



ANNUAL REPORT 2022

Dear business partners and shareholders,

In 2022, we again made good progress in transforming the **FP** Group into a sustainably profitable international technology group. Despite the challenging economic climate, by continuing our **FUTURE@FP** transformation program initiated in spring 2021, we simultaneously achieved growth and operational improvements across all business areas.

Revenue shows a 23% year-on-year increase to EUR 251 million including tailwinds from currency effects, rate change and some one-off effects in the Mail Services business. The acquisition of the operating Azolver companies in spring 2022 contributed to this revenue growth for nine months. This acquisition strengthened **FP**'s position in the Scandinavian markets and added new solutions to our digital portfolio.

We made as well progress in terms of profitability. EBITDA rose to EUR 27.6 million, an increase of almost 50% compared to the previous year and margin improved to 11.0% from 9.1%.

Consolidated earnings improved to EUR 5.5 million after achieving a "black zero" in 2021. This corresponds to an earnings per share of EUR 0.35. Nevertheless, we have decided not to distribute dividends and invest among other in our share-buy-back program. However, we are determined to let our shareholders participate in the results in the future.

We consider the increased turnover and profitability development as an indicator that we have set the right course with the transformation program **FUTURE@FP**. We invested in all three business areas in bringing forward our product and solutions portfolio. In Mailing, Shipping and Office Solutions we invested in new country variants and infrastructure to replace the Azolver franking machines with **FP** models over the next years. New customer-driven product enhancements are also part of that.

The Digital Business Solutions area benefited from both increased capacity of software developers and from our investments in self-service structures implemented across our SaaS solutions. We are committed to continuing investing in our solutions in order to grow both in Germany and internationally.

What prospects does the year 2023 open up?

First, we look forward to an important company anniversary: **FP** will be 100 years old. A company with a great history and, even more important, a lot of potential and future!

In 2023 we will follow our journey under **FUTURE@FP** and continue to increase investments to take

advantage of market opportunities. For both Mailing, Shipping and Office Solutions and our Digital Business Solutions internationalization will be one main focus area.

Apart from increasing revenue and profitability by investing in our solutions, we will further improve our cost base. A significant milestone will be to finalize the implementation of the new ERP/CRM system. The new system will provide more effective and efficient processes in all business areas and Services. We will establish Group Services in order for Finance, IT and HR operations to be able to deliver on market compliant price and performance levels.

So what is the outlook for 2023: The macroeconomic environment appear quite uncertain, however it is our aim to continue our profitable growth path. Operationally, we expect a revenue of EUR 245 - 255 million and an EBITDA of EUR 28 - 31 million for the 2023 financial year. This takes into account that the mentioned tailwinds from one-off in 2022 will not repeat.

In 2022, Martin Geisel did not extend his contract as CFO. We want to thank him for his commitment and support during a challenging period and wish him all the best for the future. Ralf Spielberger is new CFO and will help shape **FP**'s success in the coming years.

At the beginning of fiscal year 2023, the major shareholder Obotritia Capital KGaA, disposed of his interest in **FP**. We want to thank for the constructive cooperation along the time of investment. With OSP Alpha Management Limited, we welcome a new major shareholder and hope for equally long-term and productive cooperation for the good of the Company.

We want to take this opportunity to express our special thanks to all our employees, whose commitment and identification with our common goals made the progress possible. The **FP** team is well-positioned and committed to continue the journey.

We would be pleased if you would continue to accompany us on this journey, and we look forward to a joint dialogue with you.

Your Management Board



Carsten Lind
CEO



Ralf Spielberger
CFO

Report of the Supervisory Board of Francotyp-Postalia Holding AG (FP Group)

Dear shareholders and business partners,

With the progress made in the digital business areas and the acquisition of the operating units of Azolver, **FP** continued to grow in fiscal year 2022. The **FUTURE@FP** transformation programme was implemented consistently and is showing visible success. The Supervisory Board continued to closely monitor the course of business in the past fiscal year in which many industries felt the impact of the Russian war of aggression on Ukraine and believes that the Group is on a good path to a successful future even in a challenging environment.

Supervisory Board and Management Board collaboration

In fiscal year 2022, the Supervisory Board performed the duties required of it pursuant to prevailing law, the Articles of Association and the Rules of Procedure, while continuously monitoring the Management Board's governance of the company and advising it regularly on company management.

The Management Board fulfilled its information and reporting obligations in full. It provided us with regular, prompt and detailed written and verbal information on all matters of strategy, planning, business performance, the risk situation, changes in risk and compliance relevant to the company and the Group. This also included information about where actual performance deviated from earlier targets and where business performance deviated from planning, including in the development of agreed ESG key figures. Furthermore, the Chairman of the Supervisory Board, the Chairman of the Management Board and the entire Management Board regularly exchanged information.

The members of the Supervisory Board always had adequate opportunities to critically assess the reports submitted and resolutions proposed by the Management Board and to make their own suggestions. In particular, the Supervisory Board was directly consulted about all decisions of fundamental importance to the company at an early stage and discussed these with the Management Board in detail. The Supervisory Board examined the company's objectives, risk situation, liquidity planning and equity situation in detail on several occasions. As part of this, the Supervisory Board was also consulted about key operating issues. Where Supervisory Board approval was required for decisions or action by the Management Board by law or in accordance with the Articles of Association or the Rules of Procedure, the

Supervisory Board members granted this after close examination and discussion.

Supervisory Board meetings

In the reporting year, the Supervisory Board held 13 meetings, some of which were attended in person and some of which were held as video or telephone conferences as required. Our regular discussions addressed revenue and earnings performance at Francotyp-Postalia Holding AG and the Group, as well as the financial position and results of operations. In addition, the Supervisory Board ensured that it was informed in advance about the planned acquisition of the operating units of the Azolver Group, approved the Management Board's proposed resolution on the acquisition, and closely monitored the ongoing integration. Another topic at the meetings was the planned introduction of new ERP/CRM software and its implementation progress. The Supervisory Board also approved the Management Board's proposal to implement a share buyback programme.

The Supervisory Board also considered the 2021 annual and consolidated financial statements, together with the combined management report including the separate non-financial declaration and the combined declaration on corporate governance by the Management Board and the Supervisory Board. Quarterly reports and the half-year report were discussed with the Management Board at length prior to publication.

The Supervisory Board also examined the monitoring of the accounting process, issues relating to the effectiveness of the internal monitoring system and its further development, the effectiveness of the risk management system and the internal audit system, compliance management and the development of the **FP** Group's strategic compliance measures. In addition, the Supervisory Board examined Internal Audit's audit findings, audit processes and audit planning for fiscal year 2022. Another key topic was the current status of implementation of the **FUTURE@FP** programme.

The Supervisory Board also discussed preparations for the Annual General Meeting on 15 June 2022. The Supervisory Board approved the Management Board's decision to hold a virtual Annual General Meeting without the physical presence of the shareholders and their authorised representatives. As part of this, the Supervisory Board also discussed the remuneration system for the Supervisory Board. The modified draft was approved by the Annual General Meeting with a majority of 99.7%. The Supervisory Board also discussed the company and investment planning for the 2022 fiscal year and set the target figures (KPIs) for the variable remuneration components (annual bonus) of the Management Board members. Together with

the Management Board, the Supervisory Board prepared the remuneration report for fiscal year 2022 in accordance with section 162 AktG and will submit it for approval to the Annual General Meeting 2023. There was also a focus on corporate governance, the internal control system (ICS) and compliance.

In fiscal year 2022, after reviewing the recommendations and suggestions of the current version of the German Corporate Governance Code (GCGC), the Management Board together with the Supervisory Board resolved to submit and publish the declaration of compliance. The latest declaration on corporate governance in accordance with section 161 AktG, which was submitted on 17 January 2023, is available on the **FP** Group's website. The Management Board and Supervisory Board also report on corporate governance at the **FP** Group in the declaration on corporate governance.

There were no transactions with related parties subject to approval or disclosure requirements in the reporting year. Furthermore, there were no conflicts of interest involving Management Board or Supervisory Board members that would have had to have been disclosed to the Supervisory Board.

Members' attendance rate at meetings of the Supervisory Board was 100%.

The members of the Management Board attended Supervisory Board meetings. At times, the Supervisory Board also regularly met without the Management Board. Agenda items at these meetings related either to the Management Board itself or to internal Supervisory Board matters.

Members of the Supervisory Board are individually responsible for participating in training and further development activities required for their jobs, for example relating to changes in legal frameworks and new technology. They are supported by the company in doing so. Information events are attended where necessary for targeted training.

No committees were formed because the Articles of Association prescribe that the Supervisory Board must consist of three members. In accordance with section 107 (4) AktG, the Supervisory Board is also the Audit Committee.

Audit of the annual financial statements and consolidated financial statements

In accordance with the statutory provisions, the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed by the Annual General Meeting on 15 June 2022. The Supervisory Board commissioned the auditor appointed by the Annual General Meeting for fiscal year 2022, set out the key areas on which the audit was to focus and determined

the auditor's fee. Prior to this, it reviewed and assessed the selection, independence, qualification, rotation and efficiency of the auditor and the services performed by the auditor and reviewed the quality of the audit.

The Supervisory Board regularly exchanged information with the auditor during the audit.

KPMG audited the annual financial statements for the fiscal year from 1 January to 31 December 2022 prepared by the Management Board in accordance with HGB and the management report of Francotyp-Postalia Holding AG, which is combined with the management report of the **FP** Group. The auditor issued an unqualified audit opinion. The consolidated financial statements of Francotyp-Postalia Holding AG for the fiscal year from 1 January to 31 December 2022 and the management report of the **FP** Group, which is combined with the management report of the company, were prepared in accordance with section 315e HGB in line with the International Financial Reporting Standards (IFRSs) as adopted by the EU. Both the consolidated financial statements and the combined management report also include an unqualified audit opinion by KPMG. As the auditors responsible for the audit, Jack Cheung has signed since fiscal year 2023 and Sascha Klein since fiscal year 2020.

The auditor conducted the audit in compliance with section 317 HGB and the EU Audit Regulation, taking account of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as the International Standards on Auditing (ISA). The auditor also found that the Management Board has established a suitable information and monitoring system, the design and use of which is appropriate for identifying developments that threaten the continuation of the company at an early stage.

The financial statement documents and the audit reports for fiscal year 2022 were discussed at length at the Supervisory Board meeting on 20 April 2023. The auditor reported on the key audit findings and, in particular, the key audit matters described in the auditor's report, including the audit procedures carried out. It also provided information on its findings regarding the internal control system in connection with the accounting process and the early risk detection system and was available for additional questions and information. There were no objections raised after auditing and discussing in detail the annual financial statements, the consolidated financial statements and the combined management report in the Supervisory Board. The Management Board prepared the annual financial statements and the consolidated financial statements. The Supervisory Board approved the annual financial statements and

the consolidated financial statements on 28 April 2023. This also applies to the sustainability reporting. The annual financial statements of Francotyp-Postalia Holding AG are therefore adopted.

In addition, the auditor examined the remuneration report jointly prepared by the management board and the supervisory board in accordance with section 162 of the German Stock Corporation Act (AktG). In the auditor's opinion, the information required by section 162 (1) and (2) of the German Stock Corporation Act (AktG) has been provided in all material respects in the remuneration report.

Francotyp-Postalia Holding AG's dividend policy remains unchanged. The aim is to allow shareholders to participate in the positive development of the company as a matter of principle. Due to the current restructuring and in view of the recent acquisition, the Management Board and the Supervisory Board proposed that no dividend is distributed for fiscal year 2022 and that the accumulated loss of Francotyp-Postalia Holding AG of EUR 2.13 million are offset against the retained profit of the previous year. The Supervisory Board agreed with this proposal.

Personnel changes on the Management Board

Martin Geisel resigned from the Management Board with effect from 30 September 2022 and remained available to the company in an advisory capacity until the end of the year. The Supervisory Board and the company would like to thank Martin Geisel for his commitment and wish him all the best for the future. Ralf Spielberger was appointed to the Management Board as CFO with effect from 1 October 2022.

On behalf of the Supervisory Board, I would like to thank all members of the Management Board, employees and the employee representatives of Francotyp-Postalia Holding AG and all Group companies for their hard work and commitment and constructive collaboration in the past fiscal year.

Berlin, 27 April 2023

For the Supervisory Board



Dr Alexander Granderath

Chairman

FP Share

Global stock markets in correction mode

The stock markets had a difficult year in 2022. The positive performance of the previous year did not continue and global stock market prices were in negative territory. The Euro Stoxx 50 as well as the US S&P 500 and the US Dow Jones benchmark index recorded price losses, although a slight recovery set in at the end of the year. Tech shares in particular were among the big losers on the stock market. The US technology exchange Nasdaq recorded considerable price losses. The Nasdaq 100 Index lost over 30%.

Share prices also fell in Germany. At the beginning of the year, the German DAX stock index reached its high for the year of 16,272 points. Following the outbreak of war in Ukraine at the end of February, share prices fell sharply and the stock market barometer temporarily dropped below the 13,000 point mark. This was followed by a volatile sideways movement characterised by repeated price losses. In the fourth quarter, the market recovered thanks to robust business figures and hopes of a less restrictive monetary policy. The DAX closed at 13,924 points at the end of December 2022. Over the year as a whole, this corresponds to a drop of 12%.

The performance of the SDAX small cap index was very weak in the 2022 stock exchange year. The SDAX started the year at 16,747 points and subsequently lost considerable ground, reaching its low for the year at 10,261 points. At the end of the 2022 stock exchange year, it gained ground and closed at 11,926 points - a drop of almost 29% over the year.

FP share achieves price gains

The FP started into 2022 at EUR 3.15. Over the following weeks, the share price was volatile. It reached its low for the year of EUR 2.42 on the basis of the closing price at the beginning of March due to the generally poor sentiment on the stock market. In the period that followed, the share price increased significantly. Following the presentation of positive business figures, the share price rose, reaching EUR 3.50 in mid-June. This was followed in the second half by a correction to EUR 2.76 in mid-October. However, with the publication of the figures for the third quarter, the share price again strengthened, sustainably exceeding the EUR 3.00 mark in December.

The share reached its high for the year of EUR 3.52 on 27 December. The FP share closed the year at EUR 3.45, representing a gain of 12% compared to the year-end level in 2021.

By contrast, the shares of the two listed competitors from Europe and the US performed very weakly. Both shares fell by around 43% and 29% respectively over the course of the year. On a whole-year basis, this means that the FP share performed much better than its peer group, which represents a positive development from the company's perspective. This is the result of FP being in the middle of a transformation process, and many investors were still cautious in 2022, but are increasingly recognising FP's potential in 2022. The company is doing all in its power for FP to be successful on a long-term and sustained basis and that this is also reflected in the share price in the medium term.

The volume of FP shares traded daily on the Xetra platform increased to an average of 8,723 shares in comparison to the previous year (previous year: 5,245). The highest figure - 282,190 shares traded on a single trading day - was reached on 25 November, one day after publication of the nine-month figures. On Tradegate, the average daily trading volume was 4,626 shares (previous year: 7,063).

Equity analysts recommend FP share as buy

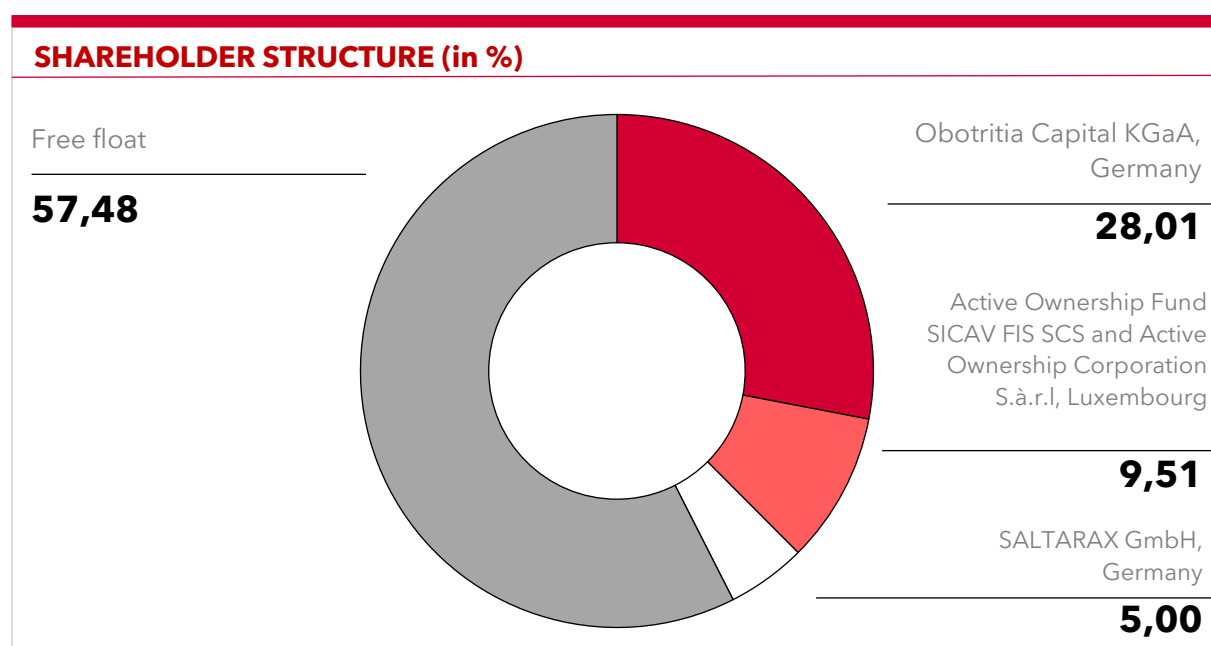
In 2022, the FP share was again covered by the following three analyst companies: Baader Bank, Warburg Research and GSC Research. All analysts recommend buying the share; their average price target is EUR 5.70. Compared with the previous year, the price targets were increased significantly. This further confirms the price potential of the share. Two analysts raised their price targets to EUR 6.60 and EUR 6.50 at the end of the year.

There are 16,301,456 voting rights. As at 31 December 2022, 57.5% of the shares were in the free float. FP has been conducting a share buyback programme since the beginning of November 2022 and as at 31 December 2022 had acquired 146,514 shares at an average price of EUR 3.24. The company itself therefore held a total of 403,907 shares or 2.48% at the end of the year. The institutional investors come mainly from Germany and Luxembourg. At the end of 2022, there were the following notifications from institutional investors in line with section 40 (1) WpHG:

NOTIFICATIONS IN LINE WITH SECTION 40 (1) WPHG

Obotritia Capital KGaA	28.01% (notification dated 10 March 2020)
Active Ownership Fund SICAV-FIS SCS and Active Ownership Corporation S.à.r.l	9.51% (notification dated 7 October 2019)
Saltarax GmbH	5.00% (notification dated 11 November 2020)
Ludic GmbH	4.09% (notification dated 15 June 2021)
Magallanes Value Investors	3.26% (notification dated 22 May 2018)
Universal-Investment-Gesellschaft	3.19% (notification dated 12 November 2020)

As at 31 December 2022, there is thus the following shareholder structure:



Obotritia Capital KGaA sold all of its shares (previously 28.01%) with effect from 7 March 2023. The new major shareholder is OSP Alpha Management Limited, which now holds 25.34% of the shares in the company.

FP Virtual Annual General Meeting

Once a year, the Annual General Meeting offers all FP Group shareholders the opportunity to engage in direct dialogue with management. FP's Annual General Meeting was again held virtually this year. 48.9% of the voting share capital was represented at the virtual Annual General Meeting in Berlin on 15 June 2022. All items on the agenda were approved by a large majority. The resolution on the discharge of the members of the Management Board for the 2021 fiscal year was approved by a majority, as was the discharge of the members of the Supervisory Board.

At the Annual General Meeting, the Supervisory Board announced that the CFO of Francotyp-Postalia, Martin

Geisel, will not extend his contract, which is due to expire by rotation. With effect from 1 October 2022, the Supervisory Board appointed Ralf Spielberger as a member of the Management Board and new CFO.

Numerous investor discussions

In fiscal year 2022, the FP Group continued to cultivate its IR activities. As in previous years, numerous investor meetings took place, primarily online or by telephone. This ensured that capital market participants were able to engage in open, transparent and regular discussions with the FP Group. FP's Management Board and Investor Relations team made use of one-on-one meetings, investor conferences and roadshows to present the company and highlight its potential. CEO Carsten Lind attended the annual German Equity Forum on 29 November 2022 and introduced FP to numerous national and international investors on site in Frankfurt. The German Equity

Forum is Europe's most important platform for equity capital financing for medium-sized enterprises.

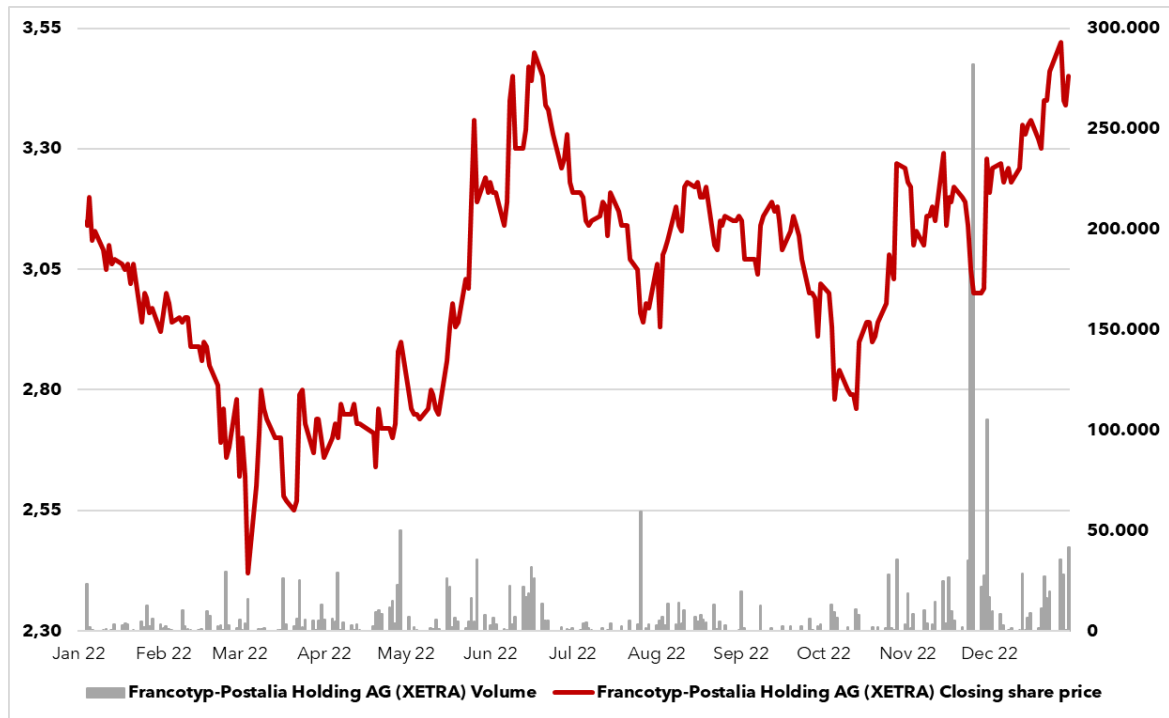
Following the release of quarterly figures, the FP Group again made use of conference calls to talk with investors. The associated presentations have been made available on the company's website for the benefit of all interested parties. Visitors and capital market participants can find all further relevant background information on the company's homepage at www.fp-francotyp.com. Together with annual and half-year reports, the FP Group's quarterly reports, financial presentations and press releases can also be found here. All the latest developments, such as announcements about voting rights or directors' dealings, can also be found there.

In fiscal year 2023, FP will continue to engage in dialogue with investors and further expand its IR activities. FP's presence at international roadshows and capital market conferences will be continued in order to intensify existing contacts and establish new contacts with investors.

For any inquiries, please contact the Investor Relations team by e-mail (ir@francotyp.com) or phone on +49 30 220660-410.

KEY SHARE DATA	
Number of shares	16,301,456
Type of shares	Bearer shares
Share capital	EUR 16,301,456
Number of shares outstanding	15,897,549
Voting rights	Each share grants one vote
SCN	FPH900
ISIN	DE000FPH9000
Stock exchange symbol	FPH
Trading segment	Official market (Prime Standard)
Stock markets	Xetra and regional German exchanges
Designated sponsor	Stifel Europe Bank AG, Baader Bank
Coverage	Warburg Research, GSC Research, Baader Bank
Announcements	Electronic Federal Gazette
Closing price (Xetra)	EUR 3.45 (30 Dec. 2022)
High (Xetra)	EUR 3.52 (27 Dec. 2022)
Low (Xetra)	EUR 2.42 (4 Mar. 2022)
Market capitalisation as at 31 Dec. 2022	EUR 54.8 million
Earnings per share (basic)	EUR 0.35
Earnings per share (diluted)	EUR 0.35

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (1 JANUARY 2022-31 DECEMBER 2022)



COMBINED MANAGEMENT REPORT

of Francotyp-Postalia Holding AG
for fiscal year 2022

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Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.).

1. Principles of the Company and the Group

1.1 General information

Francotyp-Postalia Holding AG (hereinafter referred to as "FP Holding", the "company", or "parent company"), headquartered in Berlin, is entered in the commercial register of the Charlottenburg Local Court in Berlin (registration number: HRB 169096 B). Francotyp-Postalia Holding AG's address is Prenzlauer Promenade 28, 13089 Berlin, Germany.

Francotyp-Postalia Holding AG is the parent company of direct and indirect subsidiaries (hereinafter referred to as the "FP Group", "FP", "Francotyp-Postalia" or "the company").

Francotyp-Postalia Holding AG's shares are admitted to trading in the Prime Standard (regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange.

This report combines the FP Group's Group management report with Francotyp-Postalia Holding AG's management report. It should be read in context together with the consolidated financial statements and the annual financial statements, including the notes. The consolidated financial statements and the annual financial statements are based on a number of assumptions and accounting policies, which are described in more detail in the notes to the consolidated financial statements. The consolidated financial statements were prepared in line with IFRS, as adopted by the European Union. The annual financial statements of Francotyp-Postalia Holding AG were prepared in accordance with the German Commercial Code (HGB).

The combined management report contains statements relating to the future about business, financial performance and income. These statements are based on assumptions and forecasts, which in turn are based on information available at present and current estimates. They are subject to a number of uncertainties and risks. Actual performance may thus differ significantly from expected performance. Beyond legal requirements, Francotyp-Postalia Holding AG is not obliged to update statements relating to the future.

The combined management report for fiscal year 2022 is prepared in euro (EUR), the functional currency of Francotyp-Postalia Holding AG. Unless stated otherwise, all figures are rounded to euro millions (EUR million) to one decimal place. This may result in rounding differences and the percentages shown may not be exactly comparable to the figures to which they relate. The combined management report has been

prepared for the reporting period from 1 January to 31 December 2022.

1.2 Business activity

The FP Group develops, produces and sells products and solutions that make office and working life easier. In addition to solutions for efficient mail processing, these include digital solutions for communication and business processes of companies and public authorities. The company, which has subsidiaries in various industrialised countries and a dense worldwide network of dealers, divided its business activities into three business units in fiscal year 2022: (1) Mailing, Shipping & Office Solutions, (2) Mail Services as well as (3) Digital Business Solutions.

FP has subsidiaries based in 15 different countries and has its own trading network in many other countries. The company was founded in 1923 and will celebrate its 100th anniversary in 2023.

The parent company largely performs the tasks of a traditional management holding company. As it has no operating business itself, the financial position of the company depends on the results of the subsidiaries.

On March 23, 2022, FP acquired all shares and voting rights in the Azolver Group. On October 1, 2022, the FP Group acquired the business operations of the pakadoo GmbH, Böblingen, by way of an asset deal. For further details, please refer to note 4.

1.2.1 Business units

Mailing, Shipping & Office Solutions

In the Mailing, Shipping & Office Solutions business unit, the FP Group develops franking systems. FP sells or leases these systems and offers customers a comprehensive range of products, services and support.

The products FP offers to customers in this business unit are not limited to franking machines and related hardware - its range also extends to other office supplies and solutions from the digital product spectrum. Parcel Shipping and Vision360 are examples of digital solutions that are attractive not only to franking machine customers.

One main revenue generator is the aftersales business, which generates recurring revenue chiefly from the sale of consumables such as ink cartridges, services, software solutions for reporting and cost centre management, and the Teleporto service.

Further suitable solutions can also expand the range by way of collaboration or M&A. In spring 2022, FP

strengthened its position Mailing, Shipping & Office Solutions market in Norway, Sweden, Finland, Denmark, Switzerland and Italy with the acquisition of the Azolver companies. The aim is to convert the installed base of franking machines to FP products and identify additional potential for the wider FP product portfolio.

The plan is to offer customers a comprehensive solution for their office. These offer significant potential in Europe and the US. The business unit already accounts for a high share of recurring revenue. This business unit is divided into two segments - Mailing, Shipping & Solutions - Europe and Mailing, Shipping & Solutions - North America.

The product portfolio offered to customers also includes solutions from the Digital Business Solutions business unit.

Mail Services

The Mail Services business unit comprises the franking service - collecting unfranked outbound post and providing the franking - and the consolidation service - collecting franked post, sorting it by postcode and delivering it in batches to a regional office of Deutsche Post AG or an alternative postal distributor. Collection, postage-optimised sorting and delivery to postal service providers takes the pressure off companies with medium and high volumes of letters and helps to reduce the costs that this entails. There are currently signs of increasing consolidation in this market.

This business is operated by the FP Group with eight locations throughout Germany, being one of the leading independent consolidator of business mail on the German market.

Digital Business Solutions

The Digital Business Solutions business unit comprises all digital activities with which FP is expanding its business model in a growth-oriented manner. In the Document Workflow Management area, this includes Input and Output Management, enabling customers to efficiently manage their incoming and outgoing mail. In Input Management, incoming physical and digital documents are collected, analysed according to the customer's specific criteria, evaluated and then fed into the customer's data or document system in an electronic form. In Output Management, FP takes care of printing, inserting, franking and handover to delivery services or delivery in digital form. The Business Process Management & Automation area comprises products and solutions for efficient and automated customer process workflows. In addition to digital signatures, this includes secure electronic delivery via DE-Mail as well as solutions for electronic legal transactions and third-party products. The Shipping and Logistics solutions, which until now mainly comprised the SaaS-based Parcel Shipping software, were expanded through the acquisition of the Azolver companies in the spring and pakadoo by

way of an asset deal in the fourth quarter of 2022 to include software solutions for inbound parcel management, asset tracking, and internal logistics. FP uses this business unit to address the fast-growing market of process automation. Strategic additions are intended to expand the solutions portfolio, for example in the area of cloud applications, in order to enable customers to implement secure and efficient communication and business processes. The Digital Business Solutions segment represents this business area.

1.2.2 Significant sales markets and competitive position

With franking systems, the FP Group is represented on the most important markets in the world, which include Germany, the US, the UK and France. Based on more than 250,000 installed franking systems, the FP Group is the third-largest supplier in the world. The company is the market leader in Germany, Austria, Scandinavia and Italy. Global sales are handled by subsidiaries in the two regions: North America and Europe, as well as through an international worldwide dealer network.

In many markets, the letter volume is shrinking as a result of digitalisation. Also, in fiscal year 2022, the FP Group witnessed an ongoing trend towards smaller franking systems. The FP Group has traditionally focussed on this market segment and has franking systems especially for smaller and medium volumes of letters with the Post-Base family.

In the Mail Services business unit, the FP Group guarantees the extensive collection of business mail and has thus established itself as an independent consolidator on the German market thanks to a nationwide structure with eight locations in Langenfeld, Hamburg, Hanover, Berlin, Leipzig, Frankfurt, Stuttgart and Munich. The FP Group has its own printing and scanning centre in Berlin for its Output Management business in the Digital Business Solutions business unit. There is also a printing centre at the Austrian Group company in Schwechat.

1.3 Aims and strategy

Sustainable growth and improved profitability

The transformation of the FP Group was also the focus in fiscal 2022. In addition to the franking machine business, more digital business areas have been developed, which are expected to bring growth in revenue and earnings back to the Group. This will create the conditions to sustainably improve the profitability of the FP Group. A strong basis in the digital business models is essential for the future, not only to make up for potentially declining revenue in the traditional business unit of franking and inserting due in the long term to the downturn in the overall market, but also to steer the Group towards business areas where it can expect growth relevance and improved profitability in the years ahead.

Objectives and implementation of strategy

The FUTURE@FP transformation programme launched in 2021 created the conditions for combining the planned growth with an above-average increase in profitability, particularly with a new operating model. FP consistently continued on this growth path in fiscal year 2022 and achieved operational improvements in the business areas.

As at fiscal year 2021, FP has three business units: Mailing, Shipping & Office Solutions, Mail Services and Digital Business Solutions. The market for franking machines is declining overall. This general market development, which FP is also exposed to, is to be more than compensated for with complementary products and digital solutions. The Mail Services business unit is highly competitive and is also affected by the general decline in mail volumes. This is counteracting by exploiting the opportunities arising from market consolidation. All the Group's digital activities are bundled in the Digital Business Solutions business unit. They represent the greatest growth potential for the future, although the contributions to revenue and earnings are currently still rather low.

FP has the potential and the financial power to dynamically expand the digital business areas on the basis of its business (particularly franking machines) that enjoy strong cash flows. This includes targeted M&A activities that support the new business model. At the same time, profitability is expected to improve measurably as a result of the new business activities, as these areas tend to generate better margins than in the Mailing, Shipping & Office Solutions business unit.

FP will thus evolve into an international technology group in the next few years. Organisation in the business units puts customers at the heart and serves the market through agile business units. Lean management structures ensure clear responsibilities

combined with the greatest possible degree of flexibility, agility and accountability. Service areas support the operating units on the basis of cost-efficient, highly-effective processes. Furthermore, the introduction of a uniform ERP/CRM system will also drive the goal of a significant improvement in profitability, sustainable growth and thus an increase in the value of the company.

As key steps in the implementation of the strategy, the strategy, the following points could be achieved in 2022:

The acquisition of the operating Azolver companies has strengthened FP's market position in the MSO segment and the conversion of third-party franking machines to FP machines has opened up growth potential in the MSO segment for the coming years. Investments in adapting the product portfolio to the changed market and customer requirements in the MSO segment also serve this purpose. The post-merger integration of the Azolver companies into FP's operating model has largely been completed.

In the Digital Business Solutions area, investments were made in the further development of products and solutions, and sales and marketing activities were expanded. The acquisition of Azolver and pakadoo enabled the digital offerings in the Shipping & Logistics area to be supplemented.

Overall, both earnings and profitability were increased, creating the conditions for further profitable growth.

The implementation of the unified ERP/CRM system was advanced in 2022 with the aim of improving the efficiency and effectiveness of processes.

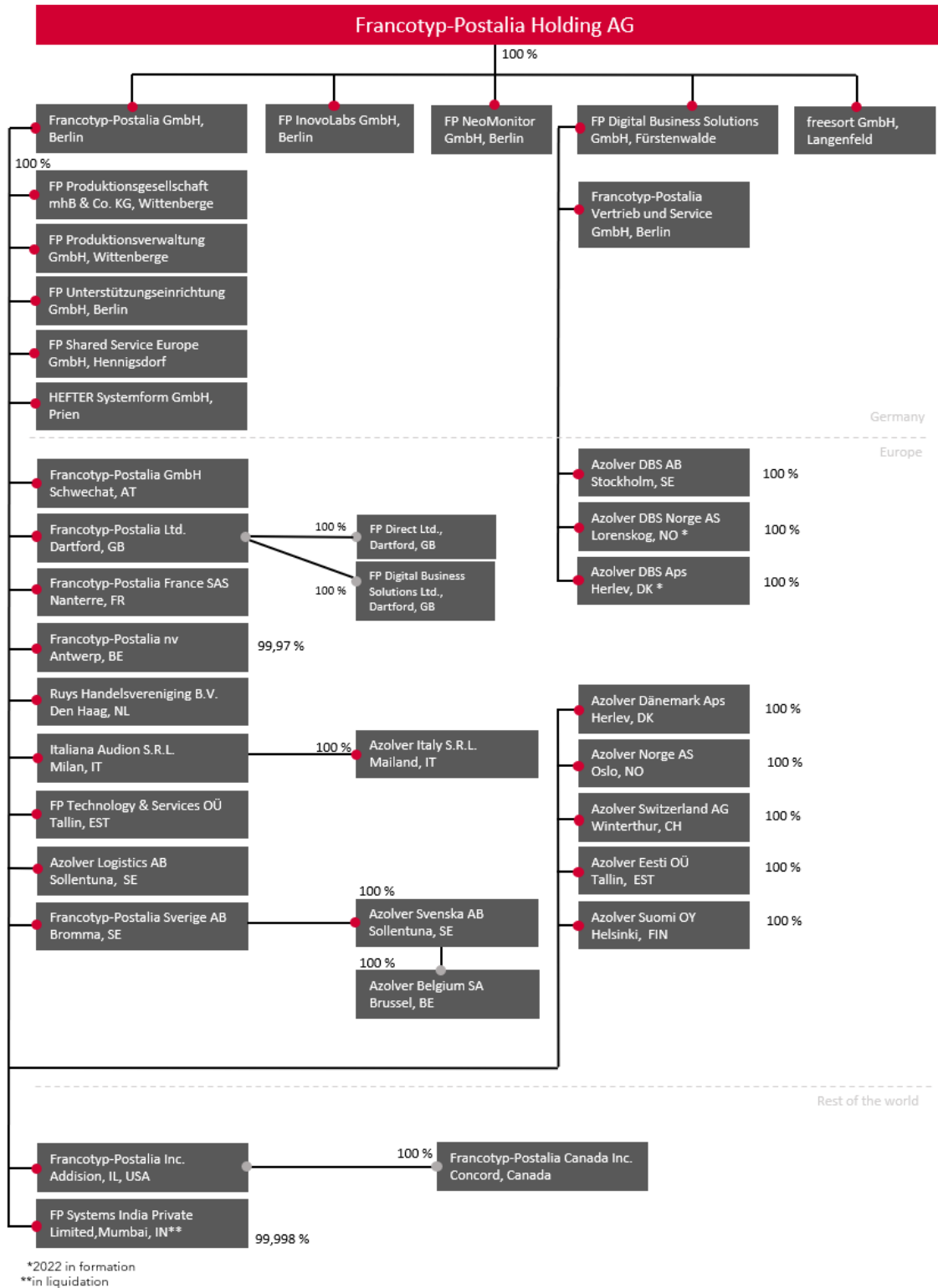
1.4 Organisation

1.4.1 Group structure and locations

The chart below shows the legal structure of the Group as at 31 December 2022. For further information,

please refer to section I. (4) of the notes to the consolidated financial statements.

FRANCOTYP POSTALIA HOLDING AG



The FP Group headquarters are located in Berlin. Key departments such as Finance, Corporate Development, Human Resources, Purchasing, IT and Group Controlling are located in Berlin. Subtasks in the areas of finance, human resources, IT, sales and customer support are handled by the companies in Tallinn and Hennigsdorf (Shared Services). The development of franking solutions for the MSO business unit is based at the headquarters in Berlin. In March 2022, FP acquired all shares and voting rights in the following companies of the Azolver Group:

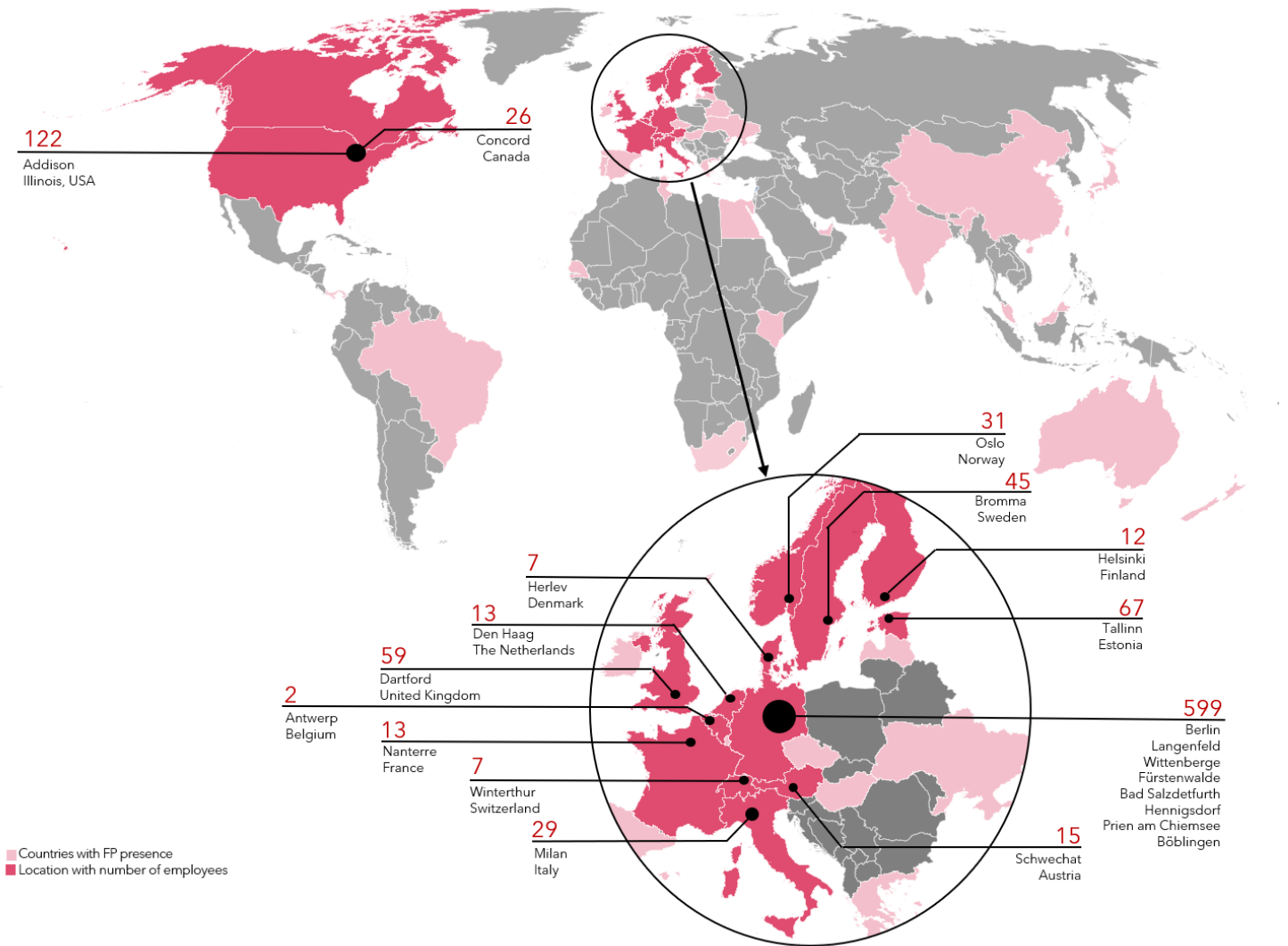
- Azolver Danmark Aps, Herlev, Denmark
- Azolver Svenska AS, Sollentuna, Sweden
- Azolver Logistics AB, Sollentuna, Sweden
- Azolver Norge AS, Oslo, Norway
- Azolver Suomi OY, Helsinki, Finland
- Azolver Switzerland AG, Winterthur, Switzerland
- Azolver Italy S.r.l., Milan, Italy
- Azolver Belgium SA, Brussel, Belgium
- Azolver Eesti OÜ, Tallinn, Estonia

The acquired companies were mainly allocated to the Mailing, Shipping & Office Solutions business area.

In October 2022, the FP Group acquired the business operations of pakadoo GmbH, Böblingen, by way of an asset deal and integrated them into FP Digital Business Solutions GmbH.

The development of digital solutions is carried out largely at the German locations of DBS and partly in Tallinn and Sweden for the solutions acquired with the acquisition of the Azolver companies. Since 2012, the FP Group has been manufacturing its franking systems exclusively in Wittenberge, Brandenburg in Germany. FP has subsidiaries in the US, Germany, the UK, Canada, France, Italy, the Netherlands, Belgium, Austria, Sweden, Switzerland, Norway, Denmark, Finland and Estonia. Sales are handled by the business units. It also has a dense global network of dealers for distributing its franking and inserting systems. The consolidated financial statements 2022 of the FP Group include Francotyp-Postalia Holding AG as well as eleven (previous year: eleven) domestic and 22 (previous year: ten) foreign subsidiaries.

OUR LOCATIONS WORLDWIDE



1.4.2 Management and controlling

The FP Group is managed by the Management Board independently. At the end of fiscal year 2022, it consisted of two members who are appointed by the Supervisory Board. The members of the Management Board are jointly responsible for managing the business. Please see section V. (39) Management Board and Supervisory Board (additional disclosures in accordance with German Commercial Code (HGB)) in the notes to the consolidated financial statements for information on the Management Board members' responsibilities according to the schedule of responsibilities.

Martin Geisel, CFO, did not renew his contract, which expired by rotation in fiscal year 2022. The Supervisory Board appointed Ralf Spielberger as a new member of the Management Board and CFO with effect from 1 October 2022.

The Management Board works closely with a team of national and international managers.

The Supervisory Board with three members monitors and advises the Management Board. Details on the work of the Supervisory Board in fiscal year 2022 can be found in the Report of the Supervisory Board.

Declaration on Corporate Governance

The declaration on corporate governance¹ for Francotyp-Postalia Holding AG and the FP Group (sections 289 f, 315 d HGB) contains further information on corporate governance and monitoring, including the declaration of compliance in accordance with section 161 AktG, and is published at https://www.fp-francotyp.com/Corporate_Governance.

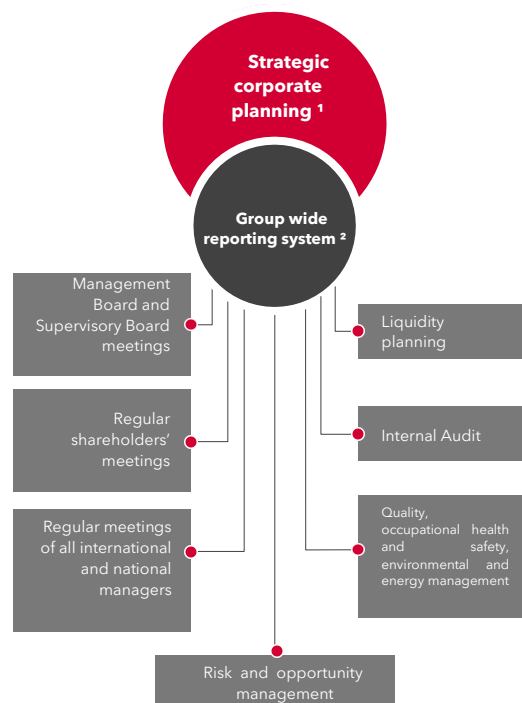
The remuneration report for the 2022 fiscal year and the auditor's report in accordance with section 162 AktG as well as the applicable remuneration system in accordance with section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution in accordance with section 113 (3) AktG will be made publicly available at <https://www.fp-francotyp.com/remuneration>.

