neopost **PRESS RELEASE**

2008: SOLID PERFORMANCE

- **2008 sales up 6.1% at constant exchange rates**
- **2008 current operating margin[1]: 25.7% of sales**
- **2008 net income up 15.7% to €157.0 million**
- **2008 dividend raised to €3.80 per share**

OUTLOOK FOR 2009

- **Sales expected to increase by 1% to 3% at constant exchange rates**
- **2009 current operating margin[1] expected to at least 25.7% of sales**

Paris, 31 March 2009

Neopost, the European leader and the world's number two supplier of mailroom solutions, today released results for financial year 2008 (period to 31 January 2009) in line with the forecasts announced at the beginning of 2008.

Sales reached €918.1 million in 2008, up 1.2% compared with 2007. Excluding currency impact, sales growth stood at +6.1%.

Current operating income amounted to €235.9 million in 2008 compared with €237.1 million in 2007. Current operating margin was 25.7% of sales, a 50 basis point increase compared with 2007 current operating margin recalculated to include PFE[2] for 11 months (25.2%).

Net attributable income increased by 15.7% compared with 2007 to €157.0 million, or 17.1% of sales. 2008 net income was up 5.8% compared with 2007 net income restated for provisions related to optimisation programmes.

Reflecting the share buybacks done by the Group over the period, fully-diluted earnings per share increased by 18.7% to €5.08.

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1 Current operating margin = current operating income / sales
2 For information, PFE is a British company specialising in high-capacity insertion systems acquired by Neopost at the beginning of March 2008, and which generated sales of £26 million in 2007

(€ million)	**2008 (including PFE[2] for 11 months)**	2007 reported (ex PFE)	Change
Sales	**918.1**	907.1	+1.2%[3]
EBITDA[4]	**301.2**	302.6	-0.4%
% of sales	*32.8%*	*33.4%*	
Current operating income	**235.9**	237.1	-0.5%
% of sales	*25.7%*	*26.1%*	
Net attributable income	**157.0**	135.7	15.7%
% of sales	*17.1%*	*15.0%*	
Fully-diluted earnings per share	**5.08**	4.28	+18.7%

Denis Thiery, Neopost Chief Executive Officer, says: ***"In 2008, against the backdrop of difficult economic conditions, our sustained sales growth, significant improvement in operating margin and sharp rise in net income demonstrate the strength of our business model. We have also continued to prepare ourselves well for the future, successfully launching a new range of mailing systems, integrating PFE rapidly, continuing to expand leasing, taking over a number of distributors and rationalising our organisation."***

Sustained sales growth in 2008 in difficult economic conditions

Sales increased by 1.2% to €918.1 million in 2008 compared with 2007. At constant exchange rates, sales were up by 6.1%, increasing in all Group markets and in its two main businesses (mailing systems as well as document and logistics systems).

In Germany and the rest of the world, sales grew by 19.5% and 17.2% respectively, excluding currency impact. In the United Kingdom and France, the Group posted solid performances with sales rising by 4.2% and 5.1% respectively (at constant exchange rates). In North America (37% of total sales), Neopost experienced two contrasting half years: in the first half, sales were down by 9.5%, but in the second half they were up by 17.6% (both figures being compared with the corresponding period in 2007 and excluding currency impact), mainly thanks to the successful launch of the IS range and decertification of non-digital mailing systems. Full-year sales in North America grew by 2.3% at constant exchange rates.

The successful integration of PFE, and the Group's marketing policy of developing cross-selling lay behind the 12.0% increase in sales of document and logistics systems (excluding currency impact). Sales of mailing systems increased by 4.0% (at constant exchange rates) and accounted for 71.6% of total Group sales.

The growth of financial services, increasing supplies sales, growing services and maintenance revenue helped recurring revenue to increase by 10.8% at constant exchange rates. Despite the difficult economic conditions, equipment sales only decreased by 2.0% (excluding currency impact).

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[3] +6.1% at constant exchange rates

[4] EBITDA equals to the sum of the Current Operating income €235.9 million, the Depreciation of tangible assets (€47.9 million) and the Amortisation of intangible assets (€17.4 million).

In total, recurring revenue accounted for 66.4% of sales compared with 33.6% for equipment sales.

Major product range renewal

In 2008, the Group successfully launched a new range of mailing systems (the IS range), first in the United States, then the United Kingdom, Germany and Sweden, targeting the mid-range market which represents about 50% of the Neopost range. For Neopost this was the most important product launch since 2004. The new range was very well received by distributors, customers and the sales force. Launch of this new range will be rolled out in other European countries during 2009.

