



# A STRONG TEAM

ANNUAL REPORT 2013

# A STRONG TEAM

*FP – the name for modern  
mail communication.*

*For 90 years Francotyp-Postalia has  
stood for efficiency, flexibility,  
speed, security, and reliability.  
Employees and partners of FP are  
the people who give life to this  
value, helping FP customers to benefit  
from FP's powerful solutions.*

**As experts for modern mail  
communication we know this:  
Wherever people are communi-  
cating, it is never too late to learn.**

**Please help us to learn more about  
your way of communication.  
We look forward to your response**

## KEY FIGURES

### FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN EUR MILLION

	2013	2012*	Changes in %
Revenue	168.9	165.6	2.0
Recurring revenue	136.9	132.1	3.6
EBITDA	22.2	19.0	16.8
as percentage of revenue	13.1	11.5	
EBIT	10.4	9.1	14.3
as percentage of revenue	6.1	5.5	
Net profit	4.9	4.0	22.5
as percentage of revenue	2.9	2.4	
Free cash flow	3.6	-7.0	n/a
Equity capital	16.2	16.2	
Shareholders equity	25.9	21.6	19.9
as percentage of balance sheet total	18.8	15.8	
Return on equity (%)	18.8	18.4	
Debt capital	111.5	114.9	-2.9
Net debt	30.1	33.3	-9.6
Net debt-equity ratio	116	154	
Balance sheet total	137.4	136.5	0.7
Share price end of year (EUR)	4.17	2.48	68.1
Earnings per share (EUR)	0.31	0.27	14.8
Employees (end of period)	1,047	1,093	-4.2

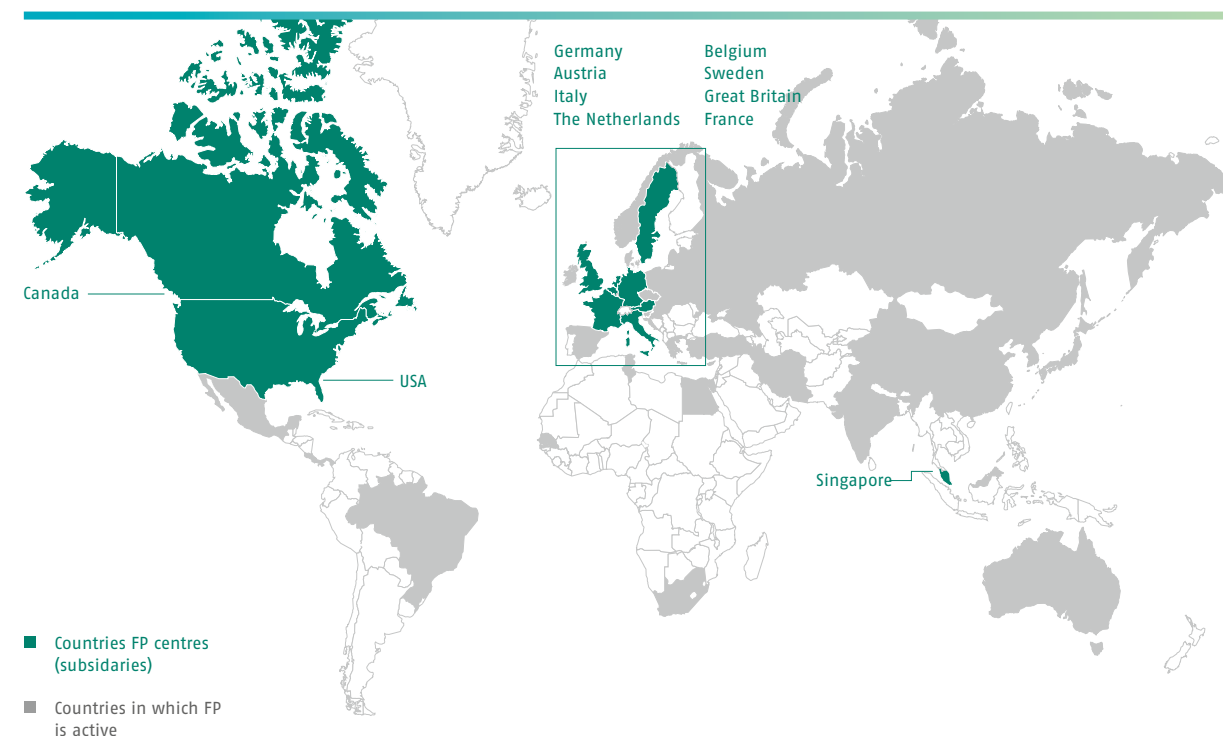
\* Notes to amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 - Employee Benefits)" and "Regulations requiring disclosure in accordance with IAS 8.41"

## 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 – analogue, hybrid, digital.

## FRANCOTYP OVERVIEW



## FACTS AND FIGURES ANNUAL REPORT 2013

### SALES SUBSIDIARIES IN

# 11

countries worldwide.

### WORLD MARKET SHARE

# 10.4

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

### WORLDWIDE NETWORK IN

# 40

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

## 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.

**As experts for modern mail  
communication we know this:  
Wherever people are communi-  
cating, it is never too late to learn.**

**Please help us to learn more about  
your way of communication.  
We look forward to your response**

# QUESTIONNAIRE



**1. In every company, there is definitely a lot of internal and external communication every day. Which communication channels do you use most often?**

personal conversation       phone       e-mail   
letter       other

**2. None of us could get by nowadays without e-mail. What do you send by e-mail?**

personal messages       meetings / deadlines       offers   
contracts       documents       invoices   
reminders       other

**3. What do you receive by e-mail?**

personal messages       meetings / deadlines       offers   
contracts       documents       invoices   
reminders       other

**4. Do you still send postal mail?**

Yes       No

**If you do, what do you send by postal mail and why?**

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**If not, why not?**

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**5. Do you still receive postal mail?**

Yes       No

**If you do, what do you get by postal mail and why?**

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**If not, do you know why not?**

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**6. Did you ever think about how you could optimise the diversity of your communication process, and how that could benefit you?**

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Please send the completed questionnaire to: Francotyp-Postalia Holding AG – Triftweg 21 – 26, 16547 Birkenwerder.

**Would you like to receive our newsletter? Simply enter your e-mail address. Naturally, you can cancel your subscription at any time.**

**Name and e-mail-address**

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*Who we are and what we do ...*



|  
EFFICIENCY



|  
FLEXIBILITY



|  
SPEED



|  
SECURITY



|  
RELIABILITY

*...serve us as guiding principles for  
our daily business.*



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Steve Rogers

Dear Shareholders,  
ladies and gentlemen

In 2013 the FP Group celebrated its 90th anniversary. The company has grown and evolved from its origins, and today we are more than just a franking machine manufacturer. Today, Francotyp-Postalia is an expert in innovative mail communication, with franking systems, mail services and software packages. In recent years we have taken numerous steps to align the FP Group successfully. These steps have led to important milestones: We have a new production facility in Wittenberge; we have successfully developed and launched the new PostBase franking system; we have acquired an important order for the Russian market and now have a presence in France; we have become the first accredited De-Mail provider; and we are also continuing to grow in the areas of outsourcing and mail services. This development has confronted the whole company with enormous challenges in the past years and has demanded a high degree of willingness to change on the part of all involved. The present consolidated financial statements for 2013 show that this determination is beginning to pay off, with revenue growth of 2% to EUR 168.9 million and EBIT improving 14.3% to EUR 10.4 million. Concentration on profitable growth is strengthening earning and financial power as planned, with free cash flow improving within the year by EUR 10.5 million to EUR 3.5 million.

Rising profits and capital inflows are making it possible for the Management Board and Supervisory Board to propose distribution of a dividend of EUR 0.08 per share for the past financial year to the Annual General Meeting on 19 June 2014. This proposal is just a beginning, with the knowledge that we will still have to invest heavily in 2014 for the successful further development of Francotyp-Postalia. In future, we intend to let our shareholders participate regularly in the company's success, and we should like to thank you at this point for your confidence and ongoing engagement during the past years which have not always been easy.

The positive development of FP and the trust of its shareholders were also reflected in 2013 in our share price, which rose within the year by around 67% to EUR 4.17. The visible success of FP's strategy strengthened confidence in the capital market.

The banks also rewarded the improved balance sheet structure and positive development of the FP Group in group financing, which we secured at the start of 2013 for the next 3.5 years, with an optional extension of a further 1.5 years. The new loan includes some improved conditions which take into account the needs of the operating companies, and permit a greater degree of flexibility. With the increased financial scope, we are able to push ahead with our projects consistently and secure the future growth as planned.

*“With our strategy we put the entire company on track for continuing profitable growth in the years to come.”*

HANS SZYMANSKI  
CEO & CFO

FP is following a committed growth strategy, and is developing as a trendsetting global expert in physical and electronic mail communication. There are four priority areas in the further development of our operating business:

1. We are continuing to expand our franking and inserting machine business in traditional markets. Companies still send millions of letters every day, which they have to print out, insert and frank. FP provides custom solutions and professional advice for such requirements. The innovative PostBase franking system is now available in all major markets, and is very popular, with over 15,000 PostBase systems in use in the USA alone.
2. We are developing new and rapidly growing markets in emerging nations. In 2013 we delivered the first franking machines to Russia, and there are initial successes in sales in India as well. These countries are in the infancy of professionalised mail communication, and FP is there with them.
3. We are systematically strengthening the service business in our home market, Germany, because this is where FP offers an even more comprehensive range of services than in other markets, as a result of consolidation and hybrid mail.
4. We are the front runners in Germany in the area of fully-electronic mail communication. The growth potential of fully-electronic mail communication is the core of the fourth pillar of our growth strategy. For two years, the FP Group has been an accredited De-Mail provider, offering a secure, confidential and verifiable form of communication on the Internet for companies, authorities and individuals, in compliance with statutory requirements. As public authorities in Germany are required to offer an electronic means of communication from mid-2014, we expect further progress for De-Mail this year in becoming an important and accepted means of communication. FP has already acquired hundreds of companies and authorities as customers, including such prominent companies as Süddeutsche Krankenversicherung and Deutsche Rentenversicherung.

## *“FP is developing as a trendsetting global expert in physical and electronic mail communication.”*

THOMAS GRETHE  
CSO

This is FP Group's strategy for continuing profitable growth in the years to come. But this is by no means a given: in its core business, the FP Group is sometimes operating in stagnant markets and competing in new business areas with major, financially sound providers of information technology and telecommunication. We are therefore pushing forward with our “Aufbruch 2015” initiative. At present, we are systematically establishing an indirect sales channel with specialist retailers in Germany as well as direct and agent sales. IT system companies and other experts are able to extend their portfolios in the area of physical and electronic mail communication through the use of FP products. In the past few months we have already gained several important partners, e.g. Büroring eG, a group of some 350 independent specialist office suppliers.

Another important project under Aufbruch 2015 is further optimisation of the cost structure. One measure in this is the return of the FP headquarters to Berlin. From October 2014, this will be home with around 5,000 m<sup>2</sup> for sales, administration and product R&D. The site at Birkenwerder was considerably larger, so from 2015 on we will be saving costs of around EUR 1 million a year, to the benefit of our liquidity.

The relocation to one of Europe's leading technology centres is also a visible sign of FP Group's further development: where Birkenwerder stood for the age of production, Berlin stands for the new age of innovation and solutions. At this point we should like to thank all our employees for their commitment and readiness to support these changes. We also wish to thank our customers and partners for good cooperation in the past financial year. In 2014 we



*Hans Szymanski*  
CEO & CFO

Born 1963, economics graduate, responsible for strategic business development, production, logistics and purchasing, quality management, research and development, information technology, compliance, human resources and legal, and finance, controlling and accounting.

*Thomas Grethe*  
CSO

Born 1959, banking and economics graduate (WHA), responsible for sales – Germany/International, strategic business development and product management, marketing and brand management, corporate communication and internal audit.

intend to continue the successes of 2013. We are planning on continuing our profitable growth, increasing revenue to at least EUR 173 million, EBITDA to at least EUR 25 million, and EBIT to at least EUR 12 million. All this shows that the further development of the FP Group is paying off!

Sincerely

Handwritten signature of Hans Szymanski in black ink.

Hans Szymanski  
CEO & CFO

Handwritten signature of Thomas Grethe in black ink.

Thomas Grethe  
CSO



BERLIN

FP in Germany

# QUALITY AND INNOVATION







## A LONG-TERM PARTNERSHIP

BÄKO Ost eG knows that reliable communication is the staff of life of all well-functioning businesses. The cooperative, which was founded in 1906, is acting as supplier of more than 600 bakeries in Saxony. BÄKO Ost therefore attaches great value to close contact with regional businesses – and this is where Francotyp comes in.

A broad range of products and simple handling: FP customers such as BÄKO Ost are able to communicate in a time-saving and cost-effective manner. They place their trust in Francotyp solutions, for example, in the combination of our inserting machine and OptiMail 30 as a franking machine.

*“The Francotyp systems are easy to use and very reliable. Our needs are always met in a timely and competent fashion. We greatly value the personal support provided by the service employees.” BÄKO Ost eG*



EFFICIENCY



FLEXIBILITY



SPEED



SAFETY



RELIABILITY





SILKE THOMETZKI,  
*Account Manager, Francotyp-Postalia  
Vertrieb und Service GmbH*

*“In my job, I gain an insight into many companies and get to know very different people. This experience allows me to find a tailored solution for each customer.”*

SILKE THOMETZKI,  
Account Manager, Francotyp-Postalia  
Vertrieb und Service GmbH



*Andreas Heil, Managing Director of the Francotyp Vertrieb und Service GmbH, Germany*



*Smart and clever: the FP Box enables sending and receiving De-Mail and dispatching Hybrid-Mail.*



*Our customers love the wide variety of FP-products. 2014 flagship product: the FP PostBase.*

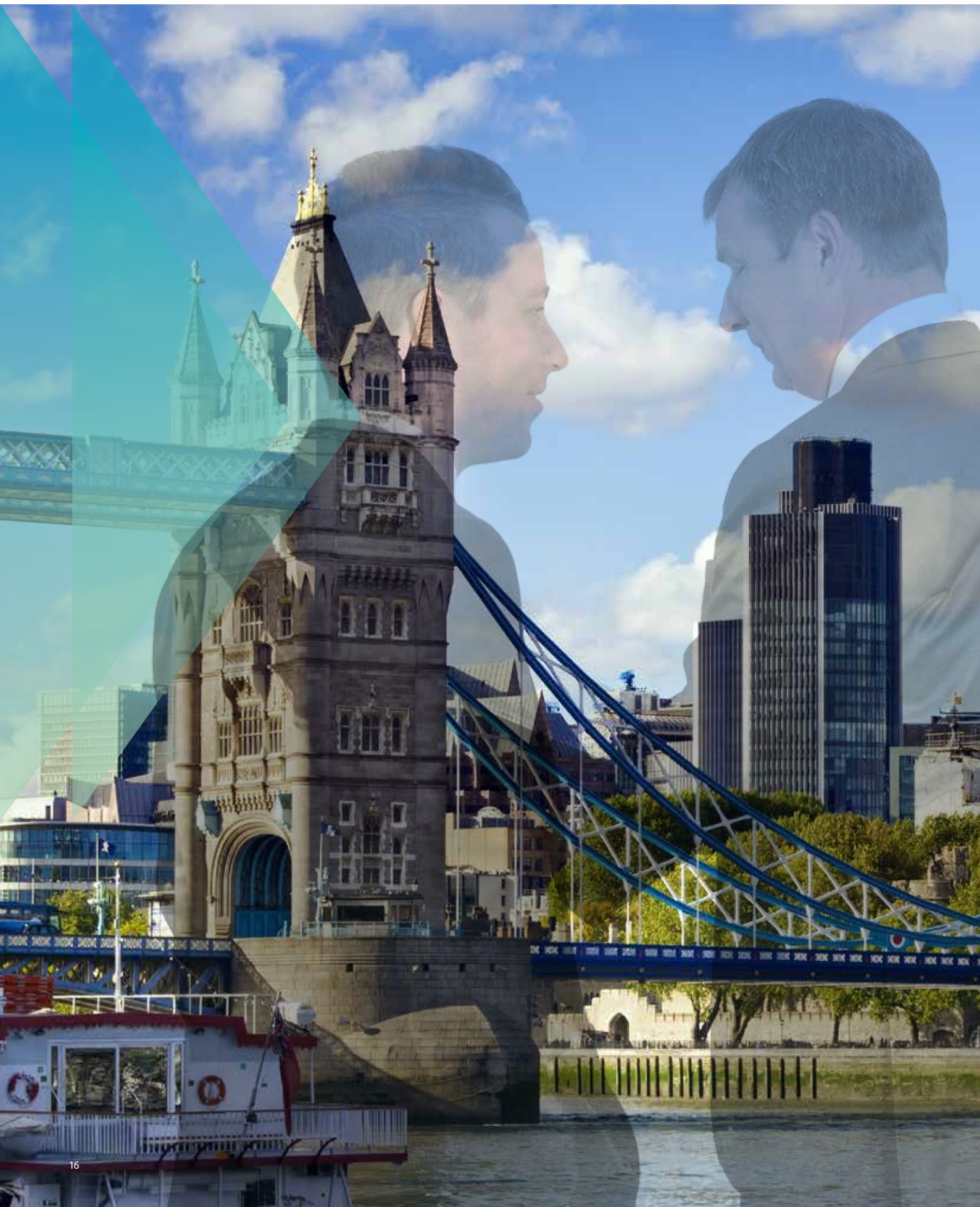
## TOP SERVICE AND RELIABLE SOLUTIONS

It is not only FP products which you can rely on; our employees and customer advisors are also strong believers in our company values. As a strong team, they work on a daily basis to ensure that customers from a variety of sectors can benefit from suitable hardware and software solutions for their outgoing post.

Thanks to its combination of analog, hybrid and digital solutions, Francotyp always succeeds in developing the right product package. The PostBase franking system, which was introduced in 2012, is particularly popular with FP customers. Not only can it be operated intuitively, it also has an aesthetic design and looks good in each of the five available colors, meeting the taste of our customers.



## LONDON



**FP in Great Britain**

# SERVICE AND PERSONALIZED SUPPORT





### MAIL COMMUNICATION IN SAFE HANDS

Although it is one of the largest providers of healthcare services in the UK, London-based City&County Healthcare Group Ltd. had for a long time processed its business mail by hand and applied the stamps itself. When the company came up with the idea in 2012 of procuring an efficient solution from Francotyp, this situation changed radically. Today, there are no employees longing for the old times.

With the help of FP, City&County Healthcare took the leap into the world of professional mail communication. The MyMail franking machine is the optimal solution, allowing the company to work efficiently and leaving it with more time to focus on the basics: its customers and the business.



EFFICIENCY



FLEXIBILITY



SPEED



SAFETY



RELIABILITY



*“I am a totally committed FP employee. After all, I am personally convinced of the quality of the products and the excellent service that we provide to our customers.”*

DARRYN MCINNES,  
Sales Team Leader, Francotyp-Postalia Ltd.

*“Great significance is attached to personal contact at Francotyp. Our customers appreciate having a permanent contact partner who maintains contact between the two parties. This has proven its worth.”*

STEVE ROGERS,  
*Steve Rogers, Director, FP Mailing (South) Ltd.,  
a franchise of Francotyp-Postalia Ltd.*







*Phil Myers, Vice President International Sales,  
Francotyp-Postalia Holding AG*



*For our customer support a thorough  
counselling is crucial*

*To meet your every need, our service team  
provides advice and practical support.*

## WELL ADVISED WITH FP

The world of communication is in transition and is becoming increasingly complex. The experts of Francotyp-Postalia also ensure that its customers in the UK receive an optimal service. Here, existing customers are equally as important as new acquisitions. The FP team provides both with comprehensive advice – this is, of course, also the case after an agreement is concluded.

Customers know their advisors and vice versa: Only in this way can it be ensured that the customers' wishes are understood and the products and services of FP succeed in simplifying day-to-day business activities. This means that customers not only benefit from FP products, but also from the company's expertise.



DEN HAAG

FP in the Netherlands

# RELIABILITY AND FLEXIBILITY







REMCO VAN DER PANT,  
*Account Manager, FP Ruys B.V.*



### FLEXIBILITY IS OUR TRUMP CARD

Shortly before the dispatch of an important delivery, the aging inserting machine of the Protestant church in Zwolle failed – the timing was particularly unfortunate, as the church is an inherent part of public life and also maintains close contact with members and interested parties via post. Rapid help was therefore required.

Together with the FP team, an ideal solution was found: Francotyp performed the inserting process without further ado using its own machines, meaning the letters could be sent out the next day. The community was so impressed by the service and rapid assistance that it subsequently exchanged the older FP inserting machine for a new one.

*“FP is a reliable partner for us. The promise of service is fully realized in a creative and quick way.” Protestantse Kerk*



EFFICIENCY



FLEXIBILITY



SPEED



SAFETY



RELIABILITY

*“We always think in terms of possibilities and work together with the customer to find a tailored solution. Speed and adaptability are simply part of our identity.”*

REMCO VAN DER PANT,  
Account Manager, FP Ruys B.V.





*Hans Hofmann,  
Managing Director of FP Ruys B.V.,  
The Netherlands*



*No matter where: FP is always  
aiming to be a step ahead.*

*Our inhouse attitude is professional and solution-oriented.  
Suggestions from our FP-teams always benefit our customers.*

## DIRECT CONTACT COUNTS

Success stories such as the one described above involving the Protestant community are made possible by the close cooperation of all FP teams. Our Dutch subsidiary is only one example in this regard: customers rely on 57 employees who satisfy their needs in Zoetermeer.

This trust is an important component in future-oriented cooperation. If a company – regardless of which sector it belongs to – is looking to optimize its process for outgoing post, FP is the perfect contact. In the form of the newly developed PostBase, which can be adjusted without difficulty to the needs of the respective customer, a product is now available on the market that meets the high demands placed on modern communication.



## CHICAGO





FP in the USA

# SPEED AND EFFICIENCY





BYRON FISCHER,  
*Owner of Multiple Services Equipment, USA*



### GUARANTEED SECURE AND EFFICIENT

SE Cooper & Associates is a small, privately held company based in Parkville, MO, providing accounting, tax preparation, bookkeeping and payroll services to its clients. This involves particularly large volumes of post that also contains confidential data.

Francotyp had the answer: the PostBase system in combination with the software MailOne 2.0. For SE Cooper & Associates this is the ideal solution. The company enjoys many benefits, including discounts through USPS's Commercial Base Pricing (CBP) and efficient processing of letters and parcels. Moreover, every item can be tracked at all times.

*"We are very satisfied with our PostBase machine and the MailOne 2.0 software. Working with Byron is a pleasure. He and his team are most accommodating and helpful." SE Cooper & Associates*



EFFICIENCY



FLEXIBILITY



SPEED



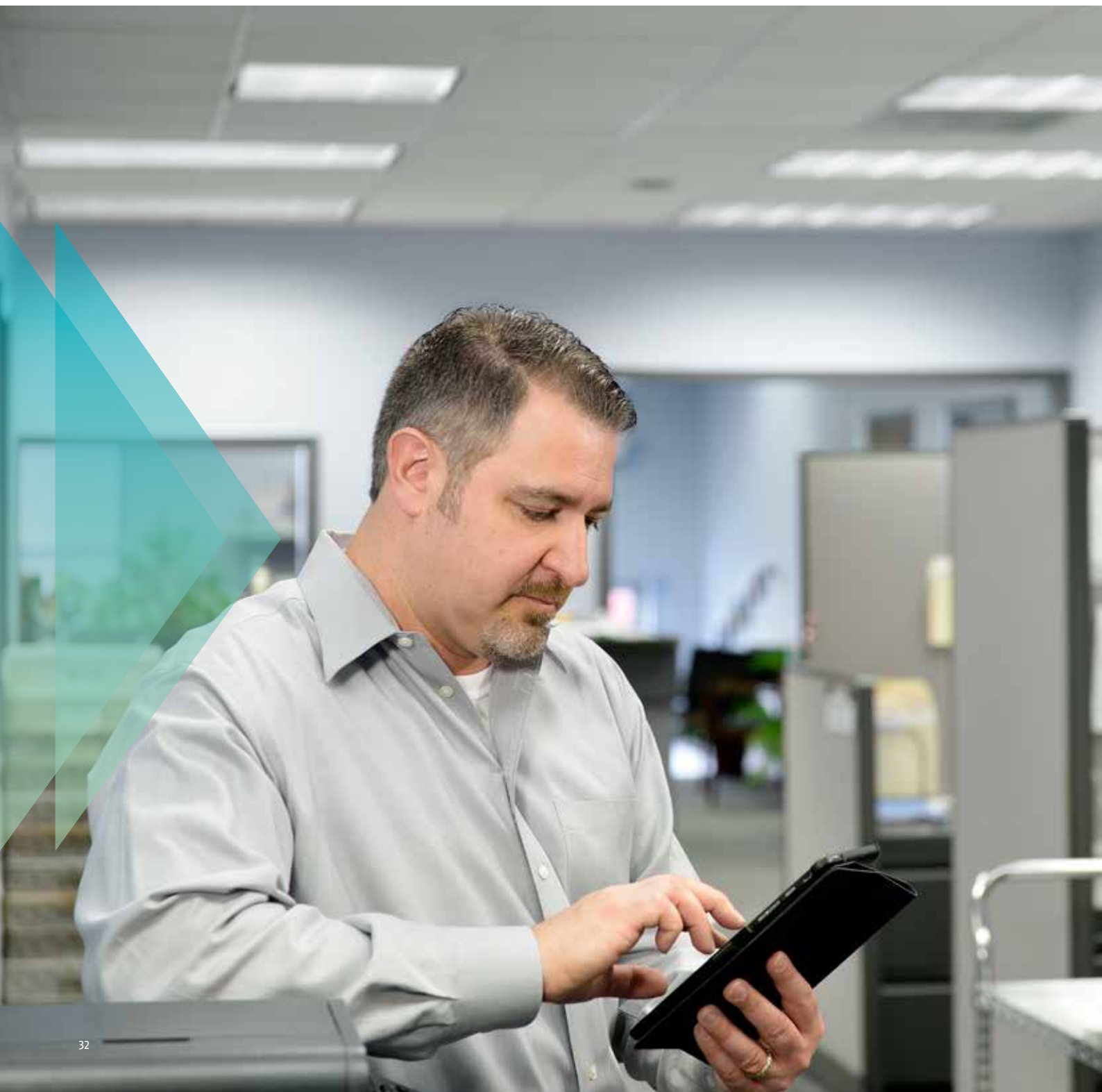
SAFETY



RELIABILITY

*“We attach great importance to personal contact with our customers. Over time, this grows trust. Customers know they are in good hands with FP.”*

BYRON FISCHER,  
Owner of Multiple Services Equipment, USA





*Tony Malak,  
Managing Director of Francotyp-Postalia Inc.,  
USA*



*US customers rely on solutions by  
Francotyp as well.*



*Sales staff to management: We guarantee  
for our performance.*

## STAYING CLOSE OVER GREAT DISTANCES

The FP Group maintains close contact with its customers, even in the US. The key to its success: a dense regional network of dealers and perfectly coordinated logistics. FP's American experts find the right solutions for companies from a wide variety of sectors.

The US subsidiary FP Mailing Solutions stands out in the world's largest franking machine market through its range of services. As in other countries, FP service workers maintain regular contact with customers after contract signature, ensuring our proven all-round support.

## 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 para. 2 of the German Stock Corporation Act (Aktengesetz – AktG). In 2013 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 eight meetings were held by personal attendance in the past year, and one Supervisory Board meeting was held via telephone conference. Of these, four were ordinary meetings and five were extraordinary meetings. One of the extraordinary meetings by personal attendance was a constitutive meeting. The agenda for one meeting by personal attendance was dealt with on two dates because of the state of health of a member of the Supervisory Board. With the exception of the constitutive meeting of the Supervisory Board after the Annual General Meeting and two extraordinary meetings, the Management Board took part in all meetings of the Supervisory Board.

The meetings focused on the following issues:

- Progress in the introduction of De-Mail in Germany
- The "Aufbruch 2015" initiative
- Conclusion of new group financing
- Net assets, financial position and results of operations

The joint meetings of the Supervisory Board and Management Board were on 12 February, 9 April, 23 April, 26 June, 19 September and 12 December 2013 (budget meeting). The Supervisory Board met without participation of the Management Board on 9 April, 27 June and 15 and 25 November 2013. The meeting on 15 and 25 November 2013 was one meeting held on two days.

### COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN ONGOING DIALOGUE

The 2013 financial year was marked in operating business by progress in the introduction of De-Mail and Aufbruch 2015:

After Francotyp-Postalia and its subsidiary Mentana-Claimsoft GmbH (previously AG) were accepted on 6 March 2012 by the German Federal Office for Information Security (BSI) as the first company for accreditation as a De-Mail provider in Germany, the goal in the previous financial year was to push ahead with the introduction of De-Mail. The FP Group linked the first two major customers, Deutsche Rentenversicherung and Süddeutsche Krankenversicherung, with its own De-Mail network. Moreover, other new clients included small and medium-sized enterprises, local authority IT consulting firms and authorities were gained.

Another important development in the expansion of the area of fully electronic mail communication is the acquisition of additional shares in Mentana-Claimsoft GmbH. On 6 November 2013 the Supervisory Board approved in a written procedure the 24.5% increase to 75.5% in the FP Group's holding in Mentana-Claimsoft GmbH. The acquisition was by mutual agreement without effect on liquidity after it emerged that there may be a warranty violation by the seller with regard to the purchase contract of 3 March 2011.

The Management Board and Supervisory Board discussed the "Aufbruch 2015" initiative regularly in the past year, both in the Supervisory Board meetings (12 February, 23 April, 26 June, 19 September, and 12 December) and outside these. Aufbruch 2015 with its subprojects for a new distribution strategy, strengthening the dealer channel and optimising operating costs is an important project which is aimed at achieving the ambitious corporate goals for 2015 set by the Management Board.

A central issue for the new distribution strategy is enhancing distribution activities, to be achieved by better qualification of incoming enquiries, more efficient

organisation of the sales process, and a newly-defined industry-specific customer approach strategy. In line with the FP Group's strategic orientation, the company is evolving consistently from a franking machine manufacturer to a solution provider.

However, with over 3.6 million companies in Germany alone, FP Sales cannot contact them all directly. This is why the establishment of a specialist retail channel alongside direct distribution and distribution through dealer partners is an important element of Aufbruch 2015.

There is also potential for optimisation in costs. For example, the lease for the Birkenwerder site expires at end-2014. At the meetings on 26 June, 19 September and 12 December, possible relocation plans and available premises for lease were discussed in detail by the Management Board and Supervisory Board. On 12 December the Supervisory Board gave its approval for the Management Board to sign the lease for a new office in Berlin at Prenzlauer Promenade 28. In October 2014, the FP Group will relocate its headquarters in Berlin.

Besides progress in the introduction of De-Mail in Germany and Aufbruch 2015, the decertification in the USA of old franking machines still on the market was an important topic in the Supervisory Board meetings (9 April, 23 April, 26 June, 19 September and 12 December). The decertification announced surprisingly by the US Post Office USPS at end-2012 for the period from the start of 2013 to end-2015 affects some 50% of the franking machines installed by FP on the US market (T1000). The Management Board provided the Supervisory Board with regular updates at the Supervisory Board meetings on the positive progress in exchanging new franking machines for old ones.

## NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

The Management Board reported to the Supervisory Board on the net assets, financial position and results of operations of the FP Group. Issues of particular importance were discussed in detail between the Supervisory Board and the Management Board.

The positive trend in the net assets, financial position and results of operations is also due to the restructuring completed in financial year 2012.

The financial year began with the successful conclusion of a new consortium loan agreement under Deutsche Postbank AG as mandated lead arranger and agent and Commerz AG as mandated lead arranger and security agent. This secured group financing for the next 3.5 years, with an option to extend for a further 1.5 years. The new consortium loan prematurely replaced liabilities in connection with the financing of approximately EUR 36 million, originally running until the end of February 2014. The overall volume of the new consortium loan stands at a total of EUR 45 million. A noteworthy positive feature in the group financing is that the banks rewarded both the improved balance sheet structure and the growth of the FP Group as a whole. The expanded financial scope means that the company can push ahead consistently with its projects and secure planned growth, particularly in the USA leasing market and Germany.

In financial year 2013 the FP Group generated total revenue of EUR 168.9 million as forecast, compared with EUR 165.6 million in the previous year. The increase is largely explained by the expansion of business in the Mail Services and Software segments. This also explains the increase in cost of materials to EUR 77.9 million, compared with EUR 72.5 million in the previous year. Other factors were the increase in capitalised own work for leased products and the change in inventory from EUR -0.2 million in the previous year to EUR -0.5 million. Financial year 2013 also saw personnel expenses rise slightly to EUR 54.0 million, compared with EUR 53.3 million in the previous year. This is due primarily to the

formation of an extraordinary provision of EUR 0.5 million in connection with the departure of Andreas Drechsler as a member of the Management Board.

Despite these expenses, the FP Group increased EBITDA in the past financial year to EUR 22.2 million (previous year: EUR 19.0 million) and EBIT to EUR 10.4 million (previous year: EUR 9.1 million). This meant that expectations were met for both revenue and earnings.

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 12 December 2013. The Supervisory Board approved the budget.

## COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

### SUPERVISORY BOARD

After deputy Supervisory Board member Felix Hölzer notified the company on 19 February 2013 that he was resigning his seat on the Supervisory Board on 31 March 2013 and leaving the FP Supervisory Board, the Management Board and Supervisory Board jointly applied to the Neuruppin District Court to appoint Klaus Röhrig as a new Supervisory Board member. On 1 April Klaus Röhrig took over from Felix Hölzer in the position of Deputy Chairman of the Supervisory Board. At the extraordinary meeting of 9 April the Supervisory Board elected Mr Röhrig Chairman of the Supervisory Board, replacing Dr. Gerckens, who had been Chairman of the Supervisory Board since 27 June 2012 and was elected Deputy Chairman at the same meeting.

On 25 April 2013 Dr. Claus Gerckens notified that he was resigning his seat on the FP Supervisory Board at the end of the Annual General Meeting on 27 June 2013.

As Robert Feldmeier had also been appointed by the court to the Supervisory Board on 28 July 2012 after the resignation of Christoph Weise, this year's FP Annual General Meeting on 27 June 2013 had to confirm or elect all three members of the Supervisory Board. The Supervisory Board accordingly nominated Robert Feldmeier as a successor to Christoph Weise and Klaus Röhrig as a successor to Felix Hölzer. Following his resignation

Dr. Claus Gerckens was nominated as a member of the Supervisory Board for re-election.

In opposition to the nominations of the Supervisory Board, shareholder Rudolf Heil submitted an alternative nomination to the 2013 Annual General Meeting and moved that Botho Oppermann be elected as a member of the Supervisory Board. The Annual General Meeting voted to elect Robert Feldmeier, Klaus Röhrig and Botho Oppermann as members of the Supervisory Board.

In the subsequent constitutive meeting Klaus Röhrig was elected Chairman of the Supervisory Board and Robert Feldmeier was elected Deputy Chairman.

None of the current members of the Supervisory Board were at any time members of the Management Board or Managing Director of Francotyp-Postalia Holding AG, or any 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, none of the Supervisory Board members disclosed conflicts of interest.

### MANAGEMENT BOARD

In connection with Aufbruch 2015 and the associated expansion of sales to include the specialist retail model, the Supervisory Board discussed a new appointment as member of the Management Board responsible for sales. After detailed consideration on 31 May the Supervisory Board decided to revoke the appointment of Andreas Drechsler as a member of the Management Board with effect from 3 June 2013 and to appoint Thomas Grethe as a member of the Management Board with effect from 15 June 2013.

Effective 1 January 2014 the existing Management Board contract with Hans Szymanski was prematurely extended by three years to 31 December 2016. Mr. Szymanski has been CFO since December 2008 and, since November 2010, CEO and CFO of Francotyp-Postalia Holding AG. The extension to the contract ensures ongoing stability and continuity in the Management Board. The Supervisory Board is very pleased that Hans Szymanski's management competence will make it possible to continue the company's chosen course successfully.



## 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, no other committees were formed. As long as 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 2013 as well as the consolidated financial statements and Group management report to 31 December 2013, 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 3 April 2014, in the presence of the independent auditor, who reported on his main audit findings, the 2013 annual financial statements, 2013 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 2014. The annual financial statements 2013 has thus also adopted 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 2013 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.

In accordance with the compliance guidelines introduced worldwide in 2011, the Supervisory Board receives regular reports on compliance in the FP Group.

## EXPRESSION OF THANKS

In 2013 the efforts of the FP Group in earlier years became apparent in the planned positive effects. This demonstrates that the FP Group has chosen the correct course for the future and the profitable and sustainable growth of the company. The Management Board is consistently following this course with Aufbruch 2015. The Supervisory Board thanks the former Supervisory Board member Dr. Claus Gerckens for his contributions over many years and constructive cooperation on behalf of the company. It would also like to thank Felix Hölzer for his work as member of the FP Supervisory Board and the former Management Board member Andreas Drechsler. Finally, the Supervisory Board would like to thank Management Board members Hans Szymanski and Thomas Grethe, 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.

April 2014

The Supervisory Board  
Francotyp-Postalia Holding AG



Klaus Röhrig

## THE SUPERVISORY BOARD

**Klaus Röhrig**  
Born in 1977  
(Chairman)

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

**Robert Feldmeier**  
Born in 1957  
(Deputy Chairman)

University degree in business administration and commerce, member of the Board since 28 July 2012. Since 27 June 2013 Deputy Chairman.

**Botho Oppermann**  
Born in 1947

Banking and business economist graduate (Dipl.-Kfm.), member of the Supervisory Board since 27 June 2013.

## 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 para. 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 13 May 2013.

### 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 13 May 2013, 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, and 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 also not offer postal votes at its next Annual General Meeting.
- 2.3.3 Due to the great amount of administration involved, the company will not be able to offer shareholders the option of viewing the Annual General Meeting via state-of-the-art communication media, for example over the Internet.
- 3.8 The company has taken out a D&O policy for the Management Board. The policy is subject to an excess of at least 10% of the loss up to at least one and a half times the annual fixed remuneration of the member of the Management Board pursuant to section 93 para. 2 of the German Stock Corporation Act (Aktengesetz – AktG). A D&O policy was also taken out for the Supervisory Board. An excess for the Supervisory Board will be included when the policy is renegotiated.
- 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 As long as the Supervisory Board continues to be limited to three persons, the Board as a whole assumes the duties of an Audit Committee.
- 5.3.3 With regard to the formation of a nomination committee, the same conditions 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.
- 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, 3 April 2014  
For the Supervisory Board

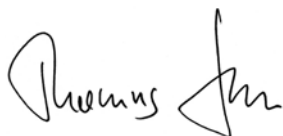


Klaus Röhrig  
Chairman of the Supervisory Board

Management Board



Hans Szymanski  
CEO & CFO



Thomas Grethe  
CSO

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

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

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

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

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

### COMMITTEES OF THE SUPERVISORY BOARD

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

### COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Achieving sustained increases in company value is the common goal of the collaboration between the Management Board and the Supervisory Board. The Management Board 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 for the members of the Supervisory and Management Boards in accordance with the provisions of the German Corporate Governance Code. The policy is subject to an excess of at least 10% of the loss up to at least one and a half times the annual fixed remuneration of the member of the Management Board pursuant to section 93 para. 2 of the German Stock Corporation Act (Aktiengesetz – AktG). A D&O policy was also taken out for the Supervisory Board. An excess for the Supervisory Board will be included when the policy is renegotiated.

### 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 annual 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. 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 in terms of 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 held at the 2013 Annual General Meeting, no female candidates were put forward for election by the Supervisory Board. The Supervisory Board of course takes 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.

## EFFICIENCY AUDIT

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. As it was not possible to carry out the efficiency audit in 2012 because of the new membership, the efficiency audit was accordingly carried out in the second half of 2013.

## 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 select an 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. The documents are also sent directly to shareholders by their banks. The Articles of Association do not allow for the possibility of postal voting. 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.

In addition to the statutory duty to notify and disclose without delay transactions in the company's shares, ownership of shares of the company or financial instruments relating to these by members of the Management Board and Supervisory Board must be shown if they are directly or indirectly greater than 1% of the shares issued by the company. As total ownership by all members of the Management Board and Supervisory Board exceeds 1% of all shares issued by the company, we show total ownership broken down into Management Board and Supervisory Board below:

<b>SHAREHOLDER (DIRECT)</b>	Number of shares	%
Hans Szymanski (Management Board)	120,000	0.7
Botho Oppermann (Supervisory Board)	261,948	1.6
<b>SHAREHOLDER (INDIRECT)</b>	Number of shares	%
Klaus Röhrig (Chairman of the Supervisory Board) through 3R Investments	1,660,000	10.3

## 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 para. 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 2013 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2013 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that he will inform the Chairman of the Supervisory Board immediately of any grounds for exclusion or bias which might arise during the audit, unless said grounds are eliminated without delay. The auditor is also required to immediately report any material findings or occurrences arising during the execution of the audit which may be relevant to the Supervisory Board's performance of its duties. The auditor is further required either to notify the Supervisory Board or make a corresponding note in its audit report should it discover circumstances indicating inaccuracies in the Declaration of Compliance with the Code given by the Management Board and Supervisory Board, pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – AktG).

## COMPLIANCE

The Management Board is responsible for compliance with the law and internal guidelines, and ensures compliance with these throughout the group companies. Questions of compliance are regular issues in the discussions between the Supervisory Board or Chairman of the Supervisory Board and Management Board. In 2010 and 2011 the FP Group implemented updated and partly new compliance regulations for all the companies of the FP Group.

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.



## FP shares

### GAINS IN THE MARKETS

2013 was a good year on the stock markets. Germany's leading index, the DAX, gained 25.5% over the course of the year, while the leading US index, Dow Jones, increased by 26.5%. After a moderate state and lasting sideways movement to mid-April, the DAX moved into an uptrend with only brief interruptions to the end of the year. Progress in overcoming the eurocrisis and the European Central Bank's announcements of its intention to continue its low interest rate policy encouraged stock market trading. In addition, the positive trend in the second half of 2013 benefited from the economy's performance, which was better than originally expected.

### FP SHARES GAIN 66.8%

The price of FP shares also developed positively in 2013. After opening the previous year at EUR 2.50, FP shares followed the market as a whole, dropping

slightly to the year's low of EUR 2.20 at end-March before gaining steadily until they reached a high for the year at EUR 4.50 in mid-October. This was followed by a sideways drift until the end of the year, when they were listed at EUR 4.17.

Overall, FP shares gained 66.8% in 2013, significantly outperforming an important benchmark, as the German small-cap index SDAX advanced only 29.3% in the same period. On average, around 62,000 shares changed hands each trading day on Xetra in 2013. The highest number of FP shares traded on a single day was around 566,000. Compared to the previous year, the trading volume for FP shares increased by around 20,000 shares per day.

#### PERFORMANCE OF THE FRANCO TYP-POSTALIA SHARE (2.1.2013–30.12.2013)

Share price in EUR, volume in shares



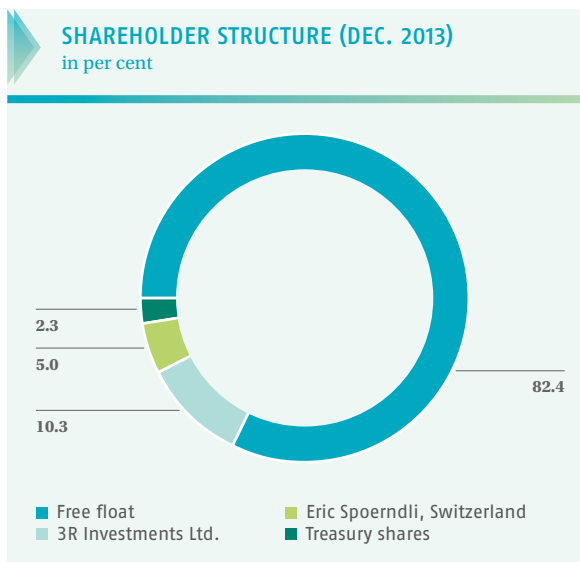
## GROWING INTEREST IN A BROAD SHAREHOLDER STRUCTURE

The rise in trading volume indicates growing investor interest in FP shares. As at 31 December 2013, 82.4% of the total 16.16 million shares were in free float. 10.3% of the 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 1 July 2010.

Of the free float, notifications received as at 31 December 2013 showed the following investors:

- Saltarax GmbH, Germany (3.59%)
- Ludic GmbH, Germany (3.51%)
- Hansainvest, Hamburg (3.39%)
- Internationale Kapitalanlagesellschaft mbH, Germany (3.3%),
- ARGOS Funds SICAV, Luxembourg (3.1%),
- Alceda Fund Management SA, Luxembourg (3.1%),
- Scherzer & Co. AG, Cologne (3.0%)
- and Rudolf Heil, Germany (3.0%).

At the start of the financial year 2014, Internationale Kapitalanlagesellschaft mbH announced that they had dropped below the threshold of 3%. According to the notification of 21 January 2014, they still held 2.9% of FP shares. The ARGOS Funds SICAV also reported on 3 April 2014 that they had exceeded the 5% threshold. They now hold 5.2% of the voting rights in Francotyp-Postalia Holding AG.



At this point in time, the largest shareholder in the FP Group is 3R Investments. In March 2012, the investment company fully subscribed a capital increase by the company in the context of a private placement. To this end, the company issued 1,460,000 new bearer shares, each representing EUR 1 of the share capital. Since this time, 3R Investments had 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.

## 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 2013, 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, the company's financial calendar always includes the German Equity Forum in Frankfurt, Europe's most important platform for equity capital finance for medium-sized companies. There were also events and roadshows in 2014 in Zurich, Munich, Stuttgart, Frankfurt and Hamburg. Following the publication of the quarterly figures, the Management Board holds conference calls to present the development of the business and answer questions from analysts and investors directly.

One central event among the IR activities is the Investors' Day. The Management Board used Investors' Day in Birkenwerder on 23 May 2013 to give a presentation of the strategic development of FP and the associated measures planned, specifically the achievement of important strategic milestones. As in the past, this day was utilised by numerous investors for personal and in-depth discussions with the Management Board.

The FP Group's Annual General Meeting in Berlin on 27 June 2013 was also an important platform for direct dialogue with shareholders. Around 54% of the share capital with voting rights was represented at the Annual General Meeting.

The company's website and especially the Investor Relations area are a central point of contact for all shareholders. At [www.fp-francotyp.com](http://www.fp-francotyp.com), visitors will find comprehensive background information about the company as well as all relevant publications, such as annual and quarterly reports, financial presentations, ad-hoc disclosures, notifications of voting rights and director's dealings, and press releases. The Investor Relations team is available for further information by e-mail ([ir@francotyp.com](mailto:ir@francotyp.com)) or phone at +49 3303 525-410.

## EXTENDING IR ACTIVITIES ON SOCIAL NETWORKS

The company is increasingly using social networks to engage in open and transparent dialogue with stakeholders. In the last year, the FP Group has unified and stepped up its presence on Facebook and Twitter. IR is also involved in close dialogue with interested parties on platforms such as Ariva or wallstreet-online.

### KEY FIGURES FOR FP SHARES

Number of shares (since 23.3.2012)	16.16 Mio, Stück
Type of shares	Bearer shares
Share capital (since 23.3.2012)	16.16 Mio, Euro
Voting rights	Each share grants one vote
WKN	FPH900
ISIN	DE000FPH9000
Ticker symbol	FPH
Trading segment	Official Market (Prime Standard)
Stock exchanges	Xetra and regional German exchanges
Designated sponsor	Close Brothers Seydler Bank
Coverage	Warburg Research, Hauck & Aufhäuser
Announcements	Electronic Federal Gazette
Closing rate on Xetra	4.17 Euro (30.12.2013)
Highest price for the year on Xetra	4.50 Euro (21.10.2013)
Lowest price for the year on Xetra	2.20 Euro (4.4.2013)
Market capitalisation on 30.12.2013	54.21 Mio. Euro
Earnings per share	0.31 Euro

# Francotyp-Postalia Holding AG

## Consolidated Management Report for Financial Year 2013

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We point out that mathematically accurate values (monetary units, percentages etc.) may be rounded up differently.

## GROUP PRINCIPLES

### OPERATING ACTIVITIES

Francotyp-Postalia Holding AG (FP Group or the Company), based in Birkenwerder near Berlin, is a multi-channel 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 partner for solutions. The FP Group is able to cover the entire letter post distribution chain today – from franking and inserting physical letters through mail consolidation to hybrid and fully electronic mail dispatch 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 product segment

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

Franking machines enable customers to frank their mail automatically and quickly. Handling of outbound mail becomes considerably more efficient, since the required postage is electronically programmed into the machine and franking is performed with the relevant correct amount each time. Customers additionally save postage in some countries, since national postal organisations grant a discount when postage is applied by franking machines. All franking machines are certified by national, legally authorised, state-owned or private postal companies.

These certifications also include the various inks required by postal organisations in the form of consumables.

The company's product spectrum ranges from the small MyMail franking machine to the large CentorMail machine, which franks up to 150 letters per minute. This professional franking machine determines all mailing data in one step, makes a custom imprint at the same time and saves all data for further processing in other applications.

