

neopost 

2008 Reference Document

WE VALUE YOUR MAIL



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Reference document **2008**



This reference document was presented to the Autorité des Marchés Financiers on 30 April 2009, in accordance with Article 212-13 of the AMF's General Regulations. It may be used to support financial transactions if accompanied by an information statement certified by the AMF. This document was made out by the Company and commits its signatories.

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

The consolidated financial statements, annual accounts and auditors' reports for the year ended 31 January 2008 may be found on pages 23 to 74 and 75 to 98 of the reference document registered with the AMF on 30 April 2009, number D. 08-349.

The consolidated financial statements, annual accounts and auditor's 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 2008, number D. 07-364.

The management reports for 31 January 2008 and 31 January 2007 may be found on pages 13 to 22 and 13 to 22 of reference documents D. 08-349 and D. 07-364.

1 Neopost group activity

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Key figures

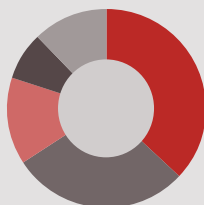
Neopost generated sales of €918.1m in 2008, reflecting an organic growth of 6.1% at constant exchange rates. This growth was accompanied by an improvement of 50 bps in current operating margin from the new 2007 starting point including the accounts of PFE, the British company specialized in higher volume folders/inserters. This performance demonstrates the capability of the Group to keep on generating profitable growth in difficult economic situation.

Neopost decided to propose to shareholders an ordinary dividend of €3.80 per share relative to 2008 fiscal year, up 4.1% year on year. An interim dividend of €1.65 euro per share was paid on January 15, 2009. The balance, i.e. €2.15 per share will be paid on July 15, 2009. In addition, in 2008, Neopost also bought back 2.0% of its share capital.

Sales by country

Neopost's sales breakdown by geography is balanced. In 2008, despite a difficult economic situation, the Group is generating growth on all its markets, excluding currency impacts.

2008



North America 37% (+2.3%*)

France 29% (+4.2%*)

United Kingdom 14% (+5.1%*)

Germany 8% (+19.5%*)

Rest of the world 12% (+17.2%*)

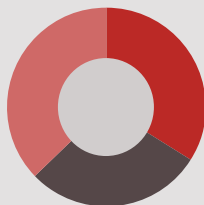
2007

North America 38% France 28%
United Kingdom 16% Germany 7%
Rest of the world 11%

Sales by revenue category

In 2008, recurring revenues, which account for 66% of sales, drove the top line growth (+10.8%*) of the Group; while equipment sales were slightly decreasing (-2.0%*).

2008



Equipment sales 34%

Rental and leasing 29%

Services and supplies 37%

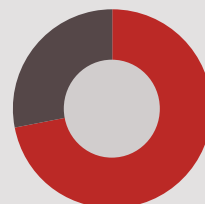
2007

Equipment sales 37%
Rental and leasing 30%
Services and supplies 33%

Sales by business

In 2008, sales of both business lines grew. Document and logistics systems recorded a stronger growth, increasing its share of total sales to 28% thanks notably to the acquisition of PFE.

2008



Mailing systems 72% (+4.0%*)

Document and logistics systems 28% (+12.0%*)

2007

Mailing systems 73%
Document and logistics systems 27%

* excluding exchange rate effects.

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Sales

+6.1%

at constant exchange rates

Current operating margin

25.7%

of sales

Dividend

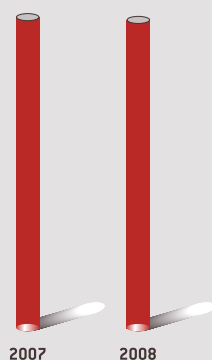
3.80€

per share

**Current operating income
(€m)**

In 2008, current operating income slightly decreased by 0.5% due to the integration of PFE. However including PFE over 11 months in 2007 current operating margin would have improved by 50 bps.

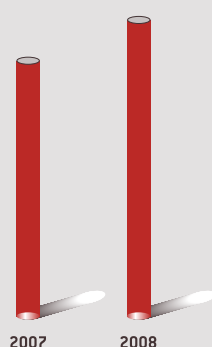
237.1 235.9

**Net income
(€m)**

In 2008, net income increased by 15.7% compared with 2007.

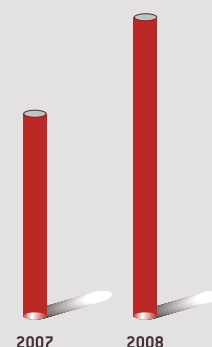
This is essentially due to a good control on financial results, and a decrease in taxes.

135.7 157.0

**Leverage ratio**

Given the growth in financial activities and of numerous acquisitions realized during the year, Neopost's leverage ratio (net debt to EBITDA)⁽¹⁾ rose in 2008 as expected.

1.5 2.2



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(1) EBITDA (€301.2m) is the sum of current operating income (€235.9m) and depreciation of tangible assets (€47.9m) and intangible assets (€17.4m).

Activity

Neopost is a major supplier of mailroom equipment. The Group offers to its customers solutions facilitating incoming and outgoing mail bringing strong added value. The Group hence offers solutions for addressing, folding and inserting, franking, as well as tracking and tracing of letters and parcels. Neopost also offers a large range of services including consulting, maintenance, financial services and online services. In a postal sector which has entered a major period of change, Neopost anticipates the needs of the post offices and its customers by bringing to the market new services and technological innovation.

Market

The size of the market of the mailroom equipment is estimated to be about €5 ⁽¹⁾ billion of sales per year. Neopost is ranking number 2 worldwide on that market, with a market share of about 25% ⁽²⁾ of the installed base of the Franking machine. Its 2 main competitors are Pitney Bowes and Francotyp Postalia with market shares of about 63% ⁽²⁾ and 9% ⁽²⁾ respectively.

Customers

Neopost's customers are issuers of mix mail, i.e. non standardized mail. They are mainly small and mid size companies and administrations. The Group has about 800,000 customers around the world.

Postal Authorities' role

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

The postal sector has entered a major period of change. Around the world, postal services are facing new competition and new economic conditions due to globalisation, deregulation, privatisation in some countries, and growing customer demands. The mail preparation function is becoming increasingly critical and sophisticated and offers new business opportunities to mailroom equipment suppliers, notably with the acceleration of the renewal of the installed base of equipment and the need for new tools, accessories, software and services.

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 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 20% to 50% depending on the country. They also 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 January 2011.

Operating a mailroom

Each day in the mailroom starts with the arrival of mail delivered by the postal service in the morning and ends with the franking and shipment of mail in the evening. Neopost supplies equipment, machines, software and services to cover all steps in the incoming and outgoing mail handling chain. Neopost provides important advice and training in organising mailrooms, and selecting equipment and furniture according to each customer's particular needs.

Automated mail opening

Neopost produces several models of mail openers/extractors capable of handling various letter size and paper quality. Most of them possess an empty envelope detector that guarantees that all contents have been taken out. The operator therefore concentrates on meticulous sorting, dispatching the letters into sorting baskets.

Management of incoming mail and traceability of important mail

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. Neopost supplies also software that simplifies the monitoring of sensitive letters that are often legal or financial in nature by checking and tracking. The same software can be used for outgoing mail.

[1] Neopost estimates.

[2] Postal statistics and Neopost estimates as at end 2007.

Addresses complying with postal standards

The addressing systems made by Neopost convert files directly into postal addresses. It prints the addresses on envelopes in compliance with postal standards to enable automatic reading.

Automated insertion equipment

Neopost offers a competitive range of folders/inserters for the office (entry level) and the mailroom (mid range) segments. These systems completed with software to interface with databases make it possible to publish, prepare for insertion, combine and route documents (pay slips, invoices, sales mail shots...). These automatic insertion solutions, compatible with all standard-sized envelopes, are productivity tools, working 10 to 100 times faster than by hand. The Group also offers maintenance on these systems. These systems being Internet connected the maintenance can be operated remotely for a better efficiency.

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

Solutions for shipping parcels

Neopost also markets a whole range of products and services for parcel management, from shipper to recipient. Neopost's product offering in this field consists in particular of shipping stations, specialist terminals or software, which help manage the whole information flow relating to parcel shipping: database management, price selection, shipping document printing, package marking and tracking. Each day, Neopost processes and manages hundreds of thousands of items of information and transportation documents. Neopost thus became a partner of major carriers in France and in United Kingdom.

Strategy

Neopost strategy is articulated around the following pillars: capitalise on technological and regulatory developments, enhance Neopost's mid-end and high-end position, improve distribution, continue developing recurring services, improve profitability. This strategy generates recurring and sustainable growth.

Capitalise on technological and regulatory developments

Innovation is a key strength of the Neopost model. Changes in postal standards are a factor accelerating the technological obsolescence of mailing systems since they require equipment to be replaced and improved. Decertification and changes in postal pricing systems offer users the opportunity to increase their mail processing efficiency

Intelligent franking

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.

Neopost's offer in mailing systems combines franking machines, franking management software solutions, accessories like postal scales capable to weigh on the fly, ink cartridges and other supplies to operate them, as well as all other franking machine-related services such as maintenance (possibly remote) and update of new postage prices. The range of inkjet digital franking machines Internet connected can handle from 1,200 up to 15,000 letters per hour depending on the model.

With an installed base of more than 700,000 franking machines, i.e. about 25%⁽⁴⁾ market share, Neopost is the second worldwide supplier of mailing equipment.

Financing solutions

Neopost offers customised financing solutions for all equipment and services which it sells. By matching financing to the lifetime of the mail equipment, its customers can develop the equipment in line with their needs at the end of the leasing programme. The Group also offers long term rentals in countries where regulation makes it mandatory, i.e. France for the entire franking machine, USA and Canada for the meter. Recently the Group launched a new financial service: postage financing. This service was first launch in the US. With postage financing, the customer is certain to have the necessary franking credit in his machine at any time.

and productivity. Neopost provides the resources to exploit these through its range of mailing and document systems, peripherals and accessories, along with services. Close collaboration between the R&D department and the teams responsible for postal service relations enables the Group to anticipate major developments in the industry and changes specific to each market. Neopost's R&D is concentrated on the development of products and solutions meeting the new standards while improving ease of use, performance and reliability. The Group spends from 4.5% to about 5% of its revenue excluding R&D tax credit to developing future generations of the machines, software, infrastructure and networks which manage information flows between customers and post offices and/or shippers. Technological development and Neopost's various acquisitions in software prompted the Group to decide at the end

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

⁽⁴⁾ Postal statistics and Neopost estimates as at end 2007.

of January 2008 to combine some of its R&D centres with a view to improving their efficiency.

Enhance Neopost's mid end and high end position

Enhancing the product range in the middle and high end of the market is a way of increasing revenue per customer, and is aimed at generating higher margins. This commercial strategy still offers major opportunities in both mailing and document systems. It encourages sales of supplies and related services, as well as cross-selling of document systems, such as folders/inserters. This latter activity is a major growth driver and one in which the Group is building up its top end product range through the acquisition of PFE, a worldwide player in the market for high capacity folders/inserters.

In April 2008, the Group launched a new range of mailing systems which includes very substantial advances in connectivity, software and accessories. This new range targets the middle segment of the market, which accounts for 50% of the worldwide installed base of mailing machines. This is the most important launch by Neopost since 2004.

Improve distribution

Neopost uses two distribution methods: direct and indirect. By increasing direct distribution, Neopost is gradually improving its sales organisation which brings it closer to its customers and enables it to have a greater control of sales strategy and marketing investment. This strategy is therefore a source of additional revenue. Neopost is implementing it by acquiring distributors in its European and North American markets. In the US, where Neopost has operated through two different networks following the acquisition of Ascom Hasler in 2002, the strategy has been accompanied by a policy of unifying distribution. A series of distributor acquisitions, and sometimes disposal of territories, has led to 53% of the US market being covered by direct distribution at the end of January 2009, compared with 31% at the end of 2004. 2008 brought eleven acquisitions both in Europe, where six distributors were taken over, and in the United States, where Neopost acquired five distributors. In the US, while continuing

the optimisation of its distribution, the Group now wishes to complete unification of its tools, integrated management software, enterprise resource planning (Oracle) and franking machine recredit systems. These initiatives will help improve both the networks' efficiency and customer service quality.

Continue developing recurring services

The Group is continuing its strategy of expanding in services by regularly enhancing its range. This includes consulting, installation and maintenance of equipment and software, training, consumables supply, online and financial services. Such services offer Neopost's customers still more innovative solutions and have a positive impact on Group operating margin. The revenue coming from services are recurring by nature and amounted to 66% of sales in 2008.

Improve profitability

Neopost pursues a strategy of steady improvement in profitability. Strategy is based on driving the business mix toward higher end products, selling supplies and consulting, and expanding financial and online services. Strategy is also based on improving distribution and specific programmes: investing in information systems, Customer Relationship Management tools, rationalisation plans and plans to increase the profitability of subsidiaries with scope for improvement. This sustained policy has already delivered major profitability gains year by year. At the beginning of 2008, Neopost decided to implement a plan to speed up the pace of optimisation, aimed at enhancing productivity and competitiveness. Programmes have been established for research and development, the supply chain (storage and refurbishment centres, direct shipment) and distribution, (see page 14).

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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. The 3 main R&D centres are in Bagneux (France) for mailing systems, in Austin (USA) for Software Solutions and in Drachten (Netherlands) for document management systems. More than 300 engineers and technicians work at these centres.

Neopost also subcontracts part of its R&D efforts to Vietnam.

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 three assembly centres: Lude (France) for middle and top of the range mailing systems, Drachten (Netherlands) for middle range document systems, Loughton (United Kingdom) for high-end document systems. These three centres employ close to 900 people.

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

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

Distribution

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

The Group has fully owned subsidiaries in 15 countries accounting for a total of 95% ⁽⁵⁾ of the worldwide installed base of mailing systems: Austria, Belgium, Canada, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Spain, Sweden, 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 essentially dedicated to Neopost products and have signed long-term distribution contracts with Neopost.

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	24,302	7,800	6.8	0.1
North America	2,230	-	45,111	12,263	5.6	0.4
UK	1,557	6,158	8,910	-	1.3	0.1
Germany	-	-	8,006	-	0.5	-
Rest of the world	4,323	8,848	11,922	-	1.4	-
Total	11,183	24,526	98,251	20,063	15.6	0.6

⁽⁵⁾ Postal statistics at end December 2007 and Neopost estimates.

Investments

In 2008, Neopost invested €84.3m, before acquisitions of distributors and loans, compared with €60.8m in 2007 and €80.2m in 2006. Details of investments are shown in the table below:

(€m)	31 January 2009	31 January 2008	31 January 2007
Acquisition of rights and licences	28.3	4.5	4.8
Capitalisation of research costs	9.0	8.5	8.7
Acquisition of equipment	8.0	11.5	7.7
Replacement of installed base of franking machines	30.9	27.7	48.6
Other investments	8.1	8.6	10.4
Total	84.3	60.8	80.2

The Group also invested in 2008, €77.1m to acquire distributors or companies allowing expanding its offer, notably PFE, compared with €31.1m in 2007 and €19.0m in 2006.

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

Neopost expects to invest lower amounts excluding acquisitions in 2009 than it did in 2008.

The Group also expects to continue making acquisitions of distributors in Europe and the US in 2009.

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

Neopost, already world number two, strengthened its position significantly with the acquisition of Ascom Hasler in 2002, 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.

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

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2 Management discussion and analysis

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Review of the Neopost group's financial position and results in 2008

Full year 2008 sales showed an increase of 6.1% year-on-year at constant exchange rates compared with full year 2007.

This figures includes PFE ⁽¹⁾, a British company specialized in high capacity folders/inserters acquired by Neopost at the beginning of March 2008.

Current operating margin was 25.7% of sales, a 50 base point increase compared with 2007 current operating margin recalculated to include PFE over 11 months (25.2%).

Net attributable income increased by 15.7% compared with 2007. 2008 net income was up 5.8% compared with 2007 net income restated for provisions related to optimisation programmes.

Fully-diluted earnings per share increased by 18.7%

Income statement

(€ million)	31 January 2009		31 January 2008	
Sales	918.1	100.0%	907.1	100.0%
Cost of sales	(210.2)	(22.9)%	(199.3)	(22.0)%
Gross margin	707.9	77.1%	707.8	78.0%
R&D expenses	(38.7)	(4.2)%	(48.3)	(5.3)%
Selling expenses	(224.9)	(24.5)%	(216.8)	(23.9)%
G&A expenses	(123.7)	(13.5)%	(122.3)	(13.5)%
Maintenance & other operating expenses	(75.7)	(8.2)%	(72.7)	(8.0)%
Employee profit-sharing	(9.0)	(1.0)%	(10.6)	(1.2)%
Current operating income (EBIT)	235.9	25.7%	237.1	26.1%
Proceeds from disposals and other	0.4	-	1.4	0.2%
Provision for optimisation	-	-	(20.5)	(2.3)%
Operating income	236.3	25.7%	218.0	24.0%
Financial results	(22.0)	(2.4)%	(28.8)	(3.2)%
Income before taxes	214.3	23.3%	189.2	20.8%
Taxes	(57.9)	(6.3)%	(54.0)	(5.9)%
Results of associated companies	0.5	0.1%	0.5	0.1%
Minority interests	0.1	-	-	-
Net attributable income	157.0	17.1%	135.7	15.0%

Sales growth in 2008

Over the full year 2008, Neopost reached €918.1m in sales, an increase of 6.1% compared with 2007 at constant exchange rates.

Sales of mailing systems increased by 4.0% (at constant exchange rates) and accounted for 71.6% of total Group sales.

The strong increase in sales of document and logistics systems (up 12.0% excluding currency impact) is explained by the successful integration of PFE, and the Group's marketing policy of developing cross-selling.

(1) For information, PFE activities acquired by Neopost.

Slight growth in North America

In 2008, sales amounted to €337.8m. Over the full-year, sales grew by 2.3% excluding currency impacts against the backdrop of difficult economic situations. The Group benefited from the success of the new range of IS mailing systems and the decertification of non-digital franking machines by end-December 2008.

Good performance in France

Over the full year, sales amounted to €266.0m. Sales for 2008 are up 4.2% compared with 2007, which constitutes a solid performance given the tough economic environment.

Sales growth in the UK

In 2008, sales amounted to €127.3m. Over the full year, sales increased by 5.1% excluding exchange rate effects in a difficult environment.

Strong growth in Germany

Sales amounted to €74.1m in 2008. Over the full year, sales were up 19.5%. 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 in July 2007.

Strong growth in the rest of the world

Neopost's sales reached €112.9m. Over the full year, sales grew by 17.2% excluding exchange rate change.

Strong development of the recurring revenues

Recurring revenues strongly increased in 2008 (+10.8% excluding exchange rate impacts). This performance is explained by the growth of financial services, increasing supplies sales, growing services and maintenance revenues and several postal rate changes. At end January 2009, recurring revenues represent 66.4% of total sales.

As expected, equipment sales decreased by 2.0% excluding exchange rate impacts. This decline is explained by the tougher economic environment and by a high comparison base.

Continuing effort in research and development

In 2008, R&D expenses were maintained at a high level. R&D cash expenses were €43.5m in 2008 compared to €47.6m, i.e. 4.7% and 5.2% of 2008 and 2007 sales.

The R&D expenses accounted for in the income statement vary from one year to the other due to the application of the IFRS norms. R&D expenses reached 4.2% of sales in 2008 compared with 5.3% a year ago.

A significant proportion of the research and development spending was capitalised during the year €9.0m at 31 January 2009 compared with €8.5m at 31 January 2008.

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.

Successful product launch

The Group successfully launched a new range of mailing systems (the IS range), in the United States, the United Kingdom, Germany and Sweden, targeting the mid-range market which represents about 50% of the Neopost range. For Neopost this was the most important product launch since 2004. The new range was very well received by distributors, customers and the sales force. Launch of this new range will be rolled out in other European countries during 2009.

Good integrations of 2008 acquisitions

The Group made good progress in 2008 on integrating and developing companies acquired during the year.

NBG ID, an RFID tracking technology integrator acquired by Neopost in February 2008, signed a contract with Metro/DHL for tracking DHL deliveries to Metro stores, for the tagging of about 1.3m pallets a year. This is the largest roll-out of RFID technology in France to date. NBG ID is also working on promising new pilots.

The integration of PFE, which was acquired in March 2008, is complete. PFE's distribution networks have been aligned with Neopost's (territories disposed of, direct networks merged, indirect networks merged). The Group sold certain non-core PFE activities and eliminated overlap in PFE and Neopost's entry-level folder/inserters ranges. PFE's products have also been integrated into Neopost's logistics chain, and suppliers have been pooled.

The Group confirms that PFE activities will reach a current operating margin of about 15% by 2010.

The integration of Rena, a company specialising in address printers acquired in April 2008, has also been completed.

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Continuing strengthening of direct distribution

With a view to continuing to improve distribution, Neopost continues to increase its direct distribution in Europe and in the United States.

In Europe, Neopost acquired six distributors in 2008, particularly in Germany, Norway, Sweden and Switzerland.

In the United States, the Group also bought five distributors in California, Connecticut, Minnesota and in the state of New York. At the end of January 2009, the proportion of the installed base covered by the direct distribution network had risen to 53% compared with 31% at the end of 2004.

The market coverage optimization policy will continue in 2009.

Optimisation programmes are proceeding well

Neopost decided in 2008 to accelerate a number of programmes aimed at improving the organisation of research and development, the supply chain, and distribution.

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

In R&D, the process of merging three centres in the United States into one has been completed.

As regards the supply chain, the various optimisation programmes will be completed by the end of the first half of 2009. These involve in particular the reorganisation of logistics functions around two platforms, one in Europe and the other in North America, bringing into widespread use direct factory to customer shipment and rationalising refurbishment plants for old franking machines.

Optimisation of distribution in the United States is in progress. The head offices of the two distribution subsidiaries will be merged in Milford (Connecticut) by summer 2009. The various call centres will be transferred to Dallas, also by summer 2009. Finally, unification of information systems, in particular ERP and franking machine re-credit systems will be completed by the end of 2010.

The Group confirms that the provisions recognised in the 2007 accounts are sufficient and that these optimisation programmes should lead to annual savings of around €6 to €7m by 2010.

Current operating margin increased by 50 bps

Current operating margin ⁽²⁾ was improved by 50 basis points to 25.7% in 2008, compared with group operating margin in 2007 which, recalculated to include PFE for 11 months. This improvement was particularly related to a sharp increase in recurring revenue and continuous efforts to improve profitability and to the exchange rate risk management (USD and GBP) and its neutral impact on margins.

Current operating income amounted to €235.9m at 31 January 2009 compared with €237.1m a year earlier.

Financial result strongly decreased

Financial result was down sharply to €22.0m compared with €28.8 million in 2007.

This was due on the one hand to financial expenses being virtually flat at €27.4m in 2008, compared with €26.9m the year before, despite an increase in net debt, and on the other hand to €5.2m of exchange rate gains compared with a €2.2m exchange rate loss the previous year.

Decrease in tax rate

The average tax rate decreased to 27.0% in 2008 versus 28.5% in 2007.

Net income and earnings per share sharply increased

2008 net attributable income amounted to €157.0m compared with €135.7m in 2007, an increase of 15.7%. Net income was 17.1% of sales.

Net income was up by 5.8% in 2008 compared with 2007 when restated for provisions for optimisation programmes.

Including the effect of share buybacks during the period, fully-diluted earnings per share was up 18.7%.

Excluding provision for optimisation programmes, EPS increased by 8.5%.

Shareholder return

The board meeting decided to propose to the Annual General Meeting of shareholders the approval of an ordinary dividend of €3.8 per share, a 4.1% increase compared with 2007 (€3.65 per share).

This €3.80 dividend per share would represent a total amount of €116m and a dividend yield close to 7% based on the share price as the closing price of the 30 March 2009 (€55.23). In terms of share buyback, excluding the liquidity contract, the Group bought 623,848 shares (i.e. 2.0% of the capital) between 1 February 2008 and 31 January 2009 for an amount of €42.0m.

The Group decided to initiate an interim dividend policy to have its shareholders benefit from its recurring cash flows. On 15 January 2009 the Group paid an interim dividend on account for 2008 amounting to €1.65 per share. The remaining portion of the dividend (i.e. €2.15 per share) will be paid on 15 July 2009 after approval of the Annual General Meeting of shareholders.

