Press release

2004 results

Strong organic growth and significant improvement in profitability

- **Sales: + 6.3% on a like-for-like basis[1] and at constant exchange rates**
- **EBIT margin : 23.4% of sales (20.7% in 2003)**
- **Net income: + 30.3% (+21.1% excluding impact of OCEANE bonds)**

Sharp increase in dividend

- **Ordinary dividend up 20% to €1.50 per share**
- **Exceptional dividend of €2.00 per share**

Paris, 29 March 2005 - Neopost, the European leader and number two world-wide supplier of mailing solutions, today announced a further significant improvement in profitability during the 2004 financial year (ended 31 January 2005).

EBIT was €177.1m, an increase of 13.7% compared with €155.7m in 2003. EBIT margin also improved significantly from 20.7% to 23.4% of sales. Meanwhile, net income rose 30.3% to €108.8m, boosted by the positive impact of the OCEANE bond conversion. Excluding this positive impact, net income was €101.1m (up 21.1%), representing 13.4% of sales vs. 11.1% in 2003.

	Reported figures			**Excluding Stielow non-core businesses[1]**		
(€m)	2003	**2004**	% change	2003	**2004**	% change
Sales	750.9	**755.7**	+0.6%(*)	730.8	**754.4**	+3.2%(**)
EBITDA	215.5	**233.5**	+8.4%	216.0	**233.5**	+8.1%
% of sales	*28.7%*	*30.9%*		*29.6%*	*31.0%*	
EBIT	155.7	**177.1**	+13.7%	156.8	**177.1**	+13.0%
% of sales	*20.7%*	*23.4%*		*21.5%*	*23.5%*	
Net income	83.5	**108.8**	+30.3%	84.2	**108.8**	+29.4%
% of sales	*11.1%*	*14.4%*		*11.5%*	*14.4%*	
Net income excluding OCEANE impact	83.5	101.1	+21.1%	84.2	101.1	+20.2%
% of sales	*11.1%*	*13.4%*		*11.5%*	*13.4%*	

(*) + 3.7% at constant exchange rates
(**) + 6.3% at constant exchange rates

Jean-Paul Villot, Chairman and CEO of Neopost, commented: *"This strong level of sales in 2004, combined with the positive impact of our productivity programmes, has allowed us to achieve an EBIT margin of 23.5%, an improvement of 2 points compared with last year. We are therefore extremely pleased with these results, which are perfectly in line with our objective of sustained profitable growth. I would sincerely like to congratulate all of Neopost's teams for their contribution."*

[1] Excluding Stielow's non-core businesses sold in September 2003 (label printing) and March 2004 (document finishing).

Very strong sales in 2004

2004 sales increased by 6.3% compared with 2003 (at constant exchange rates and excluding Stielow's non-core businesses, which were sold). Growth accelerated throughout 2004 on a like-for-like basis and at constant exchange rates: +2.6% in the first quarter, +4.7% in the second quarter, +6.8% in the third quarter and +10.7% in the fourth quarter.

All regions achieved growth on a like-for-like basis and at constant exchange rates, with the exception of Germany, a market which was affected by temporary difficulties relating to the introduction of new postal standards. Growth was strong in the Group's three main markets of France, North America and the UK, with very high rates of growth achieved in the rest of the world.

This performance was achieved thanks to both the quality of all of Neopost's product ranges and the effectiveness of its new sales and marketing strategy.

Significant improvement in profitability

During the 2004 financial year, EBIT rose 13.7% to €177.1m, representing 23.4% of sales.

This significant improvement in EBIT margin was mainly due to:
- better absorption of fixed costs thanks to acceleration in organic growth;
- the full impact of synergies from the integration of Ascom Hasler;
- technological product developments (digital machines);
- improvement in the product mix towards the higher end of the market;
- full use of subcontracting capacities in China;
- the first positive operating income from Neopost in Germany and Neopost Logistic Systems.

Net income rose 21.1%, excluding the impact of OCEANE bonds, to €101.1m, representing 13.4% of sales. Net income increased more rapidly than EBIT due to the considerable reduction in the Group's interest expenses, which – excluding the impact of OCEANE bonds – decreased from €26.7m to €19.4m.

Further optimisation of market coverage

Neopost acquired two of its export dealers in 2004, one in Ireland in March and the other in Norway in September. In both countries, this was the second distributor acquired by Neopost. In the US, the Group merged the Hasler and Neopost direct distribution branches in Boston, Chicago, New York and the state of New Jersey. It also continued to consolidate support functions as part of the streamlining of its organisational structure.

Development of leasing business

As previously announced, the Group developed its leasing business in the course of 2004, particularly in Germany and among its distributors in the US. The leasing portfolio was up 19% as at 31 January 2005 (in euros, despite the fall in the dollar) compared with 31 January 2004.

