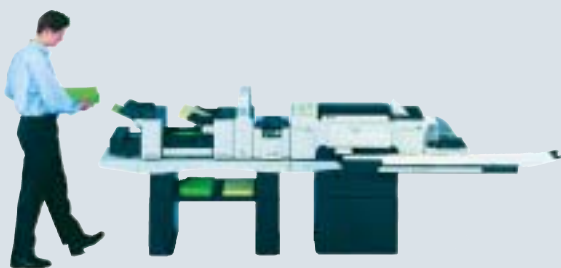
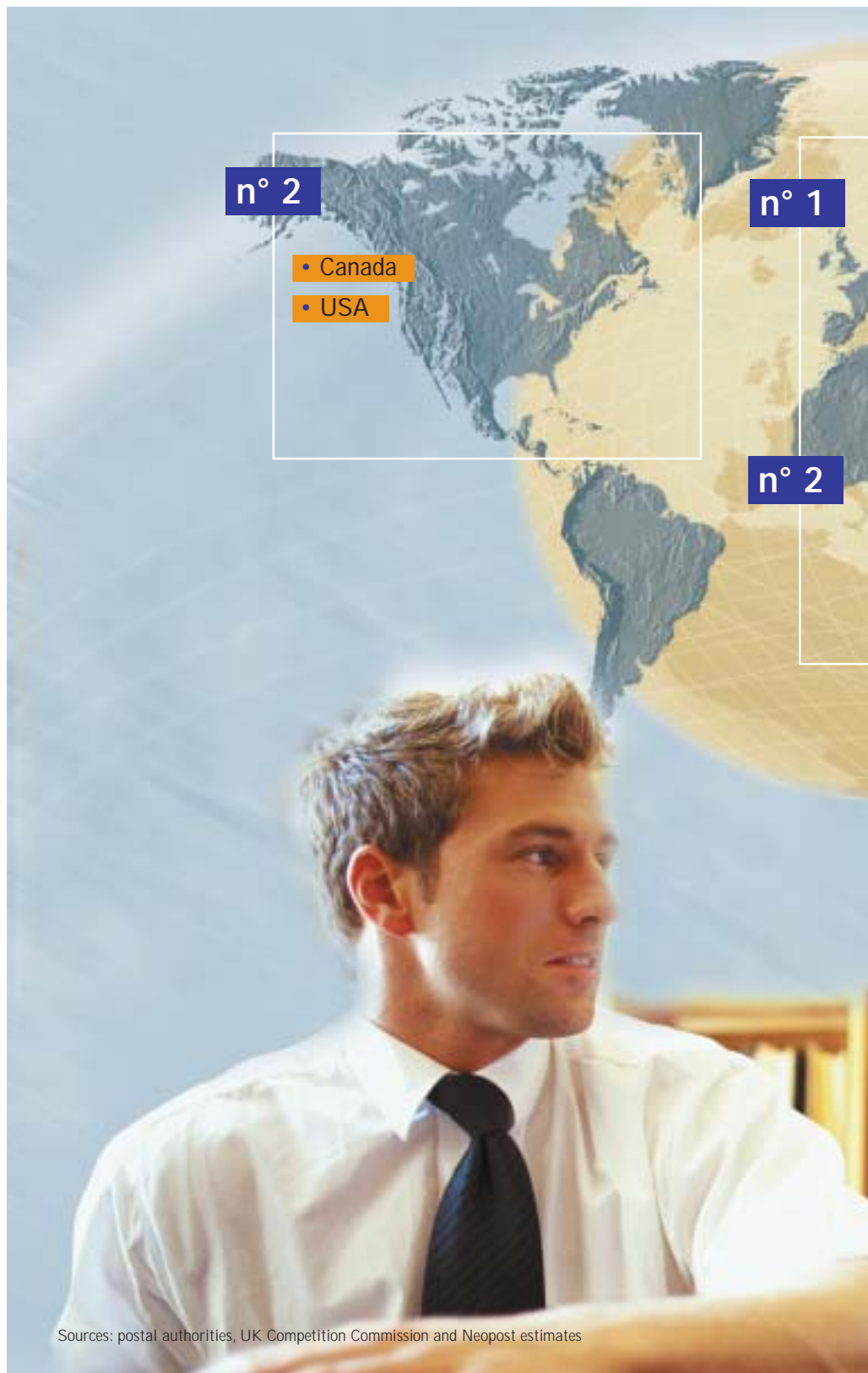


Annual report 2002



## Contents

Profile	1
Chairman's message	2
Key figures	4
2002 highlights	6
<b>Global scale, local presence</b>	<b>9</b>
The leading challenger	10
Team spirit	12
<b>At the leading edge of technology</b>	<b>15</b>
Technological leadership in all areas of the mail chain	16
Strong growth and earnings trend	18
Corporate governance: one of Neopost's main strengths	19
<b>Stockmarket</b>	<b>20</b>



Sources: postal authorities, UK Competition Commission and Neopost estimates

- > Sales: more than **euro 800 million**<sup>(1)</sup>
- > **5,000** employees in 11 countries
- > **800,000** customers

(1) Pro forma 2002 figure

a partner for companies and postal authorities throughout the world



## > Mailing systems

**n°2** world-wide  
in franking machines

## > Document systems

**n°1** world-wide  
in folders / inserters

## > Logistics systems

- > 1,000 sales representatives
- > 400 distributors and dealers
- > Products sold in more than 70 countries

# Profile

Neopost provides companies with high-performing cost effective solutions for mail franking, reception, processing and management, document mail insertion and parcel shipping and monitoring. The company supplies machines equipped with the latest digital technology, as well as a personalised service. Neopost acts as a global partner to postal authorities, governments, carriers and companies ranging from blue chips to SMEs, its central role being reinforced every day. In serving these customers, Neopost benefits from its pro-active and responsive teams, its international presence and its strong innovative capacity. Neopost offers the most advanced solutions for online or off-line postage, large and small volume mail insertions, parcel delivery and postal and logistics tracking.



SI 76 folder / inserter

# Chairman's message

2002 marked a new phase in the realisation of Neopost's strategy, with sales rising by 32% to euro 761 million, and net profit by 83% to euro 70 million.

The integration of Ascom Hasler and the acquisition of Stielow in Germany have given Neopost new scale. Our share of the world mailing systems market has risen from 15% to 26%. We are now consolidating our position as European leader and world number two in the mail processing market. We have strengthened our position in key markets in North America and the UK, and we are now a major player in countries like Germany and Switzerland. We rank first or second in all markets in which we operate. I can confirm, with great satisfaction, that Neopost is the undisputed challenger in our consolidating industry.

We have worked hard to integrate Ascom Hasler. The process was completed in early 2003, and has been a great success. Product ranges have been harmonised, structures have been merged and new teams have been created. The integration of Stielow is progressing equally rapidly. Our financial performance will benefit from the resulting synergies in 2003.

Nevertheless, Neopost retains its main strength, i.e. the agility and responsiveness of its employees, their relish for a challenge, willingness to take risks, mutual respect and recognition of effort and success. Our management structure remains decentralised. We have small teams that have bottom-line responsibility and that are close to their customers, partners and postal organisations in their respective countries.

Our customers are benefiting more than ever from our technological edge, which results from our constant R&D efforts. Our product ranges have been expanded and renewed. Major companies like Cisco Systems Inc. and General Motors Corporation in the USA and Geodis-Calberson in France use our Internet-based parcel shipping and tracking services. We are naturally transferring this expertise in the parcels business to our mailing activities, where requirement for tracking is also increasing. We are playing an active role in the development of «intelligent mail».



SI 30 folder / inserter

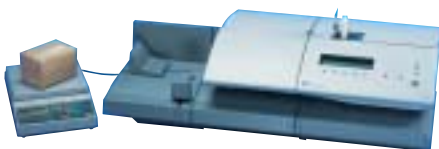


Jean-Paul Villot, Chairman and CEO

In the next few years, we intend to continue and to accelerate the implementation of our strategy, focusing on the three main sources of our success, i.e. geographical coverage, technological innovation and productivity gains.

We are ideally positioned to take advantage of opportunities in our fast-changing market. The market is being driven by increased use of direct marketing, e-commerce and Internet-based parcel and mail tracking technologies. These developments are also affecting small companies. Decertification of franking machines by postal authorities is leading to faster replacement of mailing systems, and the deregulation of postal services is creating new demand for our services. Two years ago, our sector entered a consolidation phase, in which we have been one of the main players. This process is not yet complete, and we intend to play a greater role in it.

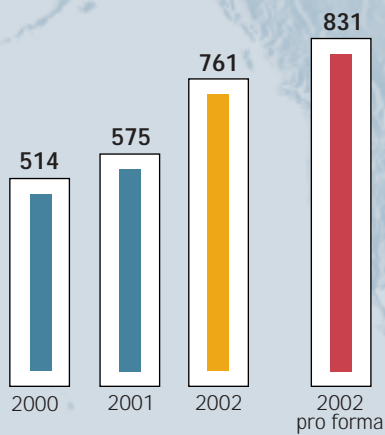
I would like to share with our shareholders and staff my confidence in Neopost's capabilities, in the opportunities available to our company and in Neopost's ability to continue growing and improving profitability over the long term. This confidence is shared by the entire Board of Directors, which has decided to make a proposal to the shareholders' meeting to pay a substantial first dividend.



IJ 65 franking machine

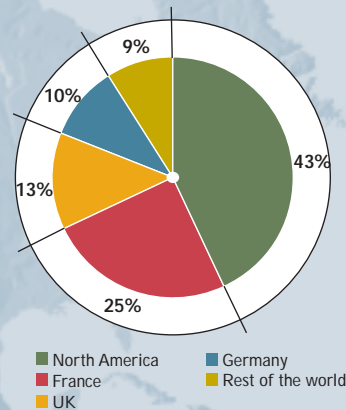
- > **Sales:** euro 761 million + 32.3%
- > **Operating profit:** euro 133 million + 59.5%
- > **Net profit:** euro 70 million + 82.9%

**Sales**  
(in euro million)



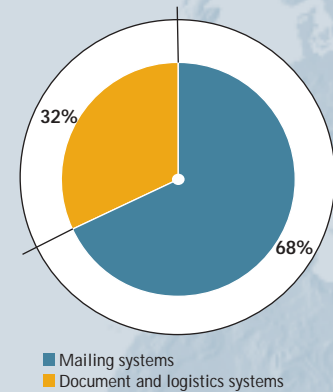
The record growth in sales was mainly due to the integration of Ascom Hasler and Stielow. On a pro forma basis, i.e. including these two companies over the full-year in 2002, sales would have been euro 831 million. Acquisitions increased Neopost's scale by 45% in 2002.

**Sales by country**  
(% of pro forma 2002 sales)



Neopost has an even spread of sales, similar to the geographical spread of the market itself. The company has strengthened its positions in the UK, the USA and Germany, where it has become a major player.

**Sales by business line**  
(% of pro forma 2002 sales)



There was strong growth in both mailing systems and document and logistics systems. Growth was driven by additions to the product range as well as acquisitions.

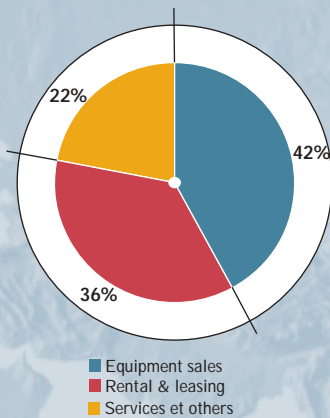
## > Limited US dollar exposure

In Neopost's accounts, there is a good balance between the various US dollar amounts (revenue, cost of sales, operating expenses and debt). This limits the sensitivity of Neopost's earnings to fluctuations in the US dollar.

# Key figures

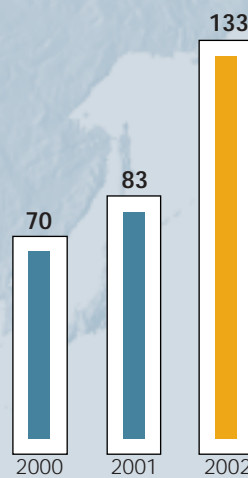
The 2002 financial year, which ended on January 31 2003, brought very strong growth in Neopost's business activity— due to two major acquisitions, i.e. Ascom Hasler and Stielow — and an even faster increase in earnings. At the same time, the company maintained its aggressive R&D efforts, and launched large numbers of new products. This shows that Neopost is continuing to develop its strategy, which is based on innovation, international coverage and productivity gains.

**Sales by revenue type**  
(% of pro forma 2002 sales)



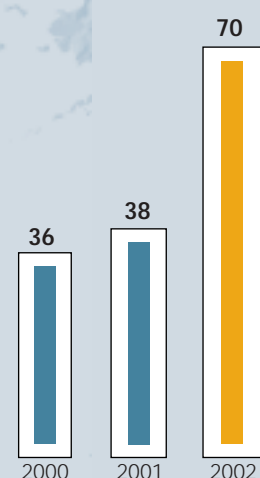
Again, there was firm growth in all sources of revenue. The company maintained the large proportion of sales coming from recurrent sources — rental, leasing and other services such as maintenance and consumables — which account for 58% of the total.

**Operating profit**  
(in euro million)



In 2002, Neopost benefited from a reduction in losses at Neopost Online, and 2002 will be the final year of losses from this business. It also kept a very strong grip on operating expenses. Along with the positive contribution from acquisitions, these factors led to a 59.5% rise in operating profit.

**Net profit**  
(in euro million)



The surge in net profit was due not only to the strong growth in operating profit, but also to tight control over financial expenses (limited to euro 25 million) and an optimised tax bill.

> **Research and development spending:** euro 33.4 million, equal to **4.4%** of sales  
Neopost maintained its R&D efforts, reinforcing the company's technological lead.

> **Net margin:** **9.2%** of sales

Major acquisitions did not prevent Neopost from achieving a sharp increase in profitability. The company proved its ability to integrate acquisitions, improve productivity, drive sales and achieve technological innovation simultaneously. Operating margin rose from 14.5% to 17.5%, and net margin from 6.6% to 9.2%.



## > New contracts

### > Logistics Systems: Calberson's interactive services

In France, with the help of Neopost Diva, the carrier Calberson (Geodis group) is introducing a range of Internet-based shipment preparation and monitoring services, aimed at shipping and receiving parcels.

< **January 2002** >

### > New breakthrough in China

In China, Neopost won a major contract to supply local post offices with franking machines. These machines were delivered in late 2002 as part of an order worth US dollar 2.5 million.

< **September 2002** >

### > Hasler Inc. machines in Hallmark stores

In the USA, the Group's technological edge enabled it to win a contract worth several million dollars to supply franking systems to 1,800 Hallmark stores.

< **November 2002** >

## > New products

< **March 2002** > The IJ 35, IJ 45 and IJ 85 franking machines were successfully unveiled in the CEBIT 2002 technology fair in Hanover. The first two machines are being marketed first in the UK, then in the USA, Germany and France. The IJ 85 is also certified for all major markets.

< **March 2002** > The SI 76 and SI 92 folders / inserters were also launched at CEBIT. These machines expand Neopost's product range in the large mailroom segment.

