neopost **PRESS RELEASE**

FIRST-HALF 2013: A SOLID PERFORMANCE REFLECTING IMPLEMENTATION OF THE NEW STRATEGY

- **Sales up 4.9% or 6.7% at constant exchange rates**
- **Current operating margin before acquisition-related costs[1] in line with 2013 targets for each segment**

2013 OUTLOOK CONFIRMED

- **Sales expected to grow by at least 5% at constant exchange rates**
- **Current operating margin before acquisition-related costs[1] of over 25% expected for Neopost Integrated Operations[2] segment and over 12% for CSS Dedicated Units[2] segment**

Paris, 30 September 2013

Neopost, the European leader and world's number two supplier of mailroom solutions, today released its interim results for 2013 (six-month period to 31 July 2013).

During the first half of the year, the Group generated sales of €533.7 million, an increase of 4.9% or 6.7% at constant exchange rates. Current operating income before acquisition-related costs came to €125.8 million compared with €125.6 million in the first half of 2012. Current operating margin before acquisition-related costs[1] reached 23.6% of sales compared with 24.7% in the first half of 2012. This reflects current operating margin of 24.5% achieved by the traditional network of Neopost (Neopost Integrated Operations[2]) and 11.0% achieved by Communication & Shipping Solutions Dedicated Units[2]. These results are in line with targets for 2013.

Net attributable income totalled €80.1 million in the first half of 2013, up 1.1% compared with the first half of 2012. Net margin[3] was 15.0% compared with 15.7% in the first half of 2012.

Denis Thiery, Chairman and Chief Executive Officer of Neopost, comments: ***"The return to organic growth at Neopost was confirmed in the first half of the year. Mail Solutions activities held up well, while growth in Communication & Shipping Solutions activities gained pace. The integration of recent acquisitions is progressing well and the commercial synergies created are starting to pay off. As expected, development of the activities of Communication & Shipping Solutions Dedicated Units had a slightly dilutive impact on the Group's operating margin, while margins remained at a high level within the Neopost network. The numerous commercial successes achieved in North America, Europe and the Asia-Pacific region - in both equipment sales and licence sales - illustrate that we have made the right choices."***

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[1] Current operating margin before acquisition-related costs= Current operating income before acquisition-related costs as a percentage of sales
[2] See glossary page 6
[3] Net margin = net income / sales

The Statutory Auditors have performed a limited review of the interim financial statements.
Their report on the limited review is currently being prepared.

Simplified income statement

(in € million)	**H1 2013**	**H1 2012**	Change
Sales	**533.7**	**508.7**	+4.9%[4]
Current operating income before acquisition-related costs	**125.8**	**125.6**	+0.1%
% of sales	*23.6%*	*24.7%*	**-**
Current operating income	**122.1**	**122.4**	(0.2)%
% of sales	*22.9%*	*24.1%*	-
Optimisation expenses	(12.6)	-	-
Non-current income relating to acquisitions	12.8	-	-
Net attributable income	**80.1**	**79.2**	+1.1%
% of sales	*15.0%*	*15.7%*	
Reported earnings per share	**2.34**	**2.37**	(1.7)%
Fully diluted earnings per share	**2.22**	**2.27**	(2.2)%

Sales up 6.7% at constant exchange rates in the first half of 2013

Sales for the first half of 2013 totalled €533.7 million, an increase of 6.7% at constant exchange rates compared with the first half of 2012. Sales benefitted from the scope effect of the acquisitions of GMC Software Technology (consolidated since July 2012) and Human Inference (consolidated since December 2012). On a like-for-like basis, organic growth came to 2.5% in the first half of 2013 despite lower revenues relating to postal rate changes than in the first half of 2012.

Mail Solutions sales were slightly down during the first half of 2013 at constant exchange rates (-0.7%), mainly as a result of lower revenues relating to postal rate changes in a number of countries. Meanwhile, equipment sales were particularly robust in mailing systems and also in folders/inserters, with the success of the most recently launched models.

Communication & Shipping Solutions sales rose by 71.8% at constant exchange rates in the first half of 2013, primarily thanks to the acquisitions in 2012 of GMC Software Technology and Human Inference. Restated for the scope effect of these acquisitions, **Communication & Shipping Solutions** saw organic sales growth of 22.6%. This strong growth relates to Data Quality, Customer Communication Management and Shipping Solutions activities, whether achieved directly with major accounts by dedicated subsidiaries (CSS Dedicated Units: +23.7%) or by the Neopost network with its traditional client base (Neopost Integrated Operations: +21.3%).

In total, **Communication & Shipping Solutions** sales accounted for 16.3% of total sales in the first half of 2013 compared with 10.2% for the year-earlier period.