Integration completed in Germany

In the first half of 2004, Stielow's remaining non-core businesses were sold and the reorganisation of core businesses was completed. The back-office activities of Stielow and Neopost were merged and the transfer of production of mail openers and extractors to Neopost's production plants in Drachten (the Netherlands) and Le Lude (France) was finalised.

Restructuring of Le Lude plant

The restructuring of the mailing system production plant in Le Lude is now completed. The number of departures has been revised downwards and the provision was adjusted accordingly in the second half of the year. Over the full year, total restructuring costs amounted to around 0.2% of the Group's 2004 sales.

OCEANE bond conversion

Neopost converted 98.5% of bonds still in circulation at the end of January 2005. Taking into account Neopost's prior buy-backs of shares (1,080,319 shares with a value of €54.7m) and bonds (290,273 OCEANE bonds with a value of €16.8m), dilution relating to the conversion was limited to 4.6% of issued capital, around half the level it could have been if Neopost had not proceeded with these buy-backs in the second half of 2004. Thanks to the OCEANE bond issue, Neopost benefited from particularly advantageous financing terms for a period of five years, paying only a reduced coupon of 1.5%.

Particularly healthy financial situation

Thanks to the conversion of its OCEANE bonds and high level of cash flow from operations (around €150m excluding loans to leasing), Neopost ended the 2004 financial year with net debt of €262.6m and shareholders' equity of €523.9m, corresponding to a gearing of 0.5, which is particularly low for the industry.

Renegotiation of all financing conditions

The Group has renegotiated the conditions of its revolving credit facility on the one hand and those of its credit lines allocated to leasing on the other hand in order to sustain the growth of this business.

Increase of 20% in ordinary dividend and exceptional dividend payout

Thanks to its strong financial situation, Neopost has been able to maintain the ordinary dividend payout policy initiated in 2003 in respect of the 2002 financial year. Thanks to the positive impact of the OCEANE bond conversion, the Group is able to propose an exceptional dividend payout.

The Board of Directors, which met today, has decided to submit the payment of an ordinary dividend of €1.50 per share to the approval of shareholders at the next General Meeting. This represents an increase of 20% in relation to last year and a payout rate of 44% of 2004 net income. It also plans to propose the payment of an exceptional dividend of €2.00 per share.

Overall, the total dividend of €3.50 per share (ordinary + exceptional) proposed in respect of the 2004 financial year comes to €112 m, corresponding to a yield of 5.4% based on a share price of €65.

New share buy-back programme

A new share buy-back programme concerning a maximum of 10% of issued capital and within a range of plus or minus 30% on the closing price of 5 July 2005 will be proposed at the next General Meeting scheduled on 6 July 2005. These buy-backs will serve particularly to limit dilution relating to the potential exercise of stock options allocated to some of the Group's employees.

Limited impact of IFRS

The introduction of IFRS will be effective as of the 2005 accounts. The introduction of IFRS has a limited pro forma impact on the 2004 accounts, with an impact on EBIT of -€1m and an impact of -€5m on net income. The impact on the Group's opening shareholders' equity as at 1 February 2004 is about -€17[2]m.

[2] amount not yet fully audited on pension funds

Favourable impact of change of accounting method on customer prepayment on postage

The Group had adopted a very conservative position on customer prepayment on postage by netting on the balance sheet the prepayments received with the corresponding liability. Following a more in-depth study of contracts, the accounting method consisting of showing prepayments as cash on hands and separately the corresponding liability is more appropriate. These prepayments are kept on dedicated bank accounts and amount to €72m as of 31 January 2005, having increased by €15m during the year. This change of presentation has no impact on the profit and loss account. These deposits were fairly small only 2 years ago, but they are growing fast thanks to the evolution of the installed base to digital equipment.

Increasing confidence for 2005

In the light of these very good 2004 results and the launch of no less than eight new products by the end of 2004 (six mailing systems and two folders/inserters), Neopost is even more confident about 2005.

Neopost has set a sales growth target of over 5% for the 2005 financial year on a like-for-like basis and at constant exchange rates.

The Group's 2005 EBIT margin target is around 24%, irrespective of the development of the dollar.

Jean-Paul Villot concluded: *"The effectiveness of our sales and marketing strategy and the quality of our product ranges will continue to fuel growth in 2005. Forthcoming decertification programmes will also contribute to growth. Neopost currently offers strong growth potential while also maintaining its solid fundamentals. The Group clearly has the means to both finance its development and offer generous returns to its shareholders."*

Calendar

Sales for the first quarter of 2005 are due after the market closes on 7 June 2005.

Neopost

Neopost is the European leader and number two world-wide supplier of mailroom equipment and logistics solutions. Neopost offers the most advanced solutions for online or off-line postage, large volume mail insertions, occasional parcel delivery and logistics management and traceability.

Headquartered near Paris, France, Neopost has a direct presence in the world's top mailing and logistics markets, i.e. the US, France, the UK, Germany, Canada, the Netherlands, Italy, Belgium, Ireland, Japan, Norway and Spain. Neopost products are sold in 90 countries.

