PRESS RELEASE

FIRST HALF 2007: FURTHER IMPROVEMENT IN CURRENT OPERATING MARGIN

- **Strong sales growth up 7.8% at constant exchange rates**
- **Current operating margin: 26.3% of sales**
- **Increase in fully diluted EPS: 6.4%**

2007 PROSPECTS

- **Confirmation of annual sales growth of around 5% to 6% at constant exchange rates**
- **Current operating margin to improve by between 30 and 50 basis points**

Paris, 25 September 2007

Neopost, the European leader and number two worldwide supplier of mailroom solutions, today announced further gains in operating margins in the first half of its 2007 financial year (six months ended 31 July 2007).

Current operating income was €123.6m, an increase of 7.5% on the €114.9m recorded in the first half of 2006. Current operating margin rose from 25.5% in the first half of 2006 to 26.3% in the first half of 2007.

Net income was 3.9% higher at €79.8m. Net margin was stable at 17.0% of sales. Fully diluted earnings per share were 6.4% higher than in the first half of 2006, at €2.51 per share.

(in € million)	**H1 2007**	H1 2006	Change
Sales	**470.4**	450.3	+4.5%[1]
EBITDA	**157.7**	146.0	+8.0%
As % of sales	*33.5%*	*32.4%*	
Current operating income	**123.6**	114.9	+7.5%
As % of sales	*26.3%*	*25.5%*	
Net income	**79.8**	76.9	+3.9%
As % of sales	*17.0%*	*17.1%*	
Diluted EPS	**2.51**	2.36	+6.4%

Denis Thiery, Chief Executive Officer of Neopost, noted: ***"In the first half of the year we enjoyed strong sales growth and still further improvement in our operating margin. Neopost has thus demonstrated its ability to take advantage of regulatory changes, as shown in the United States, whilst producing regular improvements in profitability."***

[1] +7.8% at constant exchange rates

Continued strong sales growth in 1st half 2007

Sales grew 7.8% at constant exchange rates compared to the first half of 2006.

This strong growth was due particularly to a peak in sales in the USA in the 2nd quarter, resulting from the change in the postal pricing method.

Over the first half, at constant exchange rates, sales of document and logistics systems were up 9.5%, whilst mailing systems generated growth of 7.3%, providing a perfect illustration of the success of the Group's marketing policy in the area of cross selling.

First half sales also saw a very strong rise in recurring revenues (up 13.2%) on the back of the strong growth in equipment sales in 2006. Equipment sales were stable relative to the first half of 2006.

At the end of July 2007, recurring revenues represented 63% of the group's sales.

Revenues from financial service businesses saw very strong growth, rising 25.9% compared to the first half of 2006. They represented 7.5% of total sales in the first half of 2007. The leasing portfolio stood at €433.0m at end-July 2007, up 23.6% on the figure of €350.3m a year earlier.

Sales of supplies also grew strongly, rising 19.5% at constant exchange rates, taking them to 12.7% of total Group sales for the first half of the year.

Further increase in operating margin

Yet again Neopost has generated growth in current operating income. At €123.6m it was 7.5% higher than in the first half of 2006. The Group's current operating margin was 26.3%.

The improvement in current operating margin was due primarily to:

- sales growth;
- the change in the product mix;
- the growing share of sales generated by supplies and financial services;
- good control over currency impacts on margins.

Financial expense rose as a result of the ambitious acquisitions policy and the high level of return to shareholders, with the result that growth in net income was just 3.9% in the first half of 2007. However, net margin remained stable at 17.0% of sales.

Diluted EPS for the first half of 2007 were 6.4% higher than in the first half of 2006.

Solid financial position

The first half of 2007 saw strong cash flow from operations. The Group continued to invest and remained committed to its policy of returning value to shareholders. On 13 July 2007, Neopost paid out €102.6m in dividends against 2006 earnings and, between 1 February and 31 July 2007, repurchased 326,333 of its shares, for cancellation, for a total of €32.0m. At the end of July 2007, the Group also launched a forward 6-month share buy-back programme, for a total of €35m.

