



# Neopost

## 2005 Interim Results

October 2005

*3 October 2005*



## Disclaimer

### Safe Harbour Statement

This presentation contains forward-looking statements (made pursuant to the safe harbour provisions of the Private Securities Litigation Reform Act of 1995). By their nature, forward-looking statements involve risk and uncertainty. Forward-looking statements represent the company's judgement regarding future events, and are based on currently available information. Consequently the company cannot guarantee their accuracy and their completeness and actual results may differ materially from those the company anticipated due to a number of uncertainties, many of which the company is not aware of. For additional information concerning these and other important factors that may cause the company's actual results to differ materially from expectations and underlying assumptions, please refer to the reports filed by the company with the 'Autorité des Marchés Financiers'.



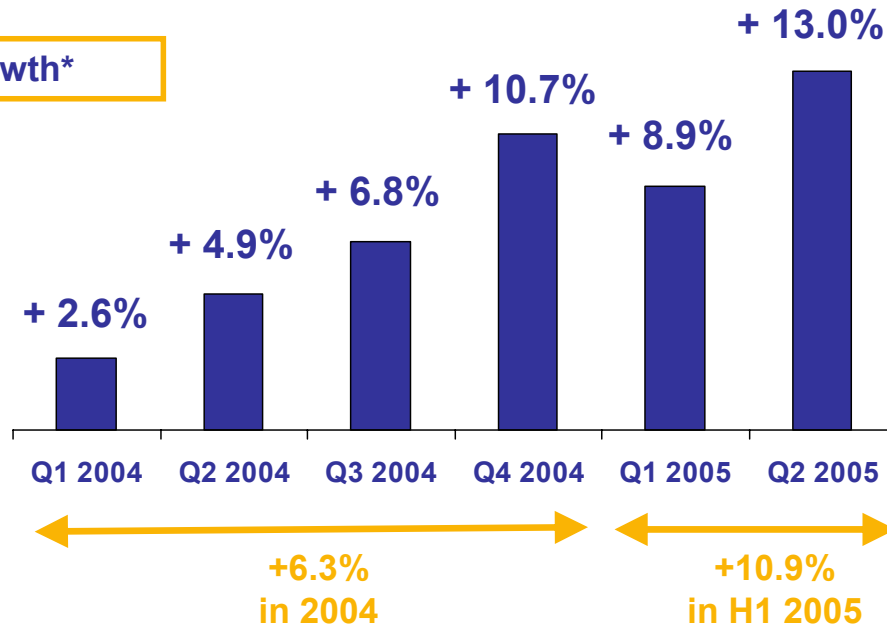
**First half 2005**

- **Very strong activity levels**
- **Further improvement in profitability**
- **Decertification: a process driving market growth**
- **Increased confidence in the future**