¹) This cross-reference does not form part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

1.5 Management

1.5.1 Management system

MANAGEMENT SYSTEM



¹ Covers three years, adjusted annually in the budget process, if necessary also during the year

² Twice a month on earnings, financial and asset position

The structure and organisation of the global FP Group was changed and optimised according to a new target operating model in fiscal year 2021.

In fiscal year 2022, based on the segments defined on the basis of current internal management, the Group divided the three business units and four reportable segments as follows:

- Mailing, Shipping & Office Solutions business unit with the segments
- Europe
- North America (NAM)
- Mail Services business unit
- Digital Business Solutions business unit

At the same time, a uniform ERP/CRM landscape is being introduced to efficiently support processes worldwide.

1.5.2 Financial performance indicators

Group management has essentially been carried out using the following financial performance indicators:

²) This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

- Revenue
- EBITDA
- EBITDA margin
-

The FP Group thereby ensured that decisions take sufficient account of conflicting priorities: growth and profitability.

Revenue is used to gauge market success. The Group uses earnings before interest, taxes, depreciation and amortisation (EBITDA) to measure operational performance and performance of the individual business units. The EBITDA margin (EBITDA in relation to revenue) is also used in addition to EBITDA.

The most important key financial performance indicators for FP Holding are:

- Income from investments
- Profit before tax
-

Income from investments includes income from profit transfer agreements and expenses from loss absorption.

Profit before tax corresponds to the profit and loss from the company's income statement before taxes on income and earnings and other taxes.

1.5.3 Non-financial performance indicators

In addition to financial performance indicators, the FP Group also uses non-financial performance indicators to manage the business. The focus lies on the quality of the service range, which is measured using a quality and an improvement indicator.

The quality indicator measures the change in product quality based on annual service incidents in relation to the average weighted machine inventory. A lower value indicates a relative decrease in service calls and thus an improvement in quality. Ongoing changes such as the introduction of new products or the optimisation of existing products are also taken into account. This indicator was initially measured in Germany only and used comparatively for the international subsidiaries, for example to support cost calculation. Since 2020, this indicator has been called PQI - Germany and supplemented by the indicator PQI - International. The Product Quality Indicator - International is also made up of the average machine inventory and the annual service calls. However, the data from Belgium, Germany, Great Britain, Italy, Canada, the Netherlands, Austria, Sweden and the USA are analysed together. These are the countries that support the FP Group with data on service calls in identifying opportunities for improvement. As the value of the PQI - International is calculated differently than that of the PQI - Germany, the two indicators cannot be compared with each other. Both PQIs (since 2019) only consider products that are currently produced in Wittenberge. Since 2020, the values of the PostBase Vision have been included in the key figure.

Through the new development of PostBase franking systems, FP has been able to significantly improve quality in recent years. The PQI - Germany value, which indicates the number of technician assignments per machine in coded form, also improved by 14% from 11.5 in 2021 to 9.9 in 2022. This is partly due to the resolved issues with components of the PostBase Mini, which was fixed in the fourth quarter of 2021. The PQI - International improved by 16.5% from 39.8 in 2021 to 33.2 in 2022. Therefore, both nationally and internationally, quality measured in terms of the number of technician assignments per machine was once again significantly increased. For 2023, it is expected that both the PQI - Germany and the PQI - International will improve slightly, as we continue to improve our product quality through improvement projects arising from the quality circles.

The improvement indicator (nf IQ) also records the quality of FP products and in particular the quality of new franking systems. It was previously based on the cost of parts for reworking delivered machines and measured the ratio of parts costs from warranties to total revenue. Since 2019 and retroactively for 2018, the nf IQ is calculated from the parts costs from warranties and the revenue from franking machines. A lower value indicated a relative decrease in the cost of parts under warranty and thus an improvement in quality. The FP Group collects the necessary data on a monthly basis, with an analysis of previous years showing that the indicator tends to increase when a new generation of franking systems is introduced. The 2020 value of 0.96 therefore initially increased with the introduction of PostBase Vision in several countries. In 2021, the value normalised again to 0.57. Due to the issue with a component of PostBase Mini, which was not resolved until Q4 2021 and thus resulted in higher warranty costs in 2022, the value rose again slightly from 0.57 to 0.59. A similar value of nf IQ is expected for fiscal year 2023, as the measures from the regular quality circles are taking effect, but warranty notifications from the previous year could also arrive later.

The FP Group chiefly uses these two non-financial performance indicators internally with respect to the issue of sustainability. The quality indicator and the improvement indicator describe sustainable increases in product and service quality. Improvements in the two indicators serve to ensure customer satisfaction and thus the Group's financial success. This also helps to ensure more sparing use of material and human resources.

Quantitative information on the parent company's non-financial performance indicators is currently not applied for management purposes.

With regard to non-financial information and the non-financial performance indicators, please refer to the comments in the non-financial Group report of Francotyp-Postalia Holding AG and its subsidiaries,

including the non-financial declaration) (sections 289b, 315b HGB), which is available online at https://www.fp-francotyp.com/non_financial_reports³.

1.6 Research and development

1.6.1 Presentation and explanation of research and development activities

1.6.1.1 Focus

For FP as a technology company, innovation is crucial. The FUTURE@FP transformation process has therefore led to a significant change in the focus and consequently also in the use of resources since fiscal 2021. The focus is now predominantly on the development of products and solutions for the digital business areas that promise a large growth potential in the medium term.

Research and development is focused on customers and product development for innovative solutions, products and services for the target markets. Activities of basic research that primarily do not have an economic purpose are less of a priority.

1.6.1.2 Objectives

The central objective of research and development is to implement the corporate strategy. It aims to unlock growth potential in digital business areas and thus enable future growth. With the establishment of the three business units Mailing, Shipping & Office Solutions, Mail Services, and Digital Business Solutions, responsibility for the development of the respective products and solutions has also been shifted to these business units.

Agile methods are used in the early phases of development. Product ideas and technologies are verified with potential customers on an ongoing basis to ensure that the results meet their needs. These design sprints enable market feedback to be taken into account as early as the inception phase of the product idea. FP now uses agile processes and methods integrated into all projects where this is practical.

1.6.1.3 Core areas of expertise

The core areas of expertise of the various development teams differ according to the respective products and solutions in focus.

In the area of mailing, the focus is on the secure transfer of cash flows. The infrastructure must meet the highest security requirements of various postal authorities and companies worldwide. This secure infrastructure is supplemented by hardware and software components for secure billing. This billing must comply with the respective local conditions in the markets.

In the area of digital products and solutions, the focus is predominantly on software expertise to develop solutions that are provided to customers, for example, as software-as-a-service or platform-as-a-service. Here,

too, important aspects include secure data transmission, cryptography and process management to make data available and analysable.

1.6.1.4 Activities

Specifically, work in 2022 focused on:

Mailing, Shipping & Office Solutions

Development activities relating to franking machines focused mainly on measures to adapt the product portfolio to changing market and customer requirements. These also include the requirements of postal companies, e.g., for new security standards and certifications. For example, work has begun on implementing the new FIPS 140-3 security standard in the current franking machine models. Likewise, the introduction of new country variants and infrastructure for the conversion of Azolver franking machines to FP franking machines was undertaken. Furthermore, international postage charge tables were re-implemented as required and software adjustments were made.

Mail Services

In the Mail Services area, adjustments were made in 2022 to meet the new requirements of Deutsche Post AG in the course of the change in discount structures and posting specifications. In particular, the extended data requirements for transfer to Deutsche Post AG's order management system were implemented. The reporting functions for customers were also expanded.

Digital Business Solutions

Business areas and further use cases were evaluated in all areas of digital products. The existing range of products and solutions was significantly expanded through ongoing customer-oriented development: The FP Sign digital signature solution was expanded with various components for enterprise customers, e.g., the signing of documents in series, the option of automated reminders and automated GoBD-compliant deletion (administrative instruction of the Federal Ministry of Finance of the Federal Republic of Germany: principles for the proper keeping and storage of books, records and documents in electronic form and for data access). The registration process for qualified signatures was also improved. In addition, onboarding and billing via the company's own website for individual users was further improved. In addition to the development of additional functionalities, the basic systems are also regularly updated.

In the area of electronic legal communication, FP's EGVP solution primarily offers an integrated gateway for electronic court and administrative mailboxes and DE-Mail. The development of further industry-specific solutions was driven forward here (beBPo, eBO).

For DE-Mail, a tool for secure, confidential and verifiable communication on the Internet, ongoing product maintenance and necessary adjustments were made in order to simultaneously ensure stability and fail-safety through redundancy even when new

³) The non-financial statement is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

customers are acquired as a result of a competitor going out of business.

FP Parcel Shipping allows customers to select the most favourable shipping service provider for their parcels. Here, too, the focus was on the internationalisation of the product and the further development and addition of functions, such as additional reporting or the processing of returns. Especially after the acquisition of the Azolver companies, the introduction of FP's own parcel shipping solution in Norway was expanded here. The implementation of a subscription model also makes it possible to tap into target groups beyond FP's franking machine customers.

The development of automated workflows was the focus of Input and Output Management. Regardless of the communication channel, incoming information is analysed by AI using a communication highway, forwarded automatically and answered if necessary. Integration with ERP systems is just as important as the internationalisation of the solutions.

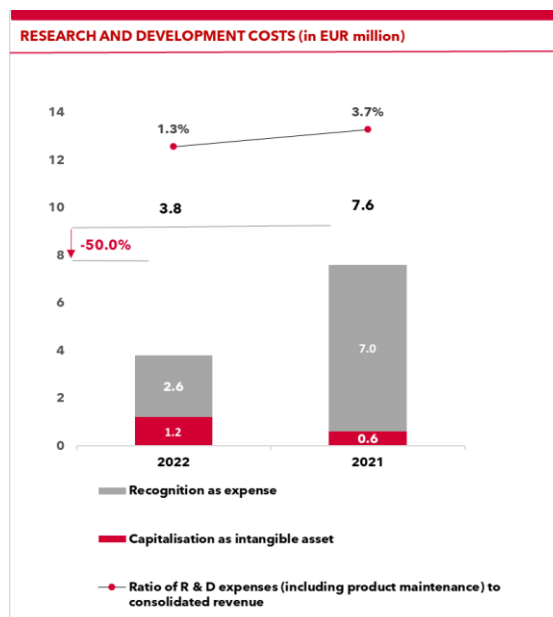
The subsidiary FP Neomonitor demonstrated further validation of the business model with customer adaptations of the SaaS platform in the area of building automation and utilities.

With the acquisition of the Azolver companies and the pakadoo business, software solutions for the receipt and management of parcels and goods as well as asset tracking/internal logistics were added to the FP Group portfolio. The main focus here was on expanding functions and new use cases. The Group is also pressing ahead with the further internationalisation of the solutions.

Changes in research and development activities compared to the previous year

The focus of R&D activities has changed significantly in 2021 and 2022 compared to previous years. By shifting responsibility to the business units, it was possible to better prioritise and manage projects and resources in a customer-oriented manner. This has significantly strengthened the focus on forward-looking digital products. Development activities in the digital area are not limited to Germany. The establishment of the Shared Service Centre in Tallinn and the acquisitions of the Azolver companies, which also have possibilities for development in Tallinn, Sweden and Norway, will ensure that customer-centric efficient development is carried out with an international team. Our intention to develop all solutions in-house remains unchanged. FP is also aiming to expand its internal expertise in this area in a targeted, inorganic manner, such as with the acquisition of the Azolver companies or pakadoo.

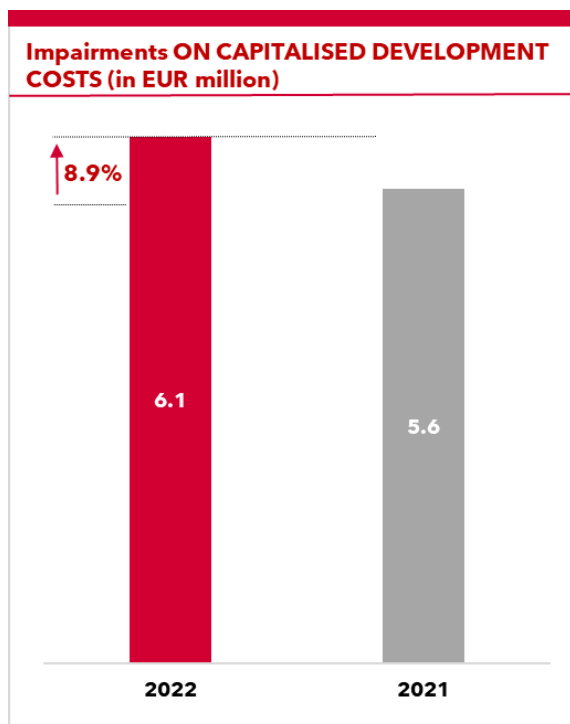
1.6.2 Quantitative information on the results of research and development activities



The ratio of R&D expenses to consolidated revenue declined from 3.7% in the previous year to 1.3% in the reporting year.

1.6.2.1 Development costs

Research and development costs came to EUR 3.8 million in the reporting year after EUR 7.6 million in the previous year. This corresponds to a decrease of 50.0%. This is mainly due to lower development activities in the digital area in fiscal year 2022. Development costs in the franking business climbed from EUR 0.6 million in the previous year to EUR 1.2 million in the reporting year. Expenses for product development and product maintenance decreased by 63.0% from EUR 7.2 million in the previous year to EUR 2.6 million. Furthermore, impairments on capitalised development costs (due to impairment losses) increased by 8.9% to EUR 6.1 million versus EUR 5.6 million in the previous year. Impairments thus far exceeded the newly capitalised development costs.



1.6.2.2 Number of employees in research and development

a. Allocation of employees to the research and development divisions as at the reporting date in percent

Area	2022	2021
Embedded software, test, postal relations	70%	17%
Innovation and lifecycle management	1%	0%
Intellectual property	0%	3%
Construction/electronics	14%	14%
Application development/Special applications/loT/other/merchandise management	15%	66%

b. Research and development employees

At the end of 2022, 75 employees (previous year: 72) were permanent staff in the research and development divisions of the FP Group (including subsidiaries), which represents 7.1% of the Group's total workforce (previous year: 8.0%). This is close to the previous year's level. This is due to the continuation of the FUTURE@FP transformation programme measures

⁴ IWF: <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

⁵ BEA: <https://www.bea.gov/news/2023/gross-domestic-product-fourth-quarter-and-year-2022-second-estimate>

and the concentration of employees as part of rightsizing and rightshoring involving the workforce of the Azolver companies.

Due to the reallocation within the areas of research and development, there were corresponding shifts in embedded software, testing, postal relations and application development and development/special applications/ loT/other/merchandise management.

1.6.3 For projects in the areas of MSO and DBS as well as for product maintenance projects, additional, external employees are temporarily deployed as needed. Outlook

The realignment of development has already proven its worth in the past two fiscal years. With the establishment and expansion of capacities, particularly in the digital area, work continues to ensure that the products and solutions reliably meet the expectations of the respective market and that the sales expectations corresponding to the development cost are met.

2. Economic conditions

2.1 Macroeconomic and industry-specific conditions

According to calculations by the International Monetary Fund (IMF)⁴, global gross domestic product (GDP) rose by 3.4% in 2022, a weaker increase than in 2021 when growth was still characterised by catch-up effects due to the coronavirus pandemic. While the economic recovery was somewhat stronger in the emerging countries, the increase in GDP in the industrialised countries that are primarily relevant for the FP Group was moderate. In the US, FP's largest foreign market in terms of number of customers and revenue, economic activity posted an increase in 2022. Economic performance in the eurozone and in Germany also developed positively, although economic growth in Germany was significantly lower than in the eurozone, as shown by the following chart:

TABLE OF GDP PERFORMANCE IN 2022

World	+3.4%
United States ⁵	+2.1%
Eurozone ⁶	+3.5%
Germany ⁷	+1.8%

¹⁾ Sources: IMF, Bureau of Economic Analysis, Eurostat, German Federal Statistical Office

The euro/US dollar exchange rate plays an important role when it comes to the FP Group's exports to the US and other markets. Amidst fluctuations, the euro depreciated continually against the US dollar in the course of 2022. At the end of the year, the exchange rate recovered and finished at USD 1.07 as at

⁶ Eurostat: <https://ec.europa.eu/eurostat/de/web/products-euro-indicators/w/title-de-13>

⁷ Statistisches Bundesamt: https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/02/PD23_070_811.html

31 December 2022, around 6% below the previous year's closing price. On average, however, the euro was even trading against the US dollar at approximately 11% below the level in the previous year's reporting period during fiscal year 2022. The British pound, which is also important for the FP Group, saw a slight upward trend⁸ in 2022. With a closing price of 0.89 pound sterling, the exchange rate remained well above the 0.84 recorded at year-end 2021. The euro thus traded against the pound sterling at around 6% above the level in the same period of the previous year during fiscal year 2022. The euro remained virtually unchanged against the Canadian dollar in 2022 (+/- 0%). By contrast, the euro gained slightly against the Swedish krona (+8%). A weaker euro exchange rate has a positive impact on the revenue and earnings development of the FP Group insofar as some of the revenue is generated in these currencies and converted into euro at Group level.

The FP Group processes post in foreign and domestic markets. According to statistics from the Universal Postal Union⁹, around 260 billion letters are still being sent around the world each year, albeit with a downward trend (2021; the global figures for 2021 were around 257 billion letters; a slight downward trend compared with 259 billion in 2020).

COVID-19 prompted a substantial decline in letter volumes in most countries, especially in 2020, far higher than the previously forecast trend for the next few years. The downturn was particularly pronounced in advertising mail. In 2021, the downturn weakened significantly, but catch-up effects are particularly evident in the area of advertising mail. This trend continued in 2022, and in the medium term the downturn rates will return close to original rates again. In Germany, for example, addressed mail volumes are expected to decline by 3% to 4% per year. In 2021, the decline in Germany was only 0.3%; however there were still catch-up effects here from the coronavirus as well as special effects due to an election year.

By contrast, the parcel market is enjoying strong growth, which was again shored up by COVID-19. Globally, annual growth of over 15% is anticipated for the next 3-4 years. Global parcel volumes in 2020 reached more than 130 billion shipments. In 2021, 159 billion shipments were sent worldwide – an increase of 21% compared with 2020¹⁰. The strong increase in 2020 and 2021, mainly due to the coronavirus, is expected to have weakened slightly in 2022. The weaker economy is also playing a role here. Specific figures are not yet available. Overall, further growth of 11% per year is forecast for the next few years. In Germany, the parcel volume in 2021 was 4.5 billion items, with growth of 7% forecast for the next few years¹¹.

⁸ Informationen finden sich auf der Website der Bundesnetzagentur: <https://www.bundesnetzagentur.de/DE/Fachthemen/Post/Marktbeobachtung/Marktdaten/start.html>

⁹ Website des Weltpostvereins: <https://www.upu.int/en/Universal-Postal-Union/Activities/Research-Publications/Postal-Statistics>

¹⁰ Pitney Bowes: <https://www.pitneybowes.com/de/newsroom/pressemitteilungen/2022-parcel-shipping-index.html>

¹¹ Informationen finden sich auf der Website der Bundesnetzagentur: <https://www.bundesnetzagentur.de/DE/Fachthemen/Post/Marktbeobachtung/Marktdaten/start.html>

3. Course of business

Comparison of actual/forecast Group business performance

The table below shows the financial and non-financial performance indicators of the FP Group.

COMPARISON OF ACTUAL/FORECAST BUSINESS PERFORMANCE 2022

	Forecast 2022 ¹⁾	Actual 2022
Revenue in EUR million	Revenue increase to between EUR 229 million and EUR 237 million (assuming constant exchange rates); based on the half-year figures, the Management Board confirmed its forecast on 1 September 2022 and expected to achieve the upper end of the range. Based on the nine-month figures, the Management Board specified its forecast on 1 September 2022, anticipating a revenue level above the upper end of the forecast, assuming exchange rates at the current level.	251.0
EBITDA in EUR million	EBITDA in a range of EUR 24 million to EUR 28 million (depending on revenue performance and assuming constant exchange rates), corresponding to an EBITDA margin of between 10.5% and 11.8%. Based on the nine-month figures, the Management Board specified its forecast on 1 September 2022, anticipating an EBITDA level at the upper end of the forecast, assuming exchange rates at the current level.	27.6
EBITDA margin in %	EBITDA margin between 10.5% and 11.8%; on the basis of the nine-month figures, the Management Board specified the forecast on September 1, 2022 and expected an EBITDA level at the upper end of the forecast, assuming exchange rates at the current level.	11.0
Quality indicator - Germany and International	Slight improvement compared with previous year (previous year: 39.8)	33.2
Improvement indicator - Germany and International	Stable development compared with previous year (previous year: 0.57)	0.59

¹⁾ Assuming constant exchange rates for foreign currencies.

3.1 Comparison of the actual/forecast business performance of FP Holding

The forecast for FP Holding for fiscal year 2022 provided for a slight improvement in net income from investments and earnings before taxes.

On the other hand, in fiscal year 2022, FP Holding generated far lower income from investments of EUR 2.4 million (previous year: EUR 16.7 million), thus falling well below the forecast. The sharp deviation is mainly due to lower earnings contributions from foreign subsidiaries and profit transfers from the tax group.

FP Holding thus achieved profit before tax of EUR -2.6 million in the reporting year (previous year: EUR 12.8 million). This also represents a significant deviation from the forecast. The significant decline is mainly due to the investment result.

3.2 Course of business

The FP Group's business performance was better than expected in fiscal year 2022. In 2022, the company generated revenue of EUR 251.0 million, compared with EUR 203.7 million in the same period of the previous year. Overall, FP therefore recorded a 23.2%

increase in revenue for fiscal 2022. All business units contributed to this growth.

On March 23, 2022, FP acquired all shares and voting rights in the Azolver Group. On October 1, 2022, the FP Group acquired the business operations of pakadoo GmbH, Böblingen, by way of an asset deal. For further details, please refer to note 4.

At the same time, FP worked continuously on the implementation of the transformation programme FUTURE@FP transformation programme. Positive results continue to be seen here. In the Mailing, Shipping & Office Solutions business unit, revenue in 2022 was up by a double-digit percentage. The company recorded positive currency effects and benefited from additional revenue from the postage conversion in Germany and the revenue contribution from Azolver's operating companies. FP recorded significant revenue growth in the Digital Business Solutions business unit. This product area is benefiting from the focused measures of the transformation programme and is concentrating on business models with a clear value proposition for customers and significant potential to scale. Revenue in the Mail Services business unit also rose, mainly as a result of

the postage increase and the significant year-on-year increase in the volume of mail processed.

EBITDA rose to EUR 27.6 million compared with EUR 18.5 million in the same period of the previous year, chiefly due to the good revenue performance in all business units and the measures of the transformation programme, combined with a reduced cost base. The effects of the postal rate change and currency gains also had a positive impact. Compared with the same period of the previous year, FP thus developed positively overall, demonstrating the robustness of the FP Group's business model. The company also enjoys sufficient liquidity and - thanks to the existing syndicated loan agreement - financial flexibility and reserves. In October 2022, FP Group extended the syndicated loan for a further year with three of the four banks. Accordingly, the FP Group has a total of EUR 90 million available until the end of September 2023, and EUR 67.5 million until the end of September 2024.

The credit line utilised as of December 31, 2022 (excluding EUR 1.4 million in guarantees) amounts to EUR 30 million, of which EUR 7.5 million is due for repayment at the end of September 2023 and EUR 22.5 million at the end of September 2024. At the same time, negotiations are already underway with the bank consortium on the continuation of the syndicated loan.

At the Annual General Meeting, Francotyp-Postalia announced changes to the Management Board. The Supervisory Board of Francotyp-Postalia Holding AG appointed Ralf Spielberg as a member of the Management Board and as the new Chief Financial Officer (CFO) with effect from 1 October 2022. He took over the duties of Martin Geisel, who did not extend his contract as agreed.

4. Position of the Group

Francotyp Postalia Holding AG's consolidated financial statements were prepared in line with IFRS as adopted by the European Union.

4.1 Earnings position of the Group

The development in the material items in the consolidated statement of comprehensive income was as follows:

In EUR million	2022	2021	Change in %
Revenue	251.0	203.7	23.2
Changes in inventory	0.4	3.1	-87.1
Own work capitalised	7.7	6.2	24.2
Overall performance	259.1	213.0	21.6
Other operating income	2.1	1.7	23.5
Cost of materials	124.7	103.3	20.7
Employee benefit expenses	65.7	57.6	14.1
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	2.8	1.5	86.7
Other operating expenses	40.3	33.8	19.2
EBITDA	27.6	18.5	49.2
Amortisation, depreciation and impairment	21.0	19.1	9.9
Net interest income	1.5	1.2	25.0
Other financial result	0.4	1.6	-75.0
Shares in result of companies accounted for using the equity method	0.0	0.1	-100.0
Income taxes	-3.0	-1.8	-66.7
Consolidated profit	5.5	0.4	1,275.0

4.1.1 Revenue development

The FP Group generated revenue of EUR 251.0 million in fiscal year 2022, compared to EUR 203.7 million in the previous year (EUR 244.7 million year-on-year adjusted for currency effects or an increase of 20.1% compared to the previous year).

FP has been consistently implementing the FUTURE@FP transformation programme since spring 2021. The revenue figures show that these measures are paying off. FP pursues a growth course and, despite the economic climate and the challenging market environment, has proven that it is able to hold

its own very well and report rising revenue, including from recurring revenue. All business units achieved growth.

In fiscal year 2022, the Group realised revenue in its largest business unit of Mailing, Shipping & Office Solutions amounting to EUR 152.1 million, significantly up on the previous year's figure of EUR 122.6 million. This sound performance is based on the PostBase product family. Growth in the Mailing, Shipping & Solutions - North America (NAM) segment was 16.2%, while Mailing, Shipping & Solutions - Europe performed even better with an increase of 30.2%. The revenue growth of the Mailing, Shipping & Office Solutions - Europe segment also included the first-time contribution of the newly acquired operating companies of the Azolver Group amounting to EUR 19.1 million for nine months in fiscal year 2022. Outside the eurozone, positive currency effects (USD, CAD, GBP and SEK) of around EUR 6.2 million were generated.

Nevertheless, given the existing product range, which is based around the smaller letter volumes segment, and the high share of recurring revenue, the Group still enjoys a solid business model and its core business is comparatively well positioned for the future. This is because, despite the global downturn in the franking machine market, the FP Group's revenue figures rose considerably in 2022.

Revenue in the Mail Services business unit increased by 22.6 % year-on-year. The Mail Services business regarding the collection, franking and consolidation of business mail was again positive following the successful reorganisation. Revenue increased to EUR 73.4 million in fiscal year 2022 after EUR 59.8 million in the previous year, mainly due to an increased franking volume and thus higher "postage share" as well as the postage increase effective from the beginning of the fiscal year.. In addition to the positive effects from the postal rate change at the beginning of 2022, revenue was significantly higher than usual in the first half of the year due to a higher franking rate resulting from coronavirus-related staff absences at customers and one-off distributions. This

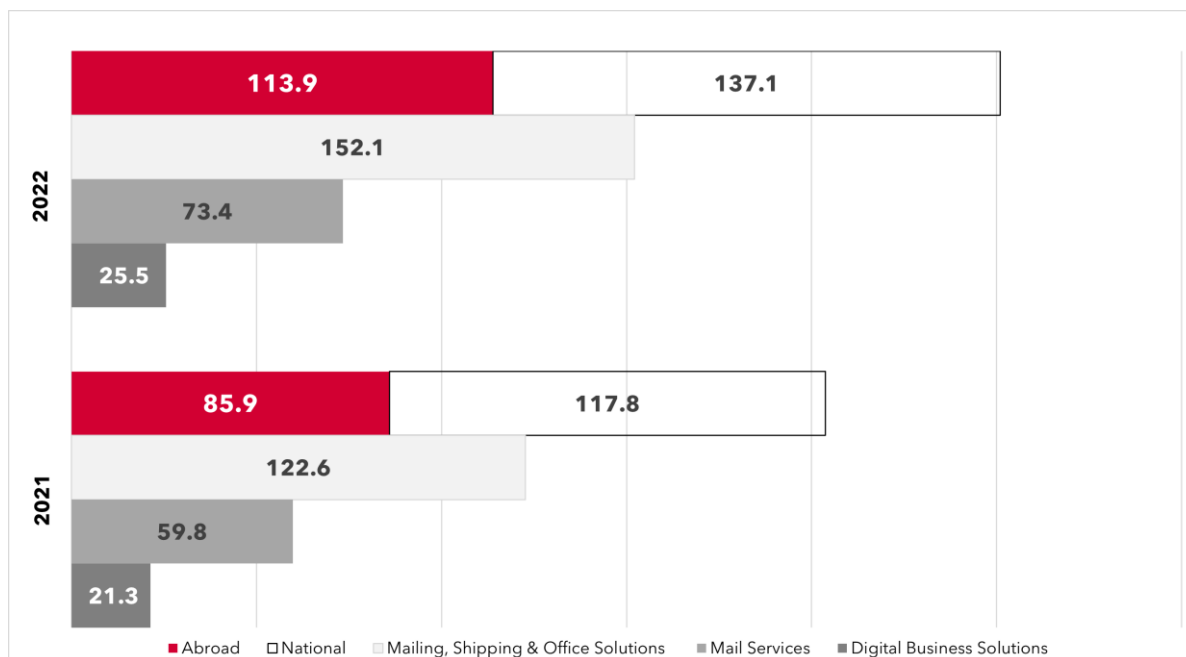
effect normalised in the second half of the year. Overall, the volume of mail processed again increased slightly compared as compared to the previous year.

At EUR 25.5 million, revenue in the Digital Business Solutions business unit recorded significant growth of 20% in the reporting period compared to the previous year (EUR 21.3 million). The FP Sign signature solution continues to show positive business development, benefiting both from the sales successes of the previous year with recurring revenue and increased new customer acquisition. This innovative digital solution saw an improvement in the order pipeline due to the changed working conditions as a result of the pandemic. The partnership entered into in April 2021 with DATEV eG, the third-largest provider of business software in Germany and one of the major European IT service providers for tax consultants, auditors, and lawyers, is also having an impact. Partners have also been acquired that act as multipliers to strengthen the business. In addition to an overall increase in customer demand, the exit of a competitor from the market had a positive impact on the DE-Mail / electronic legal correspondence business. The output Management unit also benefited from increased customer activity.

In the area of DE-Mail/electronic legal transactions, a competitor's withdrawal from the market is having a positive impact in addition to an overall increase in customer demand. The FP Group's largest foreign market remained the US in fiscal year 2022. There, revenue increased by 16.6% from EUR 50.0 million to EUR 58.3 million.

A key driver here is the stricter postal requirements in the US. This has led to a decertification of older franking systems, which offers FP as a smaller market player in the US potential for acquiring competitors' customers. Adjusted for currency effects, revenue in the US increased by 6.0% in the reporting period. The exchange rate effects across all currencies were positive, totalling EUR 6.2 million in the reporting year.

The development of revenue (in EUR million) has been as follows:



REVENUE BY PRODUCTS AND SERVICES

In EUR million	2022	2021	Change in %
Product sales income (Franking and Inserting)	36.1	30.5	18.1
Service/customer service	33.0	19.6	68.8
Consumables	29.0	23.9	21.0
Teleporto	8.9	7.7	16.9
Mail Services	73.4	59.8	22.6
Software/Digital	30.1	22.9	31.4
Revenue in accordance with IFRS 15	210.4	164.4	28.0
Finance lease	12.8	9.7	32.0
Operating lease	28.4	29.8	-4.9
Revenue in accordance with IFRS 16	41.2	39.5	4.2
Reduction in revenue due to currency effects from hedge accounting	-0.6	-0.2	179.1
Revenue total	251.0	203.7	23.2
Non-recurring revenue	32%	35%	
Recurring revenue	68%	65%	

In the service business, there was an increase of 68.8% compared with the same period of the previous year, mainly due to the acquisition of the Azolver companies and rate-change revenue achieved. The increase in

revenue from product sales in the core business in fiscal year 2022 was mainly due to an increase in revenue in NAM and a rise in revenue in Europe primarily resulting from the acquisition of Azolver companies. The business with consumables recorded an increase of 21.0%, chiefly due to acquisition of Azolver companies. Revenue from the leasing business increased slightly by 4.2% in the fiscal year compared with the same period of the previous year, mainly due to the acquisition of the Azolver companies. There was also a 31.4% increase in revenue in Software/Digital product categories. In particular, revenue increased in output management, DE-Mail/EGVP and FP Sign product categories. The Mail Services unit achieved a 22.6 % increase in revenue.

4.1.2 Own work capitalised

Own work capitalised saw an increase to EUR 7.7 million in fiscal year 2022 (up 24.2% year-on-year). The development costs reported in own work capitalised increased by EUR 0.5 million versus 2021 to EUR 1.1 million. During the reporting year, capitalised development costs related mainly to product development in the franking business. As an integral part of the core business in the Mailing, Shipping & Office Solutions business unit, the additions to leased products increased to EUR 6.6 million in the reporting year, compared with EUR 5.4 million in the previous year. During the previous year, capitalised development costs related mainly to the development of new IoT products as well as further investments in PostBase Vision with Vision360.

4.1.3 Other operating income

The increase in other operating income in the reporting year from EUR 1.7 million to EUR 2.1 million is largely due to the acquisition of the operating companies of the Azolver Group.

4.1.4 Cost of materials

In fiscal year 2022, the FP Group's cost of materials increased by 20.7% to EUR 124.7 million, compared with EUR 103.3 million in the previous year. Alongside general price increases, this was due to increased activities in the Mail Services business unit, the acquisition of the operating companies of the Azolver Group and the product mix in the reporting period. Expenses for raw materials, consumables and supplies thus increased to EUR 43.8 million in the reporting year compared with EUR 37.2 million in the previous year. This increase was particularly attributable to the strong franking machine business and the revenue contribution from the newly acquired Azolver companies. The costs of microchips for franking machines also increased. The cost of purchased services, which is mainly attributable to the Mail Services segment, was also up year-on-year, coming to EUR 80.9 million versus EUR 66.1 million in the previous year, while the cost of purchased postage of EUR 72.7 million significantly exceeded the previous year's level of EUR 59.1 million. The cost of materials ratio - the cost of materials as a percentage of revenue - decreased to 49.7% in the reporting year (previous year: 50.7%) despite the significant increase in the cost of materials.

4.1.5 Employee benefit expenses

Employee benefit expenses increased by 14.1% year-on-year to EUR 65.7 million in fiscal year 2022 (previous year: EUR 57.6 million). The increase is mainly attributable to the acquisition of the Azolver Group operating companies. The employee benefit ratio, which is employee benefits as a percentage of revenue, decreased further to 26.2% in fiscal year 2022 compared with 28.3% in the previous year, thus also showing the positive effects of the transformation programme.

4.1.6 Expenses from impairment losses and income from reversals of impairment losses on trade receivables

The increase in expenses from impairment losses to EUR 2.8 million (previous year: EUR 1.5 million) is primarily the result of both higher individual default risks and increased expenses for the derecognition of receivables.

4.1.7 Other operating expenses

Other operating expenses rose by 19.2% in fiscal year 2022, up from EUR 33.8 million to EUR 40.3 million. The main reasons for this are the inclusion of the Azolver Group operating companies and related due diligence costs, as well as higher expenses for the planned implementation of the new ERP solution. As a result, expenses for external IT services increased by

EUR 3.1 million, for packaging and freight by EUR 1.6 million, and for travel expenses by EUR 0.7 million compared with the previous year. This was offset by the decrease in expenses from disposal of fixed assets (EUR 0.2 million, previous year EUR 2.9 million).

4.1.8 EBITDA

The EBITDA of FP Group amounted to EUR 27.6 million in fiscal year 2022 compared to EUR 18.5 million in the previous year. The FP Group's EBITDA margin improved to 11.0% after 9.1% in the previous year. EBITDA was positively affected primarily by the increase in revenue and a reduced cost base, the effects of the rate change and the currency gains. This was offset by negative effects from the integration of the Azolver companies.

4.1.9 Amortisation, depreciation and impairment

Amortisation, depreciation and impairment rose by 9.6% year-on-year in fiscal year 2022, increasing significantly from EUR 19.1 million to EUR 21.0 million. This resulted primarily from the first-time inclusion of the Azolver Group operating companies and recognised impairment losses on capitalised development costs of IoT projects in the amount of EUR 1.0 million.

4.1.10 Net interest income

The EUR 0.3 million increase in net interest expense in fiscal year 2022 to EUR 1.5 million resulted mainly from the EUR 0.2 million increase in interest income in connection with the conclusion of various tax audits compared with the previous year. Interest expenses from the syndicated loan decreased by EUR 0.1 million. This resulted from the fact that the margins set on the basis of the covenants were reduced from 1.75% in the second half of 2022 to 0.90%. The EUR 0.1 million increase in interest income from finance leases was offset by the EUR 0.1 million increase in interest expenses from lease liabilities.

4.1.11 Other financial result

The FP Group posted a positive other financial result in fiscal year 2022 of EUR 0.4 million (previous year: positive result of EUR 1.6 million). This development is primarily due to currency effects from foreign currency translations, in particular the measurement of items in the statement of financial position at the reporting date, as well as expenses and income from the development of currency hedges.

4.1.12 Share of profit/loss of companies accounted for using the equity method

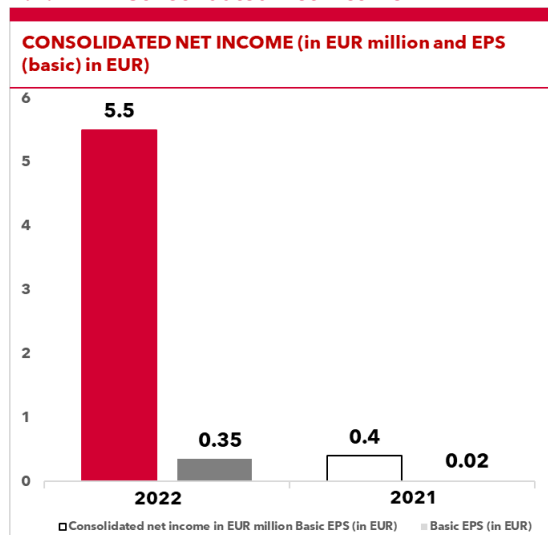
In the same period of the previous year, the FP Group realised profit of EUR 0.1 million from the sale of the shareholding in Juconn GmbH, which is included at equity in the consolidated financial statements.

4.1.13 Income taxes

Expenses from income taxes totalled EUR 3.0 million in fiscal year 2022 (previous year: EUR 1.8 million). This

corresponds to a tax rate of 35.4% (previous year: 83.1%). The tax rate essentially results from unrecognised deferred taxes on temporary differences and tax loss carryforwards. Consolidated profit

4.1.14 Consolidated Net Income



Consolidated profit improved significantly to EUR 5.5 million in fiscal year 2022, mainly due to the increase in EBITDA.

4.1.15 Summary of results per segment

The segments report according to local accounting standards. The following table shows the revenue and EBITDA of the segments.

SUMMARY OF RESULTS PER SEGMENT

In EUR million	Revenue ¹⁾			EBITDA ¹⁾		
	2022	2021	Change in %	2022	2021	Change in %
Mailing, Shipping & Office Solutions - Europe	88.2	67.9	29.9	15.8	11.2	41.0
Mailing, Shipping & Office Solutions - North America	65.3	55.3	18.2	19.2	17.3	10.7
Mail Services	73.4	59.8	22.6	0.9	1.4	-30.7
Digital Business Solutions	25.0	20.8	19.8	-1.0	-1.3	-19.2
Other	0.4	0.0	3,553.1	-1.1	-1.4	-20.8
Not allocated to any segment	0.8	0.7	16.5	-8.5	-7.6	12.0
Group reconciliation	-2.0	-0.8	147.2	2.3	-1.1	-303.0
Group	251.0	203.7	23.2	27.6	18.5	49.6

¹⁾ Revenue with third parties and EBITDA, according to local accounting standards

4.2 Financial position of the Group

4.2.1 Principles and objectives of financial management

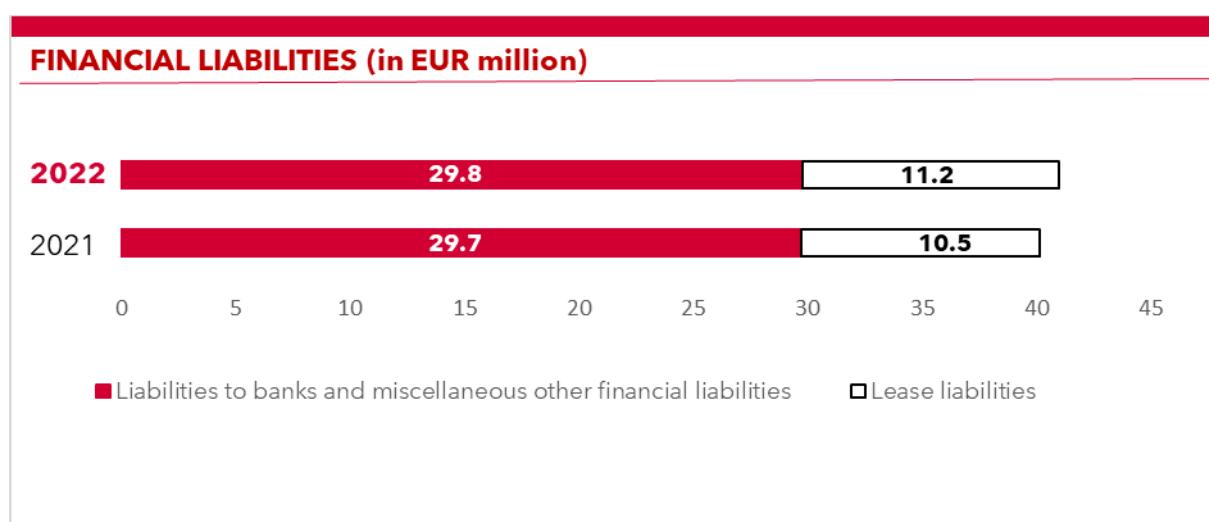
The main aim of financial management is to avoid financial risks and to ensure the financial flexibility of the FP Group. The Group achieves this objective by employing a variety of financial instruments. Various

4.2.2 Dividend-bearing net profit and dividends

The FP Group's dividend policy remains consistent as a basic principle, also based on implementing its new growth strategy. However, the company is currently focusing on securing and expanding existing Group liquidity in order to secure the FP Group's strategic and operational goals in the long term.

factors are taken into account when selecting the instrument, such as flexibility, loan terms, the existing maturity profile and finance costs. The long-term liquidity forecast is based on operational planning. A significant part of liquidity in the FP Group comes from the segment's operating activities and its resulting cash flow. The Group also uses loans from financial institutions and finance leases.

Due to FP's transformation process and the securing of sustainable profitability as well as the Azolver acquisition, the company has decided not to distribute a dividend again for fiscal year 2022.

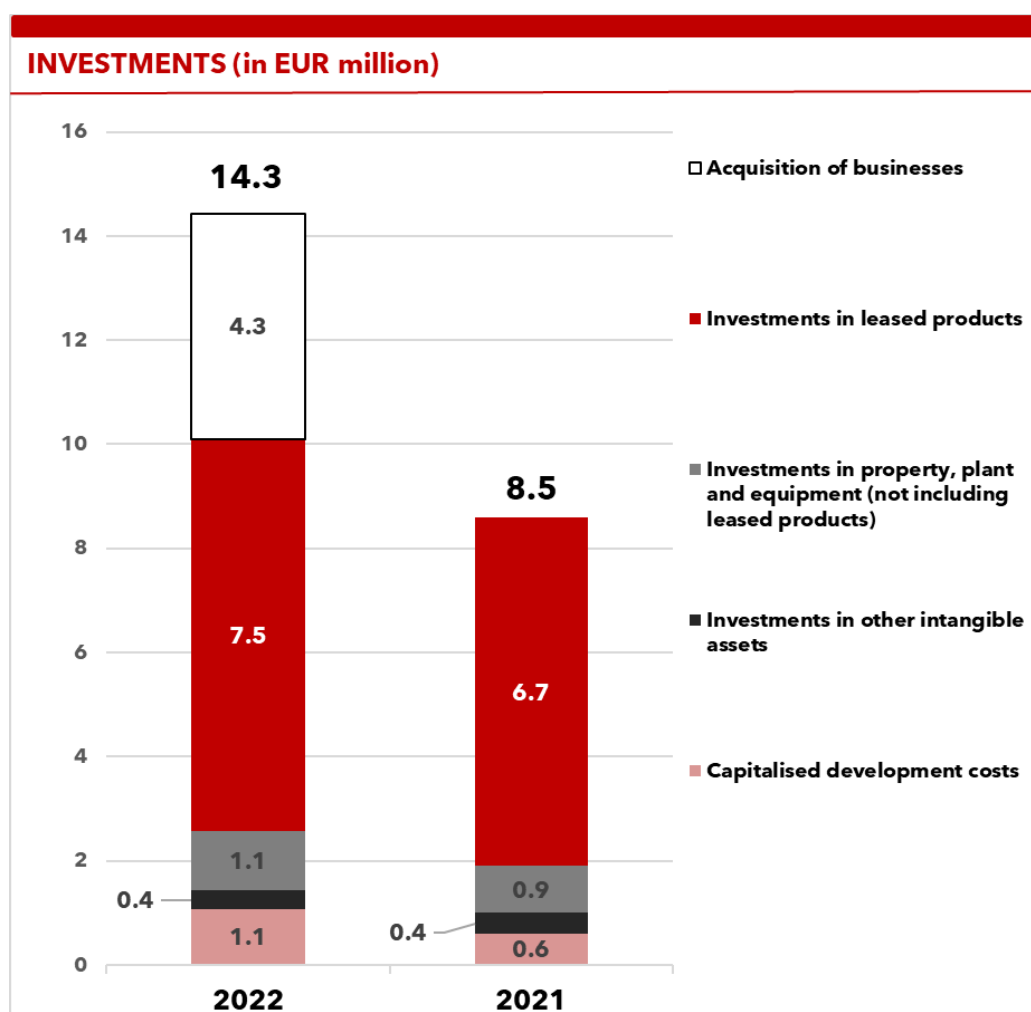


The syndicated loan agreement for a financing volume totalling EUR 150 million concluded with a strong syndicate of international banks in 2016 and renewed and extended early in fiscal year 2018 had a term to 28 September 2023. In fiscal year 2021, the existing syndicated loan agreement was adjusted and extended in September of fiscal year 2022.. This means that the FP Group has up to EUR 90 million at its disposal until September 2023 and EUR 67.5 million until September 2024, which can be used exclusively in EUR until further notice. The four banks - Commerzbank AG, Landesbank Baden-Württemberg, Postbank Luxembourg (a branch of DB Privat- und Firmenkundenbank AG) and UniCredit Bank AG - are each participating with EUR 22.5 million. The syndicated loan consists of a bullet credit term facility of EUR 30 million and a revolving facility of EUR 60 million.

