neopost **PRESS RELEASE**

2010: A SOLID PERFORMANCE

- **Sales up 5.8% to €965.6 million, up 2% at constant exchange rates**
- **Current operating margin[1] at 25.7% of sales**
- **Net income up 6.1% to €156.9 million**
- **Dividend up 10 centimes to €3.90 per share**

OUTLOOK FOR 2011

- **Sales expected to grow between 2% and 4% at constant exchange rates**
- **Current operating margin expected to be between 25.5% and 26% of sales**

Paris, 29 March 2011

Neopost, the European leader and world's number two supplier of mailroom solutions, today released its 2010 full-year results for the twelve-month period ended 31 January 2011.

Sales came to €965.6 million, up 5.8% compared with 2009, and up 2% at constant exchange rates.

2010 current operating income was up 5.7% to €248.1 million compared with €234.7 million in 2009. Current operating margin reached 25.7% of sales.

Net income reached €156.9 million, up 6.1% compared with 2009. 2010 net margin amounted to 16.2% of sales.

(€ million)	**2010**	**2009**	Change
Sales	**965.6**	**913.1**	+5.8%
EBITDA[2]	**313.7**	**297.1**	+5.6%
% of sales	*32.5%*	*32.5%*	
Current operating income	**248.1**	**234.7**	+5.7%
% of sales	25.7%	25.7%	
Net income	**156.9**	**147.9**	+6.1%
% of sales	*16.2%*	*16.2%*	
Net attributable income	**155.7**	**147.9**	+5.3%
Earnings per share (€)	**4.96**	**4.85**	+2.3%
Fully-diluted earnings per share (€)	**4.68**	**4.68**	+0.0%

Denis Thiery, Chairman and Chief Executive Officer of Neopost, stated:

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[1] Current operating margin = current operating income / sales
[2] EBITDA (€313.7 million) represents the sum of current operating income (€248.1 million) plus the depreciation of tangible assets (€47.8 million) and the amortisation of intangible assets (€17.8 million).

"After a year of recession during which our sales remained stable at constant exchange rates, we returned to growth in 2010 thanks to positive momentum in North America together with recovering equipment sales, particularly document systems. Our efforts to increase productivity enabled us to maintain margins at a high level and increase net income by more than 6%."

2010 sales increase

Over the whole of financial year 2010, Neopost sales amounted to €965.6 million, an increase of 5.8% compared with 2009, or 2% at constant exchange rates.

In North America, Neopost's largest market, sales increased by 4.8% at constant exchange rates despite the lack of a postal rate change in the United States. This growth was achieved thanks to the reorganisation undertaken in 2008 and 2009, the success of the IS range of mailing systems, and a good performance by document management systems.

In other countries, the situation was mixed. Sales were down 2.4% in France, where the market remained tough. In the UK, where the market was particularly badly affected by a freeze in public spending, sales were down 2.9% at constant exchange rates,

In Germany, where the environment is still volatile, sales increased by 1.2% at constant exchange rates. In the rest of the world, sales increased by 8.3% at constant exchange rates thanks to good performances by most European subsidiaries, particularly the Scandinavian distributors acquired in 2008 and 2009.

By type of revenue, equipment sales (30.5% of sales) were up 4% at constant exchange rates, mainly thanks to a good performance in North America. Recurring revenue (69.5% of sales) increased by 1.1% at constant exchange rates. After adjusting for changes in revenue resulting from postal rate changes , recurring revenue increased by about 3%.

By type of business, sales of mailing systems (68.9% of sales) was down 1.1% at constant exchange rates due to a lower level of revenue from postal rate changes. Document and logistics systems (31.1% of sales) grew by a strong 9.5% at constant exchange rates. This was due to the competitiveness of the products, particularly those of the high end segment, as well as the integration of Satori.

High current operating margin

Current operating income amounted to €248.1 million in 2010 compared with €234.7 million in 2009.

Current operating margin stood at 25.7% of sales.

Gross margin, as a percentage of sales, declined due to a revenue mix effect relating to the recovery in equipment sales and strong growth in the high end segment of document systems. Marketing and selling costs were optimised at 24.0% of sales. Research & Development expenses amounted to €30.5 million, 3.1% of sales, compared with €37.6 million in 2009. This decrease was due to a significant increase in the amount of R&D expenses capitalised, by the end of the development cycle for the IS range of mailing systems, and more systematic use of subcontractors.