< **May 2002** > The company launched its IJ 105 franking machine in the USA. With the capacity to frank 220 envelopes per minute, the IJ 105 represents a move into the upper end of the mailing systems market.

## > New agreements

< **January 2003** > Neopost signed a reciprocal licence agreement with Pitney Bowes, under which, in pre-determined conditions, each company will have access to some of the other's patented technologies for a period of five years. This agreement opens the door to the development of new services in the industry.

< **February 2003** > Neopost signed a new long-term agreement with Hewlett Packard regarding the development and supply of inkjet cartridges for existing and future franking machines.

# 2002 highlights

2002 was a major year for carrying out and integrating acquisitions. It also brought the launch of new, highly competitive products and the streamlining of manufacturing and sales structures. At the same time, Neopost won some major new clients.



## > Acquisitions

In terms of the activities consolidated by Neopost in 2002, Ascom Hasler generated sales of euro 207 million in 2001 and Stielow euro 60 million (consolidated sales for Neopost).

### > Ascom Hasler North America

After the Federal Trade Commission approved the deal in January, Neopost acquired the US activities of Swiss group Ascom's mailing systems division on February 28 2002.

< February 2002 >

### > Ascom Hasler outside North America

The integration of Ascom Hasler's remaining activities, mainly in Europe, was subject to approval by the UK competition authorities. As a result, these activities were separated so as not to delay the integration of the North American business. After approval was granted in May, the acquisition was completed on May 31 2002.

< May 2002 >

### > Stielow

Stielow is a German company specialising in mailroom equipment, which has been Neopost's German distributor for 30 years. The acquisition was agreed on July 18 and completed on August 31 2002. It makes Neopost a major player in Germany and provides substantial opportunities in this market.

< August 2002 >

## > Integration

### > Streamlining production

Ascom Hasler's plant in Bern, Switzerland, was closed as planned. The company also started to reorganise the US logistics platform and a repair centre was moved to Mexico. Neopost is centralising production on three sites: in France, the Netherlands and China.

< September 2002  
to February 2003 >

### > Merging of R&D infrastructure

Neopost immediately merged Ascom Hasler's R&D department with its own, and gave the resulting structure a new organisation. Neopost created two franking machine R&D units, one in Shelton, Connecticut, USA, and the other near Paris in France. Drachten, Netherlands has become the company's global R&D centre for document systems.

< January to March 2003 >

### > Unification of the distribution networks

Neopost worked quickly to unify its distribution networks, first in Canada and Belgium, then in Italy, the UK and the Netherlands. Although the sales teams remain separate in the USA, the company is realising substantial synergies in this market.

< September 2002  
to February 2003 >



## > Global scale, local presence

Neopost's scale changed considerably in 2002. The successful integration of the major businesses it acquired during the year has given it global reach and a presence in all the main mail processing markets. The company is now able to offer its customers and partners, wherever they may be, even more competitive solutions. Postal authorities and companies are benefiting from Neopost's closer proximity and involvement in their projects. Although Neopost has grown in size, it remains nimble. Teams remain small, with a strong local presence, close to their customers and driven by a spirit of challenge and responsiveness. They know that they will achieve progress only if they offer the best services and products to their customers.

“ We find Neopost to be both an innovative and creative organisation, who place great emphasis on developing customer beneficial products and services. ”

Mavis Jackson,  
Head of Small and Medium Business Services  
(Royal Mail - UK)

“ Neopost is working cooperatively with the United States Postal Service to migrate postage meter users to more secure, IBI (Information-Based Indicia) digital technology. Its development of IBI digital meters and related meter infrastructure is an investment in the future. ”

Wayne Wilkerson,  
Manager, Postal Technology Management  
(United States Postal Service - USA)

# The leading challenger

Having already ranked number two in its market, Neopost's acquisition of the world's number three mailing systems company has widened the gap between it and the rest of the field. Neopost has become the undisputed challenger in a market dominated by two major companies.



## > A global group

Neopost's efforts to increase its scale and optimise its organisation have turned it into a genuinely global player.

Neopost now has a fully reorganized production system and offers an identical range of products in all markets. It has also restructured its R&D department, and now has more than 300 R&D engineers working on both sides of the Atlantic.

This new organisation brings Neopost closer to its customers and partners. It also gives it a presence in emerging markets, as shown by its operations in China.

in Germany has given it a strong position in this key country, rounding out its presence in Europe.

As a result, Neopost is a sought-after partner among postal authorities the world over. Postal authorities involve Neopost in all their projects, treating it as a genuine partner and acknowledging its ability to respond to their needs with tailored solutions. Neopost takes the same partnership approach with its customers.

Regardless of their size, the company devises suitable solutions for its customers, working in close contact with them. Increasingly, Neopost is also becoming a valued partner of carriers, particularly in Europe. Neopost's knowledge of local markets and issues make it popular among transportation companies and postal authorities, and especially among the new players that are emerging from the current postal deregulation process.

Neopost is therefore playing a key role

## A sought-after partner

Neopost leads the market in France, Italy, Switzerland and Australia, and ranks second in the UK, Canada, the USA and Germany. It is the number one or number two player in all of its markets. The acquisition of Stielow



SI 30 folder / inserter  
and IJ 35 franking machine



SI 60 folder / inserter  
and IJ 35 franking machine



in modernising the way mail and parcels are processed.

### Close commercial relationships

Neopost is a well-known brand in all markets. In Europe and Canada, Ascom Hasler and Neopost's distribution networks were merged rapidly. However, the company has retained the Hasler brand in the USA, which has a high profile. As a result, Neopost has a two-pronged commercial approach in the USA. Hasler sells to a network made up mostly of distributors and dealers, whilst Neopost sells mostly to end-customers using its own sales staff. Both networks' repairs are handled by a shared centre in Mexico, and the two networks also share a distribution platform in Memphis.

Neopost sells its products in 70 countries, and bolstered its sales network in 2002. In the space of a year, the number of distributors and dealers rose from 250 to more than 400,

of which 300 are in the USA, and the number of sales representatives rose from 750 to more than 1,000.

Neopost has also increased its customer base from 500,000 to 850,000. This represents a major step forward for Neopost, which strives to build long-term relationships with its customers by carefully following up contacts, providing advice and training services, carrying out maintenance, supplying consumables and so forth. These relationship efforts result in very high loyalty rates in all markets.

### > Staff committed to innovation

In 2002, 45 new patents relating to next-generation technology were filed across all of Neopost's R&D centres.

# Team spirit

Neopost continues to rely on the responsiveness, innovation and team spirit of its staff. The enthusiasm of all Neopost employees allowed the rapid integration of all Ascom Hasler's teams, including management. Staff know that they work in an environment in which they can express their professional skills more than ever before.



## > « I found a home for my company »

Patrick Nangle  
(former CEO  
of Ascom Hasler)

### > **Decentralised organisation**

When integrating Ascom Hasler, Neopost strengthened its central departments slightly (legal, treasury, strategic marketing, budget control) to enable them to cope with the Group's new scale.

Fundamentally, however, Neopost maintains a highly decentralised organisation. Its 5,000 staff are split between around 20 subsidiaries, which are governed by a streamlined holding structure.

The company's philosophy has always been to give those in charge of geographical and business areas a large amount of autonomy. The group's coherence is ensured by strict control procedures, and by efforts to facilitate interaction, communication and collaboration.

This approach is unusual, and represents a crucial advantage for the group as a whole.

### **Efficiency: a central part of the business culture**

Neopost's culture is results-driven and based on the acknowledgement of individual and collective performance. All teams have a road map, and are committed to following it. Each subsidiary sets annual targets, and is evaluated on its success in achieving them. Subsidiaries also carry out regular business reviews with head office management.

Neopost staff are organised into small teams. They are managed fairly and carefully, based on frequent appraisals of their performance and potential. The company's ability to integrate



From left to right:

Neopost management team consists of: Jean-Paul Villot, Chairman and CEO • Alain Midowski (Legal) • Jérôme Lièvre (Logistics Systems) • Colin Bennett (Human resources) • Dennis Gilham (Postal relationships and partnerships) • Patrick Nangle (North America and Japan) • Gérard Kéralval (Europe and rest of the world) • Denis Thiery (Finance) • Bernard Duret (Manufacturing and R&D).

new staff has been particularly valuable in recent times, when Neopost has had to merge teams and welcome staff from Ascom Hasler. Incoming staff have quickly settled into Neopost. Many Ascom Hasler managers have seen their professionalism and experience fully rewarded, and have been given major responsibilities within Neopost.

### A sporting approach

Far from altering the Group's culture, recent developments have strengthened it. This culture is based on promoting responsibility and responsiveness among individuals and teams. The ability to take initiatives and risks is central to Neopost's collective values. Above all, Neopost staff are ready to take on challenges,

and tackle them with great enthusiasm. In many respects, staff take a sporting approach. Each member of staff finds a source of personal accomplishment and satisfaction by participating to team performance and by using their professional skills to achieve planned results.



Neopost team n°2 in the 2002 «6 heures du Mans Karting»



# > At the leading edge of technology

Companies and postal authorities know they can count on Neopost's technological edge and expertise to improve the way they manage mail and parcels. Customers benefit from Neopost's various advantages, such as the company's heavy investment in R&D, its broad market coverage, its proximity to customers and its focus on one business area, i.e. the corporate mail chain. Neopost now has strong positions in all major industrialised countries, i.e. in Europe and the USA, where the most important developments in mail processing techniques are taking place. It also has a firm presence in China, which is likely to see strong growth in future. As a result, Neopost is able to seize all the opportunities that are coming its way.

“ Neopost has been a crucial partner in developing our tracking technology and customer service. Neopost Logistics Systems has made investments over several years to provide us with innovative, reliable and suitable solutions. The company's expertise allowed us to pioneer the introduction of digital transport receipts and shipping terminals. ”

Alain Breau,  
CEO of Mory Group  
(France)

“ We send out more than 1,200 invoices by mail every day plus a great variety of documents. The security and accuracy is vital to us and our customers. We have found a unique solution with the Neopost SI 92 folder / inserter. Adjustments are automatically made for any type of document and there is no human error. Manual sorting is a thing of the past. ”

John Borer,  
Department Manager,  
Moen, n°1 brand of faucets in North America  
(USA)

# Technological leadership in all areas of the mail chain

All major products currently being sold by Neopost were launched in the last two years. They provide simple, cost effective and high-performance solutions, and are intended to help users send, receive and process mail and parcels more efficiently. These products use digital technology, and offer increasing integration possibilities.



## > Performance and reliability

The new franking machines launched in 2002 expand Neopost's product range in both the upper and lower ends of the market. The IJ 35, which can handle 3,600 envelopes per hour, is well-suited to SMEs. The IJ 45 has a higher throughput of 5,400 envelopes per hour, while the IJ 85 can handle large-scale franking loads, with throughput up to 12,600 envelopes per hour. All these machines are characterised by their reliability, ease of use and low running costs. They all meet the standards of the various postal authorities, including the IBI standard in the USA.

Neopost has maintained its pioneering position with its new range of folders / inserters. The SI 76 — with its Load'N Go system, which is still unrivalled in the market — measures the size of documents and folds them accordingly. The SI 92 uses the Mix'N Go system, and chooses the size of envelope according to the number of pages and the thickness of the document.

In Logistics Systems, Neopost has launched its

Neomax Plus shipping terminal, which is an Internet terminal capable of handling 20-80 shipments per day, for half the price of a PC.

The ease of use provided by Neopost's intelligent machines can also be found in its Internet-connected automatic franking kiosks, which will be installed in public places. This provides further proof of Neopost's technological edge.

## Advanced integration possibilities

These technologies can be integrated into postal authorities and companies' IT systems. Neopost franking machines offer online resetting and account consultation, and additional Internet services are available. Document management systems can also be integrated into users' IT systems.

The Credinet system, created in France, involves franking machines that automatically send the user's franking statistics to the French postal authority, allowing automatic billing and providing the authority with a CRM-style



SI 68 folder / inserter



IJ 85 franking machine with dynamic scale



marketing tool. The system has now been adopted by the Canadian postal authority, and many others are interested.

### From tracking to intelligent mail

The major developments emerging from current work on intelligent mail, in which Neopost is heavily involved, are variations on the tracking theme. Neopost's skills in tracking mean that it is ideally positioned to take part in these fundamental developments. The company is already developing similar functions in its Logistics Systems range, for the shipping and monitoring of parcels. As well as being an important source of future growth, this product range acts as a testing ground, allowing Neopost to gain a significant lead in tracking solutions.

Already, there are around 10 Neopost Diva processing centres using scanners and servers to input, process and manage hundreds of thousands of pieces of information and transportation documents for their customers.

The cyberstation developed by start-up company Loop One, which Neopost acquired in 2001, is beginning to make a breakthrough among large companies like General Motors Corporation, which uses the technology to manage its spare parts.

### Intense R&D activity

Neopost's R&D efforts have led to the filing of almost 45 new patents, along with some unique developments, such as Internet-based shipment monitoring, the Mix'N Go folder / inserter and the fastest dynamic scale on the market. In the parcels segment, Neopost is working with customers to develop monitoring systems that use radio frequency identification tags (RFID), which represent the tracking technology of the future.

> **In the CEBIT 2002** technology fair, Neopost won the Industrie Forum Design prize for the aesthetic and ergonomic qualities of its SI 68 folder / inserter.





## Strong growth and earnings trend

The mail industry is changing rapidly, and offers attractive business opportunities and growth prospects. Neopost, driven by its status as the leading challenger in its market, is well positioned to play a leading role in the sector's ongoing consolidation and to seize these numerous opportunities.

### > Positive market background

Mail is not being substituted by new technologies. The market continues to grow, through the worldwide development of direct marketing. In addition, demand for new solutions is appearing in industrialised countries. Companies are increasingly automating their mail systems, as shown by growing sales of folders / inserters. Postal authorities, which are seeing increasing competition, are developing new services for their customers and are implementing real-time customer relationship management solutions in which franking machines are used as genuine postal terminals. Postal authorities need to increase efficiency and modernise their operations. This is prompting them to decertify old technologies, which is boosting the replacement of mailing machines.

### A winning position

Neopost's teams work closely with companies and postal authorities. They can help customers work

out their requirements and offer them suitable and competitive solutions. Neopost's customer base is also expanding to encompass both smaller companies, to which Neopost can offer simple and efficient systems, and large companies that currently use permit mail.

In the parcels segment, growth in the transportation industry and the increasing need for comprehensive shipment monitoring are creating a whole new market. Once again, Neopost has a significant lead in this area through its Logistics Systems offering.

### Ongoing productivity gains

The integration of Ascom Hasler and Stielow will generate major synergies in terms of production and sales. These synergies will start to flow in 2003, and will have their full impact in 2004. The acquired companies give scope for a major improvement in profitability.



# Corporate governance: one of Neopost's main strengths

Corporate governance is one of Neopost's main strengths, as acknowledged by rating agency Vigeo<sup>(1)</sup>. The company's Board of Directors stands out due to the independence of its members, its international character and its pro-active approach.