(2) Current operating margin = current operating income / sales.

For 2009, the Group plans to maintain its policy of paying an interim dividend. It will limit share buybacks to the dilution related to the exercise of stock options and will maintain a high dividend.

New share buyback programme

A new share buyback programme involving a maximum of 10% of the issued share capital at a maximum purchase price of 1.3 times the average closing price of the last 60 closing prices will be presented for approval to the shareholders' AGM to be held on 7 July 2009.

Cash flow and financial position

Key features of 2008 were the following:

- cash flow after net cost of debt and taxes reached a high level of €219.4m;
- a slight increase in working capital requirement excluding leasing, exchange rate impacts and perimeter effects essentially due to an inventory decline and increase in prepaid income;
- increase of the clients financing for €51.3m related to the increase in financial services (leasing and postage financing);
- a strong net investment which amounted to €159.0m. Of this, €74.7m was for the acquisition and disposal of distributors in the USA and Europe, and €9.0m 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 €111.4m in dividends for 2007 and for 2008 an interim dividend of €50.3m;

- buyback of 335,178 shares for cancellation, for €22.9m;
- buyback of 288,670 shares with the aim to respect the obligations of the stock-option and free share plans attributed to employees and Directors of the Group, for €19.1m.

Neopost ended financial year 2008 with net debt of €668.7m, up €222.9m compared with 2007, i.e. a gearing of 1.5.

The Group points out that net debt is to finance its customers. At 31 January 2009, the leasing portfolio amounted to €495.7m while the net value of the leased assets amounted to €86.9m. This net value of the leased assets is well below the future cash flows coming from the rental business. Therefore, net debt is backed by future cash flow from its rental and leasing businesses.

The increase of the net debt is under control and reflects the Group ambition to make its financing activities grow. The increase in 2008 is higher than the annual average increase observed between 2004 and 2007 (around €85m) due to the acquisition of PFE for €34.8m, the interim dividend payment for €50.3m and exchange rate effects for €46m. The interest coverage ratio is 13.7 and the leverage ratio is 2.2 (i.e. net debt/EBITDA)⁽³⁾.

There is no restrictions on the use of the Group cash. Neopost is, however obliged to comply with debt covenants (see risk factors below). The Group had unused credit lines of €263 at January 31, 2009.

Financial instruments

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

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

exchange rate trends every day and alert the Group Treasurer in the light of the strategy in place.

Foreign currency risk hedging

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

⁽³⁾ EBITDA (€301.2m) is the sum of current operating income (€235.9m) and depreciation of tangible assets (€47.9m) and intangible assets (€17.4m).

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

Interest rate risk hedging

To limit the impact of a rise in interest rates on its interest expenses, the Neopost group has a risk-hedging policy aimed at protecting a maximum annual interest rate for the three years ahead at all times.

Neopost has introduced a policy of centralising its interest rate risk, enabling it to monitor the Group's overall interest rate risk exposure and to gain full control over the market instruments used in hedging operations. The Group hedges its interest rate risk depending on its current debt levels, but also according to likely future movements in debts, arising from drawings on its revolving credit facilities.

Financial instruments are carried by the legal entities that have the corresponding debt on their balance sheet.

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 2009, the Group was complying with all covenants.

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 -€2.0m on euro debt and -\$1.5m 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 +€2.0m on euro debt and +\$1.4m on dollar debt.

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 2009 budget, the breakdown of sales and costs in dollars is: sales 37%, cost of sales 46%, operating costs 33%, interest expenses 29%. The Group is therefore naturally hedged and should be able to preserve its operating margin and net margin,

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however the dollar performs against the Euro. A 10% change in the dollar from the budget rate of 1.35 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales - €33.3m, operating income - €9.0m and net income - €5.4m.

On the basis of the 2009 budget, the breakdown of sales and costs in British pounds is: sales 17%, cost of sales 46%, operating costs 11%. A 10% change in the British pound from the budget rate of 0.8 would have the following impact on the Group's income statement, after allowing for existing hedging instruments: sales - €15.3m, operating income - €1.0m and net income €1.6m.

Interest rate risk

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

Risks related to the Group's operations

Postal authorities regulations

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

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

Competition

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

to maintain or increase its market share in the markets in which it already operates, or penetrate new markets.

Technological developments and new markets

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

Dependence on customers and suppliers

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

The main supplier of the Group is Hewlett Packard for inkjet printing heads and cartridges. It accounts 12.5% of total Group purchases. The top 5 suppliers and the top 10 suppliers respectively account for 26.3% and 28.6%. In 2007, the main suppliers represented 14.4%, 27.9% and 30.4%. A disruption in supply from these suppliers might significantly affect the Group's business, although clauses in the contracts do guarantee the Group against this risk. The Group has already put in place alternative solutions in case such an event might occur.

Forecasts

Neopost provides to its shareholders information on its 2009 forecasts. These forecasts have been formulated based on the Group 2008 budget and the 3-year plan. These forecasts have also been formulated based on market conditions as at beginning 2009, namely existing competitive dynamics between mailroom equipment suppliers and the economic conditions of the countries in which the Group operates. If market conditions happen to change in a significant way, the Group could not guarantee to reach its guidances.

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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2 Management discussion and analysis

Risk factors

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Risk related to shares

This risk is not significant to Neopost

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 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 or with strong difficulties 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.

The “operating damage and loss” insurance programme has been renegotiated on the 1 February 2009, it allows to bring the cover amounts from €61m to €90m per claim and to obtain a long-term agreement for 2 years to hedge against a hypothetical increase in insurance premiums in 2010.

The insurance programme which covers “transport risks” has also been renegotiated on the 1 February 2009. It allowed to reduce the premium rate and to maintain the pricing conditions for 2010 while maintaining the cover amounts to €500,000 per claim. The insurance programme which covers “liability” had been renegotiated on the 1 February 2008 for a two-year period with a maintained cover of €30m per claim.

The total cost of insurance amounted to €0.6m in 2008.

The Group’s insurance are regularly updated to reflect the Group’s scope of consolidation and to cover industrial risks within the global insurance market framework.

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

Social and environmental information

The following information is in accordance with NRE (new economic regulation) legislation and decree 2002-221, dated 20 February 2002. The information in this paragraph refers to Neopost group’s two production companies in France and the Netherlands which employed 797 people at 31 January 2009.

Health and safety

Indicator	Unit	31 January 2009	31 January 2008
Frequency rate of accidents at work	$\frac{\text{Number of accidents} \times 10^6}{\text{hours worked}}$	12.8	13.4
Seriousness rate of accidents at work	$\frac{\text{Number of days off} \times 10^3}{\text{hours worked}}$	0.1	0.1

Training

Indicator	Unit	31 January 2009	31 January 2008
Total number of hours training during year	Hours	11,452	15,394
Number of employees involved in at least one training session in year	Number	587	587

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Environmental information

	Unit	31 January 2009	31 January 2008
Water consumption	m ³	4,989	4,841
Electricity consumption	Kwh	3,983,900	3,945,601
Gas consumption	m ³	412,132	318,505
Waste packaging produced	Tonnes	709	818
Industrial waste produced	Tonnes	1,438	1,509
Of which dangerous waste	Tonnes	47	53*
% recycled	%	85%	83%

* In 2007, the dangerous waste mass included only the Drachten factory in the Netherlands representing 12 tons, by adding the Le Lude factory the dangerous waste mass would have been 53 tons.

Ownership structure

At 31 January 2009, Neopost S.A.'s share ownership was as follows:

	Number	%
Management and employees	746,661	2.395%
Directors (non-executive)	7,054	0.023%
Shares held under liquidity contract	71,529	0.229%
Treasury stock held for cancellation	335,178	1.075%
Treasury stock held for stock option and free share allocations	228,370	0.733%
Arnhold & Bleichroeder ^(a)	4,300,400	13.795%
Jupiter ^(a)	1,729,800	5.549%
Fidelity Investments ^(a)	1,682,900	5.399%
Marathon Asset Management ^(a)	1,560,400	5.006%
Harris Associates ^(a)	1,230,500	3.947%
Other shareholders	19,279,903	61.849%
Total	31,172,695	100.000%

^(a) Source: IPREO as at 31 January 2009.

To the Group knowledge, there is no other shareholder owning more than 3% of the capital or of the voting rights. Neopost group is controlled neither directly nor indirectly. There is no shareholders' pact which would entail a change in control.

Outlook

In 2009, the Group will continue to benefit from the roll-out of the IS range in its main markets, increasing recurring revenue, the positive effects of the growing share of direct distribution and recent acquisitions such as PFE.

As a result, assuming no further deterioration in the economic environment, the Group should generate between 1% and 3% sales

growth in 2009, excluding currency impact, while current operating income should reach at least 25.7% of sales.

There have been no significant changes in the Group's commercial or financial positions from the date of close of 2008 accounts up to publication of this report.

Report of the Statutory Auditors on the profit forecast

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 standards applicable in France.

To the Chairman of the Board of Directors,

In our capacity as Statutory Auditors and in compliance with the EU Regulation 809/2004, we hereby report on the profit forecast for Neopost group which is included in section 2 "Promising prospects" of its 2008 reference document.

In accordance with EU Regulation 809/2004 and the relevant CESR guidance, you are responsible for the preparation of this forecast and its principal underlying assumptions.

It is our responsibility to express our conclusion, pursuant to Appendix 1, paragraph 13.2 of the EU Regulation 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 of 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 explanation 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 the forecast and that we do not express a conclusion on its achievability.

We conclude that:

- this profit forecast has been properly compiled on the basis stated;
- the accounting methods applied in the preparation of the 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 reference document, 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 29, 2009

The Statutory Auditors

French original signed by

PERONNET & ASSOCIES
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

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Consolidated balance sheets

CONSOLIDATED ASSETS

(€m)	Notes	31 January 2009	31 January 2008
Goodwill	(5)	669.6	575.0
Intangible fixed assets			
Gross value		197.7	158.4
Amortisation		(131.7)	(111.1)
	(6)	66.0	47.3
Tangible fixed assets			
Gross value		548.7	563.6
Depreciation		(403.9)	(429.0)
	(7)	144.8	134.6
Other financial assets non-current			
Other investments in associated companies		2.9	2.9
Other available for sale assets		4.2	2.8
Other financial fixed assets non-current		25.1	8.7
Provisions for impairment of available for sale assets		(0.7)	(0.6)
	(8)	31.5	13.8
Net long-term lease receivables	(10)	319.4	283.0
Other net long-term receivables		9.2	5.4
Deferred tax assets	(13)	18.1	44.5
Total non-current assets		1,258.6	1,103.6
Net inventories	(9)	45.5	43.3
Net receivables			
Net accounts receivable		167.7	156.9
Net short-term lease receivables		176.3	142.3
Income tax receivables		20.8	22.2
Net other receivables		19.2	12.9
	(10)	384.0	334.3
Prepaid expenses		27.8	32.2
Financial instruments	(19)	0.4	4.7
Cash & bank accounts			
Short-term and liquid investments		0.2	17.0
Cash and cash equivalents		132.6	132.6
Total		132.8	149.6
Total current assets		590.5	564.1
Total assets		1,849.1	1,667.7

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

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■ CONSOLIDATED LIABILITIES

(€m)	Notes	31 January 2009	31 January 2008
Shareholders' equity			
Share capital		31.2	31.7
Issue and conversion premium		7.1	52.7
Reserves and retained earnings		337.2	370.8
Translation variance		(50.0)	(24.5)
Treasury stock		(46.1)	(73.6)
Net income attributable to equity holders		157.0	135.7
Minorities shareholders		(0.1)	-
Total Shareholders' Equity		436.3	492.8
Long-term provisions	(11)	11.1	42.1
Debt	(12)	304.4	284.8
Other non-current liabilities		17.9	-
Deferred tax liabilities	(13)	32.7	25.9
Total non-current liabilities		366.1	352.8
Accounts payable			
Trade payable		61.4	53.5
Other operating liabilities		199.3	204.2
Income taxes		52.3	60.0
Short-term provisions	(11)	37.7	22.9
Deferred income		183.1	167.0
		533.8	507.6
Financial instruments	(19)	15.8	3.9
Debt			
Short-term portion of long-term debt		495.0	300.5
Bank overdrafts		2.1	10.1
	(12)	497.1	310.6
Total current liabilities		1,046.7	822.1
Total liabilities		1,849.1	1,667.7

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

Consolidated profit and loss accounts

(€m)	Notes	31 January 2009	31 January 2008
Sales	(14)	<u>918.1</u>	<u>907.1</u>
Current operating expenses	(15)		
Cost of sales		(210.2)	(199.3)
R&D expenses		(38.7)	(48.3)
Sales and marketing expenses		(224.9)	(216.8)
Administrative expenses		(123.7)	(122.3)
Service and other operating expenses		(75.7)	(72.7)
Employee profit-sharing, share-based payments	(18)	(9.0)	(10.6)
Total current operating expenses		<u>(682.2)</u>	<u>(670.0)</u>
Current operating income		<u>235.9</u>	<u>237.1</u>
Impairment of goodwill		-	-
Proceeds from asset sales	(16)	0.4	1.4
Provisions for structure optimisation		-	(20.5)
Operating income		<u>236.3</u>	<u>218.0</u>
Interest charges		(28.0)	(27.4)
Interest incomes		0.6	0.5
Net cost of debt	(12)	<u>(27.4)</u>	<u>(26.9)</u>
Losses on foreign exchange		(4.7)	(3.8)
Gains on foreign exchange		9.9	1.6
Net gains (losses) on foreign exchange	(19)	<u>5.2</u>	<u>(2.2)</u>
Other financial gains (losses)		0.2	0.3
Share of results of associated companies		0.5	0.5
Income before tax		<u>214.8</u>	<u>189.7</u>
Income taxes	(13)	(57.9)	(54.0)
Net income before results of businesses divested		<u>156.9</u>	<u>135.7</u>
Profit after tax of businesses divested		-	-
Net income		<u>156.9</u>	<u>135.7</u>
Of which:			
Attributable to equity holders		157.0	135.7
Minority interests		(0.1)	-
Basic earnings per share (€)	(17)	<u>5.10</u>	<u>4.35</u>
Fully-diluted earnings per share (€)	(17)	<u>5.08</u>	<u>4.28</u>

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

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Consolidated cash flow statements

(€m)	31 January 2009	31 January 2008
Net income	156.9	135.7
Depreciation (reversal) of tangible assets	47.9	47.2
Amortization (reversal) of intangible assets	17.4	18.2
Provisions (reversals)	(21.6)	4.5
Gains (losses) on changes in fair value	7.4	0.5
Proceeds (expenses) on stock options	6.9	8.7
Net gains (losses) on disposals of fixed assets	0.4	1.4
Share of results of associated companies (net of dividends received)	0.5	0.5
Other items	3.6	1.7
Cash flow after net cost of debt and taxes	219.4	218.4
Tax charge (including deferred taxes)	57.9	54.0
Net cost of debt	28.0	27.4
Cash flow before net cost of debt and taxes	305.3	299.8
(Increase) decrease in inventories	7.0	5.7
(Increase) decrease in accounts receivable	(5.1)	(20.7)
Increase (decrease) in accounts payable	1.3	(4.1)
Increase (decrease) in other current assets and liabilities	(15.9)	(11.4)
Net change in lease receivables	(51.3)	(63.4)
Cash flow from operating activities	241.3	205.9
Interest paid	(28.4)	(27.4)
Income taxes paid	(27.1)	(48.3)
Net cash flow from operating activities (A)	185.8	130.2
Production and acquisition of tangible fixed assets	(47.0)	(44.4)
Investments in intangible fixed assets	(37.3)	(16.4)
Financial investments	(77.1)	(31.1)
Sub-total investments	(161.4)	(91.9)
Disposals of fixed assets	4.9	1.7
Repayment of loans and other long-term advances	(2.5)	(2.3)
Net cash flow from investing activities (B)	(159.0)	(92.5)
Parent company capital increase	7.3	10.1
Share buyback - held for cancellation	(22.9)	(67.0)
Share buyback - liquidity contract	2.3	(2.8)
Share buyback – Stock options and free share attribution plan	(14.7)	-
Dividends paid to shareholders	(161.7)	(102.6)
New medium and long-term borrowings	179.8	287.2
Change in leasing debt ^(a)	-	(129.8)
Repayment of long-term borrowings	(14.9)	(37.3)
Net change in other debts and accrued interest not yet matured	0.3	3.2
Net cash flow from financing activities (C)	(24.5)	(39.0)
Effect of exchange rate movements on cash and cash equivalents (D)	(11.1)	(8.1)
Change in net cash (A) + (B) + (C) + (D)	(8.8)	(9.4)
Net opening cash	139.5	148.9
Net closing cash	130.7	139.5
Cash	132.8	149.6
Bank overdrafts	(2.1)	(10.1)
Net closing cash	130.7	139.5

[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

(€m)	31 January 2009	31 January 2008
Income for the year	156.9	135.7
Actuarial variances recognised on the balance sheet	11.4	-
Change in fair value of hedging instruments	(8.8)	(1.9)
Deferred taxes	(3.5)	0.6
Translation variance	(25.6)	(25.8)
Total income and expense recognised directly on the balance sheet	(26.5)	(27.1)
Total income and expense for the year	130.4	108.6

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

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Changes in shareholders' equity

(€m)	Par value in €	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 2007	1.00	32,222,905	32.2	110.2	466.0	(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)			-	-	-	(67.0)	-	(67.0)
Treasury stock - liquidity contract (+30,643 shares)			-	-	-	(2.1)	-	(2.1)
Dividends			-	-	(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
Movements in 2008: Net income			-	-	156.9	-	-	156.9
Total income and expense recognised in shareholders' equity			-	-	(0.9)	-	(25.6)	(26.5)
Total movements in 2008			-	-	156.0	-	(25.6)	130.4
Capital increase: exercise of options (188,135 shares)	1.00	188,135	0.2	7.1	-	-	-	7.3
Capital reduction (724,364 shares)	1.00	(724,364)	(0.7)	(52.7)	(13.6)	67.0	-	-
Treasury stock in process of cancellation (335,178 shares) ^(a)			-	-	-	(22.9)	-	(22.9)
Treasury stock - liquidity contract (-2,885 shares) ^(b)			-	-	-	(1.8)	-	(1.8)
Treasury stock – Stock option and free share plan attribution (288,670 shares) ^(b)			-	-	-	(19.1)	-	(19.1)
Free share attributed (60,300 actions)			-	-	-	4.4	-	4.4
Dividends ^(c)			-	-	(111.4)	-	-	(111.4)
2008 Interim dividends ^(e)			-	-	(50.3)	-	-	(50.3)
Share-based payments			-	-	6.9	-	-	6.9
Consolidated shareholders' equity at 31 January 2009	1.00	31,172,695	31.2	7.1	494.1^(d)	(46.0)	(50.1)	436.3

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

(a) Buy-back of 335,178 shares for €22.9m, with view to cancellation.

(b) The Group holds 71,529 shares under its liquidity contract and 228,370 shares to cover its liabilities related to stock-options and free share attribution plans for €19.2m at 31 January 2009 versus 74,414 shares for €6.8m at 31 January 2009. Under the liquidity contract, shares cannot be sold discretionarily by Neopost except in case of contract termination. Exane BNP Paribas was mandated for a one-year period with tacit renewal for the implementation of this contract. 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 €3.65 per share.

(d) The fair value of the derivatives instruments represented a €0.3m gain at the beginning of the year versus €7.5m at the end.

(e) Interim dividend of €1.65 per share paid on 15 January 2009.

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 2009 and 2008.

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

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

Neopost was created in 1992 through a leveraged buyout (LBO) of Alcatel's mail processing equipment division. A second LBO took place in 1997. In February 1999, the Group listed on the Paris stock market. Since then, Neopost has made acquisitions of various sizes, of which the largest was the purchase in 2002 of Ascom Hasler - the mailing systems division of Swiss company Ascom - which ranked third in the world in its market, and the acquisition in 2008 of PFE International Ltd a worldwide folding/inserting company.

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

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

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

Neopost S.A. shares are listed on section A of Euronext Paris and are components of the SBF 120 index.

The consolidated financial statements were approved by the Board of Directors on 31 March 2009.

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 2009 have been prepared under the international standards IAS/IFRS accounting standards, as applicable on 31 January 2009 as approved by the European Union.

The referential is available on the European Commission website:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

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

The presentation basis of the financial information at 31 January 2009, described in the following notes results from the international accounting norms at 31 January 2009 known to this day. The norms and interpretations, adopted by the European Union, with an obligatory application since 2008, had no impact on the accounts.

The Group has decided to use the option offered by the amendment to IAS 19 "Employee benefits" that consists in the systematic recognition of all actuarial differences in a separate caption of shareholder's equity.

The Group has not applied in advance the regulations that are compulsory for financial years starting after 1 January 2009:

- Amendment IAS 1: Presentation of Financial Statements;
- Amendment IAS 23: Borrowing Costs;
- IFRS 8: Operating Segments;
- IFRIC 13: Customer Loyalty Programmes;
- Amendment IFRS 2: Share-based Payment;
- IFRIC 14: The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.



Moreover the Group does not apply the following texts, which were not adopted by the European Union at 31 December 2008:

- IFRS 3R: Business Combinations;
- Amendments IAS 27: Consolidated and Separate Financial Statements;
- Amendment IAS 39: Financial Instruments: Recognition and Measurement;
- Amendments IAS 32 & IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation.

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. 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: 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, Neopost Software & Integrated Solutions AG, Japan, Neopost Ag and Neopost Sverige AB). 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.

2-3: 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.

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.

2-4: PROPERTY, PLANT & EQUIPMENT

Property, Plant & 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 and Office buildings	20 to 40 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

2-5: NON-CURRENT FINANCIAL ASSETS

All assets are 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, assets 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 assets held for trading purposes are charged to the income statement. Gains and losses on assets available for sale are posted to a specific line under shareholders’ equity, until the asset is sold or it has been demonstrated that the asset 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 assets intended to be held to maturity, such as bonds, are then valued at amortised cost using the effective interest rate method. For assets recognised at amortised cost, gains and losses are charged to the income statement when the assets are released or impaired, as well as through the amortisation process.

For assets that are traded on organised financial markets, the fair value is determined by reference to the published market price on the accounting date. For assets where there is no published market price on an active market, the fair value is determined by reference

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to the current market value of another virtually identical instrument, or calculated on the basis of the asset's expected cash flow.

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

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.

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.

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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.

Commitment to purchase minorities

In accordance with IAS 32/39, sell options granted to minority shareholders are recognised as debt measured at the estimated exercise price of the option. The relevant portion of subsidiaries' net assets is transferred from "Minority interests" to "Borrowings and debt". Under current standards and interpretations, and pending the implementation of the IFRS 3 revision, the Group has decided to recognise as goodwill the difference between the exercise price of the option and the value of minority interests transferred to debt. Minority interests' share of net income is unchanged and still reflects the proportion owned by minorities.

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;
- future cash flow hedges;
- net investment hedges.

FAIR VALUE HEDGES

Changes in the fair value of derivative instruments are charged to the income statement. At the same time, the item hedged is also 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.

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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, the Netherlands, 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 and rental contracts is presented under deferred income and recognised as sales pro rata, reflecting the degree of progress of the transaction.

2-18: 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.

2-19: 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.

2-20: 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.

2-21: IMPAIRMENT OF GOODWILL

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

2-22: 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.

2-23: 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

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information and the amounts presented under income and expense for the year were drawn up.

The main material estimates made when preparing the financial statements relate in particular to retirement benefit obligations, deferred taxes, 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.

2-24: 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 by the weighted average number of ordinary shares in circulation during the year, adjusted for the effects of dilutive options.

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.

2-25: 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.

2-26: 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

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

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

Subsidiaries controlled directly by the parent company or through other subsidiaries are consolidated using the full consolidation method. Stake in associated companies in which the investor is exercising a significant influence is consolidated using the equity method. Significant influence is assumed when the investor controls directly or through subsidiaries 20 % or more of the share capital of the company.

