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PRESS RELEASE

2016 HALF-YEAR RESULTS
AND Q2 2016 SALES

INTENSIFIED TRANSFORMATION THANKS TO INCREASED INVESTMENT AND COST REDUCTION AS SALES DECREASE

- **First-half 2016 sales down 5.0%, or -3.3% organically[1]**
- **H1 2016 current operating margin (before acquisition-related expense[2]): 18.0%**
- **H1 2016 net attributable margin: 10.5%**
- **Net debt stabilized on generation of strong cash flow**

MEDIUM-TERM AMBITIONS UNCHANGED

- **Return to organic growth**
- **Maintain current operating margin (before acquisition-related expense[2]) above 18%, with the target of returning above 20%**

Paris, September 27, 2016

Neopost, the number two global supplier of Mail Solutions and a major player in the fields of Digital Communication and Shipping Solutions, today announced its results for first-half 2016 (period ended on July 31, 2016) and second-quarter 2016 sales. These financial statements were reviewed and approved by the Board of Directors at its meeting on September 26, 2016.

€ million	H1 2016	H1 2015	Change
Sales	**557**	**586**	***-5.0%***
Current operating income before acquisition-related expense	**100**	**112**	***-10.8%***
% of sales	*18.0%*	*19.1%*	
Current operating income	94	106	*-11.4%*
Net attributable income	**58**	**65**	***-9.9%***
% of sales	*10.5%*	*11.0%*	
Earnings per share[3]	1.56	1.85	*-15.7%*
Diluted earnings per share	1.46	1.85	*-21.1%*

Denis Thiery, Chairman and Chief Executive Officer of Neopost, commented: ***"We significantly intensified Neopost's transformation during the first half of 2016. We were particularly vigorous in stepping up our cost savings plans. Despite the downturn in sales, we nonetheless virtually stabilized the margin of our SME Solutions division, which is a very***

[1] H1 2016 sales are compared with 2015 sales, with the addition of €1.7 million which accounts for sales generated by Temando and icon Systemhaus.
[2] Current operating margin before acquisition-related expense = current operating income before acquisition-related expense/sales
[3] 2015 earnings per share are calculated after deducting dividends paid to ODIRNANE bond holders.

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

encouraging sign to continue our efforts in this area. We now expect to reduce this division's costs by more than €50[4] million per year by 2018.

In addition, our investment in innovation projects and Temando rose to a historic high in the first half of the year. This investment coupled with the acquisition of icon Systemhaus should allow us to bring the transformation of the Group to the next level.

Outside this investment, the dynamism and the improvement of profitability within our digital and shipping businesses confirms the relevance of our strategic choices.

Moreover, strong cash flow generation helped us to stabilize net debt. Our medium-term objectives are unchanged, namely, to return to organic growth and achieve a current operating margin in excess of 20%."

OVERVIEW OF FIRST-HALF 2016 RESULTS AND SECOND QUARTER SALES

Group sales in H1 2016 totaled €557 million, down 5.0% year-on-year, down 3.0% excluding currency effects, and down 3.3% organically. Sales in the second quarter stood at €284 million, down 5.4% over the same period last year, and a decline of 3.5% excluding currency effects. Organic sales were down 3.8%.

Current operating income before acquisition-related expense in H1 2016 was €100 million, compared with €112 million one year earlier. Current operating margin before acquisition-related expense stood at 18.0% of sales, compared with 19.1% in first-half 2015. This change is due to ramping up investments in Temando, acquired in April 2015, and in innovation projects, tight cost control in the SME Solutions division, and higher margins in the Enterprise Digital Solutions and Neopost Shipping divisions, excluding Temando.

In the first half of 2016, net attributable income came in at €58 million, versus €65 million in the same period in 2015, giving a net margin of 10.5%.

