

THIRD QUARTER 2014 SALES

THIRD QUARTER 2014: POOR PERFORMANCE IN MAIL SOLUTIONS IN FRANCE

- Q3 sales rose 2.8% in Q3 2014, and declined 0.9% at constant scope¹ and exchange rates
- Outside France, organic growth was 1.7%
- Communication & Shipping Solutions rose 26.3%, of which 12.5% was organic

FULL-YEAR 2014 OUTLOOK REVISED

- Organic growth in sales now projected at close to 0% in 2014
- 2014 current operating margin before acquisition-related expenses² expected to be close to 22%

Paris, 1 December 2014

Neopost, the number two global supplier of Mail Solutions and a major player in the fields of Communication and Shipping Solutions, today announced 2.8% year-on-year growth in consolidated sales to €268.5 million for third quarter 2014 (period ended on October 31, 2014). Stripping out currency effects, sales rose 0.9%. At constant scope¹ and exchange rates, sales contracted 0.9% in the third quarter of 2014, penalized by the performance of Mail Solutions in France. Outside France, Neopost recorded 1.7% organic growth in Q3 2014.

Sales for the first nine months of 2014 amounted to €799.2 million, up 0.5% year-on-year. Excluding currency effects, sales rose 1.5% and remained perfectly stable at constant scope³ and exchange rates.

Denis Thiery, Neopost's Chairman and Chief Executive Officer, commented: ***"We had a poor quarter in France in Mail Solutions where our leadership position means we are particularly exposed to deteriorating conditions in the economy as a whole and the decline in public contracts. The decline in Mail Solutions continued at a slower pace outside France, in line with our forecasts. While the roll-out of Packcity has only just started, organic growth picked up pace in Communication & Shipping Solutions. This was particularly evident in our traditional distribution network, illustrating the successful generation of commercial synergies."***

¹ Q3 2014 sales are compared with Q3 2013 sales with the addition of €4.8 million in sales generated by DMTI (3 months), ProShip (SPSI, 3 months) and DCS (3 months).

² Current operating margin before acquisition-related expenses = current operating income before acquisition-related expenses/sales.

³ 9M 2014 sales are compared with 9M 2013 sales with the addition of €11.9 million in sales generated by DMTI (9 months), ProShip (SPSI, 6 months) and DCS (6 months).

Sales by business line

€ millions	Q3 2014	Q3 2013	Change	Change at constant exchange rates	Q3 2013 Restated	Organic change ¹ (at constant exchange rates)
Mail Solutions	211.5	216.1	-2.1%	-4.1%	216.1	-4.1%
Communication & Shipping Solutions	57.0	45.2	+26.3%	+24.5%	50.0	+12.5%
Total	268.5	261.3	+2.8%	+0.9%	266.1	-0.9%

(Unaudited data)

€ millions	9M 2014	9M 2013	Change	Change at constant exchange rates	9M 2013 Restated	Organic change ³ (at constant exchange rates)
Mail Solutions	643.2	662.7	-2.9%	-2.3%	662.7	-2.3%
Communication & Shipping Solutions	156.0	132.3	+17.9%	+20.3%	144.2	+10.4%
Total	799.2	795.0	+0.5%	+1.5%	806.9	+0.0%

(Unaudited data)

Mail Solutions

Mail Solutions posted a 4.1% decline in third quarter 2014 sales, at constant exchange rates. This situation primarily stems from the poor performance in France. As the market leader in France, the Group is more exposed to adverse developments in the economy as a whole and to cuts in public spending. These pressures are reflected in a significant drop in equipment sales, whilst recurring revenue continued to decline. Outside France, the slowdown in Mail Solutions sales was less pronounced at -1.1%, in line with the previous quarter's trends.

Mail Solutions sales accounted for 79% of Group sales in Q3 2014.

Communication & Shipping Solutions

In the third quarter of 2014, Communication & Shipping Solutions posted a 24.5% increase in sales at constant exchange rates, buoyed by the Group's acquisition of DMTI in 2013, as well as of ProShip and DCS in 2014. Restated for the scope effect of these two acquisitions, organic growth in sales for Communication & Shipping Solutions was robust, at +12.5%.

The initial revenues generated by the Packcity project in Shipping Solutions were comparable with those recorded in 2013 for the installation of the automated parcel lockers in Australia. In addition, the French Army ("DGA") contract continues to be rolled-out.

Growth in the share of Communication & Shipping Solutions within the Group's distribution network (Neopost Integrated Operations⁴) outstripped that of dedicated subsidiaries (CSS Dedicated Units⁴), illustrating intensified commercial synergies and the relevance of our strategy.

In all, Communication & Shipping solutions accounted for 21% of Group sales in the third quarter of 2014.

Sales by region

€ millions	Q3 2014	Q3 2013	Change	Change at constant exchange rates	9M 2014	9M 2013	Change	Change at constant exchange rates
North America	110.8	103.6	+6.9%	+4.0%	316.2	314.8	+0.5%	+2.8%
Europe	138.7	139.2	-0.3%	-1.6%	428.4	421.0	+1.8%	+0.9%
<i>o/w, France</i>	<i>51.8</i>	<i>55.4</i>	<i>-6.5%</i>	<i>-6.5%</i>	<i>163.9</i>	<i>169.5</i>	<i>-3.3%</i>	<i>-3.3%</i>
Asia Pacific	17.9	17.1	+5.0%	+4.0%	51.7	56.0	-7.7%	-1.6%
Other	1.1	1.4	n.s	n.s	2.9	3.2	n.s	n.s
Total	268.5	261.3	+2.8%	+0.9%	799.2	795.0	+0.5%	+1.5%

(Unaudited data)

North America

Sales growth in North America continued in the third quarter of 2014 with an increase of 4.0% at constant exchange rates. This upward trend reflects almost stable Mail Solutions sales and a strong increase in Communication & Shipping Solutions, for which the Group recorded solid organic growth in license sales and benefited from the consolidation of DMTI Spatial and ProShip.

