neopost
WE VALUE YOUR MAIL

2005 FULL YEAR RESULTS

March / April 2006

DISCLAIMER

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A NEW VISUAL IDENTITY

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WE VALUE YOUR MAIL

FULL YEAR 2005

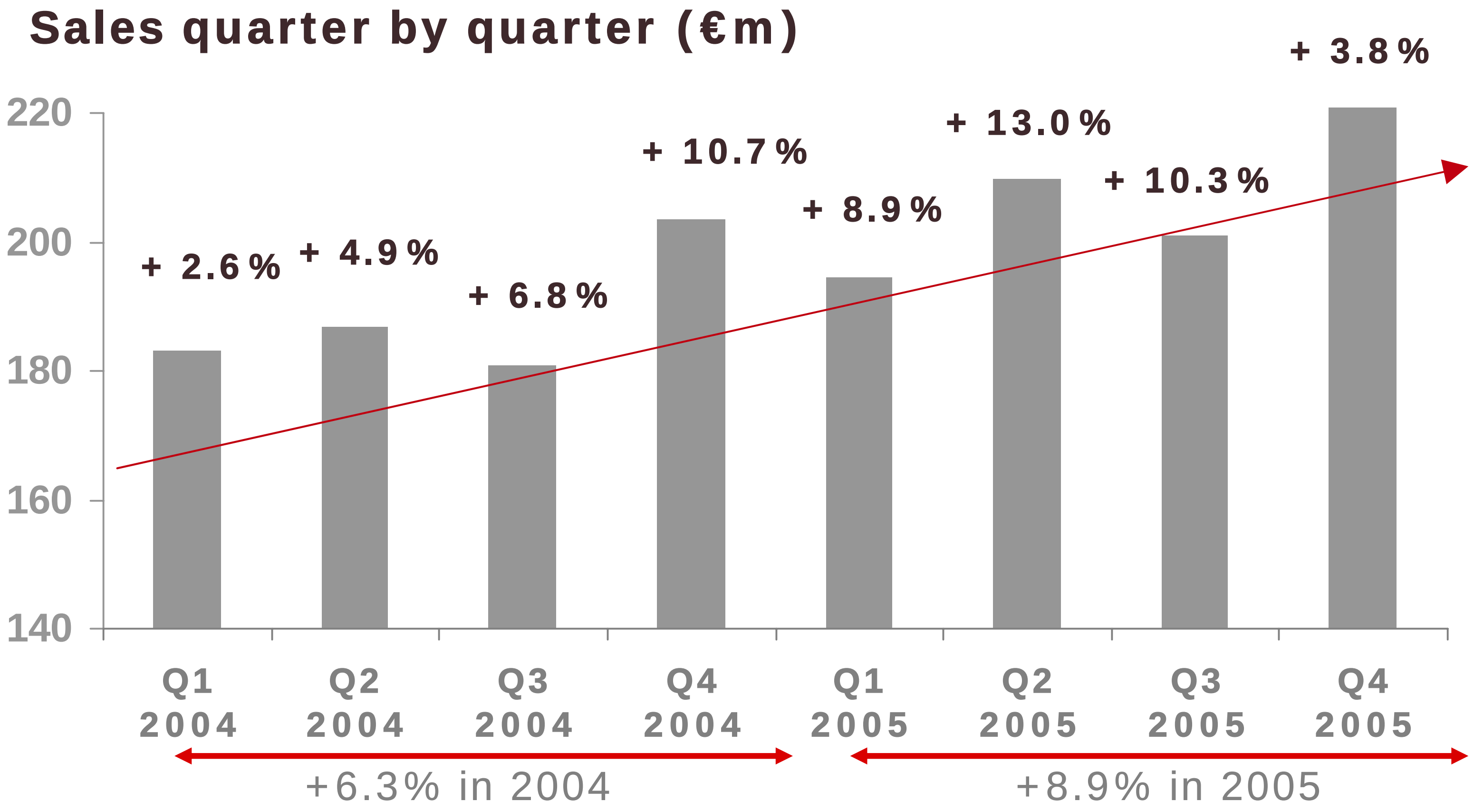
- 2005 in a snap shot
- 2005 full year accounts
- Neopost's model for profitable growth
- Promising outlook

2005 IN A SNAP SHOT

2005 IN A SNAP SHOT

- Strong growth
- Another strong increase in profitability
- High return to shareholders