## Strong acceleration of growth

Sales growth\*



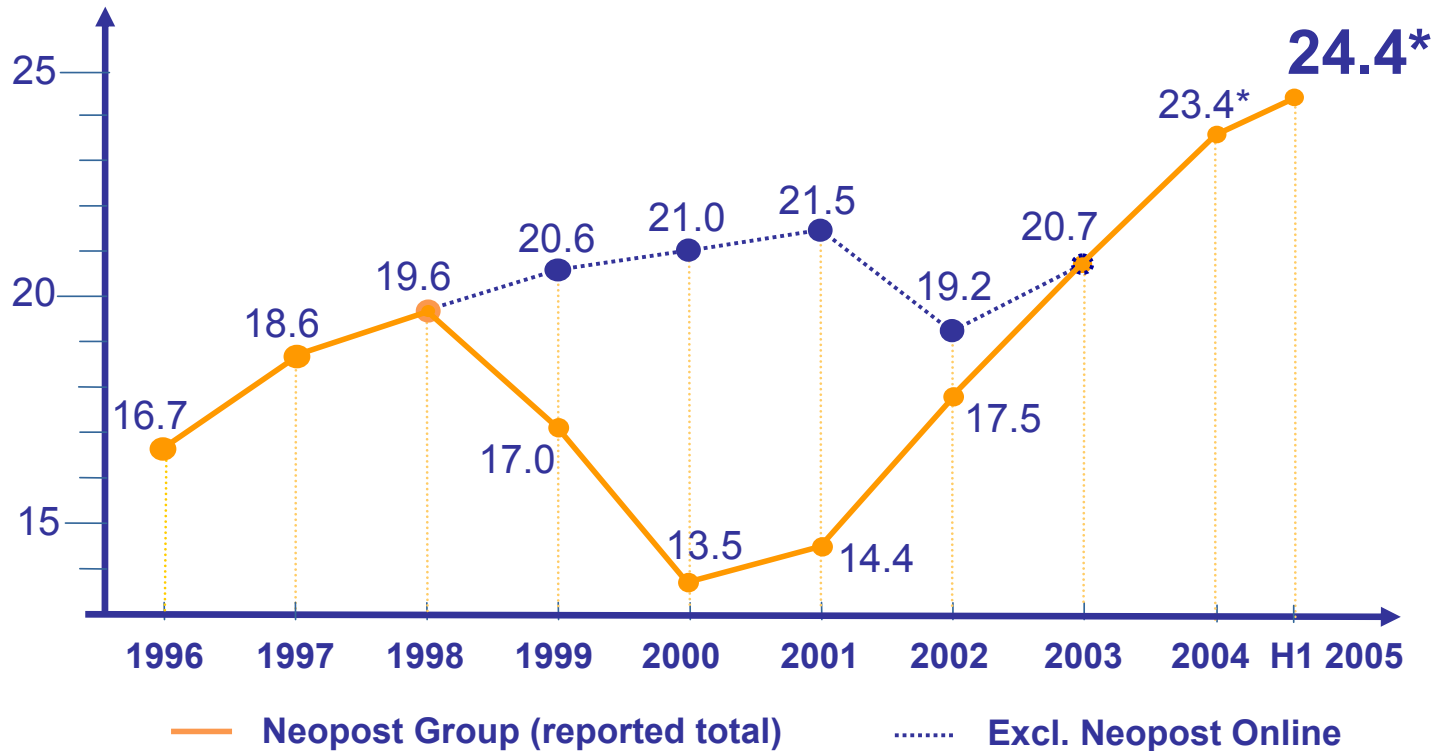
**Neopost's momentum: growth significantly above the market average**

\* Year on year comparison, on a like-for-like basis and at constant exchange rates, excluding the Stielow non-core businesses sold in September 2003 and March 2004.



## Record profitability levels

EBIT margin  
(EBIT/Sales, %)



\* 2005 = IFRS. 2004 = restated under IFRS. Under French standards 2004 = 23.4%



## A successful strategy (1)

- **Innovation**
  - Success of new products
- **SPG programme**
  - A more selective marketing policy
- **Decertifications**
  - Neopost is well positioned for the forthcoming deadlines
- **Value added services**
  - Strong growth in revenues from leasing and supplies



## A successful strategy (2)

- **Market coverage: control of distribution**
  - USA: optimising distribution
  - New European subsidiaries rapid expansion
    - Successful integration of acquisitions
    - Very strong sales in Belgium, Italy and the Netherlands
    - Gradual increase in performance in Norway and Ireland

**Sustained profitable growth**



## A highly complementary acquisition: BTA

- **May 2005: acquisition of BTA** (Switzerland)
  - Software company specialising in mail and print flow management software
  - Offering provides good fit with Neopost in the folder/insertter area
  - 2004 sales of around € 4 million (of which 40% with Neopost)