For 2011, the Group anticipates R&D expenses to grow.

Net financial expense increased from €30.2 million in 2009 to €32.5 million in 2010. In the second half of 2009, Neopost arranged two new sources of financing -a private placement with Banques Populaires Caisses d'Epargne and a convertible bond (OCEANE) - with a view to preparing for the September 2010 repayment of a US private placement. This led to the Group bearing additional financial expenses during the first eight months of 2010. For 2011, the Group anticipates that net financial expense will be between €30 million and €31 million.

The average tax rate was virtually unchanged. In 2010 it amounted to 27.5% of income before taxes.

Net income amounted to €156.9 million in 2010, up 6.1% compared with €147.9 million in 2009. This represented 16.2% of sales.

Net attributable income stood at €155.7 million

Earnings per share amounted to €4.96 in 2010, a 2.3% increase compared with 2009. Earnings per share grew more slowly than net income because of an increase in the number of shares due to the fact that the dividend was partially paid in shares.

A stronger financial position

The Group has very high and strongly recurring operating cash flow. In 2010, operating cash flow amounted to €185.1 million, a 6.7% increase compared with 2009.

EBITDA amounted to €313.7 million, a 5.6% increase compared with 2009. Working capital requirement remained under control, and customer financing increased in line with the growth of financial services (leasing and postage financing). At 31 January 2011, the leasing portfolio was worth €571.6 million, compared with €511.7 million a year earlier, i.e. an increase of 10% at constant exchange rates.

Group net debt[3] declined from €716.0 million at the end of January 2010 to €688.5 million at the end of January 2011.

It should be pointed out that Group net debt is fully backed by future cash flow from the rental and leasing business.

Shareholders' equity increased sharply to €606.2 million at the end of January 2011 compared with €489.7 million a year earlier. Net debt was 1.1 times shareholders' equity in 2010 compared with 1.5 times in 2009. The coverage ratio -EBITDA to interest expense[4] - was 9.8 and the leverage ratio -net debt to EBITDA- was 2.2. After the September 2010 repayment of a $175 million and €25 million US private placement, Neopost still had undrawn credit lines worth €558 million at 31 January 2011.

Increased dividend

The Board of Directors has decided to ask the 5 July 2011 shareholder AGM for approval to pay a total dividend of €3.90 per share for 2010, an increase of 10 centimes compared with the previous year. Since the Group paid an interim dividend for 2010 of €1.65 per share on 11 January 2011, the additional amount to be paid in August 2011 is set to be €2.25 per share. Shareholders will have the option of accepting payment in shares.

For 2011, the Group expects to maintain a high dividend and continue with its policy of paying an interim dividend.

New product launches

In 2010, Neopost successfully launched two high end mailing systems, the IS 5000 and IS 6000, in the USA, and the new entry-level franking machine, the IS 280, in the UK.

In document management systems, the Group also successfully launched the DS 75, a mid-range folder/inserter.

[3] Net debt = Long term debt + short term debt – cash and cash equivalents
[4] Interest expense = net cost of debt

In 2011, Neopost will continue to launch particularly competitive and innovative document management systems, including the introduction of two folders/inserters, one entry-level and the other high end. The Group will also continue to roll out the IS range of mailing systems to all of its markets. A dedicated network will be set up (neoDirect) to optimise sales productivity when marketing the new entry-level franking machines. This is a segment in which the Group has a lower than average market share.

Outlook for 2011

The Group's momentum in North America is expected to continue thanks to the prospects for placing new mailing systems on the maturity of a substantial number of contracts arising from the 2006 decertification rounds in the USA and Canada (a 'decertification echo' effect). In Europe, performance in different markets is likely to remain mixed against a still uncertain and dull economic background.

As a result, the Group expects to generate sales growth of between 2% and 4% at constant exchange rates. Current operating income is expected to amount to 25.5% to 26% of sales.

Denis Thiery notes: ***"2011 is looking good. The growth rate is likely to pick up. We are particularly well prepared to take best advantage of the market opportunities in North America. Strengthening direct distribution, restructuring our organisation and renewing our product ranges will stand us in good stead for this. We continue to improve our business model, offering our customers around the world ever more effective and innovative solutions.***

Calendar

First quarter 2011 sales will be published on 31 May 2011, after market close.