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 2009 includes in particular the following new entities:

- Neopost S.A. acquired PFE International Ltd, a British firm specializing in high-volume folders/inserters. This company is wholly-owned by Neopost S.A. and fully consolidated, since the 5 March 2008;

- Priority Mailing Systems LLC has been incorporated between Neopost Inc and PMS Inc. It is fully consolidated in the financial statements as at 31 January 2009, Neopost Inc owning 58% of total shares. The Group has accounted for minorities interest according to the accounting norm described in Note 2-15;
- Rena GmbH, fully consolidated, is wholly-owned by Neopost S.A. since the 30 March 2008. Rena GmbH will be the "Address printing" centre of expertise of Neopost group;
- Neopost S.A. acquired a distributor in Sweden and created a subsidiary named "Neopost Sverige AB" on the 5 June 2008. This company is fully consolidated;
- Neopost GmbH & Co Kg acquired two distributors; namely MW Mailtec GmbH on 30 May 2008 and Aw Postcom GmbH on 1st January 2009. The two acquisitions have been turned into subsidiaries at these dates and fully consolidated;
- Neopost AG acquired on 4 August 2008 Office System AG, a distributor, that is fully consolidated;
- Neopost S.A. owned until 31 January 2008 a 24% stake in NBG ID. Neopost S.A. increased its stake in NBG ID to 100% on 21 February 2008. From that date, this company is fully consolidated;
- creation of Neopost ID on 13 January 2009, wholly-owned by Neopost S.A. and fully consolidated;
- Neopost Ltd acquired Rena Ltd on 16 January 2009; this acquisition has been finalized at that date and is fully consolidated;
- Neopost Hong Kong Ltd created by Neopost Industrie S.A. is fully consolidated.

Then, mergers have occurred:

- absorption of Franck & Nennecke GmbH by Neopost GmbH & Co Kg;
- absorption of Ducourrier AG and Neopost Industrie AG by Neopost AG.

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Company name changes:

- Loop One is renamed Neopost Software & Integrated Solutions Inc;
- BTA CHF became Neopost Software & Integrated Solutions AG;
- PFE Ltd is renamed Neopost Technologies Ltd.

One subsidiary is consolidated using the equity method:

- Dynapost, of which the Group owns 35%;

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 operating outside France, which are presented in local currencies are translated into euros, the currency used in the Group's 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.

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

	31 January 2009		31 January 2008	
	Period end	Average	Period end	Average
US dollar (USD)	1.2816	1.4471	1.4870	1.3793
Pound sterling (GBP)	0.8979	0.8116	0.7477	0.6900
Canadian dollar (CAD)	1.5895	1.5660	1.4846	1.4694
Swiss franc (CHF)	1.4871	1.5713	1.6051	1.6480
Japanese yen (JPY)	114.98	149.06	157.93	160.72
Norwegian krone (NOK)	8.8875	8.3315	8.0760	7.9744
Sweden krone (SEK)	10.6090	9.9530	-	-
Singapour dollar (SGD)	1.9346	2.0877	-	-

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 2009

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	31
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	271
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	376
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	121
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	381
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	17
Neopost Diva Cavaillon - France APE code: 722C/SIREN code: 402 391 593	Neopost S.A.	100.00%	100.00%	Full	81
Mail Services Nanterre - France APE code: 713E/SIREN code: 488 197 831	Neopost S.A.	100.00%	100.00%	Full	316
Valipost Lens - France APE code: 6202A/SIREN code: 443 241 690	Neopost France	100.00%	100.00%	Full	12
Neopost NBG ID Cavaillon - France APE code: 524Z/SIREN code: 442 529 285	Neopost S.A.	100.00%	100.00%	Full	32
Neopost ID Cavaillon - France APE code: 4719B/SIREN code: 509 700 852	Neopost S.A.	100.00%	100.00%	Full	-
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	-

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Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Neopost Technologie BV					
Drachten - Netherlands	Mailroom Holding BV	100.00%	100.00%	Full	295
Neopost BV					
Drachten - Netherlands	Mailroom Holding BV	100.00%	100.00%	Full	96
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	697
Priority Mailing Systems LLC					
Torrance, Californie - USA	Neopost Inc.	58.00%	100.00%	Full	-
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 Software & Integrated Solutions Inc.					
Austin, Texas - USA	Neopost Inc.	100.00%	100.00%	Full	40
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	626
Neopost Finance Ltd					
Romford, Essex - UK	Neopost Ltd	100.00%	100.00%	Full	15
Neopost International Supply Ltd					
Romford, Essex - UK	Neopost Holdings Ltd	100.00%	100.00%	Full	19
Renaddress Ltd					
Waltham Abbey, Essex - UK	Neopost Ltd	100.00%	100.00%	Full	9
PFE International Ltd,					
Loughton, Essex - UK	Neopost S.A.	100.00%	100.00%	Full	14
Neopost Technologies Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	238
Paper Handling Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	-
Babs Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	3
PFE Mailroom in action Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	-

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Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
PFE Mailroom innovations Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	-
PFE Mailroom 2000 Ltd					
Loughton, Essex - UK	PFE International Ltd	100.00%	100.00%	Full	-
PFE Inc					
Chicago, Illinois - USA	PFE International Ltd/ Mailroom Holding Inc	100.00%	100.00%	Full	4
Neopost Srl					
Milan - Italy	Neopost S.A.	100.00%	100.00%	Full	70
Neopost Rental Srl					
Milan - Italy	Neopost Srl/Neopost S.A.	100.00%	100.00%	Full	-
Neopost Sprl					
Brussels - Belgium	Neopost S.A.	100.00%	100.00%	Full	62
Neopost Finance Sprl					
Brussels - Belgium	Neopost Sprl/ Neopost S.A.	100.00%	100.00%	Full	-
Neopost Ireland Ltd					
Dublin - Ireland	Neopost S.A.	100.00%	100.00%	Full	47
Neopost Finance Ireland Ltd					
Dublin - Ireland	Neopost S.A.	100.00%	100.00%	Full	1
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	11
Mailroom Holding Inc.					
Milford, Connecticut - USA	Neopost S.A.	100.00%	100.00%	Full	10
Mailroom Technology Inc.					
Milford, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	14
Mailroom Services Inc.					
Milford, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	353
Mailroom Finance Inc.					
Milford, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	-
Hasler Inc.					
Milford, Connecticut - USA	Mailroom Holding Inc.	100.00%	100.00%	Full	361
Hasler Financial Services LLC					
Milford, Connecticut - USA	Hasler Inc.	100.00%	100.00%	Full	-
Neopost Canada Ltd					
Markham - Canada	Neopost S.A.	100.00%	100.00%	Full	141
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	-

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Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
AMS UK Leasing					
Croydon - UK	AMS UK	100.00%	100.00%	Full	-
Neopost GmbH & Co KG					
Munich - Germany	Neopost S.A./ Neopost Verwaltung GmbH	100.00%	100.00%	Full	364
Mail Leasing GmbH					
Munich - Germany	Neopost GmbH & Co KG	100.00%	100.00%	Full	1
Neopost Verwaltung GmbH					
Munich - Germany	Neopost S.A.	100.00%	100.00%	Full	-
MW Mailtec GmbH					
Oberursel - Germany	Neopost GmbH & Co Kg & Neopost Verwaltung GmbH	100.00%	100.00%	Full	-
AW Postcom GmbH					
Fribourg - Germany	Neopost GmbH & Co Kg & Neopost Verwaltung GmbH	100.00%	100.00%	Full	-
Rena GmbH					
Otterfing - Germany	Neopost S.A.	100.00%	100.00%	Full	43
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	52
Neopost Sverige					
Bromme - Sweden	Neopost S.A.	100.00%	100.00%	Full	25
Stielow Ltd					
Hertfordshire (London) - UK	Neopost GmbH & Co Kg	100.00%	100.00%	Full	-
Neopost Software & Integrated Solutions AG					
Rüti - Switzerland	Neopost S.A.	100.00%	100.00%	Full	32
Neopost AG					
Chlieren - Switzerland	Neopost S.A.	100.00%	100.00%	Full	56
Office System Mailroom Solutions AG					
Baden - Switzerland	Neopost S.A.	100.00%	100.00%	Full	12
Neopost Hong Kong Ltd					
Northpoint - Hong Kong	Neopost Industrie S.A.	100.00%	100.00%	Full	6

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Note 5 Goodwill

Gross goodwill at 31 January 2008	575.0
Acquisitions	80.2
Other	1.3
Translation difference	13.1
Gross goodwill at 31 January 2009	669.6

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The goodwill variation is mainly explained by:

- the goodwill of \$56.5m recorded with the acquisition of local distributors in the United States;
- the goodwill of €24.1m recorded with the PFE International Ltd acquisition;
- the goodwill of €4.7m recorded with the NBG ID acquisition;

- the goodwill of €4.7m recorded with the Neopost Sverige AB acquisition;
- the goodwill of €4.0m recorded with the Rena GmbH acquisition;
- the goodwill of €3.1m recorded with the Office System AG acquisition.

All these acquisitions were paid by the Group through its available financing lines.

5-1: ACQUISITIONS

	PFE International Ltd	Office System AG	Rena GmbH	Rena Ltd	Aw Postcom GmbH	Mailtec GmbH	NBG ID	Neopost Sverige AB	US Dealers
	€m	€m	€m	£m	€m	€m	€m	€m	\$m
Tangible fixed assets	7.1	-	0.1	0.3	-	0.2	0.1	-	1.4
Intangible fixed assets	0.1	-	0.1	-	-	-	0.1	-	2.9
Inventories	7.1	0.3	1.7	0.1	0.1	0.2	0.7	0.9	5.7
Accounts receivable	8.8	0.3	0.9	0.2	0.1	0.1	0.6	0.5	3.0
Other receivable	28.2	0.3	0.7	0.6	-	0.2	0.1	0.4	-
Total assets	51.3	0.9	3.5	1.2	0.2	0.7	1.6	1.8	13.0
Deferred income	0.2	0.2	-	-	-	0.1	-	0.6	4.3
Trade payables	40.2	0.3	1.8	0.3	0.1	0.5	1.5	0.8	3.0
Long term provisions	0.2	0.7	-	-	-	-	0.2	0.1	11.2
Total liabilities	40.6	1.2	1.8	0.3	0.1	0.6	1.7	1.5	18.5
Acquisition price	34.8	2.8	5.7	1.1	1.8	1.8	4.6	5.0	51.0
including earn out	-	-	-	-	1.5	1.2	-	-	24.2
Goodwill	24.1	3.1	4.0	0.2	1.7	1.7	4.7	4.7	56.5
Acquisition fees	1.3	0.1	0.2	-	-	-	-	0.1	0.4
Gross goodwill	25.4	3.2	4.2	0.2	1.7	1.7	4.7	4.8	56.9

Recognition of these acquisitions is provisional since the fair value of the assets, liabilities in the businesses acquired was not finally determined before the end of the period. It will be finally determined within 12 months of change of control.

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

	France	USA	UK	Germany	Netherlands	Switzerland	Other	Total
Gross goodwill at 31 January 2009	248.2	173.6	102.9	66.4	20.9	29.1	28.5	669.6

5-2: GOODWILL IMPAIRMENT TEST

A goodwill impairment test was performed on the 31 January 2009 following the methodology described in note 2-2. The Group's impairment tests use the discounted cash flow method and are

based on what are deemed the most likely assumptions about sales and income. These assumptions are based on 2.5% EBITDA ⁽¹⁾ growth, of which 1.5% is for inflation.

(1) EBITDA is calculated by adding depreciation charges and provisions (net of reversals) back to current operating income.

The corresponding cash flow is discounted at a rate of 8.2% before tax.
The tax rate used in the model is the rate in force in each country.

The net book value of goodwill at 31 January 2009 has not been revised down by the impairment tests. The difference if the growth rate had been 1% lower, or the discount rate had varied by plus or minus 1%, would not have had any impact on the value of the goodwill.

Note 6 Intangible fixed assets

	Concessions, rights, licences	Development costs	Other	Total
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
Acquisitions	28.3	-	-	28.3
Capitalisation	-	9.0	-	9.0
Disposals	-	-	(2.8)	(2.8)
Other changes	0.4	-	(0.1)	0.3
Translation difference	3.8	-	0.7	4.5
Gross value at 31 January 2009	77.4	73.5	46.8	197.7
Cumulative amortisation	(44.5)	(49.2)	(38.0)	(131.7)
Net book value at 31 January 2009	32.9	24.3	8.8	66.0

Variation in intangible assets is mainly linked to R&D costs capitalized and to acquisition of various licences.

	Concessions, rights, licences	Development costs	Other	Total
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
Charges	8.1	7.1	2.2	17.4
Disposals	-	-	(0.5)	(0.5)
Other changes	-	-	0.3	0.3
Translation difference	2.9	-	0.5	3.4
Amortisation at 31 January 2009	44.5	49.2	38.0	131.7

Intangible assets impairment test was performed on the 31 January 2009 following the methodology described in note 2.2.

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Note 7 Tangible fixed assets

	Land and buildings	Machinery and equipment	Rental equipment	Other	Total
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
Acquisitions	1.1	8.0	30.9	7.0	47.0
Disposals/retirement	(3.8)	(15.0)	(80.5)	(5.8)	(105.1)
Other changes	1.0	11.5	0.1	7.7	20.3
Translation difference	1.0	1.0	22.5	(1.6)	22.9
Gross value at 31 January 2009	29.7	106.9	377.3	34.8	548.7
Cumulative depreciation	(13.1)	(82.2)	(290.4)	(18.2)	(403.9)
Net book value at 31 January 2009	16.6	24.7	86.9	16.6	144.8

Change in tangible fixed assets is mainly due to growth in the installed base of mailing machines in France and North America.

	Land and buildings	Machinery and equipment	Rental equipment	Other	Total
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
Charges	1.4	7.1	34.7	4.7	47.9
Disposals/retirement	(3.1)	(11.7)	(80.5)	(3.5)	(98.8)
Other changes	0.1	8.6	-	0.4	9.1
Translation difference	0.3	1.6	15.2	(0.4)	16.7
Depreciation at 31 January 2009	13.1	82.2	290.4	18.2	403.9

Tangible assets impairment test was performed on the 31 January 2009 following the methodology described in note 2.2.

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Note 8 Other financial assets

8-1: INVESTMENTS IN ASSOCIATED COMPANIES

	31 January 2009	31 January 2008
Investments in associated companies		
Dynapost	2.9	2.9

Dynapost, whose contribution to Group shareholders' equity amounted to €2.9 at 31 January 2009, is consolidated using the equity method. The company's contribution to earnings in the period

ended 31 January 2009 was €0.5. Neopost S.A. received €0.5m in dividends from Dynapost in the 2008 fiscal year.

8-2: OTHER FINANCIAL ASSETS NON-CURRENT

	31 January 2009	31 January 2008
Other financial assets		
Deposits, loans and guarantees	19.9	8.7
Net retirement plan asset	4.8	-
Assets available for sale	4.2	2.8
Other	0.4	-
Total other financial assets - gross value	29.3	11.5
Provisions for impairment of assets available for sale	[0.7]	[0.6]
Total	28.6	10.9

The main difference comes from deposits constituted during external growth operations in the USA and the net retirement asset plan in the UK.

The available for sale assets represent the stake hold by Neopost S.A. in a venture capital firm. The variation during the full year by the results is non significant. Other financial assets impairment test was performed on the 31 January 2009 following the methodology described in note 2.2.

Note 9 Inventories and work in progress

	31 January 2009	31 January 2008
Gross value	55.0	52.3
Depreciation	[9.5]	[9.0]
Total	45.5	43.3

	31 January 2009		
	Gross value	Depreciation	Net
Work in progress	2.5	-	2.5
Raw materials	13.0	[3.3]	9.7
Finished goods	34.8	[4.4]	30.4
Spare parts for maintenance	4.7	[1.8]	2.9
Total	55.0	[9.5]	45.5

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Note 10 Receivables

	31 January 2009	31 January 2008
Accounts receivable		
Gross value	181.2	170.0
Depreciation	(13.5)	(13.1)
Total	167.7	156.9
Lease receivables		
Short term	179.2	144.5
Long term	325.3	287.9
Gross value	504.5	432.4
Depreciation	(8.8)	(7.1)
Total	495.7	425.3
Net other receivables	49.2	40.5
Total	712.6	622.7

	31 January 2009	31 January 2008
Accounts receivable - Gross value		
Not overdue	92.1	90.0
Overdue:	89.1	80.0
• < 30	24.1	26.7
• 31-60	31.8	19.7
• 61-90	10.1	9.5
• 91-180	9.6	8.0
• 181-360	8.9	10.0
• > 360	4.6	6.1
Total	181.2	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.

	31 January 2009	31 January 2008
Accounts receivable -Depreciation		
Depreciation at the beginning of the year	13.1	12.9
Charges	4.1	2.5
Used	(3.8)	(1.5)
Non used	(0.2)	-
Translation difference	0.3	(0.8)
Total	13.5	13.1

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FINANCING LEASES

	31 January 2009	31 January 2008
Non-current receivables		
Financing leases - gross receivables	394.5	354.7
Unearned financial income	(69.2)	(66.8)
Total	325.3	287.9
Current receivables		
Financing leases - gross receivables	226.8	188.5
Unearned financial income	(47.6)	(44.0)
Total	179.2	144.5
Gross receivables on financing leases		
Less than one year	226.8	188.5
1 to 5 years	390.0	350.9
More than 5 years	4.5	3.8
Total gross receivables	621.3	543.2
Unearned financial income on financing leases	(116.8)	(110.8)
Net investment in financing leases		
Less than one year	179.2	144.5
1 to 5 years	321.0	284.3
More than 5 years	4.3	3.6
Total	504.5	432.4

The increase in lease receivables relates to the increasing extension of the leasing offer to the indirect distribution networks in North America, to the European subsidiaries and to the new subsidiaries created during the switch to a direct distribution mode.

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ANALYSIS BY MATURITY

	Gross at 31 January 2009	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable	181.2	181.2	-	-
Lease receivables				
Short term	179.2	179.2	-	-
Long term	325.3	-	321.0	4.3
	504.5	179.2	321.0	4.3
Net other receivables	49.2	41.9	6.9	0.4
Total	734.9	402.3	327.9	4.7

	Gross at 31 January 2008	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivables	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

ANALYSIS BY CURRENCY

	Gross at 31 January 2009	EUR	USD	CAD	GBP	CHF	NOK	SEK	JPY	AUD
Accounts receivable	181.2	84.9	69.6	1.8	16.0	5.9	1.0	0.9	0.9	0.2
Lease receivables										
Short term	179.2	52.2	102.4	4.6	20.0	-	-	-	-	-
Long term	325.3	102.4	157.9	6.9	58.1	-	-	-	-	-
	504.5	154.6	260.3	11.5	78.1	-	-	-	-	-
Net other receivables	49.2	39.0	8.9	-	0.5	0.5	0.3	-	-	-
Total	734.9	278.5	338.8	13.3	94.6	6.4	1.3	0.9	0.9	0.2

	Gross at 31 January 2008	EUR	USD	CAD	GBP	CHF	NOK	JPY
Accounts receivable	170.0	91.0	48.2	3.9	22.7	2.5	1.1	0.6
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	1.1	0.6

Note 11 Provisions

	31 January 2008	Added	Used	Non used	Other	31 January 2009	Short term portion	Long term portion
Provisions for business risk	1.9	0.3	(0.2)	-	0.2	2.2	2.0	0.2
Customer guarantees	1.5	0.9	(1.0)	-	0.1	1.5	1.5	-
Retirement benefit obligations	24.8	2.3	(12.2)	(0.3)	(6.5)	8.1	0.3	7.8
Structure optimisation	20.5	-	(5.0)	-	1.1	16.6	16.6	-
Reorganisation and restructuring	9.1	2.9	(2.9)	(1.2)	0.3	8.2	8.1	0.1
Other	7.2	5.5	(3.4)	-	2.9	12.2	9.2	3.0
Total	65.0	11.9	(24.7)	(1.5)	(1.9)	48.8	37.7	11.1

	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

At the end of January 2008, the Group decided to speed up a number of optimisation programmes, in particular relating to research and development, the supply chain and distribution.

€20.5 million of provisions were recognised for these optimisation programmes in the financial statements as at 31 January 2008. The remaining provision as at 31 January 2009 was €16.6 million.

In R&D, three centres in the United States have been merged.

In the supply chain, work is in progress. This work involves the establishment of two logistics platforms, one in Europe and the other in North America, systematic direct plant to customer shipment and rationalisation of refurbishment plants for old mailing machine models.

Optimisation of distribution in the United States is in progress. The head offices of the two distribution subsidiaries have been merged on the east coast and the call centres have been transferred to Dallas.

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.

Pension obligations relative to Neopost Ltd account for 80% of total Group obligations. The majority of pension obligations in the UK and the US are financially hedged.

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.

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.

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

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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 IAS 19, the Group has decided to recognise all actuarial gains and losses on pension generated during the fiscal year in shareholders' equity.

	31 January 2009	31 January 2008
Change in value of obligations		
Present value of obligations (DBO) at start of period	122.0	138.0
Service cost	1.8	1.0
Discounting cost	5.7	6.0
Contributions paid by employees	-	-
Actuarial (gains) or losses	(22.1)	(3.6)
Payments made	(4.0)	(3.6)
Effect of reductions/liquidation	1.0	(0.5)
Other (translation difference)	(14.3)	(15.3)
Present value of liabilities (DBO) at end of period	90.1	122.0
End of period DBO relating to fully or partly-funded schemes	80.2	115.1
End of period DBO relating to unfunded or not fully funded schemes	9.9	6.9
Movement in hedging assets		
Fair value of hedging assets at beginning of period	97.5	98.4
Expected return on scheme assets	5.5	6.1
Actuarial gains (losses)	(10.7)	(0.2)
Contributions paid by employer	11.4	8.5
Contributions paid by employees	-	-
Payments made by fund	(3.3)	(3.4)
Other (translation difference)	(13.8)	(11.9)
Fair value of hedging assets at end of period	86.6	97.5
Financial hedging		
Scheme position	(3.5)	(24.5)
Cost of unrecognised past service	-	-
Provision/(Asset)	(3.5)	(24.5)
Amount recognised through income statement for period		
Service cost	2.0	1.5
Discounting cost	5.5	6.0
Effect of reductions/liquidation	-	(0.5)
Expected return on scheme assets	(5.5)	(6.1)
Total retirement benefit expense	2.0	0.9
Amount recognised in statement of recognised income and expense for period		
Actuarial gains (losses)	11.4	3.4
On obligations	22.1	3.6
On hedging assets	(10.7)	(0.2)
Actuarial assumptions*		
Discount rate (%)	6.8%	5.6%
Expected long-term inflation rate (%)	3.6%	3.6%
Expected long-term rate of annuity increases (%)	3.4%	3.5%
Breakdown of hedging assets		
Bonds	30%	41%
Equities	53%	47%
Real estate	6%	7%
Other investments	11%	5%

* 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".

The discount rates used are based on the yields on bonds issued by good quality companies (AA) or, where the market is not liquid, on government bonds with the same maturity as the calculations (reference: Iboxx). These points of reference comply with the requirements of IAS 19 and are the same as in previous years.

The expected yield on the assets has been based on the weighted average of the expected yields on the hedging assets.

