

## FIRST HALF 2010: STRONG PERFORMANCE, DRIVEN MAINLY BY NEOPOST'S MOMENTUM IN THE UNITED STATES

- Growth in current operating income to €118.9 million in H1 2010 versus €116.4 million in H1 2009
- First half 2010 current operating margin<sup>1</sup>: 25.3% of sales

## OUTLOOK FOR 2010 CONFIRMED

- Sales expected to grow between 0% and 2% at constant exchange rates
- 2010 current operating margin expected to reach 25.7% of sales

### Paris, 28 September 2010

Neopost, the European leader and the world's number two supplier of mailroom solutions, today announced first half of 2010 earnings (period ended on 31 July 2010) in line with expectations.

During the first half of the year, the Group generated total sales of €470.9 million, up 3.0% or 0.5% at constant exchange rates. Current operating income totalled €118.9 million in the first half of 2010 compared with €116.4 million in the first half of 2009. Current operating margin<sup>1</sup> reached 25.3% of sales compared with 25.5% in the first half of 2009.

Net income fell by 5.1% year-on-year to €70.9 million essentially due to a temporary increase in financial expenses. Net margin<sup>2</sup> remained high at 15.1%.

(€ million)	H1 2010	H1 2009	Change
Sales	<b>470.9</b>	<b>457.3</b>	+3.0% <sup>3</sup>
Current operating income	<b>118.9</b>	<b>116.4</b>	+2.1%
% of sales	25.3%	25.5%	
Net income	<b>70.9</b>	<b>74.8</b>	-5.1%
% of sales	15.1%	16.4%	
Earnings per share	<b>2.30</b>	<b>2.45</b>	-6.1%
Fully diluted earnings per share <sup>4</sup>	<b>2.15</b>	<b>2.44</b>	-11.9%

A limited audit review has been carried out. The limited audit report is under way.

Denis Thiery, Chairman & CEO of Neopost, commented: ***"Thanks to its own solid momentum, Neopost has managed to achieve revenue growth while also maintaining operating margin of over 25% of sales. This performance reflects the relevance and specificity of our model."***

<sup>1</sup> Current operating margin = current operating income / sales

<sup>2</sup> Net margin = net income / sales

<sup>3</sup> +0.5% at constant exchange rates

<sup>4</sup> The difference between EPS and fully diluted EPS is linked to the theoretical dilution of the convertible bonds (OCEANE)

**First half 2010 sales up 3%**

Sales increased by 3.0% year-on-year in the first half of 2010, or by 0.5% at constant exchange rates.

By region, Neopost has displayed robust momentum in North America for the last few quarters, which continued with growth of 3.6% excluding currency impact despite the lack of postal rate changes in the United States during the first half of 2010. In Europe, performance differs significantly from one country to another. Excluding currency impact, sales fell by 4.5% in France (deferral of certain maintenance revenues) and by 6.1% in the United Kingdom (drop in equipment sales), but increased by 2.0% in Germany and 8.9% in the rest of the world.

Compared with the first half of 2009, equipment sales rose by 2.7% excluding currency impact. Penalised by variations in revenues from postal rate changes, recurring revenue fell by 0.4% in the first half of the year, representing 70.6% of the Group's total sales over the period.

Sales of mailing systems - which were also negatively impacted by variations in revenues relating to postal rate changes - fell by 4.4% excluding currency impact during the first half of the year, representing 69.4% of the Group's sales. However, sales of document and logistics systems rose sharply, up 13.5% at constant exchange rates thanks to the success of production folders/inserters and the good integration of Satori.

**Growth in current operating income**

Current operating income totalled €118.9 million in the first half of 2010 compared with €116.4 million a year ago. Despite the difference in revenues from postal rate changes between the first half of 2010 and the first half of 2009, current operating margin was down by just 20 basis points to 25.3%.

A new revolving credit facility negotiated in September 2009 and a convertible bond issued in October 2009 enabled Neopost to benefit from greater drawing capacity, extended debt maturity and more diversified sources of financing. Until the repayment of the US private placement, the cost of its debt has temporarily increased: net financial expenses<sup>5</sup> amounted to €19.7 million in the first half of 2010 compared with €11.8 million in the first half of 2009. Financial expenses shall nevertheless decrease in the second half of the year, thanks in particular to the repayment of the US private placement which took place on 16 September 2010.

