

FIRST HALF 2011: STRONG SALES GROWTH AND MARGINS IN LINE WITH THE 2011 PLAN

- H1 2011 sales up 2.7% or 5.9% at constant exchange rates
- H1 2011 current operating margin¹: 25.0%
- Announcement of an optimization plan for 2011-2012

2011 OUTLOOK CONFIRMED

- Expected sales growth of between 4% and 6% at constant exchange rates
- Expected 2011 current operating margin between 25.5% and 26%

Paris, 27 September 2011

Neopost, the European leader and number two worldwide supplier of mailroom solutions, today announced its results for the first half of 2011 (period ended 31 July 2011).

During the first half of the year, the Group generated total sales of €483.6 million, up 2.7% or 5.9% at constant exchange rates. Current operating income totalled €120.8 million in the first half of 2011 compared with €118.9 million in the first half of 2010. Current operating margin¹ reached 25.0% compared with 25.3% in the first half of 2010.

Notably as a result of the reduction in financial expenses, net income came to €76.4 million excluding the impact of the provision for optimization, an increase of 7.7% relative to the first half of 2010, giving a net margin² of 15.8%. After the impact of the provision for optimization, net income was €63.7 million.

(€ million)	H1 2011	H1 2010	Change
Sales	483.6	470.9	+2.7% ³
Current operating income	120.8	118.9	+1.6%
% of sales	25.0%	25.3%	
Provision for optimization	(19.5)	-	-
Net income	63.7	70.9	-10.1%
% of sales	13.2%	15.1%	
Net attributable income	63.2	70.9	-10.5%
Earnings per share	1.96	2.30	-14.8%
Fully diluted earnings per share	1.91	2.15	-11.2%

H1 2011 Excluding impact of provision	Change
483.6	+2.7% ³
120.8 25.0%	+1.6%
-	-
76.4 15.8%	+7.7%
75.9	+7.4%
2.36	+2.6%
2.26	+5.1%

¹ Current operating margin = current operating income / sales

² Net margin = net income / sales

³ +5.9% at constant exchange rates

Denis Thiery, Chairman and Chief Executive Officer of Neopost, stated: *"The first half of the year reflects the acceleration in growth we had expected. This confirms the solidity of our operations in North America, as well as the improved situation in our main European markets and brisk momentum in the rest of the world, amplified by the integration of our Australian distributor. We have managed to maintain high current operating margin while continuing to invest in our core business. Indeed we launched and rolled-out new products, we adopted a new distribution channel to cover the entry-level segment and we created a regional head office in Singapore in order to consolidate our expansion in the Asia-Pacific region."*

First half 2011 sales up 5.9% at constant exchange rates

Sales increased by 2.7% year-on-year in the first half of 2011, or by 5.9% at constant exchange rates. Growth was seen in nearly all components of sales.

By region, the positive momentum demonstrated by Neopost over the last few quarters in North America continued with growth of 8.2% at constant exchange rates. This strong growth was achieved thanks to an optimised organisational structure and renewed product ranges, enabling Neopost to continue to seize opportunities relating to the expiry of a significant number of contracts signed at the time of decertification programmes in 2006 in the United States and Canada (decertification echo effect).

Improvement was seen in the three major countries in which the Group operates in Europe. Sales rose by 2.9% in Germany and 3.7% in the United Kingdom at constant exchange rates. In France, sales slightly decreased by 0.8% due to a fall in rental revenues relating to weak equipment placements in previous years.

In the rest of the world, sales increased by 16.5% at constant exchange rates thanks to the first two months of consolidation of GBC Australia and the Group's positive momentum in other markets, in particular Scandinavia, Belgium and Switzerland.

By business line, sales of mailing systems increased by 5.3% at constant exchange rates in the first half of 2011 thanks to the success of the IS range, particularly in North America. Mailing systems accounted for 68.8% of the Group's total sales in the first half of 2011.

Sales of document and logistics systems saw further growth of 7.1% at constant exchange rates thanks to the competitiveness of the Group's products and services.

By type of revenue, equipment sales saw brisk growth of 11.7% at constant exchange rates in the first half of 2011 on the back of the success of all the Group's product ranges, whether mailing systems or document and logistics systems.

Recurring revenue increased by 3.4% at constant exchange rates, representing 68.9% of total sales in the first half of 2011.

Current operating income

Current operating income totalled €120.8 million in the first half of 2011 compared with €118.9 million in the first half of 2010, with current operating margin of 25.0% compared with 25.3% in the year-earlier period.