The loan agreement continues to serve as financing security for acquisitions. Furthermore, the FP Group has entrepreneurial headroom to enter into additional financial obligations. Overall, the syndicated loan agreement forms a forward-looking basis for the FP Group's financial stability and flexibility

Information on changes to equity of the Group in fiscal year 2022 can be found in section 4.3.2 Equity.

4.2.3 Investment analysis



In fiscal year 2022, the FP Group also continued to make significant investments in future growth, including in franking systems for lease markets, in the expansion of the Group's market position, in product development, and in production and other core and supporting processes.

The company has successfully focussed on cost control and liquidity management once more. At the same time, it sustainably pressed ahead with the transformation as part of FUTURE@FP.

At EUR 14.3 million, investments in fiscal 2022 as a whole were significantly above the previous year's level of EUR 8.5 million. This is particularly due to the acquisition of the operating companies of the Azolver Group on 23 March 2022 (Taking into account acquired cash and cash equivalents of EUR 8.1 million). Investments in leased products increased to a total of EUR 7.5 million in fiscal 2022 (previous year: EUR 6.7 million). In connection with the implementation of FUTURE@FP, the FP Group invested EUR 1.1 million in the development of new products (previous year: EUR 0.6 million).

4.2.4 Liquidity analysis

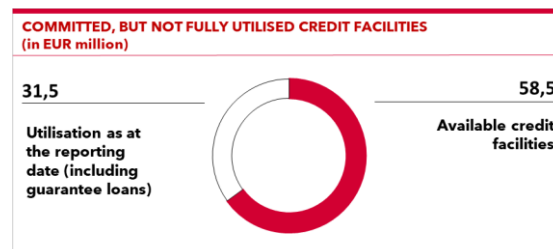
LIQUIDITY ANALYSIS (IN EUR MILLION)

	2022	2021
Cash flow from operating activities	22.4	15.1
Cash flow from investing activities	-14.3	-8.5
Free cash flow	8.2	6.5
Cash flow from financing activities	-5.0	-10.9
Change in cash	3.2	-4.3
Change in cash due to currency translation	0.1	0.9
Cash at the beginning of the period	19.7	23.2
Cash at the end of the period	22.8	19.7

The FP Group successfully focussed on cost control and liquidity management in fiscal year 2022 as well. At EUR 22.4 million, operating cash flow in 2022 was considerably up on the previous year's figure of EUR 15.1 million. The main factors contributing to the improvement in cash flow from operating activities were the increase in consolidated net income of EUR 5.1 million and the decrease in inventories and trade receivables of EUR 2.1 million.

Cash flow from investing activities increased significantly in fiscal year 2022. The increase in cash flow from investing activities to EUR -14.3 million compared with EUR -8.5 million in the previous year resulted mainly from payments for the acquisition of the Azolver companies (taking into account cash and cash equivalents acquired in the amount of EUR 8.1 million) and from the increase in investments in property, plant and equipment. Please see the section on Investment Analysis (section 4.2.3) for more information about further changes. Due to the improved cash flow from operating activities, free cash flow increased to EUR 8.1 million in fiscal year 2022 (previous year: EUR 6.5 million) despite the high level of capital expenditure.

The change in cash flow from financing activities in fiscal year 2022 includes payments from the share buyback program amounting to EUR 0.5 million. The loan was repaid in the reporting year. In the previous year, payments of EUR 6.9 million were made to pay liabilities to banks. Payments for the repayment of lease liabilities increased slightly by EUR 0.5 million to EUR 4.4 million compared with the previous year.



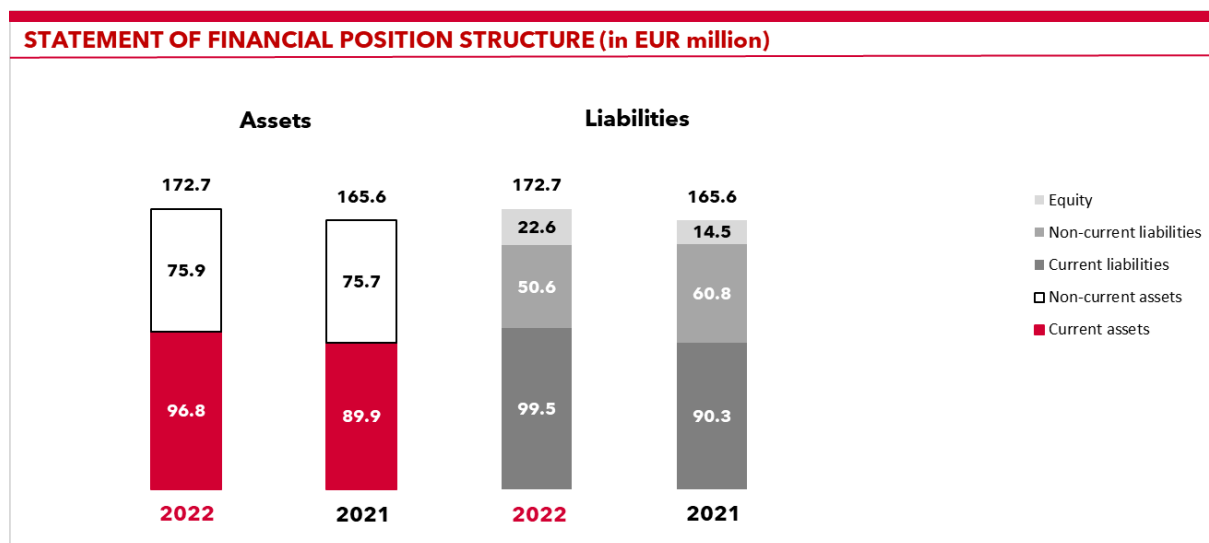
In accordance with the syndicated loan agreement, the FP Group has undertaken to comply with two defined financial covenants:

$$\text{Leverage} = \frac{\text{Total net debt}}{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}} \leq 3,0 \times$$

$$\text{Interest Cover} = \frac{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}}{\text{Net interest income (adjusted for IAS 23 Borrowing Costs)}} \geq 5,0 \times$$

As per the agreement, non-recurring effects are (partially) adjusted for calculating the covenants using a simplified procedure. The credit conditions were complied with consistently throughout the reporting year. In fiscal year 2022, the FP Group was able to meet its payment obligations at all times.

4.3 Asset position of the Group



The FP Group's balance sheet as at 31 December 2022 is characterised by the acquisition of the operating companies of the Azolver Group, the implementation of FUTURE@FP, and the positive operating business performance in fiscal year 2022.

4.3.1 Non-current and current assets

NON-CURRENT AND CURRENT ASSETS

In EUR million	2022	2021
Intangible assets	19.8	19.7
Property, plant and equipment	26.9	25.9
Right of use assets	11.0	10.4
Other financial assets	15.8	16.8
Other non-financial assets	1.4	1.8
Deferred tax assets	1.1	1.1
Non-current assets	75.9	75.7
Inventories	19.5	16.5
Trade receivables	20.7	19.5
Other financial assets	13.8	12.4
Other non-financial assets	8.4	8.2
Cash and cash equivalents	34.4	33.3
Current assets	96.8	89.9
Total	172.7	165.6

Non-current assets increased only slightly by EUR 0.2 million, from EUR 75.7 million to EUR 75.9 million.

The value of the intangible asset remained at the previous year's level, amounting to EUR 19.8 million. In

the reporting year, there were additions of customer lists and purchased intangible assets of EUR 5.8 million in connection with the acquisition of the operating Azolver companies, these are mainly identified customer relationships. The additions of development projects not yet completed were recognised at EUR 1.3 million and the amortisation of purchased intangible assets and customer lists at EUR 0.6 million. Goodwill impairment was recognised at EUR 0.7 million in the previous year. The increase in intangible assets was partly offset by amortisation of internally generated intangible assets (EUR 5.1 million), customer lists (EUR 1.0 million) and purchased intangible assets (EUR 0.5 million). Impairment of internally generated intangible assets amounted to EUR 1.0 million.

The EUR 1.0 million increase in property, plant and equipment stemmed essentially from the increase in leased products of EUR 2.1 million. This was offset by the decrease in technical equipment and machinery of EUR 0.8 million.

Current assets picked up by EUR 6.9 million from EUR 89.9 million to EUR 96.8 million. This was driven mainly by the EUR 3.0 million upturn in inventories as well as EUR 1.2 million in trade receivables. The increase in inventories is due to the increase in raw materials and supplies of EUR 0.7 million and merchandise of EUR 1.3 million. The share of the azolver companies collected for the first time in the financial year amounts to EUR 0.9 million. There was also an increase in other financial assets of EUR 1.4 million and an upturn in cash and cash equivalents of EUR 1.1 million.

4.3.2 Equity

As at 31 December 2022, the share capital of Francotyp-Postalia Holding AG amounted to EUR 16.3 million, divided into 16,301,456 no-par value bearer shares (previous year: 16,301,456).

As at 31 December 2022, the company held 403,907 treasury shares (previous year: 257,393) or 2.5% of the share capital (previous year: 1.6%). FP has been conducting a share buyback programme since the beginning of November 2022 and as at 31 December 2022 had acquired 146,514 shares at an average price of EUR 3.24. The calculated value of treasury shares is openly deducted from equity. Since 2021, the difference of the purchase price has been offset against consolidated profit/loss in the annual financial statements of Francotyp-Postalia Holding AG. As in the previous year, treasury shares in equity are deducted from equity in the consolidated financial statements. For additional information on own shares, see section IV (27) of the notes to the consolidated financial statements. More information about authorised and contingent capital as well as conversion and option rights can be found in the explanatory report by the Management Board in accordance with sections 289a (1) and 315a (1) HGB in section 8 of the combined group management report.

Group equity increased by EUR 7.9 million from EUR 14.7 million to EUR 22.6 million. The increase is mainly due to the positive total comprehensive income.

4.3.3 Non-current and current liabilities

NON-CURRENT AND CURRENT LIABILITIES

In EUR million	2022	2021
Provisions for pensions and similar obligations	14.6	19.0
Other provisions and deferred tax liabilities	5.0	4.1
Financing liabilities	29.5	36.7
Other financial liabilities	0.4	0.3
Other non-financial liabilities	1.1	0.8
Non-current liabilities	50.6	60.8
Tax liabilities	4.3	5.1
Other provisions	13.9	16.5
Financing liabilities	11.5	3.5
Trade payables	13.6	12.9
Other financial liabilities	34.6	35.4
Other non-financial liabilities	21.5	16.9
Current liabilities	99.5	90.3
Total	150.1	151.1

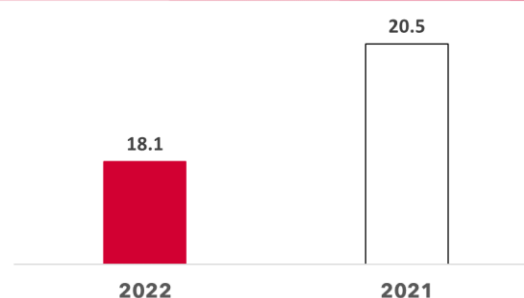
Non-current liabilities decreased by EUR 10.2 million, from EUR 60.8 million to EUR 50.6 million, mainly due

to the decline in non-current liabilities to banks of EUR 7.2 million. This resulted from the change in the maturity of the syndicated loan agreement, which was extended in October 2022. Provisions for pensions decreased by EUR 4.3 million. The reason for this is the revaluation of the net liability due to the change in actuarial gains and losses.

Current liabilities increased by 9.2 million euros from EUR 90.3 million to EUR 99.5 million. This was mainly due to the increase in current liabilities to banks by EUR 7.2 million as a result of the reclassification of the portion of the syndicated loan due for repayment in fiscal year 2023. In addition, lease liabilities increased by EUR 0.8 million and other non-financial liabilities by EUR 4.6 million. The decrease in current restructuring provisions by EUR 2.3 million due to consumption and partial reversal and the decrease in liabilities from teleporto funds by EUR 2.8 million had an opposite effect, which is mainly due to the reduction in postage credit balance managed by the FP Group.

An additional indicator for the FP Group's capital structure is the net debt ratio, which represents net debt over equity and is constantly monitored.

DEVELOPMENT OF NET DEBT (in EUR million)



Net debt is calculated from financing liabilities less cash and cash equivalents. Financing liabilities include liabilities to banks and lease liabilities. Cash and cash equivalents comprise cash less restricted funds (postage credit managed by the FP Group). This applies to the calculation of the net debt ratio as a management parameter for the FP Group's capital structure as well as the presentation in the cash flow statement.

Because of the revenue growth achieved and the cost control and liquidity management measures on the one hand, and the inclusion of the operating companies of the Azolver Group on the other, the FP Group's net debt decreased by 11.3% in fiscal year 2022. As at 31 December 2022, equity significantly increased to EUR 22.6 million, an increase of EUR 7.8 million compared to the previous year (EUR 14.7 million).

4.3.4 Leasing

As a lessor, the FP Group offers both operating and finance leases. These business models are reflected in

the Group's statement of financial position and income statement. As at 31 December 2022, the "products" item under non-current assets contained assets with a carrying amount of EUR 20.4 million (previous year: EUR 18.3 million), which are mostly leased to customers under operating leases. Finance leases with customers are reported in finance lease receivables; the non-current and current amounts totalled EUR 23.1 million as at the end of the reporting period (previous year: EUR 23.6 million).

4.4 Overall statement regarding the earnings, financial and asset position of the Group

Fiscal year 2022 was significantly better than the previous year and overall positive for FP. Revenue of EUR 251.0 million was significantly above the previous year's level. EBITDA reached EUR 27.6 million. In addition to the good revenue development, further effects of the cost savings became known. Several positive one-time effects (the rate change in Germany, increased postage costs in Germany, and the stronger US dollar) contributed to growth. The acquisition of the operating companies of the Azolver Group completed at the end of March also contributed to growth from the second quarter of 2022. Despite the challenging market environment in the franking business, FP showed very robust business development while

working on the FUTURE@FP transformation programme presented by the Management Board in April 2021. FP's new operating model is an important component of the simplification and digitalisation of internal as well as customer and partner-oriented processes. The FUTURE@FP transformation programme continues to show positive effects, as FP significantly improved its cost structures. The company also performed better than expected in terms of revenue - mainly due to the positive USD effect as well as increased postage costs in Germany. FP increased profitability with FUTURE@FP. The aim is to transform the company into a sustainably profitable, international technology group in the long term. During the year, we made our forecast more specific. In view of the positive development in the first nine months of 2022, the Management Board is confirming the forecast for the full year. The expected sales level should exceed the upper end of the forecast and the EBITDA level at the upper end of the forecast, assuming exchange rates around the current level. Expectations for revenue were ultimately exceeded. For EBITDA, the forecast was achieved at the upper end of the range. The Management Board judges the business performance in fiscal year 2022 to have been generally favorable.

5. Position of the company

FP Holding's annual financial statements are prepared in line with the German Commercial Code (HGB). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs). This results in some differences with regard to recognition and measurement methods. This mainly relates to intangible assets, provisions, financial instruments, lease transactions and deferred taxes.

5.1 Earnings position of the company

In EUR million	2022	2021	Change %
Revenue	2.6	3.5	-26.7
Other operating income	0.8	2.2	-63.2
Cost of materials	0.6	0.6	5.9
Employee benefit expenses	5.4	6.2	-11.9
Other operating expenses and amortisation and depreciation	4.4	4.4	0.2
Income from investments	2.4	16.7	-85.4
Net interest income	2.1	1.6	31.0
Earnings before taxes	-2.6	12.8	n/a
Taxes on income and earnings (income (+), expense (-))	0.5	-1.0	n/a
Earnings after taxes	-2.1	11.8	n/a
Other taxes	0.0	-0.1	n/a
loss for the year/ net profit	-2.1	11.7	n/a

5.1.1 Revenue

While FP Holding's service functions remained unchanged, the EUR 0.9 million decrease in FP Holding's revenue in fiscal year 2022 primarily resulted from lower Group allocations for consulting services to domestic subsidiaries.

5.1.2 Other operating income

Other operating income in the year under review and in the previous year essentially comprised income relating to other periods from the reversal of provisions.

5.1.3 Cost of materials

The cost of materials from purchased services in the year under review is on par with the previous year.

5.1.4 Employee benefit expenses

Employee benefit expenses fell by EUR 0.7 million in fiscal year 2022, stemming primarily from the decrease

in headcount. The average number of employees decreased to 37 (previous year: 40).

5.1.5 Other operating expenses and amortisation and depreciation

This includes legal and consulting costs and expenses for Group allocations. The total amount of other operating expenses remained at the previous year's level in the reporting year. Legal and consulting costs decreased by EUR 0.4 million, while IT service costs increased by EUR 0.2 million.

5.1.6 Income from investments

The significant decrease in income from investments from EUR 16.7 million in the previous year to EUR 2.4 million in fiscal year 2022 is mainly due to a decrease of EUR 15.1 million in profit contributions.

5.1.7 Net interest income

At EUR 0.8 million, interest expenses were EUR 0.4 million lower than in the previous year primarily as a result of interest on the bank loan, which was lower than in the previous year. There was also a significant decrease in interest expenses for taxes. Interest income is essentially generated from loans and short-term loans to affiliated companies. The increase in net interest income by EUR 0.5 million in fiscal year 2022 is mainly attributable to increased interest income from loans and receivables from affiliated companies by a total of EUR 0.12 million.

5.1.8 Taxes on income and earnings

The income tax income amounting to EUR 0.5 million resulted primarily from tax refunds for previous years (expenses of EUR 1.0 million in the previous year, mainly from current taxes for the year under review).

5.1.9 Net income/loss for the year

Mainly due to the significant decrease in income from investments, FP Holding generated a net loss of EUR 2.1 million in fiscal year 2022 (previous year: net profit of EUR 11.7 million).

5.2 Financial position of the company

LIQUIDITY ANALYSIS (IN EUR MILLION)

	2022	2021
Cash flow from operating activities	-1.0	10.7
Cash flow from investing activities	0.0	0.0
Free cash flow	-1.1	10.7
Cash flow from financing activities	-0.5	-6.9
Change in cash	-1.5	3.8

Lower cash flow from operating activities in fiscal year 2022 is mainly attributable to the net loss and the EUR 2.7 million increase in tax payments.

The cash flows from financing activities in the financial year 2022 include payments from the share buyback program amounting to EUR 0.5 million. In the previous

year, cash outflows for the repayment of liabilities to banks amounted to EUR 6.9 million.

As of 31 December 2022, FP Holding had unused credit lines amounting to EUR 58.6 million (previous year: EUR 58.5 million). FP Holding was able to meet its payment obligations at all times in fiscal year 2022.

5.3 Asset position of the company

CONDENSED STATEMENT OF FINANCIAL POSITION OF FP HOLDING (IN EUR MILLION)

	31 Dec. 2022	31 Dec. 2021
Non-current assets	82.4	82.5
Current assets	40.1	41.1
Prepaid expenses	0.5	0.3
Assets	123.0	124.0
Equity	72.3	74.9
Provisions	6.3	10.6
Liabilities	44.4	38.5
Equity and liabilities	123.0	124.0

5.3.1 Non-current assets

Fixed assets in fiscal year 2022 were almost on par with the previous year.

5.3.2 Current assets

The EUR 1.0 million decrease in current assets in the reporting year resulted particularly from the EUR 1.5 million decrease in bank balances and the slight increase of EUR 0.6 million in receivables from affiliated companies.

5.3.3 Equity

Equity decreased by a total of EUR 2.6 million in financial year 2022 due to the net loss for the year of EUR 2.1 million and the repurchase of treasury shares (reduction in issued capital and retained earnings totaling EUR 0.5 million). FP Holding's equity ratio fell from 60.4% to 58.8% in the reporting year.

5.3.4 Provisions

Provisions fell by a total of EUR 4.3 million in fiscal year 2022. This was attributable chiefly to the EUR 3.7 million reduction in tax provisions from EUR 5.0 million to EUR 1.3 million. This is due to the fact that provisions were both utilised and reversed in connection with the tax audits for the period 2013 to 2015 completed in 2022. In addition, other provisions decreased by EUR 0.7 million.

5.3.5 Liabilities

The increase in liabilities in fiscal year 2022 of EUR 5.9 million to EUR 44.4 million is mainly due to an increase of EUR 6.1 million in liabilities to affiliated companies.

5.4 Overall statement regarding the earnings, financial and asset position of the company

The financial year 2022 was influenced by the improvement in the performance of the operating subsidiaries, the acquisition of the Azolver companies, and the progress made under FUTURE@FP, with the higher earnings contributions only partially accruing to the Company. The financial position was mainly positively impacted by the operational improvement of the subsidiaries and the savings achieved under FUTURE@FP. Overall, the Management Board considers the development of business in the fiscal year as unsatisfactory.

6. Risk and opportunity report

Risks and opportunities are defined in the following as influencing factors or events that may result in the management's targets for short-term or medium-term Group performance being exceeded or missed. The aim of opportunity management is to identify these opportunities at an early stage and pursue them. In turn, risk management is intended to ensure that risks are not only identified in time, but that countermeasures are taken promptly to control and, where necessary, minimise the impact on the company and the Group.

Risk and opportunity management system

Francotyp-Postalia Holding AG and its subsidiaries are exposed to an array of risks as part of their business activities. These are inextricably linked to entrepreneurial activity.

The Management Board has overall responsibility for the risk and opportunity management system of the FP Group. Risk and opportunity management is closely intertwined with compliance management and is an integrated aspect of corporate governance. A system for monitoring risks has been set up in line with section 91 (2, 3) of the Aktiengesetz (AktG - German Stock Corporation Act). The risk and compliance situation is regularly analysed and the risks identified are assessed, managed and controlled. This system is used not only for the early detection of risks that could potentially threaten the continued existence of the FP Group.

Detailed market and competition analyses and forecast scenarios, together with intensive examination of relevant value and cost drivers, serve to determine opportunities.

Aims and strategy

The most important aim of risk and compliance management is to identify potential risks at an early stage, reliably assess how likely they are to occur and what impact they may have on business performance, to manage them and - where possible and within reason - to limit them. At the same time, opportunities

for success must be protected, provided these do not entail inappropriate levels of risk. On this basis, suitable measures are implemented to manage risks in line with the company strategy.

Different strategies are used depending on how the risks are assessed. Risks that could have severe repercussions for Group performance or even endanger the going concern of FP are, as far as possible, avoided. The effects of less significant risks are limited. For example, certain maximum levels are stipulated, controls are conducted regularly and systematically and/or consistent separation of functions is ensured. Risks are outsourced where possible or reasonable, for example to insurance companies or suppliers. Risks that are intrinsically linked to business activities are taken on knowingly and in a controlled manner.

The FP Group's risk strategy stipulates an innovative yet risk-averse approach in the Mailing, Shipping & Office Solutions business unit, while a healthy risk appetite is adopted in the investments made in the growing Digital Business Solution business unit, which carries its vision for the future.

Structures and processes

Risk management structures and processes are standardised across the Group. The existing risk reporting is based on a risk catalogue that is divided into several risk areas: macro environment/country risks, market/competition, strategy, supporting processes/IT, performance management, human resources, finance and compliance. The risk owners in the subsidiaries and the division heads of the central departments are integrated into this early warning system and report newly identified, existing and eliminated risks every six months. In addition, ad hoc reporting to the risk management officer and the Executive Board takes place when significant or critical risks are identified or when significant changes occur in already identified risks. Based on the information provided by the risk officers, the risk management officer prepares a risk report which, in addition to the description of the risks, also includes potential risk values, their probability of occurrence and the plan of action to avoid or reduce the risks. Within the scope of risk reporting, both gross and net risk are stated by the respective reporting units. The gross risk describes the maximum loss potential without taking into account hedging and risk mitigation measures. After countermeasures, the residual risk results in the form of the net risk. In order to determine which risks have a going-concern character, they are classified according to their estimated probability of occurrence and extent of damage.

To actively limit the relevant risks through appropriate control measures and to regularly review the defined control activities for appropriateness and effectiveness, risk management is complemented by

an Internal Control System (ICS). The scope and effectiveness of the system are regularly monitored and, where necessary, expanded by new control measures, e.g. in the form of guidelines or process instructions. As part of the audit of the financial statements, the early risk detection system is evaluated by the auditor in order to assess that the system is suitable for the timely detection, assessment and communication of all risks potentially jeopardising the existence of the company with a sufficient degree of probability.

Compliance management system

The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these throughout the Group companies. Questions of compliance are regularly discussed between the Supervisory Board or the Chairman of the Supervisory Board and the Management Board. The corporate culture of the FP Group is characterised by trust and mutual respect, and by the will to adhere strictly to laws and internal regulations. Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. Employees and third parties have the opportunity to report misconduct at the Group to the Compliance Officer. Anonymous reports are also followed up. The FP-Group is very keen to minimise the risk of compliance violations as far as possible, to uncover misconduct and to deal with it systematically. Regulations and principles are set out, together with the responsible handling of insider information, in the code of conduct, which provides all employees with guidance regarding corporate integrity in business. Executives and employees receive training on the code of conduct and are able - and expected - to consult the Compliance Officer whenever they have any doubts. Internal Audit carries out risk-orientated audits of compliance with regulations.

Internal control system and risk management system relevant for the consolidated financial reporting process

The accounting-related internal control system is an integral component of the comprehensive company-wide control and risk management system. Its aim is to ensure that financial reporting is reliable and transparent. To achieve this aim, FP has implemented the respective structures, processes and controls. These should ensure that the results of the accounting process are free from significant errors and submitted on time.

The internal control system at the FP Group is predominantly supported 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 already occurred.

The accounting-related ICS is designed by the Management Board and the Supervisory Board monitors its effectiveness. As the parent company, Francotyp-Postalia Holding AG prepares the FP Group’s consolidated financial statements. This process is preceded by the financial reporting of the Group companies included 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, whereas the Group’s companies prepare their financial statements locally in places and in accordance with local statutory requirements. The annual financial statements of all major Group companies that are consolidated are subject to an external audit.

Key regulations and instruments in the preparation of the consolidated financial statements are:

- accounting guidelines at Group level;
- a clearly-defined separation of functions and allocation of responsibilities among the segments involved in the accounting process;
- involvement of external experts as far as necessary, to measure pension obligations, for example;
- use of suitable IT financial systems and the application of detailed authorisation concepts to ensure that authority is granted in line with the task while complying with principles of separation of roles;
- checks implemented within the system and further process checks on accounting in the companies; consolidation in the context of the consolidated financial statements and of other relevant processes at Group and company level;
- consideration of the risks recorded and evaluated in the risk management system in the annual financial statements, as far as is required under current accounting rules;
- audits by Internal Audit with regard to compliance with and the adequacy of these regulations

The duty of all subsidiaries to report their business figures to Francotyp-Postalia Holding AG on a monthly or quarterly basis in a standardised reporting format in each case means that plan/actual variances during the year are detected in good time, to enable appropriate action to be taken quickly.

Risk management system with regard to financial instruments

The FP Group has a centralised financial management, whereby FP Holding coordinates the consolidated financial requirements, secures liquidity and monitors and manages currency, interest rate and liquidity risks

across the Group. The goal of financial risk management is to limit financial risks from changes in exchange rates and interest rates through finance-oriented activities. Derivative financial instruments are used exclusively for the purpose of hedging underlying transactions. Currency risks result from the Group’s international activities, specifically in the US, Canada and the UK. FP Holding 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 risks result from medium- and long-term financial liabilities. The purpose of liquidity planning is to identify liquidity exposure risks at an early stage and to minimise it throughout the Group. A monthly rolling liquidity forecast is used to monitor and manage liquidity. For further information on risks from financial instruments, including currency and interest rate risks and the corresponding hedging activities, please refer to section 6.1.2 of this risk report and the disclosures in the notes to the consolidated financial statements in section IV (32) Financial instruments.

Risk assessment

Central risk management ensures the implementation of a uniform risk strategy and methodology for identifying, analysing and evaluating opportunities and risks as well as the subsequent management of risks.

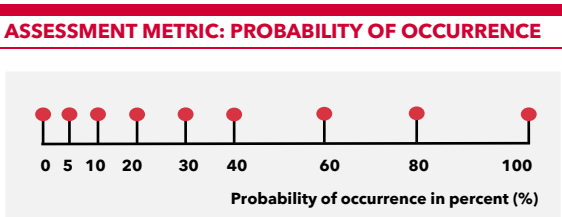
All risks with loss potential of at least 8% of the Group EBITDA budget for 2022 are reported on here, the same process as for internal reporting.

Risk matrix of the FP Group

Based on a “traffic light” system, red and orange risks attract particular focus in risk management.

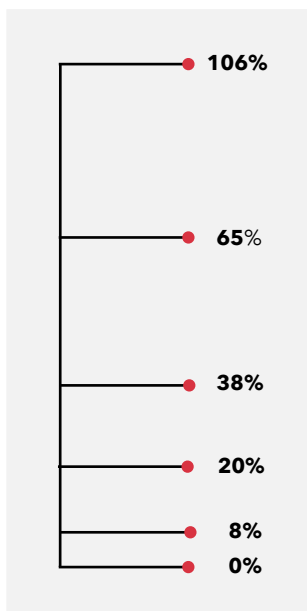
Risks are assessed using a Group-specific assessment matrix, which takes account of the probability of occurrence and the potential extent of the loss caused by possible events and uses this data to determine priorities.

In order to more efficiently allocate the FP Group’s prevention resources, risks in the lowest probability categories are considered in more detail and divided into the categories 0-5%, 5-10% and 10-20%. Risks are not further subdivided where the probability of occurrence is over 60%, as close attention is already paid to events that are very likely to occur. The intermediate probability categories reflect this idea, increasing towards the top end of the probability scale:



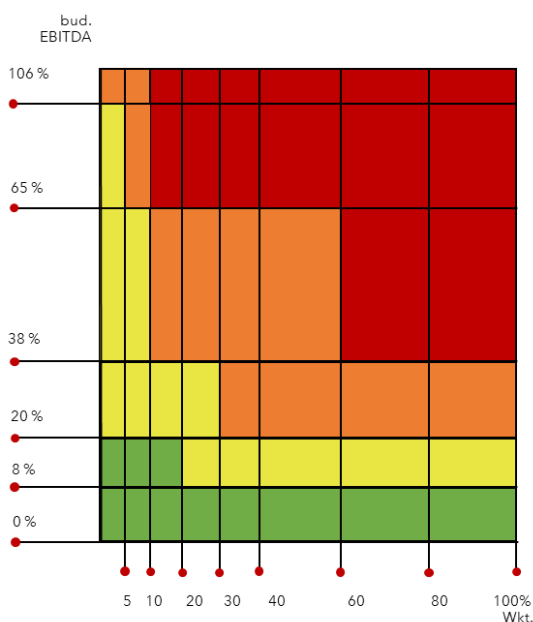
The assessment of loss potential is based on the impact a risk would have on forecast Group EBITDA if it were to occur. The loss classes are different sizes. The class limits show in detail whether the continued existence of the company is endangered if the risk materialises.

ASSESSMENT METRIC: LOSS POTENTIAL - IN EACH CASE AS A PERCENTAGE OF BUDGETED EBITDA



This differentiation enables FP to focus its risk management on managing risks that are serious or threaten the continued existence of the company. Events with a low loss potential that are almost certain to occur are actively managed by the specialist department responsible.

Assessment metric



The time reference for the assessment of risks is generally one year from the balance sheet date.

The FP Group uses a four-tier traffic light system (green, yellow, orange, red) to classify risks. The following nomenclature is used:

Risk classification		
Material risks	Red	Threatens continued existence
	Orange	Material risks
Immaterial risks	Yellow	Medium risks
	Green	Minor risks

Both kinds are deemed to be material, with red risks even threatening the company's continued existence. Active efforts are also made to reduce yellow and green risks where this makes good business sense, i.e. where the costs of further diminishing the risk are not expected to outweigh the reduction in the expected extent of loss.

6.1 Risks faced by the FP Group

Reported risks

All risks with an estimated loss potential of 8% or higher of the EBITDA budget for 2023 at the time of reporting - regardless of their probability of occurrence - are reported below. Risks are assessed "net", i.e. taking account of any action already taken to reduce them. Only risks in the lowest loss class are not reported. If not explicitly stated, the risks apply to all of our business units and segments.

6.1.1 Market-related risks

Macroeconomic risks



The coronavirus pandemic has clearly shown that the FP Group is exposed to various risks regarding the macroeconomic environment. For example, general conditions affect customers, some of whom were faced with a decline in their business, cash flows and financing options. This caused customers to delay or cancel their planned investments. Suppliers were also in a similar situation, which meant that they were unable to meet orders or the standards of service and quality agreed. A continued deterioration in economic conditions in fiscal year 2023 - in particular also with regard to the impact of geopolitical tensions and global economic sanctions against Russia - could have a significant impact on the earnings, financial and net asset position, including due to additional impairment on goodwill or other assets.

Competitors

The franking machine manufacturer sector has become increasingly consolidated and global in recent years, and FP's main competitors have, in our view, substantial financial resources and technological abilities. In some areas, these rivals compete mainly over price. They could take advantage of special market conditions to expand their market share or attack FP's dealer network. There is no guarantee that FP will always be able to successfully hold its own against competitors. Heightened competition can result in lower profit margins or loss of market share, which could have a serious adverse effect on earnings, financial and net asset position.

Quantifying the specific impact of the macroeconomic environment and the state of competition on FP is extremely unreliable and so we have opted not to do so.

Changes in customer needs as a result of the digital transformation

Probability of occurrence	Loss potential	Current	Previous year
10-20%	20-38%		



As a result of digitalisation, volumes of letter mail have been declining by between 3% and 5% p.a. on all markets for many years and the intensity of competition has been increasing. This decline in the core business may have a negative impact on revenue and thus EBITDA.

Through its FUTURE@FP transformation program, FP has focused its business model more strongly on digital products, which should help to compensate for a decline in the franking machine business, at least in the medium term. In addition, the decline in mail volumes has not recently accelerated beyond an

expected level. The risk assessment has thus not changed compared with the previous year.

6.1.2 Operational risks

Implementation of strategic and operational projects and measures



Probability of occurrence	Loss potential	Current	Previous year
20-30%	8-20%		

Processes are redefined and redesigned organisationally and technologically so that FP's structures reflect changes to the business model. These projects and measures may have an adverse effect on day-to-day business, they may fall behind schedule or be over budget, and targets associated with the changes may be missed despite careful planning and implementation. Specific examples of this include, in particular, the Group-wide rollout of a new, standardised ERP and CRM system.

The decisions taken, both at the technical and personnel level, have helped to reduce the risk. Nevertheless, some complex projects have not yet been completed at the time of reporting. If anything, complexity has increased compared with the previous year and the risks associated with them therefore remain.

Overall, this risk has therefore increased compared with the previous year.



Acquisitions / M&A

Probability of occurrence	Loss potential	Current	Previous year
10-20 %	8-20 %		

Management regularly reviews potential acquisitions of companies or technologies that have the potential to strengthen the market position and accelerate future growth. Acquisitions of companies may result in goodwill, which is recognized as an intangible asset. Such transactions are subject to risk.

In the course of the acquisition of the operating Azolver companies, intangible assets increased. Their recoverability could be subject to risk. The ongoing successful integration in conjunction with timely operational controlling reduces the risk of occurrence.

Procurement and quality risks

Probability of occurrence	Loss potential	Current	Previous year
30-40%	20-38%		

FP procures components for the product range from third parties. Due to geopolitical developments, the availability of key components has become more acute over the course of the past year. Delivery times have become significantly longer in various areas and procurement prices have increased considerably significantly in some cases due to higher raw material and energy costs. This is also due to general supply chain disruptions, affecting numerous sectors of industry such as in the area of semiconductors.

The risks currently also result from uncertainties regarding price stability and available supply volumes. Supply chain disruptions in production or logistics are also possible in addition to the chip crisis. They also affect products such as toner, special papers and special tools. In some cases, it is not possible to quickly and easily switch to other suppliers.

Overall, this risk has thus increased compared to the previous year.

These risks therefore affect not only franking machine components, but also consumables. In addition, quality problems in FP Group preliminary processes or preliminary products or in the supply chain can lead to disruptions later in the process, which may cause additional costs and ultimately also result in a loss of reputation.

FP's strategic procurement ensures the availability of requirements in close collaboration with the production and the development departments and to an appropriate extent. As well as building up buffer inventory, this includes suppliers' contractual obligations, monitoring their financial stability, analysing alternative manufacturers and the amount of time expected to qualify these.

Contractual penalties

Probability of occurrence	of	Loss potential	Current	Previous Year
<10%		<8%		

In the highly competitive mail services market, especially for public-sector customers, a contractual penalty is a standard component of the term and conditions of the bidding process. These penalties usually significantly exceed the margin contributions associated with the contracts. If a loss were to occur that would result in a corresponding contractual penalty the impact on earnings would be correspondingly severe. The risk assessment shown represents the case where several contractual penalties were incurred simultaneously as a result of technical disruptions.

Changes in the market and competitive environment have in the meantime led to a lower risk assessment.

General Human Resources risks

Probability of occurrence	of	Loss potential	Current	Previous year
30-40%		20-38%		

The transformation of FP has changed the profile of the workforce required in various areas. It is proving difficult in some cases to recruit staff on a tight specialist market at reasonable conditions. If key positions remain unfilled for longer, this could have a negative impact on the implementation of various projects, not only in IT.

Changes in the professional environment can trigger uncertainty among employees. This risks a loss of motivation, which could impact negatively on productivity. In addition, it may result in employees whose experience and expertise are valuable to the Group leaving FP.

FP endeavours to communicate specific changes planned clearly and at an early stage so as to ensure planning security for employees. The relocation of development activities to a near-shore centre, which began in the previous year, will counteract the possible shortage of suitable specialists in Germany. Nevertheless, it cannot be ruled out that employees will resist the company's planned development.

Risks from regulation, law and compliance



Probability of occurrence	of	Loss potential	Current	Previous year

Probability of occurrence	of	Loss potential	Current	Previous year
10-20%		<8%		

FP is developing a large number of new digital products in order to expand its business model in a targeted manner. Despite thorough checks, it cannot be ruled out that the new products may affect or infringe third-party property rights. As a result of the ongoing evaluation of the risks, the potential damage and probability of occurrence have decreased.



6.1.3 Financial risks

Change of control risks

Probability of occurrence	Loss potential	Current	Previous year
<5%	8-20%		

The FP Group uses credit facilities for corporate financing, of which EUR 31.4 million had been utilised at the end of 2022. The current terms of the syndicated loan include a change-of-control clause. Under these conditions, the lending banks are entitled to terminate all outstanding syndicated credit facilities if a shareholder holds more than 30% of shares in Francotyp-Postalia Holding AG. Currently, one shareholder holds 25.3% of the shares and, in accordance with section 43 (1) WpHG, notified us on 22 March 2023 that he does not intend to acquire any further shares.



Financial covenants risks

Probability of occurrence	Loss potential	Current	Previous year
<5%	<8%		

In line with standard practice, FP has agreed financial covenants and thresholds for these with its syndicated loan providers. The loan can be called in if these are exceeded or not met.



Based on improved profitability and targeted net debt management via receivables management, cash management, optimised liquidity planning and a constructive dialogue with creditors, the valuation was again significantly reduced compared with the previous year.

Defaults on receivables

Probability of occurrence	Loss potential	Current	Previous year
30-40%	<8%		

It must be assumed that a more difficult economic situation can lead to an increase in bad debt losses. Although there was a slight increase in bad debt losses in the challenging environment of fiscal year 2022, the loss potential is still estimated to be stable for fiscal year 2023. FP's customer structure is dominated by many small and medium-sized companies. This inherent risk is also countered by targeted receivables management.

Tax risks

Probability of occurrence	Loss potential	Current	Previous year
<10%	<8%		

The operational realignment of the FP Group is associated with various tax risks, such as from an inadvertent misapplication of tax law or from a subsequent deviating assessment by the tax authorities. For example, the number of intercompany relationships requiring documentation has increased. If services are not priced correctly or documented inappropriately, this could lead to subsequent profit adjustments in connection with the corresponding tax consequences. The time horizon for the probability of occurrence here is up to ten years due to the deadlines and processes.

In particular, FP counters this risk by closely aligning the processes of Controlling/Group Accounting and Group Tax to ensure transparency in the case of new or modified intercompany matters and by strengthening internal control, also with the help of external consultants, and by coordinating in advance with the tax authorities (binding information). For instance, intercompany relationships are subject to regular retrograde evaluation and adjustment to meet tax requirements, and documentation with external partners is updated. With the belief that these measures effectively counter the risk, the probability of occurrence and the loss potential were reduced compared with the previous year.

Liquidity risk

FP defines liquidity risk as the risk that the FP Group will become insolvent. FP puts the Group's liquidity position through ongoing stress tests. This involves running through various scenarios. As in the previous year, FP does not experience a liquidity bottleneck by the end of 2023 in this scenario, even without taking up additional borrowing. The risk has been further downgraded in comparison to the previous year thanks to the positive liquidity and net debt trend. For an evaluation of the risk, please see 4. Liquidity risks in note 32 ("Financial instruments") to the consolidated financial statements.

Risks from financial instruments

FP uses financial instruments exclusively for hedging purposes. The use of financial instruments therefore does not create any risks for FP as there are always offsetting items with opposing changes. FP is also exposed to risks that can be hedged using financial instruments. These include exchange rate risks from sales in USD and GBP, interest rate risks from the utilisation of loans and market price risks from the purchase of parts made from plastic commodities

where the suppliers can and are permitted to pass on higher commodities prices to FP.

All three risk types are already in the lowest possible loss class even without entering into hedging transactions and so they are not reported. Regarding currency risks, there is a net foreign currency cash flow of EUR 6 million to EUR 8 million. Currently, the expected cash flows in foreign currencies are not fully hedged. The resulting residual risks form the basis for risk assessment.

6.1.4 Risks in connection with geopolitical developments

At the time of reporting, the consequences of the Russian invasion of Ukraine and the subsequently imposed economic sanctions can be better assessed. The consequences for the global economy have now made themselves known, but they had no significant impact on FP's business performance. Further developments will continue to be carefully monitored in the business units and taken into account in the risk assessment. In the past, economic changes have had

only a limited impact on the FP Group's business development. However, it cannot be ruled out at present that this could be different in the future.

6.1.5 Other risks

In the areas of

- Reputational and brand risks
- Environmental and sustainability risks
-

the risk assessment did not identify any significant risk potential that this report would have to cover.

6.1.6 Overall statement on the Group's risk situation

The table below provides an overview of the FP Group's risk situation as at the reporting date and of changes in risks compared with the previous year. The following nine risks constitute reportable risks for the FP Group as things stand:

OVERVIEW OF RISKS IN THE FP GROUP				
Risk	Current probability of occurrence ¹⁾	Current loss potential ²⁾	Current risk class	Risk class in previous year ³⁾
Changes in customer needs as a result of the digital transformation	10-20 %	20-28%	Yellow	Yellow
Implementation of strategic and operational projects and measures	20-30 %	8-20%	Yellow	Yellow
Acquisitions / M&A	10-20 %	8-20 %	Green	Green
Procurement and quality risks	30-40 %	20-38%	Orange	Yellow
Contractual penalties	<10 %	<8%	Green	Yellow
General Human Resources risks	30-40 %	20-38%	Orange	Orange
Regulation, law and compliance	10-20 %	<8%	Green	Yellow
Change of control	<5 %	<8%	Green	Green
Financial covenants risks	<5 %	8-20%	Green	Green
Defaults on receivables	<5%	8-20%	Green	Green
Tax risks	<10 %	<8%	Green	Yellow

¹⁾ The probability of occurrence covers a 12-month timeframe.

²⁾ The loss potential is given as a percentage of Group EBITDA budget for 2023.

Overall statement on the Group's risk situation

Compared with the previous year, there have been only minor changes in strategic and operational risks overall. The change in customer requirements and the resulting decline in core business with franking machines and consumables may have a significant impact on FP's revenue performance in the medium or long term. The change in customer requirements is

increasingly being met by a range of products and services that has been expanded to match this.

Procurement and HR risks are of increasing relevance. The already tense situation in the supply chains may worsen as a result of geopolitical turmoil. The situation on the labour market remains tense. Skilled workers, not only in the IT sector, are in high demand, with the result that recruiting processes are sometimes

noticeably delayed. Both could hinder the development of the digital business units and the associated planned improvement in the company's profitability. Successfully achieving this transformation process is essential to FP's medium and long-term prospects.

The FP Group is also exposed to a number of additional risks at the time of reporting and for the current planning period. The Management Board considers these risks manageable and does not consider the continued existence of the Group to be at risk in the planning period. Despite the comprehensive risk analysis, it cannot be conclusively stated that these risks will not occur.

6.2 Opportunities for the FP Group

The Management Board defines material opportunities as reported below as possible future developments or events that may result in a deviation from the forecast or target that is very positive for the company.

Strategic opportunities

For various reasons, the FP Group currently assumes that overall mail volume is shrinking, and consequently also assumes a shrinking market for franking machines. This scenario could prove too defensive in some areas, as letters remain the preferred way of sending confidential or binding documents in many areas. Thanks to the focus on franking machines for smaller letter volumes, a decline in the volume of letters could even prove advantageous, as these can replace larger machines and therefore offer competitive advantages. Furthermore, FP still does not have a large installed base in many countries and it could still substantially expand its presence there.