STRONG ACCELERATION OF GROWTH

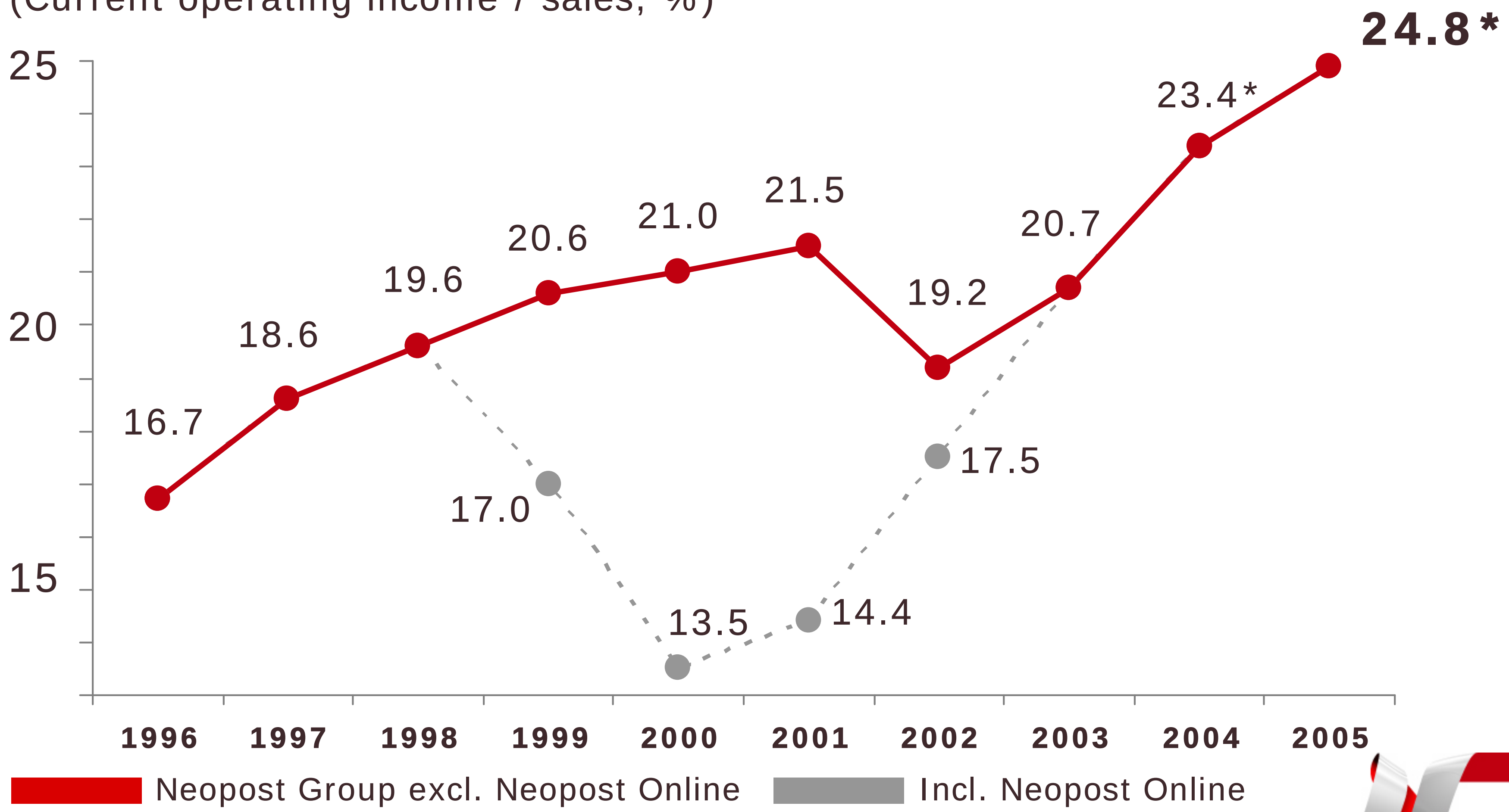


Growth constantly above the market average

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 LEVEL

Current operating margin
(Current operating income / sales, %)



* 2005 = IFRS. 2004 = restated IFRS. In French GAAP 2004 = 23,4%

BEHIND THESE ACHIEVEMENTS

- Success of new products
- Focus on high end segments
- Success of the marketing plan “Sustain Profitable Growth”
- Development of services
- Strength of the Neopost team and culture

Success of Neopost’s model

RETURN TO SHAREHOLDERS IN 2005

- 2004 dividend of €3.50 per share
  - **Ordinary dividend of € 1.50 per share => a pay-out of 43.9%**
  - **Special dividend of € 2.00 per share => linked to conversion of Neopost convertible bond in January 2005**
  - **A total amount of € 112m distributed to shareholders**

- Share buyback
  - **299,572 shares acquired between October 2005 and January 2006 (VWAP €82)**
  - **Representing an amount of €24.6m**