SALES BY DIVISION

€ million	**H1 2016**	H1 2015	Change	Change at constant exchange rates	Organic change[1]
SME Solutions	**484**	518	-6.6%	-4.8%	-4.8%
Communication & Shipping Solutions Dedicated Units*	**83**	77	+7.9%	+11.2%	+8.8%
Eliminations	**(10)**	(9)	-	-	-
Total	**557**	**586**	**-5.0%**	**-3.0%**	**-3.3%**

** Including €1 million in sales recorded for new projects*

[4] To be compared with 2014 cost structure

€ million	Q2 2016	Q2 2015	Change	Change at constant exchange rates	Organic change[1]
SME Solutions	**245**	264	-7.2%	-5.6%	-5.6%
Communication & Shipping Solutions Dedicated Units**	**45**	41	+9.4%	+12.6%	+10.4%
Eliminations	**(6)**	(5)	-	-	-
Total	**284**	**300**	**-5.4%**	**-3.5%**	**-3.8%**

*** Including €1 million in sales recorded for new projects*

SME Solutions

Sales for the SME Solutions division were down 4.8% in **first-half 2016**, excluding currency effects (this division covers almost the same scope as the former Neopost Integrated Operations[5] -NIO-).

Within the division, sales of Mail Solutions decreased by 5.8%, excluding currency effects, adversely affected by tough market conditions that caused a sharp decline in equipment sales – particularly in Europe. On the other hand, measures introduced by the Group to limit the decline in recurring revenues continued to prove effective, as recurring revenues remained nearly stable in the United States, while the decrease was contained in Europe and the rest of the world.

Communication & Shipping Solutions in the SME Solutions division posted moderate growth, given the switch to a SaaS (Software as a Service) business model.

SME Solutions sales were down 5.6% in **second-quarter 2016**, excluding currency effects, compared with the same period in 2015. This decline in revenues was due primarily to a poor equipment sales performance.

Communication & Shipping Solutions Dedicated Units

H1 2016 sales were up 11.2%, 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 Temando and icon Systemhaus, organic growth in sales by CSS DU stood at 8.8%.

Turning to the Enterprise Digital Solutions division, customer communication management revenues continued to enjoy strong growth, while data quality revenues, now part of the Enterprise Digital Solutions line-up, stabilized.

The Neopost Shipping division saw a slight decline in sales due to a high basis for comparison, since H1 2015 was the most intensive phase in the roll-out of an RFID solution developed for the French Army (*Direction générale de l'armement*).

Restated for this item, which accounted for €4 million in revenue in the first half of 2015, organic growth in all sales by the CSS DU divisions would have been 14.6%.

Communication & Shipping Solutions Dedicated Units recorded sales that were up 12.6% in **Q2 2016**, excluding currency effects. Restated for the scope effects related to the acquisition of icon Systemhaus, sales grew 10.4% organically.

[5] The contract with Royal Mail previously recognized by NIO is now consolidated in Neopost Shipping. Sales generated under this contract in Q1 2015 were reclassified to allow year-on-year comparison.

ACQUISITION AND PARTNERSHIPS

Neopost made a number of acquisitions and entered into several partnerships in first-half 2016:

- April 2016: Temando-Magento partnership. Magento, the leading e-commerce platform in the world, chose Temando as its shipping partner to provide clients with a multi-carrier shipping module;
- May 2016: joint venture with Yamato Transport signed to operate an open network of secure automated parcel lockers for parcel delivery in Japan;
- July 2016: acquisition of icon Systemhaus, leader in the German market for customer communications management.

CURRENT OPERATING INCOME

Current operating margin by segment

	H1 2016				
€ millions	SME	CSS DU	Eliminations	New projects*	Total
Sales	**484**	**82**	**(10)**	**1**	**557**
Current operating income before acquisition-related expense	**101**	**4**	**-**	**(5)**	**100**
Current operating margin before acquisition-related expense	***21.0%***	***4.6%***	***N.A.***	***N.A.***	***18.0%***

	H1 2015				
€ millions	SME	CSS DU	Eliminations	New projects*	Total
Sales	**518**	**76**	**(9)**	**1**	**586**
Current operating income before acquisition-related expense	**111**	**5**	**-**	**(4)**	**112**
Current operating margin before acquisition-related expense	***21.4%***	***7.2%***	***N.A.***	***N.A.***	***19.1%***

** New projects include the cost of developing a dedicated platform and applications for micro-businesses, as well as the CVP-500 sales and related expenses.*

Before acquisition-related expense, the current operating margin for the SME Solutions division remained practically unchanged at 21.0% of sales, from 21.4% one year earlier. The Group has seen particularly efficient results from its programs to reduce costs and optimize its organization to adapt to new market conditions. During the first six months of the year, the SME Solutions division's net operating expenditure was lowered by €15 million after being reduced by €13 million in 2015.