A key aspect of the growth strategy is the acquisition of companies or technologies to expand digital business areas. If suitable acquisition targets are identified and taken over more quickly than expected, the company may outperform planned business development.

Work on opening up new digital business areas is moving full speed ahead. Business opportunities that cause expectations to be far exceeded or met more quickly than anticipated would also result in a positive deviation from short and medium-term forecasts.

Operating opportunities

As part of the transformation, numerous processes were redesigned and clear business areas were created that are tailored to customer and market needs and are responsible for everything from customer-focused development to sales of the solutions.

This means that customer potential can be exploited to a greater extent within the business areas with a broader offering and more focused sales approach.

The acquisition of the Azolver companies has expanded the FP Group's range of digital solutions for parcel shipping, inbound parcel management and internal logistics. If the integration, further development and internationalisation of these solutions progresses faster than planned, this could result in additional cross-selling and up-selling opportunities in all business units.

This also applies to the further expansion and internationalisation of existing digital solutions. In Germany, digital signature solutions are increasingly being sold via integration in ERP/CRM and similar systems. Should this also be possible to a greater extent in the context of internationalisation, this could give rise to additional opportunities.

In mailing, shipping, and office solutions, as well as in solutions for parcel shipping, changes in the requirements of postal companies and regulatory decisions could open up additional potential.

6.3 Overall statement on opportunities

The FP Group's products, solutions and internal measures put it in a good position to systematically take advantage of opportunities in future markets for the Group. While the company targets its efforts towards seizing these opportunities, it is rather unlikely that this will result in short-term successes.

6.4 Company's risks and opportunities

The business performance of FP Holding is largely subject to the same risks and opportunities as the FP Group. FP Holding's share in the risks of the investments and subsidiaries is basically in proportion to its level of ownership. Risks and opportunities are outlined in the "Risk and opportunities report". Additional financial burdens may also arise from investments as a result of legal or contractual contingent liabilities (particularly financing).

7. Forecast report

The forecast for macroeconomic conditions is based on information provided by the International Monetary Fund (IMF) and the German Council of Economic Experts (GCEE).

The company points out that statements relating to the future are based on assumptions and estimates. Actual future developments and results may vary substantially from these assumptions and estimates.

7.1 Expected macroeconomic and industry-specific conditions

The economic climate has an influence on future industry growth and therefore also on the future business performance of the FP Group. Companies are more inclined to invest in a positive economic climate, which could have a positive impact on the

franking and inserting business. In a robust economy, companies are more willing to innovate, which is favourable for the Software/Digital segment in particular.

At the beginning of the year, the International Monetary Fund (IMF)¹² slightly raised its forecast for global gross domestic product (GDP) growth in 2023. It is now 0.2 percentage points higher than forecast from October 2022. However, at 2.9%, it is well below the average of recent years. The global economy continues to be impacted by the increase in central bank interest rates to combat inflation and Russia's war in Ukraine. For the world's largest economies, the IMF has also slightly raised its forecast for real GDP growth. For Germany, the experts are now anticipating growth of 0.1%.

At the same time, the IMF¹³ continues to expect high inflation rates. Global inflation is forecast to drop from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024.

The German Council of Economic Experts¹⁴ expects the German economy to perform slightly better in 2023 and 2024. This is the conclusion drawn in the economic forecast updated in March 2023. The council expects GDP to grow by 0.2% in the current year 2023. In autumn 2022, a decline of 0.2% was still forecast. According to the Council of Economic Experts, the loss of purchasing power due to inflation, the deterioration in financing conditions and the slow recovery in foreign demand are preventing a stronger upturn. On average, the experts expect inflation to reach 6.6% this year. The European Central Bank (ECB)¹⁵ has raised the key interest rate for the eurozone several times. In March 2023, it most recently rose by half a percentage point to 3.5%. In doing so, the European central bankers are aiming to counter the persistently high rate of inflation. Also in March, the US Federal Reserve¹⁶ raised interest rates further, increasing the key rate by 0.25 percentage points to the new range of 4.75% to 5.0%. At the same time, the central bank lowered its GDP estimate for 2023. The Fed¹⁷ expects the US economy to grow by only 0.4% in 2023. This would be 0.1 percentage points less than forecast in December 2022.

According to experts¹⁸, the current turbulence in the banking sector may negatively impact the economy. The problems of small and medium-sized banks increase the risk of recession in the US. Economists thus calculated a higher probability of recession this year. The current banking crisis is also having an impact on the sentiment in the German economy. The Leibniz Centre for European Economic Research

(ZEW)¹⁹ Indicator of Economic Sentiment slumped surprisingly sharply from 28.1 to 13.0 points in March 2023. The index had previously risen for five months in a row.

7.2 Expected business performance of the FP Group

Performance in fiscal year 2023 will be determined both by the general economic environment and by the measures taken to further improve business development and profitability. Economic development is currently associated with uncertainties. In particular, growth in countries such as Germany and the US is expected to weaken. The international financial markets are also under pressure. And this current high level of uncertainty is also reflected in economic expectations, which could have corresponding effects on the FP Group's net assets, financial position and results of operations.

The acquisition of the Azolver companies at the end of March 2022 has significantly increased FP's revenue level. Revenue in several business units were impacted by positive one-off effects in 2022, which will not be repeated in 2023. The rather low-margin Mail Services business recorded special effects amounting to EUR 12.7 million, in connection with increased franking volumes and the postage increase at the beginning of the year. In fiscal year 2022, the Group also benefited from further non-recurring effects from rate-change charges in the Mailing, Shipping & Office Solutions business unit amounting to EUR 2.9 million.

In the Mailing, Shipping & Office Solutions business unit, the FP Group expects slight overall revenue growth and slightly improved EBITDA as well as a slightly improved EBITDA margin, particularly due to the measures taken as part of FUTURE@FP and the successful integration of the Azolver companies. It should be noted that the non-recurring effects from the rate-change conversions will no longer apply in 2023. Despite the overall decline in the market as a whole, FP anticipates a stable or slightly increasing business volume in the Franking business. The North American market offers market opportunities, for example, due to the changed postal requirements of the United States Postal Service (USPS). This will have a positive impact on revenue, EBITDA and EBITDA margin in 2023, each of which is expected to increase slightly. An additional contribution is expected from the expansion and internationalisation of digital solutions, which are part of the portfolio through the acquisition of the Azolver companies.

¹² IWF, World Economic Outlook Update, Januar 2023
<https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

¹³ IWF, World Economic Outlook Update, Oktober 2022
<https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022>

¹⁴ Sachverständigenrat zur Wirtschaftsentwicklung
<https://www.bundesregierung.de/breg-de/aktuelles/aktualisierte-konjunkturprognose-2172766>

¹⁵ EZB, Geldpolitische Beschlüsse
<https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230316~aad5249f30.de.html>

¹⁶ Fed, Federal Reserve issues FOMC statement
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20230322a.htm>

¹⁷ Fed, Summary of Economic Projections
<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtab120230322.pdf>

¹⁸ Handelsblatt
<https://www.handelsblatt.com/politik/konjunktur/nachrichten/konjunktur-neue-bankenkrise-wuerde-deutschland-in-rezession-stuerzen/29072038.html?tm=login>

¹⁹ EZB, Geldpolitische Beschlüsse
<https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230316~aad5249f30.de.html>

One key step is focussing on solutions that offer customers quick and efficient benefits. To accelerate the expansion in this area, this will also be supplemented by targeted, inorganic developments. The aim is to tap higher-margin business areas in the medium term that boosts the Group's profitability in the long run.

The Mail Services business segment will continue to be affected by the general decline in letter volumes. In addition, the previous year was affected by positive one-off effects amounting to EUR 12.7 million, which will not be recurring in 2023. Therefore, despite some customer growth, an overall decline in revenue with stable EBITDA and EBITDA margin is expected for the 2023 business year.

Economic developments will have a material impact on business performance. A weak economy will also have an impact on the operating business. If there is an economic slump in the further course of the year, this may have a considerable impact on the Group's net assets, financial position and results of operations. The possible consequences of a potential banking crisis in the US and Europe are equally difficult to assess. It cannot be ruled out that this could also have an impact on FP's business development.

For these reasons, the Management Board expects a revenue of between EUR 245-255 million in the 2023 financial year and thus still an increasing revenue compared to a situation without special effects as in the previous year. The ongoing transformation of the Group and the successful integration of the acquired Azolver Group are reflected in the expectation of a slightly increasing EBITDA margin. EBITDA is expected in a range of EUR 28-31 million.

7.3 Expected development of performance indicators

	2023 forecast
Revenue in EUR million	245-255
EBITDA in EUR million	28-31
EBITDA margin in %	11.4 - 12.2
Quality indicator - Germany and International	34.2
Improvement indicator	0.60

Business performance in 2023 will benefit from good general economic conditions. At the same time, there are currently major uncertainties regarding the further performance of the economy in key markets due to inflation, interest rate developments and a possible banking crisis and their possible impact on business performance in fiscal year 2023.

In 2022, FP's revenue increased considerably to EUR 251.0 million. FP also benefited from several one-time effects that will not be repeated in 2023. In Mail Services, the special effect amounted to EUR 12.7 million. There were also positive currency effects of EUR 6.2 million and positive effects from rate change of EUR 2.9 million. Without these effects, revenue would have been around EUR 228 million.

Despite the framework described, we expect Group revenue to develop stably in fiscal 2023 on a normalised bases (excluding non-recurring effects) with an increase in revenue.. We expect this in the range of EUR 240 million to EUR 255 million, as against EUR 251.0 million in the previous year.

EBITDA reached EUR 27.6 million in fiscal year 2022, corresponding to an EBITDA margin of 11.0%. The measures to sustainably improve profitability will continue to have an impact in fiscal year 2023. Depending on how revenue performs, we therefore expect EBITDA to be between EUR 28 million and EUR 31 million, corresponding to an EBITDA margin of between 11.4% and 12.2%.

The anticipated development of financial performance indicators for fiscal year 2023 is based on the assumption of constant exchange rates.

In terms of non-financial performance indicators, both the PQI - Germany and the PQI - International is expected to temporarily deteriorate slightly due to the introduction of PostBase Vision 120. When new and further developments are introduced, the quality indicator deteriorates temporarily at first due to initial problems.

A slight deterioration in nf IQ is expected for fiscal year 2023. This figure will also be influenced by the new product launch.

A slight deterioration of the nf IQ is expected for the 2023 financial year. This value will also be influenced by the new product launch.

7.4 Company forecast report

Because of FP Holding's links with the Group companies, we refer to our statements in the report on expected developments in the Group management report, which particularly reflect the expectations for the parent company.

The forecast for fiscal year 2023 takes into account the latest developments in connection with the aforementioned general conditions. FP Holding is expecting a slight improvement in its income from investments and earnings before taxes in fiscal year 2023.

The company points out that statements relating to the future are based on assumptions and estimates. Actual future developments and results may vary substantially from these assumptions and estimates.

8. Takeover-related disclosures

8.1 Explanatory Report by the Management Board on Disclosures Pursuant to Sections 289a (1), 315a (1) 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 the transfer of shares.

Direct or indirect investments in capital exceeding 10% of the voting rights

As at 31 December 2022, the following direct and indirect shareholdings in the capital existed, which exceeded 10% of the voting rights:

Name/company	Direct/indirect holding of more than 10% of the voting rights
Mr Klaus Röhrig, Austria	Indirect
Mr Rolf Elgeti, Germany	Indirect
Obotritia Capital KGaA, Germany	Direct

The above information is based in particular on notifications of voting rights pursuant to the German Securities Trading Act (WpHG), which Francotyp-Postalia Holding AG received and published.

As communicated in writing on 10 March 2020, Obotritia Capital KGaA held a total of 28.01% of the company's voting rights. The shares of Obotritia Capital KGaA are allocated to the shareholder Mr Rolf Elgeti. Francotyp-Postalia Holding AG has been informed that Obotritia Capital KGaA has sold all its shares (previously 28.01%) in Francotyp-Postalia Holding AG with effect from 7 March 2023. According to the voting rights notification of March 22, 2023, the new major shareholder is OSP Alpha Management Limited, based in Eden Island Mahe, Seychelles, which now holds 25.34% of the shares in the Company. Voting rights notifications published by Francotyp-Postalia Holding AG can be accessed on the Internet at: [https://www.fp-francotyp.com/de/stimmrechtsmitteilungen/c8b5f191a4415969^{20\)}](https://www.fp-francotyp.com/de/stimmrechtsmitteilungen/c8b5f191a4415969²⁰⁾).

Shares with special rights

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

Control of voting rights of employee shareholders

There are no controls over voting rights.

Statutory regulation in the Articles of Association on appointing and dismissing Management Board members and amending the Articles of Association

In accordance with article 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 article 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.

The Articles of Association stipulate in article 23 (1) that the Annual General Meeting passes resolutions by a simple majority of the votes cast, and, where the statute requires a majority of capital in addition to a majority of votes, by a simple majority of capital represented at the time the resolution is passed, insofar as the law or the Articles of Association do not require a larger majority. Abstentions count as votes not cast. Furthermore, in accordance with article 15 (2) of the Articles of Association, the Supervisory Board can make amendments to the Articles which relate only to wording.

Powers of the Management Board with regard to the possibility to issue or buy back shares Authorisations for authorised and contingent capital

To provide management with room for manoeuvre, a resolution on new authorised capital (Authorised Capital 2020/I) was adopted at the Annual General Meeting on 10 November 2020. Article 4 (3) of the company's Articles of Association was amended accordingly. With the approval of the Supervisory Board, the share capital of the company can then be increased on one or more occasions by up to a total of EUR 8,150,000 by issuing new bearer shares against cash and/or non-cash contributions up to 9 November 2025. Shareholders have subscription rights to the new rights. In accordance with section 186 (5) of the German Stock Corporation Act (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 shareholders for subscription. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholder's subscription rights on one or more occasions.

On 10 November 2020, the Annual General Meeting also amended article 4 (4) of the company's Articles of Association to resolve to contingently increase the share capital of the company by an amount of up to EUR 6,464,000 by issuing up to 6,464,000 new bearer shares, each accounting for a pro rata amount of share capital of EUR 1.00 (Contingent Capital 2020/I). With

²⁰⁾ This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

the approval of the Supervisory Board, the Management Board is hereby authorised to issue, on one or more occasions and in full or in partial amounts, warrant or convertible bonds, profit participation certificates, participating bonds or combinations of these instruments (collectively referred to as "bonds") with a total nominal amount of up to EUR 50,000,000 up to 9 November 2025, and to grant the bearers or creditors (collectively referred to as "bearers") of the respective bonds options or conversion rights to acquire bearer shares of the company accounting for a total pro rata amount of share capital of up to EUR 6,464,000 in accordance with the further conditions of the bonds and to establish the corresponding option or conversion obligations. The bonds and the options and conversion rights/obligations can be issued with a duration of up to 30 years or as perpetual instruments. Bonds can also be issued in whole or in part against contributions in kind.

The individual issues can be divided into different types of bonds with equal rights.

The contingent capital serves to grant shares to the holders or creditors of warrant or convertible bonds, profit participation certificates or participating bonds (or combinations of these instruments) that were issued by the company or one of its direct or indirect Group companies as defined by section 18 AktG by 9 November 2025. This is only carried out to the extent that options or conversion rights from the above bonds are utilised or option or conversion obligations arising from these bonds are met, unless other means of settling the obligation are used. The new shares participate in profits from the beginning of the fiscal year in which they arise as a result of options or conversion rights being exercised or conversion obligations being fulfilled.

Shareholders have subscription rights 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 shareholders for subscription (indirect subscription right). The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights to bonds.

Contingent capital increase and stock option plan

For further explanation, please refer to the disclosures in the notes to the consolidated financial statements in section IV (27) Equity.

Authorisation to acquire treasury shares

On 10 November 2020, the Annual General Meeting authorised the company to purchase treasury shares in the amount of up to 10% of the share capital existing at the time of the Annual General Meeting's resolution and to use these shares for any purposes permitted by law up to 9 November 2025. The authorisation can be exercised in full or in part, and on one or more occasions. The treasury shares may also - with the

approval of the Supervisory Board and in particular in the context of business combinations or in the case of company acquisitions or investments - be offered and transferred to third parties against in-kind contributions, provided that the company acquisition or the investment is in the company's best interest and the amount to be paid for the treasury shares is not disproportionately low.

With the approval of the Supervisory Board, the treasury shares can be issued against cash contributions in order to list the company's shares on a foreign stock exchange on which the shares were not admitted for trading until now.

With the approval of the Supervisory Board, the treasury shares can be sold to third parties in exchange for cash payments if the price at which the shares are sold is not significantly lower than the market price. In total, the shares used on the basis of the authorisation granted under this section, issued in accordance with section 186 paragraph 3 sentence 4 AktG (with subscription rights withheld in exchange for cash contributions close to the quoted market price), may not exceed 10% of the share capital. Shares that have been issued or sold up to this point in time in direct or corresponding application of this regulation during the term of this authorisation are to be counted towards this limit. This limit also includes shares that are to be issued to service bonds (including profit sharing rights) with conversion or option rights or conversion obligations, provided the bonds or profit sharing rights are issued during the term of this authorisation with subscription rights being excluded in corresponding application of section 186 paragraph 3 sentence 4 AktG.

The Supervisory Board can offer the treasury shares to members of the Management Board instead of the cash remuneration owed by the company.

The treasury shares can, with the approval of the Supervisory Board, be used to service subscription rights duly issued and exercised under the 2015 stock option plan (agenda item 11 of the Annual General Meeting on 11 June 2015).

Please also see the information in the notes to the annual financial statements of FP Holding AG regarding the acquisition of treasury shares in accordance with section 160 (1) no. 2 AktG.

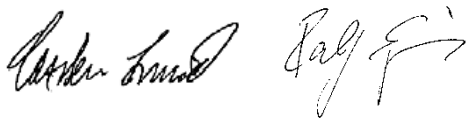
Significant agreements of the parent company subject to a change of control following a takeover offer and indemnification agreement of the parent company in the event of a takeover offer.

A key agreement of the parent company Francotyp-Postalia Holding AG, which falls under the condition of a change of control following a takeover offer, is the current syndicated loan agreement, which includes a right of termination in the event of a change of control. If this occurs, FP would potentially have to conclude

new financing agreements at less favourable conditions. No further agreements have been entered into with either third parties or subsidiaries. In the event of a change of control, there are agreements with the members of the Management Board whose comply with the recommendation in section G paragraph G.14 of the German Corporate Governance Code in the version dated 28 April 2022.

Berlin, 27 April 2023

The Management Board of Francotyp-Postalia Holding AG



Carsten Lind
CEO

Ralf Spielberger
CFO

9. Non-financial declaration

With regard to non-financial information, please refer to the comments in the non-financial Group report of Francotyp-Postalia Holding AG and its subsidiaries, including the non-financial declaration²¹⁾ (sections 289b, 315b HGB), which is available online at https://www.fp-francotyp.com/non_financial_reports.

Berlin, 27 April 2023

The Management Board of Francotyp-Postalia Holding AG



Carsten Lind
CEO

Ralf Spielberger
CFO

²¹⁾ The non-financial declaration is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

REMUNERATION REPORT

**of Francotyp-Postalia Holding AG
for fiscal year 2022**

Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.).

The following remuneration report, which was prepared jointly by the Management Board and the Supervisory Board in accordance with the statutory provisions of section 162 AktG, presents and explains the remuneration of the current and former members of the Management Board and Supervisory Board of Francotyp-Postalia Holding AG in fiscal year 2022. In order to promote understanding, the remuneration system for the Management Board and Supervisory Board adopted at the Annual General Meeting on 16 June 2021 is also outlined. The remuneration report was also subjected to a formal audit as required by section 162 (3) AktG. The audit opinion is attached to this report.

The aim of this report is to make clear the connection between the overarching corporate strategy and the structure of the remuneration system, while at the same time making the concrete operation of the remuneration system – pay for performance – comprehensible. This report will be presented for approval at the Annual General Meeting resolving on fiscal year 2022.

Remuneration system for the Management Board

Resolution on the approval of the remuneration system for Management Board members

The current system of remuneration for the members of the Management Board of Francotyp-Postalia Holding AG was resolved by the Supervisory Board – with the assistance of specialist external support – in accordance with sections 87 (1), 87a (1) AktG on 27 April 2021 and approved by the Annual General Meeting on 16 June 2021 with a majority of 97.4% of the share capital represented. The remuneration report for fiscal year 2022 was approved by a majority of 98.4% of the share capital represented. There was therefore no reason to question or make adjustments to the reporting or application of the remuneration system.

The remuneration system complies with the requirements of the German Stock Corporation Act, in particular the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II), and is based on the recommendations of the German Corporate Governance Code as amended on April 28, 2022.

Summary of key aspects of fiscal year 2022 from a remuneration perspective

From a remuneration perspective, fiscal year 2022 was operationally very successful again. The good revenue and earnings development therefore had a direct impact on the Management Board's annual bonus.

As this business development has not yet had an impact on the performance of the FP share price, there has not yet been any benefit from the long-term incentives (LTI 1), which are linked to share price

performance. LTI 2, which is based on sustainability targets, will not be reviewed yearly during its term.

In view of the Supervisory Board the design of the incentive focuses on a balance between short-term, annual successes and the multi-year sustainable development of the company. Through the first component of the LTI, virtual stock options, which can be exercised after four years at the earliest, the Management Board member participates in the increase in the share price. The second component of the LTI relates to sustainability criteria and thus takes into account the growing importance of environmental, social and governance (ESG) criteria in corporate management.

Application of the Management Board remuneration system in fiscal year 2022

Since the resolution by the Supervisory Board, the current remuneration system for the Management Board has been taken into account by the company when concluding new contracts and renewing existing contracts. The remuneration system did not apply to the remuneration of the members of the Management Board in fiscal year 2021, as their contracts were concluded before the resolution on the new remuneration system.

Where members of the Management Board within the meaning of section 162 AktG were granted individual remuneration in fiscal year 2022 which had been promised in previous fiscal years under the remuneration system applicable at the time, this is also presented and explained.

The remuneration system for members of the Management Board of Francotyp-Postalia Holding AG is reviewed by the Supervisory Board in accordance with Section 120a of the German Stock Corporation Act (AktG), in particular as part of contract negotiations with existing or future members of the Management Board. The Supervisory Board may – in accordance with the legal requirements in section 87a (2) sentence 2 AktG – temporarily deviate from the remuneration system if this is necessary in the interests of the long-term well-being of the company. There is to be a regular review, although a specific date has not been set.

Disclosures on the remuneration components

The following presentation relates to the Management Board remuneration system approved by the Annual General Meeting 2021. Where the remuneration of the Management Board members in fiscal year 2022 deviates from these explanations, this will be explained in the individual presentation of the specific Management Board remuneration for the fiscal year.

The remuneration of the Management Board members is made up of non-performance-related and performance-related components. Linking remuneration to both the short-term and long-term

performance of the company can support successful and sustainable corporate governance. At the same time, the choice of suitable performance criteria provides important incentives for implementing the strategic realignment of the Group.

As non-performance-related fixed remuneration, the members of the Management Board receive an annual fixed salary in twelve equal monthly instalments. In the Supervisory Board's opinion, this provides a secure and predictable income. They also receive fringe benefits in the form of non-cash remuneration, such as a company car and insurance premiums.

The performance-related remuneration components comprise short-term variable remuneration (short-term incentive, "STI") and long-term variable remuneration (long-term incentive, "LTI"). The short-term component has an assessment period of one year and is linked to two to four key performance indicators based on the budget for the respective fiscal year approved by the Supervisory Board. The long-term component (LTI) consists of two components and has an assessment period of four years to promote sustainable corporate development. The first component of the LTI is virtual share options, which are allocated to the Management Board member at a strike price and may be linked to a percentage of shares purchased and held by the Management Board member himself.

The virtual share options can be exercised after four years at the earliest (vesting), so that the Management Board member participates accordingly in the increase in the share price via the difference between the strike price and the exercise price.

The second component of the LTI relates to two equally agreed sustainability criteria. The fulfilment of this component is remunerated in cash. The first criterion is the successful maintenance or re-certification of five ISO certifications over the entire period. The second criterion is the reduction of CO₂ emissions by certain target values agreed by contract compared with the beginning of the period and the end of the bonus period. The members of the Management Board receive advance payments on this second LTI component, which are offset after the assessment period.

The Supervisory Board determines the specific target remuneration for the Management Board members and the performance criteria for the variable remuneration components provided for in the remuneration system for the respective upcoming fiscal year. At least 80% of the planned target figures must be achieved in order to be entitled to the agreed bonus components. A target achievement of 120% constitutes the upper limit (cap).

The share of long-term variable remuneration exceeds the share of short-term variable remuneration in total target remuneration.

TOTAL OVERVIEW OF REMUNERATION COMPONENTS

Remuneration component	Basis of assessment/parameters
Non-performance based remuneration	
Fixed remuneration	Fixed remuneration, paid monthly pro rata as salary
Fringe benefits	Company car, insurance premiums; further one-off or time-limited (transitional) benefits possible in the case of new appointments with express resolution of the Supervisory Board
Performance-based remuneration	
Short-term incentive (STI)	<ul style="list-style-type: none"> Annual bonus model: Basis for target achievement: a separate number of Key Performance Indicators ("KPIs") to be determined by the Supervisory Board each year, or already determined, for each Management Board member, each of which is to be given equal weighting (min. 2 KPIs, max. 4 KPIs) Cap: 120% of the target amount
Long-term incentive (LTI)	<p>Sustainability component 1: virtual share options ("virtual SO")</p> <ul style="list-style-type: none"> Allocation of virtual SO with appointment to the Management Board Number of options to be allocated is left to the discretion of the Supervisory Board; additional options may be granted for the achievement of specific additional targets Obligation of the Management Board to acquire a percentage of the virtual share options as real shares (holding period: 4 years) Exercise of virtual option after 4 years (vesting period) <u>Exercise price</u>: Arithmetical average of the Xetra closing prices of the last 90 trading days prior to exercise <u>Calculation</u>: Payout amount = difference between strike price and exercise price multiplied by the number of virtual SOs allocated (no minimum) <u>Cap payout amount per virtual SO</u>: a price in EUR per virtual SO to be determined at the discretion of the Supervisory Board.

Sustainability component 2: ESG targets

- Determination of two ESG targets by the Supervisory Board, which should be identical for all Management Board members as far as possible, but do not have to be
- Example ESG targets up to 2024
 - 1. ESG target: Annual ISO (re-)certifications
 - 2. ESG target: Reduction of CO₂ emissions
- Annual advance payments on payout amount
- Cap: 120% of the target amount

Other remuneration schemes

Maximum remuneration

Limitations on total remuneration granted for a fiscal year pursuant to section 87a (1) sentence 2 no. 1 AktG

Severance pay cap

Severance payments of a maximum of one year's total remuneration; remuneration for the remaining term of the contract may not be exceeded

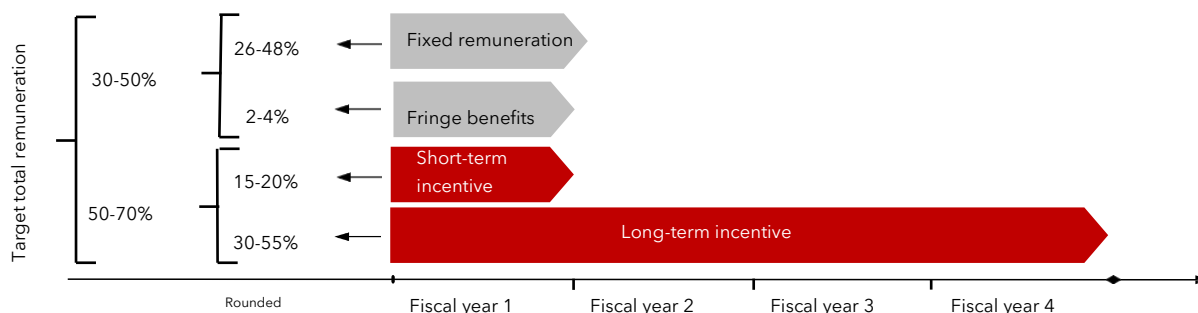
Penalty and clawback provision

Penalty:
In the event of a serious violation of applicable law in the sense of individual misconduct or organisational culpability, the Supervisory Board may partially reduce or completely eliminate the variable remuneration components (STI/LTI) for the respective assessment period

Clawback:
Possibility for the Supervisory Board to reclaim variable remuneration already paid out in the event of subsequent discovery of a penalty event

Determination of target remuneration

TARGET TOTAL REMUNERATION



According to the approved remuneration system, the non-performance-based remuneration should account for approximately 30-50 percent of the total target remuneration in accordance with the approved remuneration system. Fixed remuneration for approximately 26-48% of target total remuneration, and regular fringe benefits normally account for approximately 2-4%. In fiscal year 2021, the Supervisory Board resolved to increase the fixed remuneration of the members of the Management Board by 5% from 1 June 2022.

The performance-based remuneration is to account for a total of approximately 50-70 percent of the total

target remuneration, which directly reflects the pay-for-performance approach. The target amount of the STI accounts for around 15-20% of total target remuneration, while the target amount of the LTI accounts for around 30-55% of total target remuneration. This ensures that the variable remuneration resulting from the achievement of long-term targets exceeds the share resulting from short-term targets.

The following table shows the envisaged target remuneration of the Management Board members for the 2022 fiscal year and the respective share of the remuneration components in total remuneration:

	Carsten Lind CEO		Ralf Spielberger CFO since 1 October 2022		Martin Geisel CFO 10 January 2021 to 30 September 2022	
Target remuneration for fiscal year 2022	2022 in EUR thousand	2022 in %	2022 in EUR thousand	2022 in %	2022 in EUR thousand	2022 in %
Basic remuneration	412	57%	62	55%	288	59%
+ Fringe benefits	31	4%	13	12%	29	6%
+ Pension remuneration	-	-	-	-	16	3%
= Total fixed remuneration	442	61%	75	67%	333	68%
Variable remuneration						
+ Short-term variable remuneration for 2022	180	25%	31	27%	113	23%
+ Discretionary bonus	62	8%	0	-	43	9%
+ Long-term variable remuneration (LTI 1 AOP)*	0	-	197	0%	0	0%
+ Long-term variable remuneration (LTI 2)-annual payments on account	40	6%	7	6%	0	0%
= Total variable compensation	282	39%	235	33%	156	32%
= Total remuneration	724	100%	310	100%	489	100%
Share of fixed remuneration in %	61.1%	-	24.1%	-	68.1%	-
Share of variable remuneration in %	38.9%	-	75.9%	-	31.9%	-

*) *) Target compensation for LTI 1 reported at fair value at grant date

Target remuneration was determined on the basis of 100% target achievement for the variable remuneration components.

The current members of the Management Board have not received any pension commitments. They receive partial subsidies for pension insurance (pension expense).

Disclosures on shares and share options

The members of the Management Board do not receive any remuneration components in the form of shares or options on shares in Francotyp-Postalia Holding AG. The long-term variable remuneration of the Management Board is related to the share price development of Francotyp-Postalia Holding AG via virtual share options.

As part of the LTI 1 remuneration component, there is an obligation for Mr Lind and Mr Spielberger to acquire 8%, respectively, of the allocated virtual share options as shares in the company and to hold them for four years from the date of acquisition (Share Ownership Guidelines).

SHARE OWNERSHIP OF THE MANAGEMENT BOARD MEMBERS

	As at 31 Dec. 2022 - number of shares	in % of share capital
Carsten Lind	47,000	0.29
Ralf Spielberger	23,500	0.14
Martin Geisel	33,000	0.20

Information on the clawback of variable remuneration components

In the opinion of the Supervisory Board the remuneration of the members of the Management Board ensures that special performance is rewarded appropriately and that any failure to meet targets leads to a noticeable reduction in remuneration. In addition, the employment contracts of the current members of the Management Board stipulate that they are not entitled to a long-term bonus in the event of premature termination due to a serious breach of duty and that any advance payments received in this regard must be refunded. No variable remuneration components were reclaimed or withheld in fiscal year 2022.

Disclosures on deviations from the remuneration system in 2022

The company concluded an employment contract with Carsten Lind before the current remuneration system

was adopted. Consequently, it does not apply in all respects to this contract. For example, the Supervisory Board is able to offset effects on the long-term bonus from corporate actions carried out in the assessment period.

The employment contract with Chief Financial Officer Martin Geisel was concluded for a period of two years. The basis for calculating the long-term bonus is therefore based on the period during which the Management Board member is able to shape and influence the company's performance. In addition, no LTI 2 was agreed with Mr. Geisel, which also represents a deviation from the resolved compensation system.

Disclosures on the implementation of the Annual General Meeting resolution

The remuneration system for the Management Board is taken into account when new Management Board employment contracts are concluded with the company and when they are renewed. It is therefore not yet fully applied to the remuneration of Carsten Lind.

Remuneration granted and owed

The remuneration granted and owed to the respective members of the Management Board of the company is as follows. As the compensation granted and owed is not always accompanied by a payment in the respective fiscal year, the STI is reported for the fiscal year in which the activity underlying the compensation was fully performed. LTI 1, i.e. virtual stock options, is reported in the year of issue with a purely arithmetical value from the number of virtual options issued multiplied by the fair value at the grant date. LTI 2 is reported with the annual progress payments and, after the four-year bonus period has been reached, the difference is reported over the actual target achievement less the progress payments already made.

REMUNERATION OF THE MANAGEMENT BOARD (GRANTED AND OWED)

	Active members of the Management Board on 31 December 2022						Former members of the Management Board	
	Carsten Lind CEO since 1 June 2020		Ralf Spielberger CFO since 1 October 2022		Martin Geisel CFO 10 January 2021 to 30 September 2022		Martin Geisel 1 October to 31 December 2022	
	2022	2021	2022	2021	2022	2021	2022	2021
In EUR								
Fixed remuneration	411,667	400,000	62,500	-	287,500	375,000	98,438	0
Fringe benefits	30,790	27,827	13,421	-	28,839	27,824	3,916	0
Pension cost	-	-	0	-	16,497	22,152	3,381	0
Total fixed remuneration	442,457	427,826	75,921	-	332,836	424,976	105,735	0
Long-term variable remuneration (LTI 1)	-	0	197,161	-	-	-	-	-
long-term variable remuneration (LTI 2)- annual payment on account	40,000	55,250	7,000	-	-	-	-	-
Short-term variable remuneration (bonus)	360,000	360,000	32,569	-	126,281	187,500	42,094	0
Short-term variable remuneration (discretionary bonus)	83,363	-	-	-	58,614	-	19,538	-
Total variable remuneration	483,363	415,250	236,729	-	184,896	187,500	61,632	0
Total remuneration	925,819	843,076	312,650	-	517,732	612,476	167,367	0
Share of fixed remuneration in %	47.8%	50.7%	24.3%	-	64.3%	69.4%	63.2%	-
Share of variable remuneration in %	52.2%	49.3%	75.7%	-	35.7%	30.6%	36.8%	-

Disclosures on compliance with the maximum remuneration

In accordance with section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set a maximum remuneration limit which restricts the total amount of remuneration actually received for a given fiscal year (fixed remuneration + fringe benefits + payout from STI + payout from LTI). For the Chairman of the Management Board, the maximum annual remuneration is EUR 2,500,000.00 gross, and EUR 1,900,000.00 gross each for the ordinary members of the Management Board.

It is not possible to verify compliance with the maximum remuneration if it still depends on the inflow of variable remuneration components in future years. Compliance with the maximum remuneration in fiscal year 2022 can therefore only be reported with regard to Martin Geisel, whose appointment to the Management Board ended in the reporting period. In this case, the maximum compensation of EUR 1,900,000 was not exceeded with compensation granted and owed in the amount of EUR 685,099.

Explanation of variable remuneration components

I. Carsten Lind, Chairman of the Management Board

The Supervisory Board has agreed targets with Mr Lind for the annual bonus for fiscal year 2022, which relate to Group revenue and EBITDA. The prerequisite for the annual bonus is target achievement of more than 80%. If the target is fully achieved, the annual bonus will be EUR 180,000. The cap (120% target achievement) is a bonus amount of EUR 360,000.

In addition, a special bonus was agreed for fiscal year 2022 for revenue and earnings targets in connection with the acquisition of the Azolver companies. The prerequisite for payment of the special bonus of EUR 61,750 is cumulative target achievement of 80%.

If the target is achieved by 200%, the special bonus will amount to EUR 123,500 (cap). The annual bonus is paid in the month following the resolution by the Annual General Meeting on the annual financial statements and is therefore included in the table as "granted". The bonus was calculated in accordance with the following presentation:

CALCULATION OF THE BONUS | CARSTEN LIND

KPI	Target	Actual	Weighting	Target achievement in %	Share bonus
Revenue	EUR 209.6 million	EUR 251.0 million	50%	>120%	EUR 180,000
EBITDA	EUR 22.7 million	EUR 27.6 million	50%	>120%	EUR 180,000
Total			100%	>120%	EUR 360,000
Discretionary bonus	Revenue and EBITDA contribution from the Azolver companies in fiscal year 2022 (EUR 29.6 million/EUR 1.0 million)	EUR 28.9 million/EUR 2.1 million	50%/50%	135%	EUR 83,363

Mr Lind was granted a total of 350,000 virtual share options as LTI, first component, at the beginning of the four-year bonus period on 1 June 2020, at a strike price of EUR 3.60. One quarter of the virtual share options will vest after 12, 24, 36 and 48 months respectively. A further 50,000 virtual share options were also granted; these are linked to the establishment of the digital business. Depending on the exercise price, which does not have to meet any minimum amount, and the timing of the exercise declaration, it is not possible to determine the amount of the LTI until later. The amount is limited to EUR 15 per virtual share option (cap). The share options were granted in fiscal year 2020 at a fair value (fair value at grant) of EUR 221 thousand. A provision of EUR 32 thousand was recognised in fiscal year 2020.

Furthermore, sustainability targets were agreed with Mr Lind. Half of these ESG criteria relate to the successful re-certification of five ISO certifications and half to the reduction of CO₂ emissions. On the agreed LTI targets of this second component (ESG), Mr Lind will receive annual advance payments of EUR 40,000, which will be offset at the end of the assessment period of four years. The prerequisite is target achievement of more than 80%. Assuming 100% target achievement, this LTI amounts to EUR 280,000. The cap (120% target achievement) is a bonus amount of EUR 560,000. Payment will be made in the month after the bonus period expires and achievement of the agreed targets can be determined, presumably in fiscal 2025.

The Supervisory Board has therefore linked the remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. At the same time, the suitable performance criteria selected by the Supervisory Board provide important incentives for implementing the strategic realignment of the Group. Linking LTI 1 to the development of the share price also ensures a high degree of alignment of interest with that of shareholders.

II. Ralf Spielberger, Chief Financial Officer

The Supervisory Board has agreed a pro rata annual bonus for fiscal year 2022 with Mr Spielberger, who was appointed Chief Financial Officer with effect as of 1 October 2022. The prerequisite for this annual bonus is cumulative target achievement of more than 80% for various agreed KPIs. If the target is fully achieved, the annual bonus will be EUR 125,000. The cap (120% target achievement) is a bonus amount of EUR 50,000. The annual bonus or the pro rata annual bonus is paid in the month following the resolution by the Annual General Meeting on the annual financial statements and is therefore included in the table as "granted". Mr Spielberger was granted a total of 240,000 virtual share options as LTI, first component, at the beginning of the four-year bonus period on 1 October 2022, at a strike price of EUR 3.10.

One quarter of the virtual share options will vest after 12, 24, 36 and 48 months respectively. Depending on the exercise price, which does not have to meet any minimum amount, and the timing of the exercise declaration, it is not possible to determine the amount of the LTI until later. The amount is limited to EUR 15 per virtual share option (cap). The share options were granted in fiscal year 2022 at a fair value (fair value at grant) of EUR 197 thousand. A provision of EUR 12 thousand was recognised in fiscal year 2022.

Furthermore, sustainability targets were agreed with Mr Spielberger. Half of these ESG criteria relate to the successful re-certification of five ISO certifications and half to the reduction of CO2 emissions. On the agreed LTI targets of this second component (ESG), Mr Spielberger will receive annual advance payments of EUR 28,000, which will be offset at the end of the assessment period of four years. The prerequisite is target achievement of more than 80%. If the target is fully achieved, this LTI amounts to EUR 195,000. The cap (120% target achievement) is a bonus amount of EUR 234,000. Payment will be made in the month after the bonus period expires and achievement of the agreed targets can be determined, presumably in fiscal 2026.

CALCULATION OF THE BONUS | RALF SPIELBERGER

KPI	Target	Actual	Weighting	Target achievement in %	Share bonus
Revenue	EUR 209.6 million	EUR 251.0 million	33%	>120%	EUR 12,488
EBITDA	EUR 22.7 million	EUR 27.6 million	33%	>120%	EUR 12,488
Free cash flow	EUR 11.0 million	EUR 8.1 million	33%	74%	EUR 7,593
Total					EUR 32,569

The Supervisory Board has therefore linked the remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. At the same time, the suitable performance criteria selected by the Supervisory Board provide important incentives for implementing the Group's corporate strategy. Linking LTI 1 to the development of the share price also ensures a high degree of alignment of interest with that of shareholders.

III. Martin Geisel, CFO until 30 September 2022

The Supervisory Board agreed an annual bonus with Mr Geisel for fiscal year 2022. The prerequisite for the annual bonus is cumulative target achievement of more than 80% for various agreed KPIs. If the target is fully achieved, the annual bonus will be EUR 150,000. The cap (125% target achievement) is a bonus amount of EUR 187,500. In addition, a special bonus was agreed for fiscal year 2022 for revenue and earnings targets in connection with the acquisition of the Azolver companies. The prerequisite for payment of the special bonus of EUR 57,891 is cumulative target achievement of 80%. If the target is achieved by 200%, the special bonus will amount to EUR 115,781 (cap). The annual bonus is paid in the month following the resolution by the Annual General Meeting on the annual financial statements and is therefore included in the table as "granted".

The bonus for fiscal year 2022 was calculated as shown below:

CALCULATION OF THE BONUS | MARTIN GEISEL

KPI	Target	Actual	Weighting	Target achievement in %	Share bonus
Revenue	EUR 209.6 million	EUR 251.0 million	25%	>125%	46,875
EBITDA	EUR 22.7 million	EUR 27.6 million	30%	>125%	56,250
Free cash flow	EUR 11.0 million	EUR 8.1 million	25%	74%	27,750
ESG criteria	ISO audits, reduction of CO ₂		20%	>125%	37,500
Total			100%		168,375
Discretionary bonus	Revenue and EBITDA contribution from the Azolver companies in fiscal year 2022 (EUR 29.6 million/EUR 1.0 million)	EUR 28.9 million/ EUR 2.1 million	50%/50%	135%	78,152
Long-term bonus	Increase in share price with minimum target achievement of 80% (EUR 3.95)	EUR 3.23	100%	0	0

Half of the ESG criteria related to the successful re-certification of five ISO certifications and half to the reduction of CO₂ emissions. The degree of target achievement for these two criteria was 120% and 150%.

Mr Geisel was promised an LTI with a two-year assessment period in fiscal year 2021. This is based on the increase in the share price. The share price at the beginning of the assessment period (January 1, 2021) is calculated from the arithmetic mean of the Xetra daily closing prices of the last 30 trading days before the beginning of the assessment period, which corresponded to EUR 3.29. The minimum target achievement was 80%, corresponding to a share price of EUR 3.95. The LTI target was therefore not achieved and no payment was made.

For Mr Geisel too, the Supervisory Board has linked remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. At the same time, the suitable performance criteria selected by the Supervisory Board provide important incentives for implementing the sustainability targets. Linking LTI to the development of the share price also ensured a high degree of alignment of interest with that of shareholders.

Explanation of disclosures relating to former members of the Management Board

Martin Geisel's appointment as a member of the Management Board ended on 30 September 2022 by way of his resignation, and his employment

contract ended on 31 December 2022. Consequently, remuneration in the final quarter of 2022 was reported as "Remuneration to former members of the Management Board".

The former Management Board member received the remuneration owed according to the employment contract until the end of his employment relationship. This included the variable remuneration in addition to the fixed salary.

After the end of his Management Board mandate until the end of his employment relationship, the former Management Board member was available in particular for the windup of his employment relationship and the orderly handover of current business. In addition, pension payments of EUR 45 thousand were made to former members of the Management Board in fiscal year 2022.

Defined benefits from third parties

The members of the Management Board have not received any defined benefits from third parties, neither within nor outside the Group, in connection with their activities as members of the Management Board of Francotyp-Postalia Holding AG.

Benefits in the event of premature termination

If the appointment to the Management Board is revoked for good cause that is not covered within the meaning of section 626 BGB for the summary cancellation of the employment contract, the Management Board member is entitled to a lump-sum severance payment due on the date of legal termination. The amount of the severance payment then due corresponds to a percentage of the

respective Management Board member's final annual remuneration, comprising fixed salary and STI excluding LTI and other remuneration components (50% Geisel and 75% Lind and Spielberger). In any case this corresponds to a maximum total of the amount of fixed remuneration entitlements for the remaining term of the contract.

In the event of other premature termination of the employment contract without good cause in accordance with section 626 BGB, the company and the Management Board member may agree separate arrangements; in this case, payments to members of the Management Board including fringe benefits may not exceed the value of one year's remuneration (severance pay cap) and may not remunerate more than the remaining term of the service contract. The severance pay entitlement and severance pay cap are to be calculated based on the corresponding total remuneration for the last full fiscal year; before the end of the first fiscal year, the calculation shall be based on the current fiscal year (pro rata).

If a Management Board member leaves their employment due to a serious breach of duty ("bad-leaver situation"), the vested virtual share options and the virtual share options already due for exercise may also no longer be exercised. All virtual share options expire without remuneration.

Should a post-contractual non-competition clause be agreed with a member of the Management Board in the future, the severance pay would be offset against the competition indemnity.

If the appointment is revoked in accordance with section 84 (3) AktG within three months of a change of control becoming known at the instigation of the new majority shareholder and if the revocation is not based on good cause pursuant to section 626 BGB, the severance pay entitlement shall be increased to the amount of the total annual remuneration for the last completed fiscal year, but no more than the amount of the remuneration entitlements for the remaining term of the contract.

