



PAPER OR ELECTRONIC.
**FP – EXCELLENCE
IN COMMUNICATION**

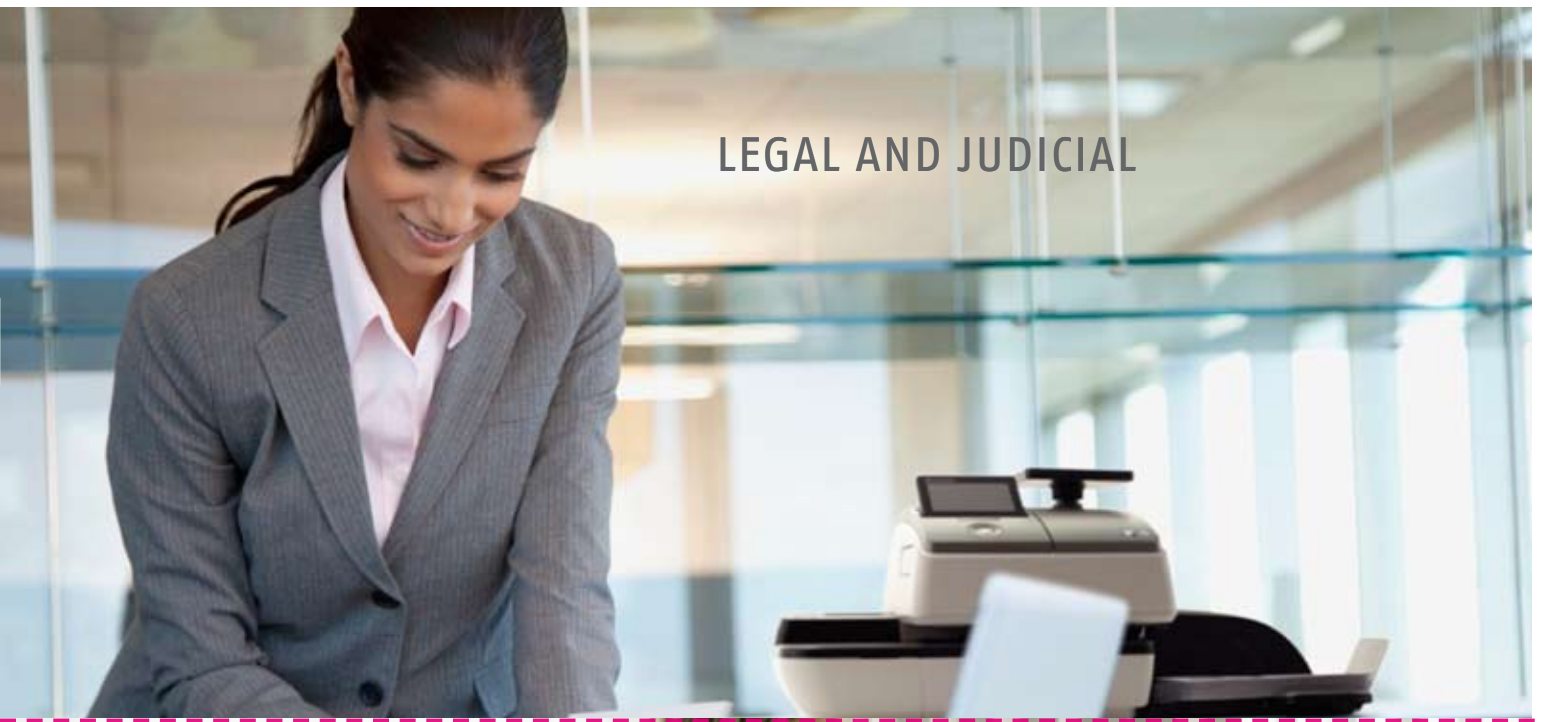
Annual Report 2012

FP 
fp-francotyp.com



Business mail communication is multifaceted. 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.

LEGAL AND JUDICIAL



FINANCE



HEALTH CARE



KEY FIGURES

Figures in accordance with consolidated financial statements in EUR million	2012	2011	Changes %
Revenues	165.6	159.4	3.9
Recurring revenues	132.1	125.0	5.8
EBITDA	19.0	13.1	45.0
as percentage of revenues	11.5	8.2	
Operating income EBIT	9.1	-1.3	n/a
as percentage of revenues	5.5	n/a	
Net income / loss	4.0	-4.6	n/a
as percentage of revenues	2.4	n/a	
Free Cash Flow	-7.0	2.4	n/a
as percentage of revenues	n/a	1.5	
Equity capital	16.2	14.7	
Shareholders equity	23.2	15.9	46.2
as percentage of balance sheet total	17.2	11.9	
Return on equity (%)	17.2	n/a	n/a
Debt capital	112.8	117.2	-3.8
Net Debt	33.3	30.0	11.0
Net indebtedness percent	143.5	188.7	
Balance sheet total	136.0	133.1	2.2
Share price end of the year in EUR	2.48	2.11	17.5
Earnings per share in EUR	0.27	-0.27	n/a
Employees (end of period)	1,093	1,136	-3.8

FACTS AND FIGURES ANNUAL REPORT 2012

POSTBASE

10,000

Franking System
and more sold or leased by FP
since March 2012.

WORLD MARKET SHARE

10.4

Percent
FP is the world's third largest
manufacturer for franking
machines.

DE-MAIL-PROVIDER

1st

Provider
FP was accredited as the
first provider in 2012.

SALES SUBSIDIARIES

11

Sales Subsidiaries
Global sales is realised via FP's
own companies ...

WORLDWIDE NETWORK

40

countries
... and via a tightly integrated
dealer network.

CONSOLIDATION

190

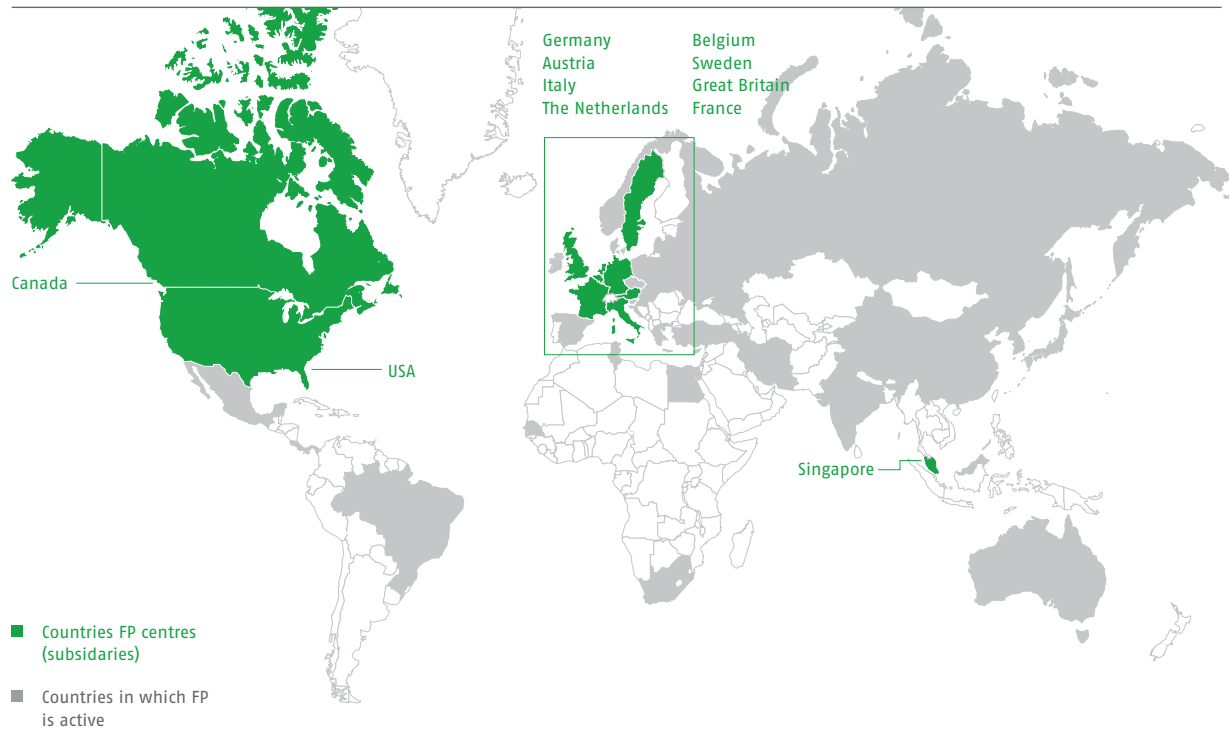
million letters
FP consolidated and delivered
approx. 190 mio. letters in 2012.

COMPANY PROFIL

The FP Group is the first Multi-Channel-Provider for mail communication. Our long-established company, based in Birkenwerder near Berlin, operates in over 40 countries and employs around 1,100 employees worldwide. As postal markets have become increasingly liberalised, the

Group has moved from being a producer of franking machines to being the expert in mail communication. This means that FP covers the entire post distribution chain – from traditional channels through to the legally binding dispatch of e-mails.

FRANCOTYP OVERVIEW



PRODUCT SEGMENTS

FRANKING AND INSERTING

In the Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines. Franking machines enable letters to be franked automatically.

MAIL SERVICES

The Mail Services segment comprises the consolidation of business mail. This service includes collecting letters from clients, sorting them by postcode and delivering them to mail carriers. Postage discounts are granted for this service.

SOFTWARE SOLUTIONS

The innovative software solutions 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 all security and legal standards. Two options are available here: fully electronic or hybrid mail.



*Paper or Electronic.
FP – Excellence for your mail.*

*From left to right: Andreas Reinwaldt, System Consultant / Account-Manager
Antje Gellert, System Consultant / Account-Managerin
Steffen Borgmeier, System Consultant / Account-Manager*




LEGAL AND JUDICIAL

Secrecy of correspondence and data protection guidelines are compulsory for a lawyer's office. With FP I can ensure these principles are observed.



FINANCE

We ensure our clients. FP is our insurance that guarantees smooth mail communication.



HEALTH CARE

Preserving the confidence of my patients is extremely important to me. With FP, I can rest assured that my correspondence will not betray their confidence.

CONTENT

FÜR DEN FP GESCHÄFTSBERICHT 2012

4 FOREWORD OF THE MANAGEMENT BOARD	36 GROUP MANAGEMENT REPORT
4 Management Board	37 Business and general environment
8 FP – EXCELLENCE IN COMMUNICATION	50 Net assets, financial position, and results of operations
Sector > Legal and Judicial	60 Events after the balance sheet date
12 REPORT OF THE SUPERVISORY BOARD	60 Risk and opportunity report
17 SUPERVISORY BOARD	66 Forecast
18 FP – EXCELLENCE IN COMMUNICATION	69 Other disclosures
Sector > Finance	78 CONSOLIDATED FINANCIAL STATEMENT
22 DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT	79 Consolidated Statement of recognised Income and Expense
28 FP – EXCELLENCE IN COMMUNICATION	80 Consolidated Balance Sheet
Sector > Health care	82 Consolidated Cash Flow Statement
32 INVESTOR RELATIONS/THE SHARE	83 Consolidated Statement of Changes in Equity
	84 Notes
	150 RESPONSIBILITY STATEMENT
	151 INDEPENDENT AUDITOR'S REPORT
	152 GLOSSARY
	156 FINANCIAL CALENDAR/ IMPRINT
	Multi-year overview

*Sales Subsidiaries
worldwide*

11

1,093

*Employees in all
key markets*

The FP Group offers outstanding products and services. The employees of the Group are behind the success of the FP Group. Their identification with FP and their commitment to ist targets make a crucial contribution to the company's long-termin success.

FOREWORD OF THE MANAGEMENT BOARD



MANAGEMENT BOARD

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

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

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

Born 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.

Dear Shareholders, Ladies and gentlemen,

In the past financial year, the FP Group increased its revenue and income despite significant challenges: Revenue rose by 4% to EUR 165.6 million, while EBITDA improved 45% to EUR 19.0 million. At the same time, the Group returned to profitability with consolidated net income of EUR 4.0 million.

This profitable growth shows that our strategy is beginning to bear fruit. Increasing revenues are the result of the company's consistent evolution into a multi-channel provider for mail communication, while the rise in earnings is particular proof of the success of the production restructuring measures over the past two years. However, opening the new central production site in Wittenberge, Brandenburg, again confronted the FP Group with unique challenges in the first half of 2012. Difficulties in the process and supply chain at the old and new production sites took longer to resolve than anticipated; the resulting back orders were not cleared quickly enough and negatively impacted German business in particular. Production in Wittenberge finally reached a steady state in summer 2012. Since then, the FP Group has benefited from a state-of-the-art, efficient production facility that supplies customers with the products they need quickly and to a high standard.

One of the focuses of production is the new PostBase franking system. Very high demand from our customers confirms our product approach and clearly shows that the considerable investments in developing this system will pay off. As our customers have confirmed time and again, PostBase's appeal is not only based on its award-winning design, but particularly on its ease of use and extremely low noise levels. In 2012, more than 2,000 customers in Germany alone chose the PostBase system. Demand is even greater in the USA, where we have already sold over 6,000 of these franking systems. Since January 2013, the decertification announced by the US postal service has been providing an additional boost. Decertifications are performed by postal companies to replace older franking systems with a new technological standard. The new decertification concentrates on franking systems in the lower segment – which includes PostBase – and is set to run until the end of 2015. The launch of PostBase in new countries offers further opportunities; the UK leads the way in early 2013 with countries such as Italy and Canada to follow.

We will continue to invest in the traditional franking business, which remains an integral part of mail communication for companies and authorities. But franking systems are just one pillar in our multi-channel approach for mail communication, accompanied by hybrid and fully electronic solutions as well as supplementary services. Since March 2012, the FP Group has been the first accredited De-Mail provider in Germany – and the stringent legal requirements for this secure form of fully electronic communication will limit the number of competitors. Working like e-mail and as secure as a letter, De-Mail is the only method by which consumers, companies and authorities in Germany can send their letters in a legally binding, digital format. It will take time for authorities, companies and private customers to become accustomed to this innovative form of communication. However, De-Mail will make its mark in Germany in the medium to long term, opening up attractive sales potential for the FP Group.

Although the FP Group operates worldwide, until now it has only offered fully electronic solutions in Germany because the country already has the requisite legal bases. Nevertheless, we also see potential to roll out the De-Mail system throughout Europe at least. From the outset, therefore, we have taken part in initiatives that pursue this goal. These include the EU SPOCS project (Simple Procedures Online for Cross-Border Services), which focuses on establishing the next generation of online portal for e-Government services beyond the borders of the individual EU member states.

Our aim is clear – the FP Group is the expert in physical and electronic mail communication. As a multi-channel provider, we supply suitable product packages along the entire value-added chain for written communication. These packages are tailored to the specific requirements of the industry in question. After all, doctors have different needs to insurers, and lawyers communicate in a different way to production facilities. Whatever the situation, the FP Group makes written communication significantly easier with customised processes. The spectrum ranges from franking and inserting machines, to long-term archiving systems and De-Mail, right through to collecting, sorting and delivering letters at the postal distributor.

We have laid the foundations for this comprehensive scope of services over the past few years. And while it may have been a challenge, the effort has paid off. At this point, we would like to thank all of our employees for their dedication and willingness to help shape the development of our company. We would also like to thank all of our customers. Without your trust, we could not have achieved this success. You are the basis for sustainable and profitable growth.

Profitable growth will be a key feature of the FP Group's development over the coming years. This year, revenue is expected to rise to at least EUR 168 million and the EBITDA result to at least EUR 22 million. It should be noted that we announced in summer 2012 that we would successively compensate the losses made due to the temporary challenges faced in 2012. In the next two years, we aim to increase revenue and earnings even further. Our targets for 2015 are revenue of EUR 178 million, EBITDA of EUR 30 million and a consolidated net result of around EUR 8 million. Our strong position in the traditional franking market and the opportunities for growth through hybrid and fully electronic communication solutions offer good conditions for targeted growth and the consolidation of financial and earnings power.

We would not be able to implement this strategy without the ongoing commitment of our owners. We would therefore like to thank all of our shareholders for your confidence in what proved to be a challenging 2012. The course has been set for profitable growth in the coming years. And it is for us to place these opportunities within the grasp of investors, opening up new arenas for the company's shares.

Yours sincerely



Hans Szymanski
(Chairman of the Management Board)



Andreas Drechsler
(Member of the Management Board)

In chambers, we work with lots of files, client and legal correspondence, so we need efficient communication solutions.

TAILORED SOLUTIONS FOR LAWYERS AND NOTARIES

Lawyers and notaries communicate in writing on a daily basis. However, their requirements differ greatly depending on whether they are communicating within their office, with another legal practice, or with courts and clients. The FP Group offers the right solution for every situation.

Scan the QR code to find out more about FP's solutions for the legal and judicial sector:



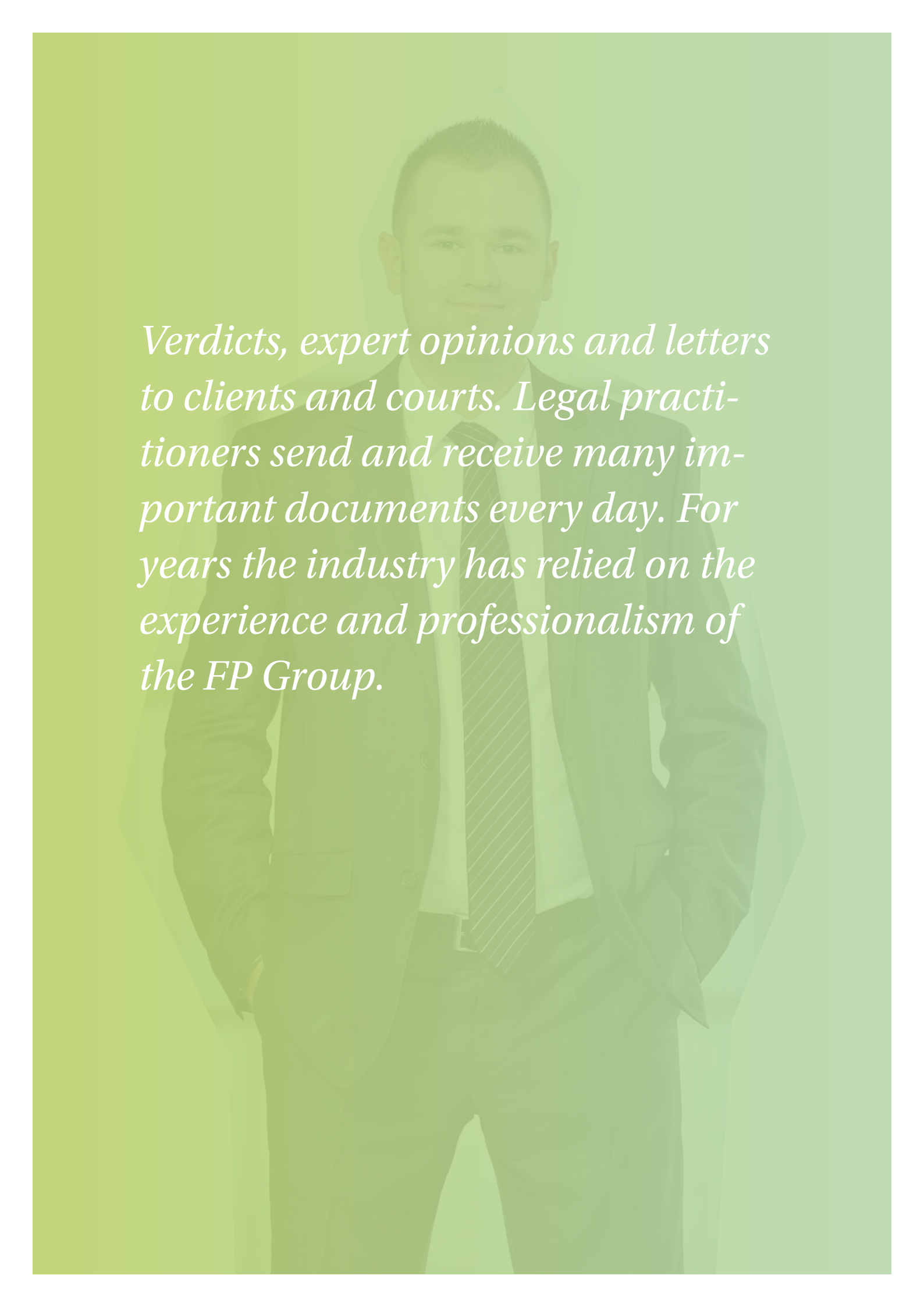
For many lawyers and notaries, written communication structures their daily lives. The FP Group offers optimal solutions for this professional group – from franking machines to fully electronic communication.





*We know our clients' motives.
In Germany alone, more than 4,500 lawyers
and notaries place their trust in us.*

*Steffen Borgmeier
System Consultant / Account-Manager*

A man in a dark suit, white shirt, and striped tie stands with his hands in his pockets. The image is overlaid with a semi-transparent green gradient. The text is centered over the image.

Verdicts, expert opinions and letters to clients and courts. Legal practitioners send and receive many important documents every day. For years the industry has relied on the experience and professionalism of the FP Group.

A CASE FOR FP

WRITTEN COMMUNICATION PLAYS A CENTRAL ROLE IN THE WORK OF LAWYERS AND NOTARIES. THE FP GROUP CAN OFFER A COMPLETE RANGE OF SUITABLE SERVICES.

Scarcely any professional group prizes reliability as highly as legal practitioners. They need to know that their documents will definitely arrive. After all, a declaration only becomes effective upon delivery to the recipient.

De-Mail plays an important role in this regard. Lawyers and notaries can send their expert reports, verdicts, and court documents in a legally binding, fully electronic manner. And all thanks to De-Mail, which enables the confidential and legally binding exchange of electronic documents via the Internet. Conventional e-mail communication over the Internet has its risks. In contrast, De-Mail communication takes place between uniquely identified users via encrypted communication channels. Ease of use is the decisive criterion here, and De-Mail combines the security and confidentiality of a letter with the flexibility and speed of an e-mail.

In March 2012, FP subsidiary Mentana-Claimsoft was the first company to be accredited as a De-Mail provider by the German Federal Office for Information Security (BSI). This legally secure, fully electronic method of transferring documents will become increasingly important over the next few years. After all, everyone wants to save time and money – not just legal firms.

EXCHANGING DOCUMENTS

The PostBase Gateway – software for integrating all De-Mail functionalities – is an excellent complement to the daily work of lawyers and notaries, allowing them to send their documents either digitally (as De-Mail) or in hybrid format as desired. FP iab handles the entire process for the hybrid variant, printing out the data and sending it as a traditional letter. Very little changes at the customer's end – they can continue to use their usual mail programs and Post-Base Gateway will adjust the e-mail to the desired format. The Gateway also forwards incoming De-Mails to the mail program, enabling exchange with EGVP software (electronic court and administration inbox).

COURT CORRESPONDENCE AND CLIENT COMMUNICATIONS

De-Mail will play a key role in the communication of the future. But legal offices still receive a great deal of traditional paper letters, for example court correspondence and client communications. PostBase is the ideal system for quick letter franking. The machine has just one button – the power switch – and all further operations are carried out simply and intuitively using a 4.3-inch touchscreen. But its innovative operating concept is not its only selling point – PostBase also unites the worlds of analogue and digital mail communication. All of the traditional functions of a franking machine can be used via PC with the aid of its self-explanatory operating system. Users can select the right postage value, print the sender's details and decide which cost centre to invoice via the connected PC program.

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 2012 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 eleven meetings were held in the last year, of which four were ordinary meetings and seven were extraordinary meetings. Four meetings were held via telephone conference. Nine meetings were held jointly by the Supervisory and Management Boards. The Management Board did not take part in two meetings.

The meetings focused on the following issues:

- Establishment of new production in Wittenberge and discontinuation of production in Birkenwerder
- Strategic projects, particularly the launch of PostBase on the German and US markets and the planned launch of PostBase in additional countries
- Product development in the area of physical and electronic mail communication, in particular progress in launching De-Mail in Germany
- Sales organisation measures
- Net assets, financial and earnings position

The meetings held by both the Supervisory and Management Boards took place on 31 January, 23 March (telephone conference), 29 and 30 March (meeting held over two days), 18 April (telephone conference), 26 June, 31 July, 7 September (telephone conference), 27 September and 6 December (budget meeting). On 19 April (telephone conference) and 27 June 2012 (constituent meeting) the Supervisory Board held meetings without the participation of the Management Board.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN ONGOING DIALOGUE

The 2012 financial year was marked by four key events in operating business:

- Launch of the new PostBase franking system on the FP Group's two largest markets (Germany and the USA)
- Accreditation as the first De-Mail provider in Germany
- Closure of the old production site in Birkenwerder and opening of the new production site in Wittenberge
- Sales organisation measures

After several years of development, the launch of the PostBase system on the German market kicked off on 6 March 2012 at the CeBIT trade fair in Hanover. One month later, PostBase was launched in the USA. Since then, around 10,000 PostBase systems have been installed in Germany and the USA alone. The new franking system has been very well received by customers of the FP Group. This became all the more important at the end of the last financial year, when USPS announced the decertification process that began on 1 January 2013. The announced decertification of old franking machines still on the market related to precisely those machines in the same segment as PostBase. The Management Board provided the Supervisory Board with regular updates on the progress of the market launch, the announced decertification in the USA and its consequences for the FP Group's sales, net assets, financial position and results of operations.

Also on 6 March 2012, the Management Board of Francotyp-Postalia Holding AG and the Managing Director of Mentana-Claimsoft GmbH received the company's accreditation from the German Federal Office for Information Security (BSI) as a De-Mail provider in Germany – the first of its kind. The Management Board also kept the Supervisory Board constantly informed of the progress made in this key strategic product segment. The meetings held on 18 and 19 April 2012 were used in particular for the intensive exchange of information.

On 31 March 2012, production at the Birkenwerder site was discontinued as scheduled. When the set-up of the new production site in Wittenberge began, it appeared that facilities would be closed and established without major problems. However, as the deadline grew closer for discontinuing production in Birkenwerder, it became clear that an increase in staff illness at the old production site and the accordingly expedited transition to production in Wittenberge would lead to delays in production. However, the measures initiated did not make up for the delays as quickly and extensively as hoped, meaning that the new production site did not reach the steady state desired until summer 2012. The meetings on 29 and 30 March, 26 June and 31 July 2012 focused on the establishment of the new production facility. In these meetings the Boards also discussed the status of the legal challenge to the resolution of the conciliation body of 23 August 2011 and options for exhausting all legal measures. In the meantime, the Management Board informed the Supervisory Board that all judicial processes had now been executed and that the appeal filed against denial of leave to appeal had also been rejected by the Federal Labour Court in its ruling on 22 January 2013. The Supervisory Board has also been informed that the verdict of the conciliation body has become final and that the remaining severance payments to the entitled former employees were paid with the remuneration for February 2013.

In the meetings on 7 September, 27 September and 6 December 2012, the Supervisory and Management Boards specifically discussed the topic of sales and sales organisation in the FP Group. The concept presented by the Management Board focuses on measures for expanding the dealer network, ramping up sales activities, the new customer approach strategy for acquiring new customers and competitor's customers and for improving sales capacity utilisation.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

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.

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 disapplying, by partially utilising approved capital in accordance with Section 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. 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 capital increase was accompanied by Hauck & Aufhäuser Privatbankiers KGaA. The issue amount was EUR 2.66 per share. The company received gross proceeds of EUR 3,883,600 from the capital increase. The new shares were delivered on 28 March 2012. The new shares were admitted to the Frankfurt Stock Exchange without prospectus for trading on the Regulated Market and to the subsection of the Regulated Market with additional obligations resulting from admission (Prime Standard) at the Frankfurt Stock Exchange. The shares were included in trading on 29 March 2012.

As described, the 2012 financial year presented the FP Group with significant challenges relating to the restructuring, challenges that the FP Group overcame in the second half of the year. However, it took some time to compensate for the losses in revenue and earnings from the second quarter of 2012. The Supervisory and Management Boards discussed these issues in the meeting on 31 July 2012 in particular. In light of these matters, the Management Board adjusted its earnings forecast for the year as a whole on 23 August 2012. The Management Board adjusted the EBITDA forecast to EUR 19 – 21 million rather than the previously anticipated EBITDA of at least EUR 25 million, and reduced the EBIT forecast to EUR 8 – 10 million from at least EUR 12 million.

