

ANNUAL REPORT 2011

MAIL COMMUNICATION OF THE FUTURE



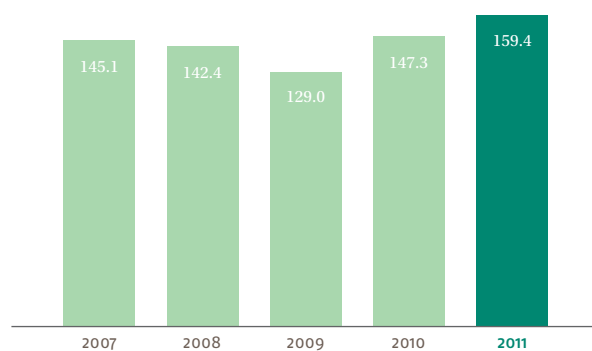
KEY FIGURES

Figures in accordance with consolidated financial statements in EUR million	2011	2010	Changes %
Revenues	159.4	147.3	8.2
Increase in revenues (%)		14.2	
Recurring revenues	125.0	111.8	11.8
EBITDA	13.1	25.5	-48.6
as percentage of revenues	8.2	17.3	
EBITA	1.2	14.4	-91.7
as percentage of revenues	0.8	9.8	
Operating income EBIT	-1.3	7.5	n/a
as percentage of revenues	n/a	5.1	
Net income / lost	-4.6	2.7	270.4
as percentage of revenues	n/a	1.8	
Free Cashflow	2.4	9.4	-74.5
as percentage of revenues	1.5	6.4	
Equity capital	14.7	14.7	
Shareholders equity	15.9	19.6	-18.9
as percentage of revenues	11.9	14.4	
Return on equity (%)	n/a	13.8	
Debt capital	117.2	116.3	0.8
Net debt	30.0	31.7	-5.4
Net indebtedness percent	188.7	161.7	
Balance sheet total	133.1	135.9	-2.1
Share price end of the year in EUR	2.11	3.15	-33.0
Earnings per share in EUR	-0.27	0.23	n/a
Employees (exact number)	1,136	1,113	2.1

GROUP AND REVENUE DEVELOPMENT

in EUR million

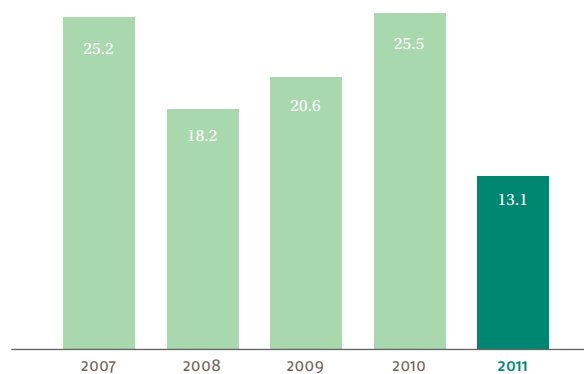
The FP Group increased its revenue in the 2011 financial year and is planning for revenue growth in the future as well.



EBITDA

in EUR million

EBITDA was negatively influenced by various factors in 2011. A positive trend is forecast from 2012 onwards.



»FP intends to be a trend-setting global experts in physical and electronical mail communication by 2015.«

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MANAGEMENT BOARD INTERVIEW



MANAGEMENT BOARD

Andreas Drechsler (left)
Member of the Management Board, CSO

Born in 1968, banking and business graduate, responsible for Sales Germany and International, Business Development and Product Management, Internal Audit, Marketing and Corporate Communications.

Hans Szymanski (right)
Chairman of the Management Board, CEO and CFO

Born in 1963, economics graduate, responsible for Finance, Accounting, Controlling, Human Resources, Legal and Compliance, IT, Research and Development, Quality Management, Production, Purchasing, Logistics, and Strategic Business Development.

MR. SZYMANSKI, WHAT IS YOUR VIEW OF 2011 LOOKING BACK?

Szymanski: In the past year, our company overcame major challenges and achieved a huge amount. Let me highlight a few key experiences: We completely realigned production. The establishment of new production in Wittenberge and the discontinuation of production in Birkenwerder was a difficult but necessary measure to enable us to produce at competitive costs. Alongside this, we ramped up development of our new PostBase product. With PostBase, we have developed a system in the field of physical mail communication that is state-of-the-art. We also successfully entered the fully electronic mail communication market. As of March 2012, we are the first certified De-Mail provider in Germany. This means that the FP Group is the first provider in Germany to cover all channels of mail communication – physical, hybrid, and fully electronic. With this multi-channel strategy, we are on the right track going forward and can profit from altered market conditions. In 2011, we thus created the decisive conditions to grow profitably in the long term.

GROWTH IS A GOOD CATCHPHRASE. MR. DRECHSLER, WHY ARE YOU SO OPTIMISTIC? THE FP GROUP PRODUCES FRANKING MACHINES. ISN'T THIS A WORLD THAT IS OUTDATED?

Drechsler: Not at all! The FP Group has fundamentally changed. The company was founded in Germany in 1923 as a franking machine manufacturer. Today we are a global provider of products and services in all aspects of mail communication – both traditional and electronic. We are thus fully in line with current trends and are even edging ahead of our competitors.

For us, the key question is: What does the customer need to manage their entire mail communication? Our answer: We ensure that business and private customers can optimally dispatch their letters and documents – reliably, simply, cost-effectively and in an environmentally friendly manner. We view our business customers in their corporate environment and offer targeted multi-channel solutions. And we have the requisite years of experience to do this. Our sales people know the needs of our customers. This is why, for example, we consolidated sales activities in Germany, our domestic market, in the past year. It is no good talking about a multi-channel solution when the customer ends

up with three contact partners. In the USA, we adjusted our sales to be in line with circumstances there, and we are also seeing initial success in the increase of our installed franking machines. As you can see, we are no longer just a machine manufacturer, but rather a multi-channel provider for mail communication.

YOU MENTION THE TERM “MULTI-CHANNEL PROVIDER”. COULD YOU PLEASE EXPLAIN EXACTLY WHAT YOU MEAN BY THIS?

Drechsler: Multi-channel simply means that we can cover all channels of written communication or mail communication. It sounds simple, but we are the only company who can currently offer this. We offer the traditional franking system coupled with consolidation services, i. e. our physical world. We also offer hybrid solutions – in effect a combination of electronic and physical mail – and we now have a fully electronic solution with De-Mail.

THAT SOUNDS LOGICAL. BUT DOES MAIL COMMUNICATION REALLY HAVE A FUTURE? ARE LETTERS NOT DYING OUT?

Drechsler: No, business letters will continue to exist for a long time. Well over 300 billion business letters are delivered worldwide annually. However, the markets are changing and customers' requirements are changing accordingly. While the concern in the previous century was franking letters as automatically as possible, the issue now is the internet capability of letters. That is why we made an early entrance into the electronic segment. And our customers still require our franking systems for traditional dispatch. Development will also continue here, nonetheless. For this reason, we are focusing on PostBase, our innovative new franking system.

WHAT DO YOU EXPECT FROM THE NEW GENERATION OF MACHINES?

Szymanski: With the new system, we are reinforcing our position as a specialist for physical and electronic mail communication. In the future, we will connect the new PostBase franking system to the FP Portal – an online platform that clients can use to access any data relating to their mail communication and to utilise further services. This means that we will connect the analogue and digital worlds of mail.

YOU CHANGED MANY THINGS IN THE COMPANY IN THE PAST YEAR. WHAT WILL HAPPEN IN 2012?

Szymanski: 2012 will be the year of implementation. We created the conditions in 2011: the new PostBase, new production, the new FP. I forecast continuous targeted progression. Starting in the second quarter of 2012, the new and flexible production line in Wittenberge will assume the construction of our franking machines. The sale of PostBase has been ongoing since the beginning of March in Germany and the beginning of April in the USA, as has the marketing of De-Mail in Germany. These initiatives will start to pay off in 2012.

AND WHAT ROLE EXACTLY DOES DE-MAIL PLAY?

Drechsler: De-Mail is the traditional, physical letter in digital form, i. e. De-Mail is completely confidential, secure, and legally binding. The De-Mail project was initiated by the German Federal Ministry of the Interior. At this year's CeBIT, our subsidiary mentana-claimsoft was the first provider to receive De-Mail accreditation. We are particularly proud of this. We see new revenue potential for the medium to long term in marketing De-Mail. We expect to gain a 10% share of the De-Mail market within three to four years. This is equivalent to revenue potential of around EUR 15 million to EUR 20 million. The development will primarily depend on how quickly the market accepts the new technology. We thereby intend to focus initially on companies and authorities in marketing De-Mail. However, De-Mail is also extremely interesting for private individuals.

DO YOU HAVE A CHANCE AGAINST THE BIG PLAYERS IN THE MARKET?

Drechsler: My answer to that is relatively simple: "Big enough to deliver, small enough to care". This means that we are big enough to offer a broad product range worldwide, and small enough to meet the wishes of our customers on an individual basis. Our USP is our proximity to our customers and the high quality that we deliver. FP has proved this since its foundation in 1923. Around the world and in our domestic market in Germany, we focus on small- and medium-sized companies. This is a good match, as the structures are similar. They are happy to work with us. Therefore, we have now adjusted our sales approach as well, and we intend to move even closer to customers. Naturally, personal contact with our customers remains of key importance. But we also recognise the opportunities of the internet and social networks. In addition to a uniform appearance on social networks, we have been keeping a corporate blog since March 2012 to communicate directly with our customers. The proximity to customers and their opinions is extremely important to us. Our motto as a multi-channel provider is: We are there for our customers – on all channels.

LET'S RETURN TO YOUR NEW PRODUCTION. YOUR DECISION WAS HARD. WHY DID YOU HAVE TO CHANGE ANYTHING?

Szymanski: We are bringing an outstanding product to market in 2012 with PostBase. Our employees have worked hard on this. This product required different production conditions. We cannot and will not carry out production that is not 100% competitive. A modern product requires modern production – fast, flexible and efficient. Our production inside must perform at the same level as our sales outside.

WHAT WILL THE RESTRUCTURING MEASURES BRING TO THE GROUP?

Szymanski: Production in Birkenwerder was discontinued as at the end of the first quarter of 2012. In 2011, we had the corresponding expenses from the restructuring, which is now completed. Starting in the second quarter of 2012, the positive effect should be noticeable. We will then be able to utilise the savings potential, which could amount to around EUR 3 million per year.

WHAT ARE YOUR FURTHER OBJECTIVES?

Szymanski: In 2011, we achieved revenue of EUR 159.4 million and EBITDA before restructuring costs of EUR 21.8 million. We recognised the restructuring in full financially in 2011. We expect no further extraordinary expenses for the current year. In addition, we have set medium-term targets that we intend to achieve together with our 1,100-plus employees worldwide. In March 2012, we successfully implemented a capital increase. The FP Group received gross proceeds from the issue of around EUR 3.9 million, which we will use to drive forward our multi-channel strategy. In 2014, we are planning on revenue of EUR 175 million, EBITDA of EUR 30 million and Group profit of more than EUR 7 million. In order to achieve these targets, our company will grow consistently in 2012 and 2013, and we will profit by continuing to develop as a full-service provider. In the franking business, we see stable development in the existing markets. For 2012, we expect revenue of at least EUR 161 million and EBITDA of at least EUR 25 million. For 2013, we expect to be able to achieve revenue of at least EUR 168 million and EBITDA of at least EUR 27 million.

IS THE DISTRIBUTION OF A DIVIDEND ALSO ON THE AGENDA?

Szymanski: The distribution of a dividend is not yet on the agenda, but we are aiming at distributing a dividend to our shareholders in 2014 for the 2013 financial year.

Drechsler: We would like to take this opportunity to thank all our shareholders, customers and partners most sincerely for the confidence that they have given us in the past years. Our thanks are also due to all employees for their achievements and commitment, in particular over the past financial year.

BUTTON CAPTION:

The new PostBase franking system is distinguished by a number of innovations. And it can be operated easily at the touch of a button.



3

2 1

GO!

*»A new age is dawning for the FP Group.
By 2015, we want to be a trend-setting
global expert in physical and electronic mail
communication. Our **starting points** are the new
PostBase franking system and De-Mail. These are
the forward-looking opportunities for analogue
and digital mail communication.«*

DIGITAL

»We offer *innovative* solutions for physical and electronic mail communication. Thus, we are optimally positioned to benefit from digitalisation in the coming years. This is innovation that will pay off.«



DISPLAY CAPTION:

Any user can operate PostBase easily and intuitively using a touchscreen. Another bonus is that the system can combine the analogue world of mail communication with the digital world.




CONNECTIONS CAPTION:

Our multi-channel strategy enables us to operate all channels of written communication – physical, hybrid, and fully electronic.

MULTI- CHANNEL

»We rely on *flexible* production and flexible processes. This enables us to achieve optimal implementation of our multi-channel strategy and to operate all channels of written communication. This is the basis for the future growth of the FP Group.«



BRUSHES CAPTION:

Smooth and simple – PostBase makes the processing of mail simple and efficient for our customers.

SIMPLE

*»The product of many years of experience makes it simple. We ensure that our business and private customers can send their letters professionally, reliably, and **simply** in a cost-effective and environmentally friendly manner – using physical, hybrid, and fully electronic channels.«*



SCALES CAPTION:

Quick and accurate weighing. PostBase offers everything that a modern franking system needs.

BALANCED

*»We strive for the **balanced** and sustainable development of our company. We see environmental protection and the handling of resources as an integral part of our responsibility to employees, customers, partners, and society.«*

TAILOR-MADE

»We respond to our customers' *individual* needs and requests to offer them tailored solutions. This focus on customers along with our high quality products have set us apart since we were founded in 1923.«



PROFILE CAPTION:

We provide our customers with individual product solutions. There is a right PostBase model for every requirement.

-  black
-  metallic blue
-  cherry red
-  sun gold
-  stone grey

MAIL COMMUNICATION OF THE FUTURE NEW PROSPECTS FOR THE ANALOGUE AND DIGITAL POSTAL MARKET

THE FP GROUP HAS SET ITSELF CLEAR OBJECTIVES. THE COMPANY INTENDS TO BE A TREND-SETTING GLOBAL EXPERT IN PHYSICAL AND ELECTRONIC MAIL COMMUNICATION BY 2015.

In recent years, the FP Group has systematically advanced its realignment as a multi-channel provider with its eleven subsidiaries and more than 1,100 employees. Thus, the company can cover the entire letter post distribution chain – from franking and inserting physical letters to mail consolidation and even hybrid and fully electronic mail via De-Mail.

With this strategy, the FP Group is on the right track going forward and can benefit from changing market conditions. A company history reaching back almost 90 years gives the FP Group a good basis in helping to shape this change. At the same time, this means staying at the forefront of technological development. The company therefore invests in research and development every year.

GOOD MARKET OPPORTUNITIES FOR THE COMING YEARS

Thanks to innovative technologies, a trend towards parallel use of different methods of mail processing is becoming apparent throughout the world. For the FP Group, advancing this development means connecting the analogue and the digital worlds of mail communication. The first step has been taken with the innovative PostBase franking system. PostBase can be handled very easily and intuitively using a touch-screen. The franking system can also be controlled directly from a PC. And with the connection to an online platform, clients will in future be able to access any data relating to their mail communication and to utilise further services.

In addition, the company sees significant potential in the German marketing of De-Mail, the secure, confidential, and legally binding form of fully electronic letter post. The FP Group is the first accredited De-mail provider and anticipates that around 10% of relevant potential mail will

»In 2011, we created the decisive conditions to fulfil our vision. Our decades of experience and innovative strength, as well as our global presence, guarantee that we will be a trend-setting global expert in physical and electronic mail communication by 2015.«

be sent via De-Mail in three to five years' time. Early entry in this promising area has given the company good market opportunities for the coming years.

TAILORED SOLUTIONS FOR BUSINESS AND PRIVATE CUSTOMERS

Mail communication of the future – for the FP Group, this means dealing flexibly with various communication channels or media. Written communication is no longer just on paper. The company therefore responds individually to customer demands and offers tailored solutions. With proven expertise in the letter market and knowledge of customer requirements, the FP Group ensures that business and private customers can dispatch their letters simply, reliably, cost-effectively and in an environmentally friendly manner. We have grown with our customers to the present point, and we will continue to grow with our customers in the future.



REPORT OF THE SUPERVISORY BOARD OF FRANCOTYP-POSTALIA HOLDING AG (FP GROUP)

With this report, the Supervisory Board provides details of its activities in accordance with Section 171 paragraph 2 of the German Stock Corporation Act (Aktiengesetz – AktG). In 2011 the Supervisory Board performed the duties required of it according to prevailing law, the Articles of Association and company standing orders, while taking the associated decisions as and when necessary. The Supervisory Board regularly advised the Management Board on the management of the company, monitored its work and dealt continuously with the course of business and situation of the FP Group. The Supervisory Board was directly involved in all important decisions from an early stage. The Management Board informed the members of the Supervisory Board regularly, comprehensively and in good time of the company's circumstances. Whenever a decision was required from the Supervisory Board regarding individual measures of the Management Board, the Supervisory Board passed resolutions on this, if necessary by written procedure. A total of nine meetings were held in the last year, of which four were ordinary meetings and five were extraordinary meetings.

The Supervisory Board held eight meetings at which the members of the Supervisory Board and the Management Board were present in person. The Supervisory Board also held one meeting via telephone conference. The meetings focused on the following issues:

- Development of the new PostBase franking machine system
- Establishment of new production in Wittenberge and discontinuation of production in Birkenwerder
- Product development in the area of physical and electronic mail communication, in particular preparation for De-Mail accreditation
- Development of global postal markets
- Net assets, financial and earnings position

Meetings at which the Supervisory and Management Boards were present in person took place on 25 January 2011, 6 April 2011, 24 June 2011, 29 June 2011, 30 June 2011, 22 September 2011, 10 November 2011, and on 8 and 9 December 2011 (meeting held over two days). On 26 January 2011, the Supervisory Board held a meeting via telephone conference without the participation of the Management Board. In addition, an information event on internet-access GmbH, mentana-claimsoft GmbH and the PostBase franking system took place on 5 April 2011.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN ONGOING DIALOGUE

The 2011 financial year was marked by the completion of the development of PostBase, the FP Group's new franking system. With PostBase, the FP Group is significantly modernising its product range. Moreover, the FP Group is putting a new product concept into effect with PostBase, as this franking machine will open further possibilities for electronic mail communication on the basis of physical mail communication. The Supervisory Board was informed in detail on the progress of product development at various opportunities (5 April 2011, 24 June 2011, 29 June 2011).

Preparatory measures for the production and market launch of PostBase were begun back in 2010. These involved important business decisions, on which the Management Board always consulted closely with the Supervisory Board. Of particular emphasis are the decisions made at the beginning of 2011 to establish new production in Wittenberge for economic reasons, and to close the existing production site in Birkenwerder. In this context, the Supervisory Board approved the purchase of the property in Wittenberge and the submitted schedule for production discontinuation and restructuring (meeting on 25 January 2011). The Supervisory Board commented extensively on the details of the preparatory negotiations and project decisions in its report on the 2010 financial year.

After negotiations between employer and employees ended unsuccessfully at the start of financial year 2011, both negotiating parties agreed on the procedure for the conciliation proceedings. When negotiations to reconcile interests also failed on 10 August 2011, a decision on a redundancy scheme originally totalling around EUR 7.5 million was made on 23 August 2011, with the vote of the chairman of the conciliation proceedings and the employees. Provisions were made for the full amount. The Management Board lodged an objection against the decision of the conciliation proceedings after close examination of the circumstances.

The decisions taken to set up new production were primarily geared towards safeguarding the future viability of the company and to ensure the successful launch of the new PostBase franking system. The Supervisory Board therefore

approved these decisions in close consultation with the Management Board (resolutions dated 25 January 2011, 24 June 2011, 22 September 2011).

At its meeting on 8 and 9 December 2011, the Supervisory Board was informed in detail on the current stage of the establishment of new production on site in Wittenberge. It gained assurance that the development was proceeding on schedule and that the production start-up of the new PostBase franking system would commence on time.

Alongside the decisions relating to new production, completion of the new PostBase franking system in terms of research and development and product management was driven forward and concluded. The Supervisory Board was informed in detail on the progress of the project, in particular during the information event on 5 April 2011, as well as in its meetings on 24 June 2011 and 29 June 2011.

STRATEGIC DEVELOPMENT OF THE FP GROUP

In addition to the projects mentioned, the Supervisory Board also focused on the further strategic development of the FP Group as a multi-channel provider for mail communication, with particular emphasis on general market development. The decision to acquire mentana-claimsoft GmbH (formerly AG) in March 2011 means that the company also rounded off its product portfolio, which until this point was based solely in the area of physical and hybrid mail communication, with products for fully electronic mail communication. This was a strategically important decision, particularly as the De-Mail Act was ratified in May 2011. This meant that mentana-claimsoft GmbH was able to become officially accredited as a De-Mail provider. The company received the accreditation certificate as the first De-Mail provider in Germany on 6 March 2012. The Supervisory Board was regularly informed of this development by the Management Board (6 April 2011 no meeting, 24 and 29 June 2011).

Following intensive talks on the general market development, the discussion on the strategic further development of the FP Group as a multi-channel provider led to the decision to combine the organisational set-up of sales in Germany under one roof. In its meeting on 29 June 2011, the Supervisory Board approved the proposal of the Management Board to realign the sales structure in Germany accordingly. Since September 2011, the German sales subsidiary FP Vertrieb

und Service GmbH has been managed by a two-member team, who together represent the areas of physical mail communication (franking, inserting, outsourcing/hybrid mail) and electronic mail communication (electronic signatures, virtual post boxes, long-term archiving and De-Mail). Sales are now aligned so that each customer is offered all products – physical, hybrid or fully electronic – from a single source, in line with the multi-channel strategy.

The Supervisory Board was also continuously informed by the Management Board of the development of preparations for market entry in the French market. In addition, the Management-Board kept the supervisory Board up-to-date through written and verbal reports of the business policy, the business situation and development, profitability, corporate planning including the company's financial, investment and staff planning and any discrepancies between actual business performance and the plans. The Supervisory Board discussed the reports of the Management Board in detail and held intensive discussions with the Management Board regarding the development prospects of the company and the individual business segments. The Management Board also regularly updated the Supervisory Board outside Supervisory Board meetings on current developments in the business situation and significant transactions.

NET ASSETS, FINANCIAL AND EARNINGS POSITION

The Management Board reported to the Supervisory Board on the net assets and financial and earnings position of the FP Group at every meeting. Issues of particular importance were discussed in detail between the Supervisory and Management Boards. The Supervisory Board paid particular attention to the development of the financial position. The extraordinary Supervisory Board meeting held on 10 November 2011 focused again on the financial position of the FP Group. The analysis of business performance showed that various influences had impacted negatively on the company's EBITDA. In addition to restructuring costs, lower savings in personnel costs from the site continuation agreement that expired in the summer had a negative effect on earnings. Market and economic development, as well as negative exchange rate effects and the corresponding impact on the margin, influenced the expected performance for 2011 as a whole. EBITDA before restructuring costs of EUR 22 to 23 million was forecast instead of the figure of EUR 25 to 27 million expected at the beginning

of the year. Ultimately, the company generated income of EUR 21.8 million in 2011. With regard to the effect on the company's EBITDA, the Management Board reported to the Supervisory Board that relevant measures had been taken to counteract the development.

The financial position was also a particular focus in the meeting held by the Supervisory and Management Boards on 8 and 9 December 2011. The budget for the following year prepared annually by the Management Board and approved by the Supervisory Board was also discussed in detail in this meeting.

Further to the existing syndicated loan agreement, an additional agreement was concluded on 14 March 2012 that serves the financing of claims by employees from the redundancy scheme in place for the measures implemented in connection with the discontinuation of production at the Birkenwerder location. In addition to the previously agreed lending volume, the company received a further loan amounting to EUR 4.1 million and a deferral of obligatory repayments as at 30 June 2012 amounting to EUR 0.7 million. Further information can be found in events after the balance sheet date in the Group management report.

On 23 March 2012, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital of the company in exchange for cash contributions, with shareholders' subscription rights disapplied, by partially utilising approved capital in accordance with Number 4 paragraph 3 of the Articles of Association through the issue of 1,460,000 new bearer shares with full dividend entitlement from 1 January 2012, each representing EUR 1.00 of share capital. The company's share capital was thereby increased from EUR 14,700,000 to EUR 16,160,000. The authorisation in accordance with Section 4 paragraph 3 of the Articles of Association refers to a resolution of the Annual General Meeting from 30 June 2011.

COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

At the 2011 Annual General Meeting, the Supervisory Board resolved on the re-election of the Supervisory Board, as the term in office of the members of the Supervisory Board ended with the conclusion of the Annual General Meeting. The Supervisory Board discussed the topic of suitable candidates as part of the preparation of the reelection of members for the Supervisory Board. Due consideration was given not only to the legal provisions, but also to the recommendations of the Corporate Governance Code. In accordance with Section 100 paragraph 5 AktG, it is required that at least one independent member of the Supervisory Board has expertise in the areas of accounting or auditing. Consideration was also given to Number 5.4.1. of the Corporate Governance Code, whereby the Supervisory Board must stipulate concrete targets for its composition that take into account the company's international activity, potential conflicts of interest, an age limit to be defined for Supervisory Board members, and diversity, with respect to the company-specific situation. These concrete targets should provide in particular for the adequate participation of women. At present, there are no women on the company's Supervisory Board. However, the Supervisory Board is committed to the recommendations of the Corporate Governance Code and will take due account of the topic of diversity in the search for suitably qualified candidates.

The former members of the Supervisory Board were presented for elected:

Prof. Michael Hoffmann has been a member of the Supervisory Board of Francotyp-Postalia Holding AG since June 2008 and the Chairman of the Supervisory Board for this period. As a graduate engineer with a doctorate in economics, he spent 20 years in the industry as a senior executive before founding TMM Technology Marketing Management GmbH, his Dortmund-based family-owned company for industrial interests and strategy consulting, in 1991. Since 1998, he has been an honorary professor at the University of Witten / Herdecke.

Mr. Christoph Weise has been member of the Advisory Board of Francotyp-Postalia GmbH until its transformation into a public company 2006. Since 2006 Mr. Weise has been Deputy Chairman of the Supervisory Board throughout this period. He has been active in the financial sector for more than 20 years and has carried out numerous advisory and supervisory board activities, including with the listed company sia Abrasives Industries AG, based in Switzerland. Following the completion of his training as a banker, Mr. Weise studied business administration at the University of Cologne and Bergische Universität in Wuppertal completing his studies in 1983 with a degree in economics.

Dr. Claus Gerckens was elected to succeed Mr. George Marton on the Supervisory Board of Francotyp-Postalia Holding AG at the 2009 Annual General Meeting. He was a partner at Arthur Andersen & Co. Wirtschaftsprüfungsgesellschaft, and has more than 20 years' experience in industrial companies. As former CEO of Böwe Systec AG, Dr. Gerckens has particular expertise in the fields of M&A and strategic corporate development. Sitting on management and supervisory boards, Dr. Gerckens has been active in nearly all countries in Europe, as well as in Japan, the USA, Canada, Australia and New Zealand. As a former auditor and tax consultant, Dr. Gerckens provides the expertise in the areas of accounting and auditing required in line with Section 100 paragraph 5 AktG.

None of the current members of the Supervisory Board were at any time members of the Management Board or CEO of Francotyp-Postalia Holding AG, or one of its subsidiaries.

Overall, the Supervisory Board is satisfied that it has the knowledge, skills and professional experience required for the proper performance of its duties. Together with the Management Board, it pursues the objective of developing the FP Group as a company with sustainable earnings power through measures to increase efficiency and utilise growth potential. It thereby concurs with the strategic and operational objectives developed by the Management Board.

The FP Group is on the right track: with the introduction of a new product line, the establishment of new cost-efficient production, and the acquisition of a company for future-oriented services. The Supervisory Board therefore was and

is of the opinion that the FP Group will profit from the continuity now achieved in the Management and Supervisory Boards, especially in view of the tasks to be performed. The shareholders followed the recommendations of the Supervisory Board in the Annual General Meeting of the past year, and re-elected all candidates in the Supervisory Board. In the constituent meeting of the Supervisory Board held directly after the Annual General Meeting (30 June 2011), Prof. Michael Hoffmann was re-elected as Chairman of the Supervisory Board, as previously announced in the Annual General Meeting in the case of re-election.

In accordance with Number 5.5.2 of the Corporate Governance Code, members of the Supervisory Board must report any potential conflicts of interest. In the last financial year, one member of the Supervisory Board disclosed a conflict of interest.

MANAGEMENT BOARD

At its meeting on 10 January 2011, the Supervisory Board resolved to extend the existing contract of employment as a member of the Management Board of Andreas Drechsler until 22 February 2015. Mr. Drechsler has been Chief Sales Officer for the FP Group's global operating business since February 2009.

With effect from 1 January 2011, Mr. Hans Szymanski was appointed as Chairman of the Management Board of Francotyp-Postalia Holding AG. At the meeting on 6 April 2011, the existing Management Board schedule of responsibilities was updated accordingly. In line with this, Mr. Hans Szymanski is responsible for Finance, Accounting, Controlling, Human Resources, Legal and Compliance, IT, Research and Development, Quality Management, Production, Purchasing, Logistics, and Strategic Business Development. Mr. Andreas Drechsler is responsible for Sales Germany and International, Business Development and Product Management, Internal Audit, Marketing and Corporate Communications.

By making these personnel decisions at Management Board level ahead of schedule, the Supervisory Board is ensuring the necessary continuity of the successful operational and strategic work of the Management Board.

LEGAL DISPUTES WITH DR. SLUMA

The legal disputes with Dr. Heinz-Dieter Sluma, former member of the Management Board, resulting from the resolution of the Supervisory Board on 13 February 2009 on the revocation of the appointment of Dr. Sluma as CEO of Francotyp-Postalia Holding AG for good cause and the extraordinary termination of his contract of employment as a member of the Management Board, also for good cause, were finally won by the company and are thus concluded.

Detailed information on this can be found on the website of Francotyp-Postalia Holding AG at <http://www.francotyp.com/de/investoren.html>.

WORK ON COMMITTEES

Due to the corporate size of Francotyp-Postalia Holding AG and the fact that the Articles of Association prescribe that the Supervisory Board must have three members and no more, no other committees were formed. While the Supervisory Board continues to be limited to three persons, the Board as a whole assumes the duties of an Audit Committee.

In this capacity, the Supervisory Board examines and monitors the financial reporting process as well as the effectiveness of the internal monitoring system, risk management system and internal audit system. Examination and monitoring is based on the regular reports of the Management Board.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

The Supervisory Board has the task of examining the annual financial statements, management report, consolidated financial statements and Group management report prepared by the Management Board. The same applies to the report and conclusions reached by the independent auditor and independent auditor for the Group. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has audited the annual financial statements and management report of Francotyp-Postalia Holding AG to 31 December 2011 as well as the consolidated financial statements and Group management report to 31 December 2011, and in each case has issued an unqualified opinion thereof.

In accordance with Section 315a German Commercial Code (Handelsgesetzbuch – HGB), the Group management report

and consolidated financial statements were drawn up according to International Financial Reporting Standards (IFRS). The independent auditor conducted his audit in accordance with the generally accepted standards for the audit of financial statements promulgated by the IDW Institute of Public Auditors in Germany. As the Supervisory Board did not form its own audit committee, the Supervisory Board as a whole conducted the audit of the documents specified. The Management Board submitted these documents, together with the audit reports by KPMG AG, to the Supervisory Board in good time.

During the balance sheet meeting held by the Supervisory Board on 30 March 2012, in the presence of the independent auditor, who reported on his main audit findings, the 2011 annual financial statements, 2011 consolidated financial statements and associated management reports and audit reports were subjected to detailed scrutiny. The Supervisory Board concurs with the Management Board's presentation of the state of the company in its reports and annual financial statements as well as with the results of the audit reports. Accordingly, the Supervisory Board raises no objections thereto. The Supervisory Board approved the financial statements drawn up by the Management Board in a resolution on 30 March 2012. These have thus been established in accordance with Section 172 AktG.

CORPORATE GOVERNANCE

The Management Board and Supervisory Board issued a Declaration of Compliance with the German Corporate Governance Code (the Code) pursuant to Section 161 AktG, which now forms part of the Declaration on Corporate Governance pursuant to Section 289a HGB, and will make this declaration permanently available to shareholders on the Francotyp-Postalia Holding AG website. The Management Board and Supervisory Board broadly comply with the proposals and recommendations of the Code. The Declaration on Corporate Governance which also forms part of the 2011 Annual Report, and the Declaration of Compliance give detailed explanations of points where the Management Board and Supervisory Board depart from the Code's proposals and recommendations. The Supervisory Board conducted an efficiency audit for the first time in the 2009 financial year. This will be repeated every three years and is due to be conducted in the current financial year.

As disclosed in the Supervisory Board's report for the last year, the Management and Supervisory Boards had jointly resolved to update the existing compliance regulations and also to introduce new regulations binding all FP Group companies. In this respect, the Management and Supervisory Boards discussed appropriate measures with regard to compliance regulations. Following the successful introduction of globally applicable compliance guidelines, the compliance officer newly appointed by the Management Board was presented to the Supervisory Board at the meeting on 22 September 2011.

ACKNOWLEDGEMENTS

After the successful completion of numerous projects by the FP Group, particularly in the past year, the company is on the right track. The Supervisory Board would like to thank the members of the Management Board, all employees and the Works Council for their commitment. Likewise, it would like to thank the shareholders for the confidence they have shown in the company.



Prof. Dr. Michael J. A. Hoffmann

April 2012

The Supervisory Board
Francotyp-Postalia Holding AG

Prof. Dr. Michael J. A. Hoffmann

MEMBERS OF THE SUPERVISORY BOARD

*Prof. Dr. Michael
J. A. Hoffmann (right)*
Born in 1944,
Dr. rer. pol. Dipl.-Ing.
Chairman of the Supervisory Board of
Francotyp-Postalia Holding AG

Christoph Weise
(no picture)
Born in 1953,
Diplom-Ökonom (business graduate)
Deputy Chairman of the Supervisory
Board of Francotyp-Postalia
Holding AG

Dr. Claus Gerckens
(no picture)
Born in 1950,
Dr. rer. soc.
Member of the Supervisory Board of
Francotyp-Postalia Holding AG

DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

The Management Board and Supervisory Board submit an annual corporate governance report on the corporate governance of the company. As with the Declaration of Compliance, this is also a component of the company's Declaration on Corporate Governance pursuant to Section 289a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

The purpose of the German Corporate Governance Code is to make the rules for the management and supervision of companies prevailing in Germany as transparent as possible for both domestic and international investors. The Code's provisions and rules cover the fields of shareholder interests, the Management Board and Supervisory Board, the transparency of company management, and the duties of the independent auditor. The Management Board and Supervisory Board of Francotyp-Postalia Holding AG are committed to the interests of shareholders and thus to the implementation of the recommendations and proposals of the German Corporate Governance Code (the Code). In line with the principles of the social market economy, the Management Board and Supervisory Board also safeguard the company's existence and ensure sustainable added value. The Management Board and Supervisory Board report on potential deviations from the recommendations of the Code in both the Declaration of Compliance and the following extensive disclosures with reference to the version of the Code dated 26 May 2010.

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Management Board and Supervisory Board of Francotyp-Postalia Holding AG hereby present its Declaration of Compliance, setting out which recommendations of the version of the German Corporate Governance Code dated 26 May 2010, as published by the

Federal Ministry of Justice in the official section of the electronic version of the Federal Gazette, it has been and is complying with or which recommendations have not been or are not being applied.

- 2.3.1 As the company is not going to offer postal votes at its next Annual General Meeting, it will not publish the applicable forms on its website.
- 2.3.3 The company will not offer postal votes at its next Annual General Meeting. To date, the Articles of Association of Francotyp-Postalia Holding AG have not allowed for the possibility of postal voting. Moreover, this system has not yet been sufficiently tested and involves legal uncertainty.
- 5.2 While the Supervisory Board continues to consist of three persons, no committees will be formed in which the Supervisory Board Chairman or any other Supervisory Board member could occupy an additional chairmanship role, as the composition of the committees would be identical to that of the Supervisory Board.
- 5.3.1 For the same reason, no specialist committees will be formed.
- 5.3.2 While the Supervisory Board continues to be limited to three persons, the Board as a whole will assume the duties of an audit committee.
- 5.3.3 With regard to the formation of a nomination committee, the same circumstances apply as to the other committees.
- 5.4.6 The Articles of Association do not provide for performance-related remuneration for members of the Supervisory Board. A discussion on possible adjustments is planned.

- 7.1.2 As a consequence of the extensive consolidation work involved, the consolidated financial statements are drawn up within four months of the end of the financial year. Due to the large amount of consolidation work involved, the quarterly and half-yearly reports are also published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules (Börsenordnung) and the Transparency Guidelines Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz).

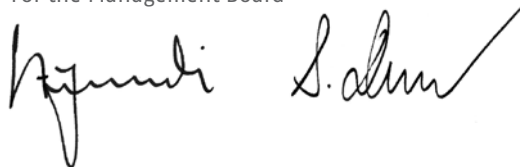
Birkenwerder, 30 March 2012

For the Supervisory Board



Prof. Dr. Michael J. A. Hoffmann
Chairman of the Supervisory Board

For the Management Board



Hans Szymanski

Andreas Drechsler

BASIC INFORMATION ON THE STRUCTURE OF COMPANY MANAGEMENT AND THE UNDERLYING RULES

Francotyp-Postalia Holding AG is domiciled in Birkenwerder and, as a German company, is subject to German stock corporation law. The executive bodies are the Management Board, the Supervisory Board and the Annual General Meeting. Corporate governance is based on the close and trustful cooperation of all executive bodies, as well as an active and continuous flow of information between them. At the Annual General Meeting in particular, shareholders can put questions to the management and exercise their voting rights.

Assuming responsibility is a matter of course for the FP Group. The company assumes responsibility for products and processes, employees, customers and partners, as well as for the environment and society. In this regard, the company maintains an open approach and holds an ongoing dialogue with its stakeholders.

German stock corporations are required to have a dual management system composed of a management board and a supervisory board. In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG comprises three members elected by the Annual General Meeting. The Chairman and Deputy Chairman are elected from among the Supervisory Board's members. The Supervisory Board's Rules of Procedure, which the committee drew up for itself, govern its working method.

In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG holds four meetings each calendar year, two of which are to take place every six calendar months. Extraordinary meetings are convened by the Supervisory Board Chairman if required and after due assessment of the circumstances.

Pursuant to the Articles of Association, the Supervisory Board may appoint one or more persons to the Management Board of the company. The Management Board of Francotyp-Postalia Holding AG currently comprises two members. The Management Board manages the company independently in line with the company's best interests with the aim of creating sustainable added value while taking into account the concerns of shareholders, its employees and other groups affiliated with the company.

In accordance with the Rules of Procedure for the Management Board issued by the Supervisory Board, the Management Board manages the company's businesses in line with uniform plans and guidelines, with the Management Board bearing joint responsibility for the management of the entire company. As part of the overall responsibility for managing the company, the two members of the Management Board are required within the remit of tasks allocated to them to cooperate in a collegial and trustful manner for the benefit of the company.

The Management Board develops the strategic direction of the company and coordinates this with the Supervisory Board. In addition to complying with statutory provisions and internal company guidelines, the Management Board also ensures appropriate risk management and monitoring within the company and the Group companies. More detail is given in the risk and opportunity report in the Group management report. Management Board meetings are held at regular intervals, every two weeks if possible.

COMMITTEES OF THE SUPERVISORY BOARD

Due to the size of the company and the number of members of the Supervisory Board prescribed by the Articles of Association, as a rule no other committees are formed. For this reason, the Supervisory Board as a whole decides on and monitors issues relating to the Management Board remuneration system, including the principal elements of contracts. Likewise, the Supervisory Board as a whole assumes the duties of an Audit Committee, with the Supervisory Board Chairman acting as Chairman of said committee. One member of the Supervisory Board possesses the requisite specialist knowledge in the area of accounting.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Achieving sustained increases in company value is the common goal of the collaboration between the Management Board and the Supervisory Board. The Management and Supervisory Boards meet at regular intervals to jointly coordinate the strategic direction of the company. The Management Board also provides the Supervisory Board with regular information on all issues relating to planning, business trends, risk, risk management, internal accounting and compliance. The Management Board reports any discrepancies between actual business performance and

the plans and goals drawn up, and provides justification for these. The Supervisory Board has stipulated in the Rules of Procedure for the Management Board how the Management Board must provide information and reports. These Management Board Rules of Procedure also stipulate that the Supervisory Board has the right of veto with respect to decisions or measures could materially affect the company's assets, financial situation or earnings position, and also concerning transactions of major importance.

Francotyp-Postalia Holding AG has taken out D & O insurance, which includes an excess of 10% of the loss, for the members of the Supervisory and Management Boards in accordance with the provisions of the German Corporate Governance Code.

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Francotyp-Postalia Holding AG adheres to the recommendations of the Code concerning disclosure of the remuneration of individual Management Board and Supervisory Board members. The basic features of the remuneration system and remuneration are presented in the remuneration report contained in the Group management report and the management report.

CONFLICTS OF INTEREST

When taking decisions and performing their duties, the Management Board and Supervisory Board are bound to act in the company's best interests and may neither pursue personal interests nor confer advantages on other persons or make personal use of business opportunities which are the purview of the company itself. All members of the Management Board must disclose any conflicts of interest to both the Supervisory Board and other members of the Management Board. Likewise, all members of the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. Furthermore, in its report, the Supervisory Board must notify the Annual General Meeting of any conflicts of interest and how they were dealt with.

DIVERSITY

With regard to its future composition, the Supervisory Board must bear in mind the composition of the Supervisory Board recommended by the Corporate Governance

Code, with male and female members. At present, there are still no women on the company's Supervisory Board. For a Supervisory Board consisting of three members in total, it is considered to be adequate to have one female Supervisory Board member. In the Supervisory Board elections planned for the 2011 Annual General Meeting, no female candidates were put forward for election for the time being. This was in the interests of Francotyp-Postalia Holding AG, which is currently undergoing restructuring measures. It therefore seemed crucial to maintain continuity in the work of the Supervisory Board. The Supervisory Board will take diversity into account in the case of nominations at the Annual General Meeting. The decisive guideline for nomination remains the company's interests, which means that the Supervisory Board will propose the most suitable candidate. The Supervisory Board will take the issue of diversity into account when seeking suitably qualified candidates for Management Board positions that need to be filled.

Furthermore, at least one member of the Supervisory Board is to fulfil criteria with regard to internationality. One member already meets these criteria.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The Management Board convenes an Annual General meeting at least once a year. At the Annual General meeting, the shareholders receive the consolidated and annual financial statements and the related management reports and resolve on the use of the unappropriated surplus and on the approval of the actions of the members of the Supervisory and Management Boards in connection with this. Those present at the Annual General Meeting also re-elect the auditor each financial year.

At the Annual General Meeting, shareholders in Francotyp-Postalia Holding AG exercise their rights of control and their rights to have a say in the running of the company. They have the option of exercising their voting rights themselves or having them exercised through an authorised representative of their choice, including a shareholders' association. The company also makes it easier for shareholders to exercise their rights in person by providing a proxy who can also be reached during the Annual General Meeting.

The company publishes the documents required for the Annual General Meeting and the agenda on its website, where

they can be accessed easily by shareholders. Moreover, the company offers all financial service providers in Germany and abroad, shareholders and shareholders' associations the option of receiving the invitation to the Annual General Meeting, together with the documents relating to the convening of the meeting, via electronic means, provided that Francotyp-Postalia has obtained approval for this. Naturally, it is in the interests of the company and of the shareholders to ensure that the Annual General Meeting is concluded quickly. In accordance with the Articles of Association, the chairman of the meeting has the option to impose appropriate limits on the time for which shareholders are permitted to ask questions and to speak. Owing to the high organisational costs involved, an internet broadcast of the entire Annual General Meeting is still not planned.

TRANSPARENCY

For Francotyp-Postalia Holding AG, corporate governance means responsible and transparent leadership and control of the company. In particular, this includes equal treatment of shareholders when passing on information. We disclose all new facts and circumstances to shareholders, financial analysts and the like without delay. This involves disseminating the information in German and English both on the Francotyp-Postalia Holding AG website and through the use of systems which ensure the simultaneous publication of information both in Germany and abroad. All important regular publications and dates are published well in advance on the financial calendar.

In accordance with legal guidelines, Francotyp-Postalia Holding AG publishes the relevant information on its website if members of the Management and Supervisory Boards or related parties have purchased or sold FP shares or related derivatives. Pursuant to Section 15a of the Securities Trading Act, these persons are obliged to disclose transactions with a value that reaches or exceeds EUR 5,000 in one calendar year.

ACCOUNTING

The principal sources of information for shareholders and third parties are in the company's consolidated financial statements as well as, during the financial year, the quarterly and half-yearly reports. Contrary to the recommendations of the Code and due to the extensive

consolidation work involved, the consolidated financial statements of Francotyp-Postalia Holding AG are drawn up within four months of the end of the financial year. Due to the large amount of consolidation work involved, the quarterly and half-yearly reports are also published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules (Börsenordnung) and the Transparency Guidelines Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz).

The consolidated financial statements and interim reports are drawn up in accordance with International Financial Reporting Standards (IFRS). The individual financial statements required by law for tax and dividend payment purposes are drawn up in compliance with the German Commercial Code.

An internal control system and uniform accounting principles ensure that an appropriate reflection is given of the net assets, financial and earnings position and cash flows of all Group companies. The Management Board also ensures appropriate risk management and monitoring within the company. It reports to the Supervisory Board on all existing risks and their development regularly and in good time.

The Supervisory Board advises on risk management and is explicitly concerned with monitoring the effectiveness of the risk management system, the internal control and audit systems, the accounting process and the audit, in particular its independence, in view of Section 107 paragraph 3 AktG as amended by the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

A list of relationships with shareholders qualifying as Related Parties, within the meaning of IAS 24, is published by the company in its consolidated financial statements.

AUDIT

In accordance with the 2011 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2011 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that he will inform the Chairman of the Supervisory

Board immediately of any grounds for exclusion or bias which might arise during the audit, unless said grounds are eliminated without delay. The auditor is also required to immediately report any material findings or occurrences arising during the execution of the audit which may be relevant to the Supervisory Board's performance of its duties. The auditor is further required either to notify the Supervisory Board or make a corresponding note in its audit report should it discover circumstances indicating inaccuracies in the Declaration of Compliance with the Code given by the Management Board and Supervisory Board, pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG).

COMPLIANCE

In the past financial year, the Management and Supervisory Boards jointly resolved to update the existing compliance regulations and also to introduce new regulations binding all FP Group companies. Corresponding measures were implemented in 2011. Following the successful introduction of globally applicable compliance guidelines, a new Compliance Officer was appointed by the Management Board. The Supervisory Board monitors the compliance activities of the Management Board and is intensively involved with the set of compliance regulations.