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

31 January 2009	Breakdown by instrument category						
	Book value	Fair value	Fair value through P&L	Available for sale assets	Loans and receivables/Debts	Debts at amortised costs	Derivative instruments
Other non-current financial assets	31.5	31.5	-	6.4	25.1	-	-
Other long-term receivables	9.2	9.2	-	-	9.2	-	-
Receivables	167.7	167.7	-	-	167.7	-	-
Other receivables	19.2	19.2	-	-	19.2	-	-
Derivative financial instruments	0.4	0.4	-	-	-	-	0.4
Cash and cash equivalents	132.8	132.8	132.8	-	-	-	-
Assets	360.8	360.8	132.8	6.4	221.2	-	0.4
Financial debts and bank overdrafts	801.5	810.5	58.6	-	-	751.9	-
Accounts payable	61.4	61.4	-	-	61.4	-	-
Other operating liabilities	199.3	199.3	-	-	199.3	-	-
Derivative financial instruments	15.8	15.8	-	-	-	-	15.8
Liabilities	1,078.0	1,087.0	58.6	-	260.7	751.9	15.8

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31 January 2008	Book value	Fair value	Breakdown by instrument category				
			Fair value by result	Available for sale assets	Loans and receivables/Debts	Debts at amortised costs	Derivative instruments
Other 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 2009	31 January 2008
Revolving credit facility ^(a)	-	486.6	-	486.6	285.9
Accrued interest and other	-	0.1	-	0.1	0.1
Bank loans	-	486.7	-	486.7	286.0
US private placement \$175m ^(c)	-	-	136.7	136.7	118.1
US private placement \$10m	-	-	-	-	6.7
US private placement €25m	-	-	25.0	25.0	25.0
Accrued interest	-	2.6	-	2.6	3.0
US private placements ^(b)	-	2.6	161.7	164.3	152.8
Caisses Régionales Credit Agricole private placement	-	-	133.0	133.0	133.0
Accrued interest	-	0.8	-	0.8	0.8
CRPP private placement ^(d)	-	0.8	133.0	133.8	133.8
Debt on leased assets	-	0.7	0.6	1.3	1.3
Other ^(e)	2.1	4.3	9.0	15.4	21.5
Other debt	2.1	5.0	9.6	16.7	22.8
Total debt	2.1	495.1	304.3	801.5	595.4

- ^(a) 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, for the original amount. Thanks to the exercise of the extension option, the maturity has been extended until June 2013 for a national amount of €675m. At the end of January, Neopost had drawn €350m and USD175m.
- ^(b) 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 redeemed 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%.
- ^(c) Of the \$175m of the US private placement, \$75m at variable rates were 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 2009.
- ^(d) 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 a fixed interest of 4.094%.
- ^(e) Other debt at 31 January 2009 mainly includes: €201m of bank overdrafts; €10.4m of profit-sharing and incentive payments deposited by employees with the Group's French entities.

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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, EBITDA is calculated by adding depreciation amortisation and

provisions (net of reversals) for the period to operating income. 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 using the same method. 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 2009.

12-3: ANALYSIS BY CURRENCY

	31 January 2009	31 January 2008
EUR	523.9	366.0
USD	276.3	228.3
GBP	1.3	1.1
Total	801.5	595.4

12-4: ANALYSIS BY MATURITY

	31 January 2009	31 January 2008
2008	-	310.7
2009 ^(a)	497.2	2.1
2010	164.1	145.2
2011	2.4	2.2
2012	135.4	135.2
2013	2.4	-
Total	801.5	595.4

^(a) Drawings on the Group's revolving credit line with maturity of less than six months are considered repayable in 2009 even though the line may carry a later maturity (see Credit Line below).

12-5: ANALYSIS BY INTEREST RATE

31 January 2009	Type of interest rate	Reference rate	Margin	Drawdown rate	Date of next rate fixing	Total effective rate*
				EUR 1.7710		
Credit revolving Neopost S.A.	Variable	EURIBOR/LIBOR	0.20	USD 0.40938	27/02/2008	4.7461
US private placement \$175m	Fixed	4.8300	-	4.8300	-	4.9835
US private placement €25m	Fixed	4.5200	-	4.5200	-	4.6651
CRPP private placement	Fixed	4.0940	-	4.0940	-	4.1918

* The total effective rate for the transaction is calculated on completion and includes costs relating to the transaction. For the revolving credit facility, it is calculated on the total value of the line based on EUR drawdown.

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31 January 2008	Type of interest rate	Reference rate	Margin	Drawdown rate	Date of next rate fixing	Total effective rate*
Credit Revolving Neopost S.A.	Variable	EURIBOR/LIBOR	0.20	EUR 4.389 USD 3.4712	29/02/2008	4.7461
US private placement \$175m	Fixed	4.8300	-	4.8300	-	4.9835
US private placement \$10m	Variable	LIBOR USD 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 €133m	Fixed	4.0940	-	4.0940	-	4.1918

* The total effective rate for the transaction is calculated on completion and includes costs relating to the transaction. For the revolving credit facility, it is calculated on the total value of the line based on EUR drawdown.

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 2009. 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. The net financing cost rate over the year increased to 4.19% after taking into account the financial income.

Currency	Gross rate	Amount in currency
EUR	4.30	19.7
Financial costs before hedging impact	4.39	20.1
Hedging impact	[0.09]	[0.4]
USD	4.04	13.5
Financial costs before hedging impact	3.94	13.2
Hedging impact	0.10	0.3

12-7: CREDIT LINES

The Group had the following revolving credit facility at 31 January 2009:

Company	Amount	Amounts drawn at 31 January 2009	Expiry of facility	Number of banks in pool
		EUR 350 M		
Neopost S.A.	EUR 750 M	USD 175 M	June 2013	17

This credit line matures in June 2012 for a notional amount of €750m. Thanks to the exercise of the extension option the maturity has been extended until June 2013 for a notional amount of €675m.

This credit live can be drawnd in the following currencies: EUR/GBP/USD/JPY/CAD/CHF/NOK/SEK/DKK.

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 2009 in currency of the debt	Book value	Fair value	Fair value +100bps	Fair value -100bps
US private placement 175 M\$	178.3	180.1	178.4	181.8
US private placement 25 M€	25.4	26.0	25.6	26.4
CRPP private placement 133 M€	133.8	140.6	135.8	145.7

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.

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.

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 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 \$175m 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 2009 are as follows:

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

Tax rate in the UK was brought down to 28% on 1 April 2008.

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

	31 January 2009	31 January 2008
Net income of consolidated companies before income tax	214.8	189.7
Tax rate for the consolidating company	34.30%	34.30%
Theoretical income tax charge	73.7	65.1
Recognised in shareholders' equity	(1.0)	(3.1)
Permanent differences	(4.3)	(2.5)
Tax rate differences	(10.5)	(5.5)
Total tax	57.9	54.0

	31 January 2009	31 January 2008
Current tax charge	30.8	48.6
Deferred tax charge	27.1	5.4
Total tax	57.9	54.0
Deferred tax charge recognised in income statement	28.1	8.5
Due and deferred tax recognised in shareholders' equity	(1.0)	(3.1)
Deferred tax total	27.1	5.4

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

	31 January 2009	31 January 2008
Profit-sharing and other expenses deductible in later periods	8.6	7.9
Elimination of margins on inventories	2.0	4.3
Provisions	1.7	22.1
Goodwill	8.0	8.6
Other	(2.2)	1.6
Deferred tax assets	18.1	44.5

	31 January 2009	31 January 2008
Provisions on intra-Group inventories	0.3	0.5
Elimination of margins on rented and demo equipment	(16.6)	(17.4)
Research and development	7.4	6.9
Leasing business	49.1	41.8
Impairment	(6.2)	(4.1)
Other	(1.3)	(1.8)
Deferred tax liabilities	32.7	25.9

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 2009	Europe	North America	Other	Eliminations	Total
External sales	577.1	336.1	4.9	-	918.1
Inter-segment sales	160.0	47.5	-	(207.5)	-
Total sales	737.1	383.6	4.9	(207.5)	918.1
Segment income	197.4	59.5	0.9	-	257.8
Share-based payments					(6.9)
Unallocated charges					(14.6)
Operating income					236.3
Net financing charges					(21.9)
Share in net income of associated companies					0.5
Minority interests					(0.1)
Taxes					(57.9)
Net income					156.9

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)
Share-based payment					(8.7)
Unallocated charges					(11.9)
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

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 €6.9m and are booked under "Unallocated charges".

Unallocated charges mainly represent Group parent company charges.

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The balance sheet breaks down by geographic zone as follows:

31 January 2009	Europe	North America	Other	Total
Segment assets	703.9	282.2	1.4	987.5
Unallocated assets				861.6
Total assets				1,849.1
Segment liabilities	418.4	173.0	0.9	592.3
Unallocated liabilities				820.5
Total liabilities excluding Shareholder's equity				1,412.8

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 excluding shareholder's equity				1,174.9

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

Other segment items break down by geographic zone as follows:

31 January 2009	Europe	North America	Other	Unallocated	Total
Investment:					
Tangible fixed assets	30.2	16.3	-	0.5	47.0
Intangible fixed assets	21.9	3.3	-	12.1	37.3
Total investment	52.1	19.6	-	12.6	84.3
Depreciation and amortisation:					
Tangible fixed assets	28.4	19.3	-	0.2	47.9
Intangible fixed assets	10.6	5.7	-	1.1	17.4
Total depreciation and amortisation	39.0	25.0	-	1.3	65.3
Loss of value	-	-	-	-	-

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

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14-2: BREAKDOWN BY BUSINESS SEGMENT

The breakdown of revenues by business is as follows:

31 January 2009	Mailing	Other	Total
External sales	657.7	260.4	<u>918.1</u>

31 January 2008	Mailing	Other	Total
External sales	663.8	243.3	<u>907.1</u>

"Other" mainly includes documents and logistics systems business.

	31 January 2009	31 January 2008
Equipment rental and leasing	269.6	270.1
Services and supplies	340.4	304.2
Equipment sales	308.1	332.8
Total	<u>918.1</u>	<u>907.1</u>

The breakdown of assets by business segment is as follows:

31 January 2009	Mailing	Other	Total
Segment assets	933.1	436.7	1,369.8
Unallocated assets			479.3
Total assets			<u>1,849.1</u>

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

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

31 January 2009	Mailing	Other	Unallocated	Total
Investment:				
Property, plant and equipment	33.3	1.3	12.4	47.0
Intangible assets	7.8	5.0	24.5	37.3
Total investment	<u>41.1</u>	<u>6.3</u>	<u>36.9</u>	<u>84.3</u>

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	<u>37.1</u>	<u>5.3</u>	<u>18.4</u>	<u>60.8</u>

Note 15 Details of expenses by category

	31 January 2009	31 January 2008
Cost of inventories recognised as expense	173.9	161.8
Wages, bonuses, commissions and payroll charges	309.8	286.6
Tax	21.4	23.1
Rents	21.2	18.8
Fees	10.4	9.0
Subcontracting	72.1	75.5
Asset impairment	65.3	65.4
Other	8.1	29.8
Total expenses by category	682.2	670.0
Cost of sales	210.2	199.3
Operating expenses	472.0	470.7
Total	682.2	670.0

Note 16 Proceeds from asset disposals

The €0.4m gain in the income statement relates to the disposal of the property located in Olching, Germany.

Note 17 Earnings per share

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

Fully-diluted earnings per share are calculated by dividing earnings for the period attributable to ordinary equity holders of the parent

company by the weighted average number of ordinary shares in circulation during the year, plus the weighted average number of ordinary shares which would have been issued on conversion of all potential dilutive ordinary shares.

All options not in the money have been excluded from the calculation of the weighted average number of stock options in circulation.

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

	31 January 2009	31 January 2008
Net income (€m)	156.9	135.7
Number of shares (thousands)	30,985	31,446
Exercise of stock options, treasury stock in process of reduction and liquidity contract (thousands)	[238]	[233]
Weighted average number of shares in circulation (thousands)*	30,747	31,213
Weighted average number of stock options in circulation (thousands)	132	523
Number of shares, fully diluted (thousands)*	30,879	31,736
Earnings per share (€)	5.10	4.35
Fully-diluted earnings per share (€)	5.08	4.28

* Weighted average over the period.

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

18-1: HEADCOUNT

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

	France	North America	UK	Netherlands	Rest of the world	Total
At 31 January 2009	1,639	1,620	924	391	804	5,378
At 31 January 2008	1,669	1,642	666	411	666	5,054

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 2009	1,204	2,662	1,512	5,378
At 31 January 2008	1,018	2,605	1,431	5,054

At 31 January 2009; the Group had 304 temporary staff; compared to 317 at 31 January 2008.

18-2: EMPLOYEE PROFIT-SHARING

Profit-sharing plans

The profit-sharing reserve is calculated by Neopost France, Satas, Mail Services, Neopost Industrie, Neopost Technologies 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)	31 January 2009	31 January 2008	31 January 2007	31 January 2006	31 January 2005
Profit-sharing	4.8	5.0	6.5	5.2	4.6
Incentive	2.1	1.9	2.1	2.1	1.9
Stock options valuation	4.0	3.0	3.7	2.5	2.0
Securities giving access to capital valuation	2.9	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.

18-3: SHARE-BASED PAYMENTS

1,200,000 option plan

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

Options have been awarded as follows:

Date of board meeting ^(a)										
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 ^(b)										
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 ^(d)										
-	-	25,000	30,000	-	-	-	60,000	-	-	115,000
• to Chief Executive Officer ^(d)										
-	-	10,000	20,000	-	-	-	40,000	-	-	70,000
• to top 10 employees										
41,000	41,000	48,000	64,000	33,500	65,000	8,000	152,000	30,000	52,000	534,500
Number of options exercised										
94,064	33,000	156,394	187,515	29,400	65,000	8,000	407,428	8,900	72,550	1,062,251
• by Chairman ^(d)										
-	-	25,000	30,000	-	-	-	60,000	-	-	115,000
• by Chief Executive Officer ^(d)										
-	-	10,000	20,000	-	-	-	40,000	-	-	70,000
• by top 10 employees										
30,000	33,000	42,000	56,000	29,400	65,000	8,000	141,200	8,900	33,000	446,500
Number of options cancelled ^(c)										
51,852	8,000	35,994	41,400	2,600	-	-	44,700	17,000	32,400	233,946
Number of options outstanding at 31 January 2009										
13,084	-	16,072	19,585	1,500	-	-	42,372	4,100	29,550	126,263

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

(b) 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.

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

(d) The Chairman and the Chief Executive Officer are the only Board members 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										
1,400	-	4,870	5,610	5,600	10,000	-	65,090	-	22,500	115,070
• by Chairman										
-	-	-	-	-	-	-	12,000	-	-	12,000
• by Chief Executive Officer										
-	-	-	-	-	-	-	8,000	-	-	8,000
• by top 10 employees										
-	-	-	-	5,600	10,000	32,500	16,500	-	-	64,600

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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 ^(a)	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 ^(c)	10 years	10 years	10 years	10 years	
Number of options awarded	256,500	320,000	275,500	33,300	885,300
• to Chairman ^(b)	100,000	100,000	-	33,300	233,300
• to Chief Executive Officer ^(b)	15,000	12,000	15,000	-	42,000
• to top 10 employees	56,000	54,000	81,000	-	191,000
Number of options exercised	151,440	43,600	7,660	-	202,700
• by Chairman ^(b)	80,000	-	-	-	80,000
• by Chief Executive Officer ^(b)	-	-	-	-	-
• by top 10 employees	41,000	14,200	3,160	-	58,360
Number of options cancelled ^(d)	10,500	37,200	49,500	-	97,200
Number of options outstanding at 31 January 2009	94,560	239,200	218,340	33,300	585,400

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

(b) The Chairman and the Chief Executive Officer are the only Board member of the Company to have received options.

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

(d) 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	14/01/04	13/01/05	11/01/06	04/07/06	Total
Number of options exercised	56,565	16,200	-	-	72,765
• by Chairman	40,000	-	-	-	40,000
• by Chief Executive Officer	-	-	-	-	-
• by top 10 employees	7,600	12,200	-	-	19,800

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.

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Options have been awarded as follows:

Date of board meeting ^(a)	16/01/07	15/01/08	03/07/08	Total
Nature of options	Warrant/ Purchase	Warrant/ Purchase	Warrant/ Purchase	
Exercise price (€)	97.60	68.10	71.03	
Exercise period ^(c)	10 years	10 years	10 years	
Number of options awarded	205,000	462,000	9,500	676,500
• to Chairman ^(b)	-	15,000	-	15,000
• to Chief Executive Officer ^(b)	-	40,000	-	40,000
• to top 10 employees	38,000	56,000	8,000	102,000
Number of options exercised	-	-	-	-
Number of options cancelled ^(d)	23,000	26,000	-	49,000
Number of options outstanding at 31 January 2009	182,000	436,000	9,500	627,500

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

(b) The Chairman and the Chief Executive Officer are the only Board member of the Company to have received options.

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

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

No option relative to this plan was exercised during the period.

A new attribution was made on 18 February 2009. This attribution is subject to performance conditions for executive board members and part of the Group executive committee. These conditions are related to growth in sales and EBIT margin as well as total return to shareholders. The chief Executive officer received 22,500 performance options.

Information relating to the three plans

No options had matured at 31 January 2009.

The bracket of exercise price of options in circulation at 31 January 2009 was €24.40 to €97.60 (€24.40 to €97.60 at 31 January 2008).

The weighted average residual life of options in circulation was 7.1 years at 31 January 2009 compared with 7.8 years at 31 January 2008.

The weighted average price of options exercised during the period was €38.94 compared with €38.40 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.

	03/07/08	15/01/08	16/01/07	04/07/06	11/01/06	13/01/05
Dividend yield	5.30%	5.30%	3.00%	2.42%	2.65%	2.60%
Historical volatility	26.53%	26.53%	17.5%	34%	36%	44%
Risk-free interest rate	4.22%	4.22%	4.19%	4.08%	3.25%	3.20%
Expected option life	6 years	6 years	6 years	6 years	6 years	6 years
Stock price of reference	€68.28	€62.28	€97.60	€90.90	€85.90	€57.50

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

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

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.

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Free share plan

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 and delivered on 29 March 2008.

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.

Attribution date	03/10/06	16/01/07	16/01/07	23/03/07	25/09/07	15/01/08	01/04/08	03/07/08	Total
			Co-invest	Co-invest	Co-invest				
Number of shares awarded	5,000	26,000	134,100	24,300	6,600	26,160	8,900	4,000	235,060
• to Chairman	-	-	-	24,300	-	-	1,500	-	25,800
• to Chief Executive Officer	-	-	32,400	-	-	6,660	-	-	39,060
Number of shares cancelled	(2,000)	-	(40,500)	-	-	-	-	-	(42,500)
Number of shares delivered	(1,500)	(25,500)	-	-	-	-	-	-	(27,000)
• to Chairman	-	-	-	-	-	-	-	-	-
• to Chief Executive Officer	-	-	-	-	-	-	-	-	-
Number of shares outstanding at 31 January	1,500	500	93,600	24,300	6,600	26,160	8,900	4,000	165,560

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 has put in place a co-investment plan of free share allocation to its managers against an investment in Neopost shares equal to 10% of the number of free shares allocated. The number of shares allocated is conditioned by performance objectives, as return on equity and return on capital employed.

A new attribution was made on 18 February 2009. This attribution is subject to performance conditions for executive board members

and part of the Group executive committee. These conditions are related to growth in sales and EBIT margin as well as total return to shareholders. The Chief Executive Officer received 22,500 shares linked to performance.

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 19 Risk management and commitments given and received

19-1: COMMITMENTS GIVEN

The Group Treasurer, who reports to the Group Chief Finance Officer, monitors exchange rate and interest rate risk for all Neopostgroup 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

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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 2008 - ASSET AND LIABILITY HEDGING: hedging positions covering financial assets or liabilities on Neopost's balance sheet at 31 January 2009 and expected to be realised no later than April 2009.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	CHF
Cash flow hedging						
Financial assets	45.1	21.0	1.4	22.6	9.7	2.4
Financial liabilities	12.6	48.3	-	-	0.2	-
Net position before hedging	32.5	(27.3)	1.4	22.6	9.5	2.4
Hedging	(32.6)	26.2	(0.5)	(50.0)	(0.6)	(2.1)
Net position after hedging	(0.1)	(1.1)	0.9	(27.4)	8.9	0.3

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 USD3.5m sold, GBP0.9m bought and JPY25.0m 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: GBP0.9m bought, JPY25.0m sold and USD3.5m sold.

2009 BUDGET: hedging positions covering anticipated financial assets and liabilities in financial year 2008, expected to be realised no later than April 2010.

Notional value (millions)	USD	GBP	CAD	JPY	NOK	DKK	SEK	CHF
Financial assets - forecast	154.8	175.1	10.0	232.2	35.8	-	26.6	10.6
Financial liabilities - forecast	114.2	212.4	-	-	-	6.5	-	5.5
Net position before hedging	40.6	(37.3)	10.0	232.2	35.8	(6.5)	26.6	5.1
Hedging	(14.5)	7.9	(4.8)	(70.0)	(14.5)	-	-	(4.9)
Net position after hedging	26.1	(29.4)	5.2	162.2	21.3	(6.5)	26.6	0.2

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 USD6.0m

sold, CAD1.6m sold, GBP2.6m bought, NOK3.5m sold; JPY10.0m sold and CHF2.5m 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

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possible. By currency the asymmetrical part is as follows: GBP2.8m bought, JPY5.0m sold, NOK5.0m sold, USD1.0m sold, CAD0.3m sold and CHF1.7m sold.

HEDGING INSTRUMENTS

The Neopost group hedges its exchange rate risk using over-the-counter derivative instruments contracted with external counterparties. The derivative instruments used by the Treasury department in its hedging strategies are as follows:

- firm derivatives such as forward currency purchases and sales;
- plain vanilla options such as puts and calls;
- second generation options (knock-in or knock-out barrier options).

INSTRUMENT DETAILS

The instruments in the portfolio have expiries of less than twelve months at 31 January 2009. These instruments are listed below by type and by currency for the period to which they relate.

■ 2008 - ASSET AND LIABILITY HEDGING

Notional value (millions) Cash flow hedging	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	1.2	26.8	3.5	7.0	-	-
CAD	-	0.5	-	-	-	-
JPY	-	-	25.0	50.0	-	-
NOK	-	0.6	-	-	-	-
CHF	-	2.1	-	-	-	-
GBP	24.4	-	-	-	1.8	0.9

■ 2009 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	-	7.5	6.0	7.0	-	-
CAD	-	2.9	1.6	1.9	-	-
JPY	-	55.0	10.0	15.0	-	-
NOK	-	6.0	3.5	8.5	-	-
CHF	-	0.7	2.5	4.2	-	-
GBP	2.5	-	-	-	5.9	3.1

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

Notional value (millions) Cash flow hedge	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	1.2	34.3	9.5	9.5	-	-
CAD	-	3.4	1.6	1.6	-	-
JPY	-	55.0	35.0	35.0	-	-
NOK	-	6.6	3.5	3.5	-	-
CHF	-	2.8	2.5	2.5	-	-
GBP	26.9	-	-	-	3.5	3.5

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Notional value (millions) Ineffective portion of hedge instruments	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	-	-	4.5	-	-
CAD	-	-	-	0.3	-	-
JPY	-	-	-	30.0	-	-
NOK	-	-	-	5.0	-	-
CHF	-	-	-	1.7	-	-
GBP	-	-	-	-	4.2	0.5

INSTRUMENT VALUATIONS

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

Hedging instruments relating to the 2008 fiscal year, i.e. hedging assets and liabilities on the balance sheet as at 31 January 2009, have been fully valued and recognised at their market value at 31 January 2009.

Hedging instruments relating to the 2009 fiscal year, i.e. hedging anticipated financial flows, have been fully valued and recorded at their market value at 31 January 2009. 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 2008	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	31 January 2009
Financial assets	2.5	(2.6)	0.1	-
• Cash flow hedge	2.4	(2.6)	0.2	-
• Ineffective hedge	0.1	-	(0.1)	-
Financial liabilities	2.5	(1.8)	-	0.7
• Cash flow hedge	2.3	(1.8)	0.2	0.7
• Ineffective hedge	0.2	-	(0.2)	-

SENSITIVITY OF THE INSTRUMENTS

Concerning the financial instruments hedging the operations realized during full year 2008 for which the commitments are still in the balance sheet at year end 2008, the impact of a 10% increase in the foreign currency versus the EUR would be a €0.1m gain. The impact of a 10% decrease in the foreign currency versus the EUR would be a €0.2m loss.

Concerning the operations hedging the 2009 budget positions, the sensitivity to an exchange rate change is as follow:

For a 10% increase in foreign currency versus EUR:

Amount (millions)	Impact on equity	Impact on the net income
Financial assets	-	-
Financial liabilities	(1.1)	(0.1)

For a 10% decrease in foreign currency versus EUR:

Amount (millions)	Impact on equity	Impact on the net income
Financial assets	0.2	-
Financial liabilities	0.7	-

CREDIT RISK

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.

