

IMPROVED PERFORMANCE IN A VERY CHALLENGING MAIL MARKET ENVIRONMENT

- ▶ Q3 2016 sales down 2.1%¹ at constant scope and exchange rates
 - Slower decline of SME Solutions compared to previous quarters
 - Robust underlying growth in Communication & Shipping Solutions Dedicated Units

NEOPOST'S TRANSFORMATION PROGRESSES

- ▶ Share of Communication & Shipping Solutions in total Group sales up to 26.8% in third-quarter 2016

Paris, December 1, 2016

Neopost, the number two global supplier of Mail Solutions and a major player in Digital Communication and Shipping Solutions, announced today €279 million in consolidated sales for the third-quarter of 2016 (period ended on October 31, 2016), down -1.5% compared with the same period in 2015. Factoring in a negative foreign exchange effect of -1.1% and a positive scope effect of +1.7%, organic growth came in at -2.1%, which reflects the slowdown in the decline in SME Solutions and steady organic growth in Communication & Shipping Solutions Dedicated Units.

Sales for 9m 2016 totaled €836 million, down -3.9% on the same period in 2015. In organic terms, sales were down -2.9%, reflecting a -1.7% negative currency impact and a +0.7% positive scope effect².

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: ***"We recorded our best quarterly performance in the past 4 quarters thanks to a slower decline in our SME Solutions division. Nonetheless the mailroom equipment market remains very challenging. Besides, we are very pleased with the strength of the underlying growth in our Communication & Shipping Solutions businesses in SME Solutions, Enterprise Digital Solutions and Neopost Shipping. The integration of icon Systemhaus in the Group is progressing to plan. We are continuing with our transformation process and the Communication & Shipping Solutions businesses as a whole accounted for close to 27% of our sales in Q3 2016. At the same time, we are maintaining our drive to control costs in the SME Solutions division. All these factors validate our mid-term ambitions for the Group."***

¹ Q3 2016 sales are compared with Q3 2015 sales with the addition of €4.8 million in sales generated by icon Sytemhaus (three months).

² 9M 2016 sales are compared with 9M 2015 sales with the addition of €6.5 million in sales generated by icon Sytemhaus (four months) and Temando (two months).

SALES BY DIVISION

€ million	Q3 2016	Q3 2015	Change	Change at constant exchange rates	Organic change ¹
SME Solutions	236	248	-4.3%	-3.4%	-3.4%
Communication & Shipping Solutions Dedicated Units*	48	40	+18.4%	+20.3%	+7.4%
Eliminations	(5)	(4)	-	-	-
Total	279	284	-1.5%	-0.4%	-2.1%

(Unaudited data)

€ million	9M 2016	9M 2015	Change	Change at constant exchange rates	Organic change ²
SME Solutions	720	765	-5.9%	-4.4%	-4.4%
Communication & Shipping Solutions Dedicated Units*	131	117	+11.5%	+14.3%	+8.3%
Eliminations	(15)	(12)	-	-	-
Total	836	870	-3.9%	-2.2%	-2.9%

(Unaudited data)

*Including sales (insignificant) achieved through innovation projects

SME Solutions

Sales for the **SME Solutions** division were down -3.4% in **third-quarter 2016**, excluding currency effects.

Sales of Mail Solutions in this division were down -4.7%, excluding currency effects, compared with the same quarter in 2015. This change was due to the persistence of tough market conditions, especially in Europe. However, the more moderate decrease in equipment sales meant that the trend was less pronounced than in previous quarters. Measures introduced by the Group to limit the decline in revenue continued to prove effective, especially in North America, where revenue was almost stable.

Communication & Shipping Solutions activities in the SME Solutions division grew 5.8%, and continue to show the impact of an adverse business cycle in graphic activities. Stripping out these graphic activities, growth in SME Solutions' digital and logistics businesses was in excess of 20%.

The SME Solutions division's sales were down -4.4% in **the first nine months of 2016**, excluding currency effects, compared with the same period in 2015.

Communication & Shipping Solutions Dedicated Units

Q3 2016 sales were up 20.3%, excluding currency effects, for **Communication & Shipping Solutions Dedicated Units (CSS DU)** as a whole, including Enterprise Digital Solutions and Neopost Shipping. Restated for the scope effect of the consolidation of icon Systemhaus, organic growth in sales by CSS DU stood at +7.4%.



The integration of icon Systemhaus in the **Enterprise Digital Solutions** division is going to plan. Note that this company had recorded a license sale worth close to €2 million in Q3 2015. Icon Systemhaus' business model includes occasional big license sales, in addition to the company's significant recurring revenue base. As a result, organic growth in Enterprise Digital Solutions this quarter is penalized by this high basis for comparison. Excluding icon Systemhaus, Enterprise Digital Solutions would be growing by double-digits.

The **Neopost Shipping** division reported growth of more than 10% this quarter. The underlying growth is once again visible as the division no longer has the effect of the high basis for comparison caused by the roll-out of an RFID solution developed for the French Army - (*Direction générale de l'armement*).

Communication & Shipping Solutions Dedicated Units posted a 14.3% increase in sales in **9 months 2016**, excluding currency effects. Restated for scope effects, sales were up 8.3% on an organic basis.