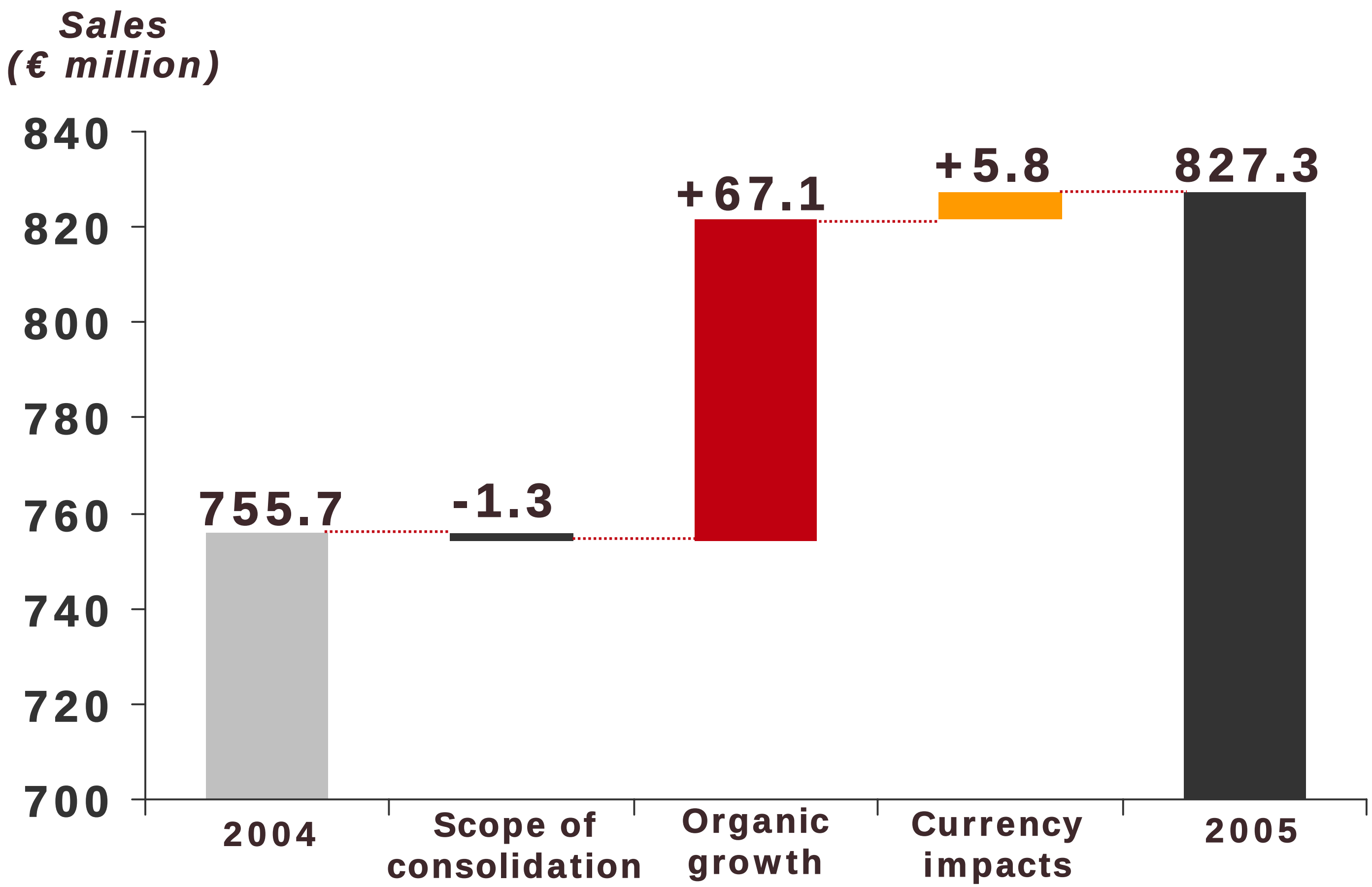
Neopost, a growth company,
shareholder driven

2005 FULL YEAR ACCOUNTS

2005 FULL YEAR ACCOUNTS

- Scope of consolidation virtually unchanged
- 2005 full year accounts under IFRS
- 2004 full year accounts restated under IFRS
- Limited currency impacts