Benefits in the event of regular termination

No separate provisions have been made for the case of regular termination of a Management Board contract and no agreements have been concluded in this respect. In particular, no benefits have been promised by the company for a retirement pension.

Outlook for fiscal year 2023 from a remuneration perspective

The Supervisory Board has not resolved any adjustments to remuneration levels or changes to the remuneration system.

Remuneration system for the Supervisory Board

Resolution on the remuneration system for members of the Supervisory Board

The Annual General Meeting decides on the remuneration for the members of the Supervisory Board. The remuneration is set out in article 17 of the company's Articles of Association. The Management Board and Supervisory Board regularly review the remuneration of the members of the Supervisory Board and they came to the conclusion in fiscal year 2022 that the level of remuneration of the Supervisory Board of Francotyp-Postalia Holding AG after its last amendment in 2008 is lower compared with other similar companies than would be customary based on the relevant market indicators of the company. Against this background, the Management Board and Supervisory Board considered an increase in Supervisory Board remuneration to be necessary and appropriate and submitted a new remuneration scheme to the Annual General Meeting on 15 June 2022 for voting. The increased importance and responsibility of Supervisory Board activities was also to be taken into account. The new remuneration scheme takes particular account of recommendation G.17 and suggestion G.18 of the German Corporate Governance Code (GCGC). The structure of Supervisory Board remuneration at Francotyp-Postalia Holding AG takes account of the increased responsibility of the Chairman of the Supervisory Board and has been adjusted accordingly.

This proposal was approved by a majority of 99.69% of the share capital represented.

Structure and application of the remuneration system for the Supervisory Board

The remuneration system for the Supervisory Board is governed by the Articles of Association and provides both the abstract and the concrete framework for the remuneration of Supervisory Board members. This ensures that the remuneration of Supervisory Board members is always in line with the remuneration system resolved by the Annual General Meeting.

The remuneration of the members of the Supervisory Board consists of a basic remuneration and supplements granted for assuming certain functions in view of the additional workload involved.

The members of the Supervisory Board receive fixed annual remuneration of EUR 40,000 (previous year: EUR 30,000) for each full fiscal year in office. For the Chairman, the fixed remuneration is 200% (previous year: 150%) of the remuneration of the other members of the Supervisory Board. The Deputy Chairman does not receive a supplement to the basic remuneration (previous year: EUR 7,500).

Due to the increased preparation and workload regularly associated with this and in accordance with recommendation G.17 GCGC, the members of the Supervisory Board receive additional annual remuneration of 10% of their basic remuneration for each membership of a committee, provided that such a committee has met at least twice in the fiscal year in question. Given its number of three members, the Supervisory Board has not currently established any committees.

Supervisory Board members who have not belonged to the Supervisory Board for a full fiscal year or who have not held the position of Chairman or Deputy Chairman of the Supervisory Board for a full fiscal year receive remuneration on a pro rata basis, rounded up to full months.

REMUNERATION OF THE SUPERVISORY BOARD (GRANTED AND OWED)

in EUR		2022	2021
Dr Alexander Granderath	Member since 10 November 2020, Chairman of the Supervisory Board	80,000	45,000
Lars Wittan	Member since 10 November 2020, Deputy Chairman	40,000	37,500
Klaus Röhrig	Member since 1 April 2013	40,000	30,000
Total remuneration		160,000	112,500

The remuneration is paid in the last month of the respective fiscal year.

The company provides the members of the Supervisory Board with insurance cover at an appropriate level for the performance of their Supervisory Board work and pays the premiums due for this. In addition, the company reimburses each Supervisory Board member for appropriate and proven expenses incurred in performing his or her duties, as well as for any value-added tax payable on the remuneration.

There is no variable remuneration for members of the Supervisory Board that is dependent on the achievement of specific successes or targets. The Supervisory Board can thus gear its decisions to the good of the company and thus to a long-term business strategy and sustainable development without pursuing any other motives. Due to the

special nature of Supervisory Board remuneration, which differs fundamentally from the activities of employees of the company because of its supervisory nature, there is no vertical comparison with employee remuneration.

In the future, the Annual General Meeting will resolve on the remuneration of the members of the Supervisory Board at least every four years. The Supervisory Board will therefore conduct an analysis of its remuneration at least every four years in order to submit a corresponding resolution proposal to the Annual General Meeting together with the Management Board. In fiscal year 2022, the remuneration system for the Supervisory Board was applied in all aspects as regulated in the revised article 17 of the company's Articles of Association. The members of the Supervisory Board did not receive any further remuneration or benefits in the reporting year for services provided personally, in particular consulting and mediation services. The members of the Supervisory Board were not granted any loans or advances, nor were any contingent liabilities entered into in their favour.

Individualised disclosure of Supervisory Board remuneration

The following table shows the remuneration of the members of the Supervisory Board in the past fiscal year in accordance with section 162 AktG: whereby the remuneration is attributed to the fiscal year in which the underlying activity was fully performed ("vesting-oriented view"):

Comparative presentation of remuneration and earnings performance

The following comparative presentation shows the annual change in the remuneration of current and former Management Board and Supervisory Board members, the company's earnings performance and the remuneration of employees on a full-time equivalent basis. The average remuneration of employees includes employee benefit expenses for wages and salaries, for fringe benefits, for employer contributions to social security, and for any short-term variable remuneration components attributable to the fiscal year. Thus, the remuneration of employees - in line with the remuneration of the Management Board and the Supervisory Board - also corresponds in principle to the remuneration granted and owed within the meaning of section 162 (1) sentence 1 AktG. Employee remuneration (except for apprentices and temporary workers) was based on the average wages and salaries of the Group's employees in Germany in the respective fiscal year.

Current members of the Management Board	
Carsten Lind	9.8
Ralf Spielberger	n.a.
Martin Geisel (until Sept. 30, 2022; thereafter former member of the Management Board)	11.9
Former members of the Management Board	
Former members of the Management Board who retired more than 10 years ago	0.0
Current members of the Supervisory Board	
Dr Alexander Granderath	77.7
Lars Wittan	6.7
Klaus Röhrig	33.3
Development of the company	
Net profit of Francotyp-Postalia Holding AG (HGB) ¹	-117.9
EBITDA of the FP Group (IFRS)	49.6
Average remuneration of employees 2022 to 2021	
	5.1
Average remuneration of employees 2021 to 2020	
	2.6

The information on the remuneration of the members of the Management Board is based on the remuneration granted and owed.

¹ The net profit of Francotyp-Postalia Holding AG amounted to EUR 11.7 million in 2021 and EUR -2.1 million in 2022.

Mr Spielberger was appointed to the Management Board as at 1 October in fiscal year 2022. Mr Geisel's term of office as a member of the Management Board ended on 30 September 2022. The changes to the remuneration of the members of the Supervisory Board result from the change in the remuneration system.

Berlin, 27 April 2022



Carsten Lind

Chairman of the Management Board



Ralf Spielberger

Member of the Management Board

Dr. Alexander Granderath

Chairman of the Supervisory Board
Supervisory Board

Lars Wittan

Member of the
Supervisory Board

Klaus Röhrig

Member of the
Supervisory Board

Independent Auditor's Assurance Report on Examination of the Remuneration Report pursuant to Section 162 (3) AktG

To Francotyp-Postalia Holding AG, Berlin,

Opinion

We have formally examined the remuneration report of Francotyp-Postalia Holding AG for the financial year from 1 January to 31 December 2022 to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not examined the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG. Our opinion does not cover the content of the remuneration report.

Basis for the Opinion

We conducted our examination of the remuneration report in compliance with section 162 (3) AktG taking into account the IDW assurance standard: Examination of the remuneration report pursuant to section 162 (3) AktG (IDW AsS 870 (08.2021)). Our responsibilities under this regulation and this standard are further described in the "Our Responsibilities" section of our assurance report. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1). We have complied with our professional duties pursuant to the German Public Accountants Act [WPO] and the Professional Charter for Auditors/Chartered Accountants [BS WP/vBP], including the independence requirements.

Responsibilities of the Management Board and the Supervisory Board

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of § 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our objectives are to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to section 162 (1) and (2) AktG, and to issue an assurance report that includes our opinion.

We planned and performed our examination to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with section 162 (3) AktG, we have not examined whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

Handling Potential Misleading Presentations

In connection with our examination our responsibility is to read the remuneration report by taking into account the findings of the audit of the annual financial statements and, in doing so, remain alert for indications of misleading presentations in the remuneration report to determine whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

If, based on the work we have performed, we conclude that there is such misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Berlin, 28 April 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

Cheung

German Public Auditor

Klein

German Public Auditor

CONSOLIDATED FINANCIAL STATEMENTS

**of Francotyp-Postalia Holding AG
for fiscal year 2022**

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Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.).

Consolidated statement of comprehensive income for the period from 1 January to 31 December 2022

In EUR thousand	Notes	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021
Revenue	(10)	250,950	203,699
Changes in inventory		360	3,103
Own work capitalised	(11)	7,738	6,155
Other operating income	(12)	2,071	1,725
Cost of materials	(13)	124,709	103,325
a) Expenses for raw materials, consumables and supplies		43,829	37,206
b) Cost of purchased services		80,880	66,120
Employee benefit expenses	(14)	65,740	57,595
a) Wages and salaries		55,349	49,012
b) Social security contributions		8,337	7,973
c) Expenses for pensions and other benefits		2,055	610
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	(15, 24)	2,811	1,497
Other operating expenses	(16)	40,257	33,813
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		27,602	18,452
Amortisation, depreciation and impairment	(20, 21, 35)	20,956	19,115
Earnings before interest and taxes (EBIT)		6,646	-663
Net interest income	(17)	1,507	1,188
a) Interest and similar income		2,990	2,583
b) Interest and similar expenses		1,483	1,395
Other financial result	(17)	416	1,572
a) Other financial income		2,505	2,967
b) Other finance costs		2,089	1,395
Share of profit/loss of companies accounted for using the equity method		0	64
Income taxes	(18)	-3,033	-1,796
Consolidated profit		5,535	365

In EUR thousand	Notes	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021
Other comprehensive income			
Adjustment of provisions for pensions and early retirement in accordance with IAS 19 (rev. 2011)		2,636	478
thereof taxes		-1,179	-232
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		2,636	478
Foreign currency translation of financial statements of foreign entities		491	1,915
Net investments in foreign operations		-22	41
thereof taxes		9	-18
Cash flow hedges - effective part of changes to fair value		-662	-334
thereof taxes		284	144
Cash flow hedges - hedging costs		143	-103
thereof taxes		-61	44
Cash flow hedges - reclassified to profit or loss		442	158
thereof taxes		-190	-68
Other comprehensive income to be reclassified to profit or loss in subsequent periods		393	1,678
Other comprehensive income after taxes		3,029	2,155
Total comprehensive income/loss		8,565	2,520
Consolidated profit		5,535	365
thereof attributable to the shareholders of FP Holding		5,535	365
Total comprehensive income/loss		8,565	2,520
thereof attributable to the shareholders of FP Holding		8,565	2,520
Earnings per share (basic in EUR)	(19)	0.35	0.02
Earnings per share (diluted in EUR)		0.35	0.02

Consolidated statement of financial position as at 31 December 2022

ASSETS

In EUR thousand	Notes	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
			adjusted ²⁾	adjusted ²⁾
NON-CURRENT ASSETS		75,887	75,714	85,093
Intangible assets	(20)	19,780	19,729	28,321
Internally generated intangible assets		7,221	13,086	18,040
customer lists and purchased intangible assets and		6,878	2,497	3,409
Goodwill		4,408	3,929	3,829
Development projects in progress and advance payments		1,273	217	3,043
Property, plant and equipment	(21)	26,896	25,920	26,490
Land, land rights and buildings		2,091	2,341	2,556
Technical equipment and machinery		1,572	2,403	3,252
Other equipment, operating and office equipment		2,518	2,732	3,471
Leased products		20,444	18,294	17,047
Advance payments and assets under construction		270	150	163
Right of use assets	(35)	10,981	10,383	10,345
Non-current financial assets		15,813	16,780	16,317
Finance lease receivables	(22, 32)	15,571	16,586	15,674
Other non-current financial assets	(32)	242	193	643
Non-current non-financial assets		1,363	1,774	2,169
Income taxes receivable	(29)	0	360	831
Other non-current non-financial assets	(25)	1,363	1,414	1,338
Deferred tax assets	(29)	1,055	1,130	1,452
CURRENT ASSETS		96,765	89,909	87,197
Inventories	(23)	19,492	16,530	11,509
Raw materials, consumables and supplies		6,781	5,983	4,417
Work in progress		277	210	232
Finished goods and merchandise		12,434	10,336	6,861
Trade receivables	(24, 32)	20,710	19,478	17,689
Other current financial assets		13,771	12,353	13,661
Finance lease receivables	(22, 32)	7,479	6,992	6,679
Derivative financial instruments	(32)	94	0	566
Other financial assets	(25, 32)	6,197	5,360	6,417
Other current non-financial assets		8,405	8,228	8,229
Income taxes receivable	(29)	4,288	5,509	4,986
Other non-financial assets	(25)	4,116	2,718	3,243
Cash and cash equivalents¹⁾	(26, 37)	34,387	33,321	36,109
Assets		172,651	165,624	172,290

¹⁾ Cash and cash equivalents includes postage credit managed by the FP Group of EUR 11,541 thousand (previous year: EUR 13,600 thousand).

²⁾ The adjustments to the comparative periods as at 1 January 2021 and 31 December 2021 were made in connection with an adjustment in accordance with IAS 8.41 et seq. and are explained in note (9) to the consolidated financial statements.

EQUITY AND LIABILITIES

In EUR thousand	Notes	31 Dec. 202 2	31 Dec. 202 1	1 Jan. 2021
			adjusted ²⁾	adjusted ²⁾
EQUITY	(27)	22,552	14,480	,11,960
Share capital		16,301	16,301	16,301
Capital reserves		34,296	34,296	34,296
Stock option reserve		1,544	1,544	1,544
Treasury shares		-1,559	-1,066	-1,066
Loss carried forward		-30,482	-30,847	-15,538
Consolidated profit/loss after non-controlling interests		5,535	365	-15,309
Other comprehensive income		-3,083	-6,113	-8,268
NON-CURRENT LIABILITIES		50,631	60,813	74,240
Provisions for pensions and similar obligations	(28)	14,640	18,959	20,537
Other provisions	(30)	1,087	1,358	5,358
Financing liabilities	(31, 32)	29,487	36,714	43,288
Other financial liabilities	(31, 32)	385	250	1,992
Other non-financial liabilities	(31)	1,118	819	471
Deferred tax liabilities	(29)	3,914	2,713	2,595
CURRENT LIABILITIES		99,469	90,330	86,090
Tax liabilities	(29)	4,330	5,128	3,767
Other provisions	(30)	13,914	16,471	15,793
Financing liabilities	(31, 32)	11,502	3,463	3,675
Trade payables	(31, 32)	13,583	12,904	14,139
Other financial liabilities	(31, 32)	34,595	35,425	32,750
thereof telepostage		25,072	27,824	26,525
Other non-financial liabilities	(31)	21,545	16,939	15,966
Equity and liabilities		172,651	165,624	172,290

Consolidated cash flow statement for the period from 1 January to 31 December 2022

In EUR thousand	Notes	2022	2021
1. Cash flow from operating activities			
Consolidated profit		5,535	365
Net income tax recognised in profit or loss	(18)	3,033	1,796
Net interest income recognised in profit or loss	(17)	-1,507	-1,188
Amortisation, depreciation and impairment on non-current assets	(20, 21)	20,956	19,115
Decrease (-)/increase (+) in provisions and tax liabilities	(29, 30)	-6,971	-3,359
Loss (+)/gain (-) on the disposal of non-current assets		0	370
Decrease (+)/increase (-) in inventories, trade receivables and other assets	(23, 24, 25)	2,125	-4,806
Decrease (+)/increase (-) in finance lease receivables	(22)	1,569	-1,233
Decrease (-)/increase (+) in trade payables and other liabilities	(31)	-1,699	69
Other non-cash expenses (+)/income (-)		-6	3,337
Interest received	(17)	2,990	2,583
Interest paid	(17)	-1,322	-1,312
Income taxes received	(18)	1,407	1,505
Income taxes paid	(18)	-3,733	-2,174
Cash flow from operating activities		22,376	15,067
2. Cash flow from investing activities			
Payments for the capitalisation of development costs	(11, 20)	-1,083	-598
Proceeds/payments from disposals of items of fixed assets	(20, 21)	57	21
Payments for investments in intangible assets	(20)	-358	-427
Payments for investments in property, plant and equipment	(21)	-8,568	-7,594
Proceeds and payments for investments accounted for according to the equity method	(4)	0	64
Payments for investments in the acquisition of operations	(4)	-4,325	0
Cash flow from investing activities		-14,276	-8,534
3. Cash flow from financing activities			
Bank loan repayments	(31, 32)	-2,842	-6,918
Repayment of lease liabilities	(31, 32, 35)	-4,420	-3,934
Payments for the repurchase of treasury shares	(18)	-493	0
Proceeds from the assumption of bank loans	(31, 32)	2,834	0
Cash flow from financing activities		-4,921	-10,851
Cash¹⁾			
Change in cash	(37)	3,179	-4,318
Change in cash due to currency translation		-54	859
Cash at the beginning of the period	(37)	19,721	23,180
Cash at the end of the period	(37)	22,846	19,721

¹⁾ Postage credit balances managed by the FP Group of EUR 11,541 thousand (previous year: EUR 13,600 thousand) are deducted from cash and other liabilities.

Consolidated statement of changes in equity for the period from 1 January to 31 December 2022

In EUR thousand	Share capital	Capital reserves	Stock option reserve	Treasury shares	Consolidated profit/loss
As at 1 Jan. 2021 as previously reported	16,301	34,296	1,544	-1,066	-29,586
Adjustment ¹⁾					-1,216
Adjusted as at 1 Jan. 2021	16,301	34,296	1,544	-1,066	-30,847
Consolidated profit 1 Jan. - 31 Dec. 2021					365
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0
Adjustment of provisions for pensions and similar liabilities	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Other comprehensive income 1 Jan. - 31 Dec. 2021	0	0	0	0	0
Total comprehensive income 1 Jan. - 31 Dec. 2021	0	0	0	0	365
Adjusted as at 31 Dec. 2021	16,301	34,296	1,544	-1,066	-30,482
Consolidated profit 1 Jan. - 31 Dec. 2022					5,535
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0
Adjustment of provisions for pensions and similar liabilities	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Other comprehensive income 1 Jan. - 31 Dec. 2022	0	0	0	0	0
Total comprehensive income 1 Jan. - 31 Dec. 2022	0	0	0	0	5,535
Buyback of treasury shares	0	0	0	-493	0
As at 31 Dec. 2022	16,301	34,296	1,544	-1,559	-24,947

¹⁾The adjustments to the comparative periods as at 1 January 2021 and 31 December 2021 were made in connection with an adjustment in accordance with IAS 8.41 et seq. and are explained in note (9) to the consolidated financial statements.

Other comprehensive income								
	Foreign currency translation	Net investments in foreign operations	Adjustment due to IAS 19	Difference amount from acquisition of shares of other shareholders	Reserve from cash flow hedge	Reserve from hedging transactions	Equity attributable to the shareholders of FP Holding	Total equity
	-2,014	-21	-5,836	-439	16	24	13,221	13,221
							-1,216	-1,216
	-2,014	-21	-5,836	-439	16	24	11,960	11,960
							365	365
	1,915	41	0	0	0	0	1,957	1,957
	0	0	478	0	0	0	478	478
	0	0	0	0	-176	-103	-279	-279
	1,915	41	478	0	-176	-103	2,155	2,155
	1,915	41	478	0	-176	-103	2,520	2,520
	-99	21	-5,358	-439	-160	-79	14,480	14,480
							5,535	5,535
	491	-22	0	0	0	0	469	469
	0	0	2,636	0	0	0	2,636	2,636
	0	0	0	0	-219	143	-77	-77
	491	-22	2,636	0	-219	143	3,029	3,029
	491	-22	2,636	0	-219	143	8,565	8,565
	0	0	0	0	0	0	-493	-493
	393	0	-2,722	-438	-380	64	22,552	22,552

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FOR FISCAL YEAR 2022

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I. General information

(1) General information

Francotyp-Postalia Holding AG, headquartered in Berlin (hereinafter also referred to as "FP Holding", "the company" or "the parent company"), is entered in the commercial register of the Charlottenburg Local Court under HRB 169096 B. Francotyp-Postalia Holding AG's registered office is at Prenzlauer Promenade 28, 13089 Berlin, Germany.

Francotyp-Postalia Holding AG is the parent company of direct and indirect subsidiaries and, until April 2021, held indirect shares in an associate (hereinafter referred to as "the FP Group", "FP", "Francotyp-Postalia" or "the company").

Francotyp-Postalia Holding AG's shares are admitted to trading in the Prime Standard (regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange.

The international FP Group has a history dating back nearly 100 years. Its business activities focus on products and services for efficient mail processing, the consolidation of business mail, and digital solutions for businesses and authorities.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for submission to the Supervisory Board on 27 April 2023. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

(2) Accounting principles

General information

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

The consolidated financial statements and the Group management report for the year ending 31 December 2022 will be submitted to and published in the business register.

The consolidated financial statements have been prepared in euro. For the purposes of clarity and comparability, all amounts are shown in thousands of euro (EUR thousand) unless otherwise stated. The commercial rounding of individual items and percentages can result in minor arithmetic differences.

Statement of Compliance

FP Holding has prepared its consolidated financial statements as at 31 December 2022 in accordance with the International Financial Reporting Standards (IFRS), as adopted by and as applicable in the EU, and the supplementary provisions in accordance with

section 315e (1) of the German Commercial Code (HGB).

The accounting policies applied to prepare these consolidated financial statements have been applied consistently in all periods shown, with the exceptions outlined in note 9. An explanation of these is provided in note 7. The Group also applied the IFRS standards and interpretations outlined in note 3 for the first time in fiscal year 2022.

(3) Adoption of new and revised IFRSs

IFRS standards and interpretations applied for the first time

The Group applied the following new or revised IFRS standards and interpretations, which have already been approved by the EU and are binding for fiscal years beginning on 1 January 2022, for the first time in fiscal year 2022:

- Amendments to IFRS 3 - Business Combinations
- Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
- Various - Annual Improvements 2018 - 2020

These new or revised IFRS standards and interpretations had no or no material impact on the consolidated financial statements.

New IFRS standards and interpretations

The following new and revised IFRS standards and interpretations that were not yet mandatory in the reporting period or not yet adopted by the European Union

are not applied early. The Group intends to apply these standards once they are mandatory in the EU. No material impact on the consolidated financial statements is expected.

Standard/interpretation		Mandatory for fiscal years beginning on	Adopted by the European Union
IFRS 17	Insurance Contracts	1 January 2023	Yes
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024	No
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	Yes
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	Yes
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Yes
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	No
Amendments to IFRS 17	Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	1 January 2023	Yes
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Undefined	No

(4) Consolidated group

The consolidated financial statements comprise the financial statements of FP Holding and its directly and indirectly controlled subsidiaries. The FP Holding controls a company if it is exposed to variable returns from its investment and has rights to these and the ability to affect these returns through its power over the company. If control ends, these companies are deconsolidated.

In addition to Francotyp-Postalia Holding AG, the 2022 consolidated financial statements include eleven (previous year: eleven) German and 22 (previous year: ten) foreign subsidiaries (see following table).

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB¹⁾

No.	Name and registered office of the company	31 Dec. 2022 Interest in % ²⁾	Via no.
1	Francotyp-Postalia Holding AG, Berlin		
	Fully consolidated subsidiaries		
2	Azolver Belgium SA, Brussels, Belgium	100	12
3	Azolver Danmark Aps, Herlev, Denmark	100	23
4	Azolver Digital Business Solution AB, Stockholm, Sweden	100	14
5	Azolver Digital Business Solution ApS, Herlev, Denmark ³⁾	100	14
6	Azolver Digital Business Solution Norge AS, Lorenskog, Norway ³⁾	100	14
7	Azolver Eesti OÜ, Tallinn, Estonia	100	11
8	Azolver Italy S.r.l., Milan, Italy	100	33
9	Azolver Logistics AB, Sollentuna, Sweden	100	23
10	Azolver Norge AS, Oslo, Norway	100	23
11	Azolver Suomi OY, Helsinki, Finland	100	23
12	Azolver Svenska AS, Sollentuna, Sweden	100	28
13	Azolver Switzerland AG, Winterthur, Switzerland	100	23
14	FP Digital Business Solutions GmbH, Fürstenwalde	100	1
15	FP InovoLabs GmbH, Berlin	100	1
16	FP NeoMonitor GmbH, Berlin	100	1
17	FP Produktionsgesellschaft mbH & Co. KG, Wittenberge	100	23
18	FP Produktionsverwaltung GmbH, Wittenberge	100	23
19	FP Shared Service Europe GmbH, Hennigsdorf	100	23
20	FP Technology & Services OÜ, Tallinn, Estonia ⁴⁾	100	23
21	Francotyp-Postalia Canada Inc., Concord, Canada	100	25
22	Francotyp-Postalia France SAS, Nanterre, France	100	23
23	Francotyp-Postalia GmbH, Berlin	100	1
24	Francotyp-Postalia GmbH, Schwechat, Austria	100	23
25	Francotyp-Postalia Inc., Addison, Illinois, USA	100	23
26	Francotyp-Postalia Ltd., Dartford, UK	100	23
27	Francotyp-Postalia N.V./S.A., Antwerp, Belgium	99.97	23
28	Francotyp-Postalia Sverige AB, Bromma, Sweden	100	23
29	Francotyp-Postalia Unterstützungseinrichtung GmbH, Berlin	100	23
30	Francotyp-Postalia Vertrieb und Service GmbH, Berlin	100	14
31	freesort GmbH, Langenfeld	100	1
32	Hefter Systemform GmbH, Prien a. Chiemsee	100	23
33	Italiana Audion s. r. l, Milan, Italy	100	23
34	Ruys Handelsvereniging B.V., Zoetermeer, Netherlands	100	23

Other subsidiaries⁵⁾			
35	FP Digital Business Solutions Ltd. (previously FP Leasing (UK) Ltd.), Dartford, UK	100	26
36	FP Direct Ltd., Dartford, UK	100	26
37	FP Systems India Private Limited, Mumbai, India ⁶⁾	99,998	1,23

¹⁾ For Francotyp-Postalia GmbH, FP Shared Service Europe GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP InovoLabs GmbH, FP Digital Business Solutions GmbH, freesort GmbH and Hefter Systemform GmbH, it was decided to make full use of the exemptions provided by section 264 (3) HGB in conjunction with section 325 HGB. FP Produktionsgesellschaft mbH & Co. KG likewise made use of the exemptions provided by section 264b HGB in conjunction with section 325 HGB. These companies are also exempt from the obligation to prepare a 2022 management report in accordance with section 264 (3) HGB in conjunction with section 289 HGB or section 264b HGB. The corresponding resolutions were submitted to the operator of the electronic Federal Gazette, the respective announcement was arranged.

²⁾ Including directly and indirectly attributable shares.

³⁾ In formation

⁴⁾ The company FP Technology & Services OÜ was merged into the company Azolver Eesti OÜ on 30 January 2023.

⁵⁾ Not included in the consolidated financial statements due to immateriality.

⁶⁾ in Liquidation

Change in the consolidated group in fiscal year 2022

In the reporting year, FP Group carried out and completed two acquisition transactions:

1. On 23 March 2022, FP acquired all shares and voting rights in the following companies of the Azolver Group:

- Azolver Danmark Aps, Herlev, Denmark
- Azolver Svenska AS, Sollentuna, Sweden
- Azolver Logistics AB, Sollentuna, Sweden
- Azolver Norge AS, Oslo, Norway
- Azolver Suomi OY, Helsinki, Finland
- Azolver Switzerland AG, Winterthur, Switzerland
- Azolver Italy S.r.l., Milan, Italy
- Azolver Belgium SA, Brussels, Belgium
- Azolver Eesti OÜ, Tallinn, Estonia

2. On October 1, 2022, the FP Group acquired the business operations of pakadoo GmbH, Böblingen, through its subsidiary FP Digital Business Solutions GmbH by way of an asset deal.

Business combination with Azolver

Azolver mainly sells hardware for mail processing (franking machines) and also offers software for asset tracking and parcel shipping in Norway, Sweden, Finland, Denmark, Switzerland and Italy. FP has acquired a fully integrated technology and service centre in Estonia as well as logistics facilities in Belgium and Sweden. FP has expanded its position in the market for mailing, shipping & office solutions in Europe with this acquisition. FP will benefit by realising synergies in a consolidated market. Azolver's technology and service centre with finance, customer support, software development and IT will support the transformation of the entire FP Group.

The purchase price of EUR 12,200 thousand was paid entirely in cash.

The accounting for the acquisition is complete as at 31 December 2022. Cash and cash equivalents with a carrying amount and fair value of EUR 8,125 thousand were acquired.

The fair values of the assets acquired and liabilities assumed of the Azolver companies at the acquisition date are summarised below.

In EUR thousand

Property, plant and equipment	590
Right of use assets	2,390
Intangible assets	5,647
Deferred tax assets	1,065
Inventories	1,035
Trade receivables	2,997
Finance lease receivables	1,050
Other financial assets	477
Other non-financial assets	1,811
Cash and cash equivalents	8,125
Deferred tax liabilities	-1,445
Provisions	-986
Trade payables	-1,645
Other financial liabilities	-3,700
Other non-financial liabilities	-5,613
Total identifiable net assets acquired	11,798

Costs associated with the business combination for legal counselling and due diligence were incurred in the amount of EUR 633 thousand. These costs are recognised in the income statement under other operating expenses.

The goodwill of EUR 402 thousand is primarily the result of synergies from the integration of the operating companies of the Azolver Group into the existing Mailing, Shipping & Office Solutions business unit and the

knowledge and skills of the employees. The goodwill is not tax-deductible.

In the period since the acquisition, Azolver has contributed a total of EUR 19,129 thousand to consolidated revenue and EUR -1,151 thousand to consolidated profit.

If Azolver had been part of the FP Group since the beginning of the fiscal year, the consolidated revenue would be an estimated EUR 258,576 thousand and consolidated profit EUR 5,746 thousand

The fair value of the trade receivables is EUR 2,997 thousand. The gross amount of these receivables is EUR 3,687 thousand. It is estimated that EUR 690 thousand of the cash flow will be uncollectible.

Acquisition of the business operations of pakadoo (asset deal)

Pakadoo provides software-as-a-service solutions for receiving and managing incoming parcels and goods within companies and public institutions. In combination with carrier-independent parcel lockers, further use cases focus on e-commerce deliveries and smart city logistics.

The purchase price of EUR 250 thousand was paid entirely in cash.

The fair values of the acquired assets and liabilities of the acquired business operations are summarised below.

In EUR thousand	
Property, plant and equipment	5
Right of use assets	87
Intangible assets	263
Inventories	37
Provisions	-43
Other financial liabilities	-87
Other non-financial liabilities	-12
Total identifiable net assets acquired	250

Costs associated with the acquisition of the business operations for legal counselling and due diligence were incurred in the amount of EUR 55 thousand. These costs are recognised in the income statement under other operating expenses.

In the period since the acquisition, pakadoo has contributed a total of EUR 94 thousand to consolidated revenue and EUR -348 thousand to consolidated profit.

Change in the scope of consolidation in fiscal year 2021

As part of the FP transformation program FUTURE@FP, the Group company FP NeoMonitor GmbH, Berlin, was

founded in April 2021. FP NeoMonitor GmbH is a wholly owned subsidiary of Francotyp-Postalia AG.

In May 2021, FP Finance B.V., Zoetermeer, Netherlands, was liquidated and thus left the Group.

In September 2021, the Group company FP Technology & Services OÜ, Tallinn; Estonia was founded. FP Technology & Services OÜ is wholly owned subsidiary of Francotyp-Postalia GmbH, Berlin.

At the beginning of November 2021, the subsidiary IAB Communications GmbH, Berlin, was merged with the subsidiary FP Digital Business Solutions GmbH (formerly Mentana-Claimsoft GmbH), Fürstenwalde/Spree and the subsidiary FP Direkt Vertriebs GmbH, Berlin, was merged with the subsidiary Francotyp-Postalia GmbH, Berlin, in each case with economic effect from January 1, 2021.

Associates

In April 2021, the Group sold its shares in Juconn GmbH, Unterföhring, which it acquired in fiscal year 2019.

(5) Consolidation principles

Capital consolidation is performed in accordance with the principles of IFRS 10.

Business combinations are accounted for using the purchase method in accordance with IFRS 3. All identifiable assets, liabilities and contingent liabilities acquired as part of a business combination are recognised at fair value at the acquisition date. The cost of the equity investments is then offset against the remeasured, pro rata equity. Any surplus is capitalised as goodwill.

(6) Currency translation

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

Foreign currency transactions are translated at the exchange rates in effect at the transaction dates. Foreign currency monetary items are reported using the closing rate as at the end of the reporting period. Foreign exchange differences are recognised in the consolidated statement of comprehensive income of the Group company in question and reported under finance costs.

The foreign companies of the FP Group are independent units and prepare their annual financial statements in their own national currency.

When preparing the consolidated financial statements, assets and liabilities of subsidiaries that do not prepare their accounts in Euro are translated at the closing rate, equity is translated at the historical rate and items of the consolidated statement of comprehensive income at average rates for the year. Foreign currency translation differences arising from different exchange rates for items in the statement of financial position and the consolidated statement of comprehensive income are shown in other

comprehensive income. If Group companies are deconsolidated, the foreign currency translation difference in question is reversed to profit or loss.

Currency translation differences from monetary items that are part of a net investment in a foreign operation are

recognised in other comprehensive income at Group level in accordance with IAS 21. In the event of a subsequent disposal of the respective net investment or the repayment of loans, the equity amounts in question are taken to profit or loss.

EUR 1 =	Closing rate		Average rate	
	31 Dec. 2022	31 Dec. 2021	2022	2021
CAD	1.44390	1.44165	1.36973	1.48265
CHF	0.98505	n/a	1.00476	n/a
DKK	7.43645	n/a	7.43958	n/a
GBP	0.88685	0.83990	0.85280	0.85969
NOK	10.50325	n/a	10.09965	n/a
SEK	11.07815	10.25575	10.62898	10.14663
USD	1.06765	1.13185	1.05330	1.18250

(7) Accounting policies

In preparing the 2022 consolidated financial statements, the Management Board applied the going concern principle to all companies included in the consolidated financial statements.

Revenue

The FP Group recognises revenue from contracts with customers in accordance with IFRS 15 and as a lessor in connection with the transfer of right-of-use assets in accordance with IFRS 16. See the disclosures on leases for information on the recognition of revenue as a lessor.

Revenue in accordance with IFRS 15

Contracts that do not include the transfer of a right-of-use asset

The FP Group generated revenue from contracts with customers in the following segments: Mailing, Shipping & Office Solutions - Europe, Mailing, Shipping & Office Solutions - North America, Digital Business Solutions and Mail Services. Revenue is recognised in accordance with IFRS 15 if the customer has obtained control over the goods and services that the FP Group is required to provide. Control is transferred either at a point in time or over time.

The FP Group provides sales and services. The sales primarily relate to the sale of franking and inserting machines and consumables. The services relate to customer service and Teleporto services with regard to sold or leased franking or inserting machines, services for the consolidation of business mail and software services for businesses and authorities.

Services can be ordered individually or via fixed-term service contracts. Service contracts generally have original durations of twelve months and roll over if the customer does not cancel on time. The service

contracts can contain various services, such as customer services, provision of postage credit or updating of postal charge tables.

Each sale or individual service is a distinct performance obligation. The revenue for sales and individually ordered services is recognised on delivery or performance of the service. The revenue for services from fixed-term service contracts is recognised evenly over the term of the contract. The even recognition over the terms of these contracts directly reflects the even provision of the services and is therefore an appropriate depiction of revenue recognition over time.

Depending on the payment arrangement, customers make advance payments for service periods of subsequent months. Contract liabilities are recognised in this respect. The time between performance of the service and receipt of payment is therefore a few months at most. The transaction price is therefore not adjusted for the time value of the money.

If the FP Group provides services in advance, contract assets are recognised.

The amount of the revenue depends on contractually defined fixed prices less trade discounts and rebates. The transaction price is allocated to distinct performance obligations of a contract on the basis of the relative stand-alone selling prices. The FP Group uses observable prices and estimates to determine stand-alone selling prices for the purposes of allocation to performance obligations. This requires the use of judgement. FP bases the estimate on market data and cost information.

The average payment term is 30 days.

The guarantee essentially includes of assurance of freedom from error and exists over the statutory term.

Contracts that include the transfer of a right-of-use asset

In the FP Group, performance obligations that have to be recognised in accordance with IFRS 15 also occur in leases that grant customers the right to use franking or inserting machines. The components of these leases that constitute right-of-use assets and the components of these leases that do not constitute right-of-use assets are recognised separately. The right-of-use asset is recognised in accordance with IFRS 16, while the other components are within the scope of IFRS 15. Here too, the consideration of the overall contract is allocated to the components and performance obligations on the basis of the relative stand-alone selling prices.

Other operating income

Other operating income is recognised when service is rendered or goods are delivered, i.e. when risk has transferred to the customer.

Interest income and expenses

Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the income can be measured reliably. Interest expenses are recognised in the period in which they arise net of any transaction costs and discounts using the effective interest method.

Goodwill

Goodwill is tested for impairment at least annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is tested at the level of cash-generating units.

Intangible assets

The recoverability of purchased intangible assets is calculated in accordance with IAS 36. In principle, the higher value in use and fair value are referred to. Here, the present value of cash flows relating solely to the asset being measured is calculated. The discount rate for the cash flows after tax is based on the concept of the weighted average cost of capital (WACC).

Customer relationships capitalised in the context of purchase price allocation are measured using an earnings-based approach, whereby the value of customer relationships is shown by discounting the resulting cash flows. The cost of revenue generation is deducted from any revenue anticipated from customer relationships.

Except for capitalised development costs, the costs of internally generated intangible assets are recognised in profit or loss in the period in which they are incurred.

Development costs for internally generated intangible assets are capitalised in accordance with IAS 38 if their production is technically so advanced that they can be

used or sold, the Group has the intention to complete the asset and use or sell it, the FP Group is able to use or sell the intangible asset, the nature of benefits can be demonstrated, the technical and financial resources are available to complete the asset and the expenditure attributable to the intangible asset during its development can be measured reliably. Development costs include all costs directly attributable to the development process. Grants received for development costs are deducted from the carrying amount. Borrowing costs that can be directly allocated to a development project that is a qualifying asset within the meaning of IAS 23 are capitalised as part of production costs for the period of production. They are recognised solely in connection with capitalised development costs. The amount of capitalised borrowing costs is determined from the weighted average of the borrowing costs applicable to the borrowings granted by lenders.

From the start of commercial production of the corresponding products, capitalised development costs are written down over the period of their expected use. An impairment test is performed annually for intangible assets in development. For completed intangible assets, an impairment test is carried out when triggering events occur. Impaired capitalised development work is written down.

As in the previous year, straight-line amortisation of the intangible assets is essentially based on the following useful lives:

Intangible assets	Useful life
Industrial property rights (including licences, software, customer lists)	2 to 10 years
Internally generated intangible assets	2 to 6 years

Property, plant and equipment

Property, plant and equipment is measured at cost less depreciation due to use and amortisation. Their cost includes the purchase price, incidental costs; and subsequent costs of acquisition. Reductions in the purchase price are deducted. Financing costs are included for the period of production whenever qualifying assets are concerned. Costs for the maintenance and repair of property, plant and equipment are expensed as incurred. Processing costs for property, plant and equipment are recognised as a subsequent cost in accordance with the criteria of IAS 16.12 et seq. if these costs increase the future benefit of the property, plant and equipment (IAS 16.10). Straight-line depreciation is recognised for property, plant and equipment. When property, plant and equipment is shut down, sold or given up, the profit or loss from the difference between the sales proceeds and the residual carrying amount is

recognised under other operating income or expenses.

Straight-line depreciation of property, plant and equipment is based on the following useful lives:

Buildings	Useful life
Buildings	2 to 25 years
Technical equipment and machinery	2 to 19 years
Operating and office equipment	2 to 25 years
Leased products	7 years

Impairment on property, plant and equipment is recognised in accordance with IAS 36 if the recoverable amount, i.e. the higher of the asset's value in use and its fair value less costs to sell, has fallen below the carrying amount. If the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount and the carrying amount are then also compared at the level of the cash-generating unit. If the reasons for impairment losses recognised in previous years no longer apply, the impairments are reversed.

Inventories

In the measurement of inventories, a simplified measurement method was applied in the form of average prices.

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials, consumables and supplies and merchandise comprises the purchase price and incidental costs less purchase price reductions. The cost of finished goods and work in progress includes the direct costs and the overheads attributable to the production process, including appropriate depreciation of production facilities assuming normal capacity utilisation. Financing costs are not included for the period of production as there are no qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business less the costs still required to complete and sell the assets.

Impairment losses in inventories are shown in the cost of materials whenever merchandise, raw materials, consumables and supplies are concerned and in changes in inventories whenever they pertain to finished goods and work in progress.

Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. They include on the one hand primary financial instruments such as trade receivables and payables and financial

receivables and liabilities. On the other hand, they also include derivative financial instruments used to hedge the risks of changes in exchange rates.

Financial assets and financial liabilities are shown in the consolidated statement of financial position from the time at which the Group becomes party to the contractual provisions of the instrument.

Financial assets

Classification

The FP Group classifies its financial assets into the following measurement categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortised cost (FAAC).

The classification of financial assets is based on the business model in which the assets are held and the composition of the contractual cash flows. The business model is determined at portfolio level and is oriented to the intention of the management and past transaction patterns. The cash flows are examined on the basis of the individual instruments. For assets measured at fair value, gains and losses are either recognised in profit or loss or in other comprehensive income. Investments in equity instruments that are not held for trading depend on whether the Group has irrevocably decided to recognise the equity instrument at fair value through other comprehensive income at the time of initial recognition.

The Group reclassifies debt instruments only if the business model for managing those assets changes. As at each reporting date this is reviewed by the management.

Recognition

A regular way purchase or sale of financial assets is recognised as at the trading date, i.e. the date the Group has a commitment to buy or sell the asset. Financial assets are derecognised if the rights to the receipt of cash flows from the financial assets expire or are transferred and the Group has transferred all material risks and opportunities.

Measurement

At initial recognition, the FP Group measures a financial asset at fair value plus, in the case of a financial asset subsequently not measured at fair value through profit and loss, the transaction costs directly attributable to the acquisition of that asset. Transaction costs of financial assets measured at fair value through profit or loss are recognised as expense.

Financial assets with embedded derivatives are considered in their entirety if it is determined that their

cash flows represent only repayment and interest payments.

The subsequent measurement of **debt instruments** depends on the Group's business model to manage the asset and the cash flow characteristics of the asset.

All Group debt instruments were recognised at amortised cost in fiscal years 2022 and 2021. Interest income from these financial assets is recognised in financial income using the effective interest method. Gains and losses from derecognition are recognised directly in the income statement and - together with the foreign currency gains and losses - posted under other financial income/other finance costs.

Subsequently, the FP Group measures all **equity instruments** held at fair value through profit or loss (FVTPL). Dividends from those instruments continue to be recognised in the financial result if the FP Group's right to receive payments is justified.

Impairment

The FP Group assesses the expected credit losses associated with its debt instruments measured at amortised cost on a forward-looking basis. The impairment model depends on whether the credit risk significantly increases.

The recognition of expected credit losses uses a three-stage model to allocate impairment:

Stage 1: Expected credit losses within the next twelve months.

Stage 1 contains all contracts with any material increase in the credit risk since the initial recognition and generally contains new contracts and those whose payments are less than 31 days past due. The share in the lifetime credit losses of the instrument which is due to a default within the next twelve months is recognised.

Stage 2: Lifetime expected credit losses - not credit-impaired.

If a financial asset is subject to a significant increase in its credit risk after initial recognition, but is not credit-impaired, it is allocated to stage 2. Impairment is recognised as the expected credit losses anticipated over the lifetime of the financial asset.

Stage 3: Lifetime expected credit losses - credit-impaired

If a financial asset is credit-impaired or in default, it is assigned to stage 3. The lifetime credit losses of the financial asset are recognised as impairment. Objective evidence that a financial asset is credit-impaired includes it being past due by more than 91 days and further information on material financial difficulties of the debtor.

The determination if a financial asset has experienced a substantial increase of the credit risk is based on an assessment of the default probabilities which is to be implemented at least once a month, which takes account not only of external rating information but also internal information on the credit quality of the financial asset. For debt instruments which are not receivables from financial services, a substantial increase of the credit risk is determined on the basis of past due information or default probabilities.

Expected credit losses are calculated on the basis of the following factors:

- Neutral and probability-weighted amount;
- Time value of the money; and
- Adequate and reliable information (providing this is available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated as the probability-weighted present value of all defaults over the expected lifetime of the financial assets.

The assessment of these risk parameters includes all publicly available relevant information. In addition to historical and current information on losses, reasonable and supportable forward-looking information on factors are included. This information covers macro-economic factors (e.g. growth of gross domestic product, unemployment rate) and forecasts of future economic conditions.

The simplified approach is used for **for trade receivables and contract assets**, where these receivables are allocated to stage 2 at initial recognition. Credit losses expected over the term are recognised from the point at which the receivables are recognised for the first time. Further information can be found in note 24.

Impairment on trade receivables is recognised if there is objective evidence that the amounts due are not fully recoverable (e.g. opening of insolvency proceedings or significant delays in payment by the debtor).

Impairments on other financial assets and cash and cash equivalents are insignificant for the Group.

Derecognition

A financial asset is derecognised if there is no reasonable expectation of recovering it in its entirety or a portion thereof, e.g. after conclusion of insolvency proceeding or after court decisions.

Impairments on trade receivables and contract assets are shown on a net basis in the operating results as net impairment. Previously impaired amounts collected in subsequent periods are recognised in the same items.

Derivatives and hedging transactions

The effective part of changes of fair value of derivatives classified as hedging transactions under cash flow hedges is recognized in the cash flow hedge reserve as a component of equity. The profit or loss relating to the portion designated as hedging costs is recognized in other comprehensive income in the hedging cost reserve as a component of equity. The volume of the underlying transaction actually hedged matches the volume of the corresponding hedging instrument. The hedge ratio is therefore 100%.

