

QUARTER MARKED BY A TEMPORARY UNDER-PERFORMANCE IN ENTERPRISE DIGITAL SOLUTIONS

- ▶ Q3 2017 sales down -2.5% on an organic basis¹:
 - Enterprise Digital Solutions: stable performance
 - Neopost Shipping: double-digit growth
 - SME Solutions: Mail Solutions' decline in line with expectations
- ▶ 9M 2017 sales down -1.4% on an organic basis²

MEDIUM-TERM AMBITIONS UNCHANGED

- ▶ Return to organic growth
- ▶ Maintain current operating margin³ above 18.0%, with the target of returning to a margin higher than 20.0%

Paris, December 4, 2017

Neopost, a global leader in digital communications, shipping and mail solutions, today announced €263 million in consolidated sales for the third quarter of 2017 (period ended October 31, 2017), down -6.1% compared with the same period in 2016. Excluding currency effects, the decline came out at -2.9%. On an organic basis, sales were down -2.5%, excluding the scope effects of the DMTI Spatial disposal. This result reflects the temporary under-performance in the Enterprise Digital Solutions (EDS) division, the continued double-digit growth for Neopost Shipping, and the decline of Mail Solutions in the SME Solutions division, which was within the expected range of -4 to -6%. In total, Communication & Shipping Solutions accounted for 28% of Group sales in the third quarter of 2017, from 27% one year earlier.

Sales for the first nine months of 2017 reached €821 million, a decline of -1.8% on the same period in 2016. Excluding currency and scope effects, sales declined by -1.4%² on an organic basis. Communication & Shipping Solutions accounted for 28% of total sales in the first nine months of 2017, from 25% in the prior year.

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: ***"This quarter was marked by the temporary under-performance in our EDS division, due to low growth in GMC Software and difficulties for icon Systemhaus. However, measures introduced during the quarter and the quality of GMC Software's portfolio should allow the division to return to sound organic growth next quarter."***

Strong growth continued in the Shipping division, driven by the roll-out of Packcity in Japan and the sale of CVP-500 automated packing solutions.

¹ Q3 2017 sales are compared with Q3 2016 sales, minus €1.3 million for the disposal of DMTI (3 months).

² 9M 2017 sales are compared with 9M 2016 sales, with the addition of €5.6 million in sales generated by icon Systemhaus (5 months) and minus €1.5 million for the disposal of DMTI (3 months and 3 weeks).

³ Before acquisition-related expense

In the SME Solutions division, the decline in revenue from mail-related activities is within the expected range. We continue to win new market share in the United States and to generate robust growth in digital communication and logistics solutions.

To sum up, our performance in the third quarter does not compromise our growth targets for new business activities. We remain in a strong position to achieve our medium-term targets."

SALES BY DIVISION

€ million	Q3 2017	Q3 2016	Change	Change at constant exchange rates	Organic change ¹
Enterprise Digital Solutions (EDS)	33	35	-6.5%	-3.5%	+0.3%
Neopost Shipping*	14	13	+7.6%	+11.0%	+11.0%
SME Solutions	221	236	-6.5%	-3.3%	-3.3%
Elimination	(5)	(5)	-	-	-
Group total	263	279	-6.1%	-2.9%	-2.5%

**including €1.9 million in sales generated by the CVP-500 automated packing solution in Q3 2017 versus €1.4 million a year earlier.*

(Unaudited data)

€ million	9M 2017	9M 2016	Change	Change at constant exchange rates	Organic change ²
Enterprise Digital Solutions (EDS)	102	94	+8.6%	+9.3%	+4.7%
Neopost Shipping*	41	37	+9.6%	+11.4%	+11.4%
SME Solutions	694	720	-3.6%	-2.8%	-2,8%
Elimination	(16)	(15)	-	-	-
Group total	821	836	-1.8%	-0.9%	-1.4%

**including €4.5 million in sales generated by the CVP-500 automated packing solution for 9M 2017 versus €2.9 million a year earlier.*

(Unaudited data)

Enterprise Digital Solutions (EDS)

Enterprise Digital Solutions (EDS) sales were down -6.5% to €33 million in the **third quarter of 2017**. Restated for the currency and scope effects of the disposal of DMTI, sales were stable at +0.3%.