With the acquisition of PFE, Neopost also significantly expanded its range of document systems towards the top end in 2008, adding three new folder/inserter models with significantly higher processing capacity than the Group had previously offered.

Good integration of 2008 acquisitions

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

NBG ID, a company specialising in integrating RFID technology applied to the transport industry, was acquired by Neopost in February 2008. It was merged in February 2009 with the Neopost Logistics Systems division to create Neopost ID, which business is to develop and run traceability solutions applied to the entire supply chain processes (transport, logistics,…).

PFE, which was acquired in March 2008, has been integrated rapidly. PFE's distribution networks have been aligned with Neopost's (territories disposed of, direct networks merged, indirect networks merged). The Group has taken the decision to sell certain non-core PFE activities and eliminate overlap in PFE and Neopost's entry-level folder/inserter ranges. PFE's products have also been integrated into Neopost's logistics chain, and suppliers have been pooled.

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

Continuing strengthening of direct distribution

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

In the United States, the Group also bought five distributors in California, Connecticut, Minnesota and in the state of New York. At the end of January 2009, the proportion of the installed base covered by the direct distribution network had risen to 53% compared with 31% at the end of 2004. The Group reminds that its target is to reach 60% direct distribution in the United States.

Optimisation programmes are proceeding well

Last year, the Group decided to accelerate the implementation of a number of optimisation programmes, particularly in research and development, the supply chain and distribution.

Provisions of €20.5 million were recognised in the 2007 financial statements for these optimisation programmes.

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

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

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

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

Operating profitability evolution in line with forecasts

In 2008, the falling dollar and pound sterling had no effect on Group margins, but they did of course reduce the results of the North American and British subsidiaries when converted into euros. As anticipated at the time of the acquisition, the integration of PFE has had a negative effect on the Group's gross margin and on its current operating margin.

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

Current operating margin[5] was 25.7% in 2008, compared with 26.1% in 2007. However, it was up 50 basis points compared with group operating margin in 2007 which, recalculated to include PFE for 11 months, amounted to 25.2%. This improvement was particularly related to a sharp increase in recurring revenue and continuous efforts to improve profitability.

Net financial result was down sharply to €22.0 million compared with €28.8 million in 2007. This was due on the one hand to net financial expenses being virtually flat at €27.2 million in 2008, compared with €26.6 million the year before, despite an increase in net debt, and on the other hand to €5.2 million of exchange rate gains compared with a €2.2 million exchange rate loss the previous year.

In 2008, tax rate momentarily decreased to 27.0% against 28.5% in 2007.

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

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

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

A healthy financial position

In 2008, Neopost continued to expand its financing activities (leasing and postage financing) while undertaking targeted acquisitions, including PFE for €34.8 million. The Group also further improved its shareholder return policy, for the first time introducing an interim dividend.

[5] Current operating margin = current operating income / sales

During the year, Neopost paid €111.4 million in dividends for 2007 and bought back 623,848 shares for €42.0 million, of which 335,178 shares for cancellation and 288,670 shares to cover obligations under employee stock option and free share programmes. Neopost also paid on 15 January 2009 €50.3 million of 2008 interim dividends.

The Group points out that net debt is backed by future cash flow from its rental and leasing businesses. This is therefore set to grow as its financing activities expand. At 31 January 2009, the leasing portfolio amounted to € 495.7 million compared with €425.3 million the year before while the net value of the leased assets amounted to €86.9 million (€83.3 million at 31 January 2008).

Neopost ended financial year 2008 with net debt of €668.7 million, up €222.9 million compared with 2007. Note that in addition to €34.8 million paid for the acquisition of PFE and the payment of €50.3 million in interim dividend, exchange rate movements contributed €46 million of the increase in debt in 2008.

Group debt is under control and represents 1.5 times shareholders' equity. The ratio of EBITDA[6] to net interest expense is 13.7 and the leverage ratio is 2.2, which shows the strength of the Group's ability to meet its financial commitments. At 31 January 2009, financial covenants were easily met.

In 2008, Neopost maintained a high level of cash flow (after cost of debt and tax) at €219.4 million. Working capital requirement improved despite difficult economic conditions and despite the integration of PFE.