The corporate culture of the FP Group is marked by trust and mutual respect, as well as the motivation to adhere strictly to laws and internal regulations. Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. The company does its utmost to minimize this risk as far as possible by uncovering misconduct and dealing systematically with it. Observing legal and ethical regulations and principles is of central importance. These are set out, together with the responsible handling of insider information, in the compliance guidelines. They provide all employees with standards of corporate integrity in business transactions.

FP SHARES – ENHANCED DIALOGUE WITH INVESTORS

VOLATILE SHARE PRICE PERFORMANCE

Following a good performance in the previous year, FP shares recorded sideways movements overall in the first half of 2011 in a difficult stock market environment. After FP shares dropped in value in the second half of 2011, investors regained confidence at the year-end, resulting in a price increase in December. The upwards trend was reinforced in the first quarter of 2012.

April to the annual high of EUR 3.85. Up to the middle of the year, FP shares moved sideward. A decline in share prices followed in August in the wake of the debt crisis and a general slump on the stock markets. The share price dropped further in November after the company was required to adjust the earnings forecast for 2011. The share fell to the annual low of EUR 1.78. As at the end of the year, FP shares recovered to close the year at EUR 2.11. The upwards trend continued in the first quarter of 2012.

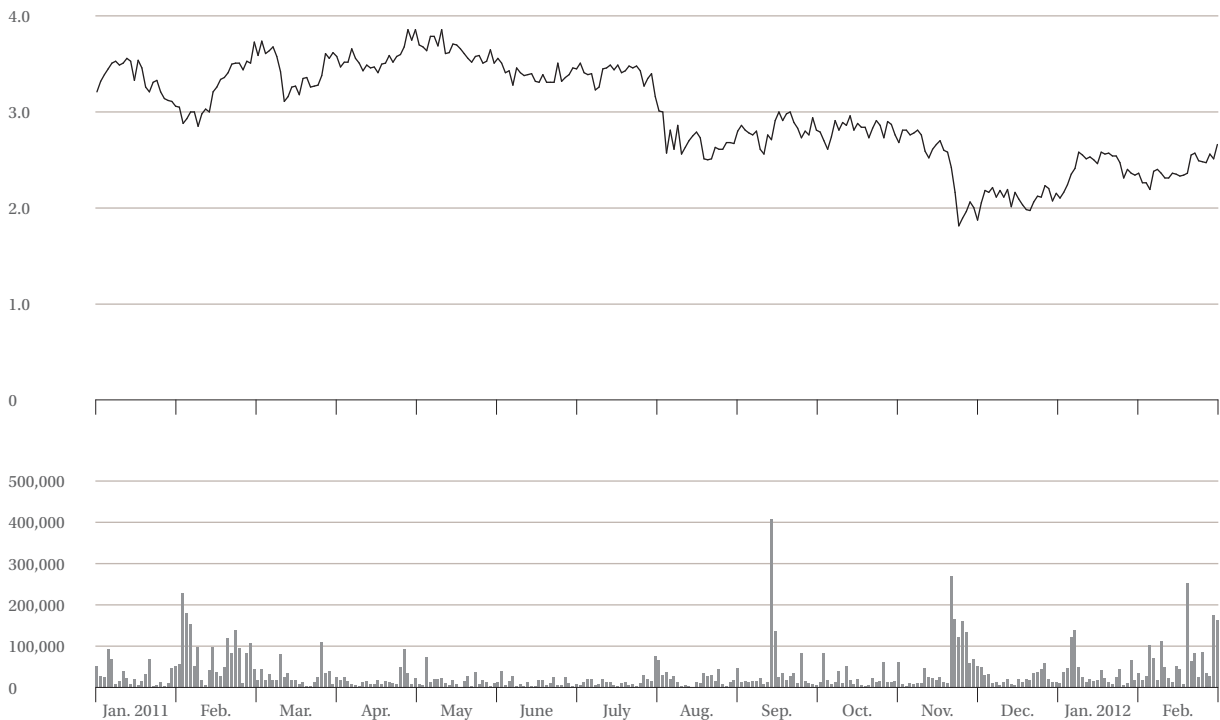
RECOVERY OF THE CAPITAL MARKETS CONTINUES

FP shares began 2011 at a price of EUR 3.20. The volatile start to the year was succeeded by a slight climb at the end of

The share price recovery in December 2011 was accompanied by increasing trading volumes. On average, around 36,000 shares changed hands each trading day in 2011. The highest number of FP shares traded in a single day was just under 410,000.

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (03 JANUARY 2011 – 29 FEBRUARY 2012)

Share price in EUR, volume in shares



Overall, FP shares recorded a price decrease of 33% in 2011. This development took place in a nervous capital market environment. The SDAX, the German small-cap index, dropped 16% in 2011. The leading US index, Dow Jones, gained 5% over the course of the year, whereas the German stock exchange indicator, the DAX, lost around 15%. Francotyp-Postalia's listed competitors, the French company Neopost and the US company Pitney Bowes, also recorded share price losses in 2011. Neopost shares lost around 20%, and Pitney Bowes shares 23%.

BROAD SHAREHOLDER STRUCTURE

Francotyp-Postalia has a broad shareholder structure. Of a total of 14.7 million shares listed in Prime Standard on the Frankfurt Stock Exchange, 2.5% are held by the company itself. A further 5.02% are held by Eric Spoerndli, a private investor based in Switzerland. The remaining 92.5% are in free float.

The shares held by the company itself will be used to exercise the stock options issued to executives in accordance with the resolution of the Annual General Meeting on 30 June 2011.

As at 31 December 2011, notifications received showed that the following investors each held voting rights in excess of 3%:

- Amiral Gestion (11.30%)
- Financière de L'Échiquier (4.88%)
- LRI Invest S. A. (9.52%)
- Axxion S. A. (3.51%) and
- Alceda Fund Management SA (3.07%).

The regional focal points of the shareholder distribution are Germany, the UK, France and Switzerland. Following the exit of Quadriga Capital at the end of 2010, the proportion of German investors rose significantly.

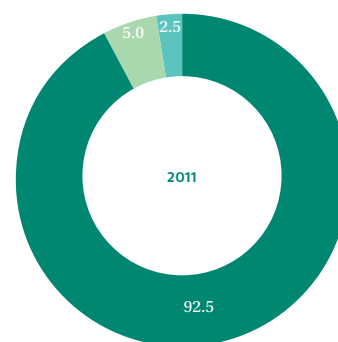
The FP Management Board resolved on 23 March 2012, with the approval of the Supervisory Board, to increase the company's share capital by EUR 1.46 million. To this end, the company issued 1,460,000 new bearer shares,

each representing EUR 1.00 of share capital. The company's share capital thereby amounts to EUR 16.16 million. The new shares were taken up immediately following approval by the Supervisory Board in the context of a private placement by 3R Investments Ltd., Cyprus. The issue amount is EUR 2.66 per share; the company received gross proceeds of EUR 3,883,600 million from the issue.

SHAREHOLDER STRUCTURE

in %

The large free float is spread across a broad shareholder basis in Germany, France and the UK.



■ Free float
■ Eric Spoerndli, Schweiz
■ Treasury shares

Distribution of shares in free float (December 2011)	
Amiral Gestion	11.30%
Financière de L'Échiquier	4.88%
LRI Invest S. A.	9.52%
Axxion S. A.	3.51%
Alceda Fund Management SA	3.07%

ENHANCED DIALOGUE WITH INVESTORS

The corporate strategy of the FP Group is geared towards a sustainable increase in value. Continuous, open and transparent communication with all capital market participants is therefore very important to us. The FP Group informs all market participants regularly and in detail of the company's development. Direct contact with analysts, investors and banks is of great importance to the Management Board.

To promote dialogue with all capital market participants, the company provides access to information that is important and relevant to the capital markets through digital media and its website. The Management Board and the investor relations team also use one-on-one meetings, investor conferences and roadshows to explain the company's business model and to highlight the Group's potential. The financial institutes Hauck & Aufhäuser and Warburg Research both publish regular studies on the company.

In November 2011, the company's financial calendar once again included the German Equity Forum in Frankfurt, Europe's most important platform for equity capital finance for medium-sized companies. The investor relations team also visited capital market conferences such as the Munich Capital Market Conference in December 2011. In addition to the conferences, various roadshows were conducted in Switzerland, France and the UK, alongside increased roadshow activity in Germany again taking place in Hamburg, Frankfurt and Munich.

The company also organised telephone conferences each time it published quarterly figures, in which management explained the company's performance and answered questions from analysts and investors.

In 2011, the FP Group also welcomed investors once again to Investor's Day. The aim of this day is to offer investors the opportunity to discuss specific areas and questions in detail with the Management Board. The Management Board used Investor's Day 2011 to give an extensive presentation

of the strategic development and the associated measures planned, such as the setting-up of a production line, and to discuss this with investors in depth.

The FP Group's Annual General Meeting on 30 June 2011 in Berlin was an important platform for direct dialogue with shareholders. Around 50% of share capital with voting rights was represented at the Annual General Meeting. The Management Board and shareholders also use this event for transparent dialogue.

The investor relations area of the company's website is a central point of contact for all shareholders. At <http://www.francotyp.com> (in future: <http://www.fp-francotyp.com>) visitors will find comprehensive background information about the company as well as all relevant publications, such as annual and quarterly reports, financial presentations, ad-hoc disclosures, notifications of voting rights and director's dealings, and press releases. Further information can also be obtained by phoning the investor relations team directly on +49 (0)3303 525 410.

INVOLVEMENT IN SOCIAL NETWORKS

In the course of implementing the corporate strategy, the area of Corporate Communications, which also includes Investor Relations, focused in depth on further opportunities for open and transparent dialogue with the company's stakeholders. The company-wide decision was therefore made to utilise social communication platforms going forward. The FP Group will unify and step up its presence on Facebook and Twitter across the Group. In addition, the FP Group will systematically set up country- and issue-specific weblogs.

Key figures for the FP share	
Number of shares	14.7 million (from 23 March 2012: 16.16 million)
Type of shares	Bearer shares
Equity capital	EUR 14.7 million (from 23 March 2012: EUR 16.16 million)
Voting rights	Each share grants one vote
WKN	FPH900
ISIN	DE000FPH9000
Ticker symbol	FPH
Trading segment	Official Market (Prime Standard)
Stock exchanges	Xetra and regional German exchanges
Designated sponsor	Close Brothers Seydler Bank
Coverage	Warburg Research, Hauck & Aufhäuser
Announcements	Electronic Federal Gazette
Closing price on Xetra on 30 December 2011	EUR 2.11 (30 December 2011)
Highest price for the year on Xetra	EUR 3.85 (29 April 2011)
Lowest price for the year on Xetra	EUR 1.78 (23 November 2011)
Market capitalisation on 30 December 2011	EUR 31.0 million
Earnings per share	EUR -0.27

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BUSINESS AND GENERAL ENVIRONMENT

OPERATING ACTIVITIES

Francotyp-Postalia Holding AG (FP Group or the company), based in Birkenwerder near Berlin, is a complete service provider for mail communication. In view of the changing postal markets, the company has moved from being a producer of franking machines to being a multi-channel provider. The FP Group is therefore able to cover the entire letter-post distribution chain – from franking and inserting physical letters to mail consolidation and even hybrid and fully electronic mail via De-Mail. Corporate clients of all sizes represent the target group. They can obtain a complete package of products and services for easy and cost-efficient mail communication from Francotyp-Postalia.

The company divides its business into three product segments: Franking and Inserting, Mail Services, and Software Solutions.

Product segments

Franking and Inserting

In its Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines.

By using franking machines, clients can frank their mail automatically in a short space of time. The efficiency of processing outbound mail is increased dramatically as any relevant postal charges are loaded directly onto the machine, followed by the franking process, which automatically stamps the correct value on each item. In some countries, customers can save even more on postage charges, as their national postal organisations give a discount for mail items franked by franking machines. All franking machines are certified by the national, legally authorised, public or private postal companies. These certificates also include the different inks required by postal authorities as consumables.

Products offered by the company range from the small MyMail franking machine right up to the CentorMail, which franks up to 150 letters per minute. This full-blown professional franking system gathers all mailing data in one step, performs individualised printing at the same time and stores all the data for further use in other applications. An

attached sorting module sorts the franked mail according to predefined criteria, thereby further increasing the efficiency of mail processing.

The new PostBase franking system connects the analogue and digital worlds of mail. The new product, which went by the name Phoenix during the development phase, includes numerous innovations in the areas of mechatronics and navigation software. The user can handle PostBase very easily and intuitively by means of the touchscreen. Thanks to FP Navigator – a software solution used to operate the franking system – PostBase can also be controlled directly from a PC. FP Navigator also provides users with further functions, such as setting up and controlling cost centres.

In the future, the FP Group will also connect PostBase to the FP Portal – an online platform that clients can use to access any data relating to their mail communication and to utilise further services. For example, in future they will be able to use the portal to commission consolidation services directly, and to send hybrid mails or De-Mails.

The Group's most important revenue generator in the franking machine segment is its after-sales business with its recurring revenue. This includes the automatic electronic loading of postage into the franking machine, the sale of consumables, the creation of printing plates, services, and software solutions for cost centre management. This means in particular that every franking machine can be automatically loaded with a credit for the postage required. For this service, the FP Group receives a service fee, referred to as teleporto. In essence, consumables comprise the various inks for the franking machines. These are supplied in the form of a ribbon cartridge or as a normal cartridge depending on the model of franking machine. The creation of customer-specific printing plates (cliché) also counts as consumables. These add advertising or informative text and pictures to the franking imprint. In terms of services, the FP Group offers a range of combined maintenance and servicing contracts, which differ according to the country and customer segment.

Software Solutions

The current innovative software solutions of the FP Group are extremely quick and easy to use. A letter can be posted over the internet with just a single mouse click, but is subject to the highest security standards. Two different types of this solution are currently available to customers: hybrid mail and a fully electronic solution via De-Mail.

The FP subsidiary internet access GmbH Ilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, (iab), is a specialist in hybrid mail. Following flotation in late 2006, the FP Group acquired a majority stake in iab, a software specialist in the area of digital mail communication.

The term 'hybrid mail' refers to a combination of both electronic and traditional mail. The sender sends a letter in digital form and the recipient receives a normal letter. The FP Group takes over the entire production process between these two points – from the printing, franking and inserting of mail items to their handover to a mail delivery agent. Sending the letter digitally eliminates customers' high expenditure on paper, envelopes and printers, and also saves them the trip to the post office or letter box, while retaining the advantages of traditional mail. Hybrid mail also makes a contribution to environmental protection as the physical route of transportation from the sender to the recipient is reduced dramatically through electronic transmission.

The entry-level solution FP WebMail is tailored to small businesses and freelancers, whereas FP BusinessMail is more suited to large companies. Both solutions work as virtual printers, meaning that they send documents from Windows environments at the click of a mouse button. The online solution FP WebBrief has been developed for private customers. This application is loaded via an internet browser. The user then types the text into a window as with a normal text program. Last year, the FP Group gained the portal GMX as a partner for its online mail service FP Web-Brief. The range of services has been available on the WEB.DE portal for some time now. As part of the co-operation, users can log in to the online mail services directly via their e-mail inbox and send letters in an easy and cost-effective way.

The FP Group secured its entry into the sector of fully electronic communication in spring 2011 with the acquisition of a majority shareholding in mentana-claimsoft GmbH (mentana-claimsoft AG until 16 December 2011). The company specialises in electronic signatures and additionally offers products for securing electronic documents and legally binding communication. In March 2012, mentana-claimsoft was the first company to receive De-Mail accreditation. The Federal Office for Information Security (BSI) presented the FP subsidiary with the accreditation certificate at the CeBIT.

De-Mail is a legally binding and secure communication infrastructure for Germany. The fully electronic solution enables customers to send letters in digital form, confidentially, securely and on a legally binding basis. The De-Mail is made binding by way of the fact that both the sender and the recipient must identify themselves during initial registration before they can use the technology. Confidentiality is ensured thanks to particularly powerful encryption. The De-Mail Act defines the security requirements, thus establishing the legal basis to ensure that the De-Mail has the same legal effect as a standard letter.

With the strategic takeover of mentana-claimsoft, the FP Group has consistently expanded the Software Solutions segment and rounded off its product portfolio perfectly, in order to provide its customers with multi-channel communication. The FP Group is therefore the first complete service provider for mail communication, able to cover all distribution channels.

Mail Services

The Mail Services segment comprises the consolidation of business mail, which was made possible through the liberalisation of the postal market. Following flotation, the company acquired freesort GmbH in late 2006. With nine branches throughout Germany, freesort is one of the leading independent consolidators of outbound business mail in the German market. Their mail consolidation services include collecting letters from clients, sorting them by post-code and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor.

Since liberalisation, Deutsche Post has granted a discount for consolidated mail, which is now up to 38%. A part of this discount is passed on to the customers by the FP Group. Mail consolidation therefore saves customers time and money.

Key sales markets and competitive position

The FP Group's franking machines are present in the main markets worldwide, including Germany, the USA, the UK, and, as of 2011 France. With an installed base of some 250,000 franking machines, the company has a global market share of 10%, making it the third largest provider in the world. The company is the market leader in both Germany and Austria with a market share of approximately 43% and 47% respectively.

In 2011, the company merged national sales in Germany under one roof. Francotyp-Postalia Vertrieb und Service GmbH is responsible for all of the Group's national sales activities. The company has thus more closely connected products relating to physical, semi-electronic, and fully electronic mail communication.

Global sales are realised via its eleven subsidiaries in key markets, as well as through a consolidated dealer network in around 40 countries. In October 2011, the company obtained approval from La Poste, the French postal service, for MyMail, a franking machine for low mail volume. Therefore, the FP Group is able to offer its products in the largest franking machine market in Europe.

The company has been operating in the fast-growing Asian market since the beginning of 2009 through its subsidiary Francotyp-Postalia Asia Pte. Ltd. in Singapore. From there, the FP Group is expanding its sales business and its presence in Asia with new partners and customers. The core markets for the FP Group are Singapore, followed by India and Malaysia.

In the Mail Services segment, the FP Group focuses primarily on the German market. The FP Group began to push ahead with the internationalisation strategy for its software solutions in 2010. After market entry in the UK and Belgium, the markets in Austria and Italy were entered in 2011. Entry to other countries is set to follow in the future in a drive to tap into new sales markets.

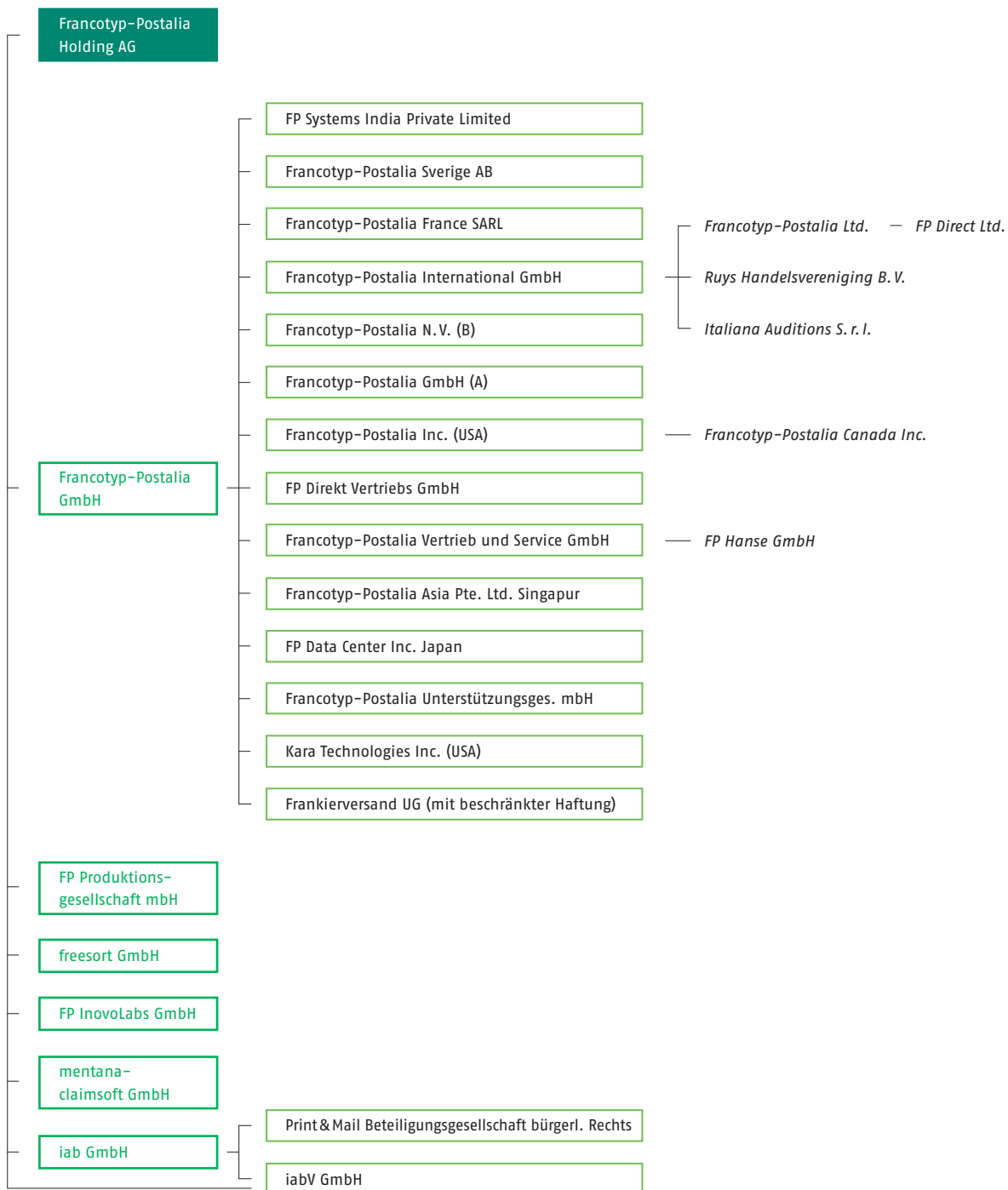
Group structure

Francotyp-Postalia Holding AG is the parent company of the FP Group and acts primarily as a holding company. The company holds 100% of the shares in Francotyp-Postalia GmbH; the operating business of the FP Group in the Franking and Inserting segment is combined here and in its direct and indirect subsidiaries. Francotyp-Postalia Holding AG also holds 100% of the shares in freesort GmbH, 51% of the shares in iab and 51% of the shares in mentana-claimsoft GmbH (formerly AG), which was acquired on 3 March 2011. The latter three companies offer mail services and software solutions.

In 2009, FP InovoLabs GmbH was established as a 100% subsidiary of FP Holding AG. Further information on its research activities can be found in the section on research and development.

In financial year 2010, FP Sverige AB was established in Sweden. On 18 January 2011, the merger of the company Franco Frankering Interessenter AB was registered to Francotyp-Postalia Sverige AB. In financial year 2011, Francotyp-Postalia France SARL was founded in France as a 100% subsidiary of Francotyp-Postalia GmbH. The FP Group thereby has ten sales companies abroad and is directly represented in key international markets.

The equity interests as at 31 December 2011 are shown in the following diagram of the Group structure.



Key sites

The company's registered offices and the FP Group's largest site is situated in Birkenwerder, near Berlin. Head office departments such as accounting, purchasing, and Group controlling are based here. This is also where the franking machines are developed. Global franking and inserting machine sales take place via ten subsidiaries in key markets, as well as through a tightly integrated dealer network. An overview of the subsidiaries is provided in the notes to the consolidated financial statements.

In 2011, the FP Group established a new production line in Wittenberge, Brandenburg for production of its new franking systems. The company commenced production at the new site in October last year. The first product that the company produced here was the MyMail franking machine. In the weeks that followed, the FP Group also commenced production of the first machines of the new PostBase franking system in Wittenberge. Series production is being ramped up in the second quarter of 2012.

The discontinuation of production in Singapore was completed in spring 2011. The company had previously manufactured preliminary products here, but production of these products will now take place in Wittenberge. The discontinuation of production at the Birkenwerder site will take place by the end of the first quarter of 2012, but the company's headquarters will remain in Birkenwerder.

Management and control

The FP Group business is managed by a two-member Management Board. Hans Szymanski is responsible for Finance, Controlling and Accounting, Strategic Business Development, Production, Logistics, Purchasing, Quality Management, Research and Development, IT, Human Resources, Legal, and Compliance. In November 2010, the Supervisory Board of Francotyp-Postalia Holding AG resolved on the early extension of his Management Board contract. The contract has been extended by three years and is scheduled to run until 31 December 2014. The Supervisory Board also appointed Hans Szymanski Chairman of the Managing Board effective 1 January 2011.

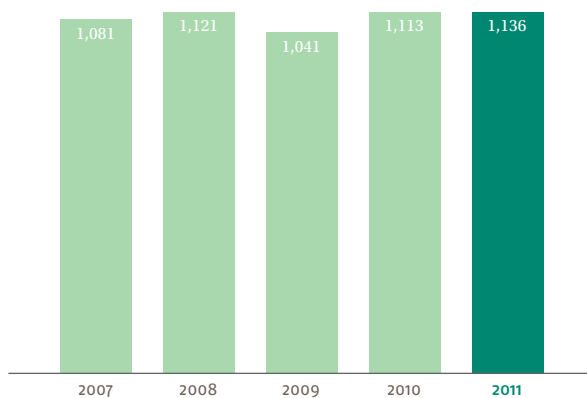
His Management Board colleague, Andreas Drechsler, is responsible for Business Development, Product Management, Sales Germany and International, Marketing, Corporate Communications, and Internal Audit. At the beginning of 2011, the Supervisory Board resolved on the early extension of his Management Board contract by an additional three years and is scheduled to run until 22 February 2015.

A three-member Supervisory Board monitors the activity of the Management Board and advises it. The members of the Supervisory Board are Professor Michael Hoffmann (Chairman of the Supervisory Board), Christoph Weise (Deputy Chairman of the Supervisory Board) and Dr Claus Gerckens.

Employees

As at 31 December 2011, the FP Group employed a total of 1,136 people worldwide, compared with 1,113 employees the previous year. This rise is a direct consequence of personnel increases in the German subsidiaries and is related to the acquisition of a majority shareholding in mentana-claimsoft. Accordingly, at the end of 2011, 740 employees were attributable to the German companies (previous year: 709) and 396 to foreign subsidiaries (previous year: 404).

In Germany, a total of 473 employees belonged to the Franking and Inserting segment (previous year: 470) and 267 to the Software Solutions and Mail Services segments (previous year: 239). At the end of 2011, 183 people were employed at freesort, as in the previous year. The number of employees at iab remained unchanged at 56. As at 31 December 2011, mentana-claimsoft employed 28 people. The increase in personnel in these segments underlines the increasing significance of the software and mail services business for the entire company.

HEADCOUNT DEVELOPMENT*

*This chart is not part of the audited Group management report.

Environmental report and quality management

In financial year 2010, Francotyp-Postalia Holding AG expanded its integrated management system to include the environmental management system and this was successfully certified in accordance with ISO 14001. The system was promoted further within the company in 2011. At the same time, FP InovoLabs GmbH and the new production site in Wittenberge (FP Produktions GmbH) were integrated into the management system and also certified.

The environmental management system specifies responsibilities, processes and procedures for the continued reduction of its environmental impact from the Group's operating activities. One of the most important goals is to optimise environmentally friendly processes and raise awareness among all employees of the responsible use of resources and foster behaviour that is in line with these objectives. In this context, the foundations have also been laid for additional certification in the coming year in accordance with OHSAS 18001 (Occupational Health and Safety), and the employees have been trained accordingly.

The British subsidiary Francotyp-Postalia Ltd. received ISO14001 certification back in 2009. The international environmental management standard ISO 14001 stipulates globally recognised requirements for an environmental management system and is part of a group of standards. This

group of standards contains numerous additional standards on various areas of environmental management, such as life cycle assessments, environmental indicators, and environmental performance evaluation. It can be applied to both manufacturing and service-orientated companies.

The FP Group will continually develop the environmental management structure to meet the constantly evolving demands of environmental protection on a permanent basis. With this step, FP is investing in sales and marketing of its product range. For many international projects, ISO 14001 certification is now mandatory for participation in international tenders. However, existing customers and new customers, in particular, are increasingly looking for environmentally friendly factors in our products.

For this reason, the issue of environmental protection also plays a major role in product development. In 2009, the company launched the first franking system with GOGREEN functionality and is consequently supporting Deutsche Post's climate protection programme. This records the CO₂ emissions generated in transporting a GOGREEN letter for each individual customer. In this way, the FP Group allows environmentally aware companies to transport letters that are franked appropriately in a climate-neutral manner. Using a further developed franking machine, the required logo can be printed on every envelope that is franked.

Quality management also plays a vital role. In 2010, the business units of Francotyp-Postalia Holding AG recertified the system for a further three years in accordance with ISO 9001. Here, the auditors attested to a positive development in the management system in these companies, in particular, and noted improvements in areas such as development, procurement, and production.

As part of the audit, processes were also compared with the processes in comparable industries. In this benchmark analysis, the FP Group achieved top marks, particularly in the area of customer orientation. The company also achieved above-average results in an overall comparison.

The subsidiary freesort is certified by the quality association of the Bundesverband Deutscher Sachverständigen Rat e. V., and iab GmbH is certified in accordance with ISO 9001.

Social responsibility

The FP Group is aware of its responsibility to society, an example being its support of people with disabilities. For instance, the subsidiary freesort has followed a barrier-free and disability-friendly policy since it was established. The company employs many deaf and deaf-mute individuals and was consequently recognised as a barrier-free and disability-friendly business by the City of Frankfurt am Main. In 2010, the company won the German job investment award (Arbeitsplatzinvestor-Preis) in the category "job opportunities for people with disabilities". The Rhein-Main Business Club and the Federal Employment Agency award this prize to companies which make an extraordinary contribution to social responsibility awareness by creating new jobs.

Recently, the FP Group has begun its support of the National Breast Cancer Foundation (NBCF) based in the USA. The NBCF is actively engaged in the fight against breast cancer and attempts to raise awareness of the risks through awareness campaigns and by offering mammograms to the groups concerned. The foundation also supports women in their fight against breast cancer (<http://www.nationalbreastcancer.org/>).

COMPANY MANAGEMENT, AIMS AND STRATEGY

Internal management system

The Management Board uses a group-wide reporting system and strategic group planning as its management system. The strategy is drawn up for three years, but reviewed annually during a comprehensive budget process and adjusted over the course of the year.

As part of group-wide reporting, all subsidiaries report monthly on revenue, earnings, and balance sheet figures; these are then consolidated to form the published quarterly and annual reports for the Group. The segments also provide an assessment of their current and forecast business performance.

Group management takes place by means of the indicators:

- Revenue
- EBITDA
- Net working capital
- Free cash flow
- Annual and monthly net income
- The number of franking machines placed on the market

This enables the FP Group to ensure that decisions always take sufficient account of the relationship between growth, profitability, and liquidity.

Revenue serves to measure success in the marketplace. With earnings before interest, tax, depreciation and amortisation (EBITDA), the Group measures operating performance and the success of individual business units. In addition, the Group uses the EBITDA margin as an indicator which expresses EBITDA as a percentage of revenue.

Net working capital is calculated from inventories plus trade receivables less trade payables. Reporting on free cash flow ensures that the Group's financial substance is preserved. Free cash flow is calculated as the sum of cash flow from current operating activities and cash flow from investing activities.

In essence, the following components secure compliance with the Group's internal management system:

- Regular meetings of the Management Board and Supervisory Board
- Regular meetings of all international and German executives
- Risk and opportunity management
- Liquidity planning
- Monthly reports from the segments
- Internal audit
- Quality management

Financial targets

The entrepreneurial activity of the FP Group is focused on increasing long-term enterprise value and profitable growth. Targets of central importance include increasing revenue in the medium and long term, increasing EBITDA and annual profit, and improving free cash flow and net working capital.

This is why the FP Group is concentrating its energies on further expanding its strategic competitive advantages and systematically reinforcing the success factors of its business model. To this end, the company pursues a management approach which takes account of both stakeholder interests and non-financial values.

Non-financial targets

There are material non-financial targets which are important for the success of every company and naturally for the FP Group too:

- Optimal service for customers ⇒ customer satisfaction
- Fairness towards suppliers ⇒ quality
- Commitment of employees ⇒ motivation
- Protection of resources ⇒ environmental awareness
- Responsibility for the social environment ⇒ trust

In addition to an efficient and well-managed organisation, these non-financial performance indicators play a crucial part in the long-term success of the entire company. For the FP Group, customer satisfaction plays a central role. The employees are there to provide customers with the best possible advice and to offer tailored solutions. Many customers associate the name Francotyp-Postalia with outstanding support and flawless, rapid service. Assessments of this kind are also reflected in regular customer surveys, in which the company regularly performs very well. The company and its employees are particularly motivated to maintain this high level and to improve on a continuous basis.

A prerequisite for high levels of customer satisfaction is high product quality. The FP Group offers outstanding products and services. These also include high-quality suppliers. Here, intensive collaboration with suppliers makes an important contribution to ensuring the FP Group

is competitive. Suppliers are selected in accordance with important criteria, such as cost effectiveness, economic stability, and technological potential.

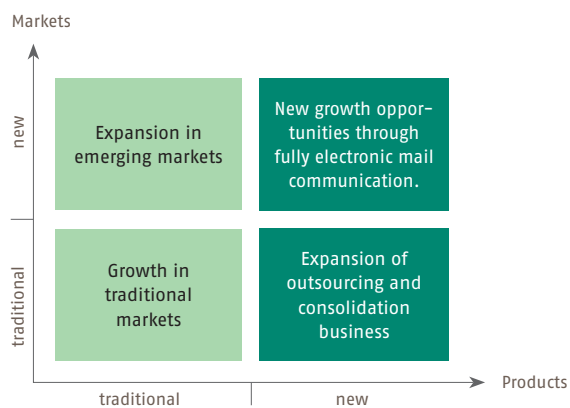
The employees of the Group are behind the success of the FP Group. Their identification with the company and their commitment to its targets make a crucial contribution to the company's long-term success. Employees' potential is recognised and encouraged through a substantial degree of individual responsibility.

Another important non-financial target of the FP Group is responsible use of resources and environmental protection. Nationally and internationally, protection of the environment and resources is playing an ever greater role. For the FP Group, this is much more than an unavoidable duty, it is part of the responsibility it assumes towards staff, customers, partners, and neighbours.

Strategy

As a global service provider and mail communication expert, the FP Group pursues a growth strategy which focuses on four main areas:

1. Expanding the franking and inserting machine business in traditional markets
2. Entry into new, fast-growing markets in emerging economies
3. Extending the outsourcing business in Germany
4. New growth opportunities through fully electronic mail communications



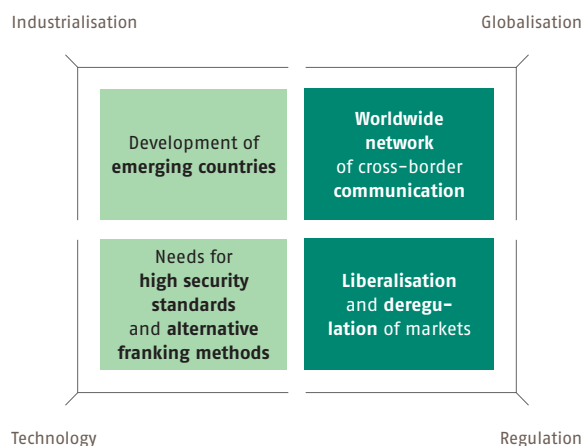
With its strategic direction, the FP Group is anticipating market changes. Industrialisation, globalisation, technological innovations, and changes in regulation all present the company with diverse opportunities.

Globalisation is leading to companies becoming increasingly networked across national borders, which also opens up new opportunities for mail communication service providers. At the same time, new markets and major growth potential are emerging from the industrialisation of emerging economies. The Universal Postal Union (UPU) has announced that mail volumes in numerous emerging countries are on the rise.

A brief comparison highlights this: in the USA, more than 500 letters are sent per inhabitant per year, while an Indian citizen receive not even 10 letters per year at present. The anticipated increase in the volume of mail in countries such as India will also increase the demands on professional letter processing. Companies in developing and industrialised countries will continue to employ constantly evolving technology that meets the most stringent security requirements. Thanks to innovative technologies, a trend towards parallel use of different methods of mail processing is becoming apparent throughout the world. In addition to traditional letter post, software solutions and electronic mail communication are coming increasingly to the fore.

In Germany, the so-called De-Mail Act was ratified in May 2011. This has opened the way for companies to become officially accredited as De-Mail providers. De-Mail is a communication tool that enables the legally binding and confidential exchange of electronic documents over the internet. On 6 March 2012, the FP Group was the first German company to be accredited as a De-Mail provider via its subsidiary mentana-claimsoft, and since then has begun marketing the new fully, electronic communication tool.

The German market has been fully liberalised since the beginning of 2008 and most EU countries will follow by 2013. The FP Group will benefit from the increasing liberalisation of postal markets in the medium and long term.



RESEARCH AND DEVELOPMENT

The main focus of research and development activities in 2011 was the new development of the innovative franking system platform PostBase. It comprises a basic unit, which comes in four different speed variations, an automatic letter feeder and a filing system. This new franking system is distinguished by numerous innovations in mechatronics, software management, and distribution processes. A modern, internet-based infrastructure was also developed in order to support PostBase in all markets worldwide on a standardised, secure, and cost-efficient basis (remote services for initialisation, configuration, service, ordering consumables, and replacement parts, etc.). Series production is set to begin in the second quarter of 2012. Further information on PostBase can be found in the section "Franking and Inserting" on page 37.

mentana-claimsoft

The main focus of development activities was the creation of a De-Mail system. This system consists of hardware, software, and a security concept. mentana-claimsoft has developed the security concept and corresponding software and certified these in accordance with the De-Mail Act (De-MailG) and the Technical Guidelines of the Federal Office for Information Security (BSI TR 010201). The production system was launched at CeBIT 2012.

Internet Access Berlin

The development activities of iab in 2011 focused on the integration of the electronic mailing of verified documents with a qualified signature into the existing solutions "webmail" and "WebBrief". Hybrid mail, with the fallback option of standard letter post, constitutes a one-off service at present.

Activities and results

A total of 41 new operating software packages for the MyMail, OptiMail30, UltiMail and CentorMail franking system models have been released for 14 markets (see table). The model ranges will continue to be expanded to target new markets and tailored to meet new requirements in existing markets. The MyMail and UltiMail systems have been introduced into the new French and new Singapore markets, respectively. The MyMail system has been configured in nine countries to download its postage credit balance over the internet using the new mailCredit PC software.

The CentorMail system achieved positive performance with its version designed for mail processing by private letter distributors. The system was configured and released for more than 15 regional German letter distributors in the period under review.

RELEASES OPERATING SOFTWARE COUNTRY-SPECIFIC VERSIONS

No	Franking system	Number of market/countries
1	MyMail	10
2	OptiMail30	3
3	UltiMail	11
4	CentorMail	4

The Research and Development business also carries out preliminary development work in the areas of dynamic weighing, digital printing, internet technologies, and IT security/cryptography to pave the way for product innovations.

Customers are increasingly requesting for their franking systems to be networked within the company network. This trend is intensified by a suite of PC software – particularly by the mailCredit, mailReport and mailOne products in the period under review. mailCredit is a PC software package

that configures a franking system so that it can load a new postage credit balance via a modern internet connection using a PC instead of via the built-in modem. mailReport supports the detailed reporting of franking revenue for all cost centres of a franking system. mailOne extends the functions offered by a franking machine to include a function which creates self-adhesive parcel labels with franking for the US postal services, which offers appreciable discounts for individual parcels. Fifteen software releases have been approved in the PC software suite, and they've been introduced in nine markets in total.

In contrast to the telecoms industry and many e-commerce platforms, postal charges are usually prepaid in most countries around the world, instead of being billed at the end of the month for example. This serves to protect prepaid electronic postal charges from manipulation. In other markets, e.g. France, consumption data must be retained instead, as this forms the basis for monthly customer invoices. In this area, the Research and Development business advises many postal companies on ways to further develop their security requirements and then implements these changes into the international server infrastructure of the FP Group. 2010 and 2011 were marked by significantly stricter cross-country security requirements and relevant standards issued by American and European IT security authorities. The FP Group is responding to this trend with increasingly more efficient, secure and globalised server infrastructure. State-of-the-art, high-security server systems hosted by the FP Group are used here, but not cloud technologies, as these do not meet the high security and postal requirements. Fourteen server software releases were authorised in the period under review.

All of our product innovations are intended to improve the way we complement the changing processes of our customers which translates into an increase in productivity for the customer. As the Group continues to develop into a complete service provider, the integration of software and server concepts and the development of outsourcing interfaces become increasingly important.

mentana-claimsoft

The existing signature software packages have been adapted and developed where necessary. Specific examples here are the "Hash Safe" products, long-term archiving of signatures for the retention of evidence, and the "M-Doc AutoSigner" (server-based mass signature) and "Office-Signer" (desktop) signature products. Themes here are the standardised and cross-platform (Windows and Linux) use of one's own libraries and the supporting of new signature cards launched onto the market.

Internet Access Berlin

The product "webpost", which had already existed, has been further developed for the market (identical to geographical region) in the UK and introduced onto the Italian, Belgian, and Austrian markets. The new product "webpost One" has been prepared for use in the UK. The existing solution "WebBrief" has also been adapted for the new product "PostBase". A new solution "webmailing" has been produced for sending mailings.

Employees

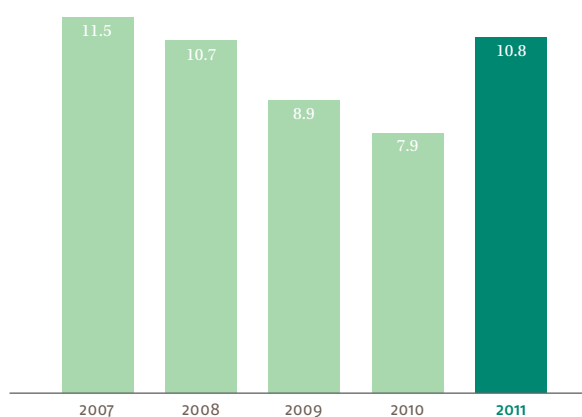
At the end of 2011, 90 permanent staff were employed in the Research and Development divisions of the Group (including subsidiaries), which represents around 7.7% of the Group's total workforce. Additional external staff are also employed for certain projects, as needed. At the end of 2011, external staff accounted for 4.4% of the permanent R&D workforce. The R&D division is responsible for all of the FP Group's new development, further development, and product maintenance orders; it is made up of five specialist departments: Mechanics and Electronics Development, Transition to Production, Software Development, and Project Management/Control/Lifecycle Management/Compliance.

Research and development investment

In the past financial year, research and development expenses came to a total of EUR 10.8 million and were thus 36.7% up on the previous year's figure of EUR 7.9 million. These amounts are reduced on account of subsidies totaling EUR 1.2 million (previous year: EUR 1.4 million). Of this figure, EUR 4.9 million was capitalised in accordance with IAS 38, compared with EUR 3.5 million in the previous year. A total of EUR 5.9 million was expensed, against EUR 4.4 million in the previous year. At 6.8% in 2011, the research and development ratio (measured against revenue) was up from the previous year's level of 5.4%.

RESEARCH AND DEVELOPMENT COSTS*

in EUR million



* This chart is not part of the audited Group management report.

GENERAL ENVIRONMENT

Macroeconomic environment

In the past year, economic growth weakened somewhat worldwide. According to figures from the International Monetary Fund (IMF), global economic growth was 3.8% in 2011, compared to 5.2% in the previous year. The emerging and developing countries once again represented the growth drivers, with growth of 6.2%. Industrialised countries increased their gross domestic product (GDP) by 1.6%.

In 2011, economic output increased by 1.8% in the USA, the largest foreign market of the FP Group, and it increased by just 1.6% in the euro zone. While the countries in the south of Europe, in particular, suffered the effects of the euro crisis, the German economy saw positive development in 2011. According to the calculations of the Federal Statistical Office, GDP in Germany, the domestic market of the FP Group, increased by 3.0% in the past year. However, the economy reached its peak back in the first half of the year and subsequently slowed down. In the fourth quarter of 2011, the German economy contracted by 0.2%, compared to the previous quarter.

The exchange rate between the euro and the US dollar is of paramount importance for the exports of the FP Group. This rate was marked by high volatility in the past year. It hit its high of 1.49 dollars in May 2011, and was caught in a downward slump in the following months. At the end of 2011, one euro was 1.29 US dollars, compared with an exchange rate of 1.33 one year previously.

Industry-specific conditions

The economic downturn in the second half of the year impacted companies' willingness to invest in 2011 as well as their demand for franking and inserting machines. However, the FP Group has traditionally specialised in the A and the B segment for machines with small to medium letter volumes. These markets are characterised by comparatively stable growth, mainly because companies are increasingly replacing larger franking machines with smaller ones.

A Segment	B Segment	C Segment
1–200 letters / day	200–2,000 letters / day	> 2,000 letters / day

The number of business letters delivered worldwide is around 340 billion a year, according to various postal statistics¹. The majority of global mail traffic still takes place in European and North American markets.

According to the latest figures from the Universal Postal Union, the global mail volume fell slightly by 2.3% in 2010. Data is not yet available for 2011. The mail volume then went on to develop very differently depending on the region. According to the UPU, growth in mail volumes can be observed, particularly in emerging and developing countries. For example, the volume in Latin America and Asia rose by up to 4.0%. For the FP Group, this means opportunities in new markets.

Innovative software solutions are giving rise to new momentum in the market for mail communication. According to figures from the Federal Network Agency in Germany, further market development will be influenced by the transition to the electronic processing of mail services, and it is seeing structural changes on the market. The legal basis has been established in Germany for the further promotion of electronic mail communication through the introduction of the De-Mail Act. Opportunities are also arising for all current market participants from the structural changes to the market. This is particularly the case for De-Mail, a project initiated by the German government, which will enable legally binding and confidential exchange of electronic documents over the internet. With its solutions, the FP Group is one of the frontrunners in this market of the future. The FP Group anticipates that the De-Mail market as a whole will facilitate revenue potential for all market participants of around EUR 150 million to EUR 200 million by 2014.

The increasing liberalisation of postal markets is also opening up potential for growth. In Germany, the postal monopoly was abolished on 1 January 2008. As a result of factors such as liberalisation and technological change, companies can make use of alternative products and services, such as consolidation and outsourcing, to increase the efficiency of their mail communication. Attractive new markets are emerging here, as developments in the Scandinavian and Baltic countries show.

¹ Universal Postal Union, postal statistics and own assumptions

On 1 July 2010, changes in the regulations for the taxation of postal services also took effect in Germany. Sales tax exemption was limited to so-called universal services rendered on the basis of the terms and conditions and in accordance with tariffs and quality conditions accessible to all. Sales tax exemption is also only possible if the universal services are performed nationwide. Standard tariff letters weighing up to two kg, packets weighing up to ten kg, and services for registered and insured items are exempt from sales tax. All other products and services, e. g. Infopost and downstream access mail, are subject to sales tax. Changes to the reporting logic as part of the new regulations for sales tax had a positive effect on FP Group revenue in 2011 (this effect is hereinafter referred to as "sales tax effect").

