Receivables

The total receivables that amounted to €300.3m mainly represent short-term advances to subsidiaries for €278.7m, €7.5m of receivables from subsidiaries and a tax receivable of €12.2m related to the tax consolidation system.

All receivables mature in less than a 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 €10.3m at 31 January 2008. After offset, the translation adjustment asset came out at €32.1m and the translation adjustment liability at €39.1m.

Note 7 Shareholders' equity

	Par value (€)	Number of shares	Capital	Additional paid-in capital	Reserves	Total
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
Shareholders' equity at 31 January 2007	1.00	32,222,905	32.2	113.2	175.9	321.3
Dividends paid	-	-	-	-	(102.6)	(102.6)
Capital increase	1.00	262,853	0.3	9.8	-	10.1
Capital reduction	1.00	(776,834)	(0.8)	(67.2)	-	(68.0)
Income for the year	-	-	-	-	106.7	106.7
Shareholders' equity at 31 January 2008	1.00	31,708,924	31.7	55.8	180.0	267.5

Note 8 Provisions for risks and contingencies

	2008	31 January 2007
Provisions for risks		
Unrealised foreign exchange loss	32.0	22.3
Total	32.0	22.3
Provisions for contingencies		
Retirement obligations	0.4	0.2
Total	0.4	0.2

Note 9 Debt

At 31 January 2008 and 2007, debt breaks down as follows:

	Less than one year	One to five years	More than five years	2008	31 January 2006
Revolving credit facility ⁽¹⁾	285.9	-	-	285.9	35.0
Accrued interest and other	0.1	-	-	0.1	0.1
Bank loans	286.0	-	-	286.0	35.1
Caisse Régionale private placement	-	133.0	-	133.0	133.0
Accrued interest	0.8	-	-	0.8	0.9
CRPP private placements ⁽²⁾	0.8	133.0	-	133.8	133.9
US private placement \$175m	-	117.7	-	117.7	135.1
US private placement \$10m	6.7	-	-	6.7	7.7
US private placement €25m	-	25.0	-	25.0	25.0
Accrued interest	3.0	-	-	3.0	3.0
US private placements ⁽³⁾	9.7	142.7	-	152.4	170.8
Borrowing from Neopost Holdings Ltd	0.6	2.6	-	3.2	4.3
Borrowing from Neopost Holdings Ltd	2.7	10.7	-	13.4	18.1
Borrowing from Neopost Limited	0.9	3.8	-	4.7	6.4
Other	-	-	-	-	1.2
Other borrowings	4.2	17.1	-	21.3	30.0
Total	300.7	292.8	-	593.5	369.8

(1) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of €750 m to replace all Neopost Group facilities which have been cancelled at the same time (including leasing revolving facilities). The interest rate is indexed to Euribor or Libor for the relevant currency over the relevant period of drawdown plus a margin of 0.20%. This credit line comes to term in June 2012. On request of Neopost, the maturity of the line can be extended to June 2014 thanks to two options of one year each at the sole discretion of each participating bank acting individually. At the end of January, Neopost had drawn €185 m and USD150 m.

(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 \$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%.

Notes to the parent company financial statements

The debt resulting from the September 2003 and December 2006 private placements and June 2007 revolving credit facility are subject to covenants such as net debt to EBITDA ratio and minimum net assets.

The shareholders' equity of the Group must not be less than €400m.

The covenant the net debt to EBITDA ratio for the US private placements 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 covenant net debt to EBITDA ratio for the CRPP private placements and revolving credit facility is calculated on the basis of the consolidated financial statements. EBITDA is calculated by adding depreciation for the period to operating income before employee profit-sharing. The net debt to EBITDA ratio must be 3.25 or less.

Failure to comply with these covenants may lead to early repayment of the debt. Neopost complied with all covenants at 31 January 2008.

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Note 10 Income tax

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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 2007, the tax benefit due to tax consolidation was €10.5m.

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Note 11 Information on associated companies

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Figures for associated companies break down as shown below:

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	Associated companies		
	Total	Majority stake	Minority stake
Financial assets	678.9	674.3	4.6
Receivables	286.2	286.2	-
Debt	21.3	21.3	-
Financial expenses	14.0	14.0	-
Financial income	17.5	17.5	-
Dividends	143.4	142.3	1.1

Note 12 Risk management and financial instruments

12-1: 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.

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 2008, 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 company assists Neopost in the Group's exchange rate risk hedging policy and values its portfolios, thus ensuring continuity of methodology and providing an opinion independent of any financial institution.

Neopost S.A., as the 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.

■ **2007 : hedging positions covering financial assets and liabilities on Neopost S.A.'s balance sheet or foreign exchange contracts relating to the 2007 fiscal year.**

	USD	GBP	CAD	JPY	NOK	DKK
Neopost S.A. financial assets	4.7	0.2	0.5	0.6	0.2	-
Foreign exchange contract assets	15.5	17.9	1.2	19.4	5.1	-
Total assets	20.2	18.1	1.7	20.0	5.3	-
Neopost S.A. financial liabilities	3.8	1.2	-	-	-	-
Foreign exchange contract liabilities	11.4	24.9	-	-	-	0.2
Total liabilities	15.2	26.1	-	-	-	0.2
Net position before hedging	5.0	(8.0)	1.7	20.0	5.3	(0.2)
Neopost S.A. hedging	(5.3)	7.7	(1.7)	(12.5)	(2.0)	-
Net position after hedging	(0.3)	(0.3)	-	7.5	3.3	(0.2)

■ **2008 BUDGET: hedging positions relating to the 2008 budget.**

	USD	GBP	CAD	JPY	NOK	DKK
Neopost S.A. projected financial assets	20.4	2.4	2.0	7,3	1,6	-
Foreign exchange contract assets	171.3	163.4	11.7	221,0	25,3	-
Total assets	191.7	165.8	13.7	228.3	26.9	-
Neopost S.A. projected financial liabilities	16.1	2.5	-	-	-	-
Foreign exchange contract liabilities	104.3	196.2	-	-	-	6.5
Total liabilities	120.4	198.7	-	-	-	6.5
Net position before hedging	71.3	(32.9)	13.7	228.3	26.9	(6.5)
Neopost S.A. hedging	(58.0)	11.1	(9.8)	(120.3)	(8.0)	-
Net position after hedging	13.3	(21.8)	3.9	108.0	18.9	(6.5)

Notes to the parent company financial statements

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 USD14.0m sold, CAD 4.2m sold, GBP4.6m bought, NOK4.0m sold, and JPY35.0m 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: GBP 3.8m bought, JPY 30.0m sold, NOK 4.0m sold, USD 13.0m sold, and CAD 3.3m sold.

The amount for the acquisition of PFE International Ltd was hedged by GBP forward purchases for GBP 19.0m and by an asymmetrical options tunnel of GBP 0.8m/GBP 1.5m. All the transactions matured in February 2008.