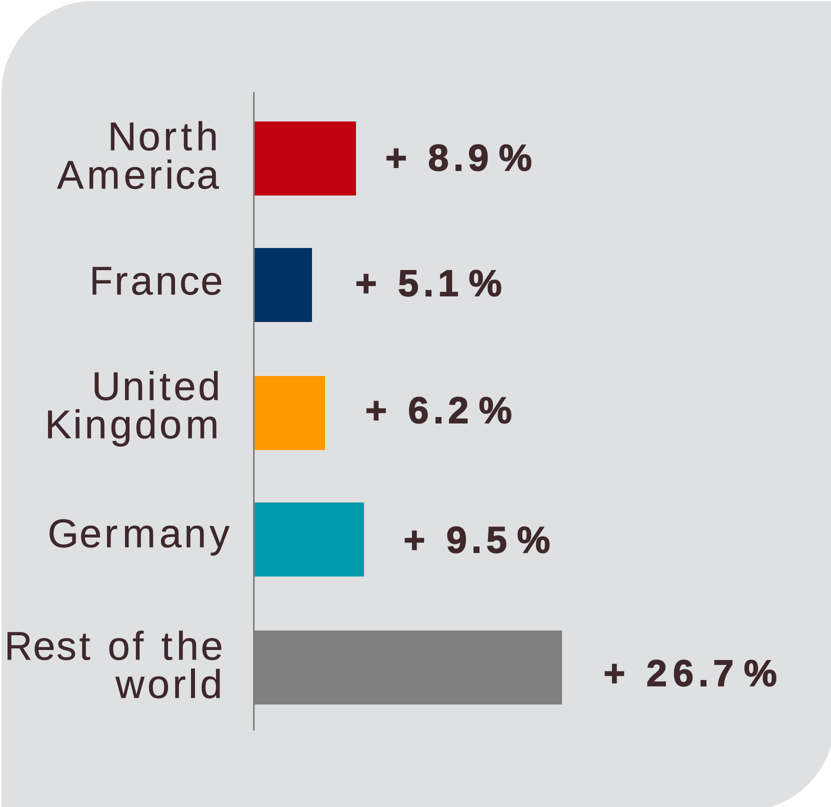
STRONG LEVEL OF ORGANIC GROWTH



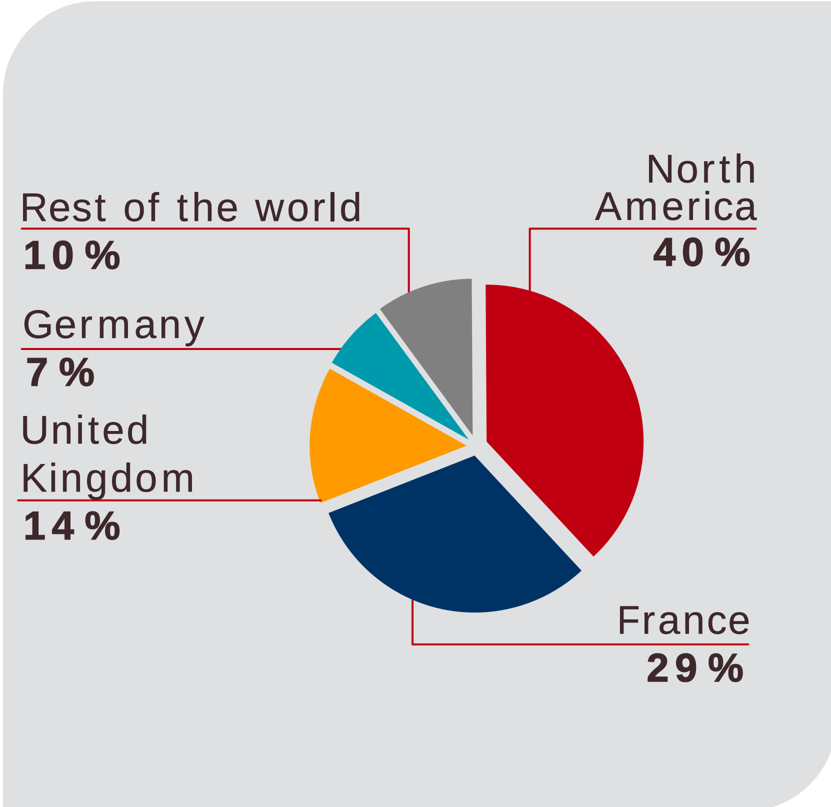
Growth of 8.9% on a like for like basis
and at constant exchange rate