Overall statement on the general environment

The global economy registered sound growth in 2011. The strongest economic growth rates were seen in the Asia / Pacific area, while North America and western Europe showed relatively modest development. The decline in willingness to invest in the industrialised nations at the end of the year also impacted the business activities of the FP Group. Irrespective of this, the FP Group is well-placed with its strategy to benefit from the opportunities present in the traditional franking machine business in the industrialised nations and, to an increasing extent, in the emerging nations, while at the same exploiting the growth potential offered by electronic solutions in the medium and long term.

NET ASSETS, FINANCIAL AND EARNINGS POSITION

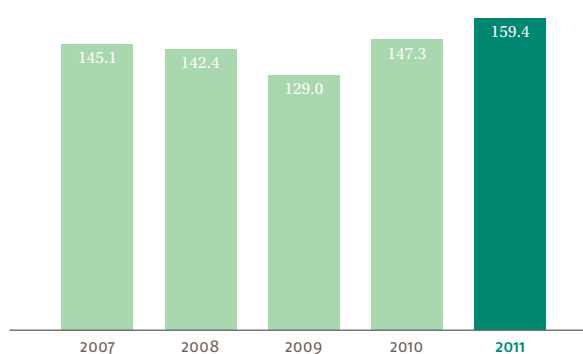
EARNINGS POSITION

Revenue

In financial year 2011, the FP Group generated total revenue of EUR 159.4 million, compared to EUR 147.3 million in the previous year. Revenue increased in Germany to EUR 83.8 million (previous year: EUR 74.8 million), while international revenue moved up from the previous year's figure of EUR 72.5 million to EUR 75.6 million.

GROUP AND REVENUE DEVELOPMENT

in EUR million

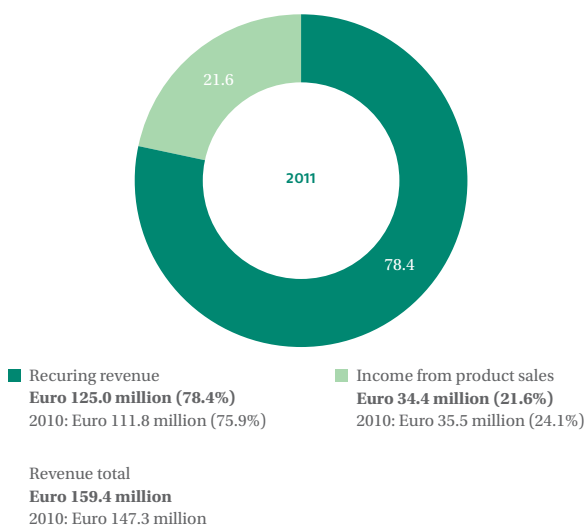


This increase in revenue is chiefly due to a change in reporting logic as part of the new regulations for sales tax on postal services in Germany that came into effect on July 2010. For 2011 as a whole, this results in an effect totalling EUR 24.5 million, as against EUR 12.3 million in the previous year, as this effect only came to bear for six months of that year. The change in exchange rates compared to the previous year resulted in a negative impact on revenue of EUR 1.5 million. No significant changes in revenue were recorded as a result of scale effects.

Product sales remained slightly down on the previous year because of the weaker inserting machine business. Revenue came to EUR 34.4 million in 2011, after EUR 35.5 million in the previous year.

At the same time, recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto, and the sale of consumables for approximately 250,000 franking machines worldwide, increased significantly in 2011 to EUR 125.0 million, compared to a figure of EUR 111.8 million for the previous year.

DISTRIBUTION OF REVENUES* in %



*This chart is not part of the audited Group management report.

The Mail Services and Software segments, in particular, posted a considerable increase in revenue to EUR 44.8 million in total, compared to EUR 31.5 million in 2010, which is mainly attributable to the effect of the change in reporting logic. However, even when this effect is deducted, the Mail Services and Software segments recorded slight growth in revenue from EUR 19.2 million to EUR 20.3 million.

Since 1 July 2010, iab and freesort no longer recognise postal charges solely in the balance sheet with no effect in the consolidated statement of comprehensive income, but instead report the sale of discounted postal charges in revenue and the purchase of discounted postal charges in costs of materials. This was a necessary change in line with the sales tax reform as part of the liberalisation of postal markets. As a result of the reform in the sales tax law, freesort no longer provides its services ('Consolidation' and 'Consolidation Plus Franking Service') as a third party, but on its own account, and this is fully reflected in revenue. Previously, freesort had purchased postal charges for customers as a third party and passed the postage discount given by Deutsche Post AG on to its customers. For services rendered, freesort incurred a service charge, which was recognised in revenue. Postal charges at iab demonstrate similar effects. Overall, a net positive effect of EUR 12.2 million is seen here.

REVENUE BY PRODUCT AND SERVICE*

EUR million	2011	2010
Recurring revenue	125.0	111.8
Leasing/ rental	21.5	22.5
Services/ customer service	26.2	25.0
Consumables	20.3	20.7
Teleporto	12.2	12.1
Mail services	34.7	24.6
Software	10.1	6.9
Income from product sales	34.4	35.5
Franking	26.5	25.9
Inserting	7.0	8.3
Other	0.9	1.3
Total	159.4	147.3
Recurring revenue	78.4%	75.9%
Non-recurring revenue	21.6%	24.1%

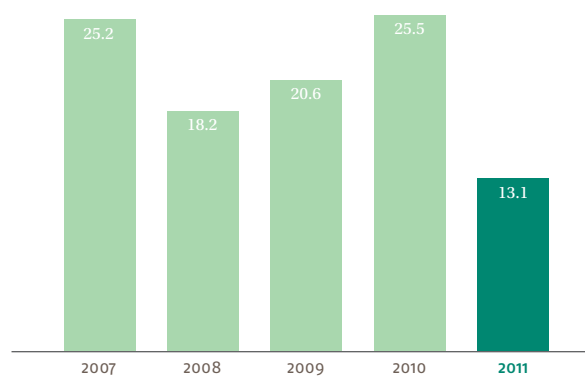
* Revenue in accordance with IFRS without inter-segment revenue

Earnings development

EBITDA (earnings before interest, tax, depreciation and amortisation) fell to EUR 13.1 million over the course of the financial year as a result of restructuring costs, against EUR 25.5 million in the previous year.

EBIT came to EUR -1.3 million in 2011, compared to EUR 7.5 million in the previous year. The consolidated net result totalled EUR -4.6 million in the past year, following EUR 2.7 million in the previous year.

EBITDA
in EUR million



Changes in material items in the Group statement of comprehensive income

DISCLOSURES RE: THE GROUP STATEMENT OF COMPREHENSIVE INCOME

EUR million	2011	2010	Change in %
Disclosures re: the Group statement of comprehensive income			
Revenue	159.4	147.3	8.2
Inventory changes	-0.3	-0.1	200.0
Other capitalised own work	8.7	6.7	29.9
Overall performance	167.8	153.9	9.0
Other operating income	5.6	4.2	33.3
Cost of materials	62.8	48.5	29.5
Staff expenses	60.2	52.6	14.5
Depreciation, amortisation and impairment losses	14.4	18.1	-20.4
Other operating expenses	37.3	31.5	18.4
Operating income before special income and expenditure	-1.3	7.4	-117.6
Net interest income / expense	-2.6	-3.2	18.8
Other financial results	-0.5	0.5	-200.0
Net taxes	-0.2	-2.1	-90.5
Consolidated net result	-4.6	2.7	-270.4
EBIT	-1.3	7.5	-117.3
EBITDA	13.1	25.5	-48.6

Cost of materials

In financial year 2011, the cost of materials rose to EUR 62.8 million, compared with EUR 48.5 million in the previous year. This can be explained by the rise in the cost of services purchased to EUR 36.3 million, against EUR 21.6 million in the previous year. This rise is, in essence, due to the new reporting logic as part of the new regulations for sales tax, as the FP Group now recognises the purchase of discounted postal charges in cost of materials, effective 1 July 2010. As a result, the cost of materials ratio also rose significantly (39.5% compared with 32.9% in the previous year).

Expenses for raw materials, consumables and supplies declined slightly in 2011 to EUR 26.5 million, compared to EUR 26.9 million in 2010, as a result of the slight drop in hardware sales.

Staff expenses

In financial year 2011, staff expenses rose to EUR 60.2 million, compared with EUR 52.6 million in the previous year. The rise is due to an increase in employee numbers, increased severance payments in the wake of the realignment of production, and the decline in savings from the site continuation agreement which expired in summer 2011. Savings from the site continuation agreement amounted to EUR 1.0 million, compared to EUR 2.5 million in the previous year. Overall, the restructuring expenses for this area amounted to EUR 5.6 million, compared to EUR 1.3 million the previous year.

Other operating expenses

Other operating expenses increased in 2011 to EUR 37.3 million, compared with EUR 31.5 million in the previous year. The structure of other operating expenses is explained in more detail in the notes to the consolidated financial statements. The one-off expenses as part of the restructuring, included in this item, totalled EUR 3.1 million in 2011, compared with EUR 0.0 in the same period for the previous year.

EBITDA

In 2011, the FP Group drove forward its realignment and took a range of measures to promote its development to become a multi-channel provider. In view of the mostly one-off expenses, the FP Group generated EBITDA (earnings before interest, taxes, net financial income, depreciation and amortisation) of EUR 13.1 million, compared to EUR 25.5 million in the previous year.

In addition to lower revenue than expected overall, earnings were negatively impacted in particular by the expiry of the site continuation agreement in the amount of EUR 1.5 million, negative exchange rate effects in the amount of EUR 1.5 million, and higher staff costs due to the build-up of sales staff in the amount of EUR 1.5 million. The restructuring of production in line with planning also led to one-off restructuring costs totalling EUR 8.7 million in 2011. Before restructuring costs, the FP Group generated EBITDA of

EUR 21.8 million in the past financial year, as compared to EUR 26.8 million in the previous year.

Depreciation, amortisation and impairment losses

In financial year 2011, depreciation, amortisation and impairment losses fell as planned to EUR 14.4 million, compared with EUR 18.1 million in the previous year. Here, depreciation on assets measured when the Group was first founded and as part of the acquisition of iab and freesort declined by EUR 4.4 million. The assets capitalised when the Group was first founded were last written down in April 2010, while the assets capitalised for iab and freesort were last written down in 2011.

Net interest income / expense

In 2011, net interest expense came to EUR -2.6 million, compared with an expense of EUR -3.2 million for the previous year. Interest income dipped to EUR 1.2 million from EUR 1.3 million the previous year on account of the reduced level of interest rates. This was met with a considerable drop in interest expenses by EUR -0.7 million to EUR 3.8 million. Lower interest expenses relating to derivative financial instruments and lower expenses for the syndicated loan were ascertained here.

Net financial income / expense

The FP Group generated a net financial expense of EUR -0.5 million in financial year 2011, which was particularly the result of foreign currency translation. Financial income of EUR 0.5 million was reported in the previous year.

Net taxes

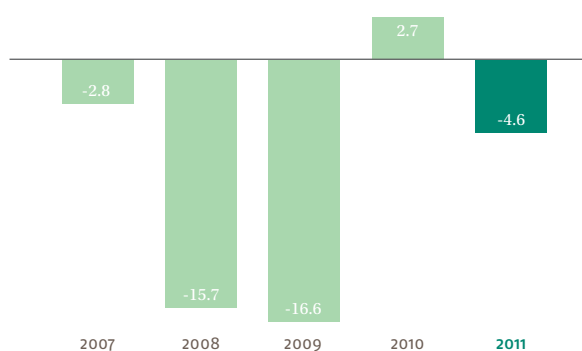
Net taxes consist of tax income of EUR 7.7 million and tax expenses of EUR 7.9 million. Overall, net taxes came to EUR -0.2 million, whereas a tax expense of EUR -2.1 million was reported in the previous year. The drop is mainly due to the declining consolidated net income before income taxes compared with the previous year.

Consolidated net result

Restructuring had a negative impact on net income in 2011. Whereas the FP Group generated consolidated net income before non-controlling interests of EUR 2.7 million in 2010, it reported a net loss in 2011 of EUR -4.6 million. Earnings per share stood at EUR -0.27, in comparison with EUR 0.23 for 2010.

CONSOLIDATED NET PROFIT*

in EUR million



*This chart is not part of the audited Group management report.

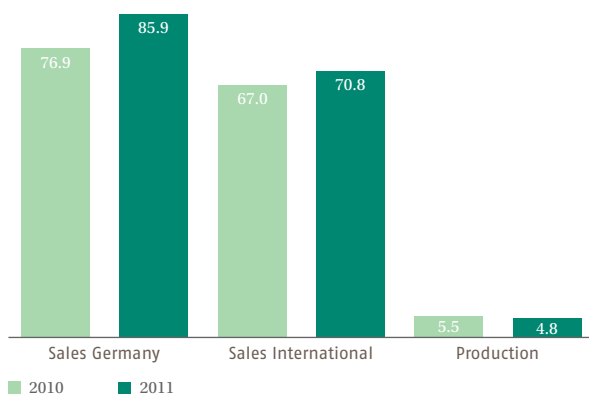
COURSE OF BUSINESS BY SEGMENT

The company is divided into four segments, namely Production, Domestic Sales, International Sales and Head Office Functions. This segmentation corresponds to the FP Group's internal reporting.

Since the segments report in accordance with the local financial reporting framework, both the adjusting entries in accordance with IFRS and the Group consolidation entries are included in the reconciliation with the consolidated financial statements. The Group consolidation entries comprise the consolidation of business relationships between the segments. Intra-Group transactions are effected at market prices. Since the figures from the separate financial statements must be aggregated to produce total segment earnings, the segment totals include both intra-segment figures and interim profits.

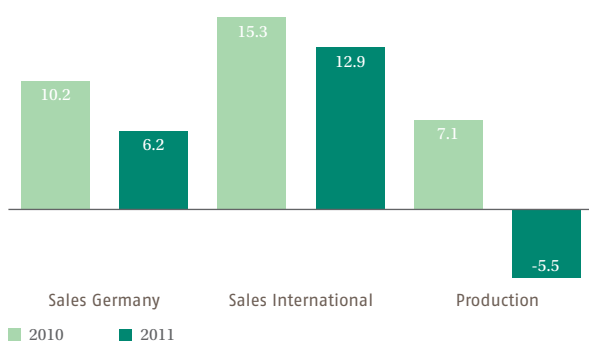
Revenue amounts reported in this section correspond to the section on revenue with external third parties in the segment report.

REVENUE BY SEGMENTS *, ** in EUR million



* This chart is not part of the audited Group management report.
** in accordance with local GAAP

EBITDA BY SEGMENTS * in EUR million



* This chart is not part of the audited Group management report.

Sales Germany

The FP Group achieved overall revenue of EUR 85.9 million with third parties in its German domestic market, compared with EUR 76.9 million in 2010. In Germany, the change in the reporting logic as part of the new regulations of sales tax on postal services as at 1 July 2010 led, in particular, to increased revenue. In the Mail Services segment, revenue generated by the consolidation specialist freesort thus increased to EUR 34.7 million, compared with EUR 24.6 million in 2010. The positive effect accounted for EUR 8.9 million. Business performance at freesort went according to plan overall.

In Software Solutions, revenue also improved to EUR 10.1 million, compared with EUR 6.9 million in 2010. The company also benefited primarily here from a revenue effect of EUR 3.3 million as a result of the new regulations for the reporting logic.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, achieved revenue of EUR 41.1 million, after EUR 45.4 the previous year. In terms of new business, VSG saw a slight degree of restraint amongst customers in Germany in view of the upcoming launch of PostBase.

The FP Group generated an EBITDA result in Germany of EUR 6.2 million in 2011, compared to EUR 10.2 million in 2010. Restructuring represented a particularly negative impact on earnings here.

The company also underscored its market leadership in Germany with a market share of 41.5% in franking machine business. The company's participation in major trade fairs, such as the CEBIT in Hanover and the POST EXPO in Stuttgart, one of the leading global trade fairs for the international post, express delivery and mail order segment, provided impetus for its product business. The FP Group exhibited both its franking and inserting machines and its innovative software solutions and mail services there.

Sales International

In its Sales International segment, in which all activities by the foreign subsidiaries are combined, the FP Group generated revenue of EUR 70.8 million with third parties in 2011, compared with EUR 67.0 million in the same period in the previous year. This slight increase in revenue was the result of several factors. Revenue in the FP subsidiary in Sweden displayed a positive effect in the amount of EUR 1.6 million, based primarily on the fact that revenue in 2010 had not yet been assigned to the segment for a whole year (due to the acquisition during the year). In Austria, revenue increased by EUR 1.0 million because of the introduction of the new 2D barcode technology.

The FP Group also posted negative exchange rate effects in the amount of EUR 1.5 million.

In the Sales International segment, the FP Group generated an EBITDA result of EUR 12.9 million, compared to EUR 15.3 million in the previous year. EUR 1.0 million of this decline was due to exchange rates. In the Netherlands, restructuring costs impacted earnings in the amount of EUR 0.4 million.

Production

The FP Group consolidates its production activities in Germany in the Production segment. In 2011, revenue came to EUR 4.8 million, after EUR 5.5 million in the same period for the previous year.

Against the company's expectations, negotiations between Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH and the Works Council on the subject of maintaining production at the site in Birkenwerder, which had begun in 2010, were not successfully concluded in 2011. On 18 February 2011, the FP Group announced that it would be establishing a new production line in Wittenberge, Brandenburg for production of the new PostBase franking system. On 10 March 2011, the company acquired a production plant in Wittenberge.

The discontinuation of production at the Birkenwerder site is scheduled for the end of the first quarter of 2012 at the latest. As part of the complete relocation of production activities from Birkenwerder to Wittenberge, an additional EUR 7.3 million in provisions for restructuring expense has been recognised in 2011, in addition to the EUR 1.0 million in provisions for restructuring as per 31 December 2010 already reported. In addition to severance payments from the redundancy scheme in the amount of EUR 4.3 million, provisions of EUR 1.6 million were also recognised for the vacation of the production hall in Birkenwerder from the time of transfer to the end of the lease agreement. EUR 1.4 million was incurred for other items associated with other operating expenses, such as consultancy fees.

While EBITDA of EUR 7.1 million was generated in Production in 2010, the company reported EBITDA of EUR -5.5 million for this segment in 2011. The causes for this include the restructuring expenses recorded in the financial year, which were EUR 6.3 million more than the previous year, a EUR 1.8 million increase in development costs (level 1 values are presented for the segment that do not take capitalisation of development costs into account), a decrease of EUR 0.8 million in savings from the site continuation agreement, expenses of EUR 0.5 million from unfavourable exchange rates, and slightly less positive operating business development.

SUMMARY OF RESULTS PER SEGMENT

EUR million	Revenue ¹⁾			EBITDA		
	2011	2010	Change in %	2011	2010	Change in %
Sales Germany	85.9	76.9	11.7	6.2	10.2	-39.2
Sales International	70.8	67.0	5.7	12.9	15.3	-15.7
Production	4.8	5.5	-12.7	-5.5	7.1	-177.5
FP-Group ²⁾	159.4	147.3	8.2	13.1	25.5	-48.6

1) Sales revenue with external third parties

2) The segment "Central Functions" is also shown in the segment reporting. The segment achieves no revenue with external third parties. Revenue was generated from services for subsidiaries. Further information on this segment and on the Group reconciliation can be found in the notes to the consolidated financial statements.

FINANCIAL POSITION

Principles and objectives of financial management

The central goal of financial management is to avoid financial risks and ensure the financial flexibility of the FP Group. The company achieves this goal through the use of various financial instruments. These are chosen on the basis of flexibility, types of covenants, the existing maturity profile, and financing costs. The longer-term liquidity forecast is based on operating planning. As a rule, a significant part of the FP Group's liquidity comes from the segments' operating businesses and the cash flows they generate. The company also uses finance leases and bank loans. A key management indicator for the capital structure of the FP Group is net indebtedness. This comprises the relationship between net debt and shareholders' equity. As at 31 December 2011, the figure worsened to 189%. In the previous year, the ratio was 162%.

Financing analysis

In the past financial year, the FP Group maintained the level of its financial power. To finance its business, it primarily used cash flow from operating activities as well as existing borrowing arrangements with banks. These liabilities decreased to EUR 36.4 million as at 31 December 2011, compared with EUR 44.3 million the previous year. Possible effects from changing interest rates and credit conditions are recorded in the notes to the consolidated financial statements in the section "Hedging policy and risk management". Cash and cash equivalents totalled EUR 25.9 million as at the end of 2011, compared to EUR 31.4 million as at 31 December 2010.

Further analysis of net indebtedness is given in the following paragraph.

Debt predominantly includes borrowing at EUR 36.4 million (previous year: EUR 44.3 million) and liabilities from finance leases at EUR 1.7 million (previous year: EUR 2.7 million). Cash and cash equivalents include treasury shares of EUR 1.8 million (previous year: EUR 1.8 million) and securities of EUR 0.7 million (previous year: EUR 0.7 million) and excludes postage credit balances managed by the FP Group of EUR 20.2 million (previous year: EUR 18.6 million).

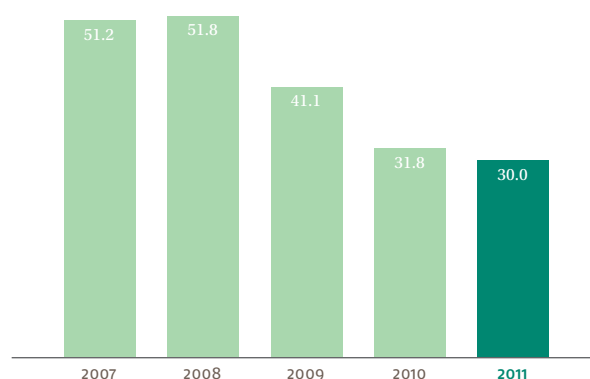
The resulting net indebtedness is monitored on an on-going basis. As at the year-end, the figure compared to the previous year was as follows:

CHANGES IN NET DEBT

EUR million	31 Dec. 2011	31 Dec. 2010
Liabilities	38.2	47.0
Funds	-8.2	-15.3
Net debt	30.0	31.7
Shareholders' equity	15.9	19.6
Net indebtedness	189%	162%

CHANGES IN NET DEBT*

in EUR million



* This chart is not part of the audited Group management report.

In 2005, Francotyp-Postalia GmbH as borrower and Francotyp-Postalia Holding AG as guarantor signed a loan agreement with BNP Paribas S.A., Frankfurt am Main, for EUR 89.5 million. The loan initially served to finance the purchase price for the acquisition of the FP Group by what became Francotyp-Postalia Holding AG. EUR 69.5 million of the entire loan amount, part of which was drawn in US dollars, was attributable to financing the acquisition.

The terms of the loan agreement were altered in October 2006, partly with regard to the stock market flotation. Firstly, the lending banks undertook to provide a further loan of EUR 16.0 million, which the FP Group used to redeem a shareholder loan. It was further agreed that acquisitions could also be financed under the framework agreement in the future. After the flotation, the FP Group used EUR 5.0 million to finance the purchase price for the equity investment in iab. The amounts drawn down under the loan agreement, including lines of credit used for working capital, were to have been repaid in full by the fifth anniversary of the stock market flotation at the latest, in accordance with a fixed repayment schedule.

On 21 February 2011, the FP Group announced that it had concluded an early extension of Group financing for a further 3 years. The financing agreements were signed with a banking consortium headed by Commerzbank. The current financing agreement, originally due to run until the end of November 2011, with a standing balance of EUR 38.9 million and USD 6.9 million was repaid prematurely and reduced by EUR 5 million through an unscheduled repayment.

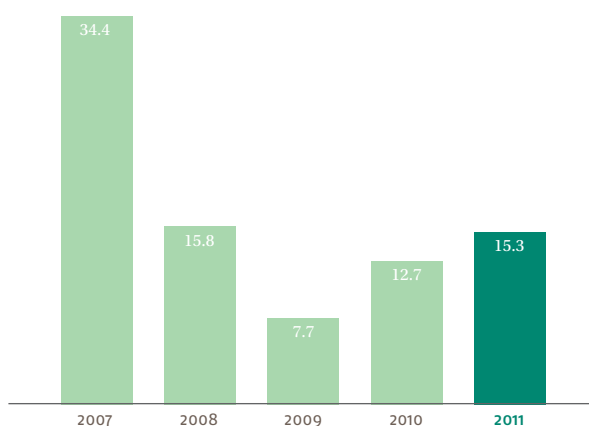
The total volume of the new syndicated loan is split into EUR 30.1 million and USD 12.0 million. The loan comes with partially improved conditions in relation to the previous loan agreement, and takes account of the needs of operating businesses and offers a greater level of flexibility. The new syndicated loan incurred arrangement and investment commission amounting to EUR 0.6 million, which will be amortised as interest expense over the term.

In 2011, repayments of EUR 9.9 million were made. More detailed information can be found in the notes to the consolidated financial statements and in the risk report.

Investment analysis

DEVELOPMENT OF INVESTMENTS FUNDS*

in EUR million



*This chart is not part of the audited Group management report.

The FP Group is pursuing a focused investment strategy and concentrating particularly on investments that will facilitate the company's ongoing development into a complete service provider for mail communication. Investments picked up in 2011 to EUR 14.7 million, compared with EUR 12.7 million in the previous year. Capitalised development costs increased to EUR 4.8 million in 2011, compared with EUR 3.2 million in the previous year, as the FP Group stepped up development of the Phoenix project to create the new and innovative PostBase franking system. The development project MailOne, a software solution aimed primarily at the US market, was completed in 2010.

Investment in other intangible assets fell to EUR 0.5 million in 2011 compared to EUR 1.0 million in the previous year. Investment in property, plant and equipment excluding leased products increased to EUR 4.7 million in the past year, compared to EUR 2.1 million in 2010 as a result of the purchase of new tools for the new PostBase product line and the establishment of the new production site in Wittenberge. Investment in leased products totalled EUR 4.2 million as a result of activities in the USA, following EUR 3.0 million in the previous year. Because of the acquisition of a majority shareholding in mentana-claimsoft GmbH, investment in company acquisitions stood at EUR 1.0 million in 2011. The takeover of Ricoh's franking machine business in Sweden had led to an increase in investment in enterprise values to EUR 3.5 million in 2010.

Information on material investment obligations is provided in the notes to the consolidated financial statements in section IV., note 23.

INVESTMENT

EUR million	2011	2010
Capitalised development costs	4.8	3.5
Investment in other intangible assets	0.4	1.0
Investment in property, plant and equipment (excluding leased products)	4.6	2.1
Investment in leased products	4.2	3.0
Investment in company acquisitions	1.0	3.5
Proceeds from the disposal of non-current assets	0.3	0.3
Investment	14.7	12.7

Liquidity analysis

In the financial year 2011, cash flow from operating activities fell to EUR 17.1 million, compared with EUR 22.2 million in the previous year. Net working capital, i. e. inventory plus trade receivables less trade payables, stood at EUR 17.4 million in 2011, following EUR 19.5 million in 2010. The main causes for the decrease in cash flow from operating activities include the declining operating business development compared with the previous year, expenses already paid out relating to the restructuring, as well as preparation measures for the launch of PostBase and De-Mail. As at the reporting date, provisions for restructuring amounting to EUR 8,656 thousand continue to be recognised, which will most likely lead to a payment in the following year.

The cash outflow from investing activities came to EUR 14.7 million in the 2011 financial year, compared with EUR 12.7 million the previous year. Changes are reported in section "Investment analysis".

As a result, free cash flow, the sum of cash inflows from operating activities and cash outflows from investing activities, totalled EUR 2.4 million, compared with EUR 9.4 million in the same period in the previous year.

Cash flow from financing activities amounted to EUR -9.5 million in 2011, after EUR -8.6 million in the previous year. This is due to cash outflows for the repayment of finance leases in the amount of EUR 1.0 million, the obligatory repayment and an obligatory unscheduled repayment of bank loans totalling EUR 9.9 million and the raising of funds in the context of a reverse repurchase agreement in the amount of EUR 1.4 million.

Cash and cash equivalents shown are produced from the balance sheet items "cash and cash equivalents" as well as "securities" less "teleporto funds".

In connection with the syndicated loan, there is an operating line of credit of EUR 1.0 million. EUR 0.7 million of this was utilised in the financial year.

LIQUIDITY ANALYSIS

EUR million	1 Jan. – 31 Dec. 2011	1 Jan. – 31 Dec. 2010
1. Cash flow from operating activities		
Cash flow from operating activities	17.1	22.2
2. Cash flow from investing activities		
Cash flow from investing activities	-14.7	-12.7
3. Cash flow from financing activities		
Cash flow from financing activities	-9.5	-8.6
Cash and cash equivalents		
Change in cash and cash equivalents	-7.1	0.8
Change in cash and cash equivalents due to currency translation	0.0	0.3
Cash and cash equivalents at beginning of period	13.4	12.4
Cash and cash equivalents at end of period	6.3	13.4

ASSET SITUATION AND ASSET STRUCTURE ANALYSIS

BALANCE SHEET STRUCTURE *

in EUR million



* This chart is not part of the audited Group management report.

The balance sheet as at 31 December 2011 is characterised by a decrease in non-current assets and non-current liabilities, and by an increase in current assets and current liabilities.

Compared with 31 December 2010, total assets fell by EUR 2.9 million to EUR 133.1 million. The proportion of non-current assets in total assets shrank from 48.3% to 46.8%. As at 31 December 2011, the ratio of current assets to current liabilities was 99.8%, compared with 110.5% a year ago.

Non-current and current assets

Within non-current assets, intangible assets remained unchanged at EUR 31.3 million. Items included here are goodwill at EUR 10.0 million (previous year: EUR 8.5 million), intangible assets including customer lists at EUR 10.4 million (previous year: EUR 16.5 million) and development projects in progress at EUR 10.9 million (previous year: EUR 6.4 million).

Property, plant and equipment increased from EUR 18.4 million the previous year to EUR 19.7 million as at 31 December 2011. Here, advance payments and assets under construction increased in particular, from EUR 0.1 million in the previous year to EUR 2.7 million. Assets under finance leases decreased from EUR 4.2 million to EUR 3.8 million. There was a slight decline in leased products from EUR 9.7 million to EUR 8.5 million.

Deferred tax assets decreased from EUR 12.9 million to EUR 9.3 million. It is likely that tax assessments that are not yet effective will be adjusted with regard to transfer prices as part of a tax assessment underway for the years 2005 to 2008. One significant consequence of adjusted transfer prices would be the transfer of profits from abroad to Germany. In connection with arbitration or settlement proceedings, however, there may be corresponding adjustments abroad, which should lead to tax benefit effects. Deferred tax assets on loss carryforwards were therefore reduced as at 31 December 2011 by a total of EUR 4.4 million (previous year: EUR 0 million). Furthermore, a continuing tax burden from minimum taxation in the amount of EUR 0.8 million (previous year: EUR 0.4 million) is expected for the audit period. Because of the expected adjustment effects abroad, tax receivables of EUR 5.2 million are recognised.

Among current assets, inventory increased slightly from EUR 10.9 million to EUR 11.0 million. Trade receivables rose from EUR 14.9 million in the previous year to EUR 16.6 million. Securities held at EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee towards Deutsche Post AG. Cash and cash equivalents fell from EUR 31.4 million to EUR 25.9 million. Other current assets rose from EUR 12.4 million in the previous year to EUR 16.6 million, mainly as a result of reduced reimbursement rights for income taxes.

Shareholders' equity

Shareholders' equity fell to EUR 15.9 million as at 31 December 2011, compared to EUR 19.6 million at the end of 2010, as a result of the negative consolidated net result.

As at 31 December 2011, Francotyp-Postalia Holding AG's share capital was EUR 14.7 million, divided into 14,700,000 no-par value bearer shares. No shares have been issued with special rights. At the end of 2011, the company held a total of 370,444 own shares, corresponding to 2.52% of capital stock. Further information on authorised and contingent capital, as well as on conversion and option rights, can be found in the Management Board's explanatory report in accordance with Section 315 paragraph 4 of the German Commercial Code (HGB) in conjunction with Section 120 paragraph 3 sentence 2 of the German Stock Corporation Act (AktG).

In accordance with Section 150 paragraph 4 no.1 and no.2 AktG, EUR 12.5 million was transferred from capital reserves in the financial year and recognised with the net loss for the year / loss carried forward of FP Holding AG.

Non-current and current liabilities

As at 31 December 2011, current liabilities increased to EUR 70.1 million, compared with EUR 63.6 million a year previously. Trade payables rose to EUR 10.2 million as against EUR 6.4 million in the previous year because of increased investment as at the year-end, as well as effects relating to the reporting date. Provisions increased from EUR 8.8 million to EUR 11.0 million, primarily as a result of additions to the provisions for restructuring. An opposing trend was recorded in the decline in provisions in the personnel area and for sales tax risks. The provisions are explained in the notes to the consolidated financial statements in section IV, note 20. Other current liabilities went up from EUR 36.9 million to EUR 40.4 million. Of this increase, EUR 1.6 million was attributable to greater liabilities from teleporto. However, current financial liabilities fell sharply to EUR 7.8 million, following EUR 10.7 million on 31 December 2010. This was due to an obligatory unscheduled repayment, which was due in the short term from the perspective of 31 December 2010. There was nothing equivalent to this in 2011.

Non-current liabilities fell from EUR 52.7 million to EUR 46.3 million in the past financial year, which is largely due to the significant reduction in financial liabilities, from EUR 36.3 million to EUR 30.4 million. This considerable decline is due to the repayments made in 2011. The ratio of net liabilities to equity worsened, because of these changes, to 189% at year-end 2011, compared with 162% a year earlier.

SIGNIFICANT EVENTS AFFECTING THE COURSE OF BUSINESS

The FP Group increased its revenue significantly in financial year 2011, which is primarily due to the described change in the reporting logic. However, earnings declined. This was mainly the result of the one-off restructuring expense for the discontinuation of former production and the establishment of new production, which had a negative impact on earnings.

In 2011, the company drove forward its realignment as a multi-channel provider, making numerous investments. The key measures included preparing for the launch of the new franking system PostBase, entering the sector of fully electronic mail communications through the acquisition of De-Mail specialist mentana-claimsoft, and restructuring production, including setting up new production at the Wittenberge location. The restructuring of production in line with planning led to one-off restructuring costs totalling EUR 8.7 million in 2011.

COMPARISON BETWEEN ACTUAL AND FORECAST COURSE OF BUSINESS

When the FP Group presented its provisional business figures on 24 February 2011, it made its first quantitative forecast for 2011 as a whole. The planning figures envisaged revenue of between EUR 160 million and EUR 165 million and EBITDA between EUR 25 million and EUR 27 million before restructuring. In 2010, the company achieved revenue of EUR 147.3 million and a comparable EBITDA before restructuring of EUR 26.8 million.

When it presented the nine-month figures on 21 November 2011, the company adjusted its forecast. In view of the economic slowdown in a number of industrialised companies that had not been foreseen at the beginning of the year and negative exchange rate effects and the corresponding negative effects on the margin, the company expected revenue of between EUR 160 million and EUR 165 million for 2011 as a whole and EBITDA before restructuring costs of EUR 22 million to EUR 23 million.

The FP Group very nearly achieved its forecast. In 2011, revenue rose to EUR 159.4 million and EBITDA totalled EUR 13.1 million. EBITDA before restructuring costs reached EUR 21.8 million, falling slightly short of the forecast range of between EUR 22 million and EUR 23 million.

OVERALL STATEMENT ON THE COURSE OF BUSINESS

The company increased its revenue in the past financial year, even though a certain level of restraint, albeit modest restraint was noticed amongst customers in Germany in view of the upcoming launch of PostBase. With total revenue of EUR 159.4 million, the company generated EBITDA of EUR 13.1 million, compared to EUR 25.5 million in 2010.

The FP Group is on the right track. In 2011, the company laid the foundations to become the first multi-channel provider able to offer its customers all possible options for professional mail communication, in both physical and fully electronic format. At the same time, the measures introduced in terms of production will lead to the strengthening of the company's financial and earnings power in the medium and long term. The restructuring of production alone is likely to lead to savings of around EUR 3 million annually from the second quarter of 2012.

EVENTS AFTER THE BALANCE SHEET DATE

RESTRUCTURING/DEVELOPMENT OF PRODUCTION AT THE WITTENBERGE LOCATION

In 2011, the FP Group developed a new production site at Wittenberge, Brandenburg. FP Produktionsgesellschaft mbH started production at the new location in October 2011. The first product that the company produced here was the MyMail franking machine. In the weeks that followed, production of the first machines of the new PostBase franking system also commenced. Series production is being ramped up in the second quarter of 2012. The discontinuation of production at the Birkenwerder site will take place by the end of the first quarter of 2012.

109 jobs were eliminated in the Birkenwerder production segment in connection with the restructuring measures implemented in the year under review. Conclusive solutions under employment law have been found for 86 of these employees to date. Court settlements were generally agreed here.

CHANGES IN EXTERNAL FINANCING

Further to the syndicated loan agreement dated 21 February 2011 (section I, note 4), an additional agreement was concluded on 14 March 2012 that serves the financing of claims by (former) employees from the redundancy scheme in place for the measures implemented in connection with the discontinuation of production at the Birkenwerder location.

FP received a further Loan C amounting to EUR 4.1 million in addition to the previously agreed lending volume. The utilisation of the loan will be repaid in ten monthly instalments each of EUR 0.4 million beginning on 31 March 2013.

In addition, a partial amount of EUR 0.3 million will be deferred from the repayment instalment due on 30 June 2012 for Loan A 1 amounting to EUR 1.0 million. This partial amount will be repaid in ten equal monthly instalments beginning on 31 March 2013.

Furthermore, a partial amount of EUR 0.6 million will be deferred from the repayment instalment due on 30 June 2012 for Loan A 2 amounting to EUR 1.9 million. This partial amount will be repaid in ten equal monthly instalments beginning on 31 March 2013.

CAPITAL INCREASE

In connection with the changes in lending volumes and repayment conditions, a senior land charge on the operational facility in Wittenberge amounting to EUR 1.0 million has been agreed as additional collateral for FP Holding AG. In addition, FP Produktionsgesellschaft mbH has assigned its current and non-current assets, pledged all bank balances, and assigned all receivables from customers as collateral.

The Management Board of Francotyp-Postalia Holding AG resolved on 23 March 2012, with the approval of the Supervisory Board, to increase the company's share capital by EUR 1.46 million. The company is therefore issuing new bearer shares, each representing EUR 1.00 of share capital. The company's share capital currently amounts to EUR 16.16 million.

The new shares were taken up immediately following approval by the Supervisory Board in the context of a private placement by 3R Investments Ltd., Cyprus. The capital increase was thus placed successfully. The issue amount is EUR 2.66 per share; the company received gross proceeds of EUR 3.9 million from the issue.

APPROVAL OF THE NEW POSTBASE FRANKING SYSTEM

The new PostBase franking system was presented for the first time at CeBIT and was approved by Deutsche Post on 7 March 2011. Thanks to numerous innovations in the area of mechatronics and navigation software, PostBase connects the analogue and digital worlds of mail. The user can handle PostBase very easily and intuitively by means of the touchscreen. Thanks to FP Navigator – a software solution used to operate the franking system – PostBase can also be controlled directly from a PC. FP Navigator also provides users with further functions, such as setting up and controlling cost centres.

In the future, the FP Group will also connect PostBase to the FP Portal – an online platform that clients can use to access any data relating to their mail communication and to utilise further services. For example, in future they will be able to use the portal to commission consolidation services directly, as well as send hybrid mails or De-Mails.

MENTANA-CLAIMSOFT GMBH RECEIVES DE-MAIL ACCREDITATION

The Federal Office for Information Security (BSI) accredited mentana-claimsoft GmbH on 6 March 2012 as the first De-Mail provider. The De-Mail Act defines the security requirements, thus establishing the legal basis to ensure that the De-Mail has the same legal effect as a standard letter. Following inspection of the internal processes and technical infrastructure of mentana-claimsoft, the De-Mail offering will now be launched on the market.

RISK AND OPPORTUNITY REPORT

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The FP Group made significant progress in becoming the first multi-channel provider for mail communication in 2011. An efficient opportunity and risk management system that enables opportunities to be identified and exploited at an early stage, and risks to be identified and contained at an early stage, constituted a key prerequisite for this. The FP Group's risk policy is fundamentally aimed at securing the company's existence on a long-term basis and continually improving its competitiveness.

Risk and opportunity management is embedded in the value-orientated management and existing structures of the FP Group. It is based on the strategic goals, in order to achieve an appropriate balance between risks and opportunities. Operating management in the business segments and in the subsidiaries is responsible for the early and regular identification, evaluation, and organisation of opportunities. The identification of opportunities supports various functions, including detailed market and competitive analyses, forecast scenarios, and intensive examination with relevant cost drivers and critical success factors, including those in the political arena. Concrete potential opportunities and risks are then developed from these with the specific segments in mind.

A monitoring system in accordance with Section 91 paragraph 2 of the Stock Corporation Act (AktG) is in place for the (early) identification of risks which could jeopardise the continued existence of the FP Group. Once a year, all legal, business, operating and financial risks to the FP Group are inventoried. All recorded risks are evaluated based on the amount of potential losses and the likelihood that the risks will materialise and whether they represent a threat to the company as a going concern. The risks which represent a threat to the company as a going concern are recorded separately and are subject to further monitoring. The risks which the FP Group classes as being significant to its operating activities from today's perspective are explained in more detail below.

MARKET RISKS

Macroeconomic risks

Material risks for the FP Group stem from economic trends and exchange rate risks.

Although the FP Group is exposed, to a certain extent, to its customers' cyclical investment behaviour, depending on the economic situation, the company's history, spanning almost 90 years, has shown time and time again that economic cycle risks can be managed. Moreover, around three quarters of FP Group revenue consists of recurring income from service agreements, leasing, the sale of consumables, as well as mail services and software solutions. Recurring income is much less affected by economic swings than new business. Overall, from today's viewpoint, no risks are discernible from macroeconomic development that would represent a threat to the company as a going concern.

The FP Group is exposed to currency risks because it generates some of its revenue in other currencies, but the majority of costs are incurred in euro. The company generates around one third of its total revenue in the USA, Canada, and the UK. Some of the FP Group subsidiaries report in foreign currencies. The euro/US dollar exchange rate is of particular significance to the FP Group result. A weak US dollar, for example, negatively impacts revenue reported in euro and, subsequently, the cash flow. The FP Group offsets currency risks with hedging activities on the financial markets (see section "Currency risk") and, in so doing, limits the risk effectively.

Sector-specific risks

Changes in market structure

Legislators are opening up the European letter market to competition. This has resulted in the EU directive on further liberalisation of the market for Community postal services (Directive 2002/39/EC). The ongoing implementation of the directive into national law is expected to result in several providers of postal services operating in national postal markets in the future.

The German postal market has been fully liberalised since 1 January 2008. The German Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railways (Federal Network Agency/Bundesnetzagentur) has now issued several hundred licences to various providers of postal services. It cannot be ruled out that new providers will extend their services, gain market share, and deliver their post without postage stamps, which could reduce the overall need for franking machines.

A major factor influencing the development of a liberalised postal market in Germany is the legal amendment to the sales tax regulations for postal services. After several attempts, the Bundestag and Bundesrat voted to change the law on sales tax in March 2010. Deutsche Post AG, which remains exempt from sales tax for universal services, is now legally required to pay sales tax on other products. The new regulations entered into force on 1 July 2010. This development could also take place in other European and international postal markets in which the FP Group operates. This could have significant adverse effects on the company's business and on its net asset, financial and earnings position for example, the attractiveness of its business model to customers who are not eligible for sales tax reductions declines significantly.

In this context, current developments at private service providers need to be observed closely. The introduction of a minimum wage for postal workers had reduced competitive pressure in letter delivery. However, in January 2010, the Federal Administrative Court in Leipzig ruled that this minimum wage was invalid. In the meantime, deliberations are taking place amongst politicians regarding the introduction of a general minimum wage. It is still unclear how the situation will develop, but experts expect that this will improve opportunities for private mail and delivery services.

Changes in user behaviour

The deployment of new technologies – particularly digital technologies – in the outbound mail market and an increase in private letter distributors can lead to a fall in demand for franking machines. As with a shift in the market towards smaller franking machines, this can lead to changes in market shares and alter pricing structures. This risk is matched by opportunity, as the FP Group now participates in liberalisation and technological progress with innovative services. As a complete service provider for mail communication, the FP Group has created the basis allowing it to benefit from changes in the postal markets in the future and from changes in user behaviour. Furthermore, market observations show that large franking machines from the C segment in particular are facing falling demand. What has often been observed is a downgrading of large machines towards smaller machines from the A segment. This presents an opportunity for the FP Group, which operates almost exclusively in the A segment.

The Group is witnessing increasing numbers of competitors in the area of centralised communications, where individual daily mail is processed by hybrid mail solutions (iab), as well as in the area of consolidation (freesort). The FP Group is countering this risk by increasingly dovetailing the segments Franking and Inserting, Software Solutions, and Mail Services. Thus, the Group is maximising its potential as a service provider for the entire mail communication chain. In view of the opportunities arising from this, the FP Group monitors sector-specific economic risks very closely, since they could impact the company's net assets, financial and earnings position. However, no risks that could represent a threat to the company as a going concern are discernible at present.

STRATEGIC COMPANY RISKS

The FP Group aims for profitable and sustainable growth. This criterion is therefore the fundamental yardstick for capital expenditure and the acquisition of companies or equity investments. In essence, strategic company risks comprise misjudgements when deciding on investments and possible M&A activities. Risks can also arise when expectations, such as those relating to investments, are not met. The FP Group regularly subjects the goodwill of its subsidiaries capitalised in the consolidated balance sheet to an impairment test. Although the necessity of a write-down would have no effect on EBITDA, it would affect equity. Under certain circumstances, involvement in new markets, such as France just recently, may not lead to the desired result.

There is also the possibility that PostBase will not deliver the expected contribution to earnings. As at 31 December 2011, EUR 10.4 million (previous year: EUR 6.0 million) was capitalised for this under internally generated intangible assets. On the basis of the current profitability analysis, EBIT contributions are expected to significantly exceed capitalised development costs.

The FP Group generally limits these strategic company risks with early analyses of risks and opportunities and the use of internal and, where necessary, external experts. At present, the FP Group sees no strategic risks that could represent a threat to the company as a going concern.

PERFORMANCE RISKS

Procurement and purchasing risks

The FP Group is dependent on suppliers and third-party providers in some areas of raw material supply and in the provision of services. Supplier failures, problems with quality, and delivery bottlenecks for special raw materials, consumables or supplies can lead to potential procurement risks. The FP Group minimises these risks by careful selection of suppliers, long-term supply contracts, and quality standards. The company considers the overall procurement risk to be low.