■ 2007

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	5.3	-	-	-	-
CAD	-	1.7	-	-	-	-
JPY	-	12.5	-	-	-	-
NOK	-	2.0	-	-	-	-
GBP	7.7	-	-	-	-	-

■ 2008 BUDGET

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	37.0	21.0	29.0	-	2.0
CAD	-	5.6	4.2	8.8	-	1.2
JPY	-	85.3	35.0	65.0	-	-
NOK	-	4.0	4.0	8.0	-	-
GBP	25.5	-	-	-	11.0	6.5

INSTRUMENT VALUATION

Hedging instruments relating to fiscal year 2007 have all been valued and recognised at market value at 31 January 2008.

Financial instruments relating to the 2008 budget have not been valued in Neopost S.A.'s financial statements.

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 2008. These instruments are listed below by type and by currency.

CREDIT RISK

All operations are carried out with the 17 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. ⁽¹⁾	Short term loan	USD	34.7	-
Hasler Financial Services. ⁽¹⁾	Short term loan	USD	83.5	-
Neopost Leasing Inc. ⁽¹⁾	Short term loan	USD	56.5	-
Neopost Canada Ltd	Short term loan	CAD	23.6	23.6
Neopost Canada Ltd	Loan	CAD	2.4	2.4
Neopost Int. Supply Ltd	Short term advance	GBP	30.8	24.0
Neopost Ltd	Short term loan	GBP	5.3	
Neopost AG	Short term loan	CHF	6.1	5.0
Neopost Industrie AG	Short term advance	CHF	1.0	
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	218.5	218.5
Neopost Ltd	Borrowing	GBP	2.4	2.4
Neopost Holdings Ltd	Borrowing	GBP	13.5	13.5
Neopost Norge AS	Short term advance	NOK	3.0	3.0
Neopost Norge AS	Loan	NOK	8.8	8.8

⁽¹⁾ Neopost S.A. naturally hedges these loans by drawing USD on its revolving credit facilities.

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.

YEAR-END POSITION

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

(millions)	EUR	USD
Financial assets	-	-
Financial liabilities	344.4	338.3
Net position before hedging	<u>(344.4)</u>	<u>(338.3)</u>
Fixed-rate debt	159.4	103.2
Hedging	160.0	65.0
Net position after hedging	<u>(25.0)</u>	<u>(170.1)</u>

Notes to the parent company financial statements

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	USD	-	15.0	-
	EUR	12.5	75.0	-
Cap - buy	USD	20.0	45.0	-
	EUR	2.5	70.0	-
Knock-out cap - buy	USD	-	120.0	-
	EUR	-	45.0	-
Floor - sell	USD	20.0	-	-
	EUR	2.5	85.0	-

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, in assets was +€1.1m for euro instruments and +\$0.3m for US dollar instruments, in liabilities was +€0.7m for euro instruments.

PLEDGES OF INVESTMENT SECURITIES

None.

OTHER COMMITMENTS GIVEN

	2008	31 January 2007
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
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	13.1	100.00%	61.0	-	61.0		10.4	102.9	9.5	101.7	7.5
Neopost France												
Nanterre	84.00	22.1	100.00%	133.9	-	133.9		15.7	133.9	14.1	132.9	12.3
Mail Finance												
Arcueil	9.50	17.6	90.00%	8.6	-	8.6	51.2	9.9	15.3	3.3	14.9	-
Diva												
Cavaillon	0.04	5.3	100.00%	2.5	-	2.5		0.9	6.3	0.8	6.5	-
Dynapost												
Montrouge	1.60	5.0	35.00%	2.4	-	2.4		1.5		1.7		1.1
Neopost Industrie S.A.												
Bagneux	22.00	2.8	100.00%	0.04	-	0.04		6.1	49.9	9.2	67.9	0.01
Neopost NBG ID												
Cavaillon	0.04	[0.0]	24.00%	0.05	-	0.05		-	-	-	-	-
Mail Services												
Nanterre	2.5	0.4	100.00%	2.5	-	2.5		3.6	40.0	1.7	27.4	1.5
Valipost												
Lens	0.04	-	100.00%	2.7	-	2.7		0.6	3.2	-	-	-
Foreign subsidiaries and equity interests												
Neopost Inc.												
Hayward, California USA	\$0.00	\$16.2	100.00%	€74.6	-	€74.6	\$178.0	\$6.7	\$233.2	\$1.3	\$237.0	-
Mailroom Holding BV												
Drachten Netherlands	€18.15	€[2.8]	100.00%	€26.0	-	€26.0	-	€30.0	Nil	€25.0	Nil	€30.0
Neopost SPRL												
Bruxelles Belgium	€0.52	€6.8	100.00%	€0.5	-	€0.5	-	€2.1	€13.5	€1.7	€12.5	-
Neopost Srl												
Milano Italy	€0.01	€1.5	100.00%	€1.3	-	€1.3	€7.9	€0.8	€12.9	€0.9	€12.1	-
Neopost (Holdings) Ltd												
Romford UK	£48.84	£[49.2]	100.00%	€77.9	-	€77.9	-	£65.2	Nil	£75.2	Nil	£65.0
Neopost SL												
Barcelona Spain	€0.0	€[0.2]	100.00%	€0.0	-	€0.0	€1.1	€0.0	€1.1	€0.0	€0.8	-
Neopost Ireland Ltd												
Dublin Ireland	€0.05	€2.5	100.00%	€1.0	-	€1.0	-	€1.5	€9.3	€0.3	€8.2	-
Mailroom Equipment Ltd												
Dublin Ireland	€0.5	-	100.00%	€4.6	€[4.6]	-	-	-	-	-	-	-
Neopost Industrie AG												
Bern Switzerland	CHF 0.10	CHF 1.4	100.00%	€0.1	-	€0.1	-	CHF 0.5	CHF 0.7	CHF 0.5	CHF 0.7	-