The PostBase franking system brings the analogue and digital postal worlds together. This innovative product was successfully introduced into the German and American markets in 2012; more countries, such as Canada, Italy and the United Kingdom, followed in 2013. It features numerous innovations in the mechatronics and software management area. A touchscreen allows users to operate PostBase extremely easily and intuitively. Using the FP Navigator – a software solution for operating the franking system – PostBase can be directly controlled via 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 teleporto business, the sale of consumables, the creation of printing plates, services and software solutions for cost centre management. Specifically, this is to be understood as follows: Every franking machine can be topped up with credit for the necessary postage. For this service the FP Group receives a service charge, the so-called teleporto. Consumables essentially include tape or ink cartridges, which are delivered in the appropriate form according to the model of the franking machine. Consumables also include the creation of customer-specific printing plates, which add promotional or informative texts and visuals to the franking imprint. In the Services segment – depending on country and customer segment – the FP Group offers maintenance and service contracts in various packages.

## 90 GOOD REASONS FOR FP:

1

Wide product range

2

Modern production

3

Efficient production

4

Tailor-made solutions

5

Strong partner

### Software Solutions product segment

The FP Group's innovative software solutions operate swiftly and simply. A letter can be sent via the internet at the click of a mouse, under guaranteed compliance with the most stringent security standards. There are basically two different variants available to customers: hybrid mail and a fully electronic solution via De-Mail.

The specialist in hybrid mail is the FP subsidiary internet access GmbH Ilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin (iab). Following flotation, the FP Group acquired a majority stake in iab at the end of 2006. Hybrid mail refers to a blend of electronic and physical mail. The sender dispatches the letter digitally; the recipient gets a normal letter. The FP Group takes on the entire production process in between – from printing out, franking and inserting to handover of the letter to a mail delivery company. Since the letter is sent digitally, customers are saved the great expense of paper, envelope and printer, and also the costs of travelling to the post office or letterbox. The benefits of traditional letters are nevertheless still there. At the same time, hybrid mail is environmentally friendly, since the electronic transmission means that the physical transport route between sender and recipient can be considerably curtailed. The entry solution FP Webmail is suitable for small companies and freelancers, while large companies can rely on FP BusinessMail. Both solutions work like a virtual printer, in other words documents from Windows environments can be sent at a click of the mouse.

The FP Group secured its entry into the sector of fully electronic communication in spring 2011 with the acquisition of a majority stake in Mentana-Claimsoft GmbH. At the end of 2013 the stake was increased by another 24.5% and now totals 75.5%. The company specialises in electronic signatures and, in addition to products for long-term archiving, also offers products for securing electronic documents and aiding legally binding communication. Mentana-Claimsoft is, in addition, the first accredited De-Mail provider in Germany.

De-Mail offers a simple, traceable and confidential communication infrastructure for Germany. This fully electronic solution enables customers to send their letters securely and confidentially. What makes De-Mail binding is that both sender and recipient must identify themselves on first registering before they can use the technology. Confidentiality is guaranteed thanks to powerful encryption. The German De-Mail Act defines the security requirements, establishing the legal basis to ensure that the De-Mail has the same legal effect as a standard letter.

In 2013 Mentana-Claimsoft used its pioneering role in the German De-Mail market to configure tailored solutions for companies and authorities. Using the product "PostBase Gateway Multi", the company realised a hybrid interface for the De-Mail gateway in 2013 and hence first came into productive contact with the printing services provider FP iab. The system enables De-Mail and Hybrid Mail – both using one type of software: if the communication partner has a De-Mail address, the message is sent fully electronically and securely via De-Mail. If the communication partner does not have a De-Mail address yet, the message is sent via the hybrid channel.

Mentana-Claimsoft has also been offering its De-Mail customers optional end-to-end encryption since September of last year. This ensures that the De-Mail remains illegible along its whole outbound route. As a result though, the scheduled virus check is also ruled out – the key to opening the De-Mail document is exclusively in the recipient's possession. De-Mail users are able to decide the route they wish to use for their digital post for themselves.

6

*Short distances*

7

*High-quality consumables*

8

*Quick answers*

9

*Speedy delivery*

10

*Friendly service hotline*

### Mail Services product segment

The Mail Services segment comprises the consolidation of business mail, which liberalisation of the postal services market has made possible. Following flotation, the company acquired freesort GmbH in late 2006. With eight sorting centres throughout Germany, freesort is one of the leading independent consolidators of outbound business mail on the German market. Their mail consolidation services include 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.

### Significant sales markets and competitive position

The FP Group is represented with its franking machines in the most important markets worldwide, which include Germany, the US and the United Kingdom along with France, since 2011. With a total of approximately 236,000 installed franking machines, the company's global market share stands at 10%; this makes the FP Group the world's third-biggest provider. In Germany and Austria, the company is the market leader, with a market share of approximately 42% and 48%, respectively.

Francotyp-Postalia Vertrieb und Service GmbH has been responsible for all sales activities in Germany since 2011. Global sales are performed in the most important markets via the company's own subsidiaries in a total of eleven countries, and via a comprehensive dealer network in approximately 40 countries. The company has been active on the booming Asian market in Singapore since the beginning of 2009 with its subsidiary Francotyp-Postalia Asia Pte Ltd. This is the FP Group's base for expanding its sales business and 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.

The FP Group expanded its national sales strategy in 2013 and will now be offering its products and solutions via regionally established specialist retailers. This enables FP to have a stronger presence locally, strengthen its market position and, not least, also promote acceptance of digital mail communication, De-Mail for example, in the market.

## STRATEGIES AND OBJECTIVES

### Objectives

The FP Group's entrepreneurial dealings are focused on sustainably increasing the company's value and growing profitably. The focal objectives are to increase revenue, EBITDA and EBIT in the medium and long term, and to improve free cash flow and net debt. The company uses these objectives as central control parameter. Further information on this subject can be found in the Section on Management.

The control approach also takes non-financial values into consideration:

Outstanding and high-quality products and solutions play a major role for the company. The quality of products and services is therefore an important indicator. The Section on Management provides information about performance indicators for gauging quality.

11

Modern technology

12

Award-winning designs

13

Solutions for companies of all sizes

14

Solutions for each sector

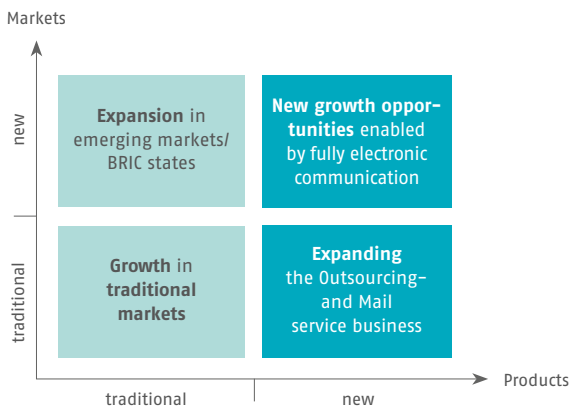
15

Personal service

## Strategy

FP endeavours to increase the company's value into the long term and to achieve profitable growth. In order to do this, the company is pursuing a growth strategy comprising four areas of focus:

1. Expanding the franking and inserting machine business in traditional markets
2. Entering new, fast-growing markets in emerging economies
3. Expanding the outsourcing and mail service business in Germany
4. New growth opportunities enabled by fully electronic mail communication



With this strategic focus, the FP Group anticipates the changes in the markets and capitalises on the resulting potential for growth and development.

Globalisation is resulting in greater links between companies across national borders and is opening up new opportunities for service providers in mail communication. At the same time, new markets and great potential for growth are arising in emerging economies, where a major part of mail processing is still performed manually.

With digitalisation leading the way, technological changes are enabling entirely new forms of communication. As it undergoes a transformation from franking machine specialist to a partner for solutions, the FP Group is offering its customers a forward-looking portfolio of products that bridges the gap between analogue and digital communication. Electronic communication is increasingly coming to the fore, without, however, replacing the tried-and-tested physical solutions. It is rather the case that customer requirements are increasingly turning into a demand that is met by the correct mix of conventional and innovative physical and electronic solutions.

### Franking machines for low-to-medium mail volumes

Its business with franking and inserting machines remains a core part of FP's strategy. FP is consistently expanding this business so that it can use the growth potential that is on offer in traditional and new markets. Along the way, the company is focusing on franking and inserting machines for low-to-medium postal volumes.

In the world's biggest franking and inserting markets – the US, Germany, the United Kingdom and, since 2011, France – the FP Group is present with its own subsidiaries and, thanks to the smaller and medium-sized machines segment, is in an excellent position here. While digital solutions are increasingly being used where there are large volumes of correspondence and traditional franking machines are experiencing a significant decline in this segment, the market for lower mail volumes is proving to be stable. In addition, with the PostBase franking system, the FP Group bridged the gap between the analogue world and new digital communication possibilities for the first time in 2012.

16

Industry innovation driver

17

90 years' experience

18

First certified De-Mail provider

19

Expert advice

20

High quality



### Growth potential in emerging markets and BRIC states

Macroeconomic trends in the emerging markets and BRIC states are associated with considerable potential for growth in written communication.

A brief comparison makes this apparent: whereas, in industrial countries such as the US, around 470 letters per resident are sent each year; in countries such as India, China or Malaysia, this figure stands at just 40 letters annually at most. In these countries, however, rapid technological development will also entail a proportionate rise in demands on professional processing of mail, so that here, too, it will be essential to provide an innovative, forward-looking offering that brings together the physical and analogue world.

The FP Group wants to make use of this potential in order to grow, which is why the company is working in Singapore with a fully-owned sales subsidiary to enhance its market position in the Asia-Pacific region. However, Francotyp-Postalia also has growth opportunities in eastern Europe, as has been demonstrated, for example, by the signing of the deal with the Russian post office.

### Expanding the outsourcing business

The liberalisation of the postal markets has meant the emergence of numerous new opportunities for customers to complete their postal processes more efficiently and cost effectively.

The outsourcing business is also being expanded above all through an integrated offering that extends from the physical through to the fully electronic realm. This enables customers to use the FP Group's solutions entirely to cater for their individual needs.

### New growth opportunities enabled by fully electronic communication

The FP Group has been offering its customers fully electronic solutions for mail communication since the beginning of 2012 and is the first accredited De-Mail provider in Germany. Using these solutions, companies of all sizes can digitally send their correspondence securely, confidentially and traceably at the click of a mouse. De-Mail was given a boost by the E-Government Act that took effect in August 2013. This act provides the legal framework for modernising administration and breaking down bureaucracy. Citizens, administration and business can communicate traceably and confidentially with one another via the electronic route. This makes the Franco-Postalia De-Mail method, alongside other methods, the legally established standard for fully electronic communication in administration.

### Aufbruch 2015

With its strategy, the FP Group is well positioned for growth in terms of revenue and earnings in the next two years. In the "Aufbruch 2015" initiative, the company has combined a number of projects so that it can achieve its ambitious objectives and set a steady course for growth. An increase in sales activities is a central theme here. The FP Group has been expanding its sales strategy since autumn 2013 and will now also be offering its products and solutions via regionally established specialist retailers. This enables FP to have a stronger presence locally, strengthen its market position and, not least, also promote acceptance of digital mail communication in the market. FP is focusing on the conventional office equipment trade, on the one hand, and on IT systems houses, on the other. These are complements to the existing FP dealer partner network, whose members are active in the franking and inserting machines segment in particular.

Despite all the challenges in implementing the strategy, the FP Group believes it is on the right track.

21

Certified processes

22

Good sense of customer needs

23

Flexible order processing

24

Individual customer care

25

Absolute reliability

## ORGANISATION

### 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 FP Produktionsgesellschaft mbH and 100% of the shares in freesort GmbH, 51% of iab and 75.5% of 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 research activities can be found in the Section on research and development.

Equity interests as at 31 December 2013 are shown in the following Group structure diagram.

### 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 in Birkenwerder. The franking machines are also developed there. Global sales of franking and inserting machines are performed via fully-owned subsidiaries in the Germany, United Kingdom, Netherlands, Austria, Italy, Sweden, US, Canada, Singapore, Sweden and French markets as well as via a concentrated dealer network. A diagram of subsidiaries can be found in the notes to the consolidated financial statements. The FP Group is set to relocate its registered offices from Birkenwerder to Berlin-Pankow in autumn 2014. The corresponding lease agreement was signed at the end of December 2013.

The FP Group has been manufacturing its franking machines on a modern production line in Wittenberge, Brandenburg, since 2012. Production-based research and development is expected to be located there as well at the end of 2014.

### Management and controlling

A two-member Management Board conducts the business of the FP Group. Hans Szymanski is CEO & CFO and is responsible for strategic business development, production, logistics and purchasing, quality management, research and development, information technology, compliance, human resources, legal, finance, controlling and accounting. As successor to Andreas Drechsler, Thomas Grethe has been responsible since 15 June 2013 for sales – Germany/International, strategic business development, product management, marketing and brand management, corporate communication and internal audit. The two men work closely with a team of managers who convene regularly for extended Management Board meetings or take part in teleconference discussions.

A three-member Supervisory Board monitors the activity of the Management Board and provides advice. The Supervisory Board saw some changes during the past financial year. The Supervisory Board's report and the Corporate Governance report, which are both part of the Francotyp-Postalia Holding AG 2013 Annual Report, provide detailed information on these. As at 31 December 2013 the Supervisory Board was composed of these members: Klaus Röhrig (Chairman), Robert Feldmeier (Deputy Chairman), Botho Oppermann.

26

*High degree of  
professionalism*

27

*Clear growth  
prospects*

28

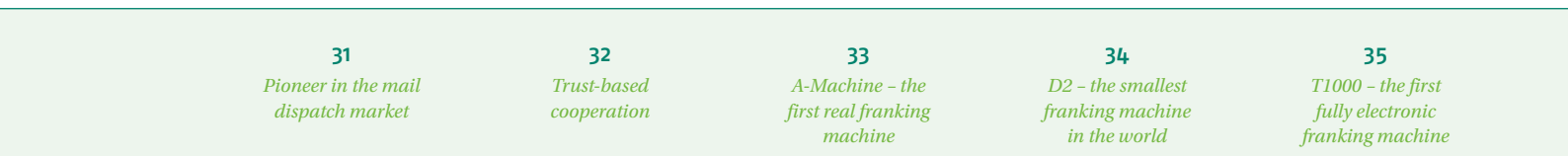
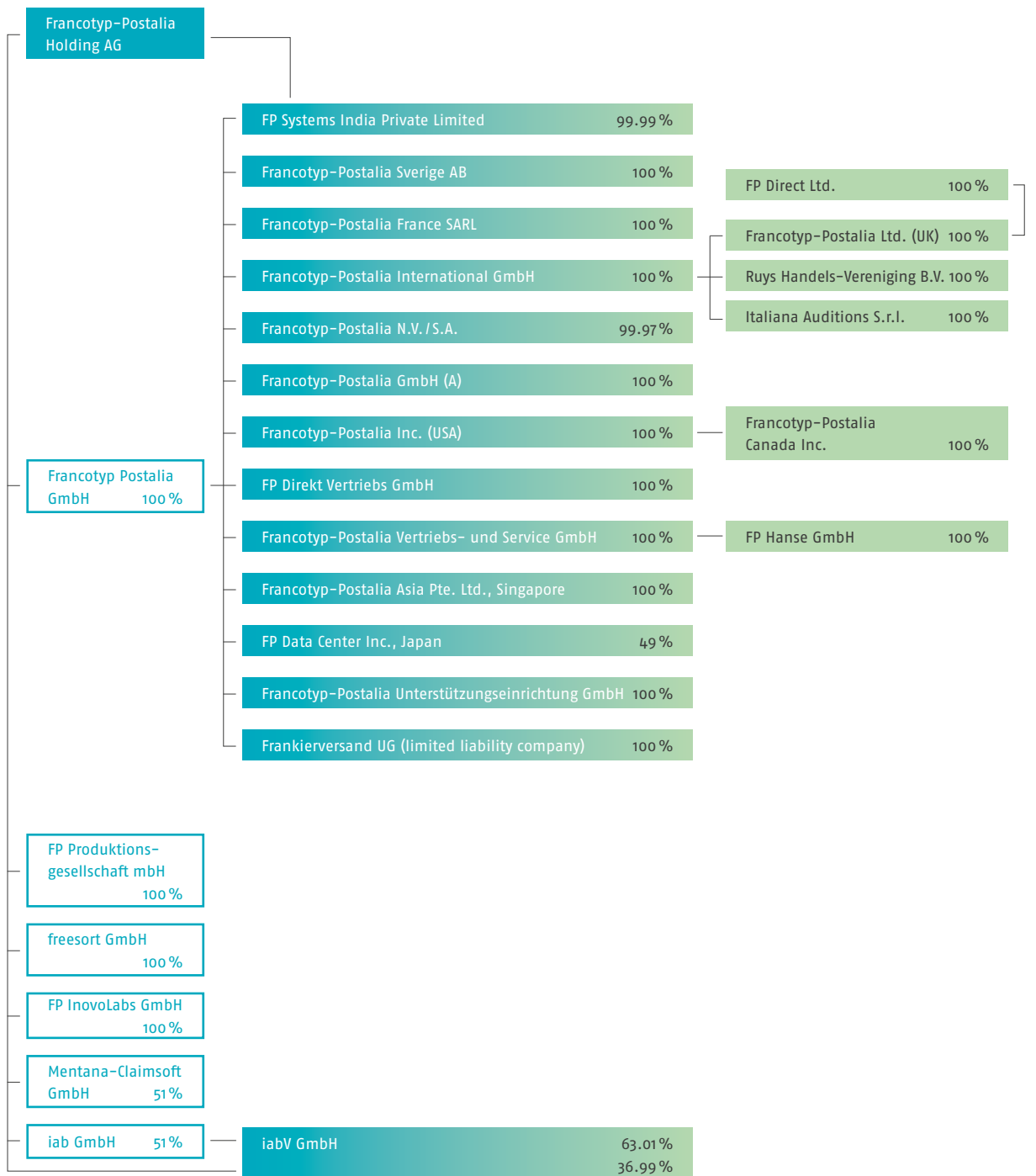
*High customer  
satisfaction*

29

*Solid financing*

30

*Innovative  
products*



## MANAGEMENT

### Management system

The Management Board uses both the Group-wide reporting system and Group strategic planning as management tools. Strategic planning covers three years and is updated on an annual basis during the budget process. If necessary, it is also adapted during the year.

All divisions and subsidiaries report monthly as part of Group-wide reporting on their net assets, financial position and results of operations. These data are consolidated in the Group's Quarterly and Annual Reports. In addition, the segments provide a monthly estimate of current and probable business trends.

Beyond this, the following components essentially guarantee compliance with the Group's internal management system:

- Regular Management Board and Supervisory Board meetings
- Regular extended Management Board meetings
- Regular partners' meetings
- Regular meetings of all international and German managers
- Risk and opportunity management
- Cash flow planning
- Monthly reports from segments
- Internal audit
- Quality, occupational safety and environmental management

### Financial performance indicators

Group management is essentially performed via the following financial indicators:

- Revenue
- EBITDA
- EBIT
- Free cash flow
- Net debt

The FP Group thereby ensures that decisions always take sufficient account of conflicting priorities: growth, profitability and cash flow.

Revenue is used to gauge market success. Using earnings before interest, taxes, depreciation, and amortisation (EBITDA), the Group measures operative economic potential and the success of the individual business units. EBIT – earnings before interest and taxes – is an important parameter. Distortions of the results due to fluctuating tax rates, interest expenses or other extraordinary factors are therefore avoided.

When free cash flow is considered, there is the assurance that the Group's financial substance remains intact. Free cash flow is the product of the balance of cash flows from ongoing operating activities minus investments performed. An equally important indicator is net debt, which is the product of net debts minus cash and cash equivalents.

### Non-financial performance indicators

In addition to financial performance indicators, the FP Group also uses non-financial performance indicators to manage the company. At the focus is quality of the service spectrum, measured against a quality indicator and an improvement indicator.

The quality indicator measures change in product quality, based on annual servicing operations in relation to

36

*JetMail – the first  
inkjet franking  
machine*

37

*Established con-  
tacts with national  
postal companies*

38

*First multi-channel  
retailer*

39

*Own development  
department*

40

*Patent-protected  
technology*

the average weighted machine park. The improvement indicator records the quality of new franking systems in particular. It is based on parts expenditure for amendments to delivered machines. Further information on non-financial performance indicators can be found in the economic review.

## RESEARCH AND DEVELOPMENT

The main focus of research and development activities was the expansion of the PostBase franking system platform. While the PostBase system so far consisted of a basic unit in four speed variations and PC software (navigator) that enables users to configure and operate their PostBase conveniently from their PCs, a matching new beginners' model has come along in addition. This model is externally more streamlined than the basic unit and can therefore be used on a small desktop surface. The design of the new beginners' model matches the PostBase in terms of shape, colour and operation. The security technology and online infrastructure of the PostBase franking system platform is deployed. From software development through manufacture to service, the maximum has therefore been achieved in terms of synergy, and entry-level customers will find a later change to the bigger PostBase basic unit fast and effortless. Approvals in six other postal markets have also meant a boost for the PostBase platform's international presence.

At the upper end of the franking system portfolio, an innovative new dynamic weighing module was developed: increasing the throughput of the CentorMail system in full mixed mail operation (various sizes and various weights in one processing run) by 50%, it therefore considerably improves the competitiveness of the CentorMail system.

Customers' rising demand for dispatch solutions was met by a new software product: mailOne. This is operated on a PC with peripheral printer and PostBase basic unit and enables customers to register parcels with the consignor electronically, calculate all awardable discounts, print the necessary consignment labels and conveniently pay via the PostBase system's electronic postage. Customers can complete all this in one working step.

The benefit of pre-configured hardware products is becoming increasingly apparent in the business with secure electronic communication solutions, such as De-Mail and hybrid mail. A new service provision is more likely to be accepted if it entails less configuration and administration expense for customers. Hardware development provides tailored unit hardware for the "FP Box" from Francotyp-Postalia.

More information on the PostBase can be found in the "Franking and Inserting segment" Section.

### Mentana-Claimsoft

The existing De-Mail system has been developed further to meet the requirements of the eGovernment Act. The recurring deployment of new software releases from the De-Mail test system into the authentic system has been updated. The De-Mail gateway now has a genuinely multiple and high-availability design, and being an infrastructure component needs only one high-availability database to function accordingly.

The Web frontend [www.fp-demail.de](http://www.fp-demail.de) is undergoing a technical overhaul and expansion, including a function for end-to-end encryption, which is expected to be completed in 2014.

**41**  
Market leader in  
Germany

**42**  
Market leader in  
Austria

**43**  
The new PostBase  
franking system

**44**  
The FP Navigator

**45**  
Multi-colour  
concept

In order to put De-Mail and hybrid services into operation faster for the customer, the "FP Box" hardware solution has been launched with a new development. The FP Box also means that sales and maintenance of De-Mail and hybrid services are considerably simpler.

A start has also been made on developing and certifying the "Hash-Safe" product to a new standard TR-03133 ("TR-ESOR"). Completion is scheduled for the 2nd quarter of 2014.

Existing signature solutions also underwent further development to meet the requirements of the new generation of Trustcenter smartcards, new crypto-algorithms and corresponding ETSI standards.

#### Internet Access Berlin (iab)

The main focus at iab was to extend possibilities for using the modern output management system "Stream-serve" and to continue basic development in the area of the automated transfer of correspondence to iab by means of "hybrid bridge". Development activities in the inbound area were characterised by the implementation of "smartfix" software in existing processing methods, aimed at high-quality and fully automatic document recording.

### Activities and results

For the MyMail, OptiMail<sup>30</sup>, UltiMail, CentorMail and PostBase franking systems, their accompanying PC applications and server applications in their IT infrastructures, a total of 54 new software packages were released for a total of 14 markets. The model range is therefore being steadily expanded into new markets and focused on new demands in existing markets.

As in the previous year, the CentorMail system, in its version for private postal services providers, showed an encouraging trend. The system was configured and re-released for more than 10 more regional German postal services providers during the reporting period.

#### SOFTWARE RELEASES

No	Franking system/ product	Number of releases	Number of markets
1	MyMail	0	0
2	OptiMail	3	3
3	UltiMail	4	3
4	CentorMail	6	2
5	PostBase	13	8
6	Software	19	9
7	IT infrastructure	9	4
	<b>Total</b>	<b>54</b>	<b>14*</b>

\* In several markets a number of software releases were launched.

In the US, UK and French markets, postal companies continued their work of previous years to develop new specifications with tightened security requirements for automated franking. During this process they followed the increasing security requirements of relevant standards of the American and European authorities in terms of IT security (NIST, BSI and many others). An additional specification was that, as far as possible, senders inform the postal companies of their franking automatically and without delay. The Research and Development segment advises many postal companies worldwide as postal specifications evolve.

The FP Group is responding to the described trends with a server infrastructure that is growing in terms of performance, security and international presence. Modern, high-security server systems, hosted under in-house inspection, are deployed. Public cloud technologies are not deployed, however, because they do not meet the high security requirements and postal demands.

46

Broad customer  
base

47

Proximity to the  
customer

48

Friendly staff

49

Competent staff

50

A brand that has  
been established  
for decades

Twenty-seven server software releases for 5 postal markets were released during the reporting period.

Preliminary development focuses on IT security/cryptography, mobile computing, modern internet technologies, dynamic weighing and digital printing to pave the way for product innovations. All product innovations focus on serving changing customer processes more efficiently than is the case with existing products, and therefore on helping to increase our customers' productivity and cost efficiency. As the Group continues to develop into a full-service provider, the integration of software and server concepts and the development of outsourcing interfaces become increasingly important.

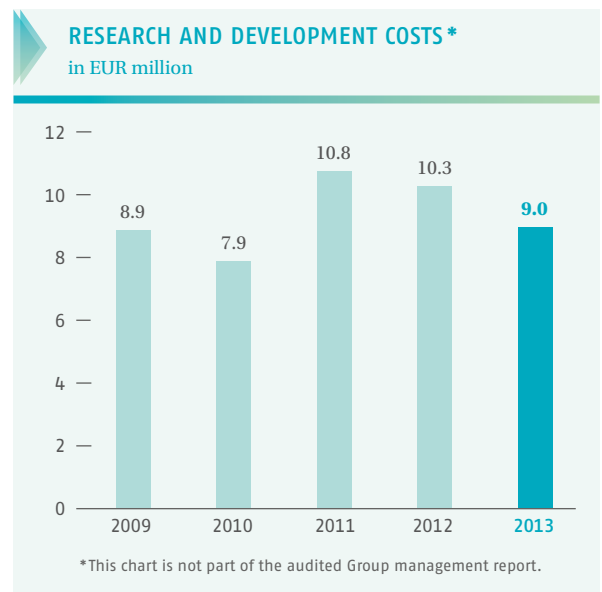
## Employees

At the end of 2013, 81 permanent staff were employed in the Research and Development divisions of the Group (including subsidiaries), which represents around 7.7% of the Group's total workforce (previous year: 7.3%). Additional external staff are temporarily recruited for certain projects as required. At the end of 2013, external staff accounted for 2% of the permanent R&D workforce.

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 and of FP InovoLabs GmbH consists of five specialist departments: Mechanics and Electronics Development, Transition to Production, Software Development, and Project Management/Controlling/Lifecycle Management/Compliance.

## Research and development investment

In the past financial year, research and development costs came to a total of EUR 9.0 million, and were therefore 14.4% lower than during the same quarter of the previous year (EUR 10.3 million). Of this figure, EUR 4.4 million was capitalised as intangible assets, compared with EUR 5.2 million in the previous year. A total of EUR 4.6 million was expensed, as against EUR 5.2 million in the previous year. The ratio of research and development expenses (including product care) to revenue fell in 2013 to 5.3% (previous year 6.3%).



## EMPLOYEES

Staff play a significant role in the FP Group's success. Their identification with the company and their commitment to its objectives make a crucial contribution to the company's long-term success; their potential is encouraged and promoted by a high degree of autonomy.

51

Fair prices

52

Willing to listen to  
customers

53

Personal care

54

Flat hierarchies

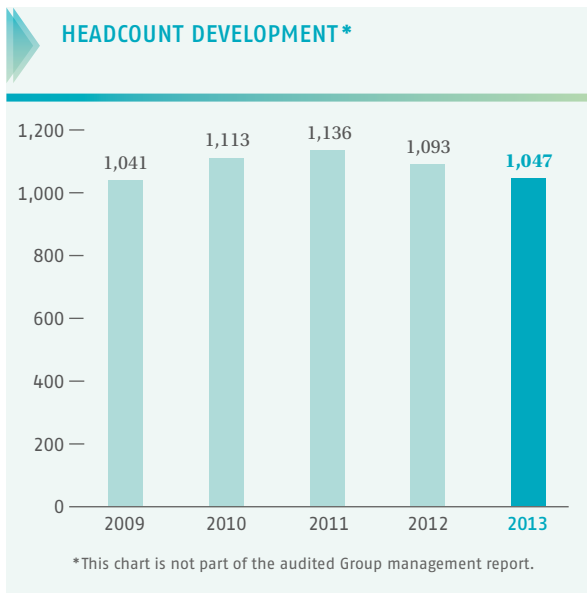
55

Motivated staff

As at 31 December 2013, the FP Group employed a total of 1,047 people worldwide, compared with 1,093 employees the previous year. As at the reporting date, 667 employees were attributable to the German companies (previous year: 687) and 380 to foreign subsidiaries (previous year: 406).

The number of employees as at 31 December 2013 is distributed over segments as shown below (with comparisons with the previous year):

SEGMENT	2013	2012
Sales – Germany	476	493
Sales – International	371	397
Production	176	187
Central functions	24	16
<b>Total</b>	<b>1,047</b>	<b>1,093</b>



## ENVIRONMENT AND SOCIAL COMMITMENT

### Conservation and occupational safety, quality management

The FP Group is duty-bound to dealing with resources responsibly and safeguarding the environment. The Group sees this as an integral part of assuming responsibility, on behalf of employees, customers, partners and neighbours.

As early as 2010, Francotyp-Postalia Holding AG expanded its quality management system by certified environmental management according to ISO 14001. In the past year, the integrated management system has been additionally certified with the occupational health and safety system according to OHSAS 18001. According to this, the FP Group continuously endeavours to further improve its environmental and occupational safety management and therefore to establish an attitude of sustainability in all divisions.

Environmental protection, occupational safety and health protection are important management tasks for the FP Group. An integrated management system ensures that these tasks are translated into practice in all operational roles and at all operational levels. A management system can only be brought to life with the help of committed and confident employees. This is why the FP Group provides suitable information and training to generate and maintain the necessary environmental and safety-consciousness among its employees.

The persons responsible, the corresponding methods, and continuous improvement processes from operating activities are set down in the environmental and occupational safety management system. The system is designed to optimise processes from the ecological and human point of view and to generate awareness of responsible dealing with resources as well as actions among all employees to match.

56

First provider  
of FRANKIT  
machines

57

International team

58

Linking of  
tradition and  
change

59

Always nearby

60

Service directly  
from the  
manufacturer



The topic of environmental protection and conservation of resources also plays a major role in product development. The FP Group brought the first franking system with the GOGREEN functionality onto the market as early as 2009, thereby supporting the climate protection programme of Deutsche Post, which records CO<sub>2</sub> emissions that occur when a GOGREEN consignment is transported on a customer-by-customer basis. The new PostBase franking system also lives up to ultra-modern standards for environmentally aware franking in many respects. Of note in this context are a weight reduced by 8%, the option to re-use components or the labelling of the plastics used.

In terms of energy consumption in particular, the PostBase already meets the stricter requirements of Energy Star Version 1.2 (awarded the "Blue Angel"). Finally, in the consumables area a new recycling concept was developed, enabling customers to dispose of used ink cartridges in an environmentally friendly manner.

As a manufacturer, the FP Group feels bound to provide sophisticated quality management. As part of the certification of the integrated management system the individual companies of the FP Group were re-certified according to ISO 9001 for a further three years in 2013. In particular, the auditors certified that the companies had developed their management systems positively, and noted strengths in transparency of records, preventive risk assessments, and in escalation management. In summary, the high level of quality and environmental management that was already a reality was highlighted by the auditors.

The quality systems of the subsidiaries freesort, iab and Mentana-Claimsoft are equally ISO 9001 certified. Mentana-Claimsoft is additionally certified as a De-Mail provider on the basis of IT baseline security according to ISO 27001, in accordance with section 18 para. 3 no. 4 De-Mail Act, by the German Federal Commissioner for Data Protection and Freedom of Information and in accordance with the De-Mail Act by the German Federal Office for Information Security.

## Social responsibility

The FP Group is aware of its social responsibility, and provides support, for example, to our fellow humans with disabilities. The subsidiary freesort, for example, has paid attention to accessibility and disabled-friendliness since it was founded. The company has numerous deaf-mute and hard-of-hearing employees and has already repeatedly won awards for this.

FP Produktionsgesellschaft mbH in Wittenberge, Brandenburg, is also committed in this area. A close partnership is underway there with the local disabled persons project.

In addition, this year employees at the FP subsidiary Mentana-Claimsoft planned and carried out the "Help Jürgen – Save a life" promotion (<http://www.helft-juergen.de>). Donations of EUR 3,000 were collected by the workforce in this connection.

The English subsidiary, Francotyp-Postalia Ltd, also donates to charity on a regular basis. Sponsored projects or associations alternate and are re-defined by employees each time.

In the US, the FP Group is continuing to support the National Breast Cancer Foundation (NBCF). The NBCF is committed to the fight against breast cancer and, through educational campaigns and the provision of mammograms for those affected, to raising awareness of the risk. At the same time the foundation supports women in their fight against breast cancer. (<http://www.nationalbreastcancer.org/>)

The FP Group is dedicated to the fight against cancer in Italy, too, and has signed on to a partnership with the "Lega Italiana Lotta ai Tumori" (LILT, Italian league for fighting tumours) (<http://www.lilt.it/>). For every LILT PostBase sold, FP sends 60 EURO to LILT.

61

Expert in all matters relating to mail communication

62

Expert in mail communication

63

De-Mail Innovation Prize

64

Individual solutions

65

Made in Germany

The Swedish subsidiary supports "Doctors Without Borders" in a similar way. Customers are therefore able to consent to having part of the rental costs donated to "Doctors Without Borders".

## ECONOMIC REVIEW

### MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economic growth continued to be robust in the past year. According to information from the International Monetary Fund (IMF), global economic growth in 2013 stood at 3.0% compared with 3.1% in the previous year. Emerging markets and developing markets continued to be engines for growth, with an increase of 4.7%. Industrial markets saw a rise in their Gross Domestic Product (GDP) of 1.3%.

In the US, the FP Group's biggest foreign market, economic performance rose in 2013 by 1.9%; in the Euro states, by contrast, Gross Domestic Product fell by 0.4 percent compared with the previous year. Whereas the southern European states, in particular, continued to feel the repercussions of the euro crisis, the German economy experienced a relatively positive trend in 2013. According to calculations by the Federal Office of Statistics, GDP in Germany, the FP Group's domestic market, increased by 0.4% in the past year.

The exchange rate relationship between euro and US dollar plays an important role for the FP Group's export activities; this relationship was characterised by high volatility in the past year. Following a one-month upward trend at the start of the year, a continuous downward trend ensued, down to the lowest price of 1.28 dollars at the end of March. The euro saw a recovery in the subsequent months and achieved its highest level for the year at 1.38 dollars at the end of October. As at year-end 2013, the euro continued to be listed at just under 1.38 dollar, and was therefore six cent over the previous year's final rate of 1.32 dollar.

The economic recovery in markets where FP is represented with its own companies had a positive influence on the companies' inclination to invest and therefore also on the demand for franking and inserting machines. The PostBase, in particular, experienced a high sales volume in the past year. The FP Group traditionally focuses on the A and B segment for machines with smaller to medium correspondence volumes. These markets are showing comparatively stable development, also because companies are increasingly replacing larger franking machines with smaller devices.

A segment	B segment	C segment
1-200 letters/day	200-2000 letters/day	> 2000 letters/day

The trend towards smaller devices is explained by increased digitisation in certain areas of correspondence. Though various post office statistics report that around 350 billion letters continue to be conveyed worldwide every year, above all in Europe and North America, according to the Global Postal Union, the global volume of letters recently fell by a total of 3.4% within one year. Regionally speaking, markets are showing highly diverse trends. The volume of correspondence is growing in up-and-coming and developing countries, in particular. For the FP Group, this means opportunities in new markets.

66

Global company

67

Great innovative strength

68

Intuitive operation

69

A wealth of features

70

Over 1,000 employees worldwide

New impetus, in the German market in particular, is being provided by innovative software solutions for letter communication. The German Federal Network agency is assuming that the transition to the electronically supported completion of postal services will influence the continued market trend. According to statements by the Federal Network Agency, the continuing changes also offer market participants prospects for new business models. Examples of these are hybrid postal services or ranges based on the De-Mail Act. Digitisation, the Agency writes in its latest postal activity report, is also making inroads into mail dispatch and will change written communication. The FP Group made timely preparations for this transformation and now covers a broad service spectrum for conventional and digital mail dispatch.

The changes in these basic conditions compared with the previous year are rather positive for the FP Group, while the quantitative impact arising from this remains slight.

## LEGAL CONDITIONS

The E-Government Act brought a change in legal conditions in 2013. In Germany, the enactment of the E-Government Act in the past year laid the legal foundations for digital ranges. Essentially, the Act governs the administration's duty to open an electronic channel; the opening of De-Mail access is even set down for the Federal Administration. Citizens will be able to exchange electronic documents with authorities simply, securely and confidentially via the internet in the future. In the emerging De-postal market the FP Group is one of the pioneers in the German market. In the medium term, the FP Group is anticipating a market share of approximately 10% with a potential overall market volume of De-Mail-capable consignments in Germany of 540 million per year. According to current estimates, this corresponds to an annual revenue volume of EUR 15-20 million. This had no considerable influence on the company in 2013, however.

Beyond this, there were no significant changes to legal conditions in 2013.

## BUSINESS PERFORMANCE

The course of the past financial year was successful for the FP Group. The company strategy is starting to prove successful. The new, flexible production site in Wittenberge is running smoothly. The new, innovative franking system PostBase is very popular with our clients; in 2013 the modular PostBase system was introduced in the most important sales markets. The new digital ranges, particularly the De-Mail solutions, are also attracting wide interest from our clients in Germany.

It was therefore essential that in November 2013 the FP managed to acquire a further 24.5% of the shares in Mentana-Claimsoft GmbH; the FP Group has held a majority stake in the De-Mail provider since March 2011. By way of a mutual agreement, the acquisition of the additional shares did not affect liquidity; exceeding the threshold of 75% of shares simplified the collaboration with our subsidiary considerably.

The "Aufbruch 2015" initiative was launched in the past year. At present, we are systematically establishing an indirect sales channel with specialist retailers in Germany in addition to the direct and agent sales. Regionally based office retailers and IT system houses are able to extend their portfolios in the area of physical and electronic mail communication through the use of FP products. This enables FP to have a stronger presence locally, strengthen its market position and, not least, also promote acceptance of digital mail communication in the market.

**71**  
Active for over 50  
years in the United  
States

**72**  
Environmentally-  
friendly technology

**73**  
Strong position in  
major markets

**74**  
Transparent  
communication

**75**  
Worldwide  
presence

The upcoming relocation of the registered offices from Birkenwerder in Brandenburg to Berlin will also be a major contribution to "Aufbruch 2015". The corresponding lease agreement was signed at the end of December 2013. The company, with its approximately 200 employees, will move into an impressive administrative building in Berlin-Pankow from October 2014 onwards.

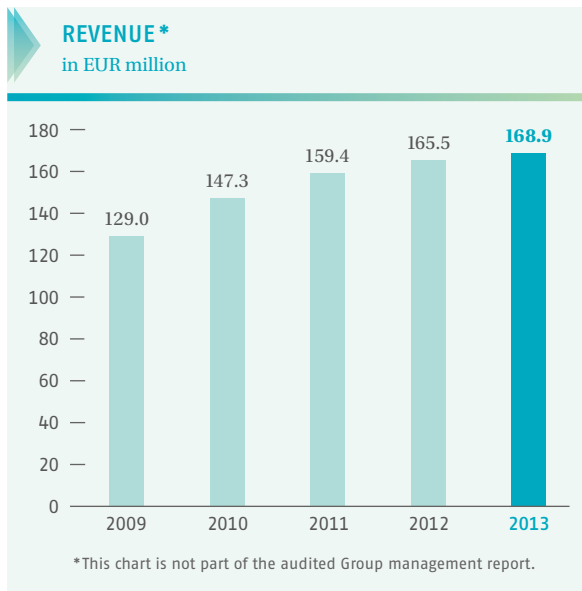
The Aufbruch 2015 initiative aims to develop the full potential of the FP Group in all areas and markets and therefore realise the ambitious growth and profit objectives for 2015. 2013 demonstrated that the FP Group is on a profitable course for growth and has laid the foundation for a successful future.

### Financial performance indicators

The FP Group's financial performance indicators are revenue, EBITDA, EBIT, free cash flow and net debt. These are the value-driving parameters of the conflicting priorities that the company faces: profitability, growth and liquidity.

#### Revenue

In financial year 2013 the FP Group raised total revenue to EUR 168.9 million, compared with EUR 165.6 million in the previous year. At the same time, revenue in Germany rose to EUR 92.1 million after EUR 86.6 million in the previous year. The largest foreign market in 2013 was again the USA, where sales grew by EUR 0.1 million to EUR 33.0 million. Even so, on a euro basis foreign sales fell to EUR 76.9 million from the previous year's EUR 79.0 million, due to negative exchange rate effects totalling EUR 2.1 million over all currencies.



Revenue benefited overall from the high demand for the innovative franking system, PostBase, despite the negative exchange rate effects. By contrast, revenue from product sales fell (for reasons that include negotiations with franchisees, which have now been concluded) to EUR 32.1 million, compared with EUR 33.5 million in the previous year. Recurring revenue from the Mail Services and Software business and from service agreements, leasing/rental, teleporto and the sale of consumables for approximately 236,000 franking machines worldwide increased to EUR 136.9 million in the reporting year, compared with EUR 132.1 million in the previous-year period. At the same time, revenue in the software business rose to EUR 12.9 million compared with EUR 11.4 million in the year before. The subsidiary Mentana-Claimsoft had not yet achieved significant revenue in 2013. It was also possible to increase revenue in the Mail Services segment to EUR 42.7 million, compared to EUR 39.1 million in 2012. At the same time, the volume of mail rose 3.7% from 189 million consignments in 2012 to around 196 million consignments in 2013.

76

High safety standards

77

In-house development

78

Close interaction between development and sales

79

Convincing strategy

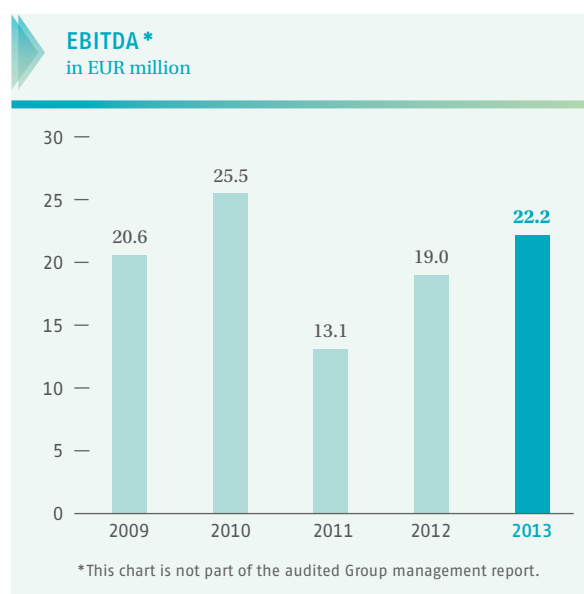
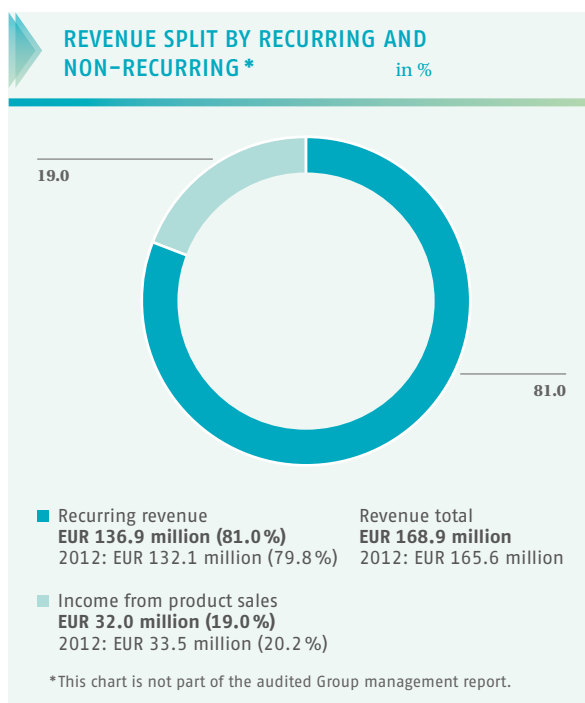
80

Pioneer in the use of De-Mail

REVENUE BY PRODUCT AND SERVICE in EUR million	2013	2012
Recurring Revenue	136.9	132.1
Equipment hire	22.9	24.4
Service/customer service	25.7	24.9
Consumables	21.1	20.1
Teleporto	11.6	12.2
Mail services	42.7	39.1
Software	12.9	11.4
Revenue from product sales	32.0	33.5
Franking	23.6	25.4
Inserting	6.9	6.3
Other	1.6	1.8
<b>Total</b>	<b>168.9</b>	<b>165.6</b>
Recurring revenue	81.0%	79.8%
Non-recurring revenue	19.0%	20.2%

### Earnings development (EBITDA, EBIT)

Operating earnings before interest, taxes and depreciation, EBITDA, rose in the period under review to EUR 22.2 million, compared with EUR 19.0 million in the year before. There is a charge to EBITDA due to the creation of a provision for a departed Management Board member of EUR 0.5 million. Adjusted to allow for this effect, EBITDA for 2013 is EUR 22.7 million. EBIT stood at EUR 10.4 million in 2013 after EUR 9.1 million in the previous year. The FP Group profited for the first time, right across the financial year, from the heightened efficiency of the new production location in Wittenberge. A higher rise in EBIT was prevented by the fact that, as expected, higher depreciations were incurred in 2013 than in 2012 for the leased products newly placed on the market and capitalised development projects.



### Free cash flow

Free cash flow, the balance of cash inflows from operating activities (EUR 18.5 million, in the previous year EUR 7.3 million) and cash outflows from investing activities (EUR 14.9 million, in the previous year EUR 14.3 million), improved to EUR 3.6 million compared

81

Physical and electronic  
mail communication

82

Efficient mail  
processing

83

New partner for  
retailers

84

Strong global  
distribution  
partners

85

Targeted  
marketing

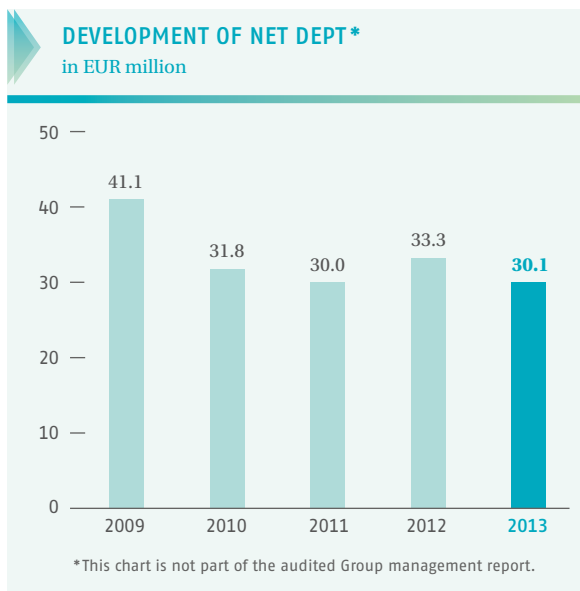
with EUR –7.0 million in the previous-year period. This improvement is explained by a considerable rise in cash inflows from operating business as a result of the company's higher revenues and rising efficiency. Cash totalling EUR 5.6 million was still being paid in respect of restructuring provisions in 2012.

### Net debt

In 2013 the FP Group was able to reduce net debt to EUR 30.1 million compared with EUR 33.3 million in 2012. Net debt is calculated from debts minus cash and cash equivalents. Debts include borrowings and financing lease liabilities. In addition to cash flow, cash and cash equivalents include treasury shares and securities, and exclude postage credit balances managed by the FP Group.

in EUR million	31.12.2013	31.12.2012
Liabilities	38.6	40.7
Funds	8.5	7.4
<b>Net liabilities</b>	<b>30.1</b>	<b>33.3</b>
Shareholders' equity	25.9	21.6 <sup>1)</sup>
<b>Net debt-equity ratio</b>	<b>116%</b>	<b>154%</b>

1) Previous year's figure adjusted (IAS 19R), for explanation see Section Financial position



### Non-financial performance indicators

Going beyond financial performance indicators, the FP Group also uses non-financial performance indicators to manage the company. The focus is on the quality of the range of products and services, measured against a quality and improvement indicator. Consistently high quality is crucial for the company's long-term success.

#### Quality indicator

The quality indicator gauges changes in product quality based on annual servicing in relation to the average weighted machine part, also taking into consideration ongoing changes such as the introduction of new products or the optimisation of existing ones. This indicator is ascertained in Germany, as the organisational structure here means that the recording and analysis of servicing interventions can be optimally performed. The results are applied on a comparative basis to the international

86

*Comprehensive  
cryptography  
knowledge*

87

*Own software solutions  
for mail communication*

88

*All mail commu-  
nication from a  
single source*

89

*Excellent employer*

90

*Fair employer*

subsidiaries, where the indicator can be used, for example, to calculate costs for distribution partners.

For financial year 2013 the target value for the quality indicator was 33.0; the FP Group achieved a value of 32.28 and thereby exceeded the internal target set.