Dividend increase

Having decided to pay shareholders dividends more regularly, on 15 January 2009 the Group paid an interim dividend on account for 2008 amounting to €1.65 per share.

For 2008, a total dividend of €3.80 per share, a 4.1% increase compared with 2007 (€3.65 per share), will be proposed to the Annual General Meeting of shareholders for approval on 7 July 2009. This would mean the payment of an additional €2.15 per share on 15 July 2009.

For 2009, the Group plans to maintain a high dividend and to continue with its policy of paying an interim dividend. It will however limit share buybacks which will be at the most equal to the dilution related to the exercise of stock options and the attribution of free shares.

Outlook for 2009

In 2009, the Group will continue to benefit from the roll-out of the IS range in its main markets, increasing recurring revenue, the positive effects of the growing share of direct distribution and recent acquisitions such as PFE. The Group will also start to benefit from the programmed improvement in current operating margin at PFE and savings from the rationalisation plan.

As a result, assuming no further deterioration in the economic environment, the Group should generate between 1% and 3% sales growth in 2009, excluding currency impact, while current operating income should reach at least 25.7% of sales.

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

Denis Thiery concludes: ***"Although we should remain cautious in 2009, we can count on the quality of our products and services, the commitment of our employees and of course the resilience of our business model. It is based on strong recurring revenues and the development of leasing, which encourages replacement of our equipment sales at end of term."***

Diary date

Publication of first quarter 2009 sales is scheduled for 2 June 2009 after the market close.

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and number two world-wide supplier of mailing solutions. It has a direct presence in 15 countries, with more than 5,500 employees and annual sales of €918 million in 2008. 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 Euronext Paris.

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Financial year 2008

Consolidated income statement summary

€ million	2008		2007	
Sales	**918.1**	***100.0 %***	**907.1**	***100.0%***
Cost of sales	(210.2)	*(22.9)%*	(199.3)	*(22.0)%*
Gross margin	**707.9**	***77.1%***	**707.8**	***78.0%***
R&D expenses	(38.7)	*(4.2)%*	(48.3)	*(5.3)%*
Selling expenses	(224.9)	*(24.5)%*	(216.8)	*(23.9)%*
G&A expenses	(123.7)	*(13.5)%*	(122.3)	*(13.5)%*
Maintenance & other operating expenses	(75.7)	*(8.2)%*	(72.7)	*(8.0)%*
Employee profit-sharing	(9.0)	*(1.0)%*	(10.6)	*(1.2)%*
Current operating income (EBIT)	**235.9**	***25.7%***	**237.1**	***26.1%***
Proceeds from disposals and other	0.4	-	1.4	*0.2%*
Provision for optimisation	-	-	(20.5)	*(2.3%)*
Operating income	**236.3**	***25.7%***	**218.0**	***24.0%***
Financial results	(22.0)	*(2.4)%*	(28.8)	*(3.2)%*
Income before taxes	**214.3**	***23.3%***	**189.2**	***20.8%***
Taxes	(57.9)	*(6.3)%*	(54.0)	*(5.9)%*
Results of associated companies	0.5	*0.1 %*	0.5	*0.1%*
Net income	**156.9**	***17.1%***	**135.7**	***15.0%***
Minority interests	(0.1)	-	-	-
Net attributable income	**157.0**	***17.1%***	**135.7**	***15.0%***

Financial year 2008

Consolidated balance sheet summary

ASSETS € million	31 January 2009*	31 January 2008
Goodwill	669.6	575.0
Intangible assets	66.0	47.3
Tangible assets	144.8	134.6
Financial assets	31.5	13.8
Other non-current assets	9.2	5.4
Leasing receivables	495.7	425.3
Deferred tax assets	18.1	44.5
Inventories	45.5	43.3
Receivables	167.7	156.9
Other current assets	67.8	67.3
Financial instruments	0.4	4.7
Cash & marketable securities	132.8	149.6
TOTAL ASSETS	**1,849.1**	**1,667.7**

LIABILITIES € million	31 January 2009*	31 January 2008
Shareholders' equity	436.3	492.8
Provisions for risks and contingencies	11.1	42.1
Long-term debt	304.4	284.8
Short-term debt	497.1	310.6
Deferred tax liabilities	32.7	25.9
Other long-term liabilities	17.9	-
Deferred income	183.1	167.0
Financial instruments	15.8	3.9
Other short-term liabilities	350.7	340.6
TOTAL LIABILITIES	**1,849.1**	**1,667.7**