Technical production risks

The ongoing relocation of production from Birkenwerder to Wittenberge carries risks, as production expertise could be lost and the relocation might not go according to plan and/or to schedule. These risks will be minimised by ongoing reporting at start-up of new production and the careful selection and training of new employees. Furthermore, the company monitors the status of the production process on an ongoing basis in order to minimise the overall risks of the relocation. The FP Group regards this risk as manageable, following the successful production launch at the Wittenberge site.

The company generally identifies possible production risks in advance with the use of monitoring and control systems. The risks are reduced by means of numerous quality control measures, certification, and ongoing development of equipment and products. In view of these precautionary measures, the company considers the potential for production risks to be moderate.

Information technology risks

The company deals with potential IT risks by using modern hardware and software in line with current security standards. IT systems are reviewed regularly to ensure that business processes are carried out securely. The FP Group minimises risks of this kind by using trained experts and employing professional project management. The company considers information security risks or risks from the information technology in use to be low.

Because of the acquisition of mentana-claimsoft, the FP Group is exposed to additional IT risks resulting from the operation of systems on behalf of its customers. Losses may arise as a consequence of systems not being available or safety precautions not providing sufficient protection from unauthorised access. These risks are assumed to be manageable, as mentana-claimsoft possesses relevant certifications for its area of business.

Personnel risks

The success of the company is fundamentally dependent on the commitment, motivation, and skills of its employees. There is a risk of not being able to find high-performing individuals for vacant positions or of not being able to retain them. The FP Group limits these risks through performance-related remuneration and flexible working conditions suited to the interests of the employees. Important positions are regularly assessed in terms of forward-looking succession planning, and suitable candidates are prepared for these responsibilities. In this respect, the written documentation of knowledge is advantageous. Overall, personnel risks are considered to be low.

FINANCIAL RISKS

In the course of its business, the FP Group is exposed to certain financial risks, including those of currency fluctuations, interest rate changes, liquidity bottlenecks, and defaulting debtors. The Group's risk management system addresses the unpredictability of the financial markets and is intended to minimise negative consequences for the Group's operational results. To achieve this goal, the Group makes use of certain financial instruments. These are generally used to hedge existing or planned underlying transactions. The framework, responsibilities, financial reporting, and control mechanisms for financial instruments are stipulated in internal Group regulations. These include a separation of responsibility between recording and controlling financial instruments. The risks of financial instruments are shown in more detail in the notes to the consolidated financial statements.

Currency, interest rate, and liquidity risks for the FP Group are managed centrally. The company considers the financial risks to be controllable.

Currency risk

The FP Group is exposed to currency risks because of its international focus. Its subsidiaries in the UK, Sweden, Singapore, Canada, and the USA are located outside the euro zone. The use of derivative financial instruments is intended to limit currency risks.

Currency risks from anticipated future cash inflows in US dollars are partly hedged by using them to repay a loan taken out on 21 February 2011, which is also denominated in US dollars. There are also hedging transactions for converting US dollars to euro and GBP to euro in 2012. The company assesses possible risks in this area as controllable.

Interest rate risk

The risk of changes in market interest rates results primarily from non-current liabilities with a floating rate of interest. The structure of the interest margins for the new Group loan agreement is fixed until the end of 2013.

On 30 and 31 August 2011, two interest rate swaps were negotiated in US dollars with an initial reference amount of USD 5.6 million, as well as three interest rate swaps in euro with an initial reference amount of EUR 16.1 million and a term up to 31 December 2013. The reference amount is reduced over the term at the amount of the scheduled repayments in accordance with the syndicated loan agreement. Under these interest rate swaps, the Group swaps floating 3-month Libor interest and 3-month Euribor interest against a fixed interest rate ranging between 0.78% and 0.80% p. a. (US dollar loan) and 1.53% and 1.56% p. a. (euro loan). The market value of these instruments amounts to EUR -0.1 million (previous year: EUR -0.2 million based on the existing financial instruments at that time). The swap is settled on a quarterly basis.

The contract conditions and market values as at 31 December 2011 can be found in section I, note 2 in the notes to the consolidated financial statements.

Overall, the risks from changes in interest rates are considered to be controllable.

Liquidity risk

In accordance with the syndicated loan agreement concluded with the banks, the FP Group must maintain two specific financial ratios (covenants). On the one hand, certain equity funding of the FP group may not decline below defined levels in each quarter. On the other hand, net indebtedness may not exceed a specific level. The former is calculated from the ratio of net debt to EBITDA. As per the definitions of the loan agreement, these two values can be adjusted slightly in relation to certain items.

The financial ratios that were decisive as at 31 December 2011 have been complied with. If the financial ratios had not been complied with, the banking consortium would have had a contractual right to call in the loan.

As things stand at present, it is assumed that these financial ratios will also continue to be complied with. However, it is assumed that, should these financial ratios not be complied with in the future, it will be possible for agreement to be reached with the banks involved in subsequent negotiations regarding the continuation of the loan, although this may lead to higher financing expenses. Overall, the FP Group considers the liquidity risk to be manageable.

In addition to the contractually agreed interest payments and repayments between March 2012 and June 2012, the Group must also make payments in connection with the redundancy scheme (section IV., note 20). This involves a concentration of risk with regard to liquidity. In order to eliminate this risk, the company agreed an additional credit line and the postponement of some repayments with the existing banking consortium in March 2012.

The FP Group is receiving grants for the promotion of development projects to cover the eligible costs as equity financing. The grants are subject to several conditions that, according to current information, have been met. However, it is possible that a not insignificant portion of the grants may be cancelled or recalled in the future, in view of the upcoming discontinuation of production in Birkenwerder and the establishment of new production in Wittenberge. Management does not currently anticipate that this will happen.

Default risk

Financial problems may occur with our contractual partners which impact upon the FP Group's receivables. Possible risks are therefore assessed before contracts are concluded and possible safeguards stipulated.

The carrying amount of financial assets represents the maximum default risk in the event that counterparties cannot fulfil their contractual payment obligations, irrespective of any collateral. Depending on the type and amount of the transaction, the FP Group requires collateral and credit scores for all the contractual relationships on which original financial instruments are based in order to minimise the default risk. In addition, references are obtained or historic data from the prior business relationship is used.

The identifiable default risks of trade receivables and the Group's general credit risk are covered by appropriate write-downs. In principle, the Group avoids transactions where the risks cannot be calculated, so the FP Group considers these risks to be manageable and controllable.

For other financial assets, such as cash and cash equivalents, available-for-sale financial instruments and certain derivative financial instruments, the maximum credit risk on default is equivalent to the carrying amount for these instruments.

OTHER RISKS

Environmental risks

In its operating activities, the Group is subject to certain environmental protection laws. If the requirements are made more stringent, this may entail additional investment expenses, particularly in production. Topics such as environmental protection and sustainability are becoming ever more important for the FP Group. The company considers the overall risks to be low.

Legal and tax risks

Amendments to legislation could damage the international competitiveness of the Group and its subsidiaries. The company considers any problems arising from this to be moderate. There are also transfer price and general tax risks from audits by the tax authorities for periods since 2002, which could impact upon the net asset, financial or earnings position (see the notes to the consolidated financial statements section I., Management estimates and discretion).

With regard to the planned reorganisation and the relocation of the production site, legal disputes with affected employees are ongoing.

By its nature as a market participant on a contested market, Francotyp-Postalia is involved in a range of legal disputes. Francotyp-Postalia Vertrieb und Service GmbH is particularly affected by this; they are involved in a number of in-court and out-of-court competition disputes with rival companies, both as a claimant and a defendant. Methods of customer advertising and market positioning form the subject of these disputes. These proceedings are geared towards the discontinuation of anti-competitive behaviour and are not economically significant. If defeat occurs in a case, alternative advertising measures can be employed.

However, the lawsuit of SBW Vermögensverwaltungs GmbH of 9 March 2011, in which claims are asserted against Francotyp-Postalia Holding AG, could prove significant. The alleged claims are the result of the purchase agreement concluded by Francotyp-Postalia Holding AG regarding shares in the iab Group. The amount claimed is EUR 1,518,750.00. The amount claimed is based on claims to the increased purchase price arising from the company purchase agreement and the alleged unreliability of the partial payment with shares on the part of the defendant. The Group considers the risk presented by the proceedings to be low.

Organisational risks

The company sees no risks arising from its management and control systems, or organisational and management risks.

Compliance risks

Compliance risks are risks that arise from possible disregard of internal guidelines or the breach of laws and regulations by the company's management or employees. Purchasing and sales are particularly critical areas. Employees who are deployed in areas where protection of secret documents and information plays a key role are also affected. Employees who are entrusted with confidential or insider information agree to comply with the relevant regulations, such as the German Law to improve Investor Protection, and to deal with the information responsibly. To minimise risk and to secure compliance, the company has a code of conduct, which is applicable across the Group, and offers appropriate training sessions for employees in the relevant segments. In principle, the occurrence of a compliance-relevant issue cannot be ruled out. The company considers the risks to be controllable.

OVERALL STATEMENT ON THE RISK SITUATION OF THE GROUP

Taking the extent of possible losses and the probability of their occurrence into account, no risks can currently be identified which could lead to a lasting, significant impairment of the net asset, financial or earnings position on the FP Group. Overall, the risks are controllable; as things currently stand, the Group's continued existence as a going concern is not in jeopardy. The FP Group currently expects no fundamental changes to the risk situation. In organisational terms, the company has met the necessary conditions to be informed in advance of potential risk situations and to react quickly.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

The FP Group's Management Board and Supervisory Board attach the greatest importance to safeguarding the compliance, accuracy, and reliability of financial reporting to recipients of the company's financial statements. Against this background, the accounting-related internal control and risk management system (ICS) is an integral component of a comprehensive company-wide risk management system.

The aim of the ICS for the accounting process is to implement controls that provide reasonable assurance that the financial statements are prepared in compliance with the various regulations. The FP Group's ICS relies overwhelmingly on an efficient internal management system based on efficient processes and organisational safeguards integrated within processes, such as restricting IT access or payment guidelines. Process-integrated controls reduce the probability of errors occurring and provide help in identifying errors that have occurred.

The Supervisory Board advises on risk management and monitors the effectiveness of the risk management system, the internal control system, and the accounting process, as well as the audit and its independence.

The key features of the internal control system and the risk management system with regard to the accounting process can be described as follows.

As the parent company, Francotyp-Postalia Holding AG prepares the consolidated financial statements of the FP Group. The financial reporting of the Group companies included in the consolidated financial statements precedes this process. Both processes are monitored by a rigorous, internal control system, which ensures that the accounting is both correct and complies with the relevant legal regulations. Cross-divisional key functions are managed centrally, although the individual subsidiaries are granted a certain amount of independence in preparing their financial statements.

Key rules and tools used in preparing the consolidated financial statements include

- accounting guidelines at Group level
- a clearly defined division of responsibilities and allocation of responsibilities between the areas involved in the accounting process
- the involvement of external experts – if necessary, to measure pension commitments, for example
- the use of suitable IT financial systems and application of detailed authorisation schemes to ensure powers are appropriate to employees' responsibilities and in compliance with the principles of the separation of functions
- IT-based controls and additional process controls for accounting by subsidiaries, consolidation as part of the consolidated financial statements, and other relevant processes at Group and subsidiary level
- consideration of the risks recorded and assessed in the risk management system in the annual financial statements in so far as this is required under existing accounting rules.

The respective Finance management is responsible for implementing these rules and making use of these tools in the various Group companies in different countries. The member of the Management Board of Francotyp-Postalia Holding AG with responsibility for Finance is responsible for the consolidated financial statements. He is supported in this role by the head of Finance, Controlling and Accounts as well as the manager of the Finance and Accounts department and / or the manager of the Controlling department.

By employing specialist staff, providing specific, regular training, and observing the dual control principle, the FP Group ensures that it complies strictly with local and international accounting regulations in the annual and consolidated financial statements.

All annual financial statements relating to companies included in Group consolidation are checked by an auditor.

Target/actual deviations are recognised promptly under the obligation incumbent on all subsidiaries to report their figures monthly in a standardised reporting format to Francotyp-Postalia Holding AG, which allows the company to react equally rapidly.

FORECAST

FOCUS OF THE GROUP IN THE NEXT TWO FINANCIAL YEARS

Planned changes to operating policy

The markets in which the FP Group operates will change further in the years to come, as the liberalisation of postal markets marches onwards and technological progress continues. The company has consistently moved forwards with its strategic alignment as a complete service provider for mail communication. In this respect, the FP Group is increasingly dovetailing its Franking and Inserting segments with its Software Solutions and Mail Services segments to ensure that customers can obtain products and services from one source.

At the beginning of 2011, the FP Group placed its Group financing for the next few years on a secure footing. The company is not planning any further changes to the financing structure within the next two years, nor are any significant changes to the legal structure intended.

Future sales markets

To exploit additional growth potential, the FP Group entered the French market in 2011. In October 2011, the company obtained approval from La Poste, the French postal service, for MyMail, a franking machine for low mail volume. Here, the FP Group benefited from a simplified procedure on the part of the French postal service, thus obtaining swift approval. France is the largest franking machine market in Europe with around 230,000 installed machines.

The company also intends to expand its Asian business over the next few years with the aim of participating in the growth anticipated in the region. The company has also laid solid foundations in other markets for driving the global expansion of its technology forwards.

In the Software business, the company initially focused on the German market, which has been completely liberalised since 2008, and is now gradually strengthening the introduction of outsourcing products in this market. The product launch in the UK is also being ramped up. International introduction continues to be scheduled.

Future products and services

The FP Group will launch its new PostBase franking system and De-Mail in 2012. The FP Group sees new sales potential for the medium to long term in marketing De-Mail in particular. The revenue effect will primarily depend on how quickly the market accepts the new technology.

FUTURE DEVELOPMENT OF THE SEGMENTS

Sales Germany

In Germany, the FP Group is the market leader in franking and inserting machine solutions. Here, the target is to at least maintain market share at around 43% and, if possible, to expand it. In connection with this aim, the market launch of PostBase offers new incentives for customers.

The FP Group continues to see good opportunities in its domestic market in the Mail Services and Software Solutions segments. This is particularly the case for De-Mail, which is being launched in 2012.

Sales International

Apart from the traditional European countries, the USA is a major franking and inserting machine market for the FP Group, where it can increase its market share and realise new growth potential. The new French sales market, where franking systems may only be leased, is set to become a new market for the FP Group over the next few years.

While the use of franking machines is well established in traditional western markets, it is still in its infancy in many emerging countries. The FP Group is continuing in its endeavours to obtain approval for its franking machine in India. With regard to sales, the company is working with an established local firm.

Production

Production's development is materially dependent on that of the above-mentioned segments.

With the introduction of the new PostBase product line, the company has taken Production in a new direction. In October 2011, the FP Group commenced production at the new site in Wittenberge. The first product that the company produced here was the MyMail franking machine. Series production of the new PostBase franking system is set to begin in the second quarter of 2012.

The discontinuation of production at the Birkenwerder site is also scheduled for the end of the first quarter of 2012 at the latest. The entire production line will be moved to Wittenberge in the future. The segment will benefit from the effects of the restructuring process.

ECONOMIC CONDITIONS AND GROUP DEVELOPMENT IN THE NEXT TWO FINANCIAL YEARS

Future macroeconomic situation

Global economic growth will weaken in 2012. According to the International Monetary Fund (IMF), the worldwide economy is set to expand by only 3.3% in 2012. Growth in the previous year was 3.8%. For 2013, the IMF anticipates a global growth rate of 3.9%.

For Germany, the IMF is predicting growth of just 0.3% in the current financial year and 1.5% in 2013. According to the IMF, the euro zone economy is actually expected to shrink by 0.5% this year. Growth is expected to come to 0.8% in 2013. In the USA, the FP Group's most important foreign market, growth rates of 1.8% and 2.2% are expected in 2012 and 2013, respectively.

Therefore, the FP Group's key markets in the industrialised nations are experiencing a weaker economic cycle at the beginning of the year, which means that companies are expected to be less inclined to invest. The emerging economies are likely to grow much more dynamically in 2012 and 2013. The IMF estimates their growth at 5.4% and 5.9% for those years, respectively. Economic experts expect even stronger growth in gross domestic product in India and China.

As a result, the economic significance of emerging countries, particularly in Asia, continues to grow. Depending on its options, the FP Group will endeavour to participate in the growth expected here.

Future sectoral situation

The future development of the sector is determined by the economic environment and regulation. According to the third EU Postal Services Directive, the complete opening of the market was implemented in the majority of EU member states in 2011. Nine new member states, as well as Greece and Luxembourg, are able to postpone this until 2013. The liberalisation process in the EU should then be complete. The increasing liberalisation of postal markets will continue worldwide, as well, over the next few years.

The German market has already been completely liberalised since the beginning of 2008, but there are still obstacles to overcome. In 2010, the abolition of the VAT exemption on Deutsche Post's services and a revision of the postal minimum wage improved conditions for alternative providers. An opportunity for the competition presented itself in the form of a tender for the German federal authorities' mail services.

Current economic developments are affecting the market in two respects. A weaker economic situation leads to companies being less willing to invest, which could also impact the franking and inserting machine business. At the same time, price pressure in companies remains high. This means that businesses are expected to also be more willing to employ cost-saving solutions for mail communication and to collaborate with professional service providers like the FP Group in this field.

Overall, the company expects the market for mail communication to transform further over the next two years. According to information from the Federal Network Agency, new services such as De-Mail have the potential to bring a new growth and competition dynamic to the postal market and to demolish old structures.

The FP Group anticipates that around 10% of relevant potential mail will be sent via De-Mail in three to five years' time. This is equivalent to around 540 million deliveries. In the medium term, the FP Group aims to achieve 10% of the De-Mail market.

With the introduction of electronic solutions, the FP Group has created good conditions to be able to exploit its expertise in physical and electronic communication.

Future Group development

Over the next two years, the FP Group is likely to benefit from the development of overall and sector-specific economic conditions and therefore expects revenue to increase. Since the company will at the same time maintain its cost discipline, EBITDA is likely to improve. The restructuring of production alone is expected to lead to savings of around EUR 3 million annually from the second quarter of 2012. Over the next few years, the restructuring of production will make an important contribution to increasing earnings power. Therefore, the FP Group expects that the planned course of business will enable it to reinforce its operating earnings and financial power in 2012. In financial year 2012, the FP Group is likely to employ the same amount of employees as in 2011.

OVERALL STATEMENT ON FUTURE BUSINESS DEVELOPMENT

The following statements are based on current knowledge at the start of 2012. We note that the planning data presented here may differ from the actual values achieved.

The strong position in the traditional franking machine market and the opportunities for growth in the two newest business areas offer good conditions for further growth and continuing consolidation of the FP Group's operating financial and earnings power. The company forecasts revenue of at least EUR 161 million, EBITDA of at least EUR 25 million and EBIT of EUR 12 million for 2012.

The FP Group anticipates continued growth in financial year 2013. Here, the company expects to be able to achieve revenue of at least EUR 168 million and EBITDA of at least EUR 27 million.

Over the next two years, the company is expected to benefit from its development in becoming a complete service provider for mail communication. The company expects stable development in the traditional markets for the Franking and Inserting segments and positive growth momentum in new markets.

In the medium and long term, the company sees great potential in the field of digital communication. The FP Group is one of the trailblazers in this area and already offers relevant software solutions. It expects to gain a 10% share of the De-Mail market within three to four years. This is equivalent to revenue potential of around EUR 15 million to EUR 20 million.

Despite higher investment in leased products, a slight decrease in investment volume is expected for the following financial year as a result of a reduction in cash payments for new tools, production locations and development projects, which may increase again in the subsequent year.

OTHER DISCLOSURES

EXPLANATORY REPORT BY THE MANAGEMENT BOARD IN ACCORDANCE WITH SECTION 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

The FP Group makes the following mandatory disclosures in accordance with Section 315 paragraph 4 HGB in conjunction with Section 120 paragraph 3 sentence 2 of the German Stock Corporation Act (AktG). These are all regulations in common use at listed companies and are not intended to hinder an attempted takeover.

Disclosures in accordance with Section 315 paragraph 4 no. 1 HGB (Subscribed capital)

On 31 December 2011, the share capital of Francotyp-Postalia Holding AG was EUR 14,700,000. It is divided into 14,700,000 shares.

Disclosures in accordance with Section 315 paragraph 4 no. 2 HGB (Restrictions relating to voting rights or the transfer of shares)

Each share entitles the holder to cast one vote at the Annual General Meeting. There are no restrictions relating to voting rights or their transfer. As at 31 December 2011, holdings of treasury shares stood at 370,444. That corresponds to a 2.5% share of capital stock. No voting rights are exercised in the case of treasury shares. The Management Board of Francotyp-Postalia Holding AG is not aware of any restrictions that may result from agreements between shareholders.

Disclosures in accordance with Section 315 paragraph 4 no. 3 HGB (Direct or indirect interests in share capital exceeding 10% of voting rights)

As at 31 December 2011, Amiral Gestion, based in Paris, France, holds 11.30% in the share capital of Francotyp-Postalia Holding AG. This equates to 1,660,679 shares.

Disclosures in accordance with Section 315 paragraph 4 no. 4 HGB (Shares with special rights)

Francotyp-Postalia Holding AG has issued no shares with special rights.

Disclosures in accordance with Section 315 paragraph 4 no. 5 HGB (Control of voting rights of employee shareholders)

There are no controls of voting rights.

Disclosures in accordance with Section 315 paragraph 4 no. 6 HGB (Statutory regulation in the Articles of Association on appointing and dismissing Management Board members and amending the Articles of Association)

In accordance with Number 6 paragraph 2 of the Articles of Association of Francotyp-Postalia Holding AG, the Supervisory Board is responsible for determining the number of Management Board members, appointing them, and revoking their appointment. In accordance with Section 6 paragraph 3 of the Articles of Association, the Supervisory Board can appoint a Supervisory Board committee to sign, amend, and terminate employment contracts of Management Board members.

Number 23, paragraph 1 of the Articles of Association stipulates that, unless statutes or the Articles of Association require a larger majority, the Annual General Meeting passes resolutions by a simple majority of votes cast and, where statutes require a majority of capital in addition to a majority of votes, by simple majority of capital represented when voting takes place. Abstentions count as votes not cast. Furthermore, in accordance with Number 15 paragraph 2 of the Articles of Association, the Supervisory Board can make amendments to the Articles which only relate to wording.

Disclosures in accordance with Section 315 paragraph 4 no. 7 HGB (Powers of the Management Board to issue or buy back shares)

Authorised capital

In accordance with Number 4 paragraph 3 of the Articles of Association, the Management Board was authorised to increase the share capital of the company once or on several occasions up to 15 October 2011, subject to the approval of the Supervisory Board, through the issue of new bearer shares for subscription in cash or in kind by up to a total of EUR 6,000,000 (2006 authorised capital). This authorisation was not utilised. In order to allow the management to retain this scope of action beyond 15 October 2011, the Annual

General Meeting resolved on 30 June 2011 to revoke the 2006 subscribed capital and replace it with a new 2011 subscribed capital. This was also increased slightly.

The Management Board is authorised to increase the share capital of the company once or on several occasions up to 29 June 2016, subject to the approval of the Supervisory Board, through the issue of new bearer shares for subscription in cash and/or in kind by up to a total of EUR 7,350,000 (2011 authorised capital). Shareholders generally have a subscription right to the new shares. In accordance with Section 186 paragraph 5 AktG, the new shares can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to the shareholders for subscription.

The Management Board is authorised, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights, once or on several occasions:

- for fractional amounts resulting from the subscription ratio;
- if this is necessary in order to be able to grant a subscription right to holders of bonds with option or conversion rights, or option or conversion obligations, that have been issued previously, in the amount to which they would be entitled after exercising the option or conversion rights or fulfilling the option or conversion obligations;
- if the new shares are to be issued for subscription in kind in order to acquire companies, company divisions or equity interests in companies, and provided that the acquisition of the company or the equity interest is in the best interests of the company;
- if the new shares are issued for subscription in cash and the pro rata percentage of the share capital attributable to the new shares to be issued does not exceed 10% of the share capital and the issue price for the new shares to be issued does not fall significantly below the stock market price of company shares that are already listed when the final issue price is set. The amount of share capital when the authorisation comes into effect or – if this figure is lower – when this authorisation is exercised is decisive when calculating the 10% of share capital limit. This maximum amount is to include the pro rata amount of share capital attributable to new or previously acquired treasury shares that are issued or sold during the term of this authorisation disapplying subscription rights in direct, corresponding, or mutatis mutandis application

of Section 186 paragraph 3 sentence 4 AktG, as well as the pro rata amount of share capital attributable to shares that are issued or are to be issued in order to service option or conversion rights or to fulfil option or conversion obligations arising from bonds, provided that the bonds are issued during the term of this authorisation disapplying subscription rights in accordance with Section 186 paragraph 3 sentence 4 AktG.

- for a share of authorised capital up to a total of EUR 1,470,000 in order to issue the new shares to employees of the company or employees of a directly or indirectly consolidated company within the meaning of Section 18 AktG, whereby employee shares may be issued at a preferential price.

The Management Board decides on the content of the respective share rights and other conditions for the issue of shares subject to the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association according to the amount of the capital increase from the authorised capital.

Contingent capital

On 30 June 2011, the Annual General Meeting passed a resolution to increase the company's share capital contingently by an amount of up to EUR 6,305,000 by issuing up to 6,305,000 new bearer shares, each representing EUR 1.00 of share capital (2011 contingent capital).

The contingent capital serves to grant shares to the holders or creditors of option bonds or convertible bonds, profit-sharing rights or participating bonds (or combinations of these instruments) which are issued by the company or a directly or indirectly consolidated company of the company within the meaning of Section 18 AktG up to 29 June 2016. This is only carried out insofar as option or conversion rights from the aforementioned bonds are utilised or option or conversion obligations arising from these bonds are fulfilled, unless other means of settling the obligation are employed. New shares are issued at the option or conversion price to be determined based on the aforementioned authorisation. The new shares contribute to profit from the beginning of the financial year in which they come into being through the exercising of conversion or option rights or the fulfilment of conversion obligations.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the performance of the contingent capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association according to the performance of the contingent capital increase.

Conversion and option rights

The Management Board was authorised by way of resolution of the Annual General Meeting on 30 June 2011, subject to the approval of the Supervisory Board, to issue option or convertible bonds, profit-sharing rights or participating bonds or combinations of these instruments (collectively referred to as "bonds"), in total or for separate amounts, once or on several occasions up to 29 June 2016 up to a nominal total of EUR 200,000,000 and to grant option or conversion rights to the holders or creditors (collectively referred to as "holders" in the following) of the respective bonds for the acquisition of bearer shares in the company representing a pro rata amount of the share capital up to a total of EUR 6,305,000 subject to the detailed conditions of the bonds and to establish corresponding option and conversion obligations. The bonds and conversion and option rights / obligations can be issued with a duration of up to 30 years or without a limited duration. Bonds can be issued in whole or in part, including against a contribution in kind.

The individual issues can be divided into bonds carrying equal rights.

The bonds can be issued in euro or at an equivalent value in the legal currency of an OECD country. They can also be issued by a directly or indirectly consolidated company of Francotyp-Postalia Holding AG within the meaning of Section 18 AktG. In this case, the Management Board is authorised, subject to the approval of the Supervisory Board, to assume the guarantee for the bonds and to grant option or conversion rights to new bearer shares in the company to the holders or to establish corresponding option or conversion obligations.

If option bonds are issued, one or more warrants are attached to each bond, which authorise the holder to subscribe to the bearer shares in the company subject to the conditions of the option bond to be determined by the Management Board subject to the approval of the Supervisory Board. The conditions of the option bond may also allow for a full or partial contribution to the option price

through the transfer of bonds, provided that these are in euro. In this case, the subscription ratio is calculated by dividing the nominal amount of a bond by the specified option price for one bearer share in the company. The pro rata amount of share capital attributable to the shares to be subscribed to for each bond may not exceed the nominal amount of the individual bond. The duration of the option right must not be less than the duration of the option bond.

If convertible bonds are issued, the holders of the bonds obtain the right to convert these into bearer shares in the company subject to the detailed conditions of the convertible bond to be determined by the Management Board subject to the approval of the Supervisory Board. The conversion ratio is calculated by dividing the nominal amount or the issue amount (lower than the nominal amount) of a bond by the specified conversion price for one bearer share in the company and can be rounded up or down to a whole number. The pro rata amount of share capital attributable to the shares to be issued upon conversion may not exceed the nominal amount of the individual bond.

The conditions of the bonds may also establish an option or conversion right at the end of the duration or at an earlier point in time.

The conditions of the bonds may provide for the right on the part of the company to grant shares in the company to the holders of the bonds, upon bullet maturity of the bonds associated with an option or conversion right, in place of part or all of the monetary amount due. Furthermore, provision may also be made for the company not to grant bearer shares in the company to the holders of option or conversion rights or obligations, but instead to pay the equivalent amount in cash.

If exercising the option or conversion right or fulfilling the option or conversion obligation leads to fractions of shares, these are generally settled in cash. However, the conditions of the bonds may stipulate that payment is not to be made for fractions of shares. The company may be authorised under the conditions of the bonds to settle any difference between the nominal amount of the bond and the product of the option/conversion price and the subscription/conversion ratio in part or in full in cash.

The aforementioned provisions apply accordingly if warrants are attached to a profit-sharing right or a participating bond or if the option or conversion right or the option or conversion obligation is based on a profit-sharing right or a participating bond.

The option or conversion price to be determined must, even if it or the subscription or conversion ratio is variable, amount to at least 80% of the weighted average listed share price of the Francotyp-Postalia Holding share in the closing auction of fully electronic trading on the Frankfurt Stock Exchange, Frankfurt am Main, on the basis of the Xetra trading system (or an alternative successor system with comparable functions), namely:

- during the last ten trading days of the Frankfurt Stock Exchange, Frankfurt am Main, before the date of the Management Board's resolution regarding the issuing of the bonds or regarding the declaration of acceptance by the company following a public request for the issue of subscription offers, or,
- in the event that a subscription right to the bonds is granted, from the beginning of the subscription period up to and including the day before the final conditions are fixed in accordance with Section 186 paragraph 2 sentence 2 AktG.

Section 9 paragraph 1 AktG remains unaffected.

If, during the duration of the bonds which grant an option or conversion right or establish an option or conversion obligation, the economic value of the existing option or conversion rights is diluted (for example, by issuing further bonds or capital increases from company funds) and subscription rights are not granted as compensation for this, the option or conversion rights – notwithstanding Section 9 paragraph 1 AktG – are adjusted to preserve their value, provided such adjustment is not already mandated by law. In any case, the pro rata amount of share capital attributable to the shares to be subscribed to for each bond may not exceed the nominal amount of the individual bond.

Instead of adjusting the option or conversion price to preserve the value, provision can also be made in all these cases, according to the more detailed conditions of the bonds, for the payment of an equivalent amount in cash by the company upon the exercising of the option or conversion right or upon fulfilment of the option or conversion obligation.

Shareholders generally have a subscription right to the bonds. The bonds can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to the shareholders for subscription (indirect subscription right).

However, the Management Board is authorised, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights to the bonds:

- for fractional amounts resulting from the subscription ratio;
- if this is necessary in order to be able to grant a conversion or subscription right to holders of bonds with option or conversion rights that have already been issued, in the amount to which they would be entitled after exercising the option or conversion right or fulfilling the option or conversion obligation;
- if bonds are to be issued in exchange for payments in kind and the value of the payment in kind is proportionate to the theoretical market value of the bonds calculated according to recognised financial calculation methods;
- if bonds with option or conversion rights or option or conversion obligations are to be issued against payment in cash and the issue price is not significantly below its theoretical market value calculated according to recognised financial calculation methods. This authorisation to disapply subscription rights only applies insofar as the shares that are issued or are to be issued in order to service option and conversion rights or upon fulfilment of the option or conversion obligations are not attributable to more than 10% of the company's share capital. The amount of share capital when the Annual General Meeting resolves on this authorisation or – if this figure is lower – when this authorisation is exercised determines the calculation of the 10% of share capital limit. This maximum amount is to include the pro rata amount of share capital attributable to shares that are issued or sold during the term of this authorisation in direct, corresponding, or mutatis mutandis application of Section 186 paragraph 3 sentence 4 AktG disapplying subscription rights.

The Management Board is also authorised, subject to approval by the Supervisory Board, to specify the further details for the issuing of bonds and for determining their conditions, or to determine these in consultation with the bodies of the companies issuing the bonds in which the company holds a direct or indirect majority stake. This applies in particular to the volume, date, interest rate, type of interest payment, issue price, duration and denomination, the option or conversion period, the determination of an additional payment in cash, the settlement or merging of fractional amounts and cash payment instead of the provision of bearer shares.

Contingent capital for exclusive fulfilment of subscription rights

On 1 July 2010, the Annual General Meeting passed a resolution to increase the company's share capital contingently by up to EUR 1,045,000.00 by issuing up to 1,045,000 new bearer shares. The contingent capital increase serves exclusively to fulfil subscription rights guaranteed until 30 June 2015 on account of the conditions formulated in the resolution of the Annual General Meeting passed on the same day (see notes, Section IV, note 17). The contingent capital increase is only implemented to the extent that the bearers of the issued subscription rights utilise their right to subscribe to shares in the company and the company does not guarantee any treasury shares to fulfil the subscription rights. Shares are issued from contingent capital according to the conditions decided upon by the Annual General Meeting in accordance with the following: "The exercise price of a subscription right corresponds to the average market price (closing price) of the bearer unit share in the company in electronic Xetra trading (or a comparable successor system) at Deutsche Börse AG in Frankfurt am Main on the last 90 calendar days before the subscription right is guaranteed. However, the minimum exercise price is the proportion of share capital in the company attributable to the individual unit share (currently EUR 1.00) (Section 9 paragraph 1 AktG)."

The new unit shares contribute to profit from the beginning of the financial year for which no resolution has yet been made on the use of the retained profit at the time of issue of the subscription rights.

Authorisation to buy and sell treasury shares

At the ordinary Annual General Meeting of Francotyp-Postalia Holding AG on 1 July 2010, the Management Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares up to 10% of the share capital existing at the time of this resolution. At no time may the shares acquired in accordance with this authorisation, together with other treasury shares held by the company or attributed to it in accordance with Sections 71d and 71e of the German Stock Corporation Act, represent more than 10% of the share capital. The authorisation can be used in whole or in part and on one or several occasions. The authorisation is valid until 30 June 2015.

Under the new authorisation, the purchase of treasury shares can take place either via the stock exchange or by means of a public purchase offer.

To the extent that the number of shares tendered in response to a public purchase offer exceeds the number intended for purchase, shares can be purchased in proportion to the number of shares tendered and disapplying shareholders' right to tender their shares, in order to simplify the process. This simplification also serves to give preference to smaller amounts of shares of up to 100 shares tendered per shareholder.

The authorisation stipulates that the treasury shares purchased can be sold again via the stock exchange or by means of an offer to all shareholders. In addition, the Management Board is also to be authorised, subject to the approval of the Supervisory Board:

- to withdraw shares without further resolution by the Annual General Meeting
- to offer and to transfer shares as consideration in the course of company mergers or as consideration for the acquisition of companies or equity interests in them. The proposed authorisation is intended to strengthen the company in competing for interesting acquisition targets and allow it to respond rapidly, flexibly and in a cash-conserving manner to opportunities to acquire companies or equity interests in them. The proposed disapplication of shareholders' subscription rights serves this purpose. The decision, in any given case, whether to use treasury shares or shares from authorised capital is made by the Management Board in the sole interests of the shareholders and the company. In determining the relative valuations, the Management Board will ensure that the interests of shareholders are reasonably safeguarded. To do so, the Management Board will take the quoted share price into account; however, a systematic link to the quoted price is not planned, particularly so that the results of negotiations are not called into question by fluctuations in the listed share price. There are no concrete plans to make use of this authorisation.
- to issue treasury shares subject to the approval of the Supervisory Board in order to float company shares on a foreign stock exchange on which they were not previously listed. This is intended to give the company the flexibility of a secondary listing on foreign exchanges if this is deemed necessary to secure better long-term equity funding. There are no concrete plans to make use of this authorisation.
- to sell treasury shares to third parties for cash disapplying subscription rights, e. g. to institutional investors or to access new investor groups. The condition for such a sale is that the price obtained (without ancillary purchase costs) is not significantly below the price for a share on the trading date, as determined by the opening auction in Xetra trading (or a comparable successor system) at Deutsche Börse AG in Frankfurt am Main. Orientating the sales price to the quoted price offers some protection against dilution and provides reasonable protection of shareholders' pecuniary and voting interests. When setting the final sales price, management will endeavour to keep any discount from the quoted price to a minimum – with no spaces on either side, taking current market circumstances into account. Shareholders have the option of maintaining the level of their stake by purchasing shares via the stock exchange, and it is in the interests of shareholders that the company can benefit from additional room for manoeuvre to exploit favourable stock exchange conditions at short notice. There are no concrete plans to make use of this authorisation.

- to offer individual members of the Management Board treasury shares instead of the cash remuneration owed by the company. The background to this authorisation stems from the Supervisory Board's deliberations on paying Management Board salary components already or soon due not in cash but in shares in the company. The advantage of such a procedure would lie not only in preserving the company's liquidity reserves but also in creating a further incentive for the Management Board to make special efforts to increase the value of the company and thus to foster sustainable price development in the interests of the shareholders and the company. Value-related dilution of the existing shareholdings is counteracted by the fact that the price, which is based on the determination of the number of treasury shares to be transferred, may not be significantly below the price for a share on the date on which the offer was submitted, as determined by the opening auction in electronic Xetra trading (or a comparable successor system) at Deutsche Börse AG in Frankfurt am Main (without ancillary purchase costs).
- to use treasury shares to service subscription rights correctly issued to the company and exercised under the 2010 stock option plan. The advantage of servicing subscription rights under the 2010 stock option plan with treasury shares lies with the fact that the company does not have to issue new shares under utilisation of contingent capital and consequently can avoid the associated dilution effect for existing shareholders.

Disclosures in accordance with Section 315 paragraph 4 no. 8 HGB (Significant agreements of the parent company subject to a change of control following a takeover offer)

No significant agreements subject to a change of control following a takeover offer were concluded by the parent company Francotyp-Postalia Holding AG with third parties or subsidiaries.

Disclosures in accordance with Section 315 paragraph 4 no. 9 HGB (Compensation agreements of the parent company in the event of a change of control)

No such agreements were in place as at 31 December 2011.

REMUNERATION REPORT

The overall remuneration package for Management Board members comprises the monetary remuneration portion, pension commitments and other commitments, in particular for the event of the termination of employment, as well as ancillary payments of any kind and payments from third parties which have been granted during the financial year or pledged for Management Board activities. In compliance with the recommendations of the Corporate Governance Code, the monetary remuneration portion is composed of both fixed and variable elements.

By resolution of the Annual General Meeting, the remuneration of Supervisory Board members is laid down in the Articles of Association. Supervisory Board remuneration takes into account the responsibilities and duties of Supervisory Board members, as well as the chairmanship and deputy chairmanship thereof and also membership of any Supervisory Board committees. There are no provisions for performance-related remuneration.

Total remuneration of the Management Board and Supervisory Board

The remuneration of members of the Management Board is set by the Supervisory Board at an appropriate level, based on performance assessments. Criteria for determining the suitability of the remuneration include the duties of the Management Board member in question, his personal performance, the performance of the Management Board as a whole, as well as the macroeconomic situation and the company's performance and future prospects, giving due consideration to the company's peer group. The employment contracts concluded with Board members stipulate a fixed annual salary plus a performance-related bonus based on cash flow and EBITA.

In accordance with the site continuation agreement, which was concluded with the employee representatives and IG Metall in August 2009 and expired at the end of July 2011, the Management Board members waived 20% of their monthly income.

The direct remuneration paid to Management Board members totalled EUR 748,000, of which EUR 532,000 comprised the fixed annual salaries including pension contributions and EUR 26,000 represented payment in kind. The payments in kind chiefly consist of the value of company car use as determined in compliance with the provisions of tax law and individual insurance contributions. The bonuses cited constitute amounts paid during the financial year. The values reported under Bonuses (provision) are changes to provisions that took place during the financial year.

The Annual General Meeting of Francotyp-Postalia Holding AG resolved on 1 July 2010 to issue subscription rights to members of the management of affiliated companies within the meaning of Section 15 AktG and executives of the FP Group and to authorise the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price (stock option plan). From this stock option plan, 180,000 each – a total of 360,000 stock options – were allocated to the Management Board as per the resolution of the Annual General Meeting. For further details, refer to the notes, Section IV., note 17.

The remuneration paid to the Management Board is as follows:

EUR thousand		Fixed salary	Payment in kind / allowances	Bonuses	Total remuneration (recognised in cash)	Bonuses (provision)	Stock options (staff expenses)	Total remuneration (recognised in income)
Hans Szymanski	2011	279	11	140	430	-96	51	385
	2010	244	11	32	287	96	18*	401
Andreas Drechsler	2011	253	15	140	408	-96	51	363
	2010	228	15	32	275	96	18*	389
Total remuneration for the financial year	2011	532	26	280	838	-192	102	748
	2010	472	26	64	562	192	36*	790*

* Figure has been adjusted from that given in the previous year's report.

The fixed salary includes allowances for pensions in the amount of EUR 76,000 (2010: EUR 76,000) for Mr Szymanski and EUR 76,000 (2010: EUR 76,000) for Mr Drechsler.

Only insignificant amounts were set aside for pension obligations towards active members of the Management Board, as in the previous year (2011: EUR 2,000; 2010: EUR 1,000).

For pension obligations towards former members of the Management Board of Francotyp-Postalia Holding AG and former managing directors (and their surviving dependants) of the German company Francotyp-Postalia GmbH, a total of EUR 1.17 million (previous year: EUR 1.29 million) was set aside (for former members of the Management Board of Francotyp-Postalia Holding AG: 31 December 2011: EUR 0.51 million; 31 December 2010: EUR 0.48 million). EUR 61,000 was added to provisions in the 2011 reporting year. Of this, EUR 0 relates to service costs and EUR 61,000 to interest costs.

Each Supervisory Board member has received, as well as cash expenses plus VAT for their Supervisory Board duties, a lump sum remuneration of EUR 30,000, payable in the final month of the financial year. For the chairman, the lump sum remuneration amounts to 150%, and for his deputy, it amounts to 125% of the remuneration of a normal Supervisory Board member from the 2009 financial year.

The Deputy Chairman of the Supervisory Board, Mr Christoph Weise, has waived the remuneration to which he is entitled for 2008, 2009 and 2010. The fixed remuneration for the Supervisory Board amounted to EUR 113,000 (previous year: EUR 75,000) for the 2011 financial year.

figures in EUR thousand	
Prof. Michael Hoffmann (Chairman)	45
Christoph Weise (Deputy)	38
Dr Claus Gerckens	30

Individual shareholdings and directors' dealings

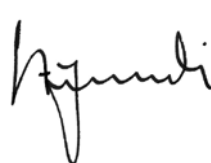
Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), the Supervisory Board, Management Board and senior executives of Francotyp-Postalia Holding AG are obliged to report their dealings in company shares or related financial instruments once the total value of such transactions exceeds EUR 5,000 in any one calendar year. This duty of disclosure also extends to natural and legal persons who have a close relationship with the above-mentioned persons. All reported transactions are published via EquityStory and on the website.

Either directly or indirectly, Supervisory Board and Management Board members hold the company shares set out in the table below:

Shareholders	Number of shares	%
Christoph Weise	115,000	0.78
Hans Szymanski	120,000	0.82
Andreas Drechsler	20,000	0.14

Birkenwerder, 30 March 2012

Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

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**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011**

in EUR thousand	Notes	1.1. – 31.12.2011	1.1. – 31.12.2010
Revenue	(1)	159,361	147,315
Changes in inventories of finished goods and work in progress		-286	-85
		159,075	147,230
Other capitalised own work	(2)	8,744	6,682
Other income	(3)	5,567	4,154
Cost of materials	(4)		
a) Cost of raw materials, consumables and supplies		26,460	26,895
b) Cost of services purchased		36,309	21,584
		62,769	48,479
Staff expenses	(5)		
a) Wages and salaries		51,452	44,698
b) Social security contributions		8,099	7,445
c) Expenses for pensions and other benefits		639	442
		60,190	52,585
Depreciation, amortisation and impairment losses	(10)	14,424	18,077
Other expenses	(6)	37,316	31,472
Net interest income/expense	(7)		
a) Interest and similar income		1,231	1,279
b) Interest and similar expenses		3,814	4,494
		-2,583	-3,215
Other financial results	(7)		
a) Other financial income		1,886	1,832
b) Other financial expenses		2,337	1,312
		-451	520
Net taxes	(8)		
a) Tax income		7,675	4,181
b) Tax expenses		7,885	6,249
		-210	-2,068
Consolidated net income		-4,557	2,690
Other comprehensive income			
Translation of financial statements of foreign entities		659	1,585
of which taxes		16	-300
of which reformatted in the consolidated net income		-158	-598
Cash flow hedges		21	-65
of which taxes		0	-12
of which reformatted in the consolidated net income		21	121
Other comprehensive income after taxes		680	1,520
Comprehensive income		-3,877	4,210
Consolidated net income for the year:		-4,557	2,690
– of which attributable to the shareholders of FP Group		-3,838	3,340
– of which attributable to minority interests		-719	-650
Comprehensive income:		-3,877	4,210
– of which attributable to shareholders of FP Group		-3,158	4,860
– of which attributable to minority interests		-719	-650
Earnings per share (m EUR; basic and diluted):	(9)	-0.27	0.23

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

ASSETS

in EUR thousand	Notes	31.12.2011	31.12.2010
Non-current assets			
Intangible assets	(10)		
Intangible assets including customer lists		10,419	16,465
Goodwill		10,016	8,494
Development projects in progress and pre-payments		10,882	6,369
		31,317	31,328
Property, plant and equipment	(10)		
Land, land rights and buildings		1,058	160
Technical equipment and machinery		1,145	1,321
Other equipment, operating and office equipment		2,562	2,972
Leased products		8,525	9,673
Assets under finance leases		3,753	4,175
Advance payments and assets under construction		2,706	109
		19,749	18,410
Other assets			
Associated companies	(23)	59	69
Other equity investments	(25)	163	163
Finance lease receivables	(11, 25)	1,585	2,408
Other non-current assets		160	318
		1,967	2,958
Deferred tax assets		9,270	12,894
		62,303	65,590
Current assets			
Inventory	(12)		
Raw materials, consumables and supplies		4,021	4,304
Work in progress		996	1,130
Finished products and merchandise		5,988	5,509
		11,005	10,943
Trade receivables	(13, 25)	16,627	14,895
Other assets			
Finance lease receivables	(11, 25)	1,762	2,010
Reimbursement rights for income taxes		5,587	1,071
Derivative financial instruments	(25)	59	128
Other current assets	(15, 25)	9,169	9,226
		16,577	12,435
Securities	(14, 25)	678	672
Cash	(16, 25)	25,867	31,377
		70,754	70,322
		133,057	135,912

LIABILITIES

in EUR thousand	Notes	31.12.2011	31.12.2010
Shareholders' equity	(17)		
Equity attributable to shareholders of the parent company			
Subscribed capital		14,700	14,700
Capital reserves		33,181	45,708
Stock option reserve		346	89
Treasury shares		-1,829	-1,829
Loss carried forward		-27,333	-43,200
Consolidated net income after minority interests		-3,838	3,340
Other comprehensive income		26	-654
		15,253	18,154
Minority interests		634	1,431
		15,887	19,585
Non-current liabilities			
Provisions for pensions and similar obligations	(18)	12,146	12,088
Other provisions	(20)	2,188	2,196
Financial liabilities	(21, 25)	30,410	36,292
Other liabilities	(21, 25)	441	19
Deferred tax liabilities	(19)	1,097	2,095
		46,282	52,690
Current liabilities			
Tax liabilities	(19)	1,459	810
Provisions	(20)	11,040	8,791
Financial liabilities	(21, 25)	7,753	10,724
Trade payables	(21, 25)	10,226	6,365
Other liabilities	(21, 25)	40,410	36,947
		70,888	63,637
		133,057	135,912

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

in EUR thousand	Notes	1.1. – 31.12.2011	1.1. – 31.12.2010 **
Cash flow from operating activities			
Consolidated net income		-4,557	2,690
Income tax result recognised in profit and loss	(8)	210	2,068
Net interest income recognised in profit and loss	(7)	2,583	3,215
Depreciation and amortisation / reversals of non-current assets	(9)	14,389	18,077
Increase (+) in tax liabilities and provisions	(18, 19, 20)	3,551	700
Changes in deferred tax assets and liabilities		2,626	-155
Losses on the disposal of non-current assets		644	300
Changes in inventory, trade receivables and other assets not attributable to investing or financing activities	(12, 13, 15)	-4,050	-1,348
Changes in trade payables and other liabilities* not attributable to investing or financing activities	(21)	5,127	2,499
Other non-cash expenses and income		1,260	145
Government assistance not yet received		-1,580	-1,193
Interest received	(7)	1,231	1,279
Interest paid	(7)	-2,722	-3,577
Income tax paid	(8)	-1,631	-2,537
Cash flow from operating activities		17,081	22,163
Cash flow from investing activities			
Cash paid for internally generated intangible assets	(2)	-4,795	-3,451
Proceeds from the disposal of non-current assets	(9)	334	356
Cash paid for investments in intangible assets	(9)	-455	-1,011
Cash paid for investments in property, plant and equipment	(9)	-8,781	-5,100
Cash paid for financial investments		-28	-23
Cash payments for business combinations	I., V.	-999	-3,500
Cash flow from investing activities		-14,724	-12,729
Cash flow from financing activities			
Cash flow from reverse purchase agreement		1,353	0
Cash paid to repay bank loans	(21)	-9,913	-7,900
Cash payments to repay finance leases	(21)	-968	-742
Cash flow from financing activities		-9,528	-8,642
Cash and cash equivalents*			
Change in cash and cash equivalents	V.	-7,171	792
Change in cash and cash equivalents due to currency translation		55	254
Cash and cash equivalents at beginning of period	V.	13,423	12,377
Cash and cash equivalents at end of period	V.	6,307	13,423

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 20,238 thousand; previous year: EUR 18,626 thousand). Cash and cash equivalents include current securities in the amount of EUR 678 thousand (previous year: EUR 672 thousand).

