PRESS RELEASE

2005 FINANCIAL YEAR: STRONG PROFITABLE GROWTH

- **Sales: 8.9% higher on a like for like basis[1] and at constant exchange rates**
- **Current operating margin: 24.8% of sales (23.4% in 2004)**
- **Net income: up 32.4%**

VOLUNTARY POLICY OF RETURN TO SHAREHOLDERS

- **Return of 100% of net income and income from exercise of stock options:**
  - → **Ordinary dividend in respect of 2005: €2.20 per share, an increase of 47%**
  - → **Share buyback of 2% of capital**
  - → **Special dividend in respect of 2005: €0.80 per share**

Paris, 28 March 2006

Neopost, the European leader and number two worldwide supplier of mailing solutions, today announced further strong improvement in profitability.

Current operating income was €205.5m, 15.8% higher than the €177.5m recorded in 2004. There was a very sharp improvement in current operating margin, from 23.4% to 24.8% of sales. Net income was 32.4% stronger at €138.0m.

(€m)	2004	**2005**	Change
Sales	755.7	**827.3**	+9.5%[2]
EBITDA	239.5	**265.8**	+11.0%
% of sales	*31.7%*	*32.1%*	
Current operating income[3]	177.5	**205.5**	+15.8%
% of sales	*23.4%*	*24.8%*	
Net income	104.2	**138.0**	+32.4%
% of sales	*13.8%*	*16.7%*	

Consolidated accounts for the 2005 financial year have been drawn up under IFRS and financial statements for the 2004 financial year have been restated under these standards.

Jean-Paul Villot, Neopost's Chairman and CEO, commented *"Neopost continues to produce above-market growth. Over this year we boosted our current operating margin by 1.4 point and our net margin by 2.9 points. This performance is fully in line with our strategy of sustained profitable growth."*

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[1] Excluding Stielow non-core business (print finishing) sold in March 2004.
[2] +8.9% on a like for like basis and at constant exchange rates
[3] Current operating income is the new wording for EBIT under IFRS. It includes sales and expenses from current activity. It does not take into account positive depreciation of goodwill, results from disposals of assets or other non-current operating elements.

Strong sales growth in 2005

Sales in the 2005 financial year were 8.9% higher than in the previous year on a like for like basis[1] and at constant exchange rates.

Over the year, Neopost enjoyed strong growth in all markets and all business areas. This solid performance was the result of a growth strategy that is continuing to bear fruit. Key features include the success of new products (both in franking systems and folder-inserter systems), the dynamism of a more selective marketing policy and the optimisation of distribution. It was further boosted by the positive effects of decertifications that are still on-going (Canada and the USA, to be completed in 2006) or that came to an end in 2005 (Switzerland, the Netherlands) and the extra sales generated by postal rate changes in France, the UK and the USA.

Business levels in 2005 were also lifted by even stronger growth in revenues from services – supplies, maintenance, leasing – which brought recurring revenues (services and rental) to 63% of total sales, from 62% in 2004.

Strong profitability improvements

The strong sales growth in the 2005 financial year and the continued efforts to improve profitability enabled Neopost, once again, to increase its current operating income. This grew significantly faster than sales, rising 15.8% on 2004, to €205.5m. As a result, current operating margin set a new record for the Group at 24.8% of sales.

The improvement in current operating margin was due primarily to:

- sales growth,
- the shift in the product mix towards more high-end machines,
- postal rate changes,
- the growing share of sales generated from supplies,
- the improvement of profitability in Germany,
- control over currency effects.

Net income was 32.4% stronger, at €138.0, giving a net margin of 16.7%, thanks to:

- the marked reduction in interest expense (conversion of the Neopost Océane Convertible bond in January 2005 and strong cash flow generation),
- the reduction in the average tax rate (notably thanks to the increase in tax credits for research and the reduction in tax rates in some European countries).

Growth in leasing

The leasing business saw continued growth, and accounted for 6% of sales in 2005. The portfolio had grown to €320.4m by end-January 2006, from €257.4m a year earlier, an increase of 24.5% over the year, due in particular to the launch of programmes in Italy, Ireland and Belgium and the continued expansion of this business in the USA and Germany. This growth is fully in line with Neopost's target of building a leasing portfolio of around €500m by 2009.

Further optimisation of market coverage

As part of the reorganisation of its distribution network in the USA, and after having merged all Hasler branches with Neopost branches in February 2005, Neopost acquired eight of its dealers end of 2005 early 2006, located in the following states: Ohio, Pennsylvania, California, Massachusetts, Oregon and Tennessee. Today, 24% of the US market is covered by a single distribution channel, from 0% a year ago.

A very healthy financial structure

Cash flow was strong in 2005, enabling Neopost to finance the growth in leasing, the acquisition of BTA and of US distributors, the payment in respect of 2004 of €48m in ordinary dividends and €64m in special dividends linked to the conversion of the Neopost Océane Convertible Bond in January 2005 as well as the repurchase of 299,572 shares to be cancelled for €24.6m. Neopost also held 52,701 shares (€4.4m) as of 31 January 2006 on its liquidity contract.

The Group ended the 2005 financial year with net debt of €288.7, giving gearing of 55.8%, from 37.4% a year earlier. This remains a very low level for the industry given the rental and leasing businesses. The interest coverage (EBITDA/financial expenses) reached 22.9 and the leverage ratio (net debt/EBITDA) reached 1.1.

A voluntary policy of return to shareholders

Given its particularly healthy financial situation, Neopost has chosen to implement an active policy of return to shareholders.