Europe

Sales in Europe declined 1.6% in third quarter 2014, at constant exchange rates. Sales were down 6.5% in France in the period, driven by the poor performance of Mail Solutions, as explained above. Outside France, the Group posted 1.7% growth in Europe, excluding currency effects.

Asia-Pacific

The Group saw a return to growth in the Asia-Pacific region with sales up 4.0% at constant exchange rates in a performance primarily reflecting strong Mail Solutions business volume.

⁴ See glossary page 6.



Sales by revenue type

€ millions	Q3 2014	Q3 2013	Change	Change at constant exchange rates	9M 2014	9M 2013	Change	Change at constant exchange rates
Equipment and license sales	91.2	83.6	+9.0%	+7.1%	265.8	256.4	+3.7%	+4.8%
Recurring revenue	177.3	177.7	-0.2%	-2.0%	533.4	538.6	-1.0%	-0.2%
Total	268.5	261.3	+2.8%	+0.9%	799.2	795.0	+0.5%	+1.5%

(Unaudited data)

Sales of equipment and licenses

Sales of equipment and licenses increased 7.1% in Q3 2014, excluding currency effects. This rise stems from a combination of a slight contraction in sales at Mail Solutions and vigorous growth in sales of licenses at Communication & Shipping Solutions. Outside France, equipment and license sales rose 10.6% at constant exchange rates.

Equipment and license sales accounted for 34% of sales in Q3 2014.

Recurring revenue

Recurring revenues were down 2.0%, at constant exchange rates, and increased 1.4% outside France. Recurring revenues rose for Communication & Shipping Solutions, but decreased for Mail Solutions.

Recurring revenue accounted for 66% of sales in Q3 2014.

Other highlights of the quarter

Packcity roll-out continues

As announced at the end of October, Neopost is currently installing automated Packcity parcel lockers at railway stations in the Greater Paris Region in France. The Group expects to have 150 Packcity points up and running by the end of the year. Two-thirds of these are GeoPost dedicated lockers. Packcity has also signed an agreement with Relais Colis to install 50 automated parcel lockers in 2015.

General overview of financial position

Financial position

The Group's financial position is sound. At end-October 2014, net debt continues to be related solely to financing rental, leasing and postage financing activities.

Interim dividend

In accordance with the policy adopted in 2008, Neopost's shareholders will receive an interim dividend to be paid in February 2015.

The Board of Directors meeting on 28 November 2014 set the interim dividend at €1.80 per share in respect of the 2014 financial year. The Group points out that this interim dividend amount does not provide an indication of the final dividend to be paid in respect of FY 2014.

The interim dividend will be paid in cash. The ex-dividend date is 6 February 2015 and payment will be made on 10 February 2015.

The balance of the dividend will be paid in August 2015, subject to approval by the Annual General Meeting of shareholders of the total amount proposed by the Board of Directors.

Revised outlook

In light of:

- the level of sales recorded in the third quarter of 2014,
- the expected persistence of a challenging situation in France in the short term,
- and the fact that -contrary to expectations- there will be no postal rate change in the United States in January 2015,

Neopost is revising its forecast for organic growth in sales for 2014 down to a level close to 0%.

The decline in Mail Solutions' sales affects the Group's operating margin. Neopost continues to speed up investments in CSS projects, such as Packcity and CVP-500, the automated packing system enabling 3D optimization of parcel size. As a result, the Group expects an operating margin before acquisition-related expenses to be close to 22%.

Denis Thiery concluded: ***"Our strategy for Communications & Shipping Solutions is delivering positive results and we are making every effort to accelerate growth and increase synergies. Although this strategy has the mechanical effect of lowering our operating margin, it also enables us to limit the impact of the structural decline in Mail Solutions. In the short term, thanks to our significant exposure to international markets our results in absolute value will benefit from the decline in the value of the euro."***

Calendar

Neopost will host an Investor Day on 16 January 2015 in Paris.

Fourth-quarter sales will be published on 3 March 2015, after market close.

ABOUT NEOPOST

NEOPOST is the number two 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 franking, 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 reported 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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Appendices

Sales by distribution network

Sales (in € millions)	Q3 2014				9M 2014			
	NIO	CSS DU	Elimination	Total	NIO	CSS DU	Elimination	Total
Mail Solutions	211.5	-	-	211.5	643.2	-	-	643.2
Communication & Shipping Solutions	30.1	32.5	(5.6)	57.0	79.0	92.3	(15.3)	156.0
Total	241.6	32.5	(5.6)	268.5	722.2	92.3	(15.3)	799.2

Glossary

Mail Solutions: mailing systems, document systems (folder/inserters for offices and mailrooms; 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 Mail Solutions and CSS services to the Group's long-standing customers

CSS Dedicated Units: subsidiaries distributing CSS solutions to key accounts: DMTI Spatial, GMC Software Technology, Human Inference, Neopost ID, Satori Software and ProShip