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
Neopost AG												
Bern Switzerland	CHF 0.40	CHF 12.7	100.00%	€9.7	-	€9.7	CHF 6.2	CHF(0.4)	CHF 6.0			
Neopost GmbH & Co KG												
Olching Germany	€4.0	€(10.6)	100.00%	€38.8	-	€38.8	€8.6	€1.9	€51.1	€1.6	€46.7	-
Neopost Holding Ltd												
Croydon UK	£9.314	£3.46	100.00%	-	-	-	-	-	Nil	-	Nil	-
Mailroom Holding Inc.												
Milton Connecticut USA	\$30.0	\$20.8	100.00%	€34.3	-	€34.3	-	\$3.6	\$60.4	\$3.6	\$54.8	-
Neopost Japan												
Tokyo Japan	¥60.0	¥42.6	100.00%	€3.1	-	€3.1	¥219.2	¥16.1	¥445.7	¥5.2	¥491.4	-
Nepost Canada Ltd												
Markham Canada	CAD 7.15	CAD 3.9	100.00%	€5.8	-	€5.8	CAD 26.5	CAD 1.0	CAD 32.9	CAD(1.6)	CAD 41.3	-
Neopost Verwaltungs & Co KG												
Munich Germany	€0.30	€4.1	100.00%	€3.3	-	€3.3	-	€0.2	Nil	€0.0	Nil	-
Neopost Norge AS												
Oslo Norway	NOK 23.40	NOK 1.0	100.00%	€1.0	-	€1.0	NOK 12.0	NOK 2.5	NOK 74.2	NOK(1.6)	NOK 58.9	-
BTA Rüti												
Rüti Switzerland	CHF 10.90	CHF 1.3	100.00%	€7.0	-	€7.0	-	CHF 1.9	CHF 7.6	CHF 0.5	CHF 0.7	-

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Note 14 Remuneration of corporate officers

The remuneration of corporate officers is stated on pages 72 and 105 of this reference document.

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Note 15 Headcount

The average number of employees of Neopost S.A. was 21 in 2007.

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Statutory Auditors' Report on the annual financial statements

Year ended January 31, 2008

This is a free translation into English of the Statutory Auditors' Report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the annual financial statements. The report also includes information relating to the specific verification of information in the management report. This report, together with the Statutory Auditors' Report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

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, 2008, 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 financial statements

We conducted our audit in accordance with the 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, 2008 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 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 ensured of the reasonableness of these estimates.

The assessments were thus made in the context of the performance of our audit of the 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 financial statements;
- the fair presentation of the information given in the Management Report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favor 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 purchase of investments and controlling interests and the names of the principal shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Paris and Neuilly-sur-Seine, April 15, 2008

The Statutory Auditors
French original signed by

PÉRONNET ET ASSOCIÉS
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

Special report of the auditors on certain related-party transactions and commitments *(a free translation of the French original)*

For the year ended January 31, 2008

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

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

In accordance with article L.225-40 of the *Code de commerce* (French Company Law), we have been informed of agreements and commitments concluded and authorised during the year 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

The benefit of the three collective pension plans agreed on October 3rd, 2006, has been maintained for Mr. Denis THIERY appointed Chief Executive Officer on June 19th, 2007.

- pension plan contributions settled in 2001 for its employees. The contribution amounts to 5% of the gross wages which cannot exceed 5 times the annual limit defined by the French social security system.
- an additional defined contribution scheme. 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.
- 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.

II. 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, 2008:

Collective pension plans

Your Chairman of the Board of Directors benefits from the three collective pension plans above-mentioned.

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 7 458 260 € in revenues for NEOPOST S.A for the year ended January 31, 2008.

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 3 991 105 € in revenues for NEOPOST S.A for the year ended January 31, 2008.

Tax consolidation

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

Tax consolidation has generated a tax profit of 10 517 730 € for the year ended January 31, 2008.

Paris and Neuilly-sur-Seine, April 15, 2008

The Statutory Auditors
French original signed by

PÉRONNET ET ASSOCIÉS
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

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Corporate governance

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Board of Directors

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

Chairman

■ **Jean-Paul Villot** (63) 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 was confirmed in his position as Chairman and CEO. On the 23rd of March 2007, the Board of Directors decided to split the Chairman of the Board and the Chief Executive officer positions. This decision took effect on the 19th of June 2007; Jean-Paul Villot remained Chairman of the Board of Directors.

The Chairman's appointment as director was renewed at the AGM which approved the accounts for the year ending on the 31st of January 2007.

Other Group appointments: Director of Neopost Diva (France), Neopost BV (Netherlands), Neopost Holdings Ltd (UK), Member of the supervisory board of Neopost Technologie 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.

Jean-Paul Villot owned 154,711 shares of Neopost at 31 January 2008.

Other members of the Board of Directors

■ **Henk Bodt** (70) 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: None.

Other appointments over the last five years (excluding those listed above): Director of ASML (Holland), DSM (Holland) and Delft Instruments (Holland).

Henk Bodt owned 2,000 shares of Neopost at 31 January 2008.

■ **Bernard Bourigeaud*** (63) was Chairman of the board of Atos Origin from 1991 to the 31st of December 2007. Atos Origin is 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.

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

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

Other appointments: Director of Tibco Software Inc.(USA).

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

Henk Bodt owned 10 shares of Neopost at 31 January 2008.

* Bernard Bourigeaud stepped down from his position at the Board of Directors. This resignation was effective on the 31 January 2008.

■ **Jacques Clay** (60) is Chairman and CEO of Perigee S.A. (France), a French software developer specialized on conception and production of digital and analogical commercial publications. He is also Chairman of Oleastrat SAS (France). 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. Until April 2007, he was CEO of Polyspace Technologie, a verification software developer sold to The MathWorks, Inc (USA).

Other Group appointments: None.

Other appointments: Chairman of supervisory board of Advestigo S.A. (France), director of Wstore Europe S.A. (France), Chairman of supervisory board of Polyspace Technologies (France, until April 2007). He was director of Asterop S.A. (France, September 2007-January 2008).

Other appointments over the last five years (excluding those listed above): In France, Co-Chairman of the supervisory board of Takasic S.A. and Chairman of the supervisory board of Netquartz S.A. (France), which was sold to Wstore Europe S.A. in 2004.

Jacques Clay owned 1,000 shares of Neopost at 31 January 2008.

■ **Cornelius Geber** (56) is currently director of numerous 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), Director of GC Beteiligungs und Management AG (Switzerland) and Vice-Chairman of the board of Inconso AG (Germany).

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), Managing Director of Celanese Europe Holding GmbH (Germany), Director of Celanese AG (Germany), Kiala S.A. (Belgium) and Mory Group (France).

Cornelius Geber's appointment will be submitted to renewal during the Annual General Meeting of 8 July 2008.

Cornelius Geber owned 930 shares of Neopost at 31 January 2008.

■ **Michel Guillet** (63) 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 S.A. (Luxembourg) in 2002.

Michel Guillet owned 515 shares of Neopost at 31 January 2008.

■ **Éric Licoys** (69) is currently Chairman of the association «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 and managing partner at Lazard Frères & Compagnie. 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 Groupe Moniteur Holding (France), MB Electronique S.A., Polly and Chairman of Cocifa SAS.

Other appointments over the last five years (excluding those listed above): Chairman of the supervisory board of Marathon (formerly Finhera, France), Chairman of the board of Financière Photo Europe; Director of Intermediate Capital Group (ICG) (UK) and of Banque Eurofin-HSBC.

Eric Licoys owned 1,350 shares of Neopost at 31 January 2008.