Overall, the FP Group increased its revenue by 3.9% in 2012 to EUR 165.6 million after EUR 159.4 million in the previous year. The planned savings from restructuring production were in evidence, allowing the FP Group to reduce staff expenses by a significant 11.5% over the course of 2012 to

EUR 53.3 million (previous year: EUR 60.2 million). However, over the same period, the cost of materials increased by 15.6% in relation to revenue from EUR 62.8 million to EUR 72.7 million. This was mainly due to the strongly growing but low-margin consolidation business increasing the cost basis. Irrespective of this, the FP Group increased its EBITDA result by 45% to EUR 19.0 million in 2012 compared with EUR 13.1 million in the previous year. Consolidated net income improved to EUR 4.0 million compared with EUR -4.6 million in 2011.

The Supervisory and Management Boards are both of the opinion that the FP Group is on the right track. After overcoming major challenges in 2012, the FP Group is now returning to success. The foundations laid will serve as the basis for a long-term boost to the FP Group's earnings and financial power.

The budget for the following year prepared annually by the Management Board was discussed in detail by the Supervisory and Management Boards at the meeting on 6 December 2012. The Supervisory Board approved the prepared budget.

COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

In preparation for the 2012 Annual General Meeting, a supplementary motion was filed by the shareholder LRI Invest S.A. in accordance with Section 122 paragraph 2 AktG. With this motion, the following items were added to the agenda for the Annual General Meeting of Francotyp-Postalia Holding AG published in the electronic Federal Gazette on 18 May 2012:

ITEM 5 Dismissal of the Supervisory Board member Prof Dr Michael Hoffmann

LRI Invest S.A. proposes that the following resolution be passed: Member of the Supervisory Board, Prof Dr Michael Hoffmann, is dismissed with effect from the end of the Annual General Meeting.

ITEM 6 Election to the Supervisory Board

Provided that the Annual General Meeting has voted to dismiss the former member of the Supervisory Board Prof Dr Hoffmann in accordance with proposed resolution 5, LRI Invest S.A. proposes that the following resolution be passed: Mr Felix Hölzer, resident at Frauenlobstr. 29, 60323 Frankfurt am Main, Germany, graduate in business studies, currently employed as a managing partner of the investment company Novum Capital Beratungsgesellschaft mbH, Frankfurt am Main, is elected to the Supervisory Board. The election shall be effective from the end of the Annual General Meeting in which the resolution is passed until the end of the Annual General Meeting in which the Supervisory Board is approved for the 2015 financial year.

Mr Hölzer is currently not a member of any supervisory boards required to be formed by law or any comparable domestic or foreign supervisory committees of commercial enterprises.

The Annual General Meeting held on 27 June 2012 accepted agenda items 5 and 6.

On the same day, member of the Supervisory Board Christoph Weise announced his resignation as of 27 July 2012. Following the departure of the former Chairman of the Supervisory Board, a constituent meeting of the Supervisory Board was held immediately after the Annual General Meeting on 27 June 2012, where Dr Claus Gerckens was elected Chairman of the Supervisory Board.

An application was made to the court upon petition by the Management Board to appoint Robert Feldmeier to the Supervisory Board with effect from 28 July 2012 until the 2013 Annual General Meeting. During the extraordinary Supervisory Board meeting held on 31 July 2012 following this judicial appointment, Mr Felix Hölzer was elected Deputy Chairman of the Supervisory Board.

The petition for the judicial appointment of Mr Robert Feldmeier as a Supervisory Board member was preceded by an extensive selection process. Due consideration was given not only to the legal provisions, but also to the recommendations of the Corporate Governance Code. This means that the members of the Supervisory Board are satisfied that he has the knowledge, skills and professional experience required for the proper performance of its duties. It should also be noted that the Supervisory Board considers itself to include an appropriate number of independent members and that women are adequately represented. At present, there are no women on the company's Supervisory Board. However, the Supervisory Board is of course committed to the recommendations of the Corporate Governance Code and has taken due account of suitably qualified female candidates in the selection process.

Robert Feldmeier holds a degree in business administration. Between 1984 and 1995 he occupied leading positions at IBM Deutschland GmbH, lastly as Head of Sales for the Personal Computer division. From 1996 to 2010, Feldmeier transformed the then TA Triumph-Adler AG from a broadly diversified medium-sized holding company into Germany's market leader in document business; from 2001 as Management Board member for marketing and sales, and from 2005 as the Chief Executive Officer (CEO) of the entire group. In this way, he secured the traditional company's existence as a going concern. In 2007, the economic magazine *Impulse* and BDO AG Wirtschaftsprüfungsgesellschaft recognised his achievements in the successful repositioning and value-orientated development of the listed company, presenting him with the award for the "Turnarounder of the Year". Mr Feldmeier has particular experience and expertise in strategic alliances, financing structures, exports, brand management and sales. He acts as an advisor to several renowned listed companies.

The Management and Supervisory Boards were unanimous in their belief that Robert Feldmeier can support the FP Group, particularly with regard to sales, and employ his ten years of experience on management boards.

As at 19 February 2013, Felix Hölzer resigned his mandate as member and Deputy Chairman of the Supervisory Board with effect from 31 March 2013. The Management and Supervisory Boards have filed a motion at Neuruppin District Court to appoint Mr Klaus Röhrig as the new member of the Supervisory Board for the transitional phase until Supervisory Board members for the FP Group are elected at the upcoming Annual General Meeting on 27 June 2013. On 14 March 2013, Neuruppin District Court appointed Mr Klaus Röhrig to the Supervisory Board with effect from 1 April 2013 in accordance with the petition. Mr Klaus Röhrig had already declared an interest in assuming a place on the Supervisory Board, and therefore responsibility for the company, in January of this year after he exceeded the threshold of 10%. The Management and Supervisory Boards welcome his decision and look forward to working with him.

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.

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 conflicts of interest.

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 2012 as well as the consolidated financial statements and Group management report to 31 December 2012, 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 9 April 2013, in the presence of the independent auditor, who reported on his main audit findings, the 2012 annual financial statements, 2012 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 9 April 2013. 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 2012 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. Smaller efficiency audits performed by the company itself are scheduled every year and are also conducted every three years by an external consultant. Accordingly, an efficiency audit should have been performed for 2012. Due to the changes to the Supervisory Board, the annual efficiency audit was postponed to 2013.

In accordance with the compliance guidelines introduced worldwide in 2011, the Supervisory Board receives regular reports on compliance in the FP Group. There were no occurrences in the 2012 financial year.

EXPRESSION OF THANKS

The FP Group has overcome great challenges and is on the right track. PostBase has been successfully launched on the FP Group's main markets – Germany and the USA. This was then extended to Austria at the end of 2012 and the UK and Canada in early 2013. Cost-efficient and flexible production allows sales requirements to be addressed rapidly. De-Mail is enjoying increasing acceptance on the market. The FP Group has thus set an important course for the future, and for profitable and sustainable company growth. The Supervisory Board would like to thank former Supervisory Board members Prof. Dr. Michael Hoffmann and Christoph Weise for their many years' constructive cooperation on behalf of the company. It would also 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.



9 April 2013

The Supervisory Board
Francotyp-Postalia Holding AG

Dr Claus Gerckens

SUPERVISORY BOARD

Dr Claus Gerckens
Born in 1950

Dr. rer. soc. Chairman of the Supervisory Board (27 June 2012 – 9 April 2013). Since 9 April 2013 Deputy Chairman of the Board

Robert Feldmeier
Born in 1957

University degree in business administration and commerce, member of the Board since 28 July 2012

Klaus Röhrig
Born in 1977

Master in economic and social science, member of the Supervisory Board since 1 April 2013. Since 9 April 2013 Chairman of the Supervisory Board

In the insurance industry, we need a flexible and reliable partner to process our daily correspondence.

THE RIGHT COMMUNICATION CHANNELS FOR INSURANCE COMPANIES

Whether a bank, insurance company or financial service provider, every company in the financial sector uses written documents. The FP Group offers the right method of communication for all those involved in what is an increasingly regulated market – from the PostBase franking system to hybrid mail and De-Mail.

Scan the QR code to find out more about FP's solutions for the financial sector:



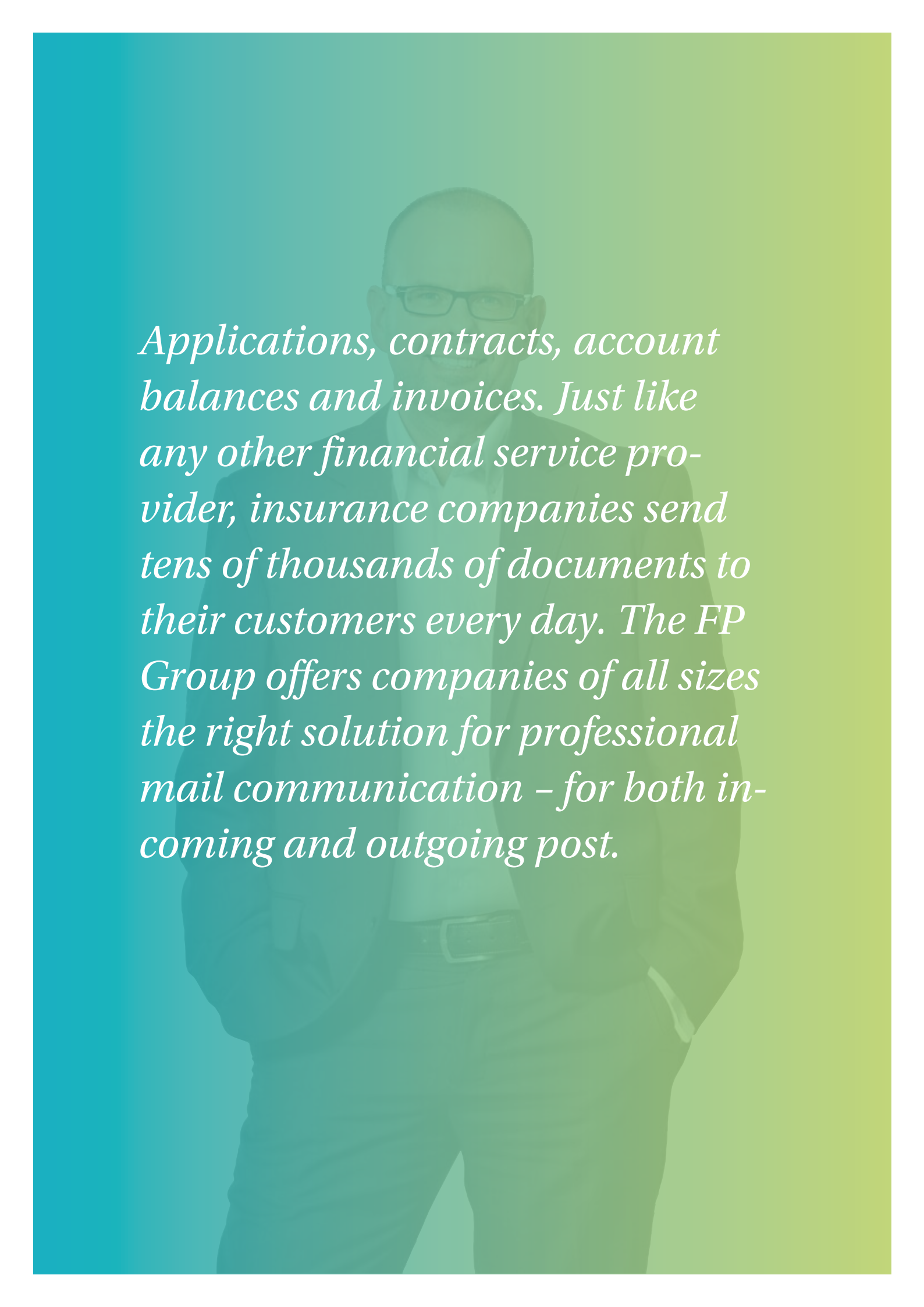
Employees at insurance companies send and receive post every day. The FP Group offers tailored, comprehensive solutions for the entire industry.





When it comes to mail communication, we don't take any risks. Our solutions for the financial sector are secure and efficient.

*Andreas Reinwaldt
System Consultant / Account Manager*



Applications, contracts, account balances and invoices. Just like any other financial service provider, insurance companies send tens of thousands of documents to their customers every day. The FP Group offers companies of all sizes the right solution for professional mail communication – for both incoming and outgoing post.

PLAY IT SAFE WITH FP

THE FP GROUP OFFERS INSURANCE COMPANIES SECURE, PERFECT COMMUNICATION FROM A SINGLE SOURCE.

Life is full of risks – which is why insurance companies offer a wide range of products, from pension plans to supplementary dental insurance. They need the right communication channel for each type of insurance. And this is why the FP Group offers a comprehensive spectrum of products and services.

Their many years of experience with finance customers, particularly those in the insurance sector, mean that FP's experts know the importance of efficient and professional written communication and the requirements of insurance companies in particular. There's a good reason why so many insurance companies trust in the industry expertise of the FP Group. The complete package encompasses optimal solutions for physical and fully electronic communication.

FULLY ELECTRONIC DISPATCH OF CONFIDENTIAL DOCUMENTS AND DATA

Insurance companies can send personal information, expert assessments and damage documentation completely electronically. De-Mail enables the legally binding and confidential exchange of electronic documents via the internet. FP's subsidiary Mentana-Claimsoft is an accredited De-Mail provider and is helping an increasing number of companies to recognise the advantages of legally binding, electronic mail communication.

LONG-TERM DOCUMENT ARCHIVING

Insurance companies do not just send out large quantities of post – they also receive a great number of letters from their customers. They can digitalise and archive both incoming post and ongoing customer communications in a manner enabling identification and processing at all times. For this purpose, the FP Group offers long-term archiving solutions. As well as digitalisation, services encompass secure and transparent archiving.

These can also be used for documents that need to be retained for longer periods. In Germany, to ensure integrity and authenticity, documents must be signed again and a qualified time stamp added in accordance with the Ordinance on Electronic Signatures (SigV). However, since data volume doubles each year on average, adding a new signature to every single document would incur extremely high costs and take a great deal of time. For this reason, the FP Group has developed a solution that consolidates all signature data records during the archiving process.

SENDING APPLICATIONS AND POLICIES

Applications and policies are still sent in the traditional manner. And the PostBase system enables simple, professional franking. Its new operating concept, which employs a touchscreen, is a hit with customers and makes matters simpler and more convenient. Machine franking does not just save time – it also cuts costs.

PREMIUM STATEMENTS AND INFORMATION

FP BusinessMail is the perfect solution for premium statements and sending information. The key word? Outsourcing. Insurers can outsource their outgoing post to FP iab. FP's subsidiary handles the entire process: from transferring data to customised printing, enveloping and affixing postage in line with audit requirements and passing on mail to the desired delivery agent with optimal postage costs. Customers benefit from low costs and efficient mail processing – regardless of how many or how few letters they want to send.

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 15 May 2012.

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (Aktengesetz – 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 15 May 2012, 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 The invitation to the Annual General Meeting and the reports and documents required by law, including the annual report, are published on the company's website together with the agenda, where they can be accessed easily by shareholders. The Articles of Association of Francotyp-Postalia Holding AG do not allow for the possibility of postal voting. The company will not offer postal votes at its next Annual General Meeting.
- 2.3.4 Due to the great amount of administration involved, the company will not offer shareholders the option of viewing the Annual General Meeting via state-of-the-art communication media, for example, over the Internet.
- 5.3.1 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.
- 5.3.2 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.
- 5.6 Every three years, the Supervisory Board performs an efficiency audit of its activities with the aid of an external consultant. Efficiency is examined each year through internal means. According to this schedule, an efficiency audit should have been performed early on in the 2012 financial year. However, the audit was postponed by one year due to the changes in Supervisory Board members. The next internal efficiency audit will therefore take place in 2013.

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, 9 April 2013

For the Supervisory Board



Dr Claus Gerckens
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 accord-

ance 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 that could materially affect the company's net assets, financial position or results of operations, 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 consolidated financial statements and the individual financial statements.

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 2013 Annual General Meeting, no female candidates were put forward for election by the Supervisory Board for the time being. The Supervisory Board will of course 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 also 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. At least 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 when necessary on the use of the unappropriated surplus and on the approval of the actions of the members of the Supervisory and Management Boards. 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 position and results of operations 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 2012 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2012 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 du-

ties. 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 2010, 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 minimise 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.

As doctors, daily paperwork is one of our less pleasant duties. So it's good to be able to rely on a strong partner.

TRUSTFUL MAIL COMMUNICATION FOR DOCTORS AND PATIENTS

Doctors know the importance of trust. Patients rely on their doctors, both for diagnoses and for handling medical data, making secure and trustful mail communication an absolute must. The FP Group knows the requirements for confidential written mail communication and offers an appropriate range of services.

Scan the QR code to find out more about FP's solutions for the healthcare sector:



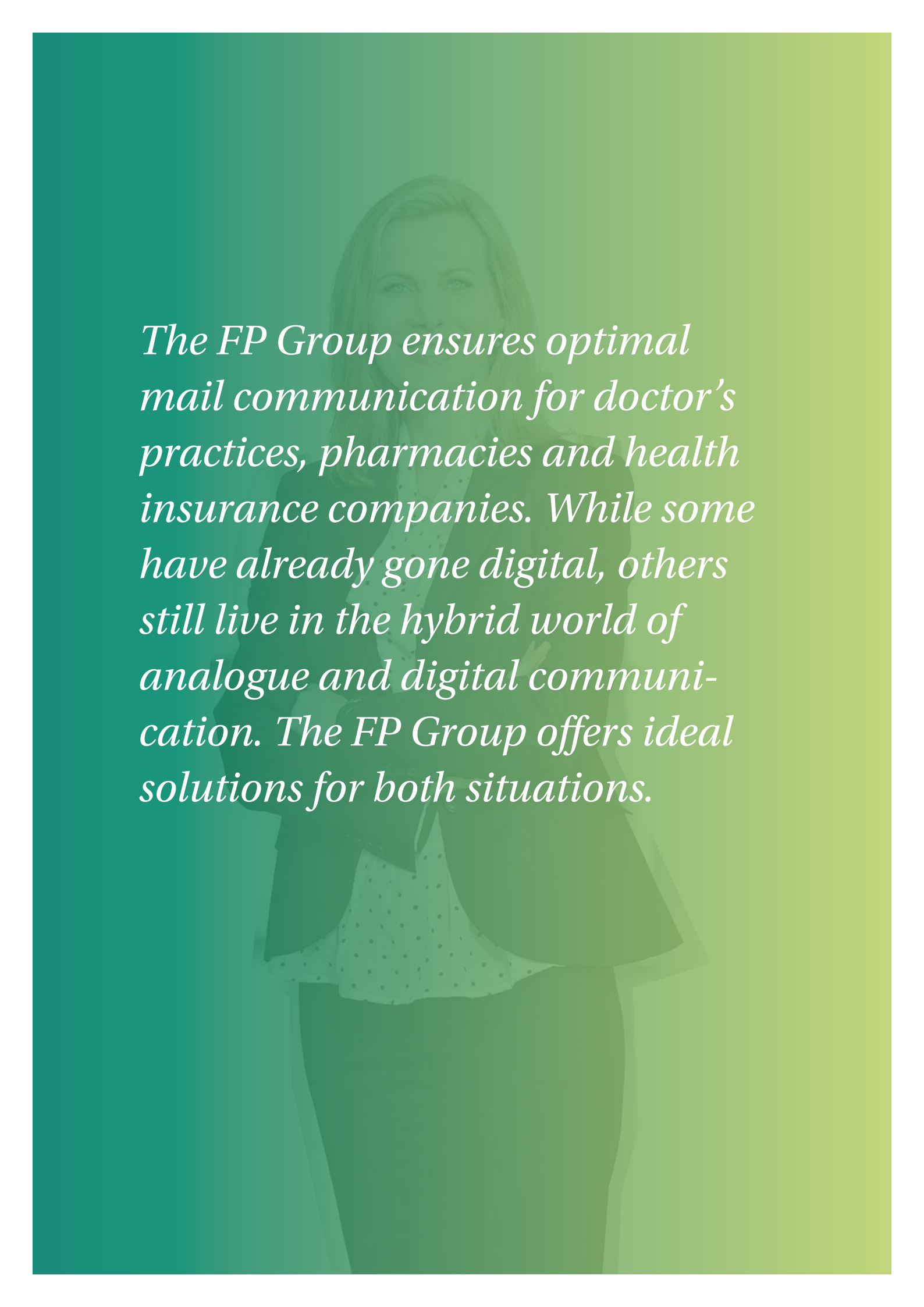
Every treatment and referral involves written correspondence. The FP Group offers product packages specifically tailored to the needs of the healthcare sector.





*We have the right formula. Our customers
include doctors all over the world.*

*Antje Gellert
System Consultant / Account-Manager*



The FP Group ensures optimal mail communication for doctor's practices, pharmacies and health insurance companies. While some have already gone digital, others still live in the hybrid world of analogue and digital communication. The FP Group offers ideal solutions for both situations.

THE RIGHT TREATMENT

WHEN IT COMES TO MAIL COMMUNICATION, THE HEALTH-CARE INDUSTRY HAS DIFFERING NEEDS. THE FP GROUP CAN PRESCRIBE PROCESSES FOR ALL REQUIREMENTS.

Healthcare provision can be in-patient or out-patient, a difference reflected in the sector's written communications. The FP Group offers products and services for practising doctors, dentists and hospitals – not forgetting, of course, medicine suppliers and the vast field of remedies and aids, care facilities and alternative medicine. FP has the right mail communication prescription – physical or fully electronic – for everyone involved in healthcare.

ENCRYPTION TECHNOLOGY

The more sensitive the personal data to be sent online via broadband connections, the greater the data protection requirements. Digital encryption ensures that the data exchanged can be read by the intended recipient, while shielding it from unauthorised persons. In the medical sector, encryption technology is indispensable. FP technology enables medical data to be sent to other physicians, health insurance companies and other facilities securely and in compliance with data protection provisions.

"Office-Cryptor" is the standard software for encrypting sensitive billing and patient data in one system. Office-Cryptor is automatically integrated into the Windows Explorer context menu. It can also be used in MS Outlook to encrypt e-mail attachments.

PATIENT LETTERS AND OTHER POST

Many doctors still send letters and other written documents to health insurance companies and healthcare facilities, requiring the use of franking and inserting systems. Franking machines weigh and frank the daily post. They load the postage electronically and frank the relevant letters automatically. 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. Inserting machines fold the documents, insert them into envelopes and seal them shut. These mail processing machines save both time and money. FP's product offering encompasses machines for small to medium volumes of mail. The new franking system from the FP Group is "PostBase", a system that not only leads its technological field, but also serves as a terminal for all mail processing options.

CONFIDENTIAL DOCUMENTS AND MESSAGES

De-Mail will also become increasingly important to the healthcare sector, allowing doctors and hospitals to send fully electronic documents – such as X-rays or results – in a confidential, legally binding and secure manner.

Since becoming the first accredited De-Mail provider at CeBIT 2012, the FP Group has helped many companies to recognise the advantages of legally binding, electronic mail communication. Over the next few years, more and more doctors and health insurance companies will make use of this service. In a strongly networked digital society, De-Mail – with its considerable time and cost benefits – has the potential to become the new standard letter format.

THE SHARE

RECOVERY ON THE MARKETS

2012 was a good year on the stock markets: Germany's leading index, the DAX, gained 29% over the course of the year, while the leading US index, Dow Jones, increased by 9%. After a good start, only the second quarter of 2012 saw the smouldering euro crisis and the waning economies in many industrialised nations dampen the mood on the markets. Progress with the European Stability Mechanism and the avowal of the European Central Bank to continue its policy of low interest rates calmed the situation. The positive trend in the second half of 2012 was also helped by indications that the economy could develop better than originally anticipated in key markets.

FP SHARE GAINS 19%

The price of the FP share also developed positively in 2012. After starting the 2012 stock market year at a low for the year of EUR 2.09, it reached an annual high of EUR 3.04 by the end of March. As for the market as a whole, the intensification of the euro crisis meant that it then suffered a significant drop in the second quarter of 2012. The share price began the second half of the year positively, before the adjusted expectations for the year as a whole led to a sharp correction at the end of August. A short time later, however, investors had regained their confidence, and within a month the share price had increased significantly. At the end of 2012, the share price stood at EUR 2.48.

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (03 JANUARY 2011 – 29 FEBRUARY 2012)
Share price in EUR, volume in shares



Overall, FP shares saw a price rise of 18.7% in 2012. The SDAX, the German small-cap index, increased by 18.9% in the same period. This boost in price set FP shares apart from their listed competitors: Shares in the French company Neopost dropped by around 25% in 2012, while the US company Pitney Bowes lost a massive 44%.

Compared with the previous year, the trading volume for FP shares increased by around 6,000 shares per day. On average, around 42,000 shares changed hands each trading day in 2012. The highest number of FP shares traded in a single day was around 278,000.

BROAD SHAREHOLDER STRUCTURE

The rise in trading volume indicates growing investor interest in FP shares. As at 31 December 2012, 82.4% of the total 16.16 million shares were in free float. 10.3% of shares were held by 3R Investments and 5.0% by Eric Spoerndli, a private investor based in Switzerland. 2.3% of FP shares were held by the company itself. These 370,444 FP shares 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.

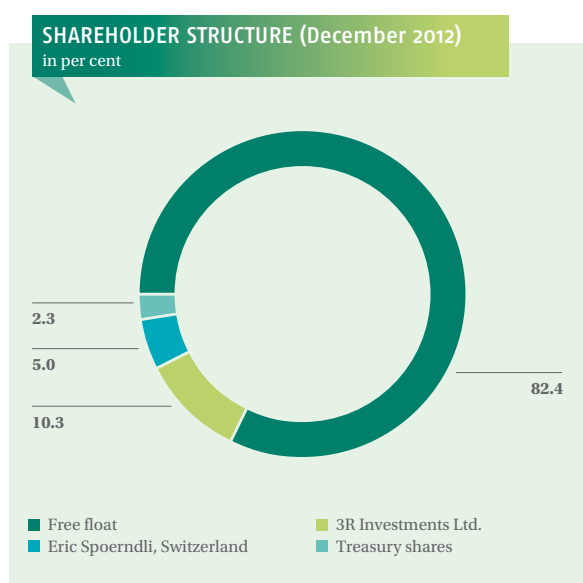
Of the free float, notifications received as at 31 December 2012 showed the following investors:

- LRI Invest S.A., Munsbach, Luxembourg (8.7%)
- Amiral Gestion, Paris (9.0%)
- Internationale Kapitalanlagesellschaft mbH, Germany (3.3%)
- Argos Funds SICAV, Luxembourg (3.1%)
- Alceda Fund Management SA, Luxembourg (3.1%)
- Rudolf Heil, Germany (3.0%)

At the end of the financial year, Amiral Gestion and LRI Invest announced that they had dropped below the threshold of 5%. As per a notification of 28 March, Amiral Gestion held 2.7% of FP shares. LRI held 2.5%. In return, Hansainvest GmbH, Hamburg, declared on 6 February 2013 that as of this date they possessed 3.4% of FP shares.

At this point in time, the largest shareholder in the FP Group is 3R Investments. On 23 March 2013, the investment company fully subscribed a capital increase by the company in the context of a private placement. The FP Management Board had previously resolved, with the approval of the Su-

perisory 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 of share capital. Since this time, 3R Investments held 9.0% of all issued FP shares, before increasing its shareholding shortly before the end of the year to 10.3%. On 18 January 2013, the company informed FP that it was acquiring voting rights for the purposes of longer-term investment and implementing strategic goals. It also declared its intent, within the next twelve months and if market conditions prove suitable, to gain further voting rights in Francotyp-Postalia Holding AG through acquisitions or by other means.



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. 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. At the end of 2012, both institutes recommended buying FP shares.

Direct contact with these analysts and with investors and banks is of great importance to the Management Board. To this end, in November 2012 the company's financial calendar included the German Equity Forum in Frankfurt, Europe's most important platform for equity capital finance for medium-sized companies. Also on the agenda were events such as the Oddo Midcap Forum in Lyon, the CBS Small & Midcap Conference in Frankfurt and the Munich Capital Market Conference. Throughout the year, there were also roadshows in Switzerland and France alongside a significantly greater presence in all key German financial centres. Following the publication of the quarterly figures, the FP Group held telephone conferences in which the Management Board presented the development of the business and answered questions from analysts and investors.