STRONG GROWTH IN ALL MARKETS

Change 2005 / 2004 *



FY 2005 sales : € 827.3 m

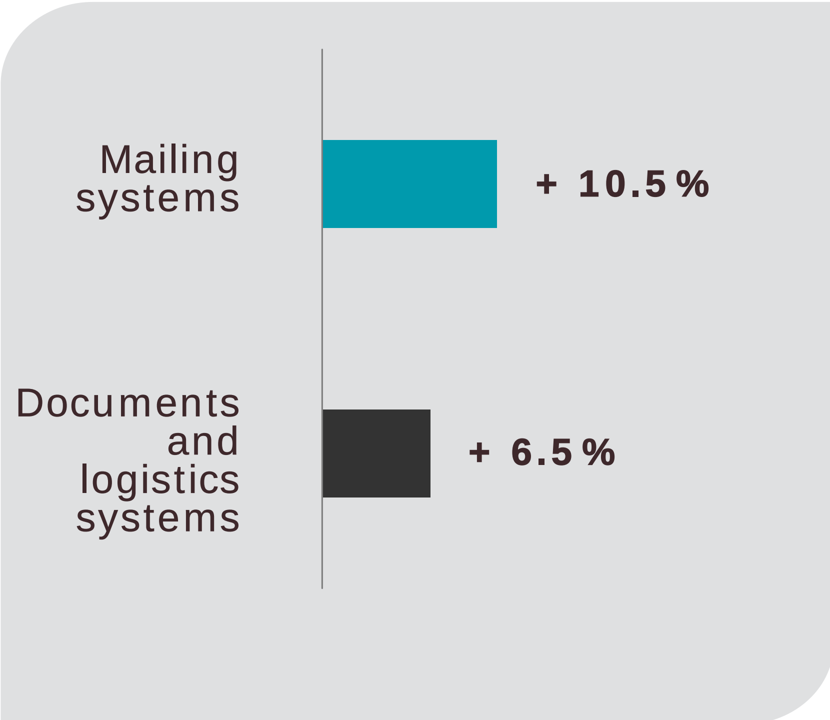


Success of Neopost's marketing strategy

* On a like for like basis and at constant exchange rates

STRONG GROWTH IN BOTH SEGMENTS

Change 2005 / 2004



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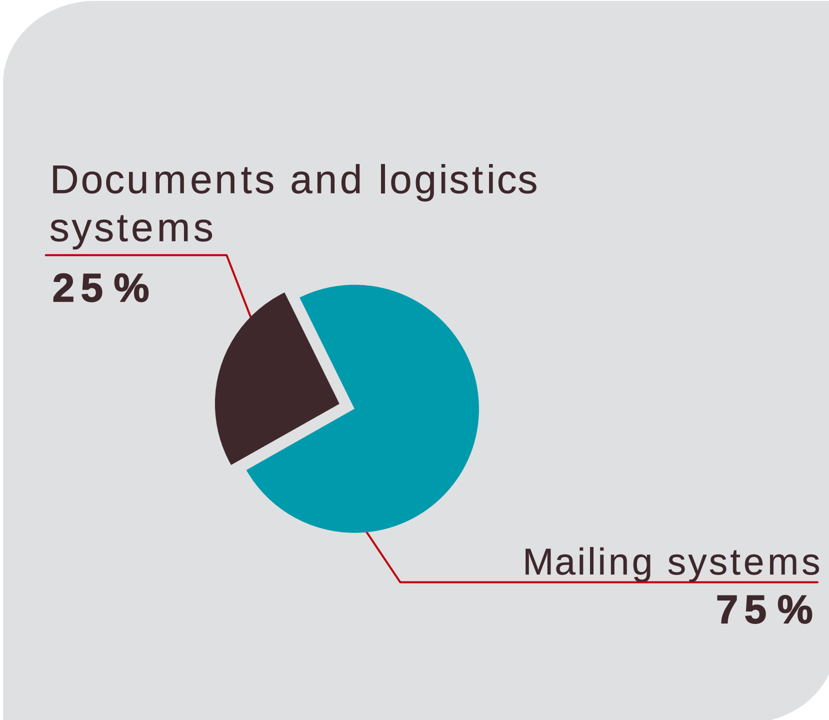
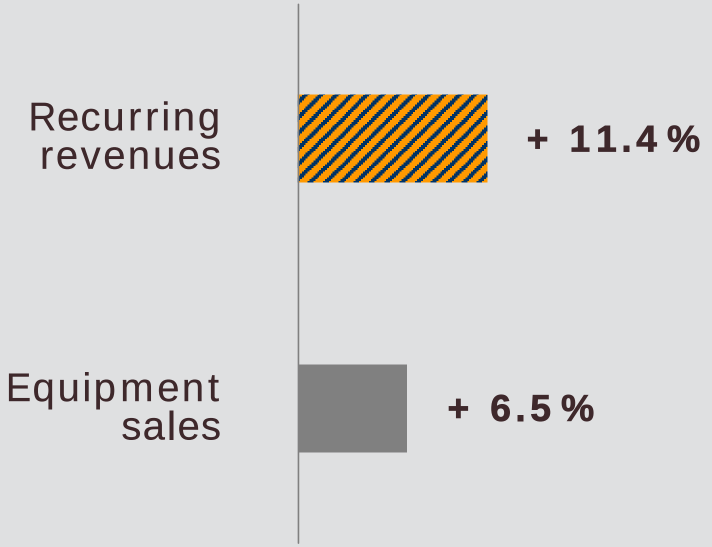


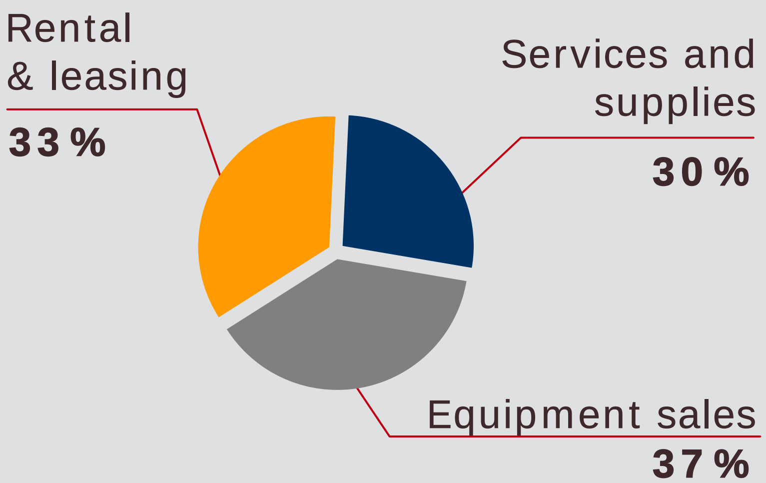
Success of Neopost new product ranges

STRONG GROWTH IN RECURRING REVENUES

Change 2005 / 2004



FY 2005 sales : € 827.3 m



Recurring revenues reached 63% of sales

FURTHER IMPROVEMENT IN MARGINS

- Volume growth
- Product mix (shift to more high end products)
- Cross selling
- Postal rate changes in France, UK and US
- Increased revenues from supplies
- Improved profitability in Germany
- Currency impacts under control

RECORD CURRENT OPERATING MARGIN OF 24.8%

In € million	FY 2004 IFRS	FY 2005 IFRS	Change %
Sales	756	827	+9.5%
Gross margin	569	632	+11.1%
As a % of sales	*75.2%*	*76.4%*	
EBITDA	239	266	+11.0%
As a % of sales	*31.7%*	*32.1%*	
Current operating income	177	205	+15.8%
As a % of sales	*23.4%*	*24.8%*	

