neopost **PRESS RELEASE**

FIRST-HALF 2014: NEOPOST TRANSFORMATION AT WORK

- **Sales up 1.7% at constant exchange rates, organic growth of +0.4%**
- **Current operating margin before acquisition-related expense[1] at 22.4%**

OUTLOOK FOR 2014 CONFIRMED

- **2014 organic sales growth expected between +1 and +3%[2]**
- **2014 current operating margin before acquisition-related expenses expected to be between 22.5 and 23.5%**

Paris, 30 September 2014

Neopost, a global supplier of Mail Solutions and a major player in the fields of Communication and Shipping Solutions, today announced its results for first-half 2014 (period ended on 31 July 2014).

Group sales totalled €530.7 million in the first half, down 0.6% versus the first half of 2013. At constant exchange rates, sales were up 1.7% and organic growth[3] was positive at 0.4%. Current operating income before acquisition-related expenses stood at €118.7 million, compared with €125.8 million in first-half 2013. Current operating margin before acquisition-related expenses[1] reached 22.4% of sales in first-half 2014, compared with 23.6% in first-half 2013. This reflects the change in business mix and investments made to support and develop new services.

In the first half of 2014, net attributable income reached €69.0 million, versus €80.1 million in the same period in 2013. Net margin[4] represents 13.0% of sales, compared with 15.0% in first-half 2013, which benefited from atypically low taxes, due to non-recurring items.

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: ***"Our Mail Solutions activities continue to demonstrate resilience, while growth remains brisk for Communication & Shipping Solutions. Transformation is firmly under way at Neopost, as shown from the increasing share of Group sales attributable to Communication & Shipping Solutions. Despite the slightly dilutive impact of this change in our business mix and the substantial investments made for the future, Neopost's operating margin remains high, and we confirm our expectations for fiscal year 2014."***

[1] Current operating margin before acquisition-related expense = current operating income before acquisition-related expense/sales
[2] At constant exchange rates
[3] H1 2014 sales are compared with H1 2013 sales with the addition of €7.1 million in sales generated by DMTI Spatial (6 months), ProShip (SPSI, 3 months) and DCS (3 months).
[4] Net margin = net income/sales

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Interim review procedures were performed by the statutory auditors.
Their interim review report is currently being issued.

Simplified income statement

(In millions of euros)	**H1 2014**	**H1 2013**	Change
Sales	**530.7**	**533.7**	-0.6% [5]
Current operating income before acquisition-related expenses	**118.7**	**125.8**	-5.6%
% of sales	*22.4%*	*23.6%*	**-**
Current operating income	**113.1**	**122.1**	-7.3%
% of sales	*21.3%*	*22.9%*	-
Structure optimisation expenses	-	(12.6)	-
Non-current income related to acquisitions	-	12.8	-
Net attributable income	**69.0**	**80.1**	-13.9%
% of sales	*13.0%*	*15.0%*	
Net earnings per share	**2.01**	**2.34**	-14.1%
Diluted earnings per share	**1.92**	**2.22**	-13.5%

Sales rose 1.7% at constant exchange rates in first-half 2014

Following a stable first quarter (up 0.3% at constant exchange rates from Q1 2013), the pace of sales growth picked up to 3.2% in the second quarter (at constant exchange rates). Rising 1.7% at constant exchange rates, sales for first-half 2014 as a whole totalled €530.7 million, benefiting from the scope effect related to the acquisitions of DMTI Spatial in 2013, as well as ProShip (SPSI) and DCS in 2014. Like-for-like, organic growth in the first half of 2014 was positive at 0.4% (-0.4% in the first quarter and +1.2% in the second quarter).

Sales in **Mail Solutions** were down 1.5% in first-half 2014 at constant exchange rates. Following a first quarter marked by the end of the decertification echo effect in the US market and a high basis for comparison for equipment sales, especially for mid- to high-end folders/inserters, Mail Solutions' operations improved in the second quarter, helped by a recovery in equipment sales, especially in North America, and a strong resilience in recurring revenue.