GMC Software sales saw modest growth. The reorganization of the sales force, following the opening of new vertical markets at the start of the year, continues to impact license sales.

icon Systemhaus sales were down due to absence of license sales in the quarter. Its integration within Quadient, which comprises GMC Software, Satori and Human Inference, will be accelerated, and it will be refocused on its original core markets.

Enterprise Digital Solutions' organic sales grew by +4.7% in the **first nine months of fiscal year 2017**.

EDS is on track to return to sustained growth from Q4 2017, building on the quality of GMC Software's portfolio. Nevertheless, whatever the quality of the growth generated in Q4, the initial target of double-digit growth should not be reached for full-year 2017.

Neopost Shipping

Neopost Shipping reported sales of €14 million in **Q3 2017**, up +11.0%, excluding currency effects. Growth was fueled mainly by Packcity in Japan. Installation of the automated parcel lockers accelerated to a monthly average of 300 sites installed. At this pace, Neopost Shipping is on course to hit the target of 3,000 sites up and running by spring 2018. Growth in the division was also boosted by the sale of two CVP-500 automated packaging systems, one of which was in Japan.

Neopost Shipping posted organic growth of +11.4% in the **first nine months of fiscal 2017**.

SME Solutions

SME Solutions' sales for the **third quarter 2017** were down -3.3% to €221 million, excluding currency effects.

Mail Solutions' sales were down -5.0% year-on-year, excluding currency effects, on high prior-year comparable. This business activity is within the Group's forecast range. Neopost activities in North America were down slightly and continued to outperform the market, while tougher market conditions continued to weigh on Europe.

Communication & Shipping Solutions' activities in the SME Solutions division grew +7.5%, excluding currency effects. Excluding graphic activities, growth generated by digital communication and shipping solutions was +29.1% excluding currency effects.

SME Solutions' sales were down -2.8% in the **first nine months of fiscal year 2017**, excluding currency effects. Mail Solutions' business is down -4.1% since the start of the year and is within the annual negative growth range expected by the Group (-4 to -6%). In the same period, Communication & Shipping Solutions activities grew +6.3%. Excluding graphic activities, digital communication and logistics solutions generated a strong growth of +18.6% excluding currency effects.

HIGHLIGHTS

Neopost acquired all the minority shareholdings in Temando (Neopost Shipping division) during the third quarter and now holds 100% of the company's capital.

GENERAL OVERVIEW OF FINANCIAL POSITION

Savings plans

The Group is pursuing its cost savings plan in SME Solutions. As announced, these structural initiatives to optimize organization are expected to result in annual cost savings of more than €50 million⁴ from 2018.

Financial position

The Group's financial position is healthy. Net debt is related solely to financing rental, leasing and postage financing activities. The Group has no significant debt refinancing due before 2021.

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

Dividend

The Board of Directors meeting on November 24, 2017 set an interim dividend of €0.80 per share for fiscal year 2017.

The interim dividend will be paid in cash. The ex-dividend date is February 2, 2018 and payment will be made on February 6, 2018. The 2017 dividend balance will be paid in August 2018.

MEDIUM-TERM AMBITIONS UNCHANGED

The transformation of Neopost continues as follows:

- ▶ in the Enterprise Digital Solutions division, the Group continues to invest to firmly anchor its leadership position and will benefit from icon Systemhaus's complementary range of products. The Group is targeting growth in excess of 10% per year and improved profit margins;
- ▶ in the Neopost Shipping division, the Group's offer is now established and will be rolled out to generate significant organic growth and improve profitability;
- ▶ in the SME Solutions division, the Group is accelerating the roll-out of digital and shipping solutions to offset the decline in sales of mail solutions. Meanwhile, Neopost will pursue its plan to lower net costs by at least €50 million⁴ by January 31, 2018 to stabilize its operating margin around 22%;
- ▶ in addition, the Group's investment in innovation will stay on course, with an annual average budget 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 18.0% throughout the period of transformation, and return it to above 20.0%, before acquisition-related expense, in the medium term.