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Board of Directors

- **Michel Rose** (65) 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, UNICEM (Nigeria), Malayan Cement (Malaysia) and Essilor International (France), Chairman of Ecole des Mines de Nancy Foundation.

1 Michel Rose's appointment will be submitted to renewal during the Annual General Meeting of 8 July 2008.

2 Michel Rose owned 295 shares of Neopost at 31 January 2008.

- **Raymond Svider*** (45) 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.

5 Other appointments: Director of STPI France, Tera Consultants France, of BC Partners Ltd (UK), of Intelsat Global Ltd (Bermuda) and Intelsat Ltd (Bermuda), Unity Media SCA (Luxembourg) and Unity Media Management S.A. (Luxembourg), and member of the supervisory board of Finakabel Verwaltungs AG (Germany).

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

9 Raymond Svider owned 50 shares of Neopost at 31 January 2008.

- **Denis Thiery** (52) was appointed Group Chief Executive Officer in June 2007. He joined Neopost as CFO in 1998. From 1991 to 1997, he was CFO of Moorings, a world leader in leisure boat rental based in the US. From 1984 to 1991, he held a number of senior positions with Wang France becoming CFO in June 1989. Denis Thiery started his career in 1979 as auditor with Coopers & Lybrand both in France and the US. He graduated from l'Ecole des Hautes Etudes Commerciales (HEC).

Other Group appointments: Director of Neopost Industrie, of Neopost Technologies, of Neopost France, of DIVA and SATAS (France), of Mailroom Holding BV (Netherlands), Neopost Ireland Limited, Neopost Finance (Ireland) Ltd, Neopost Limited and Mailroom Equipment Ltd (United Kingdom), Neopost SRL and Neopost Finance SRL (Italy), of BTA Digital Works AG (Switzerland), Neopost Mailing Logistic Systems SL (Spain), Neopost Norge AS (Norway), Hasler Financial Services LLC and Mailroom Holding Inc (United States). He is member of the supervisory board of Neopost Technologies BV. He's Co-manager of Neopost Finance BVBA, Executive Director of Neopost Finance Limited (United Kingdom) and President of Mail Finance SAS.

Other appointments: None.

Denis Thiery owned 68,650 shares of Neopost at 31 January 2008.

- **Agnès Touraine** (52) manages Act III Consultants, a consulting firm specialized on growth strategy that she founded in 2003. During her career, she occupied several positions in the publishing sector. Notably, she was CEO of the Publishing and Video Games division in Havas before becoming CEO of Vivendi Universal Publishing. Agnès Touraine graduated in 1978 from Sciences Po Paris and from the law faculty of Paris I. In 1981, she obtained an MBA from Columbia University Business School.

Other Group appointments: None.

Other appointments: Independent administrator for Cable & Wireless and ITV in London, the Fondation de France and she is president of the board at SAIP. She is also a board member of IDATE and of the Women's Forum and member of the Advisory Board for Deutsche Bank.

Agnès Touraine owned 3 Neopost share at 31 January 2008.

The Board of Directors met 6 times in fiscal year 2007. The attendance rate was 81%.

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.

* Raymond Svider's appointment will end after the Annual General Meeting of 8 July 2008. He will not ask for a renewal of his appointment.

No director is elected from among the employees. 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 of the Viénot and Bouton reports, and as defined by the Board of Directors' by-laws (see page 104 for the definition of an independent director).

Such a report was presented to the Board of Directors on 1 April 2008. This confirmed that seven of the Board's members are independent of the Group as at 31 January 2008.

See the Chairman's report on internal control on page 110 for an assessment of the Board's work.

Committees

Remuneration committee

The remuneration committee consists of the independent directors Cornelius Geber and Éric Licoys and of Michel Guillet. 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 2007. The attendance rate was 100%.

Audit committee

The Audit committee consists of the independent directors Henk Bodt, Jacques Clay and of 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 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 twice in 2007. The attendance rate was 100%.

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, Cornelius Geber and Eric Licoys and of Jean-Paul Villot and Michel Guillet. 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 2007. The attendance rate was 100%.

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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. For the full year 2007, the management team includes the following:

Jean-Paul Villot ⁽¹⁾	Chairman and CEO then Chairman of the Board
Denis Thiery ⁽²⁾	CFO, then CEO
Henri Dura	Strategic marketing
Bernard Duret ⁽³⁾	Industry/Research & Development then Project Manager PFE Ltd integration
Dennis Gilham	Relationships with postal authorities and partnerships
Chris Hockey	Human resources
Gérard Keraval	Europe and rest of the world
Alain Midowski	Legal
Patrick Nangle	North America and Japan
Jos Van Stratum ⁽⁴⁾	Logistics System

(1) Jean-Paul Villot stepped down from its position as CEO on 19 June 2007 but remains Chairman of the Board.

(2) Denis Thiery became CEO on 19 June 2007. Bertrand Dumazy replaced him as CFO on 1st February 2008.

(3) Bernard Duret took over the integration of PFE International Ltd acquired in 2008. He is replaced by Philippe Boulanger who becomes Technical Director and by Jean-François Labadie who becomes Logistics Director.

(4) Jos Van Stratum quitted his position as Head of the Logistics System Department. This department is divided in two new different entities. Enno Ebels became Director of Neopost Solutions and Alain Féraud became Director of Logistics Europe.

With the exception of Jean-Paul Villot and Denis Thiery, 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 the Chairman Jean-Paul Villot and the Chief Executive Officer Denis Thiery, is as follows:

(in thousands euro)	2008	31 January 2007
Remuneration of corporate officers		
Fixed remuneration	2,225.3	2,081.7
Variable remuneration	1,238.5	686.6
Benefits in kind	132.5	23.5
Directors' fees	22.5	25.0
Stock options	1,047.3	1,474.9
Securities giving access to capital	3,957.7	1,174.2
Pensions	1,608.7*	1,438.0*

* Of which €170.7 thousands related to 2007 pension rights versus €161.0 thousands in 2006.

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

Variable remuneration shown in this table is the amount paid during the current year in respect to the year before.

Remuneration of managers and directors

Directors

(€)	2008	31 January 2007
Directors' fees		
Jean-Paul Villot	15,000	25,000
Henk Bodt	40,000	30,000
Jacques Clay	35,000	30,000
Cornelius Geber	40,000	30,000
Michel Guillet	32,000	30,000
Éric Licoys	40,000	30,000
Michel Rose	27,000	25,000
Raymond Svider	29,000	30,000
Denis Thiéry	7,500	-
Agnès Touraine	16,500	-
Total	282,000	230,000

To calculate Directors' fees, the following method is used:

Basic fees: €15,000 per year,

Attendance fees: €3,000 per meeting,

Committees members (Nomination committees and appointments committees count for only one committee): €5,000 per year,

Chairing a committee: an additional €5,000 per year.

