neopost **PRESS RELEASE**

2013: TRANSFORMATION OF THE GROUP PICKS UP SPEED

- **2013 Sales: 2.7% organic growth to €1,096 million**[1]
- **Strong 19% organic growth in CSS activities which now account for 17% of Group sales**
- **2013 current operating margin**[2]**, before acquisition-related costs: 24.0%**
- **2013 net income up 2.1%, net margin**[3] **maintained at 15% of sales**
- **Dividend proposed: €3.90 per share**

2014 OUTLOOK

- **Organic sales growth in 2014 expected at between 1 and 3%**[1]
- **2014 current operating margin before acquisition-related costs forecast at 22.5 to 23.5%**

Paris, 25 March 2014

Neopost, the number two worldwide supplier of mail solutions and a major player in the fields of communications and logistics solutions, today announced its 2013 annual results (period ended on 31 January 2014).

In 2013, the Group grew sales 2.4% year-on-year to €1,095.5 million, or 5.2% excluding currency effects. Organic growth was 2.7%[1].

2013 current operating income amounted to €262.5 million, before acquisition-related costs, compared with €266.7 million in 2012. The Group's current operating margin[2] before acquisition-related costs was 24.0% of sales in 2013, versus 24.9% in 2012. This performance reflects a margin of 24.8% of sales achieved in the Neopost network (*Neopost Integrated Operations*[4]) and 12.2% in *CSS Dedicated Units*[4].

Net attributable income in 2013 rose 2.1% to €164.0 million, from €160.6 million in 2012, giving a stable net margin[3] of 15%.

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: "***The transformation of Neopost Group is firmly under way. In 2013, we demonstrated the resilience of our Mail Solutions business. We also posted very strong growth in Communication & Shipping Solutions, which now account for 17% of sales, despite the fact that Neopost is still in the early stages of implementing synergies. During this period of transformation and capital expenditure, Neopost maintains very high margins.***"

[1] Excluding currency effects
[2] Current operating margin before acquisition-related costs = current operating income before acquisition-related costs/sales
[3] Net margin = net attributable income /sales
[4] See glossary page 7

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(in millions of euros)	**2013**	**2012**	Change
Sales	**1,095.5**	**1,070.0**	+2.4%[5]
Current operating income before acquisition-related costs	**262.5**	**266.7**	-1.6%
% of sales	*24.0%*	*24.9%*	-
Current operating income	**254.1**	**259.9**	-2.2%
% of sales	*23.2%*	*24.3%*	-
Net income	**164.0**	**161.3**	+ 1.7%
% of sales	*15.0%*	*15.1%*	-
Reported earnings per share	**4.78**	**4.74**	+0.8%
Diluted earnings per share	**4.54**	**4.52**	+0.4%

2013 sees a return to organic growth in sales

2013 sales rose 2.4% to €1,095.5 million, an increase of 5.2% at constant exchange rates. Sales were boosted by the acquisitions of GMC Software Technology (consolidated as of July 2012), Human Inference (consolidated as of December 2013), and DMTI Spatial (consolidated as of November 2013). Organic growth was 2.7%, excluding currency effects.

Mail Solutions' sales remained virtually stable overall in 2013, excluding currency effects. Equipment sales for both franking machines and folders/inserters were up, while revenues from rentals, consumables and postal rate changes contracted compared with the prior year. Mail Solutions accounted for 83.0% of sales in full-year 2013 compared to 87.2% one year earlier.

Communication & Shipping Solutions' sales posted a very strong 41.7% rise in 2013, excluding currency effects. Restated for the scope effect of acquisitions, organic growth in sales for Communication & Shipping Solutions stood at 18.9%. Growth was recorded across all business lines: Data Quality, Customer Communication Management and Shipping Solutions. Growth in the share of these activities within the Group's distribution network (Neopost Integrated Operations) outstripped that of specialist networks (CSS Dedicated Units), illustrating the intensified commercial synergies generated to increase sales of Communication & Shipping Solutions through the Neopost network. Communication & Shipping Solutions accounted for 17.0% of sales in full-year 2013, up from 12.8% one year earlier.

Sales by region

Sales rose 6.4% in **North America** in 2013, before currency effects, driven by the sharp rise in equipment sales. Neopost reaped the benefits of the successful launch of the new IN range of franking machines, and the echo effect of the 2008 US decertification. The performance in North America also gained from higher sales of folders/inserters, especially at the top end of the range, as well as from the increase in revenues generated by Satori Software and GMC Software Technology.