### Improvement indicator

This non-financial performance indicator also records the quality of FP products, and in this case, the quality of new franking systems, in particular. It is based on the parts expenditure for amendments to delivered machines and gauges the ratio of parts costs from guarantees to overall revenue. The FP Group records the necessary data on a monthly basis; an analysis from past years shows that the indicator embarks on an upward trend when a new generation of franking systems is introduced. Precisely this was the case in 2013, after the introduction of the PostBase; the improvement indicator rose to 0.20 after 0.14 in the previous year. This brought the company exactly into line with the internal target setting.

## Changes in material items in the Group statement of comprehensive income

### INFORMATION ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1.1.- 31.12.2013	1.1.- 31.12.2012 (adjusted) <sup>1)</sup>	Change in %
<b>Revenue</b>	<b>168.9</b>	<b>165.6</b>	<b>2.0</b>
Inventory changes	-0.5	-0.2	n/a
Other own work capitalised	13.5	12.2	10.7
<b>Overall performance</b>	<b>181.9</b>	<b>177.6</b>	<b>2.4</b>
Other income	2.5	1.4	78.6
Cost of materials	77.9	72.6	7.3
Personnel expenses	54.0	53.3	1.3
Depreciation, amortisation and impairment losses	11.8	9.9	19.2
Other expenses	30.3	34.1	-11.1
<b>Operating income before special income and expenditures</b>	<b>10.4</b>	<b>9.1</b>	<b>14.3</b>
Net interest income/expense	-2.3	-2.7	n/a
Other financial result	-0.2	-0.3	n/a
Tax result	-3.0	-2.1	n/a
<b>Consolidated net result</b>	<b>4.9</b>	<b>4.0</b>	<b>22.5</b>
<b>EBIT</b>	<b>10.4</b>	<b>9.1</b>	<b>14.3</b>
<b>EBITDA</b>	<b>22.2</b>	<b>19.0</b>	<b>16.8</b>

1) For explanations of the changes, see "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)

### Revenue

In financial year 2013, the FP Group generated total revenue of EUR 168.9 million, compared with EUR 165.6 million in the previous year. The rises are largely explained by the expansion of business in the Mail Services and Software segments.

### Other own work capitalised

Other capitalised own work rose in 2013 to EUR 13.5 million compared with EUR 12.2 million in the previous year. It results from a rise in franking systems manufactured for the lease business. The FP Group capitalises these lease machines and depreciates them over their useful lives. A decertification announced in the US in autumn 2012 boosted demand for the PostBase franking system, as many clients in this lease market are making use of the process that is ongoing until the end of 2015 to replace their machines. Development costs involved in the capitalised own

work were reduced compared with the previous year from EUR 5.2 million to EUR 4.4 million in 2013.

#### Other income

The rise in other income from EUR 1.1 million in the previous year to EUR 2.5 million comprises a damage compensation claim against an insurance totalling EUR 0.6 million. A detailed diagram of the structure of other operating expenses can be found in the notes to the consolidated financial statements under Numeral 3.

#### Cost of materials

In financial year 2013, cost of materials rose to EUR 77.9 million, compared with EUR 72.6 million in the previous year. One reason for this is the expenditure for services purchased, which rose to EUR 43.8 million compared with EUR 40.5 million in the previous year. This rise is primarily driven by the business expansion in the Mail Services segment. Cost of raw materials, consumables and supplies likewise rose considerably in 2013 to EUR 34.1 million compared with EUR 32.1 million in 2012. The cost of materials here rose as a result of the increased capitalised own work for leased products and a changed inventory amended from EUR -0.2 million in the previous year to EUR -0.5 million. As a result of these structural shifts the cost of materials ratio rose to 46.3% from 43.8% in the previous year.

#### Personnel expenses

In financial year 2013, personnel expenses rose slightly to EUR 54.0 million, compared with EUR 53.3 million in the previous year. Personnel expenses carry a charge for the creation of a provision for a departed Management Board member of EUR 0.5 million. One factor in the increase in personnel expenses was the increase in performance-related remuneration due to improved earnings. The decrease in the number of employees had the opposite effect. In 2013 the FP Group had 1,047 employees worldwide, down from 1,093 in the previous year. The personnel expenses ratio fell to 32.0% compared with 32.2% in the previous year.

#### Other expenses

Other expenses fell in 2013 to EUR 30.3 million compared with EUR 34.1 million in the previous year. Reductions were achieved in almost all sub-categories; savings in the Lease/Rent segment weighed heaviest at EUR 0.9 million. A detailed structural diagram of other operating expenses can be found in the notes to the consolidated financial statements under Numeral 6.

#### EBITDA

In the period under review the FP Group generated EBITDA – earnings before interest, taxes and depreciation – amounting to EUR 22.2 million compared with EUR 19.0 million in the previous year. There was a negative effect on EBITDA as a result of currency effects of EUR 1.2 million in 2013. There was a further negative impact on EBITDA due to the formation of a provision for a departed Management Board member of EUR 0.5 million. The EBITDA margin rose to 13.1% compared with 11.5% the year before.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses increased to EUR 11.8 million in 2013, compared with EUR 9.9 million in the previous year. This was due to higher depreciation on the leased products newly placed on the market and capitalised development projects. These development projects, including the franking system PostBase and the independent De-Mail solutions, form the basis for profitable growth in 2013 and beyond.

#### Net interest income/expense

In 2013 net income expense/income stood at EUR -2.3 million compared with EUR -2.7 million in the year before. Owing to the falling interest rate, interest income fell slightly to EUR 0.9 million compared with EUR 1.0 million in 2012. For this same reason and because of falling net debt and the fact that there was no renewed burden in the previous year for interest on tax liabilities as a result of an audit, interest expenses also fell by EUR 0.4 to EUR 3.3 million.

#### Other financial result

In financial year 2013, the FP Group achieved a financial result totalling EUR -0.2 million. This represents a slight improvement compared with EUR -0.3 million in the previous year. The effects in the financial result depend on the reporting date evaluation at different exchange rates.

3) Cost of materials compared with total revenue and the change in inventory of finished and unfinished own work and other capitalised own work

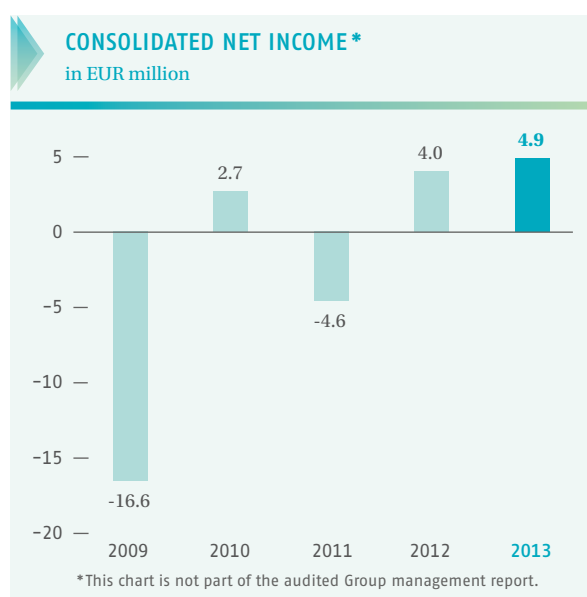


### Tax result

The tax result consists of tax income of EUR 2.1 million and ongoing tax expenses of EUR 5.1 million. In total, the tax result stands at EUR -3.0 million, whereas in the previous year a fiscal result of EUR -2.1 million had accrued. At 37.9% the tax ratio is slightly above the previous year's level of 34.7%, since no deferred tax assets were recognised for individual companies showing losses.

### Consolidated net income

The FP Group generated consolidated net income of EUR 4.9 million after EUR 4.0 million in the previous year. Earnings per share stood at EUR 0.31 compared with EUR 0.27 in 2012.

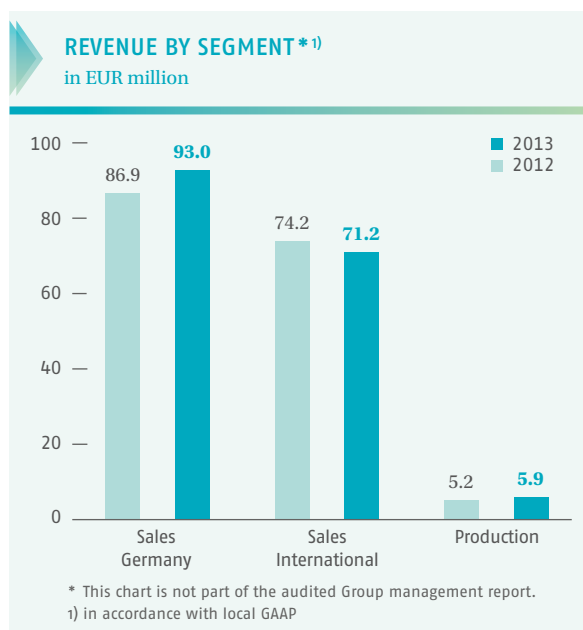


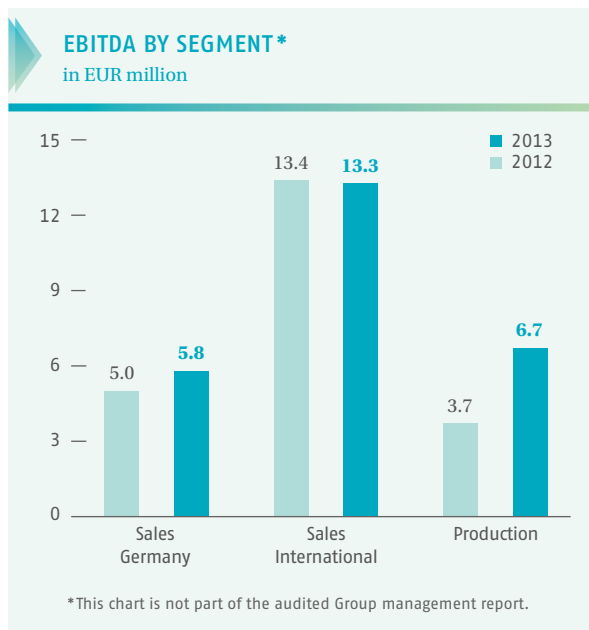
## BUSINESS PERFORMANCE BY SEGMENT

The company is divided into four segments, namely Production, Sales Germany, International Sales, 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 segment

Overall, the FP Group generated revenue of EUR 93.0 million with third parties in its German domestic market in 2013, compared with EUR 86.9 million in the same period of the previous year. It was also possible, in conjunction with consolidation specialist freesort, to increase revenue in the Mail Services segment to EUR 42.7 million, compared with EUR 39.1 million in the previous year. Revenue in the Software Solutions segment likewise improved to EUR 12.9 million, compared with EUR 11.4 million in the first nine months of 2012.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, reported revenue of EUR 37.6 million after EUR 36.5 million in the previous year. With a market share of 42%, the company was able to affirm its market leadership in the franking machine business.

Segment EBITDA stood at EUR 5.8 million compared with EUR 5.0 million in the previous year.

In 2013 investments in the Sales Germany segment stood unchanged at EUR 0.9 million, as in the previous year. The focus here lay on capitalised development costs and leased products.

## Sales International segment

In the Sales International segment, in which all activities by foreign subsidiaries are combined, the FP Group generated revenue of EUR 71.2 million with third parties in financial year 2013 compared with EUR 74.2 million in the previous-year period. Revenue is hampered by negative currency effects at the same time. In the US, revenue rose to EUR 33.0 million compared with EUR 32.9 million in the year before; the exchange rate effect stands at EUR -1.1 million. In the United Kingdom, as in the previous year, revenue stood at EUR 13.7 million. The exchange rate effect stands at EUR -0.6 million. Overall, the FP Group recorded currency effects totalling EUR -2.1 million.

In the Sales International segment the FP Group generated an EBITDA result of EUR 13.3 million compared with EUR 13.4 million in the year before. The exchange rate effect stood at EUR -0.5 million here.

Investments in the Sales International segment stood at EUR 14.7 million in 2013 after EUR 10.9 million in the previous year. The focus of the investments was on leased products.

## Production segment

The FP Group consolidates its production activities in Germany in the Production segment. Revenue in this segment stood at EUR 6.0 million in 2013 after EUR 5.2 million in the previous-year period.

Since the beginning of April 2012, the FP Group has been producing franking machines solely at its new Wittenberge site; the old production facility in Birkenwerder was closed down at the end of the first quarter of 2012. The discontinuation of this parallel operation led to a significant rise in EBITDA to EUR 6.7 million compared with EUR 3.7 million in the previous year. In financial year 2013, positive economies of scale arose from the considerable increase in intersegment sales (2013: EUR 71.2 million, compared with EUR 64.1 million in the previous year) and cost reductions resulting from successfully implemented restructuring measures.

Investments in the Production segment stood at EUR 0.4 million after EUR 1.6 million in the previous year. The focus of the investments was on replacements, whereas investments in the new site and for tools for the introduction of the PostBase franking machine system were still accruing in the previous year.

## SUMMARY OF RESULTS PER SEGMENT

EUR million	Revenue <sup>1)</sup>			EBITDA		
	2013	2012	Changes in %	2013	2012	Changes in %
Sales – Germany	93.0	86.9	7.0	5.8	5.0	16.0
Sales – International	71.2	74.2	-4.0	13.3	13.4	-0.7
Production	6.0	5.2	15.4	6.7	3.7	81.1
FP Group <sup>2)</sup>	168.9	165.6	2.0	22.2	19.0	16.8

1) Sales revenue with external third parties

2) The "Central Functions" segment is also shown in the segment reporting. The segment generates 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

Francotyp-Postalia Holding AG exercised the option of early application of IAS 19R (amended 2011). Application is retrospective, involving an adjustment to the 2012 consolidated financial statements. The resulting adjustments in the previous year relate to pension provisions, shareholders' equity, the result for the financial year and deferred taxes. The adjusted figures are identified with \*.

### Principles and objectives of financial management

The main aim of financial management is to avoid financial risks and ensure the financial flexibility of the FP Group. The company achieves this objective by employing a variety of financial instruments. Various factors are taken into account when selecting the instrument, such as flexibility, type of loan covenants, existing maturity profile and finance costs. The long-term liquidity forecast is performed on the basis of operational planning. A significant part of liquidity in the FP Group generally comes from operating activities in segments with a resulting cash flow. The company also uses finance leases and loans from financial institutions. One important control parameter for the FP Group's capital structure is the net debt ratio. This arises from the relation between net debt and equity. This indicator improved as a result of both higher equity and lower utilisation of financial liabilities as at 31 December 2013 to 116%; in the previous year the ratio still stood at 154%\*. The net debt ratio is examined on an ongoing basis.

## Liquidity analysis

Cash flow from operating activities increased to EUR 18.5 million in financial year 2013, compared with EUR 7.3 million the year before. This is reflected in the improved results of operations. Compared with the previous year, there was also no repeat of the heavy utilisation of provisions for restructuring.

In financial year 2013, cash outflow from investing activities rose slightly to EUR 14.9 million, compared with EUR 14.3 million in the previous year. Reference is made to the "Investment analysis" item with regard to the change.

Free cash flow – the balance of cash inflows from operating activities and cash outflows from investing activities – improved to EUR 3.6 million in 2013 compared with EUR -7.0 million in the previous year.

In 2013, cash flow from financing activities was EUR -2.5 million after EUR 6.3 million in the previous year. In 2013, particular effects from the restructuring of Group financing are visible here, which represents an effect of EUR -3.5 million in the balance of the items Cash outflows from reverse repo transactions, Cash paid to repay bank loans and Cash inflows from taking out bank loans. In addition, the balance of finance lease activities reveals an effect of EUR 1.0 million (previous year EUR 2.5 million). In the previous year, this was marked by inflows from a capital increase of EUR 3.7 million and the utilisation of loans for cash payments relating to provisions.

Cash and cash equivalents shown are derived from the balance sheet items "Cash and cash equivalents" and "Securities" less "Teleporto funds".

The FP Group was able to meet its payment obligations at all times.

LIQUIDITY ANALYSIS in EUR million	1.1.- 31.12.13	1.1.- 31.12.12
<b>1. Cash flow from operating activities</b>		
Cash flow from operating activities	18.5	7.3
<b>2. Cash flow from investing activities</b>		
Cash flow from investing activities	-14.9	-14.3
<b>3. Cash flow from financing activities</b>		
Cash flow from financing activities	-2.5	6.3
<b>Cash and cash equivalents</b>		
Change in cash and cash equivalents	1.1	-0.7
Change in cash and cash equivalents due to currency translation	-0.1	0.0
Cash and cash equivalents at beginning of period	5.6	6.3
Cash and cash equivalents at end of period	6.7	5.6

## Financing analysis

The FP Group was able to strengthen its financial clout in the period under review. To do this, it primarily used the cash flow from operating activities to finance itself, along with existing or newly signed loan agreements with financial institutions and finance lease agreements of less than one year. These liabilities were below the previous year's level as at 31 December 2013. Reference is made to the "Hedging policy and risk management" Section of the consolidated financial statements with respect to potential effects of altered interest levels and loan conditions. At the year-end 2013, cash and cash equivalents stood at EUR 29.0 million compared with EUR 26.0 million at 31 December 2012.

The debts include loan liabilities of EUR 33.3 million (previous year EUR 36.5 million) and liabilities from finance leasing total EUR 5.2 million (previous year EUR 4.2 million). Cash and cash equivalents include treasury shares of EUR 1.8 million (previous year EUR 1.8 million) and exclude postage credit balances managed by the FP Group to the sum of EUR 23.0 million (previous year EUR 21.1 million).

The resulting net debt ratio is monitored on an ongoing basis. (For a detailed presentation of net debt, see the chapter, "Financial performance indicators: net debt").

In April 2013 the FP Group hedged its Group financing for the next 3.5 years with an option to extend the term by a further 1.5 years. Liabilities in connection with the financing of approximately EUR 36 million, originally running until the end of February 2014, were therefore replaced. The total volume of the new consortium loan agreement stands at EUR 45 million overall. From Francotyp-Postalia's perspective, the loan comprises improved conditions compared with the previous loan commitment, as they also take account of the needs of the operating companies and enable a higher degree of flexibility. The banks acknowledged the FP Group's improved balance-sheet structure and positive performance on approving the Group's financing.

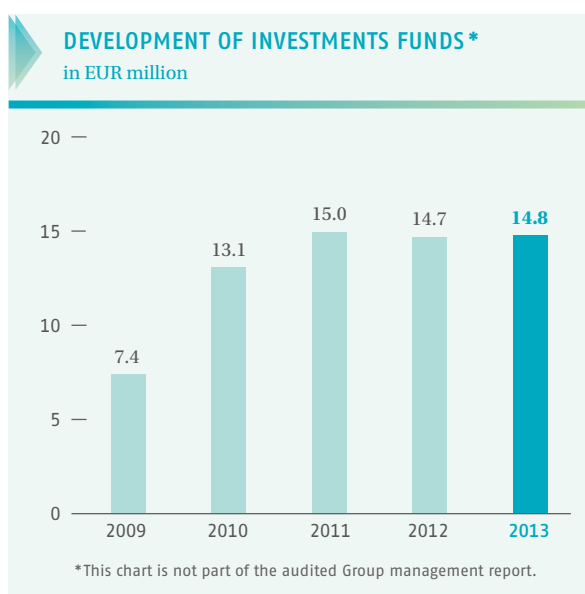
The current loan agreement arranges an amortisation loan with an initial nominal value of EUR 15 million with semi-annual amortisation (30.06/30.12.) of EUR 1.5 million. Alongside this is a revolving loan including two offshoots comprising a maximum volume of EUR 30 million, of which approximately EUR 8.8 million had not been used as at 31.12.13. Unused loans incur provision fees which are substantially lower than the interest on loans utilised.

## Off-balance-sheet financial instruments

The FP Group uses operate-lease agreements to lease business premises or vehicles, for example. More detailed information is provided in the consolidated financial statement under Section IV, Subsection 24. Existing contingent assets and liabilities are presented in the notes. There are also losses carried forward but not applied for corporation tax totalling EUR 17.3 million and not applied for commercial tax totalling EUR 8.5 million. There is an accepted framework for sale and lease-back transactions relating to leased franking machines, which at EUR 2.2 million is not being utilised. Otherwise, FP is not using any other off-balance-sheet financial instruments.

## Investment analysis

The FP Group is pursuing a focused investment strategy and concentrating, in particular, on investments that will facilitate the company's ongoing development into a complete service provider for mail communication. Investments remained relatively stable in 2013 at EUR 14.8 million after EUR 14.7 million in the previous year. The capitalisation of development costs decreased in 2013 to EUR 4.2 million, compared with EUR 5.2 million in the previous year, when development investments were still accruing for the new franking system PostBase and higher development costs were capitalised for De-Mail at the same time.



Investments in other intangible assets increased in 2013 to EUR 0.3 million compared with EUR 0.7 million one year before.

In terms of investments in property, plant and equipment (without leased products and assets under finance leases), there was a decrease in 2013 to EUR 1.2 million after EUR 2.4 million in the period the previous period, during which time investments were still being made as part of the relocation of the production site. Investments in leased products increased due to the US rental business to EUR 9.1 million, compared with EUR 6.5 million in the previous year. Of these accruals, EUR 3.2 million (previous year: EUR 2.5 million) are under "Assets under finance leases", as these machines are also refinanced by means of sale-and-lease-back. EUR 5.9 million (previous year: EUR 4.0 million) is directly reported in the non-current assets as leased products.

Information on significant investment obligations is provided in notes to the consolidated financial statement under Section IV, Subsection 23.

<b>INVESTMENTS</b> in EUR million	2013	2012
Capitalised development costs	4.2	5.2
Investments in other intangible assets	0.3	0.7
Investments in property, plant and equipment (excluding leased products)	1.2	2.4
Investments in leased products	9.1	6.5
Investments in company acquisitions	0.0	0.0
<b>Investments</b>	<b>14.8</b>	<b>14.7</b>

## ASSET SITUATION AND ASSET STRUCTURE ANALYSIS

The balance sheet as of 31 December 2013 is characterised by an increase in non-current assets. Non-current liabilities rose by EUR 8.4 million, primarily as a result of the newly arranged Group financing. Current assets barely saw a change from the previous year, whereas debts were significantly reduced compared with the previous year, likewise as a result of the refinancing.

Compared with 31 December 2012, total assets increased by EUR 0.9 million, from EUR 136.5 million\* to EUR 137.4 million. The ratio of non-current assets to total assets rose from 50.9%\* to 51.6%. As at 31 December 2013, the ratio of current assets to current liabilities was 107.7%, compared with 91.1%\* one year before.



## Non-current and current assets

Within non-current assets, intangible assets remained virtually unchanged at EUR 32.8 million compared with EUR 33.0 million\* in the previous year. Items contained here are goodwill at EUR 9.1 million (previous year: EUR 9.1 million\*), intangible assets including customer lists at EUR 16.5 million (previous year: EUR 17.7 million), and as yet unfinished development projects at EUR 7.1 million (previous year: EUR 6.1 million).

As at 31 December 2013 investments in property, plant and equipment increased to EUR 24.6 million compared with EUR 21.2 million in the previous year. At the same time, in particular because of the tightening rental business, assets under finance leases increased to EUR 7.5 million compared with EUR 5.9 million one year before. The FP Group uses finance leasing to finance rental machines (USA).

Deferred tax assets decreased slightly from EUR 6.9 million\* to EUR 5.5 million.

In terms of current assets it was possible to lower the value of the inventories as at 31 December 2013 to EUR 8.8 million compared with EUR 10.8 million on the balance sheet date through successful inventory management. Despite a rise in revenue it was possible to lower trade receivables to EUR 17.1 million compared with EUR 17.6 million one year before. Securities of EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee issued to Deutsche Post AG. Cash and cash equivalents increased from EUR 26.0 million to EUR 29.0 million. Other current assets decreased from EUR 11.8 million\* in the previous year to EUR 10.9 million.

## Shareholders' equity

Because of the positive consolidated net profit, shareholders' equity rose as at 31 December 2013 to EUR 25.9 million compared with EUR 21.6 million\* at the end of 2012.

As at 31 December 2013 the share capital of Francotyp-Postalia Holding AG amounts to EUR 16.2 million, divided into 16,160,000 non-par value bearer shares.

As at year-end 2013, the company held a total of 370,444 treasury shares, corresponding to 2.29% of the share capital. More information on approved and conditional capital, and on transformation and option rights, can be found in the explanatory report by the Management Board in compliance with section 315 para. 4 of the German Commercial Code (HGB) in conjunction with section 120 para. 3 sent. 2 German Stock Corporation Act (AktG).

### Non-current and current liabilities

Current liabilities fell to EUR 61.8 million as at 31 December 2013 compared with EUR 73.5 million one year before. Current financial liabilities fell to EUR 5.2 million compared with EUR 16.8 million on 31 December 2012, as a result of refinancing of the Group loan. At the same time trade payables fell to EUR 7.4 million compared with EUR 8.3 million as at 31 December 2012. Provisions increased during the same period from EUR 4.4 million to EUR 4.8 million. These provisions are explained in the notes to the consolidated financial statements under Section IV, Subsection 20. Other current liabilities rose from EUR 41.9 million to EUR 42.1 million, of which EUR 23.0 million fell to payables from teleports.

Non-current liabilities rose in the expired financial year, likewise as a result of the refinancing, from EUR 41.4 million\* to EUR 49.8 million on 31 December 2013. The ratio of net debt to shareholders' equity improved at year's end 2013 to 116% from 154%\* in the previous year.

### Leasing

The FP runs both Operate Lease and Finance Lease. These business models are also reflected in the FP balance sheet. Non-current assets comprise devices that FP leases within the context of operate-lease agreements. In reference to this, EUR 13.6 million is contained in the "Leased products" and "Assets under finance leases" items. With reference to finance lease agreements with customers, "Finance lease receivables" are included which, in both the non-current and current range, total EUR 1.0 million each. Without these indicated components, total assets would be EUR 121.8 million instead of EUR 137.4 million. On the liabilities side, EUR 5.1 million for sale and lease-back transactions relating to the financing of leased devices was contained in the financial liabilities

(non-current and current). Without this indicated component, total liabilities would be EUR 132.3 million instead of EUR 137.4 million.

### COMPARISON OF ACTUAL WITH FORECAST COURSE OF BUSINESS

The FP Group submitted an initial quantitative forecast for 2013 as a whole when it presented the provisional business figures on 28 February 2013. The plans envisaged revenue of at least EUR 168 million and EBITDA of at least EUR 22 million. In addition the company forecast EBIT of at least EUR 9 million\*.

The FP Group was able to achieve these targets and even exceed them in some cases. In 2013 revenue rose to EUR 168.9 million, EBITDA stood at EUR 22.2 million and EBIT at EUR 10.4 million.

### OVERALL STATEMENT ON PERFORMANCE OF THE BUSINESS

2013 was a good year of business for the FP Group. The company was able to achieve the objectives set down at the start of 2013 and even exceed them in some cases. On the revenue side, the company particularly benefited from the success of the franking system PostBase in a variety of markets, and from broadening the range of services in its German home market. PostBase was introduced in important markets such as the United Kingdom, Canada and Italy in 2013 and met with great interest there; investments in developing this promising system are starting to pay off. In Germany, the FP Group expanded its sales strategy and has since been offering its products and solutions – from the classic franking machine to the De-Mail gateway – via regionally established specialist retailers and also IT systems houses. In view of the E-Government Act, which entered into force in summer 2013, the FP Group also stepped up its De-Mail business. The company gained renowned partners and customers in 2013 in the shape of the Deutsche Rentenversicherung pension provider and the Süddeutsche Krankenversicherung health insurer.

\* In the Annual Report 2012 the indicators free cash flow and net debt were not indicated in the forecast, which is why no plan/actual comparison is performed here.

On the earnings side, the company benefited from the increased effectiveness of the new production site in Wittenberge across the whole year for the first time. The new production site is able to react flexibly and swiftly to changes on the market and was therefore able to cope effortlessly with the rising demand for PostBase. Higher profitability in the operating business and higher revenues provided a crucial boost to the FP Group's financial clout in 2013. Despite higher capital expenditure in rental markets, free cash flow improved significantly. In addition, the company was able to sign up for new long-term financing at more advantageous conditions in the period under review.

## EVENTS AFTER THE BALANCE SHEET DATE

In February 2014 the Supervisory Board of Francotyp-Postalia Holding AG prematurely extended the existing Management Board contract with Hans Szymanski until 31 December 2016. Szymanski has been a Management Board member since December 2008 and, since November 2010, Management Board spokesman for the FP Group. He is responsible for the segments Finances, Strategic Business Development, Production, IT, Research and Development, and Human Resources and Legal.

Management Board and Supervisory Board will propose to the AGM on 19 June 2014 that a dividend of EUR 0.08 per share be distributed for the financial year 2013. FP Group did not distribute any dividend in the previous year. To ascertain accumulated profit providing entitlement to dividends, refer to the information in the notes in Section IV. On condition that the dividend proposal is approved by the AGM, the total amount distributed for the shares entitled to dividend will stand at EUR 1.3 million. The Management Board proposes that the remaining accumulated profit be carried forward.

In the lawsuit against former Management Board member Heinz-Dieter Sluma the defendant's response was received on 21 March 2014. There has as yet been no legal review of the extensive pleadings.

In the lawsuit against the Mentana-Claimsoft GmbH minority shareholder, Mr Hans-Jürgen Voges, the defendant's response was received on 31 March 2014. There has

as yet been no legal review of the pleadings. The risk is in the lower six-digit euro range.

Beyond this, no events of special significance occurred after the end of the financial year which could have had a notable effect on the net assets, financial position and results of operation of the FP Group.

## RISK AND OPPORTUNITY REPORT

### RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The FP Group successfully pursued its course towards becoming a multi-channel provider for mail communication in 2013. One crucial prerequisite for this is an efficient risk and opportunity management system that makes it possible to detect and seize opportunities in good time, or to detect and limit risks just as early. Essentially, the risk policy of the FP Group is aimed at securing the company's existence into the long term, and at continuously improving competitiveness.

Risk and opportunity management is an integral part of the value-oriented management and existing structures of the FP Group. It is derived from the strategic objectives. Operational management in the divisions and subsidiaries is responsible for the early and regular identification, evaluation and utilisation of opportunities. Detailed market and competition analyses and forecast scenarios, together with intensive examination of relevant value and cost drivers, serve to determine opportunities.

A monitoring system in line with section 91 para. 2 of the German Stock Corporation Act (AktG) is in place. This system is used for the (early) detection of risks that may be a threat to the continued existence of the FP Group. An inventory of all legal risks, business, operational, financial and IT risks in the FP Group is drawn up at least twice a year. Potential extent of damage and probability of occurring are used as benchmarks for appraising whether all the recorded risks are a threat to continued existence. Risks that are a threat to continued existence are recorded separately and placed under further observation. To diagnose which risks may be a threat to continued existence, all risks are subdivided into five different categories according to the frequency of occurrence and the amount of damage caused. The following tables show the evaluation grids



for quantitative and qualitative evaluation of probability of occurrence and extent of damage for individual risks:

When subdividing the individual risks the FP Group distinguishes between insignificant risks and those that are significant for business activities and therefore a threat to continued existence. Significant risks are those reported risks for which the probability of occurrence has been estimated at Category 3 or higher and the feared extent of damage (contingent on probability of occurrence) has been indicated at Category 3 or higher.

The FP Group regards risk management as a continuous and consistent process. Once all listed individual risks have been documented in the risk directory, evaluation is performed in the form of a risk matrix. The respective category of probability of occurrence is multiplied by the factor of the potential extent of damage. The result produces the risk indicator for the individual risks. Any risk indicator that produces a value of 15 or higher is evaluated by the FP Group as a key risk.

In addition, the risk directory also serves the purpose of documenting risks that are no threat to continued existence. The Management Board receives the risk directory semi-annually and is informed of the Group's current risk situation. In consultations with the subsidiaries the Management Board obtains information on the risks faced by the individual companies and the current estimate, and discusses the proposed measures for limiting or eliminating the most significant risks.

During regular risk-stocktaking – when a risk is first recorded, for example – it is decided which general countermeasures are the responsibility of whom, which indicators are drawn on to appraise the occurrence of any damage, and when an ad-hoc announcement has to be made by whom to whom.

Those risks that the FP Group currently classifies as being of significance to business activities, or to continued existence, are subsequently explained in closer detail. These risks can be found in the risk matrix in the fields to the right and are highlighted in red. The risks shown in the following have a risk indicator of at least 15.

## 1. QUANTITATIVE AND QUALITATIVE EVALUATION OF PROBABILITY OF OCCURRENCE

Category	Evaluation (qualitative)	Evaluation (quantitative)
1	very low	once every 10 years
2	low	once every 5 years
3	medium	once a year
4	high	several times a year
5	very high	almost weekly

## 2. QUANTITATIVE AND QUALITATIVE EVALUATION OF EXTENT OF DAMAGE

Category	Evaluation (qualitative)	Evaluation (quantitative)
1	very low	EUR 250,000
2	low	EUR 500,000
3	medium	EUR 1.5 million
4	high	EUR 2.5 million
5	very high	EUR 5 million

OVERVIEW RISK INDICATORS						
PROBABILITY OF OCCURRENCE	5	5 low	10 medium	15 high	20 high	25 very high
	4	4 low	8 low	12 medium	16 high	20 high
	3	3 very low	6 low	9 medium	12 medium	15 high
	2	2 very low	4 low	6 low	8 low	10 medium
	1	1 very low	2 very low	3 very low	4 low	5 low
		1	2	3	4	5
EXTENT OF DAMAGE						

## MARKET-RELATED RISKS

### Decline in mail volume

The general decline in business mail volume in the digital age, combined with the offerings of private service providers, has led to lower use of franking machines. Franking machines may therefore become less important to customers – or may be replaced by alternative methods of conveyance such as hybrid solutions. Francotyp-Postalia is countering this risk by

- Selling new products and solutions
- Adapting and expanding its sales organisation
- Concentrating on lucrative customer groups
- Distributing De-Mail
- Boosting its software business and
- A stronger focus on the sale of product packages within the context of “Aufbruch 2015”

This risk remains constant compared with the previous year.

### Price pressure due to competition

Francotyp-Postalia is active in a market in which intensive competition among a handful of providers prevails worldwide. Given the reduced value of franking machines in the eyes of customers, a competitive environment like this one may lead to falling prices. Competitors attempt to achieve growth in the so-called Ao segment by increasing sales volumes of low-budget franking machines. Standing out from this, the company is focusing on high-quality machines.

The FP Group also distributes certain consumables for franking machines, for example, tape or ink cartridges, and generates a significant proportion of recurring revenue from these. It cannot be ruled out that competitors of FP or other third parties having FP franking machines may offer compatible consumables of the same quality at comparable or more attractive conditions. If customers were to acquire larger quantities of consumables distributed by third parties, revenue in the after-sales business, which consists among other things of the sale of consumables, could decline, which could have disadvantageous effects on the business activities and net assets, financial position and profit and loss of FP.

FP Group is limiting this risk through

- Customer winback programme
- Customer loyalty programme
- Bonus scheme in the internet shop
- All-in contract for the PostBase and
- Introduction of new, innovative products

This risk is a newly recorded one compared with the previous year.

### Decline in market share

Francotyp-Postalia is in competition with several providers. The global market leader in franking machines is Pitney-Bowes from the US; other providers with significant market shares are Neopost from France and Framma AG from Switzerland. A number of smaller regional manufacturers provide franking machines alongside these. Though no new, relevant international provider of franking machines has joined the market in the past 30 years, it cannot be ruled out that other companies – makers of mail-sorting machines, for example – may become active in this segment. With regard to the distribution of inserting machines, Francotyp-Postalia, Pitney-Bowes and Neopost are essentially in competition.

The competitors are increasingly offering low-budget franking machines. This could lead to a loss of market shares. Changes in communication technology and in communicative behaviour could also have the result that the number of letters sent decreases.

The FP Group is countering this risk by:

- Adapting and expanding its sales organisation
- Focusing on profitable customers in the franking machine segment
- Offering customers alternative solutions
- Boosting direct sales to limit loss of retail partners, and
- deploying a new specialist retailer concept

This risk remains constant compared with the previous year.

## SERVICE ECONOMY RISKS

### Trend-related risk

Mail volumes have been falling in all markets since about 2005; most strongly in the C segment, also significantly in the B segment and the least in the A segment. The A segment is the description for the franking machine segment for customers with a low postal volume, while the C segment represents a high postal volume (more than 2,000 letters daily).

At the same time, shipment of packets and parcels is rising (e-business), more secure e-mail solutions are additionally replacing mail volumes, and private mail service providers are seeking new efficient solutions to boost their mail conveyance business. Innovation and systematic preliminary development are needed to prepare the technical solutions that will be asked for in future in this changing market environment. In 2013 the FP Group focused on the necessary country variants for the PostBase. In the long term, further innovative, new solutions will be needed to provide alternatives to the shrinking physical mail conveyance market.

This risk remains constant compared with the previous year.

## FINANCIAL RISKS

### Foreign currency risk

FP's procurement costs are accrued predominantly in euro, as the company has its production location in Germany. Currency risks arise when FP revenue is realised in other currencies, such as the US dollar and the British pound. Any rise in the euro against other currencies therefore has a disadvantageous effect on Group revenue, earnings and the cash flow reported in euro.

Whereas the FP Group compiles its consolidated financial statements in euro, a range of subsidiaries of the FP Group draw up their balance sheets in other currencies, meaning that the corresponding items need to be converted into euro when consolidated. The FP Group is therefore exposed to risks that may arise as a result of fluctuation of the relative values of the benchmark currencies, in particular between the euro and the US dollar.

FP limits the currency risks by signing up to currency hedging deals and by purchasing in the dollar region.

This risk remains constant compared with the previous year.

### Liquidity risk

In line with the consortium loan agreement signed with the banks, the FP Group must comply with four defined financial indicators (covenants). For one thing, "adjusted equity capital" of the FP Group must not be fallen short of at the respective quarter's end. For another, an "adjusted equity capital ratio" is defined, which is produced out of the relation between "adjusted equity capital" and "adjusted total assets". Further, a defined net debt ratio must not be exceeded. This ratio is produced out of the relation of net debt to EBITDA; these two values are slightly corrected with reference to certain items in line with the loan agreement definition. Finally, a "Debt Service Coverage Ratio" must be achieved; this reflects the relation between EBITDA and financing costs.

The financial indicators that were decisive as at 31 December 2013 were complied with. In the event of non-compliance with the financial indicators the banking consortium would have had the contractual right to accelerate the loan.

From the current viewpoint it is assumed that these financial indicators will continue to be complied with. In the event that any financial indicator cannot be complied with in the future, it will be assumed that an agreement regarding continuation of the loan can be achieved with the participating banks by means of renegotiations. This may, however, lead to higher financing expenditure.

The current consortium financing is valid until October 2016. In April 2013 the FP Group was able to extend the Group's financing for the next 3.5 years, with an option to extend by another 1.5 years. Liabilities in connection with the financing of approximately EUR 36 million, originally running until the end of February 2014, were therefore replaced. The overall volume of the new consortium loan agreement stands at a total of EUR 45 million.

To support development projects in the form of equity financing, the FP Group receives subsidies to cover expenses that qualify for subsidies. The subsidies are subject to a number of requirements which, according to the present level of knowledge, are being met.

FP Group is limiting the liquidity risk via

- Cash management with the subsidiaries
- Cash flow planning
- Sale and lease-back transactions

This risk remains constant compared with the previous year.

### Devaluation risk

In the consolidated balance sheet goodwill of EUR 9.14 million is activated, comprising EUR 5.85 million from the acquisition of freesort (unchanged from the previous year), EUR 2.64 million from the acquisition of iab (unchanged from the previous year) and EUR 0.65 million from the acquisition of Mentana-Claimsoft. This goodwill must be subjected to an impairment test on an ongoing basis. If it emerges that recoverability is no longer a given at the full amount, the goodwill must be amortised. In addition, there are still risks arising due to potential impairment losses on customer lists as well as capitalised development costs and deferred tax assets. Though amortisation would have no effect on EBITDA, it would affect the net income and hence also shareholders' equity.

The FP Group is countering the risk by means of ongoing examination of the planning and of management decisions derived from the results.

This risk remains constant compared with the previous year.

### Interest risk

The risk of fluctuations in market interest rates results primarily from non-current liabilities with a floating rate of interest. The structure of the interest margins of the new consortium loan agreement had been laid down until the end of 2013.

In December 2013, interest hedging transactions were completed; these almost completely hedge the amortising loan over the minimum term of 3.5 years via SWAP transactions. Referring to the revolver loan 50% of the maximum volume is hedged by means of CAP agreements, as in this case no consistent complete utilisation can be assumed.

The conditions of the agreements, along with the market values as at 31 December 2013, can be found in the notes to the consolidated financial statement under Section IV, Subsection 22. Overall, the risks arising from interest changes can be classified as manageable.

This risk remains constant compared with the previous year.

### OTHER RISKS

#### Environmental risks

In Germany, the FP Group's home market, the company at the central locations Birkenwerder, Wittenberge, Achim and the distribution centres in Munich, Dresden, Hamburg and Düsseldorf are subject to environmental and occupational health provisions. If these provisions cannot be met at the locations, this can lead to operating bans, claims to remedial action and monetary fines (administrative offences), through to penal sanctions. No approvals or permits under environmental law according to the German Federal Control of Pollution Act (BlmschG) are currently required at any location.

Compliance with the requirements of the German workplace ordinance (ArbStättV) and of the German Occupational Safety and Health Act (ArbSchG) is essential. Proprietors and tenants / users of environmentally stressed plots of land may have to bear the costs of investigating and eliminating environmental stresses, regardless of whether they are responsible for the corresponding stress or not.

In the past, according to its own estimate, Francotyp-Postalia has taken sufficient care to comply with environmental and employment law provisions, to correspondingly equip plants in line with the current state of the art and to continue to meet environmental law requirements into the future. In the event, however, that recourse is made to operating bans, claims to remedial action and monetary fines, this could have significant disadvantageous effects on the business activities and net assets, financial position and profit and loss of Francotyp-Postalia.

The FP Group is limiting this risk through compliance with environmental law requirements and precautionary measures.

## Technological risks

### Decertification

The US Postal Service (USPS) provided information on commercial pricing on the franking machines market and on discounts, to introduce "soft decertification" of phase V devices. Furthermore, the USPS reported on "hard certification" of models T1000 and Optimail back in October 2012. For cost reasons and for lack of equipment, all machines that do not meet the IBIP (Information-Based Indicia Program) standard are to be replaced. FP's devices are affected by decertification.

The FP Group is countering this risk with the product introduction of the new PostBase franking machine, which meets the IMI (Intelligent Mail Indicia) standard.

### Cross-border IT problems

The company counters potential IT risks by using modern hardware and software in accordance with current security standards. To complete business processes securely, the company checks its IT systems on a regular basis. The FP Group additionally minimises such risks through the use of trained experts and by means of professional project management. The company estimates that potential

risks in connection with information security or risks arising from the information technology used are low.

With the use of postal server systems such as FrankIT, IBIP, Orchid etc. the IT segment is constantly obliged to meet requirements based on various standards such as BSI basic protection, ISO 27001, NIST 800-34, COBIT 4.1. The use of an Information Security Management System (ISMS) is equally as crucial as the inclusion of a Business Continuity Management (BCM) process. A risk management process was set up within IT based on BSI Standard 100-3, with sensitive postal server systems in operation.

BCM plans have been set up based on a so-called business impact analysis, and BCM concepts implemented, continuously improved and periodically tested for key markets such as Germany, France and North America.

Risk analyses have also been performed and evaluated for operating postal infrastructures.

With the planned FP move into a new administrative building, plus two new IT locations, additional risks are in store for 2014; these must be examined and evaluated with due care and sensitivity. Postal organisations are requesting that a detailed risk analysis be submitted here because the existing security level may be significantly impaired as a result of the move.

Our subsidiary Mentana-Claimsoft GmbH is exposed to additional IT risks which arise from operating the systems for its customers. There could be damage arising from the non-availability of systems or from a lack of sufficient security precautions against unauthorised third-party access. As Mentana-Claimsoft holds the relevant certifications for its area of business, it is assumed that these risks are under control.

## OVERALL STATEMENT ON THE GROUP'S RISK SITUATION

The risk situation at 31 December 2013 has not significantly altered compared with the previous year. No risks have been overlooked compared with the previous year. In principle, the risks concern all segments in each case. Only the risks relating to foreign currency and decertification hardly concern the Sales Germany segment. No risks are currently discernible that will lead to a permanent, significant impairment of the net assets, financial position or profit and loss of the FP Group when the extent of damage and probabilities of occurrence are taken into account. Overall, the risks are manageable; from today's viewpoint; the Group's continued existence is not under any threat. The FP Group is not currently anticipating any fundamental changes in the risk situation. Organisationally speaking the company has created all the conditions to be informed about any potential new risk situations in good time and to be able to react quickly.

Contingencies are detailed in the consolidated finance statement under Section IV, Subsection 27.

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

The Management Board and Supervisory Board of the FP Group place exceedingly high value on ensuring the truth and fairness, accuracy and reliability of financial reporting. The accounting-related internal control system (IKS) is therefore an integral component of a comprehensive company-wide control and risk management system. The objective of the IKS as far as the accounting process is concerned is to guarantee sufficient security for the compilation of financial statements to comply with the regulations by implementing adequate controls. The IKS at the FP Group is supported predominantly by a functioning internal management system based on efficient processes, along with process-integrated, organisational security measures such as access restrictions in IT or payment guidelines. Process-integrated controls reduce the probability of errors and support the detection of errors that have occurred.

The Supervisory Board monitors risk management and the effectiveness of the risk management system, of the internal control system, of the accounting process and also monitors the financial statement auditing and its impartiality.

The major features of the internal control system and the risk management system with respect to the accounting process can be described as follows:

As the parent company, Francotyp-Postalia Holding AG compiles the consolidated financial statement of the FP Group. Upstream of this process is the financial reporting by the Group companies involved in the consolidated financial statements. Both processes are monitored by means of a stringent internal control system, which ensures both true and fair accounting and compliance with the relevant legal stipulations. Cross-segment key functions are managed centrally; the individual subsidiaries possess a defined degree of autonomy when compiling their financial statements.

Significant regulations and instruments during the compilation of the consolidated financial statement are

- Accounting guidelines at Group level
- Clearly-defined division of labour and allocation of responsibilities among the segments involved in the accounting process
- Involvement of external experts, as far as necessary, for the evaluation of pension obligations, for example
- The use of suitable IT financial systems and application of detailed authorisation concepts, to ensure that authority is granted in line with the task while complying with principles of separation of roles
- Controls implemented on the systems side and further process checks on accounting in the companies; consolidation in the context of the consolidated financial statements and of other relevant processes at the Group and company level, and
- Consideration of the risks recorded and evaluated in the risk management system in the annual financial statements, as far as this is required according existing accounting rules

The respective management of the financing segment, respectively the top management, is responsible for enacting these regulations and using the instruments in the Group companies in the various countries. The consolidated financial statements are the responsibility of the member of the Management Board of Francotyp-Postalia Holding AG who is in charge of finance. The Management Board member is supported in this task by the segment head of Finance, Controlling and Accounting, and by the department head of Accounting and Finance and the department head of Controlling.

Through the recruitment of specialist staff, effective and regular further and ongoing training, and adherence to the peer-review principle, the FP Group guarantees strict compliance with German and international accounting standards in the annual and consolidated financial statements.

All annual financial statements by major Group companies that join the consolidated group are subject to examination by an auditor.

The duty of all subsidiaries to report their business figures to the Group holding company on a monthly basis in a standardised reporting format means that plan/actual variances during the year are detected in good time, to enable appropriate action to be taken quickly.

## RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

Francotyp-Postalia has centralised financial management, where FP Holding AG coordinates consolidated need for finance, secures liquidity and monitors currency, interest rate and liquidity risks group-wide. The goal of financial risk management is to limit financial risks from changes in market prices, exchange rates and interest rates through finance-oriented activities. Derivative financial instruments are used here exclusively for the purpose of hedging underlying transactions. Currency risks result from the Group's international activities, specifically in the USA and the UK. FP Holding AG identifies these risks in cooperation with the group companies, and uses appropriate measures to manage them, e.g. entering into forward currency transactions. Interest rate exposure results from medium-term financial liabilities, and in the course of the refinancing in financial year 2013 FP Holding AG entered into interest rate swap and CAP transactions.

The purpose of liquidity planning is to identify liquidity exposure at an early stage and minimise it throughout the Group. A monthly rolling liquidity forecast is used to monitor and manage liquidity.

## OPPORTUNITIES OF THE FP GROUP

### Market opportunities

Despite a decline in the average number of delivered postal consignments worldwide, there are numerous countries where the postal market is a growth market. There are therefore definite opportunities for the FP Group to play a role in this positive trend. To open up further growth potential, the FP Group entered the French market as early as the end of 2011. France is Europe's biggest franking machines market, with approximately 226,000 installed machines. The company sees opportunities for exploiting new revenue potential here in the coming years, meaning that a continuing positive trend is anticipated here. With its PostBase franking system the FP Group entered the market in the United Kingdom, Canada and Italy in 2013. In addition, the FP Group intends to expand its business to other markets such as Russia and India, to participate in the growth that can be anticipated in that region. The company has laid a foundation for boosting the global expansion of its technology in these countries.

### Product opportunities

The FP Group's innovative products are the guarantor for the company's success. These encompass the continuous development of the franking machines along with new solutions for digital and hybrid mail dispatch. The FP Group brought the new franking system PostBase and De-Mail onto the market in 2012. The FP Group sees the potential for new revenue in the marketing of De-Mail in particular. The effect on revenue will essentially depend on how quickly the market accepts the new product.