With the exception of Messrs Villot and Thiery, details of whose remunerations 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 \$31,260 in directors' fees from Mailroom Holding Inc. (USA).

Chairman

(€)	2008	31 January 2007
Remuneration of Jean-Paul Villot		
Gross fixed remuneration	483,333	436,240
Gross variable remuneration	670,400	145,741
Directors' fees	15,000	25,000
Benefits in kind	2,744	2,744
Total	1,171,478	609,725
Stock Options	504,131	709,957
Free shares award	1,435,541	1,174,236

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

Variable remuneration shown in this table is the amount paid during the current year in respect to the year before.

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

With respect to pensions, the Chairman 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 have been submitted to the AMF and published on the Group website.

Chief Executive Officer

	31 January 2008
[€]	
Remuneration of Denis Thiery	
Gross fixed remuneration	283,597
Gross variable remuneration	77,929
Directors' fees	7,500
Benefits in kind	2,744
Total	371,770
Stock Options	140,943
Free shares award	807,492

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

Variable remuneration shown in this table is the amount paid during the current year in respect to the year before.

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

With respect to pensions, the 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 Thiery under article L.621-18-2 of the Monetary and Financial Code have been submitted to the AMF and published on the Group website.

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 Mr Thiery, CEO.

Details of the stock option plans may be found on pages 62 to 64 of this reference document.

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

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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.

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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.

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The shareholders' meeting of 10 July 2007 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.

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Internal control

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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 direct supervision of the CEO and executive committee, and at the direction of the Chairman of the Board. This report is also presented to and discussed by the Board each year.

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Preparation and organization of the Board of Directors' work

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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.

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At 31 January seven out of eleven board members are independent under the definition provided in the joint AFEP/MEDEF report dated October 2003 on «Corporate Governance of Listed Companies» and approved by the appointments committee on 14 January 2004:

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

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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.

Following discussions and a review undertaken by the appointments committee, the Board of Directors has decided to alter the Company's management structure by splitting the positions of Chairman and CEO. The Chairman will henceforward devote himself more to matters of governance and long-term direction, while the CEO will be responsible for managing the Group and implementing the business model.

The CEO was appointed as a director by the Ordinary General Meeting of 10 July 2007. In 2007, a new director who is an active member of the IFA (Institut Français des Administrateurs, French Institute of Directors) was also appointed.

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 six times during the year (the by-laws require a minimum of four meetings per financial year). The average attendance rate was 81%.

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

- budgetary procedure: presentation of draft 2007 budget;
- 2007 outlook and quarterly results;
- cash and debt positions, dividends, launch and monitoring of share buy-backs programmes;
- observations of the audit committee;
- observations of the remuneration committee (eg 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;
- revision of the shareholder's charter;
- Financial Security law: the Chairman's 2007 report on corporate governance and internal control, analysis of IFA recommendations on corporate governance;
- review of Neopost Group's strategy;
- review of proposed acquisitions.

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

Information regarding the agenda for board meetings is sent by management as soon as it is finalised and, wherever possible, several days before the meetings. The Chairman, CEO, 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 or the CEO's obligation to provide information 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 the 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);
- a seminar on 5 July 2007 on strategic issues and growth opportunities for the Neopost Group. This 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 CEO presents market conditions (postal regulations, market trends, competition...);
- the Chief Finance Officer presents the Group's strategy and financial objectives (by country, business...).

Risks are also identified as part of the preparation and presentation of the budget.

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.

Remuneration of the Chairman of the Board and the CEO

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 2007 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.

With respect to pensions, the Chairman and CEO have a defined contribution pension plan (article 83 of the General Tax Code), into which is paid a total of 8% of 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 (this annuity being paid after deduction of that provided by the defined contribution schemes in force).

Remuneration of directors

In 2007, at the suggestion of the remuneration committee, and with the approval of the Board of Directors, the directors' remuneration policy was changed compared with 2006.

The new policy introduces the concept of regular attendance. It also revises down the amount paid in basic directors' fees and proposes additional remuneration for chairing a committee.

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Chairman's report on internal control

Directors' remuneration is as follows:

- basic fees: €15,000 per year (versus €25,000 in 2006);
- attendance fees: €3,000 per meeting;
- committee membership: €5,000 per year in accordance with internal by-laws which specify that «a director's membership of a committee may justify an increase in attendance fees at the Board of Directors' discretion»;
- chairing a committee: an additional €5,000 per year.

Apart from the chairman and CEO (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 \$31,260 in directors' fees from Mailroom Holding Inc. (USA).

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.

Shareholder's charter

With respect to compliance, the by-laws define directors' rights and commitments, with particular emphasis on the confidentiality of information acquired through their work and restrictions on trading in Neopost shares.

Neopost has a shareholder's charter, the purpose of which is to «define rules for trading in Neopost shares by officers, related persons and insiders». This charter was amended in 2007 to take account of developments in European regulations. The charter:

- summarises laws and regulations in force;
- defines key concepts (privileged information, insiders, etc);
- summarises the obligations of confidentiality on officers, authorised persons and insiders;
- specifies rules preventing trading, with an appendix containing a list of open periods during which trading is authorised;
- for the purposes of transparency and prudence, specifies obligations to report to the Autorité des Marchés Financiers, with an appendix containing a model declaration;
- summarises specific provisions relating to stock options and gratis stock.

Every officer, insider or related person must sign an undertaking, certifying that he or she has read and understood the shareholder's charter and undertaking to comply with the terms of the charter.

The Legal department is responsible for monitoring compliance with the charter within Neopost S.A.

At the 5 July 2006 AGM, shareholders authorised the award of up to 320,000 shares of free shares, either in issue or to be issued, for a period of 38 months and the award of up to 960,000 stock options. Awards are described on pages 62 and 64 of this reference document.

Such awards are on the basis of recommendations from the remuneration committee.

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.

Neopost took cognizance of the IFA (Institut Français des Administrateurs) guide entitled «Audit committees - 100 best practices» in January 2008. The guide will be reviewed in 2008 with respect to the current practices of Neopost's audit committee.

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 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.

The Application Guide attached to the AMF Reference Framework was reviewed in 2007 and, with a view to continuous improvement of its internal control procedures, Neopost proposes to put the emphasis on accounting and financial internal control in 2008, making particular reference to this guide.

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 14 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.

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RESPONSIBILITIES AND DELEGATION

Neopost's decentralised structure and its human scale (about 5,000 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.

Delegation of responsibilities from subsidiary chairmen to their main direct subordinates was reorganised in 2007, 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 between support functions and operational functions. Existing profiles on key applications affecting the production of financial information (SAP and Oracle in particular) are reviewed annually by an outside consultant, and action plans are developed.

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;
- 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;
- preparing a programme on innovation and entrepreneurship 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, Netherlands and Canada) 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: creation of a standing skills centre as part of the roll-out of ERP/CRM, such as Business Base, in small subsidiaries).