The Group thus closed the first half of 2007 with net financial debt of €532.7m, giving a gearing of 109.8% of shareholders' equity, from 87.6% a year earlier. As announced, the Group is gradually increasing its financial leverage.

Significant acquisitions

Neopost continued to pursue its strategy of strengthening its product offering and optimising its distribution.

In terms of strengthening its offering, the Group reminded the acquisition in February 2007 of ValiPost, a French specialist in software solutions for industrial mailers. ValiPost recorded 2006 sales of around €3m.

Neopost also announced today the acquisition of PFE Limited International, a global player in the folder-inserter market. PFE's product offering and distribution network offer a very good fit with those of Neopost.

The agreement between the two parties covers Neopost's acquisition of the majority of PFE's activities. These businesses generated sales of £27.5m in 2006, with a current operating margin of around 5%. The acquisition will be carried out on the basis of an enterprise value of £27.2m, or around one times sales. The acquisition of PFE will be financed by Neopost's use of existing credit lines. The deal is subject to approval from the relevant competition authorities.

Neopost expects to generate significant synergy from this acquisition and believes it can boost operating margin at this business to at least 15% within two years.

In terms of optimising its distribution network, the Group has continued its policy of buying out its own distributors. In Europe, Neopost acquired a major distributor in Switzerland, based in Zurich, which has sales of around €10m. It also acquired two small local distributors in Italy during the first half.

Rationalisation of market coverage in the USA is proceeding rapidly. Since 31 January 2007, the Group has acquired distributors in Colorado, Maryland and Florida and has sold territories in Pennsylvania and Nevada. Thus by end-August 2007, 53% of the US market was covered by a single commercial organisation, compared with 30% a year earlier and none at all at end-2004. The share of the installed base covered by the direct distribution network rose from 31% at the beginning of 2005 to 39% by end-July 2007.

Strong prospects

In a buoyant market, where growth is being driven by the accelerated obsolescence of equipment and the expansion of the supplies and services offering, Neopost continues to implement its business model that aims to:

- take advantage of technological developments;
- move towards high-end products;
- develop services; and
- optimise distribution.

The Group has confirmed its target for the full year 2007, of sales growth at constant exchange rates of around 5% to 6%. The rate of growth in the second half of 2007 will be slower than in the first half.

Having benefited from the decertification programme that came to an end in North America and the introduction of a new postal rating system in the UK, the second half of 2006 provides a particularly strong basis of comparison.

Neopost also confirmed its target of a 30 to 50 basis point improvement in current operating margin in 2007, compared to the figure of 26.0% of sales achieved in 2006.

Over the second half of 2007, the tax charge will rise given the significant reduction in the tax rate in Germany. The Group has indeed in Germany a stock of deferred tax assets.

The Group also indicated that financial expense will be higher in the second half of 2007, given the increase in its net debt.

The Group reiterated its target of €1bn in sales in 2008 (excluding the acquisition of PFE)[2]. Regarding current operating margin, Neopost also confirmed its target of a 30 to 50 basis point improvement in 2008, excluding the acquisition of PFE.

Beyond 2008, the market is likely to remain active, and Neopost's model of profitable growth will continue to bear fruit.

In conclusion, Denis Thiery said: ***"After a particularly strong performance in 2006, 2007 proves to be a robust year with 5 to 6% expected growth. Beyond, we are very confident in our ability to take full advantage of market opportunities such as the upcoming decertification in the US in 2008 and the opportunities arising from the changes in the postal industry."***

Please note that Neopost also announced today the acquisition of PFE.
This acquisition is announced in a separate press release.

[2] This target is based on a euro/dollar exchange rate of 1.35 (the average rate recorded in the first half); Neopost noted that this rate was 1.23 in March 2006, when it first set its target of €1bn in sales in 2008.

Forthcoming events

Sales figures for Q3 2007 will be published after the market closes on 4 December 2007.

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and number two world-wide supplier of mailing solutions. It has a direct presence in 14 countries, with more than 4,900 employees and annual sales of €918.5 million in 2006. Its products and services are sold in more than 90 countries, and the Group has become a key player in the markets for mailroom equipment and logistics solutions.