## > Neopost's directors

Directors	Main functions	Mandate	Membership of committees
Jean-Paul Villot	Chairman and CEO, Neopost	07/01 - 01/04	Appointments
Henk Bodt	President of the Supervision Board of ASML	07/01 - 01/04	Audit
Pierre Bonelli	CEO, Bull	07/01 - 01/04	Audit
Jacques Clay	COO Europe, Open Harbor Inc.	07/03 - 01/04	Remuneration and appointments
Cornelius Geber	CEO CG Beteiligungs and Management AG	07/02 - 01/05	Remuneration and appointments
Michel Guillet	Co-founder, Managing partner, BC Partners	07/01 - 01/04	Remuneration and appointments
Raymond Svider	Senior Partner, BC Partners	07/01 - 01/04	Audit

## > « The composition and functions of Neopost's Board of Directors exceed the usual level of quality. »

Vigeo<sup>(1)</sup>

### An independent and international Board of Directors

Neopost's Board of Directors is made up of seven members, serving three-year mandates. With the exception of Neopost Chairman and CEO Jean-Paul Villot, all are independent as defined by the French NRE (new economic regulations) act. The competence and wide experience of the Board help Neopost to listen to its shareholders and customers. It comprises directors of three nationalities, and is particularly well positioned to deal with Neopost's worldwide strategy.

### Heavy involvement in Neopost's operations

Neopost's Board of Directors plays a important role in the company's development. It considers all major decisions that concern Neopost's strategy. In 2002, the Board met four times, with an average attendance rate of 96%. Its work in 2002 focused on acquisitions, long-

term development and the Logistics Systems division.

### Other committees

The audit committee comprises three independent members. It met twice in 2002.

The remuneration committee takes decisions about the reward system for top management and stock option allocation, and met once in 2002. It is made up of three independent members. An appointments committee, made up of four members, was created in April 2003.

> The NRE act reinforces the role of the Board of Directors in the company.

(1) Vigeo is the French market leader in social and environmental ratings on European companies.

# Stockmarket

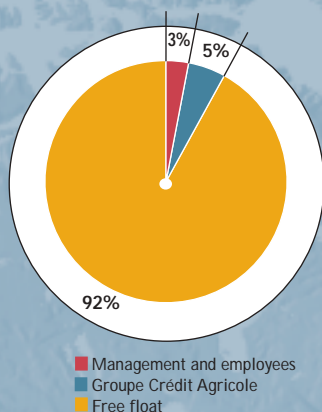
## > Profile

Listing market: Premier Marché of Euronext Paris  
 Eligible for the deferred settlement system (SRD)  
 Indices: SBF 120 and Next 150  
 Member of Euronext's Next Prime segment  
 Number of shares in issue: 30,305,239  
 Market capitalization (April 30 2003): euro 0.9 billion

## > Two listed securities

- Shares  
(Euroclear code 12056)
- Convertible bonds  
(Euroclear code 49905)

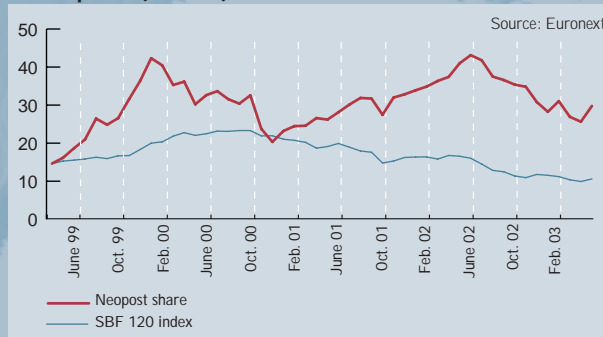
### Shareholder structure



Neopost has been listed on the Premier Marché since February 1999. At January 31 2003, the free float was 92%, most of which was owned by institutional investors, particularly in the US and UK.

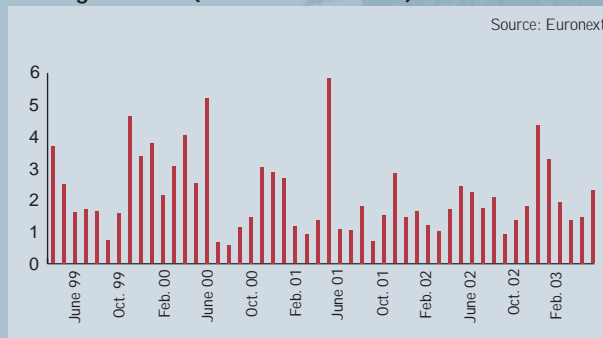
### Share price and trading volumes

#### Share price (in euro)



In fiscal year 2002, Neopost's share price was euro 36.2 on average, with a price varying from euro 24.1 to euro 44.5.

#### Trading volumes (in million of shares)



On average, 2 million shares were traded per month in fiscal year 2002.

### > Shareholder information

**Gaële Chagnaud**  
 Tel: +33 1 45 36 31 39  
[g.chagnaud@neopost.fr](mailto:g.chagnaud@neopost.fr)  
[www.neopost.com](http://www.neopost.com)

### First dividend

For the first time in the company's history, Neopost's Board of Directors has decided to make a proposal to the next shareholders' meeting to pay a dividend of euro 1 per share with respect to the 2002 financial year. This will entail a total payment of euro 30.3 million, equal to 43.5% of the company's 2002 net profit. The Board of Directors regards this move as an indication of the company's sound position, and a fair reward to shareholders for their loyalty and confidence.

# > Financial report

> > > 2002

# > Management discussion and analysis

## DISCUSSION AND ANALYSIS OF NEOPOST'S FINANCIAL POSITION AND RESULTS OF THE OPERATIONS

These comments are based on the consolidated financial statements as of 31 January 2003, which include Ascom Hasler's North American business for 11 months, Ascom Hasler's business outside North America for 8 months and Stielow for 5 months. To make the analysis easier, pro forma accounts have also been established, and these include full-year contributions from Ascom Hasler and Stielow in 2001 and 2002.

## HISTORICAL BREAKDOWN OF OPERATING RESULTS

### Consolidated income statements

In euro million	Year ended 31 January 2003				Year ended 31 January 2002			
	Neopost		Neopost pro forma		Neopost		Neopost pro forma	
Sales	760.6	100.0%	830.8	100.0%	575.0	100.0%	853.1	100.0%
Cost of sales	(236.0)	(31.0)%	(262.5)	(31.6)%	(162.3)	(28.2)%	(276.2)	(32.4)%
Gross profit	524.6	69.0%	568.3	68.4%	412.7	71.8%	576.9	67.6%
R&D expenses	(33.4)	(4.4)%	(38.2)	(4.6)%	(32.8)	(5.7)%	(51.4)	(6.0)%
Sales and marketing expenses	(195.1)	(25.6)%	(213.0)	(25.6)%	(162.4)	(28.2)%	(234.1)	(27.4)%
Administrative expenses	(100.2)	(13.2)%	(108.4)	(13.1)%	(78.7)	(13.7)%	(110.1)	(12.9)%
Service and other operating expenses	(61.4)	(8.1)%	(70.1)	(8.4)%	(54.0)	(9.4)%	(72.9)	(8.5)%
Employee profit sharing	(1.6)	(0.2)%	(1.6)	(0.2)%	(1.5)	(0.3)%	(1.5)	(0.2)%
Operating profit	132.9	17.5%	137.0	16.5%	83.3	14.5%	106.9	12.5%
Net financial income (expenses)	(25.0)	(3.3)%	(27.0)	(3.3)%	(18.7)	(3.3)%	(27.0)	(3.1)%
Net income before taxes	107.9	14.2%	110.0	13.2%	64.6	11.2%	79.9	9.4%
Net extraordinary profit (loss)	0.2	-	0.2	-	(1.6)	(0.3)%	(1.6)	(0.2)%
Income taxes	(33.3)	(4.4)%	(33.8)	(4.1)%	(20.9)	(3.6)%	(26.1)	(3.1)%
Results of associated companies	0.7	0.1%	0.7	0.1%	0.5	0.1%	0.5	0.1%
Minority interests	(0.1)	-	(0.1)	-	-	-	-	-
Goodwill amortization	(5.7)	(0.8)%	(6.0)	(0.7)%	(4.5)	(0.8)%	(6.2)	(0.7)%
Net income	69.7	9.2%	71.0	8.5%	38.1	6.6%	46.5	5.5%

Neopost's consolidated financial statements have been brought into line with the new accounting regulations in force (CRC 2000-06).

## YEAR ENDED 31 JANUARY 2003 COMPARED WITH YEAR ENDED 31 JANUARY 2002

Highlights in the 2002 financial year were as follows: good performance in Neopost's traditional business areas; the first consolidation of Ascom Hasler, with the North American business consolidated for 11 months and activities outside North America for 8 months; and the consolidation of Stielow for 5 months. Earnings grew strongly and Neopost Online's operating losses were kept firmly under control. The integration of Ascom Hasler is almost complete, and the Stielow integration is going very well.

### Consolidated sales up 32.3%

Neopost's sales grew by 32.3% in 2002. On a pro forma basis and constant exchange rates, sales grew by 1.1%, or by 2.5% excluding Stielow.

This performance is all the more remarkable since 2001 was a particularly busy year, due to the additional business resulting from euro conversion programmes especially in France.

### North American growth boosted by the Ascom Hasler acquisition

The Ascom Hasler acquisition almost doubled Neopost's market share in North America, and sales in this market grew by 42.1%, despite the dollar falling by almost 8% against the euro. On a pro forma basis and at constant exchange rates, sales were flat, although there was organic growth of 2.8% in the fourth quarter due to the successful launch of the new IJ 35/45 franking machines. The IJ 35/45 machines were not yet available for the Ascom Hasler network.

### Weak growth in France, as expected

Sales grew by 0.9% in France in 2002. This was a reasonable performance, given that the euro conversion programme had boosted sales by euro 9 million in 2001. Another source of satisfaction was the 2.5% growth in fourth-quarter sales, resulting from the company's strong commercial impetus. This is encouraging at a time when the new IJ 35/45 franking machines have just been launched and when new services, currently undergoing trials with the French postal service, look set to boost growth in the small franking machine market.

### Very strong growth in the UK

As a result of the Ascom Hasler acquisition and the decertification of mechanical franking machines, Neopost's UK sales grew by 42.1% in 2002. Pro forma sales growth was

17.8% at constant exchange rates, making 2002 the third consecutive year of double-digit growth in this market. Despite the decertification programme ending in October, pro forma growth remained positive in the fourth quarter, at 2.0%.

### A solid base in Germany

The Ascom Hasler and Stielow acquisitions mean that Neopost now directly controls more than 20% of Germany's installed base of franking machines, and has consolidated its leading position in the folder / inserter market, with market share of over 50%. The German market was very strong in 2001 due to the euro conversion programme. The end of this programme and the weak economy led to a 4.2% pro forma decline in sales.

### Stronger positions in the rest of the world

As a result of the Ascom Hasler and Stielow deals, Neopost has increased market share in Italy, the Netherlands, Belgium and export markets, and has developed its direct presence in Japan and in Austria. Pro forma growth was only 3.5%, however, since 2001 business levels had been boosted by the euro conversion in Italy, Belgium and the Netherlands.

### Reorganisation of Stielow underway

Neopost has consolidated Stielow since 1 September 2002. Stielow generated sales of euro 27.9 million during the period, in line with Neopost's forecasts. Neopost's development strategy means that it will eventually retain only Stielow's mail processing business (franking machines, folders / inserters, openers / extractors), which accounts for around two thirds of Stielow's sales. Neopost plans to sell the non-strategic part of Stielow's business — i.e. the print finishing, label printing and parcel preparation activities — in 2003. These activities generated euro 6.9 million of sales for Neopost in the fourth quarter of 2002, euro 11.0 million in the five months during which Stielow was consolidated in 2002 and euro 26.2 million on a pro forma basis in full-year 2002.

### Recent acquisitions do not substantially change the breakdown of sales by business, nor the proportion of recurring revenues

On the basis of 2002 pro forma accounts, 68.4% of Neopost's sales came from Mailing Systems and 31.6% from Document Systems. Ascom Hasler's weak presence in Document Systems was offset by Stielow's strong position in this business.

Recurring revenues (rental, leasing, maintenance, support and consumables) accounted for 58% of Neopost's sales on a pro forma basis.

### **Operating losses under control at Neopost Online**

In January 2003, Neopost decided to wind down its Simply Postage business. The 20 000 Neopost Online customers are being given the opportunity to switch to traditional products such as the IJ 25. Neopost Online made an operating loss of just under dollar 8 million in 2002, in addition to dollar about 5 million of asset write-downs and a dollar 1 million provision for the expected cost of winding down the service in 2003. Overall, the loss resulting from Neopost Online totalled euro 13.5 million in 2002, to be compared with euro 39.1 million in 2001.

### **Strong growth in operating income**

Operating income surged from euro 83.3 million to euro 132.9 million, due to:

- the sharp reduction in Neopost Online losses,
- an improvement in margins due to new product launches (IJ 35/45/85 - SI 76/92) and increased use of subcontractors in China.

Operating margin rose from 14.5% to 17.5% and from 12.5% to 16.5% on a pro forma basis.

This improvement should be confirmed next year as synergies resulting from measures implemented in 2002 start to show through, and since there will be no more losses from Neopost Online.

### **Financial expenses under control**

Despite a large increase in net debt, Neopost's financial expenses of euro 25 million equalled only 3.3% of sales, the same level as in 2002. This is due to:

- lower interest rates,
- dynamic currency hedging, (Swiss franc following the Ascom Hasler acquisition, dollar from operations),
- the introduction of centralised cash management,
- a net debt in dollar accounting for 43% of net debt.

### **Strong growth in net income**

Net income is euro 69.7 million, an increase of 83% relative to the euro 38.1 million in 2001. This was due to strong growth in operating income and the firm grip on financial expenses, but also a lower tax charge, following the acquisitions of Ascom Hasler and Stielow.

## **YEAR ENDED 31 JANUARY 2002 COMPARED TO YEAR ENDED 31 JANUARY 2001**

*Fiscal year 2001 was marked by a strong increase in sales, an improvement of the EBIT margin of Neopost core business, a*

*controlled level of investment in Internet activities, and a strong growth of Neopost net profit excluding extraordinary items.*

### **Increase of 11.8% in consolidated sales**

*The Group's consolidated sales increased of 11.8% in 2001 to reach euro 575.0 million.*

*Based on comparable exchange rates, sales for the year were up 10.4%.*

*Fiscal year 2001 was marked by a balanced growth on Neopost main markets: United States, France and United Kingdom and by a very strong growth in the rest of the world. The break-down by business did not change much. Mailing Systems account for 69% of sales, whereas Document and Logistics Systems account for 31% of sales.*

### **Very good resilience in the North American market**

*Despite an environment disrupted by the September 11 events, Neopost reinforced its growth pace in the last quarter, thanks to the on-going decertification of certain type of electronic meters. The Group benefited in 2001 from a postal rate change that generated additional sales of dollar 5.5 million, versus dollar 7.5 million in 2000. Despite this rate change situation, organic growth excluding currency impacts was 4.9% in 2001. Without postal rate changes and excluding currency impacts, organic growth in 2001, excluding currency impacts, was 6.1%.*

### **Strong growth in France**

*In a market pushed by the euro conversion and the deployment of Credinet™, Neopost achieved high growth of 10.2% thanks to renewed product range and services in Mailing and Document Systems. Logistics sales were sharply up, Neopost now being a supplier to most main carriers in France. During 2001, Neopost also benefited from a postal rate change which produced additional sales although these were slightly lower than the previous year. Excluding the postal rate change, sales growth was 10.7%.*

### **Dynamism of sales organization in the UK**

*In 2001 Neopost continued its investments in sales organization to better capitalize on the launches of competitive products and to maximize the opportunities from the ongoing decertification of mechanical meters. Sales growth was 13.3% for the full year 2001. Excluding currency impacts, sales in the UK increased by 14.8%.*

### **Strong dynamism in the rest of the world: consequence of acquisitions**

In the rest of the world, sales growth reached a record 36.1% in 2001. The young Italian, Belgian and Dutch subsidiaries are still the main growth drivers. In Italy, Neopost more than double its sales thanks to the decertification of mechanical meters. In Belgium and the Netherlands, sales were up by more than 20%.