One central event among the IR activities is the Investors' Day. On 24 May 2012, investors had the chance to hold detailed discussions face to face with the Management Board. The Management Board used Investors' Day 2012, held at the new production location Wittenberge, to give an extensive presentation of the strategic development and the associated measures planned, such as setting up a production line.

The FP Group's Annual General Meeting on 27 June 2012 in Berlin was also an important platform for direct dialogue with shareholders. Around 60% of share capital with voting rights was represented at the Annual General Meeting.

The investor relations area of the company's website is a central point of contact for all shareholders. At www.fp-francotyp.com/investors 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.

EXTENDING IR ACTIVITIES ON SOCIAL NETWORKS

The company also uses social networks to engage in open and transparent dialogue with stakeholders. For example, presentations can currently be found on SlideShare, the world's largest platform for such documents. In the last year, the FP Group has unified and stepped up its presence on Facebook and Twitter across the Group. The FP Group is also gradually setting up country and issue-specific weblogs. Plans for this year include establishing a dedicated IR channel on Twitter to rapidly disseminate all news relevant to capital markets to interested parties.

Key figures for the FP share	
Number of shares (since 23 March 2012)	16.16 million
Type of shares	Bearer shares
Share capital (since 23 March 2012)	€16.16 million
Voting rights	Each share grants one vote
WKN	FPH900
ISIN	DE000FPH9000
Ticker symbol	FPH
Trading segment	Official Market (Prime Standard) Xetra and regional German exchanges
Stock exchanges	Xetra and regional German exchanges
Designated sponsor	Close Brothers Seydler Bank
Coverage	Warburg Research, Hauck & Aufhäuser
Announcements	Electronic Federal Gazette
Closing rate on Xetra	€2.48 (28.12.2012)
Highest price for the year on Xetra	€3.04 (2.4.2012)
Lowest price for the year on Xetra	€2.09 (2.1.2012)
Market capitalisation on 30.12.12	€40.1 million
Earnings per share	€0.27

*PostBase systems installed
in Germany in 2012*

2,600

8,000

*PostBase systems installed in
the USA in 2012*

The innovative technology behind PostBase is not its only selling point in the eyes of FP customers. Its appeal also lies in its new award-winning design. PostBase has now been launched not only in the USA and Germany, but also in Austria, the UK and Canada. More countries will follow suit in 2013.

FRANCOTYP-POSTALIA HOLDING AG

GROUP MANAGEMENT REPORT FOR THE 2012 FINANCIAL YEAR

37 BUSINESS AND GENERAL ENVIRONMENT

- 37 Operating activities
- 43 Company management, aims, and strategy
- 46 Research and development
- 49 General environment

50 NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

- 50 Results of operations
- 53 Course of business by segment
- 55 Financial position
- 59 Comparison between actual and forecast course of business
- 59 Overall statement on the course of business

60 EVENTS AFTER THE BALANCE SHEET DATE

60 RISK AND OPPORTUNITY REPORT

- 60 Risk and opportunity management system
- 60 Market risks
- 62 Strategic company risks
- 62 Performance risks
- 63 Financial risks
- 64 Other risks
- 65 Overall statement on the risk situation of the group
- 65 Internal control and risk management system with regard to the accounting process

66 FORECAST

- 66 Focus of the group in the next two financial years
- 67 Future development of the segments
- 67 Economic conditions and group development in the next two financial years
- 68 Overall statement on future business development

69 OTHER DISCLOSURES

- 69 Management board's explanatory report in accordance with section 315 Paragraph 4 of the German Commercial Code (HGB)
- 75 Remuneration Report according to Sec. 315 para. 2 No. 4 sent. 1 HGB

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, which 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 My-Mail franking machine right up to the CentorMail, which franks up to 150 letters per minute. This 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.

The PostBase franking system connects the analogue and digital worlds of mail. The new product, which was introduced in 2012, includes numerous innovations in the areas of mechatronics and navigation software. A touchscreen allows users to operate PostBase extremely easily and intuitively. Thanks to FP Navigator – a software solution used to operate the franking system – PostBase can also be controlled directly from a PC.

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. The term 'hybrid mail' refers to a combination of electronic and physical 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 documents can be sent from Windows environments at the click of a mouse.

The FP Group secured its entry into the sector of fully electronic communication in spring 2011 with the majority shareholding in Mentana-Claimsoft GmbH. The company specialises in electronic signatures and, in addition to products for long-term archiving, 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 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 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.

In 2012, Mentana-Claimsoft used its status as a pioneer in the German De-Mail market to configure tailored solutions for companies and authorities. With the De-Mail Gateway, it created software for integrating all De-Mail functions. The software is implemented in the customer's existing, internal e-mail infrastructure once, after which De-Mail can be sent as conveniently as e-mails. Private individuals and small companies can benefit from the simple portal solution fp-demail.de. All they have to do is log on to the Mentana-Claimsoft portal, without installing any additional hardware or software.

In this way, the FP Group consistently expanded the Software Solutions segment in 2012 in order to provide its customers with multi-channel communication. The FP Group is 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.

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 243,000 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 42% and 47% respectively.

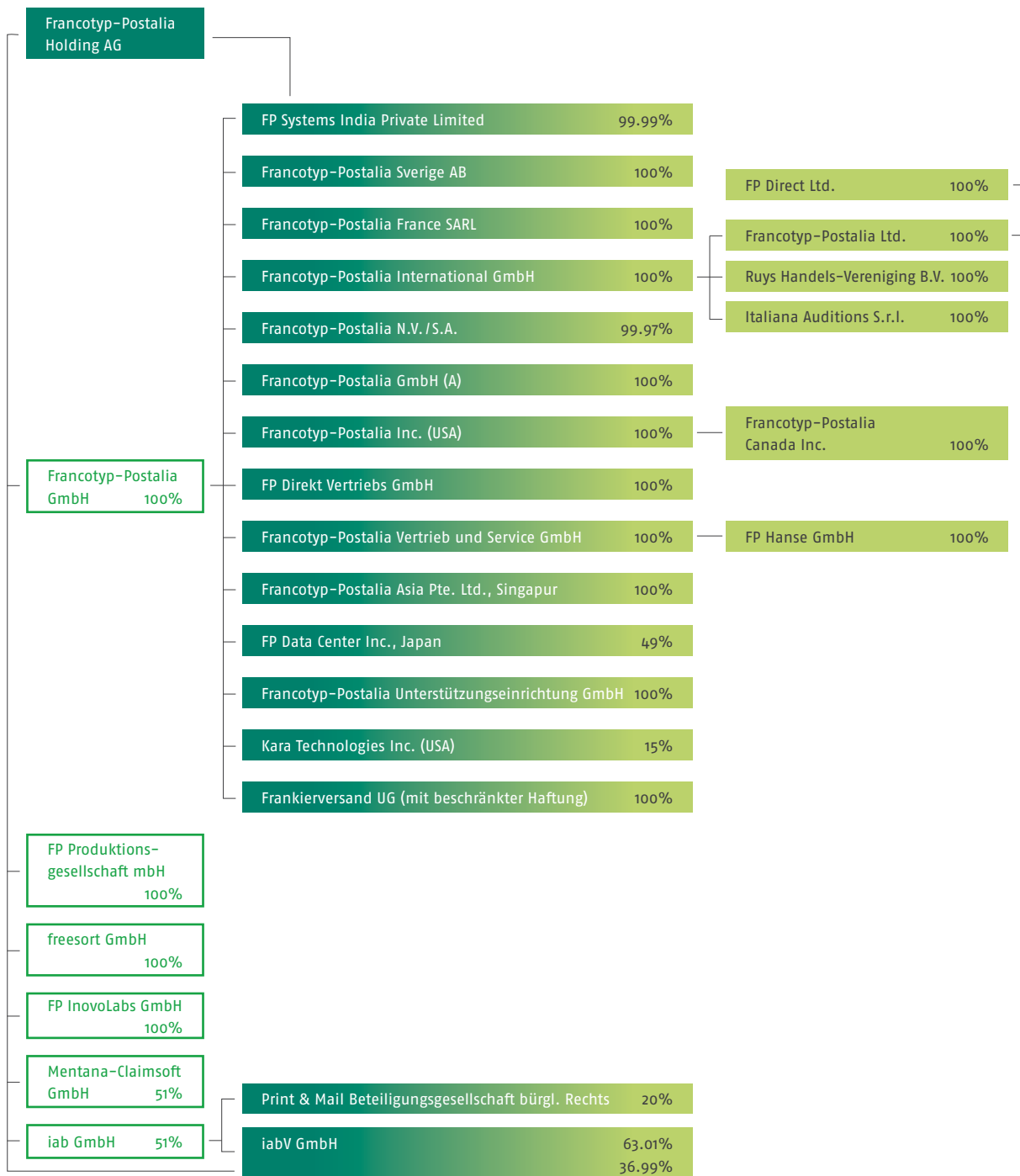
Since 2011, Francotyp-Postalia Vertrieb und Service GmbH has been responsible for all sales activities in Germany. Global sales are realised via its ten subsidiaries in key markets, as well as through a consolidated dealer network in around 40 countries. The company has been operating in the fast-growing 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. In the Mail Services and Software segments, the FP Group is currently focusing on the German market.

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. 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 the research activities of the FP Group can be found in the section on **Research and Development**.

The equity interests as at 31 December 2012 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 assembly of its new franking systems. At the end of the first quarter of 2012, the FP Group discontinued production at its previous site in Birkenwerder. The company had already ceased production in Singapore in spring 2011. Since early 2012, the company has therefore been producing franking machines solely at the new Wittenberge site.

Management and control

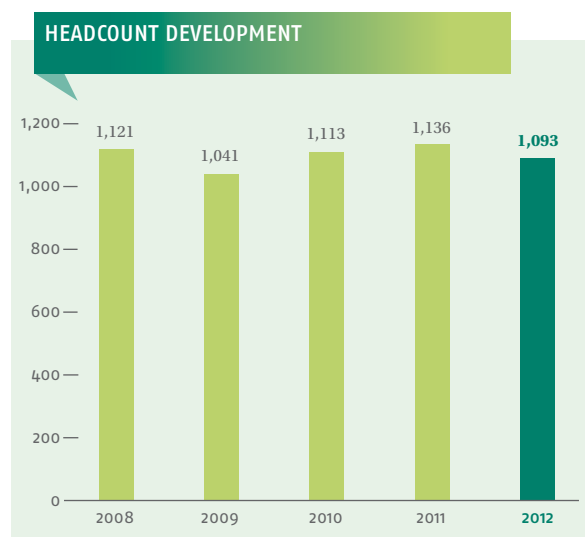
The FP Group business is managed by a two-member Management Board. Hans Szymanski is the Chairman of the Management Board and responsible for Finance, Accounting, Controlling, Human Resources, Legal and Compliance, IT, Research and Development, Quality Management, Production, Logistics and Business Development. His Management Board colleague, Andreas Drechsler, is responsible for Sales Germany and International, Business Development and Product Management, Internal Audit, Marketing and Corporate Communications. The two work closely with a team of executives who also regularly convene for meetings and telephone conferences.

A three-member Supervisory Board monitors the activity of the Management Board and advises it. In the past financial year, the Supervisory Board has undergone changes that will be explained in more detail in the Supervisory Board's report and the corporate governance report. At 31 December 2012, the Supervisory Board members were Dr Claus Gerckens (Chairman), Felix Hölzer (Deputy Chairman) and Robert Feldmeier.

Employees

As at 31 December 2012, the FP Group employed a total of 1,093 people worldwide, compared with 1,136 employees the previous year. This decrease is primarily due to the discontinuation of production at the Birkenwerder site on 31 March 2012 and the resulting loss of 91 jobs. At the end of 2012, the new production site had a workforce of 50 people. Accordingly, at the end of 2012, 687 employees were attributable to the German companies (previous year: 740) and 406 to foreign subsidiaries (previous year: 396).

In Germany, a total of 430 employees belonged to the Franking and Inserting segment (previous year: 473) and 257 to the Software Solutions and Mail Services segments (previous year: 267). At the end of 2012, 170 people were employed at freesort GmbH (previous year: 183). The number of employees at iab GmbH was 58 (previous year: 56). As at 31 December 2012, Mentana-Claimsoft GmbH employed 29 people (previous year: 28).



Environmental report and quality management

Back in 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. This expansion was aimed particularly at the non-financial targets the FP Group set for itself. At the end of 2012, the occupational safety and health protection system had also been certified in accordance with OHSAS 18001. Since then, the FP Group has continued its efforts to improve its environmental protection and occupational health and safety management and, in this way, to make sustainability an integral part of all business segments.

The environment, occupational health and safety and health protection are important managerial responsibilities for the FP Group. An integrated management system ensures that these tasks are realised in all business functions and at all levels. A management system can only become a reality with the assistance of dedicated and confident employees. This is why the FP Group uses suitable informative and training measures to ensure that its employees are provided with and retain the necessary environmental and safety knowledge.

The environmental protection and occupational health and safety management system defines specific responsibilities, processes and procedures for continued improvement in operating activities. One goal is to optimise processes in an environmentally friendly and humane manner, raising awareness among all employees of the responsible use of resources and foster behaviour that is in line with these objectives. These are key measures involved in the non-financial targets that the FP Group has set for itself.

Protecting the environment and preserving resources therefore also play a major role in product development. Back in 2009, the FP Group 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. The new PostBase franking system also meets many of the latest requirements for environmentally aware franking, including a reduction in weight of 8%, the option to reuse components and the labelling of related plastics.

Particularly with regards to energy consumption PostBase already fulfils the stringent ENERGY STAR requirements of Version 1.2. Finally, a new recycling concept was developed for consumables that enables customers to dispose of their used ink cartridges in an environmentally friendly manner.

As a manufacturing company, it is the duty of the FP Group to employ first-class quality management. At the end of 2012, the individual businesses of the FP Group 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 quality systems of our subsidiaries freesort, iab and Mentana-Claimsoft are certified by external accreditation bodies in accordance with ISO 9001. freesort is certified for postal services in accordance with DIN ISO 9001:2008 until November 2013. In November 2012, iab was successfully re-certified in accordance with ISO 9001 for all relevant corporate processes. Mentana-Claimsoft is an accredited De-Mail provider with all associated certificates. Mentana-Claimsoft is also certified in accordance with DIN EN ISO 9001:2008 and holds the ISO-27001-certification for basic IT protection.

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 has been recognised for this on numerous occasions.

In the USA, the FP Group also supports the National Breast Cancer Foundation (NBCF). 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 (www.nationalbreastcancer.org).

COMPANY MANAGEMENT, AIMS, AND STRATEGY

Internal management system

The Management Board uses the group-wide reporting system and strategic group planning as its management tools. The strategic planning covers three years and is updated every year during the budget process and adjusted over the course of the year if necessary.

As part of group-wide reporting, all business units and subsidiaries report monthly on their net assets, financial position and results of operations; these are then consolidated to form the 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 ensure 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. 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 suitable 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.

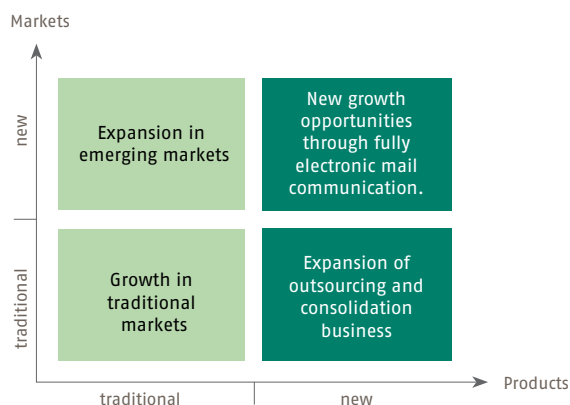
The employees of the Group are behind the success of the FP Group. Their identification with the company and their commitment to its targets make a crucial contribution to the company's long-term success. Employees' potential is recognised and encouraged through a substantial degree of individual responsibility.

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. Expansion of outsourcing and consolidation business in Germany
4. New growth opportunities through fully electronic mail communications



With its strategic direction, the FP Group anticipates market changes and harnesses the resulting potential for growth and development.

Globalisation is leading to companies becoming increasingly networked across national borders and 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.

Changes in technology, particularly digitalisation, open up completely new communication possibilities. By evolving from a franking machine specialist into an expert for physical and electronic mail communication, the FP Group offers its customers a future-orientated portfolio of solutions that unite analogue and digital communication.

Electronic communication is increasingly coming to the fore, but without replacing the tried and tested physical solutions. Instead, more and more customers are developing multi-channel requirements that can be served through the right mix of traditional and innovative physical and electronic solutions. Its accreditation as the first De-Mail provider in Germany has enabled the FP Group to enter the market for legally binding, secure electronic communication and complements its proven portfolio of physical and hybrid solutions.

Franking machines for small to medium volumes of mail

The FP Group has evolved from a manufacturer of franking machines into a multi-channel provider for mail communication. As always, the heart of the company is its business with franking and inserting machines, which is being constantly expanded and thus utilises the potential for growth on the markets.

In this traditional segment, FP produces and sells franking and inserting machines for small to medium volumes of mail. With an installed base of some 243,000 franking machines and a market share of around 10%, FP is the third largest provider worldwide. The company is the market leader in both Germany and Austria with a market share of 42% and 47% respectively.

The FP Group is represented on the largest markets (USA, Germany, UK and, since 2011, France) by its own subsidiaries and, thanks to its focus on the segment of small and medium volume machines, is excellently positioned. While digital solutions are increasingly being used for large mail volumes and traditional franking machines are experiencing a considerable decline in this segment, the market for smaller mail volumes, in which FP is active with its traditional products, is very stable.

With the introduction of the new innovative PostBase franking system in 2012, FP has laid the foundations for the continuing success of its franking and inserting machines. At the same time, however, the company has in this way united the analogue environment with new digital communication options.

Potential for growth in emerging nations and BRIC countries

The macroeconomic development in the emerging nations and BRIC countries also brings with it significant potential for growth in written communication.

A brief comparison highlights this: While more than 500 letters are sent per inhabitant per year in industrialised nations such as the USA, this figure is just 10 to 20 letters per year in countries such as India, China and Malaysia. This demonstrates the potential for mail communication tied in with economic growth. In these countries, however, rapid technological developments will see requirements for professional mail processing rise to the same extent, meaning that innovative, future-orientated offerings for uniting physical and analogue solutions will be crucial here as well.

The FP Group must harness this potential to ensure its growth. This is why we are working with a 100% subsidiary in Singapore to boost our market position in the Asia-Pacific region. FP has also succeeded in laying the foundations for further expansion in Eastern Europe by closing a deal with Russian Post.

Expansion of outsourcing and consolidation business

The liberalisation of the postal markets has provided customers with numerous new opportunities to make their postal processes more efficient and save money. For example, the FP Group offers business mail consolidation through its subsidiary freesort. This includes collecting letters from clients, sorting them by postcode and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor. This allows smaller customers to benefit from discounts that they would be unable to realise alone. With nine branches throughout Germany, freesort is one of the leading independent consolidators of outbound business mail in the German market.

The expansion of the outsourcing and consolidation business is being implemented primarily through integrated offerings from physical services through to the fully electronic environment. This allows customers to make use of the FP Group's multi-channel offerings according to their specific needs.

New options for mail communication

Since the start of 2012, the FP Group has offered its customers fully electronic solutions for mail communication. In doing so, it has extended its range of services and is now the first multi-channel provider for mail communication.

The new solutions allow corporate clients of all sizes to send letters securely in digital form at the click of a mouse. The addressee receives a legally binding, fully electronic letter. To be able to offer this service to customers, the FP Group acquired Mentana-Claimsoft GmbH at the start of 2011. Mentana-Claimsoft specialises in electronic signatures and additionally offers products for securing electronic documents and legally binding communication. As the first De-Mail provider, Mentana-Claimsoft enables documents and messages to be sent via the internet in a completely confidential and reliable manner.

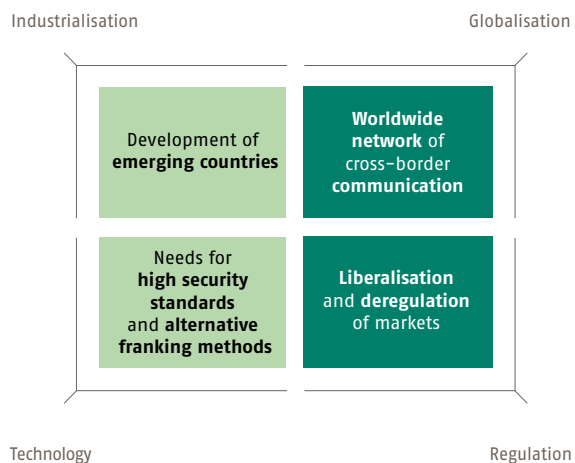
This new offering allows the FP Group to further expand its market position and offer modern solutions for the future that top off its range of services in combination with products from iab.

At a European level, in 2012 FP's subsidiary Mentana-Claimsoft connected De-Mail to the EU-wide SPOCS communication platform as part of the large-scale SPOCS pilot project run by the EU Commission. This will drive the cross-border linking and technical collaboration of national, qualified electronic delivery services in order to support the expansion of a network for the international electronic exchange of data. 16 EU countries are participating in the SPOCS IT project with the aim of developing and piloting technical components for secure, smooth and cross-border e-government offerings for companies. The SPOCS project will create a business environment for companies that is uncomplicated, international and low on bureaucracy. It shall be possible to perform administration, approval and business procedures via a secure electronic medium.

FP's subsidiary iab has specialised in developing innovative software solutions for many years now. For example, the company offers hybrid mail. With this mixture of electronic and physical mail, the sender sends a letter digitally and the recipient receives a normal physical letter. iab 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. 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 at the same time retaining the advantages of traditional mail. At the same time, hybrid mail helps the environment as only part of the route of transportation takes place physically – perfectly in alignment with the non-financial targets that FP has set for itself.

In the last year, FP has not only implemented operational integration in Germany through the bundling and realignment of all sales activities, but also increasingly integrated products and services to create a portfolio that allows customers to select individual, tailored solutions for their communication needs. This is supported by the expansion of consulting activities, in which our customers benefit from our many years of experience and our industry and product expertise.



RESEARCH AND DEVELOPMENT

Francotyp-Postalia GmbH

One main focus of research and development activities was the internationalisation of the PostBase franking system platform, including the associated postal approvals. The PostBase system comprises a basic unit, which comes in three different speed variations, an automatic letter feeder, a filing system and PC software (Navigator) that enables the user to configure and use the PostBase system conveniently from their PC. In 2012, this PostBase system was approved for the postal markets in Germany, the USA, Austria and the UK.

Transition to Production enabled the production line to ramp up series production of the PostBase system from April 2012 at a greater rate than any previous hardware product from the FP Group. Through targeted on-site measures to stabilise assembly and assure quality, more than 7,500 systems were produced and delivered in 2012.

Mentana-Claimsoft

Development activities also focused on the enhancement of the De-Mail system. This was partly due to conditions relating to the certification and the annual monitoring audit and partly driven by the market. Within the De-Mail products, a new De-Mail Gateway was developed for businesses that now contains many enhancements demanded by the market such as a hybrid interface (to Internet Access Berlin), cost centre billing and client capability. In addition to activities relating to De-Mail, long-term archiving solutions and signature products were further developed.

Internet Access Berlin (iab)

The overriding technical innovation topic at iab was the project to implement and customise the modern output management system "StreamServe" from OpenText for a large existing customer as well as a suitable input management system called "smartREPLY" produced by the company ISR. The knowledge and expertise acquired here shall be harnessed to benefit further customers and for sales purposes. In another technical project, collaboration with Mentana-Claimsoft was expanded to equip the De-Mail Gateway with an electronic "hybrid bridge" for automatically transferring letters to iab.

Activities and results

A total of 75 new software packages for the MyMail, Opti-Mail30, UltiMail, CentorMail and PostBase franking system models, their accompanying PC applications and server applications of their IT infrastructures have been released for 21 markets. The model ranges will continue to be expanded to target new markets and tailored to meet new requirements in existing markets. This also applies to PostBase, for example. The development team is working on a software version with the requisite properties for the US market, thus meeting customers' expectations of the product and significantly increasing its competitive edge.

As in the previous year, the version of the CentorMail system for private letter distributors achieved positive performance. The system was configured and released for more than 10 additional regional German letter distributors in the period under review.

RELEASE OF COUNTRY-SPECIFIC VERSIONS OF OPERATING SOFTWARE

No.	Franking system / product	Number of releases	Number of marketse
1	MyMail	0	0
2	OptiMail30	1	1
3	UltiMail	1	1
4	CentorMail	1	1
5	PostBase	23	4
6	Software products	22	9
7	IT infrastruktur	27	5
	Total	75	21

In the USA, UK and French markets, the postal companies continued their work of the previous years to develop specifications with stricter security requirements for automatic franking. In doing so, they pursued the increasing security requirements of relevant standards issued by the American and European IT security authorities (such as NIST and BSI). There was also a call for postal companies to be informed of the sender's postage stamps automatically and as quickly as possible. The Research and Development business unit advised many postal companies on ways to further develop postal specifications.

The FP Group is responding to the trends described with an increasingly more efficient, secure and globalised server infrastructure. State-of-the-art, high-security server systems hosted under a company's own control are used here, but not public cloud technologies, as these do not meet the high security and postal requirements. 27 server software releases were authorised for five postal markets in the period under review.

The preliminary development focuses on IT security/cryptography, mobile computing, modern internet technologies, dynamic weighing and digital printing in order to prepare product innovations. All 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.

At Mentana-Claimsoft, 2012 was the year of De-Mail. Development activities focused on the further development of the De-Mail systems on the back end (computer centre) and for customers. The security concept and the software and hardware platform were extended due to conditions arising from the certification process and the annual monitoring audit. With Mentana-Claimsoft's accreditation on 6 March 2012 as the first De-Mail provider, the conditions for selling the De-Mail solution to third parties and the product itself were developed further. The ISO monitoring audit was completed successfully in December 2012.

Within the De-Mail products, a new De-Mail Gateway was developed for businesses that now contains many enhancements demanded by the market, such as cost centre billing and client capability, and also supports secure legal communication (EGVP).

Another focal point was the further development of long-term archiving solutions and signature products. New developments on the market and statutory regulations played a leading role here. Factors to be highlighted include the standards TR-ResiScan (Legally Binding Scanning) and TR-ESOR (Preservation of Evidence of Cryptographically Signed Documents) of the Federal Office for Information Security and the EU requirements for electronic signature formats. The corresponding requirements have been implemented in the signature products.

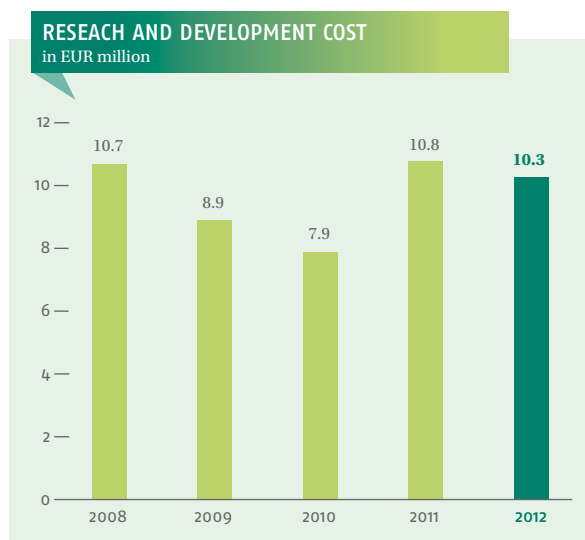
Employees

At the end of 2012, 80 permanent staff were employed in the Research and Development (R&D) divisions of the Group (including subsidiaries), which represents around 7.3% of the Group's total workforce (previous year: 8.5%). Additional external staff are also employed for certain projects, as needed. At the end of 2012, they accounted for 2.5% of the permanent R&D workforce.

The R&D divisions are responsible for all of the FP Group's new development, further development, and product maintenance orders; the R&D division of FP GmbH 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 10.3 million and were thus 5% below on the previous year's figure of EUR 10.8 million. These amounts are reduced on account of subsidies totalling EUR -0.1 million (previous year: EUR 1.5 million). Of this figure, EUR 5.2 million was capitalised in accordance with IAS 38, compared with EUR 4.8 million in the previous year. A total of EUR 5.2 million was expensed, against EUR 5.9 million in the previous year. At 6.3% in 2012, the research and development ratio (including product maintenance) dropped from the previous year's level of 6.6%.