**Software solutions that broaden  
the middle and high end offer**



**First half 2005**

- **Very strong activity levels**

- **Further improvement in profitability**

- **Decertification: a process driving market growth**

- **Increased confidence in the future**

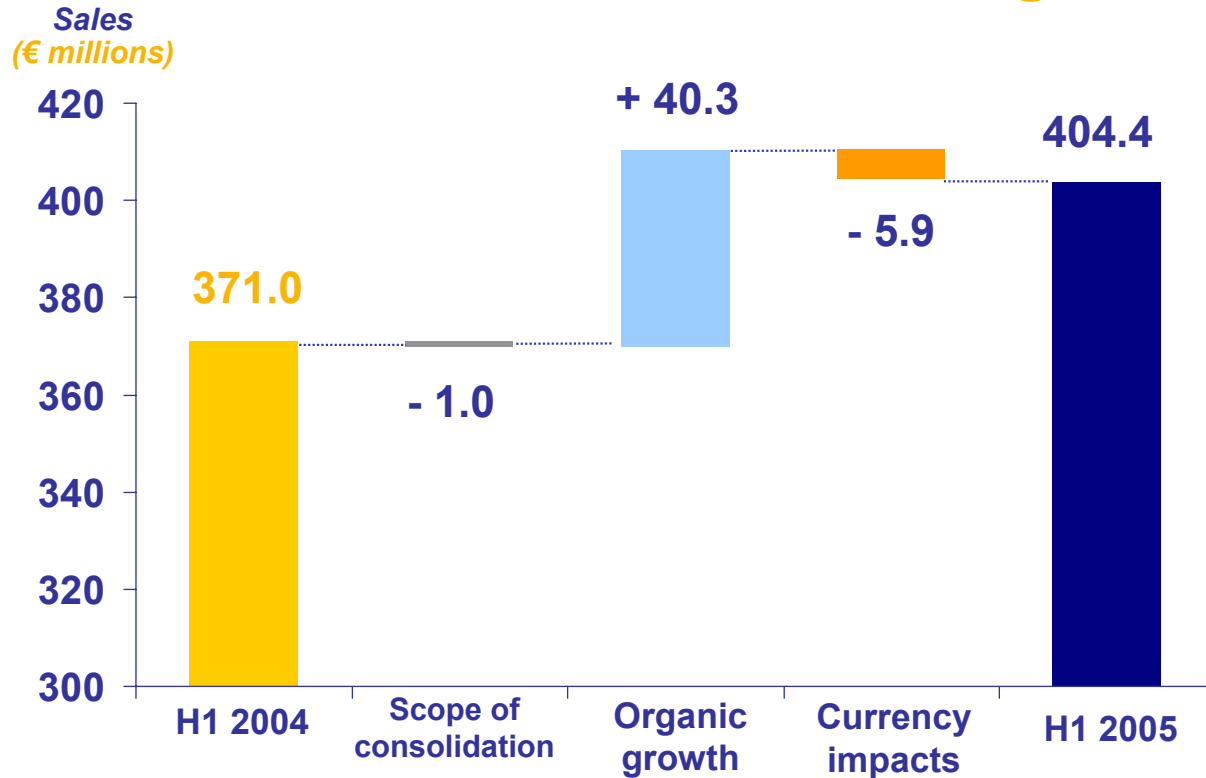


## 2005 first half accounts

- **Scope of consolidation virtually unchanged**
- **Limited currency impacts**
- **Introduction of IFRS in 2005 and restatement of 2004 figures under IFRS**