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	357.8	166.1	-	523.9	177.9	176.2	-	354.1	0.5	0.7	-	1.2
Of which fixed-rate debts	-	158.0	-	158.0	-	100.0	-	100.0	-	-	-	-
Corresponding hedge maturities	65.0	210.0	-	275.0	90.0	100.0	-	190.0	-	-	-	-

The corresponding interest flows (excluding margin impacts) were calculated based on a constant debt, interest rate conditions at year end and exchange rates at 31 of January 2009. The following schedule is obtained:

Amount (€m)	2009	2010	2011	2012
Interest on fixed rates	11.6	9.1	5.1	4.7
Interests on the variable rate position	3.7	8.3	15.5	20.2
Interests on hedging operations	8.3	6.3	4.5	2.2
Total	23.6	23.7	25.1	27.1

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

Amount (€m)	2009	2010	2011	2012
Sensitivity to a 1% decrease in interest rates	2.1	3.7	5.4	6.1
Sensitivity to a 1% increase in interest rates	(2.1)	(3.6)	(5.3)	(6.1)

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For 2009, Neopost's policy was to fix its net interest expenses in advance. As a result after hedging, 66% of projected Neopost group debt is not exposed to long-term interest rates for the current year. Only 34% of the projected debt remains exposed to long-term rates at 31 January 2009.

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.

Derivative 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	-
	USD	40.0	50.0	-
Swap - receiver	EUR	27.5	127.5	-
	USD	-	20.0	-
Swaption call seller	EUR	-	25.0	-
	USD	50.0	30.0	-
Cap - buy	EUR	37.5	57.5	-
	USD	45.0	100.0	-
Knock-out cap - buy	EUR	12.5	32.5	-
	USD	5.0	55.0	-
Floor- sell	EUR	27.5	82.5	-

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
	USD	40.0	50.0	-
Swap - receiver	EUR	27.5	127.5	-
	USD	50.0	30.0	-
Cap - buy	EUR	37.5	57.5	-
	USD	5.0	30.0	-
Floor- sell	EUR	15.0	57.5	-

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INSTRUMENTS NOT ELIGIBLE FOR HEDGE ACCOUNTING

Notional value (millions)	Currency	Less than 1 year	1 to 5 years	Maturity more than 5 years
	USD	45.0	100.0	-
Knock-out cap-buy	EUR	12.5	32.5	-
	USD	-	25.0	-
Floor-sell	EUR	12.5	25.0	-

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 2008	Premium on new operations	Changes recognised as a balance sheet adjustment	Changes recognised in the Income statement	31 January 2009
Debt and Swap at Fair Value Hedge	(0.4)	-	-	(0.3)	0.1
USPP - USD 75m	(2.2)	-	-	1.2	3.4
Swap payer - USD 75m	1.8	-	-	(1.5)	(3.3)
Financial assets (derivatives)	1.2	0.4	(0.7)	(0.6)	0.3
Derivative instruments qualified as cash flow hedge	1.0	0.3	(0.7)	(0.5)	0.1
EUR transactions	1.0	0.1	(0.8)	(0.2)	0.1
USD transactions	-	0.2	0.1	(0.3)	-
Derivative instruments not eligible for hedge accounting	0.2	0.1	-	(0.1)	0.2
EUR transactions	0.1	-	-	0.1	0.2
USD transactions	0.1	0.1	-	(0.2)	-
Financial liabilities (derivatives)	0.7	0.4	7.3	0.8	9.2
Derivative instruments qualified as cash flow hedge	0.4	0.3	7.3	(0.3)	7.7
EUR transactions	0.4	0.1	5.6	(0.3)	5.8
USD transactions	-	0.2	1.7	-	1.9
Derivative instruments not eligible for hedge accounting	0.3	0.1	-	1.1	1.5
EUR transactions	0.3	-	-	0.7	1.0
USD transactions	-	0.1	-	0.4	0.5

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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 2009 is as follows:

Amount (€m)	31 January 2009	Balance sheet impact	Income statement impact	31 January 2009
Debt and Swap at Fair Value Hedge	0.1	-	-	0.1
USPP - USD 75m	3.4	-	0.9	2.5
Swap payer - USD 75m	(3.3)	-	(0.9)	(2.4)
Financial assets (derivatives)	0.3	-	0.4	0.7
Derivative instruments qualified as cash flow hedge	0.1	-	0.1	0.2
EUR transactions	0.1	-	0.1	0.2
USD transactions	-	-	-	-
Derivative instruments not eligible for hedge accounting	0.2	-	0.3	0.5
EUR transactions	0.2	-	0.2	0.4
USD transactions	-	-	0.1	0.1
Financial liabilities (derivatives)	9.2	(4.9)	(0.4)	3.9
Derivative instruments qualified as cash flow hedge	7.7	(4.9)	0.3	3.1
EUR transactions	5.8	(3.7)	0.3	2.4
USD transactions	1.9	(1.2)	-	0.7
Derivative instruments not eligible for hedge accounting	1.5	-	(0.7)	0.8
EUR transactions	1.0	-	(0.5)	0.5
USD transactions	0.5	-	(0.2)	0.3

The impact of a decrease by 1% of the interest rates on the accounts for the year ending 31 January 2009 is as follows:

Amount (€m)	31 January 2009	Balance sheet impact	Income statement impact	31 January 2009
Debt and Swap at Fair Value Hedge	0.1		(0.1)	-
USPP - USD 75m	3.4	-	(1.0)	2.4
Swap payer - USD 75m	(3.3)	-	0.9	(2.4)
Financial assets (derivatives)	0.3	-	(0.2)	0.1
Derivative instruments qualified as cash flow hedge	0.1	-	(0.1)	-
EUR transactions	0.1	-	(0.1)	-
USD transactions	-	-	-	-
Derivative instruments not eligible for hedge accounting	0.2	-	(0.1)	0.1
EUR transactions	0.2	-	(0.1)	0.1
USD transactions	-	-	-	-
Financial liabilities (derivatives)	9.2	5.5	0.8	15.5
Derivative instruments qualified as cash flow hedge	7.7	5.5	(0.2)	13.0
EUR transactions	5.8	4.1	(0.1)	9.8
USD transactions	1.9	1.4	(0.1)	3.2
Derivative instruments not eligible for hedge accounting	1.5	-	1.0	2.5
EUR transactions	1.0	-	0.6	1.6
USD transactions	0.5	-	0.4	0.9

CREDIT RISK

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

Other commitments given

(€m)	31 January 2009	31 January 2008
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
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	€0.1m	€0.1m

19-2: COMMITMENTS RECEIVED

No material commitment has been received to this date.

Note 20 Information on related parties

20-1: 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 Thiery is as follows:

(in thousands euro)	31 January 2009	31 January 2008
Remuneration of corporate officers		
Fixed remuneration	2,869.2	2,225.3
Variable remuneration	1,521.8	1,322.0
Benefits in kind	141.8	132.5
Directors' fees	15.0	22.5
Stock options valuation	970.2	1,047.3
Securities giving access to capital valuation	2,890.2	3,957.7
Pensions*	2,255.6	1,608.7

* Of which €646.6 thousands related to 2008 pension rights versus €170.7 thousands related to 2007 pension rights.

Due to organizational changes, Management Team includes 14 persons.

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

20-2: REMUNERATION OF DIRECTORS

(in euro) Directors' fees	31 January 2009	31 January 2008
Jean-Paul Villot	-	15,000
Denis Thiery	15,000	7,500
Henk Bodt	37,000	40,000
Jacques Clay	32,000	35,000
Cornelius Geber	37,000	40,000
Michel Guillet	32,000	32,000
Éric Licoys	37,000	40,000
Michel Rose	24,000	27,000
Raymond Svider	16,000	29,000
Agnès Touraine	27,000	16,500
Total	257,000	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 additional €5,000 per year.

With the exception of Mr Villot and Mr Thiery, whose remuneration are included on page 72, the directors do not receive any remuneration from Neopost S.A. other than directors' fees.

20-3: INFORMATIONS ON INVESTORS

Neopost carried out an analysis of its shareholder base as at 31 January 2009. No shareholder holding more than 3% of share capital has a significant activity of any sort with Neopost.

Note 21 Events after the balance sheet date

Since the closing of the consolidated accounts as at 31 January 2009 by the Board of Directors, there was no significant change to the Group's commercial or financial situation.

Statutory Auditors' report on the consolidated financial statements

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 such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the consolidated 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.

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, 2009, on:

- the audit of the accompanying consolidated financial statements of Neopost S.A.;
- the justification of our assessments;
- the specific verification required by French law.

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

I. Opinion on the consolidated 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 whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling or other selective testing methods, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and , liabilities and of the financial position of the Group as of January 31, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of assessments

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

Some accounting principles applied by Neopost group involve a significant portion of judgments and estimates. The application of these judgements and estimates, as described in paragraph 2.23 to notes to the consolidated financial statements, mainly relate to goodwill valuation, useful life of non-current 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 2.2, 2.4, 2.13, 2.14, 2.16, 5, 11 and 13 to notes to the consolidated financial statements.

Our work performed consisted in assessing the figures and assumptions on which these significant judgements and estimates made by the management are based on, 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.

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

III. Specific verification

We have also verified the information given in the group management report as required by French law. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, April 29, 2009

The Statutory Auditors
French original signed by

PERONET & ASSOCIES
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

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Summary of Neopost S.A. management report

Parent company income statement

Neopost S.A.'s operating loss amounted to - 6.1m compared with a loss of - 5.2m at 31 January 2008. Operating revenue consists of sums billed to subsidiaries for assistance, brand royalties and

rebilling of costs paid on behalf of subsidiaries, and amounted to €14.7m [€12.7m at 31 January 2008]. This covers part of the operating costs of €22.8m [€18.1m at 31 January 2008].

Net financial income amounted to €144.4m compared with €101.2m last year. The break-down is the following:

(€m)	31 January 2009	31 January 2008
Interest charges on external borrowings	(28.9)	(24.3)
Net income on internal loans and borrowings	6.5	3.5
Dividends received	169.3	143.4
Write-off of receivables	(0.5)	(2.6)
Revenue from disposals of securities	0.8	0.7
Net gain on foreign exchange and swaps	(4.7)	(7.7)
Provision for losses on foreign exchange	-	(9.8)
Provision for impairment of equity investments	7.4	-
Provision for impairment of equity investments	(7.4)	(2.0)
Provision for impairment of equity investments	1.9	-
Total	144.4	101.2

Treasury stocks disposals generated extraordinary income from capital transactions for €0.8m and extraordinary expenses from capital transactions for €6.9m [Treasury stock disposals for €2.5m and free share attribution for €4.4m].

Net income amounted to €151.7m [€106.7m at 31 January 2008] after taking into account a net tax income of €19.5m [€10.5m at 31 January 2008] resulting from the tax consolidation system.

Parent company balance sheet

Assets

Financial assets

In financial year 2008, Neopost S.A. bought 335,178 shares, i.e. 1.08% of its capital at 31 January 2009 for €22,9m 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 €34.7m;

- the acquisition of PFE International Ltd for €34.8m;
- the acquisition of Rena GmbH for €5.7m;
- the acquisition of a distributor in Sweden for €5.0m that was converted into a subsidiary under company name Neopost Sverige AB on 5 June 2008;
- the participation of Neopost S.A. in NBG ID which passed from 24% to 100% by an investment of €4.6m;
- the acquisition of Office System AG for €2.8m;
- the acquisition of a holding in the capital of Neopost Finance Ireland Ltd for €15.0m corresponds to the subscription for the capital growth of this one; and
- to an increase of €3.1m in short term loans to the Group's subsidiaries.

Net financial assets amounted to €741.4m at 31 January 2009 compared with €760.0m at 31 January 2008.

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Other receivables

Sundry receivables totalled €403.4m at 31 January 2009 compared with €300.3m at 31 January 2008. The break down is the following:

(€m)	31 January 2009	31 January 2008
Subsidiary current accounts - cash facility		
Hasler Inc	42.4	23.3
Hasler Finance Services	72.9	56.1
Leasing US	45.6	38.0
Mail Finance	49.3	50.6
Mailroom Holding Inc	1.3	-
Mail Leasing GmbH	15.4	12., 3
Neopost Canada	8.5	15.9
Neopost GmbH	1.1	1.1
Neopost Inc	50.4	55.9
Neopost SRL (Italy)	5.6	5.1
Neopost Japan	1.7	1.4
Neopost Ltd	42.7	7.1
Neopost Technologies S.A.	-	0.6
Neopost Finance Ireland Ltd	11.5	8.1
Neopost International Supply Ltd	25.4	-
Rena GmbH	1.1	-
Satas	1.6	0.8
Other	1.9	2.4
Accounts receivable (services invoiced)	6.2	7.5
Tax receivables	5.7	12.2
Other	13.1	1.9
Total	403.4	300.3

Liabilities

188,135 options were exercised for a total of €7,325,363.65. As a result, share capital increased by €188,135 and additional paid-in capital by €7,137,228.65.

Following share buybacks, a capital reduction for 724,364 shares or €67.0m was accounted for: €724,364 in share capital, €55,758,647.50 in additional paid-in capital and €10,516,988.50 in retained earnings.

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 2008	1,00	31,708,924	31,708,924	55,758,648	180,045,930	267,513,502
Capital increase: exercise of options	1,00	188,135	188,135	7,137,229	-	7,325,364
Capital reduction: cancellation of 724,364 treasury shares	1,00	(724,364)	(724,364)	(55,758,648)	(10,516,988)	(67,000,000)
Dividends paid	-	-	-	-	(111,408,070)	(111,408,070)
Installments of dividends 2008	-	-	-	-	(50,333,767)	(50,333,767)
Net income	-	-	-	-	151,685,019	151,685,019
Shareholders' equity at 31 January 2009	1,00	31,172,695	31,172,695	7,137,229	159,472,124	197,782,048

Debt

Debt at 31 January 2009 and 2008 breaks down as follows:

(€m)	31 January 2009	31 January 2008
US private placement	161.7	149.4
Caisses Régionales Crédit Agricole private placement	133.0	133.0
Revolving credit lines	486.6	285.9
Borrowings from subsidiaries	14.0	21.3
Accrued interest	3.5	3.9
Other	-	-
Total	798.8	593.5

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. Thanks to the exercise of an extension option, the maturity of the line has been extended to June 2013 for a national amount of €675m, at the same financial conditions. At the end of January 2008, Neopost had drawn €350m and USD175m.

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

(€m)	31/01/2005	31/01/2006	31/01/2007	31/01/2008	31/01/2009
Share capital					
Capital at year end	31.9	32.2	32.2	31.7	31.1
Number of shares	31,856,937	32,206,659	32,222,905	31,708,924	31,172,695
Operations and earnings					
Sales	9.9	11.0	12.1	12.7	14.7
Income before tax, depreciation and provisions	22.3	23.8	162.3	108.4	131.5
Income tax	0.9	11.3	6.1	10.5	19.5
Depreciation and provisions	1.6	(1.0)	(10.9)	(12.2)	0.7
Net income	24.8	34.1	157.5	106.7	151.7
Income paid out	111.5	94.2	102.6	111.4	116.5
Earnings per share					
Income after tax, before depreciation and provisions	0.75	1.09	5.22	3.75	4.84
Income after tax, depreciation and provisions	0.78	1.06	4.89	3.37	4.87
Dividends paid	3.50	3.00	3.30	3.65	3.80
Employees					
Average employees	20	22	21	21	26
Total wages	2.5	2.6	3.1	3.9	4.8
Employment benefits paid (social security, payroll charges)	1.2	1.2	3.8	2.7	3.0

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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 €3.80 per share in respect of 2008, up 4.1% compared to 2007 (€3.65 per share paid as an ordinary dividend).

The proposed total dividend for 2008 amounts to €116.5m.

On January 15, 2009 an interim dividends of €1.65 per share was paid for 2008.

The total amount of dividends paid for the five 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 8 July 2008 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.

The following transactions have been carried out between the start of the programme and 31 January 2009:

■ number of shares held at start of programme:	475,637
■ number of shares bought since start of programme:	534,191
■ number of shares sold since start of programme:	347,751
■ number of shares transferred since start of programme:	27,000
■ number of shares cancelled over last 24 months:	1,501,198
■ percentage of share capital owned as treasury stock directly and indirectly:	2.00%
■ number of shares held:	635,077

The treasury stock portfolio comprised 635,077 shares at 31 January 2009, of which 71,529 shares are held under the liquidity contract, and 335,178 are held with a view to cancellation and 228,370 are held for the free share attribution plan.

Transactions to acquire these shares are listed below.

Transactions on the cash market

Date	Broker	Buy/Sell	Number of shares	Price	Amount €	Transaction type
06/2008	CA Cheuvreux	Buy	213,860	70.11	14,993,210	Spot
10/2008	CA Cheuvreux	Buy	160,370	62.36	10,000,000	Spot
01/2009	CA Cheuvreux	Buy	30,100	66.52	2,002,106	Spot

Transactions on 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.

Transaction Date	Provider	Buy/Sell	Number of Shares	Share Price	Amount in €	Type of deal	Market
23/06/2008	Barclays Capital	Buy	219,518	68.33	15,000,000.00	Buy Forward expiry 23/06/08 dealt the 20/02/08	OTC

Transactions under liquidity contract

At 31 January 2009, the liquidity contract showed a balance of 71,529 shares with a book value of €4,500,027.24 and cash of €3,149,082.47, of which €2,934,598.05 is invested in short-term mutual funds.

Shares bought for cancellation

As at 31 January 2009, 335,178 shares are held for cancellation for an amount of €22,880,240.27.

New programme

A new share buy-back programme will be presented to shareholders for approval at the AGM on 7 July 2009. This will involve a maximum of 10% of the issued share capital at a maximum purchase price of 1.3 times the average closing share price of the last 60 days before the buy-back.

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:

	31 January 2009		31 January 2008		31 January 2007	
	Number	%	Number	%	Number	%
Management and employees	746,661	2.395%	708,500	2.234%	698,200	2.167%
Directors (non-executive)	7,054	0.023%	6,153	0.019%	4,186	0.013%
Liquidity contract	71,529	0.229%	74,414	0.235%	43,771	0.136%
Treasury stock held for cancellation	335,178	1.075%	724,364	2.285%	776,834	2.411%
Treasury stock held for attribution	228,370	0.733%	-	-	-	-
Other shareholders	29,783,903	95.545%	30,195,493	95.227%	30,699,914	95.273%
Total	31,172,695	100.00%	31,708,924	100.00%	32,222,905	100.00%

At 31 January 2009, the Company's capital was made up of 31,172,695 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 2009 ⁽¹⁾, five investment funds owned more than 30%:

- Arnhold & Bleichroeder Advisers: 13.795%
- Jupiter: 5.549%
- Fidelity Investments: 5.399%
- Marathon Asset Management: 5.006%
- Harris Associates: 3.947%

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

- capital increase through exercise of options: 315,818 shares in 2006, 262,853 shares in 2007; and 188,135 shares in 2008;
- capital reduction through cancellation of 776,834 shares of treasury stock in 2007 and 724,364 shares of treasury stock in 2008.

Directors' appointments and remunerations

The composition of the Board of Directors, details of directors' appointments and their remunerations are presented in pages 102 and 110 of this reference document.

⁽¹⁾ Source: Ipreo

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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 2009	
(€)	Chairman	CEO
Fixed remuneration	300,000	400,000
Variable remuneration	250,938	126,602
Directors' fees	-	15,000
Benefits in kind	4,811	7,146
Total	555,749	548,748
Stock-options valuation	394,785	233,324
Securities giving access to capital valuation	516,867	578,040

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 Mr Thiery relates to his appointment at 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 for the Management team at end-January 2009 is €2,255,643 of which €646,583 are related to 2008 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 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.

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 126 of this reference document.

Risk factors

Legal risks

Details of the legal risks faced by the Group may be found on page 16 of this reference document.

Market risks

Details of the market risks faced by the Group may be found on page 16 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 17 of this reference document.

Industrials and environmental risks

Details of industrial and environmental risks may be found on page 17 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.

Parent company balance sheet

ASSETS

(€m)	Notes	31 January 2009	31 January 2008
Intangible assets			
Gross value		18.9	6.9
Amortisation		(7.7)	(6.7)
		11.2	0.2
Property, plant and equipment			
Gross value		0.8	0.7
Depreciation		(0.3)	(0.6)
		0.5	0.1
Financial assets			
Gross value		746.6	767.1
Provisions		(5.2)	(7.1)
	(3)	741.4	760.0
Net receivables			
Net accounts receivable		6.2	7.5
Net other receivables		397.2	292.8
	(4)	403.4	300.3
Short-term investments and cash & cash equivalents			
Treasury stock		22.4	-
Short-term investments		-	16.8
Cash & cash equivalents		17.1	10.0
	(5)	39.5	26.8
Financial instruments			
		-	0.9
Prepaid expenses			
		-	-
Cumulative foreign exchange difference			
	(6)	24.6	32.1
Total Assets		1,220.6	1,120.4

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

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LIABILITIES

(€m)	Notes	31 January 2009	31 January 2008
Capital		31.2	31.7
Additional paid-in capital		7.1	55.8
Reserves		7.7	73.3
Income for the year		151.7	106.7
Shareholders' equity	(7)	197.8	267.5
Provisions for risks and contingencies			
Provision for risks		24.6	32.0
Provision for contingencies		10.9	0.4
	(8)	35.5	32.4
Debt			
Bank loans		784.6	572.2
Other borrowings and debt		14.2	21.3
	(9)	798.8	593.5
Accounts payable			
Trade payables		3.8	3.8
Other operating liabilities		157.2	183.4
Taxes		0.6	0.4
Deferred income		0.2	0.3
		161.8	187.9
Financial instrument		5.2	-
Cumulative foreign exchange difference	(6)	21.5	39.1
Total liabilities		1,220.6	1,120.4

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

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Parent company income statement

(€m)	31 January 2009	31 January 2008
Revenue from services	14.7	12.7
Reversal of depreciation and provisions	2.0	0.2
Revenue from operations	16.7	12.9
Other purchase costs and operating charges	(19.3)	(17.2)
Other expenses	(0.3)	(0.3)
Depreciation and provisions	(3.2)	(0.6)
Operating expenses	(22.8)	(18.1)
Investment income (dividends)	169.3	143.4
Investment income (interest)	14.1	17.5
Other interest and financial income	91.1	15.9
Reversal of depreciation and provisions	9.4	-
Financial income	283.9	176.8
Interest charges	(131.8)	(63.7)
Commitment commissions	(0.2)	(0.1)
Depreciation and provisions	(7.5)	(11.8)
Financial expenses	(139.5)	(75.6)
Financial result	144.4	101.2
Current operating income	138.3	96.0
Extraordinary proceeds from capital transactions	0.8	0.2
Extraordinary income	0.8	0.2
Extraordinary expenses on capital transactions	(6.9)	-
Extraordinary expenses	(6.9)	-
Extraordinary net income (loss)	(6.1)	0.2
Income tax	19.5	10.5
Net income	151.7	106.7

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

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Parent company cash flow statement

(€m)	31 January 2009	31 January 2008
Net income	151.7	106.7
Depreciation and amortisation charge (reversal)	1.1	0.1
Provisions for risks and contingencies (reversal)	1.2	12.0
Gains (losses) on changes in fair value	5.1	(1.0)
Funds generated from operations	159.1	117.8
(Increase) decrease in accounts receivable	1.3	(1.5)
Increase (decrease) in accounts payable	(0.1)	(3.2)
Increase (decrease) in other operating payables and receivables	(125.9)	(224.6)
Cash flow from operating activities (A)	34.4	(111.5)
Investment in other intangible assets	(0.5)	-
Investment in other tangible assets	(12.0)	-
Securities acquired and loans granted	21.8	32.0
Cash flow from investment activities (B)	9.3	32.0
Dividends paid	(161.7)	(102.6)
Parent company capital increase	7.3	10.1
Parent company capital reduction (share buy-back)	(67.0)	(68.1)
New medium and long-term debt	180.1	286.0
Loans repayment	(11.7)	(61.0)
Net change in other debt and accrued interest	(0.4)	(0.1)
Cash flow from financing activities (C)	(53.4)	64.3
Impact of exchange rate movements on cash and cash equivalents (D)	-	-
Change in net cash & cash equivalents (A) + (B) + (C) + (D)	(9.7)	(15.2)
Opening cash & cash equivalents	26.8	42.0
Closing cash & cash equivalents	17.1	26.8

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 2009 and 31 January 2008.

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

Note 1 Presentation of the company

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

A second LBO took place in 1997.