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 3.2% in 2012, compared to 3.9% in the previous year. The emerging and developing countries once again represented the growth drivers, with growth of 5.1%. Industrialised countries increased their gross domestic product (GDP) by 1.3%.

In 2012, economic output increased by 2.3% in the USA, the largest foreign market of the FP Group; in the euro zone, by contrast, gross domestic product declined by 0.4% compared with 2011. While the countries in the south of Europe, in particular, suffered the effects of the euro crisis, the German economy saw positive development in 2012. According to the calculations of the Federal Statistical Office, GDP in Germany, the domestic market of the FP Group, increased by 0.7% 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 2012, the German economy contracted by 0.5%, 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 1.34 US dollars in March 2012, and was caught in a downward slump in the following months. The lowest price was 1.21 US dollars in July. At the end of 2012, one euro was worth 1.32 US dollars, only slightly below the previous year's level of 1.29 US dollars.

Industry-specific conditions

The economic downturn in the second half of the year impacted companies' willingness to invest in 2012 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	200-2000 letters/day	> 2000 letters/day

The number of business letters delivered worldwide is around 380 billion a year, according to various postal statistics. 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 by 3.3% in 2011. Data is not yet available for 2012. 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 1.0% and 1.1% respectively. For the FP Group, this means opportunities in new markets.

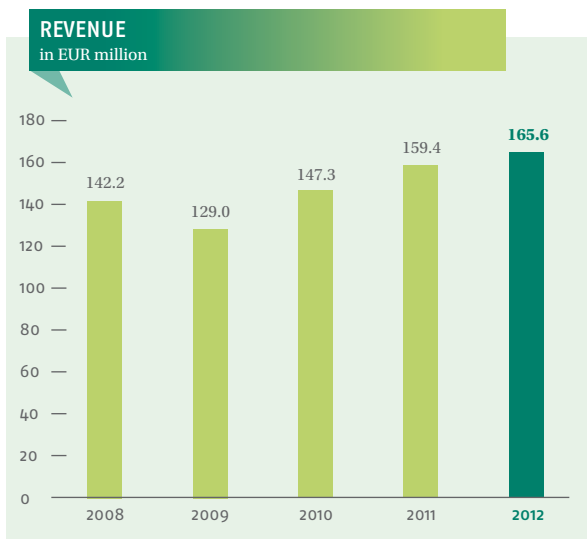
Innovative software solutions are giving rise to new momentum in the market for mail communication. According to figures from the Federal Network Agency in Germany, further market development will be influenced by the transition to the electronic processing of mail services, and it is seeing structural changes on the market. The legal basis for this has been established through the introduction of the De-Mail Act. De-Mail will enable the binding and confidential exchange of electronic documents via the internet. With its solutions, the FP Group is one of the frontrunners in this market of the future. According to its own calculations, the FP Group estimates that the De-Mail market can achieve revenue potential of around EUR 150 to 200 million.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

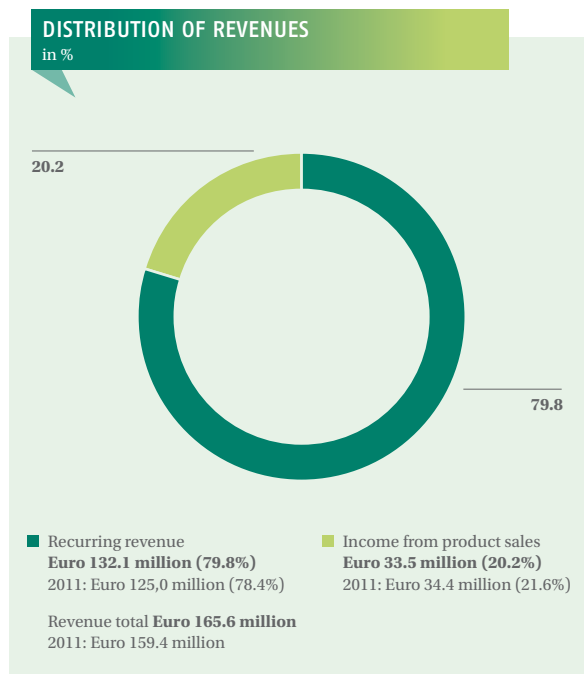
Revenue

In financial year 2012, the FP Group generated total revenue of EUR 165.6 million, compared to EUR 159.4 million in the previous year. Revenue in Germany rose to EUR 86.6 million after EUR 83.8 million in the previous year. Foreign revenue rose to EUR 79.0 million from the previous year's figure of EUR 75.6 million.



Revenue increased in all three product segments in 2012. This growth resulted mainly from strong service business: In Mail Services, revenue improved in 2012 to EUR 39.1 million, compared with EUR 34.7 million the previous year, due to an increase in mail volume from 167 million deliveries in 2011 to 189 million in 2012. However, this increase in revenue was accompanied by a comparable rise in costs of materials due to a correspondent increase in postage billing. Revenue also climbed in the Software segment, reaching EUR 11.4 million in 2012 compared with EUR 10.1 million in 2011.

Recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto, and the sale of consumables for approximately 243,000 franking machines worldwide, therefore increased significantly in 2012 to EUR 132.1 million, compared to a figure of EUR 125.0 million for the previous year.



At EUR 33.5 million, revenue from product sales with franking and inserting machines remained slightly below the previous year's figure of EUR 34.4 million. The new site in Wittenberge presented the FP Group with initial challenges to be resolved in the process and supply chain, delaying the delivery of franking machines. The past year also saw the company realign sales in the German domestic market. Here, as was already the case in the USA and UK, the FP Group made increasing use of telesales in the marketing of franking machines. However, in contrast to these two markets, where telesales play a major role, the response among German customers to telephone contact remained restrained. From the second half of the year, German sales staff therefore stepped up its personal contact, recording rising sales figures in the process. In the second half of the year, the successful launch of the PostBase system began to bear first fruit. However, the nature of the US rental market meant that there was no boost to revenue.

¹ Universal Postal Union, postal statistics and own assumptions

REVENUE BY PRODUCT AND SERVICE*

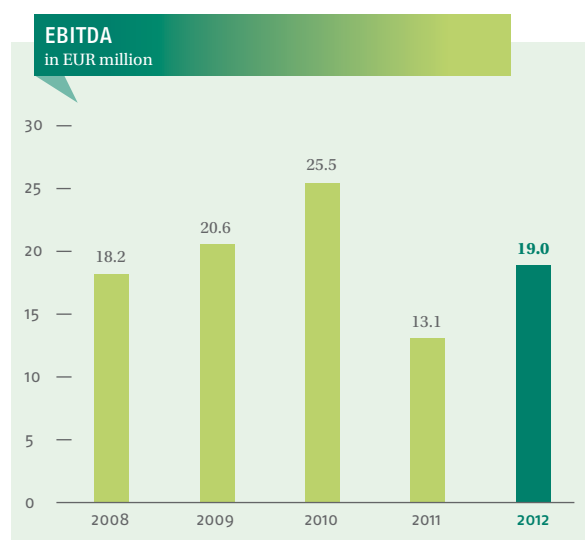
in EUR million	2012	2011
Recurring revenue	132.1	125.0
Leasing/rental	24.4	21.5
Services/customer service	24.9	26.2
Consumables	20.1	20.3
Teleporto	12.2	12.2
Mail services	39.1	34.7
Software	11.4	10.1
Income from product sales	33.5	34.4
Franking	25.4	26.5
Inserting	6.3	7.0
Other	1.8	0.9
Total	165.6	159.4
Recurring revenue	79.8%	78.4%
Non-recurring revenue	20.2%	21.6%

* Revenue in accordance with IFRS without inter-segment revenue

Earnings development

EBITDA (earnings before interest, tax, depreciation and amortisation) rose to EUR 19.0 million over the course of the financial year against EUR 13.1 million in the previous year. The completed restructuring of the production facilities, the increased efficiency of the new production site and the drop in staff expenses contributed significantly to the increase in EBITDA.

EBIT came to EUR 9.1 million in 2012, compared to EUR -1.3 million in the previous year. The consolidated net result totalled EUR 4.0 million in the past year, following EUR -4.6 million in the previous year.



Changes in material items in the Group statement of comprehensive income

DISCLOSURES ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2012	2011	Change in %
Revenue	165.6	159.4	3.9
Inventory changes	-0.2	-0.3	n/a
Other capitalised own work	12.1	8.7	39.1
Overall performance	177.5	167.8	5.8
Other operating income	1.4	5.6	-75.0
Cost of materials	72.5	62.8	15.4
Staff expenses	53.3	60.2	-11.5
Depreciation, amortisation and impairment losses	9.9	14.4	-31.3
Other operating expenses	34.1	37.3	-8.6
Operating income before special income and expenditure	9.1	-1.3	n/a
Net interest income / expense	-2.7	-2.6	n/a
Other financial result	-0.3	-0.5	n/a
Tax result	-2.1	-0.2	n/a
Consolidated net result	4.0	-4.6	n/a
EBIT	9.1	-1.3	n/a
EBITDA	19.0	13.1	45.0

Other capitalised own work

In 2012, other own work capitalised rose to EUR 12.1 million, compared with EUR 8.7 million in the previous year. This was the result of a rise in franking systems produced for leasing. The FP Group capitalises these rental machines and amortises them over their useful life. A decertification announced in the USA in autumn 2012 led to a surge in demand for the PostBase franking system because many customers in this rental market are using this process, which will run until 2015, to exchange their franking machines. The development costs included in own work capitalised increased slightly year-on-year from EUR 4.8 million to EUR 5.2 million in 2012.

Cost of materials

In financial year 2012, the cost of materials rose to EUR 72.5 million, compared with EUR 62.8 million in the previous year. One reason for this is the rise in the cost of services purchased to EUR 40.5 million, against EUR 36.3 million in the previous year. This increase was primarily due to the higher revenue share attributable to consolidation business. As a result, the cost of materials ratio also rose significantly (43.8% compared with 39.4% in the previous year).

In 2012, expenses for raw materials, consumables, and supplies also increased significantly to EUR 32.0 million compared with EUR 26.5 million in 2011. This is due to the substantial rise in the number of franking systems produced, following the resolution of the temporary challenges presented by the process and supply chain at the new site in Wittenberge in the second half of 2012. The increased own work capitalised for leased products also involved a rise in the cost of materials.

Staff expenses

In financial year 2012, staff expenses dropped to EUR 53.3 million, compared with EUR 60.2 million in the previous year. The restructuring of production led to a significant decline. In the previous year, the restructuring measures had resulted in one-off expenses of EUR 5.6 million.

Other operating expenses

Other operating expenses declined in 2012 to EUR 34.1 million, compared with EUR 37.3 million in the previous year. The structure of other operating expenses is explained in more detail in the notes to the consolidated financial statements (Number 6). The one-off expenses as part of the

restructuring that are included in this item amounted to EUR 3.1 million in 2011; no restructuring expenses were reported in 2012.

EBITDA

The FP Group completed its restructuring in 2012, allowing it to profit from considerable cost benefits. As a result, the FP Group generated EBITDA (earnings before interest, taxes, net financial income, depreciation and amortisation) of EUR 19.0 million, compared to EUR 13.1 million in the previous year. The completed restructuring of the production facilities, the increased efficiency of the new production site and the drop in staff expenses contributed significantly to the increase in EBITDA. EBITDA before restructuring costs of EUR 19.0 million was also generated in 2012, following EUR 21.8 million EBITDA before restructuring costs the previous year. No further expenses were reported as restructuring costs in 2012.

However, other operating expenses were negatively impacted by a change in estimates relating to EUR 0.5 million in provisions for restructuring made in 2011 for the vacancy of the production plant in Birkenwerder. Compared to the previous year, there was a charge on results here owing to the temporary parallel operation of two production sites and delivery delays arising from the transfer of production.

Depreciation, amortisation and impairment losses

In financial year 2012, depreciation, amortisation and impairment losses fell as planned to EUR 9.9 million, compared with EUR 14.4 million in the previous year. This development was driven by the lack of depreciation on assets capitalised as part of the acquisition of iab and freesort, for which EUR 2.5 million was incurred in 2011. 2011 also saw depreciation on older development projects expire; depreciation on capitalised development costs dropped substantially because depreciation on development costs relating to PostBase began only in mid-2012.

Net interest income/expense

In 2012, net interest expense came to EUR -2.7 million, compared with an expense of EUR -2.6 million for the previous year. Interest income dipped slightly to EUR 1.0 million from EUR 1.2 million in 2011 on account of the reduced level of interest rates. For the same reason, interest expenses also declined by EUR -0.1 million to EUR 3.7 million.

Net financial income/expense

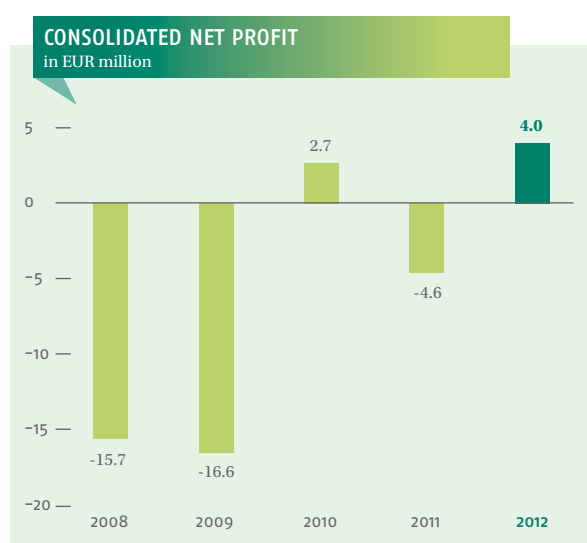
In the 2012 financial year, the FP Group generated a net financial expense of EUR -0.3 million, a slight improvement on the previous year's figure of EUR -0.5 million. Effects on net financial income depend on whether exchange rates deviate from the valuation on the reporting date.

Tax result

Net taxes consist of tax income of EUR 10.1 million and tax expenses of EUR 12.2 million. Overall, net taxes came to EUR -2.1 million, whereas a tax expense of EUR -0.2 million was reported in the previous year. The tax result is negatively impacted by effects from an external audit for the years 2005 – 2008 amounting to EUR 0.5 million. Otherwise, it is largely in line with the tax expense anticipated in view of a group tax rate of 28.08%.

Consolidated net income

The completed restructuring facilitated a return to profitability in 2012. In 2011, restructuring expenses before tax of EUR 8.7 million were reported, whereas in 2012, savings were already being made as a result of the restructuring. The FP Group generated consolidated net income of EUR 4.0 million following EUR -4.6 million in the previous year. Earnings per share stood at EUR 0.27, in comparison with EUR -0.27 for 2011.

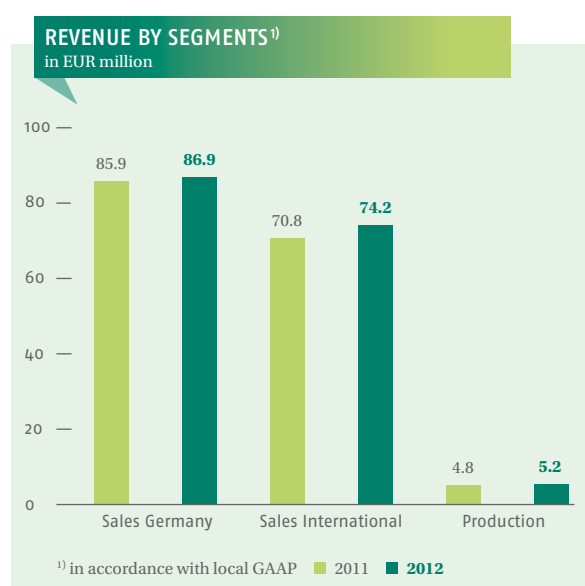


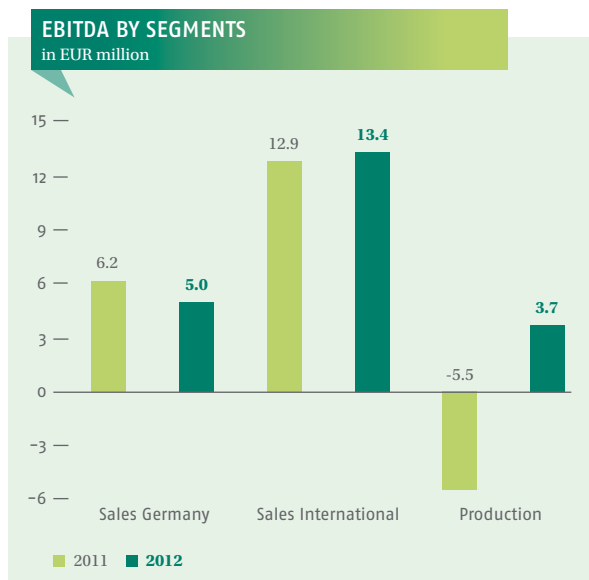
COURSE OF BUSINESS BY SEGMENT

The Company is divided into four segments, namely Production, Sales Germany, Sales International and Central 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.





Sales Germany

The FP Group achieved 2012 overall revenue of EUR 86.9 million with third parties in its German domestic market, compared with EUR 85.9 million in the previous year. In the Mail Services segment, revenue generated by the consolidation specialist freesort thus increased to EUR 39.1 million, compared with EUR 34.7 million in the previous year.

In Software Solutions, revenue also improved to EUR 11.4 million, compared with EUR 10.1 million in 2011.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, achieved revenue of EUR 36.5 million, after EUR 41.1 million the previous year. In the first half of 2012, the company had to overcome challenges presented by the process and supply chain at the new Wittenberge site and in the new centre for replacement parts near Bremen. This meant that longer was needed to catch up with back orders that had accumulated before the closure of the Birkenwerder site. These bottlenecks impacted the FP Group mainly in Germany, its biggest market, where customers are supplied directly from the factory.

The FP Group therefore generated an EBITDA result in Germany of EUR 5.0 million in 2012, compared to EUR 6.2 million in the previous year.

The company also underscored its market leadership in Germany with a market share of 42.2% in franking machine business. The company's participation in the key CeBIT trade fair in Hanover provided impetus for its product business. Here, the FP Group exhibited the new PostBase franking system and received its accreditation as a De-Mail provider in Germany.

Sales International

In its Sales International segment, in which all activities by the foreign subsidiaries are combined, the FP Group generated revenue of EUR 74.2 million with third parties in 2012, compared with EUR 70.8 million in the same period in the previous year. The rise in revenue also resulted from positive exchange rate effects relating to the USA and UK. In the USA, revenue rose to EUR 32.9 million compared with EUR 30.1 million in the previous year, the exchange rate effect amounting to EUR 2.5 million. In the UK, revenue climbed to EUR 15.0 million compared with EUR 13.0 million in the previous year. Here, the exchange rate effect was EUR 1.0 million. Overall, the FP Group posted positive exchange rate effects in the amount of EUR 4.1 million.

In the Sales International segment, the FP Group generated an EBITDA result of EUR 13.4 million, compared to EUR 12.9 million in the previous year. Here, the exchange rate effect amounted to EUR 0.9 million.

Production segment

The FP Group consolidates its production activities in Germany in the Production segment. In 2012, revenue came to EUR 5.2 million, after EUR 4.8 million in the same period for the previous year.

The discontinuation of production at the Birkenwerder site was completed at the end of the first quarter of 2012. Since the start of April 2012, the FP Group has produced franking machines solely at the new Wittenberge site. However, more time was required than originally anticipated until the process and supply chain at this new site and at the new centre for replacement parts near Bremen was up and running. This meant that longer was needed to catch up with back orders that had accumulated before the closure of the Birkenwerder site. Additional training was required and experienced employees had to be deployed before production in Wittenberge reached a steady state in summer 2012.

While EBITDA of EUR –5.5 million was generated in Production in 2011 due to the restructuring expenses, the company reported positive EBITDA of EUR 3.7 million for this segment in the last financial year. Here, the exchange rate effect amounted to EUR 1.6 million.

SUMMARY OF RESULTS PER SEGMENT

in EUR million	Revenue ¹⁾			EBITDA		
	2012	2011	Change in %	2012	2011	Change in %
Sales Germany	86,9	85,9	1,2	5,0	6,2	-19,4
Sales International	74,2	70,8	4,8	13,4	12,9	3,9
Production	5,2	4,8	8,3	3,7	-5,5	n / a
FP Group ²⁾	165,6	159,4	3,9	19,0	13,1	45,0

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 2012, this figure improved to 143%. In the previous year, the ratio was 189%.

Liquidity analysis

In the financial year 2012, cash flow from operating activities fell to EUR 7.3 million, compared with EUR 17.1 million in the previous year. The main causes of the decrease in cash flow from operating activities include the rising utilisation of provisions compared with the previous year. Expenses relating to

the restructuring alone had an effect of EUR –5.6 million on cash flow. EBITDA before restructuring costs decreased from EUR 21.8 million in 2011 to EUR 19.0 million in 2012, further impacting cash flow in the amount of EUR –2.8 million.

The cash outflow from investment activities dropped slightly in the 2012 financial year to EUR 14.3 million after EUR 14.7 million the previous year. Changes are reported in section "Investment analysis".

As a result, free cash flow – the balance of cash inflows from operating activities and cash outflows from investing activities – totalled EUR –7.0 million after EUR 2.4 million in the same period in the previous year.

Cash flow from financing activities amounted to EUR 6.3 million in 2012, after EUR –9.5 million in the previous year. This is particularly due to cash outflows from the repayment of bank loans in the amount of EUR 4.1 million and a positive balance for the repayment and borrowing of finance leases totalling EUR 2.5 million as well cash inflows due to the issuing of shares amounting to EUR 3.7 million and cash inflows from bank loans and reverse repo transactions in the amount of EUR 4.2 million. As it became apparent that additional funds would be required, particularly due to the negative financial impact of the utilisation of the provisions for restructuring made in 2011, additional utilisations and

deferrals were arranged as part of the syndicated loan. The Group fulfilled all payment obligations.

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

LIQUIDITY ANALYSIS

in EUR million	1.1.-31.12.2012	1.1.-31.12.2011
1. Cash flow from operating activities		
Cash flow from operating activities	7.3	17.1
2. Cash flow from investing activities		
Cash flow from investing activities	-14.3	-14.7
3. Cash flow from financing activities		
Cash flow from financing activities	6.3	-9.5
Cash and cash equivalents		
Change in cash and cash equivalents	-0.7	-7.1
Change in cash and cash equivalents due to currency translation	0.0	0.0
Cash and cash equivalents at beginning of period	6.3	13.4
Cash and cash equivalents at end of period	5.6	6.3

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. As at 31 December 2012, these liabilities remained more or less at the same level as 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 26.0 million at the end of 2012, compared to EUR 25.9 million as at 31 December 2011.

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

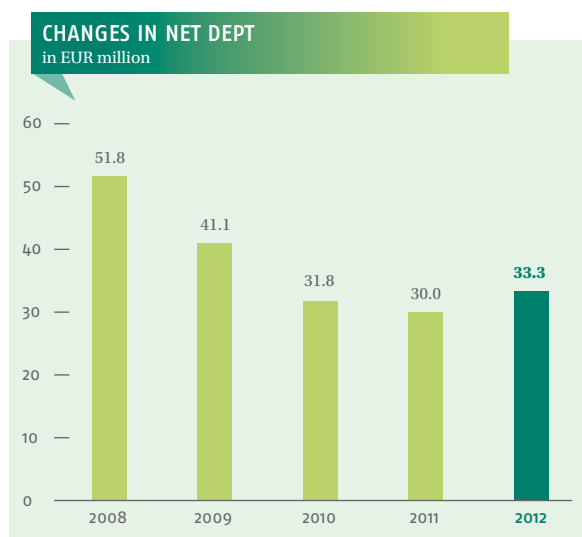
Debt includes borrowing at EUR 36.5 million (previous year: EUR 36.4 million) and liabilities from finance leases at EUR 4.2 million (previous year: EUR 1.7 million). Cash and

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 post-age credit balances managed by the FP Group of EUR 21.1 million (previous year: EUR 20.2 million).

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

CHANGES IN NET DEBT

in EUR million	31.12.2012	31.12.2011
Liabilities	40.7	38.2
Funds	-7.4	-8.2
Net debt	33.3	30.0
FP Holding	23.2	15.9
Net indebtedness	143%	189%

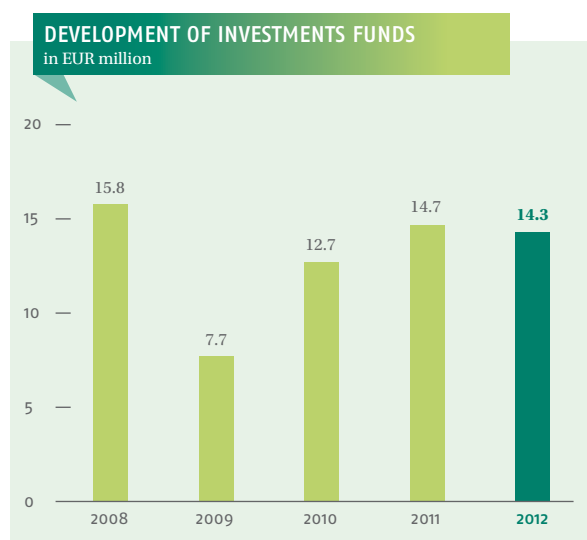


In 2011, the FP Group concluded a new three-year Group financing with a consortium of banks headed by Commerzbank. In doing so, it dissolved the current financing agreement, originally due to run until the end of November 2011, with a standing balance of EUR 38.9 million and repaid USD 6.9 million early and made an unscheduled repayment of EUR 5 million.

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 until February 2014.

In 2012, repayments of EUR 4.1 million were made. At the same time, FP took out a loan for the same amount. More detailed information can be found in the notes to the consolidated financial statements (note 21) and in the **Risk Report**.

Investment analysis



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. At EUR 14.3 million, investments remained more or less stable in 2012 following EUR 14.7 million in the previous year. Capitalised development costs increased to EUR 5.2 million in 2012, compared with EUR 4.8 million in the previous year, as the FP Group stepped up development of the Phoenix project to create the new and innovative PostBase and PostBase 2.0 franking systems.

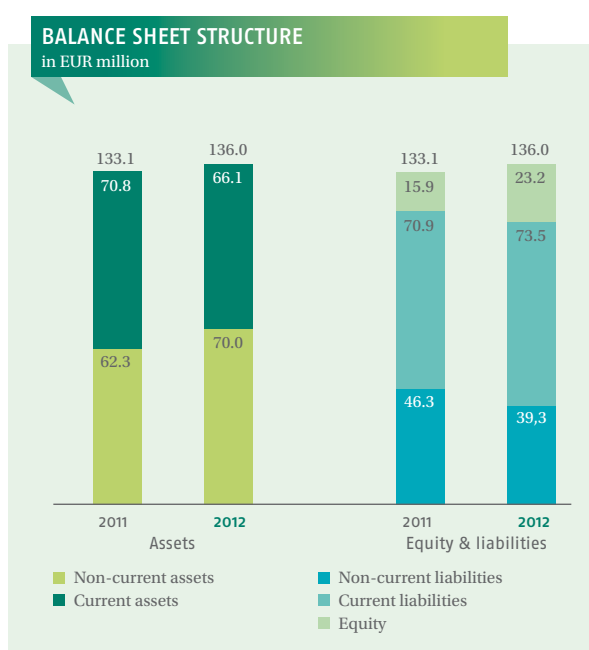
Investment in other intangible assets rose to EUR 0.7 million in 2012 compared to EUR 0.4 million in the previous year. Investment in property, plant and equipment excluding leased products decreased to EUR 2.4 million in the past year, compared to EUR 4.6 million in 2011 as a result of high costs for 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 6.5 million, following EUR 4.2 million in the previous year, as a result of the introduction of PostBase on the US market and its great success in this region. EUR 2.5 million (previous year EUR 0.0 million) of these additions in leased products are reported as assets under finance leases because these machines are also refinanced by means of sale and leaseback or sale and hire purchase back. EUR 4.0 million (previous year EUR 4.2 million) of these additions are reported under assets as leased products. No investment in company acquisitions was made in 2012. Because of the acquisition of a majority shareholding in Mentana-Claimsoft GmbH, investment in company acquisitions still stood at EUR 1.0 million in 2011.