By region, the Group saw strong growth in **North America**, with sales up 6.5% at constant exchange rates in the first half of 2013. This performance reflects the strong momentum of equipment and licence sales. The Group benefited in particular from the increase in placements of mailing systems and folders/inserters, as well as sales by Satori Software and GMC Software Technology.

[4] +6.7% at constant exchange rates and organic growth of +2.5%

Despite a challenging economic climate and lower revenues relating to postal rate changes than in the first half of 2012, sales in **Europe** increased by 3.4% at constant exchange rates in the first half of 2013, mainly thanks to the upturn in sales in France following the merger of Satas and Neopost France last year and the successful integration of GMC Software Technology and Human Inference.

The Group achieved further brisk growth in the **Asia-Pacific** region, with sales up 38.3% at constant exchange rates in the first half of 2013. This performance relates primarily to the very strong performances achieved in Australia in both Mail Solutions activities and Communication & Shipping Solutions activities, thanks in particular to the roll-out of parcel lockers for Australia Post.

By revenue type, **equipment and licence sales** saw strong growth of 15.2% at constant exchange rates in the first half of 2013, accounting for 32% of sales. **Recurring revenues** increased by 3.1% at constant exchange rates in the first half of 2013 despite lower revenues relating to postal rate changes, accounting for 68% of sales over the period.

Current operating income

Current operating income before acquisition-related costs remained virtually stable at €125.8 million in the first half of 2013, up +0.1% compared with the first half of 2012. Current operating margin before acquisition-related costs for each of the two segments is in line with the Group's targets for 2013:

- Operating margin before acquisition-related costs for Neopost Integrated Operations (sales of €492 million in the first half of 2013) was 24.5% compared with 24.7% in the first half of 2012, which benefited from higher revenues from postal rate changes.
- Operating margin before acquisition-related costs for CSS Dedicated Units (sales of €50 million in the first half of 2013) was 11.0% compared with 15.1% in the first half of 2012. As expected, the acquisition of GMC Software Technology - which was only consolidated over one month in the first half of 2012 - had a dilutive impact on operating margin for CSS Dedicated Units. Furthermore, investment by these dedicated subsidiaries in the development of new solutions has been stepped up.

Current operating margin by segment

(in € million)	H1 2013				H1 2012			
	NIO	CSS DU	Elimi-nation	Total H1 2013	NIO	CSS DU	Elimi-nation	Total H1 2012
Mail Solutions sales	447			**447**	457	-	-	457
Communication & Shipping Solutions sales	45	50	(8)	**87**	38	21	(7)	52
Total sales	492	50	(8)	**534**	495	21	(7)	509
Current operating margin before acquisition-related costs	**24.5%**	**11.0%**		**23.6%**	**24.7%**	**15.1%**		**24.7%**

Overall, current operating margin before acquisition-related costs came to 23.6% compared with 24.7% in the first half of 2012. Acquisition-related costs amounted to €3.7 million in the first half of 2013 compared with €3.2 million in the year-earlier period. Current operating income for the first half of 2013 therefore remained almost stable (-0.2%) at €122.1 million.

Exceptional items

Neopost renegotiated the agreement for the acquisition of GMC Software Technology. By freeing itself from the constraints relating to the initially planned earn-out payments, Neopost and GMC Software Technology will be able to achieve commercial and technological synergies more quickly. This renegotiation is reflected by non-taxable exceptional income of €12.8 million.

In addition, the Group has decided to accelerate the optimisation of its structures in order to continue to improve the efficiency of its operations. This concerns how its distribution and supply chain are organised:

- In terms of distribution, the plan aims to continue to adapt its network to marketing the Group's new products and services in the United States and at certain European subsidiaries.
- In terms of the supply chain, increasing use of remanufacturing - a process that consists of reusing as many parts and sub-modules as possible from machines at the end of their lease contract to create new equipment - will result in a new organisation of production both in the Group's European plants and at its sub-contractors in Asia.

A provision of a total of €12.6 million was therefore booked in the accounts to 31 July 2013. This new optimisation plan should allow for savings of more than €5 million a year as of 2015.

Furthermore, the previously announced combining of Neopost teams working on document composition software with teams from GMC Software Technology, which resulted in the closing down of the Group's operations in Ruti in Switzerland, is now complete. The €4 million of provisions booked to 31 January 2013 proved sufficient. This Group confirms that it expects savings of more than €2 million a year as of 2014.

Net income

As expected, cost of net debt increased as a result of the higher level of net debt and the rise in interest rates following the refinancing operations of 2012, reaching €18.3 million compared with €13.7 million in the first half of 2012.

In addition, hedging losses and other financial charges came to €0.8 million in the first half of 2013 compared with a profit of €1.1 million in the year-earlier period.