## Excellent level of organic growth

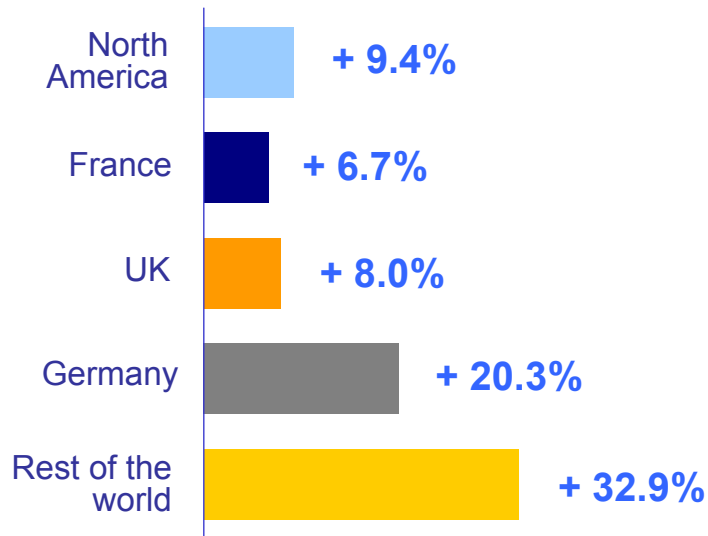


**Growth of 10.9% on a like for like basis  
and at constant exchange rates**

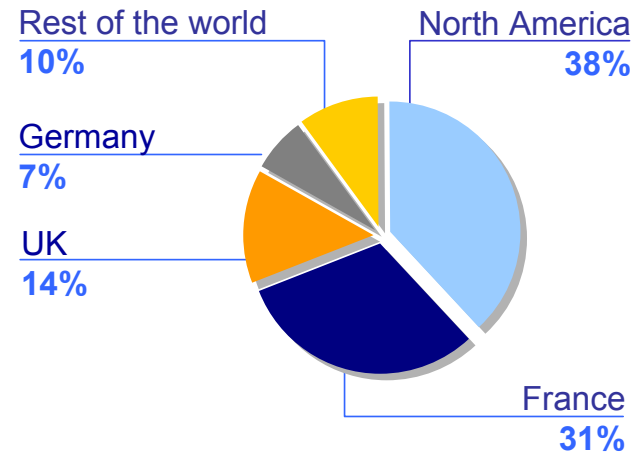


## Gains in all markets

Change H1 2005 / H1 2004 \*



H1 2005  
Sales: €404.4m



**Excellent welcome for new product ranges  
and a successful marketing policy**

\* on a like-for-like basis and at constant exchange rates



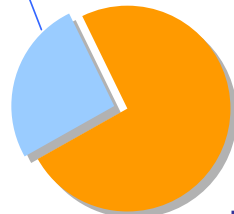
## Solid growth in all businesses

H1 2005

Sales: €404.4m

Document and logistics systems

25%



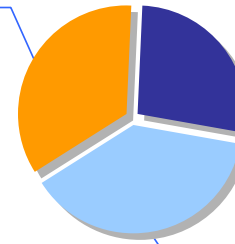
Mailing systems

75%

Supplies are now included under mailing systems

Rental & leasing

33%



Services and supplies

29%

Equipment sales

38%

Recurring revenue (62% of total sales) growing in line with total sales



## Development of services

- **Strong revenue growth from maintenance and supplies**
- **Success in the leasing offering:**
  - A marketing tool for management of the installed base
  - An offering in the process of being rolled out
  - Portfolio growth of 19.9%, from €245.7m at end-July 2004 to €294,6m at end-July 2005
  - Target portfolio size of €500m by end-2009

**Neopost is successfully expanding  
its service offering**



## Further improvement in margins

- Volume growth
- Shift to higher range products
- Postal rate changes (UK and France)
- Success of the SPG programme
- Continued profitability improvement in Germany
- Strength of newer subsidiaries, i.e. in the Netherlands, Italy and Belgium
- Control of currency impacts

A performance that confirms the relevance  
of Neopost's strategy



## Current operating margin of 24.4%

€m	H1 2004 IFRS	H1 2005 IFRS	Change %
<b>Sales</b>	<b>371.0</b>	<b>404.4</b>	+9.0%
<b>Gross margin</b> <i>As % of sales</i>	<b>277.9</b> <i>74.9%</i>	<b>306.7</b> <i>75.8%</i>	+10.4%
<b>EBITDA</b> <i>As % of sales</i>	<b>113.5</b> <i>30.6%</i>	<b>126.3</b> <i>31.2%</i>	+11.3%
<b>Current operating income</b> <i>As % of sales</i>	<b>82.3</b> <i>22.2%</i>	<b>98.9</b> <i>24.4%</i>	+20.2%