For the CSS DU division as a whole, current operating margin before acquisition-related expense stood at 4.6% of sales, compared with 7.2% in first-half 2015. This contraction was due to operating losses at Temando. Stripping out Temando, the operating margin for CSS DU was 12.5% in July 2016, up from 9.7% one year earlier.

The Group has stepped up its investment in Temando, particularly to prepare to launch the multi-carrier shipping module to be offered as a white-label solution on Magento's e-commerce platform.

Operating losses at Temando amounted to €6.1 million in H1 2016, compared with €1.6 million in the same period in 2015. Note that Temando has been consolidated since April 7, 2015.

Innovation projects focus on continuing to develop and market the CVP-500 automated packing system and new digital solutions for micro-businesses. Their impact on current operating income, before acquisition-related expense, was -€5.3 million in the first half of 2016, compared with -€4.1 million one year earlier. This level is in line with the annual budget of €10 million allocated by the Group to innovation projects.

Before investments in innovation and Temando, the Group's operating margin was 20.1% in first-half 2016, virtually unchanged from 20.2% one year earlier.

The Group's current operating margin before acquisition-related expense stood at €100 million, compared with €112 million in first-half 2015. Current operating margin before acquisition-related expense was 18.0% of sales versus 19.1% in 2015.

Acquisition-related expense was stable at €6 million.

Current operating income was €94 million in first-half 2016, compared with €106 million in the prior year.

Non-current items

As of July 31, 2016, Neopost recognized structure optimization expenses linked to the Group transformation in the amount of €8 million, up from €2 million in the same period last year. This level is in line with the annual budget of €10 to €15 million announced previously.

Current operating income after non-current items totalled €86 million at July 31, 2016, as against €104 million in the prior year.

Net income

The net cost of debt was down to €15 million from €17 million at July 31, 2015. This reduction in the cost of debt mainly comes about as a result of refinancing some credit lines through an ODIRNANE bond[6] issue. The interest on the bond (€4 million) is not recognized in income, in accordance with IFRS.

In addition, the Group posted €2 million in foreign exchange gains and other financial items at July 31, 2016, compared with a €3 million loss at July 31, 2015. Net financial income amounted to -€13 million at July 31, 2016, from -€20 million for the same period in 2015.

The tax rate was 23.3% at July 31, 2016, down from 24.3% in fiscal 2015.

The Group's net attributable income came in at €58 million, or a net margin of 10.5%, compared with 11.0% at July 31, 2015. Net income per share[6] was €1.56, down slightly from €1.85 in the previous year.

[6] ODIRNANE = convertible perpetual bond issue recognized in equity in accordance with IFRS accounting rules

HEALTHY FINANCIAL POSITION

EBITDA[7] was €138 million in H1 2016, versus €150 million in H1 2015.

Apart from the usual seasonal effects, the change in working capital requirement was slightly negative during the first half, particularly as regards trade accounts receivable. This slight deterioration is expected to be fully absorbed during the second half of the year.

Leasing portfolio and other financing services receivables amounted to €780 million at July 31, 2016, from €802 million one year earlier, a decrease of 0.7% at constant exchange rates.

Investments in tangible and intangible fixed assets amounted to €42 million, down from €44 million at July 31, 2015.

In first-half 2016, the Group spent €23 million principally to acquire icon Systemhaus. In first-half 2015, the Group invested €26 million mainly to acquire a 55% stake in Temando.

Shareholders' equity amounted to €1,069 million at the end of the first half, from €1,032 million one year earlier.

At €819 million on July 31 2016 (€810 million on July 31 2015), net debt was practically stable – an impressive achievement, especially when viewed in light of dividend payments still totalling €100 million in the rolling 12-month period.

The Group would like to point out that its net debt is fully backed by future cash flows from its rental and leasing activities. Gearing came out at 76% of shareholders' equity compared with 78% at July 31, 2015. Leverage ratio (net debt/EBITDA) was 2.7 at July 31, 2016, versus 2.6 one year earlier. All financial covenants are respected.