In the context of designated hedges there can be ineffectiveness as a result of deferrals of the hedged items and effects of the credit default risk on the fair value of the hedging instruments. In the statement of comprehensive income, any ineffectiveness is recognized in the item "Other financial result. When options are used to hedge expected transactions, the FP Group classifies only the intrinsic value of the options as a hedging instrument.

Gains or losses from the effective part of the change in the intrinsic value of the options are recognised in the reserve from cash flow hedges as part of equity. Changes in the time value of options which relate to the hedged item are recognised in other comprehensive income in the reserve for hedging costs as part of equity.

If forward transactions are used to hedge expected transactions, the FP Group classifies only the change in the fair value of the forward contract from the spot element as a hedging instrument. The spot element is determined using the relevant spot exchange rate. The difference between the contractually agreed forward exchange rate and the spot exchange rate is defined as forward element and discounted if material. Gains and losses from the effective part of the spot element of the forward transaction are recognised in the reserve for cash flow hedges as part of equity. The change of the forward element of the hedging instrument which relates to the hedged item is recognised in other comprehensive income in the reserve for hedging costs as part of equity.

Cumulative amounts recognised in equity are reclassified during periods in which the hedged item affects profit or loss. In the statement of comprehensive income, the reclassification is recognised under other comprehensive income in the item "Cash flow hedges - reclassified to profit or loss" or in "Revenue".

If a hedging instrument expires, is sold or terminated or the hedging transaction no longer meets the criteria for the accounting of hedging transactions, any accrued gains or losses from hedging and deferred hedging costs accumulated at that time will remain in equity until the expected transaction occurs. If the transaction is no longer expected to occur, the cumulative gains and losses and deferred hedging

costs shown in equity are reclassified directly to profit or loss.

Financial liabilities

Financial liabilities are divided into the following categories:

- financial liabilities at amortised cost (FLAC) and
- financial liabilities at fair value through profit or loss (FLFV).

Financial liabilities at amortised cost are initially measured at fair value less any directly attributable transaction costs. Loans are always measured at amortised cost in the Group. They are not designated as at amortised cost. The effective interest method is used to calculate the amortised cost.

Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and other financial liabilities that are classified as at fair value through profit and loss on first-time recognition. Financial liabilities are classified as held for trading if they are acquired with a view to subsequent disposal in the near future. Financial liabilities measured at fair value through profit and loss also include liabilities from derivatives transactions. Gains and losses from financial liabilities held for trading are recognised in profit or loss.

Finance lease liabilities are stated at the present value of the lease payments.

Equity

Share capital is equal to the number of shares issued.

Amounts otherwise contributed to equity by shareholders are shown in the capital reserves. Expenses directly incurred by the issue of new shares in the earlier IPO of FP Holding are deducted from equity net of any related income tax benefit.

The **stock option reserve** reports the amounts recognised in employee benefit expenses for the 2010 and 2015 stock option programmes. This is based on the fair value of the options expected to vest, which is distributed over their term.

When the Group acquires **treasury shares**, these are deducted from equity. The value of treasury shares is openly deducted from equity. The purchase, sale, issue or cancellation of treasury shares is not recognised in profit or loss.

Provisions

Provisions for pensions and similar obligations are recognised using the projected unit credit method based on actuarial principles. This process not only considers the pensions and vested benefits known at the end of the reporting period, but also the expected future increases in pensions and salaries when estimating relevant influencing factors. These benefits earned in return for work performed are discounted

using the interest rate at the end of the period. Plan assets are deducted from these defined benefit obligations at fair value. This gives rise to the net liability for defined benefit obligations, which is recognised as a provision.

The net liability is calculated at the end of each reporting period on the basis of actuarial opinions prepared by qualified actuaries.

The interest rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Currencies and terms consistent with the post-employment benefit obligations are taken into account in selecting the relevant bonds.

Pension plans that the FP Group implements through insurance contracts are accounted for as defined benefit plans if the vested entitlements are not covered by the insurance premiums.

Contributions under defined contribution plans are expenses in the period in which the payments in question are rendered.

Termination benefits are granted if an employment relationship is terminated before the employee reaches pension age or if an employee voluntarily leaves the company in return for severance pay. The Group recognises severance pay if it is evidently obliged to terminate the employment of current employees according to a formal plan that cannot be revoked, or if it is evidently obliged to pay severance whenever an employee leaves voluntarily.

Provisions for early retirement are measured at the respective present value of the outstanding settlement amounts and top-up amounts (accrued pro rata in the vesting period) and netted against plan assets measured at fair value in the form of insurance used to cover early retirement commitments.

The Group recognises a **provision for profit-sharing and bonuses** when there is a contractual obligation or a constructive obligation as a result of past business practices.

Provisions for warranty expenses are recognised when the products in question are sold in accordance with the management's best estimate of the expenses necessary to fulfil the Group's obligation.

Accounting for leases in which Francotyp-Postalia is the lessor

The FP Group leases franking and inserting machines in the segments Mailing, Shipping & Office Solutions - Europe and Mailing, Shipping & Office Solutions - North America. The leases generally have fixed terms of between two and six years. If the customers do not cancel on time, the the leasing contracts are usually automatically extended for one

year. In addition to the transfer of the right of use, the leases can also contain service components.

Right-of-use assets contained in the leases are accounted for in accordance with IFRS 16. Service components are accounted for in accordance with IFRS 15. Pursuant to IFRS 15, the consideration of the overall contract is allocated to the components and performance obligations on the basis of the relative stand-alone selling prices.

Under IFRS 16, leases are to be classified as finance leases or operating leases. A lease is classified as a finance lease if substantially all the risks and rewards of ownership are transferred to the lessee. For further details, see note 8 "Classification of leases in which Francotyp-Postalia is the lessor".

For leases classified as finance leases, a receivable and revenue are recognised at contract inception in the amount of the present value of the minimum lease payments. The lease instalments subsequently received are divided into a repayment portion and an interest portion. The repayment portion reduces receivables in other comprehensive income. The interest portion is recognised in profit or loss. The intrinsic interest rate for the lease in question is used.

For operating leases, the machines in question are recognised as leased products under non-current assets in property, plant and equipment, while the lease instalments are reported as revenue.

Depending on the payment arrangement, customers make advance payments for lease periods of subsequent months. If they do not represent revenue for the fiscal year, they are recognised as liabilities from deferred payments.

The FP Group pays commissions to dealers for brokering leases. The commission paid for a contract can be based on different components within the scope of IFRS 16 as well as IFRS 15. Accordingly, commissions have been allocated as follows:

- The portion of the commission attributable to lease components classified as finance leases is recognised in other operating expenses at the time of revenue recognition.
- The portion of the commission attributable to lease components classified as operating leases is capitalised as part of the underlying asset under leased products and amortised on a straight-line basis over the term of the corresponding contracts.
- The portion of the commission attributable to period-related performance obligations as defined by IFRS 15 is capitalised as costs to obtain contracts under other non-current assets and

recognised under other operating expenses on a straight-line basis over the term of the contract.

Accounting for leases in which Francotyp-Postalia is the lessee

Pursuant to IFRS 16, the FP Group recognises leases in which it is the lessee in the statement of financial position. A right-of-use asset is recognised on the assets side and a lease liability (under financing liabilities) on the liabilities side. The right-of-use asset is initially measured at cost, equating to the present value of the lease liability plus any initial direct costs, payments made before the commencement date and estimated asset retirement obligations and less any incentives received by the Group from the lessor.

Subsequently, the right-of-use asset is measured less depreciation and any impairment losses. Depreciation is recognised on a straight-line basis over the term of the lease. If the lease transfers ownership of the underlying asset to the FP Group by the end of the lease term, the right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset. In the event of remeasurements of the lease liability, the right-of-use asset is adjusted accordingly.

The lease liability is initially measured at the present value of the lease payments. In subsequent measurement, it is increased to reflect interest using the Group's respective incremental borrowing rate and reduced to reflect the lease payments made.

Leases with a term of up to twelve months and low value leases are not recognised in the statement of financial position. Instead, the lease payments are recognised as an expense on a straight-line basis over the lease term. This also applies to leases of intangible assets.

(8) Judgements and estimates

When preparing the consolidated financial statements, certain items require judgements and estimates to be made for the recognition, measurement and reporting of recognised assets and liabilities and of income and expenses. The actual figures can differ from the estimates. Estimates and their underlying assumptions are examined on an ongoing basis. Revisions of estimates are recognised prospectively. Key areas for exercising judgement and making estimates reflect the following:

Revenue

For information on the use of judgement with regard to the allocation of transaction prices, see the notes on revenue under note 7.

Classification of leases in which Francotyp-Postalia is the lessor

Leases are classified as finance leases at the FP Group in cases including when the lease term covers the major part of the asset's economic life (useful life test)

or the present value of the future minimum lease payments amounts to at least substantially all of the fair value of the leased asset (present value criterion). The FP Group has interpreted "the major part" to mean 75% and "substantially" to mean 90%. When determining the contract term, the FP Group considers the likelihood that contracts will be automatically extended.

Deferred tax assets

Deferred tax assets are recognised for unused tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the IFRS consolidated balance sheet to the extent that it is probable that future taxable profit will be available against which they can be utilised. The calculation of the amount of deferred tax assets requires significant management discretion based on the expected timing and amount of future taxable income together with future tax planning strategies.

Tax receivables and liabilities

The assessment and measurement of tax receivables and liabilities require a significant degree of management judgement due to the complexity of the legal provisions and divergent practices among the responsible tax authorities, especially in the context of cross-border transactions. An asset or liability arising from tax risk position is recognised in accordance with IAS 12 if a payment of refund is probable with respect to the legal uncertainty. Uncertain tax assets and liabilities are measured at the most probable value in accordance with IFRIC 23.

Key assumptions in the context of estimates and sources for estimation uncertainty include:

Impairment losses

The Group measures expected credit losses for all trade receivables on the basis of lifetime expected credit losses.

Development costs

Estimates are required whenever a development project reaches certain milestones in a current project. In order to assess whether the amounts to be capitalised are actually recoverable, the management makes assumptions regarding the forecast future cash flows from assets, the applicable discount rates and the period when the forecast future cash flows generated by the assets will be received.

Remeasurement of intangible assets in accounting for business combinations

Estimates are required for the remeasurement of fair values for intangible assets in accounting for business combinations in accordance with IFRS 3. The intangible assets of purchased entities must be identified in purchase price allocation and carried at fair value; they are separated from any (negative) goodwill.

Goodwill

In order to establish possible impairment of goodwill, the value in use or the fair value of the cash-generating units must be calculated. The calculation requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate to calculate present value.

The recoverable amount of all cash-generating units with goodwill is derived on the basis of the respective value in use. If this is found to be higher than the carrying amount of the cash-generating unit, there is no need to determine the fair value less costs to sell.

The value in use is determined using discounted cash flow. This was based on cash flow forecasts derived from financial planning by the management. The figures used in these assumptions are based on external analyses of the postal market (including expected postage increases by Deutsche Post AG) and on management experience. Financial planning consists of earnings planning, the statement of financial position and the statement of cash flows and is prepared in detail for the first three years on the basis of sales planning, and then extrapolated using general assumptions for the next two years of planning. Perpetual maturity is assumed after the fifth year of planning.

In accordance with IAS 36, the discount rates were derived using a growth rate for cash flows after the end of the five year planning period. The discount rates are based on the concept of the weighted average cost of capital (WACC).

The recoverable amount is initially derived based on the discounting of cash flows using the costs of capital after taxes. The costs of capital before taxes are then calculated iteratively.

The basic assumptions on which the calculation of value in use of the cash-generating units are based, are subject to estimation uncertainty affecting EBIT and thus the cash flows to be discounted and the discount rate.

The gross profit margins used are based on currently realisable figures and management experience.

To calculate the discount rate assumptions are made on the individual components of WACC and the long-term growth rate.

Pensions and other post-employment benefits

The actuarial valuation is based on assumptions regarding interest rates, future wage and salary increases, mortality and future pension increases.

Provisions

The calculation of provisions for potential losses from contracts, warranties and legal disputes requires a great degree of management estimates.

Expenses for warranties are incurred in connection with subsequent improvements.

Legal disputes often involve complex legal issues, hence they entail considerable uncertainty. The estimate of expected expenses also includes the anticipated litigation costs. The FP Group regularly evaluates the current status of proceedings, also with the assistance of external lawyers.

For restructuring costs, a provision is made at the level of expected direct expenses.

The expected internal and external costs in connection with the outstanding audit cycles of FP Group companies or appeals following tax audits in Germany and abroad are accounted for by recognising corresponding provisions that take into account the complexity of the issues, including in the cross-border context.

Calculation of fair value

A number of accounting policies and disclosures require the Group to determine the fair value of financial and non-financial assets and liabilities.

As far as possible, the Group uses observable market data to determine the fair value of an asset or liability. Based on the inputs used in the measurement methods, the fair values are assigned to different levels of the fair value hierarchy:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.
- Level 2: Measurement parameters other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Measurement parameters for assets or liabilities not based on observable market data.

If the inputs used to determine the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, the fair value measurement in its entirety is assigned to the level of the fair value hierarchy based on the lowest input factor that is material overall for measurement of fair value.

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

Further information on the assumptions in determining fair values can be found in note 32.

(9) Correction of errors in accordance with IAS 8

In the consolidated financial statements as at 31 December 2022, the Group has retrospectively adjusted the accounting for VAT receivables due from the tax office.

Previously, a VAT receivable from the 2015 financial year was capitalised under other current non-financial assets. However, the enquiry into the status of the

recognised receivable due from the tax office revealed that it did not exist.

The following tables summarise the effects of the correction in accordance with IAS 8.41 et seq. on the consolidated financial statements. We would like to point out that rounding differences to the mathematically exact resulting values may occur:

1. Consolidated opening balance sheet as at 1 January 2021

In EUR thousand	As previously reported	Adjustments	Adjusted
Other non-financial assets	4,504	-1,261	3,243
Other current non-financial assets	9,489	-1,261	8,229
CURRENT ASSETS	88,458	-1,261	87,197
NON-CURRENT ASSETS	85,093		85,093
Total assets	173,551	-1,261	172,290
Loss carried forward	-14,277	-1,261	-15,538
Other equity	27,498		27,498
Equity	13,221	-1,261	11,960
Total liabilities	160,330		160,330

2. Consolidated statement of financial position as at 31 December 2021

In EUR thousand	As previously reported	Adjustments	Adjusted
Other non-financial assets	3,979	-1,261	2,718
Other current non-financial assets	9,488	-1,261	8,228
CURRENT ASSETS	91,170	-1,261	89,909
NON-CURRENT ASSETS	75,714		75,714
Total assets	166,884	-1,261	165,624
Loss carried forward	-29,586	-1,261	-30,847
Other equity	45,327		45,327
Equity	15,741	-1,261	14,480
			0
Total liabilities	151,143		150,898

There were no further adjustment effects.

II. Segment reporting

In fiscal years 2022 and 2021, the combination of the following factors was used to identify the reportable segments of the FP Group: organisational structure, differences between products and services and geographic regions. Based on the break-down for purposes of internal management, the Group is divided into four segments: Mailing, Shipping & Office Solutions - Europe, Mailing, Shipping & Office Solutions - North America, Mail Services, and Digital Business Solutions. The Digital Business Solutions - IAB and Digital Business Solutions - Mentana segments reported in the previous year are combined as the Digital Business Solutions segment in the reporting year following the merger of IAB Communications GmbH with FP Digital Business Solutions GmbH. The products FP offers to customers in the Mailing, Shipping & Office Solutions segments in Europe and North America are not limited to franking machines and related hardware - it also extends to other office supplies and solutions from the digital product spectrum. Parcel Shipping and Vision360 are examples of digital solutions that are attractive not only to franking machine customers. One main revenue generator is the aftersales business, which generates recurring revenue chiefly from the sale of consumables such as ink cartridges, services, software solutions for reporting and cost centre management, and the Teleporto service. The aim is to offer customers a comprehensive solution for their office. These offer significant potential in Europe and the US.

The Digital Business Solutions segment comprises all digital activities with which FP is expanding its business model in a growth-oriented manner. In the Document Workflow Management area, this includes Input and Output Management, enabling customers to efficiently manage their incoming and outgoing mail. The solutions ensure efficient communication and automated process workflows for customers. Products include hybrid mail, transACTmail, back office and front office automation, DE-Mail, FP Sign, Parcel Shipping and products from third party providers. The Mail Services segment specialises in consolidating large letter volumes. Collection, postage-optimised sorting and delivery to postal service providers take the pressure off companies with a high volume of letters and helps reduce the costs that this entails.

The segments report in accordance with respective local accounting regulations of the Group companies belonging to the segment. Revenue from external third parties in the Mail Services and Digital Business Solutions segments includes Deutsche Post AG discounts that are passed on within the Group. The segment information for fiscal year 2021 was adjusted accordingly to ensure comparability. While revenue and costs of materials of the Francotyp-Postalia GmbH subsidiary are allocated to the Mailing, Shipping & Office Solutions - Europe segment, other income and expense of this company are not allocated to any segment. Any intragroup adjustments to transfer prices are not taken into account in the segment reporting.

SEGMENT INFORMATION 2022

In EUR thousand	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Total
Revenue with external third parties	88,193	65,334	73,360	24,979	356	252,222
Intersegment revenue	0	10	0	1,184	55	1,249
Segment revenue	88,193	65,344	73,360	26,163	411	253,471
Other operating income	9,060	524	195	309	45	10,134
Cost of materials	30,499	22,301	64,076	16,597	679	134,151
Employee benefit expenses	28,026	11,666	4,074	6,591	827	51,184
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	669	885	164	513	2	2,233
Other operating expenses	22,181	12,060	4,305	3,804	199	42,549
Segment EBITDA	15,844	19,180	937	-1,033	-1,139	33,789

SEGMENT INFORMATION 2021

In EUR thousand	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Total
Revenue with external third parties	67,900	55,282	59,827	20,846	10	203,864
Intersegment revenue	0	0	0	264	0	264
Segment revenue	67,900	55,282	59,827	21,110	10	204,128
Other operating income	3,852	475	295	231	2	4,855
Cost of materials	26,929	18,127	51,492	14,200	494	111,243
Employee benefit expenses	18,229	9,997	4,010	5,184	403	37,822
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	552	638	-10	5	0	1,185
Other operating expenses	14,793	9,715	3,277	3,231	552	31,568
Segment EBITDA	11,234	17,328	1,352	-1,278	-1,438	27,199

RECONCILIATION OF REVENUE

In EUR thousand	2022	2021
Segment revenue	253,471	204,128
Revenue of other Group companies	102,248	106,870
Effects from the adjustment of IFRS 15 and IFRS 16	-1,409	-599
Effect from other revenue corrections	-632	-226
Effects from consolidation	-102,727	-106,473
Group revenue	250,950	203,699

RECONCILIATION OF SEGMENT EBITDA TO GROUP EBITDA

In EUR thousand	2022	2021
Segment EBITDA	33,789	27,199
Result not allocated to a segment	-8,513	-7,601
Effects of IFRS remeasurement		
Lessee valuation in accordance with IFRS 16	4,584	4,558
Effects of the adjustment of revenue from IFRS 15/16	-1,409	-599
Effects from the adjustment of cost of materials in accordance with IFRS 15/16	252	-1,298
Revenue adjustment due to currency effects from hedge accounting	568	-226
Adjustment of costs to obtain contracts in accordance with IFRS 15/16	1,129	846
Other IFRS entries	722	-281
Effects at consolidation level (including consolidation of expenses and income, elimination of intercompany profits)	-3,519	-4,145
Group EBITDA	27,602	18,452

REVENUE BY REGION

In EUR thousand	2022	2021
Germany	137,061	117,762
Abroad	113,889	85,937
thereof		
United States	58,301	49,998
UK	10,714	11,006
Sweden	9,050	2,764
Other countries	35,824	22,169
Group revenue	250,950	203,699

NON-CURRENT ASSETS¹⁾ BY REGION

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Germany	22,515	29,722
Abroad	36,504	28,083
thereof		
United States	20,088	18,042
Sweden	2,797	997
UK	2,688	3,267
Other countries	10,931	5,776
Total	59,019	57,805

¹⁾ In line with IFRS 8.33 (b) this includes current assets which are not financial instruments, deferred tax assets, post-employment benefit assets and rights arising from insurance contracts.

III. Notes to the consolidated statement of comprehensive income

(10) Revenue

The following tables show revenue disaggregated by performance type. Revenue both within the scope of IFRS 15 and within the scope of IFRS 16 is presented.

The tables also include the reconciliation of disaggregated revenue to segment reporting.

2022							IFRS revenue
In EUR thousand	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Not allocated to any segment	Total
Product sales income (Franking and Inserting)	19,570	15,956	0	0	0	527	36,053
Service/customer service	27,257	5,766	0	0	0	0	33,023
Consumables	16,178	12,782	0	0	0	0	28,961
Teleporto	7,674	1,269	0	0	0	0	8,944
Mail Services	0	0	73,360	0	0	0	73,360
Software/Digital	2,140	2,383	0	24,979	356	196	30,055
Revenue in accordance with IFRS 15	72,821	38,156	73,360	24,979	356	724	210,396
Finance lease	9,545	3,232	0	0	0	46	12,823
Operating lease	4,514	23,850	0	0	0	0	28,364
Revenue in accordance with IFRS 16	14,058	27,083	0	0	0	46	41,187
Reduction in sales due to currency effects from hedge accounting	-42	-591	0	0	0	0	-632
Revenue total	86,837	64,648	73,360	24,979	356	770	250,950

Reconciliation to segment revenue				Segment revenue					
Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Not allocated to any segment	Total	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Total
-291	0	-527	-818	19,280	15,956	0	0	0	35,236
-634	-3,606	0	-4,240	26,624	2,160	0	0	0	28,784
-205	-258	0	-463	15,974	12,524	0	0	0	28,498
-10	-346	0	-355	7,665	924	0	0	0	8,589
0	0	0	0	0	0	73,360	0	0	73,360
0	-369	-196	-566	2,140	2,014	0	24,979	356	29,489
-1,139	-4,579	-724	-6,442	71,682	33,577	73,360	24,979	356	203,954
-182	-3,114	-46	-3,341	9,363	119	0	0	0	9,482
2,634	7,788	0	10,422	7,148	31,639	0	0	0	38,787
2,453	4,674	-46	7,081	16,511	31,757	0	0	0	48,268
42	591	0	632	0	0	0	0	0	0
1,356	686	-770	1,272	88,193	65,334	73,360	24,979	356	252,222

The revenue of the Mail Services and Digital Business Solutions segments mainly includes passed on postage charges.

The reconciliation from IFRS revenue to segment revenue shows an increase in segment revenue of EUR 1,272 thousand (previous year: increase of EUR 165 thousand). This effect primarily relates to revenue from lease and service agreements under IFRS in the amount of EUR 1,409 thousand (previous year: EUR 599 thousand) and currency effects from hedge

accounting of EUR 632 thousand (previous year: EUR 226 thousand). Revenue of EUR 770 thousand (previous year: EUR 661 thousand) was not allocated to any segment.

Due to the allocation of transaction prices according to IFRS 15 and consideration according to IFRS 16 in conjunction with IFRS 15, there are transfers between the individual performance types under IFRS that are eliminated in the reconciliation with segment revenue.

2021		IFRS revenue					
In EUR thousand	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Not allocated to any segment	Total
Product sales income (Franking and Inserting)	17,779	12,524	0	0	0	236	30,539
Service/customer service	16,885	2,613	0	0	0	0	19,497
Consumables	13,662	10,265	0	0	0	0	23,927
Teleporto	6,816	838	0	0	0	0	7,654
Mail Services	70	0	59,827	0	0	0	59,897
Software/Digital	656	938	0	20,846	10	425	22,875
Revenue in accordance with IFRS 15	55,868	27,178	59,827	20,846	10	661	164,389
Finance lease	6,900	2,813	0	0	0	0	9,712
Operating lease	4,029	25,795	0	0	0	0	29,824
Revenue in accordance with IFRS 16	10,928	28,608	0	0	0	0	39,536
Reduction in sales due to currency effects from hedge accounting	-83	-144	0	0	0	0	-226
Revenue total	66,714	55,642	59,827	20,846	10	661	203,699

Reconciliation to segment revenue				Segment revenue						
	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Not allocated to any segment	Total	Mailing, Shipping & Office Solutions - Europe	Mailing, Shipping & Office Solutions - North America	Mail Services	Digital Business Solutions	Other	Total
	199	0	-236	-37	17,978	12,524	0	0	0	30,502
	-319	-1,068	0	-1,388	16,565	1,544	0	0	0	18,110
	-409	-119	0	-528	13,252	10,146	0	0	0	23,398
	-3	-211	0	-214	6,813	627	0	0	0	7,440
	0	0	0	0	70	0	59,827	0	0	59,897
	0	-20	-425	-444	657	918	0	20,846	10	22,431
	-532	-1,418	-661	-2,079	55,336	25,760	59,827	20,846	10	161,778
	418	-2,762	0	-2,344	7,318	51	0	0	0	7,369
	1,218	3,676	0	4,894	5,246	29,471	0	0	0	34,717
	1,636	914	0	2,550	12,564	29,522	0	0	0	42,086
	83	144	0	226	0	0	0	0	0	0
	1,186	-360	-661	165	67,900	55,282	59,827	20,846	10	203,864

The following table shows the contract assets and contract liabilities. These are reported in the statement of financial position under other non-financial assets or other non-financial liabilities.

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Contract assets	387	349
thereof non-current	290	265
thereof current	97	84
Contract liabilities	9,593	8,522
thereof non-current	1,118	819
thereof current	8,475	7,703

The contract liabilities result from accounting-related advance payments for future services in subsequent months.

As the original durations of the service contracts in the FP Group do not exceed one year as a rule, FP utilises the practical expedient provided by IFRS 15.121(a). The transaction price attributable to contracted performance obligations that were not yet fulfilled as at the reporting date is therefore not disclosed.

Amounts recognised under current contract liabilities in the previous year were realised in full in the 2022 reporting year.

(11) Own work capitalised

In EUR thousand	2022	2021
Capitalised development costs	1,068	598
Rental machinery	6,605	5,448
Other	65	109
Total	7,738	6,155

Capitalised development costs mainly comprise the development of new franking products (EUR 1,068 thousand, previous year: EUR 6 thousand). In the previous year, this item included investments in IOT products (EUR 386 thousand) and in the development of the data highway as a SaaS product (EUR 207 thousand).

Own work capitalised for rental machinery relates to internally generated leased products. The finance lease assets are refinanced.

The "Other" item contains EUR 5 thousand (previous year: EUR 109 thousand) for franking machines, which are used for operations in a Group company.

(12) Other operating income

In EUR thousand	2022	2021
Derecognition of liabilities	718	472
Bonus credit	340	51
Usage fees	251	282
Prior-period income	187	398
Cost subsidies and grants	12	251
Other income	564	273
Total	2,071	1,725

The derecognition of liabilities mainly relates to lapsed teleporto liabilities of EUR 430 thousand (previous year: EUR 451 thousand). Income relating to other periods resulted primarily from credit notes. Cost subsidies and grants in the previous year primarily comprised governmental coronavirus assistance in Canada and the rest of Europe.

(13) Cost of materials

In EUR thousand	2022	2021
Expenses for raw materials, consumables and supplies	43,829	37,206
Cost of purchased services	80,880	66,120
thereof postage fees	72,685	59,095
Total	124,709	103,325

(14) Employee benefit expenses

In EUR thousand	2022	2021
Wages and salaries	55,349	49,012
Social security contributions	8,337	7,973
Expenses for pensions and other benefits	2,055	610
thereof defined contribution plans	1,944	510
thereof defined benefit plans	111	100
Total	65,740	57,595

Employee benefit expenses increased by 14.1% year-on-year to EUR 65,740 thousand in fiscal year 2022 (previous year: EUR 57,595 thousand). The increase is mainly attributable to the acquisition of the Azolver Group operating companies. The average number of employees rose from 936 in fiscal year 2021 to 1,047 in the reporting year.

The employee benefit ratio, which is employee benefits as a percentage of revenue, decreased further to 26.2% in fiscal year 2022 compared with 28.3% in the previous year, thus also showing the positive effects of the transformation programme.

(15) Expenses from impairment losses less income from reversals of impairment losses on trade receivables

In EUR thousand	2022	2021
Expenses from recognition of impairment	2,218	912
Derecognition of receivables	965	634
Income from dissolution of impairment losses	-355	-278
Expense (+) from expected losses on receivables, income (-) from reversals of impairment on receivables	-10	241
Payments received on derecognised receivables	-7	-12
Total	2,811	1,497

Expense from the recognition of impairment in the reporting year was based primarily on the measurement of individual default risks.

(16) Other operating expenses

In EUR thousand	2022	2021
Purchased IT services	6,529	3,393
Packaging and freight	5,797	4,224
Legal and consulting costs	5,072	4,932
Repairs and maintenance	3,732	3,090
Marketing	3,316	2,987
Sales commission	2,586	2,523
Rents/leases	1,684	1,492
Messaging and postage	1,679	1,431
Staff-related costs	1,275	1,639
Travel expenses	1,252	511
Payment transaction costs	729	576
Motor vehicle costs (fuel, operating overheads) excluding lease costs	729	467
Insurance	721	644
Other taxes	535	671
Office supplies	493	247
Licence costs	319	120
Expenses from disposal of non-current assets	202	2,924
Other	3,607	1,941
Total	40,257	33,813

External IT services mainly include expenses for external support for the implementation of the new ERP system. The sharp increase in these expenses is mainly due to the progress of the project.

Legal and consulting costs relate mainly to legal counselling and management consulting.

Expenses from the disposal of non-current assets mainly result from the disposal of property, plant and equipment. The expenses from the disposal of non-current assets in the previous year resulted mainly from the disposal of the development project for the introduction of a new ERP/CRM system, which had not yet been completed but was no longer viable.

..

(17) Net interest income and other financial result

In EUR thousand	2022	2021
Other interest receivable and similar income	2,990	2,583
thereof from finance leases	2,671	2,557
thereof from bank balances	75	15
thereof from third parties	244	10
Interest and similar expenses	1,483	1,395
thereof from bank liabilities	1,091	1,175
thereof interest on the net liability for pension obligations	161	84
thereof from lease liabilities	171	41
Other	59	95
Net interest income	1,507	1,188
Other financial income	2,505	2,967
Other finance costs	2,089	1,395
Total	1,923	2,760

The increase in interest income mainly results from refunds in connection with the conclusion of tax audits for the period 2013 to 2015.

As in the previous year, other financial income and other finance costs essentially result from foreign currency translation, especially the measurement of statement of financial position items at the reporting date.

It also includes expenses and income from the development of foreign exchange hedges: income of EUR 425 thousand from the fair value measurement of foreign exchange swaps (previous year: EUR 80 thousand) and expenses of EUR 36 thousand from single derivatives (previous year: EUR 157 thousand).

(18) Income taxes

In EUR thousand	2022	2021
Current tax expense (+), income (-)	3,607	1,964
thereof prior-period	0	-149
Deferred tax expenses	-329	-168
thereof occurrence and reversal of temporary differences	0	169
thereof utilisation of loss and interest carryforwards and capitalisation of deferred taxes on new loss carryforwards	0	-342
thereof due to change in tax rates	0	5
Income taxes	3,278	1,796

Deferred taxes were measured using tax rates and tax regulations valid or enacted by the end of the reporting period. Combined income tax rates consisting of corporation tax, the solidarity surcharge and trade tax were used for the German subsidiaries. Due to the expected trade tax apportionment, the German tax rates are slightly changed in comparison to the previous year in a range between 27,13% and 30,27% (previous year: 27.13% to 30.31%).

Country-specific tax rates of 19.00% to 26.60% (previous year: 15.00% to 26.60%) were calculated for the foreign companies. The tax rate adjustments result in only immaterial differences of deferred taxes.

In EUR thousand	2022	2021
Consolidated profit/loss before taxes	8,568	2,161
Forecast tax expense (30,0 %, previous year 30.18%)	2,571	652
Tax rate difference	-670	-487
Tax effect of non-deductible expenses and tax-free income	545	328
Tax effect from outside basis differences	-65	486
Current and deferred income tax for previous years	-671	-1,245
Change in recognition/non-recognition of deferred taxes assets on loss carry-forwards and deductible temporary differences	1,472	2,130
Other deviations	-149	-68
Income taxes	3,278	1,796
Tax expense in %	35.4%	83.1%

(19) Earnings per share

As at 31 December 2022, the Group held 403,907 treasury shares (previous year: 257,393). This translates into 2.5% (previous year: 1.6%) of the share capital.

	2022	2021
		adjusted¹⁾
Ordinary shares outstanding as at 1 January	15,897,549	16,044,063
Weighted average ordinary shares (basic) as at 31 December	15,897,549	16,044,063
Effect of issued stock options	0	4,762
Weighted average ordinary shares (diluted) as at 31 December	15,897,549	16,048,825
Consolidated profit/loss (in EUR thousand)	5,535	365
Basic result (in EUR/share)	0,35	0,02
Diluted result (in EUR/share)	0,35	0,02

IV. Notes to the consolidated statement of financial position

(20) Intangible assets

The tables below present the development of intangible assets.

DEVELOPMENT OF INTANGIBLE ASSETS 2022

In EUR thousand	Internally generated intangible assets	Customer lists and purchased intangible assets	Goodwill	Development projects not yet completed and advance payments	Total
Cost or cost of manufacture					
As at 1 Jan. 2022	76,012	89,207	24,912	278	190,409
Currency differences	-1	-438	77	0	-361
Acquisition through business combinations	0	5,832	401	79	6,312
Additions	0	165	0	1,276	1,441
Disposals	420	-13	0	-61	346
Reclassifications	217	82	0	-299	0
As at 31 Dec. 2022	76,648	94,835	25,390	1,273	198,146
Amortisation, depreciation and impairment					
As at 1 Jan. 2022	62,926	86,710	20,983	61	170,680
Currency differences	0	-203	2	0	-201
Additions	6,080	1,463	-2	0	7,541
Disposals	420	-13	0	-61	346
As at 31 Dec. 2022	69,427	87,957	20,982	0	178,367
Carrying amount as at 1 Jan. 2022	13,086	2,497	3,929	217	19,729
Carrying amount as at 31 Dec. 2022	7,221	6,878	4,408	1,273	19,780

DEVELOPMENT OF INTANGIBLE ASSETS 2021

In EUR thousand	Internally generated intangible assets	Customer lists and purchased intangible assets	Goodwill	Development projects not yet completed and advance payments	Total
Cost or cost of manufacture					
As at 1 Jan. 2021	76,106	88,752	24,765	3,104	192,727
Currency differences	1	63	147	0	211
Additions	593	427	0	6	1,025
Disposals	-1,354	-98	0	-2,103	-3,555
Reclassifications	666	63	0	-729	0
As at 31 Dec. 2021	76,012	89,207	24,912	278	190,409
Amortisation, depreciation and impairment					
As at 1 Jan. 2021	58,066	85,343	20,936	61	164,406
Currency differences	1	32	47	0	80
Additions	5,599	1,409	0	0	7,008
Disposals	-739	-75	0	0	-814
As at 31 Dec. 2021	62,926	86,710	20,983	61	170,680
Carrying amount as at 1 Jan. 2021	18,040	3,409	3,829	3,043	28,321
Carrying amount as at 31 Dec. 2021	13,086	2,497	3,929	217	19,729

For information on the acquisition as a result of business combination, please refer to note (4) Consolidated group in the notes to the consolidated financial statements for fiscal year 2022.

Additions to internally generated intangible assets and development projects in progress and advance payments totalled EUR 1,276 thousand (previous year: EUR 599 thousand). In the previous year, the development project for the introduction of a new ERP/CRM system that had not been completed but was no longer viable was disposed of in the amount of EUR 2,103 thousand, and the internally generated intangible asset in connection with the discontinued Secure Connector project was disposed of in the amount of EUR 733 thousand. In the reporting year, amortisation of EUR 5,101 thousand (previous year: EUR 5,599 thousand) was recognised on internally generated intangible assets. An impairment loss of EUR 979 thousand was also recognised on capitalised development costs for IoT projects already completed.

Additions to purchased intangible assets and customer lists totalling EUR 165 thousand (previous year:

EUR 427 thousand) mainly include the purchase of software and licences (previous year: software and licences of EUR 153 thousand and customer lists of EUR 274 thousand).

Goodwill

Goodwill of EUR 4,408 thousand (previous year: EUR 3,929 thousand) breaks down into EUR 2,643 thousand (previous year: EUR 2,643 thousand) for the IAB cash-generating unit (Digital Business Solutions), EUR 1,363 thousand (previous year: EUR 1,286 thousand) for PostageInk.com LLC (the cash-generating unit of Francotyp-Postalia Inc. in the Mailing, Shipping & Office Solutions - North America segment), and EUR 402 million for the group (several units without significant goodwill) of cash-generating units of the operating Azolver companies in the Mailing, Shipping & Office Solutions - Europe segment.

The following table shows the significant assumptions used in estimating the recoverable amount:

2022

In EUR thousand	Francotyp- Postalia Inc., US	IAB, Germany	Azolver Switzer- land AG, Switzer- land	Azolver Danmark Aps; Denmark	Azolver Suomi OY, Finland	Azolver Italy S.r.l., Italy	Azolver Norge AS, Norway	Azolver Svenska AS, Sweden
Basic assumptions								
Sales growth range	-0,6 % - 3,0 %	1,0 % - 12,6 %	-0,2 % - 3,5 %	-1,7% - 1,6 %	-1,5 % - 1,0 %	0,0 % - 16,3 %	0,0 % - 9,3 %	0,0 % - 4,5 %
Gross profit margins ¹⁾	31,5 % - 33,9 %	15,7 % - 20,3 %	5,3 % - 13,7 %	1,1 % - 3,4 %	4,5 % - 6,2 %	0,9 % - 11,2 %	2,9 % - 3,7 %	14,4 % - 16,3 %
Growth rate perpetual maturity	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Discount rate (WACC)	7.50%	8.38%	6.24%	8.02%	8.77%	9.81%	8.38%	8.58%
Discount rate before taxes	9.78%	11.46%	7.96%	10.32%	11.02%	12.56%	9.00%	10.89%

¹⁾ EBITDA in % of revenue

2021

In EUR thousand	Francotyp- Postalia Inc.	IAB
Basic assumptions		
Revenue growth range	0.6%-6.8%	0.6%-6.4%
Gross profit margin ²⁾	32.1%-32.9%	21.2%-23.7%
Growth rate perpetuity	1,0 %	1,0 %
Discount rate (WACC)	6.14%	6.79%
Discount rate before taxes	6.70%	9.13%

²⁾

³⁾ EBITDA in % of revenue

The impairment test for goodwill is based on a number of discretionary assumptions, including expected business performance and the regulatory environment.

Development costs

In EUR thousand	2022	2021
Development costs	3,709	7,629
thereof total expenditure	2,546	7,031
thereof product development expenses	0	4,251
thereof product maintenance expenses	2,546	2,781
thereof capitalised	1,163	598

In the reporting year, EUR 14 thousand (previous year: EUR 9 thousand) borrowing costs were capitalised. An average capitalisation rate of 2.59% (previous year: 2.56%) was applied.

(21) Property, plant and equipment

The tables below present the development of property, plant and equipment.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2022

In EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment and operating and office equipment	Leased products	Advance payments and assets under construction	Total
Cost or cost of manufacture						
As at 1 Jan. 2022	4,672	11,686	29,638	73,682	150	119,828
Currency differences	-25	2	-72	2,497	0	2,403
Acquisition through business combinations	45	0	92	459	0	596
Additions	5	97	918	7,526	123	8,669
Disposals	-52	-115	-636	-3,181	0	-3,984
Reclassifications	0	-18	20	0	-2	0
As at 31 Dec. 2022	4,644	11,653	29,961	80,983	270	127,512
Amortisation, depreciation and impairment						
As at 1 Jan. 2022	2,331	9,283	26,906	55,388	0	93,908
Currency differences	-26	2	-93	1,762	0	1,645
Additions	270	895	1,250	6,399	0	8,815
Disposals	-22	-99	-620	-3,010	0	-3,751
As at 31 Dec. 2022	2,553	10,081	27,443	60,539	0	100,616
Carrying amount as at 1 Jan. 2022	2,341	2,403	2,732	18,294	150	25,920
Carrying amount as at 31 Dec. 2022	2,091	1,572	2,518	20,444	270	26,896

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2021

In EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment and operating and office equipment	Leased products	Advance payments and assets under construction	Total
Cost or cost of manufacture						
As at 1 Jan. 2021	4,593	11,565	28,645	65,512	163	110,479
Currency differences	32	6	490	4,848	0	5,375
Additions	33	117	750	6,692	2	7,594
Disposals	0	-25	-225	-3,370	0	-3,620
Reclassifications	14	24	-22	0	-16	0
As at 31 Dec. 2021	4,672	11,686	29,638	73,682	150	119,828
Amortisation, depreciation and impairment						
Carrying amount as at 1 Jan. 2021	2,037	8,313	25,175	48,465	0	83,989
Currency differences	31	5	456	4,408	0	4,899
Additions	263	971	1,490	5,551	0	8,276
Disposals	0	-19	-201	-3,036	0	-3,256
Reclassifications	0	13	-13	0	0	0
As at 31 Dec. 2021	2,331	9,283	26,906	55,388	0	93,908
Carrying amount as at 1 Jan. 2021	2,556	3,252	3,470	17,047	163	26,490
Carrying amount as at 31 Dec. 2021	2,341	2,403	2,732	18,294	150	25,920

The recognised additions to leased products totalling EUR 7,526 thousand (previous year: EUR 6,692 thousand) include leased franking machines and capitalised contract acquisition costs and relate mainly to the Mailing, Shipping & Office Solutions - North America and Mailing, Shipping & Office Solutions - Europe segments.

Own work capitalised of EUR 7,738 thousand (previous year: EUR 6,155 thousand) was recognised in manufacturing costs under property, plant and equipment in the reporting period.

For information on the acquisition as a result of business combination, please refer to note (4) Consolidated group in the notes to the consolidated financial statements for fiscal year 2022.

(22) Finance lease receivables (FP as lessor)

Net investments in leases amounted to EUR 23,050 thousand as at 31 December 2022 (previous year: EUR 23,579 thousand). The change of EUR -529 thousand breaks down as follows:

CHANGE IN NET INVESTMENTS IN LEASES

In EUR thousand	2022	2021
United States	467	1,807
Canada	462	286
United Kingdom	-1,718	-140
Azolver companies	597	0
Other	-337	-728
Total	-529	1,225

The decline in finance lease receivables is based on the following three contrary effects:

- Decline in receivables in the United Kingdom. due to a decline in the contract population (effect roughly EUR 1 thousand) and currency effects (effect roughly EUR 0.7 thousand).
- Increase in the USA and Canada due to an increase in the contract population

- c) Addition of receivables from finance leases due to the acquisition of the Azolver companies

The selling profit from finance leases in the reporting year was EUR 7,228 thousand (previous year: EUR 6,020 thousand). The increase is mainly based on the addition due to the acquisition of the Azolver companies.

The interest income from the interest on the finance lease receivables amounted to EUR 2,679 thousand in

the reporting year (previous year: EUR 2,557 thousand).

The following table provides an overview of the maturities of the payments from the finance leases as at 31 December 2022 and 31 December 2021 with FP as lessor. It shows the contractually agreed payments that are allocable to lease components.

In EUR thousand	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
31 Dec. 2022							
Nominal payments	28,184	9,747	7,390	5,020	3,448	1,908	671
Non-guaranteed residual value	854						
Future interest income	-5,988						
Net leasing investment	23,050						
31 Dec. 2021							
Nominal payments	29,896	9,883	7,941	5,760	3,486	2,074	752
Non-guaranteed residual value	873						
Future interest income	-7,191						
Net leasing investment	23,579						

The following table shows the maturities of the payments from the operating leases as at 31 December 2022 and 31 December 2021 with FP as lessor. It shows the contractually agreed payments without separating any shares for non-lease components. The lease and non-lease components are separated in the respective period of revenue recognition.

In EUR thousand	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Nominal payments as at 31 Dec. 2022	42,689	21,987	9,288	5,972	3,450	1,275	717
Nominal payments as at 31 Dec. 2021	42,658	23,158	9,928	5,412	2,697	998	464

(23) Inventories

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Raw materials, consumables and supplies	6,781	5,983
Work in progress	277	210
Finished goods and goods for resale	12,434	10,336
Total	19,492	16,530

Impairment losses on inventories amounted to EUR 2,476 thousand (previous year: EUR 1,870 thousand) and were recognised under "Cost of materials" in the consolidated statement of comprehensive income as at the date of the impairment. In the reporting period, utilisation of inventories amounted to EUR 43,829 thousand (previous year: EUR 37,206 thousand) in the consolidated statement of comprehensive income.

(24) Trade receivables

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Trade receivables - Germany	8,657	9,869
Trade receivables - abroad	15,608	11,470
Trade receivables - gross	24,265	21,339
Impairment on trade receivables	-3,555	-1,861
Trade receivables - net	20,710	19,478

IMPAIRMENT LOSSES

In EUR thousand	
As at 1 January 2021	2,223
Foreign currency effects	72
Addition	1,164
Utilised	-1,304
Unused amounts reversed	-294
As at 31 December 2021	1,861
Foreign currency effects	-39
Addition due to business combination	678
Addition	2,317
Utilised	-798
Unused amounts reversed	-464
As at 31 December 2022	3,555

Impairment losses

The Group applies the simplified approach in accordance with IFRS 9 to measure expected credit losses for trade receivables. Under this approach, the credit losses expected over the term are used for all trade receivables. In accordance with the General Terms and Conditions, the leased machinery is returned to the FP Group if finance lease receivables are defaulted. The market prices of the assets less the return-related costs exceed the defaulted receivables.

Trade receivables based on joint credit risk characteristics and number of days past due were combined to measure expected credit losses.

The expected loss rates are based on the payment profiles of revenue over a period of three years and the relevant historical default rates. The historical default rates are adjusted to map current and forward-looking information on macroeconomic factors, which impact the ability of customers to settle receivables. As the most relevant factors, the Group has identified the gross domestic product and the employment rate of the countries in which it sells products and services and adjusts the historical loss rates on the basis of the expected changes of these factors.