In **Europe**, Neopost grew sales 2.1% in 2013, excluding currency effects. Sales remained strong in most countries, and especially in Germany and Scandinavia, while market conditions were tough in the United

[5] +5.2% at constant exchange rates and +2.7% organic

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Kingdom. Sales in France contracted slightly, due to lower revenues from postal rate changes than in the previous year.

The Group maintained its strong growth performance in the **Asia-Pacific** region, growing sales 23.1% at constant exchange rates in 2013. This rise stems primarily from the strong performance recorded in Australia, in both Mail Solutions and Communication & Shipping Solutions, driven notably by the roll-out of parcel lockers for Australia Post.

Sales by revenue type

Sales of equipment and licences moved ahead 12.7% in 2013, excluding currency effects. This fine performance was buoyed notably by the growth in sales of franking machines and folders/inserters, especially in North America, France and the Asia-Pacific region, as well as by the higher licence sales by GMC Software Technology. Equipment and licence sales accounted for 33.2% of sales in full-year 2013, up from 31.1% one year earlier.

In 2013, **recurring revenues** rose 1.8%, excluding currency effects, driven up by the contribution of acquisitions, higher leasing and service revenues, partially offset by lower revenues from postal rate changes, rentals and consumables. Recurring revenues accounted for 66.8% of sales in full-year 2013, versus 68.9% one year earlier.

Recent events

Development of Packcity: agreement with GeoPost

GeoPost, a subsidiary of La Poste Group and the leading French operator in the business and consumer parcel distribution market, and Neopost reached an agreement in January 2014 to create and operate a network of automated and secure parcel lockers for delivering and returning parcels in France. The agreement entails an initial roll-out of 1,500 lockers by 2016, increasing to more than 3,000 lockers over time, to be installed by Packcity France, a Neopost and GeoPost joint venture.

Financing needs planned within the framework of the agreement will amount to approximately €50 million, broken down as follows: 2/3 for Neopost and 1/3 for GeoPost.

Development of a new automated parcel packing system: CVP-500

Neopost announces the development of CVP-500, a new continuous packing system delivering 3D optimisation of parcel size, without the need for additional filling material. This innovation showcases Neopost's expertise in Research & Development. The prototype installed at one of the largest e-fulfilment professionals in the Netherlands has already produced over 200,000 packages, including during the peak Christmas period. Initial results of the pilot show 20% labour productivity gains and up to 40% reduction in packing volume. This new packing system has significant potential for e-tailers, e-fulfilment professionals, carriers and companies handling large parcel volumes.

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Current operating income

The change in current operating income, before acquisition-related costs, results from the change in the current operating margin for each of the two Group's segments and the variation in their respective weightings:

- Stripping out acquisition-related costs, Neopost Integrated Operations (€1,004 million in sales in 2013) posted an operating margin of 24.8%, versus 25.4% in 2012. This dip was due to lower revenues from postal rate changes, an unfavourable mix effect (revenue type and geography), and the intensified spending to prepare the launch of the platform to support the Software as a Service (SaaS) offering in first-half 2014.
- The operating margin for CSS Dedicated Units (€110 million in sales in 2013) came to 12.2%, before acquisition-related costs, as against 12.8% in 2012. As expected, spending and capital expenditures for the development of new solutions by these specialist subsidiaries were stepped up.

Current operating margin by segment

(in millions of euros)	2013				2012			
	NIO	CSS DU	Elimination	Total 2013	NIO	CSS DU	Elimination	Total 2012
Mail Solutions sales	910			**910**	933	-	-	933
Communication & Shipping Solutions sales	94	110	(18)	**186**	81	71	(15)	137
Total sales	1,004	110	(18)	**1,096**	1,014	71	(15)	1,070
Current operating margin before acquisition-related costs	**24.8%**	**12.2%**		**24.0%**	**25.4%**	**12.8%**		**24.9%**

Current operating income before acquisition-related costs was €262.5 million in 2013, versus €266.7 million in 2012. The current operating margin before acquisition-related costs remained high at 24.0%, compared with 24.9% the previous year.

Acquisition-related costs amounted to €8.4 million in 2013, versus €6.8 million one year earlier. Current operating income was €254.1 million in 2013, compared with €259.9 million for the prior year.

Exceptional items

Neopost renegotiated a number of acquisition contracts, in particular the agreement with GMC Software Technology in H1 2013. For full-year 2013, the renegotiated terms resulted in €15.0 million in non-taxable exceptional income.

Moreover, in the first half of the year, the Group accelerated optimisation of its structures to further enhance efficiency in the distribution network and across its supply chain. A provision of €12.6 million was set aside in the financial statements as at 31 July 2013. This new organisational optimisation should allow for more than €5 million of savings from 2015.