The average tax rate was stable. It reached 28.9% in the first half of 2010 versus 28.8% in the first half of 2009.

The increase in financial expenses essentially explains the 5.1% drop in net income in the first half of 2010 to €70.9 million, corresponding to a net margin of 15.1%.

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<sup>5</sup> Net financial expenses = cost of debt + currency gain or loss + other financial expenses

## Solid financial position

While continuing to develop the leasing business, Neopost's net debt remained more or less stable at €727.5 million at 31 July 2010 compared with €724.5 million a year earlier.

As at 31 July 2010, shareholders' equity increased significantly to €541.6 million from €442.8 million last year thanks notably to the partial payment of the dividend in shares. Gearing therefore improved to 134% compared with 164% a year ago. The ratio of net debt to EBITDA<sup>6</sup> remained stable at 2.4. The Group therefore continues to easily meet its bank covenants.

Undrawn credit lines at 31 July 2010 amounted to €655 million. After the payment of the final dividend on 11 August 2010 (€36.4 million) and the reimbursement of the US private placement on 16 September 2010 (\$175 million and €25 million), undrawn credit lines amounted to about €480 million.

## Solidity of Neopost's model and preparation for the future

The last few semesters have confirmed the specificity and solidity of Neopost's growth model. Despite the economic crisis, Neopost has been able to increase its sales, achieving an average annual growth rate of 2.7% at constant exchange rates from 2007 to 2009, while also maintaining current operating margin of over 25%.

The recent acquisitions carried out with a view to enlarging and strengthening Neopost's offering - in particular PFE production folders/inserters and address quality specialist Satori - are now fully integrated and producing the expected synergies.

The integration of distributors, acquired in 2009 in the United States and Scandinavia with the aim to reinforce Neopost direct distribution, is progressing as expected.

The Group also successfully optimised its US operations in 2008 and 2009.

It is also continuing to develop its range of services, such as leasing, postage financing, maintenance, supplies and online services.

Lastly, ongoing research and development efforts have enabled Neopost to renew its entire range of mailing machines in two years, with particularly innovative and competitive products. In document systems, the Group launched three new entry-level, mid-range and high-end folders/inserters in 2010 in order to strengthen its leading position in this market.

## Outlook for 2010 confirmed

2010 is progressing as expected. As a result, assuming that market conditions do not deteriorate further, the Group confirms its sales growth target of 0% to 2% relative to 2009 at constant exchange rates.

The Group also confirms that it expects current operating margin to reach 25.7% in 2010.

Over the next two years, the Group should continue to benefit from the rebound in equipment sales, driven in particular by the echo effect on its installed base of decertification programmes and changes in postal pricing systems between 2006 and 2008. These generated peaks in the placement of new machines, mainly in the United States, Canada and the United Kingdom, and the expiry of the corresponding leasing contracts should favour the renewal of equipment.

<sup>6</sup> EBITDA is the sum of current operating income and depreciation of tangible assets and intangible assets



Denis Thiery concludes: ***"We have continued to invest heavily during the crisis. We are coming out of the recession with an optimised organisation, intact financial strength, particularly competitive product ranges and the ability to continue to improve our model. We can look ahead to the echo of the latest waves of decertification programmes. In the light of all of these factors, we are confident about the months and years ahead."***

### **Calendar**

Sales for the third quarter of 2010 are due on 1 December 2010 after market close.

## **ABOUT NEOPOST**

**NEOPOST IS THE EUROPEAN LEADER** and the number two world-wide supplier of mailing solutions. It has a direct presence in 18 countries, with 5,500 employees and annual sales of €913 million in 2009. 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 and belongs notably to the SBF 120 index.

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## First half 2010

### Summary consolidated balance sheet

ASSETS (€ million)	31 July 2010*	31 July 2009*	31 January 2010
Goodwill	760.9	684.5	747.9
Intangible assets	66.7	63.6	65.8
Property, plant and equipment	146.8	140.5	140.0
Other financial assets non-current	21.7	26.4	14.9
Leasing receivables	549.7	498.9	511.7
Other non-current receivables	20.2	8.4	19.1
Deferred tax assets	12.9	11.4	14.7
Inventories	64.3	55.9	56.3
Receivables	171.9	125.5	188.3
Other current assets	78.9	67.8	72.9
Financial instruments	0.7	2.6	0.1
Cash and cash equivalents	153.6	117.5	138.7
<b>TOTAL ASSETS</b>	<b>2,048.3</b>	<b>1,803.0</b>	<b>1,970.4</b>