The company is anticipating that De-Mail is going to make considerable advances this year towards becoming an important and accepted means of communication. On the one hand, business has a growing need for more trustworthy and secure communication now that it is known how easily e-mail messages can be picked out and read. On the other, De-Mail has great potential for developing into the standard for communication with authorities because the E-Government Act entered into force in summer 2013. The Act places authorities under

the obligation to open an electronic channel and, in addition to the German Federal Administration, stipulates the opening up of De-Mail access. De-Mail holds increasingly clear benefits for companies and authorities. De-Mail enables electronic communication that is not only easy, traceable and confidential, but also holds clear potential for cost savings.

#### **Opportunities offered by new sales channels**

To reach a large number of consumers, it is indispensable that sales channels are optimised. The FP Group expanded its sales structure over the past year, and in the future it will also be offering its products and solutions – from the classic franking machines to the De-Mail gateway – via regionally established specialist retailers in the future. New prospects of a higher sales volume in communication solutions have arisen in the context of the "Aufbruch 2015" initiative. This way, the company is showing a stronger presence locally, strengthening its market position and, not least, also promoting acceptance of digital mail communication in the market. FP is focusing on the conventional office equipment trade, on the one hand, and on IT systems houses, on the other. These are complements to the existing FP retail partner network, whose members are active in the Franking and Inserting Machines segment in particular.

#### **Opportunities offered by foreign currency effects**

The FP Group's international orientation during the normal course of business means that not only risks, but also opportunities arise due to foreign currency effects. Positive foreign currency effects can result from balance sheets items and floating transactions in foreign currencies. Positive results can also arise from all cash flow that is not listed in euro.

Every FP company has opportunities in connection with exchange rate changes if it concludes transactions with international contract partners and cash flow arises from these in the future.

#### **Overall statement on opportunities**

The FP Group has qualitatively determined the opportunities for 2013. The opportunity situation at 31 December 2013 has not significantly altered compared with the previous year. As in the previous year, opportunities and risks are in a balanced relationship with one another. The conditions have been created for recognising opportunities in good time and being able to react quickly. Opportunities were not quantified for management purposes in 2013 and not surveyed according to the risk matrix illustrated at Risk and opportunity management system.

#### **FORECAST**

The markets in which the FP Group is active will continue to see changes in the years to come. For one thing, the liberalisation of postal markets is advancing and for another, technological progress is continuing. Therefore, the company is constantly moving forwards with its strategic direction as a complete service provider for mail communication. The FP Group is increasingly dovetailing its Franking and Inserting segments with its Software Solutions and Mail Services segment, as a result, to ensure that customers are able to obtain products and services from a single source.

For 2013, the FP Group managed to slightly exceed its objectives in terms of all forecast indicators. The forecast envisaged revenue of at least EUR 168 million and EBIT-DA of at least EUR 22 million. In addition the company forecast EBIT of at least EUR 9 million.



In financial year 2013 the FP Group generated revenue of EUR 168.9 million. EBITDA rose to EUR 22.2 million, and EBIT, despite higher amortisations, rose to EUR 10.4 million.

The company is set to benefit also in 2014 from its continued development into a full-service mail communication provider in the current year, too, and is therefore planning to continue its profitable growth. For financial year 2014 the company is anticipating revenue to grow to at least EUR 173 million, a rise in EBITDA to at least EUR 25 million and an improvement in EBIT to at least EUR 12 million. For free cash flow, the FP Group is expecting a one-off negative value for 2014 of EUR -2 million. The reason for this is the high expected capital expenditure in 2014. The cash inflow for operational activity and cash outflow for investment activity totalled EUR 3.5 million in 2013. In terms of net debt the FP Group is assuming a value of EUR 32 million for 2014.

This planning, and all subsequent comments, are based on the level of knowledge at the start of 2014. The company points out that the indicated plan data may differ from the values actually achieved later on. The forecasts by the International Monetary Fund (IMF) were used as the basis for the described forecast under macroeconomic conditions.

The forecast is also based on the following assumptions, taking into account the risks and opportunities presented above.

- A moderate downtrend in mail volume in the classic mail markets
- The introduction of innovative products to boost volume sales and secure the price level
- Gaining market shares in new markets
- Expanding distribution capacity and channels in Germany to boost volume sales
- Further optimisation of cost structures

These points are covered in greater depth below.

## FUTURE MACROECONOMIC AND MICROECONOMIC CONDITIONS

The global economy is set to improve in 2014. According to the International Monetary Fund (IMF) the global economy is expected to grow by 3.7% in the current year after 3.0% in the previous year. For Germany, the monetary fund is anticipating 1.6% growth in 2014. This upturn is also spreading to the eurozone; here, the IMF is expecting gross domestic product to grow by 1.0%. The US, the FP Group's most important foreign market, will probably see an even better trend, with a rise in GDP of 2.8%.

The emerging countries will probably continue to grow more dynamically than the industrialised states in 2014. Here the IMF estimates growth of 5.1%. A considerable share in this is held by China that is likely to grow by 7.5%. FP is tapping into the booming Asian market step by step from its Singapore base. However, a little time may need to pass before these countries insist on professional mail communication to a degree similar to industrialised states.

Economic climate, along with regulations, have an influence on the future industry growth and hence also the future progress of business within the FP Group. A favourable economic climate raises companies' inclination to invest – which could have a positive impact on the franking and inserting machine business. At the same time, during a period of upturn companies are more willing to innovate; the software and De-Mail business, in particular, could benefit from this.

The decisive topic in terms of regulation is the continuing liberalisation of the postal markets. In line with the third EU postal directive, the majority of EU member states had fully opened up their markets by 2011. The new member states, plus Greece and Luxembourg, were expected to follow by the end of 2013. This means that liberalisation in the EU will probably be largely complete in 2014, however, as before, there will be differences from country to country with regard to market entry barriers and potential for internationally active providers. Following the EU's example, liberalisation of postal markets is expected to continue worldwide in the years to come.

Independently of regulations, the FP Group is anticipating that the mail communication market will shift further towards digital forms of mail processing in the coming years. New offerings such as De-Mail have the long-term potential to generate new dynamics in terms of growth and competition. For example, the FP Group is assuming that, in three to five years, some ten percent of De-Mail-capable mail potential in Germany will be sent via De-Mail. This corresponds to a quantity of around 540 million consignments. In the medium to long term, the FP Group will endeavour to achieve a market share of ten percent of the De-Mail market, that is to say around 50 million consignments per year.

## FUTURE GROWTH OF FRANCOTYP-POSTALIA

The FP Group is pursuing a determined growth strategy with four focal areas: Growth in traditional markets, expansion with existing products in additional markets, expansion of the software and service business, and penetration into new business areas such as De-Mail. Further comments on the strategy can be found on the Section on strategy in this consolidated management report. With "Aufbruch 2015" the company launched a far-reaching initiative last year to crank up business in its largest market, Germany. Main areas of focus are a solutions-based sales approach combined with the expansion of the sales network by specialist retailers and IT systems houses.

New opportunities are arising for FP in Germany and other countries as a result of the marketing of the innovative franking system PostBase. In the US, certification that is still in place until 2015 is favouring the substitution of older machines for the new PostBase system. In other markets, such as the Netherlands and Belgium, the company will still be marketing PostBase from 2014. The company is additionally tapping into new opportunities in France, the biggest franking machines market in Europe with approximately 226,000 installed machines. After the successful market entry, the FP Group is endeavouring to achieve a market share of 10 percent here in the medium term.

The company is simultaneously taking its first steps in markets such as Russia and India. These countries are still at the first stages of mail communication professionalization, meaning that the revenue and earnings effects will remain limited for the time being. However, the FP Group has taken timely possession of markets here, which could unfold considerable growth potential in the years to come.

One central element of the growth strategy of the FP Group is the increasing dovetailing of the traditional franking and inserting machine business with modern software solutions. In 2014 the company in Germany is going to approach existing customers increasingly about the possibilities of using De-Mail and therefore open up a wide potential market for these solutions.

In the current financial year, implementation of the growth strategy will make a crucial contribution to the planned increase in revenue. It will also provide a sound basis for the aspired increase in profitability. The high efficiency of the production site in Wittenberge, combined with cost discipline that remains strict, will further promote earnings power. The planned move of the registered offices from Birkenwerder, Brandenburg, to Berlin will also be a major contribution to cost and process optimisation. At the end of 2014 the company, with around 200 employees, will move into an impressive administrative building in Berlin-Pankow. The corresponding lease agreement was signed at the end of December 2013. In addition to administration, Berlin is also home to sales as well as product research and development. The result from 2015 onwards will be annual cost savings with a liquidity effect of around EUR 1 million.

The Aufbruch 2015 initiative aims to develop the full potential of the FP Group in all areas and markets and therefore realise the ambitious growth and profit targets for 2015. 2013 demonstrated that the FP Group is on a profitable course for growth and has laid the foundation for a successful future.

A strengthening of earnings power goes hand-in-hand with a strengthening of financial clout. With a forecast of a one-time decline in free cash flow followed by an increase, combined with the longer-term financing concluded in 2013, the FP Group considers itself well-financed for the planned growth in the current financial year.

## FUTURE DEVELOPMENT OF THE PERFORMANCE INDICATORS

The strong position in traditional franking machines and growth opportunities in new business areas offer good conditions for further growth and the sustained strength of the Group's operating financial and earning power.

For financial year 2014 the FP Group is expecting revenue to rise to at least EUR 173 million, EBITDA to at least EUR 25 million and an improvement in EBIT to at least EUR 12 million. In terms of free cash flow, a value of EUR -2 million is expected for 2014; for net debt, the forecast is EUR 32 million.

For the non-financial performance indicators, too, the company is assuming an improvement in the current financial year. The quality indicator, which gauges the change in product quality based on annual servicing interventions, will probably make further progress in the current financial year and fall short of the actual value of 2013 of 32.28. The forecast for 2014 ranges between 31 and 35. The expenditure indicator, which focuses on parts expenditure for amendments, will also probably improve in 2014; in this context, FP is expecting a value of less than 0.2. The range of the forecast is between 0.15 and 0.25. Further comments on the calculation of these indicators can be found on the "Non-financial performance indicators" Section in this consolidated management report.

## FUTURE DEVELOPMENT OF THE SEGMENTS

### Sales Germany segment

In Germany the FP Group is the market leader in franking and inserting machines, and it intends to defend this position in the current financial year. Prospects have been opened up, in particular, through the marketing of the PostBase, an expansion of the sales network, and increased dovetailing between the franking machines and the software business. The company sees potential from marketing of De-Mail solutions. In summer 2013 the E-Government Act came into force in Germany; it places a stronger obligation on authorities to enable electronic communication with citizens. Essentially, the act governs aspects including the administration's duty to open an electronic channel and the Federal Administration's duty to open up access to De-Mail.

For financial year 2014, the company expects revenue in the range of EUR 99 million to EUR 103 million and EBITDA in the range of EUR 6 million to EUR 8 million in this segment.

### Sales International segment

The most important foreign market for the FP Group is the US. Here, decertification has provided an additional boost to PostBase sales volume since January 2013. Decertifications are performed by postal companies when older franking systems are to be replaced by a technologically new standard. The recent decertification focuses on franking systems in the lower segment and is expected to run until the end of 2015. FP is also expecting rising interest in the PostBase in other countries.

For financial year 2014, the company expects revenue in the range of EUR 74 million to EUR 78 million and EBITDA in the range of EUR 14 million to EUR 16 million in this segment.

### Production segment

The performance of the Production segment depends essentially on growth in the above-mentioned segments. The company has realigned production with the introduction of the new PostBase product line; all franking systems have been manufactured in Wittenberge since the second quarter of 2012. The segment will continue to draw benefit from the high efficiency of the new production site in the current financial year.

For financial year 2014, the company expects revenue in the range of EUR 5 million to EUR 7 million and EBITDA likewise in the range of EUR 5 million to EUR 7 million in this segment.

## OTHER DISCLOSURES

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

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

#### Disclosures in accordance with section 315 No. 1 of the German Commercial Code (HGB) (subscribed capital)

On 31 December 2013, 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 para. 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 2013, 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 (4) no. 3 HGB (direct or indirect interests in share capital exceeding 10% of voting rights)

As at 31 December 2013, 3R Investments, based in Cyprus, held 10.03% in the share capital of Francotyp-Postalia Holding AG. This equates to 1,660,000 shares.

These voting rights are attributable to Tamolino Import & Advisory LP, Limassol, Cyprus, Tamolino Investments Ltd., Limassol, Cyprus and Klaus Röhrig, in each case in accordance with section 21, para. 1 WpHG and section 22 para. 1 sent. 1, no. 1 WpHG, as an indirect holding.

#### Disclosures in accordance with section 315 para. 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 para. 4 no. 5 HGB (control of voting rights of employee shareholders)

There are no controls over voting rights.

#### Disclosures in accordance with section 315 para. 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 (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 Number 6 (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(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 the votes cast and, where statute requires 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 (2) of the Articles of Association, the Supervisory Board can make amendments to the Articles which relate only to wording.

## Disclosures in accordance with section 315 para. 4 no. 7 HGB (powers of the Management Board to issue or buy back shares)

### Authorised capital

By resolution of the Annual General Meeting of 30 June 2011, the Management Board was 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 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 Number 186 (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 suspend shareholders' subscription rights, once or on several occasions

- for fractional amounts resulting from the subscription ratio;
- if this is necessary 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 new shares to be issued does not fall significantly below the stock market price of the company shares that are already listed when the final issue price is set. The amount of the 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 suspending subscription rights in direct, corresponding or mutatis mutandis application of section 186 para. 3 sent. 4 AktG, as well as the pro-rata amount of share capital attributable to shares that are issued or are to be issued 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 that suspends subscription rights in accordance with section 186 para. 3 sent. 4 AktG.

- for a share of authorised capital up to a total amount of EUR 1,470,000 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 issued new no-par value bearer shares each with a notional interest in the share capital of EUR 1.00 and utilised the authorised capital to do so. 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.

### Contingent capital

On 30 June 2011, the Annual General Meeting passed a resolution to increase the company's share capital as a contingency 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 met, unless other means of settling the obligation are employed. New shares are issued at the option or conversion price to be determined based on the aforementioned authorisation. The new shares contribute to profit from the beginning of the financial year in which they come into being through the exercising of conversion or option rights or the fulfilment of conversion obligations.

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

### *Conversion and option rights*

The Management Board was authorised by way of resolution of the Annual General meeting on 30 June 2011, subject to the approval by 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 and 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 may be rounded up or down to a whole number. 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 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 final 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, be 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

- 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 para. 2 sent. 2 AktG.

Section 9 para. 1 AktG remains unaffected.

If, during the term 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 to be granted as compensation for this, the option or conversion rights – notwithstanding section 9 para. 1 AktG – are adjusted to preserve their value, provided such adjustment is not already mandated by law. In any case, the pro-rata amount of share capital attributable to the shares to be subscribed to for each bond may not exceed the nominal amount of the individual bond.

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

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

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

- for fractional amounts resulting from the subscription ratio;
- if this is necessary 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 have been entitled after exercising the option or conversion right or fulfilling the option or conversion obligation;
- if bonds are to be issued in exchange for payments in kind and the value of the payment in kind is proportionate to the theoretical market value of the bonds calculated according to recognised financial calculation methods;
- if bonds with option or conversion rights or option or conversion obligations are to be issued against payment in cash and the issue price is not significantly below its theoretical market value calculated according to recognised financial calculation methods. This authorisation to suspend subscription rights only applies insofar as the shares that are issued or are to be issued 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 the 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 shares that are issued or sold during the term of this authorisation in direct, corresponding or mutatis mutandis application of section 186 para. 3 sent. 4 AktG suspending 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 as a contingency 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 meet 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 use their right to subscribe to shares in the company and the company does not guarantee any treasury shares to meet 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 para. 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 the subscription rights were issued.

#### *Authorisation to buy and sell treasury shares*

At the ordinary Annual General Meeting of Francotyp-Postalia Holding AG on 1 July 2010, the Management Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares up to 10% of the share capital existing at the time of this resolution. At no time may the shares acquired in accordance with this authorisation, together with other treasury shares held by the company or attributed to it in accordance with sections 71d and 71e of the German Stock Corporation Act (Aktiengesetz), represent more than 10% of the share capital. The authorisation can be used, in whole or in part, and on one or on 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 by suspending shareholders' right to tender their shares in order to simplify the process. This simplification is also served by the preference given 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, however, to be authorised, subject to the approval of the Supervisory Board:

- to withdraw treasury shares without further resolution by the Annual General Meeting
- to offer and to transfer treasury shares as consideration in the course of company mergers or as consideration for the acquisition of companies or equity interests in them. The authorisation proposed in this way is intended to strengthen the company to compete 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 suspension 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 currently no definite plans to make use of this authorisation
- to issue treasury shares subject to the approval of the Supervisory Board 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 currently no definite plans to make use of this authorisation
- to sell treasury shares to third parties for cash, suspending 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 in the opening auction i Xetra trading (or a comparable successor system) at Deutsche Börse AG in Frankfurt am Main. Basing the sales price on the quoted price offers some protection against dilution and provides reasonable protection for 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 generally 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 currently no definite 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 not to pay Management Board salary components already due or soon due 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 therefore to foster sustainable market trend in the interests of 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 in the fact that the company does not have to issue new shares by using contingent capital and can consequently avoid the associated dilution effect for existing shareholders.

#### **Disclosures in accordance with section 315 para. 4 no. 8 HGB (significant agreements of the parent company subject to a change of control following a takeover offer)**

A material agreement by the parent company, Francotyp-Postalia Holding AG, which falls under the condition of a change of control following a takeover offer, is the current consortium loan agreement, which includes a right of termination in the event of a change of control. No further agreements were entered into with either third parties or group companies.

#### **Disclosures in accordance with section 315 para. 4 no. 9 HGB**

(compensation agreement on the part of the parent company in the event of a takeover offer)

No such agreements were in place as at 31 December 2012

#### **REMUNERATION REPORT IN ACCORDANCE WITH SECTION 289 PARA 2 NO. 5 HGB**

The report follows the recommendations of the German Corporate Governance Code (DCGK) and includes details according to the requirements of the German Commercial Code (HGB), the German Accountancy Standard (DRS) and the International Financial Reporting Standards (IFRS). The Remuneration Report forms part of the Management Report.

## Remuneration system, general

The remuneration of members of the Management Board is set at an appropriate level by the Supervisory Board, based on performance assessments. The criteria for determining the appropriateness of remuneration include the duties of the Management Board member in question, his personal performance, the economic situation, the success and the future prospects of the company as well as the customariness of remuneration – according to the Corporate Governance Code published in May 2013 – taking into consideration the peer group and the remuneration structure that otherwise obtains in the company. In the process, the Supervisory Board takes into consideration the development of Management Board remuneration in relation to the remuneration of management as a whole and of the staff over time, whereby the Supervisory Board determines for the purposes of the comparison how management and the relevant staff are defined. The changes published with the Corporate Governance Code 2013 in the remuneration system for boards have been taken into account in the employment contract of Thomas Grethe, who took up his post on 15 June 2013. However, they have not yet been reflected in the existing Management Board member contracts of Andreas Drechsler and Hans Szymanski. That being said, the new employment contract of Hans Szymanski does indeed conform to the new recommendations with effect from 1 January 2014. These points are accordingly to be taken into account in the Remuneration Report 2014.

The employment contracts concluded with the Management Board members define the following:

The overall remuneration package for Management Board members comprises the monetary remuneration components, pension undertakings and other commitments, in particular in the event of termination of employment, as well as fringe benefits 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 components are composed of both fixed (non-performance-related) and variable (performance-related) components.

## Non-performance-related components

### 1. Fixed remuneration

The basic remuneration is paid out every month in the form of a salary. The basic salary of Hans Szymanski is EUR 253,000 p.a., the basic salary of Thomas Grethe is EUR 200,000 p.a. respectively EUR 119,000 pro rata for 2013.

### 2. Fringe benefits

Fringe benefits include the payments in kind or the monetary value of payments in kind and other fringe benefits such as the provision of a company car, or contributions to insurance.

## Performance-related components

### 1. Variable remuneration

The variable remuneration (annual bonus related to short-term targets) depends on the Cash Flow generated and EBITA obtained. The value of the bonus depends largely on the specifications from the budget for the respective business year (12 months) agreed by the Supervisory Board.

The long-term bonus for Thomas Grethe depends on long-term company growth and is based on the relevant business years for the entire term of his employment contract. The long-term targets to be achieved, based on post office statistics, are firstly, the franking machines installed in relation to total market (world); and secondly, the personnel expenses as a percentage of the gross earnings in the franking machine business. The long-term bonus awarded in 2013 as non-equity-based remuneration is only to be recognised on entry into effect of the above conditions in the remuneration report as per DRS 17. The recognised long-term bonus is due in the month following the month in which the annual accounts are finalised for the last month of the employment contract term. The respective Management Board member receives an annual advance payment up to EUR 6,500 for the business year 2013 against the projected long-term bonus. The Management Board member is under obligation to promptly refund to the company any difference between the advance payments and the defined long-term bonus.

The Bonus is paid in cash.

## 2. Long-term share-based remuneration

Long-term share-based remuneration is granted in the form of vested stock options. The Annual General Meeting of Francotyp-Postalia Holding AG on 1 July 2010 resolved to issue subscription rights to members of the management boards of affiliated companies within the meaning of section 15 AktG and executives of the FP Group, whereby these subscription rights entitle the holders to subscribe to a maximum of 1,045,000 shares against payment of the exercise price (stock option plan). From this stock option plan, a total of 360,000 stock options have been allocated to the Management Board – 180,000 each to Hans Szymanski and Andreas Drechsler – as per the resolution of the Annual General Meeting. The exercise period for the options begins in the financial year 2014.

### Commitments in connection with the termination of membership in Management Board

In the event of premature amicable termination of membership of the Management Board without good cause, the Management Board employment contracts provided or provide the following arrangements:

Andreas Drechsler and Hans Szymanski: The company is entitled to discharge the Management Board member for the remaining term of the employment contract in the

event of declaration of termination of the employment contract, a revocation of appointment, resignation by the Management Board member or termination of the appointment of any other activity for the company. The discharge of the Board member is subject to continued payment of the pro rata annual fixed salary for the remaining (in the event of dismissal accordingly shortened) term of the employment contract and taking into account the existing or yet to be acquired vacation or holiday remuneration claims. No bonus is due for the period of leave of absence.

Thomas Grethe: In the event of premature termination of the employment contract without good cause, payments to the Management Board member including fringe benefits may not exceed the value of one year's remuneration (severance pay cap) and may not compensate more than the remaining term of the service contract.

In the event of conversion of the company into a public EU company (SE), the Management Board member now in advance declares his agreement to an appointment to the Management Board (in the event of reorganisation of the company as a two-tier SE) or as Executive Director (in the event of reorganisation of the company as a single-tier SE).

## I. Remuneration of the members of the Management Board in the financial year 2013

In addition to the applicable accountancy principles, the following disclosure of the remuneration granted for the financial year 2013 also takes into consideration the new recommendations of the DCGK. The model table recommended by the Code will therefore be used to present the value of the granted benefits for the year under review. At the same time, the maximum and minimum achievable values are also indicated.

EUR thousand	Hans Szymanski				Thomas Grethe				Andreas Drechsler			
	Chairman of the Board / Chief Financial Officer				Chief Sales Officer				Chief Sales Officer (on leave of absence)			
	1.12.2008-31.12.2013				15.6.13-31.12.13				23.2.09-3.6.2013			
	2012	2013	2013 (Min)	2013 (Max)	2012	2013	2013 (Min)	2013 (Max)	2012	2013	2013 (Min)	2013 (Max)
Fixed remuneration	240	253	253	253	0	119	119	119	210	224	224	224
Fringe benefits	15	11	11	11	0	6	6	6	18	15	15	15
<b>Total</b>	<b>255</b>	<b>265</b>	<b>265</b>	<b>265</b>	<b>0</b>	<b>125</b>	<b>125</b>	<b>125</b>	<b>228</b>	<b>239</b>	<b>239</b>	<b>239</b>
Annual variable remuneration	30	80*	0	120	0	20	0	26	30	42	0	55
Long-term variable remuneration												
SOP Tranche 2010 (DCGK)	53	53	53	53	0	0	0	0	53	53	53	53
Long-term bonus	0	0	0	0	0	13	0	17	0	0	0	0
<b>Total</b>	<b>83</b>	<b>183</b>	<b>53</b>	<b>173</b>	<b>0</b>	<b>33</b>	<b>0</b>	<b>43</b>	<b>83</b>	<b>95</b>	<b>53</b>	<b>108</b>
Pension provisions	76	76	76	76	0	2	2	2	76	76	76	76
<b>Total remuneration</b>	<b>414</b>	<b>524</b>	<b>394</b>	<b>514</b>	<b>0</b>	<b>159</b>	<b>127</b>	<b>170</b>	<b>387</b>	<b>410</b>	<b>368</b>	<b>423</b>

\* Plus expenditure outside the reporting period of EUR 50,000.

FP does not operate an annually recurring stock option plan, but a regular multi-annual stock option plan (see Note 17). In this context, the proportional value of the DCGK contributions on an annual basis from the stock option plan 2010 for the years 2010 to 2014 for the Board members Hans Szymanski and Andreas Drechsler, respectively is EUR 53,000 each.

The following cash outflows occurred in connection with the Management Board remuneration in accordance with DCGK:

EUR thousand	Hans Szymanski		Andreas Drechsler		Thomas Grethe	
	CEO / CFO		CSO (on leave of absence)		CSO	
	1.12.2008-31.12.2013		23.2.2009-3.6.2013		15.6.2013-31.12.2013	
	2013	2012	2013	2012	2013	2012
Fixed remuneration	253	240	224	210	119	0
Fringe benefits	11	15	15	18	6	0
<b>Total</b>	<b>265</b>	<b>255</b>	<b>239</b>	<b>228</b>	<b>125</b>	<b>0</b>
Annual variable remuneration	50	30	0	30	0	0
Long-term variable remuneration	0	0	0	0	0	0
SOP Tranche 2010	0	0	0	0	0	0
Long-term bonus	0	0	0	0	0	0
<b>Total</b>	<b>50</b>	<b>30</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>
Pension provisions	76	76	76	76	2	0
<b>Total remuneration</b>	<b>391</b>	<b>361</b>	<b>315</b>	<b>334</b>	<b>127</b>	<b>0</b>

The total remuneration paid to the Management Board as per DRS 17 was as follows:

EUR thousand		Mr Szymanski			
		2010	2011	2012	2013
Non-performance-related component	Fixed remuneration	168	203	240	253
	Fringe benefits	11	11	15	11
	<b>Total</b>	<b>179</b>	<b>214</b>	<b>255</b>	<b>265</b>
Performance-related component					
Without long-term incentive	Annual variable remuneration	128	44	30	80 <sup>1)</sup>
With long-term incentive effect	Long-term variable remuneration				
	Stock Options Plan 2010 <sup>2)</sup>	213	0	0	0
	Long-term bonus <sup>3)</sup>	0	0	0	0
	<b>Sum total</b>	<b>341</b>	<b>44</b>	<b>30</b>	<b>80</b>
Pension provisions	Pension provisions	76	76	76	76
<b>Total remuneration</b>	<b>Sum total</b>	<b>596</b>	<b>334</b>	<b>361</b>	<b>420</b>

1) In the financial year 2013, additional expenditure relating to other periods of EUR 50,000 is recognised.

2) Contrary to DCGK and in accordance with DRS 17, the stock-based remuneration is recognised in the year of award irrespective of the fulfilment of the conditions in the total remuneration.

3) Contrary to DCGK, non-stock-based remuneration is recognised in the total remuneration, if the condition linked to the undertaking is fulfilled.

EUR thousand		Mr Grethe (Management Board member from 15.6.2013)			
		2010	2011	2012	2013
Non-performance-related component	Fixed remuneration	-	-	0	119
	Fringe benefits	-	-	0	6
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>125</b>
Performance-related component					
Without long-term incentive	Annual variable remuneration	-	-	0	20
With long-term incentive effect	Long-term variable remuneration				
	Stock Options Plan 2010 <sup>1)</sup>	-	-	0	0
	Long-term bonus <sup>2)</sup>	-	-	0	0
	<b>Sum total</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>20</b>
Pension provisions	Pension provisions	-	-	0	2
<b>Total remuneration</b>	<b>Sum total</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>147</b>

1) Contrary to DCGK and in accordance with DRS 17, the stock-based remuneration is recognised in the year of award irrespective of the fulfilment of the conditions in the total remuneration.

2) Contrary to DCGK, non-stock-based remunerations are recognised in the total remuneration, if the condition linked to the undertaking is fulfilled.

EUR thousand		Mr Drechsler (Management Board member until 3.6.2013)			
		2010	2011	2012	2013
Non-performance-related component	Fixed remuneration	152	177	210	224
	Fringe benefits	15	15	18	15
	<b>Total</b>	<b>167</b>	<b>192</b>	<b>228</b>	<b>239</b>
Performance-related component					
Without long-term incentive	Annual variable remuneration	128	44	30	42
With long-term incentive effect	Long-term variable remuneration				
	Stock Options Plan 2010 <sup>1)</sup>	213	0	0	0
	Long-term bonus <sup>2)</sup>	0	0	0	0
	<b>Sum total</b>	<b>341</b>	<b>44</b>	<b>30</b>	<b>42</b>
Pension provisions	Pension provisions	76	76	76	76
<b>Total remuneration</b>	<b>Sum total</b>	<b>584</b>	<b>312</b>	<b>334</b>	<b>357</b>

1) Contrary to DCGK and in accordance with DRS 17, the stock-based remuneration is recognised in the year of award irrespective of the fulfilment of the conditions in the total remuneration

2) Contrary to DCGK, non-stock-based remunerations are recognised in the total remuneration, if the condition linked to the commitment is fulfilled.

The amounts stated in the above table as pension provisions are allowances for pension and partly fixed salaries paid to Management Board members.

The fringe benefits primarily consist of the value of company car use as determined in compliance with the provisions of tax law.

As in the previous year, comparatively insignificant amounts were set aside for pension obligations towards active members of the Management Board (2013: EUR 3,000; 2012: EUR 2,000).

For pension commitments to former Management Board members of Francotyp-Postalia Holding AG and former Managing Directors (as well as their survivors) of German Francotyp-Postalia GmbH, a total of EUR 1,419 thousand was set aside (in the previous year: EUR 1,147 thousand) (for the former members of the Board of Francotyp-Postalia Holding AG: 31 December 2013: EUR 2,000 thousand; 31 December 2012: EUR 536 thousand). EUR 43,000 (previous year: EUR 54,000) were assigned to the provisions in the year under review 2013. Of these, EUR 0 thousand were for Service Costs and EUR 43,000 for Interest Costs.



## Other

Members of the Management Board received no loans and advances from the company, with the exception of the contractually guaranteed options.

### II. Commitments in connection with the termination of activity in the Management Board

In the context of revocation of the Management Board appointment of Andreas Drechsler on 3 June 2013, the contractually agreed payments shall be made until the end of contract (February 2015).

### III. Remuneration of Supervisory Board

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

Each Supervisory Board member receives, along with cash expenses plus VAT for his/her Supervisory Board duties, a lump sum remuneration of EUR 30,000 payable in the final month of the financial year. Under this arrangement, the lump sum remuneration due to the Chairman is 150% and to the Deputy Chairman 125% of the remuneration for an ordinary member of the Supervisory Board from the financial year 2009.

The fixed remuneration of the Supervisory Board amounted to EUR 113,000 (previous year: EUR 93,000) for the financial year 2013.

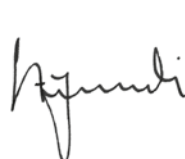
### IV. Share ownership of the Management Board and Supervisory Board

Above and beyond the legal obligation for prompt communication and disclosure of transactions in shares of the company, the ownership of company shares or financial instruments relating thereto must be reported by the Board and Supervisory Board members if directly or indirectly more than 1% of the shares issued by the company are involved. As the total ownership of all Board and Supervisory Board members exceeds 1% of the shares issued by the company, we list the total ownership separately according to Management Board and Supervisory Board:

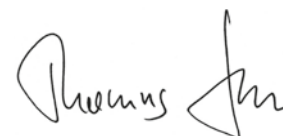
SHAREHOLDER (DIRECT)	Number of shares	%
Hans Szymanski (Management Board)	120,000	0.7
Botho Oppermann (Supervisory Board)	261,948	1.6
SHAREHOLDER (INDIRECT)	Number of shares	%
Klaus Röhrig (Chairman of Supervisory Board) attributable via 3R Investments, Tamline Import & Advisory LP, Limassol, Cyprus, the Tamline Investments Ltd., Limassol, Cyprus	1,660,000	10.3

Birkenwerder, 31 March 2014

Management Board



Hans Szymanski  
CEO & CFO



Thomas Grethe  
CSO

# Consolidated Financial Statement for the 2013 fiscal year

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

in EUR thousand

	Notes	1.1.– 31.12.2013	1.1.– 31.12.2012 adjusted <sup>1)</sup>
Revenue	(1)	168,918	165,640
Changes in inventories of finished goods and work in progress		-517	-182
		<b>168,401</b>	<b>165,458</b>
Other capitalised own work	(2)	13,476	12,128
Other income	(3)	2,475	1,349
Material costs	(4)		
a) Cost of raw materials, consumables and supplies		34,157	32,048
b) Costs for purchased services		43,778	40,505
		<b>77,935</b>	<b>72,553</b>
Personnel costs	(5)		
a) Wages and salaries		45,518	44,449
b) Social security contributions		7,438	7,883
c) Expenditure on pension schemes and other benefits		1,036	924
		<b>53,992</b>	<b>53,256</b>
Depreciations and impairments	(10)	11,800	9,945
Other expenses	(6)	30,262	34,115
Interest income	(7)		
a) Interest and similar income		939	977
b) Interest and similar expenses		3,271	3,696
		<b>-2,332</b>	<b>-2,719</b>
Other financial result	(7)		
a) Other financial income		1,111	679
b) Other financial expenses		1,326	954
		<b>-215</b>	<b>-275</b>
Tax result	(8)		
a) Tax income		2,132	10,103
b) Tax expense		5,096	12,210
		<b>-2,964</b>	<b>-2,107</b>
<b>Group earnings</b>		<b>4,852</b>	<b>3,965</b>
<b>Other comprehensive income</b>			
<b>Items which were or will have to be reclassified in profit or loss</b>			
Translation of foreign currencies from financial statements of foreign entities		-764	-485
of which taxes		73	186
of which reclassified in the consolidated net income		12	-272
Adjustment of provisions for pensions and semi-retirement as per IAS 19 (rev. 2011)		385	-2,080
of which taxes		-152	813
<b>Other comprehensive income after taxes</b>		<b>-379</b>	<b>-2,565</b>
<b>Comprehensive income</b>		<b>4,473</b>	<b>1,400</b>
Consolidated net income for the year:		4,852	3,965
– of which attributable to the shareholders of the FP Group		4,931	4,124
– consolidated net profit attributable to minority interests		-79	-159
Comprehensive income:		4,473	1,400
– of which attributable to the shareholders of FP Group		4,538	1,574
– of which attributable to minority interests		-65	-174
<b>Earnings per share (diluted and undiluted, EUR):</b>	(9)	<b>0.31</b>	<b>0.27</b>

1) Notes to amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)".

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013

ASSETS		in EUR thousand		
	Notes	31.12.2013	31.12.2012 adjusted <sup>1)2)</sup>	1.1.2012 adjusted <sup>1)2)</sup>
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>	<b>(10)</b>			
Intangible assets including customer lists		16,472	17,727	10,419
Goodwill		9,147	9,147	9,147
Development projects and payments in progress		7,131	6,135	10,882
		<b>32,750</b>	<b>33,009</b>	<b>30,448</b>
<b>Property, plant and equipment</b>	<b>(10)</b>			
Land, land rights and buildings		2,420	2,284	1,058
Technical equipment and machinery		1,033	1,152	1,145
Other equipment, operating and office equipment		3,560	4,072	2,562
Leased products		10,060	7,732	8,525
Investments in finance lease relationships		7,509	5,929	2,706
Advance payments and assets under construction		36	3	3,753
		<b>24,618</b>	<b>21,172</b>	<b>19,749</b>
<b>Other assets</b>				
Associated companies	(23)	36	13	59
Other equity investments	(25)	163	163	163
Receivables from finance leases	(11, 22)	995	1,393	1,585
Other non-current assets		201	182	160
		<b>1,395</b>	<b>1,751</b>	<b>1,967</b>
<b>Tax assets</b>				
Deferred tax claims	(19)	5,450	6,902	9,103
Current tax assets	(19)	6,689	6,689	0
		<b>12,139</b>		
		<b>70,902</b>	<b>69,523</b>	<b>61,267</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>	<b>(12)</b>			
Raw materials and supplies		3,578	4,584	4,021
Work in progress		530	760	996
Finished products and merchandise		4,712	5,428	5,988
		<b>8,820</b>	<b>10,772</b>	<b>11,005</b>
<b>Accounts receivable</b>	<b>(13, 25)</b>	<b>17,067</b>	<b>17,648</b>	<b>16,627</b>
<b>Other assets</b>				
Receivables from finance leases	(11, 25)	995	1,342	1,762
Income tax assets		228	1,446	5,587
Derivative financial instruments	(25)	81	11	59
Other current assets	(15, 25)	9,637	9,029	10,038
		<b>10,941</b>	<b>11,828</b>	<b>17,446</b>
<b>Securities</b>	<b>(14, 25)</b>	<b>680</b>	<b>680</b>	<b>678</b>
<b>Liquid assets</b>	<b>(16, 25)</b>	<b>28,990</b>	<b>26,028</b>	<b>25,867</b>
		<b>66,498</b>	<b>66,956</b>	<b>71,623</b>
		<b>137,400</b>	<b>136,479</b>	<b>132,890</b>

1) Notes to amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)".

2) Notes to amendments: See "Regulations requiring disclosure in accordance with IAS 8.41"

**LIABILITIES**

in EUR thousand

	Notes	31.12.2013	31.12.2012 adjusted <sup>1)2)</sup>	1.1.2012 adjusted <sup>1)2)</sup>
<b>EQUITY</b>				
Attributable to shareholders of the parent company Equity	(17)			
Subscribed capital		16,160	16,160	14,700
Capital reserves		35,312	35,312	33,181
Stock option reserve		781	636	346
Treasury shares		-1,829	-1,829	-1,829
Loss carried forward		-27,650	-31,123	-31,122
Consolidated net income after minority interests		4,931	4,124	0
Other comprehensive income		-2,595	-2,201	349
		25,110	21,079	15,625
Non-controlling interests		764	492	666
		25,874	21,571	16,291
<b>NON-CURRENT LIABILITIES</b>				
Provisions for pensions and similar obligations	(18)	14,089	14,631	11,649
Other provisions	(20)	1,194	1,750	2,121
Financial debt	(21, 25)	33,337	23,917	30,410
Other liabilities	(21, 25)	313	376	441
Deferred tax liabilities	(19)	824	710	1,090
		49,757	41,384	45,711
<b>CURRENT LIABILITIES</b>				
Tax liabilities	(19)	2,188	2,141	1,459
Provisions	(20)	4,803	4,409	11,040
Financial debt	(21, 25)	5,223	16,829	7,753
Liabilities from sales and services	(21, 25)	7,456	8,277	10,226
Other liabilities	(21, 25)	42,099	41,868	40,410
		61,769	73,524	70,888
		137,400	136,479	132,890

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

in EUR thousand	Notes	1.1.-31.12.2013	1.1.-31.12.2012 adjusted <sup>1)2)</sup>	1.1.-31.12.2012
<b>Cash flow from operating activities</b>				
Group earnings		4,852	3,965	3,961
Income tax result recognised in profit or loss	(8)	2,964	2,107	2,105
Net interest income recognised in profit or loss	(7)	2,331	2,719	2,719
Depreciation and amortisation of non-current assets	(10)	11,800	9,946	9,946
Decrease (-) / increase (+) in provisions	(18, 19, 20)	-1,059	-4,152	-5,825
Loss on the disposal of non-current assets	(3, 6, 10)	103	126	126
Decrease (+)/increase (-) in inventory, trade receivables, and other assets not attributable to investing or financing activities	(12, 13, 15)	2,581	-1,783	-1,783
Decrease (-) in trade payables and other liabilities <sup>3)</sup> not attributable to investing or financing activities	(21)	-2,297	-1,406	-1,406
Other non-cash expenses and income		-680	-1,733	-54
Government assistance not yet received		0	-121	-121
Interest received	(7)	939	977	977
Interest paid	(7)	-2,836	-2,916	-2,916
Income tax paid	(8)	-212	-421	-421
<b>Cash flow from operating activities</b>		<b>18,486</b>	<b>7,308</b>	<b>7,308</b>
<b>Cash flow from investing activities</b>				
Cash paid for internally generated intangible assets	(10)	-196	0	0
Cash payments for the capitalisation of development costs	(10)	-3,969	-5,184	-5,184
Cash paid for investments in intangible assets	(10)	-312	-655	-655
Proceeds from the disposal of non-current assets	(3, 6, 10)	172	513	513
Cash paid for investments in property, plant and equipment	(10)	-10,565	-8,942	-8,942
Cash paid for associated companies		-23	0	0
<b>Cash flow from investing activities</b>		<b>-14,893</b>	<b>-14,268</b>	<b>-14,268</b>
<b>Cash flow from financing activities</b>				
Cash outflows from reverse repo transactions	(21)	-2,037	684	684
Cash paid to repay bank loans	(21)	-7,472	-4,054	-4,054
Cash payments to repay liabilities from finance leases	(21)	-2,622	-990	-990
Dividend payments to non-controlling interest		-49	0	0
Cash inflows from taking up liabilities from finance leases	(21)	3,687	3,470	3,470
Cash inflows as a result of issuing shares	(17)	0	3,655	3,655
Cash inflows from taking out bank loans	(21)	6,034	3,486	3,486
<b>Cash flow from financing activities</b>		<b>-2,460</b>	<b>6,251</b>	<b>6,251</b>
<b>Cash and cash equivalents*</b>				
Change in cash and cash equivalents	V.	1,133	-708	-708
Change in cash and cash equivalents due to currency translation		-73	21	21
Cash and cash equivalents at beginning of period	V.	5,620	6,307	6,307
<b>Cash and cash equivalents at end of period</b>	<b>V.</b>	<b>6,680</b>	<b>5,620</b>	<b>5,620</b>

Notes to the consolidated cash flow statement are given under Section V.

1) Notes to amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)".

2) Notes to amendments: See "Regulations requiring disclosure in accordance with IAS 8.41"

3) Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 22,990 thousand, previous year EUR 21,088 thousand). Cash and cash equivalents include current securities to the sum of EUR 680 thousand (previous year EUR 680 thousand).

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

in EUR thousand	Subscribed capital	Capital reserves	Stock option reserve	Treasury	Net result	Difference from currency translation	Net investments in foreign business operations	Revaluation of net debt from defined-benefit pension plans	FP Holding attributable to shareholders' equity	Minority interests	Total
Balance as at 1.1.2012 as previously reported	14,700	33,181	346	-1,829	-31,171	-607	633	0	15,253	634	15,887
Changes in accounting methods and adjustment	0	0	0	0	49	0	0	323	372	32	404
Adjusted Balance as at 1.1.2012	14,700	33,181	346	-1,829	-31,122	-607	633	323	15,625	666	16,291
Adjusted Consolidated net income 1.1.-31.12.2012	0	0	0	0	4,123	0	0	0	4,123	-159	3,964
Translation of financial statements of foreign entities	0	0	0	0	0	-737	252	0	-485	0	-485
Revaluation of net debt from defined-benefit pension plans	0	0	0	0	0	0	0	-2,065	-2,065	-15	-2,080
Adjusted other comprehensive income	0	0	0	0	0	-737	252	-2,065	-2,550	-15	-2,565
Adjusted comprehensive income	0	0	0	0	4,123	-737	252	-2,065	1,573	-174	1,399
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
Transactions with owners	1,460	2,131	290	0	0	0	0	0	3,881	0	3,881
Adjusted as at 31.12.2012	16,160	35,312	636	-1,829	-26,999	-1,344	885	-1,742	21,079	492	21,571
Balance as at 1.1.2013	16,160	35,312	636	-1,829	-26,999	-1,344	885	-1,742	21,079	492	21,571
Consolidated net income 1.1.-31.12.2012	0	0	0	0	4,931	0	0	0	4,931	-80	4,851
Translation of financial statements of foreign entities	0	0	0	0	0	-173	-591	0	-764	0	-764
Revaluation of net debt from defined-benefit pension plans	0	0	0	0	0	0	0	370	370	15	385
Other comprehensive income	0	0	0	0	0	-173	-591	370	-394	15	-379
Comprehensive income	0	0	0	0	4,931	-173	-591	370	4,537	-65	4,472
Capital increase from stock options	0	0	145	0	0	0	0	0	145	0	145
Dividends	0	0	0	0	0	0	0	0	0	-49	-49
Change in ownership interests	0	0	0	0	-651	0	0	0	-651	386	-265
Transactions with owners	0	0	145	0	-651	0	0	0	-506	337	-169
Balance as at 31.12.2013	16,160	35,312	781	-1,829	-22,719	-1,517	294	-1,372	25,110	764	25,874

1) Notes to the Consolidated statement of changes in equity are given under Subsection 17

Notes to amendments: See under IAS 8.28 (IAS 19 – Employee Benefits) as well as „Regulations requiring disclosure in accordance with IAS 8.41“.

## **Notes for the 2013 Fiscal Year**

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## I. PRINCIPLES

### GENERAL NOTES

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 for FP Holding for the reporting period ending on 31. December 2013 include FP Holding and its subsidiaries (also 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-Claimsoft.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for transfer to the Supervisory Board on 31 March 2014. It is the responsibility of the Supervisory Board to check the consolidated financial statements and to clarify whether it approves them.

### DECLARATION OF COMPLIANCE

FP Holding prepared its consolidated annual statements for 31 December 2013 in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and the commercial law regulations that are also to be applied in accordance with section 315a para. 1, German Commercial Code [Handelsgesetzbuch - HGB].

### ACCOUNTING PRINCIPLES

Francotyp-Postalia Holding AG acts as the parent company for the Group under which FP Group companies are consolidated. The financial years correspond to the calendar year for Group companies.

The consolidated financial statements and the Group management report of FP Holding were prepared for 31 December 2013 in accordance with sections 315a para. 1 HGB to comply with International Financial Reporting Standards (IFRS) that were valid in the EU on the balance sheet date and are valid and obligatory, and were submitted to 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 (thousand euro) unless otherwise stated. The rounding of figures for individual items and percentage data may result in minor arithmetical 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 statement of comprehensive income is drawn up using the nature of expense method.

### CONSISTENCY OF THE ACCOUNTING METHODS AND ADAPTATIONS OF EXPLANATORY NOTES FOR THE PREVIOUS YEAR

The accounting methods used are unchanged from the previous year.

## THE APPLICATION OF NEW AND REVISED IFRS REGULATIONS

In principle, the FP Group applies new and revised IFRS regulations only from the time at which they become mandatory. The FP Group takes the following position on new or revised IFRS regulations.

### REGULATIONS REQUIRING DISCLOSURE IN ACCORDANCE WITH IAS 8.28

#### Amendments to IFRS 7 – Offsetting financial assets and financial liabilities

This amendment to IFRS 7 extends the explanatory notes about financial instruments that can and have been offset.

The FP Group has met the extended disclosure requirements (see remarks made in Section IV, Subsection 26).

#### IFRS 13 – Fair value measurement

The fair value measurement is regulated on a uniform basis in IFRS financial statements with this standard. All fair value measurements required in accordance with other standards must now follow the uniform guidelines stated in IFRS 13; there are only extra regulations for IAS 17 and IFRS 2. The standard also replaces and extends the disclosure requirements regarding the valuation of the fair value in other IFRS.

Fair value in accordance with IFRS 13 is defined as an exit price. This means a price that would be received through the sale of an asset and / or as the price that needed to be paid to transfer a liability. As already known from the fair value measurement of financial assets, a three-tier hierarchical system has been launched that is tiered with regard to the dependency on observable market prices.

To comply with the transition provisions of IFRS 13, the FP Group has prospectively applied the new regulations for assessing the fair value. The amendment had no significant impact on the valuations of the Group's assets and liabilities.

#### Amendments to IAS 1 – Presentation of items and other comprehensive income

This amendment has changed the presentation of other comprehensive income in the statement of comprehensive income. Items of other comprehensive income that are later reclassified as income statement items ("re-cycling") under certain conditions are now presented separately from items of other comprehensive income that are never reclassified. If the items are accounted for as gross sums, in other words without offsetting against deferred taxes, the deferred taxes are now no longer accounted for as a single sum, but allocated to both groups of items.

The FP Group has met the amended disclosure requirements and has categorised other comprehensive income 2012.

#### Amendments to IAS 12 – Recovery of underlying assets

When it comes to properties held as financial investment, it is often difficult to assess whether the existing temporary tax differences reverse as part of continued use or as part of a sale. The amendment to IAS 12 has now clarified that deferred taxes are assessed based on the rebuttable presumption that the reversal is due to the sale.

The amendment does not have any impact on FP Holding's consolidated financial statements.

#### IAS 19 – Employee benefits (revised 2011)

The significant amendment in the revision of IAS 19 (revised in 2011) concerns accounting for pension liabilities from defined benefit plans.

Previously, there was the right to choose how the actuarial gains and losses were recorded in the financial statements. These options were:

- (a) recognise these as income in the income statement;
- (b) include these immediately and completely with the other comprehensive income (OCI); or
- (c) record them on a time-delayed basis in accordance with the 'corridor method'.