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

INVESTMENT

in EUR million	2012	2011
Capitalised development costs	5.2	4.8
Investment in other intangible assets	0.7	0.4
Investment in property, plant and equipment (excluding leased products)	2.4	4.6
Investment in leased products	6.5	4.2
Investment in company acquisitions	0.0	1.0
Proceeds from the disposal of noncurrent assets	-0.5	-0.3
Capital expenditure	14.3	14.7

RESULTS OF OPERATIONS AND ASSET STRUCTURE ANALYSIS



The balance sheet as at 31 December 2012 is characterised by an increase in non-current assets. Non-current liabilities decreased by approx. 15%. Current assets decreased by approx. 7% whereas current liabilities increased by 4%.

Compared with 31 December 2011, total assets increased by EUR 3.0 million to EUR 136.0 million. The ratio of non-current assets to total assets rose from 46.8% to 51.4%. As at 31 December 2012, the ratio of current assets to current liabilities was 89.9%, compared with 99.8% a year ago.

Non-current and current assets

Within non-current assets, intangible assets increased to EUR 33.9 million compared to EUR 31.3 million the previous year. Items included here are goodwill at EUR 10.0 million (previous year: EUR 10.0 million), intangible assets including customer lists at EUR 17.7 million (previous year: EUR 10.4 million) and development projects in progress at EUR 6.1 million (previous year: EUR 10.9 million).

Property, plant and equipment increased from EUR 19.7 million the previous year to EUR 21.2 million as at 31 December

2012. Here, assets in finance leases increased in particular, from EUR 3.8 million in the previous year to EUR 5.9 million, due to the attractive rental business. The FP Group is using the finance lease to finance rental machines (USA). The erection of the new production site in Wittenberge led to a significant rise in land, land rights and buildings of EUR 1.1 million to EUR 2.3 million. By contrast, advance payments and assets under construction declined from EUR 2.7 million to EUR 0.0 million as at 31 December 2012 due to the commissioning of the new production site. There was a slight decline in leased products from EUR 8.5 million to EUR 7.7 million.

Deferred tax assets dropped from EUR 9.3 million to EUR 6.5 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 conducted 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 with a tax benefit effect.

Within current assets, inventories remained almost the same with EUR 11.0 million as at 31 December 2011 compared with EUR 10.8 million on the reporting date. Trade receivables rose from EUR 16.6 million in the previous year to EUR 17.6 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 increased slightly from EUR 25.9 million to EUR 26.0 million. Other current assets declined from EUR 9.2 million the previous year to EUR 8.2 million.

Equity

Shareholders' equity increased to EUR 23.2 million as at 31 December 2012, compared to EUR 15.9 million at the end of 2011, as a result of the positive consolidated net result.

As at 31 December 2012, Francotyp-Postalia Holding AG's share capital was EUR 16.2 million, divided into 16,160,000 no-par value bearer shares. On 23 March 2012, the FP Group increased 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 issue amount was EUR 2.66 per share; the company received gross proceeds of EUR 3.9 mil-

lion from the issue. The amount in excess of EUR 1 per share was recognised by the FP Group under capital reserves.

At the end of 2012, the company held a total of 370,444 own shares, corresponding to 2.29% 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).

Non-current and current liabilities

As at 31 December 2012, current liabilities increased to EUR 73.5 million, compared with EUR 70.1 million a year previously. This meant that trade payables dropped from EUR 10.2 million as at 31 December 2011 to EUR 8.3 million. In the same period, provisions declined from EUR 11.0 million to EUR 4.4 million. These provisions are explained in the notes to the consolidated financial statements in section IV, note 20. Other current liabilities went up from EUR 40.4 million to EUR 41.9 million. Of this increase, EUR 0.9 million was attributable to greater liabilities from teleporto. Current financial liabilities rose to EUR 16.8 million, following EUR 7.8 million on 31 December 2011.

During the financial year, non-current liabilities decreased from EUR 39.3 million to EUR 45.6 million on 31 December 2012. The ratio of net liabilities to equity had improved at the end of 2012 to 143% after 189% in the previous year.

COMPARISON BETWEEN ACTUAL AND FORECAST COURSE OF BUSINESS

When the FP Group presented its business figures on 19 April 2012, it made its first quantitative forecast for 2012 as a whole. The plans envisaged revenue of at least EUR 161 million and EBITDA of at least EUR 25 million.

This forecast was revised by the FP Group on 23 August 2012 for the following reasons: In the first half of 2012, the challenges presented by the process and supply chains in the old and new production sites of Birkenwerder and Wittenberge took longer to resolve than anticipated. The resulting back orders were not cleared quickly enough and negatively impacted German business in particular. In terms of revenue, this led to a temporary shift in the revenue structure

towards the strongly growing but low-margin consolidation business. In light of these factors, the FP Group continued to forecast revenue of at least EUR 161 million for 2012 as a whole, but adjusted its anticipated EBITDA to EUR 19 – 21 million and EBIT to EUR 8 – 10 million.

The FP Group achieved these targets. In 2012, revenue rose to EUR 165.6 million, EBITDA totalled EUR 19.0 million and EBIT amounted to EUR 9.1 million.

OVERALL STATEMENT ON THE COURSE OF BUSINESS

2012 was a very challenging financial year for the FP Group. The company completed the restructuring of its production, opened a new central production site in Wittenberge, Brandenburg, resolved initial challenges in the local process and supply chain and realigned sales in the German domestic market. The FP Group also drove forward its development to become a multi-channel provider. The key measures included the launch of the new franking system PostBase and entering the sector of fully electronic mail communication, the market for De-Mail. Despite facing all these challenges and investing in future growth, the company increased revenue slightly, improved income greatly and returned to profitability in the last financial year.

In 2012, around EUR 3 million in staff costs was saved as a result of the restructuring. At EUR 1.5 million, one-off costs relating to the closure of the production site in Birkenwerder and the set-up of a new production facility in Wittenberge had a greater impact on earnings than anticipated. In the previous year, earnings were also negatively impacted by restructuring costs of EUR 8.6 million. In 2011, these were positively counteracted by the expiry of the site continuation agreement in the amount of around EUR 1.0 million.

As expected, depreciation, amortisation and impairment losses were lower than the previous year because amortisation of customer lists and software, which was capitalised in conjunction with the acquisition of freesort and iab, expired as scheduled. Furthermore, depreciation on capitalised R&D projects expired at the end of 2011 and depreciation for currently capitalised R&D projects did not begin until mid-2012.

Overall, the course of business in 2012 did not meet original expectations. This was reflected in the amended guidance announced upon publication of the half-yearly financial report. This revised forecast was, however, confirmed.

EVENTS AFTER THE BALANCE SHEET DATE

The Deputy Chairman of the Supervisory Board Felix Hölzer stepped down from his position on the Supervisory Board of FP Holding as at 31 March 2013 in accordance with Article 10 (5) of the company's Articles of Association. Felix Hölzer had been a member of the FP Supervisory Board since June 2012.

The Management Board and Supervisory Board submitted a request to Neuruppin District Court to appoint Mr. Klaus Röhrig as a new member of the Supervisory Board for the transitional period until the election of FP Holding Supervisory Board members at the upcoming Annual General Meeting on 27 June 2013. In January this year, after his share of equity exceeded the threshold of 10%, Mr. Röhrig had already expressed an interest in taking up a position on the Supervisory Board and thus taking on responsibility for the company. Neuruppin District Court appointed Mr. Röhrig as a Supervisory Board member with effect from 1 April 2013.

In 2012, FP engaged Deutsche Postbank AG to arrange a syndicated loan of EUR 45 million with a term of three and a half years with which to repay the existing syndicated loan financing in the first half of 2013 before the end of its term in February 2014. As at 22 March 2013, the required loan commitment was provided in writing. This commitment is subject to presentation of documents. However, the company assumes that a contract will be concluded under these conditions.

No further events of particular importance occurred.

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 2012. 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.

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 classifies 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, more than three quarters of FP Group revenue consists of recurring revenue 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.

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 unclear how the situation will develop.

Various minimum wage options are being discussed that could have different consequences for private letter distributors. In principle, a general minimum wage rule – if not too high – would have the least impact on opportunities for private letter distributors because it would apply to all companies equally. The least favourable situation would be sector-based minimum wages for delivery services that would be significantly higher than current wage levels. This would negatively affect opportunities for private providers. It would mean less potential for the FP Group to do business with private letter distributors. Depending on how the market develops at this point, adjustments may be required to strategic initiatives for expanding traditional markets with new products.

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 exclusively in the A segment of franking machines and offers alternative technologies in the C 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 2012, EUR 17.7 million (previous year: EUR 10.4 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 market success of De-Mail depends on various factors such as end customer acceptance. As other market participants (Telekom, United Internet) FP assumes that this product will be a success. However, this is not secured and has first to be realised in the following periods.

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 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 GmbH, 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 convert-

ing 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 totalling USD 5,600 thousand, as well as three interest rate swaps in euro 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 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 2012 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). Firstly, own funds must not fall below the defined equity threshold of the FP Group as of the end of the respective quarter. On the other hand, net indebtedness may 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 2012 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 also had to make payments in connection with the redundancy scheme (section IV., note 20). This involved 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 current syndicated financing has a term until February 2014. Negotiations are underway regarding new syndicated financing to enable the early repayment of the existing financing. The likelihood of success is considered high. Should these negotiations fail, there is a risk that follow-up financing will not be agreed with the existing syndicate or an alternative syndicate or that it will only be possible to secure such financing under much less favourable conditions.

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 discontinuation of production in Birkenwerder and the establishment of new production in Wittenberge. Management does not currently expect this to be the case.

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-down. 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 took place with affected employees. These have all been concluded and no longer constitute a risk for the FP Group.

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 and Franco-

typ-Postalia GmbH are particularly affected by this. They are involved in a number of in-court and out-of-court competition, trademark and patent disputes with rival companies, both as claimants and defendants. These disputes relate to methods of customer advertising, obligations for continued delivery to a former trade representative, market positioning and possible violations of trademark and patent rights. The legal and specialist departments do not consider these proceedings to be economically significant.

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 Neuruppin Regional Court dismissed this lawsuit in its judgement on 8 November 2011. SBW Vermögensverwaltungs GmbH filed and substantiated an appeal against this judgement within the prescribed period. The Higher Regional Court of Brandenburg has not yet reached a decision on whether the appeal is admissible. The Group still considers the risk presented by the proceedings to be low. For additional information please also see the notes to the consolidated financial statements (note 26 "Contingent liabilities and assets").

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. 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. Early refinancing has been negotiated for this Group financing due to run until February 2014. Corresponding restructuring will take place when this is implemented. No significant changes to the company's legal structure are planned.

Future sales markets

To exploit additional growth potential, the FP Group entered the French market at the end of 2011. France is the largest franking machine market in Europe with around 230,000 installed machines. The company sees an opportunity here to tap into new sales potential in the coming years. The

subsidiary in France exceeded expectations in 2012. For this reason, further positive development is assumed.

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, such as Russia, for driving the global expansion of its technology forwards.

Future products and services

In 2012, the FP Group launched its new PostBase franking system and De-Mail. PostBase will be launched in more countries in 2013. 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.

Further developments in infrastructure, as currently demonstrated by the SPOCS project for EU-wide digital communication, will ensure that secure electronic dispatch is technically possible and legally sound both within and outside Germany. As with De-Mail, the FP Group is taking steps from the outset to ensure that further sales potential can be generated in future.

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 42% 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 was 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. In April of last year, the company began launching PostBase on the US rental market.

Since January 2013, the decertification announced by the US postal service in autumn 2012 has been providing an additional boost. Decertifications are performed by postal companies when older franking systems are to be replaced with a new technological standard. The new decertification concentrates on franking systems in the lower segment and is set to run until the end of 2015.

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 UltiMail franking machine in India. With regard to sales, the company is working with an established local firm.

Production segment

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. At the end of 2011, the FP Group commenced production at the new site in Wittenberge. The discontinuation of production at the Birkenwerder site was completed at the end of the first quarter of 2012. Since the second quarter of 2012, all franking systems have been produced in Wittenberge. 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 improve slightly in 2013. According to the International Monetary Fund (IMF), the worldwide economy is set to expand by 3.5% in 2013. Growth in the previous year was 3.2%. For 2014, the IMF anticipates a global growth rate of 4.1%.

For Germany, the IMF is predicting growth of just 0.6% in the current financial year and 1.4% in 2014. According to the IMF, the euro zone economy is expected to shrink

by 0.2% this year. In 2014, growth of 1.0% is set to kick in again across Europe. In the USA, the FP Group's most important foreign market, growth rates of 2.0% and 3.0% are expected in 2013 and 2014, 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 2013 and 2014. The IMF estimates their growth at 5.5% 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.

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. New offerings such as De-

Mail have long-term 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 to long 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 should lead to savings of around EUR 3 million annually. 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 re-inforce its operating earnings and financial power in 2013. In financial year 2013, the FP Group is likely to employ the same number of employees as in 2012.

OVERALL STATEMENT ON FUTURE BUSINESS DEVELOPMENT

The following statements are based on current knowledge at the start of 2013. 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 168 million, EBITDA of at least EUR 22 million and EBIT of EUR 9 million for 2013. It should be noted that the FP Group announced in the summer of 2012 that it would successively compensate the losses made due to the temporary challenges faced in 2012.

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. The FP Group therefore sees further potential for growth in 2014 and plans to increase revenue organically. Accordingly, EBITDA and EBIT will also develop positively.

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.

OTHER DISCLOSURES

MANAGEMENT BOARD'S EXPLANATORY REPORT 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 2012, the share capital of Francotyp-Postalia Holding AG was EUR 16,160,000. It is divided into 16,160,000 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 2012, holdings of treasury shares stood at 370,444. That corresponds to a 2.3% 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)

On 31 December 2012, 3R Investments, headquartered in Cyprus, held 10.03% of share capital in Francotyp-Postalia Holding AG. This equates to 1,660,000 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 has been 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.

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. 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.

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 has been 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 an adjustment to preserve the value of the option or conversion price, in all these cases payment of a corresponding amount in cash by the Company when the option or conversion right is exercised or when the option or conversion obligation is fulfilled may be envisaged in accordance with the more detailed provision of the terms and conditions of the bonds.

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, with the approval of the Supervisory Board, to withhold shareholders' rights to subscribe 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 recog-

nised 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 of 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 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.

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 2012.

REMUNERATION REPORT ACCORDING TO SEC. 315 PARA. 2 NO. 4 SENT. 1 HGB

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.

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.

The direct remuneration paid to Management Board members totalled EUR 755,000, of which EUR 602,000 comprised the fixed annual salaries including pension contributions and EUR 33,000 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. During the reporting period staff expenses according to the share options granted in the past amounted to EUR 120,000.

The remuneration paid to the Management Board is as follows:

in EUR thousand		Fixed salary	Payment in kind / allowances	Bonuses	Bonuses (provisions)	Stock options (staff expenses)	Total remuneration
Hans Szymanski	2012	316	15	30	-30	60	391
	2011	279	11	140	-96	51	385
Andreas Drechsler	2012	286	18	30	-30	60	364
	2011	253	15	140	-96	51	363
Total remuneration for the financial year	2012	602	33	60	-60	120	755
	2011	532	26	280	-192	102	748

The fixed salary includes allowances for pensions in the amount of EUR 76 thousand (previous year: EUR 76 thousand) for Mr. Szymanski and EUR 76 thousand (previous year: EUR 76 thousand) for Mr. Drechsler.

In the 2012 financial year, Management Board bonuses of EUR 30 thousand (previous year: EUR 140 thousand) were paid to each of Mr. Szymanski and Mr. Drechsler. Provisions of EUR 30 thousand (previous year: EUR 96 thousand) for each member of the Management Board were utilised for this in the 2012 financial year. 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.

As in the previous year, only insignificant amounts were set aside for pension obligations for active members of the Management Board (2012: EUR 2 thousand; 2011: EUR 2 thousand).

Provisions totalling EUR 1,147 thousand (previous year: EUR 1,172 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 dependents) of the German company Francotyp-Postalia GmbH (for former members of the Management Board of Francotyp-Postalia Holding AG: 31 December 2012: EUR 536 thousand; 31 December 2011: EUR 511 thousand). EUR 54 thousand was added to provisions in the 2012 reporting year (previous year: EUR 61 thousand). Of this, EUR 0 thousand relates to service costs and EUR 54 thousand to interest costs.

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 fixed remuneration for the Supervisory Board amounted to EUR 113 thousand in the 2012 financial year (previous year: EUR 112 thousand).

Word market share

10.4%

243,000

*Franking machines installed
at customer sites worldwide*

The FP Group's franking machines are present in the main markets worldwide, including Germany, the USA, UK and, as of 2011, France. With an installed base of some 243,000 franking machines, the company has a global market share of 10%, making the third largest provider in the world.

CONSOLIDATED FINANCIAL STATEMENT FOR THE 2012 FISCAL YEAR

79 CONSOLIDATED STATEMENT OF RECOGNISED INCOME
AND EXPENSE

80 CONSOLIDATED BALANCE SHEET

82 CONSOLIDATED CASH FLOW STATEMENT

83 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

84 NOTES

85 General Principles

108 Segment Reporting

112 Notes to the Consolidated Statement of
Recognised Income and Expense

117 Notes to the Consolidated Balance Sheet

138 Other Disclosures

150 RESPONSIBILITY STATEMENT

151 INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

in EUR thousand	Notes	1.1. - 31.12.2012	1.1. - 31.12.2011
Revenue	(1)	165,640	159,361
Changes in inventories of finished goods and work in progress		-182	-286
		165,458	159,075
Other own work capitalised	(2)	12,128	8,744
Other income	(3)	1,349	5,567
Cost of materials	(4)		
a) Cost of raw materials, consumables and supplies		32,048	26,460
b) Cost of services purchased		40,505	36,309
		72,553	62,769
Staff expenses	(5)		
a) Wages and salaries		44,449	51,452
b) Social security contributions		7,883	8,099
c) Expenses for pensions and other benefits		930	639
		53,262	60,190
Depreciation, amortisation and impairment losses	(10)	9,945	14,424
Other expenses	(6)	34,115	37,316
Net interest income/expense	(7)		
a) Interest and similar income		977	1,231
b) Interest and similar expenses		3,696	3,814
		-2,719	-2,583
Other financial result	(7)		
a) Other financial income		679	1,886
b) Other financial expenses		954	2,337
		-275	-451
Tax result	(8)		
a) Tax income		10,103	7,675
b) Tax expense		12,208	7,885
		-2,105	-210
Consolidated net income		3,961	-4,557
Other comprehensive income			
Translation of financial statements of foreign entities		-485	659
of which taxes		186	16
of which reclassified to consolidated net income		-272	-158
Cash flow hedges		0	21
of which taxes		0	0
of which reclassified to consolidated net income		0	21
Other comprehensive income after taxes		-485	680
Comprehensive income		3,476	-3,877
Consolidated net income for the year:		3,961	-4,557
- of which attributable to the shareholders of FP Holding		4,120	-3,838
- of which attributable to minority interests		-159	-719
Comprehensive income:		3,476	-3,877
- of which attributable to the shareholders of FP Holding		3,635	-3,158
- of which attributable to minority interests		-159	-719
Earnings per share (basic and diluted, EUR)	(9)	0.27	-0.27

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012

ASSETS

in EUR thousand	Notes	31.12.2012	31.12.2011
NON-CURRENT ASSETS			
Intangible assets	(10)		
Intangible assets including customer lists		17,727	10,419
Goodwill		10,016	10,016
Development projects in progress and pre-payments		6,135	10,882
		33,878	31,317
Property, plant and equipment	(10)		
Land, land rights and buildings		2,284	1,058
Technical equipment and machinery		1,152	1,145
Other equipment, operating and office equipment		4,072	2,562
Leased products		7,732	8,525
Assets under finance leases		5,929	3,753
Advance payments and assets under construction		3	2,706
		21,172	19,749
Other assets			
Associated companies	(23)	13	59
Other equity investments	(25)	163	163
Finance lease receivables	(11, 25)	1,393	1,585
Other non-current assets		182	160
		1,751	1,967
Tax assets			
Deferred Taxes	(19)	6,469	9,270
Current Taxes	(19)	6,689	0
		13,158	
		69,959	62,303
CURRENT ASSETS			
Inventory	(12)		
Raw materials, consumables and supplies		4,584	4,021
Work in progress		760	996
Finished products and merchandise		5,428	5,988
		10,772	11,005
Trade receivables	(13, 25)	17,648	16,627
Other assets			
Finance lease receivables	(11, 25)	1,342	1,762
Reimbursement rights for income taxes		1,446	5,587
Derivative financial instruments	(25)	11	59
Other current assets	(15, 25)	8,160	9,169
		10,959	16,577
Securities	(14, 25)	680	678
Cash	(16, 25)	26,028	25,867
		66,087	70,754
		136,046	133,057

LIABILITIES

in EUR thousand	Notes	31.12.2012	31.12.2011
EQUITY	(17)		
Equity attributable to shareholders of the parent company			
Subscribed capital		16,160	14,700
Capital reserves		35,312	33,181
Stock option reserve		636	346
Treasury shares		-1,829	-1,829
Loss carried forward		-31,171	-27,333
Consolidated net income after minority interests		4,120	-3,838
Accumulated other equity		-459	26
		22,769	15,253
Minority interests		475	634
		23,244	15,887
NON-CURRENT LIABILITIES			
Provisions for pensions and similar obligations	(18)	12,235	12,146
Other provisions	(20)	1,822	2,188
Financial liabilities	(21, 25)	23,917	30,410
Other liabilities	(21, 25)	376	441
Deferred tax liabilities	(19)	928	1,097
		39,278	46,282
CURRENT LIABILITIES			
Tax liabilities	(19)	2,141	1,459
Provisions	(20)	4,409	11,040
Financial liabilities	(21, 25)	16,829	7,753
Trade payables	(21, 25)	8,277	10,226
Other liabilities	(21, 25)	41,868	40,410
		73,524	70,888
		136,046	133,057

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

in EUR thousand	Notes	1.1. – 31.12.2012	1.1. – 31.12.2011
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated net income		3,961	-4,557
Income tax result recognised in profit or loss	(8)	2,105	210
Net interest income recognised in profit or loss	(7)	2,719	2,583
Depreciation and amortisation / reversals of non-current assets	(9)	9,946	14,389
Decrease (-) / increase (+) in provisions and tax liabilities	(18, 19, 20)	-8,457	3,551
Changes in deferred tax assets and liabilities		2,632	2,626
Losses on the disposal of non-current assets		126	644
Decrease (+)/Increase (-) in inventory, trade receivables, and other assets not attributable to investing or financing activities	(12, 13, 15)	-1,783	-4,050
Decrease (-)/increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	(21)	-1,406	5,127
Other non-cash expenses and income		-54	1,260
Government assistance not yet received		-121	-1,580
Interest received	(7)	977	1,231
Interest paid	(7)	-2,916	-2,722
Income tax paid	(8)	-421	-1,631
Cash flow from operating activities		7,309	17,081
CASH FLOW FROM INVESTING ACTIVITIES			
Cash paid for the capitalisation of development costs		-5,184	-4,795
Proceeds from the disposal of non-current assets	(9)	513	334
Cash paid for investments in intangible assets	(9)	-655	-455
Cash paid for investments in property, plant and equipment	(9)	-8,942	-8,781
Cash paid for financial investments		0	-28
Cash paid for business combinations	I., V.	0	-999
Cash flow from investing activities		-14,268	-14,724
CASH FLOW FROM FINANCING ACTIVITIES			
Cash outflows from reverse repo transactions		684	1,353
Cash paid to repay bank loans	(21)	-4,054	-9,913
Cash paid to repay liabilities from finance leases	(21)	-990	-968
Cash inflows from the taking of liabilities from finance leases		3,470	
Cash inflows as a result of issuing shares	(17)	3,655	0
Cash inflows from taking out bank loans	(17)	3,486	0
Cash flow from financing activities		6,251	-9,528
Cash and cash equivalents*			
Change in cash and cash equivalents	V.	-708	-7,171
Change in cash and cash equivalents due to currency translation		21	55
Cash and cash equivalents at beginning of period	V.	6,307	13,423
Cash and cash equivalents at end of period	V.	5,620	6,307

* Cash and cash equivalents and Other liabilities exclude the postage credit balances managed by the FP Group (EUR 21,088 thousand; previous year EUR 20,238). Cash and cash equivalents include current securities in the amount of EUR 680 thousand (previous year EUR 678 thousand).

Explanations to the Consolidated Cash Flow Statements are shown in section V of the notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

in EUR thousand	Sub- scribed capital	Capital reserves	Stock option reserve	Treasury shares	Net income / loss	Differential amount from currency transla- tion	Net invest- ments in foreign operations	Derivative financial instru- ments	Equity attribut- able to FP Holding	Minority interests	Total
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 finan- cial 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 compre- hensive 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 consolidat- ed companies	0	0	0	0	0	0	0	0	0	-78	-78
Charging based on sec. 150 para. 4 AktG		-12,527			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
Balance as at 1 January 2012	14,700	33,181	346	-1,829	-31,171	-607	633	0	15,253	634	15,887
Consolidated net income 1 January to 31 December 2012	0	0	0	0	4,120	0	0	0	4,120	-159	3,961
Translation of financial statements of foreign entities	0	0	0	0	0	-737	252	0	-485	0	-485
Cash flow hedges	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	-737	252	0	-485	0	-485
Comprehensive income	0	0	0	0	4,120	-737	252	0	3,635	-159	3,476
Capital increase	1,460	2,131	0	0	0	0	0	0	3,591	0	3,591
Capital increase from stock options	0	0	290	0	0	0	0	0	290	0	290
Changes in the group of consolidated companies	0	0	0	0	0	0	0	0	0	0	0
Balance as at 31 December 2012	16,160	35,312	636	-1,829	-27,051	-1,344	885	0	22,769	475	23,244
Changes in share- holders equity are shown under note:	(17)	(17)	(17)	(17)		(17)	(17)	(17)	(17)	(17)	(17)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2012 FINANCIAL YEAR

84 NOTES

85 I. General Principles

108 II. Segment Reporting

112 III. Notes to the Consolidated Statement of
Recognised Income and Expense

117 IV. Notes to the Consolidated Balance Sheet

138 V. Other Disclosures

I. GENERAL

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Birkenwerder (also 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 2012 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 90 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 aftersales 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-Claimssoft GmbH.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for forwarding to the Supervisory Board on 28 March 2013. The Supervisory Board has the responsibility of examining the consolidated financial statements and declaring whether it adopts them.

DECLARATION OF COMPLIANCE

FP Holding has prepared its consolidated financial statements for the year ending 31 December 2012 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 2012 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 euro. For greater clarity and to facilitate comparison, all amounts are presented in thousands of euro (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.

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 FP Group fulfilled these more extensive disclosure requirements (see comments in section IV, note 21).

STANDARDS AND INTERPRETATIONS REQUIRING DISCLOSURE IN ACCORDANCE WITH IAS 8.30

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.

A) EU ENDORSEMENT ALREADY OBTAINED

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.

The amendment is required to be applied for the first time in financial years beginning on or after 1 July 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 in future such items must be recognised directly and in full in other comprehensive income. Furthermore, past service cost must now be recognised directly in profit and loss in the year in which it arises.

In addition, the expected return on plan assets is currently determined at the beginning of the accounting period on the basis of 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 discount rate for pension obligations at the beginning of the period is permitted.

The expected amount of administrative costs for plan assets was previously included in net interest. The amendments stipulate that administrative costs for plan assets must be recognised in other comprehensive income as part of the remeasurement component, whereas other administrative costs are to be allocated to operating profit at the time they are incurred.

Overall, the amendments to IAS 19 will lead to the following significant effects. As the FP Group currently applies the corridor method, the change will result in an increase in pension provisions of EUR 2,398 thousand based on the situation as of 31 December 2012. Financing expenses will decline by EUR 70 thousand. On transitioning from the corridor method to the amended method, the Group's 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.

The amended definition of termination benefits will affect accounting for supplementary amounts committed as part of phased early retirement agreements. Previously, the supplementary amounts were classified as termination benefits and were accordingly set aside at their total amount when a phased early retirement contract was concluded. As a result of the change in the definition of termination benefits, the supplementary amounts no longer fulfil the requirements for classification as termination benefits when applying IAS 19 (revised 2011). Instead, they represent other non-current employee benefits, which must be accumulated in instalments over the employees' service period.