After these exceptional items, operating income amounted to €256.5 million in 2013 (€255.8 million in 2012).

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Higher net income

Overall, net financial income stood at €(37.5) million in 2013, compared with €(30.4) million in 2012. The net cost of debt is controlled at €37 million, versus €31.2 million in 2012. This increase relates to the year-on-year rise in net debt and the higher cost of finance as a result of refinancing operations in 2012. The Group also posted €(0.5) million in losses for foreign exchange and other financial items in the 2013 financial year, compared with a gain of €0.8 million one year earlier.

The average tax rate declined, due in particular to non-taxable profits generated by the renegotiated acquisition agreements. It was 25.5% in 2013, down from 28.6% in fiscal 2012.

Despite negative foreign exchange impacts, net attributable income in 2013 rose 2.1% to €164.0 million year on year, giving a stable net margin of 15.0%. Net income per share was €4.78, up slightly from €4.74 the previous year.

Stronger financial position

Cash flow before net cost of debt and income tax is structurally high and strongly recurring. Cash flow amounted to €322.7 million in 2013 (€328.7 million in 2012).

Leasing receivables totalled €674.8 million at 31 January 2014 versus €645.4 million at 31 January 2013, an increase of 5% at constant exchange rates.

Further more, the Group completed the acquisition of DMTI Spatial in 2013 and paid its shareholders the balance of dividends in respect of 2012, in the amount of €71.9 million.

Net debt edged up slightly to €807.9 million as at 31 January 2014, from €791.5 one year earlier.

The Group's net debt finances the equipment used by its customers, and is more than covered by future cash flows from the leasing and rental businesses.

At 31 January 2014, shareholders' equity was €769.6 million, up from €746.6 million for the prior year.

As a result, gearing ended the period slightly down at 105% as opposed to 106% a year earlier. The leverage ratio (Net debt/EBITDA) remained stable at 2.4 in 2013.

Banking covenants are complied with.

The Group successfully carried out a new refinancing tranche with a $50 million private placement in the United States, maturing in six years, complementing its private placement in June 2012 for $175 million. The new issue was finalised in October 2013 at a variable rate of 3-month Libor +1.75%, with availability of funds effective as of 23 January 2014.

At 31 January 2014, the Group had €436 million of undrawn credit facilities.

Dividend unchanged

Backed by robust cash flow generation, the Board of Directors will submit its proposed dividend of €3.90 per share in respect of 2013, for the approval of the Annual General Meeting on 1 July, 2014. If approved, the balance of €2.10 per share will be paid in August 2014, following payment of an interim dividend of €1.80 per share on 10 February 2014. The final 2013 dividend will be paid entirely in cash, as was the case with the interim dividend.

The Group plans to maintain a high dividend in 2014 and to continue its interim dividend policy.

2014 outlook

Neopost expects organic sales growth of between 1 and 3% in 2014, based on the following organic growth assumptions: Mail Solutions sales remaining more or less stable and double-digit growth for Communication & Shipping Solutions.

Turning to profitability, the Group expects a current operating margin[6] before acquisition-related costs in the range of 22.5 to 23.5% of sales. This is based on identified and approved projects to date, which will require significant spending and capital expenditures:

- bringing on-stream the platform and the launch of the new hosted SaaS solutions;
- rolling out the Packcity network;
- continuing the development of CVP-500.

The Group points out that the chosen business models favour recurring revenues which will be reflected in a gradual build up in sales.

Denis Thiery concluded, "***This is a very exciting period for Neopost. We are building a new business model on very solid foundations, backed by a highly efficient distribution network serving 800,000 customers, combined with the resilience of our Mail Solutions business and the significant expansion of Communication & Shipping Solutions. The launch of our dedicated solutions for the SMEs will accelerate the synergies generated with the Neopost network . We are also engaged in very promising Shipping Solutions projects with both Packcity and CVP-500. All of these initiatives are already creating or will soon create value for the Group.***"

[6] Excluding new acquisition

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PRESS RELEASE

Glossary:

- ***Mail Solutions***: mail metering systems, document management systems (folders/inserters for offices, mail rooms and production; other mail room 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***: Neopost ID, Satori Software, Human Inference, GMC Software Technology and DMTI Spatial

Calendar

First-quarter 2014 sales will be published on 27 May 2014 after the market close.

ABOUT NEOPOST

NEOPOST IS THE EUROPEAN LEADER and the number two world-wide supplier of Mail Solutions, as well as an increasingly significant player in the fields of Communication and Shipping Solutions. As a specialist provider of mailroom equipment, Neopost supplies the most technologically advanced solutions for metering, folding/inserting and addressing, providing a full range of services, including consultancy, maintenance and financing solutions. Neopost is also progressively building a portfolio of new activities to enhance its offering and support its clients' needs in the fields of Customer Communications Management, Data Quality and Logistics Solutions.
With a direct presence in 30 countries and 6,100 employees, Neopost posted annual sales of €1.1 billion in 2013. Its products and services are sold in more than 90 countries.