Neopost supplies the most technologically advanced solutions for franking, folding/ inserting and addressing as well as logistics management and traceability. Neopost also offers a full range of services, including consultancy, maintenance and financing solutions.

Neopost is listed in the A compartment of Eurolist by Euronext Paris. Its market capitalisation is €3.4 billion.

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First half 2007

Consolidated income statement

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In € million	H1 2007* (ended 31/07/2007)		H1 2006* (ended 31/07/2006)		Full year 2006	
Sales	**470.4**	***100.0%***	**450.3**	***100.0%***	**918.5**	***100.0%***
Cost of sales	(104.7)	*(22.3)%*	(105.8)	*(23.5)%*	(212.5)	*(23.1)%*
Gross margin	**365.7**	***77.7%***	**344.5**	***76.5%***	**706.0**	***76.9%***
R&D expenses	(27.2)	*(5.8)%*	(18.0)	*(4.0)%*	(42.1)	*(4.6)%*
Sales and marketing expenses	(112.7)	*(23.9)%*	(107.7)	*(23.9)%*	(229.8)	*(25.0)%*
G&A expenses	(61.6)	*(13.1)%*	(62.1)	*(13.8)%*	(120.7)	*(13.1)%*
Maintenance and other operating expenses	(36.0)	*(7.6)%*	(39.1)	*(8.7)%*	(67.5)	(7.4)%
Employee profit sharing	(4.6)	*(1.0)%*	(2.7)	*(0.6)%*	(7.1)	*(0.8)%*
Current operating income	**123.6**	***26.3%***	**114.9**	***25.5%***	**238.8**	***26.0%***
Results of disposals and other	1.7	*0.4%*	1.4	*0.3%*	1.5	*0.1%*
Operating income	**125.3**	***26.7%***	**116.3**	***25.8%***	**240.3**	***26.1%***
Financial results	(12.5)	*(2.7)%*	(6.3)	*(1.4)%*	(18.8)	*(2.0)%*
Results of associated companies	0.4	*0.1%*	0.4	*0.1%*	0.6	*0.1%*
Net income before tax	**113.2**	***24.1%***	**110.4**	***24.5%***	**222.1**	***24.2%***
Taxes	(33.4)	*(7.1)%*	(33.5)	*(7.4)%*	(64.8)	*(7.1)%*
Minority interests	-	-	-	-	-	-
Net income	**79.8**	***17.0%***	**76.9**	***17.1%***	**157.3**	***17.1%***

* First half accounts have been subject to a limited review by the Group's auditors

PRESS RELEASE

First half 2007

Summary consolidated balance sheet

Assets (€m)	31 July 2007*	31 July 2006*	31 January 2007
Goodwill	544.5	526.1	529.5
Intangible fixed assets	49.6	51.2	52.8
Tangible fixed assets	141.6	138.0	144.0
Financial investments	21.4	14.7	15.2
Other non-current assets	3.6	3.5	3.8
Leasing receivables	433.0	350.3	398.7
Deferred tax assets	44.5	46.9	44.3
Inventories	55.5	61.0	50.1
Trade receivables	144.5	135.6	160.5
Other short-term assets	29.3	26.2	26.5
Financial instruments	37.6	5.3	4.5
Cash & marketable securities	113.0	105.0	157.8
TOTAL ASSETS	**1,618.1**	**1,463.8**	**1,587.7**

Liabilities (€m)	31 July 2007*	31 July 2006*	31 January 2007
Shareholders' equity	485.2	462.2	537.1
Contingency provisions	27.3	55.2	40.3
Long-term financial debt	303.2	182.6	312.1
Short-term financial debt	342.5	327.0	184.1
Long-term deferred tax liabilities	30.9	28.2	22.7
Prepaid income	127.2	124.6	156.6
Financial instruments	1.1	0.3	1.2
Other short-term liabilities	300.7	283.7	333.6
TOTAL LIABILITIES	**1,618.1**	**1,463.8**	**1,587.7**

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