This performance - in line with the Group's plan for 2011 - is mainly due to mix effects, to investment relating to the implementation of a new distribution channel for the entry-level segment, as well as the slightly dilutive impact on operating margin of the consolidation of GBC Australia acquired in early June and the creation of a regional head office to cover the Asia-Pacific region.

Optimization plan 2011-2012

The Group has decided to launch an optimization plan in the United States and Europe in order to continue to streamline its organisational structure and create new momentum.

This plan follows the similar logic of the 2008 optimization plan which generated €7 million of synergies per year and created a strong dynamic, notably in the US.

In the United States, the logistics activities currently based in Austin, Texas are to be transferred to Milford, Connecticut in order to allow for greater integration into Neopost USA.

In France, Neopost is planning to combine its two distribution subsidiaries Neopost France and Satas after obtaining opinion from employee representative bodies. This would allow it to use a single brand name and optimise coverage of the French market, while also creating new sales and marketing momentum.

In addition, the Group is planning to transfer its development and technical support activities for envelope printers from the current location of the Munich area, in Germany, to Bagneux in order to consolidate its research and development and supply chain activities.

The Group has also begun to implement a new organisational structure to cover the entry-level market segment. In some countries, this will result in restructuring costs.

A provision of €19.5 million has been set aside in the financial statements as of 31 July 2011 for costs resulting from this optimization plan. This plan is expected to generate savings of around €7-8 million a year from 2013 onwards.

Net income

As expected, net cost of debt decreased following repayment of the private placement in September 2010, to €15.3 million compared with €18.4 million in the first half of 2010

The average tax rate fell slightly to 28.5% in the first half of 2011 compared with 28.9% in the first half of 2010.

Net income for the first half of 2011 excluding provision for optimization increased by 7.7% to €76.4 million compared with €70.9 million. Net margin also improved to 15.8% from 15.1% in the year-earlier period.

The net impact (after tax) of the provision for optimization was €12.7 million. After provision, net income was €63.7 million, or €63.2 million attributable to the Group.

Solid financial position

EBITDA⁴ came to €152 million, virtually stable relative to the first half of 2010 (down 0.2%). Despite temporary slight deterioration in the working capital requirement - which is nevertheless still highly negative - and the continuing expansion of the leasing business, net cash flow from operating activities remained high at €49.5 million in the first half of 2011.

The Group continued to develop its leasing portfolio (€570 million at 31 July 2011, an increase of 8% at constant exchange rates relative to 31 July 2010) and acquired its distributor in Australia.

Net debt was reduced to €703.1 million at 31 July 2011 compared with €727.5 million a year earlier. The Group's debt is used to finance equipment placed with its customers and is more than covered by future cash flows from leasing and rental activities.

At 31 July 2011, shareholders' equity increased significantly to €627.6 million compared with €541.6 million a year earlier, thanks to the net income and the creation of new shares relating to partial payment of the dividend in shares.

Gearing therefore improved to 112% compared with 134% a year ago. The ratio of net debt to EBITDA also improved to 2.2 compared with 2.4. The Group meets its banking covenants.

At 31 July 2011, the Group had undrawn credit lines of €515 million.

2011 outlook confirmed

The Group confirms its target of sales growth of between 4% and 6% relative to 2010 at constant exchange rates.

The Group also confirms its forecast of current operating margin of between 25.5% and 26% in 2011.

Denis Thiery concludes: ***"In the light of our solid first-half performance, we are confident about the rest of the year. This is the result of the strategic, technological and organisational decisions we have made. In order to continue to prepare for the future, we have decided to further optimise our organisational structure so as to enhance our sales efficiency in particular. The momentum and synergies we expect to achieve will be in addition to the objectives we have set concerning the continuing roll-out of our products and services, the greater penetration of the entry-level segment and the growth in the Asia-Pacific region."***

Calendar

Third quarter 2011 sales will be published on 1 December 2011 after market close.

⁴ EBITDA is the sum of current operating income and depreciation of tangible assets and intangible assets





PRESS RELEASE

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and number two world-wide supplier of mailing solutions. It has a direct presence in 19 countries, with 5,700 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 and is included in the SBF 120 index.