The Group has therefore decided, excluding any major acquisition, to pay an ordinary dividend equivalent to about 50% of net income, to repurchase around 2% of its own shares and to pay, if need be, a special dividend in order to return to shareholders an amount equivalent to the net income and the increase in capital resulting from the exercise of stock options by employees.

For the 2005 financial year, the Board of Directors, meeting today, decided to submit the following proposals to the forthcoming Annual General Meeting of Shareholders:

- payment of an ordinary dividend of €2.20 per share, a 47% increase on the €1.50 paid in respect of the 2004 financial year,
- payment of a special dividend of €0.80 per share.

The total dividend payment of €3.00 per share (ordinary and special) represents a payout of €95m. It corresponds to a yield of 3.4% on the basis of a share price of €88.

Regarding share buyback, in addition to the 1% repurchased at 31 January 2006, the Group has nearly finalised, as part of an operation due to be completed at end-March 2006, the repurchase of an additional 1% of its capital for a sum of €30m.

A new share repurchase programme, covering a maximum of 10% of issued capital and at a maximum price of 1.3 times the closing price on 4 July 2006, will be put before the AGM on 5 July 2006.

Strong prospects

In a fast-growing market, with growth driven by the timing of decertifications, the accelerated obsolescence of equipment and the expansion of the services and supply businesses, Neopost continues to implement its business model, which aims to produce above-market growth combined with improvements in profitability.

The factors driving this profitable growth model are:

- the move towards high-end products,
- the expansion of existing services such as leasing and supply,
- the launch of new services such as on-line services and postage financing,
- optimisation of distribution networks,
- specific productivity programmes.

Neopost is confident that it will be able to take advantage of all these sources of profitable growth and expects sales to grow by more than 7%, at constant exchange rates, in the 2006 financial year, with a current operating margin of more than 25%.

Looking further ahead, the group expects that in the 2008 financial year it will generate sales of €1bn (based on the current €/$ exchange rate) and a current operating margin of 26% of sales.

In conclusion, Jean-Paul Villot remarked: *"The figures announced today show once again the relevance of Neopost's business model. The Group continues to seize opportunities that arise in the market but is also capable of generating its own profitable growth opportunities. The targets we are setting ourselves today demonstrate our confidence in our ability to further improve our performance."*

Calendar

Sales figures for Q1 2006 will be released on 6 June 2006 after the stock market closes.

NEOPOST

NEOPOST IS THE EUROPEAN LEADER and number two worldwide supplier of mailing solutions. It has a direct presence in 14 countries, with more than 4,700 employees, and annual sales of €827m in 2005. 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 systems, folders, inserters and addressing as well as logistics management and traceability. Neopost also offers a full range of services, including consultancy, maintenance and financing solutions.

In February 2006, Neopost added its new tagline, "We value your mail", reflecting the group's commitment to its clients, its market positioning and its ambitions for the future.

Neopost is listed in the A compartment of Eurolist by Euronext Paris. Its market capitalisation is €2.8bn.

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2005 financial year

Consolidated income statement

Millions of euros	2005 ended 31/01/2006		2004 ended 31/01/2005	
Sales	**827.3**	***100.0%***	**755.7**	***100.0%***
Cost of sales	(195.1)	*(23.6)%*	(186.9)	*(24.8)%*
Gross margin	**632.2**	***76.4%***	**568.8**	***75.2%***
R&D expenses	(36.2)	*(4.4)%*	(31.5)	*(4.2)%*
Sales and marketing expenses	(205.8)	*(24.9)%*	(194.5)	*(25.7)%*
G&A expenses	(110.4)	*(13.3)%*	(96.3)	*(12.8)%*
Maintenance and other operating expenses	(69.7)	*(8.4)%*	(65.1)	*(8.6)%*
Employee profit sharing	(4.6)	*(0.6)%*	(3.9)	*(0.5)%*
Current operating income	**205.5**	***24.8%***	**177.5**	***23.4%***
Results of disposals and other	0.8	*0.1%*	0.5	*0.1%*
Operating income	**206.3**	***24.9%***	**178.0**	***23.5%***
Financial results	(11.6)	*(1.4)%*	(23.6)	*(3.1)%*
Net income before tax	**194.7**	***23.5%***	**154.4**	***20.4%***
Taxes	(57.4)	*(6.9)%*	(50.7)	*(6.7)%*
Results of associated companies	0.7	*0.1%*	0.5	*0.1%*
Minority interests	-	-	-	-
Net income	**138.0**	***16.7%***	**104.2**	***13.8%***

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2005 financial year

Summary consolidated balance sheet

Assets (€m)	**31 January 2006**	31 January 2005
Goodwill	514.3	496.4
Intangible fixed assets	50.1	37.2
Tangible fixed assets	131.0	130.7
Financial investments	10.9	6.6
Other non-current assets	3.5	3.3
Leasing receivables	320.4	257.4
Deferred tax assets	47.1	46.1
Inventories	49.0	44.9
Trade receivables	195.2	177.8
Cash & marketable securities	115.4	119.7
Other short-term assets	22.6	21.6
TOTAL ASSETS	**1,459.5**	**1,341.7**

Liabilities (€m)	**31 January 2006 IFRS**	31 January 2005 IFRS
Shareholders' equity	517.7	506.8
Provisions	49.9	51.7
Long-term financial debt	189.9	173.9
Leasing debts	105.0	72.7
Short-term financial debt	109.2	61.8
Long-term deferred tax liabilities	30.3	27.0
Prepaid income	154.7	144.5
Other short-term liabilities	302.8	303.3
TOTAL LIABILITIES	**1,459.5**	**1,341.7**