In first-half 2014, **Communication & Shipping Solutions** posted a 18.2% increase in sales at constant exchange rates, buoyed by the Group's acquisitions of DMTI Spatial in 2013, as well as ProShip and DCS in 2014. Restated from the scope effect of these acquisitions, organic growth in sales for Communication & Shipping Solutions stood at 9.3%. However, organic growth rises to 13% if we strip out 2013 revenue generated by the installation of automated parcel lockers for Australia Post.

Shipping Solutions enjoyed solid growth. Robust growth continued in Customer Communication Management**,** with a strong performance for both direct sales by GMC Software Technology and sales by the subsidiaries in the Neopost distribution network. Data Quality saw more modest growth**.**

In total, Communication & Shipping Solutions accounted for 19% of Group sales in first-half 2014, up from 16% one year earlier.

[5] +1.7% at constant exchange rates and +0.4% organic growth

By region, the Group saw growth in **North America,** with sales up 2.2% at constant exchange rates in first-half 2014. After a contraction in the first quarter, growth was brisk in the second quarter, driven notably by the increase in equipment sales in Mail Solutions and the robust growth in licence sales in Communication & Shipping Solutions. The Group also benefited from the consolidation of DMTI Spatial (acquired in October 2013) and ProShip from May 2014.

Despite the continuing challenges in the economic climate, especially in France, sales in **Europe** increased by 2.1% at constant exchange rates in first-half 2014, mainly due to the strong levels of growth recorded in Germany, the UK and the Nordic countries.

In contrast, sales declined 4.1% in the **Asia-Pacific** region at constant exchange rates. It is important to note that in 2013 the Group earned revenue from the installation of the automated parcel lockers for Australia Post. Excluding this revenue, sales continued to grow in the Asia-Pacific region.

Turning to revenue type, **equipment and licence sales** rose 3.7% at constant exchange rates in first-half 2014, reflecting the combination of a slight contraction of sales in Mail Solutions and vigorous growth of sales of licences in Communication & Shipping Solutions.

Recurring revenues rose 0.8%, at constant exchange rates. As regards Mail Solutions, Neopost continued to grow leasing, financing and maintenance services revenue, whereas revenue from rentals and supplies was down. Recurring revenue for Communication & Shipping Solutions rose sharply.

Recurring revenue accounted for 67% of sales in H1 2014.

Current operating income

Current operating income before acquisition-related expenses stood at €118.7 million in first-half 2014, compared with €125.8 million in first-half 2013. Current operating margin before acquisition-related expenses was 22.4% of sales, compared with 23.6% in first-half 2013. The margin breaks down into:

- an operating margin before acquisition-related expenses of 23.5% for Neopost Integrated Operations (NIO, €481 million in sales in first-half 2014) versus 24.5% in first-half 2013. The development of CSS activities in the NIO network required significant spending in R&D, support and marketing. Besides, the revenue of these activities had a lower margin than the Mail Solutions activities;
- an operating margin before acquisition-related expenses of 10.0% for Communication & Shipping Solutions Dedicated Units (CSS DU, sales of €60 million in first-half 2014), compared with 11.0% in first-half 2013. Investments made by these dedicated units, notably to develop new projects such as Packcity or CVP-500, were pursued in the first half. The DMTI Spatial, ProShip and DCS acquisitions also had a dilutive effect on the operating margin for CSS Dedicated Units.

Current operating margin by segment

(In € millions)	H1 2014				H1 2013			
	NIO	**CSS DU**	Elimination	**Total H1 2014**	**NIO**	**CSS DU**	Elimination	**Total H1 2013**
Mail Solutions sales	432	-	-	**432**	447			**447**
Communication & Shipping Solutions sales	49	60	(10)	**99**	45	50	(8)	**87**
Total sales	**481**	**60**	**(10)**	**531**	492	50	(8)	**534**
Current operating margin before acquisition-related expenses	**23.5%**	**10.0%**		**22.4%**	**24.5%**	**11.0%**		**23.6%**

Acquisition-related expenses amounted to €5.6 million in first-half 2014, compared with €3.7 million one year earlier. This increase was mainly due to the fees paid to the Group's counsels. Current operating income was €113.1 million in first-half 2014, compared with €122.1 million in first-half 2013

Net income

In 2013, Neopost renegotiated the acquisition contract with GMC Software Technology, resulting in non-taxable exceptional income of €12.8 million. Besides, the Group decided to accelerate the optimisation of its structures to further enhance efficiency in the distribution network and across its supply chain. Consequently, the Group booked provisions for a total amount of €12.6 million as of 31 July 2013.