The new version of IAS 19 means that this right to choose was removed for a more transparent and comparable portrayal. Now only an immediate and complete record in the year in which they occur is permissible. This must be recorded under other comprehensive income. The profit or loss in the year in which they occur must also be recorded in accordance with the current service cost to be offset.

Previously, the expected profits from the plan assets were calculated at the beginning of the accounting period using management's expectations about the performance of an investment portfolio. Using IAS 19 (revised 2011) only standardised interest of the plan assets totaling the discount interest rate of the pension obligations at the beginning of the period is permitted.

In addition to the amendment to accounting, explanatory notes were also amended, e.g. in the form of sensitivity analyses.

Since the Group had previously used the so-called corridor method to record actuarial gains and losses, the retroactive conversion to 1 January 2012 initially resulted in a lower provision. In 2012 the revaluation resulted in a significant increase in pension provisions. In accordance with the new method, the operating income was also not influenced by the amortisation of the amount exceeding the corridor, which instead resulted in higher tax on the other comprehensive income.

The amended definition of the benefits allocated when an employment contract is terminated (termination benefits) has an effect on the accounting of the top-up amounts accepted within the semi-retirement agreements. Previously, the top-up amounts were classified as benefits on termination of employment, and as a result, were returned in their entirety when semi-retirement agreements were signed. Based on the amended definition of benefits allocated when an employment contract is terminated, the top-up amount when applying IAS 19 (revised 2011) no longer meets the conditions for the existence of benefits allocated when an employment contract is terminated. Essentially, it is more a matter of other long-term benefits for employees, which are to be accumulated pro rata over an employee's period of service.

As a result of the amended definition of benefits on termination of employment, the top-up amounts accepted within the framework of semi-retirement agreements now represent other benefits for the employee that are due in the long term. The retroactive conversion has basically resulted in a lower provision.

The impact as a result of the amended IAS 19 (revised in 2011) on the items stated in the balance sheet, the statement of comprehensive income, and the cash flow statement for the previous and current year are presented in the tables below:

**Impact of the amended accounting policies on de-  
defined benefit plans**  
*Impact of the amended accounting policies on the  
balance sheet*

**GROUP PENSIONS AND SEMI-RETIREMENT AGREEMENTS**

thousand euro

1.1.2012	As previously reported	Impact of the amended accounting policies	Adjusted
Deferred tax claims	9,270	-167	9,103
<b>Shareholders' equity</b>	<b>15,887</b>	<b>404</b>	<b>16,291</b>
– of which loss carry-forward	-31,171	49	-31,122
– of which revaluation of net debt from defined-benefit pension plans	0	323	323
– of which non-controlling interests	634	32	666
Provisions for pensions and similar obligations	12,146	-497	11,649
Deferred tax liabilities	1,097	-7	1,090
Other provisions	2,188	-67	2,121

**GROUP PENSIONS AND SEMI-RETIREMENT AGREEMENTS**

thousand euro

31.1.2012	As previously reported	Impact of the amended accounting policies	Adjusted
Deferred tax claims	6,469	433	6,902
<b>Shareholders' equity</b>	<b>23,244</b>	<b>-1,673</b>	<b>21,571</b>
– of which consolidated net income after minority interests	4,120	4	4,124
– of which loss carry-forward	-31,171	49	-31,123
– of which revaluation of net debt from defined-benefit pension plans	0	-1,742	-1,742
– of which non-controlling interests	475	17	492
Provisions for pensions and similar obligations	12,235	2,396	14,631
Other provisions	1,822	-72	1,750
Deferred tax liabilities	928	-218	710

**GROUP PENSIONS AND SEMI-RETIREMENT AGREEMENTS**

thousand euro

31.1.2013	Defined-benefit plans
Deferred tax claims	435
<b>Shareholders' equity</b>	<b>-1,221</b>
– of which consolidated net income for the year	119
– of which revaluation of net debt from defined-benefit pension plans	-1,372
– of which non-controlling interests	32
Provisions for pensions and similar obligations	1,766
Other provisions	-72
Deferred tax liabilities	-38

*Impact of the amended accounting policies on the consolidated statement of comprehensive income statement*

**GROUP PENSIONS AND SEMI-RETIREMENT AGREEMENTS**

	thousand euro		
2012	As previously reported	Impacts of the amended accounting policies	Adjusted
Expenditure on pension schemes and other benefits	930	-6	924
Tax expense	12,208	2	12,210
<b>Other comprehensive income</b>			
– revaluation of defined benefit plans	0	-2,080	-2,080
– of which taxes	0	813	813
– of which for non-controlling interests	0	-15	-15

**GROUP PENSIONS AND SEMI-RETIREMENT AGREEMENTS**

	thousand euro	
2013	Defined-benefit plans	
Expenditure on pension schemes and other benefits		-93
Tax expense		26
<b>Other comprehensive income</b>		
– revaluations of defined benefit plans		385
– of which taxes		-152
– of which for non-controlling interests		15

There were no effects on earnings per share in the current or previous year.

on FP's consolidated financial statements are currently being verified.

**Improvements to IFRS 2009 – 2011**

As part of the *annual improvement project* amendments have been made to the five standards. The adjustment to the wording in individual IFRS should clarify existing regulations. There are also amendments that impact accounting, recognition valuation and the explanatory notes. Standards IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1 are affected by this.

The amendments do not have any significant impact on FP Holding's consolidated financial statements.

**Regulations requiring disclosure in accordance with IAS 8.30**

The FP Group is not planning any early application of the following new or amended standards and interpretations whose application is only mandatory in later financial years. Unless otherwise indicated, the impacts

**a) Already endorsed by the EU**

**IFRS 10 – Consolidated financial statements**

This standard comprehensively redefines the term "control". If a company controls another company, the parent company must consolidate the subsidiary. In accordance with the new concept, there is control if the potential parent company has the power of decision due to voting rights or other rights concerning the potential subsidiary; if it is involved in positively or negatively variable returns from the subsidiary and if these returns may have an influence through its power of decision.

The new standard must be initially applied in financial years that start on or after 1 January 2014. IFRS 10 must be applied retrospectively, with certain exceptions.

There is no impact on the consolidated financial statements for the FP Group.

## IFRS 11 – Joint arrangements

IFRS 11 newly regulates accounting for joint arrangements. In accordance with the new concept, it must be decided whether the company is a joint operation or a joint venture. It is a joint operation if the jointly controlling parties have direct rights to the assets and obligations for the liabilities. The individual rights and obligations are proportionally recognised in the consolidated financial statements. By contrast, in a joint venture the jointly controlling parties have the rights to net assets. This right is portrayed by using the equity method in the consolidated financial statements. This means that the voting right for proportionate consolidation in the consolidated financial statements does not apply here.

The new standard must be initially applied in financial years that start on or after 1 January 2014. There are specific transition provisions for the transition from proportionate consolidation to the equity method, for instance.

There is no impact on the consolidated financial statements for the FP Group.

## IFRS 12 – Disclosure of interests in other entities

This standard regulates the disclosure requirements regarding shares in other companies. The information required is considerably more comprehensive compared to the information previously provided in accordance with IAS 27, IAS 28 and IAS 31.

The new standard must be initially applied in financial years that start on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

## Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance

The amendments contain clarification and additional easing with the transition to IFRS 10, IFRS 11 and IFRS 12. This means that adjusted benchmarking information is only required for the previous comparative period. In association with explanatory notes on unconsolidated structured entities, the obligation to state benchmarking information for periods before the first application of IFRS 12 also does not apply.

The amendments to IFRS 10, IFRS 11 and IFRS 12 must be initially applied in financial years that begin on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

## Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities

The amendments contain a definition of investment entities and remove this type of entity from the scope of IFRS 10 Consolidated financial statements.

In accordance with this, investment entities do not consolidate the companies that they control in their IFRS Consolidated financial statements; at the same time, this exception to the general principles is not to be considered a voting right. Instead of full consolidation, they evaluate the holdings held for investment purposes in terms of fair value and record periodical value fluctuations in profit or loss.

The amendments do not have any impact on consolidated financial statements that include investment entities provided that the parent company itself is not an investment entity.

The amendments must be initially applied in financial years that begin on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### Amendments to IAS 27 – Separate financial statements

Within the framework of adopting IFRS 10 Consolidated financial statements, the regulations for the control concept and the requirements for creating consolidated financial statements are removed from IAS 27 and then dealt with in IFRS 10 (see remarks on IFRS 10). As a result, in future IAS 27 will only contain the regulations for accounting for subsidiaries, joint ventures and associates in IFRS separate financial statements.

The amendment must be initially applied in business years that begin on or after 1 January 2014.

The amendments have no impact on FP Holding's consolidated financial statements.

### Amendments to IAS 28 – Investments in associates and joint ventures

Within the framework of adopting IFRS 11 Joint arrangements, adjustments were also made to IAS 28. IAS 28 continues to regulate the use of the equity method. However, the scope has been extended considerably with the adoption of IFRS 11 because, in future, both investments in associates and joint ventures (see IFRS 11) must be valued in accordance with the equity method. Consequently, the use of proportionate consolidation for joint ventures does not apply.

A further amendment concerns accounting in accordance with IFRS 5 if only a part of a stake in an associate or joint venture is designated for sale: IFRS 5 must be applied to the stake to be sold, while the remaining stake (to be retained) must continue to be accounted for in accordance with the equity method until the sale of the stake to be sold.

The amendment must be initially applied in business years that begin on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### Amendments to IAS 32 – Offsetting financial assets and financial liabilities

This addition to the IAS 32 clarifies what conditions exist for offsetting financial instruments. The meaning of the current legal entitlement to offsetting is outlined in the addition, and it is clarified which gross settlement procedures can be viewed as net settlement within the meaning of the standard.

The amendment to IAS 32 must be initially applied in financial years that begin on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets

As part of the consequential amendment of IFRS 13 Fair value measurement, a new required disclosure has been introduced about the goodwill impairment test in accordance with IAS 36: the recoverable amount of cash-generating units has been stated regardless of whether the value has actually depreciated. As the explanatory note was unintentionally introduced, it has been withdrawn again with this amendment from May 2013.

On the other hand, this amendment gives results in additional information, if the value is actually depreciated and the recoverable amount has been calculated based on a fair value.

The amendments must be initially applied in financial years that begin on or after 1 January 2014.

The FP Group has disclosed the additional information.

### Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting

This means that, under certain conditions, derivations continue to be designated as hedging tools in continued hedge accounting despite a novation of a hedging tool for a central counterparty based on legal requirements.

The amendments must be initially applied in financial years that begin on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

#### b) EU endorsement still outstanding

### IFRS 9 – Financial instruments

The accounting and valuing of financial instruments in accordance with IFRS 9 will replace IAS 39.

In future, financial assets will only be classified and valued in two categories: amortised costs and fair value. The financial assets category for amortised costs consists of the financial assets that only allow for the right to interest and redemption payments on given dates and that are also held as part of a business model that aims to hold assets. All other financial assets fall within the fair value category. Under certain conditions, the first category can continue to designate the fair value category ("fair value option") for financial assets.

As a basic principle, changes in value of the financial assets in the fair value category must be recognised in profit or loss. However, voting rights can be used for certain equity instruments to record changes in value in other comprehensive income; but dividend rights from these assets must be recognised in the profit or loss.

As a basic principle, the regulations for financial liabilities are adopted from IAS 39. The most significant difference concerns recording changes in value of financial liabilities that are assessed as fair value. In future, they must be split: the part that is allotted to the Group's credit risk must be recorded in other comprehensive income; the remaining part of the change in value must be recognised in the profit or loss.

The date of initial application of IFRS 9 is currently still undecided but is not expected before 1 January 2017.

No material changes are expected for the FP Group from initial application.

### IFRS 9 – Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39

The aim of the new hedge accounting model under IFRS 9 is to attain a closer correlation between the risk management system and the financial depiction. The other types of hedge accounting that are still permissible are: cash flow hedge accounting, fair value hedge accounting, and hedge of a net investment in a foreign operation.

The sphere for qualifying underlying and hedging transactions has been extended respectively. Now groups of underlying transactions in particular, as well as net positions and zero net positions can be designated, provided that the underlying transactions individually qualify for a designation. Every financial instrument that is recognised as fair value is basically suitable as a hedging tool. The exception to this are liabilities where the fair value option was exercised and equity instruments under the FVOCI ("fair value through other comprehensive income") option in accordance with regulations stated in Phase I.

Under IFRS 9, ranges of 80% to 125% required in accordance with IAS 39 are not used as part of the hedge effectiveness measurement, so that retrospective hedge effectiveness testing can no longer be performed. The prospective effectiveness test is still required, as is recording any ineffectiveness.

Hedge accounting can only be completed if the conditions defined for this have been met. This means that hedge accounting must be continued if the risk management aims do not change.

In terms of risk management strategy, extended explanatory notes must be made on the impact of risk management on future payment flows and the impact of hedge accounting on the financial statement.

Income-neutral accounting in the other comprehensive income of the Group's credit risks for financial liabilities for the fair value option (FVO) has also now been segregated. This means it is possible without applying the remaining requirements stated in IFRS 9.



The initial application of the new hedge accounting regulations follows the regulations for the initial application of IFRS 9. Hedge accounting must not be completed due to the transition of IAS 39 to IFRS 9 if the conditions and qualitative features are still met. The existing regulations in accordance with IAS 39 can also be optionally applied under IFRS 9.

No changes are expected for the FP Group from initial application.

### **Amendments to IFRS 9 and IFRS 7 – Mandatory effective date and transition disclosures**

The amendments enable the adjusted previous year's figures to be avoided on initial application of IFRS 9. Originally this easement was only possible before 1 January 2012 in the event of the early application of IFRS 9.

The easement involves additional explanatory notes in accordance with IFRS 7 on the date of transition.

The time of first application of these amendments is currently still open in line with the IFRS 9 regulations, but should not be expected before 1 January 2017.

No material changes are expected for the FP Group from initial application.

### **Amendments to IAS 19 – Defined benefit plans: employee contributions**

The amendments clarify the regulations that address the allocation of employee contributions and/or contributions from third parties to the service periods if the contributions relate to the period of service. Furthermore, easements will be available if the contributions are independent of the number of years served.

Subject to a pending acceptance in EU law, the amendments will first be applied in financial years beginning on or after 1 July 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### **IFRIC 21 – Levies**

IFRIC 21 Levies is an interpretation of IAS 37 Provisions, contingent liabilities and contingent assets. Above all, it should be explained when a current obligation arises due to levies raised by public authorities and when a provision or liability has to be applied. The interpretation does not cover penalties and levies resulting from contracts under public law or fall under the scope of another IFRS, for instance IAS 12, Taxes on Earnings. According to IFRIC 21, a debit should be used for levies if it results in events causing mandatory levies. In turn, this triggering event that justifies the obligation is the result of the wording of the underlying standard. Its formulation is crucial for accounting.

Subject to pending acceptance in EU law, the amendments will be applied first in financial years beginning on or after 1 January 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### **Improvements to IFRS 2010 – 2012**

As part of the annual improvement project changes were made to seven standards. The adjustment to the wording in individual IFRS should clarify existing regulations. There are also amendments that impact disclosures. Standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 are affected by this.

The amendments – provided that they are adopted into EU law – must be applied initially in financial years that begin on or after 1 July 2014. The amendment to IFRS 2 on share-based payments will be allowed on or after 1 July 2014.

No material changes are expected for the FP Group from initial application.

### **Improvements to IFRS 2011 – 2013**

Amendments have been made to four standards as part of the annual improvement project. The adjustment to the wording in individual IFRS should clarify existing regulations. Standards IFRS 1, IFRS 3, IFRS 13, and IAS 40 are affected by this.

Subject to a pending acceptance in EU law, the amendments will be applied first in financial years beginning on or after 1 July 2014.

The amendments have no significant impact on FP Holding's consolidated financial statements.

### Regulations requiring disclosure in accordance with IAS 8.41

#### Retroactive application

In the reporting interval, we have adjusted the previous year's figures retroactively for the following circumstances in accordance with the regulations stated in IAS 8 "Accounting policies, changes in accounting estimates and errors".

With effect from 30 September 2013, the Group amended the initial consolidation of mentana-claimsoft AG (now Mentana-Claimsoft GmbH), which was carried out on 3 March 2011. The change to accounting was retroactively recognised directly in equity.

In the purchase agreement dated 3 March 2011, an equity guarantee was agreed between the two vendors of mentana-claimsoft AG's business shares and the purchaser FP Holding. Due to the financial statements for the 2010 and 2011 financial years that are now definitively available, the FP Group assumes that the guarantee was breached by the transferor when the change of control took place and/or the initial consolidation became available.

In the claim for compensation from the breach of guarantee that the FP Group has on the grounds of the purchase agreement, this is a "financial asset" and/or a "contractual right to receive cash" as per IAS 32.11. In accordance with IFRS 3.11 et seq, this claim should have been entered as an asset acquired at the time of the initial consolidation / purchase price allocation, and, by comparison, would have reduced the originally calculated difference in the purchase price allocation (goodwill) by the same amount. As the one-year window of IFRS 3.45 – in whose scope this kind of correction would fall (new information on assets and liabilities and the circumstances at the time of acquisition, IFRS 3.45) – has expired, a correction is being made in accordance with IAS 8.

Since all assets acquired must be accounted for, the correction pursuant to IAS 8 concerns an adjustment for error in accordance with IAS 8.41 et seq. In the previous year's opening balance sheet (1 January 2012), an amount receivable from the vendor of the business shares was shown as 434,5 thousand euro. Inversely, the goodwill applied was reduced by 868 thousand euro. In the year under review, an agreement about settling the amount receivable was made and concluded with one of the two vendors. Thus, another amount receivable was shown amounting to 435 thousand euro on 31 December 2013.

The described adjustments are depicted in the progress in the consolidated balance sheet. A short outline of the adjustments relating to the respective end-of-year items in question is illustrated in the table below.

For the two items stated on the consolidated balance sheet, the corrections made come into effect as shown:

ASSETS				thousand euro	
Consolidated balance sheet as at 1.1.2012		1.1.2012 as reported	Amendments from adjustments according to IAS 8	1.1.2012	
A. I.	2.	Goodwill or company value	10,016	-869	9,147
B. III.	4.	Other current assets	9,169	869	10,038

ASSETS				thousand euro	
Consolidated balance sheet of 31.12.2012		31.12.2012 as reported	Amendments from adjustments according to IAS 8	31.12.2012	
A. I.	2.	Goodwill or company value	10,016	-869	9,147
B. III.	4.	Other current assets	8,160	869	9,029

There have been no effects on the consolidated statement of comprehensive income for the financial year 2012 and the reporting period (1 January 2013 to 30 September 2013). The same applies to the earnings per share.

### Company group

All companies that provide the option of controlling the financial and business policies (subsidiaries) will be included in FP Holding's consolidated financial statement. Subsidiaries will be included in the consolidated financial statements from the time from which FP Holding acquires the option to control. If this option ends, the corresponding companies will separate from the consolidated group.

In comparison with the consolidated financial statements dated 31 December 2012, no changes were made to the make-up of the company Group during the reporting period. The Group share in Mentana-Claimsoft GmbH, Fürstenwalde, Germany, has been increased from 51% to 75.5%. This resulted in an increase of 386 thousand euros in non-controlling interests (negative with regard to Mentana-Claimsoft). This compares with a reduction in the consolidated net result of 651 thousand euros.

In addition to Francotyp-Postalia Holding AG, thirteen (previous year: thirteen) domestic and ten (previous year: ten) foreign subsidiaries are included in the 2013 consolidated financial statements for the FP Group (see the following breakdown).

In addition, there are the following three holdings:

A holding of 49% in FP Data Center Inc. Japan. It was shown under acquisition costs in the consolidated financial statements 2013 (as in the previous year). It is a teleporto data centre without its own personnel. Balancing at equity was not done on account of insensibility (as in the previous year). The financial key data of FP Data Center Inc. Japan were as follows on 31 December 2013: assets: 812 thousand euro (1,035 thousand euro in the previous year), liabilities: 172 thousand euro

(260 thousand euro in the previous year), turnover: 191 thousand euro (previous year: 254 thousand euro), and annual result: 35 thousand euro (previous year: 70 thousand euro). The currency was translated at an average market price for the annual result of 1 euro to 129.65 yen and at a closing rate for the balance sheet ratios of 1 euro to 144.51 yen.

A 99.99% holding in FP Systems India Private Limited, Mumbai, India: as in the previous year, this is shown at acquisition costs in the 2013 consolidated financial statements. The company has not been operational to date. As in the previous year, accounting at equity and/or full consolidation was not performed due to it not being essential. On 31.12.2013 equity was 1 thousand euro compared to 4 thousand euro the previous year. The currency was translated at a closing rate for the equity of 0.01173 euro to 1 Indian rupee.

Francotyp-Postalia Ltd, Dartford, United Kingdom, has a further 100% holding in FP Direct Ltd, Dartford, United Kingdom. As in the previous year, this is shown at original cost in the 2013 consolidated financial statements. The company is not yet in operation and has also not yet issued a financial statement. As in the previous year, accounting at equity and/or full consolidation was not performed, as it was not essential. As at 31 December 2013 the equity was still GBP 1 (EUR 1.20).

The total of the trading results of unconsolidated subsidiaries is around 0.4% of the Group's trading results. The estimated effect of consolidating the companies in the Group's total assets is around 0.3% of the Group's total assets.

## LIST OF SHAREHOLDERS IN ACCORDANCE WITH SECTION 313 HGB

Item number	Company name and place of business	31.12.2013 Holding share in % <sup>1)</sup>
<b>Consolidated company</b>		
1	Francotyp-Postalia Holding AG, Birkenwerder, Germany	
2	Francotyp-Postalia GmbH, Birkenwerder, Germany (abbreviated to: "FP GmbH")	100.00
3	freesort GmbH, Langenfeld, Germany (abbreviated to: "freesort")	100.00
4	internet access GmbH lilibit Berlin Company for Communication and Digital Technology, Berlin, Germany (abbreviated to: "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 (mini GmbH), Birkenwerder, Germany	100.00
12	Francotyp-Postalia Unterstützungseinrichtung GmbH, Birkenwerder, Germany	100.00
13	FP Produktionsgesellschaft mbH, Wittenberge, Germany	100.00
14	Mentana-Claimsoft GmbH, Fürstenwalde, Germany	75.50
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 (abbreviated to: "Ruys B.V.")	100.00
18	Italiana Audion s. r. l, Milan, Italy	100.00
19	Francotyp-Postalia Ltd, Dartford, United Kingdom (abbreviated to: "FP Ltd")	100.00
20	Francotyp-Postalia Inc., Addison, Illinois, USA (abbreviated to: "FP Inc.")	100.00
21	Francotyp-Postalia Canada Inc, Markham, Canada	100.00
22	Francotyp-Postalia Asia Pte Ltd, Singapur	100.00
23	Francotyp-Postalia Sverige AB, Stockholm, Sweden	100.00
24	Francotyp-Postalia France SARL, Rungis, France	100.00
<b>Unconsolidated companies</b>		
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	FP Direct Ltd, Dartford, United Kingdom (held by no. 19)	100.00

1) Including directly and indirectly attributable shares.

## CONSOLIDATION PRINCIPLES

The actual value method follows the principles stated in IFRS 3 (2008). All hidden reserves and liabilities of the acquired company are covered within the framework of the initial consolidation, and all identifiable intangible assets are shown separately. As a consequence, all assets and liabilities are re-stated at fair value. The acquisition costs of the holdings are then offset against the re-stated proportionate share of equity. Amounts beyond this are capitalised as transaction or company value. Incidental acquisition costs in mergers are recognised as expenses.

Accounts receivable and liabilities and / or provision data are eliminated between the consolidated companies. Intragroup sales revenue, other intragroup profits, and the corresponding expenditures are eliminated. Unrealised profits from the intragroup deliveries and services are adjusted against income. Deferred taxes are applied to consolidation processes that are adjusted against income. The amount of taxes corresponds with the recipient group company's average corporate income tax charge.

The applied consolidation methods have not been amended compared with the previous year.

For further accounting principles, we refer to the "Accounting principles" item.

## CURRENCY TRANSLATION

FP Holding's functional currency is the euro (EUR).

Foreign currency transactions in the financial statements for FP Holding and the domestic subsidiaries are translated using the exchange rate at the time of the business transactions. On the accounting date, monetary items are prepared in foreign currency using the closing rate. Each translation difference is recorded as income in the Group's statement of comprehensive income for the Group company in question and shown in the financial result.

The foreign companies owned by the FP Group are independent partial units and prepare their annual financial statements in their respective local currency. Assets and liabilities are translated into euro at the rate in force on the balance sheet date as part of preparing consolidated financial statements. The equity of each

subsidiary whose accounting is not performed in euro is translated at the historical exchange rate. The impact on the currency translation of the equity is recorded in other comprehensive income. The items on the Group's statement of comprehensive income are translated using weighted annual average exchange rates. The differences in currency translation that result from various exchange rates for balance sheet items and for items on the Group's statement of comprehensive income are entered as other comprehensive income. If Group companies withdraw from the Group of consolidated companies, the difference in currency translation in question is reversed as income.

Translation differences from monetary items that represent net investments in foreign business operations are recorded at Group level in accordance with IAS 21.15 in association with IAS 21.32. In the event of a later sale of the respective net investment, the equity amounts in question are entered in the net profit or loss for the period. 808 thousand euro of loans were amortised in 2013.

The following foreign exchange rates are at the basis of the currency translation:

	Closing rate		Average rate	
	31.12.2013	31.12.2012	2013	2012
1 EURO =				
US dollar (USD)	1.3767	1.3185	1.3282	1.2858
Pound sterling (GBP)	0.8331	0.8155	0.8493	0.8112
Canadian Dollar (CAD)	1.4636	1.3116	1.3685	1.2849
Singapore dollar (SGD)	1.7391	1.6110	1.6620	1.6061
Swedish krona (SEK)	8.8262	8.5844	8.6506	8.7077

## ACCOUNTING AND VALUATION PRINCIPLES

When preparing the 2013 consolidated financial statements, the Board of Directors assumed going concern of all companies involved in the consolidated financial statements. As a consequence, the accounting and valuation was performed under the assumption of going concern.

**Turnover** and **other operating income** are recorded if the service has been rendered and / or the goods or products have been delivered; in other words once the risk has been transferred to the customer. Other prerequisites are the probability that the economic benefit will accrue to the Group and that the amount of income can be reliably determined. The sales revenue must be shown less cash discount, allowances, customer bonuses and deductibles. As a basic principle, sales revenue from finance leasing contracts and services is realised throughout the performance period; turnover is realised on a linear basis over the course of the contract's duration for contracts with flat-rate changes, such as Service Agreements.

Revenues and gains from **production orders** are reported, following the percentage of completion method, in accordance with IAS 11. The percentage of completion is determined according to the ratio of costs incurred as at the closing date to current total estimated costs (cost-to-cost method). Losses from production orders are immediately recorded in full in the financial year in which the losses are evident, irrespective of the percentage of completion.

Production orders valued in line with the percentage of completion method are shown under either trade receivables or liabilities, depending on the amount of the advance payments or part payments received. They are valued at production cost plus a pro-rata profit corresponding to the percentage of completion. If cumulative performance (order costs and income) exceeds advance payments in some cases, the production orders are reported as assets under receivables from production orders. Any negative balance remaining after the deduction of the advances is reported in trade payables as a liability from production contracts. Expected losses are covered by write-downs or provisions. They are calculated with due regard for all identifiable risks.

**Benefits** are recorded within the meaning of IAS 20.07, if the underlying conditions for granting them are fulfilled and there is appropriate certainty concerning granting the benefit. Benefits are basically shown under other income. Grants for assets are recorded in such a way that decreases the book value. By contrast, perks for assets are also recorded as income under other income. Provided that they are benefits for self-constructed assets, the benefits reduce internally produced and capitalised assets and the book value equally.

**Interest earnings** are recorded if it is probable that the economic benefit from the company's business that accrues to the Group and the amount of income can be reliably determined. **Interest costs** are recorded on an accrual basis in due consideration of any transaction costs and discounts.

The **transaction or company value** represents the surplus of the acquisition costs of corporate acquisitions over the fair value of the Group's shares in the net assets of the acquired companies on the respective acquisition dates. The respective transaction or company values are subject to impairment tests on at least an annual basis and / or always when it is indicated that the cash-generating unit might be reduced in value. The impairment tests are performed on the cash-generating unit. The respective recoverable amounts are calculated during the test. The higher value between the use value or time less sales costs are used to determine the recoverable amount. A one-off impairing loss recorded for the transaction or company value is made up for in the subsequent reporting intervals.

As per IFRS 3, negative balances from the actual value method are immediately recorded as income in the other operating incomes.

**Intangible assets that have been purchased** are applied with their acquisition costs with due regard to the additional costs. As in the previous year, they are linearly amortised as planned over their economic lifetime of three to six years.

The acquisition costs of **intangible assets acquired within the framework of a merger** correspond to fair value at the time of acquisition. The intangible assets are set

in the following periods with their acquisition and /or manufacturing costs less accumulated amortisations and accumulated impairment losses. Costs for self-created intangible assets are recorded as income in the period in which they occur, with the exception of development costs that can be capitalised. The planned amortisations are made in accordance with the useful lives elicited within the framework of determining the purchase price. Customer relationships or customer lists are amortised accordingly over 15 years.

Capitalised customer relationships are assessed within the framework of purchase price allocations using an income-based approach (residual value method), where the value of the customer relationships is outlined by discounting the cash flows that result from this. The costs associated with generating turnover are deducted from the increased revenue expected from the customer relationships. Tax amortisation benefits from a notional individual acquisition of the customer relationships have been taken into consideration in the calculations.

**Development costs** for self-created intangible assets are capitalised with their manufacturing costs provided that these products can be technically manufactured so that they can be used or sold; the Group intends to accomplish the value and to use or sell it; the FP Group is capable of using and/or selling the intangible asset; the type of economic benefit can be proven; technical and financial resources for accomplishment are available; and expenses that can be attributed during the development phase can be reliably valued. The development costs include all costs that can be directly attributable to the development process. Grants received for development costs are deducted on the assets side. Expenditure is recognised in the income statement in the year in which it is incurred if the conditions for capitalisation are not met. Borrowing costs that can be directly allocated to a development project are capitalised for the period of manufacture as part of the manufacturing costs. The amount of borrowing costs that can be capitalised have been determined by applying a capitalisation rate to the development costs. The capitalisation rate corresponds to the weighted average of the borrowing costs for the loans granted by outside creditors.

In the Group's statement of comprehensive income, the development costs are shown as capitalised own work according to the access to capitalised development costs in the capital assets. Capitalised development costs are

linearly amortised when commercial manufacture of the corresponding products begins for the duration of their expected use, but for a maximum of six years. Costs for self-created intangible assets are recorded as income in the period in which they occur, with the exception of development costs that can be capitalised. An impairment test is performed on an annual basis during the development phase and after capitalisation. Capitalised developments that can no longer be recovered are amortised on an unscheduled basis. Research costs are shown as a current expense as per IAS 38.

The **tangible assets** are reduced at cost and stated at scheduled depreciation due to use. The acquisition costs include the cost price, the additional costs and the subsequent acquisition costs. Cost price reductions are deducted. The manufacturing costs of self-created tangible assets (rented /leased franking machines and supplies) include all individual costs and all overheads that are due in association with the manufacturing process. Financial charges for the manufacturing period are included provided that they are qualified assets. Costs for maintaining and repairing objects in tangible fixed assets are calculated as expenditure. The processing costs of objects in tangible fixed assets are recorded in accordance with the criteria stated in IAS 16.12 et seq. as subsequent manufacturing costs if the future use of the tangible asset is increased through these costs (IAS 16.10). Scheduled linear depreciation is calculated for objects in tangible fixed assets if their use is limited in time. If tangible assets are abandoned, sold or relinquished, the profit or loss from the difference between the sales revenue and the depreciated cost is recorded under the other operating income and /or expenditure.

The scheduled depreciation is essentially based on the following useful lives:

Tangible fixed assets	Useful life
Buildings	15 to 40 years
Technical equipment and machinery	13 to 15 years
Factory and business equipment	4 to 10 years
Leased products	5 years
Investments in finance lease relationships	4 to 15 years

Intangible and tangible assets are reduced in value in accordance with IAS 36 if the recoverable amount, in other words the higher value between the economic life of the asset in question and the fair value less the sales costs, has fallen below the book value. If the recoverable amount for an individual asset cannot be estimated, the recoverable amount for the cash-generating unit to which the asset belongs is estimated. The distinction between the payment methods of cash-generating units is basically made based on the remaining structure of the companies.

The recoverable amount and the book value are then compared at the level of the cash-generating unit. Corresponding attributions are made if the reasons for unscheduled depreciation performed in previous years no longer apply; this does not apply to the transaction or company value.

The **supplies** are valued on the accounting date at the lower amount between the cost price on the one hand and the feasible net realisable value on the other hand. Methods have been used to simplify the valuation in the form of valuing the average price.

The acquisition costs of goods as well as raw materials, consumables and supplies include the acquisition price and the additional costs less reductions in cost price. The manufacturing costs of the finished and unfinished products include the directly attributable individual costs and the overheads that can be attributed to the production process, including appropriate depreciation of production equipment, assuming normal usage. Financial charges for the manufacturing period are not included because there are no qualified 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 acquisition or production costs 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 to put them into their intended condition for use or sale).

**Financial instruments** are contracts resulting in financial assets at one company and in a financial liability or an equity instrument at another. According to IAS 32, financial instruments include primary financial instruments such as trade receivables and payables, as well as financial receivables and financial liabilities. They also include derivative financial instruments used to hedge against risks from changes in the exchange and interest rates.

Financial assets and financial liabilities are recognised in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are generally recognised at the settlement date. **Holdings** are carried at cost. The same applies to the **associated company** FP Data Center Inc, for reasons of immateriality.

**Financial assets** are divided into the following categories: financial assets at fair value through profit and loss, loans and receivables, financial assets available for sale and cash and liquid assets.

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.

When first reported, financial instruments are measured at fair value plus transaction costs where applicable. Amortised costs are determined based on the effective interest rate method.



**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 holdings. **Holdings** are carried at original cost. The same applies to the **associated company** FP Data Center Inc, for reasons of immateriality.

Following the initial valuation, financial assets available for sale are carried at fair value. The fair value corresponds in general to the market or stock exchange value. If there is no active market, the fair value is determined by means of actuarial techniques, e.g. by discounting the estimated future cash flows at the market interest rate or by using recognised option pricing models, and verified by confirmations from the banks that handle the transactions.

Unrealised gains and 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 original cost.

Cash transactions for the sale or purchase of financial assets are first reported at the settlement date. Derivatives are entered in the accounts in accordance with the trading date (date of purchase or sale).

The group of **financial assets held at fair value through profit and loss** includes financial assets and liabilities held for trading, which are classified at their fair value on initial recognition and in subsequent periods. Financial assets are classified as held for trading purposes if they were acquired for the purpose of selling 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. Profits or losses arising from financial assets held for trading are recognised as 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 initial recognition, loans and receivables are recognised at amortised cost less any impairments. All identifiable risks are taken into account by appropriate allowances in the measurement of receivables. Allowances are made to trade receivables on an individual basis if there are objective indications 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 see our comments in Section IV, Subsection 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 allowance amount is the difference between the book value of the receivable and the present value of the estimated future cash flows from the receivable. Gains and losses are recorded in the result for the respective period when loans and receivables are derecognised or impaired, or through the amortisation process.

**Cash and cash equivalents** include all liquid funds, i.e. cash in hand, cheques and bank balances, with original maturities of up to three months. These are reported at the nominal value. Cash reserves that are not readily available are reported separately. Certain credit balances held at banks are pledged as part of managed postage charges.

## Financial liabilities and equity instruments

**Financial liabilities** are divided into the following categories:

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

When first reported, financial instruments are measured at fair value plus transaction costs where 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 at their fair value through profit or loss. After they have been recognised for the first time, interest-bearing loans are measured at amortised cost.

**Financial liabilities at fair value through profit or 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. Profits or losses from financial liabilities that are held for trading are recognised in profit and loss.

**Finance lease liabilities** are recognised at the present value of the leasing instalments.

An **equity instrument** is any contractual agreement that establishes a residual claim to the assets of the Group after the deduction of all liabilities. The subscribed capital was classified as equity, where the costs (net of the resultant income tax benefits) that are directly attributable to the issue of company shares are deducted from the equity capital.

**Capital reserves** include premiums paid into equity by shareholders. Expenses, incurred as a direct result of issuing new shares in the course of the previous Initial Public Offering (IPO) of FP Holding, have been accounted for as a deduction from capital reserves in accordance with IAS 32.35.

The **stock option reserve** shows amounts recognised from the 2010 stock option plan under personnel costs. 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 **capital redemption**, this is deducted directly from equity. The purchase and sale, as well as the 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 principles. This procedure not only takes account of the pensions and vested entitlements that exist on the reporting date, but also of future increases in pensions and salaries by making estimates of the relevant influencing factors. These retirement benefits earned in exchange for work completed are discounted at the effective interest rate at the end of the period. The fair value of plan assets is deducted from the projected value of pension obligations. This results in the net debt from pension obligations, to be reported as a provision.

Actuarial reports by qualified assessors for each reporting date are taken as a basis for determining the net debt.

The interest rate is determined by reference to yields of the highest-rated fixed-interest industry bonds on the reporting date. To select the underlying bonds, currencies and terms are taken into account, which correspond to the currencies and estimated terms of the pension obligations.

The net interest cost for the period is calculated based on the net debt at the start of the period and the underlying interest rate at the start of the period. These expenses are reported under interest expenses.

The 'new valuation components' encompass the actuarial gains and losses from the valuation of the pension obligation and the difference between the typed assumed yield from the plan assets at the start of the period and the actual yield realised from the plan assets. All effects of the new valuation components are recorded in other comprehensive income.

The service cost (as the third component of the net pension cost, alongside net interest and new valuation components) comprises both the current and the post-calculated service cost, as well as effects from settling pension plans. The post-calculated service cost results from changes in the present value of pension obligations after a plan change or curtailment. The service costs are recorded in the personnel costs in the period that the pension benefit was earned or when the plan change or curtailment or settlement of the plan occurs.

Contributions made as part of contribution plans are expenses for the period in which the benefits in question are provided. Joint plans with other employers that have defined benefit plans and where there is also insufficient information regarding the pension obligations and plan assets incurred by us are treated as contribution plans.

**Provisions and other provisions** are made for uncertain obligations to third parties, the occurrence of which would probably lead to an outflow of resources, if the amount of the necessary provision can be reliably estimated. Provisions are stated at the amount required to settle the obligation discounted to the reporting date, where the interest rate is intangible. The amount required to settle the obligation also includes the expected price and cost increases. Discounting is based on interest rates before taxes, which reflect the current market expectations regarding the interest rate effect and the risks which are specific to the liability. It is contingent on the corresponding duration of the obligation. The interest portion of additions to provisions is reported under net financial income.

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 records 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.

Provisions for phased early retirement are valued at the present value of outstanding obligations and supplementary amounts. The provision was netted 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.

A provision for restructuring measures is recognised if the Group has drawn up a detailed formal restructuring plan that creates a valid expectation on the part of those affected that the restructuring measures will be carried out by starting the implementation of the plan or by announcing its essential features to those affected. Only the direct expenses for the restructuring are considered for the evaluation of restructuring provisions. This includes only those amounts necessitated by the restructuring and are not related to the continuing business operations of the company.

The Group carries 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 line with the projected unit credit method prescribed by IAS 19 in line with single premium for additional obligations accruing annually, taking account of projected trends.

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

**Tax liabilities** encompass obligations arising from current income taxes. Deferred taxes are presented in separate items of the balance sheet and the consolidated statement of comprehensive income and expenses.

**Liabilities** for trade tax and corporation tax or similar taxes on income are determined on the basis of the taxable income of the affected companies less any pre-payments made. Other taxes to be assessed are considered appropriately.

Current tax assets and liabilities for current and previous periods are calculated at the amount expected for a reimbursement from the tax authorities or a payment to the tax authorities. The amount is calculated 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 as per 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 values 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 carried forward 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 be effective 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.

**Contingent liabilities** are possible obligations which are based on past events, and their existence is only confirmed by the occurrence of one or more uncertain future events beyond the control of the FP Group. Furthermore, present obligations may be contingent liabilities if the probability of an outflow of resources is not sufficiently likely for the creation of a provision and/or the amount of the obligation cannot be estimated with sufficient reliability. The valuation of the contingent liabilities corresponds to the extent of liability on the reporting date. They are generally not recognised on the balance sheet but explained in the notes.

## ACCOUNTING FOR LEASES IN WHICH FRANCOTYP-POSTALIA IS THE LESSOR

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

With 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 substantial opportunities and risks arising from use are on the lessee's part. In the case of a finance lease, a receivable is then capitalised at 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 reduces the amount of the receivable without affecting profit or loss. The interest component is recognised in profit and loss. 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 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 ownerships is retained with these types of contracts.

Both new and used machines are leased under finance leases.

## ACCOUNTING FOR LEASES IN WHICH FRANCOTYP-POSTALIA IS THE LESSEE

The economic ownership of the printers, photocopiers and franking, sorting and inserting machines used by freesort GmbH is sometimes assigned to freesort GmbH. This therefore meets the conditions for lessees under **finance leases**. The leased assets are reported as assets in finance leases under non-current assets. A leased asset is initially recognised 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 sometimes refinanced by way of sale-and-lease-back contracts. FP concluded hire-purchase contracts to this end, which provide for repurchase at an agreed date and at a pre-defined repurchase price. This equipment is reported as assets under finance leases. The corresponding liabilities are recognised and broken down on the basis of maturities.

**Operating leases** are in place for some items of property, vehicles and office equipment. The contractual leasing periods 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 lease contracts and the lease instalments are recognised as expenses.

## DISCRETION AND ESTIMATES

### Assumptions

The preparation of the Group's 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 areas 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 related to 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. These criteria are not conclusive, however, and are more of a guideline. There is sometimes room for considerable discretion in the assessment.

On 31 December 2013, assets in finance leases were reported with book values of 7,509 thousand euro (previous year: 5,929 thousand euro) were reported, as well as finance lease receivables of 1,990 thousand euro (previous year: 2,735 thousand euro) and finance lease liabilities of 5,267 thousand euro (previous year: 4,202 thousand euro).

As at the reporting date, there are still operating lease liabilities of 27,670 thousand euro (previous year: 20,601 thousand euro).

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 future inflows or outflows of economic benefits in connection with compliance with the grant conditions. In addition, please refer to our comments in Section III, Subsection 2.

## ASSUMPTIONS AND UNCERTAINTY OF ESTIMATES

Preparing consolidated financial statements requires a certain degree assumptions and estimates to be made; these will affect the amount and presentation of assets and liabilities in the balance sheet as well as income and expenses for the reporting period. These assumptions and estimates are based on current knowledge. In particular, expected future business performance is based on the conditions present at the time of preparation of the consolidated financial statements, and realistic expectations for the future global and sector environment.

The actual amounts may vary from the estimates that were originally expected; this is due to changes in the underlying conditions that diverge from these assumptions and are outside the management's control. If the actual developments differ from expected developments, the premises and, if necessary, the book values of the assets and liabilities concerned are adjusted accordingly.

The main forward-looking assumptions and other significant sources of uncertainty of estimates 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's assumption that technical feasibility and commercial viability are demonstrable; this is usually the case when a development project has reached a defined milestone in a current project. For the purpose of assessing impairment on the amount capitalised, the management makes assumptions as to the amount of cash flows expected from the assets, the applicable discount rates and the period over which the cash flows expected to be generated in future will be received.

Included in the consolidated balance sheet as at 31 December 2013 are capitalised development costs for internally generated intangible assets in the amount of 11,723 thousand euro (previous year: 11,840 thousand euro) and 7,131 thousand euro (previous year: 6,135 thousand euro) for development projects in progress. In the year

under review, development costs totalled 8,989 thousand euro (previous year: 10,362 thousand euro) of which 4,165 thousand euro (previous year: 5,147 thousand euro) were capitalised.

### Reassessment of intangible assets in the reporting of mergers

Estimates are necessary for the reassessment of intangible assets when presenting mergers in accordance with IFRS 3 (2008). As part of purchase price allocations, intangible assets are to be identified in 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 assess a potential impairment of goodwill, it is necessary to determine the use value of the assets or the fair value of the cash-generating unit.

A check is performed here as to whether the book value is above the recoverable amount. In this context, the recoverable amount is defined as the higher of the fair value less costs of disposal and the value in use. The difference between the book value 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 of disposal requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate for the calculation of present value.

The book value of the goodwill as at the reporting date was 9,147 thousand euro (previous year: 9,147 thousand euro).

### Deferred tax assets

Deferred tax assets are recognised for all unutilised tax loss and interest carryforwards; within this it is likely that it will be possible to use these loss carryforwards against future taxable income. When calculating the amount of deferred tax assets, management has to exercise significant discretion regarding the expected timing and amount of future taxable income as well as future tax planning strategies.

As at 31 December 2013 the book value of the deferred tax assets on unutilised tax loss and interest carryforwards was 5,429 thousand euro (previous year: 5,889 thousand euro).

In 2009 Francotyp-Postalia commissioned a study on international Group transfer pricing. As a first result of this study, transfer prices for 2009 have been adjusted. Starting from the financial year 2010, price lists that have been revised accordingly have been applied.

In 2010, external audits relating to income taxes for the years from 2005 to 2008 were ordered for several German FP Group companies. The audits commenced in the 2011 reporting year and were completed with reports on 16 January 2013. The audits led to significant corrections to the transfer prices for goods deliveries by the legal entity FP GmbH to its foreign sales subsidiaries. The additional taxes were determined in 2013 and paid in part or carried as liabilities, along with the accrued interest, with respect to FP Holding AG on 31 December 2013. As at 31 December 2013, the income tax in the consolidated financial statements for FP Holding AG for the audited years was 896 thousand euro (previous year: 1,111 thousand euros) plus interest on arrears of 287 thousand euros (previous year: 289 thousand euro). The reduction in provisions relative to the previous year results from the payments made in 2013.

An appeal was lodged against the decisions in question. In addition, due to the transfer pricing corrections, FP GmbH applied for the initiation of mutual agreement procedures in accordance with the Double Taxation Agreement and the EU Arbitration Convention between the Federal Republic of Germany and the UK, the US, Austria, the Netherlands and Belgium.

Francotyp-Postalia had already changed its transfer pricing system to a transactional net margin method (TNMM) in the preliminary stages of the audits mentioned, with effect from the financial year 2009. Sales contracts were revised accordingly, and in December annual transfer prices were adjusted to within the interquartile range for comparable sales companies. This procedure is in line with the transfer pricing study conducted by the auditors Deloitte for the years 2005 to 2008.

In the course of a review into the years 2009 to 2012, it was noted in 2012 that some of the final EBIT margins for the foreign sales subsidiaries are outside the range of the third-party EBIT margins despite the adjustment of the transfer prices as per contract. This is due in particular to the fact that, while the transfer price adjustments had full impact on income in Germany, they had, in some cases, no impact on the profit or loss in the period in question for the foreign companies (in particular the capitalisation of leasing assets) in accordance with local accounting standards and only resulted in higher impairment losses in subsequent periods.

The transfer price adjustments should, in the view of Francotyp-Postalia, be fully taken into account in a way that affects net income for the review of the EBIT margins of the subsidiaries in the framework of TNMM – as is the case in the BP period of 2005 to 2008. Accounting, which does not necessarily affect net income, would otherwise result in excessive transfer price corrections, which were otherwise not taken into account by the parties. Francotyp-Postalia, however, has now once again used the results of the review as an opportunity to analyse the system of transfer price determination, taking into con-

sideration the deviating accounting outside Germany. Where necessary, the transfer price determinations or agreements will need to be adjusted with the foreign subsidiaries in such a way that the deviating accounting of the transfer price adjustments can be better recorded in future both within Germany and abroad.

The need for adjustment determined by FP in the course of the inspection for 2009 to 2012 is 3.8 million euro. Due to the profit situation of the group of entities of FP Holding AG and sufficient losses carried forward, the income correction resulted only in an insignificant additional fiscal charge for these years.

Due to the tax demands to be expected from the adjustment effects for the year following the audit abroad, as a result of the mutual agreement procedure and arbitration cited above, current tax demands in the amount of the deferred tax assets triggered – due to the transfer price correction as well as the expected back taxes – were activated in Germany in the consolidated financial statement of Francotyp-Postalia Holding AG up to 31 December 2013. As at 31 December 2013, tax demands totaling 6,689 thousand euro were reported (previous year: 6,689 thousand euro). There is still uncertainty over the amount and time of realisation, which may result from the requested mutual agreement and arbitration procedure between Germany and the tax authorities abroad.

In 2013, corporation and commercial tax losses carried forward of 2,465 thousand euro were recorded. (previous year: 1,148 thousand euro), and 3,223 thousand euro (previous year: 1,854 thousand euro) for accounting with positive fiscal results in 2013. In accordance with current fiscal planning, which, analogously to the previous year, has been deduced from the company planning (medium-term planning), the fiscal losses and interest carried forward, for which the active deferred taxes have been used, will be used within the next five years. The continued successful market positioning of the PostBase product range underlies this use of the losses and interest carried forward as a key assumption.



## Pensions and other post-employment benefits

Liabilities for pension and other post-employment benefits and related expenses are calculated using actuarial valuation. The actuarial valuation is made based on assumptions about interest rates, future wage and salary increases, mortality rates and future pension increases. Given the long-term nature of these plans, these estimates are subject to considerable variation. Provisions for pensions and similar obligations came to 14,089 thousand euro as at 31 December 2013 (previous year: 14,631 thousand euro). The revaluation of net debt for defined-benefit pension commitments is recognised in Other comprehensive income. See also Section III, Subsection 18.