Neopost won a tender of euro 1 million in Portugal with the IJ 75, one of the flagship of the new range of ink jet mailing system.

### **An organic growth of 12.6% in 2001**

Fiscal years 2001 and 2000 witnessed irregular postal rate changes on the three main markets of Neopost. Without the effects of the postal rate changes in the United States, in France and in the United Kingdom and without currency impacts, Neopost organic growth was 12.6% in 2001 compared to 8.0% in 2000.

### **Balanced growth by business and high proportion of recurring revenues**

In fiscal year 2001, Mailing Systems grew by 12.4%, while Document and Logistics Systems were up by 10.4%.

59% of Neopost sales come from recurring revenues (rental, leasing, maintenance, support and supplies).

### **Improvement of the operating margin of the core business**

Operating margin excluding Neopost Online went from 21.0% in 2000 to 21.5% in 2001. Operating margin increased by 13.9% in 2001. Excluding currency impacts, operating margin growth would have been 11.1%.

This improvement is due do the gross margin that went from 71.4% of sales in 2000 to 72.2% of sales in 2001 and the tight control on operating expenses excluding R&D that went from 47.1% of sales in 2000 to 46.6% of sales in 2001. These improvements made it possible for the Group to further increase its R&D effort from 3.3% of sales in 2000 to 4.1% in 2001.

Neopost proved once again its ability to produce results and build for the future.

### **Controlled investments in Neopost Online**

Neopost Online was set up in September 1999, with the objective of developing new technologies related to e-postage and e-commerce, and of targeting a new market

segment: the « SOHO » (Small Office Home Office) customers. Neopost Online has enabled the company to establish a strong position in an emerging business, and to develop the technologies that will be crucial for its future.

Currently, the Mailing Systems market is seeing genuine convergence between traditional and online activities. For instance, the IBI standard, which was first developed in the USA for online mailing solutions, is now used for new generations of mailing machines. Similarly, commercial synergies are appearing in the SOHO market.

Neopost has therefore decided to bring Neopost Online's Simply Postage operations (range of internet-based mailing solutions and services) together with the group's core mailing business.

After twelve months of trial period, Neopost has decided not to pursue the development of its Simply Packages offering (parcels shipping and reception service aimed at individual customers, combining the convenience of Internet with a proximity network of services points). Slow take-off, weaker-than-expected growth in e-commerce and heavy investment have raised questions concerning return on investment for a technology supplier like Neopost.

Neopost Online generated sales of euro 5.6 million in 2001. Losses on Online activities in 2001 were contained as promised below dollar 35 million, or euro 39.1 million compared to euro 38.0 million in 2000, and will not exceed dollar 10 million in 2002.

The write-off of goodwill related to th Simply Packages activities were accounted for as extraordinary items for euro 1.6 million.

After taking into account interest charges and taxes, net loss for Neopost Online was euro 27.3 million as of January 31, 2002 compared to euro 25.3 million as of January 31, 2001.

### **Overall operating margin was up, at 14.5 % of sales**

Taking Neopost Online investments into account, the Group's EBIT margin is euro 83.3 million or 14.5% of sales in 2001 compared to euro 69.5 million or 13.5% of sales in 2000.

### **Net improvement in financial expenses**

Neopost benefited in 2001 of the new debt structure set

up in February / March 2000 : issue of convertible bonds for euro 135 million and re-negotiation of a new senior debt at better conditions for the Group. In 2001, Neopost benefited from profitable currency hedging operations which was not the case in the previous year. Net financial expenses are euro 18.7 million in 2001 compared to euro 22.9 million in 2000.

**Very strong growth in net income excluding extraordinary items**

Net income is euro 38.1 million, an increase of 5.8% over last year. Neopost benefited in 2000 of net extraordinary profits of euro 7.3 million coming mainly from the sale of the industrial land in the United Kingdom (euro 6.8 million), whereas in 2001, the re-organization of the Online activities impacted the accounts by a net extraordinary loss of euro 1.0 million. Excluding those extraordinary items Neopost net income increased by 36.2% from euro 28.7 million in 2000 to euro 39.1 million in 2001.

**CASH FLOW**

The main events in 2002 were as follows:

- the acquisition of Ascom Hasler’s Mailing Systems division for euro 217 million,
- the acquisition of Stielow, a German distribution company whose activities include the marketing of Neopost products in Germany, for euro 34 million,
- the raising of additional debt in order to carry out these acquisitions, totalling dollar 88 million and euro 51 million,

**SHAREHOLDERS**

At 31 January 2003, the ownership of Neopost SA’s capital was as follows:

	Number of shares	%
Groupe Crédit Agricole	1,641,770	5.42%
Management and employees	828,208	2.73%
Directors	1,151	0.00%
Other shareholders (*)	27,834,110	91.85%
<b>TOTAL</b>	<b>30,305,239</b>	<b>100.00%</b>

(\*) at 31 January 2003, only one pension funds had stated controlling more than 5% of Neopost capital: Fidelity for 11%.

**CORPORATE GOVERNANCE**

The Board of Directors held four meetings during the 2002 financial year. An Audit Committee and a Remuneration Committee were established in October 2000 to give the Board greater means of action.

maturing in 2007,

- an increase in the working capital requirement due to:
  - the consolidation of Stielow and Ascom Hasler, whose inventories and trade receivables are higher than standard Neopost levels,
  - exceptionally high inventories of finished products following the closure of the Ascom Hasler plant in Bern,
- capital expenditure of euro 50 million, relating mainly to rental machines,
- excellent cash flow, which helped to fund acquisitions.

**OTHER FINANCIAL INFORMATION**

**Exchange rate effects on operating profit**

North America accounts for 43% of Neopost’s sales, and the company is exposed to fluctuations in the dollar against the euro. However, an almost identical proportion of Neopost’s current expenses and production costs will also be denominated in dollars in 2003. In addition, since 43% of Neopost’s net debt is in dollars, the company’s operating and net margins are unlikely to experience any major impact from movements in the euro / dollar exchange rate.

At 28 February, 100% of Neopost’s dollar / euro conversion requirements were hedged at rates substantially lower than the 1.05 figure used in the budget. This further reduces Neopost’s exposure to fluctuations in the dollar against the euro.

**Interest rates**

75% of floating-rate debt maturing in 2003, 58% in 2004 and 6% in 2005 is hedged using either interest rate swaps or caps.

Each Director’s term of office is limited to three years.

**Remuneration committee:**

The remuneration committee comprises Jacques Clay, Michel Guillet and Cornelius Geber. Its role is to make proposals to the Board of Directors about the remuneration of Neopost's top managers and the allocation of stock options.

The committee met once in 2002.

**Audit Committee:**

The audit committee comprises Pierre Bonelli, Henk Bodt and Raymond Svider. Its role is to:

- give an opinion on the appointment or renewal of auditors,
  - ensure the independence and the objectivity of the auditors,
  - satisfy themselves on the frame of reference for account consolidation, the relevance and permanence of accounting methods used to establish consolidated or local accounts as well as the adequate treatment of significant operations at the Group level,
  - ensure that through the Executive Officers legal and financial communication to the stock exchange authorities are carried out regularly. Assess the degree of satisfaction of auditors about the quality of information received from departments of the company during their mission, and collect comments of the management regarding the degree of sensitivity of auditors to the Group's business and its environment,
  - examine all information related to operations and transactions of the company raising ethical problems, and to transactions which, according to their nature and the individual(s) concerned could suggest a conflict of interests.
- The audit committee met twice in 2002.

**Appointments committee:**

In its 1 April 2003 meeting, the Board of Directors decided to set up an appointments committee made up of Jacques Clay, Michel Guillet, Cornelius Geber and Jean-Paul Villot.

The committee's role is to:

- propose a definition of an independent director,
- issue recommendations, as and when required, about the independence of a director, and suggest to the Board possible changes in its composition,
- pre-select candidates for Board membership, according to the following criteria:
  - independence, competence, motivation and availability,
  - suitability with respect the Board's current composition and desired changes to the Board,
  - the need to maintain the right number of independent directors on the Board,

- pre-select the future CEO,

- examine all issues relating to the rights and obligations of Board members.

Six of Neopost's Directors are independent, according to the definition set out in the Viénot and Bouton reports.

The appointments committee's role will also be to issue opinions regarding the independence of Board members according to the criteria it has defined.

**OUTLOOK FOR 2003**

Despite the weak economic environment, Neopost is confident that it can show growth in 2003. Recently-acquired Ascom Hasler and Stielow will be consolidated over the full year in 2003. In addition, as a result of investments in recent years, the company benefits today of a renewed range of folders / inserters as well as a brand new range of digital franking machines, which will enable it to continue benefiting from the technological changes demanded by postal services. However, Neopost's first-half performance will suffer from the high basis for comparison in 2002. The postal rate change in the US, in the second quarter of 2002, led to additional sales of dollar 13 million. These sales will not recur in 2003, nor will revenues relating to the euro conversion in Germany, Italy, the Netherlands and Belgium, estimated at euro 8 million in the first half of 2002. Neopost will not be able to show organic growth until it has made up the resulting shortfall in revenues.

Sales could also be damaged by the dollar's slide against the euro. Neopost generates 43% of its sales in North America, and a 5 cent decline in the dollar reduces its sales by euro 16 million. However, the resulting impact on net profit is much less, due to currency hedging.

Despite the aforementioned risks, Neopost is highly confident in its ability to achieve strong growth in net profit in 2003, due to three main factors:

- the elimination of losses at Neopost Online,
- expected synergies of at least euro 11 million from the Ascom Hasler acquisition, out of the total of euro 22 million projected in 2004,
- increased productivity in new product lines, a large proportion of which are being produced by subcontractors in China.

# > Neopost consolidated financial statements

## ASSETS

(In euro million)		As of 31 January		
	Note	2003	2002	2001
<b>Goodwill</b>				
Gross value		250.8	177.1	151.9
Amortization		(22.2)	(16.7)	(12.8)
	(5)	228.6	160.4	139.1
<b>Intangible assets</b>				
Gross value		327.3	235.7	232.7
Depreciation		(51.0)	(51.8)	(48.0)
	(6)	276.3	183.9	184.7
<b>Fixed assets</b>				
Gross value		576.8	531.0	475.9
Depreciation		(411.4)	(391.0)	(351.5)
	(7)	165.4	140.0	124.4
<b>Financial Investments</b>				
Gross value		4.0	4.6	6.7
Depreciation		-	-	-
	(8)	4.0	4.6	6.7
Net long-term lease receivables	(10)	135.2	125.5	99.2
Long-term deferred tax assets	(13)	41.4	6.6	3.9
Net inventories	(9)	70.8	33.8	36.9
Net receivables	(10)			
Net accounts receivable		147.2	116.6	112.9
Net short-term lease receivables		62.8	61.4	47.9
Net other receivables		38.9	25.0	18.0
		248.9	203.0	178.8
<b>Short-term investments, cash and cash equivalents</b>				
Short-term investments		52.1	79.4	62.6
Cash and cash equivalents		45.6	33.0	16.1
		97.7	112.4	78.7
Prepaid expenses over years		31.9	20.1	19.1
Short-term deferred tax assets	(13)	24.8	5.9	5.6
Foreign exchange difference		0.1	0.1	0.5
<b>Total assets</b>		<b>1,325.1</b>	<b>996.3</b>	<b>877.6</b>

The following notes are an integral part of these consolidated financial statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

(In euro million)		As of 31 January		
	Note	2003	2002	2001
<b>Shareholders' equity</b>				
Share capital		30.3	30.3	30.3
Additional paid-in capital		92.4	92.4	92.4
Retained earnings		142.0	103.6	67.4
Net income		69.7	38.1	36.0
Translation difference		(18.4)	(11.7)	(7.5)
		<b>316.0</b>	<b>252.7</b>	<b>218.6</b>
<b>Minority interests</b>		<b>0.1</b>	<b>-</b>	<b>0.2</b>
<b>Provisions for risks and contingencies</b>				
Provisions for risks		15.4	4.8	3.9
Provisions for contingencies		53.6	22.9	8.0
	(11)	<b>69.0</b>	<b>27.7</b>	<b>11.9</b>
<b>Financial debts</b>	(12)	<b>564.9</b>	<b>406.5</b>	<b>377.7</b>
<b>Long-term deferred tax liabilities</b>	(13)	<b>16.0</b>	<b>12.9</b>	<b>11.3</b>
<b>Current liabilities</b>				
Accounts payable		41.9	45.3	31.2
Other operating liabilities		121.4	83.8	73.2
Taxes		43.9	36.6	30.4
Deferred income		142.3	122.2	113.9
		<b>349.5</b>	<b>287.9</b>	<b>248.7</b>
<b>Short-term deferred tax liabilities</b>	(13)	<b>9.6</b>	<b>8.6</b>	<b>9.2</b>
<b>Foreign exchange difference</b>				
<b>Total liabilities and shareholders' equity</b>		<b>1,325.1</b>	<b>996.3</b>	<b>877.6</b>

The following notes are an integral part of these consolidated financial statements.

## > Profit and loss accounts

(In euro million)		As of 31 January		
	Note	2003	2002	2001
Sales	(14)	760.6	575.0	514.4
<b>Operating expenses</b>				
Cost of sales		(236.0)	(162.3)	(148.4)
R&D expenses		(33.4)	(32.8)	(30.9)
Sales and marketing expenses		(195.1)	(162.4)	(144.4)
Administrative expenses		(100.2)	(78.7)	(72.0)
Service and other operating expenses		(61.4)	(54.0)	(47.5)
Employee profit sharing		(1.6)	(1.5)	(1.7)
<i>Including depreciation of</i>		(66.4)	(45.5)	(45.6)
<b>Operating profit</b>	(15)	132.9	83.3	69.5
<b>Financial income</b>				
Interest income		3.6	5.1	5.6
Gains on foreign exchange		21.4	9.8	5.6
<b>Financial expenses</b>				
Interest expenses		(29.6)	(24.6)	(25.6)
Losses on foreign exchange		(20.4)	(9.0)	(8.5)
(Increase)/decrease in financial provisions				
<b>Net financial income (expenses)</b>		(25.0)	(18.7)	(22.9)
<b>Net income before taxes</b>		107.9	64.6	46.6
<b>Net extraordinary profit (loss)</b>	(16)	0.2	(1.6)	8.0
Income taxes	(13)	(33.3)	(20.9)	(15.1)
Results of associated companies		0.7	0.5	0.8
<b>Minority interests</b>		0.1	0.0	(0.1)
Goodwill amortization		(5.7)	(4.5)	(4.2)
<b>Net income</b>		69.7	38.1	36.0
<b>Net income per share</b>	(17)	2.30	1.26	1.19
<b>Fully diluted net income per share</b>	(17)	2.04	1.13	1.08

The following notes are an integral part of these consolidated financial statements.