Exchange rates	2004	2005
Euro / USD	1.22	1.26
Euro / GBP	0.67	0.68



## A 31% increase in net income

<i>(€m)</i>	H1 2004 IFRS	H1 2005 IFRS	Change %
<b>Sales</b>	<b>371.0</b>	<b>404.4</b>	<b>+9.0%</b>
<b>Current operating income</b>	<b>82.3</b>	<b>98.9</b>	<b>+20.2%</b>
Results of disposals an other	0.7	0.7	
<b>Operating income</b>	<b>83.0</b>	<b>99.6</b>	
Financial results	(10.8)	(4.6)	
Tax	(23.6)	(31.1)	
Results of associated companies	0.5	0.6	
<b>Net income</b>	<b>49.1</b>	<b>64.5</b>	<b>+31.4%</b>
<i>As % of sales</i>	<b>13.2%</b>	<b>16.0%</b>	



## Improvement in working capital requirements

<i>(€m)</i>	07/2004 IFRS	01/2005 IFRS	07/2005 IFRS
Inventories	54	45	50
Trade receivables	124	180	138
Prepaid income	(109)	(145)	(112)
Other payables and receivables*	(230)	(281)	(268)
<b>Total excluding leasing</b>	<b>(161)</b>	<b>(201)</b>	<b>(192)</b>

-31

**Structurally negative working capital requirement**

\* Including postage prepayments for €65m at 07/2004; €72m at 01/2005; and €77m at 07/2005



## Strong cash generation

<i>(€m)</i>	<b>H1 2005 IFRS</b>
<b>EBITDA</b>	<b>126</b>
<b>Capital expenditure net of disposals</b>	<b>(40)</b>
<b>Change in WCR</b>	<b>(9)</b>
<b>Tax</b>	<b>(31)</b>
<b>Cash from operations</b>	<b>46</b>
<b>Change in loans to leasing</b>	<b>(8)</b>
<b>Cash flow*</b>	<b>38</b>

## Recurring cash flow from operations

\* Before debt service and dividends



## A healthy financial structure

<b>(€m)</b>	<b>07/2004 IFRS</b>	<b>01/2005 IFRS</b>	<b>07/2005 IFRS</b>
Financial debt excluding leasing	386	230	312
Cash & marketable securities*	(99)	(113)	(97)
Short-term loans to leasing	(92)	(89)	(97)
<b>Net financial debt excluding leasing</b>	<b>198</b>	<b>28</b>	<b>118</b>
Leasing debt	60	73	88
Short-term leasing debt from operations	92	89	97
<b>Total leasing debt</b>	<b>152</b>	<b>162</b>	<b>185</b>
<b>Total net debt</b>	<b>350</b>	<b>190</b>	<b>303</b>
<b>Shareholders' equity</b>	<b>381</b>	<b>507</b>	<b>462</b>
<b>Net debt/equity</b>	<b>91%</b>	<b>38%</b>	<b>66%</b>

**Low gearing despite rental and leasing businesses**

\* Including postage prepayments for €65m at 07/2004; €72m at 01/2005 and €77m at 07/2005



## A new share buy-back programme

- Approved by the AGM on 6 July 2005
- Covers a maximum of 10% of shares in issue
- Sell: minimum price of €52.50
- Buy: maximum price of €97.50

A programme designed to return value to shareholders and limit the dilutive effect of stock options



## First Half 2005

- Very strong business levels
- Further improvement in profitability
- Decertification: a process driving market growth
- Increased confidence in the future