## Provisions

Provisions for anticipated losses from orders for warranties and provisions for lawsuits is contingent on estimates of the management to a large extent.

FP Holding makes provision for anticipated losses from orders, if the current total estimated costs exceed the expected sales revenues from that particular contract. These estimates may vary as a result of new information.

FP Holding makes provision for lawsuits, if it is likely that a liability has been incurred in these proceedings that is likely to result in future outflow of resources and if a reliable estimate can be made of the amount. Lawsuits are often based on complex legal issues, which is why they are associated with considerable uncertainty. Accordingly, the management exercises considerable discretion in assessing whether there is a present obligation as a result of a past event on the balance sheet date, whether a future outflow of resources is likely and a reliable estimate of the obligation can be made. FP Holding also assesses the current status of the lawsuit on a regular basis using the services of outside counsel. The assessment may be changed on the basis of

new information. It may become necessary to adjust the amount of provision for an ongoing lawsuit because of new developments in the future. Changes in estimates and premises over time may have a significant impact on earnings. Depending on the outcome of a lawsuit, the FP Holding may earn profits or incur expenses from previous provisions made that were too high or too low.

In the financial year 2013, earnings accrued from the reversal of provisions in the HR department (provisions for bonuses, gratuities, anniversaries, social security) came to 72 thousand euro (previous year: 301 thousand euro) and 36 thousand euro (previous year: 326 thousand euro) for restructuring.

A provision for restructuring measures is recognised if the Group has drawn up a detailed formal restructuring plan that creates a valid expectation on the part of those affected that the restructuring measures will be carried out by starting the implementation of the plan or by announcing its essential features to those affected. Only the direct expenses for the restructuring are considered for the evaluation of restructuring provisions. This includes only those amounts necessitated by the restructuring and are not related to the continuing business operations of the company.

In 2013, provisions of 92 thousand euro (previous year: 506 thousand euro) (book value on 31 December 2013: 1,077 thousand euro; book value on 31 December 2012: 2,900 thousand euro) were allocated. These include a provision of 174 thousand euro (previous year: 1,221 thousand euro) for the fixed redundancy plan and of 868 thousand euro (previous year: 1,645 thousand euro). The major part of the cash flow refers to the first quarter of 2013.

## Determination of fair value

A number of accounting methods and company data require the determination of the fair values for financial and non-financial assets and liabilities. The Group has stipulated a control framework concept for the determination of fair values. This includes a valuation team led by the departmental head of finance, accounting and controlling, which has general responsibility for supervising all significant methods to estimate the fair value including the fair values and directly reports to the Chief Financial Officer.

The valuation team regularly checks the significant unobservable inputs and makes adjustments. If information from third parties, for instance, price quotations from brokers or pricing services are used to estimate the fair value, the valuation team checks the evidence obtained from third parties to conclude that such estimations meet the IFRS requirements, including the level in the fair value hierarchy in which these estimations are classified. Level in the fair-value hierarchy in which the valuations are to be assigned. Important points in the estimation are reported to the Chief Financial Officer.

The Group uses observable market data as far as possible to determine the fair value of an asset or a debt. Based on the input factors used in the valuation techniques, the fair values are classified into different levels in the fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: valuation parameters other than the quoted prices considered in level 1, but that are observable either directly (i.e. as price) or indirectly (i.e. derived from prices) for the asset or the liability.
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

If the input factors used to measure the fair value of an asset or liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety to the level of the fair value hierarchy that corresponds to the lowest level input that is significant for the measurement in its entirety.

The Group recognises the regrouping between the different levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

More information on assumptions in the measurement of fair values can be found in the following notes:

- Note Section IV, Subsection 17 – Contingent capital increase and stock option plan 2010
- Note Section IV, Subsection 22 – Financial instruments

## II. SEGMENT REPORTING

Segment reporting is based on the rules of IFRS 8. In accordance with this rule, operating segments are defined on the basis of internal management of Group segments whose operating results are regularly reviewed by the chief operating decision-makers of the company for the allocation of resources to this segment and the assessment of its performance.

Francotyp-Postalia is divided into four segments: **Production**, **Sales Germany**, **Sales International** and **Central Functions**. Reporting on segments is carried out according to local accounting standards. The total segment earnings obtained by adding up figures from financial statements compiled according to local regulations therefore also contain intra-segment figures and interim profits. The adjusting entries according to IFRS as well as the consolidation entries are therefore shown in the reconciliation to the consolidated financial statements or in the reconciliation column. The consolidation entries refer to business transactions within the segments and between the segments.

The **Production** segment essentially comprises traditional product business from the development, manufacturing and sales of franking machines in particular, but also from folder-inserter machines and after-sales business to international business partners. This segment also includes central corporate departments such as purchasing, corporate management and parts of accounting and the management of the international dealer network. There was only one production facility in Wittenberge in the reporting year.

The **Sales Germany** segment bundles and strategically deploys the domestic sales staff under the name "FP Your Mail Management Company". This segment is intended to enhance synergies, and to develop and provide access to customer potential of the individual companies to the best possible effect.

The **Sales International** segment manages global sales of franking and folder-inserter machines through its own subsidiaries in key markets.

The **Central Functions** segment comprises Francotyp-Postalia Holding AG (financial statements compiled according to local regulations), the FP InovoLabs GmbH (financial statements compiled according to local regulations) and the intermediate holding company Francotyp-Postalia International AG (financial statements compiled according to local regulations) that has holdings in the British, Dutch and Italian subsidiaries. Sales revenue was generated in the reporting year from services for other Group companies.

Inter-segment and intra-segment transactions are eliminated and adjustments of local accounting to IFRS shown in the "Group Reconciliation" column. Detailed information about this can be found under the Section "Reconciliation to segment information".

The aforementioned segments are reportable segments as well as business segments.

EBITDA stands for earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets – before profit/loss transfer. Segment assets comprise total assets on the balance sheet, i.e. the aggregate of the total assets of the financial statements compiled according to local regulations after taking profit transfer into consideration. Segment liabilities, on the other hand, are calculated from the total assets on the balance sheet less equity. The investments comprise additions to non-current assets (less financial instruments and deferred taxes) and investment in tangible and intangible assets).

Please refer to the notes on sales revenues in Section III, Subsection 1 for information about products and services, and geographical areas. Francotyp-Postalia does not rely on major customers as defined in IFRS 8.34.

## SEGMENT INFORMATION 2013

thousand euro

	A	B	C	D		Total
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	
Sales revenue	77,227	97,365	72,976	2,206	-80,857	168,918
with external third parties	6,018	92,996	71,243	0	-1,340	168,918
inter/intra-segment revenues	71,209	4,369	1,733	2,206	-79,517	0
EBITDA	6,652	5,775	13,298	-2,384	-1,179	22,162
Depreciations and impairments	1,107	2,595	8,903	20	-825	11,800
Interest income	-662	-688	-507	-798	323	-2,332
of which, expenditure	2,232	966	910	2,662	-3,499	3,271
of which, interest earned	1,570	278	403	1,864	-3,176	939
Other financial result	5,167	152	-4	10,963	-16,494	-215
Tax result	-183	-64	-1,698	-1,105	87	-2,964
Profit and loss transfer	-9,487	-2,351	4	-626	12,460	0
Net result	380	230	2,190	6,030	-3,979	4,851
Segment assets	112,359	82,961	81,269	139,322	-278,510	137,400
Investments	425	888	14,680	10	-1,220	14,782
Segment liabilities	110,820	74,819	63,316	71,588	-209,017	111,526

## SEGMENT INFORMATION 2012 ADJUSTED

thousand euro

	A	B	C	D		Total
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	
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
inter/intra-segment revenues	64,143	4,374	1,980	3,569	-74,066	0
EBITDA	3,659	5,038	13,436	-2,487	-635	19,011
Depreciations and impairments	1,127	2,833	7,942	89	-2,046	9,945
Interest income	-955	-519	-210	-1,198	163	-2,719
of which, expenditure	2,427	1,033	753	3,119	-3,637	3,696
of which, interest earned	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	1,436	-2,107
Profit and loss transfer	-6,903	-2,018	-4	-652	9,577	0
Net result	424	-504	3,104	919	21	3,965
Segment assets	113,088	84,735	94,483	125,788	-281,615	136,479
Investments	1,579	883	10,858	97	1,250	14,666
Segment liabilities	112,058	76,893	75,433	63,955	-213,430	114,908

						thousand euro
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	Total
	A	B	C	D		
2013						
Provisions for restructuring	-1,644	-180	0	0	0	-1,824
Income from the reversal of provisions	110	128	0	21	-259	0
2012						
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

In the transition column, the depreciations include impairment losses of 180 thousand euro (0 thousand euro in the previous year) for customer relationships in Sweden.

## RECONCILIATIONS TO THE SEGMENT INFORMATION

	1.1.-31.12.	
SALES REVENUE	2013	2012
in thousand euro		
Sales revenue of the segments A-C	247,569	236,750
Sales revenue of the central functions segment	2,206	3,570
Effects from the adjustment of finance leases	-1,340	-614
	248,435	239,706
Minus inter-segment sales revenue	79,517	74,066
<b>Sales revenue as per financial statement</b>	<b>168,918</b>	<b>165,640</b>

	1.1.-31.12.	
EBITDA	2013	2012 adjusted
in thousand euro		
EBITDA of the segments A-C	25,725	22,134
EBITDA of the segment central functions	-2,384	-2,487
Effects at the consolidation level	23,341	19,647
Assessment effects from the IFRS transition	-3,532	-3,921
<b>EBITDA Group</b>	<b>2,353</b>	<b>3,285</b>
	22,162	19,011
Depreciations and impairments	-11,800	-9,945
Interest income	-2,332	-2,719
Other financial result	-215	-275
Group earnings before taxes	7,815	6,072
Tax result	-2,964	-2,107
<b>Group earnings</b>	<b>4,851</b>	<b>3,965</b>

	1.1.-31.12.	
DEPRECIATIONS	2013	2012
in thousand euro		
Depreciations of the segments A-C	12,607	11,903
Depreciations of the central functions segment	20	89
Effects from the reassessment of IFRS development costs	3,075	1,829
Effects from the reassessment of IFRS Leasing	-477	-677
Effects from the depreciations of customer relationships	477	296
Effects from the depreciations of software developed in-house	68	68
Effects of adjustment of remaining intangible assets	-825	-790
Remaining effects of revaluation under IFRS	-155	-361
	14,790	12,357
Effects at the consolidation level	-2,990	-2,412
<b>Depreciations as per financial statement</b>	<b>11,800</b>	<b>9,945</b>

	31.12.	
ASSETS	2013	2012
in thousand euro		
Assets of the segments A-C	276,589	292,306
Assets of the central functions segment	139,322	125,788
Capitalisation of development costs under IFRS	17,817	17,150
Effects from the reassessment of goodwill	6,917	6,083
Effects from depreciations of customer relationships	-477	-296
Effects from depreciation of software developed in-house	-68	-68
Remaining transitions to IFRS	4,202	4,642
	444,303	445,605
Effects at the consolidation level (including debt consolidation)	-306,902	-309,559
<b>Assets as per financial statement</b>	<b>137,400</b>	<b>136,046</b>

LIABILITIES	in thousand euro	31.12.2013	31.12.2012
Liabilities of the segments A-C		248,955	264,383
Liabilities of the central functions segment		71,588	63,955
Effects from the adjustment of pension provisions		3,853	2,391
Effects of the adjustment of other provisions		-3,778	-4,541
Remaining transitions to IFRS		12,430	13,295
		<b>333,048</b>	<b>339,483</b>
Effects at the consolidation level (including debt consolidation)		-221,522	-226,681
<b>Liabilities as per financial statement</b>		<b>111,526</b>	<b>112,802</b>

INVESTMENTS	in thousand euro	31.12.2013	31.12.2012
Investments of the segments A-C		15,992	13,319
Investments of the central functions segment		10	97
Effects of revaluation under IFRS		3,478	4,629
		<b>19,479</b>	<b>18,045</b>
Effects at the consolidation level		-4,697	-3,379
<b>Investments as per financial statement</b>		<b>14,782</b>	<b>14,666</b>

ASSETS BY 2013 REGIONS	31.12.2013	Current	Non-current
in thousand euro			
Germany	323,612	157,774	165,838
USA and Canada	39,599	23,782	15,817
Europe (without Germany)	41,989	33,456	8,533
Remaining regions	12,895	12,847	48
	<b>418,095</b>	<b>227,859</b>	<b>190,236</b>
Effects of revaluation under IFRS	28,937		
Effects from depreciations of customer relationships	-477		
Effects from depreciations of software developed in-house	-68		
Effects at the consolidation level (including debt consolidation)	-306,902		
<b>Assets as per financial statement</b>	<b>137,400</b>		

ASSETS BY 2012 REGIONS	31.12.2012	Current	Non-current
in thousand euro			
Germany	323,612	157,774	165,838
USA and Canada	39,599	23,782	15,817
Europe (without Germany)	41,989	33,456	8,533
Remaining regions	12,895	12,847	48
	<b>418,095</b>	<b>227,859</b>	<b>190,236</b>
Effects of revaluation under IFRS	27,873		
Effects from depreciations of customer relationships	-296		
Effects from depreciations of software developed in-house	-68		
Effects at the consolidation level (including debt consolidation)	-309,559		
<b>Assets as per financial statement</b>	<b>136,046</b>		

The goodwill of 9,147 thousand euro (9,147 thousand euro in the previous year – adjusted) shown in the consolidated balance sheet is exclusively assigned to the segment Sales Germany.

Otherwise, we are using the relief options under IFRS 8.33.

The data are based on numbers from the HB-I financial statements (as per local invoicing principles) of the companies included in the consolidated statement.

We refer to Section III. Subsection 1 for a breakdown of sales revenue.

Francotyp-Postalia perceives the sales revenue from business transactions with a very broad customer base. Here, the sales share of every external customer or every group of companies that are to be seen as individual external customers, is under 10% of the sales revenue of Francotyp-Postalia.

### III. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

#### (1) SALES REVENUE

The sales revenue of the FP Group can be broken down as follows:

Thousand euro	2013	2012
Franking	23,614	25,445
Inserting	6,883	6,284
Other	1,563	1,783
Product sales revenue	32,059	33,512
Mail services	42,665	39,100
Service/customer service	25,700	24,917
Equipment hire	22,922	24,355
Consumables	21,117	20,115
Teleporto	11,597	12,226
Software	12,859	11,416
Recurring revenue	136,859	132,128
<b>Total</b>	<b>168,918</b>	<b>165,640</b>

If the sales revenue from consumables is added to the income from product sales, the FP Group achieved earnings of 53,176 thousand euro in 2013 from the sale of goods (as compared with 53,627 thousand euro the previous year). On the other hand, the Group generated income of 115,742 thousand euro (112,013 thousand euro the previous year) from the sale of services (including equipment hire). A total of 1,075 thousand euros (previous year: 0 thousand euros) related to projects under IAS 11.

The regional breakdown of the sales revenue is as follows (revenue is allocated regionally based on the location of the customer):

Thousand euro	2013	2012
Germany	92,050	86,622
USA	33,032	32,934
Europe (excluding Germany and the UK)	23,644	24,333
UK	13,730	15,049
Other	6,463	6,702
<b>Total</b>	<b>168,919</b>	<b>165,640</b>

#### (2) OWN WORK CAPITALISED

Thousand euro	2013	2012
Capitalised development costs	4,165	5,174
Rental machines	5,918	3,971
Investments in finance leases	3,164	2,795
Other	229	188
<b>Total</b>	<b>13,645</b>	<b>12,128</b>

Of the total capitalised development costs, 1,593 thousand euro (2,580 thousand euro the previous year) were allocated to the development of additional PostBase country-specific variants and related components.

Own work capitalised on investments in finance leases refers to products created by the Group and hired out, which were then refinanced.

The capitalised development costs were increased by the withdrawal of contributions as financing for research and development projects of -121 thousand euro (-92 thousand euro the previous year). These contributions had been granted the previous year in support of development projects as co-financing of the eligible costs.

The item Other includes software developments. The previous year, this item referred mainly to machinery to the value of 97 thousand euro.

### (3) OTHER INCOME

Thousand euro	2013	2012
Compensation for damages	740	0
Usage fees	360	256
Bonus credit notes	332	0
Write-off of liabilities	272	0
Value adjustments to accounts receivable / payments received on accounts receivable already written off	197	4
Grants related to expenditure and bonuses	126	156
Book profit from the sale of fixed assets	61	148
Commission income	31	51
Income from the sale of inventory (raw materials, consumables and supplies and operating materials, unfinished goods)	0	523
Other income	357	211
<b>Total</b>	<b>2,475</b>	<b>1,349</b>

Grants related to expenditure and bonuses include subsidies for the employment of people with severe disabilities of 84 thousand euro (146 thousand euro the previous year).

In the reporting period, the FP Group received income from compensation for damages of 153 thousand euro following the conclusion of a lawsuit brought by its subsidiary freesort. In addition, FP Holding AG received income of 587 thousand euro in connection with a claim for damages by a former board member. It is believed that the finding in this case is most likely to be in favour of FP Holding AG. However, if the complaint is upheld, it is also likely that the claim will be paid on the basis of the company's existing D & O liability insurance.

The inventory for the affected product line connected with outsourcing of one product line that was still in possession of the Group (particularly unfinished goods) of 523 thousand euro was sold to the future subcontractor in 2012. No further income was received from here in the year under review.

Income from the reversal of accruals of 122 thousand euro (1,064 thousand euro the previous year) was offset against the respective expense items.

### (4) MATERIAL COSTS

Thousand euro	2013	2012
Cost of raw materials, consumables and supplies	34,157	32,048
Costs for purchased services	43,778	40,505
<b>Total</b>	<b>77,935</b>	<b>72,553</b>

### (5) PERSONNEL COSTS

Thousand euro	2013	2012
Wages and salaries	45,518	44,449
Social security contributions	7,438	7,883
Expenditure on pension schemes and other benefits	1,036	924
<b>Total</b>	<b>53,992</b>	<b>53,256</b>

Expenditure on pension schemes and other benefits includes 161 thousand euro (previous year: 163 thousand euro) in past service costs for performance-oriented pension obligations.

Expenditure of 2,705 thousand euro was recorded for contribution plans in 2013 (3,399 thousand euro in the previous year). This expenditure also includes statutory pension insurance contributions.

In addition, defined benefit plans in which multiple employers are involved are in place in some of our European subsidiaries. Since the related pension funds cannot provide sufficient details on the pension liabilities or the plan assets as far as our subsidiary is concerned, these plans will be treated as contribution-based plans.

All employers within the sector are obliged to make pension provisions of this kind for their employees. The pension commitment of the employees is financed in full by the plan assets of the multi-employer plan. In order to guarantee the financing, the contributions to be paid are defined by the pension institution. These contributions are based on the remuneration of the employees.



The expenses accrued in the year under review for direct-benefit multi-employer plans of 374 thousand euro (405 thousand euro the previous year). Contributions of 380 thousand euro are expected for 2014. According to information provided by the pension fund, the benefit plans continue to show a surplus as in the previous year.

### (6) OTHER EXPENSES

Thousand euro	2013	2012
Rent/leasing	6,498	7,352
Commissions	3,514	4,044
Charges, fees, consultancy expenses	2,106	2,098
Packaging and freight	2,668	3,042
Repairs and maintenance	2,476	2,489
Marketing	2,031	2,389
Communications and postage charges	1,749	1,719
Travel expenses	1,580	1,779
Employee-related costs	1,109	1,462
Valuation of accounts receivable	989	814
Third-party IT services	985	1,243
Contributions to professional organisations	532	540
Guarding and cleaning by third parties	525	496
Costs of monetary transactions	460	491
Office supplies	437	502
Expenses related to the disposal of fixed assets	164	166
Expenses related to the sale of inventory (raw materials, consumables and supplies, unfinished goods)	0	447
Other	2,440	3,042
<b>Total</b>	<b>30,262</b>	<b>34,115</b>

The largest items in the other expenses were, in the reporting year 2013, vehicle costs of 702 thousand euro (previous year: 532 thousand euro), entertainment expenses of 412 thousand euro (previous year: 351 thousand euro), expenses for IP rights and licenses of 406 thousand euro (previous year: 386 thousand euro) and expenses for insurance at 399 thousand euro (previous year: 419 thousand euro).

### (7) FINANCIAL RESULT

Thousand euro	2013	2012 adjusted
Other interest receivable and similar income	939	977
of which from finance leasing	505	529
of which from bank balances	334	381
of which from third parties	100	67
Interest and similar expenses	3,271	3,696
of which from bank liabilities	2,078	2,361
of which interest as net liabilities for pension obligations	426	534
of which from finance leasing	357	117
Other	410	684
Interest income	-2,332	-2,719
<b>Other financial income</b>	<b>1,111</b>	<b>679</b>
<b>Other financial expenses</b>	<b>1,326</b>	<b>954</b>
<b>Total</b>	<b>-2,547</b>	<b>-2,994</b>

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

The interest payable includes expenses related to derivatives of 113 thousand euro (previous year: 201 thousand euro).

### (8) TAXES

The tax result is as follows:

Thousand euro	2013	2012 adjusted
Current tax expenditure (tax yield in the previous year)	1,477	-298
of which related to other periods	-40	-1,568
of which taxes related to the current period	1,517	1,270
Deferred tax expenditure	1,487	2,405
of which related to other periods	-135	992
of which deferred taxes for the current period	1,622	1,413
<b>Tax expense</b>	<b>2,964</b>	<b>2,107</b>

Deferred taxes were measured using the tax rates and regulations that were valid or announced by the reporting date. The combined profit tax rate from corporation tax, the solidarity surcharge and the local business tax was used for German capital companies. The German tax rates were between 27.13% and 29.13% (previous year: between 27.13% and 30.18%). Country-specific tax rates of between 17.0% and 38.35% (previous year: between 17.0% to 38.11%) were calculated for foreign companies.

Of the deferred tax expenditure, 1,027 thousand euro (previous year: 1,346 thousand euro) can be attributed to the change in temporary differences and 460 thousand euro (previous year: 1,057 thousand euro) to the change in deferred capitalised taxes for loss and interest carryforwards. The expense recognised directly in equity from the change in deferred taxes was 79 thousand euro (previous year: -584 thousand euro) in 2013.

The book value of the recognised deferred tax assets for unused tax loss and interest carryforwards is 5,429 thousand euro as of reporting date (previous year: 5,889 thousand euro). The deferred capitalised taxes for loss carryforwards are based on the expectation that the loss carryforwards can be offset against future taxable profits. A maximum period of five years was taken as the planning horizon.

An amount of 1,057 thousand euro (previous year: 3,601 thousand euro) is recognised as surplus of deferred taxes over deferred tax liabilities for companies that have incurred losses in the current period or previous period. The surplus of deferred tax assets is likely to be realised as planned through profits from current business and from restructuring in subsequent years.

Please refer to our comments in "Assumptions and estimates of the management" in Section I. for the uncertainties involved in estimates associated with the capitalisation of deferred taxes for loss carryforwards.

No deferred tax assets have been recognised for loss carryforwards and deductible temporary differences of 1,044 thousand euro (previous year: 1,167 thousand euro). The loss carryforwards which are the basis for non-capitalised deferred tax assets and deductible temporary differences total 2,662 thousand euro (previous year: 1,651 thousand euro) and 1,016 thousand euros (previous year: 4,148 thousand euro) respectively.

As a rule, deferred taxes must be calculated for the difference between the share of equity of subsidiaries recognised in the consolidated balance sheet and the corresponding holdings for tax purposes, for instance through retained earnings. Deferred tax liabilities have not been recognised on temporary differences of 327 thousand euro (previous year: 527 thousand euro), as a realisation is not planned at present. In the event of a sale or pay-out, 5% of profits from the sale or the dividend are subject to taxation in Germany.

The income tax expense of 2,964 thousand euro according to the income statement (previous year: 2,107 thousand euro) is offset by an expected income tax expense of 2,194 thousand euro (previous year: 1,705 thousand euro) that would result if the Group income tax rate is applied to the consolidated earnings before taxes. The tax rate of 28.08% for the major companies of the Group in Germany was used as the Group income tax rate.

Thousand euro	2013	2012 adjusted
Group result before income taxes	7,815	6,072
Expected tax expenditure (28.08%; previous year: 28.08%)	2,194	1,705
Tax rate differential	265	240
Tax effect of non-deductible expenses and tax-free income	577	456
Income taxes for previous years	-40	-1,568
Change in recognition or non- recognition of active deferred taxes on losses carried forward and deductible temporary differences	-135	1,493
Other deviations	103	-219
Actual tax expenditure	2,964	2,107
<b>Tax burden in %</b>	<b>37.9</b>	<b>34.7</b>

## (9) EARNINGS PER SHARE

On 20 November 2007, the Management Board of Francotyp-Postalia Holding AG decided to implement a programme to repurchase shares in the company, based on the authorisation resolved by the Annual General Meeting of the company on 16 October 2006. A total of 370,444 shares were repurchased.

Calculation of the earnings per share was based on the weighted average number of shares circulating during the reporting period, and the consolidated earnings attributable to the shareholders of FP Holding. The number of shares has therefore been adjusted for the repurchased shares in accordance with IAS 33.20. Moreover, the 2010 stock option programme must be taken into consideration when calculating the average number of shares circulating.

The weighted average number of shares for the financial year 2013 is therefore 15,789,556 shares (undiluted) and 15,920,729 shares (diluted). There was no dilution in the previous year. The weighted average number of shares was therefore 15,458,463 shares (undiluted and diluted).

The weighted average number of undiluted and diluted shares was broken down as follows:

	2013	2012
Ordinary shares issued as at 1.1.	16,160,000	14,700,000
Effect of own shares	-370,444	-370,444
Effect of shares issued in March 2012	0	1,128,907
Weighted average ordinary shares (undiluted) as at 31.12.	15,789,556	15,458,463
Effect of issued stock options	131,173	0
Weighted average ordinary shares (diluted) as at 31.12.	15,920,729	15,458,463

With consolidated earnings (attributable to the shareholders of FP Holding) of 4,932 thousand euro (previous year: 4,124 thousand euro), the earnings per share (undiluted and diluted) was 0.31 euro (previous year: 0.27 euro).

## IV. NOTES TO THE CONSOLIDATED BALANCE SHEET

### (10) FIXED ASSETS

The performance of individual items of fixed assets for the reporting period is shown in the assets analysis, which can be found as an annex in Appendix 1 (Appendix 1a for 2012, and Appendix 1b for 2013). Acquired intangible assets are stated in the balance sheet together with internally generated intangible assets, which relate exclusively to capitalised development costs. These are presented separately in the assets analysis.

The **intangible assets**, with book values of 32,750 thousand euro (previous year: 33,009 thousand euro, adjusted), include, inter alia, acquired intangible assets of 4,749 thousand euro (previous year: 5,887 thousand euro), and development costs for internally generated intangible assets, of 11,723 thousand euro (previous year: 11,840 thousand euro).

Furthermore, development projects which have not yet been completed – with book values of 7,131 thousand euro (previous year: 6,135 thousand euro) – are stated separately as intangible assets.

A purchase price allocation was made as part of the revaluation when the Group was formed in April 2005. This allocation valued the customer lists at Group level at 38,703 thousand euro. When allocating the purchase price for freesort and iab (acquisitions made in 2006), values of 2,670 thousand euro and 1,421 thousand euro were calculated for the respective **customer lists**. When allocating the purchase price for Franco Frankerings Interessenter AB, Stockholm/Sweden, in 2010, the customer relationships were assigned a value of 4,751 thousand euro. The relevant customer relationships have been built up based on contractual agreements, and were not accounted for at the date immediately before acquisition.

As at 31 December 2013, the aforementioned customer relationships have a book value of 2,946 thousand euro (previous year: 3,614 thousand euro), referring exclusively to the customer relationships connected to the acquisition of Franco Frankerings Interessenter AB. The scheduled amortisation of these customer relationships was 283 thousand euro in the financial year 2013 (pre-

vious year: 282 thousand euro). In addition, there was an impairment of 180 thousand euro (previous year: 0 thousand euro). The remaining amortisation period is 11 years and 3 months.

As sales revenue in the financial year 2013 fell significantly short of the previous year's expectations, customer relationships were tested for impairment under IAS 36. The residual value method was applied. Under the residual value method, the present value of the cash flows attributable solely to the asset to be valued is determined. The discount rate for the cash flows is based on the concept of the weighted average cost of capital (WACC) after tax, and is 7.58%. A value of 2,946 thousand euros was calculated for customer relationships.

The **software** acquired as part of the purchase of freesort and iab was recognised at the time of initial consolidation of freesort and iab to have a fair value of 600 thousand euro and 9,238 thousand euro respectively. When purchasing shares in Mentana-Claimsoft AG (Mentana-Claimsoft GmbH since 16 December 2011), the acquired software (technologies) were recognised to have a fair value of 374 thousand euro. Assessment was made using the income capitalisation approach in each instance.

At the balance sheet date on 31 December 2013, the acquired software had a value of 180 thousand euro (previous year: 249 thousand euro), and this value can only be attributed to Mentana-Claimsoft. The software was amortised in 2013 by 68 thousand euro (previous year: 68 thousand euro). The remaining amortisation period is between 2 and 38 months.

In financial year 2013, there were research and development costs of 8,989 thousand euro (previous year: 10,362 thousand euro), of which a total of 4,165 thousand euro (previous year: 5,174 thousand euro) was capitalised. A total of 4,824 thousand euro (previous year: 5,188 thousand euro) was recorded as expenses. Borrowing costs of 266 thousand euro (previous year: 287 thousand euro) were capitalised in the reporting period. An average capitalisation rate of 4.19% (previous year: 4.50%) was applied.

The **goodwill value** of 9,147 thousand euro (previous year: 9,147 thousand euro – adjusted) breaks down to 5,851 thousand euro (unchanged from the previous year) for the cash-generating unit freesort, 2,643 thou-

sand euro (unchanged from the previous year) for the cash-generating unit iab, and 653 thousand euro for the cash-generating unit Mentana-Claimsoft (previous year: 653 thousand euro). The impairment losses accumulated for the stated goodwill value were 12,500 thousand euro for freesort, and 1,275 thousand euro for iab (unchanged from the previous year in each case).

At the date of the balance sheet, the Group determined the recoverable amount of the cash-generating units to which goodwill value was assigned. This was performed in accordance with IAS 36, in the form of impairment tests. The recoverable amount is the higher of the following two values: fair value less cost to sell, or value in use.

When determining the recoverable amount of the respective cash-generating units freesort, iab and Mentana-Claimsoft, the fair value less cost to sell was taken into account, as the management estimated that this value was higher than the respective value in use in each case.

As it was not possible to derive the fair value less cost to sell based on information from active markets, owing to the lack of past transactions, the calculation was made using discounted cash flows (Level 3 Fair Value Hierarchy). The basis for this calculation is provided by cash flow forecasts, which, in turn, are based on the financial plans of the management. The values used for these assumptions are based on external analyses of the postal market, and on management experience. The financial plans primarily consist of performance planning, the balance sheet and cash flow statement. For the first three years, they will be derived in detail on the basis of sales planning, and then extrapolated for the two subsequent planning years using general assumptions. Perpetuity is assumed at freesort, iab and Mentana-Claimsoft from the fifth planning year onwards.

The discount rates were derived in accordance with the requirements of IAS 36, taking into account a growth rate for the cash flow after the end of the five-year planning period. The discount rates are based on the Weighted Average Cost of Capital (WACC).

Calculation of the recoverable amount is initially based on cash flows discounted with capital costs after taxes. The capital costs before taxes were then calculated iteratively.

Costs to sell are included in the calculation of fair value at a general rate.

No impairment was determined as part of the impairment test carried out in 2013 regarding the goodwill value of **freesort**, as the fair value less costs to sell was calculated to be higher than the book value of the assets. The recoverable amount of 21,916 thousand euro, based on the total value of the company, was 10,206 thousand euro greater than the book value (previous year: 2,367 thousand euro). If only 58.6% (previous year: 79.6%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 8.9% (previous year: 9.52%) was used to determine the fair value less costs of freesort. The corresponding rate before taxes was 10.18% (previous year: 12.73%). The cash flows to be generated at freesort after the analysis period of five years are extrapolated on the basis of the fifth planning year, with a growth rate of 1.0% (previous year: 1.0%).

The following basic assumptions used to calculate the fair value less costs of freesort are subject to estimate uncertainty affecting EBIT and, as a result, the cash flow to be discounted and the discount rate:

- Mail volumes: the future performance of cash flow is dependent on the number of customer relationships and the volume of mail processed. Sales growth will range from between 2.0% and 12.3%. The values used are based on an evaluation of market potential and current customer contacts, and show a strongly positive trend. The assumptions are based on the positive trend in the financial year and the planned expansion of distribution activities.
- Gross profit margin: the gross profit margin applied is based on the current realisable values, and management experience. A moderately positive margin trend is expected. EBITDA in % from revenue is expected to grow at a rate ranging from 3.9% and 6.9%.
- Discount rate: assumptions concerning the individual components of WACC and the long-term growth rate.

Overall, the underlying planning is considerably more optimistic compared to last year, due to the development of freesort during the year.

Sensitivity testing of the main calculation parameters provides the following information (ceteris paribus)

31.12.2013

Discount rate	8.9%	14.5%
Impairment	-	0.4 million euro
Fluctuation in planned EBIT	100%	55%
Impairment	-	0.9 million euro
Growth rate	1.0%	-11.0%
Impairment	-	0.2 million euro

31.12.2012

Discount rate	9.5%	12.0%
Impairment	-	0.4 million euro
Fluctuation in planned EBIT	100%	75%
Impairment	-	0.5 million euro
Growth rate	1.0%	-4.0%
Impairment	-	0.5 million euro

No impairment was determined as part of the impairment test carried out in 2013 regarding the goodwill value of **iab**, as the fair value less costs to sell was calculated to be higher than the book value of the assets. The recoverable amount, based on the total value of the company (incl. minority interests of 49%), totalled 7,747 thousand euro was, 1,213 thousand euro greater than the book value (previous year: 354 thousand euro). If only 86.3% (previous year: 95.7%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 10.23% (previous year: 10.78%) was used to determine the fair value less costs. The corresponding rate before taxes was 11.53% (previous year: 14.1%). The cash flows to be generated at iab after the analysis period of five years are extrapolated on the basis of the fifth planning year, with a growth rate of 2.0% (previous year: 2.0%).

The following basic assumptions used to calculate the fair value less costs of iab are subject to estimate uncertainty affecting EBIT and, as a result, the cash flow to be discounted and the discount interest rate:

- Mail volumes: the future performance of cash flow is dependent on the number of customer relationships and the volume of mail processed. Revenue growth from 2014 onwards will range between 7.0% and 12.5%. The values used are based on an evaluation of market potential and current customer contacts, and show a strongly positive trend.
- Gross profit margin: the gross profit margin applied is based on the current realisable values, and management experience. A moderately positive margin trend is expected. EBITDA in % from sales is expected to range between 5.4% and 7.4%.
- Discount interest rate: assumptions concerning the individual components of WACC and the long-term growth rate.

Overall, the underlying planning is somewhat more optimistic compared to last year, due to the development of iab during the year.

Sensitivity testing of the main calculation parameters, based on the goodwill value stated in the consolidated financial statement, provides the following information (ceteris paribus):

### 31.12.2013

Discount interest rate	10.2%	12.0%
Impairment	-	0.4 million euro
Fluctuation in planned EBIT	100%	80%
Impairment	-	0.6 million euro
Growth rate	2.0%	-1.0%
Impairment	-	0.5 million euro

### 31.12.2012

Discount interest rate	10.8%	11.8%
Impairment	-	0.6 million euro
Fluctuation in planned EBIT	100%	90%
Impairment	-	0.5 million euro
Growth rate	2.0%	1.0%
Impairment	-	0.3 million euro

No impairment was determined as part of the impairment test carried out in 2013 regarding the goodwill value of **Mentana-Claimsoft**, as the fair value less costs to sell was calculated to be higher than the book value of the assets. The recoverable amount, based on the total value of the company (incl. minority interests of 24.5%), totalled 15,970 thousand euro was 1,213 thousand euro greater than the book value (previous year: 1,972 thousand euros – adjusted). If only 15.6% (previous year: 60.8%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 14.25% (previous year: 15.75%) was used to determine the fair value less costs. The corresponding rate before taxes was 16.25% (previous year: 19.9%). The cash flows to be generated at Mentana-Claimsoft after the analysis period of five years are extrapolated on the basis of the fifth planning year, with a growth rate of 2.0% (previous year: 2.0%).

The following basic assumptions used to calculate the fair value less costs are subject to estimate uncertainty affecting EBIT and, as a result, the cash flow to be discounted and the discount interest rate:

- Mail volumes: the future performance of cash flow is dependent on the number of customer relationships and the volume of mail processed. Revenue growth from 2014 onwards will range between 22.5% and 156.4%. The values used are based on an evaluation of market potential, and show a positive trend. The assumptions are based specifically on the customer contracts concluded in the financial year.
- Gross profit margin: the gross profit margin applied per transported De-Mail is based upon the values currently expected by the management. They reflect comparative values for physical letters, taking into account the cost advantages for market participants. Strongly increasing margins are expected. EBITDA in % from revenue is expected to range between 16.2% and 42.5%.
- Discount interest rate: assumptions concerning the individual components of WACC and the long-term growth rate.

Overall, the underlying planning is significantly more optimistic compared to last year, due to increased market expectations.

Sensitivity testing of the main calculation parameters, based on the goodwill value stated in the consolidated financial statement, provides the following information (ceteris paribus)

**31.12.2013**

Discount interest rate	14.3%	50.0%
Impairment	-	0.2 million euro
Fluctuation in planned EBIT	100%	10%
Impairment	-	0.9 million euro
Growth rate	2.0%	-99.9%
Impairment	-	0.0 million euro

**31.12.2012 – ADJUSTED**

Discount interest rate	15.8%	25%
Impairment	-	0.5 million euro
Fluctuation in planned EBIT	100%	90%
Impairment	-	0.5 million euro
Growth rate	2.0%	-10%
Impairment	-	0.2 million euro

**Tangible fixed assets** include assets leased with book values of 10,060 thousand euro (previous year: 7,732 thousand euro), and investments from finance leases (where the FP Group is the lessee), with book values of 7,509 thousand euro (previous year: 5,929 thousand euro). In particular, freesort and Francotyp-Postalia Inc. finance sorting plants and leased assets via finance leases.

The manufacturing costs of the tangible fixed assets during the reporting period include capitalised assets of 13,476 thousand euro (previous year: 12,128 thousand euro). Compensation sums of 5 thousand euro were collected from third parties for tangible fixed assets that were impaired, lost or decommissioned (previous year: 1 thousand euro).

We refer here to the notes on securities in Subsection 23 and investment commitments under Subsection 24 of this Section.

## (11) RECEIVABLES FROM FINANCE LEASES

The reconciliation of future minimum lease payments for receivables from finance leases is as follows:

	Thousand euro			
	Total	Residual terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments	2,296	1,246	1,050	0
Interest component	306	251	55	0
Payments for receivables from finance leases (cash value)	1,990	995	995	0

There are no non-guaranteed residual values in favour of the lessor to date. The value of gross investments therefore corresponds to the specified future lease payments, of 2,296 thousand euro (previous year: 3,168 thousand euro), in accordance with IAS 17.7. After discounting of 306 thousand euro (previous year: 433 thousand euro), this results in a net investment of 1,990 thousand euro (previous year: 2,735 thousand euro), corresponding to the unearned financial income as the difference between gross and net investment. To date, there is no allowance for uncollectible minimum lease payments, or income contingent rent payments recognised as income during the 2013 reporting period (the same was true in the previous year).

	Thousand euro			
	Total	Residual terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments	3,168	1,687	1,481	0
Interest component	433	345	88	0
Payments for receivables from finance leases (cash value)	2,735	1,342	1,393	0

The future minimum lease payments from non-cancelable operating lease agreements, which FP receives as the lessor when leasing franking and inserting machines, are as follows:

	Thousand euro			
	Total	Residual terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments from non-cancelable operating lease agreements	42,571	20,309	22,019	243

	Thousand euro			
	Total	Residual terms		
		up to 1 year	1 - 5 years	over 5 years
Future minimum lease payments from non-cancelable operating lease agreements	38,545	19,867	18,217	461

## (12) INVENTORIES

Thousand euro	31.12.2013	31.12.2012
Raw materials, consumables and supplies	3,578	4,584
Unfinished goods	530	760
Finished products and goods	4,712	5,428
<b>Total</b>	<b>8,820</b>	<b>10,772</b>

The impairment of inventories to the net realisable value of 1,727 thousand euro (previous year: 1,302 thousand euro). The item of the consolidated financial statement entitled "Material costs" included the impairments made during the year. Of the total inventory, inventories of 1,688 thousand euro (previous year: 1,342 thousand euro), which will only be realised after more than 12 months, were omitted.



### (13) ACCOUNTS RECEIVABLE

The accounts receivable break down as follows:

Thousand euro	31.12.2013	31.12.2012
Accounts receivable – domestic	7,903	6,563
Accounts receivable – international	9,164	11,085
<b>Total accounts receivable</b>	<b>17,067</b>	<b>17,648</b>

As at 31 December 2013, accounts receivable were reported at a nominal value of 18,791 thousand euro (previous year: 19,539 thousand euro).

The impairment accounts take into account individual impairments, and impairment losses on a portfolio basis. The individual impairments take into account specifically identifiable risks on an individual basis. However, when calculating the impairments on a portfolio basis, a general procedure is applied. This also takes into account the (over-)maturities of receivables.

The development of the impairment accounts is as follows:

	Thousand euro
<b>As at 1.1.2012</b>	<b>2,229</b>
Charged as expenses (impairment loss)	922
Drawdowns	1,260
Reversals	0
<b>As at 31.12.2012</b>	<b>1,891</b>
Foreign currency effects	-60
<b>As at 01.01.2013</b>	<b>1,831</b>
Charged as expenses (impairment loss)	1,362
Drawdowns	1,412
Reversals	59
<b>As at 31.12.2013</b>	<b>1,723</b>

There are no impairment losses for other classes of financial instruments, other than accounts receivable.

Additions to the impairment accounts are recognised under other operating expenses.

As at 31 December 2013 (and at 31 December 2012), the age structure of accounts receivable was as follows:

Thousand euro	Nominal value Total	Of which not overdue	Of which overdue accounts receivable		
			0 to 60 days	61 to 120 days	>121 days
<b>31.12.2013</b>					
Gross book value	18,790	9,832	5,593	2,378	987
Impairment	1,723	196	260	583	684
<b>31.12.2012</b>					
Gross book value	19,539	11,522	4,905	1,407	1,705
Impairment	1,891	105	383	392	1,011

Financial assets which are neither regarded as overdue nor impaired are considered to be recoverable.

#### (14) SECURITIES

The reported securities with a fair value of 680 thousand euro (previous year: 680 thousand euro) include shares in a reinvestment fund, which are held for trading purposes, and which are primarily invested in fixed-income securities, money market instruments and demand deposits. The reported securities have no fixed maturity and no fixed interest rate.

Securities of 590 thousand euro have been pledged for postage from DPAG by means of a guarantee from Commerzbank. This is unchanged from the previous year's financial statement.

#### (15) OTHER CURRENT ASSETS

Thousand euro	31.12.2013	31.12.2012 adjusted
Deferred payments	3,843	3,319
Reimbursement claims from other taxes	258	274
Receivables from related companies	6	6
Other financial assets	5,530	5,430
<b>Total</b>	<b>9,637</b>	<b>9,029</b>

The reimbursement claims from other taxes are 137 thousand euro (previous year: 171 thousand euro) for iab, and 33 thousand euro (previous year: 0 thousand euro) for freesort, and relate to sales tax pre-payments.

The other financial assets are 2,470 thousand euro (previous year: 2,375 thousand euro) for freesort. As at 31 December 2013, these particularly relate to accounts with debit balances (2,300 thousand euro; previous year: 1,750 thousand euro). This item is 1,024 thousand euro for FP Holding AG, primarily relating to receivables in

connection with a claim for damages against a former board member, as well as claims arising from the assertion of the equity guarantee (previous year: 868 thousand euro) from the share purchase of Mentana-Claimsoft GmbH (formerly mentana-claimsoft AG). A further 798 thousand euro (previous year: 1,025 thousand euro) can be attributed to Francotyp-Postalia Ltd, Dartford, United Kingdom, of which 431 thousand euro relates to payments made to Royal Mail. Other financial assets of 88 thousand euros can be attributed to Francotyp-Postalia GmbH, which, as in the previous year, mainly relate to financial aid.

## (16) LIQUID ASSETS

Thousand euro	31.12.2013	31.12.2012
Credit with financial institutions	28,647	25,850
Cheques and cash in hand	343	178
<b>Total</b>	<b>28,990</b>	<b>26,028</b>

Of the credit with financial institutions, 22,990 thousand euro (previous year: 21,088 thousand euro) are subject to limited availability. This sum is related to teleporto funds received from customers, which can be requested by customers at any time. A corresponding amount is reported under Other liabilities.

The performance of cash and cash equivalents is represented in the cash flow statement.

## (17) SHAREHOLDERS' EQUITY

Changes in equity are represented in the statement of changes in equity.

### Components of the consolidated equity

The capital of FP Holding is comprised of the share capital of 16,160 thousand euro and a capital reserve of 35,312 thousand euro (previous year: 35,312 thousand euros) provided by the shareholders. Differences arising as a result of currency conversions for transactions by foreign subsidiaries and deviations between monthly average exchange rates in the consolidated statement

of comprehensive income and the exchange rates as at the balance sheet date are reported under Other income.

The share capital is subdivided into 16,160,000 no-par value bearer shares, each representing a pro rata stake in the profits of the company. Each share represents one vote at the Annual Shareholders' Meeting and guarantees the holder one dividend entitlement. The share capital is fully paid in.

### Capital reserves

All shares of FP Holding were admitted to the official market with the same admission to the sub-segment of the official market with further admission requirements (Prime Standard) for the Frankfurt Stock Exchange on 30 November 2006. The FP Holding generated gross proceeds of 51,300 thousand euro for the IPO from the sale of 2,700,000 shares. The additional payment of the new shareholders of 48,600 thousand euro was allocated to a capital reserve. The expenses of the IPO were a total of 4,603 thousand euro. The expenses were settled in the consolidated statement of 2,892 thousand euro with the capital reserve directly in equity under consideration of the tax effect of 1,711 thousand euro.

A net loss was settled with the capital reserve of 12,527 thousand euro in the year 2012.

On 23 March 2012, the board, with the approval of the Supervisory Board decided to increase the share capital by 1,460 thousand euro against cash contributions by issuing 1,460,000 no-par bearer shares. The issue amount was 2.66 euro per share that helped achieve gross proceeds of 3,884 thousand euro. The additional payment of the new shareholder minus the costs of capital increase under consideration of the tax effect was set to 2,131 thousand euro in the capital reserves.

### Capital authorisation for approved and conditional capital

On 30 June 2011, in the FP Holding shareholders' meeting resolutions, it was decided that approved capital of 7,350 thousand euro be created, the articles of association be amended accordingly, and the share capital be increased conditionally by an amount of up to 6,305 thousand euro through the issue of no-par bearer shares, with a pro rata amount of the share capital of 1.00 euro attributable to every share. Furthermore,

the board has been authorised to issue warrants and convertible debentures with the option to exclude subscription rights in accordance with section 186 para. 3 sent. 4 of the Stock Corporation Act (AktG) and to create a conditional capital and a corresponding amendment.

### Share buy-back programme

On 20 November 2007, the board of Francotyp-Postalia Holding AG decided to execute the share buy-back programme of the company on the basis of the authorising resolution of the shareholders' meeting of the company on 16 October 2006, to be able to purchase companies or holdings in companies with own shares as acquisition currency.

A total of 370,444 shares were purchased in the period from November 2007 to April 2008. These shares were deducted with their purchase cost of 1,829 thousand euro from the equity in the balance sheet in accordance with IAS 32.33 (reserves for treasury shares). No other shares were purchased in the reporting year. On 31 December 2013, the in-house shares correspond to a share of 2.29% (2.29% in the previous year) of the share capital where they had a market value of 1,519 thousand euro (previous year 900 thousand euro) on the closing date. The development of numbers of the shares in circulation can be seen from the following offsetting and reconciliation.

	Number of shares in circulation
Number of no-par value shares	16,160,000
Buy-back of own shares	-370,444
<b>As at 31.12.2012</b>	<b>15,789,556</b>
Number of no-par value shares	16,160,000
Buy-back of own shares	-370,444
<b>As at 31.12.2013</b>	<b>15,789,556</b>

### Resolutions of 2010

The shareholders' meeting on 1 July 2010, has authorised the company up to 30 June 2015, with the approval of the Supervisory Board, to purchase own shares up to a total of 10% of the share capital existing on 1 July 2010. At no point in time, may there be more than 10% of the share capital allotted to the share purchases under this authorisation along with the other own shares that are

in the company's ownership or are to be assigned to it as per sections 71d and 71e of the German Stock Corporation Act (Aktengesetz).

The authorisation may be issued fully or in partial amounts, once or multiple times. The authorisation shall be applicable until 30 June 2015. The shares are purchased either as a purchase via the stock exchange or via a public tender offer, depending on the choice of the Management Board.

The board or – case mentioned under lit. ee) – the Supervisory Board was authorised to use the purchased in-house shares apart from a sale via the stock exchange or via a tender to all shareholders as listed under points aa) to cc). The authorisations can be issued once or multiple times, individually or together, fully or in parts.