# > Cash flow statements

(In euro million)	As of 31 January 2003	As of 31 January 2002
Net income	69.7	38.1
Fixed and intangible assets depreciation	66.4	45.5
Goodwill amortization	5.7	4.4
Provisions for risks and contingencies	0.4	0.6
Other items	(9.3)	(2.2)
Profits and losses on sales of fixed assets	0.1	1.8
<b>Funds generated from operations</b>	<b>133.0</b>	<b>88.2</b>
(Increase) decrease in inventories	4.6	3.5
(Increase) decrease in accounts receivable	11.1	(0.8)
Increase (decrease) in accounts payable	(23.2)	13.2
Increase (decrease) in other payables and receivables	3.7	9.4
Net change in lease debt and receivables	7.9	(9.9)
<b>Operating cash flows (A)</b>	<b>137.1</b>	<b>103.6</b>
Production and acquisition of fixed assets	(47.1)	(55.6)
Investments in intangible assets	(2.7)	(2.7)
Financial investments	(254.8)	(9.2)
Sub-total investments	(304.6)	(67.5)
Sales of fixed assets	1.0	0.4
Sales of financial assets	1.1	0.0
Repayment of long-term loans	-	-
<b>Cash flow from investing activities (B)</b>	<b>(302.5)</b>	<b>(67.1)</b>
Increase in shareholders capital	-	-
Dividends	-	-
New long-term borrowings	152.0	0.0
Repayment of long-term borrowings	(4.1)	(5.8)
Net change in other financial debts and accrued interests	4.6	2.6
<b>Cash flow from financing activities (C)</b>	<b>152.5</b>	<b>(3.2)</b>
Effect of unrealised foreign exchange gains and losses on cash and cash equivalents (D)	(1.8)	0.4
<b>Change in net cash and cash equivalents (A)+(B)+(C)+(D)</b>	<b>(14.7)</b>	<b>33.7</b>
Opening cash and cash equivalents	112.4	78.7
Closing cash and cash equivalents	97.7	112.4

The following notes are an integral part of these consolidated financial statements.

## > Shareholders' equity

(In euro million)	Par Value	Number of shares	Share Capital	Paid-in Capital	Retained profit and profit for the year	Unrealised foreign exchange gains and losses	TOTAL
Opening shareholders' equity (31.01.1999)	15.24	1,000,130	15.2	30.5	4.5	0.8	51.0
Net income					25.2		25.2
Translation difference						3.7	3.7
Nominal value divided by 25 (AGM of 5.10.1998)	0.61	24,003,120					
Closing shareholders' equity (31.01.1999)	0.61	25,003,250	15.2	30.5	29.7	4.5	79.9
Capital increases of							
22 February and 11 March 99	0.61	5,301,989	3.3	73.7			77.0
Conversion in euro	1		11.8	(11.8)			0.0
Net income	1				30.8		30.8
Translation difference	1					(7.4)	(7.4)
Closing shareholders' equity (31.01.2000)	1	30,305,239	30.3	92.4	60.5	(2.9)	180.3
Change in accounting methods (see note 3a)					6.9		6.9
Net income					36.0		36.0
Translation difference						(4.6)	(4.6)
Closing shareholders' equity (31.01.2001)	1	30,305,239	30.3	92.4	103.4	(7.5)	218.6
Net income					38.1		38.1
Acquisition of Diva minority interests					0.2		0.2
Translation difference						(4.2)	(4.2)
Closing shareholders' equity (31.01.2002)	1	30,305,239	30.3	92.4	141.7	(11.7)	252.7
Net income					69.7		69.7
Translation difference						(6.7)	(6.7)
Other					0.3		0.3
Closing shareholders' equity (31.01.2003)	1	30,305,239	30.3	92.4	211.7	(18.4)	316.0

Translation difference relating to the eurozone totals euro 0.1 million.

# > Notes to the consolidated financial statements

## FISCAL YEARS ENDED 31 JANUARY 2003, 2002 AND 2001

(All amounts stated hereafter are in euro million)

### Note 1: Presentation of the Company and its consolidated financial statements

Neopost was created in 1992 through a leveraged buyout of Alcatel's mail processing equipment division. A second leveraged buyout took place in 1997. Since 1997, Neopost has made acquisitions of varying sizes, of which the largest was the 2002 purchase of Ascom Hasler — the mailing systems division of Swiss company Ascom — which ranks third in the world in its market.

The term «Neopost SA» refers to the parent company (excluding consolidated subsidiaries) while «Neopost» and «the Group» refer to the economic whole formed by the parent company and its consolidated subsidiaries.

### Note 2: Summary of accounting policies

The Group's consolidated financial statements are prepared in accordance with French Generally Accepted Accounting Principles. The accounts as of 31 January 2001 have been brought into line with the new French regulations regarding consolidated financial statements.

Financial statements of foreign companies have been restated in accordance with Neopost Group accounting principles.

Each item of the assets, liabilities and statements of income of the consolidated companies are brought together into the consolidated balance sheet. Inter-company transactions and profit relating to these operations as well as inter-company capital gains are eliminated.

#### a) Companies consolidated

The financial statements of all companies directly or indirectly controlled by Neopost SA are fully consolidated.

Neopost RTL (Ireland) and Neopost SL (Spain) have been fully consolidated since 1 February 2002.

Ascom Hasler North America was acquired on 28 February 2002 and has been fully consolidated since 1 March 2002.

Ascom Hasler's activities outside North America were acquired on 31 May 2002 and have been fully consolidated since 1 June 2002.

Neopost NBG has been consolidated since 1 August 2002.

Stielow was acquired on 31 August 2002 and has been consolidated since 1 September 2002.

Dynapost, in which the Group has a 35% stake, is consolidated under the equity method.

A detailed statement of consolidation is provided in note 4.

#### b) Foreign currency debts and receivables

Total receivables and debts expressed in foreign currency are translated at the exchange rate applicable at the end of the fiscal year. The profits and losses resulting from these translations are booked on the Profit and Loss statement.

#### c) Translation of financial statements denominated in foreign currencies

Assets and liabilities of subsidiaries operating outside France are translated in euro at rates in effect at the end of the period; revenues and expenses are converted at the average exchange rate over the period.

The resulting translation difference is included in shareholders' equity.

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

(per euro)	As of 31 January					
	2003		2002		2001	
	Average	Period-end	Average	Period-end	Average	Period-end
US dollar (USD)	0.9610	1.0816	0.8893	0.8637	0.9194	0.9293
Pound sterling (GBP)	0.6349	0.6557	0.6202	0.6111	0.6118	0.6367
Canadian dollar (CAD)	1.5355	1.6562	n-a	n-a	n-a	n-a
Swiss franc (CHF)	1.4647	1.4678	n-a	n-a	n-a	n-a
Japanese yen (JPY)	120.3536	129.17	n-a	n-a	n-a	n-a

**Note 3: Accounting principles****a) New accounting regulations regarding consolidated financial statements**

Neopost's consolidated financial statements have been brought into line with the new accounting regulations in force (CRC regulation 99-02).

The impact of this change in accounting policy corresponding to previous fiscal years has been applied to the Group's shareholders' equity. This impact amounts to euro 6.9 million as of 31 January 2001. It principally covers:

1. accounting for deferred taxes of all temporary differences, including those generating long term deferred tax savings;
2. accounting for deferred taxes on the restatements of inter-company margins on inventories and assets at the purchasing company rather than the selling company;
3. the inclusion in the profit and loss account of unrealised exchange gains on foreign currency debts and liabilities.

Otherwise, Neopost's consolidated financial statements have been brought into line with the CRC 2000-06 regulation relating to liabilities. The resulting impact on Neopost's financial statements is not material.

**b) Intangible assets**

Intangible assets include software, market shares, trademarks, patents and leasehold rights.

*1. Market shares*

Market shares represent the experience acquired by the Group in the fields of Mailing Systems and Document Systems, as well as its stable position in these markets as a result of the commercial activities by acquired companies during prior years. The value of market shares was calculated in 1997 and 2002 by taking the weighted average revenue generated by the installed base of Mailing Systems and sales of Document Systems equipment in each geographical zone over 3 years.

Weighting coefficients for the two activities are a function of the historical sales structure and are revised based on changes in gross margin. Each geographical zone is also weighted according to its degree of maturity and its potential.

Market shares are not depreciated. They are reviewed each year, and adjusted to fair value in the event of an adverse movement in the aforementioned formula or in the gross margin.

*2. Other intangible assets*

Other intangible fixed assets are depreciated on a straight-line basis depending on their economic life.

Details of intangible fixed assets are provided in note 6.

**c) Fixed assets**

Fixed assets are stated:

- at their production or acquisition cost after elimination of inter-company margins,
- at a revalued figure if a purchase price over cost is allocated,
- at their refurbishing cost after elimination of inter-company margins.

Depreciation is calculated using the straight-line method over the economic life of each item:

Plant	20 years
Office buildings	40 years
Leased assets	5 years
Equipment	5 to 10 years
Tools	3 years
Furniture and fixtures	10 years
R&D equipment	5 years
Refurbished	3 years

The inter-company margin realised by the 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.

Details on fixed assets are provided in note 7.

**d) Leased property and equipment**

The company leases property and equipment, generally under long term lease agreements.

These leases have been capitalised at the present value of the net minimum lease payments at inception. Amounts included in liabilities under debts represent the present value of remaining lease payments.

Leased property and equipment are included in the «Other» line of the schedule of fixed assets presented in note 7.

**e) Goodwill**

Purchase price over cost arises when the Group makes an acquisition. Purchase price over cost is the excess of the

purchase price over the value of the acquired shareholders' equity at the date of the acquisition, plus acquisition costs and provisions for risks and contingencies net of related deferred tax. This purchase price over cost is then allocated, as far as possible, to the appropriate lines on the consolidated balance sheet, particularly «Market shares». The remaining unallocated amount is taken to the «Goodwill» line.

In the case of acquisitions in Neopost's core businesses (mailing and document systems), residual goodwill is amortized over 40 years, due to the long history of growth at consolidated subsidiaries and the stability of the markets concerned. Other goodwill is amortized over 20 years.

• *Acquisition of Ascom Hasler activities on 28 February and 31 May 2002:*

In euro million

<b>Purchase price</b>	
<b>(enterprise value + acquisition costs)</b>	<b>220.0</b>
Debts of the acquired companies	(20.7)
Restated opening net asset value	(55.8)
<b>Purchase price over cost as of 31 January 2003</b>	<b>143.5</b>

Purchase price over cost has been allocated to balance sheet lines as follows:

<b>Purchase price over cost</b>	<b>143.5</b>
Market shares	88.0
Goodwill	55.5

• *Acquisition of Stielow on 31 August 2002*

In euro million

<b>Purchase price</b>	
<b>(enterprise value + acquisition costs)</b>	<b>35.0</b>
Debts of the acquired companies	(14.7)
Restated opening net asset value	7.4
<b>Purchase price over cost as of 31 January 2003</b>	<b>27.7</b>

Purchase price over cost has been transferred to other balance sheet captions as follows:

<b>Purchase price over cost</b>	<b>27.7</b>
Market shares	0.0
Goodwill	27.7

As of 31 January 2003, since the purchase price over cost arising from the Stielow acquisition was not totally definitive,

no allocation to «Market shares» was made.

Purchase price over cost relating to Ascom Hasler and Stielow may be adjusted up to 31 January 2004.

Details regarding goodwill are provided in Note 5.

**f) Inventories**

Inventories and work in progress are stated at the lowest of cost or replacement value (for purchased goods) or full production cost (for produced goods) without exceeding net realisable value.

Reserves on inventory are calculated, taking into account inventory turnover and the obsolescence of equipment and goods.

The inter-company margin realised by the industrial subsidiaries on equipment sold to the distribution subsidiaries that hold this equipment in inventories is eliminated.

**g) Short-term investments, cash and cash equivalents**

Marketable securities included in short-term investments, cash and cash equivalents are recorded at the lower of cost or market value, on a line by line basis.

Cash and cash equivalents consist of cash and liquid investments with an initial maturity of less than three months.

Marketable securities mainly consist of mutual funds (euro 52.1 million)

**h) Deferred expenses**

Deferred expenses consist of prepaid expenses relating to operations, along with the cost of arranging financing, which is amortised over the duration of the financing. The change in deferred expenses between 31 January 2002 and 31 January 2003 is mainly due to the allocation of 2001 expenses relating to the Ascom Hasler acquisition (euro 5.4 million reduction) to goodwill, and to the consolidation of Ascom Hasler (euro 13.7 million addition) and Stielow (euro 1 million addition).

**i) Retirement benefits**

Retirement benefit commitments are stated as provisions for contingencies.

**j) Financial instruments**

• The Neopost group uses swaps to hedge against interest rate risks. These financial instruments are only used for hedging purposes.

Interest differentials arising from these swaps are recorded in financial revenues or expenses on a pro rata basis over the life of the hedged items.

- Because of the worldwide aspect of its business, the Group generates cash flows in foreign currencies. The Group hedges against the risks of currency variations by using short-term financial instruments, mostly through definite or optional forward purchases or sales of foreign currencies. Assets and liabilities are recorded at the hedging rate.

#### k) Income taxes

Deferred taxes represent the difference between the theoretical tax charge calculated for the purposes of the consolidated financial statements and the actual tax charge applied to income for the fiscal year.

The difference results from the timing difference between the accounting recognition of revenues or expenses and their inclusion in the taxable income of a later year, from the harmonisation of the accounting principles used to draw up the consolidated financial statements, and from certain consolidation eliminations.

The variable carryover rule was used; the effects of changes in tax rates are recorded in the fiscal year when they occur. Deferred tax is calculated using the tax rate in the year in which the timing difference is reversed.

As of 31 January 2003, the following tax rates were used for the main countries:

France	35.40%
United Kingdom	30.00%
Netherlands	35.00%
United States	41.00%
Germany	39.95%

#### l) Sales

##### • *Rental of mailroom equipment*

The Neopost Group rents equipment to its customers in France and in the United States. The equipment rented consists mainly of postage meters. Contracts generally cover periods from one to four years. Charges for equipment rentals and maintenance contracts are billed in advance; the related revenue is taken to income as earned. The balance is shown in prepaid income.

##### • *Equipment sales*

Sales of equipment are recognised when the goods are delivered.