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 have been included in monitoring during subsidiaries' monthly Operational Reviews.

Another similar survey will be carried out in 2008.

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 system harmonisation plan is being rolled out across subsidiaries.

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 at least 90% (95% on server centres at key subsidiaries).

IT security managers or external specialists have carried out audits of the various subsidiaries on the basis of these procedures, which have helped identify action plans for 2008 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. Tests are also carried out by external consultants to measure the effectiveness of the protection system and develop established procedures and controls. Anti-virus programmes are updated periodically.

As regards user satisfaction with the information systems, Service Level Agreements are gradually being set up between IT departments and subsidiaries, and between subsidiaries to ensure system availability.

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 alert 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 inquiry, 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 and newsletter), but the Group has also rolled out an e-mail alert system providing automatic warning of changes on the Group's intranet site.

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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 2007, this system also made it possible to monitor management indicators; it also makes it possible to produce sales and marketing data for the main subsidiaries.

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.

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.

These Operational Reviews ensure that the actions undertaken by each entity are consistent with the strategy, annual targets and specific projects within the Group. During these meetings, 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 committees review operational managers' results within their areas.

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.

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 CEO, Chief Finance Officer and Chairman before publication outside the Group.

Financial communication is based on the periodic organisation of roadshows in France (9 days), the United Kingdom (9 days), North America (17 days) and the rest of Europe (9 days), as well as presentations of the Group and One-to-One meetings with fund managers or financial analysts (about 300 meetings). At such presentations, the Chairman, CEO, Chief Finance Officer, and Investor Relations Director are the only points of contact with shareholders and analysts.

Neopost's aim is to provide a transparent and regular communication and to listen to its shareholders. In this perspective, Neopost organised an Investors' day in 2007 in Paris which gathered about 60 people. The objective of that day was to reinforce the knowledge of the different businesses of the Group and to partake its vision on market trends and forecasts. This Investors' day came as a complement to the 2 meetings regularly organised on full-year and half-year results and to One-to-One meetings with fund managers 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 several potential areas where the internal control system could be improved, for which specific 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.

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.

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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 dysfunctionality 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.

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 2007, some 20 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. This 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 CEO.

The Group has also launched an ambitious programme of ISO 14001 certification. All subsidiaries have now obtained this certification.

Finally, a programme has been launched to enable the Group to comply with the OHSAS 18001 health and safety standard. The main subsidiaries have now obtained this certification.

In 2007, with the assistance of an outside consultant, the Group also embarked on a process aimed at embedding social, environmental and economic considerations into the very core of its business, and identifying corporate social responsibility (CSR) standards and major challenges.

Finally, in the second quarter of 2008, Neopost will launch a range of mailing machines meeting new eco-design standards.

CUSTOMER RELATIONSHIP MANAGEMENT

A «Net Promoter 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 most of the European subsidiaries and being rolled out in the USA. 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 not yet an internal audit function in the Neopost Group. However, in 2007, with the assistance of an external consultant, the Group started work on setting up an internal audit department. The preparatory phase should be finalised by the end of the first quarter of 2008. Nonetheless, the internal audit department's structure and systems have already been established, as has its working methodology. Programmed audits in the second quarter of 2008 should help refine this methodology. The audit plan should be finalised by the end of 2008, as should training procedures mainly for the Finance department. Neopost has opted for a cross-auditing system consisting of audits being carried out in one subsidiary by employees of another subsidiary or of head office.

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 2008

Work on internal control will continue in 2008.

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;
- introducing internal cross-auditing between subsidiaries and, in 2008, having internal audits of specific processes carried out by external consultants;
- updating identification of the major risks by process, particularly by focusing on other subsidiaries;
- reviewing best audit committee practice as identified by the IFA with respect to Neopost's current practice, with a view to the likely transposition of European Union Directive 2006/43/EC into French law in 2008;
- integrating newly-acquired companies, particularly with respect to applying Group procedures.

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Auditors' report on Chairman's report, prepared in accordance with Article L. 225-235 of the French Company Law (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Neopost S.A., on the internal control procedures relating to the preparation and processing of financial and accounting information.

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This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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To the Shareholders,

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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, 2008.

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It is the Chairman's responsibility to describe in his report the preparation and organization of the Board's work and the internal control procedures implemented by the Company. It is our responsibility to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

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We conduct our work in accordance with the relevant French professional standard. This standard requires that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

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- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

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On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report prepared by the Chairman of the board in accordance with Article L.225-37 of French Company Law (*Code de commerce*).

Paris and Neuilly-sur-Seine, April 15, 2008

The Statutory Auditors

French original signed by

PÉRONNET ET ASSOCIÉS

Olivier Péronnet

ERNST & YOUNG et Autres

Philippe Diu

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Capital

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Authorisations to increase the capital

Neopost S.A.'s shareholders' meeting of 10 July 2007 approved the resolutions set out below, renewing the general authorisation given by the shareholders' meeting of 5 July 2006, and thereby giving the Board of Directors powers for a period of 26 months to:

- 1 ■ 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;
- 2 ■ 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;
- 3 ■ 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, and at the same price as the issuance price;
- 4 ■ 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;
- 5 ■ 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;
- 6 ■ issue ordinary shares or securities giving access to the capital, without preferential subscription rights maintained, on one or
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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;
- carry out capital increases reserved for financial institutions or companies created specifically to implement an employee savings scheme for the benefit of employees of certain foreign subsidiaries or branches of the group equivalent to the existing savings schemes of French and foreign group companies.

The full text of these authorisations is available on request from Neopost S.A.'s head office.

At 31 January 2008, no authorisation to increase the Company's capital had been used.

The Neopost S.A. shareholders' meeting convened for 8 July 2008 to consider the financial statements for the fiscal year ended 31 January 2008 will be asked to renew these authorisations on similar terms.

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 62 to 64 of this reference document. The maximum number of shares that may result from the exercise of these stock options is 1,631,358.

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
31/01/08	Capital increase through the exercise of options*	EUR1	-	-	262,853	31,708,924	EUR 31,708,924
1/04/08	Cancellation of treasury stock	EUR1	-	-	724,364	30,984,560	EUR 30,984,560

* See stock option plans on pages 62 and 64.

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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 2008, the Company's capital was represented by 31,708,924 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 21 of this reference document.

Treasury stock

At 31 January 2008, Neopost group owned 724,364 of its own shares, with a value of €67.0m, with a view to cancelling them. The shares were cancelled by the Board of Directors on 1 April 2008.

In 2005, Neopost signed a liquidity contract with Exane BNP Paribas with a total value of €8m. At 31 January 2008, the Group owned 74,414 shares, with a value of €6.8m, under this liquidity contract.