In first-half 2014, the net cost of debt remained almost stable at €18.7 million (€18.3 million in first-half 2013). Gains on hedging transactions and other financial expense came to €1.1 million in the first half of 2014, compared with a loss of €0.8 million one year earlier.

The average tax rate was 28.2% in the first-half of 2014, compared with 22.8% in the first-half of 2013. The situation in the first half of 2013 was atypical and arose from the non-taxable nature of the exceptional income relating to the renegotiation of the GMC Software Technology acquisition agreement.

Net attributable income totalled €69.0 million in H1 2014, and was €80.1 million in the same period in 2013.

First-half highlights: continued development of CSS business

Acquisition of DCS and ProShip

In first half of 2014, Neopost finalised the acquisition of Data Capture Solutions Ltd (DCS) in the UK, a company specialising in software solutions, particularly for document capture. Sales totalled £3.7 million in 2013. DCS was consolidated in Neopost's financial statements from May 2014.

The other acquisition in the period was ProShip, a recognized specialist of multi-carrier parcel shipping solutions in the United States. Total sales amounted to $10 million in 2013. ProShip was also consolidated from May 2014.

Kick-off of the operational phase of Packcity in France

The number of parcel lockers in operation has now risen to 15 or so. The results of the pilot are convincing with 60% of packages picked up on the same day. The lockers are user-friendly and easy to access for customers. They also attract footfall, generating additional flows of visitors and potential customers for the terminal locations.

During first-half 2014, Neopost developed a deployment program based on the identification of locations in shopping centers, city centers and suburbs. The number of parcel lockers installed is due to increase in Q4 2014 with a target of 150 operated lockers by the end of 2014, among which two third would be dedicated to GeoPost.

Solid financial position

Cash flow before net cost of debt and income taxes came to €148.3 million compared with €155.5 million in the first half of 2013, in line with current operating income's change.

Change in working capital requirement, which is subject to significant seasonal change, is identical to last year.

Neopost continued to see growth in revenue from leasing and other financing services (€687.6 million as of 31 July 2014, up 5% at constant exchange rates, versus 31 July 2013).

Tax payment rose steeply year-on-year (to €32.2 million from €10.9 million), driven up by the end of tax losses carry forward in some countries and substantial tax refunds in first-half 2013.

As a result, net cash flow from operating activities was €46.0 million, compared with €76.2 million in first-half 2013.

In addition, the Group finalised the acquisition of DCS and ProShip during the first half of the year, and made the final payment for the acquisition of GMC Software Technology.

Neopost also paid the interim dividend in respect of 2013 in February 2014. Note that payment of the interim dividend for fiscal year 2012 was made in January 2013.

Net debt increased to €913.3 million as of 31 July 2014 from € 869.8 million as of 31 January 2014, restated from the interim dividend payment[6], and €807.5 million as of 31 July 2013. The Group states that future cash flow from its leasing and rental activities is still much higher than its debt level.

As of 31 July 2014, shareholders' equity was €779.9 million, up from €750.5 million for the prior year. Gearing was therefore 117% versus 113% as of 31 January 2014, restated from the interim dividend payment[6], and 108% as of 31 July 2013. The leverage ratio[7] was 2.8 in first-half 2014, compared with 2.6 at 31 January 2014, restated from the interim dividend payment, and 2.4 the first half of 2013.