OUTLOOK UNCHANGED

The transformation of Neopost continues:

- in the SME Solutions division, the Group's cost-cutting plan has been increased to a target of more than €50[8] million from 2018, from the original forecast of €35-50 million. Under this program, restructuring costs will remain unchanged at €10-15 million per year for the next two financial years. Hand-in-hand with its drive to reduce net costs, the Group is accelerating the roll-out of digital and logistic solutions to offset the decline in sales of Mail Solutions.
- in the Shipping and Enterprise Digital Solutions divisions, the Group continues to invest to firmly anchor its leadership position in these two fast growing markets. The Group intends to continue to grow organically and to improve the profitability of these key businesses;
- 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 the Group to organic sales growth in the medium term. Neopost intends to maintain a current operating margin, before acquisition-related expense, above 18% throughout this transformation period, to aim for a medium term operating margin, before acquisition-related expense, back above 20%. The Group also intends to generate sufficient cash flow to sustain its development, fulfil its dividend distribution commitments and maintain a strong balance sheet structure.

[7] EBITDA = current operating income + provisions for depreciation of tangible and intangible fixed assets
[8] To be compared with 2014 cost structure

CALENDAR

Q3 2016 sales will be published on December 1, 2016 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 help companies improve the way they manage interactions with their clients and stakeholders. Neopost provides the most advanced solutions for physical mail processing (mailing and folder-inserter systems), digital communication management (Customer Communication 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 31 countries and more than 6,000 employees, Neopost reported annual sales of €1.2 billion in 2015. 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

- **Mail Solutions:** mailing systems, document systems (folder/inserters for offices and mailrooms; other mailroom equipment) and related services
- **Communication & Shipping Solutions (CSS):** 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	Q2 2016	Q2 2015	Change	Change at constant exchange rates	Change organic[2]	H1 2016	H1 2015	Change	Change at constant exchange rates	Organic change[1]
Mail solutions	**212**	231	-8.1%	-6.6%	-6.6%	**421**	455	-7.5%	-5.8%	-5.8%
Communication & Shipping Solutions	**72**	69	+3.6%	+6.6%	+5.3%	**136**	131	+3.4%	+6.6%	+5.3%
Total	**284**	**300**	**-5.4%**	**-3.5%**	**-3.8%**	**557**	**586**	**-5.0%**	**-3.0%**	**-3.3%**

Sales by region

€ million	Q2 2016	Q2 2015	Change	Change at constant exchange rates	Change organic[2]	H1 2016	H1 2015	Change	Change at constant exchange rates	Organic change[1]
North America	**126**	131	-4.1%	-3.1%	-3.1%	**248**	253	-2.2%	-0.7%	-0.7%
Europe	**137**	148	-7.3%	-4.8%	-5.3%	**268**	292	-8.3%	-6.2%	-6.4%
Asia-Pacific and others	**21**	21	-0.3%	+2.2%	+2.2%	**41**	41	+1.0%	+4.8%	+2.6%
Total	**284**	**300**	**-5.4%**	**-3.5%**	**-3.8%**	**557**	**586**	**-5.0%**	**-3.0%**	**-3.3%**

Sales by revenue type

€ million	Q2 2016	Q2 2015	Change	Change at constant exchange rates	Organic change[2]	H1 2016	H1 2015	Change	Change at constant exchange rates	Organic change[1]
Equipment and license sales	**93**	107	-12.8%	-11.1%	-11.1%	**174**	199	-12.7%	-10.7%	-10.7%
Recurring revenue	**191**	193	-1.3%	+0.6%	+0.2%	**383**	387	-1.1%	+0.9%	+0.5%
Total	**284**	**300**	**-5.4%**	**-3.5%**	**-3.8%**	**557**	**586**	**-5.0%**	**-3.0%**	**-3.3%**