As a result of the amended definition of termination benefits, supplementary amounts committed as part of phased early retirement agreements now constitute other non-current employee benefits. The accumulation of supplementary amounts in instalments over the relevant active years of service of the employees who are beneficiaries under phased early retirement agreements results in a provision that is EUR 72 thousand lower as at 31 December 2012. In the subsequent periods, it will lead to a negative impact on operating earnings totalling EUR 85 thousand in the 2013 financial year and EUR 52 thousand in 2014.

The amendment is required to be applied for the first time in financial years beginning on or after 1 January 2013.

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.

The amendment is required to be applied for the first time in financial years beginning on or after 1 January 2014.

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.

In future, potential voting rights and other derivative financial instruments must also be taken into account in assessing whether a company has significant influence and in determining the investor's share in the company's assets.

An additional amendment relates to accounting in accordance with IFRS 5 if only part of a share in an associate or a joint venture is held for sale. IFRS 5 is then to be applied partially if only a share or part of a share in an associate (or in a joint venture) fulfils the criterion "held for sale".

The amendment is required to be applied for the first time in financial years beginning on or after 1 January 2014.

As the FP Group does not currently hold any equity interests in joint ventures, the application of IFRS 11 in conjunction with the amended IAS 28 does not result in any changes.

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.

The amendment to IAS 32 is required to be applied for the first time in financial years beginning on or after 1 January 2014.

The amendment to IFRS 7 is required to be applied for the first time in financial years beginning on or after 1 January 2013.

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.

The new standard is required to be applied for the first time in financial years beginning on or after 1 January 2014. 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.

The new standard is required to be applied for the first time in financial years beginning on or after 1 January 2014. 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.

As the FP Group does not currently hold any equity interests in joint ventures, the application of IFRS 11 in conjunction with the amended IAS 28 does not result in any changes.

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.

The new standard is required to be applied for the first time in financial years beginning on or after 1 January 2014.

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.

The new standard is 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. If income is generated from continued use of mine waste materials, as expected, the costs attributable to stripping must be accounted for as inventory in accordance with IAS 2. In addition, an intangible asset is created that is to be capitalised together with the surface mine asset if access to additional mineral resources is improved and the requirements defined in the interpretation are fulfilled. This asset must be amortised over its expected useful life.

IFRIC 20 is required to be applied for the first time in financial years beginning on or after 1 January 2013.

Amendments to IFRS 1 – Government Loans

This amendment relates to the accounting for government loans at a below-market interest rate by a first-time adopter of IFRS. Measurement in line with the previous accounting may be maintained for existing government loans at the transition date. The measurement regulations under IAS 20.10A in conjunction with IAS 39 therefore apply only to government loans granted after the transition date.

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

B) EU ENDORSEMENT STILL OUTSTANDING

Improvements to IFRS 2009 – 2011

As part of the *annual improvement project*, amendments were made to five standards. The adjustments to the formulation of individual IFRSs are intended to clarify the existing provisions. There are also changes affecting accounting, recognition, measurement and disclosures in the notes. The affected standards are IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1.

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

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.

Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures

These amendments allow for dispensing with adjusted prior-year figures on first-time adoption of IFRS 9. Originally, this easing of requirements was possible only in the case of early adoption of IFRS 9 before 1 January 2012.

The easing entails additional disclosures in the notes in accordance with IFRS 7 at the transition date.

As with the regulations under IFRS 9, these amendments will be required to be applied for the first time in financial years beginning on or after 1 January 2015, subject to their adoption into EU law.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

These amendments include a definition of investment companies and remove such companies from the scope of application of IFRS 10 Consolidated Financial Statements.

Investment companies accordingly do not consolidate the companies they control in their IFRS consolidated financial statements. This exception from the general principles is not to be understood as an option. Instead of full consolidation, they measure equity interests held for investment purposes at fair value and recognise periodic fluctuations in value in profit and loss.

The amendments do not have any impact on consolidated financial statements including investment companies unless the parent company of the group is itself an investment company.

Subject to their adoption into EU law, these amendments will be required to be applied for the first time in financial years beginning on or after 1 January 2014.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance

These amendments include a clarification and additional easing of requirements for the transition to IFRS 10, IFRS 11 and IFRS 12. For instance, adjusted comparative information is required only for the previous comparative period. In addition, with regard to disclosures in the notes on unconsolidated structured entities, comparative information for periods prior to first-time adoption of IFRS 12 is no longer required to be disclosed.

Subject to their adoption into EU law, the amendments to IFRS 10, IFRS 11 and IFRS 12 will be required to be applied for the first time in financial years beginning on or after 1 January 2014.

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.

Compared with the consolidated financial statements as at 31 December 2011, the reporting period saw no changes to the consolidated group.

In addition to Francotyp-Postalia Holding AG, the 2012 consolidated financial statements of the FP Group include 13 (previous year: 13) German and ten (previous year: ten) 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 2012 (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 2012 is as follows: assets: EUR 1,035 thousand (previous year: EUR 1,184 thousand), liabilities: EUR 260 thousand (previous year: EUR 347 thousand), revenue: EUR 254 thousand (previous year: EUR 248 thousand) and consolidated net income: EUR 70 thousand (previous year: EUR 72 thousand). Currency translation applied an average exchange rate of EUR 1 to JPY 102.63 for the net income for the year and a closing rate of EUR 1 to JPY 113.49 for the balance sheet figures.

A 99.99% equity interest is held in FP Systems India Private Limited, Mumbai, India. This is shown at acquisition cost in the consolidated financial statements for 2012 (as it was in the previous year). The company is not yet operationally active. 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 2012, the company's equity amounted to EUR 4 thousand. Currency translation for equity was performed at a closing rate of EUR 0.0138 to INR 1.

Francotyp-Postalia Ltd., Dartford, United Kingdom, holds a further 100% equity interest in FP Direct Ltd., Dartford, United Kingdom. This is shown at acquisition cost in the consolidated financial statements for 2012 (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 2012, the company's equity amounted to GBP 1 (EUR 1.22).

A 20% equity interest held by internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany, in Print & Mail Beteiligungsgesellschaft bürgerlichen Rechts, Berlin, Germany, is shown in the 2012 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 2012, the company's assets amounted to EUR 0 thousand (previous year: EUR 226 thousand). Liabilities amounted to

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 OF THE GERMAN COMMERCIAL CODE (HGB)

No.	Name and headquarters of company	31 December 2012 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 lilibit 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./S.A., 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

EUR 1 thousand as at 31 December 2012 (previous year: EUR 1 thousand). Revenue amounted to EUR 0 thousand in 2012 (previous year: EUR 0 thousand) and net income totalled EUR -225 thousand (previous year: EUR 0 thousand).

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 euro at the exchange rate on the reporting date.

The equity of subsidiaries that do not prepare their financial statements in euro 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:

	Rate on the reporting date		Average rate	
	31.12.2012	31.12.2011	2012	2011
EUR 1 =				
US dollar (USD)	1.3185	1.2937	1.2858	1.3920
British pound sterling (GBP)	0.8155	0.8369	0.8112	0.8678
Canadian dollar (CAD)	1.3116	1.3197	1.2849	1.3758
Singapore dollar (SGD)	1.6110	1.6816	1.6061	1.7495
Swedish krona (SEK)	8.5844	8.9210	8.7077	9.0283

ACCOUNTING PRINCIPLES

When drawing up the consolidated financial statements for 2012, 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. Subsidies relating to assets are recognised with a reduction in the carrying amount. By contrast, grants relating to assets are also recognised in profit and loss under other income. 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 recoverable amount is measured separately. The impairment tests are carried out at the level 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 are amortised on a straight-line basis over their useful life of three to six years. Customer lists and capitalised development costs are also amortised over a period of fifteen 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. 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	4 to 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 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; 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
- 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. At initial recognition, financial instruments are measured at fair value plus transaction costs if applicable. Amortised costs are determined based on the effective interest rate method.

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. In the Group, these include other equity investments. 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. Capital reserves increased by EUR 2,131 thousand in connection with the capital increase resolved on 23 March 2012, in which 1.46 million new no-par value bearer shares were issued, each representing EUR 1 of share capital.

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 2012 financial year, an interest rate of 3.00% was applied in the calculations (previous year: 4.80%). 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

At initial recognition, financial instruments are measured at fair value plus transaction costs if applicable. Amortised costs are determined based on the effective interest rate method.

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 carry forwards 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 FRANCO-TYP-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. The market interest rate is calculated for finance leases with reference to comparable lease agreements.

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 in particular, as well as in the Netherlands in some cases.

The leasing of franking and inserting machines by other FP companies is predominantly 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 FRANCO-TYP-POSTALIA IS THE LESSEE

In some cases, the economic ownership of the printers, photocopiers and 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. At initial recognition, a leased asset is carried at the lower of fair value or the present value of the minimum lease payments. The corresponding liabilities are recognised, and broken down on the basis of maturities.

Leased products were refinanced by way of sale-and-lease-back contracts in some cases. To this end, FP concluded hire-purchase contracts that provide for repurchase at an agreed date and at a pre-defined repurchase price. This equipment is reported as assets under finance leases.

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 1,221 thousand in the first quarter of 2013 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 other 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 667 thousand (previous year: EUR 1,875 thousand) and expenses of EUR 905 thousand (previous year: EUR 2,334 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 December 2012, a total of four 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 2012 are shown in the following table:

No.	Contract concluded	Amount hedged	Hedging rate vs. EUR	Maturity date/ exercise period	Fair value
1	21.12.2012	USD 500,000	1.3460	22.2.2013	-2,416.18
2	21.12.2012	USD 500,000	1.3460	24.4.2013	-1,193.20
3	21.12.2012	USD 500,000	1.3270	24.4.2013	4,616.51
4	21.12.2012	GBP 400,000	0.8190	30.4.2013	6,636.41

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 December 2012		31 December 2011	
	EUR	USD	EUR	USD
Unsecured bank loan	0	-2,588	0	-3,690
Secured bank loan	0	-2,490	0	-4,560
Forward transactions	8	0	-26	0
Options	0	0	-11	0
Net risk in EUR thousand	8	-5,078	-37	-8,250

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, GBP) ceteris paribus. The benchmarks for the sensitivities calculated are the US dollar loan and the corresponding derivative transactions.

in EUR thousand	Development of the foreign currency in percentage points	Effect on consolidated net income before taxes	Effect on equity
2012			
USD	+5%	-282	-282
	-5%	219	219
GBP	+5%	-35	-35
	-5%	15	15
2011			
USD	+5%	-465	-465
	-5%	794	794
GBP	+5%	-342	-342
	-5%	378	378

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 of USD 5,600 thousand, as well as three interest rate swaps in euro with an initial reference amount of 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 between 1.53% and 1.56% p. a. (euro loan). The market value of these instruments amounts to EUR -202 thousand (previous year: EUR -133 thousand). The swap is settled on a quarterly basis.

The conditions of the contracts and their fair values as at 31 December 2012 are shown in the following table:

No.	Date concluded	End date	Initial reference amount	Reference amount at 31 December 2012	Fixed rate	Fair value
1	31.8.2011	31.12.2013	USD 4,280,000	EUR 1,900,000	0.78%	-5,120.86
2	30.8.2011	31.12.2013	USD 1,320,000	EUR 590,000	0.80%	-486.27
3	31.8.2011	31.12.2013	EUR 8,920,000	EUR 8,340,000	1.55%	-114,081.37
4	30.8.2011	31.12.2013	EUR 3,790,000	EUR 3,400,000	1.56%	-36,963.05
5	31.8.2011	31.12.2013	EUR 3,420,000	EUR 2,960,000	1.53%	-45,779.29

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

EUR thousand	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap				
Fair value	0	202	1	133

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

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.

	Change in percentage points	Effect on consolidated net income before taxes in EUR thousand	Effect on equity in EUR thousand
2012	+1%	-365	-365
	-1%	+365	+365
2011	+1%	-404	-404
	-1%	+404	+404

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, and investments in leased products are financed through sale-and-lease-back transactions.

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.

In addition to the contractually agreed interest payments and repayments up to the end of the first quarter of 2013, 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.

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.

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 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 actual loan extension and loan repayment came at the same time as the first planned principal pay-

ments, 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 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. The utilisation of the loan will be repaid in ten monthly instalments each of EUR 411 thousand beginning on 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 is to 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 order to improve the Group's liquidity situation, Group companies sell trade receivables to Commerzbank AG under reverse repo transactions and factoring in exchange for a fee. As at the reporting date, this resulted in a cash inflow of EUR 684 thousand (previous year: EUR 1,353 thousand) for the Group in connection with reverse repo transactions and a cash inflow of EUR 454 thousand (previous year: EUR 30 thousand) in connection with factoring. Please refer to the information provided in section IV, note 21 of these notes.

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 34,416 thousand (previous year: EUR 34,527 thousand), the Group had other liabilities to banks in the amount of EUR 2,128 thousand (previous year: EUR 1,915 thousand).

EUR thousand	Carrying amount as at 31.12.2012	Contractually agreed cash flows	
		2013	2014
Loans	-34,416	-14,403	-21,425
Forwards	8	8	0
Swaps	-202	-202	0
		-14,598	-21,425

EUR thousand	Carrying amount as at 31.12.2011	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

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 debt to equity.

The selected debt items include, in particular, borrowing (EUR 36,544 thousand; previous year: EUR 36,442 thousand) and finance lease liabilities (EUR 4,202 thousand; previous year: EUR 1,721 thousand). Funds as defined in this context include treasury shares (EUR 1,829 thousand; previous year: EUR 1,829 thousand) and securities (EUR 680 thousand; previous year: EUR 678 thousand) and exclude postage credit balances managed by the FP Group (EUR 21,088 thousand; previous year: EUR 20,238 thousand).

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

EUR thousand	31.12.2012	31.12.2011
Liabilities	40,746	38,163
Funds	-7,449	-8,136
Net debt	33,297	30,027
FP Holding	23,244	15,887
Net indebtedness	143%	189%

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 2012 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 2012 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.

Net working capital for the FP Group increased by 15.7% year-on-year as at 31 December 2012, from EUR 17,406 thousand to EUR 20,143 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 sectoral environment 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 2012 in the amount of EUR 11,840 thousand (previous year: EUR 3,843 thousand) and EUR 6,135 thousand (previous year: EUR 10,882 thousand) for development projects in progress. In the year under review, development costs totalled EUR 10,362 thousand (previous year: EUR 10,794 thousand).

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 value in use of the asset and the fair value of the cash-generating unit must be calculated in order to assess whether the carrying amount is higher than the recoverable amount.

In this context, the recoverable amount is defined as the higher of fair value less costs to sell and the value in use. The difference between the carrying amount and the recoverable amount represents the impairment to be recognised.

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 10,016 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 0 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 and interest carry forwards to the extent it is likely that it will be possible to use these loss carry forwards 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 2012, the carrying amount of the deferred tax assets on unutilised tax loss and interest carry forwards amounted to EUR 5,889 thousand (previous year: EUR 6,946 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 starting from the 2010 financial year.

External audits relating to income taxes for the years from 2005 to 2008 were stipulated for several German FP Group companies in 2010. The audits commenced in the 2011 reporting year and are now largely completed. A final agreement with the external audit has not yet been reached with regard to its findings. The audits also related to the transfer prices recognised in the auditing period for transactions with foreign FP Group companies. As at the reporting date, there were no notices of amendment or final audit reports. However, 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 is the transfer of profits from abroad to Germany. Upon presentation of negative notices of amendment based on the external audit, the Management Board intends to request that arbitration or settlement proceedings be initiated in accordance with the EU Arbitration Convention and the double taxation convention. This aim would be to avoid any resulting double taxation.

Furthermore, Francotyp-Postalia Holding AG has established that transfer prices for individual transactions with foreign FP Group companies may also have to be adjusted for the years 2009 to 2012.

Existing tax loss carry forwards could be used for a significant portion of profits taxable in Germany based on the adjustment of transfer prices. The reduction in deferred tax assets on loss carry forwards at Francotyp-Postalia Holding AG by a total of EUR 951 thousand as at 31 December 2012 is predominantly attributable to the adjustment of transfer prices for the years 2009 to 2012 (previous year: EUR 4,432 thousand for the years 2005 to 2008).

Based on provisional estimates, the current income tax burden from minimum taxation in Germany is expected to be around EUR 1,111 thousand for the period of the external audits (previous year: EUR 796 thousand), plus interest on backpayments of EUR 289 thousand (previous year: EUR 157 thousand). It is most likely that the adjustments for the years 2009 to 2012 will be fully offset against loss carry forwards. Actual tax backpayments are not anticipated.

Due to the tax receivables that are highly likely as a result of adjustment effects outside Germany for the years 2005 to 2012 as a consequence of the arbitration and settlement proceedings mentioned above, current tax receivables in the amount of the reversed deferred tax assets and the expected tax backpayments in Germany were capitalised in the consolidated financial statements of Francotyp-Postalia Holding AG for the year ending 31 December 2012. Tax receivables amounted to EUR 6,689 thousand as at 31 December 2012 (previous year: EUR 5,228 thousand). However, the intended arbitration and settlement proceedings between Germany and the foreign tax authorities may lead to uncertainties regarding the amount of and the date on which these receivables will be realised.

For Francotyp-Postalia Inc. (USA) an income tax audit for 2010 was arranged in the year under review. The audit commenced in the 2011 financial year and was completed in 2012 without audit findings.

For 2012, corporation and trade tax loss carry forwards of EUR 1,148 thousand (previous year for 2011: EUR 718 thousand) and EUR 1,854 thousand (previous year for 2011: EUR 936 thousand) respectively were used for offsetting against positive tax results. Expenses of EUR 709 thousand

(previous year for 2011: EUR 2,078 thousand) from current income tax resulted in 2012 for tax expenses that could not be offset against loss carry forwards. Based on current tax planning, which (as in the previous year) was derived from the company's (medium-term) planning, tax loss and interest carry forwards for which deferred tax assets were recognised, are expected to be utilised by 2017 (previous year: 2016). The key assumption underlining this utilisation of loss and interest carry forwards by 2017 is the successful placement on the market of the PostBase product line.

The extension of the utilisation period for the existing tax loss carry forwards at the Group companies from 2016 to 2017 year-on-year can be attributed to adjustments to tax planning figures at freesort GmbH. This was due to the fact that a new product line could not be placed on the market in accordance with the assumptions and plans made as at 31 December 2011.

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 12,235 thousand as at 31 December 2012 (previous year: EUR 12,146 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 outflow 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 2012 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 301 thousand (previous year: EUR 163 thousand) and the reversal of provisions for guarantees in the amount of EUR 242 thousand (previous year: EUR 0 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 2012 reporting year, provisions for restructuring measures in the amount of EUR 506 thousand (previous year: EUR 7,413 thousand) were added (carrying amount at 31 December 2012: EUR 2,900 thousand; carrying amount at 31 December 2011: EUR 8,656 thousand). This addition primarily resulted from altered assumptions regarding the probability of subleasing the discontinued production facilities at the Birkenwerder site. Provisions amounting to EUR 2,900 thousand (previous year: EUR 8,656 thousand) were recognised in 2012 in connection with the discontinuation of production in Birkenwerder. This includes provisions of EUR 1,221 thousand (previous year: EUR 6,521 thousand) for the agreed redundancy scheme and EUR 1,645 thousand (previous year: EUR 1,635 thousand) for onerous contracts. The vast majority of the cash outflows related to the first quarter of 2013.

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 that was filed by Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH was ultimately unsuccessful following the German Federal Labour Court's dismissal of the appeal against denial of leave to appeal on 22 January 2013.

During the first quarter of 2013, Francotyp-Postalia made the outstanding severance payments with the exception of those relating to a case for which appeal proceedings are still pending.

The appeal against this verdict was dismissed by the Berlin-Brandenburg regional labour court and an appeal against this was not permitted. In September 2012, Francotyp-Postalia filed an appeal against this denial of leave to appeal with the German Federal Labour Court, which dismissed this appeal on 22 January 2013. After achieving one of the goals – namely, postponing the maturity date of the severance payments potentially still to be paid beyond the end of 2012 – Francotyp-Postalia then had to make the outstanding severance payments during the first quarter of 2013.

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 2012, assets in finance leases with carrying amounts of EUR 5,928 thousand (previous year: EUR 3,753 thousand), finance lease receivables of EUR 2,735 thousand (previous year: EUR 3,347 thousand) and finance lease liabilities of EUR 4,202 thousand (previous year: EUR 1,722 thousand) were reported.

As of the reporting date, there are still operating lease liabilities of EUR 20,601 thousand (previous year: EUR 20,604 thousand).

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 – which were closed in the 2012 financial year – and in Wittenberge.

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 **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 reportable segments and operating segments.

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.

SEGMENT INFORMATION

2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Sales revenue	69,309	91,277	76,164	3,569	-74,680	165,640
- with external third parties	5,166	86,903	74,184	0	-614	165,640
- intersegment	64,143	4,374	1,980	3,569	-74,066	0
EBITDA	3,659	5,038	13,436	-2,487	-641	19,006
Depreciation, amortisation and impairment losses	1,127	2,833	7,942	89	-2,046	9,945
Net interest income/expense	-955	-519	-210	-1,198	163	-2,719
- of which interest expense	2,427	1,033	753	3,119	-3,637	3,696
- of which interest income	1,472	514	543	1,922	-3,474	977
Other financial result	5,918	-48	93	6,249	-12,487	-275
Tax result	-208	-123	-2,269	-944	1,438	-2,105
Profit and loss transfer	-6,903	-2,018	-4	-652	9,577	0
Net income	424	-504	3,104	919	17	3,961
Segment assets	113,088	84,735	94,483	125,788	-282,090	136,005
Capital expenditure	1,579	883	10,858	97	1,250	14,666
Segment liabilities	112,058	76,893	75,433	63,955	-214,500	113,839

2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Sales revenue	49,201	88,489	74,374	3,539	-56,242	159,361
- with external 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 income/expense	-3,708	861	-357	4	617	-2,583
- of which interest expense	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 result	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

2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Provisions for restructuring	-4,692	-1,063	0	0	0	-5,755
Income from the reversal of provisions	904	283	0	21	-1,208	0

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
Income from the reversal of provisions	209	84	12	23	0	328

Depreciation, amortisation and impairment losses include impairment losses of EUR 0 thousand in the reconciliation column (previous year: EUR 0 thousand).

RECONCILIATION TO SEGMENT INFORMATION

Revenue	1.1. – 31.12.	
	2012	2011
Revenue of segments A-C	236,750	212,064
Revenue of Central Functions segment	3,570	3,539
Effects of finance lease adjustment	-614	-2,111
	239,706	213,492
Less intersegment revenue	74,066	54,131
Revenue according to financial statements	165,640	159,361

EBITDA	1.1. – 31.12.	
	2012	2011
EBITDA of segments A-C	22,134	13,629
EBITDA of Central Functions segment	-2,487	-2,322
	19,647	11,307
Effects at consolidation level	-3,921	-222
Measurement effects of reconciliation (IFRS)	3,280	2,025
Consolidated EBITDA	19,006	13,111
Depreciation, amortisation and impairment losses	-9,945	-14,424
Net interest income/expense	-2,719	-2,583
Other financial result	-275	-451
Consolidated net profit before taxes	6,067	-4,348
Tax result	-2,105	-210
Consolidated net income	3,961	-4,557

Depreciation and amortisation	1.1. – 31.12.	
	2012	2011
Depreciation and amortisation in segments A-C	11,903	12,698
Depreciation and amortisation in Central Functions segment	89	37
Effects of IFRS development costs remeasurement	1,829	2,942
Effects of IFRS leasing remeasurement	-677	-1,046
Effects of customer list amortisation	296	1,471
Effects of amortisation of internally generated software	68	1,677
Effects of adjustment of other intangible assets	-790	-602
Other effects of IFRS remeasurement	-361	-279
	12,357	16,897
Effects at consolidation level	-2,412	-2,474
Depreciation and amortisation according to financial statements	9,945	14,424
Assets	31.12.2012	31.12.2011
Assets of segments A-C	292,306	274,100
Assets of Central Functions segment	125,788	108,871
Capitalisation of development costs under IFRS	17,150	14,350
Effects of goodwill remeasurement	6,083	5,248
Effects of customer list amortisation	-296	-1,471
Effects of amortisation of internally generated software	-68	-1,677
Other IFRS reconciliation	4,642	4,739
	445,605	404,160
Effects at consolidation level (incl. elimination of intragroup balances)	-309,600	-271,103
Assets according to financial statements	136,005	133,057

Liabilities	31.12.2012	31.12.2011
Liabilities of segments A-C	264,383	245,221
Liabilities of Central Functions segment	63,955	51,841
Effects of pension provisions adjustment	2,391	2,637
Effects of adjustment of other provisions	-4,541	-3,662
Other IFRS reconciliation	13,295	11,621
	339,483	307,658
Effects at consolidation level (incl. elimination of intragroup balances)	-225,645	-190,488
Liabilities according to financial statements	113,839	117,170
Capital expenditure	31.12.2012	31.12.2011
Capital expenditure in segments A-C	13,319	11,631
Capital expenditure in Central Functions segment	97	483
Effects of IFRS remeasurement	4,629	4,292
	18,045	16,406
Effects at consolidation level	-3,379	96
Capital expenditure according to financial statements	14,666	16,502

Assets by region 2012	31.12.2012	current	non-current
Germany	323,612	157,774	165,838
USA and Canada	39,599	23,782	15,817
Europe (excl. Germany)	41,989	33,456	8,533
Other regions	12,895	12,847	48
	418,095	227,859	190,236
Effects of IFRS remeasurement	27,873		
Effects of customer list amortisation	-296		
Effects of amortisation of internally generated software	-68		
Effects at consolidation level (incl. elimination of intragroup balances)	-309,600		
Assets according to financial statements	136,005		

Assets by region 2011	31.12.2011	kurzfristig	langfristig
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		

The goodwill of EUR 10,016 thousand (previous year: EUR 10,016 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	2012	2011
Franking	25,445	26,535
Inserting	6,284	6,994
Other	1,783	885
Income from product sales	33,512	34,414
Mail services	39,100	34,661
Services/customer service	24,917	26,236
Leasing/rental	24,355	21,511
Consumables	20,115	20,250
Teleporto	12,226	12,178
Software	11,416	10,111
Recurring revenue	132,128	124,947
Total	165,640	159,361

Adding the revenue from sales of consumables to income from product sales, the FP Group generated income of EUR 53,627 thousand from sales of goods in 2012 (previous year: EUR 54,664 thousand), while sales of services (including leasing) generated income of EUR 112,013 thousand (previous year: EUR 104,697 thousand).

Revenue breaks down as follows across the different regions (the regional allocation of revenue is based on the customer's headquarters):

EUR thousand	2012	2011
Germany	86,622	83,797
USA	32,934	30,086
Europe (excl. Germany and United Kingdom)	24,333	26,486
United Kingdom	15,049	12,995
Miscellaneous	6,702	5,997
Total	165,640	159,361

(2) OWN WORK CAPITALISED

EUR thousand	2012	2011
Capitalised development costs	5,174	4,915
Rental machines	3,971	3,726
Assets under finance leases	2,795	0
Mechanical equipment	97	55
Other	91	48
Total	12,128	8,744

EUR 1,124 thousand of the capitalised development costs was attributable to the completion of the new PostBase machine type, and another EUR 2,580 thousand to the development of additional country-specific versions and accessory components.

Own work capitalised on assets under finance leases relates to internally generated, leased products that have been refinanced.

Capitalised development costs have been increased by withdrawals of grants for research and development projects in the amount of EUR 92 thousand (previous year: reduced by EUR 1,225 thousand). The grants were provided in the previous year to promote development projects to cover the eligible costs as equity financing.

(3) OTHER INCOME

EUR thousand	2012	2011
Income from the sale of inventories (raw materials, consumables and supplies, work in progress)	523	1,489
Royalties	256	262
Cost subsidies and grants	156	1,875
Book profits on the sale of non-current assets	148	54
Commission income	51	85
Write-downs of receivables/payments received on receivables previously written off	4	288
Derecognition of liabilities	0	502
Compensation payments	0	467
Miscellaneous income	211	545
Total	1,349	5,567

The cost subsidies and grants item includes grants for the employment of severely disabled people in the amount of EUR 146 thousand (previous year: EUR 352 thousand).

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 523 thousand (previous year: EUR 1,489 thousand) were sold to the future supplier in the previous year.

Income from the reversal of provisions in the amount of EUR 1,064 thousand (previous year: EUR 328 thousand) has been offset against the respective expense items.