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First half 2011

Consolidated income statement

In € million	H1 2011 (ended 31/07/2011)		H1 2011 excl. provision for optimization		H1 2010 (ended 31/07/2010)		2010	
Sales	483.6	100.0%	483.6	100.0%	470.9	100.0%	965.6	100.0%
Cost of sales	(105.5)	(21.8)%	(105.5)	(21.8)%	(96.4)	(20.5)%	(207.5)	(21.5)%
Gross margin	378.1	78.2%	378.1	78.2%	374.5	79.5%	758.1	78.5%
R&D expenses	(15.2)	(3.1)%	(15.2)	(3.1)%	(17.4)	(3.7)%	(30.5)	(3.1)%
Selling expenses	(119.5)	(24.7)%	(119.5)	(24.7)%	(116.9)	(24.8)%	(231.5)	(24.0)%
G&A expenses	(75.2)	(15.6)%	(74.2)	(15.6)%	(74.2)	(15.7)%	(149.6)	(15.5)%
Maintenance and other operating expenses	(43.0)	(8.9)%	(43.0)	(8.9)%	(43.8)	(9.3)%	(88.7)	(9.2)%
Employee profit-sharing and share-based payments	(4.4)	(0.9)%	(4.3)	(0.9)%	(3.3)	(0.7)%	(9.7)	(1.0)%
Current operating income	120.8	25.0%	120.8	25.0%	118.9	25.3%	248.1	25.7%
Income from asset sales and other	-	-	-	-	0.1	0.0%	-	-
Provision for optimization	(19.5)	(4.0)%	-	-	-	-	-	-
Operating income	101.3	21.0%	120.8	25.0%	119.0	25.3%	248.1	25.7%
Net financial income (expense)	(14.7)	(3.0)%	(14.7)	(3.0)%	(19.7)	(4.2)%	(32.5)	(3.4)%
Income before tax	86.6	18.0%	106.1	22.0%	99.3	21.1%	215.6	22.3%
Tax	(23.4)	(4.9)%	(30.2)	(6.3)%	(28.7)	(6.1)%	(59.3)	(6.2)%
Income from associates	0.5	0.1%	0.5	0.1%	0.3	0.1%	0.6	0.1%
Net income	63.7	13.2%	76.4	15.8%	70.9	15.1%	156.9	16.2%
Attributable to minorities	0.5	-	0.5	-	-	-	1.2	-
Net attributable income	63.2	-	75.9	-	70.9	-	155.7	-

First half 2011

Consolidated balance sheet summary

ASSETS (€ million)	31 July 2011	31 July 2010	31 January 2011
Goodwill	792.4	760.9	755.0
Intangible assets	75.8	66.7	72.6
Property, plant and equipment	134.9	146.8	135.5
Other non-current financial assets	30.6	21.7	25.7
Leasing receivables	569.8	549.7	571.6
Other non-current receivables	10.9	20.2	19.5
Deferred tax assets	15.1	12.9	11.6
Inventories	69.4	64.3	57.4
Receivables	169.7	171.9	183.3
Other current assets	95.1	78.9	87.0
Financial instruments	0.1	0.7	0.1
Cash and cash equivalents	160.9	153.6	136.3
TOTAL ASSETS	2,124.7	2,048.3	2,055.6

EQUITY & LIABILITIES (€ million)	31 July 2011	31 July 2011	31 January 2011
Equity	627.6	541.6	606.2
Provisions for liabilities and charges (non-current)	10.1	9.0	9.7
Non-current financial liabilities	429.6	430.7	431.2
Other non-current liabilities	12.3	22.8	10.6
Current financial liabilities	434.3	450.5	393.6
Deferred tax liabilities	79.4	65.2	74.2
Non-current financial instruments	5.3	8.2	5.3
Prepaid income	159.6	158.1	194.9
Current financial instruments	3.8	2.0	1.3
Other current liabilities	362.7	360.2	328.6
TOTAL EQUITY & LIABILITIES	2,124.7	2,048.3	2,055.6



First half 2011

Simplified cash flow statement

(€ million)	First half 2011	First half 2010
EBITDA	152.3	152.7
Other items	2.5	(3.3)
Cash flow before net cost of debt and tax	154.8	149.4
Change in working capital requirement	(55.3)	(33.9)
Net change in leasing receivables	(10.9)	(17.3)
Cash flow from operations	88.6	98.2
Interest and tax paid	(39.1)	(38.2)
Net cash flow from operating activities	49.5	60.0
Capital expenditure	(36.2)	(36.6)
Purchases of securities and granting of loans	(49.1)	(9.7)
Disposals of assets and other	0.9	1.2
Net cash flow from investing activities	(84.4)	(45.1)
Capital increase	1.3	0.7
Dividends	-	-
Change in debt and other	58.4	(10.8)
Net cash flow from financing activities	59.7	(10.1)
Impact of exchange rates on cash	-	6.0
Change in net cash	24.8	10.8
Opening net cash	127.9	135.2
Closing net cash	152.7	146.0