[6] The restatement allows the 2 years to be comparable. Indeed the 2013 interim dividend was paid in February 2014 when the 2012 interim dividend was paid in January 2013.
[7] Leverage ratio = net debt/EBITDA (current operating income + provisions for depreciation of tangible and intangible fixed assets)

Continued optimisation of financing structure

Public bond issue in June 2014

Neopost successfully placed an inaugural €350 million public bond issue with a 7-year maturity. This issue is unrated and has an annual coupon rate of 2.50%. The placement has allowed the maturity of the Group's debt to be extended, while at the same time diversifying its sources of financing. It will notably contribute to the redemption payment for the €300 million convertible bond (OCEANE) which reaches maturity on 1 February 2015. The inflow of temporary liquidities related to the time difference between the public bond issue and the redemption of the OCEANE bond has enabled Neopost to reduce drawings on its revolving credit line to zero. As of 31 July 2014, the Group had undrawn credit facilities of €500 million.

New US private placement issued in September 2014

To continue its financing cost optimisation strategy and extend its debt maturity, in September 2014, Neopost carried out a new $90 million senior unsecured debt issue in the form of a private placement in the United States. With six- to eight-year maturities, this private placement is at a variable rate of 3 month Libor +1.75%. The funds raised will be used for the early repayment of the $90 million Schuldschein private placement with a residual maturity of two years.

The carrying cost of these two transactions is estimated at €2 million in second-half 2014. They will yield savings around €6 million[8] in 2015.

2014 outlook unchanged

In the light of the performance achieved in the first half of the year, Neopost confirms that it expects organic sales growth between +1% and +3% in 2014, based on the following organic growth assumptions: sales in Mail Solutions remaining more or less stable, and double-digit growth for Communication & Shipping Solutions activities.

Turning to profitability, the Group confirms its expectation of a current operating margin[9] before acquisition-related expenses of between 22.5 and 23.5% of sales, despite the dilutive impact of its recent acquisition of DCS and ProShip.

Denis Thiery concludes: ***"Our new strategy is bearing fruit. For 2014, we are very confident about accelerating the pace of growth and improving our operating margin in the second half of the year. Moreover, we continue to benefit from our solid balance sheet. We have already completed the refinancing of our future debt payments and further optimised our debt. Based on all these elements, we plan to continue our investments to consolidate the Group's transformation, while maintaining a high level of dividend."***

Calendar

Q3 sales will be published on 1 December 2014 after market close.

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[8] At constant debt and exchange rates
[9] Excluding new acquisitions

ABOUT NEOPOST

NEOPOST is a global supplier of Mail Solutions, as well as a major 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 31 countries and 6,200 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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Appendix:

Glossary

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

First-half 2014

Consolidated income statement

€ millions	***H1 2014*** ***(period ended on 31/07/2014)***		***H1 2013*** ***(period ended on 31/07/2013)***		**Recap on FY 2013**	
Sales	**530.7**	***100.0%***	**533.7**	***100.0%***	**1,095.5**	**100.0%**
Cost of sales	(117.3)	*(22.1)%*	(118.4)	*(22.2)%*	(257.7)	*(23.5)%*
Gross margin	**413.4**	***77.9 %***	**415.3**	***77.8 %***	**837.8**	***76.5%***
R&D expenses	(17.8)	*(3.3) %*	(15.5)	*(2.9) %*	(30.7)	*(2.8)%*
Selling expenses	(138.4)	*(26.1) %*	(135.0)	*(25.3) %*	(272.6)	*(24.9)%*
Administrative expenses	(85.0)	*(16.0) %*	(86.3)	*(16.2) %*	(164.8)	*(15.0)%*
Maintenance and other expense	(49.3)	*(9.3) %*	(48.2)	*(9.0) %*	(97.8)	*(8.9)%*
Employee profit-sharing and share-based payments	(4.2)	*(0.8) %*	(4.5)	*(0.8) %*	(9.4)	*(0.9)%*
Current operating income before acquisition-related expenses	**118.7**	***22.4 %***	**125.8**	***23.6 %***	**262.5**	***24.0%***
Acquisition-related expenses	(5.6)	*(1.1) %*	(3.7)	*(0.7) %*	(8.4)	*(0.8)%*
Current operating income	**113.1**	***21.3 %***	**122.1**	***22.9 %***	**254.1**	***23.2%***
Gain/(losses) on disposals and others	-	-	-	-	-	-
Structure optimisation expenses			(12.6)	*(2.4)%*	(12.5)	*(1.1)%*
Non-current income related to acquisitions			12.8	*2.4%*	15.0	*1.3%*
Operating income	**113.1**	***21.3 %***	**122.3**	***22.9 %***	**256.6**	***23.4%***
Financial income/(expense)	(17.6)	*(3.3) %*	(19.1)	*(3.6) %*	(37.5)	*(3.4)%*
Income before taxes	**95.5**	***18.0 %***	**103.2**	***19.3 %***	**219.1**	***20.0%***
Taxes	(26.9)	*(5.1) %*	(23.5)	*(4.4) %*	(55.8)	*(5.1)%*
Income from associates	0.4	*0.1 %*	0.4	*0.1 %*	0.7	*0.1%*
Net attributable income	**69.0**	***13.0 %***	**80.1**	***15.0 %***	**164.0**	***15.0%***