Note 2 Summary of accounting policies

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

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

At 1 February 2005, the company applied new regulations relating to the definition, measurement and recognition of assets (CRC regulation 04-06) and amortisation or depreciation (CRC regulation 02-10).

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:

- Patent & Software	5 years	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 2.5%. 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 AND CASH & CASH EQUIVALENTS

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

The Group applied the new CRC 2008-15 rule relative to stock-option and free share attribution accounting principles. It entails a change in accounting method for the full year 2008.

As soon as it is possible that the entity will deliver to the plan beneficiaries existing shares, a liability should be accounted for, on the basis of a probability that an outflow of resources will be necessary:

- the measurement of the resource outflow is based on the cost of the share buyback if those shares were not held or their acquisition cost at the plan affectation date determined according to the principles described thereafter;
- if options and free share attribution is subordinated to the fact that the beneficiary is still in the company's staff during a certain period of time, the accounting method for this liability is spread during the rights acquisition date;
- the treasury shares allocated to specific plans remains measured at the acquisition cost and are not depreciated anymore. The acquisition cost is the cost to acquire these shares (if the shares have not been allocated to a specific plan from their acquisition) or to their net book value at the plan allocation date in the case of a future allocation. The shares acquired with a view to be attributed to employees and that are not attached to a determined plan remain measured according to general rules that apply to short-term investments.

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Note 3 Financial assets

(€m)	31 January 2009	31 January 2008
Gross value		
Investments in Mail Finance	8.6	8.6
Investments in Mail Services	2.5	2.5
Investments in Mailroom Equipment Ltd	4.6	4.6
Investments in Mailroom Holding BV	26.0	26.0
Investments in Mailroom Holding Inc.	34.3	34.3
Investments in Neopost AG	9.7	9.7
Investments in Neopost Belgium (SPRL)	0.5	0.5
Investments in Neopost Canada Ltd	5.8	5.8
Investments in Neopost Diva	2.5	2.5
Investments in Neopost Spain (SL)	0.0	0.0
Investments in Neopost Finance Ireland	15.0	-
Investments in Neopost France	133.9	133.9
Investments in Neopost GmbH & Co KG	38.8	38.8
Investments in Neopost (Holdings) Ltd	77.9	77.9
Investments in Neopost ID	0.0	-
Investments in Neopost Inc.	74.6	74.6
Investments in Neopost India	0.1	-
Investments in Neopost Industrie AG	0.1	0.1
Investments in Neopost Industrie S.A.	0.0	0.0
Investments in Neopost Ireland Ltd	1.0	1.0
Investments in Neopost Italia Srl.	1.3	1.3
Investments in Neopost Japan	3.1	3.1
Investments in Neopost NBG ID	4.6	0.0
Investments in Neopost Norge AS	1.4	1.0
Investments in Neopost Software & Integrated Systems AG (BTA)	9.3	7.0
Investments in BTA earn out	-	1.2
Investments in Neopost Sverige AB	5.0	-
Investments in Neopost Verwaltungen (Stielow GmbH)	3.3	3.3
Investments in Office System AG	2.8	-
Investments in PFE International Ltd	34.8	-
Investments in Rena GmbH	5.7	-
Investments in Rena earn out	0.4	-
Investments in Satas	61.0	61.0
Investments in Valipost	-	2.7
Investments in Dynapost	2.4	2.4
Investments in Xange Capital	4.2	2.7
Loans to subsidiaries	112.6	110.5
Accrued interest not yet matured on loans to subsidiaries	0.9	1.0
Equity loan to Neopost Spain (SL)	0.3	0.3
Kontu GmbH loan	-	1.6
Other securities	34.7	69.4
Liquidity contract	-	9.3
Treasury stock with a view to cancellation	22.9	67.0
Deposits & guarantees	-	1.5
Total gross value	746.6	767.1
Impairment		
Investments in Mailroom Equipment Ltd	(4.6)	(4.6)
Investments in Xange Capital	(0.6)	(0.6)
Treasury stock	-	(1.9)
Total net value	741.4	760.0

4 Parent company financial statements

Notes to the parent company financial statements

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At 31 January 2009, Neopost S.A. held 335,178 shares for a book value of €22,880,240.27 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 €34.7m;
- the acquisition of PFE International Ltd for €34.8m;
- the acquisition of Rena GmbH for €5.7m;
- the acquisition of a distributor in Sweden for €5.0m which was converted into a subsidiary under company name Neopost Sverige AB on 5 June 2008;
- the participation of Neopost S.A. in NBG ID which passed from 24% to 100% by an investment of €4.6m;

- the acquisition of Office System AG for €2.8m;
- the acquisition of a holding in the capital of Neopost Finance Ireland Ltd for €15.0m corresponds to the subscription for the capital growth of this one;
- and to an increase of €3.1m in short term loans to the Group's subsidiaries.

An impairment test was carried out on Neopost S.A. investments at 31 January 2009; total impairment of €4.6m was recognised in respect of investments in Mailroom Equipment Ltd, on 31 January 2009.

Note 4 Receivables

The total receivables that amounted to €403.4m mainly represent short-term advances to subsidiaries for €378.3m, €6.2m of

receivables from subsidiaries and a tax receivable of €5.7m 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 instruments and treasury shares.

Neopost owns 71,529 shares under the liquidity contract and 228,370 for free shares allocations for an amount of €22.4m as at 31 January 2009. Under the liquidity contract shares cannot be

sold free except if the contract is cancelled. This contract was signed with Exane BNP Paribas on 2 November 2005 for one year renewable by tacit agreement. The amount allocated to this contract was €8m originally. The purpose is to reduce excessive volatility of the Neopost share and to improve liquidity

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 €15.8m at 31 January 2009. After offset, the translation adjustment asset came out at €24.6m and the translation adjustment liability at €21.5m.

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[< Contents >](#)**Note 7 Shareholders' equity**

	Par value (€)	Number of shares	Capital	Additional paid-in capital	Reserves	Total
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
Dividends paid	-	-	-	-	(111.4)	(111.4)
Interim dividends paid	-	-	-	-	(50.3)	(50.3)
Capital increase	1.00	188,135	0.2	7.1	-	7.3
Capital reduction	1.00	(724,364)	(0.7)	(55.8)	(10.5)	(67.0)
Income for the year	-	-	-	-	151.7	151.7
Shareholders' equity at 31 January 2009	1.00	31,172,695*	31.2	7.1	159.5	197.8

* Of which 635,077 treasury shares held under the share buy-back programme, i.e. 2.04% of share capital.

Note 8 Provisions for risks and contingencies

	31 January 2008	Added	Used	Non used	Others	31 January 2009	Expiration
Provisions for risks							
Unrealised foreign exchange loss	32.0	-	-	(7.4)	-	24.6	n/a
Total provisions for risks	32.0	-	-	(7.4)	-	24.6	
Provisions for contingencies							
Retirement obligations	0.4	0.4	-	(0.4)	-	0.4	n/c
Treasury stock	-	7.4	-	-	-	7.4	2 years
Others	-	-	-	-	3.1	3.1	6 years
Total provisions for contingencies	0.4	7.8	-	(0.4)	3.1	10.9	
Total provisions for risks & contingencies	32.4	7.8	-	(7.8)	3.1	35.5	

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Note 9 Debt

At 31 January 2009 and 2008, debt breaks down as follows:

	Less than one year	One to five years	More than five years	31 January 2009	31 January 2008
Revolving credit facility ^(a)	486.6	-	-	486.6	285.9
Accrued interest and other	0.1	-	-	0.1	0.1
Bank loans	486.7	-	-	486.7	286.0
Caisse Régionale private placement	-	133.0	-	133.0	133.0
Accrued interest	0.8	-	-	0.8	0.8
CRPP private placements ^(b)	0.8	133.0	-	133.8	133.8
US private placement \$175m	-	136.5	-	136.5	117.7
US private placement \$10m	-	-	-	-	6.7
US private placement €25m	-	25.0	-	25.0	25.0
Accrued interest	2.6	-	-	2.6	3.0
US private placements ^(c)	2.6	161.5	-	164.1	152.4
Borrowing from Neopost Holdings Ltd	2.9	6.0	-	8.9	13.4
Borrowing from Neopost Holdings Ltd	0.8	2.3	-	3.1	4.7
Borrowing from Neopost Limited	0.6	1.6	-	2.2	3.2
Other borrowings	4.3	9.9	-	14.2	21.3
Total	494.4	304.4	-	798.8	593.5

(a) On 22 June 2007, Neopost arranged a multi-currency revolving credit line for the equivalent of €750 m to replace all Neopostgroup 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. Thanks to an extension option, this line was extended to June 2013 for a national amount of €675 m at the same financial conditions. At the end of January, Neopost had drawn €350 m and USD175 m.

(b) 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%.

(c) 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 redeemed 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%.

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. EBITDA is calculated by adding depreciation for the period to operating income. 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 using the same methodology. 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 2009.

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Note 10 Income statement

10-1: OPERATING INCOME

Neopost S.A.'s operating loss amounted to - 6.1m compared with a loss of - 5.2m at 31 January 2008. Operating revenue consists of sums billed to subsidiaries for assistance, brand royalties and

rebilling of costs paid on behalf of subsidiaries, and amounted to €14.7m (€12.7m at 31 January 2008). This covers part of the operating costs of €22.8m (€18.1m at 31 January 2008).

10-2: FINANCIAL INCOME

Net financial income amounted to €144.4m compared with €101.2m last year. The break-down is the following:

(€m)	31 January 2009	31 January 2008
Interest charges on external borrowings	(28.9)	(24.3)
Net income on internal loans and borrowings	6.5	3.5
Dividends received	169.3	143.4
Write-off of receivables	(0.5)	(2.6)
Revenue from disposals of securities	0.8	0.7
Net gain on foreign exchange and swaps	(4.7)	(7.7)
Provision for losses on foreign exchange	-	(9.8)
Provision for impairment of equity investments	7.4	-
Provision for impairment of equity investments	(7.4)	(2.0)
Provision for impairment of equity investments	1.9	-
Total	144.4	101.2

10-3: EXTRAORDINARY NET INCOME (LOSS)

Treasury stocks disposals generated extraordinary income from capital transactions for €0.8m and extraordinary expenses from capital transactions for €6.9m (Treasury stock disposals for €2.5m and free share attribution for €4.4m).

10-4: INCOME TAX

Neopost S.A. is the parent company of a group which is consolidated for tax purposes under the terms of article 223A of the General Tax Code. In this respect, Neopost S.A. alone is liable for income tax due by its subsidiaries with a view to determining the whole Group's earnings. The tax consolidation agreement used in the Group is based on the principle of neutrality. For 2008, the tax benefit due to tax consolidation is €19.5m.

Net income amounted to €151.7m (€106.7m at 31 January 2008) after taking into account a net tax income of €19.5m (€10.5m at 31 January 2008) resulting from the tax consolidation system.

Note 11 Information on associated companies

Figures for associated companies break down as shown below:

	31 January 2009	Associated companies	
		Majority stake	Minority stake
Financial assets	718.2	712.2	6.0
Receivables	384.6	384.6	-
Debt	14.2	14.2	-
Financial expenses	7.6	7.6	-
Financial income	14.1	14.1	-
Dividends	169.3	168.8	0.5

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 2009, 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.

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YEAR-END POSITION

The tables below show Neopost S.A.'s year-end hedging positions.

2008: hedging positions covering financial assets and liabilities on Neopost S.A.'s balance sheet or foreign exchange contracts relating to the 2008 fiscal year.

(millions)	USD	GBP	CAD	JPY	CHF	NOK	DKK
Neopost S.A. financial assets	4.0	0.1	0.2	0.6	0.1	0.5	-
Foreign exchange contract assets	41.1	20.9	1.2	22.0	2.3	9.2	-
Total assets	45.1	21.0	1.4	22.6	2.4	9.7	-
Neopost S.A. financial liabilities	3.4	0.1	-	-	-	0.2	-
Foreign exchange contract liabilities	9.2	48.2	-	-	-	-	0.3
Total liabilities	12.6	48.3	-	-	-	0.2	0.3
Net position before hedging	32.5	(27.3)	1.4	22.6	2.4	9.5	(0.3)
Neopost S.A. hedging	(32.6)	26.2	(0.5)	(50.0)	(2.1)	(0.6)	-
Net position after hedging	(0.1)	(1.1)	0.9	27.4	0.3	8.9	(0.3)

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 USD3.5m sold, GBP0.9m bought and JPY25.0m 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: GBP0.9m bought, JPY25.0m sold and USD3.5m sold.

2009 BUDGET: hedging positions relating to the 2009 budget.

(millions)	USD	GBP	CAD	JPY	NOK	DKK	SEK	CHF
Neopost S.A. projected financial assets	9.7	2.8	0.9	7.6	1.8	-	0.5	0.4
Foreign exchange contract assets	145.1	172.3	9.1	224.6	34.0	-	26.1	10.2
Total assets	154.8	175.1	10.0	232.2	35.8	-	26.6	10.6
Neopost S.A. projected financial liabilities	12.4	0.9	-	-	-	-	-	-
Foreign exchange contract liabilities	101.7	211.5	-	-	-	6.5	-	5.5
Total liabilities	114.1	212.4	-	-	-	6.5	-	5.5
Net position before hedging	40.7	(37.3)	10.0	232.2	35.8	(6.5)	26.6	5.1
Neopost S.A. hedging	(14.5)	7.9	(4.8)	(70.0)	(14.5)	-	-	(4.9)
Net position after hedging	26.2	(29.4)	5.2	162.2	21.3	(6.5)	26.6	0.2

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 USD6.0m sold, CAD1.6m sold, GBP2.6m bought, NOK3.5m sold, JPY10.0m sold and CHF2.5m 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: GBP2.8m bought, JPY5.0m sold, NOK5.0m sold, USD1.0m sold, CAD0.3m sold and CHF1.7m sold.

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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;

2008

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	1.2	26.8	3.5	7.0	-	-
CAD	-	0.5	-	-	-	-
JPY	-	-	25.0	50.0	-	-
NOK	-	0.6	-	-	-	-
CHF	-	2.1	-	-	-	-
GBP	24.4	-	-	-	1.8	0.9

2009 BUDGET

Notional value (millions)	Forward purchases	Forward sales	Put options bought	Call options sold	Put options sold	Call options bought
USD	-	7.5	6.0	7.0	-	-
CAD	-	2.9	1.6	1.9	-	-
JPY	-	55.0	10.0	15.0	-	-
NOK	-	6.0	3.5	8.5	-	-
CHF	-	0.7	2.5	4.2	-	-
GBP	2.5	-	-	-	5.9	3.1

INSTRUMENT VALUATION

Hedging instruments relating to fiscal year 2008 have all been valued and recognised at market value at 31 January 2009.

Financial instruments relating to the 2009 budget have not been valued in Neopost S.A.'s financial statements.

- 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 2009. These instruments are listed below by type and by currency.

CREDIT RISK

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

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HEDGING OF FOREIGN-CURRENCY LOANS AND CURRENT ACCOUNT ADVANCES

Subsidiary	Loan/borrowing/ short-term advance	Currency	Amount	Notional amount of financial instruments
Hasler Inc. ^(a)	Short term loan	USD	54.4	-
Hasler Financial Services ^(a)	Short term loan	USD	93.5	-
Neopost Leasing Inc. ^(a)	Short term loan	USD	58.5	-
Neopost Canada Ltd	Short term loan	CAD	13.6	13.6
Neopost Canada Ltd	Loan	CAD	1.9	1.9
Neopost Int. Supply Ltd	Short term loan	GBP	22.6	
Neopost Ltd	Short term loan	GBP	38.3	
PFE International Ltd	Short term advance	GBP	2.7	59.4
Neopost AG	Short term advance	CHF	1.0	
Neopost AG	Loan	CHF	6.1	
Neopost Software & Integrated Solutions AG	Short term advance	CHF	3.0	
Office Systems AG	Short term loan	CHF	0.5	2.5
Neopost Inc.	Short term loan	USD	64.5	53.5
Neopost Inc.	Loan	USD	21.5	21.5
Neopost Inc. ^(a)	Loan	USD	67.0	-
Mailroom Holding Inc	Short term loan	USD	1.7	1.5
Neopost Japan Inc.	Short term loan	JPY	197.5	197.5
Neopost Holdings Ltd	Borrowing	GBP	10.8	10.8
Neopost Ltd	Borrowing	GBP	1.9	1.9
Neopost Norge AS	Short term loan	NOK	0.3	0.3
Neopost Norge AS	Loan	NOK	11.8	11.8

^(a) 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.

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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	509.4	353.0
Net position before hedging	(509.4)	(353.0)
Fixed-rate debt	158.0	100.0
Hedging	275.0	190.0
Net position after hedging	(76.4)	(63.0)

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	-
	USD	40.0	50.0	-
Swap - receiver	EUR	27.5	127.5	-
	USD	-	20.0	-
Swaption call seller	EUR	-	25.0	-
	USD	50.0	30.0	-
Cap - buy	EUR	37.5	57.5	-
	USD	45.0	100.0	-
Knock-out cap - buy	EUR	12.5	32.5	-
	USD	5.0	55.0	-
Floor - sell	EUR	27.5	82.5	-

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 + €0.3m for euro instruments and + \$0.1m for US dollar instruments, in liabilities was + €6.8m for euro instruments and + \$3.1m for US dollar instruments .

OTHER COMMITMENTS GIVEN

(millions)	31 January 2009	31 January 2008
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
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	€0.1m	€0.1m

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.

PLEDGES OF INVESTMENT SECURITIES

None.

COMMITMENTS RECEIVED

No significant commitment received.

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(millions)	Capital	Other reserves	% interest	Gross value	Provisions	Net book value	Loans and advances	2008 net income	2008 sales	2007 net income	2007 sales	Dividends paid
French subsidiaries and equity interests												
Satas												
Clichy	4.60	13.1	100.00%	61.0	-	61.0	-	13.3	107.5	10.4	102.9	8.0
Neopost France												
Nanterre	84.00	22.3	100.00%	133.9	-	133.9	0.1	15.0	134.3	15.7	133.9	13.2
Mail Finance												
Arcueil	9.50	24.4	90.00%	8.6	-	8.6	49.1	7.1	15.3	9.9	15.3	-
Diva												
Cavaillon	0.04	6.3	100.00%	2.5	-	2.5	-	1.0	6.2	0.9	6.3	-
Dynapost												
Montrouge	1.60	5.1	35.00%	2.4	-	2.4	-	1.5	-	1.5	-	0.5
Neopost Industrie S.A.												
Bagneux	22.00	5.1	100.00%	0.04	-	0.04	-	3.8	36.6	6.1	49.9	0.01
Mail Services												
Nanterre	2.5	0.6	100.00%	2.5	-	2.5	0.1	3.8	40.7	3.6	40.0	3.2
Neopost NBG ID												
Cavaillon	0.04	0.1	100.00%	4.6	-	4.6	-	0.1	5.2	-	-	-
Neopost ID												
Cavaillon	0.04	-	100.00%	0.04	-	0.04	-	-	-	-	-	-
Foreign subsidiaries and equity interests												
Mailroom Holding BV												
Drachten Netherlands	€18.15	€(7.9)	100.00%	€26.0	-	€26.0	-	€35.0	Nil	€30.0	Nil	€35.0
Neopost SPRL												
Bruxelles Belgium	€0.52	€6.5	100.00%	€0.5	-	€0.5	-	€1.9	€14.4	€2.1	€13.5	€2.0
Neopost Srl												
Milano Italy	€0.01	€2.3	100.00%	€1.3	-	€1.3	€8.3	€0.8	€13.9	€0.8	€12.9	-
Neopost SL												
Barcelona Spain	€0.0	€(0.2)	100.00%	€0.0	-	€0.0	€1.2	€(0.2)	€1.0	€0.0	€1.1	-
Neopost Ireland Ltd												
Dublin Ireland	€0.05	€3.8	100.00%	€1.0	-	€1.0	-	€1.5	€9.8	€1.5	€9.3	-
Mailroom Equipment Ltd												
Dublin Ireland	€0.5	-	100.00%	€4.6	€(4.6)	-	-	-	-	-	-	-
Neopost Finance Ireland Ltd												
Dublin Ireland	€15.0	€0.9	100.00%	€15.0	-	€15.0	€11.5	€2.2	€2.3	-	-	-
Neopost AG												
Schlieren, Switzerland	CHF 0.40	CHF 0.2	100.00%	€9.7	-	€9.7	CHF 6.2	CHF 2.5	CHF 20.3	CHF (0.4)	CHF 6.0	-
Neopost Software & Integrated Solutions AG												
Rüti, Switzerland	CHF 0.10	CHF 3.9	100.00%	€9.3	-	€9.3	-	CHF 0.8	CHF 7.1	CHF 1.9	CHF 7.6	-
Office Systems Mailroom Solutions AG												
Dattwil, Switzerland	CHF 0.30	CHF 0.3	100.00%	€2.8	-	€2.8	-	CHF 0.5	CHF (1.2)	CHF 1.5	-	-

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(millions)	Capital	Other reserves	% interest	Gross value	Provisions	Net book value	Loans and advances	2008 net income	2008 sales	2007 net income	2007 sales	Dividends paid
Neopost GmbH & Co KG												
Munich, Germany	€2.57	€3.2	100.00%	€38.8	-	€38.8	€7.1	€3.1	€60.2	€1.9	€51.1	-
Neopost Verwaltungs & Co KG												
Munich, Germany	€0.30	€4.3	100.00%	€3.3	-	€3.3	-	€0.0	Nil	€0.2	Nil	-
Rena GmbH												
Munich, Germany	€0.25	€1.5	100.00%	€5.9	-	€5.9	€2.2	€0.2	€4.5	-	-	-
Neopost (Holdings) Ltd												
Romford, UK	£48.84	£(79.0)	100.00%	€77.9	-	€77.9	-	£85.2	Nil	£65.2	Nil	£95.0
PFE International Ltd												
Loughton, UK	£0.73	£7.0	100.00%	€33.7	-	€33.7	-	£4.5	£7.7	-	-	-
Neopost Inc.												
Hayward, California USA	\$0.00	\$22.9	100.00%	€74.6	-	€74.6	\$154.6	\$6.1	\$226.9	\$6.7	\$233.2	-
Mailroom Holding Inc.												
Milford, Connecticut USA	\$30.0	\$24.4	100.00%	€34.3	-	€34.3	-	\$2.9	\$61.6	\$3.6	\$60.4	-
Neopost Japan												
Tokyo Japan	¥60.0	¥58.7	100.00%	€3.1	-	€3.1	¥197.9	¥35.4	¥616.3	¥16.1	¥445.7	-
Nepost Canada Ltd												
Markham, Canada	CAD 7.15	CAD 4.9	100.00%	€5.8	-	€5.8	CAD 15.7	CAD 0.9	CAD 32.8	CAD 1.0	CAD 32.9	-
Neopost Norge AS												
Oslo, Norway	NOK 26.40	NOK 3.5	100.00%	€1.4	-	€1.4	NOK 12.7	NOK 2.2	NOK 83.1	NOK 2.5	NOK 74.2	-
Neopost Sverige AB												
Bromma, Sweden	SEK 0.1	SEK 3.4	100.00%	€4.9	-	€4.9	-	SEK 1.8	SEK 40.0	-	-	-
Neopost India												
India			100.00%	€0.1	-	€0.1	-	-	-	-	-	-

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Note 14 Remuneration of corporate officers

The remuneration of corporate officers is stated on pages 107 and 109 of this reference document.

Note 15 Headcount

The average number of employees of Neopost S.A. was 26 in 2008.

Statutory Auditors' report on the annual financial statements

Year ended January 31, 2009

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 such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit 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 financial statements. This report also includes information relating to the specific verification of information in the 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.

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, 2009, 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 French law.

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

I. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2009 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 the 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 terms of the annual impairment test of financial assets as described in note 2 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 of cash flows performed by the Company.

These assessments were made as part of our audit of the financial statements taken as a whole and, therefore, contributed to 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 French law.

We have no matters to report regarding the following:

- the fair presentation and consistency with the financial statements of the information given in the Management 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 Directors' report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders and holders of voting rights has been properly disclosed in the Management Directors' report.