(aa) The in-house shares may be withdrawn with the approval of the Supervisory Board without the redemption or their execution requiring another resolution from the shareholders. The redemption leads to capital reduction. The redemption can also be done in a simplified process without capital reduction by adjusting the proportionate amount of the share capital of the remaining shares in accordance with section 8 no. 3 of the Stock Corporation Act (AktG). For this case, the board is authorised to accordingly change the data of the number of shares in the articles of a company.

(bb) With the approval of the Supervisory Board, the in-house shares can be offered to third parties against non-cash benefits, particularly with respect to business combinations or upon purchase of companies or investments in the same. The in-house shares can also be transferred to third parties if the acquisition of the company or holding is in the best interest of the company and if the equivalent to the provided for the in-house shares is not unreasonably low.

(cc) The in-house shares may be issued with the approval of the supervisory council against cash contributions in order to introduce the company shares into foreign stock exchanges where the securities are not yet listed.

dd) With the approval of the Supervisory Board, the in-house shares can be sold against cash if the price at which the shares are sold, is not significantly below (without incidental purchase costs) the price of a share determined on the day of sale by the opening auction

in the electronic Xetra trading (or a similar successor system) of the Deutsche Börse AG in Frankfurt am Main. Overall, the shares issued based on the authorisations under this lit. dd) that were issued in the corresponding application of the section 186 para. 3 sent. 4 of the of the Stock Corporation Act (under exclusion of subscription rights against cash contributions close to the stock price), may not exceed 10% of the share capital at the time of this resolution and its application. This limitation shall apply to the shares that were issued or sold, in direct or corresponding application of this provision during the past 12 months before using this authorisation up until this point.

(ee) The treasury shares may be issued by the Supervisory Board to offer individual members of the board own shares instead of cash payment owed by the company. However, the prerequisite for this is that the price, which is taken as the basis to determine the number of the treasury shares to be transferred in lieu of performance, is not significantly below (without incidental purchase costs) the price of a share determined on the day of tender submission in the electronic Xetra trading (or a similar successor system) of the Deutsche Börse AG in Frankfurt am Main.

(ff) The treasury shares may be issued with the approval of Supervisory Board to use rights that were properly issued and exercised under the stock option plan 2010 of the company. The stock option plan 2010 was received for decision by the shareholders' meeting under Item 8 on the agenda.

The right of the shareholders to the purchase shares is excluded in this respect as these shares are issued in accordance with the aforementioned authorisations under (bb) to (ff).

## Resolutions of 2012

On 23 March 2012, with the approval of the Supervisory Board, the board decided to increase the share capital of FP Holding AG from 14,700,000, divided into 14,700,000 no-par value bearer shares, by 1,460,000 against cash contributions of 16,160,000 euro by issuing 1,460,000 no-par value bearer shares with full dividend rights from 1 January 2012. The legal rights of the shareholders were excluded. The issue amount was EUR 2.66 per share that helped achieve gross proceeds of EUR 3,883,600. The subscription and acquisition of 1,460,000 new, no-par

value bearer shares was done by 3R Investments Ltd, Limassol, Cyprus. The cash contributions plus premium were received in March 2012.

## Conditional capital increase and Stock Option Plan 2010

The following is stated in 1.1. of the stock option plan 2010 of Francotyp-Postalia Holding AG: "The annual general meeting of Francotyp-Postalia Holding AG [...] on 1 July 2010, has decided, (i) to conditionally increase the share capital of the company to the amount of up to 1,045,000 euro by issuing up to 1,045,000 units of no-par bearer shares [...] and (ii) to issue rights to members of the company board, members of the management of affiliated companies with respect to section 15 AktG [...] and to the executives of the FP group, that entitle the holder to receive a maximum total of 1,045,000 shares against payment of the exercise price."

The stock option plan decided with it exclusively provides the compensation in equity capital instruments and mainly by using own shares, subordinated by way of a conditional capital increase.

The purpose of the stock option plan, according to 1.3 of the stock option plan, is "the sustainable link between the interests of corporate management and between the management and the interests of the shareholders for a long-term increase of the company value."

A total of 900,000 stock options were issued as at 1 September 2010. A further 75,000 stock options were allocated on 27 April 2012, and an additional 20,000 stock options on 7 September 2012. On 6 December 2013 a further 57,000 stock options were allocated. According to 2.3 of the stock option plan, an option always has a period of 10 years from the date of allocation. The options are not certified as per 2.4 of the stock option plan of 2010. Additional payments were not to be made during the allocation of options as per 5.5 of the stock option plan 2010. Out of the 900,000 allocated stock options, 180,000 stock options are attributed to both members of the board of Francotyp-Postalia Holding AG.

According to 2.2 of the stock option plan 2010, every individual stock option is authorised to purchase a share of the Francotyp-Postalia Holding AG. The following conditions must be met cumulatively to exercise the options:

#### a) Waiting period

In accordance with 7.1 of the stock option plan from the terms of the stock option plan, unless explicitly stated otherwise, "the waiting time must have expired and the exercise need not be within a [certain] vesting period. [...] The waiting period up to the exercising of options is 4 years." This is a service condition.

#### b) Performance target

7.2 of the stock option plan states: "The performance target must be achieved. The performance target for the issued options is achieved when the EBITDA, as declared in the consolidated statement for the business year for the allocation of option, is increased by 10% toward the EBITDA as declared in the consolidated financial statements for the previous business year before the allocation. [...] If the performance target was not achieved then the options are forfeited." This performance target is a non-market-related service condition.

#### c) Personal prerequisites for exercise

7.3 of the stock option plan states that the option owner has to be employed either by Francotyp-Postalia Holding AG or a domestic or international company of the FP group at the time of exercise.

Following fair values were determined for the options:

		Grant date			
		1.9.2010	27.4.2012	7.9.2012	6.12.2013
<b>31.12.2013</b>					
Single option	EUR	1.37	1.31	1.17	1.85
	Thou- sand euro				
All options		893	71	17	77
<b>31.12.2012</b>					
Single option	EUR	1.37	1.31	1.17	n/a
	Thou- sand euro				
All options		1,067	85	20	n/a

The assessment was done with the help of a Black-Scholes option price model as public trading of options does not exist for Francotyp-Postalia shares with the same features.

The assessment is based on the following.

	Grant date			
	1.9.2010	27.4.2012	7.9.2012	6.12.2013
Price of a FP share	2.55 euro	2.60 euro	2.32 euro	4.10 euro
Exercise price	2.50 euro	2.61 euro	2.34 euro	3.86 euro
Expected exercise date	31.8.2015	26.4.2017	6.9.2017	5.12.2018
Expected volatility	74.48%	70.8%	71.3%	59.9%
Annual dividend yield	2%	2%	2%	2%
Runtime equivalent Risk-free interest rate	1.32%	0.67%	0.60%	0.82%
Number of exercisable share options	780,462	65,039	17,344	39,646

- According to the stock option plan, the exercise price of the granted stock options corresponds to the average market price (closing price) of the no-par bearer shares of Francotyp-Postalia Holding AG in the electronic Xetra trading of the Deutsche Börse AG in Frankfurt am Main or a similar successor system in the past 90 days before 1 September 2010; 27 April 2012; 7 September 2012; or 6 December 2013, in euro,

at least however to the amount attributable to a share in the share capital.

- The options are exercised, on an average, approximately after 5 years (expected average holding period).
- The expected volatility was ascertained under recourse on the rate volatility of a Francotyp-Postalia share shown in the period from 30 November 2006 to 27 August 2010; 28 April 2007 to 27 April 2012; 8 September 2007 to 7 September 2012, or 8 December 2008 to 6 December 2013.
- The pay-out/ dividend policy of the FP Group was considered in the past while estimating the dividend yields.
- The runtime-equivalent risk-free interest rate for the expected option period of 5 years is based on the yield data of 31 August 2010, 27 April 2012, 7 September 2013 or 6 December 2013, where hypothetical zero-coupon bonds have been derived from the running yields of coupon bonds of the Federal Republic of Germany.

The following assumptions were made to determine the number of exercisable stock options at the end of the block period:

- The annual employee fluctuation was estimated at 7.70% (3.50% previous year).
- The probability of the EBITDA growth of over 10% was estimated at 95% (100% previous year).

In case of exercising options, the amount of 2.50 euro (2.61 euro, 2.34 euro or 3.86 euro) per share must be paid by the respective stock owner where there is a specific limit for the members of the board of Francotyp-Postalia Holding AG. Point 9 of the stock option plan states: "The Supervisory Board must provide a maximum total annual remuneration (capping limit) for the board as per the stipulation of point 4.2.3 of the Corporate Governance Code. The corresponding agreement shall be done as part of a supplementary agreement to the service contract for the board members before granting the options."

The following table shows the progress of the share-based remuneration agreement in the reporting year as per IFRS 2.

Options	Number	Average exercise price in euro
As at 31.12.2011	862,500	2.50
Granted in the financial year	95,000	2.55
Forfeited in the financial year	-30,000	2.50
Exercised during the financial year	0	n/a
Expired in the financial year	0	n/a
As at 31.12.2012	927,500	2.51
Bandwidth of the exercise price		2.34-2.61
Average remaining term as on 31.12.2012		34 Months
Exercisable as at 31.12.2012	0	n/a
As at 31.12.2012	927,500	2.51
Granted in the financial year	57,500	3.86
Forfeited in the financial year	-65,000	2.50
Exercised during the financial year	0	n/a
Expired in the financial year	0	n/a
As at 31.12.2013	920,000	2.59
Bandwidth of the exercise price		2.34-3.86
Average remaining term as on 31.12.2013		25 Months
Exercisable as at 31.12.2013	0	n/a

Resulting from the stock option plan, 145 thousand euro (previous year 290 thousand euro) were recorded as staff expenses with a counter entry directly in equity (Stock Options Reserve) as at 31 December 2013.

### Other comprehensive income

Companies that do not belong to the eurozone are also included in the consolidated statement of 2013. As the euro is the functional currency of the FP Group, the financial statements of the concerned subsidiaries are converted to euro as part of the consolidated financial statements. Translation-related effects that arise when the value of the net asset positions translated to euro changes due to the exchange rate fluctuations, are reported in other comprehensive income.

Translation differences from monetary items which are part of net investment in a foreign business operation are recognised in Other comprehensive income or in reserves for net investment in foreign business operations. The translation differences include long-term loans to FP Canada and FP Sweden.

The net translation adjustments that are entered in the comprehensive income are as follows.

Thousand euro	2013	2012
Balance at the start of the reporting period	-459	26
Translation differences in reporting period	-764	-485
<b>Balance as at 31.12.</b>	<b>-1,223</b>	<b>-459</b>

In connection with the revaluation of direct-benefit pension commitments, Other comprehensive income increased by 385 thousand euro in the reporting year. This is a decrease of 2,080 thousand euros compared with the same period in the previous year. The amounts are correspondingly recognised in the reserve for revaluation of direct-benefit pension commitments. We refer also to Section III, Subsection 18.

Overall, this means that other cumulated shareholders' equity includes amounts from currency translation, net investment in foreign business operations and revaluation of direct-benefit pension commitments.

### Net investments in foreign business operations

FP GmbH has provided significant funds to its Canadian subsidiary to purchase new machines after a de-certification and provide them to their customers. This represents a net investment in a (Canadian) business operation whose development is neither planned nor likely in a foreseeable period. The currency difference resulting from the conversion after deferred taxes to the net amount of -545 thousand euro (previous year -14 thousand euro) is entered in the other comprehensive income in accordance with IAS 21.32 f.

FP GmbH has re-financed Francotyp-Postalia Sverige AB as part of the acquisition of shares of Franco Frankerings Intressenter AB (formerly: Carl Lamm Personal AB) to a large extent. As a repayment of the affected resources by Francotyp-Postalia Sverige AB to FB GmbH is not to be expected in the near future, the re-financing of Francotyp-Postalia Sverige AB is seen as a net investment in a (Swedish) business operation. The currency difference resulting from the conversion after deferred taxes to the net amount of -46 thousand euro (previous year 66 thousand euro) is entered in other comprehensive income in accordance with IAS 21.32 f.

### Non-controlling interests

The non-controlling interests include adjustment items for minority interests of external shareholders in the capital requiring consolidation from the capital consolidation and for their share in profit and loss. The non-controlling interests of 764 thousand euro (previous year 492 thousand euro) are accounted within the Group, separately from the equity of the parent company in accordance with IAS 27.33 and are allocated to remaining shareholders of iab and Mentana-Claimsoft.

### Pay-out of a dividend

There was no dividend pay-out in the reporting year 2013. The Management Board shall propose to the Supervisory Board and put forward the recommendation to use the profit of 6,937,894.40 euro as follows, in the annual general meeting of 2014:

Euro		
Pay-out	of 0.08 euro dividend per dividend-entitled share	1,263,164.48
Accumulated profit		5,674,729.86
Profit		6,937,894.40

Based on the German Commercial Code, the company earned the following distributable amount for the period ending 31 December 2013:



Euro	
Issued capital	15,789,556.00
Capital reserves	38,496,831.39
Profit	6,937,894.34
Shareholders' equity	61,224,281.79
./. Issued capital	-15,789,556.00
less Capital reserves	-38,496,831.39
./. Pay-out block under section 268 para. 8 HGB	-4,079,769.97
Potentially available for pay-out	2,858,124.43

### (18) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Performance-based benefit commitments are in place for the occupational provision of pensions to employees.

According an employment agreement of 9 July 1996, that affects domestic companies, all staff whose employment relationship began before 1 January 1995, belong to the group of beneficiaries. The benefits services, in the form of pensions, disability and survivor benefits, are granted to staff following the completion of ten years of applicable work. The extent of the pension commitments is based on the duration of employment and employees' remuneration for employment.

Furthermore, even employees paid at above-standard rates have a claim to pensions, disability and survivor benefits, in accordance with the 'Guidelines for the payment of retirement pensions to employees paid at above-standard rates' in the version dated January 1986. The beneficiaries must have been in the employee relationship before 1 January 1994 and have completed at least ten years of service. The extent of the pension commitments is guided by the duration of employment and the employees' remuneration for employment.

Death benefit obligations towards the employees' survivors exist based on the industry-wide tariff agreements for employees and staff as well as the employment agreement of 30 December 1975. The benefits are dependent on the duration of employment and employment remuneration and are granted as a fixed amount.

In addition, there is a legal obligation to institute pension plans at some of our European subsidiary companies. These plans allow for a one-off payment after completion of the working relationship. The amount of the payments is based on the duration of employment and employees' remuneration for employment.

A further performance-orientated pension plan is based on individual agreements and allows for a claim to pension, disability and survivor benefits. The pensions, which have specified amounts, are paid at the discretion of the FP company as a one-off contribution, in three or five annual instalments, or as a lifelong annuity with annually increasing benefits. A fixed monthly payment was also agreed for the disability and survivor benefit. The pensions plan is partly financed by reinsurance policies.

The above-mentioned pension commitments are financed by way of the formation of provisions.

The details of the above-mentioned pension commitments are outlined in summary below.

There are actuarial risks, such as longevity risk and interest-rate fluctuation risks, associated with the performance-based pension commitments.

The reserves for pension obligations are formed based on pension commitments for old age, disability and survivor benefits. The formation of reserves takes place exclusively for performance-based pension commitments in which the company guarantees employees a specified amount of benefit.

The following basic actuarial assumptions are made; these underlie the determination of the projected unit credit of the benefits obligation at the cut-off date.

in percent per year	31.12.2013	31.12.2012
Interest rate	3.21	3.00
Salary trend	3.00	3.00
Pension trend	2.00	2.00

The biometric basis for the calculations, such as mortality and disability, for pensions in Germany, continue to be based on the guidance tables 2005 G by Prof Dr Klaus Heubeck, which are generally accepted for the evaluation of occupational benefits obligations.

The projected unit credit of the benefits obligation, the fair value of the plan assets and the net debt of the benefits obligation have developed in 2013 and 2012 as follows.

Thousand euro	Projected unit credit of the benefits obligation		Fair value of the plan assets		Net debt of the benefits obligation	
	2013	2012 modified*	2013	2012 modified*	2013	2012 modified*
As at 1.1. of the reporting period	14,913	11,900	-283	-253	14,630	11,649
<b>included in profit and loss</b>						
Current past service cost	161	163	-	-	180	163
interest expense (+) interest revenue (-)	439	554	-8	-13	431	541
<b>Included in other results</b>						
Revaluations						
<b>Actuarial profit and loss</b>						
due to changes in biometrical assumptions	-4		-	-	-4	
due to changes in financial assumptions	-405	3,050	-	-	-405	3,050
due to adjustments based on experience	-129	-163	-	-	-129	-163
Revenue from plan assets (excluding the above interest revenue)	-	-	3	7	3	7
<b>Other</b>						
Employer contributions to the benefits plan	-	-	-24	-24	-24	-24
Payments from the benefits plan	-574	-592			-574	-592
As at 31.12. of the reporting period	14,401	14,913	-312	-283	14,089	14,630
of which benefits obligation financed by plan assets					210	215
of which benefits obligation not financed by plan assets					13,879	14,415

\*We refer at this point to "IAS 19 - Employee Benefits (revised 2011)", Section I.

The plan assets are composed of reinsurance policies in the form of traditional whole-life and annuity insurance with excess holdings.

The employers' contributions to the plan assets for 2014 are calculated provisionally at 16 thousand euro.

The projected unit credit of the benefits obligation is divided between the individual groups of those entitled to benefits as follows.

As a percent	31.12.2013	31.12.2012
Active applicants	24.6	22.9
Retired applicants	21.1	21.5
Pensioners	54.3	55.6

All pension commitments are non-forfeitable.

The weighted average maturity of the pension obligations is 14.1 years (previous year 14.5 years) as at 31 December 2013. The due date of undiscounted pension obligations is distributed on the following period range.

Thousand euro	31.12.2013	31.12.2012
up to 1 year	618	645
1 – 5 years	3,110	3,027
6 – 10 years	3,913	3,989
over 10 years	17,898	18,373
<b>Total</b>	<b>25,540</b>	<b>26,034</b>

An increase or decrease in the main actuarial assumptions would have the following effects on the defined benefit obligation.

Thousand euro	Effect on the defined benefit obligation as on 31.12.2013	
	Increase	Decrease
Interest rate (change by 1.00%)	-1,701	2,119
Salary increase (change by 0.50%)	8	-7
Pension increase (change by 0.25%)	372	-356
Life expectancy (change by 1 year)	398	-394

The sensitivity analyses were done for the significant actuarial assumptions in an isolated manner to separately show the effects on the defined benefit obligation calculated as at 31 December 2013.

## (19) TAX ASSETS AND LIABILITIES

The following tax assets are identified:

Thousand euro	31.12.2013	31.12.2012 adjusted
Deferred income tax receivables	5,450	6,902
Actual income tax receivables (non-current)	6,689	6,689
Actual income tax receivables (current)	228	1,446
<b>Tax receivables</b>	<b>12,367</b>	<b>15,037</b>

The following tax liabilities and tax debts are identified.

Thousand euro	31.12.2013	31.12.2012 adjusted
Deferred income tax liabilities	824	710
Actual income tax payable (non-current)	1,931	1,874
Other tax debts (current)	257	267
<b>Tax liabilities and tax debts</b>	<b>3,012</b>	<b>2,851</b>

Deferred tax assets and liabilities are reported on a gross basis as follows.

Thousand euro	Deferred tax assets 31.12.2013	Deferred tax liabilities 31.12.2013	Deferred tax assets 31.12.2012 adjusted	Deferred tax liabilities 31.12.2012 adjusted
Non-current assets	8,345	12,495	7,801	11,260
Other assets	1,247	315	1,013	334
Provisions	3,192	145	3,351	159
Liabilities	1,436	2,068	1,597	1,706
Unused tax losses	5,429	0	5,889	0
<b>Total</b>	<b>19,649</b>	<b>15,023</b>	<b>19,651</b>	<b>13,459</b>
Balancing	-14,199	-14,199	-12,749	-12,749
<b>Group carrying value</b>	<b>5,450</b>	<b>824</b>	<b>6,902</b>	<b>710</b>

The deferred taxes have changed as follows.

Thousand euro	2013	2012
Changes in deferred taxes	-1,566	-1,821
- of which in the income statement	-1,487	-2,405
- of which in other comprehensive income	-79	584

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

Thousand euro	As at 1.1.2013, adjusted	Currency differences	Increase	Expen- diture	Reversal	As at 31.12.2013	of which non- current	of which current
Provisions for personnel	2,315*	-24	3,176	-1,486	-72	3,909	1,121	2,788
Restructuring measures	2,901	0	92	-1,880	-36	1,077	0	1,077
Legal Costs	181	0	321	-210	0	292	0	292
Guarantees	274	0	34	-19	0	289	0	289
Inventor remuneration	146	0	125	-121	0	150	0	150
Loss of orders	8	0	0	-8	0	0	0	0
Other Provisions	335	-2	184	-223	-14	280	73	207
<b>(Other) provisions</b>	<b>6,160</b>	<b>-26</b>	<b>3,932</b>	<b>-3,947</b>	<b>-122</b>	<b>5,997</b>	<b>1,194</b>	<b>4,803</b>

\*Explanation of amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)".

Under non-current liabilities, all items in the consolidated balance sheet which have been identified in other provisions have a remaining term of more than one year.

The provisions for personnel primarily include anniversary provisions in addition to semi-retirement scheme obligations and bonuses.

The provisions for restructuring measures relate to an onerous contract associated with the vacant factory building in Birkenwerder as well as severance payments. Please refer to our comments under the item "Assumptions and Estimates of the Management" in Section I. for the estimation of uncertainty.

Guarantees essentially relate to products sold.

The reversal of provisions of 122 thousand euro (1,064 thousand euro the previous year) relate primarily to Francotyp-Postalia Holding AG 34 thousand euro (780 thousand euro the previous year) and to Francotyp-Postalia Vertrieb und Service GmbH of 34 thousand euro (185 thousand euro the previous year).

Thousand euro	31.12.2013 Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	31.12.2012 Total	Adjusted Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Provisions for personnel	3,909	2,788	1,121	2,315	1,353	962
Restructuring measures	1,077	1,077	0	2,901	2,092	808
Legal costs	292	292	0	181	182	0
Guarantees	289	289	0	274	274	0
Inventor remuneration	150	150	0	146	146	0
Loss of orders	0	0	0	8	8	0
Other provisions	280	207	73	335	283	52
<b>(Other) provisions</b>	<b>5,997</b>	<b>4,803</b>	<b>1,194</b>	<b>6,160</b>	<b>4,338</b>	<b>1,822</b>

## (21) LIABILITIES

Thousand euro	31.12.2013			31.12.2012		
	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Liabilities to financial institutions	33,294	3,300	29,994	36,544	15,227	21,317
Liabilities from finance leasing	5,266	1,923	3,343	4,202	1,602	2,600
<b>Financial liabilities</b>	<b>38,560</b>	<b>5,223</b>	<b>33,337</b>	<b>40,746</b>	<b>16,829</b>	<b>23,917</b>
Trade payables						
to third parties	7,381	7,381	0	8,184	8,184	0
from advance payments received on orders	75	75	0	93	93	0
<b>Trade payables</b>	<b>7,456</b>	<b>7,456</b>	<b>0</b>	<b>8,277</b>	<b>8,277</b>	<b>0</b>
Other liabilities from taxes	1,374	1,374	0	1,540	1,540	0
(of which, from income taxes)	(0)	(0)	(0)	(0)	(0)	(0)
in conjunction with social security	71	71	0	69	69	0
from teleporto	22,990	22,990	0	21,088	21,088	0
to employees	1,033	1,033	0	1,072	1,072	0
under derivatives	69	69	0	206	206	0
from prepaid expenses	11,550	11,550	0	11,581	11,581	0
other liabilities	5,325	5,012	313	6,688	6,312	376
<b>Other liabilities</b>	<b>42,412</b>	<b>42,099</b>	<b>313</b>	<b>42,244</b>	<b>41,868</b>	<b>376</b>
<b>Total</b>	<b>88,428</b>	<b>54,778</b>	<b>33,650</b>	<b>91,267</b>	<b>66,974</b>	<b>24,293</b>

Liabilities with a remaining term of more than five years were not reported on the balance sheet date (in the previous year 0 thousand euro).

There are **liabilities against financial institutions**, and these relate to a banking syndicate and primarily comprise loans for the financing of the purchase price paid for the FP Group in 2005. Up to 31 December 2013 the loans were 32,000 thousand euro (in the previous year 30,565 thousand euro and 5,078 thousand USD). (Here, we refer to our comments on the syndicated loan under the item "Financial Instruments – Fair Values and Risk Management" 4. Liquidity risks, in Section IV).

An interest rate coupled to the EURIBOR is established for the individual loans in accordance with the consortium loan agreement in place on 31 December 2013. These interest rates have been secured by means of various derivative transactions (here, reference is made to our remarks concerning derivative transactions under the

point "Financial instruments – fair values and risk management", 2. Interest rate risks, in Section IV).

From the financing agreements assumed in 2013, 2014 will result in an expected 3,300 thousand euro repatriation of the overall credit volume; these amounts are accordingly shown in the table above with a remaining term of less than one year. The rest of the credit financing will be considered as having a residual term of over one year.

As explained in Subsection 25, the leasing payments to be paid in the future lead to **Liabilities from finance leasing contracts** as follows.

The terms of the leasing contracts are mostly up to 75% of the economic life. After the base period, as a rule, there is the option of extending the contracts or taking on the items against a predetermined amount. The book value of assets leased to third parties is 4,560 thousand

euro (2,549 thousand euro in the previous year). As of 31 December 2013, the book value of the leased assets – including the previously cited subletting – is 7,509 thousand euro (5,928 thousand euro in the previous year). Deposits were paid of 84 thousand euro in connection with the leasing arrangements (108 thousand euro in the previous year). In total, payments of 551 thousand euro (1,111 thousand euro) were assigned to leasing arrangements. These were registered as expenses in the reporting period.

Liabilities from **teleporto** relate to customer funds held in trust.

Liabilities of 11,550 thousand euro from **Deferrals and accruals** include the sales revenue from finance leases in inward payments relating to other periods.

## (22) FINANCIAL INSTRUMENTS

In the course of its operations the FP Group is exposed in the financial area to credit liquidity and market risks. The market risks relate specifically to interest rate and foreign exchange rate risks. Detailed information on risk management control is given below under "Risk management". The following comments apply exclusively to quantitative effects of the risks in the financial year.

The risks described above have an effect on the following financial assets and liabilities. The following table shows the fair value and book values of financial assets and financial liabilities.

<b>CLASSES OF FINANCIAL INSTRUMENTS</b> values in thousand euro	Fair values 31.12.2013	Fair values 31.12.2012	Book values 31.12.2013	Book values 31.12.2012
<b>Available financial assets for sale</b>				
Holdings and associated companies	Not available	Not available	190	176
<b>Assessed financial assets at fair value through profit and loss</b>				
Securities	680	680	680	680
Derivative financial instruments with positive fair values	81	11	81	11
<b>Loans and receivables</b>				
Accounts receivable	17,067	17,648	17,067	17,648
Other financial assets	5,737	4,749	5,737	4,749
Receivables from finance leases	2,550	3,338	1,990	2,735
Liquid assets	28,990	26,028	28,990	26,028
<b>Financial liabilities measured at amortised cost</b>				
Liabilities with financial institutions	31,160	33,575	33,294	36,554
Liabilities from sales and services	7,456	8,277	7,456	8,277
Other financial liabilities	27,824	27,187	27,824	27,187
Obligations from the finance leases	5,520	3,751	5,267	4,202
<b>Financial liabilities assessed at fair value through profit and loss</b>				
Derivative financial instruments with negative fair values	69	206	69	206

The valuation technique used including the relevant input factors for financial assets and liabilities at fair value are shown in the following overview.

CLASSES OF FINANCIAL INSTRUMENTS Values in thousand euro	Fair values, 31.12.2013	Fair values, 31.12.2012	Valuation technique	Material unobservable input factors	Hierarchy
<b>Assessed financial assets at fair value through profit and loss</b>					
Securities	680	680	Listed market price	Not applicable	Level 1
Derivative financial instruments with positive fair values	81	11	Market comparison method: The fair value is based on direct quotations from brokers.	Not applicable	Level 2
<b>Financial liabilities assessed at fair value through profit and loss</b>					
Derivative financial instruments with negative fair values	69	206	Market comparison method: The fair value is based on direct quotations from brokers.	Not applicable	Level 2

No regrouping took place between the rating classes of the financial instruments in the reporting year.

Fair values available at all times as listed market prices are allocated to Level 1. Fair values determined on the basis of directly or indirectly observable parameters are allocated to Level 2. Level 3 is based on valuation parameters not based on observable market data.

Fair values of financial assets available for sale are determined on the basis of listed prices (Level 1) or discounted payment flows (Level 3).

The explanation of a change in fair value is contained in the corresponding notes to the balance sheet items.

## Risk management

Within the scope of its business activities, the FP Group is exposed to certain financial risks which, in particular, include currency fluctuations, risks from interest rate changes, liquidity risks and losses from bad debts. The overall risk management system of the Group takes the unpredictability of financial markets into account and seeks to minimise negative effects on the earning position of the Group. In order to achieve this objective, the Group operates certain financial instruments.

For further information regarding qualitative information relating to risk management and financial risks, reference is made to the risk report in the Group management report.

It was not possible to identify further substantial concentrations of risk with reference to financial instruments. The scope for action, the responsibilities, the financial reporting and the control mechanisms for financial instruments are fixed through internal rules relating to the Group. These include a separation of functions between the recording and checking of financial instruments. The currency risks, risks associated with interest rate changes and liquidity risks affecting the FP Group are controlled centrally.



## 1. Foreign currency risks

Due to its international nature, the FP Group is exposed to foreign currency risks as part of its usual business activities. Foreign currency risks arise as a result of balance sheet items, pending transactions in foreign currencies and all cash inflows and cash outflows in foreign currencies. Derivative financial instruments are used to limit these risks.

Exchange rate fluctuations can lead to undesirable and unforeseen volatilities in terms of results and cash flow. Each FP company is exposed to risks in connection with exchange rate fluctuations if it concludes business with international contract partners and as a result, future payment flows evolve which do not correspond to the functional currency of the respective FP company. The company reduces the risk by mainly settling business transactions (sales and purchasing of products and services and investment and financing activities) in the respective functional currency. In addition, the foreign currency risk partially compensates for itself through the procurement of goods, raw materials and services in the respective foreign currency.

For reasons associated with speculation, operational units are forbidden from borrowing or investing funds in foreign currencies. Internal financing or investments within the Group are preferably carried out in the respective functional currency. The financing of the company is organised and carried out from the Group headquarters in Birkenwerder.

In the reporting year, earnings from conversion differences of 667 thousand euro (1,875 thousand euro in the previous year) and expenses of 905 thousand euro (2,334 thousand euro in the previous year) were registered in the financial report.

Essentially, the foreign exchange risks from inward payments in US dollars and sterling (expected in the future) are guarded against. On 20 December 2013, a total of 27 FX forward transactions were concluded with banks from the consortium to guard against risks associated with exchange rate fluctuations associated with the expected incoming payments in sterling (GBP) and US dollars (USD). These transactions relate to: FX transactions with variable maturities (hereinafter also known as "FXF"), future contracts with participation (hereinafter also known as "part. 50%") as well as a forward transaction (hereinafter also known as "forw."). The conditions of the contracts as well as the market values as at 31 December 2013 can be seen in the following table.

Seq. no.	Coverage amount	Type	Due date /exercising date	Hedging rate to the euro	Market value
1	USD 900,000	FXF	21.1.-31.1.2014	1.3681	5,212.20
2	USD 900,000	Part. 50%	28.2.2014	1.3980	-1,686.45
3	USD 900,000	Forw,	19.3.2014	1.3840/1.3320	1,485.71
4	USD 900,000	FXF	14.4.-30.4.2014	1.3685	5,058.70
5	USD 450,000	FXF	19.5.-30.5.2014	1.3685	2,375.20
6	USD 225,000	FXF	17.6.-30.6.2014	1.3683	1,298.46
7	USD 450,000	Part. 50%	31.7.2014	1.3980	1,066.24
8	USD 450,000	FXF	15.8.-29.8.2014	1.3720	1,449.55
9	USD 90,000	FXF	16.9.-30.9.2014	1.3727	260.24
10	USD 500,000	FXF	17.9.-30.9.2014	1.3690	2,591.82
11	USD 550,000	Part. 50%	31.10.2014	1.3980	2,478.88
12	USD 450,000	FXF	14.11.-28.11.2014	1.3725	1,405.05
13	USD 450,000	Part. 50%	31.12.2014	1.4055	-2,555.72
14	GBP 350,000	FXF	20.1.-31.1.2014	0.8388	-2,472.20
15	GBP 350,000	FXF	13.2.-28.2.2014	0.8393	-1,362.11
16	GBP 350,000	FXF	17.3.-31.3.2014	0.8398	-3,143.17
17	GBP 350,000	FXF	17.4.-30.4.2014	0.8393	-1,079.17
18	GBP 350,000	FXF	15.5.-30.5.2014	0.8398	-1,269.86
19	GBP 350,000	FXF	16.6.-30.6.2014	0.8406	-3,190.56
20	GBP 350,000	FXF	17.7.-31.7.2014	0.8401	-1,074.92
21	GBP 350,000	FXF	14.8.-29.8.2014	0.8408	-1,321.80
22	GBP 350,000	FXF	16.9.-30.9.2014	0.8415	-3,181.85
23	GBP 350,000	FXF	20.10.-31.10.2014	0.8410	-2,354.15
24	GBP 175,000	FXF	13.11.-28.11.2014	0.8380	567.87
25	GBP 175,000	FXF	17.11.-28.11.2014	0.8414	-525.16
26	GBP 175,000	FXF	11.12.-30.12.2014	0.8431	-1,698.64
27	GBP 175,000	FXF	12.12.-30.12.2014	0.8418	-1,184.45

All changes to the market values of the aforementioned contracts were reflected in the Group results. The stated market values are calculated and confirmed on the part of banks.

The net risk positions of the financial assets and liabilities in foreign currencies are composed as follows.

In thousands	31.12.2013	
	GBP	USD
Expected cash flows for 2014	6,000	18,000
FX forward transactions for 2014	4,200	7,200
<b>Net risk</b>	<b>1,800</b>	<b>10,800</b>

The expected cash outflows from the former USD loan are shown below.

In thousands	31.12.2013		31.12.2012	
	EUR	USD	EUR	USD
Unsecured bank loan	0	0	0	-2,588
Secured bank loan	0	0	0	-2,490
<b>Net risk in thousand euro</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,078</b>

The following table shows the sensitivity of the Group results before taxes and the Group's equity subject to possible changes in exchange rates which are relevant for the FP Group (USD; GBP) – ceteris paribus. The derivative transactions were used as reference values for the calculated sensitivities.

Thousand euro	Market trend of foreign currency in percentage points	Impact on the Group earnings before taxes	Impact on equity
<b>2013</b>			
USD	+5%	-262	-262
	-5%	213	213
GBP	+5%	-285	-285
	-5%	220	220
<b>2012</b>			
USD	+5%	-282	-282
	-5%	219	219
GBP	+5%	-35	-35
	-5%	15	15

## 2. Interest rate risks

Predominantly, the risk of fluctuations in market interest rates to which the FP Group is to be exposed to come from long-term liabilities with a variable interest rate. The financial department of the Group controls the interest rate risks with the objective of optimising the Group's interest income and minimising the overall risk relating to interest rate changes. The financing needs of companies in the FP Group are covered by internal Group loans and/or internal Group settlement accounts.

Interest hedge transactions were concluded with banks from the consortium on 20 December 2013 (for information concerning the consortium loan, see Section I, Sub-section 4). These transactions relate to five interest-rate swap transactions (hereinafter known as "swaps") for the repayment of loans and five interest-rate limitation transactions in the form of maximum rate agreements (hereinafter known as "caps") for the loan on a revolving basis.

Within the scope of interest rate swap transactions, the Group exchanges variable 6 month EURIBOR interest payments against a fixed interest rate in range 1.0–0.88% p.a. for the period 30 June 2014 to 30 December 2016. The market value of these swaps is -41 thousand euro, as at 31 December 2013 (31 December 2012: -202 thousand euro). The swaps are settled on a half-yearly basis. The respective reference amount over the term of the loan is reduced in accordance with the planned repayments defined in the consortium loan contract.

As part of the cap transactions, the Group caps the variable 3 month EURIBOR interest payments of the revolving loan with a cap rate of 1.00%. The reference amount remains constant over the period of the contract with each individual cap transaction. As at 31 December 2013, the market value of the caps is 55 thousand euros (31 December 2012: 0 thousand euro). The caps are settled on a quarterly basis.

The conditions of the contracts as well as the market values as at 31 December 2013 can be seen in the following two tables:

Seq. no	Type	Start date	End date	Reference amount at the beginning in euro	Reference amount at the end in euro	Fixed rate	Market value in euro
1	Swap	30.6.2014	30.9.2016	2,916,666.67	1,249,999.99	0.90%	-11,860.79
2	Swap	30.6.2014	30.9.2016	2,616,498.74	349,496.22	0.88%	-10,110.38
3	Swap	30.6.2014	19.10.2016	2,100,000.00	900,000.00	0.88%	-7,630.31
4	Swap	30.6.2014	30.9.2016	1,866,900.00	800,700.00	0.90%	-7,765.94
5	Swap	30.6.2014	30.12.2016	700,000.00	300,000.00	1.00%	-3,759.60

Seq. no.	Type	Start date	End date	Reference amount in euro	Cap rate	Market value in euro
6	Cap	31.3.2014	30.9.2016	4,166,666.67	1.00%	14,013.82
7	Cap	31.3.2014	30.9.2016	4,150,000.00	1.00%	16,703.20
8	Cap	30.6.2014	19.10.2016	3,000,000.00	1.00%	10,212.12
9	Cap	31.3.2014	30.9.2016	2,666,666.00	1.00%	9,987.67
10	Cap	31.3.2014	31.12.2016	1,000,000.00	1.00%	4,344.34

The conditions of the contracts as well as the market values as at 31 December 2012 can be seen in the following two tables:

Seq. no.	Type	Start date	End date	Reference amount at the beginning in euros	Reference amount at the beginning in euros	Fixed rate	Market value in euros
1	Swap	31.8.2011	31.12.2013	USD 4,280,000	EUR 1,900,000	0.78%	-5,120.86
2	Swap	30.8.2011	31.12.2013	USD 1,320,000	EUR 590,000	0.80%	-486.27
3	Swap	31.8.2011	31.12.2013	EUR 8,920,000	EUR 8,340,000	1.55%	-114,081.37
4	Swap	30.8.2011	31.12.2013	EUR 3,790,000	EUR 3,400,000	1.56%	-36,963.05
5	Swap	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 derivative transactions can be taken from the following table:

Thousand euro	31.12.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
<b>Interest-swap transactions</b>				
Fair value	0	41	0	202
<b>Interest-cap transactions</b>				
Fair value	55	0	0	0

All changes to the fair values are reflected in the Group results.

Variable interest financial debt solely exists in the form of liabilities to banks. The following table shows the sensitivity of the Group results before taxes and the Group's equity with respect to a reasonably foreseeable, possible change in the interest rates. All other variables remain constant. The average annual loan portfolio was used as a reference value for the sensitivity.

	Change as a percentage	Impact on the Group earnings before taxes in thousand euro	Impact on equity in thousand euro
2013	+1%	-348	-348
	-1%	+348	+348
2012	+1%	-365	-365
	-1%	+365	+365

### 3. Default risks

The balance sheet amount of financial assets reflects the maximum default risk in the event that counterparties do not comply with their contractual payment obligations. Securities are demanded to minimise default risks for all performance relationships based on original financial instruments depending on the nature and amount of the respective benefit. In addition, credit information/references are obtained and in order to avoid payment defaults, historical data is used from previous business relations (such as the considering the payment history). In accordance with the terms and conditions of Francotyp-Postalia, the title to assets sold is retained until all payments have been received. If a customer who is leasing a machine is in arrears in payments, or if a lessee refuses to observe the terms of the lease in spite of deadlines having been set, the customer is obliged to pay compensation and return the leased asset to Francotyp-Postalia on termination of the contract.

Identifiable default risks from receivables and general credit risks are allowed, through corresponding specific and general provisions. An age structure of the accounts receivable can be found in Section IV, Subsection 13 of the available appendix. From this age structure, it is also possible to identify the extent to which payments are overdue.

In the case of other financial assets (e.g. liquid assets, financial instruments available for sale and derivative financial instruments) the maximum credit risk in the case of counterparty default corresponds to the respective book value, as disclosed. Age structures for the other financial assets are not stated, as there are no corresponding overdue, non-revalued assets.

For the rest, reference is made to our statements in Section IV, Subsection 22 Financial risk management of the available appendix.

#### 4. Liquidity risks

The liquidity risks of the Group consist of possible financial obligations, which can no longer be met (e.g. the repayment of financial debts, the payment of suppliers or fulfilling obligations from the finance leasing and restructuring measures). The FP Group limits these risks by managing working capital and cash. The liquidity risks are further limited by a liquidity forecast for the entire Group. Additionally, the liquidity situation is improved through the financing of investment is leased in leased products via sale and lease back transactions.

In addition to the liquidity securing instruments mentioned above, the FP Group continuously follows the financing options offered on the financial markets. In doing so, the main aim is to secure the financial flexibility of the Group and limit financing risks.

Financial liabilities essentially concern loans for financing the purchase price of the FP Group. Since the stock market launch, the acquisition loan and an acquisition and Capex line have been combined to form a facility.

On 19 April 2013 a new consortium loan contract valued at 45,000,000 euro was concluded between Francotyp Postalia Holding AG and Francotyp Postalia GmbH as the borrowers and guarantors and a consortium of banks as the lender. The loan is made up of loan A (a repayment loan up to 15,000,000 euro) and loan B (a loan up to 30,000,000 euro on a revolving basis). According to the loan contract, the old consortium loans are to be initially replaced by the loans, starting with loan A. Furthermore, they serve general operational purposes, wherein loan B can be used in particular for financing the further development of the rental business, Francotyp-Postalia Inc. (USA).

Allowing for loan B, the borrowers may utilise bilateral branch lines via the bank branch lines in the form of a current account line and/or a guaranteed credit line up to one working bank day before the final due date. For each of the branch lines, at no point in time is a branch line allowed to exceed 3,000,000 euro (and/or 6,000,000 euro for both), and each branch line agreement must have a term that lasts until final maturity.

The loans have a term of three years and six months from the date upon which the loan contract is signed. For both loans, there is an option to extend for a further eighteen months.

With the letter dated 10 June 2013, FP terminated the old consortium loan contract dated 21 February 2011, and on 25 June 2013, replaced the obligations from the old consortium loan contract of 29,535 thousand euro and 4,953 thousand USD with the aid of the new consortium loan.

As at the balance sheet date, the FP Group had unused credit lines totalling 8.3 million euro.

Reference is made to our remarks concerning the interest rate risks in Section IV, "Financial instruments – fair value and risk management" with regard to maturities of derivative liabilities.

The liabilities from finance leasing, the accounts receivable and the other liabilities mainly arise from the financing of operative assets that are employed in continuing the business (e.g. fixed assets) and from investments within the working capital (e.g. inventories and accounts receivable). The Group takes assets into account in the effective control of the overall liquidity risk.

The following table shows the cash flow resulting from the consortium loan contract including estimated interest payments and the payments from the connected derivative financial instruments. In addition to the cited loan of 32,000 thousand euro (34,416 thousand euro in the previous year), there were further liabilities to banks of 994 thousand euro (2,128 thousand euro in the previous year).

Thousand euro	Book value as at 31.12.2013	Cash flows		
		2014	2015	2016
Loans	-32,000	-4,166	-4,038	-26,747
Interest hedging	-104	-104	0	0
		<b>-4,270</b>	<b>-4,038</b>	<b>-26,747</b>

Thousand euro	Book value as at 31.12.2012	Contractually fixed cash flows	
		2013	2014
Loans	-34,416	-14,403	-21,425
Currency hedging	8	8	0
Interest hedging	-202	-202	0
		<b>-14,598</b>	<b>-21,425</b>

Section IV, Subsection 21 must also have the contractually fixed cash flows from finance leases, differentiated by their residual terms, extracted.

For the other financial debts (see Section IV, Subsection 22 c) Financial risk management) the disclosed book value corresponds in each case to the cash outflow in the following year.

**Net gains and losses from financial instruments**

As in the previous year, there are no net gains or net losses in the Available-for-sale financial assets category.

The net gains and net losses in the Financial instruments held for trading category consist of the fair value adjustments and interest payments. This gives a net gain of 80 thousand euros in 2013 (2 thousand euros in the previous year). The total net gain is reflected in the Group result as in the previous year. Impairments in this category amount to 0 thousand euros as in the previous year.

The net gains and net losses in the Loans and receivables category consist of impairments, reversals and exchange rate effects. This gives a net loss of 141 thousand euros in 2013 (-1,961 thousand euros in the previous year). For the remaining details, see Section IV Subsection 13.

The net gains and net losses in the Financial liabilities valued at amortised cost" category consist of exchange rate effects and results of disposals. This gives a net gain of 366 thousand euros in 2013 (10 thousand euros in the previous year).

**Accounting for derivative financial instruments on the balance sheet**

Derivative instruments are only used outside hedge accounting as defined by IFRS. In each case, the balance sheet entry takes place at fair value through profit and loss.

**Capital control**

Capital structure is decisive for the capital control of the Group. The net debt-equity ratio is the core component for managing the capital structure. This comes from the net debt-equity ratio.

In particular, the selected debts include liabilities to banks (33,294 thousand euro; 36,544 thousand euro in the previous year) and liabilities from finance leasing (5,266 thousand euro; 4,202 thousand euro in the previous year). The financial resources in this context do not include own shares (1,829 thousand euro; 1,829 thousand euro in the previous year), securities (680 thousand euro; 680 thousand euro) nor postal credits, which are administered by the FP Group (22,990 thousand euro; 21,088 thousand euro in the previous year).

The net debt-equity ratio is continuously monitored. This is represented as follows.

Thousand euro	31.12.2013	31.12.2012*
Liabilities	38,560	40,746
Funds	-8,509	-7,449
<b>Net liabilities</b>	<b>30,051</b>	<b>33,297</b>
Shareholders' equity	25,874	21,571
<b>Net debt-equity ratio</b>	<b>116%</b>	<b>154%</b>

\* After adjustment due to initial application of IAS 19R.

The objective of capital control is to achieve the highest possible credit rating. Going Concern status should also be ensured.

There were no changes in terms of the objectives, guidelines and procedures for capital control in the reporting year 2013.

In accordance with the consortium loan contract concluded with the banks, the FP Group must adhere to four defined financial performance measures (covenants). An interest payment cover ratio must be met. In other words, the EBITDA divided by the financing cost must be at least 2.5. In addition, a defined debt to equity ratio must not be exceeded. From 1 January 2014, the maximum level for this is 2.25. This figure is arrived at from the ratio of the net debt to the EBITDA, wherein, in accordance with the definition contained in the credit contract, these two values may be revised slightly based on certain items. It is also not permitted to fall short of time-staggered, adjusted equity and equity ratios.

The financial performance measures applicable on 31 December 2013 were met. If the financial performance measures were not met, the consortium of banks would have had the contractual right to accelerate the maturity of the loan.

#### Financial control variables

The Group is controlled via the following performance figures:

- revenue
- EBITDA
- EBIT
- free cash flow
- net debt

Through these, the FP Group ensures that decisions always take into account to an appropriate degree the conflicting priorities of growth, profitability and liquidity.

Revenue is a measurement of success in the market. Using earnings before interest, taxes, depreciation, and amortisation (EBITDA), the Group measures operational performance and the success of the individual business units. EBIT – earnings before interest and taxes – is an important parameter. Distortions of the results due to fluctuating tax rates, interest expenses or other extraordinary factors are therefore avoided.

By taking free cash flow into account, it is possible to ensure that the financial substance of the Group is maintained. The free cash flow is arrived at using the cash flow from continued operations less investments. An equally important indicator is net debt, which is the product of net debts minus cash and cash equivalents.

The development of the sales revenue and the EBITDA result can be found in the market segment report in Section II.



## (23) SECURITIES

Thousand euro	31.12.2013	31.12.2012
Loan guarantee obligations	1,617	1,615
Pledging of securities	590	590
<b>Total</b>	<b>2,207</b>	<b>2,205</b>

The loan guarantee obligations include rental guarantees for office space (sales offices), rental guarantees for machinery, guarantees for overdrafts, postage and any claims for refunds from subsidy payments.

The following loan securities are ordered by the Group for the consortium loan contract:

1. Land charge on the company property in Wittenberge of 1,000 thousand euro (Wittenberge land register, sheet 5179)
2. (Initially non-participating) assignment by way of security from accounts receivable relating to the following companies of the Group (with a head office in Germany) against clients or other companies in the Group: FP Holding, FP GmbH, freesort GmbH, FP International GmbH, Francotyp-Postalia Vertrieb and Service GmbH, FP Produktionsgesellschaft mbH, FP Direkt Vertriebs GmbH
3. Transfer by way of security relating to the current and future inventories and mobile assets of the following German companies of the Group: FP GmbH, freesort GmbH, FP International GmbH, Francotyp-Postalia Vertrieb and Service GmbH und FP Produktionsgesellschaft mbH

4. Assignment by way of security relating to existing and future receivables from insurance contracts which exist with the German companies of the Group listed under no. 3

5. Pledging of the existing and future trademark rights of the borrower and guarantor, as far as these exist under German law

6. Guarantee from Francotyp-Postalia Inc. (USA), Ruys Handelsvereniging B.V. (The Netherlands) and Francotyp-Postalia Ltd, Great Britain which, in each case, covers the secured titles.