** adjusted

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

in EUR thousand	Sub- scribed capital	Capi- tal re- serves	Stock option reserve	Treasury shares	Net income / loss	Accumulated other equity			Equity attribut- able to FP Hold- ing	Minority interests	Total
						Differential amount from currency translation	Net in- vestments in foreign opera- tions	Deriva- tive financial instru- ments			
Balance as at 1 January 2010	14,700	45,708	0	-1,829	-43,200	-2,122	-96	44	13,205	2,081	15,286
Consolidated net income 1 January to 31 December 2010	0	0	0	0	3,340	0	0	0	3,340	-650	2,690
Translation of financial statements of foreign entities	0	0	0	0	0	816	769	0	1,585	0	1,585
Cash flow hedges	0	0	0	0	0	0	0	-65	-65	0	-65
Other comprehensive income	0	0	0	0	0	816	769	-65	1,520	0	1,520
Comprehensive income	0	0	0	0	3,340	816	769	-65	4,949	-650	4,210
Capital increase from stock options	0	0	89	0	0	0	0	0	89	0	89
Balance as at 31 December 2010	14,700	45,708	89	-1,829	-39,860	-1,306	673	-21	18,154	1,431	19,585
Balance as at 1 January 2011	14,700	45,708	89	-1,829	-39,860	-1,306	673	-21	18,154	1,431	19,585
Consolidated net income 1 January to 31 December 2011	0	0	0	0	-3,838	0	0	0	-3,838	-719	-4,557
Translation of financial statements of foreign entities	0	0	0	0	0	699	-40	0	659	0	659
Cash flow hedges	0	0	0	0	0	0	0	21	21	0	21
Other comprehensive income	0	0	0	0	0	699	-40	21	680	0	680
Comprehensive income	0	0	0	0	-3,838	699	-40	21	-3,158	-719	-3,877
Capital increase from stock options	0	0	257	0	0	0	0	0	257	0	257
Changes in the group of consolidated companies	0	0	0	0	0	0	0	0	0	-78	-78
Charging based on para. 150 sec. 4 AktG	0	-12,527	0	0	12,527	0	0	0	0	0	0
Balance as at 31 December 2011	14,700	33,181	346	-1,829	-31,171	-607	633	0	15,253	634	15,887

Changes in shareholders equity are shown in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2011 FINANCIAL YEAR

I. GENERAL PRINCIPLES

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Birkenwerder (referred to hereafter as FP Holding), is a German stock corporation (Aktiengesellschaft) registered in the Commercial Register of Neuruppin District Court under HRB 7649. The company's registered office is at Triftweg 21-26, 16547 Birkenwerder, Germany. The consolidated financial statements of FP Holding for the financial year ending on 31 December 2011 include FP Holding and its subsidiaries (referred to hereafter as the "FP Group").

The FP Group is an international company in the outbound mail processing sector with a history dating back more than 85 years. The focus of its activities is the traditional product business, which consists of developing, manufacturing and selling franking machines in particular, but also inserting machines and conducting after-sales business. The FP Group also offers its customers in Germany sorting and consolidation services as well as hybrid mail and fully electronic mail communication products via its subsidiary freesort and its majority shareholdings in iab and mentana-claimsoft GmbH (until 16 December 2011: mentana-claimsoft AG).

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for forwarding to the Supervisory Board on 30 March 2012. The responsibility of the Supervisory Board is to examine the consolidated financial statements and declare whether it adopts them.

DECLARATION OF COMPLIANCE

FP Holding has prepared its consolidated financial statements for the year ending 31 December 2011 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of the German Commercial Code (HGB) as set out in section 315a (1) HGB.

ACCOUNTING PRINCIPLES

Francotyp-Postalia Holding AG acts as the parent company for the Group, under which FP Group companies are consolidated. The financial year for all Group companies is the calendar year.

In accordance with section 315a (1) HGB, the consolidated financial statements and the Group management report of FP Holding for the year ending 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable and binding in the EU on the reporting date and will be filed with the electronic Federal Gazette and published.

The consolidated financial statements have been prepared in euros. For greater clarity and to facilitate comparison, all amounts are presented in thousands of euros (EUR thousand) unless otherwise stated. Rounding of individual items and percentages may result in minor arithmetic differences.

In accordance with IAS 1, the consolidated balance sheet follows the principle of current / non-current presentation. The balance sheet therefore presents non-current and current assets and liabilities separately. Assets and liabilities are classified as current if their remaining term to maturity or useful life is less than one year, or they are turned over in less than one year in the course of normal operations. Assets and liabilities are classified as non-current if they remain in the company for more than one year.

The consolidated statement of recognised income and expenses is drawn up using the nature of expense method.

CONSISTENCY OF ACCOUNTING METHODS AND ADJUSTMENTS TO THE PREVIOUS YEAR'S NOTES

The accounting methods applied have not changed since the previous year.

APPLICATION OF NEW AND REVISED IFRS

As a matter of principle, the FP Group applies new and revised IFRSs only from the point at which they become mandatory. The FP Group comments below on specific new or revised IFRS regulations.

IMPROVEMENTS TO IFRS 2010

As part of the annual improvement project, eleven amendments were made to six standards with one interpretation. The adjustments to the formulation of individual IFRSs are intended to clarify the existing provisions. There are also changes affecting recognition and measurement. The affected standards are IAS 1, IAS 27 (in conjunction with IAS 21, 28 and 31), IAS 34, IFRS 1, IFRS 3, IFRS 7 and the interpretation of IFRIC 13.

The changes have not had a material impact on the consolidated financial statements of Francotyp-Postalia Holding AG.

IAS 24 – Related Party Disclosures (revised 2009)

The revised IAS 24 introduces an exemption option for the disclosure of transactions with certain related parties. This option relates to all transactions with government authorities that can control, jointly manage or significantly influence the reporting entity and transactions with companies controlled, jointly managed or significantly influenced by the same government authorities. The revision means that detailed disclosures are now only required for individual significant transactions. For transactions that are not individually significant but that are significant as a whole, only quantitative or qualitative indicators of the impact of the respective transactions need to be disclosed.

The revised IAS 24 also redefines a related party in order to remove inconsistencies: two entities that are considered to be related parties from the perspective of one entity are now also considered to be related parties from the perspective of the other entity.

The FP Group is not affected by the new exemption option, nor has the revised definition increased the number of related parties for the FP Group.

Amendments to IAS 32 – Classification of Rights Issues

The amendment to IAS 32 addresses the accounting treatment of subscription rights, options and warrants that are offered pro rata to all of an entity's existing holders of non-derivative equity instruments in the same class that entitles the holder to purchase or receive a fixed number of equity instruments in exchange for cash in any currency. Under the aforementioned conditions, it is no longer necessary to make a determination as to whether settlement will take place in a currency other than the functional currency in accordance with IAS 32.11(b)(ii) and IAS 32.16(b)(ii). Until this amendment, subscription rights in a currency other than the functional currency were required to be reported and measured as financial liabilities, whereas they are now required to be reported as equity.

The consolidated financial statements of the FP Group are not affected by the amendment.

Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

This amendment to IFRS 1 exempts first-time adopters from the duty to provide comparative information as required by the amended version of IFRS 7 in March 2009. Entities already applying the IFRSs are exempted by IFRS 7 from the provision of comparative information for the enhanced disclosures on the fair value measurement of financial instruments and additional qualitative and quantitative disclosures on liquidity risks in the year of first-time adoption. So as not to disadvantage first-time adopters that have applied the relevant IFRSs retrospectively in terms of the enhanced disclosures required by IFRS 7, the amendment to IFRS 1 also exempts these adopters from the enhanced requirements of IFRS 7 with respect to comparative information in their first IFRS financial statements.

This amendment does not affect the FP Group.

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement

This amendment modifies IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 contains provisions on the accounting treatment of defined benefit pension plans in cases where the plan assets exceed the defined benefit obligation. The amendment is relevant for cases where an entity is subject to minimum funding requirements and makes prepayments in order to meet these minimum funding requirements. In such cases, entities are now permitted to recognise as an asset the economic benefit of prepayments for minimum funding contributions.

This amendment does not affect the FP Group.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 addresses the accounting treatment of the issue of shares or other equity instruments in order to extinguish all or part of a financial liability. The interpretation clarifies that the equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” within the meaning of IAS 39.41. The corresponding equity instruments should be measured at fair value. If this cannot be reliably determined, the equity instruments should be measured at the fair value of the liability extinguished. The difference between the carrying amount of the financial liability to be derecognised and the first-time measurement of the equity instruments issued is recognised in profit and loss.

As no financial liabilities were extinguished by the issue of shares of Francotyp-Postalia Holding AG in the period under review or the comparative prior-year period, the new provision has had no impact on the consolidated financial statements.

In the case of the following new or amended standards and interpretations that are not required to be applied until subsequent financial years, the early application of these standards and interpretations is not being considered by the FP Group. Unless stated otherwise, the impact on the FP Group’s consolidated financial statements is currently being examined.

STANDARDS AND INTERPRETATIONS REQUIRING DISCLOSURE IN ACCORDANCE WITH IAS 8.30

A) EU ENDORSEMENT ALREADY OBTAINED

Amendments to IFRS 7 – Disclosures-Transfers of Financial Assets

The amendments to IFRS 7 relate to the more extensive disclosure requirements for transfers of financial assets. These are intended to make it easier to understand the relationship between financial assets that are not derecognised in their entirety and the associated financial liabilities; and to allow a better assessment of the nature and, in particular, the risks of an entity’s continuing involvement in derecognised financial assets. The amendments also require additional disclosures if a disproportionately high number of transfers with continuing involvement are undertaken around the end of a reporting period, for example.

The amendment is required to be applied for the first time in financial years beginning on or after 1 July 2011.

B) EU ENDORSEMENT STILL OUTSTANDING

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

This amendment changes the presentation of other comprehensive income. In future, items of other comprehensive income that are subsequently reclassified to the income statement (“recycled”) must be presented separately from items of other comprehensive income that are never reclassified. If the items are reported gross, i. e. without netting

effects of deferred tax, deferred taxes should no longer be reported as a total figure but instead should be assigned to the two groups of items.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 July 2012.

Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets

In the case of investment property, it is often difficult to assess whether existing temporary tax differences will be recovered through continued use or disposal. The amendment to IAS 12 clarifies that deferred taxes must be measured on the basis of the rebuttable presumption that recovery will take place through disposal.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 January 2012.

IAS 19 – Employee Benefits (revised 2011)

In addition to more extensive disclosure obligations for employee benefits, the revised standard resulted in the following changes in particular:

There is currently an option as to how unexpected fluctuations in pension obligations, known as actuarial gains and losses, can be presented in the financial statements. These items may be recognised (a) in profit and loss, (b) in other comprehensive income, or (c) on a delayed basis using the corridor method. The revision of IAS 19 eliminates this option in order to ensure more transparent and comparable presentation, meaning that such items must be recognised directly in other comprehensive income in future.

In addition, the expected return on plan assets is currently determined on the basis of subjective management expectations of the development of the investment portfolio. Under IAS 19 (revised 2011), only standardised interest on plan assets in the amount of the current discount rate for pension obligations is permitted.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

As the FP Group currently applies the corridor method, the change would result in a reduction in pension provisions of EUR 415 thousand based on the situation as of 31 December 2011. On transitioning from the corridor method to the amended method, the income statement will be unaffected by actuarial gains and losses (e.g. due to interest rate fluctuations) in future, as these will have to be recognised in other comprehensive income.

Amendments to IAS 27 – Separate Financial Statements

As part of the adoption of IFRS 10 Consolidated Financial Statements, the provisions on the principle of control and the requirements to prepare consolidated financial statements will be removed from IAS 27 and subsequently covered under IFRS 10 (see disclosures on IFRS 10). As a result, IAS 27 will only contain the provisions on accounting for subsidiaries, joint ventures and associated companies in IFRS single-entity financial statements in future.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

Amendments were also made to IAS 28 as a result of the adoption of IFRS 11 Joint Arrangements. As previously, IAS 28 regulates the application of the equity method. However, its scope of application has been significantly expanded by IFRS 11, as investments not only in associates but also in joint ventures (see IFRS 11) must be measured at equity in future. Proportionate consolidation will also no longer apply to joint ventures.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

Amendments to IAS 32 and IFRS 7 – Offsetting Financial Assets and Financial Liabilities

The addition to IAS 32 clarifies the requirements for offsetting financial instruments. It explains the significance of the current legal right to offsetting and clarifies which methods can be considered gross or net settlement within the meaning of the standard. The provisions on disclosures in the notes in IFRS 7 were also expanded on together with these clarifications.

Subject to its adoption into EU law, the amendment to IAS 32 will be required to be applied for the first time in financial years beginning on or after 1 January 2014.

Subject to its adoption into EU law, the amendment to IFRS 7 will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

This amendment to IFRS 1 replaces the date of 1 January 2004, previously referred to as the set transition date, with the phrase "date of transition to IFRSs".

Furthermore, IFRS 1 now includes regulations for situations when entities are unable to comply with IFRS provisions for some time as their functional currency is subject to hyperinflation.

Subject to its adoption into EU law, this amendment will be required to be applied for the first time in financial years beginning on or after 1 July 2011.

IFRS 9 – Financial Instruments

Accounting for and measurement of financial instruments in accordance with IFRS 9 will replace IAS 39.

In future, financial assets will only be classified into and measured as two groups: those measured at amortised cost and those measured at fair value. The group of financial assets measured at amortised cost will consist of such financial assets as only provide for payments of principal and interest on the principal outstanding at set dates and that are also held as part of a business model that intends to hold assets. All other financial assets constitute the group measured at fair value. As was previously the case, financial assets in the first category can be designated to the fair value category (fair value option) under certain circumstances.

Changes in the value of financial assets at fair value must be recognised in profit and loss. The option to recognise changes in value in other comprehensive income can be exercised for certain equity instruments; however, dividend claims from these assets must be recognised in profit and loss.

The provisions for financial liabilities will be taken over from IAS 39. The most significant difference concerns the recognition of changes in the value of financial liabilities measured at fair value, which will have to be broken down in future into the liability's credit risk, which is recognised in other comprehensive income, and the remainder, which is recognised in profit and loss.

Subject to its adoption into EU law, IFRS 9 will be required to be applied for the first time in financial years beginning on or after 1 January 2015.

IFRS 10 – Consolidated Financial Statements

This standard provides a new and comprehensive definition of control. If an entity controls another entity, the parent company must include the subsidiary in consolidation. Under the new concept, control exists when the potential parent company has power over the potential subsidiary on the basis of voting or other rights, participates in positive or negative variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

This new standard could affect the scope of the consolidated group, including for special-purpose entities.

Subject to its adoption into EU law, the new standard will be required to be applied for the first time in financial years beginning on or after 1 January 2013. If it is found that an investment qualifies separately as a subsidiary differently in accordance with IAS 27/SIC 12 and IFRS 10, IFRS 10 must be applied retrospectively. Early adoption is only permitted at the same time as IFRS 11, IFRS 12 and the 2011 amendments to IAS 27 and IAS 28.

IFRS 11 – Joint Arrangements

IFRS 11 provides new regulations for accounting for joint arrangements. Under the new concept, it must be decided whether the arrangement is a joint operation or a joint venture. In a joint operation, the parties with joint control have rights to the assets and obligations for the liabilities. The individual rights and obligations are accounted for proportionately in the consolidated financial statements. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. This right is accounted for using the equity method in the consolidated financial statements; the option of proportionate inclusion in the consolidated financial statements therefore no longer applies.

Subject to its adoption into EU law, the new standard will be required to be applied for the first time in financial years beginning on or after 1 January 2013. There are specific transitional provisions for the transition, for example, from proportionate consolidation to the equity method. Early adoption is only permitted at the same time as IFRS 10, IFRS 12 and the 2011 amendments to IAS 27 and IAS 28.

IFRS 12 – Disclosure of Interests in Other Entities

This standard regulates the disclosure requirements for interests in other entities. The necessary information is significantly more extensive than the disclosures previously required under IAS 27, IAS 28 and IAS 31.

Subject to its adoption into EU law, the new standard will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

IFRS 13 – Fair Value Measurement

This standard provides uniform regulations for fair value measurement in IFRS financial statements. In future, fair value measurement as required in all other standards will have to be applied in line with the uniform provisions of IFRS 13; separate regulations also apply for IAS 17 and IFRS 2 only.

Fair value under IFRS 13 is defined as the exit price, i. e. the price that would be received to sell an asset or paid to transfer a liability. As currently applied for the fair value measurement of financial assets, there is a three-level hierarchy graded according to the dependence on observed market prices. New fair value measurement can result in different values as compared to the current provisions.

Subject to its adoption into EU law, the new standard will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation is intended to provide uniform provisions for accounting for stripping costs in the production phase of a surface mine.

Subject to its adoption into EU law, IFRIC 20 will be required to be applied for the first time in financial years beginning on or after 1 January 2013.

CONSOLIDATED GROUP

The consolidated financial statements of FP Holding include all companies where the opportunity exists to govern the financial and operating policies (subsidiaries). Subsidiaries are included in the consolidated financial statements from the time FP Holding gains the power of control. If this situation changes, the corresponding companies are removed from the companies included in the consolidated financial statements.

The following transactions resulted in a change in the consolidated group in the reporting period:

As at 18 January 2011, Franco Frankerings Intressenter AB, Stockholm, Sweden was merged with Francotyp-Postalia Sverige AB, Stockholm, Sweden.

FP Produktionsgesellschaft mbH was founded in February 2011. The company's headquarters are in Wittenberge. In accordance with the company's Articles of Association (as at February 2011), the purpose of the company is the development, manufacture and assembly of electronic devices, their individual components and modules and advising third parties with engineering services. All shares in the new company are held by Francotyp-Postalia Holding AG.

On 3 March 2011, FP Holding acquired 51% of shares in mentana-claimsoft, headquartered in Hartmannsdorf, with effect from 1 January 2011. This acquisition allows the company to press ahead with short-term entry to the De-Mail market, created by the law adopted by the Bundesrat (upper house of the German Federal Parliament) on 18 March 2011 regarding the regulation of De-Mail services.

FP Holding also has an option for the remaining 49% of shares in mentana-claimsoft. This option can be exercised for the first time as of 1 March 2015, and thereafter as of 1 March 2016 and 1 March 2017 respectively. The purchase price is based on the proportionate amount of five times the adjusted EBITDA attributable to the option shares in relation to the share capital plus all consolidated results of the mentana-claimsoft Group recorded or carried forward between 1 January 2011 and 31 December of the financial year before the options are exercised.

The purchase price for the 51% of shares in mentana-claimsoft already acquired comprises fixed and variable components. The fixed portion amounts to EUR 1,000 thousand and was paid in cash on 3 May 2011. The variable component of the purchase price consists of half the amount of the proportionate balance in relation to the entire share capital of the consolidated results of the mentana-claimsoft Group carried forward or recorded in the period from 1 January 2011 to 31 December 2014. It also comprises the proportionate amount of five times the consolidated and adjusted EBITDA for the financial year ending on 31 December 2014: this proportionate fivefold amount is restricted to EUR 1,000 thousand. The variable component of the purchase price is also to be paid in cash. The total purchase price to be paid may be between EUR 1,000 thousand and EUR 2,000 thousand; no upper limit is defined due to the dependency on the consolidated results.

At the time these interim consolidated financial statements were prepared, the mentana-claimsoft Group's financial assets, debts and contingent liabilities acquired had been identified precisely for accounting purposes and the associated fair values had been determined. The following provisional amounts were applied for the initial consolidation of the mentana-claimsoft Group on 3 March 2011 in accordance with IFRS 3: purchase price (EUR 1,441 thousand), net assets and equity identified and remeasured (EUR 158 thousand; of which EUR -77 thousand is attributable to minority interests) and goodwill (EUR 1,522 thousand). The minority interests in the company were valued for the corresponding portion of the identified and remeasured net assets. Goodwill relates to the opportunities expected in conjunction with the market launch of De-Mail and the corresponding earnings contributions as part of the Group's multi-channel strategy. Goodwill is not tax-deductible.

EUR thousand	Carrying amount at the acquisition date	Remeas-urement	Fair value at the acquisition date
Assets			
Intangible assets	90	453	543
Property, plant and equipment	104	0	104
Receivables	118	0	118
Cash	1	0	1
	313	453	766
Liabilities			
Deferred tax liabilities	0	133	133
Other provisions	113	0	113
Financial liabilities	113	0	113
Trade payables	51	0	51
Other liabilities	514	0	514
	791	133	924
Net assets			-158
of which attributable to the FP Group's equity interest (51%)			-81
Goodwill			1,522
Purchase price of the company acquisition			1,441
less remaining purchase price liabilities			-441
less cash acquired			-1
Net cash flow from company acquisition			999

The amounts from the mentana-claimsoft Group included in consolidated revenue and earnings for the reporting period are EUR 483 thousand (revenue) and EUR -353 thousand (earnings). If the acquisition date had been 1 January 2011, the contributions to revenue and earnings would have been EUR 603 thousand and EUR 538 thousand respectively. Incidental costs of acquisition amounted to EUR 51 thousand and are treated as expenses for the reporting period.

On 7 October 2011, it was published in mentana-claimsoft's commercial register that the subsidiaries MENTANA GmbH, Laatzten and Govmail.de UG, Bad Salzdetfurth would be merged entirely with mentana-claimsoft through the transfer of assets by dissolution without winding up. On 25 August 2011, the conversion of mentana-claimsoft into a limited liability was also registered for entry in the commercial register.

Francotyp-Postalia France SARL, Rungis, France was formed as at 1 May 2011 and has been included in the consolidated group since this date.

Frankiersand UG, Maintal, which was only recognised at cost in the 2010 consolidated financial statements, was fully consolidated in these consolidated financial statements.

There were no further changes to the consolidated group or business combinations in the 2011 financial year.

In addition to Francotyp-Postalia Holding AG, the 2011 consolidated financial statements of the FP Group include 13 (previous year: eleven) German and ten (previous year: eleven) foreign subsidiaries (see list below).

The Group also has the following four equity interests:

An equity interest of 49% is held in FP Data Center Inc., Japan. This is shown at acquisition cost in the consolidated financial statements for 2011 (as it was in the previous year). The company is a teleporto data centre without its own staff. It was not accounted for under the equity method due to its minor significance (as it was in the previous year). The key financial data for FP Data Center Inc., Japan, as at 31 December 2011 is as follows: assets: EUR 1,184 thousand (previous year: EUR 1,067 thousand), liabilities: EUR 347 thousand (previous year: EUR 343 thousand), revenue: EUR 248 thousand (previous year: EUR 237 thousand) and consolidated net income: EUR 72 thousand (previous year, adjusted: EUR 61 thousand). Currency translation applied an average exchange rate of EUR 1 to JPY 111.03 for the net income for the year and a closing rate of EUR 1 to JPY 100.10 for the balance sheet figures.

An equity interest is held in FP Systems India Private Limited, Mumbai, India. This is shown at amortised cost in the consolidated financial statements for 2011 (as it was in the previous year). The company is not yet operationally active and has not prepared financial statements to date. It was not accounted for under the equity method or fully consolidated due to its immateriality (as it was in the previous year). As at 31 December 2011, the company's equity amounted to EUR 7 thousand. Currency translation for equity was performed at a closing rate of INR 0.0145 to EUR 1.

Francotyp-Postalia Ltd., Dartford, United Kingdom, holds a further equity interest in FP Direct Ltd., Dartford, United Kingdom. This is shown at amortised cost in the consolidated financial statements for 2011 (as it was in the previous year). The company is not yet operationally active and has not prepared financial statements to date. It was not accounted for under the equity method or fully consolidated due to its immateriality (as it was in the previous year). As at 31 December 2011, the company's equity amounted to GBP 1 (EUR 1.19).

A 20% equity interest held by internet access GmbH Ilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany, in Print & Mail Beteiligungsgesellschaft bürgerlichen Rechts, Berlin, Germany, is shown in the 2011 consolidated financial statements at amortised cost. The company is not operationally active. According to the last financial statements prepared for the year ending 31 December 2010, the company's assets amounted to EUR 226 thousand (previous year: EUR 226 thousand). Liabilities amounted to EUR 1 thousand as at 31 December 2010 (previous year: EUR 1 thousand). Revenue and net income both amounted to EUR 0 thousand in 2011 (previous year: EUR 0 thousand).

No.	Name and headquarters of company	31 Dec. 2011 Equity interest in %
Consolidated companies		
1	Francotyp-Postalia Holding AG, Birkenwerder, Germany	
2	Francotyp-Postalia GmbH, Birkenwerder, Germany ("FP GmbH")	100.00
3	freesort GmbH, Langenfeld, Germany ("freesort")	100.00
4	internet access GmbH Ilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany ("iab")	51.01
5	IAB Verwaltungs- und Vertriebs GmbH, Berlin, Germany (36.99% held by no. 1; 63.01% held by no. 4)	100.00
6	FP Direkt Vertriebs GmbH, Birkenwerder, Germany	100.00
7	Francotyp-Postalia Vertrieb und Service GmbH, Birkenwerder, Germany	100.00
8	Francotyp-Postalia International GmbH, Birkenwerder, Germany	100.00
9	FP Hanse GmbH, Hamburg, Germany	100.00
10	FP InovoLabs GmbH, Birkenwerder, Germany	100.00
11	Frankiersversand UG (haftungsbeschränkt), Maintal, Germany	100.00
12	Francotyp-Postalia Unterstützungseinrichtung GmbH, Birkenwerder, Germany	100.00
13	FP Produktionsgesellschaft mbH, Wittenberge, Germany	100.00
14	mentana-claimsoft GmbH, Spreenhagen, Germany	51.00
15	Francotyp-Postalia N.V., Zaventem, Belgium	99.97
16	Francotyp-Postalia GmbH, Vienna, Austria	100.00
17	Ruys Handelsvereniging B.V., The Hague, Netherlands ("Ruys B.V.")	100.00
18	Italiana Audion s. r.l, Milan, Italy	100.00
19	Francotyp-Postalia Ltd., Dartford, United Kingdom ("FP Ltd.")	100.00
20	Francotyp-Postalia Inc., Addison, Illinois, USA ("FP Inc.")	100.00
21	Francotyp-Postalia Canada Inc., Markham, Canada	100.00
22	Francotyp-Postalia Asia Pte. Ltd., Singapore	100.00
23	Francotyp-Postalia Sverige AB, Stockholm, Sweden	100.00
24	Francotyp-Postalia France SARL, Rungis, France	100.00
Unconsolidated companies		
25	FP Data Center Inc., Osaka, Japan	49.00
26	FP Systems India Private Limited, Mumbai, India (99.996% held by no. 2; 0.002% held by no. 1)	99.998
27	Print & Mail Beteiligungsgesellschaft bürgerlichen Rechts, Berlin, Germany (20.0% held by no. 4)	20.00
28	FP Direct Ltd., Dartford, United Kingdom (held by no. 19)	100.00

CONSOLIDATION PRINCIPLES

Equity is consolidated in accordance with the principles of IFRS 3 (2008). All unrealised gains and losses of the company acquired are realised on initial consolidation and all identifiable intangible assets are recognised separately. All assets and liabilities are therefore remeasured at fair value. The acquisition cost of the equity investments is then set off against pro rata equity as restated. Amounts in excess of this are capitalised as goodwill. Incidental costs of acquisition in connection with business combinations are recognised in expenses.

Receivables and liabilities between, and provisions relating to, consolidated companies are eliminated. Intragroup revenue and other intragroup income and expenses are eliminated. Interim profits from intragroup supplies and services are adjusted against income. Deferred taxes are recognised on temporary differences from consolidation with effect on profit and loss in the amount of the average income tax rate for the beneficiary Group company.

For further information, please refer to the section "Accounting principles".

CURRENCY TRANSLATION

The functional currency of FP Holding is the euro (EUR).

Transactions in foreign currencies in the financial statements of FP Holding and subsidiaries in Germany are translated at the exchange rate on the transaction date. Monetary items in foreign currencies are translated using the exchange rate on the reporting date. Translation differences are recognised in the consolidated statement of recognised income and expenses of the company concerned and reported under net financial income.

The foreign companies in the FP Group are independent subentities and prepare their financial statements in local currency. These financial statements are translated in accordance with IAS 21. When the consolidated financial statements are prepared, assets and liabilities are translated into euros at the exchange rate on the reporting date. The equity of subsidiaries that do not prepare their financial statements in euros is translated at the historic rate. The effects of currency translation on equity are recognised in other comprehensive income. The items in the consolidated

statement of recognised income and expenses are translated at weighted average rates for the year. Currency translation differences resulting from different translation rates for items on the balance sheet and items in the consolidated statement of recognised income and expenses are reported under other comprehensive income.

Translation differences resulting from monetary items that represent net investments in foreign operations are recognised in other comprehensive income at Group level in accordance with IAS 21.15, in conjunction with IAS 21.32. If the respective net investment is sold at a later date, the equity amounts concerned are reported under the net profit for the period.

Currencies have been translated at the following rates:

EUR 1 =	Rate on the reporting date		Average rate	
	31 Dec. 2011	31 Dec. 2010	2011	2010
US dollar (USD)	1.2937	1.3386	1.3920	1.3265
British pound sterling (GBP)	0.8369	0.8618	0.8678	0.8582
Canadian dollar (CAD)	1.3197	1.3360	1.3758	1.3661
Singapore dollar (SGD)	1.6816	1.7165	1.7495	1.8080
Swedish krona (SEK)	8.9210	8.9800	9.0283	9.4084*

*This is the average rate for the period from 1 April 2010 to 31 December 2010.

ACCOUNTING PRINCIPLES

When drawing up the consolidated financial statements for 2011, the Management Board adopted the going concern assumption for all companies included in the consolidated financial statements. The financial statements were therefore drawn up on a going concern basis.

Revenue and other operating income are recognised when a service has been performed and the goods or product delivered and the balance of risks has been transferred to the client. Other conditions are the probability that the economic benefit will accrue to the Group and that the amount of income can be reliably determined. Revenue is shown less any discounts, deductions, customer bonuses and rebates. Revenue from services is recognised over the period in which the service was performed; for contracts with flat-rate fees, such as service agreements, revenue is recognised on a linear basis over the term of the contract.

Grants are recognised in accordance with IAS 20.7 if the underlying conditions for provision of the grant are fulfilled and there is reasonable assurance that the grant will be provided. Grants are generally reported under other income. Grants relating to assets are recognised with a reduction in the carrying amount. If grants for assets generated internally are involved, the grants reduce own work capitalised and the carrying amount to the same extent.

Interest income is recognised if it is likely that the economic benefit from the transaction will accrue to the company and if the amount of income can reliably be determined.

Interest expense is recognised on an accrual basis, taking into account any transaction costs and discounts.

Goodwill represents the excess cost of a company acquisition over the fair value of the Group's interest in the net assets of the company acquired at the acquisition date. Individual amounts of goodwill are subject to impairment testing carried out at least once a year, in which the capitalised value is measured separately. The impairment tests are carried out on the basis of money-generating units.

The higher of the value in use, or fair value less costs to sell, is used to determine the recoverable amount. Impairment losses recognised on goodwill cannot be reversed in subsequent reporting periods.

Intangible assets acquired are recognised at cost, including ancillary costs and reductions, and are amortised on a straight-line basis over their useful life of five to six years. Customer lists and capitalised development costs are also amortised over a period of five to six years.

The cost of **intangible assets acquired in the course of a business combination** corresponds to their fair value on the acquisition date. Intangible assets are recognised in subsequent periods at their acquisition and production costs less any accumulated amortisation and impairment charges. Costs for internally generated intangible assets, with the exception of capitalisable development costs, are recognised in income in the period in which they arise. Scheduled depreciation is performed on the basis of the useful lives determined as part of purchase price allocation.

The valuation of customer lists capitalised as part of the allocation of purchase prices is carried out using an income-oriented approach (residual value method), in which the value of the customer lists is shown by discounting the resulting cash flows. The costs associated with generating revenue are subtracted from the additional revenue the customer lists are expected to bring. Tax benefits linked to amortisation from a notional individual acquisition of customer lists have been taken into account in the calculations.

Development costs for internally generated intangible assets are capitalised at cost if the manufacture of these products is technically feasible to the extent that they can be used or sold, the Group has the intention to complete the asset and use or sell it, the FP Group is capable of using or selling the asset, the type of benefit can be demonstrated, the technical and financial resources to

complete the asset are available, and the allocable expenses incurred during development can be reliably determined. Development costs include all costs directly attributable to the development process. Subsidies for development costs are offset against the assets side. If the conditions for capitalising the costs are not met, they are recognised in profit and loss in the year they arise. Borrowing costs that can be allocated directly to a development project are capitalised for the period of production as part of the costs. The amount of borrowing costs that can be capitalised are determined by applying a financing cost rate to development costs. The financing cost rate is the weighted average of borrowing costs for loans granted by lenders.

In the consolidated statement of recognised income and expenses, development costs are recognised as capitalised development costs at the same time as they are recognised as own work capitalised in non-current assets. Capitalised development costs are amortised on a straight-line basis over their useful life, up to a maximum of six years, from the time commercial production of the corresponding products begins. During the development phase, an annual impairment test is carried out and impairment losses are recognised as necessary. The impairment test conducted at the level of the Production cash-generating unit in the financial year did not identify any impairment requirements. Research costs are recognised as current expenses in accordance with IAS 38.

Property, plant and equipment is valued at acquisition or production costs, less scheduled depreciation. Historic costs include the cost of acquisition, ancillary costs and subsequent acquisition costs. Reductions in acquisition costs are deducted. The costs of internally produced property, plant and equipment (rented/leased franking machines and accessories) include all the direct costs plus all overheads attributable to the production process. Financing costs for the period of production are included, provided that qualifying assets exist. Costs for the maintenance and repair of items of property, plant and equipment are recognised as expenses. Costs of overhauling items of property, plant and equipment are recognised as subsequent acquisition costs

in accordance with IAS 16.12 et seq., if these costs increase the future benefits of the item (IAS 16.10). Items of property, plant and equipment with a limited useful life are depreciated on a straight-line basis.

Scheduled depreciation is generally based on the following useful lives:

Property, plant and equipment	Useful life
Buildings	15 to 40 years
Technical equipment and machinery	13 to 15 years
Operating and office equipment	4 to 10 years
Leased products	5 years
Assets under finance leases	15 years

Impairment of intangible assets and of property, plant and equipment is recognised in line with IAS 36 when the recoverable amount, i. e. the higher of the value in use of the asset and the fair value less costs to sell, falls below the carrying amount. If the recoverable amount for an individual asset cannot be estimated, the estimate is made for the recoverable amount of the cash-generating unit to which the asset belongs. The comparison between recoverable amount and carrying amount is then also made at the level of the cash-generating unit. If the reasons for recognising an impairment loss from previous years cease to apply, the loss is reversed; this does not apply to goodwill.

Equity investments are carried at amortised cost. The same applies to the **associate** FP Data Center Inc., for reasons of immateriality.

Inventories are measured at the lower of cost and net realisable value on the reporting date. Simplified measurement methods were used in the form of average price measurements.

The cost of raw materials, consumables, supplies and merchandise includes the cost of acquisition and ancillary costs less any reductions. Production costs of finished products and work in progress include the direct costs and overheads attributable to the production process, including appropriate depreciation of the production equipment assuming normal capacity utilisation. Financing costs for the duration of production are not included, as there are no qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business, less the necessary completion costs and sale costs.

Impairment of inventories is recognised for merchandise and for raw materials, consumables and supplies under cost of materials and for finished goods and work in progress under changes in inventories.

Borrowing costs that can be directly attributed to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of this asset. At Francotyp-Postalia, the capitalisation of borrowing costs is significant only in the capitalisation of development costs (capitalised development costs involve assets for which a considerable period of time is required in order to put them into their intended condition for use or sale).

Financial assets are divided into the following categories:

- Financial assets at fair value through profit and loss,
- Loans and receivables,
- Financial assets available for sale and
- Cash.

The classification depends on the purpose for which the financial assets were acquired. Management classifies the financial assets on initial recognition and reviews the classification on each reporting date.

The group of **financial assets held at fair value through profit and loss** includes financial assets held for trading and financial assets classified as at fair value on initial recognition and in subsequent periods. Financial assets are classified as held for trading if they were acquired for the purpose of selling them in the near future (at the FP Group, these include only shares in a fund held for trading, which reinvests income and invests principally in fixed-income securities, money market instruments and demand deposits). Derivatives are also classified as held for trading. Gains or losses from financial assets held for trading are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. First-time recognition is at fair value. After first-time recognition, loans and receivables are also measured at fair value (amortised cost less any impairment). All identifiable risks are taken into account by appropriate allowances in the measurement of receivables. Individual write-downs are recognised on trade receivables if there is an objective indication that the amount of the receivable due is not fully recoverable (e.g. initiation of insolvency proceedings or significant defaults on the part of the debtor); please also refer to our comments in section IV., note 13. A separate allowance account is used for these allowances; amounts recognised in this account are derecognised as soon as it is clear that there has been a definite loss of value of the loan or the receivable. The amount of the write-down is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from the receivable. Gains and losses are recognised in profit and loss when loans and receivables are derecognised or impaired, and through the amortisation process.

Financial assets available for sale are non-derivative financial assets that are classified as available for sale and are not in one of the two categories mentioned above. Following the initial valuation, financial assets available for sale are carried at fair value. Unrealised gains or losses are recognised in other comprehensive income. If such a financial asset is derecognised or impaired, the amounts previously recognised in other comprehensive income are reported in the profit and loss for the respective period. During examination of whether impairment needs to be recognised on the balance sheet, appropriate objective indications are taken into account. Indications of this kind include, for example, the economic environment, legal situation, duration and extent of loss of value etc. If the fair value of an equity instrument cannot be reliably measured, it is measured at cost.

Regular way purchases and sales of financial assets are first accounted for at the settlement date. Derivatives are entered in the accounts in accordance with the trading date (date of purchase or sale).

Cash and cash equivalents include all liquid funds, i. e. cash in hand, cheques and bank balances. Bank balances are partially pledged in connection with postage funds under management.

Capital reserves are made up of premiums paid into equity by shareholders. Expenses incurred directly by issuing new shares in the course of the previous Initial Public Offering (IPO) of FP Holding have been accounted for in accordance with IAS 32.35 as a deduction from capital reserves. In accordance with section 150 (4) no. 1 and no. 2 of the German Stock Corporation Act (AktG), EUR 12,527 thousand was removed from capital reserves and offset against the net loss for the period and the loss carried forward of FP Holding AG.

The **stock option reserve** shows amounts recognised from the 2010 stock option plan under staff expenses. This is determined by the fair value of the stock options that can likely be exercised, which is allocated to different periods.

If the Group acquires **treasury shares**, these are deducted directly from equity. The purchase, sale, issue and cancellation of treasury shares do not affect the consolidated net income.

Provisions for pensions and similar obligations are made using the projected unit credit method based on actuarial tables in line with IAS 19. This procedure not only takes account of the pensions and vested entitlements existing on the reporting date, but also of future increases in pensions and salaries by making prudent estimates of the relevant influencing factors. The corridor method of accounting for actuarial gains and losses means that these are only recognised in consolidated net income when they lie outside a range of 10% of total commitments. In this case they are spread over the future average remaining service period of the workforce. Expenses from calculating interest on pension obligations are recognised under interest expenses.

Up to the end of the 2011 financial year, an interest rate of 4.80% was applied in the calculations (previous year: 5.20%). The retirement AGE stipulated by the German legislative act to alter the retirement AGE was used in calculations.

Contributions made as part of defined contribution plans are expenses for the period in which the benefits in question are provided.

Provisions and other provisions are made for uncertain obligations to third parties, whose occurrence would probably lead to an outflow of resources, if the amount of the necessary provision can be reliably estimated. They are recognised at the amount expected to be required to settle the obligation, taking all ensuing risks into account. Non-current provisions are recognised at their present value.

If a number of similar obligations exist, the probability of an outflow of resources is calculated for this group of obligations.

Payments due to termination of employment are made if an employee is made redundant before normal pensionable AGE or if an employee voluntarily leaves the

contract of employment in exchange for a severance payment. The Group recognises severance payments when it is demonstrably obliged to terminate the employment of current employees in accordance with an irrevocable detailed formal plan, or when it is demonstrably obliged to make severance payments to employees who voluntarily terminate their employment. At Italiana Audion s. r. l., Milan, Italy and Francotyp-Postalia GmbH, Vienna, Austria, provisions are made for severance payments due when staff leave the company in accordance with the legal situation in the respective countries.

A provision is recognised for restructuring measures when the Group has prepared a detailed formal restructuring plan which creates the justified expectation on the part of those affected that the restructuring measures will be carried out by beginning to implement the plan or by announcing its salient features to those affected. Only direct restructuring expenses are taken into account in determining the amount of the provision for restructuring. These represent amounts caused solely by the restructuring and not in connection with the company's ongoing business activities.

Provisions for phased early retirement are recognised at the present value of outstanding obligations and supplementary amounts. The provision was netted off against the corresponding plan assets measured at fair value in the form of an insurance policy covering commitments under phased early retirement agreements in accordance with IAS 19.102 et seq.

The Group recognises a provision for profit-sharing payments and bonuses as a liability in cases where a contractual obligation or a constructive obligation based on past practice exists.

Provisions for jubilee payments are recognised in accordance with the projected unit credit method prescribed by IAS 19 for additional obligations accruing annually, taking account of projected trends.

Provisions for warranty expenses are recognised at the time the product concerned is sold for the amount of management's best estimate of the expenses necessary to settle the obligation.

Financial liabilities are divided into the following categories:

- Financial liabilities measured at amortised cost;
- Financial liabilities at fair value through profit and loss.

Financial liabilities measured at amortised cost are measured at fair value when first recognised, taking into account the transaction costs directly associated with taking up the loan. Loans are not designated as at fair value through profit and loss. After first-time recognition, interest-bearing loans are measured at amortised cost.

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and other financial liabilities classified as at fair value through profit and loss on first-time recognition. Financial liabilities are classified as held for trading if they were acquired for the purpose of selling them in the near future. Liabilities from derivatives transactions are also shown under financial liabilities measured at fair value through profit and loss. Gains or losses from financial liabilities held for trading are recognised in profit and loss.

Liabilities under finance leases are recognised at the present value of the leasing instalments.

Current tax assets and liabilities for current and prior periods are calculated at the amount expected for a reimbursement from the tax authorities or a payment to the tax authorities. These are based on the tax rates and tax legislation in effect on the reporting date.

Deferred taxes are accounted for using the balance sheet-related liability method in accordance with IAS 12, based on the tax rates that are expected to apply at the time of realisation. According to this, deferred taxes must in principle be recognised for all temporary differences between the tax base of assets and liabilities and the figures on the consolidated balance sheet.

Deferred tax receivables are recognised in the amount that it is likely that positive taxable income will be available, against which the temporary difference can be applied. Deferred tax assets have been recognised for usable tax loss carryforwards if it is likely that it will be possible to realise them in future. Where taxes are owed to the same authority and the maturities are the same, deferred tax assets are offset against deferred tax liabilities.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period in which an asset is to be realised or a liability fulfilled. This is based on the tax rates and tax legislation in force on the reporting date. Future changes in tax rates are to be taken into account on the reporting date if material conditions for validity have been fulfilled in a legislative procedure.

Deferred taxes relating to transactions reported in other comprehensive income are also reported in other comprehensive income.

ACCOUNTING FOR LEASES IN WHICH FRANCOTYP-POSTALIA IS THE LESSOR

IAS 17 defines a lease as an agreement in which the lessor transfers the right to use an asset for a specific period to the lessee in exchange for payment or a series of payments. A distinction is made between finance leases and other leases (operating leases).