⁴ compared with the 2014 cost structure

CALENDAR

The fourth-quarter sales press release and full-year 2017 results will be published on March 27, 2018 after the market close.

ABOUT NEOPOST

NEOPOST is a global leader in digital communications, logistics and mail solutions. Its mission is to help companies improve the way they manage interactions with their clients and partners. Neopost provides the most advanced solutions for physical mail processing (mailing and folder-inserter systems), digital communication management (Customer Communications Management and Data Quality applications), and supply chain and e-commerce process optimization (from point of sale to delivery, including associated tracking services).

With a direct presence in 29 countries and close to 6,000 employees, Neopost reported annual sales of €1.2 billion in 2016. Its products and services are sold in more than 90 countries. Neopost is listed in compartment A of Euronext Paris and belongs to the SBF 120 index.

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APPENDICES

Glossary

- **Enterprise Digital Solutions (EDS):** division offering Customer Communications Management (CCM) and Data Quality (DQ) solutions for large companies. It includes the GMC Software, Human Inference and Satori acquisitions, now consolidated in Quadient, as well as icon Systemhaus.
- **Neopost Shipping:** division offering management solutions for shipping and delivery; tracking of goods and merchandise for players in e-commerce, distribution and carriers. It includes the ProShip and Temando acquisitions.
- **SME Solutions:** division offering Mail Solutions products and services for small and mid-sized enterprises, the Group's long-standing customers. This division also delivers digital, shipping and graphic solutions for the same customer base.
- **Mail Solutions:** mailing systems, document management systems (folder/inserters for offices and mailrooms; other mailroom equipment) and related services.
- **Communication & Shipping Solutions (CSS):** customer communications management, data quality, logistics and graphics solutions.

Sales by activity

€ million	Q3 2017	Q3 2016	Change	Change at constant exchange rates	Organic change ¹
Mail solutions	188	204	-8.2%	-5.0%	-5.0%
Communication & Shipping Solutions	75	75	-0.3%	+2.7%	+4.6%
Group total	263	279	-6.1%	-2.9%	-2.5%

(Unaudited data)

€ million	9M 2017	9M 2016	Change	Change at constant exchange rates	Organic change ²
Mail solutions	594	625	-5.0%	-4.1%	-4.1%
Communication & Shipping Solutions	227	211	+7.9%	+8.5%	+6.5%
Group total	821	836	-1.8%	-0.9%	-1.4%

(Unaudited data)

Sales by region

€ million	Q3 2017	Q3 2016	Change	Change at constant exchange rates	Organic change ¹
North America	116	127	-8.5%	-2.9%	-1.9%
Europe	123	131	-6.1%	-5.4%	-5.4%
Asia-Pacific and others	23	21	+8.2%	+11.6%	+11.6%
Group total	263	279	-6.1%	-2.9%	-2.5%

(Unaudited data)

€ million	9M 2017	9M 2016	Change	Change at constant exchange rates	Organic change ²
North America	367	374	-1.8%	-1.1%	-0.7%
Europe	386	399	-3.2%	-1.9%	-3.3%
Asia-Pacific and others	68	63	+7.4%	+6.4%	+6.4%
Group total	821	836	-1.8%	-0.9%	-1.4%

(Unaudited data)

Sales by revenue type

€ million	Q3 2017	Q3 2016	Change	Change at constant exchange rates	Organic change ¹
Equipment and license sales	80	90	-12.5%	-9.3%	-8.3%
Recurring revenue	183	189	-3.0%	+0.1%	+0.3%
Group total	263	279	-6.1%	-2.9%	-2.5%

(Unaudited data)

€ million	9M 2017	9M 2016	Change	Change at constant exchange rates	Organic change ²
Equipment and license sales	256	265	-3.1%	-2.2%	-2.3%
Recurring revenue	565	571	-1.1%	-0.4%	-1.0%
Group total	821	836	-1.8%	-0.9%	-1.4%

(Unaudited data)