Paris and Neuilly-sur-Seine, April 29, 2009

The Statutory Auditors

PERONNET & ASSOCIES

Olivier Péronnet

ERNST & YOUNG et Autres

Philippe Diu

Special report of the Statutory Auditors on certain related-party transactions and certain commitments

For the year ended January 31, 2009

(A free translation of the French original)

To the Shareholders

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

We are not required to ascertain the existence of any other agreements and commitments but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

I. Agreements and commitments, approved in the year ended January, 31, 2009.

We hereby inform you that we have not been advised of any agreements and any commitments concluded covered by Article L. 225-38 of the French Commercial Code (*Code de commerce*).

II. Agreements and commitments, approved in prior years, and remained effective in the year ended January, 31, 2009.

In addition, and in accordance with the French Commercial Code (*Code de commerce*), we have been advised that the following agreements and commitments, approved in prior years, remained effective in the year ended January, 31, 2009.

Collective pension plans

The benefit of the three collective pension plans agreed on October 3rd, 2006, has been maintained for Mr. Denis Thierry appointed Chief Executive and Mr. Jean-Paul Villot, Chairman of the Board :

- pension plan contributions settled in 2001 for 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.

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 7,528,060 € in revenues for Neopost S.A. for the year ended January 31, 2009.

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 3,791,454 € in revenues for Neopost S.A. for the year ended January 31, 2009.

Tax consolidation

Neopost S.A. is parent company of a tax consolidated group since February the 1st, 1997 in sense of article 223A of French General Tax Code (*Code général des Impôts*).

Tax consolidation has generated a tax profit of 19,427,278 € for the year ended January 31, 2009.

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

Neuilly-sur-Seine and Paris, April 29, 2009

The Statutory Auditors

PERONET & ASSOCIES

Olivier Péronnet

ERNST & YOUNG et Autres

Philippe Diu

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5 Corporate governance

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Board of Directors

The Board of Directors purpose is to set the Company's strategy and ensuring its implementation.

Chairman

■ **Jean-Paul Villot** (64) 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. 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 BV (The Netherlands), and Member of the supervisory board of Neopost Technologie BV (The Netherlands).

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

Other appointments over the last five years (excluding those listed above): Chairman of Neopost Inc (USA) until 2006 and Director of Océ France until 2008.

Jean-Paul Villot owned 223,011 shares of Neopost at 31 January 2009.

Other members of the Board of Directors

■ **Henk Bodt** (71) 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 (The Netherlands), DSM (The Netherlands) and Delft Instruments (The Netherlands).

Henk Bodt mandate will be submitted to renewal during the AGM that will be held on 7 July 2009.

Henk Bodt owned 2,000 shares of Neopost at 31 January 2009.

■ **Jacques Clay** (61) is Chairman and CEO of Perigee SA (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 SA (France), director of Wstore Europe SA (France).

Other appointments over the last five years (excluding those listed above): Co-Chairman of the supervisory board of Takasic SA and Chairman of the supervisory board of Netquartz SA (France) which was sold to Wstore Europe SA in 2004, Chairman of supervisory board of Polyspace Technologies (France, until April 2007). He was director of Asterop SA (France, September 2007-January 2008).

Jacques Clay owned 1,000 shares of Neopost at 31 January 2009.

■ **Cornelius Geber** (57) 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, (Germany), 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) and director of GC Beteiligungs und Management AG (Switzerland), Vice-Chairman of the board of Inconso AG (Germany),

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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 SA (Belgium).

Cornelius Geber owned 1,230 shares of Neopost at 31 January 2009.

■ **Michel Guillet** (64) 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: Director of Investir & Partenaire for the development in Port-Louis, (Mauritius) and of I&P Management (Mauritius).

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

Michel Guillet owned 515 shares of Neopost at 31 January 2009.

■ **Éric Licoys** (70) 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 fund manager at Lazard Frères & Compagnie. Between 1999 and 2002, he was Board Member and Managing Director of Vivendi Universal and President of AFIC (French Private Equity Association). 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 SA, Polly and Chairman of Cocifas SAS and member of the supervisory board of Citizen Capital.

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 mandate will be submitted to renewal during the AGM that will be held on 7 July 2009.

Eric Licoys owned 1,860 shares of Neopost at 31 January 2009.

■ **Michel Rose** (65) was Deputy Managing Director of Lafarge with responsibility for the cement business, he retired on the 1st May 2008. 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 Morocco, of UNICEM (Nigeria) of Malayan Cement (Malaysia) and Essilor International (France), Chairman of École des Mines de Nancy Foundation.

Michel Rose owned 296 shares of Neopost at 31 January 2009.

■ **Denis Thiery** (53) was appointed Group Chief Executive Officer in June 2007. Denis Thiery has joined Neopost in 1998 as CFO. From 1991 to 1997, he was Group 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, and was audit Manager when he left audit in 1984. He graduated from l'École des Hautes Études Commerciales (HEC).

Other Group appointments: Director of Mailroom Holding BV (Netherlands), Neopost ID (France), Neopost Ireland Limited, Neopost Finance (Ireland) Ltd, Neopost SRL and Neopost Finance SRL (Italy), Neopost Norge AS (Norway), Neopost Ltd (United Kingdom), 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).

Other appointments: None

Denis Thiery owned 68,650 shares of Neopost at 31 January 2009.

■ **Agnes Touraine** (52) manage Act III Consultants; a consulting firm specialized on growth strategy that she created in 2003. During her career, she occupied several positions in Mc Kinsey and Lagardère Group. She was then 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, of the Fondation de France and she is at the board of the French American Foundation, of the IDATE and of the Women's Forum.

Agnès Touraine owned 153 Neopost share at 31 January 2003.

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The Board of Directors met 5 times in fiscal year 2008. The attendance rate was 93.5%.

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.

No director is elected from among the employees. There is no family link between board members. No board member has been condemned for fraud or incurred any public sanction over the past 5 years. No board member has been 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.

Over the last five years, none of the company's officers have been found guilty of fraud, declared bankrupt, sequestered or liquidated,

incurred any official public penalty and/or sanction, or been prevented from acting or operating in the management or conduct of business.

No arrangement or agreement exists with the company's main shareholders, customers, suppliers or other, by virtue of which any officer of the company has been selected as a member of an executive, administrative, or supervisory body or as a member of senior management.

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 112 for the definition of an independent director]. *Such a report was presented to the Board of Directors on 31 March 2009. This confirmed that six of the Board's members are independent of the Group, following the non-renewal of Mr Raymond Svider's term as director at the Annual General Meeting on 8 July 2008.*

See the Chairman's report on internal control on page 113 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 2008. The attendance rate was 100%.

Audit committee

The Audit committee consists of the independent directors Henk Bodt, Jacques Clay and of Raymond Svider until 8 July 2008, 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 2008. 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.

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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 2008. The attendance rate was 100%.

By-laws

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

The aim of the by-laws is to specify the tasks and operating methods of the Board of Directors, along with its members' rights, obligations and recruitment practices, within the scope of their authority, in order to ensure the Company's long-term future, its smooth running and the sustained creation of value for shareholders, employees and the Company's other stakeholders.

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

Attached to the by-laws are the following:

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

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

In particular, the Board of Directors' tasks include:

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

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

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

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

- The by-laws also set out the rules for transcribing the minutes of meetings.

The full text of the by-laws is available on the Neopost group website: www.neopost.com/investors/regulated_information/#

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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 2008, the management team includes the following:

Jean-Paul Villot	Chairman of the Board
Denis Thiery	Chief Executive Officer
Bertrand Dumazy	Chief Financial Office
Gérard Keraval	Europe & Export
Dennis Lestrangle ^(a)	North America
Dennis Gilham	Relationships with postal authorities and partnerships
Henri Dura	Strategic Marketing
Bernard Duret	PFE integration project Manager
Chris Hockey	Human Resources
Alain Midowski	Legal
Philippe Boulanger	Chief Technical Officer
Jean-François Labadie	Supply Chain
Enno Ebels ^(b)	Neopost Software & Integrated Solutions
Alain Férard ^(b)	Neopost Logistics Systems Europe

^(a) Dennis Lestrangle replaced Patrick Nangle as Chief Operating Officer in North America.

^(b) Jos Van Stratum stepped down from his position of Head of the "Neopost Logistics System" division. This division has been reorganized. Enno Ebels became Head of the "Software & Integrated Solutions" division and Alain Férard became Head of the "Neopost ID" division.

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.

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Remuneration of managers and directors

Management team

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

(in thousands euro)	31 January 2009	31 January 2008
Remuneration of corporate officers		
Fixed remuneration	2,869.2	2,225.3
Variable remuneration	1,208.2	1,238.5
Benefits in kind	141.8	132.5
Directors' fees	15.0	22.5
Stock options valuation	970.2	1,047.3
Securities giving access to capital valuation	2,890.2	3,957.7
Pensions*	2,255.6	1,608.7

Due to organizational changes; the Management team includes 14 persons, versus 10 in 2007.

* Of which €646.6m related to 2008 pension rights versus €170.7m in 2007.

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 in the current year but relative to the previous year.

Directors

(€)	31 January 2009	31 January 2008
Directors' fees		
Jean-Paul Villot	-	15,000
Henk Bodt	37,000	40,000
Jacques Clay	32,000	35,000
Cornelius Geber	37,000	40,000
Michel Guillet	32,000	32,000
Éric Licoys	37,000	40,000
Michel Rose	24,000	27,000
Raymond Svider	16,000	29,000
Denis Thierry *	15,000	7,500
Agnès Touraine	27,000	16,500
Total	257,000	282,000

* Deducted from the variable remuneration.

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

- Basic Directors' fees: €15,000 per year,
- Assiduity Directors' fees: €3,000 per session,

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

Presidency of a committee: €5,000 supplementary per year.

With the exception of Mr Villot and Mr Thierry, whose remuneration details are given in the paragraph below, the directors do not receive any remuneration from Neopost S.A. other than directors' fees. Neopost refers to the AFEP/MEDEF code of corporate governance for listed companies except for the termination of an employment contract in an event of to an executive director's office, see page 114.

Chairman

(€)	31 January 2009	31 January 2008
Remuneration of Jean-Paul Villot		
Gross fixed remuneration	300,000	483,334
Gross variable remuneration	250,938	670,400
Directors' fees	-	15,000
Benefits in kind	4,811	2,744
Total	555,749	1,171,478
Stock Options valuation	394,785	504,131
Securities giving access to capital valuation	516,867	1,435,541

■ STOCK-OPTION EXERCISED DURING THE FULL-YEAR 2008

Plan date	Number of options exercised	Strike price	Exercised date	Exercise type	Attribution year
14/01/2003	12,000	32.03	03/04/2008	Simple	2003
14/01/2004	20,000	41.53	03/04/2008	Simple	2004
14/01/2004	20,000	41.53	16/12/2008	Simple	2004

■ FREE SHARE ATTRIBUTED TO THE CHAIRMAN BETWEEN 1/02/2008 AND 31/01/2009

Plan date	Valuation	Number of Attributed shares	Acquisition date	Vesting date
05/07/2006	€ 30,942	1,500	02/04/2010	02/04/2012

The President's remuneration is only fixed since June 2008 when he was appointed non executive President. Variable remuneration shown in this table is the amount paid the current year, relative to the previous year i.e. when the President was executive.

With respect to pensions, the Chairman has a defined contribution pension plan (article 83 of the French General Tax Code), into which is paid a total of 8% of his remuneration, and a defined benefit pension scheme (article 39 of the French 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 uploaded on the Group website.

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Chief Executive Officer

(€)	31 January 2009	31 January 2008
Remuneration of Denis Thiery		
Gross fixed remuneration	400,000	283,597
Gross variable remuneration	126,602	77,929
Directors' fees	15,000	7,500
Benefits in kind	7,146	2,744
Total	548,748	371,770
Stock Options valuation	233,324	140,943
Securities giving access to capital valuation	578,040	807,492

■ STOCK-OPTION EXERCISED DURING THE FULL-YEAR 2008

Plan date	Number of options exercised	Strike price	Exercised date	Exercise type	Attribution year
14/01/2003	8,000	32.03	21/07/2008	Simple	2003

The CEO's remuneration is partly fixed and partly variable. 2009 gross fixed remuneration has been raised to €500,000.

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

The variable remuneration shown in this table is the amount paid the current year relative to the year before. With regard to the fiscal year closed on 31 January 2009, the Chief Executive Officer has achieved his objectives at a level of 104.30%. Therefore his variable remuneration is set at €278,272 (including director's fees). After a satisfactory initial period since his appointment mid-2007, the remuneration committee proposed to raise the Chief Executive Officer's variable remuneration from fiscal year 2009/2010 to 100% of his fixed remuneration, when all objectives are achieved, and to 150% maximum in case of overachievement.

Mr. Thiery's directors' fees relate to directorship in the Group holding company.

With respect to pensions, the CEO has a defined contribution pension plan (article 83 of the French General Tax Code), into which is paid a total of 8% of his remuneration, and a defined benefit pension scheme (article 39 of the French 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 uploaded 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 61 to 63 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

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

A company mutual fund was set up and approved by the French stock market regulator (COB, since renamed AMF) on 19 January 1999. This fund manages money received under the Neopost employee

savings plan. The company mutual fund invests the money it receives mainly in the shares of Neopost S.A., and assets are subject to a 5-year lock-up period, except in cases of legal early availability.

The shareholders' meeting of 8 July 2008 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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Chairman's report

In accordance with article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors presents his report on the composition of the board and the terms under which the board's work is prepared and organized, along with internal control and risk management procedures developed by the Company.

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.

Preparation and organization of the Board of Directors' work

In accordance with the 3 July 2008 Act transposing European Community directive 2006/46/EC of 14 June 2006, in preparing this report the Company has used the corporate governance code for listed companies published by AFEP and MEDEF in December 2008 as its reference point.

This code may be viewed on the MEDEF website: www.medef.fr.

In accordance with clause 7, article L. 225-37 of the Commercial Code, this report gives details of provisions of the corporate governance code that have not been applied, with reasons.

Composition of the Board of Directors

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

In accordance with the by-laws, at least two thirds of the directors are independent (in fact, six out of nine) 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:

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

Appended to this definition is a list of incompatible situations (employee or officer of Neopost or a Group company, customer, supplier, significant commercial or investment banker, director with

close family ties with an officer, director for more than 12 years, auditor of the company over the last five years etc.).

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

Since 2007, following discussions and a review undertaken by the appointments committee, the Board of Directors has decided to alter the Company's management structure by separating 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 appointed.

In 2008, following the resignation of a director, a new director was proposed by the appointments committee, whose application will be presented to the Annual General Meeting on 7 July 2009.

Role of the Board of Directors

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

Operation of the Board of Directors

In addition to the information provided in the Corporate governance chapter, it should be noted that the Board of Directors met five times during the year (the by-laws require a minimum of four meetings per financial year). The average attendance rate was 93.5%.

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

Group strategy

- 5 year forecasts for the Group;
- budgetary procedure: presentation of draft 2008 budget;

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- 2008 outlook and quarterly results;
- cash and debt positions, dividends, launch and monitoring of share buy-back programmes;
- reorganisation of distribution in the United States;
- review of proposed acquisitions and acquisitions in progress.

Corporate governance

- review of the principles of the AFEP/MEDEF Corporate Governance Code, developments in internal control and the 2009 Green and Red Periods table (see Shareholder's Charter section of this report);
- renewal of maturing directors' terms: Messrs Michel Rose, Raymond Svider and Cornélius Geber;
- directors fees for 2008;
- appointment of a new alternate auditor, Auditex;
- composition of and regulations covering management committees;
- results of work by the audit committee;
- results of work by the remuneration committee;
- results of work by the appointments committee.

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, 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 since 2005 with respect to best corporate governance practice, in 2006 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. In 2008, it was decided in particular:

- to select a new director based on criteria in this self-assessment;
- to hold a specific in-depth session on major strategic objectives in addition to the annual review of Group strategy.

In addition to a review to be carried out by the audit committee in 2009, risks are reviewed by the Board of Directors before any major decision (acquisition, reorganisation, 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.

Role of the remuneration committee

The Board is assisted by a remuneration committee which meets at least twice a year. This committee's roles and tasks are described in the Corporate governance chapter of the reference document.

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.

Calculation of remuneration for officers of the company

Remuneration of the Chairman of the Board and the CEO

The gross remuneration of Neopost S.A.'s Chairman is fixed. The remuneration of Neopost S.A.'s 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 2008 was determined according to the attainment of detailed targets relating to Group sales, operating income and working capital requirement.

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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).

With respect to the AFEF/MEDEF recommendation that a position as company officer should not be combined with an employment contract (a recommendation that applies to appointments after 6 October 2008, on which date it was published, and on renewal of appointments made prior to that date at the discretion of the board of directors or supervisory board), this did not apply to the Neopost group in 2008. However, the Board of Directors has opted not to apply this provision of the corporate governance code since Neopost management is made up of Group employees. The employment contracts of the serving Chairman and CEO have also been suspended and do not contain any clause on retirement compensation.

Remuneration of directors

Since 2007, at the suggestion of the remuneration committee, and with the approval of the Board of Directors, the directors' remuneration policy has been changed.

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

Directors' remuneration is as follows:

- basic fees: €15,000 per year;
- 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.

With the exception of the chairman and CEO (whose remuneration is detailed in the corporate governance chapter of this report), directors

do not receive any remuneration from Neopost S.A. apart from the directors' fees.

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

Shareholder's charter

With respect to compliance, the by-laws define directors' rights and commitments, with particular emphasis on the confidentiality of information received 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 provides a:

- summary of compliance laws and regulations in force, together with administrative and/or criminal penalties;
- definition of key concepts (privileged information, insiders, etc.);
- summary of the obligations of confidentiality on officers, authorised persons and insiders;
- details of rules preventing trading, with an appendix containing a list of open periods during which trading is authorised – the "Red and Green Periods Table";
- details, for the purposes of transparency and prudence, of obligations to report to the Autorité des Marchés Financiers, with an appendix containing a model declaration;
- summary of specific provisions relating to stock options and free shares.

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. Following the transposition of European directives in 2008, the department has updated this charter and informed relevant persons of the update. A review of those to whom this charter applies is conducted each year.

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 61 to 64 of this reference document.

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

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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.

Further stock option and free share plans were set up in February 2009 for officers of the company, and expanded to include executives with influence over Group earnings. These are based on internal and external performance criteria, in accordance with AFEP/MEDEF recommendations.

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 members of the committee all have very high level professional experience in large companies, and are on the audit committees of other companies. The audit committee has also been involved in the review of internal accounting and financial control procedures at the US subsidiary, Neopost Inc.

The agendas for the two audit committee meetings in financial year 2009 will include approval of the internal audit plan and internal control programmes planned for the year (March 2009 meeting) and monitoring of programmes carried out by the internal audit department (September 2009 meeting).

Finally, the audit committee will take cognizance of risk mapping each year.

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 has based the structure of its internal control procedures on the reference framework published by the AMF in January 2007 and has used the guide to implementing this recommendation in preparing this report.

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 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

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committee's 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 12 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 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).

RESPONSIBILITIES AND DELEGATION

The Group has a formal model limiting the power of the Chairmen and CEOs of the legal entities. This lists the specific decisions requiring the prior approval of the Board of Directors, or an equivalent body in each relevant country.

Neopost's decentralised structure and its human scale (about 5,300 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 an accounting and financial procedures manual (extensively rewritten and updated in 2008) 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 invests in developing its managers and involving its employees to support its growth strategy.

The Group seeks and develops the following qualities in its staff:

- managerial and entrepreneurial skills;
- ethical values and integrity;
- vision and initiative;
- specific expertise in areas of future development;
- ability to work in a team.

Human resources policy is driven by a central department, which has particular responsibility for monitoring management teams and overall remuneration policies. These policies are then rolled out in the operational entities under the control of a local manager. 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 using external comparisons;
- 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 (Hautes Études Commerciales) in Jouy-en-Josas;
- a programme on innovation and entrepreneurship for managers and executives in partnership with HEC.

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Human resources management is decentralised and complies with regulations in each country. Since 2008, each subsidiary manager has had an HR section in the rewritten Procedures Manual. The main areas covered are:

- relations with social partners;
- definition of function and professional assessment;
- remuneration policies;
- performance assessment;
- HR information systems;
- professional training and development monitoring.

Subsidiaries are responsible for organising training for their own employees. Specific training may be undertaken at the Group level, particularly for cross-Group projects. The central department circulates information about best practice and drives the human resources network. When it comes to training of non-managers, it has been agreed with subsidiaries' human resources departments that training information will be collected to encourage its dissemination around other subsidiaries and to increase trackability.

Group human resources repeated an "Engagement Survey" of employees in June and July 2008. This was initiated in 2006 to assess the level of involvement and opportunities for improvement.

The survey was conducted by an outside consulting firm, Hewitt Associates. The return rate was very good again.

The results help Group management to identify and give priority to areas where employees feel that it is possible to increase their level of motivation and commitment to the company's objectives, country by country.

These action plans have been included in the monitoring carried out during the monthly operational reviews of subsidiaries. Progress is also discussed as a matter of course during management roadshows.

The results of the survey are taken into account when subsidiaries prepare strategic plans.

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. The programme efficiency of all Group subsidiaries is measured using these procedures.

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 2009 that are monitored centrally by the Director of Information Systems.

At the end of 2008, the decision was taken to recruit a Group Information Systems Security Manager who will report to the Group Director of Information Systems and will be responsible for creating and applying Group security policies. One of the main tasks will be to bring together all security standards (internal security policy, auditors' recommendations, postal audits) to develop a single reference point which subsidiaries will have to use to assess themselves and develop progress plans.

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. In 2008, a Service Level Agreement was developed and signed off for the Hyperion reporting application.

Defining ethical standards: "Our principles and values"

The Group has strong values (the "Neopost Way"), at the same time as preserving the diversity that makes it rich.

GROUP ETHICS CHARTER

The Group has an Ethics Charter 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.

In terms of behaviour, it is intended to be the central pillar on which Neopost builds its growth. This Charter states the values and standards which the Group wishes to promote. To this end, internal

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control is presented as a component of the Group's organising principles.

The Group's ethics code lays down major principles so they can 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 specifically (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. 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.

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, NeoPortal intranet, 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.

ETHICS TRAINING

The ethics training programme has been delivered to the sales teams in the North American and French subsidiaries. It continues to be rolled out to other subsidiaries.

DIVERSITY MANAGEMENT

A charter stating the main recruitment principles has been developed at the Group level to raise awareness among all those involved in recruitment. This process forms part of the Group's corporate social responsibility plan called "Closer to our customers, closer to our community". It also enables members of the human resources teams to share best practice on this subject. The Group Human Resources department will collect these initiatives to illustrate the plan.

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".

Group level communication

INFORMING, COMMUNICATING AND MANAGING THE BUSINESS

The three-year strategic plan, setting budget targets and procedures, and direct involvement by general management, are major elements of the management system.

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 Chief Operating Officer 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.

In 2008, the reporting tools and budget control were strengthened, with the addition of new performance measurement indicators (IT indicator) as well as a regular update of financial and production forecasts.

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.

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Any significant variance must be explained and a detailed action plan drawn up, for which responsibility is allocated and a deadline imposed.

FINANCIAL COMMUNICATION

The aim of financial communication is to provide objective information to shareholders and 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 consists for the most part of institutional investors. For this reason, all financial communication is reviewed in advance by the CEO and Chief Finance Officer before publication outside the Group.

Financial communication is based on the periodic organisation of roadshows in France (10 days), the United Kingdom (9 days), North America (15 days) and the rest of Europe (10 days), as well as group presentations (8) and one-to-one meetings with fund managers or financial analysts (more than 300 meetings) in 2008.

At such presentations, the CEO, Chief Finance Officer and Investor Relations Director are the only points of contact with shareholders and analysts.

The accounting and financial procedures manual sets out the procedures for producing the information communicated and defines responsibilities.

Risk management

The third component of the AMF Reference Framework is aimed at creating "a system for identifying and analysing the main risks in respect of the company's objectives, and ensuring that there are procedures for managing these risks".

Analysis of risks

The risks and opportunities relating to the Group's external environment are analyzed every year during preparation of the three-year strategic plan.