The average tax rate was 22.8% in the first half of 2013 compared with 27.3% in the first half of 2012. This lower tax rate is mainly due to the non-taxable nature of the exceptional income relating to the renegotiation of the GMC Software Technology acquisition agreement.

Net attributable income totalled €80.1 million compared with €79.2 million for the year-earlier period, an increase of 1.1%.

Solid financial position

Cash flow before cost of net debt and tax came to €168.3 million compared with €155.3 million in the first half of 2012, an increase of 8.4%.

Taking account of the Group's good control of its working capital requirement, disbursements relating to previous optimisation plans and the continuing development of the leasing and other financing services portfolio (€654.3 million at 31 July 2013, an increase of +3.2% at constant exchange rates relative to 31

July 2012), net cash flow from operations rose sharply to €76.2 million in the first half of 2013 compared with €43.4 million in the year-earlier period. The Group also made in the first half of the year the penultimate payment relating to the acquisition of GMC Software Technology.

Net debt increased to €807.5 million at 31 July 2013 compared with €765.3 million at 31 July 2012. The Group states that future cash flow from its leasing and rental activities is still much higher than the level of debt.

At 31 July 2013, shareholders' equity was more or less stable at €750.5 million compared with €748.2 million a year earlier.

Gearing was therefore 108% compared with 102% a year earlier. The ratio of debt coverage by EBITDA[5] remained stable at 2.4.

At 31 July 2013, the Group had undrawn credit facilities of €440 million.

Launch of the 'IN' range

Neopost launched its new generation of mailing systems - the 'IN' range - in the United States in July. The range has been very well received by Neopost's sales teams, distribution networks and users themselves. The 'IN' range incorporates all of the latest innovations made available by Neopost to its clients to optimise mail management and make letter and parcel sending preparations easier and more efficient.

The new models are mid-range systems (IN-600, IN-700 and IN-750), replacing the IS 420 to 480 machines launched in 2008 to coincide with the decertification programme in the United States at the time. The roll-out of the 'IN' range will continue over the next few quarters with the launch of these models in some of the Group's other major markets.

2013 outlook unchanged

In the light of the performance achieved in the first half of the year, Neopost confirms that it expects sales growth of at least 5% at constant exchange rates in 2013, or organic growth of at least 2.7%.

The Group also confirms that it expects current operating margin before acquisition-related costs in 2013[1]:

- of more than 25% for **Neopost Integrated Operations;**
- of more than 12% for **CSS Dedicated Units.**

Denis Thiery concludes: ***"Neopost is seeing the initial results of its new strategy. We are stepping up the rate of development of our Communication & Shipping Solutions portfolio. In addition to our dedicated units' own momentum, we are counting on commercial synergies with our traditional network and the launch of solutions that are technologically and financially suited to the needs of our SME clients. At the same time, we are continuing to develop mail-related activities by favouring innovation, geographical expansion and the roll-out of services. We are therefore fully confident about 2013 and the years ahead."***

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[5] EBITDA represents the sum of current operating income plus the depreciation of tangible assets and intangible assets

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Calendar

Third-quarter sales will be published on 2 December 2013 after market close.

Glossary

- **Mail Solutions:** mailing systems, document systems (folders/inserters for office, mailroom and production, other mailroom equipment) and related services
- **Communication & Shipping Solutions (CSS)**: data quality, customer communication management solutions, logistics solutions, document finishing solutions and graphics solutions
- **Neopost Integrated Operations**: Neopost subsidiaries developing, producing and distributing Neopost products and services
- **CSS Dedicated Units:** GMC Software Technology, Human Inference, Neopost ID, Satori Software

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and the number two world-wide supplier of mailing solutions. It has a direct presence in 29 countries, with 5,900 employees and annual sales of €1.070 billion in 2012. Its products and services are sold in more than 90 countries. 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 belongs notably to the SBF 120 index.