(4) COST OF MATERIALS

EUR thousand	2012	2011
Cost of raw materials, consumables and supplies	32,048	26,460
Cost of services purchased	40,505	36,309
Total	72,553	62,769

(5) STAFF EXPENSES

EUR thousand	2012	2011
Wages and salaries	44,449	51,452
Social security contributions	7,883	8,099
Expenses for pensions and other benefits	930	639
Total	53,262	60,190

Staff expenses include expenses for severance payments in connection with the restructuring in the amount of EUR 0 thousand (previous year: EUR 5,554 thousand).

Pensions and other benefits include expenses of EUR 163 thousand (previous year: EUR 165 thousand) from additions to pension provisions. Total pension expenses for defined benefit pension commitments are as follows:

EUR thousand	2012	2011
Ongoing benefit expenses for staff services in the reporting period	163	165
Interest expenses (net financial expenses)	547	562
Total	710	727

Expenses of EUR 3,399 thousand (previous year: EUR 3,439 thousand) were recognised for defined contribution plans in the 2012 reporting year. Expenses for defined contribution plans include contributions to statutory pension funds. A multiemployer plan is also in place at our Dutch subsidiary. According to the criteria under IAS 19, this plan would be classified as a defined benefit plan. 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. Expenses of EUR 405 thousand were incurred in the reporting year. The fund showed a slight surplus at the end of 2012.

(6) OTHER EXPENSES

EUR thousand	2012	2011
Lease/rental payments	7,352	8,592
Commission	4,044	3,844
Packaging and freight	3,042	2,337
Repairs and maintenance	2,489	2,841
Marketing	2,389	2,107
Charges, fees, consultancy	2,098	3,494
Travel	1,779	1,894
Communications and postage	1,719	1,758
Staff-related costs	1,462	1,483
External IT services	1,243	1,208
Receivables measurement	814	601
Contributions to trade associations	540	535
Office material	502	506
External security and cleaning costs	496	596
Transaction costs	491	518
Expenses for the sale of inventories (raw materials, consumables and supplies, work in progress)	447	1,412
Expenses for the disposal of non-current assets	166	698
Miscellaneous	3,042	2,892
Total	34,115	37,316

The largest items in miscellaneous other expenses in the 2012 reporting year were vehicle expenses at EUR 532 thousand (previous year: EUR 529 thousand), insurance expenses at EUR 419 thousand (previous year: EUR 389 thousand), expenses for industrial rights and licences at EUR 386 thou-

sand (previous year: EUR 372 thousand) and hospitality costs at EUR 351 thousand (previous year: EUR 278 thousand).

(7) NET FINANCIAL INCOME / EXPENSE

EUR thousand	2012	2011
Other interest and similar income	977	1,231
of which from finance leases	529	983
of which from bank balances	381	209
of which from third parties	67	39
Interest and similar expenses	3,696	3,814
of which from bank borrowing	2,361	2,574
of which interest from additions to pension obligations	540	562
of which from finance leases	117	210
Miscellaneous	678	468
Net interest income/expense	-2,719	-2,583
Other financial income	679	1,886
Other financial expenses	954	2,337
Total	-2,994	-3,034

As in the previous year, the other financial income and other financial expenses result from foreign currency trans-lation.

Interest expenses include payments from derivatives in the amount of EUR 201 thousand (previous year: EUR 208 thousand).

(8) TAXES

The tax result is broken down as follows:

EUR thousand	2012	2011
Current tax income	-298	-2,307
of which prior-period	-1,568	-4,423
of which relating to the current period	1,270	2,116
Deferred tax expense	2,403	2,517
of which prior-period	992	4,937
of which relating to the current period	1,411	-2,420
Tax expense	2,105	210

Current tax income for prior years totalling EUR –1,568 thousand resulted almost exclusively (EUR –1,461 thousand) from the capitalisation of foreign tax receivables due to the transfer price adjustment effects for the years 2005 to 2012.

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 27.13% and 30.18% (previous year: between 26.33% and 30.18%). Country-specific tax rates of between 17.0% and 38.11% were calculated for the companies outside of Germany (previous year: between 17.0% and 38.35%).

Of the deferred tax expenses, EUR 1,346 thousand (previous year: EUR 437 thousand) was attributable to the change in temporary differences and EUR 1,057 thousand (previous year: EUR 2,080 thousand) to the change in deferred tax assets for loss and interest carry forwards. The change in deferred taxes taken directly to equity amounted to EUR –230 thousand in 2012 (previous year: EUR –108 thousand).

The carrying amount of the deferred tax assets on unutilised tax loss and interest carry forwards that were taken into account amounted to EUR 5,889 thousand as at the reporting date (previous year: EUR 6,946 thousand). The capitalised deferred taxes for loss carry forwards are based on the expectation that the loss carry forwards 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 3,601 thousand (previous year: EUR 4,251 thousand) was recognised by companies that incurred losses in the current period or prior periods. The excess of deferred tax assets is 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 carry forwards, please refer to our comments in section I., "Management estimates and assumptions".

No deferred tax assets were capitalised for loss carry forwards and deductible temporary differences which had a value of EUR 1,167 thousand (previous year: EUR 1,027 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 527 thousand (previous year: EUR 513 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 2,105 thousand as reported in the income statement (previous year: EUR 210 thousand) was offset by forecast income tax expense of EUR 1,703 thousand (previous year: income of EUR –1,221 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	2012	2011
Consolidated net income before income taxes	6,067	-4,347
Expected tax expense (28.08%; previous year: 28.08%)	1,703	-1,221
Differences in tax rates	240	515
Tax effect of non-deductible expenses and tax-free income	456	361
Prior-period income taxes	-1,568	-4,423
Change in the carrying amount or non-utilisation of deferred tax assets on loss carry forwards and deductible temporary differences	1,493	4,937
Other deviations	-219	41
Current tax expense	2,105	210
Tax burden in %	34,7	n/a

(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 2012 financial year was therefore 15,458,463 (previous year: 14,329,556) (basic and diluted).

With consolidated net income (attributable to the shareholders of FP Holding) of EUR 4,120 thousand (previous year: consolidated net loss of EUR 3,838 thousand), earnings per share (basic and diluted) amounted to EUR 0.27 for the year under review (previous year: EUR -0.27).

As at 31 December 2012, 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 2011 and Annex 1b for 2012). 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 33,878 thousand (previous year: EUR 31,317 thousand) include acquired intangible assets of EUR 5,887 thousand (previous

year: EUR 6,576 thousand) and development costs for internally generated intangible assets of EUR 11,840 thousand (previous year: EUR 3,843 thousand).

Development projects in progress with carrying amounts of EUR 6,135 thousand (previous year: EUR 10,882 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 freesort 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 2012, the aforementioned customer lists still had a carrying amount of EUR 3,614 thousand (previous year: EUR 3,692 thousand) relating solely to customer relationships in connection with the acquisition of Franco Frankerings Interessenter AB. Scheduled amortisation of these customer lists amounted to EUR 282 thousand in the 2012 financial year (previous year: EUR 1,479 thousand). The remaining amortisation period is 12 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 AG (since 16 December 2011: Mentana-Claimsoft GmbH) 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 2012, purchased software still had a carrying amount of EUR 249 thousand (previous year: EUR 317 thousand) and related solely to Mentana-Claimsoft. Amortisation of EUR 68 thousand was recognised on the software in 2012 (previous year: EUR 1,746 thousand). The remaining amortisation periods are between 14 and 50 months.

Research and development costs of EUR 10,362 thousand were incurred in 2012 (previous year: EUR 10,794 thousand), of which EUR 5,174 thousand (previous year: EUR 4,915 thousand) was capitalised and EUR 5,188 thousand (previous year: EUR 5,879 thousand) was expensed. Borrowing costs of EUR 287 thousand (previous year: EUR 245 thousand) were capitalised in the reporting period. The average financing cost rate applied was 4.50% (previous year: 4.42%).

Goodwill totalling EUR 10,016 thousand (unchanged as against the previous year) 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 (unchanged as against the previous year). 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 2012 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 2,367 thousand higher than the carrying amount (previous year: EUR 331 thousand). If only 79.6% (previous year: 97.5%) of planned EBIT were generated, the recoverable amount would be equal to the carrying amount of the assets.

A WACC after taxes of 9.52% (previous year: 11.1%) was used to determine the fair value less costs to sell of freesort. The corresponding rate before taxes was 12.73% (previous year: 14.4%). 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: 1.0%).

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 flows depends on customer numbers and the volume of mail processed. The revenue growth range is 2.0% to 3.1%. 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 a very slight upward trend. EBITDA as a percentage of revenue is between 5.2% and 5.5%.
- **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):

31.12.2012		
Discount rate	9,5%	12,0%
Impairment	-	EUR 0.4 million
Fluctuation in forecast EBIT	100%	75%
Impairment	-	EUR 0.5 million
Growth rate	1,0%	-4,0%
Impairment	-	EUR 0.5 million

31.12.2011		
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

Impairment testing of the goodwill related to **iab** transactions in 2012 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 354 thousand higher than the carrying amount (previous year: EUR 5,010 thousand). If only 95.7% (previous year: 61.7%) of planned EBIT were generated, the recoverable amount would be equal to the carrying amount of the assets.

A WACC after taxes of 10.78% (previous year: 11.6%) was used to determine the fair value less costs to sell. The corresponding rate before taxes was 14.1% (previous year: 15.1%). 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: 2.0%).

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 flows depends on customer numbers and the volume of mail processed. The revenue growth range is 7.0% to 15%. 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. EBITDA as a percentage of revenue is between 4.8% and 8.3%.
- 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):

31.12.2012		
Discount rate	10,8%	11,8%
Impairment	-	EUR 0.6 million
Fluctuation in forecast EBIT	100%	90%
Impairment	-	EUR 0.5 million
Growth rate	2,0%	1,0%
Impairment	-	EUR 0.3 million

31.12.2011		
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

Impairment testing of the goodwill related to **Mentana-Claimsoft** transactions in 2012 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 268 thousand higher than the carrying amount (previous year: EUR 3,518 thousand). If only 94.7% (previous year: 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 15.75% (previous year: 17.6%) was used to determine the fair value less costs to sell. The corresponding rate before taxes was 19.9% (previous year: 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 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 flows depends on customer numbers and the volume of mail processed. The revenue growth range is 22.5% to 52.8%. 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. An upward trend in margins is assumed. EBITDA as a percentage of revenue is between 14.1% and 32.9%.
- 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):

31.12.2012		
Discount rate	15.8%	17.8%
Impairment	-	EUR 0.5 million
Fluctuation in forecast EBIT	100%	90%
Impairment	-	EUR 0.2 million
Growth rate	2.0%	0.0%
Impairment	-	EUR 0.3 million
31.12.2011		
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 7,732 thousand (previous year: EUR 8,525 thousand) and finance lease assets (for which the FP Group is the lessee) with a carrying amount of EUR 5,929 thousand (previous year: EUR 3,753 thousand). freesort and Francotyp-Postalia Inc. in particular finance sorting machines and leased products by way of finance leases.

Reversals of impairment losses in the amount of EUR 0 thousand (previous year: EUR 35 thousand) were recognised for intangible assets in the 2012 reporting year. As in the previous year, there were also no reversals of impairment losses for property, plant and equipment.

As at 31 December 2012, no contracts had been concluded for the supply of tools for the new PostBase machine type (previous year: contracts worth EUR 239 thousand).

The cost of property, plant and equipment in the reporting period included own work capitalised in the amount of EUR 12,128 thousand (previous year: EUR 3,829 thousand). Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up totalled EUR 1 thousand in the year under review (previous year: EUR 0 thousand).

The amounts shown in the consolidated statement of recognised income and expenses under the item "Depreciation, amortisation and impairment" in the 2012 reporting year did not include any impairment (previous year: EUR 0 thousand).

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 December 2012 EUR thousand	Total	Remaining terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments	3,168	1,687	1,481	0
Interest portion	433	345	88	0
Finance lease receivables (present value)	2,735	1,342	1,393	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 3,168 thousand (previous year: EUR 4,083 thousand). After discounting the amount of EUR 433 thousand (previous year: EUR 736 thousand), this resulted in net investments of EUR 2,735 thousand (previous year: EUR 3,347 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 2012 reporting period (as in the previous year).

31 December 2011 EUR thousand	Total	Remaining terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments	4,083	2,341	1,742	0
Interest portion	736	579	157	0
Finance lease receivables (present value)	3,347	1,762	1,585	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 December 2011 EUR thousand	Total	Remaining terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments from non-cancellable operating leases	38,545	19,867	18,217	461

31 December 2011 EUR thousand	Total	Remaining terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments from non-cancellable operating leases	40,954	23,227	17,381	346

(12) INVENTORIES

EUR thousand	31.12.2012	31.12.2011
Raw materials, consumables and supplies	4,884	4,021
Work in progress	760	996
Finished products and goods	5,128	5,988
Total	10,772	11,005

Impairment on inventories on the net realisable value amounted to EUR 1,302 thousand (previous year: EUR 4,015 thousand). The amounts shown in the consolidated statement of recognised income and expenses under the item "Cost of materials" include the impairments in the reporting year. Of the total inventories, inventories realised only after more than 12 months account for EUR 1,342 thousand.

(13) TRADE RECEIVABLES

Trade receivables break down as follows:

EUR thousand	31.12.2012	31.12.2011
Trade receivables – domestic	6,563	7,104
Trade receivables – foreign	11,085	9,523
Total trade receivables	17,648	16,627

As at 31 December 2012, trade receivables are reported at a nominal value of EUR 19,539 thousand (previous year: EUR 18,859 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
As at 1 Jan. 2011	2,638
Additions through profit and loss (impairment losses)	2,184
Utilisation	2,568
Reversals	22
As at 31 Dec. 2011	2,232
Foreign currency effects	-3
As at 1 Jan. 2012	2,229
Additions through profit and loss (impairment losses)	922
Utilisation	1,260
Reversals	0
As at 31 Dec. 2012	1,891

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 2012 (and 31 December 2011), the maturity structure of trade receivables was as follows:

EUR thousand	Total nominal amount	of which not overdue	of which overdue trade receivables		
			0 to 60 days	61 to 120 days	> 121 days
31.12.2012					
Gross carrying amount	19,539	11,522	4,905	1,407	1,705
Gross carrying amount	1,891	105	383	392	1,011
31.12.2011					
Gross carrying amount	18,859	11,818	4,407	940	1,694
Impairment	2,232	148	252	317	1,515

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 680 thousand (previous year: EUR 678 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	31.12.2012	31.12.2011
Deferred payments	3,319	2,316
Reimbursement rights for other taxes	274	328
Receivables from related parties	6	6
Other financial assets	4,561	6,519
Total	8,160	9,169

Of the reimbursement rights for other taxes, EUR 171 thousand (previous year: EUR 144 thousand) relates to iab and EUR 0 thousand (previous year: EUR 46 thousand) relates to freesort. These rights relate to advance payments of sales tax.

Of the other financial assets, EUR 187 thousand (previous year: EUR 1,613 thousand) relates to Francotyp-Postalia GmbH. At 31 December 2012, as in the previous year, these amounts mainly concerned financial assistance. Of the other assets, EUR 2,375 thousand (previous year: EUR 2,687 thousand) relates to freesort. As at 31 December 2012, EUR 1,750 thousand (previous year: EUR 2,099 thousand) concerned creditors with debit balances.

(16) CASH

EUR thousand	31.12.2012	31.12.2011
Bank balances	25,850	25,539
Cheques and cash in hand	178	328
Total	26,028	25,867

There are restrictions on disposal, on bank balances totalling EUR 21,088 thousand (previous year: EUR 20,238 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) SHAREHOLDERS 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 16,160 thousand and capital reserves provided by shareholders of EUR 35,312 thousand. The differences from the translation of financial statements for foreign subsidiaries without effect on profit and loss and the differences between monthly average exchange rates in the statement of recognised income and the exchange rates on the reporting date are recognised under other comprehensive income.

Share capital is divided into 16,160,000 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.

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.

In the 2011 financial year, accumulated losses were offset against capital reserves in the amount of EUR 12,527.

On 23 March 2012, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by EUR 1,460 thousand in exchange for cash contributions by issuing 1,460,000 no-par value bearer shares. The issue price was EUR 2.66 per share, generating gross proceeds of EUR 3,884 thousand. The additional payment from the new shareholder less the costs of the capital increase after recognising the tax effect was allocated to capital reserves in the amount of EUR 2,131 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 2012, treasury shares corresponded to 2.29% (previous year: 2.52%) of the share capital, with a market value of EUR 900 thousand (previous year: EUR 746 thousand) as at the reporting date. The following statement of reconciliation shows the development in the number of shares outstanding:

	Number of shares outstanding
Number of shares	14,700,000
Buy-back of treasury shares	-370,444
As at 31 Dec. 2011	14,329,556
Capital increase	1,460,000
As at 31 Dec. 2012	15,789,556

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 disapplied 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).

2012 resolution

On 23 March 2012, the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital of FP Holding AG by EUR 1,460,000 from EUR 14,700,000, divided into 14,700,000 no-par value bearer shares, to EUR 16,160,000 in exchange for cash contributions by issuing 1,460,000 no-par value bearer shares with full entitlement to participate in profits from 1 January 2012. The shareholders' statutory subscription right was disappplied. The issue price was EUR 2.66 per share, generating gross proceeds of EUR 3,883,600. The 1,460,000 new no-par value bearer shares were subscribed for and acquired by 3R Investments Ltd., Limassol, Cyprus. The cash contributions plus the premium were received in March 2012.

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. Another 75,000 stock options were allocated as at 27 April 2012 and an additional 20,000 stock options on 7 September 2012. In accordance with paragraph 2.3 of the stock option plan, each option has a term of ten years from the date of allocation. 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 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 following fair values have been calculated for the options:

		Date of allocation		
		1.9.2010	27.4.2012	07.9.2012
31.12.2012				
One option	EUR	1,37	1,31	1,17
All options	EUR thousand	1,067	85	20
31.12.2011				
One option	EUR	1,37	n/a	n/a
All options	EUR thousand	1,038	n/a	n/a

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:

	Date of allocation		
	1.9.2010	27.4.2012	7.9.2012
FP share price	2,55 EUR	2,60 EUR	2,32 EUR
Exercise price	2,50 EUR	2,61 EUR	2,34 EUR
Forecast exercise date	31,08,2015	26,04,2017	06,09,2017
Forecast volatility	74.48%	70.8%	71.3%
Annual dividend yield	2%	2%	2%
Matched-maturity, risk-free interest rate	1.32%	0.67%	0.6%
Number of exercisable stock options	780,462	65,039	17,344

- Under the stock option plan, the exercise price of the allocated stock options 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, 27 April 2012 and 7 September 2012 in euro, or at least 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 volatility was determined by reference to the price volatility of Francotyp-Postalia shares in the periods from 30 November 2006 to 27 August 2010, from 28 April 2007 to 27 April 2012 and from 8 September 2007 to 7 September 2012.
- The dividend yield estimate took into account past distributions by the FP Group.

- The matched-maturity, risk-free interest rate for the forecast option term of five years is based on yield curve data from 31 August 2010, 27 April 2012 and 7 September 2012, 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 block-ing period:

- Annual employee fluctuation was estimated at 3.50% (previous year: 4.17%).
- The probability of an EBITDA increase of over 10% was estimated at 100%.

When the options are exercised, an amount of EUR 2.50 (EUR 2.61/EUR 2.34) 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 in EUR
As at 31 Dec. 2011	862.500	2,50
Granted in the financial year	95,000	2.55
Forfeited in the financial year	-30.000	2,50
Exercised in the financial year	0	n/a
Lapsed in the financial year	0	n/a
As at 31 Dec. 2012	927.500	2,51
Range of exercise prices		2,34 - 2,61
Average remaining term at 31 Dec. 2012		34 Monate
Exercisable at 31 Dec. 2012	0	n/a

As at 31 December 2012, EUR 290 thousand (previous year: EUR 257 thousand) resulting from the stock option plan had been recognised as staff costs with a counter entry directly in equity (stock option reserve).

Other comprehensive income

The 2012 consolidated financial statements include companies that do not belong to the euro zone. As the functional currency of the FP Group is the euro, the financial statements of the subsidiaries concerned are translated into euro when the consolidated financial statements are drawn up. Translation effects that arise when the value of net asset items translated into euro 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	2012	2011
Net amount at start of the reporting period	26	-631
Translation differences in the reporting period	-485	657
Net amount at 31 December	-459	26

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 473 thousand (previous year: EUR 633 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 -14 thousand (previous year: EUR -58 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 66 thousand (previous year: EUR 18 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 2012 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 2012:

EUR	31.12.2012
Issued capital	15,789,556.00
Capital reserves	38,496,831.39
Unappropriated surplus	907,495.81
FP Holding	55,193,883.26
./. Issued capital	-15,789,556.00
./. Capital reserves	-38,496,831.39
./. Restriction on distribution in accordance with section 268 (8) HGB	-4,983,767.47
Distribution potential	-4,076,271.60

(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:

Issued capital	31.12.2012	31.12.2011
Interest rate	3.00%	4.80%
Salary trend	3.00%	3.00%
Pension trend	2.00%	2.00%
Expected return on plan assets	3.00%	4.80%

These assumptions relate to employees based in Germany, who account for the majority of pension obligations.

As before, the biometric calculation basis for pensions in Germany is the 2005 G actuarial tables by Prof Dr Klaus Heubeck, which are widely recognised for the measurement of company pension obligations.

The present value of the defined benefit obligations developed as follows in 2012 and 2011:

EUR thousand	2012	2011
Present value of defined benefit obligations on 1 January of the reporting period	11,880	11,452
Ongoing benefit expenses for staff services in the reporting period	163	165
Interest expenses	547	562
Pension payments	-580	-626
Actuarial gains and losses	2,903	327
Present value of defined benefit obligations on 31 December of the reporting period	14,913	11,880

The fair value of the plan assets developed as follows:

EUR thousand	2012	2011
Fair value of plan assets on 1 January of the reporting period	253	223
Addition to plan assets	30	30
Fair value of plan assets on 31 December of the reporting period	283	253

The fair value of the plan assets includes EUR 0 thousand (previous year: EUR 0 thousand) for own financial instruments and EUR 283 thousand (previous year: EUR 253 thousand) for other assets used by FP. The plan assets consist of insurance agreements.

The financing status in each case is as follows:

EUR thousand	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Fair value of plan assets	283	253	223	0	0
Present value of defined benefit obligations	14,913	11,880	11,452	11,034	10,226
Financing status	-14,630	-11,627	-11,229	-11,034	-10,226

For plans financed with plan assets, the financing status of EUR -215 thousand (previous year: EUR -154 thousand) corresponds to the balance of the fair value of the plan assets of EUR 283 thousand (previous year: EUR 253 thousand) and the present value of defined benefit obligations amounting to EUR 498 thousand (previous year: EUR 407 thousand). For plans that are not financed with plan assets, the financing status of EUR -14,369 thousand (previous year: EUR -11,473 thousand) corresponds to the present value of defined benefit obligations in the same amount (previous year: EUR -11,473 thousand); this also applies for the 2011 financial year.

The adjustments on the basis of experience break down as follows:

EUR thousand	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
DBO adjustments	-141,749	-218,185	192,360	-163,684	95,330

The actual return on plan assets amounted to EUR 4 thousand in the financial year (previous year: EUR 4 thousand). The actual income from reimbursement rights, which were recognised as assets in accordance with IAS 19.104A, amounted to EUR 0 thousand (previous year: EUR 0 thousand).

Employer contributions to the plan assets for the 2013 financial year are expected to total EUR 24 thousand.

Provisions for pensions and similar obligations can be derived from the financing status as follows:

EUR thousand	2012	2011
Financing status	14,630	11,627
Balance of actuarial gains and losses not yet recognised on the balance sheet	-2,396	519
Provisions for pensions and similar obligations on 31 December of the reporting period	12,235	12,146

Insofar as they can be calculated, the expected benefit and interest expenses are as follows:

EUR thousand	Relating to 2013	Relating to 2012
Benefit expenses	161	122
Interest expenses	432	540
Total	594	662

(19) TAX ASSETS AND LIABILITIES

Tax receivables amounted to EUR 6,689 thousand as at 31 December 2012 (previous year: EUR 5,228 thousand reported in current income taxes). Due to the fact that the final external audit report is not yet available, the estimated maturity was amended compared with the previous year.

EUR thousand	31.12.2012	31.12.2011
Deferred income taxes	928	1,097
Current income taxes	1,874	1,245
Other taxes	267	215
Deferred tax liabilities (non-current) and tax liabilities (current)	3,069	2,556

Without offsetting, deferred tax assets and liabilities break down as follows:

EUR thousand	Deferred tax assets 31 Dec. 2012	Deferred tax liabilities 31 Dec. 2012	Deferred tax assets 31 Dec. 2011	Deferred tax liabilities 31 Dec. 2011
Non-current assets	7,801	11,260	7,041	9,332
Other assets	1,013	334	1,145	566
Provisions	2,918	159	3,274	107
Liabilities	1,597	1,924	1,618*	1,845
Tax loss carry forwards	5,889	0	6,946	0
Total	19,218	13,677	20,024*	11,850
Offsetting	-12,749	-12,749	-10,754	-10,754
Consolidated balance sheet amount	6,469	928	9,270*	1,096

* Compared to previous year this information is adjusted by a rounding difference..

Deferred taxes changed as follows:

EUR thousand	2012	2011
Change in deferred taxes	-2,633	-2,625
of which through profit and loss	-2,403	-2,517
of which recognised directly in equity	-230	-108

(20) OTHER PROVISION (CURRENT) AND PROVISIONS (NON-CURRENT)

EUR thousand	As at 1 Jan. 2012	Currency differences	Additions	Utilisation	Reversals	As at 31 Dec. 2012	of which non- current	of which current
Restructuring	8,656	0	506	-5,936	-326	2,900	808	2,092
Staff-related provisions	3,184	-1	1,797	-2,292	-301	2,387	962	1,425
Guarantees	516	0	0	0	-242	274	0	274
Litigation costs	302	0	122	-202	-40	182	0	182
Inventors' royalties	115	0	125	-94	0	146	0	146
Losses on orders	4	0	4	0	0	8	0	8
Other provisions	451	1	233	-195	-155	335	52	283
(Other) provisions	13,228	0	2,787	-8,719	-1,064	6,232	1,822	4,410

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, and bonuses.

The provisions for restructuring measures relate to severance payments and an onerous contract in connection with the vacancy of the production plant in Birkenwerder. With regard to uncertainty in estimates, please refer to our comments under "Management estimates and assumptions" in section I.

Guarantees essentially relate to products sold.

Income from the reversal of provisions totalling EUR 1,064 thousand (previous year: EUR 328 thousand) was chiefly attributable to Francotyp-Postalia GmbH in the amount of EUR 780 thousand (previous year: EUR 209 thousand) and to Francotyp-Postalia Vertrieb und Service GmbH in the amount of EUR 185 thousand (previous year: EUR 74 thousand).

(21) LIABILITIES

TEUR	31.12.2012			31.12.2011		
	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Liabilities to bank	36,544	15,227	21,317	36,442	6,767	29,675
Finance lease receivables	4,202	1,602	2,600	1,721	986	735
Financiancial liabilities	40,746	16,829	23,917	38,163	7,753	30,410
Trade payables						
to third parties	8,184	8,184	0	10,226	10,226	0
from advance payments received	93	93	0	0	0	0
Trade payables	8,277	8,277	0	10,226	10,226	0
Other liabilities						
from taxes	1,540	1,540	0	1,482	1,482	0
(of which from income taxes)	(0)	(0)	(0)	(0)	(0)	(0)
security	69	69	0	20	20	0
from teleporto	21,088	21,088	0	20,238	20,238	0
to employees	1,072	1,072	0	1,001	1,001	0
from derivatives	206	206	0	228	228	0
from deferred income	11,581	11,581	0	11,684	11,684	0
miscellaneous liabilities	6,688	6,312	376	6,199	5,758	441
Other liabilities	42,244	41,868	376	40,852	40,411	441
Total	91,267	60,665	30,602	89,241	58,390	30,851

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 2012, the loans had a volume of EUR 30,565 thousand (previous year: EUR 28,150 thousand) and USD 5,078 thousand (previous year: USD 8,250 thousand). (Please refer to our comments on the syndicated loan agreement under "Hedging policy and risk management," 4. Liquidity risks, in section I.)

Under the terms of the syndicated loan agreement in place as at 31 December 2012, 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," 2. Interest rate risks, in section I).