€/$ 2005 = 1.23 and 2004 = 1.25 ; €/£ 2005 = 0.68 and 2004 = 0.68

A 32% INCREASE IN NET INCOME

In € million	FY 2004 IFRS	FY 2005 IFRS	Change %
Sales	**756**	**827**	**+9.5%**
Current operating income	**177**	**205**	**+15.8%**
Results of disposals and others	1	1	
Operating income	**178**	**206**	
Financial results	(24)	(12)	
Taxes	(51)	(57)	
Results of associated companies	1	1	
Net income	**104**	**138**	**+32.4%**
As a % of sales	***13.8%***	***16.7%***	

WORKING CAPITAL REQUIREMENTS

In € million	FY 2004 IFRS	FY 2005 IFRS	Change %
Inventories	45	49	**+9.1%**
Trade receivables	178	195	**+9.8%**
Prepaid income	(144)	(155)	**+7.1%**
Other payables and receivables	(282)	(280)	**-1.1%**
Total excluding leasing	**(203)**	**(191)**	**- 6.3%**

Working capital requirements under control

STRONG CASH FLOW GENERATION

In € million

	FY 2004 IFRS	FY 2005 IFRS
EBITDA	**239**	**266**
Capex (nets of disposals)	(78)	(90)
Change in working capital	34	(12)
Taxes	(51)	(57)
Cash from operation	**144**	**107**
Change in loans to leasing	(27)	2
Cash flow*	**117**	**109**

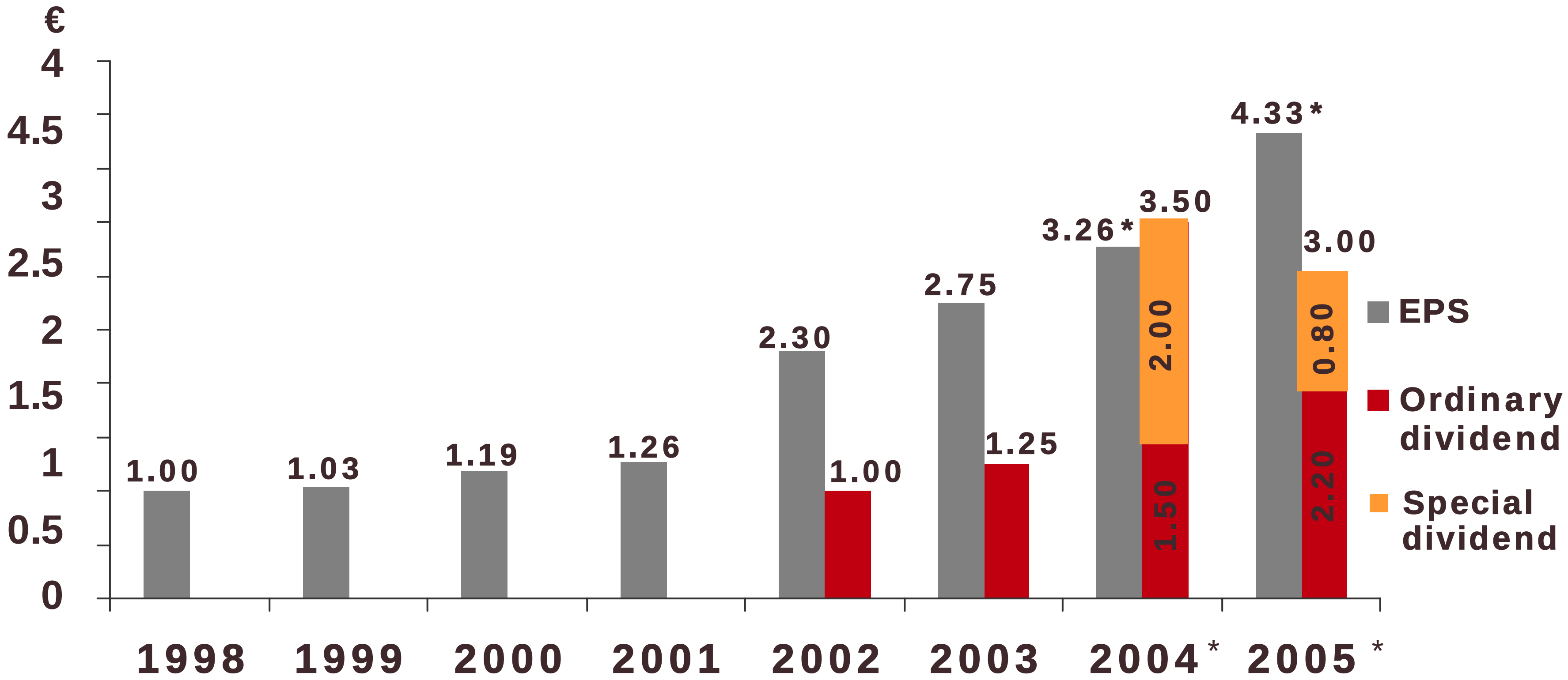
Recurring cash flows

* Before debt service and dividends and share buybacks

A VERY HEALTHY FINANCIAL STRUCTURE

In € million	FY 2004 IFRS	FY 2005 IFRS
Financial debt excluding leasing	236	299
Cash and marketable securities	(120)	(115)
Short term loans to leasing	(89)	(87)
Net financial debt excluding leasing	**27**	**97**
Leasing debt	73	105
Short term leasing debt from operations	89	87
Total leasing debt	**162**	**192**
Total net debt	**189**	**289**
Shareholders' equity	**507**	**518**
Net debt/equity	***37.4%***	***55,8%***