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and number two world-wide supplier of mailing solutions. It has a direct presence in 18 countries, with 5,500 employees and annual sales of €966 million in 2010. Its products and services are sold in more than 90 countries, and the Group is 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 2010

Consolidated income statement summary

€ million	2010		2009	
Sales	**965.6**	**100.0%**	**913.1**	**100.0%**
Cost of sales	(207.5)	(21.5)%	(187.1)	(20.5)%
Gross margin	**758.1**	**78.5%**	**726.0**	**79.5%**
R&D expenses	(30.5)	(3.1)%	(37.6)	(4.1)%
Selling expenses	(231.5)	(24.0)%	(226.6)	(24.8)%
G&A expenses	(149.6)	(15.5)%	(138.4)	(15.2)%
Maintenance & other operating expenses	(88.7)	(9.2)%	(81.2)	(8.9)%
Employee profit-sharing	(9.7)	(1.0)%	(7.5)	(0.8)%
Current operating income (EBIT)	**248.1**	**25.7%**	**234.7**	**25.7%**
Proceeds from disposals and other	-	-	-	-
Operating income	**248.1**	**25.7%**	**234.7**	**25.7%**
Financial results	(32.5)	(3.4)%	(30.2)	(3.3)%
Income before taxes	**215.6**	**22.3%**	**204.5**	**22.4%**
Taxes	(59.3)	(6.2)%	(57.0)	(6.3)%
Results of associated companies	0.6	0.1%	0.4	0.1%
Net income	**156.9**	**16.2%**	**147.9**	**16.2%**
Minority interests	1.2		-	
Net attributable income	**155.7**		**147.9**	

Note: as usual in late March, audit procedures on consolidated accounts have been carried out. The certification report will be released once the management report is checked and the procedures required for the financial report's release are completed.

Financial year 2010

Consolidated balance sheet summary

ASSETS € million	31 January 2011	31 January 2010
Goodwill	755.0	747.9
Intangible assets	72.6	65.8
Tangible assets	135.5	140.0
Other non-current financial assets	25.7	14.9
Other non-current assets	19.5	19.1
Leasing receivables	571.6	511.7
Deferred tax assets	11.6	14.7
Inventories	57.4	56.3
Net accounts receivable	183.3	188.3
Other current assets	87.0	72.9
Current financial instruments	0.1	0.1
Cash & cash equivalents	136.3	138.7
TOTAL ASSETS	**2,055.6**	**1,970.4**

LIABILITIES € million	31 January 2011	31 January 2010
Shareholders' equity	606.2	489.7
Long-term provisions	9.7	8.9
Long-term debt	431.2	430.2
Short-term debt	393.6	424.5
Deferred tax liabilities	74.2	54.3
Other non-current liabilities	15.9	27.2
Deferred income	194.9	189.0
Current financial instruments	1.3	2.2
Other current liabilities	328.6	344.4
TOTAL LIABILITIES	**2,055.6**	**1,970.4**

Note: as usual in late March, audit procedures on consolidated accounts have been carried out. The certification report will be released once the management report is checked and the procedures required for the financial report's release are completed.

Cash flow statement summary

€ million	31 January 2011	31 January 2010
EBITDA	**313.7**	**297.1**
Other items	(7.3)	5.5
Cash flow before net cost of debt and taxes	**306.4**	**302.6**
Change in working capital requirement	(7.8)	(16.5)
Net change in leasing receivables	(51.1)	(38.1)
Cash flow from operations	**247.5**	**248.0**
Interest and tax paid	(62.4)	(74.6)
Net cash flow from operating activities	**185.1**	**173.4**
Capital expenditures	(68.4)	(59.8)
Financial investments	(14.4)	(73.7)
Disposal of assets and other	2.6	(0.3)
Net cash flow from investing activities	**(80.2)**	**(133.8)**
Capital increase	2.7	2.3
Dividends	(63.6)	(98.6)
Change in debt and other	(55.1)	58.7
Net cash flow from financing activities	**(116.0)**	**(37.6)**
Impact of exchange rates on cash	3.8	2.5
Net change in cash	**(7.3)**	**4.5**
Net opening cash	135.2	130.7
Net closing cash	127.9	135.2

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