In 2004, Neopost posted sales of €756m and a net income of €109m. In 2002, Neopost acquired Ascom Hasler, the world number three supplier of mailing solutions, and Stielow, Germany's leading supplier of folder/inserters.

Neopost is listed on the Eurolist by Euronext Paris and is a constituent of the CAC Next20 and CACIT20 indices.

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2004 financial year
Consolidated income statement highlights

	Reported				Excluding Stielow non-core businesses*			
(€m)	2004 (to 31 January 2005)		2003 (to 31 January 2004)		2004 (to 31 January 2005)		2003 (to 31 January 2004)	
Sales	**755.7**	**100.0%**	**750.9**	**100.0%**	**754.4**	**100.0%**	**730.8**	**100.0%**
Cost of sales	(187.2)	(24.8)%	(211.1)	(28.1)%	(186.0)	(24.7)%	(199.1)	(27.2)%
Gross profit	**568.5**	**75.2%**	**539.8**	**71.9%**	**568.4**	**75.3%**	**531.7**	**72.8%**
R&D expenses	(34.0)	(4.5)%	(32.8)	(4.4)%	(34.0)	(4.5)%	(32.7)	(4.5)%
Sales and marketing expenses	(194.5)	(25.7)%	(191.4)	(25.5)%	(194.4)	(25.7)%	(187.9)	(25.7)%
General & administrative expenses	(96.3)	(12.7)%	(93.4)	(12.4)%	(96.3)	(12.7)%	(91.1)	(12.4)%
Service and other operating expenses	(64.7)	(8.6)%	(64.6)	(8.6)%	(64.7)	(8.6)%	(61.2)	(8.4)%
Employee profit sharing	(1.9)	(0.3)%	(1.9)	(0.3)%	(1.9)	(0.3)%	(2.0)	(0.3)%
EBIT	**177.1**	**23.4%**	**155.7**	**20.7%**	**177.1**	**23.5%**	**156.8**	**21.5%**
Net financial income	(7.6)	(1.0)%	(26.7)	(3.6)%	(7.6)	(1.0)%	(26.7)	(3.7)%
Income before tax and exceptional items	**169.5**	**22.4%**	**129.0**	**17.1%**	**169.7**	**22.5%**	**130.1**	**17.8%**
Exceptional items	0.1	-	0.4	0.1%	0.1	-	0.4	0.1%
Tax	(55.1)	(7.3)%	(40.5)	(5.4)%	(55.1)	(7.3)%	(40.9)	(5.7)%
Income from associated companies	0.5	0.1%	0.6	0.1%	0.5	0.1%	0.6	0.1%
Minority interests	-	-	-	-			-	-
Goodwill amortisation	(6.2)	(0.8)%	(6.0)	(0.8)%	(6.2)	(0.9)%	(6.0)	(0.8)%
Net income	**108.8**	**14.4%**	**83.5**	**11.1%**	**108.5**	**14.4%**	**84.2**	**11.5%**

**sold in September 2003 (label printing) and March 2004 (document finishing)*

2004 financial year
Consolidated balance sheet highlights
(€m)

ASSETS in €m	31 January 2005*	31 January 2004*
Goodwill	208.6	211.1
Intangible fixed assets	299.8	292.8
Tangible fixed assets	137.0	146.2
Financial assets	6.6	5.7
Leasing accounts receivable	257.4	216.5
Long-term deferred tax assets	21.6	38.8
Inventories	48.2	57.5
Trade receivables	181.1	183.3
Cash and marketable securities	40.6	48.3
Other short-term assets	36.4	40.4
TOTAL ASSETS	**1,237.3**	**1,240.6**

LIABILITIES in €m	31 January 2005*	31 January 2004*
Shareholders' equity	523.9	385.0
Provisions	28.2	49.4
Long-term debt	230.5	360.0
Leasing debt	72.7	76.6
Long-term deferred tax liabilities	25.0	31.8
Prepaid income	144.5	138.0
Other short-term liabilities	212.5	199.8
TOTAL LIABILITIES	**1,237.3**	**1,240.6**

* excluding the change of accounting method on customer prepayments on postage.

Main impacts of IFRS

€m	Pro forma impact on net opening equity as of 1 February 2004
Pension funds (unaudited)	(35)
Research and development	16
Depreciation of tangible assets	(9)
OCEANE bonds	3
Deferred tax	8
Impact on net equity	**(17)**

€m	Pro forma impact on P&L for the year 2004
Stock options	(2)
Research and development	3
Depreciation of tangible assets	(1)
IFRS 32/39	(1)
Impact on EBIT	**(1)**
OCEANE bonds	(16)
IFRS 32/39	1
Amortisation of goodwill	6
Deferred tax	5
Impact on net income	**(5)**