##### • *Leasing transactions*

Neopost has leasing subsidiaries in the USA, Canada, the UK and in France. Leasing services are provided solely to Neopost clients and relate solely to Neopost products. When a client of a Neopost distribution company chooses to finance the acquisition of equipment via a leasing company, the transaction has the following accounting consequences:

- the distribution company recognises the equipment sale,
- the leasing company records in asset receivables the net present value of the unearned income over the lease period. Lease income is recognised on the basis of effective earned income. Refinancing costs are recorded as financial expenses.

##### • *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 paid for by the customers.

#### m) Capitalised production

Capitalised production consists of machines sold by the industrial companies to the distribution companies that rent them. In order to simplify presentation, this amount is not included in the net sales of the Group nor in the cost of sales.

#### n) Prepaid income

Income from rental of mailroom equipments and maintenance contracts is stated in prepaid income and taken to operating income on a prorata temporis basis.

#### o) 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.

#### p) R&D expenses

R&D expenses comprise the cost of carrying out research work, including depreciation of equipment used in this activity. These costs are expensed in the year in which they are incurred, and are not capitalised.

**q) Sales and marketing expenses**

Sales and marketing expenses include the costs of sales departments, including advertising and promotional costs and the cost of selling consumables.

**r) Exceptional items**

Exceptional items, if any, include the impact of changes in accounting policies and a limited number of specific factors:

1. disposal of significant business activities, and
2. exceptional events, i.e. those which are outside the scope of ordinary activities and that do not arise on a recurring basis.

**s) Use of estimates**

The preparation of the financial statements requires assumptions and estimates that affect the reported amounts of

assets and liabilities, revenues and expenses. Final data may differ from those estimates. Those estimates mainly concern retirement benefits, deferred taxes and some provisions.

**t) Stock options**

A stock option plan was introduced during the 2000 fiscal year. This plan allows for the granting of a maximum of 1,200,000 options to buy newly-created shares. The total number of stock options granted since the start of the plan is 1,226,540, of which 110,040 have been cancelled due to the departure of certain employees. As a result, the 1,200,000 limit has not been breached.

608,000 options were granted to the members of the Group Executive Committee.

Grant date	Number granted	Strike price (euro)	Exercise period*
03 April 2000	159,080	35.00	03/04/2001 → 03/04/2010
05 July 2000	41,000	32.39	05/07/2001 → 05/07/2010
15 January 2001	183,960	24.40	15/01/2002 → 15/01/2011
18 January 2002	241,500	35.05	18/01/2003 → 18/01/2012
23 May 2002	33,500	43.39	23/05/2003 → 23/05/2012
09 July 2002	65,000	40.50	09/07/2003 → 09/07/2012
02 October 2002	8,000	33.40	02/10/2003 → 02/10/2012
14 January 2003	494,500	32.03	14/01/2004 → 18/01/2013

\* Stock-options can be exercised each year in blocks of 20%, except for French option holders, who must wait until the end of the second year, after which they may exercise 40% of their options.

As of 31 January 2003, no option had been exercised.

**Note 4 : List of consolidated companies**

As of January 2003, consolidated companies were as follows:

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
<b>Neopost S.A.</b> Bagneux - FRANCE APE code: 741J / SIREN code: 402 103 907 SIRET code: 402 103 907 00026				Parent	18
<b>Satas</b> Clichy - FRANCE APE code: 300A / SIREN code: 348 878 232 SIRET code: 348 878 232 00159	Neopost S.A.	100.00%	100.00%	Full	429
<b>Neopost France</b> Nanterre - FRANCE APE code: 713G / SIREN code: 378 778 542 SIRET code: 378 778 542 00266	Neopost S.A.	100.00%	100.00%	Full	606
<b>Neopost Industrie</b> Bagneux - FRANCE APE code: 300A / SIREN code: 662 023 910 SIRET code: 662 023 910 00125	Neopost France / Satas	100.00%	100.00%	Full	557
<b>Mail Finance</b> Bagneux - 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	14
<b>Neopost Diva</b> Cavaillon - FRANCE APE code: 722C / SIREN code: 402 391 593 SIRET code: 402 391 593 00033	Neopost S.A.	100.00%	100.00%	Full	92
<b>Neopost NBG</b> Cavaillon - FRANCE APE code: 524Z / SIREN code: 442 529 285 SIRET code: 442 529 285 00011	Neopost S.A.	100.00%	100.00%	Full	1
<b>Dynapost</b> Montrouge - FRANCE APE code: 741G / SIREN code: 390 426 450 SIRET code: 390 426 450 00099	Neopost S.A.	35.00%	35.00%	Equity	-
<b>Mailroom Holding BV</b> Drachten - NETHERLANDS	Neopost S.A.	100.00%	100.00%	Full	-
<b>Neopost Industrie BV</b> Drachten - NETHERLANDS	Mailroom Holding BV	100.00%	100.00%	Full	272
<b>Neopost BV</b> Drachten - NETHERLANDS	Mailroom Holding BV	100.00%	100.00%	Full	68
<b>Neopost Inc.</b> Hayward, California - USA	Neopost S.A.	99.99%	100.00%	Full	843
<b>Neopost Online Inc.</b> Redwood City, California - USA	Neopost Inc.	96.00%	96.00%	Full	18
<b>Loop One</b> Austin, Texas - USA	Neopost Inc.	100.00%	100.00%	Full	22
<b>Neopost Leasing, Inc</b> Hayward, California - USA	Neopost Inc.	99.99%	100.00%	Full	-
<b>Neopost Leasing Canada</b> Scarborough, Ontario - CANADA	Neopost Leasing Inc.	99.99%	100.00%	Full	-
<b>Neopost (Holdings) Ltd</b> Romford, Essex - UK	Neopost S.A.	100.00%	100.00%	Full	-
<b>Neopost Ltd</b> Romford, Essex - UK	Neopost Holdings Ltd	100.00%	100.00%	Full	544
<b>Neopost Finance Ltd</b> Romford, Essex - UK	Neopost Ltd	100.00%	100.00%	Full	-
<b>Neopost Lirma</b> Milan - ITALY	Neopost S.A.	100.00%	100.00%	Full	43

Company name and head office	Parent company	% interest	% control	Consolidation method	Number of employees
Neopost Sprl Brussels – BELGIUM	Neopost S.A.	100.00%	100.00%	Full	48
Neopost Rtl Dublin – IRELAND	Neopost S.A.	51.00%	51.00%	Full	22
Neopost SI Barcelona – SPAIN	Neopost S.A.	100.00%	100.00%	Full	3
Mailroom Holding Inc. Shelton, Connecticut – USA	Neopost S.A.	100.00%	100.00%	Full	7
Hasler Inc. Shelton, Connecticut –USA	Mailroom Holding Inc.	100.00%	100.00%	Full	317
Neopost Canada Ltd Markham – CANADA	Neopost S.A.	100.00%	100.00%	Full	139
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	101
AMS UK Leasing Croydon – UK	AMS UK	100.00%	100.00%	Full	2
Neopost GmbH Olching – GERMANY	Neopost S.A.	100.00%	100.00%	Full	113
Ascom Zarli Zoeterwoude – NETHERLANDS	Mailroom Holding BV	100.00%	100.00%	Full	30
Neopost Industrie AG Bern – SWITZERLAND	Neopost S.A.	100.00%	100.00%	Full	112
Neopost Japan Tokyo – JAPAN	Neopost S.A.	100.00%	100.00%	Full	20
Stielow GmbH Munich – GERMANY	Neopost S.A.	100.00%	100.00%	Full	56
Stielow KG Hambourg – GERMANY	Neopost S.A./ Stielow GmbH	100.00%	100.00%	Full	346
Stielow Stuttgart Stuttgart – GERMANY	Stielow KG	100.00%	100.00%	Full	28
Stielow Austria Salzburg – AUSTRIA	Stielow KG	100.00%	100.00%	Full	14
Stielow Italie Milan – ITALY	Stielow KG	100.00%	100.00%	Full	37
Stielow Ltd Hertfordshire (London) – UK	Stielow KG	100.00%	100.00%	Full	12

**Note 5 : Goodwill**

	France	USA	UK	Netherlands	Other	Total
Goodwill gross value as of						
31 January 2001	91.7	13.1	26.0	17.7	3.4	151.9
Net fair value adjustment				(0.6)	(0.2)	(0.8)
Acquisitions	0.3	22.6			3.1	26.0
Disposals						
Translation difference						
Goodwill gross value as of						
31 January 2002	92.0	35.7	26.0	17.1	6.3	177.1
Cumulative amortization	(10.0)	(2.1)	(2.8)	(1.6)	(0.2)	(16.7)
Goodwill net book value as of						
31 January 2002	82.0	33.6	23.2	15.5	6.1	160.4
Goodwill gross value as of						
31 January 2002	92.0	35.7	26.0	17.1	6.3	177.1
Acquisitions	25.9	2.4	12.3	5.4	40.9	86.9
Other changes		(8.6)				(8.6)
Translation difference		(4.6)				(4.6)
Goodwill gross value as of						
31 January 2003	117.9	24.9	38.3	22.5	47.2	250.8
Cumulative amortization	(12.8)	(2.7)	(3.7)	(2.1)	(0.9)	(22.2)
Goodwill net book value						
as of 31 January 2003	105.1	22.2	34.6	20.4	46.3	228.6
Average amortization						
period remaining (years)	35.2	29.1	36.7	36.3	39.2	

The change in the goodwill figure between 31 January 2002 and 31 January 2003 is mainly due to the acquisition of Ascom Hasler (euro 55.3 million), the acquisition of Stielow (euro 27.7 million) and a dollar 9.3 million (euro 8.6 million) write-down of goodwill on Neopost Loop One.

The goodwill amount from the second leveraged buyout is being amortised over 40 years starting 24 September 1997, acquisition date.

Goodwill amounts relating to core businesses (mailing and document systems) arising from recent acquisitions, including Ascom Hasler and Stielow, are being amortised over 40 years, and other goodwill amounts are being amortised over 20 years.

All goodwill arising from the Ascom Hasler North America acquisition has been transferred to 'Market shares'. As a result, as of 31 January 2003, only goodwill relating to Ascom Hasler's business outside North America remained in the goodwill account, and had been amortised over 8 months (amortization charge of euro 0.9 million).

The euro 2.4 million of goodwill arising from acquisitions in the USA arises from the purchase of US distributors and dealers.

As of 31 January 2003, Stielow's goodwill had been amortised over 5 months (amortization charge of euro 0.3 million).

**Note 6 : Intangible assets**

	Software, trade marks, patents	Market shares	Other	Total
Gross value as of 31 January 2001	28.2	176.2	28.3	232.7
Acquisitions	0.9		1.8	2.7
Disposals	(0.1)		(0.4)	(0.5)
Other changes			(0.3)	(0.3)
Translation difference	0.9		0.2	1.1
Gross value as of 31 January 2002	29.9	176.2	29.6	235.7
Cumulative depreciation	(26.4)		(25.4)	(51.8)
Net book value as of 31 January 2002	3.5	176.2	4.2	183.9
Gross value as of 31 January 2002	29.9	176.2	29.6	235.7
Acquisitions	0.6		2.1	2.7
Disposals				
Other changes	(1.5)	88.0	6.2	92.7
Translation difference	(2.6)		(1.2)	(3.8)
Gross value as of 31 January 2003	26.4	264.2	36.7	327.3
Cumulative depreciation	(23.3)		(27.7)	(51.0)
Net book value as of 31 January 2003	3.1	264.2	9.0	276.3

Changes in intangible assets between 31 January 2002 and 31 January 2003 correspond mainly to the recognition of Ascom Hasler market shares (euro 88 million), along with the first consolidation of Ascom Hasler (euro 6 million) and Stielow (euro 1.1 million).

Market shares analysis by geographical area:

	As of 31 January		
	2003	2002	2001
France	79.1	79.1	79.1
USA + Canada	129.8	70.9	70.9
UK	39.9	26.2	26.2
Germany	15.4	0.0	0.0
<b>Total</b>	<b>264.2</b>	<b>176.2</b>	<b>176.2</b>

**Note 7 : Fixed assets**

	Land and buildings	Machinery and equipment	Rental equipment	Other	Total
Gross value as of 31 January 2001	15.2	76.8	367.8	16.1	475.9
Acquisitions	0.9	5.8	45.1	3.7	55.5
Disposals	(0.2)	(2.9)	(10.5)	(1.2)	(14.8)
Other changes	0.1	(0.1)	0.7	(0.1)	0.6
Translation difference		2.4	11.2	0.2	13.8
Gross value as of 31 January 2002	16.0	82.0	414.3	18.7	531.0
Cumulative depreciation	(5.8)	(61.8)	(312.3)	(11.1)	(391.0)
Net book value as of 31 January 2002	10.2	20.2	102.0	7.6	140.0
Gross value as of 31 January 2002	16.0	82.0	414.3	18.7	531.0
Acquisitions	1.9	9.8	31.3	4.1	47.1
Disposals		(0.1)	(37.7)	(1.0)	(38.8)
Other changes	8.6	18.3	73.4	9.2	109.5
Translation difference	(1.2)	(10.0)	(60.5)	(0.3)	(72.0)
Gross value as of 31 January 2003	25.3	100.0	420.8	30.7	576.8
Cumulative depreciation	(9.6)	(73.7)	(308.3)	(19.8)	(411.4)
Net book value as of 31 January 2003	15.7	26.3	112.5	10.9	165.4

Changes in fixed assets correspond mainly to changes in the installed base of mailroom equipment, in France and the USA (euro 24.2 million), the first consolidation of Ascom Hasler (euro 102.7 million) and of Stielow (euro 15.8 million), and the disposal of fully depreciated rental equipment at Satas and Neopost France (euro 37.7 million).

- Analysis by geographical area:

	As of 31 January		
	2003	2002	2001
Gross value			
France	274.3	293.8	274.0
USA + Canada	222.8	192.6	160.8
UK	24.9	24.3	22.5
Netherlands	21.7	19.1	18.2
Rest of the world	33.1	1.2	0.4
Total	576.8	531.0	475.9

**Note 8 : Financial investments**

	As of 31 January		
	2003	2002	2001
Gross value			
Shares in associated companies			
Dynapost	2.5	1.9	1.5
Total shares in associated companies	2.5	1.9	1.5
Other financial investments			
Security deposits	1.2	2.1	4.6
Shares in Neopost SPRL (100%) /Neopost GmbH			0.6
Shares in Neopost RTL		0.5	
Other	0.3	0.1	
Total other financial investments	1.5	2.7	5.2
Total financial investments	4.0	4.6	6.7

Dynapost is the only Group company consolidated using the equity method. Its contribution to the Group shareholders' equity amounted to euro 1.5 million as of 31 January 2003. Its contribution to earnings in the period ended 31 January 2003 was euro 0.7 million. Neopost SA received euro 472,500 in dividends from Dynapost in the 2002 fiscal year. Neopost SPRL was set up in the second half of 2000, and has been consolidated since 1 February 2001. The company is 100% owned by Neopost SA.

Irish company Neopost RTL was acquired on 31 January 2002. It has been consolidated since 1 February 2002.

Other financial investments as of 31 January 2002 comprised three companies (Neopost SL, Neopost Industrie AG and Neopost Participation) that were 100%-owned by Neopost SA.

Neopost SL has been consolidated since 1 February 2002.