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First half 2013

Consolidated income statement

In € million	H1 2013 (period ended 31/07/2013)		H1 2012 (period ended 31/07/2012)		FY 2012	
Sales	**533.7**	**100.0%**	**508.7**	**100.0%**	**1,070.0**	**100.0%**
Cost of sales	(118.4)	*(22.2)%*	(109.3)	*(21.5)%*	(238.0)	*(22.2)%*
Gross margin	**415.3**	**77.8%**	**399.4**	**78.5%**	**832.0**	**77.8%**
R&D expenses	(15.5)	*(2.9)%*	(13.9)	*(2.7)%*	(33.0)	*(3.1)%*
Selling expenses	(135.0)	*(25.3)%*	(131.4)	*(25.9)%*	(269.1)	*(25.2)%*
Administrative expenses	(86.3)	*(16.2)%*	(81.0)	*(15.9)%*	(165.2)	*(15.4)%*
Maintenance and other expenses	(48.2)	*(9.0)%*	(42.8)	*(8.4)%*	(89.8)	*(8.4)%*
Employee profit-sharing and share-based payments	(4.5)	*(0.8)%*	(4.7)	*(0.9)%*	(8.2)	*(0.8)%*
Current operating income before acquisition-related costs	**125.8**	**23.6%**	**125.6**	**24.7%**	**266.7**	**24.9%**
Acquisition-related costs	(3.7)	*(0.7)%*	(3.2)	*(0.6)%*	(6.8)	*(0.6)%*
Current operating income	**122.1**	**22.9%**	**122.4**	**24.1%**	**259.9**	**24.3%**
Gain/(losses) on disposals and other	-	-	-	-	(0.1)	*(0.0)%*
Provision for optimisation plan	(12.6)	*(2.4)%*	-	-	(4.0)	*(0.4)%*
Non-current income relating to acquisitions	12.8	*2.4%*	-	-	-	-
Operating income	**122.3**	**22.9%**	**122.4**	**24.1%**	**255.8**	**23.9%**
Net financial income/(expense)	(19.1)	*(3.6)%*	(12.6)	*(2.5)%*	(30.4)	*(2.8)%*
Income before taxes	**103.2**	**19.3%**	**109.8**	**21.6%**	**225.4**	**21.1%**
Taxes	(23.5)	*(4.4)%*	(30.0)	*(5.9)%*	(64.5)	*(6.0)%*
Income from associates	0.4	*0.1%*	0.2	*0.0%*	0.4	*0.0%*
Net income	**80.1**	**15.0%**	**80.0**	**15.7%**	**161.3**	**15.1%**
Non-controlling interests	-		0.8		0.7	
Net income attributable to owners	**80.1**		**79.2**		**160.6**	

The Statutory Auditors have performed a limited review of the interim financial statements.
Their report on the limited review is currently being prepared.

First half 2013

Condensed consolidated balance sheet

ASSETS (in € million)	31 July 2013	31 July 2012	31 January 2013
Goodwill	971.1	942.5	978.6
Intangible assets	171.7	106.6	146.8
Property, plant and equipment	138.9	144.5	138.8
Other non-current financial assets	43.1	31.6	45.6
Leasing receivables	654.3	655.7	645.4
Other non-current receivables	2.3	12.3	3.5
Deferred tax assets	11.1	9.0	9.3
Inventories	68.3	76.8	68.9
Trade receivables	173.9	184.9	203.3
Other current assets	94.6	101.1	87.2
Current financial instruments	1.4	-	0.4
Cash and cash equivalents	152.2	134.0	158.1
TOTAL ASSETS	**2,482.9**	**2,399.0**	**2,485.9**

EQUITY & LIABILITIES (in € million)	31 July 2013	31 July 2012	31 January 2013
Shareholders' equity	750.5	748.2	746.6
Non-current provisions	20.0	14.5	17.9
Non-current debt	874.5	451.4	873.5
Other non-current liabilities	10.3	38.6	37.4
Deferred tax liabilities	136.2	116.0	125.8
Non-current financial instruments	2.6	6.0	3.5
Current debt	85.2	447.9	76.1
Prepaid income	179.6	182.2	219.8
Current financial instruments	0.5	3.4	1.1
Other current liabilities	423.5	390.8	384.2
TOTAL EQUITY & LIABILITIES	**2,482.9**	**2,399.0**	**2,485.9**

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First half 2013

Simplified cash flow statement

(in € million)	First half 2013	First half 2012
EBITDA	**159.2**	**156.4**
Other items	9.1	(1.1)
Cash flow before net cost of debt and taxes	**168.3**	**155.3**
Change in working capital requirement	(55.1)	(54.1)
Net change in leasing receivables	(4.6)	(14.1)
Cash flow from operations	**108.6**	**87.1**
Interest and tax paid	(32.4)	(43.7)
Net cash flow from operating activities	**76.2**	**43.4**
Investments	(49.5)	(41.9)
Purchases of securities and granting of loans	(39.9)	(85.2)
Disposals of assets and other	1.8	2.7
Net cash flow from investing activities	**(87.6)**	**(124.4)**
Increases in capital	0.4	-
Dividends	-	-
Change in debt and other	5.1	30.6
Net cash flow from financing activities	**5.5**	**30.6**
Impact of exchange rates on cash	(3.9)	8.7
Change in net cash	**(9.8)**	**(41.7)**
Opening net cash position	150.6	165.0
Closing net cash position	140.8	123.3