Under a finance lease, the leased property, plant and equipment is not capitalised as part of the reporting entity's property, plant and equipment, but instead is

reported under finance lease receivables. The requirements concerned are fulfilled if the material opportunities and risks arising from use are on the lessee's side. In the case of a finance lease, a receivable is then capitalised in the amount of the present value of the minimum lease payments at the time that the contract is concluded. The leasing instalments received are divided into a repayment and an interest component. The repayment component is recognised in equity and reduces the receivables portfolio. The interest component is recognised in income.

Leases where economic ownership is retained are treated as **operating leases**. The leased assets are therefore reported under non-current assets in property, plant and equipment and the lease instalments are recognised in revenue.

The contractual arrangements for the leasing of franking and inserting machines as the lessor are treated as **finance leases** at German FP companies, as well as in the Netherlands in some cases.

The leasing of franking and inserting machines by other FP companies is classified as operating leases, as economic ownership is retained with these types of contracts.

Both new and used machines are leased under finance leases.

ACCOUNTING FOR LEASES IN WHICH FRANCOTYP-POSTALIA IS THE LESSEE

In some cases, the economic ownership of the franking, sorting and inserting machines used by freesort GmbH is assigned to freesort GmbH, which therefore meets the conditions for lessees under **finance leases**. The leased assets are reported as assets in finance leases under non-current assets; the corresponding non-current liabilities are recognised, and broken down on the basis of maturities.

Operating leases are in place for some items of property, vehicles and office equipment. The lease terms generally do not match the economic useful life, and some of the leases include prolongation options and price adjustment clauses. These leases are treated as normal rental contracts and the lease instalments are recognised as expenses.

HEDGING POLICY AND RISK MANAGEMENT

In its operations, the FP Group is exposed to certain financial risks, including in particular those of currency fluctuations, interest rate changes, liquidity risks and defaulting debtors. The Group's primary risk management system addresses the unpredictability of the financial markets and is designed to minimise negative consequences for the Group's operational results. To achieve this goal, the Group makes use of certain financial instruments. These are generally used to hedge existing or planned underlying transactions.

The FP Group is expected to make payments of EUR 6,284 thousand in the period from March 2012 to June 2012 in conjunction with the commitments arising from its redundancy scheme. In addition to the contractually agreed interest and principal payments, this will result in risk concentration. For further information on the qualitative disclosures on risk management and financial risks, please refer to the risk report in the Group management report.

No significant concentration of risk is discernible with regard to financial instruments. The framework, responsibilities, financial reporting and control mechanisms for financial instruments are stipulated in internal Group regulations. These include a separation of responsibility between recording and controlling financial instruments. Currency, interest rate and liquidity risks for the FP Group are managed centrally.

1. Foreign currency risks

The FP Group is exposed to foreign currency risks in its ordinary operations on account of its international orientation. Foreign currency risks result from balance sheet items and foreign currency contracts in progress and all cash inflows and outflows in a foreign currency. Derivative financial instruments are used to limit these risks.

Exchange rate fluctuations can lead to undesirable and unforeseen volatilities in earnings and cash flows. Every FP company is exposed to risks in connection with exchange rate changes if it concludes transactions with international partners and these result in future cash flows that are not in the functional currency of the respective FP company. The company reduces this risk by mainly invoicing its transactions (sales and purchases of products and services, as well as investment and financing activities) in the respective functional currency. Furthermore, it partially offsets the foreign currency risk by procuring goods, raw materials and services in the respective foreign currency.

The operating units are prohibited from borrowing and / or investing funds in foreign currencies for speculative reasons. The respective functional currency is preferred for internal financing or investments. Corporate financing is organised and carried out from the Group's headquarters in Birkenwerder.

In the year under review, income from translation differences of EUR 1,875 thousand (previous year: EUR 1,709 thousand) and expenses of EUR 2,334 thousand (previous year: EUR 1,199 thousand) were recognised in net financial income.

Foreign currency risks from anticipated future cash inflows in US dollars are hedged by using them to repay a loan taken out in June 2011, which is also denominated in US dollars.

In September and December 2011, a total of 15 forward foreign exchange transactions were concluded to hedge against foreign currency risks relating to anticipated cash inflows in British pounds sterling (GBP) and US dollars (USD). The conditions of the contracts and their fair values as at 31 December 2011 are shown in the following table:

No.	Contract concluded	Amount hedged	Hedging rate vs. EUR	Maturity date / exercise period	Fair value
1	27 Sep. 2011	USD 750,000	1.3800	21 Feb. 2012	-26,685.35
2	27 Sep. 2011	USD 750,000	1.3563	01 Feb. 2012 – 30 Mar. 2012	-2,915.12
3	27 Sep. 2011	USD 750,000	1.3850	18 May 2012	-26,393.27
4	27 Sep. 2011	USD 750,000	1.3570	1 May 2012 – 29 Jun. 2012	-762.32
5	22 Dec. 2011	USD 1,000,000	1.3500	22 Aug. 2012	-34,038.78
6	22 Dec. 2011	USD 1,000,000	1.2890	22 Aug. 2012	23,412.15
7	21 Dec. 2011	USD 1,000,000	1.3210	21 Sep. 2012	-12,789.86
8	21 Dec. 2011	USD 1,000,000	1.3235	12 Oct. 2012 – 23 Nov. 2012	17,449.52
9	21 Dec. 2011	USD 1,000,000	1.3210	19 Dec. 2012	-11,347.96

No.	Contract concluded	Amount hedged	Hedging rate vs. EUR	Maturity date / exercise period	Fair value
10	21 Dec. 2011	GBP 600,000	0.8500	24 Feb. 2012	2,368.22
11	22 Dec. 2011	GBP 600,000	0.8382	20 Mar. 2012 – 20 Apr. 2012	-405.40
12	21 Dec. 2011	GBP 600,000	0.8500	29 Jun. 2012	-2,409.06
13	21 Dec. 2011	GBP 600,000	0.8435	13 Jul. 2012 – 24 Aug. 2012	16,822.56
14	22 Dec. 2011	GBP 600,000	0.8437	12 Oct. 2012 – 23 Nov. 2012	-643.85
15	21 Dec. 2011	GBP 600,000	0.8459	9 Nov. 2012 – 21 Dec. 2012	21,592.59

All changes in the fair values of the above contracts are reflected in consolidated net income.

The net risks for the financial assets and liabilities in foreign currencies are as follows:

in EUR thousand	31 Dec. 2011		31 Dec. 2010	
	EUR	USD	EUR	USD
Unsecured bank loan	0	-3,690	0	0
Secured bank loan	0	-4,560	0	-6,604
Forward transactions	-26	0	128	0
Options	-11	0	0	0
Net risk in EUR thousand	-37	-8,250	128	-6,604

The table below shows the sensitivity of the consolidated net income before taxes and the consolidated equity depending on possible changes to the exchange rates of relevance to the FP Group (USD) ceteris paribus. The benchmarks for the sensitivities calculated are the US dollar loan and the corresponding derivative transactions.

EUR thousand	Development of the foreign currency in percentage points	Effect on consolidated net income before taxes	Effect on equity
2011			
USD	+5%	-465	-465
	-5%	794	794
GBP	+5%	-342	-342
	-5%	378	378
2010			
USD	+5%	-342	-342
	-5%	378	378

The 2011 consolidated financial statements include companies that do not belong to the eurozone. As the reporting currency of the FP Group is the euro, the financial statements of the subsidiaries concerned are translated into euros when the consolidated financial statements are drawn up. Translation effects that arise when the value of net asset items translated into euros changes owing to exchange rate fluctuations are recognised in other comprehensive income.

The net amount of translation differences recognised in other comprehensive income developed as follows:

EUR thousand	2011	2010
Net amount at start of the reporting period	-631	-2,216
Translation differences in the reporting period	657	1,585
Net amount at 31 December	26	-631

2. Interest risks

The risk of fluctuations in market interest rates to which the FP Group is exposed results primarily from non-current liabilities with a floating rate of interest. The finance division of the Group manages interest risks with the aim of optimising the Group's net interest income and minimising the overall interest rate risk. The financing requirements of companies in the FP Group are covered through internal loans and internal clearing accounts.

On 30 and 31 August 2011, two interest rate swaps were negotiated in US dollars with an initial reference amount totalling USD 5,600 thousand, as well as three interest rate swaps in euros with an initial reference amount totalling EUR 16,130 thousand and a term until 31 December 2013. The reference amount is reduced over the term at the amount of the scheduled repayments in accordance with the syndicated loan agreement. Under these interest rate swaps, the Group swaps floating 3-month Libor interest against a fixed interest rate ranging between 0.78% and 0.80% p. a. (US dollar loan) and 1.53% and 1.56% p. a. (euro loan). The fair value of these instruments amounts to EUR 133 thousand. In the previous year, the fair value of the financial instruments at the reporting date was EUR 212 thousand. The swap is settled on a quarterly basis.

The conditions of the contracts and their fair values as at 31 December 2011 are shown in the following table:

No.	Date concluded	End date	Initial reference amount	Reference amount at 31 Dec. 2011	Fixed rate	Fair value
1	31 Aug. 2011	31 Dec. 2013	USD 4,280,000	USD 3,490,000	0.78%	-3,624.89
2	30 Aug. 2011	31 Dec. 2013	USD 1,320,000	USD 1,070,000	0.80%	808.07
3	31 Aug. 2011	31 Dec. 2013	EUR 8,920,000	EUR 8,730,000	1.55%	-88,641.24
4	30 Aug. 2011	31 Dec. 2013	EUR 3,790,000	EUR 3,660,000	1.56%	-13,935.07
5	31 Aug. 2011	31 Dec. 2013	EUR 3,420,000	EUR 3,190,000	1.53%	-27,720.37

The fair values of existing interest rate derivative transactions can be seen in the table below:

EUR thousand	31 Dec. 2011		31 Dec. 2010		Change in percentage points	Effect on consolidated net income before taxes in EUR thousand	Effect on equity in EUR thousand
	Assets	Liabilities	Assets	Liabilities			
Interest rate swap					+1%	-404	-404
					-1%	+404	+404
Fair value	1	133	0	212	+1%	-341	-341
					-1%	+341	+341

All changes in the fair values are reflected in consolidated net income.

A sensitivity analysis for the fixed-interest financial assets and financial liabilities (leasing receivables and leasing liabilities) has not been carried out, as the assets and liabilities concerned are not accounted for at fair value through profit and loss.

Floating rate financial liabilities exist solely in the form of liabilities to banks. The table below shows the sensitivity of consolidated net income before taxes and consolidated equity in respect of a potential change in interest rates that is considered to be generally reasonable. All other variables remain constant in each case. The benchmark for the sensitivities calculated is the average annual loan portfolio.

3. Default risks

The carrying amount of financial assets represents the maximum default risk in the event that counterparties do not fulfil their contractual payment obligations. Depending on the type and amount of the transaction, collateral is required and credit scores/references are obtained for all the contractual relationships on which original financial instruments are based, and historic data from the prior business relationship (such as looking at payment history) are used to avoid defaults. Recognisable default risks of receivables and general credit risks are taken into account through appropriate specific and general write-downs. The maturity structure of trade receivables is shown in section IV., note 13 of these notes. The overdue receivables can also be seen from this maturity structure.

For the other financial assets (such as cash, financial instruments available for sale and derivative financial instruments), the maximum credit risk in the event of default by the counterparty corresponds to the carrying amount reported. Maturity structures are not reported for the other financial assets, as there are no corresponding overdue assets on which write-downs have not been carried out.

Please also refer to the information provided in section IV., note 25 of these notes.

4. Liquidity risks

The Group's liquidity risks lie with the possibility that it may no longer be possible to meet financial obligations (such as the repayment of financial liabilities, the payment of suppliers or the fulfilment of obligations under finance leases and restructuring measures). The FP Group limits these risks through working capital and cash management. Liquidity risks continue to be countered with a liquidity forecast for the entire Group and a credit facility amounting to EUR 1,000 thousand (for details see below). The liquidity situation is also improved through the sale of trade receivables.

In addition to the above instruments for safeguarding liquidity, the FP Group tracks financing opportunities as they arise on the markets at all times. The central aim is to secure the Group's financial flexibility and to limit financing risks.

Financial liabilities mainly relate to loans used to finance the purchase price of the FP Group. Since the company's IPO, the acquisition loans and credit lines for acquisition and capex have been combined into one facility.

In February 2011, the FP Group obtained follow-up financing to secure liquidity further. A syndicated loan agreement dated 21 February 2011 for EUR 30,149,665 and USD 12,000,000 was concluded between Francotyp-Postalia Holding AG as the borrower and a banking consortium as the lender. The loan consists of loan A 1 (amortising loan of up to EUR 6,000,000), loan A 2 (amortising loan of USD 12,000,000), loan A 3 (maturity loan of EUR 2,832,332.89) and loan B (loan of up to EUR 21,317,332.11 on a revolving

basis). According to the loan agreement, loans A 1, A 2 and A 3 are to be used to refund the old syndicated loan; loan B will initially be used to refund the old syndicated loan and then for the financing of general working capital.

Because the new loan extension and loan repayment came at the same time as the first planned principal payments, on 15 June 2011 a supplementary agreement to the syndicated loan agreement was concluded with the aim of simplifying processing. In this agreement, the loan was reduced by the repayment instalments due. Loan A 1 (amortising loan) was fixed at a figure of up to EUR 5,000,000 and loan A 2 (amortising loan) at a figure of USD 10,125,000.

In addition to the syndicated loan agreement dated 21 February 2011, a supplementary agreement on a loan framework (credit facility) in the amount of EUR 1,000 thousand was concluded with effect from 20 July 2011 within the meaning of clause 5.1 of the aforementioned agreement.

In order to improve the Group's liquidity situation, Group companies sell trade receivables to Commerzbank AG under reverse repo transactions in exchange for a fee. This resulted in a cash inflow of EUR 1,353 thousand for the Group at the reporting date. Please refer to the information provided in section IV., note 21 of these notes.

In addition to the contractually agreed interest payments and repayments between March 2012 and June 2012, the Group must also make payments in connection with the redundancy scheme (section IV., note 20). This involves a concentration of risk with regard to liquidity.

For the maturities of derivative liabilities, please refer to our comments on interest rate risks in section I, "Hedging policy and risk management".

The finance lease liabilities, trade payables and other liabilities mainly relate to the financing of assets used in continued operations (such as property, plant and equipment) and to investments within working capital (such as inventories and trade receivables). The Group takes these assets into account in the effective management of its total liquidity risk.

The following table shows the cash flows resulting from the syndicated loan agreement, including estimated interest payments and payments from related derivative financial instruments. In addition to the loans described in the amount of EUR 34,527 thousand, the Group had other liabilities to banks in the amount of EUR 1,915 thousand.

EUR thousand	Carrying amount as at 31 Dec. 2011	Contractually agreed cash flows	
		2012	2013
Loans	-34,527	-6,473	-30,983
Forwards	-37	-37	0
Swaps	-132	-132	0
		-6,642	-30,983

EUR thousand	Carrying amount as at 31 Dec. 2010	Contractually agreed cash flows		
		2011	2012	2013
Loans	-44,015	-11,408	-6,313	-30,826
Forwards	128	128	0	0
Swaps	-212	-212	0	0
		-11,492	-6,313	-30,826

The contractually agreed cash flows from finance leases are also presented in section IV., note 21, broken down on the basis of their remaining term.

In the case of other financial liabilities (see section IV., note 25), the carrying amount shown corresponds to the cash outflow in the following year in each case.

5. Accounting for derivative financial instruments

Derivative financial instruments are used only outside hedge accounting as defined by IFRS. They are recognised at fair value in income.

CAPITAL CONTROL

The capital structure is decisive for capital control at the Group. The indicator for the capital structure is net indebtedness. This is calculated from the ratio of net debts to equity.

The selected debt items include, in particular, borrowing (EUR 36,442 thousand; previous year: EUR 44,327 thousand) and finance lease liabilities (EUR 1,722 thousand; previous year: EUR 2,689 thousand). Funds as defined in this context include treasury shares (EUR 1,829 thousand; previous year: EUR 1,829 thousand) and securities (EUR 678 thousand; previous year: EUR 672 thousand) and exclude postage credit balances managed by the FP Group (EUR 20,238 thousand; previous year: EUR 18,626 thousand).

Net indebtedness is monitored on an ongoing basis. It is broken down as follows:

EUR thousand	31 Dec. 2011	31 Dec. 2010
Liabilities	38,163	47,016
Funds	-8,136	-15,251
Net debt	30,027	31,765
Equity	15,887	19,585
Net indebtedness	189 %	162 %

The aim of capital control is to ensure the highest possible credit rating. It is also to ensure that the Group remains a going concern.

In the 2011 reporting year, no changes were recorded in targets, guidelines or procedures for capital control.

In accordance with the syndicated loan agreement concluded with the banks, the FP Group must maintain two specific financial ratios (covenants). Firstly, own funds must not fall below the defined equity threshold of the FP Group as of the end of the respective quarter. Secondly,

indebtedness must not exceed a specific level. This is calculated as the ratio of net debt to EBITDA. As per the definitions of the loan agreement, these two values can be adjusted slightly in relation to certain items.

The financial ratios that were material as at 31 December 2011 have been complied with. If the financial ratios had not been complied with, the banking consortium would have had a contractual right to call in the loan.

FINANCIAL MANAGEMENT INDICATORS

The Group manages its finances by way of its ratios, revenues, EBITDA, net working capital, free cash flow, consolidated net income and the number of franking machines placed on the market weighted by product type. This enables the FP Group to ensure that decisions always take sufficient account of the relationship between growth, profitability and liquidity.

Revenue serves to measure success in the marketplace. With earnings before interest, tax, depreciation and amortisation (EBITDA), the Group measures operating performance and the success of individual business units. In addition, the Group uses the EBITDA margin as an indicator which expresses EBITDA as a percentage of revenue.

Net working capital is calculated as inventories plus trade receivables less trade payables. Reporting on free cash flow ensures that the Group's financial substance is preserved. Free cash flow is calculated as the sum of cash flow from current operations less cash flow from investing activities.

Information on the development of revenues and EBITDA can be found in Segment Reporting, section II.

For operational Group management, adjusted EBITDA before restructuring costs is normally used. Restructuring expenses of EUR 8.7 million (previous year: EUR 1.3 million) resulted in adjusted EBITDA of EUR 21.8 million (previous year: EUR 26.8 million).

Net working capital for the FP Group declined by 10.6% year-on-year as at 31 December 2011, from EUR 19,473 thousand to EUR 17,406 thousand.

MANAGEMENT ESTIMATES AND ASSUMPTIONS

Preparing the consolidated financial statements requires a certain number of assumptions and estimates to be made, which affect the amount and the recognition of assets and liabilities in the balance sheet as well as income and expenses for the reporting period. The assumptions and estimates are based on current knowledge. The expected future business performance, in particular, is based on the conditions present at the time the consolidated financial statements were prepared and the future development of the global and sector-specific environment that is considered to be realistic. The actual amounts may vary from the estimates originally expected as a result of changes in these underlying conditions which diverge from the assumptions and are beyond the control of management. If actual performance varies from the expected performance, the premises and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly.

The main forward-looking assumptions and other significant sources of estimate uncertainty on the reporting date are described below:

Development costs

Development costs are capitalised in line with the accounting policies described above. First-time capitalisation of expenses is based on the management assumption that technical feasibility and commercial viability are demonstrable; this is usually the case when a development project has met a defined milestone in a current project. For the purpose of assessing impairment on the amount capitalised, management makes assumptions as to the amounts of cash flow expected from the assets, the applicable discounting rates and the period over which the future cash flows expected to be generated by the assets will be received.

The capitalised development costs for internally generated intangible assets are included in the consolidated balance sheet as at 31 December 2011 in the amount of EUR 3,843 thousand (previous year: EUR 6,293 thousand) and EUR 10,882 thousand (previous year: EUR 6,369 thousand) for development projects in progress.

Remeasurement of intangible assets when presenting business combinations

Estimates are necessary for the remeasurement of intangible assets when presenting business combinations in accordance with IFRS 3 (2008). As part of purchase price allocations, intangible assets are to be identified at the companies acquired and reported at their fair value; they are to be separated from any (negative) goodwill. Various estimates need to be made when determining fair values.

Goodwill

To determine whether goodwill has become impaired, the higher of the fair value less costs to sell and the value in use of the cash-generating unit to which the goodwill is assigned must be calculated. The calculation of the value in use and, if necessary, that of the fair value less costs to sell requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate for the calculation of present value.

The carrying amount of goodwill as at the reporting date was EUR 10,016 thousand (previous year: EUR 8,494 thousand).

Property, plant and equipment

Estimates and discretion are used when determining whether there is any impairment on property, plant and equipment and when measuring the amount of any impairment.

Impairment of property, plant and equipment is recognised in line with IAS 36 when the recoverable amount, i. e. the higher of the value in use of the asset and the fair value less costs to sell, falls below the carrying amount.

If the recoverable amount for an individual asset cannot be estimated, the estimate is made for the recoverable amount of the cash-generating unit to which the asset belongs. The comparison between the recoverable amount and the carrying amount is then also made at the level of the cash-generating unit. If the reasons for recognising an impairment loss from previous years cease to apply, the loss is reversed.

Impairment of EUR 0 thousand (previous year: EUR 337 thousand) was recognised on property, plant and equipment in the year under review.

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax loss carryforwards to the extent it is likely that it will be possible to use these loss carryforwards against future taxable income. The calculation of the amount of deferred tax assets requires the use of significant discretion by the management regarding the expected timing and amount of future taxable income and future tax planning strategies.

As at 31 December 2011, the carrying amount of the deferred tax assets on unutilised tax loss and interest carryforwards amounted to EUR 6,946 thousand (previous year: EUR 9,026 thousand).

In 2009, Francotyp-Postalia commissioned a study of international Group transfer prices. As the first result of this study, the transfer prices for 2009 have been adjusted. Price lists that have been revised accordingly have been applied for the 2010 and 2011 financial years.

External audits relating to income taxes for the years from 2005 to 2008 were arranged for several German FP Group companies in 2010. These audits commenced in the 2010 reporting year and have not yet been concluded. The audits also relate to the transfer prices recognised in the auditing period for transactions with foreign FP Group companies.

It is highly likely that tax assessments for the years from 2005 to 2008 that are not yet effective will be adjusted by the fiscal administration with regard to transfer prices. One significant consequence of adjusted transfer prices would be the transfer of profits from abroad to Germany. In connection with arbitration or settlement proceedings, however, there may be corresponding adjustments abroad with a tax benefit effect.

Existing tax loss carryforwards could be used for a significant portion of profits taxable in Germany based on the findings of external audits. Accordingly, deferred tax assets on loss carryforwards have been reduced by a total of EUR 4,432 thousand as at 31 December 2011 (previous year: EUR 0 thousand).

Based on provisional estimates, the current tax burden from minimum taxation in Germany is expected to be around EUR 796 thousand for the period of the external audits (previous year: EUR 358 thousand).

Due to the tax receivables resulting from adjustment effects outside Germany, current tax receivables in the amount of the reversed deferred tax assets and the expected tax backpayments in Germany, which totalled 5,228 thousand (previous year: EUR 0 thousand), were capitalised in the consolidated financial statements of Francotyp-Postalia Holding AG for the year ending 31 December 2011.

In 2011, income tax audits were conducted at the subsidiary freesort GmbH for the period from 2005 to 2008 and at Francotyp-Postalia Inc. (USA) for 2006 and 2007; these audits were concluded without any material findings.

For Francotyp-Postalia Inc. (USA), an income tax audit for 2010 was arranged in the year under review. The audit commenced in the 2011 reporting year and has not yet been concluded. The formal findings of the audits are not yet available.

Based on current planning, tax loss and interest carryforwards are expected to have been utilised by 2016. In particular, the planned utilisation of the loss carryforwards assumes that the forthcoming restructuring measures will be completed successfully and that the PostBase product line will be successfully placed on the market.

Trade receivables and other receivables

Doubtful debt allowances require estimates and assessments of individual receivables based on the creditworthiness of the respective customers, current economic developments and the analysis of historic defaults. It may be necessary for the amount of an allowance for an existing receivable to be adjusted in future to reflect new developments.

Pensions and post-employment benefits

Obligations for pensions and other post-employment benefits and the associated expenses are calculated in accordance with actuarial assessments. The actuarial assessments are performed on the basis of assumptions on discount rates, future wage and salary increases, mortality and future pension increases. The discount factors used are determined based on the yields generated by first-class, fixed-interest industrial bonds with matching terms and currencies on the reporting date. In line with the long-term orientation of plans, estimates are subject to considerable uncertainty. The provision for pensions and similar obligations amounted to EUR 12,146 thousand as at 31 December 2011 (previous year: EUR 12,088 thousand).

Provisions

The determination of provisions for onerous contracts, warranty provisions and provisions for legal disputes is largely dependent on management assessments.

FP Holding recognises a provision for onerous contracts when the currently estimated total costs exceed the revenue expected from the contract. These estimates may change as a result of new information.

FP Holding recognises a provision for legal disputes when it is likely that these proceedings will lead to an obligation that will probably entail future cash outflows, the amount of which can be reliably determined. Legal disputes are often based on complex legal issues, which is why they entail considerable uncertainty. Accordingly, the assessment as to whether there is a current obligation as of the reporting date arising from a past event, whether a future out-flow is likely and whether the obligation can be reliably estimated, is based on substantial management discretion. FP Holding regularly reviews the current status of proceedings and employs the services of external lawyers. An assessment may change on the basis of new information. It may be necessary for the amount of a provision for ongoing proceedings to be adjusted in future to reflect new developments. Changes to estimates and premises over time may have a significant effect on the future earnings situation. Depending on the outcome of proceedings, FP Holding can obtain income or incur expenses as a result of provisions that were previously too high or too low.

In the 2011 financial year, income resulted in particular from the reversal of staff-related provisions (provisions for jubilee payments, premiums and contributions to social welfare funds) in the amount of EUR 163 thousand and the reversal of provisions for external audits in the amount of EUR 135 thousand.

A provision is recognised for restructuring measures when the Group has prepared a detailed formal restructuring plan which creates the justified expectation on the part of those affected that the restructuring measures will be carried out by beginning to implement the plan or by announcing its salient features to those affected. Only direct restructuring expenses are taken into account in determining the amount of the provision for restructuring. These represent amounts caused solely by the restructuring and not in connection with the company's ongoing business activities.

In the 2011 reporting year, provisions for restructuring measures in the amount of EUR 7,413 thousand (previous year: EUR 1,310 thousand) were added (carrying amount at 31 December 2011: EUR 8,656 thousand; carrying amount at 31 December 2010: EUR 1,315 thousand). Provisions amounting to EUR 8,656 thousand have been recognised in connection with the discontinuation of production in Birkenwerder. This includes provisions of EUR 6,521 thousand for the agreed redundancy scheme and EUR 1,635 thousand for onerous contracts. The vast majority of the cash outflows are expected to take place in the second quarter of 2012.

The amount of severance payments that will actually be paid in future depends on which redundancy scheme volume ultimately becomes legally effective. The challenge to the redundancy scheme fixed by way of the verdict of the conciliation body on 23 August 2011 filed by Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH with Neuruppin labour court was unsuccessful. An administrative appeal against this verdict was filed with the Berlin-Brandenburg regional labour court on 12 February 2012. A decision is expected in spring 2012. The aim of the legal remedies pursued by Francotyp-Postalia is ultimately to reduce the amount and to postpone the maturity date of the severance payments to be paid.

In addition, it cannot be reliably forecast whether and to what extent additional costs will result from labour law disputes following the workforce reduction above and beyond the severance payments.

MANAGEMENT DISCRETION

The preparation of the consolidated financial statements depends to a certain extent on the discretion of management; this leeway has an impact on the recognition, measurement and reporting of assets and liabilities on the balance sheet and on income and expenses for the reporting period. The main cases where discretion is used in the accounts of the FP Group result from the leasing of assets and the accounting treatment of grants.

Depending on to whom the economic ownership of a **leased** asset is to be assigned, a distinction is made between finance leases and operating leases. In individual cases it may be difficult to determine who the economic owner is. A crucial factor in determining this is assessing the extent to which the risks and rewards associated with ownership of the leased asset lie with the lessor or the lessee.

Leases are classified using certain criteria that normally – individually or in combination indicate a finance lease. However, these criteria are not conclusive and are more of a guideline. In some cases, there is room for considerable discretion in the assessment.

As at 31 December 2011, assets in finance leases with carrying amounts of EUR 3,753 thousand (previous year: EUR 4,175 thousand), finance lease receivables of EUR 3,347 thousand (previous year: EUR 4,418 thousand) and finance lease liabilities of EUR 1,722 thousand (previous year: EUR 2,689 thousand) were reported.

As of the reporting date, there are still operating lease liabilities of EUR 20,604 thousand (previous year: EUR 20,106 thousand; prior-year figure adjusted).

Discretionary measurements that may have a significant impact on the consolidated financial statements exist in the accounting treatment of **grants** with regard to the estimated probability of benefits that will be gained or lost in future. Please also refer to our comments under section III., note 2.

II. SEGMENT REPORTING

Segment reporting takes place in line with the provisions of IFRS 8. According to this, operating segments are defined on the basis of the internal management of group divisions, whose operating results are regularly reviewed by the main decision-makers at a company with regard to decisions on the allocation of resources to this segment and the measurement of its earnings power.

Francotyp-Postalia is divided into four segments, namely **Production, Sales Germany, Sales International** and **Central Functions**. Since the segments report in accordance with the local financial reporting framework, both the adjusting entries in accordance with IFRS and the Group consolidation entries are included in the reconciliation with the consolidated financial statements. The Group consolidation entries relate to business relationships between the segments. As the figures in the level I financial statements are added up to form total segment results, total segment amounts also include intrasegment figures and intragroup profits. Consolidation takes place in the reconciliation column.

The **Production** segment essentially includes traditional product business, which consists of developing, manufacturing and selling franking machines, in particular, but also inserting machines and conducting after-sales business with foreign trading partners. This segment also includes central departments such as accounting, purchasing, Group controlling and controlling of the international dealer network. In the year under review, there were production facilities at the Group's headquarters in Birkenwerder, in Wittenberge and Weisen and, until 28 April 2011, in Singapore.

German sales staff are bundled and deployed in a targeted manner in the **Sales Germany** segment under the name "FP Your Mail Management Company". The intention is to leverage synergies in this segment and to access and utilise the customer potential of the individual companies to the best possible effect.

The **Sales International** segment manages global sales of franking and inserting machines through its own subsidiaries in the key markets. The subsidiary in Singapore was allocated to this segment for the first time in 2011 as it became a pure sales company with effect from 28 April 2011. In the previous year, it was allocated to the Production segment on account of the production facilities that were located there at the time.

The **Central Functions** segment includes Francotyp-Postalia Holding AG (level I financial statements), FP InovoLabs GmbH (level I financial statements) and the intermediate holding company Francotyp-Postalia International AG (level I financial statements), which holds the stakes in the United Kingdom, Dutch and Italian subsidiaries. Revenue was generated in the year under review from services for other Group companies.

The "Reconciliation to Group" column is used to eliminate intersegment transactions and to report adjustments between local accounting policies and the IFRS. Detailed information can be found in the "Reconciliation to segment information" section.

The above segments are both reporting segments and operating segments.

Transactions between the segments are generally concluded at usual market terms.

EBITDA corresponds to the operating profit before interest, tax, depreciation on property, plant and equipment and amortisation on intangible assets – before profit transfer or loss absorption. Segment assets are calculated from the total assets on the balance sheet, i. e. from the sum of

the balance sheet totals of the level I financial statements after transfers of profit and loss. The segment liabilities are calculated from the balance sheet totals, less equity. Capital expenditure includes additions to non-current assets less financial instruments, deferred taxes and insurance claims, investments in property, plant and equipment, and intangible assets.

Information on products and services and on the geographical regions can be found in the explanatory notes on revenue in section III., note 1. Francotyp-Postalia is not dependent on key customers as defined by IFRS 8.34.

SEGMENTINFORMATIONEN

2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	49,201	88,489	74,374	3,539	-56,242	159,361
- with third parties	4,781	85,907	70,784	0	-2,111	159,361
- intersegment	44,420	2,582	3,590	3,539	-54,131	0
EBITDA	-5,463	6,225	12,867	-2,322	1,804	13,111
Depreciation, amortisation and impairment losses	894	3,316	8,487	37	1,690	14,424
Net interest expense/income	-3,708	861	-357	4	617	-2,583
- of which interest expenses	5,667	1,063	1,064	2,140	-6,120	3,814
- of which interest income	1,959	1,924	707	2,144	-5,503	1,231
Other financial results	6,729	36	158	-1,576	-5,798	-451
Tax result	107	-226	-2,403	-2,253	4,566	-210
Profit and loss transfer	2,806	-3,261	-2	-1,016	1,473	0
Net income	-423	318	1,776	-7,199	970	-4,557
Segment assets	108,398	77,037	88,665	108,871	-249,914	133,057
Capital expenditure	4,018	1,004	6,608	483	4,389	16,502
Segment liabilities	107,791	68,691	68,738	51,841	-179,890	117,170
2010	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	59,842	80,410	67,259	2,333	-62,528	147,315
- with third parties	5,505	76,938	67,007	0	-2,134	147,315
- intersegment	54,337	3,472	252	2,333	-60,394	0
EBITDA	7,133	10,191	15,278	-1,038	-6,034	25,530
Depreciation, amortisation and impairment losses	3,078	3,815	7,805	29	3,349	18,077
Net interest expense/income	-4,334	721	141	248	8	-3,215
- of which interest expenses	6,071	1,055	778	1,019	-4,429	4,494
- of which interest income	1,737	1,776	919	1,266	-4,419	1,279
Other financial results	11,472	208	29	13,016	-24,205	520
Tax result	-86	-92	-2,835	-434	1,379	-2,068
Profit and loss transfer	-11,355	-6,986	-6	-1,092	19,439	0
Net income	247	227	4,801	10,671	-12,762	2,690
Segment assets	118,989	64,539	80,571	82,392	-210,579	135,912
Capital expenditure	791	1,444	7,577	21	4,500	14,332
Segment liabilities	118,191	57,619	59,139	23,876	-142,497	116,326

2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Provisions for restructuring	6,388	957	0	0	0	7,345
Reversals of impairment on portfolio basis	0	0	0	0	0	0
Income from the reversal of provisions	209	84	12	23	0	328

2010	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Provisions for restructuring	1,025	286	0	0	0	1,311
Reversals of impairment on portfolio basis	0	0	1,344	0	0	1,344
Income from the reversal of provisions	126	246	11	393	0	776

Depreciation, amortisation and impairment losses include impairment losses of EUR 0 thousand in the reconciliation column (previous year: EUR 493 thousand). In the previous year, impairment related to the Production segment.

RECONCILIATION TO SEGMENT INFORMATION IN EUR THOUSAND

Revenue	1 Jan. – 31 Dec.		EBITDA	1 Jan. – 31 Dec.	
	2011	2010		2011	2010
Revenue of segments A–C	212,064	207,510	EBITDA of segments A–C	13,629	32,602
Revenue of Central Functions segment	3,539	2,333	EBITDA of Central Functions segment	-2,322	-1,038
Effects of finance lease adjustment	-2,111	-2,134		11,307	31,564
	213,492	207,709	Effects at consolidation level	-222	-6,215
Less intersegment revenue	54,131	60,394	Measurement effects of reconciliation (IFRS)	2,025	181
Revenue according to financial statements	159,361	147,315	Consolidated EBITDA	13,111	25,530
			Depreciation, amortisation and impairment losses	-14,424	-18,077
			Net interest income/ expense	-2,583	-3,215
			Other financial result	-451	520
			Consolidated net profit before taxes	-4,348	4,758
			Tax result	-210	-2,068
			Consolidated net income	-4,557	2,690

Depreciation and amortisation	1 Jan. – 31 Dec.	
	2011	2010
Depreciation and amortisation in segments A–C	12,698	14,700
Depreciation and amortisation in Central Functions segment	37	29
Effects of IFRS development costs remeasurement	2,942	3,198
Effects of IFRS leasing remeasurement	-1,046	-1,459
Effects of customer list amortisation	1,471	3,902
Effects of amortisation of internally generated software	1,677	1,968
Effects of adjustment of other intangible assets	-602	-1,876
Other effects of IFRS remeasurement	-279	14
	16,897	20,476
Effects at consolidation level	-2,474	-2,399
Depreciation and amortisation according to financial statements	14,424	18,077

Assets	31. Dec.	
	2011	2010
Assets of segments A–C	274,100	264,099
Assets of Central Functions segment	108,871	82,392
Capitalisation of development costs under IFRS	14,350	12,660
Effects of goodwill remeasurement	5,248	4,413
Effects of customer list amortisation	-1,471	-3,902
Effects of amortisation of internally generated software	-1,677	-1,968
Other IFRS reconciliation	4,739	5,447
	404,160	363,141
Effects at consolidation level (incl. elimination of intragroup balances)	-271,103	-227,229
Assets according to financial statements	133,057	135,912

Liabilities	31. Dec.	
	2011	2010
Liabilities of segments A–C	245,221	234,950
Liabilities of Central Functions segment	51,841	23,876
Effects of pension provisions adjustment	2,637	2,917
Effects of adjustment of other provisions	-3,662	-1,292
Other IFRS reconciliation	11,621	2,527
	307,658	262,978
Effects at consolidation level (incl. elimination of intragroup balances)	-190,488	-146,652
Liabilities according to financial statements	117,170	116,326

Capital expenditure	31. Dec.	
	2011	2010
Capital expenditure in segments A–C	11,631	9,812
Capital expenditure in Central Functions segment	483	21
Effects of IFRS remeasurement	4,292	3,024
	16,406	12,857
Effects at consolidation level	96	1,475
Investments according to financial statements	16,502	14,332

Assets by region 2011	31. Dec. 2011		non-current
	current		
Germany	294,307	151,942	142,365
USA and Canada	36,032	21,609	14,423
Europe (excl. Germany)	40,480	32,290	8,190
Other regions	12,152	12,070	82
	382,971	217,911	165,060
Effects of IFRS remeasurement	24,337		
Effects of customer list amortisation	-1,471		
Effects of amortisation of internally generated software	-1,677		
Effects at consolidation level (incl. elimination of intragroup balances)	-271,103		
Assets according to financial statements	133,057		

Assets by region 2010	31 Dec. 2010	current	non- current
Germany	256,007	124,020	131,987
USA and Canada	34,891	18,542	16,349
Europe (excl. Germany)	45,680	36,753	8,926
Other regions	9,913	9,782	131
	346,491	189,097	157,394
Effects of IFRS remeasurement	22,520		
Effects of customer list amortisation	-3,902		
Effects of amortisation of internally generated software	-1,968		
Effects at consolidation level (incl. elimination of intragroup balances)	-227,229		
Assets according to financial statements	135,912		

The goodwill of EUR 10,016 thousand (previous year: EUR 8,494 thousand) shown on the consolidated balance sheet is assigned solely to the Sales Germany segment.

We also make use of opportunities for simplification in accordance with IFRS 8.33.

The information is based on figures from the level I financial statements (in accordance with the respective local accounting principles) of the companies included in the consolidated financial statements.

For a breakdown of revenues, please refer to section III., note 1.

Francotyp-Postalia obtains revenue from transactions with a very broad customer base. The share in revenue of each external customer or each group of companies that is to be regarded as a single external customer is below 10% of the revenue of Francotyp-Postalia.

III. NOTES TO THE CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

(1) REVENUE

The revenues of the FP Group can be broken down as follows:

EUR thousand	2011	2010
Franking	26,535	25,947
Inserting	6,994	8,340
Other	885	1,184
Income from product sales	34,414	35,471
Mail services	34,661	24,585
Services/customer service	26,236	25,039
Leasing/rental	21,511	22,532
Consumables	20,250	20,713
Teleporto	12,178	12,054
Software	10,111	6,921
Recurring revenue	124,947	111,844
Total	159,361	147,315

Adding the revenue from sales of consumables to income from product sales, the FP Group generated income of EUR 54,664 thousand from sales of goods in 2011 (previous year: EUR 56,184 thousand), while sales of services generated income of EUR 104,697 thousand (previous year: EUR 91,131 thousand).

Revenue breaks down as follows across the different regions (the regional allocation of revenue is based on the customer's headquarters):

EUR thousand	2011	2010
Germany	83,797	74,803
USA	30,086	29,682
Europe (excl. Germany and United Kingdom)	26,486	23,608
United Kingdom	12,995	12,667
Other	5,997	6,555
Total	159,361	147,315

(2) OWN WORK CAPITALISED

EUR thousand	2011	2010
Capitalised development costs	4,915	3,451
Rental machines	3,726	3,010
Mechanical equipment	55	55
Other	48	166
Total	8,744	6,682

Capitalised development costs have been reduced by grants for research and development projects in the amount of EUR 1,225 thousand (previous year: EUR 1,383 thousand). The grants were provided to promote development projects to cover the eligible costs as equity financing. The grants are linked to certain conditions – such as the use of the development results at the plant in Brandenburg – which are being fulfilled, as far as we are currently aware. However, it is possible that a not insignificant portion of the grants may be cancelled or recalled in future in view of the transfer of production from Birkenwerder to Wittenberge. Management does not currently expect this to be the case.

(3) OTHER INCOME

EUR thousand	2011	2010
Cost subsidies and grants	1,875	1,823
Income from the sale of inventories (raw materials, consumables and supplies, work in progress)	1,489	0
Derecognition of liabilities	502	0
Compensation payments	467	0
Write-downs of receivables / payments received on receivables previously written off	288	993
Royalties	262	272
Commission income	85	115
Book profits on the sale of non-current assets	54	174
Income from change of sales representatives	0	233
Postage discounts	0	213
Miscellaneous income	545	331
Total	5,567	4,154

In connection with the outsourcing of production of a product line, the inventories held by the Group for this product line (particularly work in progress) in the amount of EUR 1,489 thousand were sold to the future supplier.

The cost subsidies and grants item also includes grants for the employment of severely disabled people in the amount of EUR 352 thousand (previous year: EUR 421 thousand).

Income from the reversal of provisions in the amount of EUR 328 thousand (previous year: EUR 776 thousand) has been offset against the respective expense items.

(4) COST OF MATERIALS

EUR thousand	2011	2010
Cost of raw materials, consumables and supplies	26,460	26,895
Cost of services purchased	36,309	21,584
Total	62,769	48,479

(5) STAFF EXPENSES

EUR thousand	2011	2010
Wages and salaries	51,452	44,698
Social security contributions	8,099	7,445
Expenses for pensions and other benefits	639	442
Total	60,190	52,585

Staff expenses include expenses for severance payments in connection with the restructuring in the amount of EUR 5,554 thousand (previous year: EUR 1,311 thousand).

Pensions and other benefits include expenses of EUR 165 thousand (previous year: EUR 149 thousand) from additions to pension provisions. Total pension expenses for defined benefit pension commitments are as follows:

EUR thousand	2011	2010
Ongoing benefit expenses for staff services in the reporting period	165	149
Interest expenses (net financial income)	562	556
Total	727	705

Expenses of EUR 3,439 thousand (previous year: EUR 3,136 thousand) were recognised for defined contribution plans in the 2011 reporting year. Expenses for defined contribution plans include contributions to statutory pension funds. A multi-employer plan is also in place at our Dutch subsidiary. As the pension fund concerned is unable to provide adequate information about the pension obligations and plan assets in respect of our Dutch subsidiary, the plan is treated as a defined contribution plan in accordance with IAS 19. The fund showed a slight surplus at the end of 2011.

(6) OTHER EXPENSES

EUR thousand	2011	2010
Lease/rental payments	8,592	6,667
Commission	3,844	4,178
Charges, fees, consultancy	3,494	3,213
Repairs and maintenance	2,841	2,752
Packaging and freight	2,337	2,093
Marketing	2,107	1,887
Travel	1,894	2,073
Communications and postage	1,758	1,482
Staff-related costs	1,483	773
Expenses for the sale of inventories (raw materials, consumables and supplies, work in progress)	1,412	0
External IT services	1,208	553
Expenses for the disposal of non-current assets	698	317
Receivables measurement	601	893
External security and cleaning costs	596	363
Contributions to trade associations	535	565
Transaction costs	518	478
Office material	506	448
Miscellaneous	2,892	2,737
Total	37,316	31,472

The largest items in miscellaneous other expenses in the 2011 reporting year were insurance expenses at EUR 389 thousand (previous year: EUR 366 thousand), expenses for industrial

rights and licences at EUR 372 thousand (previous year: EUR 504 thousand) and hospitality costs at EUR 278 thousand (previous year: EUR 224 thousand).

(7) NET FINANCIAL EXPENSE/INCOME

EUR thousand	2011	2010
Other interest and similar income	1,231	1,279
of which from finance leases	983	1,032
of which from bank balances	209	221
of which from third parties	39	26
Interest and similar expenses	3,814	4,494
of which from bank borrowing	2,574	2,740
of which interest from additions to pension obligations	562	556
of which from finance leases	210	330
Miscellaneous	468	868
Net interest income/expense	-2,583	-3,215
Other financial income	1,886	1,831
Other financial expenses	2,337	1,312
Total	-3,034	-2,696

As in the previous year, the other financial income and other financial expenses result from foreign currency translation.

Interest expenses include payments from derivatives in the amount of EUR 208 thousand (previous year: EUR 299 thousand).

(8) TAXES

The tax result is broken down as follows:

EUR thousand	2011	2010
Current tax income (previous year: tax expense)	-2,307	2,464
of which prior-period	-4,423	94
of which relating to the current period	2,116	2,370
Deferred tax expense (previous year: tax income)	2,517	-396
of which prior-period	4,937	0
of which relating to the current period	-2,420	-396
Tax expense	210	2,068

Deferred taxes were measured using the tax rates and regulations effective or announced on the reporting date. Compound income tax rates consisting of corporation tax, the solidarity surcharge and trade tax were applied to German corporations. The tax rates in Germany were between 26.33% and 30.18% (previous year: between 28.08% and 30.18%). Country-specific tax rates of between 17.0% and 38.35% were calculated for the companies outside of Germany (previous year: between 17.0% and 38.52%).

Of the deferred tax expenses, EUR 437 thousand (previous year: EUR -1,426 thousand) was attributable to the change in temporary differences and EUR 2,080 thousand (previous year: EUR 1,029 thousand) to the change in deferred tax assets for loss carryforwards. The change in deferred taxes taken directly to equity amounted to EUR 108 thousand in 2011 (previous year: EUR 1,248 thousand).

The carrying amount of the deferred tax assets on unutilised tax loss carryforwards that were taken into account amounted to EUR 6,946 thousand as at the reporting date (previous year: EUR 9,026 thousand). The capitalised deferred taxes for loss carryforwards are based on the expectation that the loss carryforwards can be offset against future taxable profits. The underlying plans were based on a maximum period of five years.

An excess of deferred tax assets over deferred tax liabilities in the amount of EUR 4,251 thousand (previous year: EUR 11,648 thousand) was recognised by companies that incurred losses in the current period or prior periods. The deferred tax assets are expected to be utilised in subsequent years through profits from operating activities and restructuring.