DIVIDEND AND EPS



Payout ratio (ordinary dividend)	2002	2003	2004*	2005*
	43.5%	45.4%	43.9%	50.0%

A total dividend of €3 per share for the financial year 2005, a yield of 3.4% (on the basis of a share price of €88)

* 2005 under IFRS standards; 2004 restated under IFRS

HISTORY OF SHARE BUY-BACKS AND DIVIDENDS

In € million	July 2003	July 2004	July 2005	July 2006
Net income (n-1)	70	83	104	138
Exercised stock options	0	1	4	12
Convertible bond	0	0	135	0
Impact on equity	**70**	**84**	**243**	**150**
Ordinary dividend	30	38	48	70
Special dividend	0	0	64	25
Share buy-backs	0	0	71	55
Return to shareholders	**30**	**38**	**183**	**150**
Number of shares (in million)	30.3	30.3	30.9	31.6

Around 2% of total shares repurchased in 2005/2006

DIVIDEND AND SHARE BUYBACK POLICY

- Excluding strategic acquisitions, minimum 100% of net income + increase in capital resulting from exercise of stock options will be returned to shareholders
  - **Ordinary dividend around 50% of net income**
  - **Around 2% of shares in circulation bought back every year**
  - **If need be, payment of a special dividend**
- New share buyback program will be submitted to the AGM (5 July 2006)
  - **Maximum amount: 10% of issued capital**
  - **Maximum price: 1.3x closing price on the day prior to the AGM**

Neopost can finance its internal growth while offering a very attractive return to shareholders

NEOPOST'S MODEL FOR PROFITABLE GROWTH

BENEFITING FROM A GROWING MARKET

- Acceleration of obsolescence / decertifications
- Development of services
- Increasing need for supplies

A favorable market environment

NEOPOST'S OWN SPECIFIC OPPORTUNITIES

- Lower proportion of digital products within Neopost installed base
  - **Acquisition of Ascom Hasler**
  - **Europe represents approximately 60% of Neopost installed base**
- Lower penetration in the high end segment
  - **Critical size to develop and launch a full range of machines was only reached in 2002**
- Lesser development of financial services
- A distribution which has yet to be further optimized

Neopost in a favorable position

HOW WILL NEOPOST SEIZE THESE OPPORTUNITIES ?

- Four successful strategic directions
  - **Technology**
  - **Geographical coverage**
  - **Increase productivity**
  - **SPG marketing approach**

- A clear priority: increase the revenue per customer

Commitment to sustain profitable growth

A CLEAR PRIORITY: INCREASE THE REVENUE PER CUSTOMER

- Improve customer mix / focus on high end
  - **Most profitable segment**
  - **Sales and marketing productivity**
  - **Cross-selling (product & services)**
- Increase revenues from services
  - **Large range of additional services**
  - **More recurring revenues**
  - **Higher profitability**
- Extend presence on the entire value chain
  - **Optimization of distribution**
- Accelerated switch to digital / inkjet technology

Room for further profitable growth for Neopost

ACTION PLAN

- Capitalize on technology
- Focus on high end
- Expand services
- Optimize distribution
- Implement productivity programs

Room for further profitable growth for Neopost

CAPITALIZE ON TECHNOLOGY

- Technology will continue compressing the life span of products
  - **About 10 years in 1999**
  - **About 5/6 years in future (e.g. average length of lease contracts)**
  - **Echo effect that makes decertifications recurring**

➡ **True for franking machines (accelerated by decertifications) but also for folders/inserters**

- Leverage
  - **Innovation and new products**
  - **Significant part of Neopost installed base is not digital / inkjet yet**
  - **Bigger opportunity for the challenger**

More frequent market opportunities

FOCUS ON HIGH END

- Franking machines
  - Price range from 1 to 25
  - Full high end range only started to be available in Q4 2004
  - Should take 5 to 8 years to get a fair market share in high end
- Folders/inserters
  - Price range from 1 to 15
  - Products upgrade for existing customers
  - Product range to be extended towards higher end

➡ **Cross selling and services**

- Leverage
  - R&D focus on high-end solutions (hardware & software)
  - Sales force drive (training, incentives, CRM)

More revenue and cross selling opportunities

EXPAND EXISTING SERVICES (1/2)

- Supplies
  - **Growth linked to:**
    - the increasing proportion of ink jet and digital machines in the installed base
    - the move to high end customers
  - **11% of sales in 2005 vs. 6% in 2001**
  - **Double digit growth will continue in the years to come**

Additional profitable recurring revenue per customer

EXPAND EXISTING SERVICES (2/2)