Neopost Industrie AG has been consolidated since 1 June 2002.

Neopost Participation is not consolidated. No activity was recorded in this company during the 2002 fiscal year.

**Note 9: Inventories**

	As of 31 January		
	2003	2002	2001
Gross value	93.3	44.2	45.7
Depreciation	(22.5)	(10.4)	(8.8)
Total	70.8	33.8	36.9

Changes in gross inventory value and depreciation amounts between 31 January 2002 and 31 January 2003 mainly relate to the first consolidation of Ascom Hasler, which increased gross inventory value by euro 35.5 million and depreciation amounts by euro 10.3 million, and the first consolidation of Stielow, which increased gross inventory value by euro 15.2 million and depreciation amounts by euro 2.8 million.

	As of 31 January 2003		
	Gross value	Depreciation	Net
Work in progress	5.6	(0.4)	5.2
Raw materials	32.1	(7.3)	24.8
Finished goods	37.3	(8.4)	28.9
Spare parts for maintenance	11.7	(2.8)	8.9
Demo equipment	6.6	(3.6)	3.0
Total	93.3	(22.5)	70.8

**Note 10 : Receivables**

	As of 31 January		
	2003	2002	2001
<b>Accounts receivable</b>			
Gross value	163.7	134.0	127.8
Depreciation	(16.5)	(17.4)	(14.9)
<b>Total</b>	<b>147.2</b>	<b>116.6</b>	<b>112.9</b>
<b>Lease receivables</b>			
Short-term	64.3	63.1	49.2
Long-term	139.3	128.6	101.4
Gross value	203.6	191.7	150.6
Depreciation	(5.6)	(4.8)	(3.5)
<b>Total</b>	<b>198.0</b>	<b>186.9</b>	<b>147.1</b>
<b>Net other receivables</b>	<b>38.9</b>	<b>25.0</b>	<b>18.0</b>
<b>Total</b>	<b>384.1</b>	<b>328.5</b>	<b>278.0</b>

The change in accounts receivable between 31 January 2002 and 31 January 2003 relates to the first consolidation of Ascom Hasler, leading to a net euro 37.3 million increase in accounts receivable, and the first consolidation of Stielow, leading to a net euro 11.1 million increase in accounts receivable.

The increase in lease receivables is mainly due to the first consolidation of Ascom Hasler (euro 9.0 million net), an increase of the contracts' portfolio at all subsidiaries, particularly Mail Finance (euro 12.8 million), and a euro 24.1 million negative translation difference.

## • Analysis by maturity:

	Gross value as of 31.01.2003	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable	163.7	153.8	9.9	
Lease receivables				
Short-term	64.3	64.3		
Long-term	139.3		136.7	2.6
	203.6	64.3	136.7	2.6
Net other receivables	38.9	36.4		2.5
<b>TOTAL</b>	<b>406.2</b>	<b>254.5</b>	<b>146.6</b>	<b>5.1</b>

## • Analysis by currency:

	Gross value as of						
	31.01.2003	EUR	USD	CAD	GBP	CHF	JPY
Accounts receivable	163.7	94.8	50.7	4.7	6.8	6.0	0.7
Lease receivables							
Short-term	64.3	17.3	32.6	1.6	12.8		
Long-term	139.3	36.1	53.7	2.2	47.3		
	203.6	53.4	86.3	3.8	60.1		
Net other receivables	38.9	30.7	2.1	0.6	4.8	0.7	
<b>TOTAL</b>	<b>406.2</b>	<b>178.9</b>	<b>139.1</b>	<b>9.1</b>	<b>71.7</b>	<b>6.7</b>	<b>0.7</b>

**Note 11: Provisions for risks and contingencies**

## • Provisions for risks

	Commercial litigations	Employee litigations	Warranties clients	Unrealised exchange losses	Other	Total
Gross value as of 31 January 2001	1.5	0.8	0.2	0.5	0.9	3.9
Allocation	0.4	0.5			1.7	2.6
Writeback	(0.3)	(0.4)		(0.5)	(0.5)	(1.7)
Translation difference						
Gross value as of 31 January 2002	1.6	0.9	0.2	0.0	2.1	4.8
Allocation	1.5	0.5			10.4	12.4
Writeback	(0.2)	(0.4)			(1.2)	(1.8)
Translation difference						
Gross value as of 31 January 2003	2.9	1.0	0.2	0.0	11.3	15.4

## • Provisions for contingencies

	Retirement benefits	Reorganisation and restructuring	Decertification of mailroom equipment	Loop One earn-out	Cost Accounting	Other	Total
Gross value as of 31 January 2001	2.0	2.1	3.1	0.0	0.0	0.8	8.0
Allocation	0.1	2.8		15.4		0.4	18.5
Writeback	(0.2)	(1.7)	(1.4)			(0.5)	(3.6)
Translation difference							
Gross value as of 31 January 2002	1.9	3.2	1.7	15.4	0.0	0.7	22.9
Allocation	1.2	0.6			50.8	12.0	64.6
Writeback	(0.1)	(2.8)	(1.7)	(9.7)	(10.3)	(5.8)	(30.4)
Translation difference				(2.0)	(0.8)	(0.7)	(3.5)
Gross value as of 31 January 2003	3.0	1.0	0.0	3.7	39.7	6.2	53.6

- Outstanding litigation

In December 1997, Pitney Bowes France filed a claim with the Conseil de la concurrence, the French antitrust authority, against all of its competitors in France, including Neopost, for anti-competitive practices relating to the inclusion of automatic renewal provisions in four-year rental agreements. In July 2002, 80 current dealers of Neopost Inc. filed a claim with the Illinois state court, alleging breaches of their dealer agreements.

Further to the cessation of Neopost Online's activities, Packagenet, minority shareholder, is claiming compensation for breach of contractual commitments by Neopost Inc., Neopost Online and some of its management, in particular relating to a supplementary payment on shares held. Neopost is confident regarding the outcome of these legal proceedings.

- Retirement benefits

The Group provides various types of retirement benefits to its employees. The type of benefits offered to an individual employee of the Group depends on local legal requirements as well as the historical operating practices of the specific business unit.

Termination benefits can be either annual pensions or lump-sum payments based upon the number of years served by the employee and his / her salary at retirement or termination of employment. Pension benefits are generally determined using a formula based on the number of years served by the employee and his / her average final earnings.

Companies in the USA and UK make investments in pension funds. The retirement benefits of French employees are not invested in pension funds, except at Neopost France and Satas, which have invested part of their retirement benefit liabilities through investments in funds managed by insurance companies.

- Decertification of mailroom equipment

Certain types of postage meters currently being rented can no longer be refurbished and brought back into service. This has been the case since the end of 2001, following the introduction of new specifications by the French post office. These meters may be withdrawn from the installed base earlier than initially expected. A provision was booked at 31 January 2001 to cover the cost of the additional withdrawals as well as

estimated net book value of the equipment concerned.

These provisions were written back in full as of 31 January 2003.

- Reorganisation and restructuring

As part of the Group's commercial strategy, Neopost has implemented a number of restructuring and short-term reorganisation measures, the cost of which has been accrued for.

- Loop One earn-out

The acquisition of Loop One could generate a supplementary payment if certain objectives, such as positive operating profit and compliance with the business plan, are achieved.

At 31 January 2003, this potential earn-out was reduced to take into account the new business plan. As a consequence, goodwill has been reduced by the same amount.

- Cost accounting - Ascom Hasler and Stielow

As part of the Ascom Hasler acquisition, cost accounting provisions totalling euro 20.2 million were taken into account, relating to remaining restructuring operations, particularly in Switzerland, the USA and the UK.

Cost accounting provisions relating to the Stielow acquisition totalled euro 19.5 million, to cover reorganisation efforts in Germany.

Cost accounting provisions relating to Ascom and Stielow may be adjusted up to 31 January 2004.

- Other provisions for contingencies

Other provisions relate mainly to Neopost Online.

**Note 12: Financial Debts**

Financing operations are covered by a Group policy, the implementation of which is co-ordinated by the finance department.

In 2002, the Group decided to set up a centralised cash management and exchange rate risk management system, which came into effect on 1 February 2003. As a result, all Group exposure to interest rate and exchange rate risk is now centralised within the Group cash management department.

- Analysis of debt by type:

	As of 31 January		
	2003	2002	2001
Convertible bonds <sup>(1)</sup>	135.0	135.0	135.0
Subordinated debt (Floating rate note) <sup>(2)</sup>	70.6	70.6	76.2
Senior debt 24/03/00 <sup>(3)</sup>	61.5	81.0	75.3
Senior debt 28/02/02 <sup>(4)</sup>	101.7	0.0	0.0
Senior debt 31/05/02 <sup>(5)</sup>	51.4	0.0	0.0
Leasing facilities <sup>(6)</sup>	123.5	103.4	77.2
Debt on leased assets	1.0	1.6	1.7
Other financial debts	20.2	14.9	12.3
<b>Total</b>	<b>564.9</b>	<b>406.5</b>	<b>377.7</b>

(1) In February 2000, Neopost issued 2,727,274 convertible bonds of a par value of euro 49.5, listed on the Paris stock exchange, bearing an annual interest rate of 1.5%. The redemption price at maturity is euro 54.03 per bond, ensuring a yield to maturity of 3.25% over the term of the issue. As of 31 January 2003, 2,727,274 bonds were in circulation and were convertible at the rate of one share per bond.

(2) In September 1997, Neopost issued floating rate notes redeemable in 2007. They pay interest at the 6-month Euribor rate + 2.375%.

(3) Neopost arranged new senior financing in March 2000, composed of a long-term loan of dollar 70 million over 7 years at an interest rate indexed to the 3-month USD Libor rate, with a margin fluctuating between 0.50% and 1.00% according to the debt-to-equity ratio; and a revolving loan for a maximum amount of euro 50 million, to be drawn in euro, US dollar, pound sterling, Canadian dollar, Swiss franc and Japanese yen, at an interest rate indexed to the 3-month Euribor or Libor rate, with a margin fluctuating between 0.45% and 0.90%, again according to the debt-to-equity ratio. The change in this debt amount between 31 January 2002 and 31 January 2003 is due to a repayment of dollar 3.5 million and to dollar / euro translation difference.

(4) On 28 February 2002, Neopost arranged senior financing of dollar 88 million in order to acquire the North American activities of Ascom Hasler. This debt matures in September 2007 and pays interest at a rate indexed to the 3-month Libor rate, with a margin fluctuating between 0.75% and 1.90% depending on the Group's debt-to-equity ratio.

(5) On 31 May 2002, Neopost arranged senior financing of euro 51.4 million in order to acquire the rest of Ascom Hasler's activities outside North America. This debt matures in September 2007 and pays interest at a rate indexed to the 3-month Euribor rate, with a margin fluctuating between 0.75% and 1.90% depending on the Group's debt-to-equity ratio.

(6) The change in leasing facilities is due to the use of cash previously used to finance the leasing business in the acquisition of Ascom Hasler. The leasing companies can at any time draw on their credit lines in order to reimburse the Group. Neopost Finance has drawn pound 13.8 million (euro 21.7 million) on its credit line. Mail Finance has drawn euro 14.9 million on its credit line. The rest of the change is due to dollar/euro and pound/euro translation differences. Lease receivables to be financed also increased substantially during the period.

The senior financing arranged in March 2000 and February 2002 is subject to covenants. Failure to respect these covenants may force early repayment of the debt. As of 31 January 2003, Neopost complied with all covenants.

## • Analysis by currency:

	As of 31 January		
	2003	2002	2001
Euro	318.7	247.4	235.0
US dollar	211.9	144.3	132.3
Pound sterling	34.3	14.8	10.4
<b>Total</b>	<b>564.9</b>	<b>406.5</b>	<b>377.7</b>

## • Analysis by maturity:

	As of 31 January		
	2003	2002	2001
2001	-	-	46.5
2002	-	62.6	8.4
2003	101.3	39.2	15.6
2004	65.1	41.2	34.4
2005	191.2	157.0	166.4
2006	53.9	21.9	21.9
2007 and beyond	153.4	84.6	84.4
<b>Total</b>	<b>564.9</b>	<b>406.5</b>	<b>377.7</b>

## • Analysis by interest rate: (excluding the effect of hedging instruments detailed in note 20)

	As of 31 January		
	2003	2002	2001
Less than 5%	443.0	322.7	135.0
Between 5% and 7,5%	121.9	83.8	109.5
More than 7,5%	-	-	133.2
<b>Total</b>	<b>564.9</b>	<b>406.5</b>	<b>377.7</b>
of which:			
Fixed rate	135.0	135.0	135.0
Floating rate	429.9	271.5	242.7

Neopost actively hedges its floating-rate debt. Contractually, the Group must hedge 50% of its floating-rate senior debt during the first three years of the loans and within three months of finalising the loans.

In the period ended 31 January 2003, the Group's policy consisted of hedging its financial expenses in advance. As a result, 75% of Neopost's debt was fixed-rate (either originally fixed-rate or hedged) and only 25% remained exposed to future interest rate movements.

Sensitivity to movements in interest rates:

- In the event of a 1 percentage point increase in interest rates, the negative impact on the hedged portion of debt is euro (0.1) million for euro-denominated debt, dollar (0.1) million for dollar-denominated debt and less than pound (0.1) million for sterling-denominated debt.

- In the event of a 1 percentage point fall in interest rates, the impact on the hedged portion of debt is zero.

The unhedged portion of debt remains exposed to interest rate movements. The impact of a 1 percentage point rise or fall in interest rates is euro (1.3) million and euro 1.3 million respectively.

- Credit facilities

As of 31 January 2003, group companies had the following revolving credit lines:

Company	Amount	Drawing currency	Amount drawn as of 31/01/03	Expiry of facility	Number of banks in pool
Neopost SA	EUR 50 million	EUR/GBP USD/JPY/CAD/CHF	-	March 2004	7
Neopost Finance Ltd	GBP 30 million	GBP	GBP 24.4 million	July 2004	4
Neopost Leasing Inc	USD 33.7 million	USD	USD 22 million	September 2004	3

Mail Finance SA has euro 5 million of drawing rights expiring in July 2003 on a euro 25 million facility arranged in July 2002.

- Loan arrangement costs capitalised under prepaid expenses

The cost of arranging the debt relating to the Ascom Hasler acquisition was euro (3.7) million. These expenses are being amortized over the duration of the debt, i.e. five and a half years, in line with the repayment of the principal loan amount. The amortization charge in the period ended 31 January 2002 was euro (0.9) million.

**Note 13: Income taxes**

• All French and all foreign subsidiaries of Neopost SA benefit from tax consolidation regimes in each of the countries in which they are registered.