Changes in share ownership structure

	At 31 January					
	Number of shares	2008 %	Number of shares	2007 %	Number of shares	2006 %
Employees	708,500	2.234%	698,200	2.167%	582,628	1.809%
Directors	6,153	0.019%	4,186	0.013%	4,086	0.013%
Shares held under liquidity contract	74,414	0.235%	43,771	0.136%	52,701	0.164%
Treasury stock held for cancellation	724,364	2.285%	776,834	2.411%	299,572	0.930%
Other	30,195,493	95.227%	30,699,914	95.273%	31,267,672	97.084%
Total	31,708,924	100.00%	32,222,905	100.00%	32,206,659	100.00%

Place of the issuing entity in the Neopost group

Please see Note 4 to the Consolidated Financial Statements, pages 38 to 40 of this reference document.

Pledges, warranties and securities on Neopost's shares or assets

None.

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Neopost shares

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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 by Neopost S.A. of its 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 10 July 2007 shareholders' meeting, and is subject to the following conditions:

- maximum purchase price: €146.41 per share;
- minimum selling price: €78.85 per share;
- 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 2008, Neopost S.A. had used this authorisation and bought 724,364 shares for €67.0m with a view to cancelling them. The Company also bought 74,414 shares, with a value of €6.8m, under the liquidity contract.

A new share buy-back 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 7 July 2008 will be presented for approval to the forthcoming Annual General Meeting on 8 July 2008 convened to consider the financial statements for the fiscal year ended 31 January 2008 (this 18-month authorisation will terminate the authorisation given to the Board of Directors by shareholders at the 10 July 2007 AGM). These purchases will serve in particular to limit dilution from the potential exercise of stock options awarded to certain Group employees.

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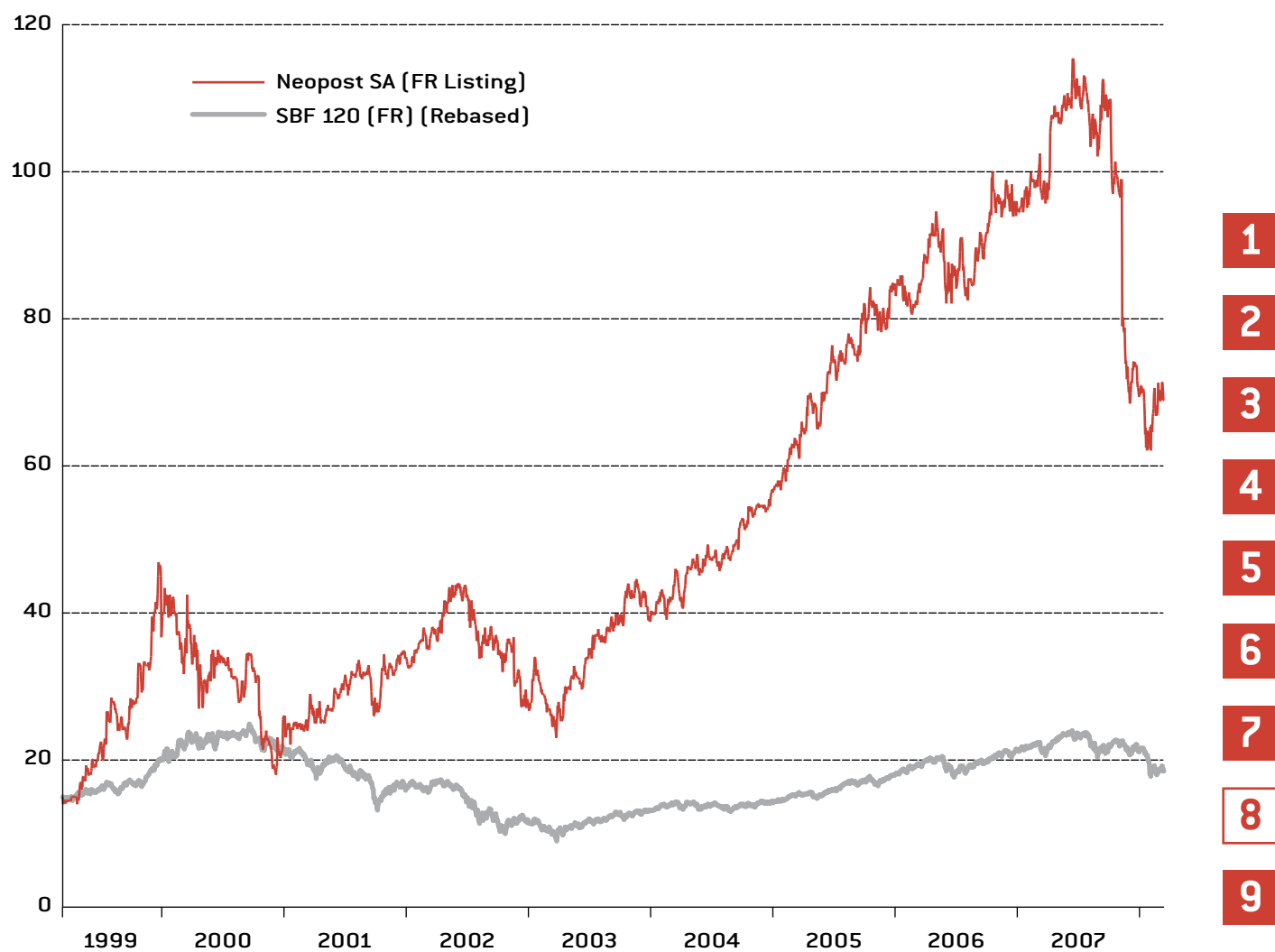
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Share price performance

Relative to SBF 120 from listing on 23 February 1999 until 29 February 2008.



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 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	92.65	127,181	12.11
January 2007	99.90	94.45	133,044	12.90
February 2007	102.54	95.02	127,827	12.66
March 2007	107.45	94.30	171,388	16.95
April 2007	110.00	105.52	123,240	13.25
May 2007	111.28	105.70	93,108	10.17
June 2007	117.44	108.08	171,154	19.20
July 2007	113.80	101.70	272,407	29.94
August 2007	113.00	101.10	137,484	14.62
September 2007	113.68	98.20	209,516	22.28
October 2007	101.84	73.00	415,951	36.16
November 2007	80.65	67.97	416,745	30.72
December 2007	75.50	68.86	221,017	15.94
January 2008	71.39	60.00	311,533	20.06
February 2008	71.80	65.92	163,511	11.27

Dividends

See pages 17 and 78 of this reference document.

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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

Public 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 131).

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 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 with the exception of the closing of the acquisition of PFE, detailed on page 73.

Officers responsible for the reference document and auditors

Officer responsible for the reference document

Denis Thiery, Neopost S.A. Chief Executive Officer

Auditors

Statutory auditors:

■ Ernst & Young & Autres (formerly Barbier Frinault & Autres)

represented by Philippe Diu

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 10 July 2007).