As part of the Group's decentralized organization, the managers of operational entities are responsible for identifying and assessing the risks relating to the activities they supervise. The results of their analysis are sent to general management, and reviewed and discussed in Operational Reviews. During these reviews, areas of risk ("Red Flags") are systematically highlighted.

The risk management policy is described in the Risk Management chapter of the reference document.

Risk mapping

Risk management was formalised for the first time in 2004, with major risks being identified by process.

Other action plans have also been extended since 2007, 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 the first half of 2008, the risks identified were partly updated in collaboration with an external service provider, with the aim of extending existing risk identification procedures through discussions with key Group managers and subsidiaries' management teams. A list of risks by area, featuring five major areas (Operations, Legal and Regulatory, Human Resources, Finance and IT) was drawn up and each risk was rated by the people interviewed. A summary of these risks is due to be presented to the audit committee to ensure that risk management is monitored.

Dependence on suppliers

Procedures have also been introduced in this area, aimed at better management of the contractual implications of this risk.

The work continued when contracts came to term or new partnerships were established.

Assessment of sensitivity to risk of fraud

The Group's organisation structure and internal control system means that it has never faced significant evidence of fraud risk. Even so, procedures have been set up with subsidiary managers to ensure that they are fully aware of this risk. The procedures will help identify best practice and ensure that uniform standards are rolled out across the Group.

A survey on the risk of fraud was carried out in 2007 using a questionnaire sent to all subsidiary managers. The results were consolidated centrally by the Group. Analysis of the returns did not

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indicate any deficiency prompting the introduction of additional procedures to combat fraud.

Neopost S.A. has taken out a specific insurance policy 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

The highly decentralised structure of Neopost's businesses led to a Procedures Manual, described below, being drawn up. 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. An internal audit department, created at the beginning of 2009, will also carry out cross-audits to tighten these controls (see Monitoring the Internal Control System section in this report).

Self-assessment questionnaire on internal accounting and financial control.

A self-assessment questionnaire on internal accounting and financial control has been created in line with the key controls in the AMF's reference framework and specific Neopost group circumstances. This questionnaire was finalised at the end of the first half of 2008 following an internal audit (see Monitoring the Internal Control System section in this report).

The questionnaire was sent to all subsidiaries in September 2008 and was returned to the Group Finance department in October 2008 for analysis. The aim of this analysis was to consolidate and summarise all results. This highlighted three main points:

- a gap in the importance given to some controls due to differing risk appetite between the Group Finance department and subsidiary management teams;
- variance between subsidiaries;
- a starting point for developing the 2009 audit plan.

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.

SUPPLY CHAIN MANAGEMENT

In 2008, security of supply for distribution subsidiaries was strengthened with the goal of reducing product delivery times while also reducing working capital. This project continues the supply chain restructuring carried out by Neopost since 2007, based on logistics platforms.

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 2008, some 20 projects went through this critical cross-check.

Most subsidiaries have ISO 9001 certification (2000 version). Neopost's certification and quality control functions are independent of its development and manufacturing structures.

A Quality report is also reviewed monthly. It reports on two main indicators for the Group's product range ("Out of box failure" and "Breakdown visits per year").

Postal regulations make Neopost liable for the quality of operations the Group has decided to outsource (R&D, production). In order to meet these obligations, Neopost has placed employees with the most critical subcontractors (particularly in China) to monitor constantly compliance with pre-established quality standards, particularly in the event of an audit by the postal regulator.

ENVIRONMENT

Neopost has always taken its environmental responsibilities seriously. As part of its dedicated environmental policy, each major subsidiary has an Environmental Compliance Officer in charge of complying with local regulations. He reports to the Group Environmental Officer who himself reports to the CEO.

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

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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 launched 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 France, being rolled out in the USA and being introduced into United Kingdom. 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.

The Neopost group's Internal Audit function was created at the beginning of 2009 and is headed by an internal audit manager. In 2008, two pilot audits were also carried out with the assistance of external consultants in two countries (United Kingdom and France) as part of the process of establishing the Internal Audit function within the group.

The pilot audit in France was carried out following the creation of a self-assessment questionnaire on the Neopost group's internal accounting and financial control in line with the key controls in the AMF reference framework. The aim of this questionnaire was to position each control within each subsidiary depending on its maturity. This led to the development of a rating on a scale from 1 to 3 (1: controls exist and are documented; 2: controls exist, but are not documented; 3: no controls exist).

The pilot audit in United Kingdom was an audit of a specific process in collaboration with an external consultant. This gave rise to a list of recommendations.

The audit plan will be presented to the audit committee. Recruitment and training will also be introduced for employees in the Finance department, who will form the internal audit team to carry out one or more cross-audits during the year. Neopost has decided on a cross-audit system consisting of audits in subsidiaries being carried out by employees from another subsidiary or from head office, with the aim of sharing best practice.

Execution of the action plans developed following the audits will be a criterion in the list of objectives for each director of a subsidiary audited.

Internal control procedures for the preparation and treatment of accounting and financial information

Internal control procedures relative to the preparation and treatment of accounting and financial information are described in this report in each sections relative to components of the AMF Reference Framework to which they refer.

Accounting and financial procedures manual

The aim of the manual, created in 2003, is to formalise procedures for circulating and treating accounting and financial information which exists within Neopost S.A. and all subsidiaries.

In 2008, the Group Controller rewrote this manual. It is now based on 8 major sections:

- financial information;
- investment;
- Cash Flow;
- external communication;
- accounting regulations;
- human resources;
- legal;
- other.

The main purpose of the manual is for the Neopost group to comply with the 200 key questions identified by the AMF. In 2008 the manual was sent to the CEOs and CFOs of all Group subsidiaries, who were and are responsible for setting up these procedures at the local level because of the diversity of local requirements.

The manual also contains a "Procedure for Procedures" section which specifies how to update the manual. It is the responsibility of the internal audit manager to make changes with the formal agreement of the manager in the area affected by the change. Each new or updated

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Chairman's report

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procedure is communicated to Group subsidiaries electronically, being sent by the person responsible to the manager at each subsidiary. Each subsidiary arranges internal communication of the procedures and ensures that they are implemented and applied by employees.

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.

Since 2007, this system has 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.

The audit committee independently reviews the annual and interim financial statements before they are presented to the Board of Directors. The committee ensures that the accounting methods used in preparing the parent company and consolidated accounts are constant and appropriate.

Main internal control and risk management actions planned for 2009

To summarise the main actions discussed in the report, Neopost will work on the following topics in particular:

- Ethics:
 - revision of "Our principles and values" charter to formalise progress made in these areas and highlight new themes (eg. diversity management);
- Governance:
 - development of the audit committee's role to monitor risk management,
 - assessment of the Board of Directors and its operation,
 - specific session of the Board of Directors to review in greater depth the major strategic ambitions in addition to the annual review of Group strategy;
- Internal control:
 - integration of newly-acquired companies particularly as regards the application of Group procedures,
 - updating and continuous enhancement of the procedures manual;
- Internal audit:
 - establishment of an internal cross-audit process between subsidiaries with the 2009 internal audits, carried out by one of the internal Neopost group employees allocated to the internal audit team.

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Statutory Auditors' report, prepared in accordance with article L. 225-235 of the French commercial code (*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

Year ended January 31, 2009

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 standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Neopost S.A. and in accordance with Article L. 225-235 of the French Company Law (*Code de Commerce*), we hereby report 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, 2009.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Company Law (*Code de Commerce*) relating to matters such as corporate governance.

Our role is to:

- report on the information contained in Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Company Law (*Code de Commerce*). It should be noted that our role is not to validate the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

Information on internal control procedures relating to the preparation and processing of accounting and financial information

The professional standards require 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 consist mainly in:

- 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 is based and of the existing documentation;
- 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 work are properly disclosed in the Chairman's report.

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 the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Company Law (*Code de Commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Company Law (*Code de Commerce*).

Paris and Neuilly-sur-Seine, April 29, 2009

The Statutory Auditors

PERONET & ASSOCIES
Olivier Péronnet

ERNST & YOUNG et Autres
Philippe Diu

6 Chairman of the Board report on internal control

Statutory Auditors' report on the Chairman's report

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Authorisations to increase the capital

Neopost S.A.'s shareholders' meeting of 8 July 2008 approved the resolutions set out below, renewing the general authorisation given by the shareholders' meeting of 10 July 2007, and thereby giving the Board of Directors powers for a period of 26 months to:

- increase the share capital on one or more occasions, with preferential subscription rights maintained, up to a maximum par value (excluding paid-in capital) of €5,000,000;
- issue securities giving access to the capital, on one or more occasions, with preferential subscription rights maintained, up to a maximum par value of €250,000,000;
- in the event of oversubscription, increase the amount of capital increases, with preferential subscription rights maintained, up to a maximum of 15% of the initial issue or €5,000,000, and at the same price as the issuance price;
- increase the share capital on one or more occasions, through the capitalisation of retained earnings, net income for the year, paid-in capital or other sums, as allowed by law and by-laws, through the creation and free allocation of shares or through an increase in the par value of existing shares up to a maximum par value (excluding paid-in capital) of €30,000,000;
- increase the share capital on one or more occasions by issuing ordinary shares and securities giving access to the capital by remunerating payments in kind up to a maximum of 10% of the capital;

- issue ordinary shares or securities giving access to the capital, without preferential subscription rights maintained, on one or more occasions, in the event of a public exchange offer initiated by the Company, up to a maximum of €5,000,000;
- carry out a capital increase reserved for Group employees in accordance with article L. 443-1 et seq of the French Labour Code, up to a maximum par value (excluding paid-in capital) of €600,000;
- 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 up to a maximum of €600,000 excluding issue premium.

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

At 31 January 2009, no authorisation to increase the Company's capital had been used.

The Neopost S.A. shareholders' meeting convened for 7 July 2009 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 61 to 63 of this reference document. The maximum number of shares that may result from the exercise of these stock options is 1,339,163. At 31 March 2009, only 220,823 options were in the money.

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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
01/04/08	Cancellation of treasury stock	EUR1	-	-	724,364	30,984,560	EUR 30,984,560
31/01/09	Capital increase through the exercise of options*	EUR1	-	-	188,135	31,172,695	EUR 31,172,695
31/03/09	Cancellation of treasury stock	EUR1	-	-	335,178	30,837,517	EUR 30,837,517

* See stock option plans on pages 61 and 63.

Current ownership of capital and voting rights

Total number of voting rights and shareholders

At 31 January 2009, the Company's capital was represented by 31,172,695 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 19 of this reference document.

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.

Neopost group is controlled neither directly nor indirectly. There is no agreement which might lead to change of control.

Treasury stock

The number of treasury stocks at the end of January 2009 is 635,077 of which 71,529 are held for the liquidity contract signed with Exane BNPP, 335,178 are held in order to be cancelled and 228,370 are held with the aim to fulfill the obligations of the stock-option and free share attribution programs. The 335,178 shares were cancelled by the Board of Directors on 31 March 2009.

In 2005, Neopost signed a liquidity contract with Exane BNP Paribas with a total value of €8m. At 31 January 2009, the Group owned 71,529 shares, with a value of €4.5m, under this liquidity contract.

Changes in share ownership structure

	31 January 2009		31 January 2008		31 January 2007	
	Number of shares	%	Number of shares	%	Number of shares	%
Employees	746,661	2.395%	708,500	2.234%	698,200	2.167%
Directors	7,054	0.023%	6,153	0.019%	4,186	0.013%
Shares held under liquidity contract	71,529	0.229%	74,414	0.235%	43,771	0.136%
Treasury stock held for cancellation	335,178	1.075%	724,364	2.285%	776,834	2.411%
Treasury stock held for free share plans and Stock-options	228,370	0.733%				
Other	29,783,903	95.545%	30,195,493	95.227%	30,699,914	95.273%
Total	31,172,695	100.00%	31,708,924	100.00%	32,222,905	100.00%

Place of the issuing entity in the Neopost group

Please see Note 4 to the Consolidated Financial Statements, pages 37 to 40 of this reference document.

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

None.

8 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 of own shares

In accordance with articles L. 225-209 et seq of the French Commercial Code, Neopost S.A. is authorised to buy its own shares for the purposes of cancelling them and regulating its share price. This authorisation was renewed by the 8 July 2008 shareholders' meeting, and is subject to the following conditions:

- maximum purchase price: €90.831 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 2009, Neopost S.A. had used this authorisation and bought 623,848 shares for €42.0m with a view to either cancelling them or attributing them for the free share program. The Company also bought 71,529 shares, with a value of €4.5m, under the liquidity contract.

A new share buyback programme involving a maximum of 10% of the issued share capital and at a maximum purchase price of 1.3 times average closing share price of the last 60 days preceding the buyback will be presented for approval to the forthcoming Annual General Meeting on 7 July 2009 convened to consider the financial statements for the fiscal year ended 31 January 2009 (this 18-month authorisation will terminate the authorisation given to the Board of Directors by shareholders at the 8 July 2008 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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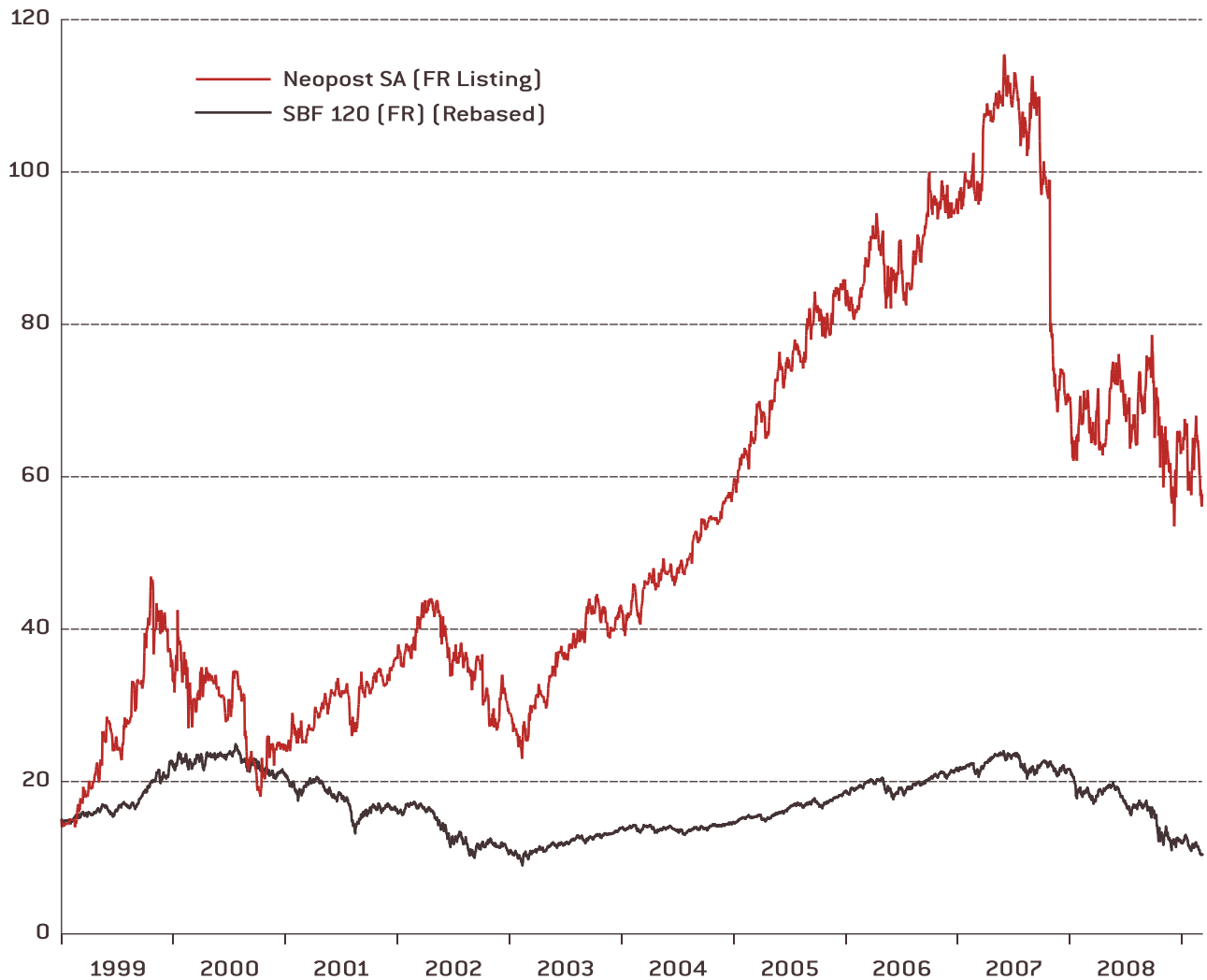
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Share price performance

Since its IPO on 23 February 1999 until 28 February 2009 relative to SBF 120.



Source: JCF Group.

Share price and trading information over 18 months

	Highest price (€)	Lowest price (€)	Average daily trading volume	Average daily trading value (€m)
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
March 2008	71.80	63.61	141,461	9.38
April 2008	71.90	62.08	151,208	9.84
May 2008	75.20	66.16	107,201	7.73
June 2008	77.34	65.00	147,261	10.54
July 2008	70.69	62.32	216,215	14.70
August 2008	74.22	63.50	140,320	9.90
September 2008	78.97	63.71	194,984	14.35
October 2008	74.98	58.00	247,509	16.39
November 2008	67.50	55.00	161,726	9.88
December 2008	68.10	52.37	193,149	12.04
January 2009	67.90	56.76	194,796	12.25
February 2009	68.00	54.86	90,543	5.60

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Dividends

See pages 14 and 79 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

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 135).

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.

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Recent events

As of the date this report is presented, there have been no significant events since the accounting date.

Officer responsible for the reference document and auditors

Officer responsible for the reference document

Denis Thiery, Neopost S.A. Chief Executive Officer

Auditors

Statutory Auditors:

- Ernst & Young et 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 1^{er} de Serbie – 75116 Paris

Member of the Compagnie Régional de Paris

Start of first mandate: 8 July 2004.

Duration of current mandate: 6 years.

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2010.

Alternate Auditors:

- Auditex

Tour Ernst & Young - 11, allée de l'Arche - 92400 Courbevoie

RCS Nanterre 377 652 938

Alternate auditor to Ernst & Young et Autres

Start of first mandate: 8 July 2008 (for the remaining term of the preceding auditor's mandate).

Duration of current mandate: 6 years (as of 8 July 2008).

Expiry of current mandate: the end of the shareholders' meeting convened to consider the financial statements for the fiscal year ending 31 January 2014.

- 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 officers

"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 12 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."

Denis Thiery

Chief Executive Officer

Fees paid to the auditors and members of their networks

In 2007 and 2008:

	Ernst & Young				Peronnet & Associés S.A.			
	Amount (before VAT)		%		Amount (before VAT)		%	
(in thousands euro)	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Audit, certification and examination of individual and consolidated financial statements								
• Issuer	476	265	20%	10%	186	182	90%	93%
• Fully-consolidated subsidiaries	1,644	1,596	70%	59%	21	14	10%	7%
Other due diligence and services directly related to audit								
• Issuer		-		-		-		-
• Fully-consolidated subsidiaries	13	32	1%	1%		-		-
Sub-total	2,133	1,893	91%	70%	207	196	100%	100%
Other services provided by networks to fully-consolidated subsidiaries								
• Acquisitions	28	499	1%	19%	-	-	-	-
• Legal & tax	127	233	6%	9%	-	-	-	-
• Other	48	58	2%	2%	-	-	-	-
Sub-total	203	790	9%	30%	-	-	-	-
Total	2,336	2,683	100%	100%	207	196	100%	100%

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Information policy

Officers in charge of financial information

Bertrand Dumazy	Chief Financial Officer
Gaële Chagnaud	Investor Relations Officer
Address	Neopost S.A. 113, rue Jean Marin Naudin 92220 Bagneux
Telephone	01 45 36 31 39
Fax	01 45 36 30 30
Website (French/English)	www.neopost.com

Shareholder information

This document will be sent to shareholders free of charge on request. Documents and information relating to Neopost S.A. may be consulted at the Company's head office.

This reference document and all press releases, analyst presentations, annual reports and other information may be consulted on the Group's website: www.neopost.com.

Financial communication plan

2 June 2009	First quarter 2009 sales press release
7 July 2009	AGM/EGM
15 July 2009	Dividend payment
1 September 2009	Second quarter 2009 sales press release
29 September 2009	First half 2009 results
1 December 2009	Third quarter 2009 sales press release
2 March 2010	Fourth quarter 2009 sales press release
March/April 2010	Full year 2009 results

Publication of information

Information published in "BALO"

5 March 2008	Publication of full year 2007 sales
30 May 2008	Publication of notice convening shareholders AGM
4 June 2008	Appendage to the notice convening shareholders AGM
4 June 2008	Publication of first quarter 2008 sales
23 June 2008	Publication of notice convening shareholders AGM
18 July 2008	Publication of final full year accounts
3 September 2008	Publication of second quarter 2008 sales
15 October 2008	Publication of half year results

Information published in Nanterre court registry

1 st April 2008	Article of association changes
1 st April 2008	Director Resignation
1 st April 2008	Capital reduction
8 July 2008	Alternate auditor change

Information published in “Petites Affiches”

12 April 2008	Capital reduction
12 April 2008	Director Resignation
23 June 2008	Notice convening Annual General Meeting, agenda and formalities
9 July 2008	Voting rights

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

4 March 2008	Publication of full year 2007 sales
1 April 2008	Publication of full year 2007 results
3 June 2008	Publication of first quarter 2008 sales
2 September 2008	Publication of second quarter 2008 sales
30 September 2008	Publication of first half 2008 results
2 December 2008	Publication of third quarter 2008 sales
5 January 2009	AFEP-MEDEF recommendations
4 February 2009	AFEP-MEDEF recommendations
3 March 2009	Publication of full year 2008 sales
31 March 2009	Publication of full year 2008 results

These press releases may be consulted on Neopost's website:

http://www.neopost.com/newsroom/press_releases.asp

[< Contents >](#)**Notification to Autorité des Marchés Financiers**

5 February 2008	Share buybacks January 2008
5 February 2008	Number of shares and voting rights January 2008
7 March 2008	Share buybacks February 2008
17 March 2008	Number of shares and voting rights February 2008
8 April 2008	Share buybacks March 2008
10 April 2008	Number of shares and voting rights March 2008
18 April 2008	Jean-Paul Villot share trading declaration
18 April 2008	Jean-Paul Villot share trading declaration
13 May 2008	Share buybacks April 2008
13 May 2008	Number of shares and voting rights April 2008
9 June 2008	Share buybacks May 2008
13 June 2008	Number of shares and voting rights May 2008
9 July 2008	Share buybacks June 2008
9 July 2008	Liquidity contract – Half year reporting
9 July 2008	Share buybacks July 2008 – 2007 programme
10 July 2008	Description of share buyback programme – 2008 programme
17 July 2008	Number of shares and voting rights June 2008
25 July 2008	Denis Thiery share trading declaration
25 July 2008	Denis Thiery share trading declaration
25 July 2008	Denis Thiery share trading declaration
7 August 2008	Share buybacks July 2008 – 2008 programme
20 August 2008	Number of shares and voting rights July 2008
9 September 2008	Share buybacks August 2008
12 September 2008	Number of shares and voting rights August 2008
6 October 2008	Share buybacks September 2008
13 October 2008	Number of shares and voting rights September 2008
12 November 2008	Share buybacks October 2008
13 November 2008	Number of shares and voting rights October 2008
8 December 2008	Share buybacks November 2008
8 December 2008	Number of shares and voting rights November 2008
11 December 2008	Denis Thiery share trading declaration
18 December 2008	Jean-Paul Villot share trading declaration
22 December 2008	Jean-Paul Villot share trading declaration
8 January 2009	Share buybacks December 2008
8 January 2009	Liquidity contract – Half year reporting
12 January 2009	Number of shares and voting rights December 2008
10 February 2009	Share buybacks January 2009
13 February 2009	Number of shares and voting rights January 2009
11 March 2009	Share buybacks February 2009
11 March 2009	Number of shares and voting rights February 2009

This information may be consulted on Neopost's website:

http://www.neopost.com/investors/regulated_information/other_information/shares_buyback/share_buyback_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 2007 results presentation

Interim 2008 results presentation

Full-year 2008 results presentation

These presentations may be consulted on Neopost's website:

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

2007 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

2008 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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