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First-half 2014

Summary consolidated balance sheet

ASSETS (€million)	31 July 2014	31 July 2013	31 January 2014
Goodwill	1,005.9	971.1	977.3
Intangible fixed assets	192.3	171.7	177.8
Tangible fixed assets	131.6	138.9	134.0
Other non-current financial assets	41.0	43.1	46.1
Lease receivables	687.6	654.3	674.8
Other non-current receivables	2.2	2.3	2.0
Deferred tax assets	7.0	11.1	9.9
Inventories	77.4	68.3	69.1
Trade receivables	181.6	173.9	219.0
Other current assets	84.2	94.6	82.6
Current financial instruments	4.2	1.4	0.0
Cash and cash equivalents	366.5	152.2	186.7
TOTAL ASSETS	**2,781.5**	**2,482.9**	**2,579.3**

EQUITY & LIABILITIES (€ million)	31 July 2014	31 July 2013	31 January 2014
Shareholders' equity	779.9	750.5	769.6
Non-current provisions	18.2	20.0	19.7
Non-current financial debt	958.9	874.5	907.9
Other non-current liabilities	13.7	10.3	12.2
Deferred tax liabilities	137.0	136.2	142.1
Non-current financial instruments	2.4	2.6	2.9
Current financial debt	320.9	85.2	86.7
Deferred income	176.9	179.6	210.6
Current financial instruments	0.4	0.5	0.1
Other current liabilities	373.2	423.5	427.5
TOTAL EQUITY & LIABILITIES	**2,781.5**	**2,482.9**	**2,579.3**

First-half 2014

Simplified cash flow statement

€ millions	First-half 2014	First-half 2013[10]
EBITDA	**153.2**	**159.2**
Other items	(4.9)	(3.7)
Cash flow before net cost of debt and income taxes	**148.3**	**155.5**
Change in the working capital requirement	(42.6)	(42.3)
Net change in lease receivables	(6.5)	(4.6)
Cash flow from operating activities	**99.2**	**108.6**
Interest and tax paid	(53.2)	(32.4)
Net cash flow from operating activities	**46.0**	**76.2**
Capital expenditures	(45.4)	(49.5)
Financial investments	(51.5)	(39.9)
Disposals of assets and other	1.1	1.8
Net cash flow from investing activities	**(95.8)**	**(87.6)**
Capital increase	0.6	0.4
Dividends	(61,9)	-
Change in debt and other	289.6	5.1
Net cash flow from financing activities	**228.3**	**5.5**
Cumulative translation adjustments on cash	2.1	(3.9)
Change in net cash position	**180.6**	**(9.8)**
Net cash - opening	182.3	150.6
Net cash - closing	362.9	140.8

[10] Certain amounts at 31 July 2013 have been reclassified to conform to the presentation adopted at 31 July 2014