Neopost is listed in Compartment A of Euronext Paris and belongs notably to the SBF 120 index.

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2013

Consolidated income statement

€ million	2013 (year ended 31/01/2014)		2012 (year ended 31/01/2013)	
Sales	**1,095.5**	**100.0%**	**1,070.0**	***100.0%***
Cost of sales	(257.7)	*(23.5)%*	(238.0)	*(22.2)%*
Gross margin	**837.8**	***76.5%***	**832.0**	***77.8%***
R&D expenses	(30.7)	*(2.8)%*	(33.0)	*(3.1)%*
Selling expenses	(272.6)	*(24.9)%*	(269.1)	*(25.2)%*
Administrative expenses	(164.8)	*(15.0)%*	(165.2)	*(15.4)%*
Maintenance and other expenses	(97.8)	*(8.9)%*	(89.8)	*(8.4)%*
Employee profit-sharing and share-based payments	(9.4)	*(0.9)%*	(8.2)	*(0.8)%*
Current operating income before acquisition-related costs	**262.5**	***24.0%***	**266.7**	***24.9%***
Acquisition-related costs	(8.4)	*(0.8)%*	(6.8)	(0.6)%
Current operating income	**254.1**	***23.2%***	**259.9**	***24.3%***
Gain/(losses) on disposals and others	-	-	(0.1)	-
Optimisation expenses	(12.5)	*(1.1)%*	(4.0)	(0.4)%
Non-current acquisition-related income	15.0	*1.4%*		
Operating income	**256.6**	***23.4%***	**255.8**	***23.9%***
Financial income/(expense)	(37.5)	*(3.4)%*	(30.4)	*(2.8)%*
Income before taxes	**219.1**	***20.0%***	**225.4**	***21.1%***
Income taxes	(55.8)	*(5.1)%*	(64.5)	*(6.0)%*
Income from associates	0.7	*0.1%*	0.4	-
Net attributable income	**164.0**	***15.0%***	**161.3**	***15.1%***

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2013

Condensed balance sheet

ASSETS (€ million)	31 January 2014	31 January 2013
Goodwill	977.3	978.6
Intangible fixed assets	177.8	146.8
Property, plant and equipment	134.0	138.8
Other non-current financial assets	46.1	45.6
Leasing receivables	674.8	645.4
Other non-current receivables	2.0	3.5
Deferred tax assets	9.9	9.3
Inventories	69.1	68.9
Trade receivables	219.0	203.3
Other current assets	82.4	87.2
Financial instruments	0.0	0.4
Cash and cash equivalents	186.7	158.1
TOTAL ASSETS	**2,579.3**	**2,485.9**

LIABILITIES (€ million)	31 January 2014	31 January 2013
Shareholders' equity	769.6	746.6
Non-current provisions	19.7	17.9
Non-current financial debt	907.9	873.5
Other non-current liabilities	12.2	37.4
Current financial debt	86.7	76.1
Deferred tax liabilities	142.1	125.8
Non-current financial instruments	2.9	3.5
Prepaid income	210.6	219.8
Current financial instruments	0.1	1.1
Other current liabilities	427.5	384.2
TOTAL EQUITY AND LIABILITIES	**2,579.3**	**2,485.9**

2013

Simplified cash flow statement

€ million	2013	2012
EBITDA	**331.1**	**334.1**
Adjustments to reconcile EBITDA to cash flow	(8.4)	(5.4)
Cash flow before net cost of debt and income tax	**322.7**	**328.7**
Change in the working capital requirement	(33.2)	(18.8)
Net change in leasing receivables	(33.1)	(30.7)
Cash flow from operating activities	**256.4**	**279.2**
Interest and tax paid	(66.1)	(72.6)
Net cash flow from operating activities	**190.3**	**206.6**
Capital expenditure	(94.5)	(91.9)
Purchases of securities and granting of loans	(40.3)	(132.2)
Disposals of assets and other	4.5	13.6
Net cash flow from investing activities	**(130.3)**	**(210.5)**
Capital increase	5.1	0.5
Dividends	(71.9)	(98.6)
Change in debt and other	33.4	116.3
Net cash flow from financing activities	**(33.4)**	**18.2**
Impact of exchange rates on cash	5.0	(28.7)
Change in net cash position	**31.6**	**(14.4)**

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