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

	As of 31 January 2003
Income of consolidated companies before income tax	108.0
Tax rate for the consolidating company	35.40%
Theoretical income tax charge	(38.3)
Permanent differences	4.6
Income tax rate differences	0.4
<b>Total tax</b>	<b>(33.3)</b>

• The deferred tax assets and liabilities on the balance sheet as of 31 January 2003 stem mainly from the following items:

Profit-sharing and other expenses deductible in later periods	8.2
Elimination of margins on inventories	2.1
Differences between American and French accounting principles	1.9
Acquisition-related provisions	8.0
Deferred tax assets recorded in local company accounts	46.0
<b>Long-term and short-term deferred tax assets</b>	<b>66.2</b>
Accelerated depreciation for tax purposes and other restatements on depreciation	(10.2)
Provisions on inter-company inventories	0.4
Immediately deductible prepaid expenses	1.6
Provisions for contingencies	1.8
Deferred tax credits recorded in local company accounts	32.0
<b>Long-term and short-term deferred tax liabilities</b>	<b>25.6</b>

Deferred tax credits resulting from the consolidation of Ascom Hasler total euro 0.4 million.

**Note 14 : Sales**

Neopost's activities includes the rental of mailroom equipment and the sale and leasing of such equipment. Markets are mainly located in Europe and the USA.

The breakdown of sales by business is as follows:

	As of 31 January		
	2003	2002	2001
Equipment rental and leasing	292.7	222.7	205.8
	38%	39%	40%
Support, services and other	162.6	116.3	101.4
	22%	20%	20%
Equipment sales	305.3	236.0	207.2
	40%	41%	40%
<b>Total</b>	<b>760.6</b>	<b>575.0</b>	<b>514.4</b>

The breakdown of sales by geographical area is as follows:

	As of 31 January		
	2003	2002	2001
France	209.0	207.0	187.8
	27%	36%	36%
USA + Canada	348.1	244.9	225.8
	46%	43%	44%
UK	100.2	70.5	62.2
	13%	12%	12%
Other	103.3	52.6	38.6
	14%	9%	8%
<b>Total</b>	<b>760.6</b>	<b>575.0</b>	<b>514.4</b>

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

#### Note 15 : Consolidated operating profit

The breakdown of operating profit by destination market is as follows:

	As of 31 January		
	2003	2002	2001
Europe + export	79.4	64.7	58.8
USA + Canada	53.5	18.6	10.7
<b>Total</b>	<b>132.9</b>	<b>83.3</b>	<b>69.5</b>

#### Note 16 : Exceptional items

Not significant.

#### Note 17 : Net income per share

Net income per share is calculated by dividing consolidated net profit by the weighted average number of shares outstanding during the fiscal year. Diluted net income per share is calculated on the assumption that all existing stock options are exercised and all convertible bonds are converted.

	As of 31 January		
	2003	2002	2001
Net income (euro million)	69.7	38.1	36.0
Number of shares * (thousand)	30,305	30,305	30,305
Number of shares, fully diluted (thousand)	34,199	33,658	33,417
Net income per share (euro)	2.30	1.26	1.29
Diluted net income per share (euro)	2.04	1.13	1.08

\* Weighted average during the period

**Note 18: Pro forma profit and loss account**

The 2002 consolidated financial statements include Ascom Hasler's North American business over 11 months, Ascom Hasler's activities outside North America over 8 months and Stielow over 5 months. To make analysis easier, pro forma financial statements have been drawn up in accordance with Group consolidation principles, including all Ascom Hasler and Stielow activities over the full year in 2001 and 2002.

(In euro million)	As of 31 January 2003				As of 31 January 2002			
	Neopost		Neopost pro forma		Neopost		Neopost pro forma	
Sales	760.6	100.0%	830.8	100.0%	575.0	100.0%	853.1	100.0%
Cost of sales	(236.0)	(31.0)%	(262.5)	(31.6)%	(162.3)	(28.2)%	(276.2)	(32.4)%
Gross profit	524.6	69.0%	568.3	68.4%	412.7	71.8%	576.9	67.6%
R&D expenses	(33.4)	(4.4)%	(38.2)	(4.6)%	(32.8)	(5.7)%	(51.4)	(6.0)%
Sales and marketing expenses	(195.1)	(25.6)%	(213.0)	(25.6)%	(162.4)	(28.2)%	(234.1)	(27.4)%
Administrative expenses	(100.2)	(13.2)%	(108.4)	(13.1)%	(78.7)	(13.7)%	(110.1)	(12.9)%
Service and other operating expenses	(61.4)	(8.1)%	(70.1)	(8.4)%	(54.0)	(9.4)%	(72.9)	(8.5)%
Employee profit-sharing	(1.6)	(0.2)%	(1.6)	(0.2)%	(1.5)	(0.3)%	(1.5)	(0.2)%
<b>Operating profit</b>	<b>132.9</b>	<b>17.5%</b>	<b>137.0</b>	<b>16.5%</b>	<b>83.3</b>	<b>14.5%</b>	<b>106.9</b>	<b>12.5%</b>
Net financial income (expenses)	(25.0)	(3.3)%	(27.0)	(3.3)%	(18.7)	(3.3)%	(27.0)	(3.1)%
<b>Net income before taxes</b>	<b>107.9</b>	<b>14.2%</b>	<b>110.0</b>	<b>13.2%</b>	<b>64.6</b>	<b>11.2%</b>	<b>79.9</b>	<b>9.4%</b>
Net extraordinary profit (loss)	0.2	-	0.2	-	(1.6)	(0.3)%	(1.6)	(0.2)%
Income taxes	(33.3)	(4.4)%	(33.8)	(4.1)%	(20.9)	(3.6)%	(26.1)	(3.1)%
Results of associated companies	0.7	0.1%	0.7	0.1%	0.5	0.1%	0.5	0.1%
Minority interests	(0.1)	-	(0.1)	-	-	-	-	-
Goodwill amortization	(5.7)	(0.8)%	(6.0)	(0.7)%	(4.5)	(0.8)%	(6.2)	(0.7)%
<b>Net income</b>	<b>69.7</b>	<b>9.2%</b>	<b>71.0</b>	<b>8.5%</b>	<b>38.1</b>	<b>6.6%</b>	<b>46.5</b>	<b>5.5%</b>

**Note 19 : Headcount**

The breakdown of headcount at year-end by geographical area, excluding staff on long-term leave, is as follows:

	France	U.S.A and Canada	UK	Netherlands	Rest the world	Total
As of 31 January 2001	1,776	1,183	454	265	36	3,714
As of 31 January 2002	1,713	1,186	485	330	77	3,791
As of 31 January 2003	1,716	1,346	659	370	842	4,933

Total gross payroll in the year ended 31 January 2003 totalled euro 180.5 million, as opposed to euro 156.7 million the previous year.

**Note 20: Remuneration of senior management**

The gross remuneration of the 18 people forming the Group's Executive Committee, including Mr. Jean-Paul Villot, Chairman and Chief Executive Officer, was euro 3.2 million for the 2002 fiscal year. Bonuses represented 17% of this remuneration in 2002. These bonuses depend on the fulfilment of Neopost's objectives in terms of revenues, EBIT and working capital.

In 2001, the gross remuneration of the 13 people forming the Group's Executive Committee was euro 2.8 million, of which 22% consisted of bonuses.

The Annual General Meeting of 10 July 2002 set the maximum amount for director's fees allocated to all board members at euro 175,000. In respect of the 2002 fiscal year, the company paid a director's fee of euro 25,000 to Messrs Jean-Paul Villot, Pierre Bonneli, Henk Bodt, Michel Guillet and Raymond Svider. Ida Participations received a director's fee of euro 18,750 and Mr Cornelius Geber received a director's fee of euro 6,000.

Fixed gross remuneration paid in 2002 to Jean-Paul Villot (Chairman and Chief Executing Officer) by Group companies <sup>(1)</sup> was euro 268,866.

Bonuses paid in 2002 to Mr Villot totalled euro 86,783. These bonuses are based on the Group's revenues, EBIT margins and working capital requirements.

Total net remuneration paid in 2002 corresponds, on a pro forma basis, to a payment of approximately euro 149,373 <sup>(2)</sup>. In addition, Mr. Jean-Paul Villot received euro 47,735 in director's fees in 2002 relating to his position as a board member of other Group companies.

(1) All consolidated French and foreign companies, including companies consolidated under the equity method.

(2) Gross remuneration minus CSG (supplementary social security contribution), CRDS (contribution to French social security deficit) and income tax at approximately 58% on a pro forma basis.

**Note 21: Off-balance sheet commitments (as of 31 January 2003)**

a) Commitments given:

- Interest rate hedging

As part of its financial policy, Neopost actively hedges its floating-rate debt. Contractually, the Group must hedge 50% of its floating-rate senior debt during the first three years of the loans and within three months of finalising the loans.

	Definite interest rate hedging		Option-based interest rate hedging	
	Description	Notional amount	Description	Notional amount
EUR	Swaps	euro 72.5 million	Tunnels	euro 67.5 million
GBP			Tunnels	pound 15 million
USD	Swaps	dollar 86.3 million	Tunnels	dollar 86.6 million

The table above sets out the notional amounts of hedging instruments as of 31 January 2003. Instruments with deferred start dates are not taken into account.

As of 31 January 2002, the market value of hedging instruments represents approximately euro (1.7) million in France, pound (0.1) million in the UK and dollar (5.3) million in the USA. Since these figures relate to hedging operations, and because of the uncertainty of future movements in interest rates, no provision has been booked to cover this potential future financial expense.

- Exchange rate hedging

In the normal course of its business, the Group's policy is to hedge all exchange rate risks arising from its foreign currency transactions using derivative instruments, in cases where a firm commitment to make a foreign-currency payment has been taken or where there is a high probability that a foreign-currency payment will have to be made. These derivative instruments consist solely of forward contracts and currency options, and usually have an initial maturity of less than 14 months.

As of 31 January 2003, the nominal value of hedging instruments was as follows:

Currency	Forward purchases/sales		Option-based hedging	
	Description	Notional amount	Description	Notional amount
USD	Forward sales	dollar 14.3 million	Options	dollar 18.5 million
CAD	Forward sales	CAD 1 million	Options	CAD 0.7 million

All current accounts relating to foreign-currency cash advances between Group companies are fully hedged using currency swaps. These swaps are not included in the above table.

- Pledges of investment securities:

	Total shares	Pledged shares
Neopost France	5,600,000	5,599,943
Neopost Inc	13,032	13,032
Mailroom Holding Inc	51	51
Ascom Hasler Mailing System, Inc	472	472
Neopost GmbH	4	4

As part of financing arrangements in March 2000, shares in Neopost France and Neopost Inc were pledged in favour of Crédit Agricole Indosuez on 24 March 2000.

As part of the arrangement of new financing in February and May 2002, following the Ascom Hasler acquisition, shares in Mailroom Holding, Inc and Ascom Hasler Mailing System, Inc were pledged in favour of Crédit Agricole Indosuez on 28 February 2002. Shares in Neopost GmbH were pledged in favour of Crédit Agricole Indosuez on 31 May 2002.

- \* Other commitments

Bank guarantee in favour of the UK postal service	pound 0.81 million
Bank guarantee in favour of the Irish postal service	euro 1.27 million
Guarantee for Mail Finance's primary credit facility	euro 5.7 millions
Comfort letter given by Neopost S.A. to AIB Bank (Ireland)	euro 0.09 million

Money to cover part of Neopost France and Satas' retirement benefit liabilities is invested in mutual funds managed by insurance companies. As of 31 January 2003, these commitments totalled euro 0.6 million for Neopost France and euro 1.0 million for Satas.

As of 31 January 2003, no foreign subsidiary had any off-balance sheet commitment relating to pension funds, according to local accounting principles currently in force.

# > Auditors' report

## On the Neopost Consolidated Statements (year ended 31 January 2003)

To the Shareholders of the Company Neopost S.A.,

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, 2003, on the audit of the accompanying consolidated financial statements of the Company Neopost S.A.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position and of its assets and liabilities as of January 31, 2003, and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

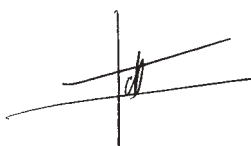
Without qualifying our opinion, we draw your attention to the note to the financial statements disclosing the change of accounting method, as of January 1, 2002, due to the first application of CRC rule 2000-06 on liabilities.

We also performed the verification of the information given in the management report of the Board of Directors. We have no comment as to its fair presentation and its conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, April 2, 2003

The Statutory Auditors

BARBIER FRINAULT & AUTRES  
Michel Gauthier



Dominique ROYER





Conception and direction: Gavin Anderson & Company

Writing: Dousot Conseil

Design: Carlijn Fournier

Production: Altemes

Photos: Neopost - Philippe Zamora - Getty Images / D. Lees / M. Rutz / Photos disk and X.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

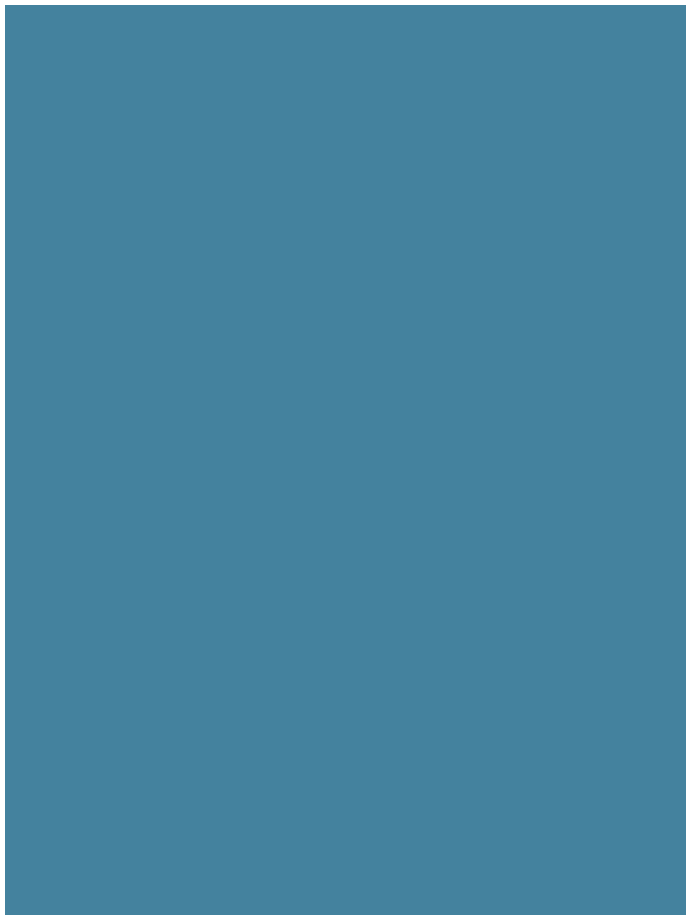
---

- 22 > Discussion and analysis of Neopost's financial position and results of operations
- 23 > Year ended 31 January 2003 compared with year ended 31 January 2002
- 24 > Year ended 31 January 2002 compared with year ended 31 January 2001
- 26 > Cash flow
- 26 > Other financial information
- 26 > Shareholders
- 26 > Corporate governance
- 27 > Outlook for 2003

## **NEOPOST CONSOLIDATED FINANCIAL STATEMENTS**

---

- 28 > Assets
- 29 > Liabilities and shareholders' equity
- 30 > Profit and loss accounts
- 31 > Cash flow statements
- 32 > Shareholders' equity
- 33 > Notes to the consolidated financial statements
- 55 > Auditors' report





113, rue Jean-Marín Naudin  
92220 Bagneux - France

[www.neopost.com](http://www.neopost.com)