GENERAL OVERVIEW OF FINANCIAL POSITION

Healthy financial position

The Group has a sound financial position at the end of October 2016. Net debt continues to be related solely to rental, leasing and financing activities.

Interim dividend

The Board of Directors meeting on November 25, 2016 set an interim dividend of €0.80 per share in respect of FY 2016, following the announcement at the end of September 2015 of a proposed dividend per share of €1.70 for the next two or three financial years.

The interim dividend will be paid entirely in cash. The ex-dividend date is February 3, 2017 and payment will be made on February 7, 2017.

The balance of the dividend will be paid in August 2017.

MEDIUM-TERM AMBITIONS UNCHANGED

Note that the Group is engaged in a transformation strategy.

- ▶ In SME Solutions, the Group is pursuing the roll-out of digital and shipping solutions to offset the decline in sales of Mail Solutions. This roll-out comes with a plan to lower net costs by more than €50 million³ by 2018 in the SME Solutions division. Under this program, restructuring costs will represent €10-15 million per year for the next two financial years.
- ▶ In the Neopost Shipping and Enterprise Digital Solutions divisions, the Group continues to invest to firmly anchor its leadership position in these two rapidly growing markets. The Group intends to pursue organic growth and to improve the profitability of these core businesses.

³ Relative to the 2014 cost base

- ▶ Moreover, the Group continues to invest in developing new innovation projects, including CVP-500 and digital solutions for micro-businesses, with an annual budget allocation of €10 million.

This strategy is designed to return Neopost to organic sales growth in the medium term. It will also ensure the Group maintains a current operating margin, before acquisition-related expense, above 18% throughout the period of transformation, and return it above 20% (before acquisition-related expense) in the medium term.

The Group also intends to hold sufficient cash flow to sustain growth, meet its dividend distribution commitments and maintain a solid balance sheet structure.

CALENDAR

The 2016 annual financial statements will be published on March 28, 2017, after market close.

ABOUT NEOPOST

NEOPOST is the number two global provider of mailing solutions and a major player in digital communications and shipping solutions. Its mission is to guide and support organizations in how they send and receive communications and goods, helping them better connect with their business environment through hardware, software and services.

Neopost supplies innovative user-friendly solutions for physical and digital communications management for large enterprises and SMEs, as well as shipping processes for supply-chain and e-commerce players.

With a strong local presence in 31 countries and over 6,000 employees, Neopost works closely with a network of partners in order to market its solutions in more than 90 countries. In 2015, Neopost reported sales of €1.2 billion.

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

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APPENDICES

Glossary

- **Mail Solutions:** mailing systems, document management systems (folder/inserters for offices and mailrooms; other mail room equipment) and related services
- **Communication & Shipping Solutions (CSS):** digital solutions software (customer communication management and data quality software), shipping solutions, print finishing and graphic solutions
- **SME Solutions (formerly Neopost Integrated Operations - NIO):** Neopost subsidiaries developing, producing and distributing Mail Solutions and CSS products and services to long-standing customers of the Group.
- **CSS Dedicated Units (CSS DU):** entities distributing CSS solutions to key account customers: **Enterprise Digital Solutions** (Customer Communication Management – GMC Software Technology - and Data Quality - DMTI Spatial, Human Inference, Satori Software-) and **Neopost Shipping** (formerly Neopost ID, ProShip and Temando)

Sales by business line

€ million	Q3 2016	Q3 2015	Change	Change at constant exchange rates	Organic change ²	9M 2016	9M 2015	Change	Change at constant exchange rates	Organic change ¹
Mail Solutions	204	217	-5.9%	-4.7%	-4.7%	625	672	-7.0%	-5.5%	-5.5%
Communication & Shipping Solutions	75	67	+13.0%	+13.8%	+6.1%	211	198	+6.6%	+9.0%	+5.5%
Total	279	284	-1.5%	-0.4%	-2.1%	836	870	-3.9%	-2.2%	-2.9%

(Unaudited data)

Sales by region

€ million	Q3 2016	Q3 2015	Change	Change at constant exchange rates	Organic change ²	9M 2016	9M 2015	Change	Change at constant exchange rates	Organic change ¹
North America	127	125	+1.6%	+1.1%	+1.1%	374	378	-1.0%	-0.1%	-0.1%
Europe	131	139	-5.5%	-2.0%	-5.3%	399	431	-7.4%	-4.8%	-6.1%
Asia-Pacific and others	21	20	+7.2%	+0.9%	+1.0%	63	61	+3.0%	+3.5%	+2.1%
Total	279	284	-1.5%	-0.4%	-2.1%	836	870	-3.9%	-2.2%	-2.9%

(Unaudited data)

Sales by revenue type

€ million	Q3 2016	Q3 2015	Change	Change at constant exchange rates	Organic change ²	9M 2016	9M 2015	Change	Change at constant exchange rates	Organic change ¹
Equipment and license sales	90	95	-4.4%	-3.4%	-6.1%	265	294	-10.0%	-8.3%	-9.2%
Recurring revenue	189	189	+0.0%	+1.1%	+0.0%	571	576	-0.7%	+1.0%	+0.3%
Total	279	284	-1.5%	-0.4%	-2.1%	836	870	-3.9%	-2.2%	-2.9%

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