- Leasing
  - **An extremely valuable business to be in**
    - Control of the installed base (5/6 year contracts)
    - Make sales of hardware more recurring (echo effect of decertifications)
    - Very profitable business
  - **In 2005**
    - Leasing represents 6% of sales vs. 4.7% in 2002 (pro forma*)
    - Launch of programs in Italy, Ireland and Belgium
    - In the US, new program dedicated to dealers
    - Further developments in Germany
  - **Objective: a portfolio value of €500m by 2009**
    - On 31/01/06, portfolio of €320m (+24.5% versus last year), on track with objective
  - **Double digit growth will continue to apply to both portfolio and sales in the years to come**

Additional profitable recurring revenue per customer

* 2002 sales including Ascom Hasler on 12 months

LAUNCH NEW SERVICES (1/2)

- Postage financing
  - **To be launched mid 2006 in the US**
    - Provides service continuity and ease of use
    - Possible where postage has to be prepaid (prepayment markets)
    - Transforms a prepayment market into a post payment market
    - Successful service offered by competition on its own installed base
  - **The upgrade of Neopost credit worthiness makes it possible**
  - **Extra revenue that should represent around 2% of Group sales in 5 years**
  - **Eventually, a business as profitable as leasing**

Additional profitable recurring revenue per customer

LAUNCH NEW SERVICES (2/2)

- Online services
  - **Roll-out in the US first (mid 2006), then UK and France**
    - Management of letter traceability (delivery confirmation)
    - Ink alert
    - Mail accounting consolidation
    - Online rate downloads
    - Parcel shipping management
    - Remote maintenance diagnosis (also true for document systems)...
  - **Online services will generate additional revenues**

Additional profitable recurring revenue per customer

OPTIMIZE DISTRIBUTION (1/2)

- To ensure complete market coverage, Neopost uses a mix of direct and indirect distribution channels
- Both channels are equally profitable, margin wise
- In the US, Neopost offers 2 brands through 2 separate distribution networks
- Wherever / whenever market structure justifies it, Neopost will favor direct channel, as
  - **It allows a better control on growth strategy**
  - **It allows to benefit from same profitable margins, but on 100% of sales**
- Neopost will progressively reorganize its distribution to be more efficient

Better control of the value chain

OPTIMIZE DISTRIBUTION (2/2)

- In Europe, further distributor acquisitions possible (Scandinavia, Spain, Switzerland)
- A pragmatic approach in the US
  - **Merger of all Hasler's direct branches with Neopost's as of February 2005**
    - Boston, Chicago, New York and New Jersey
  - **Acquisition of 8 dealers in 2005 / 2006 in the following states:**
    - Ohio, Pennsylvania, California, Massachusetts, Oregon and Tennessee
  - **In some instances acquisition of a dealer by another dealer or acquisition of a territory by a dealer**
  - **At the end of 2005, 24% of the US market covered by only one channel, versus 0% in 2004**

Better control of the value chain

IMPLEMENT PRODUCTIVITY PROGRAMS

- Strong CRM developments will pay off in the next 3 years
- Reorganization planned in several countries
  - **Merger of the customer services of Satas and Neopost France**
  - **Centralization of leasing back-offices in Europe**
  - **Optimization of the supply chain**
- Volume effect

Further improvement
in current operating margin

PROMISING OUTLOOK

PROMISING OUTLOOK

- 2006
  - **High base of comparison**
    - higher revenues from postal rate changes in 2005
  - **Top line organic growth above 7%**
  - **EBIT margin above 25%**

- Mid-term target: 2008
  - **Sales of €1bn (at today's €/$ exchange rate)**
  - **EBIT margin of 26%**

CONCLUSION

- Solid fundamentals
  - Pure player
  - Good market conditions (further growth led by technology)
  - Strong recurring revenues
  - Healthy financial structure
  - Strength of team and culture
- Room for further profitable growth
  - Significant own specific opportunities
  - Proven capacity to generate and seize opportunities
  - Clear and profit oriented strategy: commitment to increase revenue per customer
- Strong return to shareholder
  - Dividend policy
  - Share buy back program

APPENDIX

CONSOLIDATED BALANCE SHEET (1/2)

Assets

In € million

	FY 2004 IFRS	FY 2005 IFRS
Goodwill	496	514
Fixed intangible assets	37	50
Fixed tangible assets	131	131
Financial investments	7	11
Other long term assets	3	4
Leasing receivables	257	320
Differed tax assets	46	47
Inventory	45	49
Trade receivables	178	195
Other short term assets	22	23
Cash and marketable securities	120	115
TOTAL	**1,342**	**1,459**

CONSOLIDATED BALANCE SHEET (2/2)

Liabilities

In € million

Liabilities	FY 2004 IFRS	FY 2005 IFRS
Shareholders' equity	507	518
Provisions	52	49
Long term financial debt	174	190
Leasing debt	73	105
Short term financial debt	62	109
Deferred tax liabilities	27	30
Prepaid income	144	155
Other short term liabilities	303	303
TOTAL	**1,342**	**1,459**

POSTAL RATE CHANGES 2005/2006