With regard to the uncertainty in estimates associated with the capitalisation of deferred taxes for loss carryforwards, please refer to our comments in section I., "Management estimates and assumptions".

No deferred taxes were capitalised for loss carryforwards which had a value of of EUR 1,027 thousand (previous year:

EUR 447 thousand). Non-capitalised deferred taxes on loss carryforwards resulted in income of EUR 0 thousand in the 2011 reporting year (previous year: EUR -140 thousand).

Deferred taxes must be calculated for the difference between the proportionate equity of subsidiaries reported in the consolidated balance sheet and the corresponding carrying amounts in the tax base. This is due to, for example, profit retention. No deferred tax liabilities have been recognised for temporary differences, which had a value of EUR 513 thousand (previous year: EUR 0 thousand) as utilisation is not currently expected. In the case of disposals or distributions, the gains on disposal or payment of the dividend would be subject to a tax rate of 5% in Germany.

The income tax expense of EUR 210 thousand as reported in the income statement (previous year: EUR 2,068 thousand) was offset by forecast income tax expense of EUR 1,221 thousand (previous year: expense of EUR 1,617 thousand) which would arise from the application of the Group's income tax rate to the consolidated net income before income taxes. The tax rate of 28.08% at the material Group companies in Germany was applied as the Group tax rate.

EUR thousand	2011	2010
Consolidated net income before income taxes	-4,347	5,409
Expected tax expense (28.08%; previous year: 29.9%)	-1,221	1,617
Differences in tax rates	515	0
Tax effect of non-deductible expenses and tax-free income	361	748
Prior-period income taxes	-4,423	0
Change in the carrying amount of deferred tax assets on loss carryforwards	4,937	0
Change to non-entry of deferred tax assets	0	-140
Other deviations	41	-157*
Current tax expense	210	2,068*
Tax burden in %	n/a	38.2

* Compared to previous year this information is adjusted by a rounding difference.

(9) EARNINGS PER SHARE

On the basis of the authorisation granted by the Annual General Meeting of the company on 16 October 2006, the Management Board of Francotyp-Postalia Holding AG resolved on 20 November 2007 to implement a programme to buy back shares in the company. A total of 370,444 treasury shares were acquired.

Earnings per share are calculated using the weighted average number of shares outstanding in the reporting period and the consolidated net income attributable to shareholders in FP Holding. The number of shares was therefore adjusted for the treasury shares acquired in line with IAS 33.20. The stock option programme is also to be taken into account when calculating the average number of shares outstanding in 2010.

The weighted average number of shares for the 2011 financial year was therefore 14,329,556 (previous year: 14,329,556) (basic and diluted).

With a consolidated net loss (attributable to the shareholders of FP Holding) of EUR 3,838 thousand (previous year: consolidated net income of EUR 3,340 thousand), earnings per share (basic and diluted) amounted to EUR 0.27 for the year under review (previous year: EUR 0.23).

As at 31 December 2011, the 2010 stock option programme did not have any dilutive effect on earnings per share.

IV. NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) NON-CURRENT ASSETS

Changes in individual items of non-current assets in the reporting period are shown in the table of non-current assets in Annex 1 to the notes (Annex 1a for 2010 and Annex 1b for 2011). Acquired intangible assets are reported in the balance sheet together with internally generated intangible assets, which relate solely to capitalised development costs. They are shown separately in the table of non-current assets.

Intangible assets with carrying amounts of EUR 31,317 thousand (previous year: EUR 31,328 thousand) include acquired intangible assets of EUR 6,576 thousand (previous year: EUR 10,172 thousand) and development costs for internally generated intangible assets of EUR 3,843 thousand (previous year: EUR 6,293 thousand).

Development projects in progress with carrying amounts of EUR 10,882 thousand (previous year: EUR 6,369 thousand) are also reported separately under intangible assets.

As part of remeasurement when the Group was created in April 2005, a purchase price allocation was carried out, whereby **customer lists** at Group level were measured at EUR 38,703 thousand. Values of EUR 2,670 thousand and EUR 1,421 thousand respectively were determined for the customer lists when allocating the purchase price for free-sort and iab (acquired in 2006). Customer relationships were measured at EUR 4,751 thousand as part of purchase price allocation for Franco Frankerings Interessenter AB, Stockholm, Sweden, in 2010.

The respective customer relationships were developed from contractual arrangements and were not recognised immediately before the merger.

As at 31 December 2011, the aforementioned customer lists still had a carrying amount of EUR 3,692 thousand (previous year: EUR 5,129 thousand). Amortisation of these customer lists amounted to EUR 1,479 thousand in the 2011 financial year (previous year: EUR 3,902 thousand). The remaining amortisation period is 13 years and three months.

The **software** purchased along with freesort and iab was recognised at fair values of EUR 600 thousand and EUR 9,238 thousand respectively when these companies were consolidated for the first time. The software (technologies) acquired with the purchase of the shares of mentana-claimsoft was recognised at a fair value of EUR 374 thousand. The value of the software was measured using the discounted cash flow method.

As at 31 December 2011, purchased software still had a carrying amount of EUR 317 thousand (previous year: EUR 1,677 thousand) and related solely to mentana-claimsoft. Amortisation of EUR 1,746 thousand was recognised on the software in 2011 (previous year: EUR 1,968 thousand). The remaining amortisation periods are between 26 and 62 months.

Research and development costs of EUR 10,794 thousand were incurred in 2011 (previous year: EUR 7,900 thousand), of which EUR 4,915 thousand (previous year: EUR 3,451 thousand) was capitalised and EUR 5,879 thousand (previous year: EUR 4,449 thousand) was expensed. Borrowing costs of EUR 245 thousand (previous year: EUR 102 thousand) were capitalised in the reporting period. The average financing cost rate applied was 4.42% (previous year: 4.06%).

Goodwill totalling EUR 10,016 thousand (previous year: EUR 8,494 thousand) is attributable to the cash-generating unit, freesort, in the amount of EUR 5,851 (unchanged as against the previous year), the cash-generating unit, iab, in the amount of EUR 2,643 thousand (unchanged as against the previous year) and the cash-generating unit, mentana-claimsoft, in the amount of EUR 1,522 thousand (previous year: EUR 0 thousand). The cumulative impairment losses for the goodwill reported amount to EUR 12,500 thousand for freesort and to EUR 1,275 thousand for iab (each unchanged as against the previous year).

As of the reporting date, the Group carried out impairment tests in accordance with IAS 36 to determine the recoverable amount of the cash-generating units to which goodwill was assigned. The recoverable amount is the higher of fair value less cost to sell and the value in use.

The fair value less cost to sell was taken as the recoverable amount of the freesort, iab and mentana-claimsoft cash-generating units as the management feels that this is greater than the value in use in each case.

As it was not possible to derive the fair value less costs to sell on the basis of information from active markets owing to a lack of past transactions, the calculation used discounted cash flows. The basis for this was cash flow forecasts based on the financial plans of management. The values used for these assumptions are based on external analyses of the postal market and management experience. Financial planning consists of the profit planning, balance sheet and cash flow statement, and is derived in detail for the first three years on the basis of sales planning and extrapolated for the two subsequent planning years using general assumptions. Perpetual yields are assumed at freesort, iab and mentana-claimsoft from the fifth planning year onwards.

The discounting rates were derived in accordance with the specifications of IAS 36 using a growth rate for cash flows after the end of the five-year planning period. The discounting rates are based on the Weighted Average Cost of Capital (WACC).

The calculation of the recoverable amount is initially based on cash flows discounted with capital costs after taxes. The cost of capital before taxes was then calculated iteratively.

Costs to sell are included in the calculation of fair value at a general rate.

Impairment testing of the goodwill related to **freesort** transactions in 2011 found no impairment as the fair value less costs to sell exceeded the carrying amount of the assets. The recoverable amount based on the total enterprise value was EUR 331 thousand higher than the carrying amount (previous year: EUR 1,649 thousand). If only 97.5% (previous year: 89.4%) of planned EBIT were generated, the recoverable amount would be equal to the carrying amount of the assets.

A WACC after taxes of 11.1% (previous year: 15.1%) was used to determine the fair value less costs to sell of freesort. The corresponding rate before taxes was 14.4% (previous year: 19.6%). The cash flows to be generated at freesort after the planning period of five years were extrapolated on the basis of the fifth planning year using a growth rate of 1.0% (previous year: 2.0%).

The following basic assumptions used to calculate the fair value less costs to sell of freesort are subject to estimate uncertainty affecting EBIT and thereby the discounted cash flows and the discount rate:

- Mail volume: the future development of cash flow depends on customer numbers and the volume of mail processed. The values used are based on an evaluation of market potential and current customer contacts and show an upward trend. The assumptions are based on external studies of the postal market.
- Gross profit margin: the gross profit margin applied is based on current realisable values and management experience; it was assumed that the margins would show an upward trend.
- Discount rate: assumptions as to the individual components of WACC and the long-term growth rate.

Overall, the underlying forecasts were more moderate than in the previous year owing to freesort's business performance in the year under review.

Sensitivity testing of the main calculation parameters provides the following information (ceteris paribus):

31 Dec. 2011		
Discount rate	11.1%	12.1%
Impairment	-	EUR 1.0 million
Fluctuation in forecast EBIT	100%	90%
Impairment	-	EUR 1.0 million
Growth rate	1.0%	0.0%
Impairment	-	EUR 0.5 million

31 Dec. 2010		
Discount rate	15.1%	17.1%
Impairment	-	EUR 0.6 million
Fluctuation in forecast EBIT	100%	85%
Impairment	-	EUR 0.7 million
Growth rate	2.0%	-1.0%
Impairment	-	EUR 0.5 million

Impairment testing of the goodwill related to **iab** transactions in 2011 found no impairment as the fair value less costs to sell exceeded the carrying amount of the assets. The recoverable amount based on the total enterprise value (including minority interests of 49%) was EUR 5,010 thousand higher than the carrying amount (previous year: EUR 3,413 thousand). If only 61.7% (previous year: 74.9%) of planned EBIT were generated, the recoverable amount would be equal to the carrying amount of the assets.

A WACC after taxes of 11.6% (previous year: 12.6%) was used to determine the fair value less costs to sell. The corresponding rate before taxes was 15.1% (previous year: 16.6%). The cash flows to be generated at iab after the planning period of five years were extrapolated on the basis of the fifth planning year using a growth rate of 2.0% (previous year: 1.5%).

The following basic assumptions used to calculate the fair value less costs to sell are subject to estimate uncertainty affecting EBIT and thereby the discounted cash flows and the discount rate:

- Mail volume: the future development of cash flow depends on customer numbers and the volume of mail processed. The values used are based on an evaluation of market potential and current customer contacts and show an upward trend.
- Gross profit margin: the gross profit margin applied is based on current realisable values and management experience; it was assumed that the margins would show an upward trend.
- Discount rate: assumptions as to the individual components of WACC and the long-term growth rate.

Overall, the underlying forecasts were moderately more restrained compared with the previous year owing to iab's business performance in the year under review.

Sensitivity testing of the main calculation parameters based on the goodwill reported in the consolidated financial statements provides the following information (ceteris paribus):

31 Dec. 2011		
Discount rate	11.6%	17.6%
Impairment	-	EUR 0.5 million
Fluctuation in forecast EBIT	100%	60%
Impairment	-	EUR 0.2 million
Growth rate	2.0%	-10.0%
Impairment	-	EUR 0.4 million
31 Dec. 2010		
Discount rate	12.6%	16.6%
Impairment	-	EUR 0.6 million
Fluctuation in forecast EBIT	100%	70%
Impairment	-	EUR 0.7 million
Growth rate	1.5%	-5.0%
Impairment	-	EUR 0.2 million

Impairment testing of the goodwill related to **mentana-claimsoft** transactions in 2011 found no impairment as the fair value less costs to sell exceeded the carrying amount of the assets. The recoverable amount based on the total enterprise value (including minority interests of 49%) was EUR 3,518 thousand higher than the carrying amount. If only 45.6% of planned EBIT were generated, the recoverable amount would be equal to the carrying amount of the assets.

A WACC after taxes of 17.6% was used to determine the fair value less costs to sell. The corresponding rate before taxes was 23.3%. The cash flows to be generated at mentana-claimsoft after the planning period of five years were extrapolated on the basis of the fifth planning year using a growth rate of 1.5%.

The following basic assumptions used to calculate the fair value less costs to sell are subject to estimate uncertainty affecting EBIT and thereby the discounted cash flows and the discount rate:

- Mail volume: the future development of cash flow depends on customer numbers and the volume of mail processed. The values used are based on an evaluation of market potential and show an upward trend. External information sources are forecasting similar developments and, in some cases, even greater potential.
- Gross profit margin: the gross profit margins applied per DE-Mail delivered are based on current management expectations. They reflect the comparable figures for physical letter transportation taking into account the cost benefits for market participants. A downward trend in margins is assumed. However, rising volumes means that the company will see an increase in its absolute margin.
- Discount rate: assumptions as to the individual components of WACC and the long-term growth rate.

Sensitivity testing of the main calculation parameters based on the goodwill reported in the consolidated financial statements provides the following information (ceteris paribus):

31 Dec. 2011		
Discount rate	17.6%	35.6%
Impairment	-	EUR 0.2 million
Fluctuation in forecast EBIT	100%	40%
Impairment	-	EUR 0.4 million
Growth rate	1.5%	-65.0%
Impairment	-	EUR 0.1 million

Property, plant and equipment includes leased products with a carrying amount of EUR 8,525 thousand (previous year: EUR 9,673 thousand) and finance lease assets (for which the FP Group is the lessee) with a carrying amount of EUR 3,753 thousand (previous year: EUR 4,175 thousand). freesort in particular finances its equipment, especially sorting machines, by way of finance leases.

Impairment on property, plant and equipment in the amount of EUR 0 thousand (previous year: EUR 244 thousand) was recognised in the year under review in connection with the planned restructuring and the transfer of the production site in Birkenwerder.

Reversals of impairment losses in the amount of EUR 35 thousand were recognised for intangible assets in the 2011 reporting year. There were no reversals of impairment losses for property, plant and equipment.

As at 31 December 2011, contracts worth EUR 239 thousand (previous year: EUR 1,189 thousand) had been concluded for the supply of tools for the new PostBase machine type.

The cost of property, plant and equipment in the reporting period included own work capitalised in the amount of EUR 3,829 thousand (previous year: EUR 3,231 thousand). There was no compensation from third parties for items of property, plant and equipment that were impaired, lost or given up in the year under review, as in the previous year.

The amounts shown in the consolidated statement of recognised income and expenses under the item "Depreciation, amortisation and impairment" in the 2011 reporting year included impairment of EUR 0 thousand (previous

year: EUR 493 thousand). EUR 0 thousand (previous year: EUR 109 thousand) of this figure relates to other non-current assets.

Please refer to our comments on collateral under note 22 of this section.

(11) FINANCE LEASE RECEIVABLES

The reconciliation from future lease payments to finance lease receivables is as follows:

31 Dec. 2011 EUR thousand	Total	Remain- ing terms up to 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms over 5 years
Future lease payments	4,083	2,341	1,742	0
Interest portion	736	579	157	0
Finance lease receivables	3,347	1,762	1,585	0

As at the reporting date, there were no unguaranteed residual values accruing to the benefit of the lessor. In accordance with IAS 17.7, the value of gross investments therefore corresponds to the future lease payments reported in the amount of EUR 4,083 thousand (previous year: EUR 5,253 thousand). After discounting the amount of EUR 736 thousand (previous year: EUR 835 thousand), this resulted in net investments of EUR 3,347 thousand (previous year: EUR 4,418 thousand), which correspond to the unearned finance income as the difference between gross and net investments. As at the reporting date, there were no allowances for uncollectible minimum lease payments receivable and contingent rents recognised as income in the 2011 reporting period (as in the previous year).

31 Dec. 2010 EUR thousand	Total	Remain- ing terms up to 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms over 5 years
Future lease payments	5,253	2,647	2,606	0
Interest portion	835	637	198	0
Finance lease receivables	4,418	2,010	2,408	0

Future minimum lease payments under non-cancellable operating leases to be received by FP as the lessor of franking and inserting machines are as follows:

31 Dec. 2011 EUR thousand	Total	Remain- ing terms up to 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms over 5 years
Future mini- mum lease pay- ments from non-cancellable operating leases	40,954	23,227	17,381	346

31 Dec. 2010 EUR thousand	Total	Remain- ing terms up to 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms over 5 years
Future mini- mum lease pay- ments from non-cancellable operating leases	41,963	22,857	18,915	191

(12) INVENTORIES

EUR thousand	31 Dec. 2011	31 Dec. 2010
Raw materials, consumables and supplies	4,021	4,304
Work in progress	996	1,130
Finished products and goods	5,988	5,509
Total	11,005	10,943

Impairment on inventories amounted to EUR 4,015 thousand (previous year: EUR 3,946 thousand), representing a year-on-year increase of EUR 69 thousand (previous year: decrease of EUR 839 thousand). The carrying amount of impaired inventories totalled EUR 6,373 thousand (previous year: EUR 7,445 thousand; prior-period figure adjusted due to calculation error).

(13) TRADE RECEIVABLES

Trade receivables break down as follows:

EUR thousand	31 Dec. 2011	31 Dec. 2010
Trade receivables – domestic	7,104	5,807
Trade receivables – foreign	9,523	9,088
Total trade receivables	16,627	14,895

As at 31 December 2011, trade receivables were reported at a nominal value of EUR 18,859 thousand (previous year: EUR 17,469 thousand).

The allowance accounts take into account individual allowances and allowances on a portfolio basis. The individual allowances take into account specific identifiable risks in individual cases. Generalising procedures are applied when calculating allowances on a portfolio basis. The maturities of the receivables portfolios and any overdue receivables are also taken into account.

The allowance accounts developed as follows:

EUR thousand	
Balance at 1 Jan. 2010	4,030
Additions through profit and loss (impairment losses)	1,883
Utilisation	1,988
Reversals	1,351
Balance at 31 Dec. 2010	2,574
Foreign currency effects	64
Balance at 1 Jan. 2011	2,638
Additions through profit and loss (impairment losses)	2,184
Utilisation	2,568
Reversals	22
Balance at 31 Dec. 2011	2,232

There are no impairment losses for classes of financial instruments other than trade receivables.

Additions to the allowance accounts are reported in other operating expenses.

As at 31 December 2011 (and 31 December 2010), the maturity structure of trade receivables was as follows:

EUR thousand	Total nominal amount	of which not overdue	of which overdue trade receivables		
			0 – 60 days	61 – 120 days	> 121 days
31 Dec. 2011					
Gross carrying amount	18,859	11,818	4,407	940	1,694
Impairment	2,232	148	252	317	1,515
31 Dec. 2010					
Gross carrying amount	17,469	8,418	5,622	1,263	2,167
Impairment	2,574	0	312	399	1,863

Financial assets that are not overdue or impaired are not believed to have lost any value.

(14) SECURITIES

Securities reported at a fair value of EUR 678 thousand (previous year: EUR 672 thousand) consist of shares held for trading in a fund which reinvests income and invests principally in fixed-income securities, money market instruments and demand deposits. The securities reported have no fixed maturity and no fixed interest rate.

As at the previous year's reporting date, securities are pledged in the amount of EUR 590 thousand owing to the hedging of postage fees of DPAG by a guarantee of Commerzbank.

(15) OTHER CURRENT ASSETS

EUR thousand	31 Dec. 2011	31 Dec. 2010
Deferred payments	2,316	2,116
Receivables from related parties	6	15
Reimbursement rights for other taxes	328	1,317
Other financial assets	6,519	5,778
Total	9,169	9,226

Of the reimbursement rights for other taxes, EUR 46 thousand (previous year: EUR 966 thousand) relates to freesort and involves advance payments of sales tax.

Of the other financial assets, EUR 1,613 thousand (previous year: EUR 1,295 thousand) relates to Francotyp-Postalia GmbH. As at both 31 December 2011 and 2010, these amounts mainly concerned financial assistance. Of the other assets, EUR 2,687 thousand (previous year: EUR 2,676 thousand) relates to freesort; as at 31 December 2011, EUR 2,099 thousand (previous year: EUR 2,349 thousand) concerned creditors with debit balances.

(16) CASH

EUR thousand	31 Dec. 2011	31 Dec. 2010
Bank balances	25,539	31,017
Cheques and cash in hand	328	360
Total	25,867	31,377

There are restrictions on disposal, on bank balances totalling EUR 20,238 thousand (previous year: EUR 18,626 thousand). This relates to teleporto funds received from customers and which customers can draw down at any time. A corresponding offsetting item is included in other liabilities.

Changes in cash and cash equivalents are shown in the cash flow statement.

(17) EQUITY

The development of equity is shown in the statement of changes in equity.

Components of consolidated equity

The capital of FP Holding consists of share capital of EUR 14,700 thousand and capital reserves provided by shareholders of EUR 45,708 thousand (before offsetting). In accordance with section 150 (4) no. 1 and no. 2 AktG, EUR 12,527 thousand was removed from capital reserves in the year under review and offset against the net loss for the period, and the loss of FP Holding AG was carried forward. The following differences are recognised in equity under other comprehensive income: differences from the translation of financial statements for foreign subsidiaries without effect on profit and loss; differences between monthly average exchange rates in the statement of recognised income and expenses; exchange rates on the reporting date; and the fair value change in interest rate hedges and cash flow hedges.

Share capital is divided into 14,700,000 no-par value bearer shares with a pro rata entitlement to participate in the company's profits. Each share grants one vote at the company's Annual General Meeting and entitles the holder of the share to a dividend. The share capital is fully paid up.

IPO/capital reserves

On 30 November 2006, all the shares in FP Holding were admitted to the Official Market and to the subsection of the Official Market with additional obligations resulting from admission (Prime Standard) at the Frankfurt Stock Exchange. In the course of its IPO, FP Holding received gross proceeds of EUR 51,300 thousand from the sale of 2,700,000 shares. The premiums of EUR 48,600 thousand paid by the new shareholders were added to the capital reserves. The costs of the IPO amounted to EUR 4,603 thousand in total. In the consolidated financial statements, expenses of EUR 2,892 thousand were offset against capital reserves in equity after recognising the tax effect of EUR 1,711 thousand.

Capital approval for authorised and contingent capital

On 30 June 2011, the Annual General Meeting of FP Holding passed resolutions approving both the creation of EUR 7,350 thousand of authorised capital, with a corresponding change in the Articles of Association, and a contingent increase in FP's share capital by up to EUR 6,305 thousand through the issue of new no-par value bearer shares, each with a notional interest in the share capital of EUR 1.00. The Management Board was also authorised to issue option bonds and convertible bonds with the option of disapplying pre-emptive subscription rights in accordance with section 186 (3) sentence 4 AktG, as well as contingent capital, and to make a corresponding change to the Articles of Association.

Share buy-back programme

On 20 November 2007, the Management Board of Francotyp-Postalia Holding AG decided to implement a share buy-back programme on the basis of the authorisation granted at the company's Annual General Meeting on 16 October 2006, in order to be able to acquire companies or stakes in companies using treasury shares as acquisition currency.

In the period from November 2007 to April 2008, a total of 370,444 shares had been purchased, which were deducted from shareholders' equity on the face of the balance sheet at their cost of EUR 1,829 thousand in accordance with IAS 32.33. No further shares were acquired in the year under review. As at 31 December 2011, treasury shares corresponded to 2.52% (previous year: 2.52%) of the share capital, with a market value of EUR 746 thousand (previous year: EUR 1,185 thousand) as at the reporting date. The following statement of reconciliation shows the development in the number of shares outstanding. The number of shares remains unchanged compared with the previous year:

	Number of shares outstanding
Number of shares	14,700,000
Buy-back of treasury shares	-370,444
Balance at 31 Dec. 2011 (as at 31 Dec. 2010)	14,329,556

2010 resolutions

The Annual General Meeting on 1 July 2010 authorised the company to acquire treasury shares representing up to 10% of the share capital as at 1 July 2010 in the period up to 30 June 2015. At no time may the shares acquired in accordance with this authorisation, together with other treasury shares held by the company or allocated to it in accordance with sections 71d and 71e AktG, represent more than 10% of the share capital.

The authorisation may be utilised in whole or in part and on one or several occasions. The authorisation is valid until 30 June 2015. The shares may be purchased via the stock market or through a public purchase offer at the Management Board's discretion.

The Management Board or – in the case described under (ee) – the Supervisory Board was authorised to use the treasury shares acquired as described under points (aa) to (cc) in addition to a sale via the stock market or an offer to all shareholders. The authorisations may be utilised once or on several occasions, individually or together, in whole or in part.

(aa) The treasury shares can be withdrawn from circulation with the approval of the Supervisory Board, without the withdrawal or its implementation requiring a further resolution by the Annual General Meeting. Withdrawal will lead to a capital reduction. Withdrawal can also take place in a simplified procedure without a capital reduction by adjusting the proportionate amount of the share capital for the other shares in accordance with section 8 (3) AktG. In this case, the Management Board is authorised to amend the number of shares stated in the Articles of Association accordingly.

(bb) With the approval of the Supervisory Board, treasury shares can be offered to third parties in exchange for payments in kind, particularly in connection with business combinations or the acquisition of companies or stakes in companies, and can be transferred to these third parties, provided that the acquisition of the company or the stake is in the interests of the company and the consideration to be paid for the treasury shares is not inappropriately low.

(cc) The treasury shares can, with the approval of the Supervisory Board, be issued in exchange for cash contributions, in order to introduce the company's shares onto a foreign stock exchange on which the shares have not been listed for trading until now.

(dd) The treasury shares can, with the approval of the Supervisory Board, be sold to third parties in exchange for a cash payment, if the price at which the shares are sold is not significantly lower than the share price calculated on the date of sale by the opening auction in electronic trading on the Xetra system (or a comparable successor system) of Deutsche Börse AG in Frankfurt am Main (excluding incidental costs of acquisition). In total, the shares used on the basis of the authorisations under dd) that have been issued in accordance with section 186 (3) sentence 4 AktG (with pre-emptive subscription rights disappplied in exchange for cash contributions near the stock market price) may not exceed 10% of the share capital at the time this resolution was passed and implemented. This limitation is to include shares that have been issued or sold during the last twelve months prior to utilisation of this authorisation with direct or corresponding application of this regulation.

(ee) The Supervisory Board can offer the treasury shares to individual members of the Management Board instead of the cash payment owed by the company. However, a prerequisite for this is that the price used to calculate the number of treasury shares to be transferred in place of payment is not significantly lower than the share price calculated on the date the offer is made, based on the opening auction in electronic trading on the Xetra system (or a comparable successor system) of Deutsche Börse AG in Frankfurt am Main (excluding incidental costs of acquisition).

(ff) The treasury shares can be used, with the approval of the Supervisory Board, to service pre-emptive subscription rights that have been issued and exercised under the company's 2010 stock option plan in accordance with the regulations. The stock option plan for 2010 is subject to the decision of the Annual General Meeting under AGenda item 8.

Shareholders' subscription rights to acquired treasury shares are disappplied to the extent that these shares are used in accordance with the authorisations listed under (bb) to (ff).

Contingent capital increase and stock option plan for 2010

Paragraph 1.1 of the Francotyp-Postalia Holding AG stock option plan for 2010 states: "The Annual General Meeting of Francotyp-Postalia Holding AG [...] resolved on 1 July 2010 (i) to contingently increase the share capital of the company in the amount of up to EUR 1,045,000.00 by issuing up to 1,045,000 no-par-value bearer shares [...] and (ii) to issue pre-emptive subscription rights to members of the Management Board of the company, members of management of affiliated companies within the meaning of section 15 AktG [...] and executives of the FP Group [...] and to authorise the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price".

The stock option plan thus resolved is intended solely to settle equity instruments, primarily by using treasury shares and subordinately by way of a contingent capital increase.

According to paragraph 1.3 of the stock option plan, the purpose of the stock option plan is to "lastingly combine the interests of the management and executives with those of the shareholders in a long-term increase in enterprise value".

A total of 900,000 stock options were allocated as at 1 September 2010, with each option having a term of ten years from the date of allocation according to paragraph 2.3 of the stock option plan. The options are not securitised in accordance with paragraph 2.4 of the 2010 stock option plan. Additional payments were not to be made as part of the allocation of options in line with paragraph 5.5 of the 2010 stock option plan. Of the 900,000 stock options allocated, two allocations of 180,000 each relate to the two members of the Management Board of Francotyp-Postalia Holding AG.

According to paragraph 2.2. of the 2010 stock option plan, each individual stock option grants the bearer the right to acquire one share in Francotyp-Postalia Holding AG. All the following requirements must be met to exercise the options:

a) Vesting period

Unless "expressly stated otherwise" in the terms and conditions as per paragraph 7.1 of the stock option plan, "the vesting period must have expired and the options cannot be exercised within a [defined] blocking period. [...] The vesting period for the options is four years." This is a service condition.

b) Performance target

Paragraph 7.2 of the stock option plan states: "The performance target must be met. The performance target for the issued options is met if EBITDA, as reported in the consolidated financial statements for the financial year in which the options were allocated exceeds EBITDA as reported in the 2009 consolidated financial statements for the last financial year before allocation by 10%. [...] If the performance target was not met, the options are forfeited." This performance target is a non-market-based performance condition.

c) Personal exercise requirements

Paragraph 7.3 of the stock option plan stipulates that the option bearer must be employed by either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

The fair value of a stock option has been calculated as EUR 1.37, while the fair value of all option rights has been calculated to be EUR 1,038 thousand (previous year: EUR 1,067 thousand). They were measured using a Black-Scholes option pricing model as there is no public trading of options to Francotyp-Postalia shares with the same characteristics.

The measurement assumed the following:

- The price of a Francotyp-Postalia share on 1 September 2010 was EUR 2.55.
- Under the stock option plan, the exercise price of the stock options allocated as at 1 September 2010 was the average market price (closing rate) of no-par-value bearer shares in Francotyp-Postalia Holding AG in electronic Xetra trading at Deutsche Börse AG in Frankfurt am Main or a comparable successor system on the last 90 calendar days before 1 September 2010 in euros, or at least the amount of share capital attributable to one share. EUR 2.50 was calculated for the exercise price per share; this value exceeds the amount of share capital attributable to one share.
- It is estimated that the options will be exercised after an average of five years (forecast average holding period). The forecast exercise date is therefore 31 August 2015.
- Expected volatility is 74.48%. This was determined by reference to the price volatility of Francotyp-Postalia shares in the period from 30 November 2006 to 27 August 2010.
- The annual dividend yield was set at 2%. This yield estimate took into account past distributions by the FP Group.
- The matched-maturity, risk-free interest rate was set at 1.32%. This interest rate for the forecast option term of five years is based on yield curve data from 31 August 2010, whereby hypothetical zero bonds were derived from the flat yields on coupon bonds of the Federal Republic of Germany.

The following assumptions were made in calculating the number of exercisable stock options at the end of the blocking period:

- Annual employee fluctuation was estimated at 4.17% (previous year: 3.5%).
- The probability of an EBITDA increase of over 10% was estimated at 100%.
- According to calculations, the forecast number of options that can be exercised is 780,462.

When the options are exercised, an amount of EUR 2.50 per share is to be paid by the respective option bearer, with a defined limit for members of the Management Board of Francotyp-Postalia Holding AG. Paragraph 9 of the stock option plan states: "The Supervisory Board must allow for a maximum annual remuneration (cap) for the Management Board under the terms of section 4.2.3 of the Corporate Governance Code. The corresponding agreement takes place in an additional agreement to the service contract of the members of the Management Board before allocation of the options."

The following table shows the development of the share-based payment arrangement in the year under review in accordance with IFRS 2:

Options	Number	Average exercise price in EUR
Balance at 31 Dec. 2010	900,000	2.50
granted in the financial year	0	n/a
forfeited in the financial year	-37,500	2.50
exercised in the financial year	0	n/a
lapsed in the financial year	0	n/a
Balance at 31 Dec. 2011	862,500	2.50
Range of exercise prices		2.50
Average remaining term at 31 Dec. 2011		44 months
Exercisable at 31 Dec. 2011	0	n/a

As at 31 December 2011, EUR 257 thousand (previous year: EUR 89 thousand) resulting from the stock option plan had been recognised as staff costs with a counter entry directly in equity (stock option reserve).

Minority interests

Minority interests consist of adjustment items for the shares in consolidated capital held by other shareholders and the profits and losses attributable to them. Minority interests of EUR 633 thousand (previous year: EUR 1,431 thousand) are reported within consolidated equity separately from the parent company's equity in accordance with IAS 27.33 and relate to the other shareholders of iab and mentana-claimsoft.

Net investments in foreign operations

FP GmbH made significant funds available to its Canadian subsidiary in order to acquire new machines and to make these available to clients following decertification. This represents a net investment in a (Canadian) business operation whose liquidation is neither planned nor likely within a foreseeable time frame. The net exchange rate difference after deferred taxes of EUR -58 thousand (previous year: EUR 547 thousand) resulting from the translation was recognised in other comprehensive income in line with IAS 21.32 f.

FP GmbH refinanced Francotyp-Postalia Sverige AB to a large extent in connection with the acquisition of shares in Franco Frankerings Intressenter AB (formerly Carl Lamm Personal AB). As Francotyp-Postalia Sverige AB is not expected to repay the funds concerned to FP GmbH in the near future, the refinancing of Francotyp-Postalia Sverige AB by FP GmbH is regarded as a net investment in a (Swedish) operation. The net exchange rate difference, after deferred taxes of EUR 18 thousand (previous year: EUR 222 thousand) resulting from the translation, was recognised in other comprehensive income in line with IAS 21.32 f.

Distribution of a dividend

No dividend was distributed in the 2011 reporting year. In addition, a distribution resolution cannot be passed at present as Francotyp-Postalia Holding AG is unable to distribute a dividend. Based on the provisions of the German Commercial Code (HGB), the company generated the following (non-)distributable amount as at 31 December 2011:

EUR	31 Dec. 2011
Issued capital	14,329,556.00
Capital reserves	36,073,231.39
Other revenue reserves	0.00
Accumulated losses	0.00
Equity	50,402,787.39
./. Issued capital	-14,329,556.00
./. Capital reserves	-36,073,231.39
./. Restriction on distribution in accordance with section 268 (8) HGB	-5,769,038.60
Distribution potential	-5,769,038.60

(18) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit plans are in place to provide retirement benefits for employees. The pension commitments depend on the legal, tax and economic circumstances of each country and are generally based on employees' length of service and salary. The commitments are funded by making provisions.

In accordance with a works agreement reached with companies in Germany on 9 July 1996, all employees whose employment began before 1 January 1995 are covered by the pension plan. Retirement benefits are only granted when employees have completed ten eligible years of service. Employees whose salaries are above the general pay scale remain entitled to a retirement pension under the terms of the "Guidelines for the payment of a retirement pension to employees whose salaries are above the general pay scale",

which dates from January 1986. Beneficiaries must have commenced employment before 1 January 1994. Obligations for funeral allowances towards surviving dependants of employees exist on the basis of the collective bargaining framework for salaried and other employees and the works agreement dating from 30 December 1975.

Employees whose salaries are above the general pay scale are entitled to a retirement pension and survivor's pension for beneficiaries after death under the terms of the "Guidelines for the payment of a retirement pension to employees whose salaries are above the general pay scale" applicable to domestic companies, which dates from January 1986. The retirement pension amount is determined on an individual basis. It is only granted when the beneficiary has completed at least ten years of service.

Provisions for pension obligations are made on the basis of benefit obligations made for retirement, incapacity and surviving dependent benefits. Provisions are only made for defined benefit obligations where the company guarantees employees a certain level of benefits.

The following actuarial assumptions are applied:

in % per year	31 Dec. 2011	31 Dec. 2010
Interest rate	4.80%	5.20%
Salary trend	3.00%	3.00%
Pension trend	2.00%	2.00%

These assumptions relate to employees based in Germany, who account for the majority of pension obligations.

The present value of the defined benefit obligations developed as follows in 2011 and 2010:

EUR thousand	2011	2010
Present value of defined benefit obligations on 1 January of the reporting period	11,452	11,034
Ongoing benefit expenses for staff services in the reporting period	165	149
Interest expenses	562	556
Pension payments	-626	-659
Actuarial gains and losses	327	372
Present value of defined benefit obligations on 31 December of the reporting period	11,880	11,452

The fair value of the plan assets developed as follows:

EUR thousand	2011	2010
Fair value of plan assets on 1 January of the reporting period	223	0
Addition to plan assets	30	223
Fair value of plan assets on 31 December of the reporting period	253	223

The plan assets consist of insurance agreements. A total of EUR 30 thousand is expected to be added in the following financial year.

The financing status in each case is as follows:

EUR thousand	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Fair value of plan assets	253	223	0	0	0
Present value of defined benefit obligations	11,880	11,452	11,034	10,226	11,007
Financing status	-11,627	-11,229	-11,034	-10,226	-11,007

For plans financed with plan assets, the financing status of EUR -154 thousand (previous year: EUR -126 thousand) corresponds to the balance of the fair value of the plan assets of EUR 253 thousand (previous year: EUR 223 thousand) and the present value of defined benefit obligations amounting to EUR 407 thousand (previous year: EUR 349 thousand). For plans that are not financed with plan assets, the financing status of EUR 11,473 thousand (previous year: EUR -11,103 thousand) corresponds to the present value of defined benefit obligations in the same amount (previous year: EUR -11,103 thousand); this also applies for the 2010 financial year.

Provisions for pensions and similar obligations can be derived from the financing status as follows:

EUR thousand	2011	2010
Financing status	11,627	11,229
Unrecorded actuarial gains and losses	519	859
Provisions for pensions and similar obligations on 31 December of the reporting period	12,146	12,088

Insofar as they can be calculated, the expected benefit and interest expenses are as follows:

EUR thousand	Relating to 2012	Relating to 2011
Benefit expenses	122	106
Interest expenses	540	544
Total	662	650

(19) Tax liabilities and deferred tax liabilities

EUR thousand	31 Dec. 2011	31 Dec. 2010
Deferred income taxes	1,096	2,095
Current income taxes	1,254	663
Other taxes	215	147
Deferred tax liabilities (non-current) and tax liabilities (current)	2,556	2,905

Without offsetting, deferred tax assets and liabilities break down as follows:

EUR thousand	Deferred tax assets 31 Dec. 2011	Deferred tax liabilities 31 Dec. 2011	Deferred tax assets 31 Dec. 2010	Deferred tax liabilities 31 Dec. 2010
Non-current assets	7,041	9,332	637	3,908
Other assets	1,145	566	3,084	226
Provisions	3,274	107	2,950	1,295
Liabilities	1,617	1,845	1,354	823
Tax loss carryforwards	6,946	0	9,025*	0
Total	20,023	11,850	17,050	6,252
Offsetting	-10,754	-10,754	-4,156	-4,156
Consolidated balance sheet amount	9,269	1,096	12,894	2,095

* Compared to previous year this information is adjusted by a rounding difference.

Deferred taxes changed as follows:

EUR thousand	2011	2010
Change in deferred taxes	-2,625	-851
of which through profit and loss	-2,517	397
of which recognised directly in equity	-108	-1,248

(20) Other provision (current) and provisions (non-current)

EUR thousand	As at 1 Jan. 2011	Currency differences	Additions	Utilisation	Reversals	As at 31 Dec. 2011	of which non- current	of which current
Staff-related provisions	5,123	20	2,157	3,948	168	3,184	1,000	2,184
Sales tax risks	1,410	0	0	1,410	0	0	0	0
Restructuring	1,315	0	7,413	72	0	8,656	1,167	7,489
Guarantees	612	0	223	319	0	516	0	516
Litigation costs	271	0	268	218	19	302	0	302
Inventors' royalties	75	0	115	75	0	115	0	115
Losses on orders	3	0	4	3	0	4	0	4
Other provisions	2,178	31	69	1,686	141	451	21	430
(Other) provisions	10,987	51	10,249	7,731	328	13,228	2,188	11,040

All other provisions reported in the consolidated balance sheet under non-current liabilities have a remaining term of over one year.

Staff-related provisions mainly consist of provisions for jubilee payments, obligations under phased early retirement agreements, bonuses and severance payments to staff.

The provisions for restructuring measures relate to severance payments. With regard to uncertainty in estimates, please refer to our comments under "Management estimates and assumptions" in section I. Please also refer to our comments under "Significant events after the reporting date".

Guarantees essentially relate to products sold.

Income from the reversal of provisions totalled EUR 328 thousand (previous year: EUR 393 thousand). Of this, EUR 23 thousand was attributable to Francotyp-Postalia Holding AG, EUR 74 thousand (previous year: EUR 238 thousand) to Francotyp-Postalia Vertrieb und Service GmbH and EUR 209 thousand (previous year: EUR 126 thousand) to Francotyp-Postalia GmbH, Germany.

(21) Liabilities

EUR thousand	31 Dec. 2011			31 Dec. 2010		
	Total	Remaining term <1 year	Remaining term >1 year ≤ 5 years	Total	Remaining term <1 year	Remaining term >1 year ≤ 5 years
Liabilities to banks	36,442	6,767	29,675	44,327	9,774	34,553
Liabilities from finance leases	1,721	986	735	2,689	950	1,739
Financial liabilities	38,163	7,753	30,410	47,016	10,724	36,292
Trade payables			0			
to third parties	10,226	10,226	0	6,363	6,363	0
from advance payments received	0	0	0	2	2	0
Trade payables	10,226	10,226	0	6,365	6,365	0
Other liabilities						
from taxes	1,482	1,482	0	1,705	1,705	0
(of which from income taxes)	(0)	(0)	(0)	(0)	(0)	(0)
of which social security	20	20	0	1	1	0
from teleporto	20,238	20,238	0	18,626	18,626	0
to employees	1,001	1,001	0	105	105	0
from derivatives	228	228	0	212	212	0
from deferred income	11,684	11,684	0	11,424	11,424	0
miscellaneous liabilities	6,199	5,758	441	4,893	4,874	19
Other liabilities	40,852	40,411	441	36,966	36,947	19
Total	89,241	58,390	30,851	90,347	54,036	36,311

There were no liabilities with a remaining term of more than five years as at the reporting date (previous year: EUR 0 thousand).

Liabilities to banks relate to a consortium of banks and primarily consist of loans to finance the purchase price of the FP Group in 2005. As at 31 December 2011, the loans had a volume of EUR 28,150 thousand (previous year: EUR 38,864 thousand) and USD 8,250 thousand (previous year: USD 6,896 thousand).

Under the terms of the syndicated loan agreement in place as at 31 December 2011, an interest rate is fixed that is linked to EURIBOR and LIBOR. These interest rates are hedged through various derivative transactions (please refer to our comments on derivative transactions under "Hedging policy and risk management", Interest rate risks, in section I).

A syndicated loan agreement dated 21 February 2011 with a volume of EUR 30,149,665 and USD 12,000,000 was concluded between Francotyp-Postalia Holding AG as the borrower and a banking consortium as the lender. The loan consists of loan A 1 (amortising loan of up to EUR 6,000,000), loan A 2 (amortising loan of USD 12,000,000), loan A 3 (maturity loan of EUR 2,832,332.89) and loan B (loan of up to EUR 21,317,332.11 on a revolving basis). According to the

loan agreement, loans A 1, A 2 and A 3 are to be used to refund the existing syndicated loan; loan B will initially be used to refund the existing syndicated loan and then for the financing of general working capital.

Because the new loan extension and loan repayment came at the same time as the first planned principal payments, on 15 June 2011 a supplementary agreement to the syndicated loan agreement was concluded, with the aim of simplifying processing. In this agreement, the loan was reduced by the repayment instalments due. Loan A 1 (amortising loan) was fixed at a figure of up to EUR 5,000,000 and loan A 2 (amortising loan) at a figure of USD 10,125,000.

From an economic viewpoint, the syndicated loan agreement concluded in February 2011 involves follow-up financing for the Group financing in place on the reporting date of 31 December 2010. The new Group financing is expected to result in repayments of the total credit volume of EUR 4,899 thousand in 2012; accordingly, these amounts are shown in the above table as having a remaining term of under one year. The remaining loan financing is considered to have a term of over one year.

In addition to the aforementioned loans A 1, A 2, A 3 and B, Francotyp-Postalia Holding AG concluded a supplementary loan agreement with Commerzbank AG in the amount of EUR 1,000 thousand (credit facility) on 6 July 2011 within the meaning of clause 5.1 of the syndicated loan agreement. At the reporting date, this credit facility had been utilised in the amount of EUR 686 thousand for a bank overdraft and guarantees.

The Group obtained quick liquidity through reverse repurchase (repo) transactions and factoring, under which Group companies transfer trade receivables to Commerzbank AG in exchange for a fee. The carrying amount of the trade receivables sold as at the reporting date was EUR 1,382 thousand. The Group received cash in the same amount.

In the case of the reverse repo transactions, the Group retains risks, such as the counterparty default risk, due to the right of resale held by the borrower (Commerzbank AG).

However, this also results in opportunities for the Group on account of the liquidity it receives at a considerably earlier stage. Accordingly, not all of the criteria for the derecognition of the financial assets as set out in IAS 39.15–37 have been met. This means that the trade receivables affected were not derecognised. At the reporting date, the cash received in the amount of EUR 1,353 thousand was reported in cash on the asset side and in liabilities to banks on the liability side of the balance sheet.

The lease payments to be made in future can be attributed to finance lease liabilities as follows:

31 Dec. 2011 EUR thousand	Total	Remain- ing terms < 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms > 5 years
Future lease payments	1,889	1,107	782	0
Interest portion	168	121	47	0
Finance lease receivables	1,721	986	735	0

31 Dec. 2010 EUR thousand	Total	Remain- ing terms < 1 year	Remain- ing terms 1 – 5 years	Remain- ing terms > 5 years
Future lease payments	2,996	1,177	1,819	0
Interest portion	307	227	80	0
Finance lease receivables	2,689	950	1,739	0

The terms of leases are predominantly up to 75% of the ordinary useful life. After the basic term of the lease, there is usually the option to prolong the agreements or to acquire the assets at a predetermined price. There were no subleases for leased assets. The carrying amount of leased assets amounted to EUR 3,753 thousand as at 31 December 2011 (previous year: EUR 4,175 thousand). Deposits totalling EUR 207 thousand were paid in connection with leases (adjusted prior-year figure: EUR 207 thousand). All in all, payments totalling EUR 8,714 thousand were expensed for leases in the period under review (previous year: EUR 5,105 thousand).

(22) Collateral

EUR thousand	31 Dec. 2011	31 Dec. 2010
Guarantee obligations	1,296	465
Securities pledged	590	590
Total	1,886	1,055

Guarantee obligations contain rental guarantees for office space at sales branches, rental guarantees for machinery, guarantees for bank overdrafts, postage, and potential reimbursement claims concerning grant payments. The prior-year figures have been adjusted.