EQUITY & LIABILITIES (€ million)	31 July 2010*	31 July 2009*	31 January 2010
Equity	541.6	442.8	489.7
Provisions for liabilities and charges non-current	9.0	9.2	8.9
Non-current financial liabilities	430.7	292.6	430.2
Other non-current liabilities	22.8	11.2	18.9
Current financial liabilities	450.5	549.4	424.5
Deferred tax liabilities	65.2	40.5	54.3
Non-current financial instruments	8.2	8.7	8.3
Prepaid income	158.1	141.9	189.0
Current financial instruments	2.0	4.0	2.2
Other current liabilities	360.3	302.7	344.4
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>2,048.3</b>	<b>1,803.0</b>	<b>1,970.4</b>

\* A limited audit review has been carried out. The limited audit report is under way.



## First half 2010

### Consolidated income statement

(€ million)	H1 2010*		H1 2009*		2009	
	(ended 31/07/2010)		(ended 31/07/2009)			
<b>Sales</b>	<b>470.9</b>	<b>100.0%</b>	<b>457.3</b>	<b>100.0%</b>	<b>913.1</b>	<b>100.0%</b>
Cost of sales	(96.4)	(20.5)%	(89.8)	(19.6)%	(187.1)	(20.5) %
<b>Gross margin</b>	<b>374.5</b>	<b>79.5%</b>	<b>367.5</b>	<b>80.4%</b>	<b>726.0</b>	<b>79.5 %</b>
R&D expenses	(17.4)	(3.7)%	(19.7)	(4.3)%	(37.6)	(4.1) %
Selling expenses	(116.9)	(24.8)%	(119.1)	(26.1)%	(226.6)	(24.8) %
G&A expenses	(74.2)	(15.7)%	(69.6)	(15.2)%	(138.4)	(15.2) %
Maintenance and other operating expenses	(43.8)	(9.3)%	(38.8)	(8.5)%	(81.2)	(8.9) %
Employee profit-sharing and share-based payments	(3.3)	(0.7)%	(3.9)	(0.8)%	(7.5)	(0.8) %
<b>Current operating income</b>	<b>118.9</b>	<b>25.3%</b>	<b>116.4</b>	<b>25.5%</b>	<b>234.7</b>	<b>25.7 %</b>
Income from asset sales and other	0.1	0.0%	-	-	-	-
<b>Operating income</b>	<b>119.0</b>	<b>25.3%</b>	<b>116.4</b>	<b>25.5%</b>	<b>234.7</b>	<b>25.7 %</b>
Net financial income (expense)	(19.7)	(4.2)%	(11.8)	(2.6)%	(30.2)	(3.3) %
<b>Income before tax</b>	<b>99.3</b>	<b>21.1%</b>	<b>104.6</b>	<b>22.9%</b>	<b>204.5</b>	<b>22.4 %</b>
Tax	(28.7)	(6.1)%	(30.1)	(6.6)%	(57.0)	(6.3)%
Income from associates	0.3	0.1%	0.3	0.1%	0.4	0.1%
<b>Net income (attributable)</b>	<b>70.9</b>	<b>15.1%</b>	<b>74.8</b>	<b>16.4%</b>	<b>147.9</b>	<b>16.2 %</b>

### Simplified cash flow statement

(€ million)	31 July 2010*	31 July 2009*
Net income	70.9	74.8
Depreciation and amortization	33.8	30.8
Provisions	(4.6)	(8.7)
Other items	(2.2)	(1.8)
<b>Cash flow after net cost of debt and taxes</b>	<b>102.3</b>	<b>95.1</b>
Net change in WCR	(33.9)	(46.4)
Net change in leasing	(17.3)	(20.1)
Investments	(46.3)	(54.4)
Net changes from financing activities	(10.1)	(8.6)
Others	10.1	8.7
Effects of exchange rate movements on cash and cash equivalents	6.0	2.2
<b>Net change in cash and cash equivalents</b>	<b>10.8</b>	<b>(23.5)</b>
Net opening cash and equivalents	135.2	130.7
<b>Net closing cash and cash equivalents</b>	<b>146.0</b>	<b>107.2</b>

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