The financing agreements concluded in 2011 and 2012 are expected to result in repayments of the total credit volume of EUR 13,099 thousand in 2013; 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 189 thousand (previous year: 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 2,521 thousand (previous year: EUR 1,383 thousand). The Group received cash in the amount of EUR 1,138 thousand.

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 2,037 thousand (previous year: 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.

In the case of factoring, Commerzbank bears the counterparty default risk (credit risk) for the receivables it purchases. The FP Group is obliged to collect the non-cash counterparty payments via accounts stipulated by the bank. In addition to the receivables sold, the FP Group transfers all claims to which it is entitled from

- a) agreements with counterparties based on receivables, particularly regarding the issue or return of delivered goods,
- b) any insurance policies relating to the transferred receivables and assigned goods.

Upon the sale of the receivables, the FP Group retains no significant rights or obligations. The receivables concerned were therefore derecognised.

In return, as at 31 December 2012 the Group received a cash inflow at the level of the carrying amount of the derecognised receivables (EUR 484 thousand; previous year: EUR 30 thousand).

The bank received forfait interest for the purchase of the receivables and a forfaiting charge for assuming the credit risk. The two cost components resulted in expenses of EUR 20 thousand in 2012. The FP Group also undertook to reimburse to the bank or CommerzFactoring all court, legal or other costs incurred by the bank or CommerzFactoring in the event that counterparties rightly contest their payment obligation. No costs were incurred in this regard.

The receivable seller assumes liability towards the bank for any damages or disadvantages that may result from the assignment of the purchased receivable being deemed invalid or in the event that third parties assert their right to the purchased receivable.

The lease payments to be made in future can be attributed to finance lease liabilities as follows:

31.12.2012 EUR thousand	Total	Remaining terms		
		< 1 year	1 - 5 years	> 5 years
Future minimum lease payments	4,742	1,893	2,849	0
Interest portion	540	291	249	0
Liabilities from finance leases (present value)	4,202	1,602	2,600	0

31.12.2011 EUR thousand	Total	Remaining terms		
		< 1 year	1 - 5 years	> 5 years
Future minimum lease payments	1,889	1,107	782	0
Interest portion	168	121	47	0
Liabilities from finance leases (present value)	1,721	986	735	0

The terms of leases are predominantly up to 75% of the 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. The carrying amount of assets leased to third parties was EUR 2,549 thousand. The carrying amount of leased assets including the above-mentioned sub-leasing amounted to EUR 5,928 thousand as at 31 December 2012 (previous year: EUR 3,753 thousand). Deposits totalling EUR 108 thousand were paid in connection with leases (previous year: EUR 207 thousand). All in all, payments totalling EUR 1,111 thousand were expensed for leases in the period under review (previous year: EUR 1,108 thousand).

(22) COLLATERAL

EUR thousand	31.12.2012	31.12.2011
Guarantee obligations	1,615	1,296
Securities pledged	590	590
Total	2,205	1,886

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 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; FP Produktionsgesellschaft mbH; 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 Produktionsgesellschaft mbH; 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 Produktionsgesellschaft mbH; 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).
- First land charge on the production building in Wittenberge in the amount of EUR 1,000 thousand.

At the reporting date, the carrying amount of the assets assigned as collateral was EUR 80,138 thousand (previous year: EUR 73,184 thousand). The carrying amounts break down as follows:

EUR thousand	2012	2011
Intangible assets	18,799	16,180
Property, plant and equipment	24,700	18,794
Shares in associated companies	163	163
Inventories	9,730	9,422
Receivables	14,555	12,352
Other assets	8,691	12,195
Bank balances	3,500	4,078
Total	80,138	73,184

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 1,251 thousand (previous year: EUR 1,375 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 and guarantees for goods deliveries from banks and an insurance policy.

(23) OTHER DISCLOSURES ON OPERATING LEASES

The nominal amounts of other financial obligations from operating leases totalled EUR 20,601 thousand as at 31 December 2012 (previous year: EUR 20,603 thousand) and had the following maturity structure:

31.12.2012 EUR thousand	Total	< 1 year	1 – 5 years	> 5 years
Obligations under rental and lease agreements	20,601	12,498	7,585	518

31.12.2011 EUR thousand	Total	< 1 year	1 – 5 years	> 5 years
Obligations under rental and lease agreements	20,603	10,799	9,804	0

Rental obligations that are already recognised on the balance sheet under other provisions as provisions for expected losses were eliminated from the obligations under rental and lease agreements. In connection with the restructuring at the Birkenwerder site, a provision for expected losses of EUR 1,645 thousand was recognised under other provisions as at 31 December 2012 (previous year: EUR 1,635 thousand).

Purchase obligations account for EUR 5,459 thousand (previous year: EUR 3,963 thousand).

(24) OTHER DISCLOSURES ON FINANCE LEASES

The nominal amounts of other financial obligations from finance leases totalled EUR 1,751 thousand as at 31 December 2012 (previous year: EUR 258 thousand) and had the following maturity structure:

31.12.2012 EUR thousand	Total	< 1 year	1 – 5 years	> 5 years
Obligations under rental and lease agreements	1,751	298	1,453	0

31.12.2011 EUR thousand	Total	< 1 year	1 – 5 years	> 5 years
Obligations under rental and lease agreements	258	101	157	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. 2012	Fair values 31 Dec. 2011	Carrying amounts 31 Dec. 2012	Carrying amounts 31 Dec. 2011
Financial assets available for sale				
Equity investments	not available	not available	163	163
Financial assets at fair value through profit and loss				
Securities	680	678	680	678
Derivative financial instruments that are assets	11	59	11	59
Loans and receivables				
Trade receivables	17,648	16,627	17,648	16,627
Other financial assets	4,749	6,686	4,749	6,686
Finance lease receivables	3,338	3,916	2,735	3,347
Cash	26,028	25,867	26,028	25,867
Financial liabilities measured at amortised cost				
Liabilities to banks	33,575	32,770	36,554	36,442
Trade payables	8,277	10,226	8,277	10,226
Other financial liabilities	27,187	25,778	27,187	25,778
Obligations under finance leases	3,751	1,652	4,202	1,721
Financial liabilities at fair value through profit and loss				
Derivative financial instruments that are liabilities	-206	-228	-206	-228

At the reporting date, the Group did not intend to sell the financial assets available for sale. The carrying amount is the last fair value that could be reliably determined.

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)

2012 EUR thousand	Level 1	Level 2	Level 3
Securities	680	-	-
Derivatives that are assets	-	11	-
Derivatives that are liabilities	-	-206	-
2011 EUR thousand	Level 1	Level 2	Level 3
Securities	678	-	-
Derivatives that are assets	-	59	-
Derivatives that are liabilities	-	-228	-

As in the previous year, there were no net gains or losses in the "financial assets available for sale" category.

The net gains and losses in the "financial instruments held for trading" category consist of the fair value changes and interest payments. The net gain for 2012 amounted to EUR 2 thousand (previous year: EUR 6 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 2012 amounted to EUR 1,961 thousand (previous year: EUR 914 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 loss for 2012 amounted to EUR 10 thousand (previous year: EUR 289 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 AND RECEIVABLES

By its nature as a market participant in a contested market, the FP Group 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 a case is lost, alternative advertising measures can be employed. Francotyp-Postalia GmbH is also involved in a number of proceedings relating to trademark and patent law, which are not currently expected to pose a major risk to the company.

However, the lawsuit of SBW Vermögensverwaltungs GmbH of 9 March 2011, in which claims are asserted against FP Holding, could prove significant. The alleged claims are the result of the purchase agreement concluded by FP Holding 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 Neuruppin Regional Court dismissed this lawsuit in its judgement on 8 November 2011. SBW Vermögensverwaltungs GmbH filed and substantiated an appeal against this judgement within the prescribed period. The Higher Regional Court of Brandenburg has not yet reached a decision on whether the appeal is admissible. The Group still considers the risk presented by the proceedings to be low.

FP Holding is reviewing claims for compensation vis-à-vis former Management Board member Dr Heinz-Dieter Sluma. Dr Sluma is alleged to have awarded contracts for supply chain optimisation (SCO) and application service providing (ASP) with a value of several million euro in 2008 without the necessary approval of the Supervisory Board, even though neither the SCO project nor the ASP contract were

economically advantageous and the decision to award the contracts was not made on the basis of proper information. In addition, there are indications that Dr Sluma tolerated or retroactively approved budget overruns, even though no usable work results were achieved as a consequence despite payments totalling approximately EUR 2.5 million (net). The events are being processed by an auditing company and a law firm and examined with regard to possible D&O liability claims. A final evaluation and a decision on whether to assert claims for compensation have not yet been made.

On 3 March 2011, FP Holding acquired a 51% equity interest in mentana-claimsoft AG (now Mentana-Claimsoft GmbH). The purchase agreement for these shares included an equity guarantee under which the Mentana Group was required to have consolidated equity of EUR 500 thousand as at the date when the shares were acquired by FP Holding. There are indications that this guarantee was not complied with. The breach of this guarantee may result in claims by FP Holding or Mentana-Claimsoft GmbH against the seller.

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	31.12.2012	31.12.2011
Cash	26,028	25,867
plus securities	680	678
Current liabilities from postage credit balances managed	-21,088	-20,238
Cash and cash equivalents	5,620	6,307

Cash outflows of EUR 0 thousand (previous year: EUR 999 thousand) were recorded in the 2012 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:

Country	2012	2011
Germany	711	736
USA	116	119
United Kingdom	94	93
Netherlands	53	57
Canada	38	37
Belgium	24	26
Italy	22	19
Austria	21	21
Sweden	20	18
Singapore	8	11
France	4	2
Total	1,111	1,139

The average number of employees is distributed among the segments as follows:

Segment	2012	2011
Sales Germany	493	484
Sales International	391	392
Production	211	253
Central Functions	16	10
Total	1,111	1,139

MANAGEMENT BOARD AND SUPERVISORY BOARD

As in the previous year, the Management Board of FP Holding had two members in the 2012 reporting period.

In accordance with the schedule of responsibilities for the Management Board of Francotyp-Postalia Holding AG, 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 • Quality management • Development • Information technology • Compliance • Human resources / legal • Finance / controlling / accounting
Andreas Drechsler (Graduate in Business Studies)	February 2009	February 2015	<ul style="list-style-type: none"> • Business development • Business development / product management • Marketing / brand management • Corporate communication • Sales Germany and International • Internal audit

Mr Szymanski has been the Chairman of the Management Board since 1 January 2011.

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 2012 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
Dr Claus C. R. Gerckens (Chairman of the Supervisory Board since 27 June 2012)	<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
Felix Hölzer (member of the Supervisory Board from 27 June 2012 to 31 March 2013, Deputy Chairman from 31 July 2012 to 31 March 2013)	<ul style="list-style-type: none"> Managing Partner of the investment company Novum Capital Beratungsgesellschaft mbH, Frankfurt am Main Managing Director of Novum Capital Beteiligungsgesellschaft mbH, Frankfurt am Main Managing Director of ES-Plastic GmbH, Passau Managing Director of ES-Plastic Verwaltungsgesellschaft mbH Managing Director of E.S.-Plastik Grundstücksverwaltungs GmbH 	
Robert Feldmeier (member of the Supervisory Board since 28 July 2012)	<ul style="list-style-type: none"> Independent Consultant 	
Prof Dr Michael J. A. Hoffmann (Chairman and member of the Supervisory Board until 27 June 2012)	<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 and member of the Supervisory Board until 27 July 2012)	<ul style="list-style-type: none"> Management consultant Managing Director of QCR 1 GmbH 	

SHAREHOLDER STRUCTURE

In the 2012 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 and section 26a WpHG.

Publication dated 23 February 2012

Financière de l'Echiquier, Paris, France, informed us in accordance with section 21 (1) WpHG on 22 February 2012 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 3% on 17 February 2012 and amounted to 2.97% (corresponding to 437,000 voting rights) on this date.

Publication dated 29 March 2012

3R Investments Ltd., Limassol, Cyprus, informed us in accordance with section 21 (1) WpHG on 29 March 2012 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 28 March 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

Mr Klaus Röhrig, Austria, informed us in accordance with section 21 (1) WpHG on 29 March 2012 that his share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 28 March 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

9.03% of the voting rights (corresponding to 1,460,000 voting rights) are allocable to Mr Röhrig via 3R Investment Ltd., Limassol, Cyprus, in accordance with section 22 (1) sentence 1 no. 1 WpHG.

Publication dated 30 March 2012

Francotyp-Postalia Holding AG hereby announces that the total number of voting rights (ISIN: DE000FPH9000 ISIN DE-000FPH9018) amounts to 16,160,000 at the end of March 2012. The change in the total number of voting rights has been effective since 27 March 2012.

Publication dated 4 April 2012 – correction to the publication dated 29 March 2012

On 2 April 2012, 3R Investments Ltd., Limassol, Cyprus, informed us in accordance with section 21 (1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 27 March 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

Mr Klaus Röhrig, Austria, informed us in accordance with section 21 (1) WpHG on 2 April 2012 that his share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 27 March 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

9.03% of the voting rights (corresponding to 1,460,000 voting rights) are allocable to Mr Röhrig via 3R Investment Ltd., Limassol, Cyprus, in accordance with section 22 (1) sentence 1 no. 1 WpHG.

Publication dated 4 April 2012

On 2 April 2012, Axxion 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, fell below the threshold of 3% on 27 March 2012 due to a change in the total number of voting rights and amounted to 2.78% (corresponding to 450,000 voting rights) on this date.

Publication dated 4 May 2012

On 2 May 2012, Amiral Gestion, Paris, France, informed us in accordance with section 21 (1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 10% on 27 April 2012 and amounted to 9.00% (corresponding to 1,454,600 voting rights) on this date.

9.00% of the voting rights (corresponding to 1,454,600 voting rights) are allocable to Amiral Gestion via Sextant PEA (1,088,601 voting rights, 6.74%), Sextant INC (122,480 voting rights, 0.75%) and Sextant Grand Large (243,519 voting rights, 1.50%) in accordance with section 22 (1) sentence 1 no. 6 WpHG.

Publication dated 4 May 2012

On 2 May 2012, Tamolino Import & Advisory LP, Limassol, Cyprus, informed us in accordance with section 21 (1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 26 April 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

9.03% of the voting rights (corresponding to 1,460,000 voting rights) are allocable to Tamolino Import & Advisory LP via 3R Investments Ltd., Limassol, Cyprus, in accordance with section 22 (1) sentence 1 no. 1 WpHG.

In addition, Tamolino Investments Limited, Limassol, Cyprus, informed us in accordance with section 21 (1) WpHG on 2 May 2012 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the thresholds of 3% and 5% on 26 April 2012 and amounted to 9.03% (corresponding to 1,460,000 of a total of 16,160,000 voting rights) on this date.

9.03% of the voting rights (corresponding to 1,460,000 voting rights) are allocable to Tamolino Investments Limited via 3R Investments Ltd., Limassol, Cyprus, via Tamolino Import & Advisory LP, Limassol, Cyprus, in accordance with section 22 (1) sentence 1 no. 1 WpHG.

Publication dated 10 May 2012 – correction to the publication dated 4 May 2012

On 2 May 2012, Amiral Gestion, Paris, France, informed us in accordance with section 21 (1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, fell below the threshold of 10% on 27 April 2012 and amounted to 9.00% (corresponding to 1,454,600 voting rights) on this date.

9.00% of the voting rights (corresponding to 1,454,600 voting rights) are allocable to Amiral Gestion in accordance with section 22 (1) sentence 1 no. 6 WpHG.

Publication dated 3 September 2012

Mr. Rudolf Heil, Germany, informed us in accordance with section 21 (1) WpHG on 30 August 2012 that his share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 30 August 2012 and amounted to 3.03% (corresponding to 490,000 voting rights) on this date.

Publication dated 25 September 2012

International Kapitalanlagegesellschaft mbH, Düsseldorf, Germany, informed us in accordance with section 21 (1) WpHG on 24 September 2012 that its share in the voting rights of Francotyp-Postalia Holding AG, Birkenwerder, Germany, exceeded the threshold of 3% on 20 September 2012 and amounted to 3.28% (corresponding to 530,000 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, 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)
- Novum Capital Beratungsgesellschaft mbH, Frankfurt am Main (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 2012. There were no transactions within the meaning of IAS 24.18 (b) to (d) in the period under review.

In the past financial year, Francotyp-Postalia GmbH entered into a contractual relationship with abcfinance GmbH, Cologne. According to her own statements, Dr Barbara Gerckens is a shareholder (limited partner) of the parent company of abcfinance GmbH, Wilh. Werhahn KG, Neuss. Dr Gerckens is the wife of Dr Claus Gerckens, Chairman of the Supervisory Board of FP Holding. The business volume amounted to approximately EUR 500 thousand in 2012. Liabilities from these transactions amounted to EUR 9 thousand as at 31 December 2012.

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	2012	316	15	30	-30	60	391
	2011	279	11	140	-96	51	385
Andreas Drechsler	2012	286	18	30	-30	60	364
	2011	253	15	140	-96	51	363
Total remuneration for the financial year	2012	602	33	60	-60	120	755
	2011	532	26	280	-192	102	748

The fixed salary includes allowances for pensions in the amount of EUR 76 thousand (previous year: EUR 76 thousand) for Mr Szymanski and EUR 76 thousand (previous year: EUR 76 thousand) for Mr Drechsler.

In the 2012 financial year, Management Board bonuses of EUR 30 thousand (previous year: EUR 140 thousand) were paid to each of Mr Szymanski and Mr Drechsler. Provisions of EUR 30 thousand (previous year: EUR 96 thousand) for each member of the Management Board were utilised for this in the 2012 financial year. 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.

As in the previous year, only insignificant amounts were set aside for pension obligations for active members of the Management Board (2012: EUR 2 thousand; 2011: EUR 2 thousand).

Provisions totalling EUR 1,147 thousand (previous year: EUR 1,172 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 dependents) of the German company Francotyp-Postalia GmbH (for former members of the Management Board of Francotyp-Postalia Holding AG: 31 December 2012: EUR 536 thousand; 31 December 2011: EUR 511 thousand). EUR 54 thousand was added to provisions in the 2012 reporting year (previous year: EUR 61 thousand). Of this, EUR 0 thousand relates to service costs and EUR 54 thousand to interest costs.

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 fixed remuneration for the Supervisory Board amounted to EUR 113 thousand in the 2012 financial year (previous year: EUR 112 thousand).

AUDITOR'S FEES

Based on the recommendation of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for the 2012 financial year. The total fees for the services of the auditor in the financial year were as follows:

EUR thousand	2012	2011
Auditing services	276	215
Other assurance services	7	7
Tax consulting services	86	133
Other services	188	91
Total	557	446

Of the fees calculated in the 2012 reporting year, EUR 68 thousand (previous year: EUR 20 thousand) related to previous years.

The figures for 2012 only include the legally independent unit of the appointed auditor.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Changes in the Supervisory Board of Francotyp-Postalia Holding AG

The Deputy Chairman of the Supervisory Board Felix Hölzer stepped down from his position on the Supervisory Board of FP Holding as at 31 March 2013 in accordance with Article 10 (5) of the company's Articles of Association. Felix Hölzer had been a member of the FP Supervisory Board since June 2012.

The Management Board and Supervisory Board submitted a request to Neuruppin District Court to appoint Mr Klaus Röhrig as a new member of the Supervisory Board for the transitional period until the election of FP Holding Supervisory Board members at the upcoming Annual General Meeting on 27 June 2013. In January this year, after his share of equity exceeded the threshold of 10%, Mr Röhrig had already expressed an interest in taking up a position on the Supervisory Board and thus taking on responsibility for the company. Neuruppin District Court appointed Mr Röhrig as a Supervisory Board member with effect from 1 April 2013.

NEW SYNDICATE AGREEMENT

In 2012, FP engaged Deutsche Postbank AG to arrange a syndicated loan of EUR 45 million with a term of three and a half years with which to repay the existing syndicated loan financing in the first half of 2013 before the end of its term February 2014. As at 22 March 2013, the required loan commitment was provided in writing. This commitment is subject to presentation of documents. However, we assume that a contract will be positively concluded under these conditions.

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 (www.fp-francotyp.com/en/FP/company/investors/corporate-governance/declaration-of-compliance).

ANNOUNCEMENTS IN THE ELECTRONIC FEDERAL GAZETTE

The 2012 consolidated financial statements of the FP Group and the 2012 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, FP Direkt Vertriebs GmbH, Francotyp-Postalia International GmbH, FP InovoLabs GmbH, Frankiersversand UG (haftungsbeschränkt) and Francotyp-Postalia Unterstützungseinrichtung GmbH are exempt from the obligation to publish their annual financial statements for 2012. These companies are also exempt from the obligation to prepare a management report for 2012 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, 28 March 2013

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
Chairman of the
Management Board

Andreas Drechsler
Member of the
Management Board

DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT FROM 1 JANUARY TO 31 DECEMBER 2011

EUR thousand	Acquisition / production costs						As at 31.12.2011
	Carryforward 1.1.2011	Currency differences	Additions from corporate acquisition	Other additions	Disposals	Reclassifi- cations	
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	Disposals	Reclassifi- cations	Reversals	As at 31.12.2011	31.12.2011	1.1.2011	
12,322	0	2,943	0	0		15,265	3,843	6,293	
85,874	188	4,489	8,724	0	35	81,792	6,576	10,172	
98,196	188	7,432	8,724	0	35	97,057	10,419	16,465	
13,775	0	0	0	0		13,775	10,016	8,494	
2,421	0	0	1,421	0		1,000	10,882	6,369	
114,392	188	7,432	10,145	0	35	111,832	31,317	31,328	
116	3	30	0	36		185	1,058	161	
4,784	4	230	179	-281		4,558	1,145	1,322	
30,389	171	1,533	1,843	260		30,510	2,562	2,971	
46,144	1,945	4,778	1,528	0		51,339	8,525	9,673	
1,528	0	421	0	-15		1,934	3,753	4,174	
0	0	0	0	0		0	2,706	109	
82,961	2,123	6,992	3,550	0	0	88,526	19,749	18,410	
197,353	2,311	14,424	13,695	0	35	200,358	51,066	49,738	

DEVELOPMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT FROM 1 JANUARY TO 31 DECEMBER 2012

EUR thousand	Acquisition / production costs					As at 31.12.2012
	Carryforward 1.1.2012	Currency differences	Other additions	Disposals	Reclassifi- cations	
Intangible assets						
Internally generated intangible assets	19,108	1	2,433	0	8,408	29,950
Other intangible assets	88,368	128	655	1,067	147	88,231
Intangible assets including customer lists	107,476	129	3,088	1,067	8,555	118,181
Goodwill	23,791	0	0	0	0	23,791
Development projects in progress and advance payments	11,882	0	2,751	0	-8,498	6,135
Total	143,149	129	5,839	1,067	57	148,107
Property, plant and equipment						
Land, land rights and buildings	1,243	3	515	0	800	2,561
Technical equipment and machinery	5,703	-2	225	2,390	197	3,733
Other equipment, operating and office equipment	33,072	37	1,265	4,876	1,641	31,139
Leased products	59,864	-887	3,984	14,939	11	48,033
Assets under finance leases	5,687	0	2,835	0	0	8,522
Advance payments and assets under construction	2,706	0	3	0	-2,706	3
Total	108,275	-849	8,827	22,205	-57	93,991
Non-current assets	251,424	-720	14,666	23,272	0	242,098

	Depreciation, amortisation and impairment losses					Carrying amounts		
	Carryforward 1.1.2012	Currency differences	Depr./amort. in financial year	Disposals	Reclassifications	As at 31.12.2012	31.12.2012	1.1.2012
	15,265	2	1,843	0	1,000	18,110	11,840	3,843
	81,792	-18	1,475	909	4	82,344	5,887	6,576
	97,057	-16	3,318	909	1,004	100,454	17,727	10,419
	13,775	0	0	0	0	13,775	10,016	10,016
	1,000	0	0	0	-1,000	0	6,135	10,882
	111,832	-16	3,318	909	4	114,229	33,878	31,317
	185	3	89	0	0	277	2,284	1,058
	4,558	-2	326	2,316	15	2,581	1,152	1,145
	30,510	54	1,332	4,811	-19	27,066	4,073	2,562
	51,339	-556	4,212	14,694	0	40,301	7,732	8,525
	1,934	-9	669	0	0	2,594	5,928	3,753
	0	0	0	0	0	0	3	2,706
	88,526	-510	6,628	21,821	-4	72,819	21,172	19,749
	200,358	-526	9,946	22,730	0	187,048	55,050	51,066

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.

Berlin, 28 March 2013

Francotyp-Postalia Holding AG



Hans Szymanski
(Chairman of the
Management Board)



Andreas Drechsler
(Member of the
Management Board)

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 2012. 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, 9 April 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Großmann (German Public Auditor)	David (German Public Auditor)
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GLOSSARY

TERMS AND DEFINITIONS OF FRANCO TYP

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).

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-Claimsoft is a member of the De-Mail project initiated by the German government.

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 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 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 Multi-Channel

FP offers its customers mail communication through all communication channels: physical, hybrid and fully electronic

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 Office-Cryptor

Product of FP. Office-Cryptor is the standard software, which enables customers to encrypt confidential data.

OHSAS18001

OHSAS (Occupational Health and Safety Assessment System) standard 18001 is the basis of an occupational health management system for companies.

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.

USPS

The United States Postal Service (USPS), also known as the Post Office and U.S. Mail, is an independent agency of the United States federal government responsible for providing postal service in the United States. (Quelle: wikipedia)

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).

GLOSSARY

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.

I IAS

International Accounting Standards. See also IFRS.

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).

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").

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.

ISIN

Abbreviation for International Securities Identification Number (ISIN)

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 SlideShare

SlideShare is a Web 2.0 based slide hosting service. Users can upload files privately or publicly in the following file formats: PowerPoint, PDF, Keynote or OpenOffice presentations.

Stock Corporation Act

The German Stock Corporation Act (Aktengesetz – 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.

W WKN

Abbreviation for Wertpapierkennnummer (Security Identification Number)

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 2012	25 April 2013
Presentation 1st Quarter Results 2013	23 May 2013
Annual General Meeting 2013	27 June 2013
Presentation Half-year Report 2012	28 August 2013
Presentation 3rd Quarter Results 2012 / Equity Forum 2013 Frankfurt	November 2013

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CONCEPT AND LAYOUT

IR-One AG & Co., Hamburg
www.ir-1.com

TRANSLATION

EVS Translations GmbH, Offenbach
www.evs-translations.com

PHOTOGRAPHY

Daniel Möller, Hannover
www.fotodanielmoeller.de

PRINTING

LD Medien- und Druckgesellschaft mbH, Hamburg
www.ldmedien.de

MULTI-YEAR OVERVIEW

Figures in accordance with consolidated financial statements in EUR million	2012	2011	2010	2009	2008
Revenues	165.6	159.4	147.3	129.0	142.4
Increase in revenues (%)	3.9	8.2	14.2	-9.3	-1.9
Recurring revenues	132.1	125.0	111.8	95.5	96.6
EBITDA	19.0	13.1	25.5	20.6	18.2
as percentage of revenues	11.5	8.2	17.3	16.0	12.8
Operating income EBIT	9.1	-1.3	7.5	-15.7	-11.0
as percentage of revenues	5.5	n/a	5.1	n/a	-7.7
Net income/loss	4.0	-4.6	2.7	-16.6	-14.5
as percentage of revenues	2.4	n/a	1.8	n/a	-10.2
Free Cash Flow	-7.0	2.4	9.4	9.8	3.5
as percentage of revenues	n/a	1.5	6.4	7.6	2.5
Equity capital	16.2	14.7	14.7	14.7	14.7
Shareholders equity	23.2	15.9	19.6	15.3	31.0
as percentage of balance sheet total	17.2	11.9	14.4	11.4	19.1
Return on equity (%)	17.0	n/a	13.8	n/a	n/a
Debt capital	112.8	117.2	116.3	119.0	131.1
Net debt	33.3	30.0	31.8	41.0	51.8
Net indebtedness percent	143.5	188.7	162.2	268.0	167.0
Balance sheet total	136.0	133.1	135.9	134.3	162.1
Share price end of the year in EUR	2.48	2.11	3.15	1.62	0.85
Earnings per share in EUR	0.27	-0.27	0.23	-1.12	-0.96
Employees (end of period)	1,093	1,136	1,113	1,041	1,121

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>.

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