The FP companies have provided the following collateral for the syndicated loan agreement:

- Pledge of all shares in FP GmbH; freesort GmbH; iab Internet Access GmbH; FP International GmbH; FP Vertrieb und Service GmbH; FP Inc., USA; Ruys B.V., Netherlands; FP Ltd, United Kingdom, by the respective parent companies
- Global assignment of all customer receivables starting with the letters A–Z of FP Holding AG; freesort GmbH; FP GmbH; Francotyp-Postalia International GmbH;

FP Ltd., United Kingdom; Francotyp-Postalia Vertrieb und Service GmbH; and a lien for all customer receivables starting with the letters A–Z of Ruys B.V., Netherlands.

- Assignment of the current and non-current assets of freesort GmbH; FP GmbH; FP Ltd., United Kingdom; a lien (undisclosed) for the current and non-current assets of Ruys B.V., Netherlands; and a security agreement for the movable assets and receivables of FP Inc., USA.
- Pledge of all bank balances in the amount of the respective credit balances of FP Holding AG; freesort GmbH; FP GmbH; FP International GmbH; Ruys B.V., Netherlands; FP Ltd., United Kingdom; FP Inc., USA.
- Pledge of the trademark rights of FP GmbH
- The aforementioned pledges of bank balances do not include balances of EUR 590 thousand that already serve as cash collateral for guarantees (**note 14, section IV.**)
- At the reporting date, the carrying amount of the assets assigned as collateral was EUR 73,184 thousand (previous year: EUR 46,120 thousand). The carrying amounts break down as follows:

EUR thousand	2011	2010
Intangible assets	16,180	14,070
Property, plant and equipment	18,794	6,536
Shares in associated companies	163	163
Inventories	9,422	6,459
Receivables	12,352	6,851
Other assets	12,195	2,981
Bank balances	4,078	9,060
Total	73,184	46,120

All current and future claims by the banks against the borrowers or guarantors of the syndicated loan agreement and the bilateral loan agreement with Commerzbank are secured by way of the collateral. The aforementioned collateral can be utilised if the FP companies do not make payments that are due under the syndicated loan agreement.

Collateral received had a fair value of EUR 1,375 thousand (previous year: EUR 971 thousand) and was available to the FP Group only on a short-term basis in the year under review (as in the previous year). The collateral primarily consisted of rent deposit guarantees from banks and an insurance policy.

(23) Other disclosures on operating leases

The nominal amounts of other financial obligations from operating leases totalled EUR 20,604 thousand as at 31 December 2011 (adjusted prior-year figure: EUR 20,106 thousand) and had the following maturity structure:

31 Dec. 2011 EUR thousand	Total	<1 year	1–5 years	>5 years
Obligations under rental and lease agreements	20,603	10,799	9,804	0

31 Dec. 2010 EUR thousand	Total	<1 year	1–5 years	>5 years
Obligations under rental and lease agreements	20,106	8,570	11,536	0

Obligations under rental and lease agreements include rental obligations in connection with the restructuring of the Birkenwerder site (EUR 4,802 thousand). At the same time, provisions for expected losses in the amount of EUR 1,635 thousand were recognised in other provisions in the year under review.

Purchase obligations account for EUR 3,963 thousand (previous year: EUR 4,000 thousand).

(24) Other disclosures on finance leases

The nominal amounts of other financial obligations from finance leases totalled EUR 258 thousand as at 31 December 2011 (previous year: EUR 369 thousand) and had the following maturity structure:

31 Dec. 2011 EUR thousand	Total	<1 year	1–5 years	>5 years
Obligations under rental and lease agreements	258	101	157	0

31 Dec. 2010 EUR thousand	Total	<1 year	1–5 years	>5 years
Obligations under rental and lease agreements	369	102	267	0

(25) Financial instruments

The following table shows the carrying amounts and fair values of the financial instruments recognised in the consolidated financial statements:

Classes of financial instruments Amounts in EUR thousand	Fair values 31 Dec. 2011	Fair values 31 Dec. 2010	Carrying amounts 31 Dec. 2011	Carrying amounts 31 Dec. 2010
Financial assets available for sale				
Equity investments	not available	not available	163	163
Financial assets at fair value through profit and loss				
Securities	677	672	677	672
Derivative financial instruments that are assets	59	128	59	128
Loans and receivables				
Trade receivables	16,627	14,895	16,627	14,895
Other financial assets	6,686	6,111	6,686	6,111
Finance lease receivables	3,916	5,302	3,347	4,418
Cash	25,867	31,377	25,867	31,377
Financial liabilities measured at amortised cost				
Liabilities to banks	32,770	44,327	36,442	44,327
Trade payables	10,226	6,365	10,226	6,365
Other financial liabilities	25,778	23,342	25,778	23,342
Obligations under finance leases	1,652	2,521	1,721	2,689
Financial liabilities at fair value through profit and loss				
Derivative financial instruments that are liabilities	-228	-212	-228	-212

At the reporting date, the Group did not intend to sell the financial assets available for sale.

Other financial assets are reported in the consolidated balance sheet under the item "Other assets".

Liabilities to banks and obligations under finance leases are reported in the consolidated balance sheet under the item "Financial liabilities". Other financial liabilities and derivative financial instruments that are liabilities are reported in the consolidated balance sheet under the item "Other liabilities".

Assets in the "financial assets available for sale" category are carried at cost as their fair value cannot be reliably determined.

The respective market price was used to determine the fair values of financial assets held for trading. The fair values of derivative financial instruments were calculated by the respective bank using a present value model.

The carrying amounts of assets and liabilities held at amortised cost generally match their fair value.

The financial assets and liabilities carried at fair value on the face of the balance sheet are assigned to a three-level fair value hierarchy. The hierarchy reflects the significance of the input data used in the measurement and breaks down as follows:

Level 1 – prices quoted on active markets for identical assets or liabilities

Level 2 – input data observed either directly (as prices) or indirectly (derived from prices) for the asset or liability that are not quoted prices as defined in stage 1

Level 3 – input data for the asset or liability not based on observable market data (unobservable input data)

2011 EUR thousand	Level 1	Level 2	Level 3
Securities	678	-	-
Derivatives that are assets	-	59	-
Derivatives that are liabilities	-	-228	-

2010 EUR thousand	Level 1	Level 2	Level 3
Securities	672	-	-
Derivatives that are assets	-	128	-
Derivatives that are liabilities	-	-212	-

As in the previous year, there are no net gains or net losses in the category "Financial assets available for sale". The net gains and losses in the "financial instruments held for trading" category consist of the fair value changes and interest payments. Thus, the net gain for 2011 amounted to EUR 6 thousand (previous year: EUR 2 thousand). As in the previous year, the entire net gain is reflected in the consolidated net income. Impairment in this category amounted to EUR 0 thousand, as in the previous year.

The net gains or losses from the category "Loans and receivables" comprise impairment, reversals of impairment losses and foreign currency effects. The net loss for 2011 amounted to EUR 914 thousand (previous year: net gain of EUR 199 thousand). Please also refer to section IV., note 13.

The net gains and losses for the category of financial liabilities measured at amortised cost consist of foreign currency effects and gains on disposal. The net gain for 2011 amounted to EUR 289 thousand (previous year: EUR 334 thousand).

In accordance with the terms and conditions of Francotyp-Postalia, title to assets sold is retained until all payments have been received. If a customer who is leasing machinery is in arrears in payments, or if a lease party refuses to satisfy a contract in spite of deadlines being set, the customer shall be required to return the leased asset to Francotyp-Postalia and to pay compensation when the lease is terminated.

(26) Contingent liabilities

By its nature as a market participant in a contested market, Francotyp-Postalia is involved in a range of legal disputes. Francotyp-Postalia Vertrieb und Service GmbH is particularly affected by this, and is involved in a number of in-court and out-of-court competition disputes with rival companies, both as a claimant and a defendant. Methods of customer advertising and market positioning form the subject of these disputes. These proceedings are geared towards the discontinuation of anti-competitive behaviour and are not economically significant. If defeat occurs in a case, alternative advertising measures can be employed.

However, the lawsuit of SBW Vermögensverwaltungs GmbH of 9 March 2011, in which claims are asserted against Francotyp-Postalia Holding AG, could prove significant. The alleged claims are the result of the purchase agreement concluded by Francotyp-Postalia Holding AG regarding shares in the iab Group. The amount claimed is EUR 1,518,750.00. The amount claimed is based on claims to the increased purchase price arising from the company purchase agreement and the alleged unreliability of the partial payment with shares on the part of the defendant. The Group considers the risk presented by the proceedings to be low.

V. OTHER DISCLOSURES

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement for the FP Group shows positive and negative changes in cash flows from operating, investing and financing activities.

Postage credit balances managed by the FP Group are subtracted from cash and cash equivalents. The corresponding offsetting item is included in other liabilities. Cash and cash equivalents, and other liabilities, are therefore reported net in the cash flow statement. This means that cash and cash equivalents are calculated as follows:

EUR thousand	31 Dec. 2011	31 Dec. 2010
Cash	25,867	31,377
plus securities	678	672
Current liabilities from postage credit balances managed	-20,238	-18,626
Cash and cash equivalents	6,307	13,423

Cash outflows of EUR 999 thousand (previous year: EUR 3,500 thousand) were recorded in the 2011 financial year in connection with business combinations. For more information, please refer to section I, "Consolidated group".

EMPLOYEES

The average number of employees is distributed across the different regions as follows:

	2011	2010
Germany	736	694
USA	119	110
United Kingdom	93	86
Netherlands	57	63
Canada	37	34
Belgium	26	25
Austria	21	21
Italy	19	14
Sweden	18	13
Singapore	11	20
France	2	0
Total	1,139	1,080

The average number of employees is distributed among the segments as follows:

	2011	2010
Sales Germany	484	444
Sales International	392	366
Production	253	261
Central Functions	10	9
Total	1,139	1,080

MANAGEMENT BOARD AND SUPERVISORY BOARD

As in the previous year, the Management Board of FP Holding had two members in the 2011 reporting period.

In accordance with the Rules of Procedure for the Management Board of Francotyp-Postalia Holding AG dated 25 August 2010, the responsibilities of the members of the Management Board are as follows:

Name	Date of appointment	Appointed until	Areas of responsibility
Hans Szymanski, Graduate in Economics	December 2008	December 2014	<ul style="list-style-type: none"> • Strategic business development • Production / logistics / purchasing • Research and development • Human resources / law / compliance • Finance / controlling / accounting • Information technology
Andreas Drechsler, Graduate in Business Studies	February 2009	February 2015	<ul style="list-style-type: none"> • Business development • Product management • Sales Germany and International • Marketing • Corporate communication • Internal audit

Mr. Szymanski has been the Chairman of the Management Board since 1 January 2011.

In the 2011 reporting year, Mr. Drechsler's Management Board contract was extended until February 2015.

The members of the Management Board were not represented on any supervisory boards required to be formed by law or any comparable domestic or foreign supervisory committees of commercial enterprises outside the FP Group in the 2011 financial year.

The following overview shows the members of the Supervisory Board of Francotyp-Postalia Holding AG with their activities outside the company and with other management board or supervisory board mandates or mandates with comparable German or foreign controlling bodies of commercial enterprises:

Name	Occupation	Other administrative or supervisory board mandates in similar German and foreign executive bodies
Prof. Michael J. A. Hoffmann (Chairman)	<ul style="list-style-type: none"> • Managing partner of TMM Technology Marketing Management GmbH, Dortmund ("TMM") • Managing director of other companies in which TMM has an equity interest 	<ul style="list-style-type: none"> • Chairman of the Supervisory Board of Inframation AG, Dortmund • Vice Chairman of the Advisory Board, KST-Motorenversuch GmbH & Co. KG, Bad Dürkheim
Christoph Weise (Deputy Chairman)	<ul style="list-style-type: none"> • Management consultant • Managing director of QCR 1 GmbH 	
Dr. Claus C. R. Gerckens	<ul style="list-style-type: none"> • Partner and managing director of GVG Industrieverwaltungs GmbH, Augsburg • Managing director of Vermögensverwaltung Königsdorf GmbH, Augsburg • Partner and managing director of Butenfeld Vermögensverwaltungs GmbH, Augsburg 	<ul style="list-style-type: none"> • Deputy Chairman of the Board of Directors, International School Augsburg – ISA – gGmbH, Augsburg. • Member of the Supervisory Board, EUROKAI KGaA, Hamburg (until 15 April 2011) • Deputy Chairman of the Administrative Board, Waltershof-Peute Hafen Betriebs G.m.b.H., Hamburg (until 15 April 2011)

SHAREHOLDER STRUCTURE

In the 2011 financial year, Francotyp-Postalia Holding AG received the following notifications from shareholders in accordance with section 21 (1) of the German Securities Trading Act (WpHG) and published these notifications in accordance with section 26 (1) WpHG.

Publication dated 5 January 2011

LRI Invest S. A., Munsbach, Luxembourg, informed us in accordance with section 21 (1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, exceeded the thresholds of 3% and 5% on 21 December 2010 and amounted to 9.52% (corresponding to 1,400,000 voting rights) on this date.

Publication dated 28 January 2011

Stockwell Fund L. P., Chicago, USA, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the threshold of 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Stockwell Capital L. L. C., Chicago, USA, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the threshold of 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Stockwell Managers L. L. C., Chicago, USA, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the threshold of 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Quadrige Capital (US) LP, St. Helier, Jersey, Channel Islands, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Quadrige Capital Inc., Wilmington, Delaware, USA, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Quadrige Capital Private Equity Fund II L. P., St. Helier, Jersey, Channel Islands, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Quadrige Capital Limited, St. Helier, Jersey, Channel Islands, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Quadrige Capital Inc., Wilmington, Delaware, USA, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Mr. Stephan Jaax, Belgium, informed us in accordance with section 21 (1) WpHG on 27 January 2011 that his share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% on 21 December 2010 and amounted to 0% (corresponding to 0 voting rights) on this date.

Publication dated 15 February 2011

KBL Richelieu Gestion, Paris, France, informed us in accordance with section 21 (1) WpHG on 14 February 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, ISIN: DE000FPH9000, WKN: FPH900, fell below the threshold of 3% on 4 February 2011 and amounted to 2.07% (corresponding to 305,000 voting rights) on this date.

Publication dated 5 May 2011

Orsay Asset Management SNC, Paris, France, informed us in accordance with section 21 (1) WpHG on 4 May 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 15 April 2011 and amounted to 4.105% (corresponding to 603,381 voting rights) on this date.

Publication dated 4 July 2011

Axxion S.A., Munsbach, Luxembourg, informed us in accordance with section 21 (1) WpHG on 1 July 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 28 June 2011 and amounted to 3.51% (corresponding to 515,266 voting rights) on this date.

Publication dated 9 August 2011

Oddo et Cie, Paris, France, informed us in accordance with section 21 (1) WpHG on 1 July 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 30 April 2011 and amounted to 4.10% (corresponding to 603,409 voting rights) on this date.

This was due to the merger of Orsay Asset Management into Oddo Asset Management with effect from 30 April 2011. 4.10% of the voting rights (corresponding to 603,409 voting rights) are allocable to Oddo et Cie in accordance with section 22 (1) sentence 1 no. 6, sentence 2 WpHG.

Publication dated 13 September 2011

Oddo et Cie, Paris, France, informed us in accordance with section 21 (1) WpHG on 12 September 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 3% on 9 September 2011 and amounted to 0.65% (corresponding to 94,874 voting rights) on this date.

Oddo Asset Management, Paris, France, informed us in accordance with section 21 (1) WpHG on 12 September 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 3% on 9 September 2011 and amounted to 0.65% (corresponding to 94,874 voting rights) on this date. 0.65% of the voting rights (corresponding to 94,874 voting rights) are allocable to Oddo Asset Management in accordance with section 22 (1) sentence 1 no. 6 WpHG.

Publication dated 1 November 2011

Augur Financial Holding V.S.A., Luxembourg, informed us in accordance with section 21 (1) WpHG on 31 October 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 21 December 2010 and amounted to 9.52% (corresponding to 1,030,557 voting rights) on this date. 9.52% of the voting rights (corresponding to 1,030,557 voting rights) are allocable to the company via LRI Invest S.A. in accordance with section 22 (1) sentence 1 no. 1 WpHG.

Publication dated 7 November 2011

Augur Financial Holding V.S.A., Luxembourg, informed us in accordance with section 21 (1) WpHG on 3 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 21 December 2010 and amounted to 9.52% (corresponding to 1,400,000 voting rights) on this date. 9.52% of the voting rights (corresponding to 1,400,000 voting rights) are allocable to the company via LRI Invest S.A. in accordance with section 22 (1) sentence 1 no. 1 WpHG.

Augur Financial Holding VS. A., Luxembourg, informed us in accordance with section 21 (1) WpHG on 3 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the thresholds of 3% and 5% on 5 July 2011 and amounted to 0% (corresponding to 0 voting rights) on this date.

Augur FIS, Luxembourg, informed us in accordance with section 21 (1) WpHG on 3 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 21 December 2010 and amounted to 9.52% (corresponding to 1,400,000 voting rights) on this date. 9.52% of the voting rights (corresponding to 1,400,000 voting rights) are allocable to the company via LRI Invest S. A. and Augur Financial Holding VS. A. in accordance with section 22 (1) sentence 1 no. 1 WpHG. Augur FIS, Luxembourg, also informed us in accordance with section 21 (1) WpHG on 3 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the thresholds of 3% and 5% on 5 July 2011 and amounted to 0% (corresponding to 0 voting rights) on this date.

Publication dated 24 November 2011

Financière de L'échiquier, Paris, France, informed us in accordance with section 21 (1) WpHG on 29 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 5% on 24 November 2011 and amounted to 4.88% (corresponding to 718,029 voting rights) on this date.

Publication dated 29 November 2011

Alceda Fund Management SA, Luxembourg, informed us in accordance with section 21 (1) WpHG on 28 November 2011 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 25 November 2011 and amounted to 3.068% (corresponding to 451,000 voting rights) on this date.

RELATED PARTY DISCLOSURES

Related parties of the FP Group as defined by IAS 24 are associated companies and unconsolidated subsidiaries as well as persons and companies that can exercise significant influence over the financial and operating policy of the FP Group; related parties are also persons working in key positions at the reporting company (including close relatives in each case). Companies whose financial and operating policy is at least significantly influenced by the above related parties are also included in related parties of Francotyp-Postalia.

A significant influence on the financial and operating policies of FP Group can be based on a shareholding of 20% or more in FP Holding, a seat on the Management Board of FP Holding or other key management position in the FP Group, or contractual agreements or arrangements under the Articles of Association.

In addition to the members of the Management Board and the Supervisory Board of FP Holding and their close relatives (as in the previous year), related parties of the FP Group in the year under review included:

- the associated company FP Data Center Inc., Japan;
- the associated company Print&Mail Beteiligungsgesellschaft bürgerlichen Rechts, Berlin, Germany;
- the unconsolidated subsidiary FP Systems India Private Limited, India;
- GVG Industrieverwaltungs GmbH, Augsburg (via a member of the Supervisory Board);
- Butenfeld Vermögensverwaltungs GmbH, Augsburg (via a member of the Supervisory Board);
- CamTech GmbH, Berlin (via a member of the Management Board).

A total of EUR 0 thousand (previous year: EUR 200 thousand) was paid as remuneration to related parties that can exercise significant influence over the financial and operating policy of the FP Group in 2011. There were no transactions within the meaning of IAS 24.18 (b) to (d) in the period under review.

With regard to the total remuneration of the Management Board and Supervisory Board, please refer to the following section, "Total remuneration of the Management Board and Supervisory Board".

TOTAL REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The remuneration of members of the Management Board is set by the Supervisory Board at an appropriate level, based on performance assessments. Criteria for determining the suitability of the remuneration include the duties of the Management Board member in question, his personal performance, the performance of the Management Board as a whole, as well as the macroeconomic situation and the company's performance and future prospects, giving due consideration to the company's peer group. The employment contracts concluded with Board members stipulate a fixed annual salary plus a performance-related bonus based on cash flow and EBITA.

Please see the Group management report for the remuneration report in accordance with section 315 (2) no. 4 sentence 1 HGB. The remuneration report covers all the principles applied in determining the remuneration of the Management Board of FP Holding and explains the amount and structure of Management Board income. It also describes the principles and amount of the remuneration of the Supervisory Board and provides information on the shareholdings of the Management Board and the Supervisory Board.

The remuneration is broken down as follows:

EUR thousand		Fixed salary	Payment in kind / allowances	Bonuses	Bonuses (provision)	Stock options (staff expenses)	Total remuneration
Hans Szymanski	2011	279	11	140	-96	51	385
	2010	244	11	32	96	18*	401
Andreas Drechsler	2011	253	15	140	-96	51	363
	2010	228	15	32	96	18*	389
Total remuneration for the financial year	2011	532	26	280	-192	102	748
	2010	472	26	64	192	36*	790*

* Figures adjusted from those given in the previous year's report.

The fixed salary includes allowances for pensions in the amount of EUR 76 thousand (2010: EUR 76 thousand) for Mr. Szymanski and EUR 76 thousand (2010: EUR 76 thousand) for Mr. Drechsler.

In the 2011 financial year, Management Board bonuses of EUR 140 thousand were paid to each of Mr. Szymanski and Mr. Drechsler. Provisions of EUR 96 thousand for each member of the Management Board were recognised for this in the 2010 financial year. The payments in kind primarily consist of the value of company car use as determined in compliance with the provisions of tax law and individual insurance contributions.

As in the previous year, only insignificant amounts were set aside for pension obligations for active members of the Management Board (2011: EUR 2 thousand; 2010: EUR 1 thousand).

Provisions totalling EUR 1,172 thousand (previous year: EUR 1,298 thousand) have been recognised for pension obligations for former members of the Management Board of Francotyp-Postalia Holding AG and former managing directors (and their surviving dependants) of the German company Francotyp-Postalia GmbH (for former members of the Management Board of Francotyp-Postalia Holding AG: 31 December 2011: EUR 511 thousand; 31 December 2010: EUR 480 thousand). EUR 61 thousand was added to the provisions in the 2011 reporting year (previous year: EUR 77 thousand), of which EUR 0 thousand relates to service cost and EUR 61 thousand to interest cost.

In addition to cash expenses plus VAT for their Supervisory Board duties, each member of the Supervisory Board receives fixed remuneration of EUR 30 thousand, payable in the final month of the financial year. From the 2009 financial year onwards, the fixed remuneration paid to the Chairman and the Deputy Chairman amounts to 150% and 125% of the remuneration of a normal Supervisory Board member respectively.

The Deputy Chairman of the Supervisory Board, Mr. Christoph Weise, has waived the remuneration to which he is entitled for 2008, 2009 and 2010. The fixed remuneration for the Supervisory Board amounted to EUR 112 thousand in the 2011 financial year (previous year: EUR 75 thousand).

AUDITING FEES RECOGNISED AS EXPENSES

Based on the recommendation of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for the 2011 financial year. The fees incurred as expenses for the services of the auditor and its associated companies were as follows:

EUR thousand	2011	2010
Auditing services	215	273
Other assurance services	7	6
Tax consulting services	133	321
Other services	91	0
Total	446	600

Of the expenses recognised in the 2011 reporting year, EUR 20 thousand (previous year: EUR 60 thousand) related to previous years.

The figures for 2011 only include the legally independent unit of the appointed auditor, whereas additional companies of the international KPMG Group (ELLP) were included in 2010 (EUR 44 thousand).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Status of restructuring/establishment of production at the Wittenberge location

In 2011, the FP Group established a new production location in Wittenberg, Germany. FP Produktionsgesellschaft mbH commenced production at the new site in October 2011. The first product was the MyMail franking machine. The following weeks saw the start of production for the first machines of the new PostBase franking system; series production will be ramped up in the second quarter of 2012. The discontinuation of production at the Birkenwerder site will take place by the end of the first quarter of 2012.

In connection with the restructuring measures conducted in the year under review, 109 production jobs in Birkenwerder will be eliminated. Permanent solutions under labour law have been found for 86 holders of these positions; this generally involved settlement in court.

Additional credit facility

In addition to the syndicated loan agreement dated 21 February 2011 (section I, note 4), a supplementary agreement was concluded on 14 March 2012 with the aim of financing the claims of (former) employees arising from the redundancy scheme for the measures in conjunction with the discontinuation of production at the Birkenwerder location.

Above and beyond the loan volume previously agreed, FP will receive a further loan C in the amount of EUR 4,107 thousand. To the extent that it is utilised, the loan must be paid back in ten monthly instalments of EUR 411 thousand starting from 31 March 2013.

In addition, EUR 308 thousand of the instalment for loan A 1 in the amount of EUR 1,000 thousand that is due for payment on 30 June 2012 has been deferred. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

Furthermore, USD 578 thousand of the instalment for loan A 2 in the amount of USD 1,875 thousand that is due for payment on 30 June 2012 has been deferred. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

In connection with the change in the loan volume and the amended repayment conditions, FP Holding AG has provided a first land charge on the production building in Wittenberge in the amount of EUR 1,000 thousand as additional collateral. FP Produktionsgesellschaft mbH has also assigned its current and non-current assets as collateral, pledged all of its bank balances and assigned all of its receivables from customers.

Capital increase

On 23 March 2012, the Management Board of Francotyp-Postalia Holding AG resolved, with the approval of the Supervisory Board, to increase the company's share capital by EUR 1.46 million. To this end, the company has issued new no-par value bearer shares, each with a notional interest in the share capital of EUR 1.00. The company's share capital now amounts to EUR 16.16 million.

3R Investments Ltd., Cyprus, subscribed for the new shares as part of a private placement immediately after approval was granted by the Supervisory Board, meaning that the capital increase has been successfully placed. The issue price was EUR 2.66 per share; the company received gross proceeds of EUR 3.9 million from the issue.

Approval for the new PostBase franking system

The new PostBase franking system was presented for the first time at the CeBIT in March 2012. The introduction of the system on the German market began at the end of the first quarter of 2012. PostBase combines the analogue and digital worlds of mail through a wide range of innovations in the areas of mechatronics and software control. A touchscreen allows users to operate PostBase extremely easily and intuitively. FP Navigator – a software solution used to operate the franking system – means that PostBase can also be controlled directly from a PC. FP Navigator also provides users with additional functions, such as setting up and controlling cost centres.

In future, the FP Group will also connect PostBase to the FP Portal – an online platform that clients can use to access any data relating to their mail communication and to utilise further services. For example, they will be able to use the portal to commission consolidation services directly and to send hybrid mails or De-Mails.

mentana-claimsoft GmbH obtains De-Mail accreditation

On 6 March 2012, mentana-claimsoft GmbH became the first De-Mail provider to be accredited by the German Federal Office for Information Security (BSI). The German De-Mail Act defines the security requirements, thus establishing the legal basis to ensure that the De-Mail has the same legal effect as a standard letter. Following an examination of mentana-claimsoft's internal workflows and technical infrastructure, De-Mail has now been launched on the market.

CORPORATE GOVERNANCE

The Management Board and Supervisory Board of Francotyp-Postalia Holding AG have issued a declaration on the Corporate Governance Code in accordance with section 161 AktG and have made this declaration permanently accessible on the company's website at (<http://www.francotyp.com/en/investors/corporate-governance/declaration-of-compliance/archive/2011.html>).

ANNOUNCEMENTS IN THE ELECTRONIC FEDERAL GAZETTE

The 2011 consolidated financial statements of the FP Group and the 2011 annual financial statements of Francotyp-Postalia Holding AG are to be published in the electronic Federal Gazette. The announcements, together with the documents mentioned therein, will be filed with the company register.

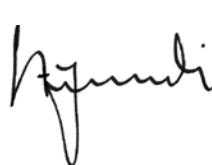
In accordance with section 264 (3) HGB, in conjunction with section 325 HGB, Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Hanse GmbH and FP Direkt Vertriebs GmbH are exempt from the obligation to publish their annual financial statements for 2011.

Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH are also exempt from the obligation to prepare a management report for 2011 in accordance with section 264 (3) HGB, in conjunction with section 289 HGB.

The corresponding resolutions have been submitted to the operator of the electronic version of the Federal Gazette and the relevant announcement arranged.

Birkenwerder, 30 March 2012

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT FROM 1 JANUARY TO 31 DECEMBER 2010

in EUR thousand	Acquisition / production costs						Balance 31.12.2010
	Carryforward 1.1.2010	Currency differences	Additions from corporate acquisition	Other additions	Disposals	Reclassi- fications	
Intangible Assets							
Internally generated intangible assets	16,463	1	0	238	0	1,913	18,615
Other intangible assets	96,022	817	4,751	1,011	6,555	0	96,046
Intangible assets including customer lists	112,485	818	4,751	1,249	6,555	1,913	114,661
Goodwill	22,269	0	0	0	0	0	22,269
Development projects in progress and advance payments	7,490	0	0	3,213	0	-1,913	8,790
Total	142,244	818	4,751	4,462	6,555	0	145,720
Property, plant and equipment							
Land, land rights and buildings	147	4	0	143	101	84	277
Technical equipment and machinery	5,373	11	0	382	31	371	6,106
Other equipment, operating and office equipment	33,471	521	19	1,274	1,451	-474	33,360
Leased products	59,741	4,931	0	3,010	11,884	19	55,817
Assets under finance leases	5,520	0	0	182	0	0	5,702
Advance payments and assets under construction	0	0	0	109	0	0	109
Total	104,252	5,467	19	5,100	13,467	0	101,371
Non-current assets	246,496	6,285	4,770	9,562	20,022	0	247,091

Depreciation, amortisation and impairment losses							Carrying amounts		
Carryforward 1.1.2010	Currency differences	Depr./amort. in financial year	Disposals	Reclassi- fications	Reversals	Balance 31.12.10	31.12.2010	1.1.2010	
9,123	1	3,198	0	0	0	12,322	6,293	7,340	
84,258	292	7,813	46	6,535	0	85,874	10,172	11,764	
93,381	293	11,011	46	6,535	0	98,196	16,465	19,104	
13,775	0	0	0	0	0	13,775	8,494	8,494	
2,421	0	0	0	0	0	2,421	6,369	5,069	
109,577	293	11,011	46	6,535	0	114,392	31,328	32,667	
113	3	20	0	96	76	116	161	34	
3,900	10	546	93	31	266	4,784	1,322	1,473	
29,986	464	1,366	244	1,327	-344	30,389	2,971	3,485	
49,425	3,757	4,337	0	11,377	2	46,144	9,673	10,316	
1,114	0	414	0	0	0	1,528	4,174	4,406	
0	0	0	0	0	0	0	109	0	
84,538	4,234	6,683	337	12,831	0	82,961	18,410	19,714	
194,115	4,527	17,694	383	19,366	0	197,353	49,738	52,381	

DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT FROM 1 JANUARY TO 31 DECEMBER 2011

in EUR thousand	Acquisition / production costs						Balance 31.12.2011
	Carryforward 1.1.2011	Currency differences	Additions from corporate acquisition	Other additions	Disposals	Reclassi- fications	
Intangible Assets							
Internally generated intangible assets	18,615	0	0	0	0	493	19,108
Other intangible assets	96,046	229	543	364	8,814	0	88,368
Intangible assets including customer lists	114,661	229	543	364	8,814	493	107,476
Goodwill	22,269	0	1,522	0	0	0	23,791
Development projects in progress and advance payments	8,790	0	0	5,006	1,421	-493	11,882
Total	145,720	229	2,065	5,370	10,235	0	143,149
Property, plant and equipment							
Land, land rights and buildings	277	3	0	921	0	42	1,243
Technical equipment and machinery	6,106	4	0	84	181	-310	5,703
Other equipment, operating and office equipment	33,360	275	104	1,038	2,072	367	33,072
Leased products	55,817	1,955	0	4,239	2,147	0	59,864
Assets under finance leases	5,702	0	0	0	0	-15	5,687
Advance payments and assets under construction	109	0	0	2,681	0	-84	2,706
Total	101,371	2,237	104	8,963	4,400	0	108,275
Non-current assets	247,091	2,466	2,169	14,333	14,635	0	251,424

Depreciation, amortisation and impairment losses								Carrying amounts	
Carryforward 1.1.2011	Currency differences	Depr. / amort. in financial year	Impairment in financial year	Disposals	Reclassi- fications	Reversals	Balance 31.12.11	31.12.2011	1.1.2011
12,322	0	2,943	0	0	0	0	15,265	3,843	6,293
85,874	188	4,489	0	8,724	0	35	81,792	6,576	10,172
98,196	188	7,432	0	8,724	0	35	97,057	10,419	16,465
13,775	0	0	0	0	0	0	13,775	10,016	8,494
2,421	0	0	0	1,421	0	0	1,000	10,882	6,369
114,392	188	7,432	0	10,145	0	35	111,832	31,317	31,328
116	3	30	0	0	36	0	185	1,058	161
4,784	4	230	0	179	-281	0	4,558	1,145	1,322
30,389	171	1,533	0	1,843	260	0	30,510	2,562	2,971
46,144	1,945	4,778	0	1,528	0	0	51,339	8,525	9,673
1,528	0	421	0	0	-15	0	1,934	3,753	4,174
0	0	0	0	0	0	0	0	2,706	109
82,961	2,123	6,992	0	3,550	0	0	88,526	19,749	18,410
197,353	2,311	14,424	0	13,695	0	35	200,428	51,066	49,738

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

To the best of our knowledge and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Birkenwerder, 30 March 2012

Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Francotyp-Postalia Holding AG, Birkenwerder, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, notes to the consolidated financial statements, consolidated statement of cash flows and the consolidated statement of changes in equity, together with the Group management report, for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the company's officers. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (HGB) and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by company officers, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Francotyp-Postalia Holding AG, Birkenwerder, comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 30 March 2012

KPMG
Wirtschaftsprüfungsgesellschaft

Dr. Großmann
(German Public Auditor)

Krebs
(German Public Auditor)

GLOSSARY

TERMS AND DEFINITIONS OF FRANCOTYP

2D barcode technology

In contrast with one-dimensional barcodes, data in 2D barcode technology are coded not only in one direction (one-dimensional) but in the form of an area over two dimensions, hence the name. The advantage of this is that a greater density of useful information can be accommodated in each area (cf. also 2009 Annual Report p. 7).

A A Segment

Describes franking machine segment for customers with low mail volume (up to 200 letters per day).

After-Sales Business

Sale or rental of franking machines with follow-up business, e.g. service and technical support, sale of consumables.

B B Segment

Describes franking machine segment for customers with medium mail volume (from 200 to 2,000 letters per day).

BSI TR010201

The BSI develops Technical Guidelines in its various specialist departments. The accreditation of De-Mail providers also relies on specially developed technical guidelines.

C C Segment

Describes franking machine segment for customers with high mail volume (over 2,000 letters per day).

CentorMail

CentorMail is a high-tech franking machine from the FP Group for medium to high volumes of mail. The franking system with contact-free inkjet technology offers ease of use and comprehensive additional functions.

Certification

Official operating authorisation for franking machines.

Collective Communication

Individual daily mail, collated centrally.,

Consolidation

Refers to the sorting of letters by postcode, followed by bundling and passing on to a mail delivery centre in order to gain a rebate on the franking charge.

Country-Specific Variations

The postal organisations certify franking machines for a specific country in an extensive certification procedure. In order to obtain certification, the franking machines must meet the specifications set by the postal organisations. This results in a country-specific variation for each country in which a franking machine is certified.

D De-Mail

De-Mail is a communication tool to enable legally binding and confidential exchange of electronic documents over the internet. Mentana-Claimssoft is a member of the De-Mail project initiated by the German government.

Decertification

Withdrawal of certification for franking machines by the competent postal organisation in connection with a change in the technical requirements of the machines. A differentiation is made between hard decertification, whereby certification is also withdrawn from machines in the market, and soft decertification, whereby the new requirements are only applied to the type certification of new machines, while the old machines remain in the market and may continue to be used.

Digitalisation

Using the services offered by FP iab GmbH mail processing can be digitalised at certain points, i.e., inbound mail can be scanned and archived electronically. Outbound mail is sent electronically by PC to the printing centre, where it is processed into a completed letter.

DIN EN ISO 9001:2008

This quality management standard describes the requirements that the management of a company must satisfy in order to meet certain criteria in the implementation of quality management.

F FP businessmail

FP businessmail, like FP webmail, is a hybrid mail solution from the FP Group and works in a similar way to FP webmail. This solution is aimed at larger companies, as in these cases, the flow of data can be accessed directly via a data connection and processed further.

FP Navigator

A software solution for easier operation of PostBase using a PC keyboard or, alternatively a 22" touchscreen.

FP WebBrief

The online solution FP webbrief has been developed for private customers. This application is loaded via an internet browser. The user then types the text into a window as with a normal text program. The service is cost-effective and can be used even for a single letter.

FP webmail

FP webmail is a hybrid mail solution from the FP Group. With this mixture of electronic and physical mail, the sender sends a letter digitally and the recipient receives a physical letter. The FP Group takes care of such tasks as printing out and franking the letter, as well as inserting it into the envelope and handing it over to a mail delivery agent. This software solution works as a virtual printer, meaning that documents can be sent from Windows environments at the click of a mouse button. This entry-level solution is particularly suited to stand-alone solutions.

G GoGreen

GoGreen is an environmental protection programme for responsible logistics. The goal is to reduce CO₂ emissions by offering the option of sending mail in a CO₂-neutral manner. By using GoGreen products, customers can also make an active contribution to climate protection for a small surcharge.

H Hash Safe

A product available from mentana-claimsoft; Hash Safe is a signature archive for ensuring the long-term legal relevance of qualified signatures in accordance with section 17 SigV.

Hybrid Mail

Generic term for solutions in which letters are initially transported digitally, then printed out, inserted and franked. The finished letters are then passed on to a mail delivery centre.

I ISO 14001

The international environmental management standard ISO 14001 stipulates globally recognised requirements for an environmental management system that can be applied to both manufacturing and service-orientated companies.

L Liberalisation

Liberalisation is a process initiated politically at EU level, which has been gradually implemented in European countries since the start of the 1990s. Germany is a forerunner in Europe. As at 1 January 2011, the complete liberalisation of the postal market in Europe was concluded.

M MailCredit

MailCredit is a user-friendly PC application that connects you to the FP data centre simply, via the Internet. A fast Internet connection replaces the analogue modem of franking machinery and therefore works independently of telephony providers.

MailOne

MailOne is a newly developed software platform from FP USA. This offers additional functions such as special discounts for express and priority delivery, delivery tracking and invoicing based on various cost centres.

MailReport

The MailReport software serves for cost centre recording and analysis and provides the greatest possible transparency with regard to franking machines. Each franking process is immediately recorded in MailReport and assigned to a cost centre. Up to three cost centre levels can be set up.

M-Doc AutoSigner

A product available from mentana-claimsoft; M-Doc AutoSigner is a high-performance mass signature server for qualified signatures (SigG) without transaction costs for Windows and Linux.

MyMail

MyMail is the FP Group's franking machine for smaller volumes of mail. With this entry-level solution, customers can save up to three advertising themes and manage three cost centres. The correct postage can also be automatically determined via the optional scales.

O OfficeSigner

A product available from mentana-claimsoft that offers qualified signatures for MS Word®, Open Office, MS Windows® Explorer or Adobe Acrobat® Reader.

OHSAS18001

OHSAS (Occupational Health and Safety Assessment System) standard 18001 is the basis of an occupational health management system for companies.

Online letter

Online letter – occasionally also known as electronic letter or digital letter – is a general term for the electronic dispatch of letters. Online letters have hybrid and fully electronic versions.

OptiMail30

OptiMail30 is a franking machine from the FP Group that is ideally suited to small to medium volumes of mail. This machine, with economical thermal transfer printing, saves up to six advertising themes and has a large, easy-to-use display.

P Phoenix

See PostBase

Postage

Postage means the postal charges and / or the charges applied for the services. Payment is made by purchasing and attaching stamps, by printing with a franking machine or by electronic stamps – each of these methods is called franking.

Postage Credit Balance

Also referred to as restricted cash – in some countries, users of franking machines are obliged to pay postage credit in advance. These monetary amounts are managed by the FP Group and constitute amounts owed to customers. These credit balances are to be distinguished from teleporto.

PostBase

Latest franking system from the FP Group that combines the analogue and digital worlds of mail communication.

T Teleporto

A system of franking whereby the franking charge is downloaded by telephone or modem to the franking machines.

U UltiMail

UltiMail is an FP Group franking machine. It has a modular structure, offering up to nine storable advertising motifs, variable text messages in the franking imprint, optional differential weighing and as many as 150 cost centres.

W WebPost

WebPost is the professional online mail service launched around the world for mail communication outsourcing.

GENERAL DEFINITIONS**A Accreditation**

The term accreditation (Latin: *accredere*, give trust) is used in various areas to describe the circumstances when a generally recognised body has attested a particular (beneficial) quality to another.

Aval

As a collective term, "banker's guarantee" encompasses both guarantees and sureties, as well as bill guarantees, which a bank assumes on behalf of one of its customers against a third party.

B BNP

The BNP Paribas Group has operated in Germany since 1947 and offers a wide range of products for private customers, corporate customers and financial institutions. BNP Paribas is one of the leading foreign banks in Germany.

C Cashflow

Cash flow is a measured quantity in financial terms that represents the net inflow of cash from revenue-generating activities and other ongoing operations during a period.

CeBIT

CeBIT (Centrum für Büroautomation, Informationstechnologie und Telekommunikation – Centre for Office, Information and Communications Technology) is the world's largest trade fair for information technology and since 1986 has been held each spring at the Hanover fairground. CeBIT is organised by Deutsche Messe AG (DMAG).

Corporate Governance Code

The German Corporate Governance Code (DCGK) is a set of regulations compiled by a commission of the German government which contains suggestions for organising good corporate governance, covering ethical employee conduct and the management of companies and organisations.

D Derivatives

Derivatives are financial instruments whose price or value is linked to the rates or prices of other commercial goods (e.g. commodities or agricultural goods), assets (securities, such as shares or bonds) or to market-based parameters (interest rates, indices).

DPAG

Abbreviation for Deutsche Post AG.

E EBIT

EBIT (earnings before interest and taxes) is a measurement of profitability. It comprises net income before taxes, interest expenses and extraordinary items.

EBITA

EBITA (earnings before interest, tax and amortisation), similarly to the EBIT profit ratio, denotes the result of ordinary operating activities.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin

The EBITDA margin is the percentage share of EBITDA in the revenue of a company within a certain period.

EURIBOR

European InterBank Offered Rate (EURIBOR) is the interest rate in euros for short-term money in interbank lending.

G Gearing

Gearing is an indicator of a company's debt and reflects the relationship between borrowed debt capital and the company's equity

German Job Investment Award

The German Job Investment Award is a prize awarded jointly by the Rhein-Main Business Club and the Federal Employment Agency.

I IAS

International Accounting Standards. See also IFRS.

Internationaler Währungsfonds (IWF)

The International Monetary Fund (IMF) is a special organisation of the United Nations. It is a sister organisation to the World Bank Group and is based in Washington, DC, USA. Its responsibilities include fostering global monetary cooperation, expanding international trade, stabilising exchange rates, granting loans, monitoring monetary policy and providing technical assistance.

Interest rate swap

An interest rate swap is an interest rate derivative for which two contractual partners agree to exchange interest payments at specified nominal amounts on certain dates. Most of the interest payments are set such that one party pays an interest rate fixed at the time the contract is included, while the other party pays a variable interest rate ("plain vanilla swap").

IFRS

International Financial Reporting Standards. These comprise the standards of the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

L LIBOR

London Interbank Offered Rate (also Libor, LIBOR) is the reference interest rate fixed daily for interbank lending that is fixed every working day at 11:00 hours London time.

M M & A activities

Refers to both the process involved in company acquisitions and mergers as well as the sector of services providers which deal with them, such as investment banks, company lawyers, auditors and consultants. In the investment banking sector, M & A is regarded as a sub-area of corporate finance.

N Net Working Capital

Net working capital enables the net funding requirement for current assets to be determined. It is defined as the capital that generates revenue for a company without resulting in capital costs in the strictest sense.

O Outsourcing

Refers to the delegation of production and tertiary services to third parties.

S Stock Corporation Act

The German Stock Corporation Act (Aktiengesetz – AktG) regulates the establishment, constitution, accounting, annual general meetings liquidation of stock corporations and partnerships limited by shares. German group law is also regulated in the Stock Corporation Act.

Syndicated loan

In banking, a syndicated loan is the extension of uniform credit to a borrower by at least two banks.

U UPU – Universal Postal Union

The Universal Postal Union (UPU) was founded in 1874 and regulates the international cooperation of postal authorities and the conditions for cross-border postal services. It is headquartered in Bern, Switzerland.

W WpHG

The Securities Trading Act (Wertpapierhandelsgesetz – WpHG) regulates securities trading in Germany and serves in particular to monitor service providers involved in the trading of securities, as well as financial futures contracts, but also to protect customers.

FINANCIAL CALENDAR / IMPRINT

Annual Report 2011	19. April 2012
Presentation 1st Quarter Results 2012	24. May 2012
Annual General Meeting 2012	27. June 2012
Presentation Half-year Report 2012	30. August 2012
Presentation 3rd Quarter Results 2012 / Equity Forum 2012 Frankfurt	12. – 14. November 2012

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STATEMENT RELATING TO THE FUTURE

This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of Francotyp-Postalia Holding AG. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. Francotyp-Postalia Holding AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this annual report. It is neither the intention of Francotyp-Postalia Holding AG nor does Francotyp-Postalia Holding AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The annual report is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at <http://www.francotyp.com>.

MULTI-YEAR OVERVIEW

Figures in accordance with consolidated financial statements in EUR million	2011	2010	2009	2008	2007
Revenues	159.4	147.3	129.0	142.4	145.1
Increase in revenues (%)	n/a	14.2	-9.3	-1.9	1.5
Recurring revenues	125.0	111.8	95.5	96.6	87.0
EBITDA	13.1	25.5	20.6	18.2	25.2
as percentage of revenues	8.2	17.3	16.0	12.8	17.4
EBITA	1.2	14.4	9.2	3.5	15.3
as percentage of revenues	0.8	9.8	7.1	2.5	10.5
Operating income EBIT	-1.3	7.5	-15.7	-11.0	-2.9
as percentage of revenues	n/a	5.1	-12.2	-7.7	-2.0
Net income / lost	-4.6	2.7	-16.6	-14.5	-2.8
as percentage of revenues	n/a	1.8	-12.9	-10.2	-1.9
Free Cashflow	2.4	9.4	9.8	3.5	3.0
as percentage of revenues	1.5	6.4	7.6	2.5	2.1
Equity capital	14.7	14.7	14.7	14.7	14.7
Shareholders equity	15.9	19.6	15.3	31.0	55.4
as percentage of revenues	11.9	14.4	11.4	19.1	29.8
Return on equity (%)	n/a	13.8	n/a	n/a	n/a
Debt capital	117.2	116.3	119.0	131.1	130.5
Net debt	30.0	31.8	41.0	51.8	51.1
Net indebtedness percent	188.7	162.0	268.0	167.0	160.4
Balance sheet total	133.1	135.9	134.3	162.1	185.9
Share price end of the year in EUR	2.11	3.15	1.62	0.85	6.55
Earnings per share in EUR	-0.27	0.23	-1.12	-0.96	-0.18
Employees (exact number)	1,136	1,113	1,041	1,121	1,092