## A driving force in the market

- **A process of technological obsolescence, bolstered by postal authorities' decisions**
  - Requirement to change franking machines by a given deadline
- **A relatively recent phenomenon**
  - First wave of decertification: USA 1999
- **A continuous and permanent process**
  - Programmes organised in successive waves, country by country, affecting each time a part of the installed base
  - Today's installed machines are tomorrow's decertified machines
- **Programmes put in place by the postal authorities in cooperation with suppliers of franking machines**

**An acceleration of the renewal process  
of the installed base of franking machines**



## Innovation and decertification

### ■ Acceleration of innovation and reduction in product life cycles:

- Digital printing
- Connected machines (resetting, data capture)
- Ink-jet printing
- Postage statistics
- Real-time postal rate changes, slogans, etc.
- Real-time changes in software functionalities
- Remote diagnosis
- Real-time ink management
- Consolidation of consumption, etc.

**Technological innovation drives  
the decertification process**



## Decertification: the US example

- **Meter decertification: a USPS programme designed to renew the installed base of franking machines and thus improve service and security**

	Decertification	Due date
Phase 1 :	Mechanical franking machines	1999
Phase 2 :	Franking machines without remote resetting	2001
Phase 3 :	Some non-digital franking machines	2006
Phase 4 :	All non-digital franking machines	2008
Phase 5 :	?	?



## Decertifications schedule

### ■ Recent decertifications

- USA 1999, USA 2001, UK 2002, Belgium 2004

### ■ Decertifications due in 2005

- Switzerland, Netherlands, Germany (2004/2005 – Frankit programme)

### ■ Planned decertifications

- USA 2006, USA 2008
- Canada 2006

### ■ Expected decertifications

- Germany, Netherlands, Italy, UK, USA, etc.

**Programmes are country-specific  
and vary in size**



## First half 2005

- Very strong business levels
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## Prospects for 2005

- **Sales growth above 7% in 2005, on a like-for-like basis and at constant exchange rates**
  - Strong business levels in 2<sup>nd</sup> half of 2005
  - Growth slower in 2<sup>nd</sup> half than in 1<sup>st</sup> half of 2005\* due to a high basis of comparison in 2<sup>nd</sup> half of 2004
- **Current operating margin above 24% of sales**
  - H2 2005 will not see the benefits of postal rate changes

**Continued improvements in Neopost's performance**

\* Year on year, on a like-for-like basis and at constant exchange rates



## Still further sources of growth and profitability

- **Decertifications**
- **Growth in services** (leasing, supplies and on-line services)
- **Refocusing on mid to high end products** (SPG)
- **ERP / CRM programmes**
- **Geographical expansion** (acquisition of distributors)
- **Technological development and related acquisitions** (i.e.: BTA)

**A strong growth potential**



## Prospects for 2006-2008

- Target sales growth of 5% per year on average, on a like-for-like basis and at constant exchange rates
- Current operating margin improvement of 30 to 50 basis points per year above the level reached in 2005

**Neopost offers good visibility  
on solid future performance**



# Neopost

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October 2005





# Appendices





## Consolidated balance sheet (1)

### Assets

(€m)

	01/2005 IFRS	07/2005 IFRS
Goodwill	496	503
Fixed intangible assets	37	43
Fixed tangible assets	131	135
Financial investments	7	8
Leasing receivables	257	295
Long-term deferred tax assets	46	47
Other long-term assets	3	5
Inventories	45	50
Trade receivables	180	138
Cash and marketable securities	118	97
Other short-term assets	22	24
<b>Total</b>	<b>1,342</b>	<b>1,345</b>



## Consolidated balance sheet (2)

### *Liabilities*

(€m)

	01/2005 IFRS	07/2005 IFRS
Shareholders' equity	507	462
Provisions	52	53
Financial debt	235	312
Leasing debt	73	88
Long-term deferred tax liabilities	27	27
Prepaid income	145	112
Other short-term liabilities	303	291
<b>Total</b>	<b>1,342</b>	<b>1,345</b>