On this basis, the impairment on trade receivables and contract assets as at 31 December 2022 and 31 December 2021 is calculated as follows:

31 December 2022		Due	Due	Due	Due	Due
In EUR thousand	Total	Immediately	< 30 days	30-60 days	61-90 days	> 90 days
Gross carrying amount - trade receivables	24,265	862	19,358	3,035	400	610
Impairment - not credit-impaired	-362	-2	-293	-52	-7	-8
Impairment - credit-impaired	-3,193	-713	-2,121	-197	-25	-136
31 December 2021						
Gross carrying amount - trade receivables	21,339	3,657	16,021	1,442	106	114
Impairment - not credit-impaired	-310	-5	-269	-1	0	-33
Impairment - credit-impaired	-1,551	-71	-1,464	-2	-3	-11

(25) Other assets

In EUR thousand	31 Dec. 2022	31 Dec. 2021
	2	1
		adjusted ¹⁾
Contract assets (non-current)	290	265
Costs to obtain contracts	1,036	1,113
Remaining non-current non-financial assets	36	36
Other non-current non-financial assets	1,363	1,414
Creditors with debit balances	4,140	3,807
Miscellaneous financial assets	2,058	1,553
Other current financial assets	6,197	5,360
Receivables from other taxes	266	136
Deferred payments	2,631	2,240
Contract assets (current)	97	84
Other current non-financial assets	1,123	259
Other current non-financial assets	4,116	2,718

¹⁾ The adjustment to the comparative period as at 31 December 2021 was made in connection with an adjustment in accordance with IAS 8.41 et seq. and is explained in note (9) to the consolidated financial statements.

Costs to obtain contracts include commissions paid to FP Group dealers for concluding contracts with customers that include non-lease components in multi-component leases. The costs are recognised as expense evenly over the term of the lease in question. In fiscal year 2022, EUR 1,092 thousand was amortised on costs to obtain contracts (previous year: EUR 720 thousand).

Miscellaneous current financial assets include deposits of EUR 1,155 thousand (previous year: EUR 500 thousand). The addition of the Azolver companies contributed to this increase in the amount of EUR 787 thousand.

(26) Cash and cash equivalents

In EUR thousand	31 Dec. 2022	31 Dec. 2021
	2	1
Bank balances	34,374	33,253
Checks and cash on hand	12	68
Total	34,387	33,321

EUR 11,541 thousand (previous year: EUR 13,600 thousand) of bank balances are restricted. This relates to telepostage received from customers that can be accessed by customers at any time. Other liabilities include an offsetting amount of EUR 24,072 thousand (previous year: EUR 27,824 thousand) in liabilities from telepostage funds.

(27) Equity

Changes in equity are shown in the statement of changes in equity.

The share capital is divided into 16,301,456 no-par value bearer shares with pro rata rights to the company's profits. Each share grants one vote at the Annual General Meeting and one dividend entitlement to the bearer of the share. The share capital is fully paid in.

The Share

At the Annual General Meeting on 11 June 2015, the Management Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital at the time of this resolution. The shares acquired under this authorisation, together with other treasury shares held by the company

or attributable to it in accordance with the sections 71d and 71e of the German Stock Corporation Act (AktG), must not account for more than 10% of the share capital at any time. The authorisation can be exercised in full or in part, and on one or more occasions. The authorisation remained in effect until 10 June 2020.

On October 9, 2017, the Management Board of Francotyp-Postalia Holding AG, with the consent of the Supervisory Board, resolved to implement a program to buy back shares in the Company on the basis of the aforementioned authorization resolution ("2017 share buyback program"). The shares were acquired for the purpose of serving subscription rights issued or to be issued under stock option plans. The buyback program started on October 13, 2017 and ran until January 12, 2018.

The Annual General Meeting of Francotyp-Postalia Holding AG on 10 November 2020 authorised the Management Board, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital at the time of this resolution. The shares acquired under this authorisation, together with other treasury shares held by the company or attributable to it in accordance with the sections 71d and 71e of the German Stock Corporation Act (AktG), must not account for more than 10% of the share capital at any time. The authorisation can be exercised in full or in part, and on one or more occasions. The authorisation remains in effect until 19 November 2025.

On 28 October 2022, the Management Board of Francotyp-Postalia Holding AG resolved with the approval of the Supervisory Board to launch a share buyback programme ("2022 share buyback programme") in exercise of the authorisation granted by the company's Annual General Meeting on 10 November 2020.

In the 2022 share buyback programme, up to 557,680 treasury shares (equating to around 3.4 % the company's current share capital) are to be bought back on the stock exchange at a total purchase price (not including ancillary acquisition costs) of no more than EUR 2.0 million in order to use them for any purposes permitted by stock corporation law.

In total, 545,007 shares had been purchased as at the reporting date under the two aforementioned share buyback programs.; 1,100 were used for the settlement of stock options with treasury shares in 2017 and 140,000 were used for the settlement of stock options in 2020.

As of December 31, 2022, Francotyp-Postalia Holding AG thus holds 403,907 treasury shares (previous year: 257,393). This corresponds to 2,5 % (previous year: 1.6 %) of the share capital. Capital reserve

The additional paid-in capital includes amounts in accordance with § 272 (2) nos. 1 1 and 2 HGB. The capital reserve remains unchanged at EUR 34,296 thousand.

AUTHORISATIONS FOR AUTHORISED AND CONTINGENT CAPITAL

In EUR thousand

Contingent Capital 2010/I	657
Authorised Capital 2015/I	8,080
Contingent Capital 2015/II	960
Authorised Capital 2020/I	8,150
Contingent Capital 2020/I	6,464

Contingent Capital 2010/I

On 11 June 2015, the Annual General Meeting resolved to adjust Contingent Capital 2010/I. The contingent capital was reduced by EUR 388,500 from EUR 1,045,000 to EUR 656,500, as the 2010 stock option plan was reduced by 388,500 options to 656,500 options. Article 4 (5) of the company's Articles of Association regarding Contingent Capital 2010 has been amended as follows:

"The company's share capital is contingently increased by up to EUR 656,500 by issuing up to 656,500 new bearer shares".

Contingent Capital 2015/II

On 11 June 2015, the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 959,500 by issuing up to 959,500 bearer shares. The contingent capital increase was exclusively intended to serve subscription rights granted up to 10 June 2020 on the basis of the authorisation of the Annual General Meeting on 11 June 2015 in accordance with the 2015 stock option plan. The contingent capital increase will only be implemented to the extent that the bearers of the issued subscription rights exercise their rights to subscribe to shares in the company and the company does not grant any treasury shares to serve subscription rights. The new shares participate in profits from the beginning of the fiscal year in which subscription rights are exercised.

Bonds

By way of resolution of the Annual General Meeting on 10 November 2020, the Management Board was authorised, with the approval of the Supervisory Board, to issue, on one or more occasions and in full or in partial amounts, warrant or convertible bonds, profit participation certificates, participating bonds or combinations of these instruments (collectively referred to as "bonds") with a total nominal amount of up to EUR 50,000,000 up to 9 November 2025, and to grant the bearers or creditors (collectively referred to as "bearers") of the respective bonds options or conversion rights to acquire bearer shares of the company accounting for a total pro rata amount of share capital of up to EUR 6,464,000 in accordance with the further conditions of the bonds and to establish the corresponding option or conversion obligations. The bonds and the options and conversion rights/obligations can be issued with a

duration of up to 30 years or as perpetual instruments. Bonds can also be issued in whole or in part against contributions in kind.

The individual issues can be divided into different types of bonds with equal rights. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights to bonds.

Authorised Capital 2020/I

By way of the Annual General Meeting resolution from 10 November 2020, the Management Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by issuing new bearer shares against cash or non-cash contributions on one or more occasions by up to a total EUR 8,150,000 by 9 November 2025 (Authorised Capital 2020/I). Shareholders have subscription rights to the new rights. In accordance with section 186 (5) of the German Stock Corporation Act (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 shareholders for subscription. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholder's subscription rights on one or more occasions.

The Management Board is also authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the conditions of issuing shares.

Authorised Capital 2020/I is intended to provide management with room for manoeuvre as the Authorised Capital available to management expired on 10 June 2020 in accordance with an Annual General Meeting resolution from 11 June 2015 (Authorised Capital 2015/I). It serves to broaden the company's equity base and should allow management to respond appropriately to future developments.

Contingent Capital 2020/I

On 10 November 2020, the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 6,464,000 by issuing up to 6,464,000 new bearer shares, each accounting for a pro rata amount of share capital of EUR 1.00 (Contingent Capital 2020/I).

The contingent capital 2020/I serves to grant shares to the holders or creditors of warrant or convertible bonds, profit participation certificates or participating bonds (or combinations of these instruments) that were issued by the company or one of its direct or indirect Group companies as defined by section 18 AktG by 9 November 2025. This is only carried out to the extent that options or conversion rights from the above bonds are utilised or option or conversion obligations arising from these bonds are met, unless other means of settling the obligation are used. New shares are issued at the option or conversion price to be determined based on the above authorisation. The new shares participate in profits from the beginning

of the fiscal year in which they arise as a result of options or conversion rights being exercised or conversion obligations being fulfilled.

The authorisation to issue option or convertible bonds resolved by the Annual General Meeting on 11 June 2015 (Contingent Capital 2015/I) was rescinded as a precaution.

2010 stock option plan

Under the 2010 stock option plan, subscription rights are issued to members of the Management Board of the company, to members of the management boards of affiliated companies as defined in section 15 AktG and to executives of the FP Group that entitle the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price.

The stock option plan exclusively allows for settlement in equity instruments, primarily by treasury shares and secondarily by way of a contingent capital increase.

The Annual General Meeting on 11 June 2015 resolved that 200,000 options under the 2010 stock option plan will no longer be issued.

2015 stock option plan

Under the 2015 stock option plan, subscription rights are issued to members of the Management Board of the company, to members of the management boards of affiliated companies as defined in section 15 AktG and to executives of the FP Group that entitle the bearers to subscribe to a maximum of 959,000 shares against payment of the exercise price.

The company can elect to use treasury shares to serve the subscription rights under the 2015 stock option plan instead of new shares if this is covered by a separate resolution to authorise passed by the Annual General Meeting.

Stock option plans

The purpose of both stock option plans, in accordance with paragraph 1.3 of the respective stock option plan, is "a lasting link between the interests of management and executives and the interests of the shareholders in a long-term increase in enterprise value".

In accordance with paragraph 2.2 of the respective stock option plan, each stock option grants the right to acquire one share in Francotyp-Postalia Holding AG.

Subscription rights that had not been exercised were as follows as at the end of the reporting period:

Date of grant	Number of instruments (EUR thousand)	Contractual term of the option after award date	Securitisati on	Premium at grant date
6 Dec. 2013	27,500	10 years	No	None
31 Aug. 2015	285,000	10 years	No	None
25 Nov. 2015	40,000	10 years	No	None

All the following conditions must be met for the options to be exercised under the 2010 and 2015 stock option plans:

a) Vesting period	Four years before the options can be exercised (service condition).
b) Performance target	10% increase in EBITDA (IFRS) in the consolidated financial statements for the fiscal year in which the subscription rights are awarded compared to EBITDA (IFRS) in the consolidated financial statements for the last fiscal year before being awarded. If the EBITDA (IFRS) is shown adjusted for restructuring costs in one or both of the consolidated annual financial statements to be compared, this EBITDA (IFRS) adjusted for restructuring costs applies. If the performance target was not met, the subscription rights expire and can be reissued to participants of the Group. This performance target is a non-market performance condition.
c) Personal exercise conditions	The option bearer must work for either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

The following overview shows the fair values of the options of the individual tranches for the 2010 and 2015 stock option plans and the underlying measurement criteria. The options were measured using a Black-Scholes option pricing model as there is no public trading of options for Francotyp-Postalia shares with the same features.

Grant date

		SOP 2010					SOP 2015		
		1 Sep. 2010	27 Apr. 2012	7 Sep. 2012	6 Dec. 2013	11 Jun. 2014	31 Aug. 2015	25 Nov. 2015	31 Aug. 2016
31 Dec. 2022									
One option	In EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	In EUR thousand	0	39	0	51	0	305	43	0
31 Dec. 2021									
One option	In EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	In EUR thousand	0	39	0	51	0	326	43	193
Price per FP share		EUR 2.55	EUR 2.60	EUR 2.32	EUR 4.10	EUR 4.71	EUR 4.39	EUR 4.46	EUR 4.20
Exercise price ¹⁾		EUR 2.50	EUR 2.61	EUR 2.34	EUR 3.86	EUR 4.56	EUR 4.48	EUR 4.48	EUR 3.90
Expected exercise date		31 Aug. 2015	26 Apr. 2017	6 Sep. 2017	5 Dec. 2018	10 Jun. 2019	30 Aug. 2020	24 Nov. 2020	30 Aug. 2022
Forecast average holding period in years		5	5	5	5	5	5	5	5
Expected volatility ²⁾		74.48%	70.84%	71.31%	59.94%	52.21%	38.81%	37.41%	36.62%
Annual dividend yield ³⁾		2%	2%	2%	2%	2%	3%	3%	3%
Matched-term, risk-free interest rate ⁴⁾		1.32%	0.67%	0.60%	0.82%	0.44%	0.07%	0.07%	-0.48%
Expected number of exercisable stock options at award date		741,439	52,031	16,476	39,646	19,596	302,426	26,015	65,888
Estimated annual employee turnover		3.5%	3.5%	3.5%	7.7%	7.7%	7.8%	7.8%	7.5%
Expected increase in EBITDA of more than 10% year-on-year		95%	80%	95%	95%	90%	90%	90%	50%

¹⁾ The exercise price of an option awarded is equal to the average market price (closing price) of bearer shares of the company in Deutsche Börse AG's electronic Xetra trading in Frankfurt am Main or a comparable successor system on the last 90 calendar days before the subscription right is granted, at least the amount of share capital accounted for by the share. When exercising options, the respective option holder must pay the exercise price per share. There is a limit for members of the Management Board of Francotyp-Postalia Holding AG. Item 9 of the stock option plan states: "The Supervisory Board must stipulate maximum total annual remuneration (a cap) for the Management Board in accordance with item 4.2.3 of the German Corporate Governance Code. This will be agreed in a supplementary agreement to Management Board members' contracts before options are awarded."

²⁾ Determined in reference to the price volatility of an FP share in the respective period.

³⁾ Assessment takes account of the distribution behaviour of the FP Group in the past.

⁴⁾ The matched-term, risk-free interest rate for the expected option term of five years (or six years) is based on the corresponding yield curve data, whereby hypothetical zero bonds were derived from the current yields of coupon bonds of the Federal Republic of Germany.

Options	SOP 2010		SOP 2015	
	Number	Average exercise price in EUR	Number	Average exercise price in EUR
As at 1 Jan. 2021	57,500	3.21	525,000	4.28
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	-200,000	3.96
Exercised in fiscal year	0	n/a	0	n/a
Expired in fiscal year	0	n/a	0	n/a
As at 31 Dec. 2021	57,500	3.21	325,000	4.48
Range of exercise price		2.50-3.86		3.90-4.48
Average remaining term as at 31 Dec. 2021		14 months		44 months
Exercisable as at 31 Dec. 2021	57,500	3.21	325,000	4.48
As at 1 Jan. 2022	57,500	3.21	325,000	4.48
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	0	3.96
Exercised in fiscal year	0	n/a	0	n/a
Expired in fiscal year	-30,000	n/a	0	n/a
As at 31 Dec. 2022	27,500	3.21	325,000	4.48
Range of exercise price		2.50-3.86		3.90-4.48
Average remaining term as at 31 Dec. 2022		14 months		44 months
Exercisable as at 31 Dec. 2022	27,500	3.21	325,000	4.48

No expenses resulting from stock option plans were recognised in the reporting year or in the previous year.

Other comprehensive income

Foreign currency translation

The effects of the currency translation of foreign financial statements are recognised in the currency translation adjustment. In the reporting year, the effect amounted to EUR 393 thousand (previous year: EUR 1,915 thousand).

Net investment in foreign operations

In accordance with the liquidity planning of Francotyp-Postalia Canada Inc. (Canada), repayment of the reported liabilities to FP GmbH was not expected in the foreseeable future in the previous year. FP GmbH therefore treated these monetary items as a net investment in a (Canadian) business operation. After settlement of the liability, the net currency difference after deferred taxes of EUR -22 thousand (previous year: EUR 41 thousand) resulting from the translation was recognised in other comprehensive income in accordance with IAS 21.32 et seq.

Adjustment due to IAS 19

The adjustment due to IAS 19 relates to the recognition of actuarial gains and losses from provisions for pensions and similar obligations. The

change in this item of EUR 2,636 thousand in the reporting year (previous year: EUR 478 thousand) is primarily attributable to actuarial losses from the change in discount rates.

Reserve for cash flow hedges

The reserve for cash flow hedges comprises the effective portion of the cumulative net changes in the fair value of hedging instruments used to hedge cash flows until their subsequent recognition in profit or loss or direct recognition in the cost or carrying amount of a non-financial asset or liability. Accordingly, the reserve for cash flow hedges includes changes in the spot component of forward exchange transactions as well as changes in the intrinsic value of foreign currency options recognised in other comprehensive income and amounts to EUR 316 thousand as at 31 December 2022 (previous year: EUR -239 thousand).

Reserve for hedging costs

The reserve for hedging costs shows gains and losses on the portion excluded from the designated hedge that relates to the forward element of a forward foreign exchange contract or the fair value of an option contract. These are initially recognised as other comprehensive income and accounted for in the same way as gains and losses on the hedging reserve. The

reserve for hedging costs includes changes in the forward component of forward exchange contracts recognised in other comprehensive income as well as changes in the fair value of the foreign currency options and amounted to EUR 64 thousand as at 31 December 2022 (previous year: EUR -79 thousand).

Distribution of a dividend

No dividends were distributed in the 2022 and 2021 reporting years.

(28) Provisions for pensions and similar obligations

There are defined benefit pension plans in some cases for employees' occupational pensions in Germany, Austria, France, the Netherlands and Italy.

Under a works agreement dated 9 July 1996 concerning the German companies, the beneficiaries of these plans are all employees who began work before 1 January 1995. Benefits in the form of pensions, disability and survivors' benefits are granted to employees after completing ten eligible years. The amount of pension commitments is based on the duration of employment and employees' pay.

Furthermore, in accordance with the "Pension Policy for Above-scale Employees" as amended January 1986, employees above the general pay scale are also entitled to pensions, disability and survivors' benefits. The beneficiaries have to have been employed before 1 January 1994 and have completed at least ten years of service. The amount of pension commitments is based on the duration of employment and employees' pay.

Death benefits are payable to the surviving dependants of employees in accordance with the framework collective agreement for employees and the works agreement dated 30 December 1975. The benefits are dependent on the duration of employment and employees' pay and are paid as a fixed amount.

In addition, some European subsidiaries are legally obliged to set up pension plans. These plans provide for a one-time payment at the end of employment. The amount of payments is based on the duration of employment and employees' pay. In the Netherlands, there is a defined benefit plan under which the

increases in obligations attributable to the years are covered by the annual purchases of insurance. At Azolver Schweiz AG, there is a legal obligation to provide a company pension via company pension funds.

Azolver Schweiz AG is affiliated with the Swiss Life Collective BVG Foundation, Zurich, for the company pension. All regulatory benefits are fully reinsured by Swiss Life AG under the relevant contract. With this pension solution, the risks of disability, death and longevity are fully reinsured by Swiss Life. Swiss Life invests the vested benefit capital and issues a 100% capital and interest rate guarantee. In 2022, the guaranteed interest rate was 1.00% for the obligatory retirement assets and 0.25% for the supplementary retirement assets. The pension plan is entitled to an annual bonus from Swiss Life, which comprises the effective savings, risk and cost result.

In particular there are actuarial risks such as longevity risk or interest rate risks in connection with defined benefit plans.

This is based on the following key actuarial assumptions for the calculation of the defined benefit obligation as at the end of the reporting period:

In % per year	31 Dec. 2022	31 Dec. 2021
Interest rate	0.88-3.88	0.88-1.10
Salary trend	2.38-3.00	1.92-3.00
Pension trend	0.00-4.50	1.92-2.00

The biometric data, such as mortality and disability, for pensions in Germany is based on the updated 2018 G mortality tables by Prof. Dr. Klaus Heubeck, which are generally accepted for the measurement of occupational pension commitments. Italy and Austria follow the same procedure. For the defined benefit pension plan in the Netherlands, the Dutch Actuarial Society's mortality tables (AG 2020) are used.

In Switzerland, the biometric calculation bases are based on databases of the BVG collective foundation Swiss Life.

Provision for pensions and similar obligations and projected benefit obligation in TEUR

In EUR thousand	Present value of defined benefit obligation		Fair value of plan assets		Net liability of the pension obligation	
	2022	2021	2022	2021	2022	2021
As at 1 Jan. of the reporting period	18,959	20,537	0	0	18,959	20,537
Addition from company acquisition	1,674	0	-1,234	0	440	0
In profit or loss						
Current service cost	148	100	-37	0	111	100
Interest expense (+)/income (-)	171	84	-11	0	161	84
In other comprehensive income						
Remeasurement						
Actuarial gains and losses	0	0	0	0	0	0
from changes in biometric assumptions	-9	-1	0	0	-9	-1
from changes in financial assumptions	-4,712	-827	0	0	-4,712	-827
due to experience adjustments	833	118	0	0	833	118
Income from plan assets (not including above interest income)	0	0	18	0	18	0
Exchange rate changes	31	0	-52	0	-21	0
Other						
Employer contributions to pension plan	-256	-387	-37	0	-293	-387
Payments from pension plan	-945	-664	98	0	-847	-664
As at 31 Dec. of the reporting period	15,894	18,959	-1,255	0	14,640	18,959

DEFINED BENEFIT OBLIGATION

In %	31 Dec. 2022	31 Dec. 2021
Active beneficiaries	16.7	13.6
Beneficiaries who have left the company	25.9	30.0
Retired employees	57.3	56.5

All pension commitments are vested.

The weighted average term of pension commitments is 11.8 years as at 31 December 2022 (previous year: 14.1 years).

MATURITY OF THE UNDISCOUNTED PENSION OBLIGATIONS

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Up to 1 year	858	939
1 - 5 years	3,682	2,954
6 - 10 years	4,531	3,697
More than 10 years	16,099	13,968
Total	25,170	21,558

The table below shows the effect of the change in actuarial assumptions on defined benefit obligations as at 31 December 2022:

SENSITIVITY ANALYSIS AS AT 31 DEC. 2022

In EUR thousand	Increase	Decrease
Interest rate (change of 1.0%)	-1,794	2,204
Salary trend (change of 0.5%)	752	-683
Pension trend (change of 0.25%)	675	-625
Life expectancies (change of 1 year)	637	-590

The sensitivity analysis was performed in isolation for the key actuarial assumptions in order to show their effects on defined benefit obligations calculated as at 31 December 2022 separately.

(29) Tax assets and liabilities

Deferred tax assets and liabilities are recognised as follows in relation to measurement differences on

individual items of the statement of financial position and tax loss carryforwards:

In EUR thousand	Net as at 31 Dec. 2021	Recognise d in profit/loss	Recognise d directly in equity	Acquired through business com- bination	Other	Net as at 31 Dec. 2022	Deferred tax assets	Deferred tax liabilities
Intangible assets	-6,069	2,297	0	1,090	16	-4,846	3,303	-8,150
Property, plant and equipment	-5,174	-738	0	119	-98	-6,129	563	-6,692
Receivables and other assets	753	-37	42	105	-23	629	2,225	-1,596
Outside basis differences	-745	65	0	0	0	-680	0	680
Provisions	5,412	-1,654	1,179	29	-11	2,540	4,146	-1,606
Liabilities	5,198	526	0	578	40	5,290	6,291	-1,000
Tax loss carryforwards	10,135	2,395	0	640	-11	13,159	13,159	0
Unrecognised deferred tax assets	-11,091	-1,472	0	256	-2	-12,821	-12,821	0
Total	-1,582	329	1,137	381	-89	-2,859	16,865	-19,724
Tax offset							-15,810	15,810
Group carrying amount							1,055	-3,914

Deferred tax assets for loss carryforwards are based on the expectation that loss carryforwards can be offset against future taxable profits.

The deferred taxes not capitalised are based on loss carryforwards of EUR 44,690 thousand (previous year: EUR 33,101 thousand). No deferred taxes were recognised for temporary differences of EUR 270 thousand (previous year: EUR 4,880 thousand). These relate to the German companies and, in particular, to subsidiaries in France Italy and Norway.

In total, the Group has corporate tax loss carryforwards of EUR 35,121 thousand (previous year: EUR 29,866 thousand), trade tax loss carryforwards of EUR 38,001 thousand (previous year: EUR 29,582 thousand) and foreign tax losses of EUR 9,308 thousand (previous year: EUR 6,494 thousand).

At the end of the reporting period, there were deferred tax liabilities of EUR 225 thousand (previous year: EUR 148 thousand) from outside basis differences, arising from temporary differences in the amount of EUR 736 thousand (previous year: EUR 491 thousand), which were not recognised separately because the requirements of IAS 12.39 were met.

The German Group audit for the years 2013-2015, which began in 2018, was completed in the reporting year. The resulting back tax payments were made in 2022..

International mutual agreement procedures for the avoidance of double taxation have been carried out against the significant corrections of transfer prices for deliveries of goods by the Francotyp Postalia GmbH entity to its foreign sales companies in the USA and the Netherlands made in the context of the tax audit for the years 2009-2012. In January 2021, the German Federal Central Tax Office confirmed that an agreement had been reached in the proposed mutual agreement procedure under the German-American double taxation treaty. This agreement is essentially in line with the proposal. This resulted in tax refunds at Francotyp-Postalia Inc. In January 2022, the German Federal Central Tax Office confirmed that a mutual agreement solution had also been found for the mutual agreement procedure with the Netherlands. This is essentially in line with the application. Expected reimbursements from international mutual agreements in Germany and abroad and from overpayments of current tax receivables of EUR 4,288 thousand (previous year: EUR 5,509 thousand) as well as non-current tax receivables in the amount of EUR 360 thousand in the previous year. The measurement of the tax receivable at the management's discretion was based on an estimate of the most likely result of the realisation of the receivable.

(30) Other provisions

In EUR thousand	As at 1 Jan. 2022	Currency differences	Utilisation	Unused amounts reversed	Addition	As at 31 Dec. 2022
Personnel	5,778	23	-3,907	-727	4,466	5,633
Restructuring	9,728	0	-996	-1,407	138	7,463
Warranties	191	-1	-37	-12	366	507
Invention royalties	111	0	-94	-18	121	120
Litigation costs	421	-3	-11	-39	13	381
Discounts and rebates	46	0	-46	0	0	0
Onerous contracts	1	0	-1	0	1	1
Miscellaneous provisions	1,551	1	-874	0	218	896
Other provisions	17,828	19	-5,966	-2,203	5,323	15,001

Provisions for personnel essentially include provisions for severance payments, anniversary provisions, obligations under early retirement plans and bonuses.

Besides measures in Germany, the restructuring provision also affects all subsidiaries in Germany and abroad. This provision includes costs for contract terminations and consultancy fees. The employees impacted and the employee representatives were informed of the measures. The implementation of measures was started in fiscal year 2021 and continued in fiscal year 2022 as well as 2023. The estimated costs are based on the conditions of the relevant contracts. In addition, probability-weighted assumptions were used to determine the value, particularly in the areas of personnel expenses and estimated acceptance rates.

Miscellaneous provisions include risks for other taxes and interest from tax audits in the amount of EUR 633 thousand (previous year: EUR 1,365 thousand).

The obligations under early retirement plans of EUR 78 thousand (previous year: EUR 101 thousand) are based on the following key actuarial assumptions:

In % per year	31 Dec. 2022	31 Dec. 2021
Interest rate	2.33	-0.22
Salary trend	3.00	3.00

The anniversary provisions of EUR 179 thousand (previous year: EUR 196 thousand) are based on the following key actuarial assumptions:

In % per year	31 Dec. 2022	31 Dec. 2021
Interest rate	3.38	0.07-0.88
Salary trend	3.00	3.00
Social security trend	2.50	2.00-2.50

The biometric data, such as mortality and disability, for obligations under early retirement plans and anniversary provisions in Germany is based on the updated mortality tables 2018 G by Prof. Dr. Klaus Heubeck. In Austria, it is based on the updated mortality tables Pagler & Pagler (AVÖ 2018 P).

The provisions for litigation costs essentially relate to expected costs for pending legal disputes.

Provisions for warranties were recognised for products sold on the basis of past experience.

Income from the reversal of provisions amounting to EUR 2,203 thousand (previous year: EUR 2,989 thousand) relates primarily to provisions for personnel (including bonuses, premiums and severance payments) of EUR 727 thousand (previous year: EUR 2,050 thousand), provisions for restructuring measures amounting to EUR 1,407 thousand (previous year: EUR 423 thousand) and provisions for litigation costs of EUR 39 thousand (previous year: EUR 296 thousand).

The remaining terms of the other provisions are shown in the following table.

In EUR thousand	31 Dec. 2022			31 Dec. 2021		
	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years
Personnel	5,633	4,600	1,033	5,779	4,466	1,313
Restructuring	7,463	7,463	0	9,728	9,728	0
Warranties	507	507	0	191	191	0
Invention royalties	120	120	0	111	111	0
Litigation costs	381	381	0	420	420	0
Licence costs	0	0	0	0	0	0
Discounts and rebates	0	0	0	46	46	0
Onerous contracts	1	1	0	1	1	0
Miscellaneous provisions	896	842	54	1,551	1,506	45
Other provisions	15,001	13,924	1,087	17,829	16,471	1,358

(31) Liabilities

	31 Dec. 2022				31 Dec. 2021			
	Remaining term				Remaining term			
	Total	< 1 year	> 1 year ≤ 5 years	> 5 years	Total	< 1 year	> 1 year ≤ 5 years	> 5 years
Liabilities to banks	29,761	7,278	22,483	0	29,708	9	29,699	0
Lease liabilities	11,226	4,223	6,362	641	10,468	3,453	5,996	1,019
Liabilities to non-consolidated affiliates	1	1	0	0	1	1	0	0
Financing liabilities	40,988	11,502	28,845	641	40,177	3,463	35,695	1,019
Trade payables	13,583	13,583	0	0	12,904	12,904	0	0
Liabilities from teleporto	25,072	25,072	0	0	27,824	27,824	0	0
Liabilities from derivatives	1,124	1,124	0	0	1,725	1,725	0	0
Miscellaneous financial liabilities	8,784	8,399	385	0	6,126	5,876	250	0
Other financial liabilities	34,980	34,595	385	0	35,675	35,425	250	0
Income tax liabilities	6	6	0	0	15	15	0	0
Liabilities from other taxes	2,021	2,021	0	0	1,438	1,438	0	0
Liabilities to employees	2,376	2,376	0	0	1,300	1,300	0	0
Liabilities for social security contributions	668	668	0	0	482	482	0	0
Contract liabilities	9,593	8,475	1,118	0	8,522	7,703	819	0
Deferred payments	7,915	7,915	0	0	5,922	5,922	0	0
Miscellaneous non-financial liabilities	84	84	0	0	79	79	0	0
Other non-financial liabilities	22,663	21,545	1,118	0	17,758	16,939	819	0
Total	112,214	81,225	30,348	641	106,514	68,731	36,764	1,019

The amount of EUR 29,750 thousand (previous year: EUR 29,699 thousand) of the total liabilities to banks amounting to EUR 29,761 thousand (previous year: EUR 29,708 thousand) is due to an international banking consortium. For further details, see note 32 4. Liquidity risks.

In accordance with the syndicated loan agreement in place on 31 December 2022, an interest rate pegged to EURIBOR has been determined for the individual loans. Due to the increase in the interest rates for 3-month EURIBOR and 6-month EURIBOR, a 24-month interest rate hedge was concluded in fiscal year 2022.

The extension in the 2022 reporting year of the financing agreements concluded in previous years resulted in a contractual partial repayment obligation in 2022. Accordingly, the liabilities are reported with a remaining term of less than one year (EUR 7,263 thousand) and of more than one year (EUR 22,483 thousand).

Teleporto liabilities relate to customer funds held in trust.

Contract liabilities essentially include deferred revenue received in accordance with IFRS 15. The deferred payments mainly include deferred revenue from incoming payments in accordance with IFRS 16.

(32) Financial instruments

Classes of financial instruments

The following table shows the carrying amounts of all financial instruments included in the consolidated

financial statements and their measurement category in accordance with IFRS 9.

FINANCIAL ASSETS AND LIABILITIES

In EUR thousand		Carrying amount	
Item in statement of financial position	Measured at ¹⁾	2022	2021
Finance lease receivables (non-current)	n/a ²⁾	15,571	16,586
Derivative financial instruments with a hedging relationship	FV	186	0
Other non-current financial assets	AC	56	193
Non-current financial assets		15,813	16,780
Trade receivables	AC	20,710	19,478
Finance lease receivables (current)	n/a ²⁾	7,479	6,992
Derivative financial instruments with a hedging relationship	FV	94	0
Derivative financial instruments without a hedging relationship	FV	0	0
Other financial assets (current)	AC	6,197	5,360
Other current financial assets		13,771	12,353
Cash and cash equivalents	AC	34,387	33,321
Liabilities to banks (non-current)	AC	22,483	29,699
Lease liabilities (non-current)	n/a ²⁾	7,003	7,015
Non-current financing liabilities		29,487	36,714
Other financial liabilities (non-current)	AC	385	250
Other non-current financial liabilities		385	250
Liabilities to banks (current)	AC	7,278	9
Lease liabilities (current)	n/a ²⁾	4,223	3,453
Other financing liabilities (current)	AC	1	1
Current financing liabilities		11,502	3,463
Trade payables	AC	13,583	12,904
Derivative financial instruments with a hedging relationship	FV	1	178
Derivative financial instruments without a hedging relationship	FV	1,123	1,548
Other financial liabilities (current)	AC	33,472	33,700
Other current financial liabilities		34,595	35,425
Thereof, as per IFRS 9 measurement categories			
Financial assets measured at amortised cost (FAAC)		61,350	58,353
Financial assets at fair value through profit or loss (FVTPL)		0	0
Derivative financial assets in a hedging relationship		281	0
Financial liabilities measured at amortised cost (FLAC)		77,202	76,563
Financial liabilities measured at fair value through profit or loss (FLFV)		1,123	1,548
Derivative financial liabilities in a hedging relationship		1	178
AC - amortised cost, FV - fair value			
Finance lease receivables and lease liabilities are covered by IFRS 16 and are thus not allocated to any of the measurement categories formed under IFRS 9.			

Most of the trade receivables, other financial assets (current), cash and cash equivalents, trade payables, current financing liabilities and other financial liabilities (current) have short remaining maturities. The carrying amounts of these financial instruments thus approximate their fair values as at the end of the reporting period.

The carrying amount of non-current financial assets and liabilities and non-current financing liabilities measured at amortised cost approximate their fair value, as these bear variable interest or there have been no material changes to the applicable measurement parameters since the initial recognition of these financial instruments.

The table below contains information on measuring financial assets and liabilities at fair value through profit or loss, including their level in the fair value hierarchy.

Financial instruments	Fair value	Fair value	Measurement method	Significant unobservable inputs	Hierarchy
Figures in EUR thousand	31 Dec. 2022	31 Dec. 2021			
Financial assets measured at fair value					
Derivative financial instruments with positive fair values	281	0	Market approach: the fair values are based on brokers' price quotations	Not applicable	Level 2
Financial liabilities measured at fair value					
Derivative financial instruments with negative fair values	1,124	1,725	Market approach: the fair values are based on brokers' price quotations	Not applicable	Level 2

At the end of the reporting period, an examination is made whether reclassifications between measurement hierarchies is required. No reclassifications were made in fiscal years 2022 and 2021.

Risk management

In the context of its operating activities, the FP Group is exposed to credit risks, liquidity and market risks in the financial sector. In particular, market risks relate to interest rate and exchange rate risks.

The overall risk management system of the Group takes into account the unpredictability of financial markets and aims to minimise the negative impact on the result of operations of the Group. The Group uses certain financial instruments to achieve this goal.

For further details on the qualitative information on risk management and financial risks, please see the risk report in the Group management report.

No further significant risk clusters in relation to financial instruments have been identified. The framework, responsibilities, financial reporting procedures and control mechanisms for financial instruments are set out in internal regulations for the Group. This includes a separation of duties between the monitoring and controlling of financial

instruments. The currency, interest rate and liquidity risks of the FP Group are managed centrally.

1. Foreign currency risks

Given its global operations, the FP Group is exposed to foreign exchange risks in its ordinary activities. Foreign currency risks arise from statement of financial position items, from pending transactions in foreign currencies and cash inflows and outflows in foreign currencies. Derivative financial instruments are used to minimise these risks.

Translation risks

Income from translation differences and hedges of EUR 2,504 thousand (previous year: EUR 2,909 thousand) and expenses of EUR 2,054 thousand (previous year: EUR 1,389 thousand) were recognised in net finance costs in the reporting year.

Transaction risks

The risk is mainly mitigated by invoicing business transactions (sales and purchases of products and services as well as investing and financing activities) in the respective functional currency. Moreover, it offsets the foreign currency risk in part by procuring goods, raw materials and services in the corresponding foreign currency.

Operating units are prohibited from borrowing or investing funds in foreign currencies for speculative reasons. Intragroup financing or investments are preferably carried out in the respective functional currency. Corporate financing is organised and carried out by FP Holding and Francotyp-Postalia GmbH.

With all other parameters remaining constant, the following table shows the sensitivity of consolidated profit/loss before taxes and consolidated equity to possible changes in the exchange rates relevant to the FP Group (GBP, USD, CAD, SEK). The unhedged transactions in the relevant currencies (net risk position) and the existing financial instruments and net investments in accordance with IAS 21 were used as the benchmark for the calculated sensitivities.

DERIVATIVE FINANCIAL INSTRUMENTS IN GBP

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
GBP	+5%	323	-33
	-5%	-302	57
2021			
GBP	+5%	95	-120
	-5%	-137	108

DERIVATIVE FINANCIAL INSTRUMENTS IN USD

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
USD	+5%	0	-234
	-5%	0	152
2021			
USD	+5%	0	-618
	-5%	0	34

DERIVATIVE FINANCIAL INSTRUMENTS IN CAD

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
CAD	+5%	0	-33
	-5%	0	29
2021			
CAD	+5%	0	0
	-5%	0	0

NET RISK POSITION IN GBP

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
GBP	+5%	207	0
	-5%	-187	0
2021			
GBP	+5%	143	0
	-5%	-129	0

NET RISK POSITION IN USD

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
USD	+5%	858	0
	-5%	-776	0
2021			
USD	+5%	949	0
	-5%	-858	0

NET RISK POSITION IN CAD

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
CAD	+5%	98	0
	-5%	-89	0
2021			
CAD	+5%	151	0
	-5%	-136	0

NET RISK POSITION IN SEK

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
SEK	+5%	81	0
	-5%	-73	0
2021			
SEK	+5%	87	0
	-5%	-79	0

NET INVESTMENTS IN CAD

In EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2022			
CAD	+5%	0	0
	-5%	0	0
2021			
CAD	+5%	0	40
	-5%	0	-36

The Group uses foreign exchange forward transactions and foreign currency options to hedge foreign exchange risks from anticipated future cash inflows in US dollars (USD), Canadian dollars (CAD) and pound sterling (GBP). According to Group guidelines, the material contractual terms of the forward transactions and options must be consistent with the hedged items.

The FP Group recognises all changes (including the forward element as hedging costs) of the fair value of foreign exchange future contracts and foreign currency options in equity.

In accordance with IFRS 9, changes to the forward elements of foreign exchange transactions and the time value of options which relate to the hedged items are deferred in the hedging reserve.

To minimise earnings fluctuations, hedging transactions together with the underlying transactions were transferred to a new hedging unit as at 31 December 2022, taking account of the provisions of IFRS 9.

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2022

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency (31 Dec. 2022)	Average hedged price	Type of hedge	Carrying amount as at 31 Dec. 2022	Effectiveness test/effective part, spot element	Effectiveness test/ineffective part	Undesignated part of the hedge, forward element
					Other current financial assets (+)/liabilities (-)	Reserve for cash flow hedges	Profit/loss	Reserve from hedging transactions
USD	33,000,000	15,600,000	1.10 EUR/USD	FX collar/cash flow hedge	79,601	0	0	79,601
GBP	5,400,000	1,920,000	0.90 EUR/GBP	FX collar/cash flow hedge	14,853	0	0	14,853
CAD	3,600,000	900,000	1,4505	DTG/-Cash Flow-Hedge	-639	2,601	0	-3,240

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2021

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency (31 Dec. 2021)	Average hedged price	Type of hedge	Carrying amount as at 31 Dec. 2021	Effectiveness test/effective part, spot element	Effectiveness test/ineffective part	Undesignated part of the hedge, forward element
					Other current financial assets (+)/liabilities (-)	Reserve for cash flow hedges	Profit/loss	Reserve from hedging transactions
USD	36,000,000	15,600,000	1.1933 EUR/USD	FX collar/cash flow hedge	-132,324	-28,592	0	-103,733
GBP	4,200,000	1,920,000	0.8581 EUR/GBP	Currency forward/cash flow hedge	-45,313	-36,182	0	-9,131
CAD	4,128,000	0			0	0	0	0

The FP Group is anticipating cash flows in US dollars of USD 33,000 thousand in 2022 (previous year: USD 36,000 thousand) from the operating activities of its US subsidiary. As at the end of December 2022, currency forwards and foreign currency options with a fixed maturity in the amount of USD 15,600 thousand were concluded (previous year: USD 15,600 thousand).

The FP Group is anticipating cash flows in GBP of GBP 5,400 thousand in 2022 (previous year: GBP 4,200 thousand) from the operating activities of its subsidiary in the United Kingdom. As at the end of December 2022, currency forwards with a fixed maturity in the amount of GBP 1,920 thousand (previous year: GBP 1,920 thousand) were concluded.

The FP Group expects cash flows in CAD from the operating activities of the subsidiary in Canada in 2022 in the amount of CAD 3,600 thousand (previous year: CAD 4,128 thousand). Forward exchange contracts of CAD 900 thousand (previous year: CAD 0 thousand) with a fixed maturity had been concluded as at the end of December 2022.

Taking account of the currency hedges in place at the reporting date, the following net risk positions result:

NET RISK POSITION AS AT 31 DEC. 2022

In thousand			
Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	5,400	1,920	3,480
USD	33,000	15,600	17,400
CAD	3,600	900	2,700
SEK	17,000	0	17,000

NET RISK POSITION AS AT 31 DEC. 2021

In thousand

Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	4,200	1,920	2,280
USD	36,000	15,600	20,400
CAD	4,128	0	4,128
SEK	17,000	0	17,000

Additional protection for currency risks was concluded as individual derivative transactions. According to IFRS 9 these are not defined as hedges required for hedge accounting. This relates to the transactions presented in the table below.

In thousand

Currency	Nominal volume in foreign currency	Type of hedge	Market value as at 31 Dec. 2022	Market value as at 31 Dec. 2021
GBP	5,550	Currency swap	-1,123	0
GBP	12,000	Currency swap	0	-1,422
GBP	10,000	Currency swap	0	-126

OVERVIEW OF HEDGING RELATIONSHIPS WITH HEDGE ACCOUNTING AS OF 31.12.2022

Interest Rate	Sum of the expected Cash Flow in EUR	Secured Volume in EUR as of 31.12.2022	Average Hedging rate in %	Type of Hedging relationship	Carrying amount as of 31.12.2022	Effectiveness test - more effective part. Cash component	Effectiveness test - ineffective part	Undesignated portion of hedge, forward component
					Other current assets (+)/ liabilities (-)	Reserve for cash flow hedges	Profit and loss	Reserve for the cost of hedging
EURIBOR 6M	30,000,000	30,000,000	2,97	IRS/Cash Flow Hedge	186,319	186,319	0	0

Floating rate financial instruments are exclusively liabilities to banks. The following table shows the sensitivity of consolidated profit/loss before taxes and other comprehensive income to a reasonable possible change in interest rates. All other variables remain constant. The average amount of loans for the year was used as the benchmark for sensitivity.

2. Interest rate risks

The risk of fluctuations in market interest rates, to which the FP Group is exposed, predominantly results from long-term liabilities with variable interest rates. The finance department of the Group manages the interest rate risk with the aim of optimising the net interest income of the Group and minimising the total interest rate risk. The financing requirements of companies in the FP Group are covered by intragroup loans or intragroup clearing accounts.

The FP Group has analysed the potential effects of the IBOR reform. The company finances itself mainly based on EURIBOR. The Group assumes that EURIBOR will remain the reference interest rate. For this reason, no significant effects are expected from the reform of the reference interest rates.

The loan agreement concluded in June 2016 and modified in September 2018 provides for an interest rate on the basis of a variable reference interest rate (3-month EURIBOR or 6-month EURIBOR) plus a credit margin. Due to the development of market interest rates in fiscal year 2022, interest rate hedges - interest rate swaps - were concluded to hedge the future interest costs of the utilized credit facility.

The FP Group recognises all changes in the fair value of interest rate swaps (IRS) in equity.

In order to minimize fluctuations in earnings, hedging transactions together with the respective underlying transactions were transferred to hedging unit at the balance sheet date of December 31, 2022, taking into account the provisions of IFRS 9.

In EUR thousand	Change in percentage points	Effect on consolidated profit/loss before taxes	Effect on total other equity before taxes
2022			
Loan	+1%	-300	0
Loan	-1%	300	0
interest rate derivatives	+1 %	0	193
interest rate derivatives	-1 %	0	-857
2021			
Loan	+1%	-152	0
Loan	-1%	0	0

3. Risk of default

The carrying amount of financial assets is the maximum risk of default in the event that counterparties fail to meet their contractual payment obligations. For all contracts on which primary financial instruments are based, depending on the type and volume of the contract, collateral is required, credit information/references are obtained or historical data from previous business relations (e.g. analysis of payment performance) are used to minimise the risk of default. In accordance with the terms and conditions of Francotyp-Postalia, there is a retention of title to goods purchased until all payments have been received in full. If a customer leasing machinery is in arrears or if a lessor refuses to execute a contract despite warnings, the customer is required to return the leased assets to Francotyp-Postalia and to pay damages on termination of the contract.