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2013.

■ Peronnet & Associés S.A.

represented by Olivier Peronnet

21-23, avenue Pierre 1er de Serbie - 75116 Paris

Member of the Compagnie Régionale 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 10 July 2007).

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2013.

■ 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.

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Statements by officer
Fees paid to the auditors and members of their networks

Statements by officer

«I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this reference document is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I certify, to my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report on page 14 presents a fair view of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation as well as the main risks and uncertainties to which they are exposed.

I have received a completion letter from the statutory auditors stating that they have audited the information contained in this reference document about the financial position and financial statements, and that they have read the reference document in its entirety.»

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Denis Thiery

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Chief Executive Officer

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Fees paid to the auditors and members of their networks

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In 2007 and 2006:

	Ernst & Young				Péronnet & Associés S.A.			
	Amount (before VAT)				Amount (before VAT)			
(in thousands euro)	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
Audit, certification and examination of individual and consolidated financial statements								
• Issuer	265	257	10%	14%	182	169	93%	92%
• Fully-consolidated subsidiaries	1,596	1,388	59%	74%	14	14	7%	8%
Other due diligence and services directly related to audit								
• Issuer	-	93	-	5%	-	-	-	-
• Fully-consolidated subsidiaries	32	-	1%	-	-	-	-	-
Sub-total	1,893	1,738	70%	93%	196	183	100%	100%
Other services provided by networks to fully-consolidated subsidiaries								
• Acquisitions	499	-	19%	-	-	-	-	-
• Legal & tax	233	110	9%	6%	-	-	-	-
• Other	58	25	2%	1%	-	-	-	-
Sub-total	790	135	30%	7%	-	-	-	-
TOTAL	2,683	1,873	100%	100%	196	183	100%	100%

Information policy

Officers in charge of financial information

Bertrand DUMAZY	Chief Financial Officer
Gaële CHAGNAUD	Investor Relations Officer
Address	Neopost 113, rue Jean Marin Naudin 92220 Bagneux
Telephone	+33 1 45 36 31 39
Fax	+33 1 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

3 June 2008	First quarter 2008 sales press release
8 July 2008	AGM/EGM
15 July 2008	Dividend payment
2 September 2008	Second quarter 2008 sales press release
30 September 2008	First half 2008 results
2 December 2008	Third quarter 2008 sales press release
3 March 2009	Fourth quarter 2008 sales press release
March/April 2009	Full year 2008 results

Publication of information

Information published in «BALO»

9 March 2007	Publication of full-year 2006 sales
4 June 2007	Publication of provisional full-year accounts
6 June 2007	Publication of notice convening shareholders' AGM
6 June 2007	Publication of first quarter 2007 sales
8 June 2007	Appendage to the notice convening shareholders' AGM
5 September 2007	Publication of second quarter 2007 sales
5 October 2007	Publication of first half results
17 October 2007	Publication of final full-year accounts
11 January 2007	Publication of third quarter 2007 sales
5 March 2008	Publication of fourth quarter 2007 sales

Information published in Nanterre court registry

10 April 2007	Capital increase and reduction
1 August 2007	New CEO nomination, Former Chairman and CEO remains Chairman
1 August 2007	Directors Nomination
3 August 2007	Article of association changes
3 October 2007	Full-year parent company and consolidated financial statements

Information published in «Petites Affiches»

5 April 2007	Capital increase and reduction
22 June 2007	Notice convening Annual General Meeting, agenda and formalities
16 July 2007	Voting rights
26 July 2007	New CEO nomination, Former Chairman and CEO remains Chairman, Agnes Touraine and Denis Thierry nominations to the Board of Directors

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_eng.asp

Publication of press releases

6 March 2007	Publication of full-year 2006 sales
27 March 2007	Publication of full-year 2006 results
5 June 2007	Publication of first quarter 2007 sales
18 June 2007	New Management Structure
5 July 2007	2007 Refinancing
4 September 2007	Publication of second quarter 2007 sales
25 September 2007	Neopost announces the acquisition of PFE, a worldwide supplier of folders/inserters
25 September 2007	Publication of first half 2007 results
30 October 2007	US market conditions more difficult than expected
4 December 2007	Publication of third quarter 2007 sales
4 March 2008	Publication of fourth quarter 2007 sales
1 April 2008	Publication of full-year 2007 results

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 2007	Share buy-backs
31 January 2007	Number of shares and voting rights as at 31 January 2007
6 February 2007	Jean-Paul Villot share trading declaration
February 2007	Share buy-backs
6 March 2007	Number of shares and voting rights as at 28 February 2007
March 2007	Share buy-backs
April 2007	Share buy-backs
11 April 2007	Jean-Paul Villot share trading declaration
11 May 2007	Number of shares and voting rights as at 30 April 2007
May 2007	Share buy-backs
June 2007	Share buy-backs
19 July 2007	Number of shares and voting rights as at 31 March 2007
19 July 2007	Number of shares and voting rights as at 31 May 2007
19 July 2007	Number of shares and voting rights as at 30 June 2007
July 2007	Description of share buy-back programme
July 2007	Six-month liquidity contract report
July 2007	Share buy-backs
23 July 2007	Jean-Paul Villot share trading declaration
20 August 2007	Number of shares and voting rights as at 31 July 2007
August 2007	Share buy-backs
18 September 2007	Number of shares and voting rights as at 31 August 2007
September 2007	Share buy-backs
3 October 2007	Jean-Paul Villot share trading declaration
11 October 2007	Number of shares and voting rights as at 30 September 2007
October 2007	Share buy-backs
30 October 2007	Denis Thierry share trading declaration
30 October 2007	Jean-Paul Villot share trading declaration
November 2007	Share buy-backs
17 December 2007	Number of shares and voting rights as at 31 October 2007
17 December 2007	Number of shares and voting rights as at 30 November 2007
December 2007	Share buy-backs
December 2007	Six-month liquidity contract report
24 January 2008	Number of shares and voting rights as at 31 December 2007
January 2008	Share buy-backs
5 February 2008	Number of shares and voting rights as at 31 January 2007
February 2008	Share buy-backs
17 March 2008	Number of shares and voting rights as at 29 February 2008

This information may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/other_information/shares_buy-back/share_buy-back_eng.asp

http://www.neopost.com/investors/regulated_information/permanent_information/directors_operations/managers_operation_eng.asp

http://www.neopost.com/investors/regulated_information/permanent_information/shares/shares_voting_eng.asp

Presentations to analysts

Full-year 2006 results presentation

Interim 2007 results presentation

Full-year 2007 results presentation

These presentations may be consulted on Neopost's website:

http://www.neopost.com/investors/analysts_presentations/analysts_presentations_eng.asp

2006 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_eng.asp

2007 interim report

These documents may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/periodic_information/interim_reports/interim_results_eng.asp

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