On the balance sheet date, the book value of the assets of the cited German Group companies which have been transferred and / or assigned as security was 18,643 thousand euro (80,138 thousand euro in the previous year). The book values are reported as follows.

Thousand euro	2013	2012
Intangible assets	0	18,799
Tangible fixed assets	6,711	24,700
Shares in associated companies	0	163
Inventories	5,037	9,730
Accounts receivable	6,895	14,555
Other assets	0	8,691
Bank balances	0	3,500
<b>Total</b>	<b>18,643</b>	<b>80,138</b>

Additionally, in each case, as additional security, the foreign subsidiaries Francotyp-Postalia Inc. (USA), Ruys Handelsvereniging B.V. (The Netherlands) and Francotyp-Postalia Ltd, Great Britain, irrevocably and unconditionally guarantee the lenders the payment of all amounts that are owed, where these are not duly settled or not settled in full.

The securities act to collateralise all current, future claims of the lender from, or a branch line agreement or the other financing documents associated with this loan agreement. The cited securities may be drawn upon if due payments are not made by FP companies under the consortium loan contract or the bilateral branch lines. 32,000 euro of credit was drawn upon as at 31 December 2013.

Received securities have a fair value of 1,235 thousand euro (previous year 1,251 thousand euro) and in the reporting year are only available to the FP Group on a short term basis (likewise in the previous year). The securities essentially consist of rental guarantees and guarantees for the delivery of goods (from banks and an insurance company).

## (24) OTHER INFORMATION CONCERNING FINANCE LEASING CONTRACTS

The nominal values of the financial obligations from operating leases are 27,670 thousand euro as at 31 December 2013 (previous year 20,601 thousand euro) and are organised as follows.

31.12.2013	Total	< 1 year	1-5 years	> 5 years
Thousand euros				
Obligations from rental and leasing contracts	27,670	14,036	9,446	4,188

31.12.2012	Total	< 1 year	1 - 5 years	> 5 years
Thousand euros				
Obligations from rental and leasing contracts	20,601	12,498	7,585	518

Rental obligations which had already been recorded in the balance sheet under other reserves as representing a provision for contingent losses were eliminated from "Obligations from rental contracts, tenancy contracts and leasing contracts". As at 31 December 2013, 868 thousand euro was reported as provisions for contingent losses under other reserves (1,645 thousand euro in the previous year) in connection with restructuring at the Birkenwerder site.

6,706 thousand euro is attributed to purchase commitments (5,459 thousand euro in the previous year).

## (25) OTHER INFORMATION CONCERNING FINANCE LEASING CONTRACTS

The nominal values of the other financial obligations from finance leases are 5,266 thousand euro as at 31 December 2013 (previous year 4,202 thousand euro) and are organised as follows.

Thousand euros	Future operating lease payments		Interest payments		Present value of future operating lease payments	
	2013	2012	2013	2012	2013	2012
Less than 1 year	2,233	1,899	310	297	1,923	1,602
Between 1–5 years	3,558	2,826	215	226	3,343	2,600
Liabilities from finance leases	5,791	4,725	525	523	5,266	4,202

## (26) CONTINGENT ASSETS AND LIABILITIES

As a participant in a competitive market it is not surprising that the FP Group is involved in a series of legal disputes. This affects Francotyp-Postalia Vertrieb und Service GmbH in particular: it is involved in several competition disputes with competitors, in court and out of court, both as claimant and respondent. The substance of these disputes is customer advertising methods and market operations. These proceedings are focused on refraining from anti-competitive practices and have no significant commercial relevance. If the case is lost there are other promotional activities to fall back on. Francotyp-Postalia GmbH is also involved in several cases against competitors concerning violation of trademark and patent rights. These cases are not currently believed to pose any great risk to the company.

Neopost has brought several out-of-court claims for patent infringements. These accusations are currently being examined. It is not yet possible to give a final evaluation. If the patent infringement claims are upheld there is the danger that Neopost will bring a lawsuit for patent infringement and damages against FP.

The lawsuit which SBW Vermögensverwaltungs GmbH started on 9 March 2011, asserting claims against FP Holding, could be significant. The alleged claims arise from the iab Group share purchase contract concluded by FP Holding. The sum claimed is 1,518,750.00 euro. The claim is based on demands for the higher purchase price from the company purchase contract and the alleged unlawfulness of the partial payment with shares by the respondent. The Neuruppin District Court dismissed the case in its judgment of 8 November 2011. SBW Vermögensverwaltungs GmbH lodged and substantiated an appeal against the judgment within the time limit. The Group considers the litigation risk is still minor.

## V. OTHER INFORMATION

### NOTES ON THE CASH FLOW STATEMENT

The FP Group cash flow statement reports the progress of cash flows broken down by cash inflows and outflows from operating, investing and financing activities.

Postage credit balances held 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. Cash and cash equivalents are calculated as follows.

Thousand euro	31.12.2013	31.12.2012
Liquid assets	28,990	26,028
Plus securities	680	680
Current liabilities in respect of postage credit balances held	-22,990	-21,088
<b>Cash and cash equivalents</b>	<b>6,680</b>	<b>5,620</b>

As banks that were involved in the old consortium loan contract are also involved in the new consortium loan contract, constituting follow-up financing, the flow of funds relating to group financing is shown net.

### Employees

The average number of employees is distributed regionally as shown below.

COUNTRY	2013	2012
Germany	678	711
USA	111	116
UK	93	94
Netherlands	54	53
Canada	36	38
Italy	22	22
Austria	20	21
Belgium	18	24
Sweden	18	20
Singapore	8	8
France	5	4
<b>Total</b>	<b>1,063</b>	<b>1,111</b>

The average number of employees is distributed over segments as shown below.

SEGMENT	2013	2012
Sales – Germany	483	493
Sales – International	376	391
Production	181	211
Central functions	23	16
<b>Total</b>	<b>1,063</b>	<b>1,111</b>

## Management Board and Supervisory Board (additional information in compliance with HGB)

In the 2013 reporting period as in the previous year, 2012, the FP Holding Management Board consisted of two people, although there was a change in the reporting year. Mr Thomas Grethe replaced Mr Andreas Drechsler as Chief Sales Officer.

The schedule of responsibilities of the members of the Francotyp-Postalia Holding AG Management Board is as below.

Name	Appointment date	End of appointment	Areas of responsibility
<b>Hans Szymanski</b> Graduate economist	December 2008	December 2014 (in February 2014 extended ahead of schedule to 31 December 2016)	<ul style="list-style-type: none"> <li>- Strategic business development</li> <li>- Production / logistics / purchasing</li> <li>- Quality management</li> <li>- Development</li> <li>- Information technology</li> <li>- Compliance</li> <li>- Human resources / law</li> <li>- Finance/controlling/accounting</li> </ul>
<b>Thomas Grethe</b> Banker and business economist	June 2013	June 2016	<ul style="list-style-type: none"> <li>- Sales – Germany/International</li> <li>- Strategic business development</li> <li>- Product management</li> <li>- Marketing/brand management</li> <li>- Corporate communication</li> <li>- Internal audit</li> </ul>
<b>Andreas Drechsler</b> Business graduate	February 2009	June 2013	<ul style="list-style-type: none"> <li>- Sales – Germany/International</li> <li>- Strategic business development</li> <li>- Product management</li> <li>- Marketing/brand management</li> <li>- Corporate communication</li> <li>- Internal audit</li> </ul>

Mr Szymanski has been spokesperson for the Management Board since 1 January 2011.

The members of the Management Board were not represented outside the FP Group on any statutory Supervisory Boards or comparable domestic or foreign Supervisory Boards of commercial enterprises in 2013.

The table below lists the members of the Francotyp-Postalia Holding AG Supervisory Board, giving an overview of their activities outside the company and other administration, management or supervisory mandates or mandates with comparable domestic and foreign Supervisory Boards of commercial enterprises.

Name	Occupation	Other administration or supervisory mandates or mandates with comparable domestic and foreign Supervisory Boards
<b>Klaus Röhrig</b> (Member and Deputy Chairman of the Supervisory Board since 1 April 2013; Chairman since 9 April 2013)	<ul style="list-style-type: none"> <li>- Managing partner of Mercury Capital Unternehmensberatungs GmbH, Vienna, Austria</li> </ul>	- None
<b>Dr Claus C. R. Gerckens</b> (Chairman of the Supervisory Board from 27 June 2012 to 9 April 2013; Deputy Chairman from 9 April to 27 June 2013)	<ul style="list-style-type: none"> <li>- Shareholding managing director of GVG Industrieverwaltungs GmbH, Augsburg</li> <li>- Managing director of Vermögensverwaltung Königsdorf GmbH, Augsburg</li> <li>- Shareholding managing director of Butenfeld Vermögensverwaltungs GmbH, Augsburg</li> </ul>	- Deputy Chairman of the governing board of the International School Augsburg – ISA – gGmbH, Augsburg
<b>Robert Feldmeier</b> (Member of the Supervisory Board since 28 July 2012; Deputy Chairman from 27 June 2013)	<ul style="list-style-type: none"> <li>- Managing director of Unigloves GmbH, Siegburg</li> <li>- Managing director of Unigloves Service und Logistik GmbH, Troisdorf</li> <li>- Unigloves Arzt- und Klinikbedarfshandels GmbH, Troisdorf-Spich</li> </ul>	- None
<b>Felix Hölzer</b> (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"> <li>- Managing partner of the investment company Novum Capital Beratungs GmbH, Frankfurt am Main</li> <li>- Managing director of Novum Capital Beteiligungs GmbH, Frankfurt am Main</li> <li>- Managing director of ES-Plastic GmbH, Passau</li> <li>- Managing director of ES-Plastic Verwaltungs GmbH</li> <li>- Managing director of E.S.-Plastic Grundstücksverwaltungs GmbH</li> </ul>	- None
<b>Botho Oppermann</b> (Member of the Supervisory Board since 27 June 2013)	<ul style="list-style-type: none"> <li>- Managing partner of Internet Business Solutions Nord UG (mini GmbH), Wentorf near Hamburg</li> <li>- Managing partner of Internet Business Solutions Süd UG (mini GmbH), Wentorf near Hamburg</li> <li>- Managing partner of Internet Business Solutions Ost UG (mini GmbH), Wentorf near Hamburg</li> <li>- Managing partner of Internet Business Solutions West UG (mini-GmbH), Wentorf near Hamburg</li> </ul>	<ul style="list-style-type: none"> <li>- President of the Supervisory Board of Internet Business Solutions AG, Boppelsen, Switzerland</li> <li>- Member of the Supervisory Board of ID Information und Dokumentation im Gesundheitswesen GmbH &amp; Co. KGaA, Berlin</li> <li>- Member of the Supervisory Board of ID Suisse AG, St Gallen, Switzerland</li> <li>- Member of the Supervisory Board of HCG Holding AG, Zug, Switzerland</li> </ul>

## Shareholder structure (additional information in compliance with HGB)

In 2013, Francotyp-Postalia Holding AG received the following notifications from its shareholders in line with section 21 para. 1 of the German Securities Trading Act (WpHG) and disclosed them in line with section 26 para. 1 and 26a WpHG:

### Disclosure of 9 January 2013

On 27 December 2012 3R Investments Ltd, Limassol, Cyprus informed us in line with section 1 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 10% threshold on 20 December 2012 and were 10.27% on that date (the equivalent of 1,660,000 voting rights).

On 27 December 2012, Tamolino Import & Advisory LP, Limassol, Cyprus informed us in line with section 1 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 10% threshold on 20 December 2012 and were 10.27% on that date (the equivalent of 1,660,000 voting rights).

10.27% of the voting rights (the equivalent of 1,660,000 voting rights) are attributable to the company from 3R Investments Ltd pursuant to section 1 para. 1 no. 1 sent. 1 WpHG.

On 27 December 2012 Tamolino Investments Ltd, Limassol, Cyprus informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 10% threshold on 20 December 2012 and were 10.27% on that date (the equivalent of 1,660,000 voting rights).

10.27% of the voting rights (the equivalent of 1,660,000 voting rights) are attributable to the company from 3R Investments Ltd via Tamolino Import & Advisory LP pursuant to section 22 para. 1 no. 1 sent. 1 WpHG.

On 27 December 2012 Mr Klaus Röhrig, Austria, informed us in line with section 21 para. 1 WpHG, that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 10% threshold on 20 December 2012 and were 10.27% on that date (the equivalent of 1,660,000 voting rights).

10.27% of the voting rights (the equivalent of 1,660,000 voting rights) are attributable to the Mr Klaus Röhrig from 3R Investments Ltd. via Tamolino Import & Advisory LP and Tamolino Investments Ltd pursuant to section 22 para. 1 no. 1 sent. 1 WpHG.

#### Disclosure of 18 January 2013

On 18 January 2013 ARGOS FUNDS SICAV, Luxembourg, informed us in line with section 21 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 26 April 2012 and were 3.09% on that date (the equivalent of 500,000 voting rights).

On 18 January 2013 ARGOS INVESTMENT MANAGERS SA, Meyrin, Switzerland informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 26 April 2012 and were 3.09% on that date (the equivalent of 500,000 voting rights). 3.09% of the voting rights (the equivalent of 500,000 voting rights) are attributable to the company from ARGOS FUNDS SICAV pursuant to 22(1) no. sent. 1 WpHG.

#### Disclosure of 21 January 2013, in line with section 27a of the German Securities Trading Act (WpHG)

On 18 January 2013, 3R Investments Ltd, Limassol, Cyprus; Tamolino Import & Advisory LP, Limassol, Cyprus; Tamolino Investments Ltd, Limassol, Cyprus; and Mr Klaus Röhrig, Vienna, Austria sent us their Investor Declaration in line with section 27a of the German Securities Trading Act (WpHG) relating to their notification in line with section 21 para. 1 WpHG and to exceeding the 10% voting rights threshold on 27 December 2012.

Objectives of acquisition of voting rights as per section 27a no. 1. 3 WpHG

1. The purpose of the acquisition of voting rights by the notifying parties is long-term investment and to realise strategic goals. As financial investors, the notifying parties also aim to sell their holdings at a later date to Francotyp-Postalia Holding AG.
2. The notifying parties intend to acquire further voting rights in Francotyp-Postalia Holding AG by purchase or by other means within the next twelve months if the market conditions are right.
3. The notifying parties aim to obtain representation on the company's Supervisory Board in proportion to their holding in Francotyp-Postalia Holding AG. They do not currently aim to alter the membership of the Management Board.
4. The notifying parties are not aiming to bring about a significant change in the capital structure of Francotyp-Postalia Holding AG, in particular with regard to the debt/equity ratio. In the long term, they are seeking payment of a dividend.

Origin of the funds used to purchase voting rights pursuant to 27a no. 1 sent. 4 WpHG.

The notifying parties used both debt and equity to finance the acquisition of voting rights.

#### Disclosure of 31 January 2013

On 31 January 2013, LRI Invest SA, Munsbach, Luxembourg informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen below of the 5% threshold on 30 January 2013 and were 4.95% on that date (the equivalent of 800,000 voting rights).

#### Disclosure of 1 February 2013

On 31 January 2013 Amiral Gestion, Paris, France informed us in line with section 21 no. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen below of the 5% threshold on 30 January 2013 and were 4.35% on that date (the equivalent of 703,651 voting rights).

Sextant grand Large and Sextant PEA (mutual funds) directly hold 3% or more of the voting rights attributable to Amiral Gestion within the meaning of section 22 para. 1 no. 1 sent. 6 WpHG.

#### Disclosure of 7 February 2013

On 6 February 2013, HANSAINVEST GmbH, Hamburg, Germany, informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 2013 and were 3.39% on that date (the equivalent of 547,179 voting rights).

#### Disclosure of 8 February 2013

On 6 February 2013, HANSAINVEST GmbH, Hamburg, Germany, informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 2013 and were 3.39% on that date (the equivalent of 547,179 voting rights).

#### Disclosure of 8 February 2013

On 31 January 2013, AMIRAL GESTION, Paris, France informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen below of the 5% threshold on 30 January 2013 and were 4.35% on that date (the equivalent of 703,651 voting rights).

#### Disclosure of 8 February 2013

HANSAINVEST Hanseatische Investment GmbH, Hamburg, Germany informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 2013 and were 3.39% on that date (the equivalent of 547,179 voting rights).

#### Disclosure of 8 February 2013

On 31 January 2013, AMIRAL GESTION, Paris, France informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 5% threshold on 30 January 2013 and were 4.35% on that date (the equivalent of 703,651 voting rights).

#### Disclosure of 11 February 2013

SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund, Germany informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 2013 and were 3.39% on that date (the equivalent of 547,179 voting rights). Of these 3.39% (547,179 voting rights) are attributable to SIGNAL IDUNA Allgemeine Versicherung AG within the meaning of section 22 para. 1 no. 1 sent. 1 WpHG.

Attributable voting rights are held by the companies it controls listed below, each of which has 3% or more of the voting rights in Francotyp-Postalia Holding AG: HANSAINVEST Hanseatische Investment GmbH.

SIGNAL IDUNA Holding Aktiengesellschaft, Dortmund, Germany has informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 13 and were 3.39% on that date (the equivalent of 547,179 voting rights). Of these 3.39% (547,179 voting rights) are attributable to SIGNAL IDUNA Holding Aktiengesellschaft within the meaning of section 22 para. 1 no. 1 sent. 1 WpHG.

Attributable voting rights are held by the companies it controls listed below, each of which has 3% or more of the voting rights in Francotyp-Postalia Holding AG: SIGNAL IDUNA Allgemeine Versicherung AG, HANSAINVEST Hanseatische Investment GmbH.

IDUNA Vereinigte Lebensversicherung AG für Handwerk, Handel und Gewerbe, Hamburg, Germany has informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 31 January 2013 and were 3.39% on that date (the equivalent of 547,179 voting rights). Of these 3.39% (547,179 voting rights) are attributable to IDUNA Vereinigte Lebensversicherung AG für Handwerk, Handel und Gewerbe within the meaning of section 22 para. 1 no. 1 sent. 1 WpHG.



Attributable voting rights are held by the companies it controls listed below, each of which has 3% or more of the voting rights in Francotyp-Postalia Holding AG: SIGNAL IDUNA Holding AG, SIGNAL IDUNA Allgemeine Versicherung AG, HANSAINVEST Hanseatische Investment GmbH.

**Disclosure of 19 February 2013**

LRI Invest SA, Munsbach, Luxembourg informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 15 February 2013 and were 2.48% on that date (the equivalent of 400,000 voting rights).

**Disclosure of 28 March 2013**

SIGNAL IDUNA Allgemeine Versicherung AG, Dortmund, Germany informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 25 March 2013 and were 0% on that date (the equivalent of 0 voting rights).

SIGNAL IDUNA Holding Aktiengesellschaft, Dortmund, Germany informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 25 March 2013 and were 0% on that date (the equivalent of 0 voting rights).

IDUNA Vereinigte Lebensversicherung AG für Handwerk, Handel und Gewerbe Hamburg, German informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 25 March 2013 and were 0% on that date (the equivalent of 0 voting rights).

Addendum to the voting rights notifications: Because of the declaration of independence for HANSAINVEST Hanseatische Investment GmbH, effective from 25 March 2013, the voting rights are no longer attributable.

**Disclosure of 28 March 2013**

AMIRAL GESTION, Paris, France informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 28 March 2013 and were 2.67% on that date (the equivalent of 430,839 voting rights).

**Disclosure of 29 May 2013**

On 24 May 2013, Ludic GmbH, Bad Oldesloe, Germany, informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 24 May 2013 and were 3.51% on that date (the equivalent of 566,882 voting rights).

On 24 May 2012, Mr Tom Hiss, Austria, informed us in line with section 21 para. 1 WpHG, that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 24 May 2013 and were 3.51% on that date (the equivalent of 566,882 voting rights).

3.51% of the voting rights (the equivalent of 566,882 voting rights) are attributable to the Mr Tom Hiss by Ludic GmbH pursuant to section 22 para. 1 no. 1 sent. 1 WpHG.

**Disclosure of 5 June 2013**

Mr Axel Sven Springer, Germany has informed us in line with section 21 para. 1 WpHG, that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 3 June 2013 and were 3.13% on that date (the equivalent of 505,988 voting rights).

#### Disclosure of 1 July 2013

On 26 July 2013, Mr Thomas Lange, Germany, informed us in line with section 21 para. 1 WpHG, that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% and 5% threshold on 26 July 2013 and were 7.02% on that date (the equivalent of 1,134,688 voting rights).

Of these, 7.02% of the voting rights (corresponding to 1,134,688 voting rights) were to be allocated to him in accordance with section 22 para. 1 no. 1 sent. 6 WpHG. Voting rights have been attributed to him by the following shareholders as well, each of whom has voting rights in Francotyp-Postalia Holding AG of 3% or more: Axel Sven Springer.

Mr Thomas Lange has also informed us, that he was only authorised to exercise voting rights at the general meeting of shareholders of Francotyp-Postalia Holding AG of 27 June 2013 in accordance with section 22 para. 1 no. 1 sent. 6 WpHG in conjunction with section 22. Following the general meeting of shareholders his voting rights are 0% (the equivalent of 0 voting rights).

#### Disclosure of 25 July 2013

On 23 July 2013 Scherzer & Co. AG, Cologne, Germany, informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 22 July 2013 and were 3.02% on that date (the equivalent of 488,486 voting rights).

#### Disclosure of 21 August 2013

On 8 August 2013 Saltarax GmbH, Hamburg, Germany, informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 8 August 2013 and were 3.59% on that date (the equivalent of 580,706 voting rights).

#### Disclosure of 24 January 2014

Internationale Kapitalanlage GmbH, Düsseldorf, Germany informed us in line with section 21 para. 1 WpHG, that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 21 January 2014 and were 2.87% on that date (the equivalent of 463,990 voting rights).

## TRANSACTIONS WITH RELATED PARTIES

Parties related to the FP Group within the meaning of IAS 24 are, on the one hand, associated companies and non-consolidated subsidiaries, and on the other hand, persons and companies with the ability to exercise significant influence on the financial and business policy of the FP Group; related parties also include persons in key management positions in the reporting company (and close relatives of these persons). Companies whose financial and business policy is influenced significantly by the related parties mentioned above also belong to the group of parties related to the FP Group.

A significant influence on the financial and business policy of FP Group can be based on a shareholding of 20% or more in FP Holding, a seat on the FP Holding Management Board or other key management position in the FP Group or contractual or statutory arrangements.

In the reporting year, parties related to the FP Group – apart from members of the Management Board and Supervisory Board (and their close relatives) – were:

- the associated company FP Data Center Inc. Japan;
- the non-consolidated subsidiary FP Systems India Private Limited, India;
- Mercury Capital Unternehmensberatungs GmbH, Vienna, Austria (through a member of the Supervisory Board);
- GVG Industrieverwaltungs GmbH, Augsburg (through a member of the Supervisory Board);
- Königsdorf Vermögensverwaltungs GmbH, Augsburg (through a member of the Supervisory Board);
- Butenfeld Vermögensverwaltungs GmbH, Augsburg (through a member of the Supervisory Board);
- Unigloves GmbH, Siegburg (through a member of the Supervisory Board);
- Managing Director of Unigloves Service und Logistik GmbH, Troisdorf (through a member of the Supervisory Board);
- Unigloves Arzt-und Klinikbedarfshandels GmbH, Troisdorf-Spich (through a member of the Supervisory Board);
- Novum Capital Beratungs GmbH, Frankfurt am Main (through a member of the Supervisory Board);
- Managing partner of Internet Business Solutions Nord UG (haftungsbeschränkt) [mini-GmbH],

- Wentorf near Hamburg (through a member of the Supervisory Board);
- Managing partner of Internet Business Solutions Süd UG (haftungsbeschränkt) [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- Managing partner of Internet Business Solutions Ost UG (haftungsbeschränkt) [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- President of the Supervisory Board of Internet Business Solutions AG, Boppelsen, Switzerland (through a member of the Supervisory Board);
- Managing partner of Internet Business Solutions West UG (haftungsbeschränkt), Wentorf near Hamburg (through a member of the Supervisory Board)
- CamTech GmbH, Berlin (through a member of the Management Board).

In reporting year 2013, the group of related companies and persons with a significant influence on the financial and business policy of the FP Group were paid a total of 0 thousand euro (in the previous year 200 thousand euro) in salaries. There were no transactions within the meaning of IAS 24.18 (b) to (d) in the reporting period.

As in the equivalent period of the previous year, in 2013 Francotyp-Postalia GmbH was in a contractual relationship with abcfinance GmbH, Cologne. According to information provided, Dr Barbara Gerckens is a partner (limited partner) of the parent company of abcfinance GmbH, Wilh. Werhahn KG, Neuss. Dr Gerckens is the wife of Dr Claus Gerckens, who was a member of the Supervisory Board of FP Holding until 27 June 2013. The volume of business in 2013 was 3,405 thousand euros (in the previous year, 540 thousand euros). The liabilities arising from these transactions come to 2,782 thousand euros as at 31 December 2013 (in the previous year 532 thousand euros).

Please see the Section below: “Total remuneration of Management Board and Supervisory Board members” for the total remuneration of Management Board and Supervisory Board members.

## TOTAL REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The following overview shows the remuneration of the Management Board for the financial year 2013. In compliance with DRS 17 this includes direct and indirect components of remuneration. In accordance with DRS 17 the fair value of share-based remuneration (Stock Options Tranche 2010) is shown in total remuneration in the year of commitment (financial year 2010). No new stock options were granted in the financial year 2013. As non-share-based remuneration, the long-term bonus granted in the financial year 2013 will not be shown in the remuneration report in accordance with DRS 17 until the long-term conditions are met. In the financial statements for 2013 both the long-term bonus for Mr Grethe of 13,000 euros and the variable annual remuneration in the amount of the likely goal achievement are shown in the income statement.

For the remuneration report as per section 315 para. 2(4) sent. 1 HGB we refer to the consolidated management report. In accordance with DRS 17, total remuneration is as follows.

Thousand euro		Mr Szymanski			
		2010	2011	2012	2013
Fixed components	Fixed salary	168	203	240	253
	Allowances	11	11	15	11
	<b>Total</b>	<b>179</b>	<b>214</b>	<b>255</b>	<b>265</b>
Performance-related components					
without long-term incentive effect	Variable remuneration for one year	128	44	30	80 <sup>1)</sup>
with long-term incentive effect	Variable remuneration for several years				
	Stock Options Plan 2010	213	0	0	0
	Long-term bonus	0	0	0	0
	<b>Total</b>	<b>341</b>	<b>44</b>	<b>30</b>	<b>80</b>
Costs of pension provision	Costs of pension provision	76	76	76	76
<b>Total remuneration</b>	<b>Total</b>	<b>596</b>	<b>334</b>	<b>361</b>	<b>420</b>

1) Additional expenditure related to other periods totalling EUR 50,000 was recognised in financial year 2013

Thousand euro		Mr Grethe (member of the Management Board from 15.6.2013)	
		2012	2013
Fixed components	Fixed salary	0	119
	Allowances	0	6
	<b>Total</b>	<b>0</b>	<b>125</b>
Performance-related components			
without long-term incentive effect	Variable remuneration for one year	0	20
with long-term incentive effect	Variable remuneration for several years		
	Stock Options Plan 2010	0	0
	Long-term bonus <sup>1)</sup>	0	0
	<b>Total</b>	<b>0</b>	<b>20</b>
Costs of pension provision	Costs of pension provision	0	2
<b>Total remuneration</b>	<b>Total</b>	<b>0</b>	<b>147</b>

1) Non-share-based remuneration is included in total remuneration in accordance with DRS 17 if the conditions attached to the commitment are met, in the 2013 financial statements a provision for likely goal achievement was recognised in the income statement (EUR 13,000).

The prorated remuneration for the member of the Management Board who resigned in financial year 2013 is shown below:

Thousand euro		Mr Drechsler (member of the Management Board until 3.6.2013)			
		2010	2011	2012	2013
	Fixed salary	152	177	210	224
Fixed components	Allowances	15	15	18	15
	<b>Total</b>	<b>167</b>	<b>192</b>	<b>228</b>	<b>239</b>
Performance-related components					
without long-term incentive effect	Variable remuneration for one year	128	44	30	42
with long-term incentive effect	Variable remuneration for several years				
	Stock Options Plan 2010	213	0	0	0
	Long-term bonus	0	0	0	0
	<b>Total</b>	<b>341</b>	<b>44</b>	<b>30</b>	<b>42</b>
Costs of pension provision	Costs of pension provision	76	76	76	76
<b>Total remuneration</b>	<b>Total</b>	<b>584</b>	<b>312</b>	<b>334</b>	<b>357</b>

Of the share-based remuneration granted in financial year 2010 under the Stock Options Plan 2010, Mr Szymanski and Mr Drechsler each received 213,000 euros or 180,000 options. No further options were granted in the period ending 31 December 2013. The period for exercising the options begins in the financial year 2014.

The amounts shown in the tables above as costs of pension provision are grants for pension plans and part of the fixed payment made to the members of the Management Board.

The allowances consist mainly of the value of using a company car which is reportable for tax purposes.

As in the previous year, reserves for pension commitments for active members of the Management Board were immaterial (2013: EUR 3,000; 2013 EUR 2,000).

Reserves for pension commitments to former members of the Management Board of francotyp-Postalia Holding AG amounted to EUR 744,000 at 31 December 2013 (previous year: EUR 536,000). In reporting year 2013, the reserves were increased by EUR 43,000 (previous year: EUR 54,000).

In addition to reimbursement for cash expenses and any VAT incurred for Supervisory Board activities, each member of the Supervisory Board receives fixed remuneration of EUR 30,000, payable annually in the last month of the financial year. Since the financial year 2009, fixed remuneration for the Chairman has been 150% and fixed remuneration for the Deputy Chairman has been 125% of the remuneration for a normal Supervisory Board member.

The fixed remuneration for the Supervisory Board for the financial year 2013 totalled EUR 113,000 (previous year: EUR 93,000).

## FEE FOR THE AUDITOR OF ANNUAL ACCOUNTS

Shareholder Meeting has selected, based on the recommendation of the Supervisory Board, the accountancy firm KPMG AG, Berlin, as the auditor of annual accounts for the 2013 financial year. The total fee calculated for the auditor of financial accounts for services in the financial year is as follows.

Thousand euro	2013	2012
Accounts auditing services	312	276
Tax advisory services	124	86
Other services	154	195
<b>Total</b>	<b>590</b>	<b>557</b>

Of the fee calculated in the financial year 2013, 22 thousand euro (68 thousand euro in the previous year) is attributed to previous years.

The data relate solely to the legally independent units of the appointed auditor.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In February 2014 the Supervisory Board of Francotyp-Postalia Holding AG prematurely extended the existing Management Board contract with Hans Szymanski until 31 December 2016. Szymanski has been a Management Board member since December 2008 and a Management Board spokesman for the FP Group since November 2010. He is responsible for the segments Finance, Strategic

Business Development, Production, IT, Research and Development, and Human Resources and Legal.

There was no dividend pay-out in the reporting year 2013. The board will put a proposal before the Supervisory Board and put forward the recommendation to use the profit of 6,937,894.40 euro as follows in the Annual General Meeting of 2014:

in euro	
Dividend of €0.08 per per	
dividend-entitled share	1,263,164.48
Accumulated Profit	5,674,729.86
Profit	6,937,894.40

Beyond this, no events of special significance occurred after the end of the financial year which could have had a notable effect on the net assets, financial position and results of operation of the FP Group.

## CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG issued a declaration on the Corporate Government Code in accordance with section 161 AktG and made this permanently available on the company ([www.fp-francotyp.com/en/FP/company/investors/corporate-governance](http://www.fp-francotyp.com/en/FP/company/investors/corporate-governance)).

## DISCLOSURES IN THE ELECTRONIC FEDERAL GAZETTE

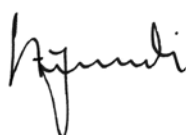
The consolidated financial statements for 2013 for the FP Group, and the consolidated financial statements for 2013 for Francotyp-Postalia Holding AG are published in the electronic Federal Gazette. The disclosures are submitted to the business register with the addition of financial statement documents.

Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Hanse GmbH, FP Direkt Vertriebs GmbH, Francotyp-Postalia International GmbH, FP In-ovoLabs GmbH, Frankiersversand UG (mini GmbH) and Francotyp-Postalia Unterstützungseinrichtung GmbH are, in accordance with section 264(3) of the German Commercial Code (HGB) in conjunction with section 325 HGB, exempt in each case from the obligation to publish their annual financial statements for 2013. The companies named are equally exempt from the obligation to compile a management report for 2013 in accordance with section 264(3) HGB in conjunction with section 289 HGB.

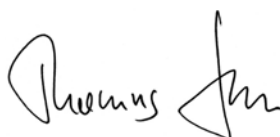
The corresponding resolutions have been submitted to the operator of the electronic Federal Gazette, which has arranged for the respective announcement.

Birkenwerder, 31 March 2014

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski  
 CEO & CFO



Thomas Grethe  
 CSO

## CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2012, ADJUSTED <sup>1)</sup>

Thousand Euro	Cost or cost of manufacture					
	C/F 1.1.2012	Currency differences	Other disposals	Disposals	Reclassifications	Status 31.12.2012
<b>INTANGIBLE ASSETS <sup>2)</sup></b>						
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	22,922	0	0	0	0	22,922
Development projects in progress and advances	11,882	0	2,751	0	-8,498	6,135
<b>Total</b>	<b>142,280</b>	<b>129</b>	<b>5,839</b>	<b>1,067</b>	<b>57</b>	<b>147,238</b>
<b>PROPERTY, PLANT AND EQUIPMENT <sup>2)</sup></b>						
Land and similar 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 plant and operating and office machinery	33,072	37	1,265	4,876	1,641	31,139
Leased products	59,864	-887	3,984	14,939	11	48,033
Investments in finance lease relationships	5,687	0	2,835	0	0	8,522
Advance payments and assets under construction	2,706	0	3	0	-2,706	3
<b>Total</b>	<b>108,275</b>	<b>-849</b>	<b>8,827</b>	<b>22,205</b>	<b>-57</b>	<b>93,991</b>
<b>Non-current Assets</b>	<b>250,555</b>	<b>-720</b>	<b>14,666</b>	<b>23,272</b>	<b>0</b>	<b>241,229</b>

1) Notes to amendments: See "Regulations requiring disclosure in accordance with IAS 8.41"

2) Notes (17)



Depreciation, amortisation and impairment losses						Book values	
C / F 1.1.2012	Currency differences	Depreciations in the financial year	Disposals	Reclassifications	Status 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	9,147	9,147
1,000	0	0	0	-1,000	0	6,135	10,882
<b>111,832</b>	<b>-16</b>	<b>3,318</b>	<b>909</b>	<b>4</b>	<b>114,229</b>	<b>33,009</b>	<b>30,448</b>
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
<b>200,358</b>	<b>-526</b>	<b>9,946</b>	<b>22,730</b>	<b>0</b>	<b>187,048</b>	<b>54,181</b>	<b>50,197</b>

## CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2013, ADJUSTED <sup>1)</sup>

Thousand Euro	Cost or cost of manufacture					Status 31.12.2013
	C/F 1.1.2013	Currency differences	Other disposals	Disposals	Reclassifications	
<b>INTANGIBLE ASSETS <sup>2)</sup></b>						
Internally generated intangible assets	29,950	0	196	4	2,973	33,115
Other intangible assets	88,231	-428	312	940		87,175
Intangible assets including customer lists	118,181	-428	508	944	2,973	120,290
Goodwill	22,922	0	0	0	0	22,922
Development projects in progress and advances	6,135	0	3,969	0	-2,973	7,131
<b>Total</b>	<b>147,238</b>	<b>-428</b>	<b>4,477</b>	<b>944</b>	<b>0</b>	<b>150,343</b>
<b>PROPERTY, PLANT AND EQUIPMENT <sup>2)</sup></b>						
Land and similar rights and buildings	2,561	-2	243	0	0	2,802
Technical equipment and machinery	3,733	-8	66	245	0	3,546
Other plant and operating and office machinery	31,139	-519	879	1,013	3	30,489
Leased products	48,033	-2,606	5,918	5,727	0	45,618
Investments in finance lease relationships	8,523	-175	3,164	96	0	11,415
Advance payments and assets under construction	3	0	36	0	-3	36
<b>Total</b>	<b>93,991</b>	<b>-3,310</b>	<b>10,306</b>	<b>7,081</b>	<b>0</b>	<b>93,906</b>
<b>Non-current Assets</b>	<b>241,229</b>	<b>-3,738</b>	<b>14,783</b>	<b>8,025</b>	<b>0</b>	<b>244,249</b>

1) Notes to amendments: See "Regulations requiring disclosure in accordance with IAS 8.41"

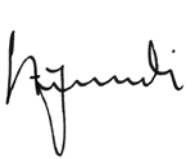
2) Notes (17)

	Abschreibungen und Wertminderungen					Book values		
	C / F 1.1.2013	Currency differences	Depreciation in the financial year	Impairment losses	Disposals	Status 31.12.2013	31.12.2013	1.1.2013
	18,110	0	3,286	0	4	21,392	11,723	11,840
	82,344	-287	1,129	180	940	82,426	4,749	5,887
	100,454	-287	4,415	180	944	103,818	16,472	17,727
	13,775	0	0	0	0	13,775	9,147	9,147
	0	0	0	0	0	0	7,131	6,135
	<b>114,229</b>	<b>-287</b>	<b>4,415</b>	<b>180</b>	<b>944</b>	<b>117,593</b>	<b>32,750</b>	<b>33,009</b>
	277	-2	106	0	0	381	2,421	2,284
	2,581	-8	175	0	235	2,513	1,033	1,152
	27,066	-506	1,339	0	968	26,931	3,558	4,073
	40,301	-3,272	4,130	0	5,601	35,558	10,060	7,732
	2,594	-72	1,457	0	73	3,906	7,509	5,928
	0	0	0	0	0	0	36	3
	72,819	-3,860	7,207	0	6,877	69,289	24,617	21,172
	<b>187,048</b>	<b>-4,147</b>	<b>11,622</b>	<b>180</b>	<b>7,821</b>	<b>186,882</b>	<b>57,367</b>	<b>54,181</b>

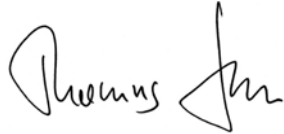
## Responsibility Statement

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.

Berlin, 31 March 2014



Hans Szymanski  
CEO & CFO



Thomas Grethe  
CSO

## Independent Auditor's Report

We have audited the consolidated financial statements prepared by Francotyp-Postalia Holding AG, Birkenwerder, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements together with the Group management report, for the financial year from 1 January to 31 December 2013. 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, 8 April 2014

KPMG AG – Wirtschaftsprüfungsgesellschaft

Dr Großmann	Unger
German Public Auditor	German Public Auditor

## Balance Sheet of the Corporation for the 2013 Fiscal Year

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The complete Financial Statement 2013 of Francotyp-Postalia Holding AG is to be found on our homepage [www.fp-francotyp.com](http://www.fp-francotyp.com). We will be happy to send you a copy – please request one at [ir@francotyp.com](mailto:ir@francotyp.com)

**PROFIT AND LOSS STATEMENT  
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2013**

Thousand euro

	1.1.– 31.12.2013	1.1.– 31.12.2012
Revenue	2,206	1,479
Other operating income	1,121	614
Material expenses	0	176
Personnel expenses		
a) Wages and salaries	2,863	1,678
b) Social security contributions and expenses for pensions and benefits – of which taxes 1 thousand euro (previous year: 1 thousand euro) –	396	281
	<b>3,259</b>	<b>1,959</b>
Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	20	42
Other operating expenses	2,177	2,464
Income from investments – of which from affiliated companies 51 thousand euro (previous year: 0 euro) –	51	0
Income from profit transfer agreements	9,487	6,903
Income from loans from financial investments – of which from affiliated companies 1,750 thousand euros (previous year: 1,850 thousand euro) –	1,750	1,850
Other interests and similar income – of which from affiliated companies 110 thousand euro (previous year: 69 thousand euro) –	114	69
Write-downs of financial fixed assets	0	1,781
Interest and similar expenses – of which to affiliated companies 77 thousand euro (previous year: 148 thousand euro) –	2,118	2,607
<b>Result of ordinary operating activities</b>	<b>7,155</b>	<b>1,886</b>
Extraordinary expenses	9	9
<b>Extraordinary result</b>	<b>-9</b>	<b>-9</b>
Taxes on income – of which from change in recognised deferred taxes 904 thousand euro (previous year: 785 thousand euro) –	1,105	940
Other taxes	10	30
<b>Net income for the year</b>	<b>6,031</b>	<b>907</b>
Profit brought forward from the previous year	907	0
Accumulated profits for allocation in accordance with section 150 para. 4 no. 1 and no. 2 Stock Corporation Act	6,938	907
<b>Net profit for the year</b>	<b>6,938</b>	<b>907</b>

## BALANCE SHEET AS OF 31 DECEMBER 2013

ASSETS	thousand euro	
	31.12.2013	31.12.2012
<b>FIXED ASSETS</b>		
<b>Intangible fixed assets</b>		
Purchased concessions, industrial rights and similar rights and assets, and licences for such rights and assets	2	4
<b>Tangible assets</b>		
Land, rights equivalent to real property and buildings	439	451
Other equipment, operating and office equipment	24	20
	463	471
<b>Financial assets</b>	8,960	8,960
Shares in affiliated companies	53,123	47,273
Loans to affiliated companies	62,083	56,233
	62,548	56,708
<b>CURRENT ASSETS</b>		
<b>Receivables and other assets</b>		
Receivables from affiliated companies	55,321	51,364
Other assets	604	22
	55,925	51,386
<b>Bank balances</b>	13	30
	55,938	51,416
<b>PREPAID EXPENSES</b>	582	308
<b>DEFERRED TAX ASSETS</b>	4,119	5,151
	123,187	113,583



## EQUITY AND LIABILITIES

thousand euro

	31.12.2013	31.12.2012
<b>EQUITY</b>		
<b>Issued capital</b>		
Subscribed capital	16,160	16,160
Nominal value of treasury shares	-370	-370
	15,790	15,790
<b>Capital reserves</b>	38,497	38,497
<b>Net profit for the year</b>	6,938	907
	61,225	55,194
<b>PROVISIONS</b>		
Provisions for pensions and similar obligations	434	385
Tax provisions	1,369	1,392
Other provisions	1,084	734
	2,887	2,511
<b>LIABILITIES</b>		
Liabilities to banks	33,496	34,416
Trade payables	267	273
Liabilities to affiliated companies	24,960	20,762
Other liabilities		
– of which taxes 308 thousand euro (previous year: 259 thousand euro) –	313	260
	59,036	55,711
<b>DEFERRED TAX LIABILITIES</b>	39	167
	123,187	113,583

## CHANGES IN FIXED ASSETS IN THE FINANCIAL YEAR 2013

thousand euro	Historical costs				Cumulative depreciation and amortisation			Book values	
	1.1.2013	Accruals	Cash-out	31.12.2013	1.1.2013	Amortisation in the financial year	31.12.2013	31.12.2013	31.12.2012
<b>Intangible fixed assets</b>									
Purchased concessions, industrial rights and similar rights and assets, and licences for such rights and assets	148	0	0	148	144	2	146	2	4
<b>Tangible assets</b>									
Land, rights equivalent to real property and buildings	466	0	0	466	15	12	27	439	451
Other equipments, operating and office equipment	54	10	0	64	34	6	40	24	20
	520	10	0	530	49	18	67	463	471
<b>Financial assets</b>									
Shares in affiliated companies	29,417	0	0	29,417	20,457	0	20,457	8,960	8,960
Loans to affiliated companies	47,273	32,000	26,150	53,123	0	0	0	53,123	47,273
	76,690	32,000	26,150	82,540	20,457	0	20,457	62,083	56,233
	77,358	32,010	26,150	83,218	20,650	20	20,670	62,548	56,708

# 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.

#### Decertification

Franking machines must be certified by the national postal authorities for sale or leasing. If a postal authority wishes to introduce a new technological standard, certification can be revoked. A current example of decertification is the US postal market, where franking machines which do not meet the IBIP (Information Based Indicia Program) standard must be withdrawn from the market by end-2015.

#### 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 Box

FP's FP Box makes it possible for the first time to receive and send De-Mails and send hybrid mail with a small smart hardware device. The box can be connected to the client network and PC.

#### 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 CO<sub>2</sub> emissions by offering the option of sending mail in a CO<sub>2</sub>-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 iab

iab stands for internet access lilibit Berlin GmbH. Francotyp-Postalia Holding AG has an equity interest of 51 % in this company.

#### Investors' Day

Investors' Day is a central event in the IR activities. The Management Board of Francotyp-Postalia Holding AG uses this opportunity to present to investors FP's strategic development and the measures planned for this, with particular emphasis on the achievement of key strategic milestones.

**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 Mentana-Claimsoft**

Mentana-Claimsoft GmbH is a subsidiary of Francotyp-Postalia Holding AG, through which the FP Group distributes archiving, scanning and signature solutions in Germany. In 2012 Mentana-Claimsoft became the first company to be accredited for De-Mail by the BSI.

**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)

**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.

**C Cashflow**

Cash flow is a measured quantity in financial terms that represents the net inflow of cash from revenue-generating activities and other ongoing operations during a period.

**CeBIT**

CeBIT (Centrum für Büroautomation, Informationstechnologie und Telekommunikation – Centre for Office, Information and Communications Technology) is the world's largest trade fair for information technology and since 1986 has been held each spring at the Hanover fairground. CeBIT is organised by Deutsche Messe AG (DMAG).

**Corporate Governance Code**

The German Corporate Governance Code (DCGK) is a set of regulations compiled by a commission of the German government which contains suggestions for organising good corporate governance, covering ethical employee conduct and the management of companies and organisations.

**D Derivatives**

Derivatives are financial instruments whose price or value is linked to the rates or prices of other commercial goods (e.g. commodities or agricultural goods), assets (securities, such as shares or bonds) or to market-based parameters (interest rates, indices).

**DPAG**

Abbreviation for Deutsche Post AG.

**E EBIT**

EBIT (earnings before interest and taxes) is a measurement of profitability. It comprises net income before taxes, interest expenses and extraordinary items.

**EBITA**

EBITA (earnings before interest, tax and amortisation), similarly to the EBIT profit ratio, denotes the result of ordinary operating activities.

**EBITDA**

Earnings before interest, taxes, depreciation and amortisation.

**EBITDA margin**

The EBITDA margin is the percentage share of EBITDA in the revenue of a company within a certain period.

**EURIBOR**

European InterBank Offered Rate (EURIBOR) is the interest rate in euros for short-term money in interbank lending.

**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.

**SPOCS Project**

SPOCS (Simple Procedures Online for Cross-Border Services) is a major project which was launched in May 2009. The goal of SPOCS is to develop the next generation of online portals (Point of Single Contact, or PSC),

**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

Presentation Consolidated Financial Statements 2013	30 April 2014
Presentation Financial Results 1st Quarter 2014	28 May 2014
Annual General Meeting 2014	19 June 2014
Presentation Financial Results 2nd Quarter 2014	28 August 2014
Presentation Financial Results 3rd Quarter 2014 / Equity Forum Frankfurt 2014	November 2014

## Imprint

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### CONCEPT AND LAYOUT

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### TRANSLATION

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### PHOTOGRAPHY

Daniel Möller, Hannover  
[www.fotodanielmoeller.de](http://www.fotodanielmoeller.de)

## Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN MILLION EURO	2013	2012*	2011	2010	2009
Revenues	168.9	165.6	159.4	147.3	129.0
Increase in revenues (%)	2.0	3.9	8.2	14.2	-9.3
Recurring revenues	136.9	132.1	124.9	111.8	95.5
EBITDA	22.2	19.0	13.1	25.5	20.6
as percentage of revenues	13.1	11.5	8.2	17.3	16.0
Operating income EBIT	10.4	9.1	-1.3	7.5	-15.7
as percentage of revenues	6.1	5.5	n/a	5.1	-12.2
Net income / loss	4.9	4.0	-4.6	2.7	-16.6
as percentage of revenues	2.9	2.4	n/a	1.8	-12.9
Free Cash flow	3.5	-7.0	2.4	9.4	9.8
Equity capital	16.2	16.2	14.7	14.7	14.7
Shareholders equity	25.9	21.6	15.9	19.6	15.3
as percentage of balance sheet total	18.8	15.8	11.9	14.4	11.4
Return on equity (%)	18.8	18.4	n/a	13.8	n/a
Debt capital	111.5	114.9	117.2	116.3	119.0
Net debt	30.1	33.3	30.0	31.8	41.0
Net indebtedness percent	116	154	189	162	268
<b>Balance sheet total</b>	<b>137.4</b>	<b>136.5</b>	<b>133.1</b>	<b>135.9</b>	<b>134.3</b>
<b>Share price end of the year in euro</b>	<b>4.17</b>	<b>2.48</b>	<b>2.11</b>	<b>3.15</b>	<b>1.62</b>
<b>Earnings per share in euro</b>	<b>0.31</b>	<b>0.27</b>	<b>-0.27</b>	<b>0.23</b>	<b>-1.12</b>
<b>Employees (end of period)</b>	<b>1,047</b>	<b>1,093</b>	<b>1,136</b>	<b>1,113</b>	<b>1,041</b>

\* Notes to amendments: See "Reportable Requirements under IAS 8.28 (IAS 19 – Employee Benefits)" and "Regulations requiring disclosure in accordance with IAS 8.41"

## 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 [www.fp-francotyp.com](http://www.fp-francotyp.com).



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