The default risk of the FP Group is impacted primarily by the individual characteristics of the customers. However, the Management Board also takes into account the entire customer base, including the default risk of the industry and the countries in which the customers operate, as these factors could also impact the default risk.

For other financial assets (such as cash and cash equivalents, financial instruments measured at amortised cost and derivative financial instruments), the maximum risk of default is the respective reported carrying amount.

The FP Group concludes derivative financial instruments on the basis of netting agreements. In general, with these agreements the amounts owed from all transactions of the respective contractual partners on a specific individual day within our currency are offset and paid from one contract partner

to the other contract partner as one amount. In special circumstances – for example in the case of a credit event such as a default, all outstanding transactions under the agreement are ended and a total amount determined by offsetting all transactions. This amount is then payable.

These agreements do not fulfil the criteria for offsetting transactions in the financial statements. This is the case because Francotyp-Postalia has no lawful means of offsetting these transactions in a normal situation. Offsetting is legally possible only in the case of a future event such as a default on liabilities or something similar.

The following tables show the carrying amounts of the recognised financial instruments subject to such an agreement:

In EUR thousand	Gross amount of the financial instruments recognised in the statement of financial position	Relevant not recognised financial instruments	Net amount
Derivative financial instruments with positive fair values	281	-170	111
Derivative financial instruments with negative fair values	1,124	-170	953

31 DEC. 2021

In EUR thousand	Gross amount of the financial instruments recognised in the statement of financial position	Relevant not recognised financial instruments	Net amount
Derivative financial instruments with positive fair values	0	0	0
Derivative financial instruments with negative fair values	1,725	0	1,725

4. Liquidity risks

The liquidity risks of the Group are that it may no longer be able to meet its financial obligations (for instance, the expected repayment of financial liabilities, the payment of suppliers or fulfilment of finance lease obligations). The FP Group limits these risks with working capital and cash management. Liquidity risks are addressed by a liquidity forecast for the entire Group.

In addition to the liquidity management instruments stated above, the FP Group is constantly monitoring financing opportunities as they arise on the financial markets. The central aim is to ensure the Group's financial flexibility and to limit financial risks.

To finance itself, the FP Group primarily uses cash flow from operating activities as well as loan agreements with financial institutions and finance leases that are either already in place or are adjusted during the year.

In fiscal year 2021, the syndicated loan agreement in place since 2016 and modified in 2018 was adjusted. The reduction of the total credit facility from EUR 150,000 thousand to EUR 90,000 thousand was made for cost/benefit reasons. As at 31 December 2022, the FP Group had unutilised credit facilities of EUR 58,563 thousand (previous year: EUR 58,520 thousand). After the extension of the existing syndicated loan agreement in fiscal year 2022, the Group has EUR 90,000 thousand at its disposal until September 2023 and EUR 67,500 thousand at its disposal until September 2024.

In accordance with the new syndicated loan agreement, the FP Group has undertaken to comply with two defined financial covenants.

$$\text{Leverage} = \frac{\text{Total net debt}}{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}} \leq 3.0 \times$$

$$\text{Interest cover} = \frac{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}}{\text{Net interest income (adjusted for IAS 23 Borrowing Costs)}} \geq 5.0 \times$$

In accordance with the existing change of control clause in the syndicated loan agreement, a change of control occurs when a person or a group of people acting in concert directly or indirectly hold over 30% of the voting rights or shares in Francotyp-Postalia Holding AG.

In the event of a change of control and after a written request from a creditor, all loans (including interest) from the creditor become due for repayment within 30 days.

The loan agreement continues to serve as financing security for acquisitions. In the future, the FP Group has entrepreneurial headroom to enter into additional financial obligations. As a result of the syndicated loan agreement, the FP Group has achieved significant overall financial stability and flexibility.

The credit conditions were complied with consistently throughout the reporting year. The FP Group was able to meet its payment obligations at all times.

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

The following tables show the undiscounted, contractually agreed payment outflows from financial liabilities. These include the cash flows resulting from the syndicated loan agreement, including estimated interest payments and payments from derivative financial instruments with negative fair value. In addition to the stated syndicated loan of EUR 29,750 thousand (previous year: EUR 29,699 thousand), there were other liabilities to banks of EUR 11 thousand (previous year: EUR 9 thousand).

FINANCIAL LIABILITIES AS AT 31 DEC. 2022

In EUR thousand	Carrying amount	Cash outflows		
		< 1 year	1 - 5 years	> 5 years
Liabilities to banks	29,761	-8,559	-23,239	0
Lease liabilities	11,227	-4,223	-6,362	-641
Other financing liabilities	1	-1	0	0
Trade payables	13,583	-13,583	0	0
Other financial liabilities (excluding derivatives)	33,857	-33,472	-385	0
Incoming payments from derivatives transactions		11,587	0	0
Outgoing payments from derivatives transactions		-12,660	0	0

FINANCIAL LIABILITIES AS AT 31 DEC. 2021

In EUR thousand	Carrying amount	Cash outflows		
		< 1 year	1 - 5 years	> 5 years
Liabilities to banks	29,708	-493	-30,375	0
Lease liabilities	10,469	-3,453	-5,996	-1,019
Other financing liabilities	1	-1	0	0
Trade payables	12,904	-12,904	0	0
Other financial liabilities (excluding derivatives)	33,951	-33,701	-250	0
Incoming payments from derivatives transactions		41,909	0	0
Outgoing payments from derivatives transactions		-43,532	0	0

Net gains and losses on financial instruments by measurement category

IFRS 9 NET RESULT

In EUR thousand	2022	2021
Financial instruments ¹⁾ measured at fair value through profit or loss ¹⁾	388	-76
Financial assets at amortised cost ²⁾	-1,757	-1,510
Financial liabilities at amortised cost ³⁾	-595	-670
Total	-1,964	-2,256

¹⁾ Fair value changes

²⁾ Impairment losses, reversals, interest payments and foreign currency effects

³⁾ Foreign currency effects, interest payments and gains on disposal

Capital management

The capital structure is key to the capital management of the Group. The net debt ratio is the control parameter for the capital structure. This is the ratio of net liabilities to equity. The net debt ratio is monitored on an ongoing basis.

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Liabilities to banks	29,761	29,708
Lease liabilities	11,227	10,469
Other financing liabilities	1	1
Liabilities	40,988	40,177
Cash and cash equivalents	-34,387	-33,321
Postage credit balances managed by the FP Group	11,541	13,600
Cash (cash and cash equivalents less restricted funds)	-22,846	-19,721
Net debt	18,142	20,457
Equity	22,552	14,480
Net debt ratio	80%	141%

The goal of capital management is to achieve the highest possible credit rating. The future of the Group as a going concern must also be ensured.

By increasing equity by 55.7%, the FP Group was able to significantly reduce its net debt ratio.

In the 2022 reporting year, there were no changes in the objectives, policies or processes for capital management.

Financial performance indicators

Group management is essentially carried out using the following financial performance indicators: revenue, EBITDA and EBITDA margin..

(33) Collateral

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Guarantee obligations	250	637
Total	250	637

The guarantee obligations include rent guarantees for machinery and postage.

All present, contingent and future receivables of the financing parties to the syndicated loan agreement from or in connection with this loan agreement, a sub-loan agreement or other financing documents are secured by guarantees. Each guarantor autonomously and independently guarantees the financing parties the irrevocable and unconditional payment of all amounts owed by the borrowers under the loan agreement or other financing document, if they are not paid on time or in full. The guarantors undertook to make any payment under this guarantee free from deductions or retentions.

In addition to the borrower FP Holding, the guarantors are also Francotyp-Postalia GmbH, freesort GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Produktionsgesellschaft mbH & Co. KG, FP Digital Business Solutions GmbH, Francotyp-Postalia Inc. (USA), Francotyp-Postalia Ltd. (UK), Francotyp-Postalia Canada Inc. (Canada).

The loan utilised amounted to EUR 31,437 thousand as at 31 December 2022 (previous year: EUR 31,480 thousand). This amount also includes sureties.

Collateral received has a fair value of EUR 1,900 thousand (previous year: EUR 2,014 thousand) and is available to the FP Group in the short term only in the reporting year (previous year: unchanged). The collateral essentially consists essentially of rent deposit guarantees and guarantees for deliveries of goods and services.

(34) Other financial obligations

NOMINAL VALUES OF OTHER FINANCIAL OBLIGATIONS AS AT 31 DEC. 2022

In EUR thousand	Total	< 1 year	1-5 years	> 5 years
Other financial obligations	25,899	22,692	1,973	1,234
thereof from rental agreements/leases (not recognised)	4,064	1,248	1,582	1,234
thereof from purchase commitments	20,429	20,415	14	0
thereof from other contractual obligations	,406	1,029	377	0

NOMINAL VALUES OF OTHER FINANCIAL OBLIGATIONS AS AT 31 DEC. 2021

In EUR thousand	Total	< 1 year	1-5 years	> 5 years
Other financial obligations	25,899	22,692	1,973	1,234
thereof from rental agreements/leases (not recognised)	4,064	1,248	1,582	1,234
thereof from purchase commitments	20,429	20,415	14	0
thereof from other contractual obligations	1,406	1,029	377	0

The obligations from rental agreements and leases as at 31 December 2022 relate to:

(i) obligations from short-term or low-value agreements that were not recognised in the statement of financial position due to the exercise of options under IFRS 16.

(ii) obligations for contract components with service character. The consideration allocated to these services is not recognised as part of the right-of-use asset or lease liability. In this respect, no other financial obligations arise.

Purchase commitments relate predominantly to the purchase of materials and other services.

(35) Disclosures on leases for the FP Group as lessee

As a lessee, the Group primarily leases real estate (office and warehouse space), but also vehicles, machinery and other operating and office equipment. The conditions of the leases vary widely, especially in the case of real estate leases, which account for most of the leases in the Group.

This applies to the term, the agreement of termination or extension options, and pricing.

The following disclosures can be made regarding leases in which the Group is the lessee:

Right-of-use assets and lease liabilities

The right-of-use assets from leases are recognised in the statement of financial position in the separate "right-of-use assets" item under "non-current assets". The development of the recognised right-of-use assets was as follows.

RIGHT OF USE ASSETS

In EUR thousand	Motor vehicles and other operating and office equipment			Total
	Land and buildings	Machinery		
As at 1 Jan. 2021	8,903	106	1,336	10,345
Additions to right-of-use assets	4,113	61	443	4,617
Disposals of right-of-use assets	-695	0	-94	-789
Depreciation in the fiscal year	-2,980	-161	-690	-3,831
Currency differences	39	0	2	41
As at 31 Dec. 2021	9,381	6	996	10,383
Additions to right-of-use assets	1,643	680	627	2,951
Additions due to business combinations	2,022	0	437	2,459
Disposals of right-of-use assets	-301	0	-13	-315
Depreciation in the fiscal year	-3,642	-128	-830	-4,600
Currency differences	111	0	-9	103
As at 31 Dec. 2022	9,214	558	1,208	10,981

The lease liabilities are recognised in the statement of financial position under "non-current liabilities" and "current liabilities" within the "financing liabilities" item and had the following maturities as at the end of the reporting period:

MATURITIES OF LEASE LIABILITIES

In EUR thousand	31 Dec. 2022	31 Dec. 2021
	2	1
Up to one year	4,223	3,453
More than one and less than five years	6,362	5,996
More than five years	641	1,019
Total	11,227	10,469

Expenses and income from leases

The following amounts from leases are recognised in the consolidated income statement:

EXPENSES AND INCOME FROM LEASES

In EUR thousand	2022	2021
Depreciation of right-of-use assets	4,600	3,831
Interest expenses for lease liabilities	171	41
Expenses from short-term leases	181	100
Expenses from low-value leases	100	70
Expenses from variable lease payments	16	27

Payments from leases

Payments for leases totalling EUR 4,526 thousand (previous year: EUR 4,164 thousand) were made in fiscal year 2022.

(36) Contingent assets

Contingent assets

In fiscal year 2017, irregularities in the internal recording and billing of letter volumes were reported. In the time-critical consolidation business, the FP Group found that as a result of breaches of duty by individuals it had suffered financial damage extending beyond the reporting period. As a consequence, FP

asserted damages claims against employees of around EUR 1.7 million on 14 February 2018 as part of wrongful dismissal proceedings that are currently still ongoing. The fidelity insurer was informed about the breaches of duty and the damages incurred. If the claims are upheld, this could have a one-time positive effect on the Group's financial position and results of operations and result in FP exceeding the forecast for 2022 or its medium-term goals.

V. Other disclosures

(37) Notes to the cash flow statement

The FP Group's cash and cash equivalents comprise cash less restricted funds (postage credit managed by the FP Group).

In EUR thousand	31 Dec. 2022	31 Dec. 2021
Cash and cash equivalents	34,387	33,321
less restricted cash and cash equivalents ("postage credit held")	-11,541	-13,600
Cash (cash and cash equivalents less restricted funds)	22,846	19,721

Liabilities from financing activities developed as follows:

In EUR thousand	1 Jan. 2022	Cash						Non-cash	31 Dec. 2022
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects		
Liabilities to banks	29,708	2,834	-2,842	61	0	0	0	29,761	
Lease liabilities	10,469	0	-4,420	170	-445	5,352	101	11,227	
Total liabilities from financing activities	40,177	2,834	-7,262	231	-445	5,352	101	40,988	

In EUR thousand	1 Jan. 2021	Cash						Non-cash	31 Dec. 2021
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects		
Liabilities to banks	36,401	0	-6,918	224	0	0	0	29,708	
Lease liabilities	10,560	0	-3,934	41	-860	4,601	61	10,469	
Total liabilities from financing activities	46,961	0	-10,852	265	-860	4,601	61	40,177	

(38) Employees

AVERAGE NUMBER OF EMPLOYEES BY COUNTRY

	2022	2021
Germany	599	643
United States	122	125
UK	59	66
The Netherlands	13	15
Canada	26	31
Italy	29	10
Sweden	45	10
Austria	15	16
France	13	18
Belgium	2	2
Norway	31	0
Finland	12	0
Switzerland	7	0
Denmark	7	0
Estonia	67	0
Total	1,047	936

AVERAGE NUMBER OF EMPLOYEES BY GROUPS

	2022	2021
Executives	70	74
Employees	977	862
Total	1,047	936

AVERAGE NUMBER OF EMPLOYEES BY SEGMENT

	2022	2021
Mailing, Shipping & Office Solutions - Europe	376	307
Mailing, Shipping & Office Solutions - North America	148	156
Mail Services	128	145
Digital Business Solutions	108	94
Other	287	234
Total	1,047	936

AVERAGE NUMBER OF EMPLOYEES BY GENDER

	2022	2021
Male	662	579
Female	385	357
Total	1,047	936

(39) Management Board and Supervisory Board (additional disclosures in accordance with German Commercial Code (HGB))

According to the schedule of responsibilities for the Management Board of Francotyp-Postalia Holding AG, the positions and responsibilities of the members of the Management Board under the current schedule of responsibilities are as follows:

Name	Position on Management Board	Areas of responsibility
Carsten Lind	CEO (since 11 November 2020)	From 11 January 2021: Company Strategy including M&A/Communication (Public Relations, Corporate Communication)/Human Resources/Internal Audit/Mailing Shipping & Office Solutions, Digital Business Solutions and Mail Services business units
		From 23 February 2023: Company Strategy including M&A/Communication (Public Relations, Corporate Communication, Investor Relations)/Human Resources/Mailing Shipping & Office Solutions, Digital Business Solutions and Mail Services business units
Ralf Spielberger	CFO (since 1 October 2022)	From 1 October 2022: Finance/Accounting/Controlling/Tax/Treasury/Legal and Compliance/Risk Management/Investor Relations/Purchasing and Procurement/Internal IT
		From 23 February 2023: Finance/Accounting/Controlling/Tax/Treasury/Legal and Compliance and Internal Audit/Risk Management/Purchasing and Procurement/Internal IT/Group Services
Martin Geisel	CFO (until 30 September 2022)	Until 30 September 2022: Finance/Accounting/Controlling/Tax/Treasury/Legal and Compliance/Risk Management/Investor Relations/Purchasing and Procurement/Internal IT

The following table shows the members of the Supervisory Board of Francotyp-Postalia Holding AG and their activities outside the company and other administrative, management or supervisory board mandates or mandates for similar executive bodies of business enterprises in Germany and abroad.

Name	Professional activity	Other administrative or supervisory board mandates or mandates for similar executive bodies in Germany and abroad
Dr Alexander Granderath (Chairman)	<ul style="list-style-type: none"> • Managing Director, Dr. Granderath, Rat und Vermögen GmbH, Willich • Managing Director, StreamParty GmbH, Willich • Managing Director, Value Generations GmbH, Willich 	<ul style="list-style-type: none"> • Chairman of the Supervisory Board, Vita 34 AG • Chairman of the Supervisory Board, VTG AG, Hamburg (since February 2022)
Lars Wittan (Deputy Chairman)	<ul style="list-style-type: none"> • Chief Investment Officer, Obotritia Capital KGaA, Potsdam 	<ul style="list-style-type: none"> • Chairman of the Supervisory Board, Quarterback Immobilien AG, Leipzig • Deputy Chairman of the Management Board of Obotritia Hotel SE, Potsdam
Klaus Röhrig (member)	<ul style="list-style-type: none"> • Managing Director, Active Ownership Corporation S.à r.l., Grevenmacher, Luxembourg 	<ul style="list-style-type: none"> • Member of the Management Board, Agfa-Gevaert NV, Mortsel, Belgium • Member of the Supervisory Board, Formycon AG, Munich)

(40) Shareholder structure (additional disclosures in accordance with German Commercial Code (HGB))

In fiscal year 2022, Francotyp-Postalia Holding AG received no notifications from its shareholders in accordance with section 33 (1) of the German Securities Trading Act (WpHG) and released no publications in accordance with section 40 (1) WpHG and section 41 WpHG.

There are the following important voting rights up to 31 December 2022*:

Publication date	12 Nov. 2020	10 Mar. 2020	25 Feb. 2020
Reason for notification	Share purchase	Share purchase	Share purchase
Shareholder/reporter	Universal-Investment-Gesellschaft mit beschränkter Haftung, Germany	Obotritia Capital KgaA*	Axel Sven Springer/Saltarax GmbH, Germany
Date threshold reached	11 Nov. 2020	6 Mar. 2020	19 Feb. 2020
Total share of voting rights	3.19%	28.01%	5.00%
Voting rights (sections 33, 34 WpHG)	520,000	4,566,594	815,100

Publication date	22 May 2018	29 May 2013	29 May 2013
Reason for notification	Share purchase	Share purchase	Share purchase
Shareholder/reporter	Magallanes Value Investors S.A. SGIC, Spain	Ludic GmbH, Bad Oldesloe, Germany	Tom Hiss, Germany
Date threshold reached	16 May 2018	24 May 2013	24 May 2013
Total share of voting rights	3.26%	3.51%	3.51%
Voting rights (sections 33, 34 WpHG)	531,456	566,882	566,882

*On March 14, 2023, Francotyp-Postalia Holding AG was informed that Obotritia Capital KGaA had sold its shares (formerly 28.01 %) of Francotyp-Postalia Holding AG in full, with effect from March 7, 2023. The new major shareholder is OSP Alpha Management Limited, EDN Island SC Mahe, which now holds 25.34 % of the shares in the company. OSP Alpha Management is backed by Dr. Dirk Markus.

In fiscal year 2022, Francotyp-Postalia Holding AG received and published the following notifications from its members of executive bodies in accordance with section 19 (1) Market Abuse Regulation with reference to the share ISIN DE000FPH9000:

Publication date	23 Mar. 2022		23 Mar. 2022		5 Sep. 2022	
Information on persons exercising management tasks	Carsten von Lavergne-Peguilhen Lind		Martin Eckhardt Geisel		Carsten von Lavergne-Peguilhen Lind	
Reason for notification/position	Share purchase Chief Executive Officer (CEO)		Share purchase Member of the Management Board (CFO)		Share purchase Chief Executive Officer (CEO)	
Transaction type	Share purchase		Share purchase		Share purchase	
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	2.80	11,200.00	2.80	24,920.00	3.05	1,525.00
			2.79	3,069.00	3.05	3,050.00
Aggregate price/volume EUR	2.80	11,200.00	2.80	27,989.00	3.05	4,575.00
Date of transaction	23 Mar. 2022		23 Mar. 2022		5 Sep. 2022	
Place of transaction	Frankfurt Stock Exchange		Tradegate		Stuttgart	

Publication date	7 Oct. 2022		11 Oct. 2022		11 Oct. 2022	
Information on persons exercising management tasks	Dr. Granderath, Rat und Vermögen GmbH via Dr. Hans Alexander Granderath		Carsten von Lavergne-Peguilhen Lind		Ralf Spielberger	
Reason for notification/position	Share purchase Chairman of the Supervisory Board		Share purchase Chief Executive Officer (CEO)		Share purchase (CFO)	
Transaction type	Share purchase		Share purchase		Share purchase	
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	2.78	16,680.00	2.90	10,150.00	2.80	2,100.00
Aggregate price/volume EUR	2.78	16,680.00	2.90	10,150.00	2.80	2,100.00
Date of transaction	6 Oct. 2022		10 Oct. 2022		11 Oct. 2022	
Place of transaction	XETRA		Berlin		Tradegate	

Publication date	28 Nov. 2022		29 Nov. 2022		30 Nov. 2022	
Information on persons exercising management tasks	Ralf Spielberger		Ralf Spielberger		Ralf Spielberger	
Reason for notification/position	(CFO)		(CFO)		(CFO)	
Transaction type	Share purchase		Share purchase		Share purchase	
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	3.01	1,505.00	3.00	1,500.00	3.00	1,500.00
Aggregate price/volume EUR	3.01	1,505.00	3.00	1,500.00	3.00	1,500.00
Date of transaction	25 Nov. 2022		28 Nov. 2022		29 Nov. 2022	
Place of transaction	XGAT		XETRA		XETRA	

In fiscal year 2022, Francotyp-Postalia Holding AG did not publish any notifications on changes in voting rights in accordance with section 41 WpHG. In previous years, there were the following changes:

Publication date	Notification of correction dated					
	4 Jan. 2017	4 Jan. 2017	30 Jan. 2017	28 Feb. 2017	31 Mar. 2017	30 Jun. 2017
Capital measure	Other capital measure (section 26a (1) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)
As at/effective date	31 Dec. 2016	31 Dec. 2016	27 Jan. 2017	28 Feb. 2017	31 Mar. 2017	30 Jun. 2017
New total of voting rights	16,215,356	16,215,356	16,255,356	16,265,356	16,285,356	16,301,456

(41) Related party disclosures

Related parties are shareholders who have a significant influence on the FP Group, unconsolidated subsidiaries and persons with a significant influence on the Group's financial and operating policies. Persons with a significant influence on the Group's financial and operating policies are all key management personnel and their close relatives. Within the FP Group, this applies to members of the Management Board and Supervisory Board of Francotyp-Postalia Holding AG.

Transactions with shareholders with significant influence

The shareholder with significant influence is Obotritia Capital KGaA, Potsdam, which held 28.7% of the voting rights in FP Holding as at 31 December 2022 (taking into account shares in float).

Please see the information in section 8 of the combined management report (Investments in capital exceeding 10% of the voting rights).

The acquisition of shares by Obotritia Capital KGaA in fiscal year 2021 is explained in note 40 Shareholder structure.

No other transactions were conducted with Obotritia Capital KGaA in fiscal years 2022 or 2021.

Transactions with key management personnel

The acquisition of shares in fiscal years 2020 by key management personnel are explained in note 40 Shareholder structure.

Key management personnel remuneration

The remuneration for members of the Management Board and the Supervisory Board according to IAS 24.17 is as follows:

In EUR thousand	2022	2021
Short-term benefits	1,560	1,390
Post-employment benefits	0	26
Other long-term benefits	-26	269
Termination benefits (expense (+), income (-))	167	-1,314
Share-based payment transactions	75	174
Supervisory Board compensation	160	113
Total	1,936	658

Provisions to members of the Management Board from cash-settled share-based payment transactions and similar liabilities came to EUR 327 thousand (previous year: EUR 252 thousand) at the end of the reporting period.

The total remuneration for the active members of the Management Board pursuant to section 314 (1) No. 6 HGB amounted to EUR 1,757 thousand, for former members of the Management Board it amounted to EUR 212 thousand in the reporting year. Advances granted to the members of the Management Board amount to EUR 47 thousand as of December 31, 2022. In fiscal year 2022, advance payments on long-term variable remuneration amounting to EUR 40 thousand were made to members of the Management Board. The progress payments for long-term compensation components are settled at the end of the assessment period on the basis of actual target achievement. The provisions for the termination of employment of members of the Management Board of EUR 506 thousand remaining in fiscal year 2022 were utilised in the amount of EUR 462 thousand in fiscal year 2022.

No contingent liabilities were entered into for the benefit of members of the Management Board as at the end of the reporting period.

Remuneration for the parent company's Supervisory Board for performing its duties at the parent company and the subsidiaries came to EUR 160 thousand (previous year: EUR 113 thousand).

Of the stock options granted in fiscal years 2015 and 2016 from the 2015 stock option plan, a total of 180,000 options related to the Management Board. An option entitles the bearer to purchase one no-par-value bearer share in Francotyp-Postalia Holding AG. No further options were granted under the 2015 stock option plan in the reporting year. The possibility to

exercise the granted options began in fiscal year 2019 (issued in 2015) or began in 2020 (issued in 2016) and ends in fiscal year 2024 (issued in 2015) or 2025 (issued in 2016).

EUR 1,036 thousand was set aside for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2022 (previous year: EUR 1,127 thousand). EUR 12 thousand (previous year: EUR 8 thousand) was added to provisions in the 2022 reporting year, of which EUR 0 thousand for service cost and EUR 12 thousand for interest cost.

Virtual shares and stock options

As part of individual Management Board commitments, one of the active Management Board members was granted a total of 240,000 virtual shares in Francotyp-Postalia Holding AG in the reporting year. When exercised, the option rights are fulfilled by cash compensation (cash settlement). A prerequisite for the full allocation is a personal investment. Accordingly, the members of the Management Board must acquire shares in Francotyp-Postalia Holding AG amounting to 8% or 15% of the number of virtual shares allocated to them and hold them for a period of four years from the respective acquisition ("vesting period").

The arithmetic mean of the share price of the last 90 days at the time of exercise is decisive for the exercise price. The value of the option rights is aligned to the price performance between grant and exercise. The option rights may be exercised when the exercise price has increased by at least 10% against the basis price when the option rights are granted (absolute hurdle). If the hurdle has not been reached, the related right lapses. The value of the option right is based on the difference between the exercise price and the basis price, multiplied by the number of virtual shares of the respective tranche. The value is limited to EUR 300 thousand per tranche.

The fair value of the consideration granted from virtual share option rights is calculated using the Black-Scholes option price model. Measurement is based on the expected holding period of four years. Correspondingly, the parameters relevant for measurement (risk-free interest rate, volatility) are derived from capital market data over a four-year period. The exercise price is calculated using the arithmetical average of the Xetra daily closing prices of the last 90 trading days before the exercise date. Account is taken of special contractual elements such as an exercise hurdle and payment cap by a combination of three part-options.

	Grant date						
	Virtual options	Virtual options	Virtual options	Virtual options	Virtual options	Virtual options	Virtual options
	1 Mar 2018	1 Mar. 2019	1 Jan. 2020	1 Mar. 2020	1 Jun. 2020	1 Mar. 2021	1 Oct. 2022
31 Dec. 2022							
One option in EUR	0.63	0.56	0.65	0.66	0.63	0.68	0.82
All options in EUR thousand	19	34	39	40	252	20	197
Expected exercise date	1 Mar 2018	1 Mar. 2022	1 Mar. 2024	1 Jan. 2024	1 Jun. 2024	1 Mar. 2025	1 Oct. 2026
Forecast average holding period in years	4	4	4	4	4	4	4
Expected volatility	26.53%	29.65%	29.57%	29.58%	33.07%	33.50%	33.70%
Annual dividend yield	3%	3%	1.5%	1.5%	1.5%	1.5%	1.5%
Matched-term, risk-free interest rate	-0.14%	-0.27%	-0.47%	-0.70%	-0.59%	-0.54%	1.88%
Expected number of exercisable stock options at award date	30,000	60,000	60,000	60,000	400,000	30,000	240,000
Estimated annual employee turnover		0%	0%	0%	0%	0%	0%

	2022		2021	
	Number	Average exercise price in EUR	Number	Average exercise price in EUR
Virtual shares and stock options				
As at 1 Jan.	640,000	3.75	560,000	4.09
Granted in fiscal year	240,000	3.10	80,000	3.59
Forfeited in fiscal year	0		0	n/a
Exercised in fiscal year	0		0	n/a
Expired in fiscal year	0		0	n/a
As at 31 Dec.	880,000		640,000	
Range of exercise price in EUR		3.10-3.97		3.56-3.97
Average remaining term in months as at 31 Dec.		23		21
Exercisable as at 31 Dec.	30,000	n/a	0	n/a

As at 31 December 2022, EUR 75 thousand (previous year: EUR 174 thousand) was recognised in employee benefit expenses with an offsetting entry in provisions.

Transactions with associates and unconsolidated subsidiaries

Related parties are parties under common control or where one party is able to control the other party or exert a joint controlling influence over the other party's financial and operating decisions. In considering each possible related party relationship, focus is on the substance of the relationship and not the legal form.

No transactions were conducted with non-consolidated subsidiaries in the financial years 2022 and 2021.

(42) Auditor's fee

On the basis of a recommendation of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for fiscal year 2022. The total fee charged for services by the auditor in the fiscal year is shown in the table below:

In EUR thousand	2022
Audits of financial statements	628
Other services	26
Total	654

Of the fees charged for auditing services in the reporting year 2022, EUR 27 thousand are attributable to the previous year.

Other services mainly relate to agreed-upon investigations regarding compliance with debt covenants.

The information provided only includes the legally independent unit of the appointed auditor.

All non-audit services were approved by the Supervisory Board.

(43) Significant events after the end of the reporting period

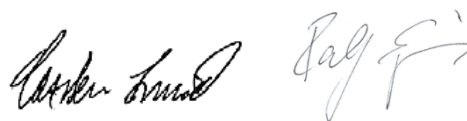
There were no further significant events after the end of fiscal year 2022 that would have had a notable effect on the earnings, financial and asset position of the FP Group.

(44) Corporate governance

The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG have issued a declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made this declaration permanently accessible on the company's website ([https://www.fp-francotyp.com/Declaration_of_Conformity^{22\)}](https://www.fp-francotyp.com/Declaration_of_Conformity²²⁾)).

Berlin, 27 April 2023

The Management Board of Francotyp-Postalia Holding AG



Carsten Lind
CEO

Ralf Spielberger
CFO

²²⁾ This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

RESPONSIBILITY STATEMENT

**of Francotyp-Postalia Holding AG
for the period from 1 January to
31 December 2022**

III. 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 FP Group, and the Group management report, which is combined with the management report of Francotyp-Postalia Holding AG, 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.²³⁾

Berlin, 27 April 2023

The Management Board of Francotyp-Postalia Holding AG



Carsten Lind
CEO

Ralf Spielberger
CFO

²³⁾ The responsibility statement is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To Francotyp-Postalia Holding AG, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Francotyp-Postalia Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income²⁴, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Francotyp-Postalia Holding AG for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The combined group management report contains cross-references, which are not required by law and are identified as unaudited. In compliance with German law, we did not audit the contents of these cross-references or the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code]
- and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group

management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion

²⁴ As appropriate, this is to be aligned, ref. IAS 1.10 b) in connection with 1.81A.

thereon, we do not provide a separate opinion on these matters.

Acquisition of the Azolver companies

For the accounting and valuation principles applied, we refer to the notes to the consolidated financial statements, section I. Information on the acquisition of the Azolver companies can be found in the notes to the consolidated financial statements, section 4.

The Financial Statement Risk

On 23 March 2022, the FP Group acquired the operating companies of Azolver. The total cash purchase price was EUR 12.2 million. Taking into account the acquired net assets of EUR 11.8 million, this resulted in goodwill of EUR 0.4 million.

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed are generally recognised at fair value at the time of acquisition. The identification and measurement of the acquired assets and assumed liabilities are complex and are based on discretionary assumptions by the legal representatives.

The key assumptions relate to the revenue planning and margin development of the acquired business, useful lives and the cost of capital. There is a risk for the consolidated financial statements that the assets acquired and liabilities assumed are inaccurately identified or incorrectly measured.

There is also a risk that the information in the notes to the consolidated financial statements is not complete and accurate.

We first obtained an understanding of the acquisition transaction by interviewing finance and M&A staff and by assessing the relevant contracts. With the involvement of our own valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as the identification and valuation methods. We reconciled the total purchase price to the underlying purchase agreement and evidence of payment.

We assessed the process of identifying the assets acquired and liabilities assumed against our knowledge of Azolver's business model for compliance with the requirements of IFRS 3. We assessed the valuation methods used for consistency with the valuation principles.

We discussed the expected revenue and margin development with those responsible for planning and reconciled it with the business plan underlying the acquisition. We discussed the assumed useful lives with those responsible for planning and checked their plausibility against the background of our understanding of the business activities of the acquired units and comparable units in the Group. We

compared the assumptions and data underlying the cost of capital, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to assess the arithmetical accuracy, we traced selected calculations from a risk-oriented point of view. Finally, we assessed whether the disclosures in the notes on the acquisition of the Azolver companies are complete and appropriate.

Our Audit Approach

The procedure underlying the identification and valuation of the assets acquired and liabilities assumed is appropriate and in accordance with the applicable accounting and valuation principles. The material assumptions and data are appropriate and the presentation in the notes to the consolidated financial statements is complete and appropriate.

Other Information

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined group management report information audited for content and our accompanying auditor's report.

Our opinions on the consolidated financial statements and on the combined group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from

material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can result from fraud or error and are considered material if they could reasonably be

expected, individually or in the aggregate, to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the combined management report due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial

position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide a statement to those charged with governance of our compliance with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "529900RE3JI3SZCF9R79-2022-12-31-de.zip"

(SHA256-Hashwert:

ded9eed5b35ee5177ecfae43aa8218a0f734015a805cd3d329e9b1dd683deb15) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial

statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 15 June 2022. We were engaged by the supervisory board on 25 October 2022. We have been the group auditor of the Francotyp Postalia Holding AG without interruption since the financial year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We have performed the following non-audit services for the Company and its controlled entities in addition to the audit of the consolidated financial statements and the combined management report: In addition to the consolidated financial statements, we audited the annual financial statements together with the combined management report of Francotyp-Postalia Holding AG and performed various audits of the annual financial statements of subsidiaries. Furthermore, other statutory or contractual audits were carried out, such as the audit of the remuneration report as well as agreed examination procedures with regard to compliance with debt covenants. In addition, we provided consulting services in connection with compliance with regulatory requirements and in the IT area.

Other matter - Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format - also the versions to be entered in the company register - are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible Public Auditor

The auditor responsible for the audit is Jack Cheung.

Berlin, 28 April 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

Cheung

German Public Auditor

Klein

(German Public Auditor

Glossary

A

A segment

The franking machine segment for customers with low mail volume (up to 200 letters per day).

Agile methods

Agile methods are principle-based approaches for higher efficiency in software development.

API

Application programming interface.

App

Program for smartphones and tablet computers.

B

B segment

The franking machine segment for customers with medium mail volume (200-2,000 letters per day).

Bluetooth

Standard for the wireless transfer of data between different electronic devices over a distance of around ten metres. Bluetooth has superseded infra-red technology in this segment.

BSI

German Federal Office for Information Security.

C

C segment

The franking machine segment for customers with high mail volume (more than 2,000 letters per day).

CDS spreads

A credit default swap (CDS) is a credit derivative that allows the default risks of loans or bonds to be traded. Spread is the difference between bid and ask prices.

CGU

According to International Financial Reporting Standards (IFRS), a cash generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (IAS 36.6).

Cloud services

Provision of IT infrastructure such as processing power, memory space or application software as a service over the internet.

Concept of operation

A concept that describes the features of a system from the perspective of a user.

Connectivity

The ability of systems to establish a connection with other systems.

Credit facility

Sum of all credit lines that are available to a customer to cover a credit requirement from one or several banks (usually in exchange for collateral) and that the customer can draw upon as required.

CRM

Customer relationship management system. Software solution for the systematic configuration of customer relationship processes.

Cross selling

Efforts to sell customers complementary products or services.

Currency swap

In a currency swap, two contracting parties swap two currencies at the current exchange rate and then swap them back at the same rate at a later date.

Cyberattack

Targeted, external attack on major computer networks that are important for specific infrastructure.

D

Dashboard

Method to clearly present information on a monitor using small programs that are designed to look like traditional dashboard gauges.

Design sprint

A time-limited, five-step process of design thinking with the aim of reducing the risk for the market launch of a new product or service.

E

Edge computing

Decentralised data processing at the edge of the network via intelligent devices. Model for IoT.

eIDAS

European regulation on electronic identification and trust services for electronic transactions.

Electronic signature (e-signature)

Data record that confirms the identity of the sender of an email, for example, and that the message has not been changed. Legally binding by dint of European directive and German Digital Signature Act in the form of the qualified electronic signature.

Embedded software

Software that takes on certain control, monitoring and corrective functions within technical apparatus, e.g. in a car.

EMC

Electromagnetic compatibility. Ability of an electronic device not to interfere with others through electromagnetism.

End-to-end solution

End to-end solution means that FP as a provider of an application program, software and a system meets all of the customer's software and hardware requirements, so no other provider is involved in meeting the requirements. Everything from a single source, covering the entire value chain.

ERP

Enterprise resource planning. ERP systems support the planning of enterprise resources such as finance, human resources, merchandise, etc. ERP combines various back-office systems such as production, finance, HR, sales and materials management systems.

ESD

Electrostatic discharge.

F

Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease [IAS 17.4 and 8].

Financial covenants

Blanket term for additional contractual clauses or side agreements in loan and bond agreements with enterprises.

Forfeiting

The purchase of receivables - usually without recourse to the seller in the event of default.

FP Digital Office

Umbrella term for FP's digital products intended as an office solution for small and medium-sized companies, e.g. FP Sign, Parcel Shipping etc.

FP Input

FP Input takes on structured incoming mail processing of all incoming mail including digital storage of scanned documents.

FP Output

FP Output takes over the customer's data flows. FP takes care of the entire production process from the preparation of data, printing, inserting, franking and handing over the letters to the delivery service or alternatively digital delivery.

FP Parcel Shipping

A new FP solution for parcel shipment with multi-carrier selection, franking and tracking of parcels.

FP Sign

FP Sign is a cloud-based software solution for the secure, confidential and legally binding digital signing and exchange of contracts and documents.

Freedom to operate analysis

Analysis of whether third parties already have property rights with respect to the development, manufacture and market launch of a new product.

G

Gateway

Component (hardware and/or software) that establishes a connection between two systems.

Going concern

Positive forecast of company continuation for the coming fiscal year.

H

Hardware security module

External or internal computer accessory for encrypting and decrypting sensitive data.

Hybrid mail services

Hybrid mail services transform data into mailable letters and vice versa.

I

Industry 4.0

Term from the German federal government's High-Tech Strategy 2020, which postulates the fourth industrial revolution. Following mechanisation (Industry 1.0), mass production (2.0) and automation (3.0), production in Industry 4.0 is governed by the Internet of Things.

Infrastructure discount

Since 1 January 2018, the infrastructure discount has replaced Deutsche Post AG's volume discount. This requires specific conditions to be met, including with regard to machine-readable postage paid impressions.

Insert release

A new option to combine inserting and franking.

Intellectual property

A category of property that includes intangible creations of the human intellect.

IoT

Internet of Things. The Internet of Things in industrial application, synonymous with Industry 4.0.

Iteration

The process of repeating the same or similar actions multiple times to approximate a solution or a certain target.

M

Mail Services

The Mail Services segment comprises the franking service - collecting unfranked outbound post and providing the franking - and the consolidation service - sorting the post by postcode and delivering it in batches to a sorting office of Deutsche Post AG or an alternative postal distributor (Secure mail business).

O

Operating lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease [IAS 17.4 and 8].

P

Part-performance discount

A part-performance discount is granted under part-performance contracts with Deutsche Post when letters are delivered, processed and consolidated at a sorting office.

PKI

In cryptology, public key infrastructure is a system that can issue, distribute and check digital certificates.

PostBase One

PostBase One replaced CentorMail in spring 2016 and is a new system in the upper performance class of the PostBase product family. PostBase One enables the franking of medium and large mail volumes.

PostBase Vision

PostBase Vision is the consistent further development of the PostBase "Classic" system, which was introduced in 2012. The colour touch display that adapts to the user automatically has increased in size by 40% and swivels automatically. It now allows users to control functions with swiping gestures and enter text and QR codes on the PostBase Vision directly.

PostBase100

PostBase 100 is a system of the PostBase product family. A special feature is its dynamic scale, which allows customers to conveniently process stacks of uniform mixed mail.

Proof of concept

Demonstration of feasibility.

R

Recurring revenue

We define recurring revenue as revenue from rental and lease agreements as well as, for example, from services and consumables in connection with the installed base. It is generated over the term of the machines and is thus not affected by any cyclical fluctuations in the sales of new machines.

S

Sale and lease back

Sale of assets that are then used by way of rental or leasing.

Shared service centre (SSC)

Pooling of an organisation's internal services with the aim of achieving greater efficiency through synergies.

Signature

Legally binding signature. An electronic signature, or e-signature, can replace a handwritten signature. FP Sign is a service for signing digital documents in conformity with the law.

Signature (digital, electronic)

See e-signature, FP Sign.

Social media

Blanket term for online services such as Facebook or Twitter, which allow users to communicate with each other in groups and to share content.

Start-up

Newly founded company.

Strategic controller

Strategic control is used to describe the process companies use to control the preparation and execution of strategic plans.

T

Target operating model

Model that describes the desired state of an organisation's operating model.

Time to PoC

Time to proof of concept (PoC). Important milestone in project development. Basis for further work, as it validates the project concept. It thus serves as decision basis for the further course of the project and allows the identification and minimisation of risks.

TransACTmail

Online letter service for private customers. Users transmit their text via a browser-based app to FP, which prints, inserts and sends the letter. The service is available starting with a single letter.

Transformation

Developing new, digital business areas.

Triggering event

Event that triggers an impairment test.

U

Upselling

Efforts to offer customers higher-value products and services as a next step.

V

Vision 360

Our portal that gives customers an overview of the relevant system data for the franking systems. It includes a help centre and the option to view invoices, orders and contracts and handle service requests.

W

White spot

Market segments that are not yet served or are served only by a few current offers (also "unused market potential" or "identification of opportunities for innovation").

WIFI (WLAN)

Wireless local area network. Short-range local data transmission network using radio waves. Internationally mostly referred to as Wi-Fi.

Financial calendar

FINANCIAL CALENDAR

Consolidated financial statements 2022	28 April 2023
Results for the first quarter 2023	25 Mai 2023
Annual General Meeting, Berlin	14 June 2023
Interim Financial Report 2023	31 August 2023
Results for the third quarter 2023	23 November 2023

We cannot exclude the possibility of postponements, please check the current status at <http://www.fp-francotyp.com>.

Imprint

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Sixth sustainability report in the form of a non-financial statement

Sustainability has long been a firm fixture at numerous levels of our company. Growing sustainably is part of our responsibility as a global corporation to our employees, to our customers and suppliers, to our shareholders, and to our social and natural environment. Growing keeps us in a position to constantly improve our fulfilment of this responsibility. Our comprehensive sustainability report (separate non-financial report) describes how we meet this responsibility. It is available on our website at https://www.fp-francotyp.com/non_financial_reports.

Forward-looking statements

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 also available in German. It is available for download in English and German at www.fp-francotyp.com. If there are variances, the German version has priority over the English translation.

Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)

	2022	2021	2020 ¹⁾	2019	2018
Revenue	251.0	203.7	195.9	209.1	204.2
Recurring revenue	171.1	131.7	127.1	161.2	160.6
EBITDA	27.6	18.5	8.7	33.3	17.3
as percentage of revenue	11.0	9.1	4.4	15.9	8.5
EBIT	6.6	-0.7	-14.2	5.9	n.a.
as percentage of revenue	2.6	-0.3	-7.2	2.8	n.a.
Consolidated profit	5.3	0.4	-15.3	1.7	0.9
as percentage of revenue	2.2	0.2	-7.8	0.8	0.4
Free cash flow	8.1	6.5	11.4	1.7	3.0
Share capital	16.3	16.3	16.3	16.3	16.3
Equity	22.6	14.7	13.2	32.0	31.3
as percentage of balance sheet total	13.1	9.4	7.6	17.2	18.7
Return on equity (%)	24.5	2.5	-155.9	5.3	2.9
Debt capital	150.1	150.9	160.3	154.3	136.0
Net debt	18.1	20.5	23.8	31.7	18.1
as percentage of equity	80	130	180	99	58
Balance sheet total	172.7	165.6	173.6	186.3	167.2
Share price end of year (EUR)	3.45	3.10	3.20	3.45	3.00
Earnings per share (basic in EUR)	0.35	0.02	-0.95	0.11	0.06
Earnings per share (diluted in EUR)	0.35	0.02	-0.95	0.11	0.06

¹⁾ Comparative period 2020 adjusted.

Key figures

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)

	2022	2021 ¹⁾	Change in %
Revenue	251,0	203,7	23.2
Recurring revenue	171,1	131,7	29.9
EBITDA	27,6	18,5	49.2
as percentage of revenue	11,0	9,1	
EBIT	6,6	-0,7	n.a.
as percentage of revenue	2,6	-0,3	
Consolidated profit	5,5	0,4	1,275.0
as percentage of revenue	2,2	0,2	
Free cash flow	8,1	6,5	24.6
Share capital	16,3	16,3	0.0
Equity	22,6	14,5	55.9
as percentage of balance sheet total	13,1	8,8	
Return on equity (%)	24,3	2,8	
Debt capital	150,1	151,1	-0.7
Net debt	18,1	20,5	-11.7
as percentage of equity	80	141	
Balance sheet total	172,7	165,6	4.3
Share price end of year (EUR)	3.45	3.07	12.4
Earnings per share (basic in EUR)	0.35	0.02	n.a.
Earnings per share (diluted in EUR)	0.35	0.02	n.a.

¹⁾ Comparative period 2021 has been adjusted.



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