First-half 2016

Consolidated income statement

€ millions	H1 2016 (period ended on July 31, 2016)	%	H1 2015 (period ended on July 31, 2015)	%	FY 2015	%
Sales	**557**	***100.0%***	**586**	***100.0 %***	**1,190**	**100.0%**
Cost of sales	(137)	*(24.6)%*	(144)	*(24.7)%*	(300)	*(25.2)%*
Gross margin	**420**	***75.4 %***	**442**	***75.3 %***	**890**	***74.8%***
R&D expenses	(24)	*(4.3)%*	(20)	*(3.4)%*	(44)	*(3.7)%*
Selling expenses	(145)	*(26.0)%*	(156)	*(26.6)%*	(312)	*(26.2)%*
Administrative expenses	(97)	*(17.4)%*	(97)	*(16.5)%*	(196)	*(16.4)%*
Maintenance and other expense	(52)	*(9.4)%*	(54)	*(9.2)%*	(101)	*(8.5)%*
Employee profit-sharing and share-based payments	(2)	*(0.3)%*	(3)	*(0.5)%*	(3)	*(0.3)%*
Current operating income before acquisition-related expense	**100**	***18.0 %***	**112**	***19.1 %***	**234**	***19.7%***
Acquisition-related expense	(6)	*(1.1)%*	(6)	*(1.0)%*	(12)	*(1.1)%*
Current operating income	**94.0**	***16.9 %***	**106**	***18.1 %***	**222**	***18.6%***
Gain/(losses) on disposals and others	-	-	-	-	0	-
Optimization expenses	(6)	*(1.1)%*	(2)	*(0.4)%*	(14)	*(1.1)%*
Non-current acquisition-related income	-	-	-	-	-	-
Other operating expenses	(2)	*(0.3)%*	-	-	-	-
Operating income	**86**	***15.5 %***	**104**	***17.7 %***	**208**	***17.5%***
Financial income/(expenses)	(13)	*(2.4)%*	(20)	*(3.3)%*	(37)	*(3.1)%*
Income before taxes	**73**	***13.1 %***	**84**	***14.4 %***	**171**	***14.4%***
Income taxes	(17)	*(3.0)%*	(20)	*(3.5)%*	(41)	*(3.5)%*
Income from associates	0	-	0	-	1	*0.1%*
Net income	**56**	***10.1%***	**64**	***10.9 %***	**131**	***11.0%***
Minority interests	2	*0.4 %*	1	*0.1 %*	3	*0.2%*
Net attributable income	**58**	***10.5 %***	**65**	***11.0 %***	**134**	***11.2%***

First-half 2016

Summary consolidated balance sheet

Assets *(€ million)*	July 31, 2016	July 31, 2015	January 31, 2016
Goodwill	1,140	1,107	1,096
Intangible assets	218	206	214
Fixed assets	132	138	135
Other non-current financial assets	49	54	56
Leasing receivables	780	802	814
Other non-current receivables	2	3	4
Deferred tax assets	15	11	14
Inventories	80	79	76
Trade receivables	221	212	249
Other current assets	91	97	109
Current financial instruments	1	1	1
Cash and cash equivalents	80	298	75
TOTAL ASSETS	**2,809**	**3,008**	**2,843**

Liabilities *(€ million)*	July 31, 2016	July 31, 2015	January 31, 2016
Shareholders' equity attributable to the holders of the parent company	1,069	1,032	1,065
Minority interests	9	6	4
Shareholders' equity	**1,078**	**1,038**	**1,069**
Long-term provisions	26	30	26
Non-current financial debt	746	988	776
Other non-current liabilities	99	71	65
Current financial debt	153	120	113
Deferred tax liabilities	180	142	186
Non-current financial instruments	0	1	1
Deferred income	175	189	214
Current financial instruments	1	1	0
Other current liabilities	351	428	393
TOTAL LIABILITIES	**2,809**	**3,008**	**2,843**

First-half 2016

Simplified cash flow statement

€ millions	H1 2016 (period ended on July 31, 2016)	H1 2015 (period ended on July 31, 2015)
EBITDA	**138**	**150**
Other elements of net cash provided by operating activities	(11)	(7)
Cash flow before net cost of debt and income tax	**127**	**143**
Change in the working capital requirement	(43)	(74)
Net change in leasing receivables	19	(9)
Cash flow from operating activities	**103**	**60**
Interest and tax paid	(17)	(50)
Net cash flow from operating activities	**86**	**10**
Capital expenditure	(42)	(44)
Financial investments	(23)	(26)
Disposals of assets and other	2	1
Net cash flow from investing activities	**(63)**	**(69)**
Capital increase	-	-
Dividends paid	(28)	(62)
Change in debt and other	4	21
Net cash flow from financing activities	**(23)**	**(41)**
Cumulative translation adjustments on cash	11	(5)
Change in net cash position	**10**	**(105)**