FRANCOTYP-POSTALIA HOLDING AG

The Digital Mailroom

ANNUAL REPORT 2014

fp-francotyp.com

What are the distinctive characteristics of a Digital Mailroom? *

***Efficiency.*
For customers' communication.

WHETHER IT'S ANALOGUE, HYBRID OR DIGITAL, MAIL COMMUNICATION TODAY USES A WIDE RANGE OF CHANNELS. PROFESSIONAL MAIL MANAGEMENT HAS TO LOOK AT THIS VARIETY OF CHANNELS AS A WHOLE – THE DIGITAL MAILROOM.

KEY FIGURES

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN EUR MILLION	2014	2013	Changes in %
Revenue	170.3	168.9	0.8
Recurring revenue	139.4	136.9	1.8
EBITDA	23.1	22.2	4.1
as percentage of revenue	13.6	13.1	
EBIT	9.8	10.4	-5.4
as percentage of revenue	5.8	6.1	
Net profit	5.2	4.9	7.5
as percentage of revenue	3.1	2.9	
Free cash flow	-5.6	6.0	n/a
Equity capital	16.2	16.2	
Shareholders equity	30.1	25.1	19.2
as percentage of balance sheet total	21.1	18.3	
Return on equity (%)	17.4	19.3	
Debt capital	112.1	112.3	-0.2
Net debt	16.0	9.7	64.9
Net debt-equity ratio	53	37	
Balance sheet total	142.1	137.4	3.4
Share price end of year (EUR)	3.98	4.17	-4.6
Earnings per share (EUR)	0.32	0.31	3.2
Employees (end of period)	1,054	1,047	0.7

FACTS AND FIGURES

ANNUAL REPORT 2014

SALES SUBSIDIARIES IN

11

countries worldwide.

WORLD MARKET SHARE

10.5

percent

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

WORLDWIDE NETWORK IN

40

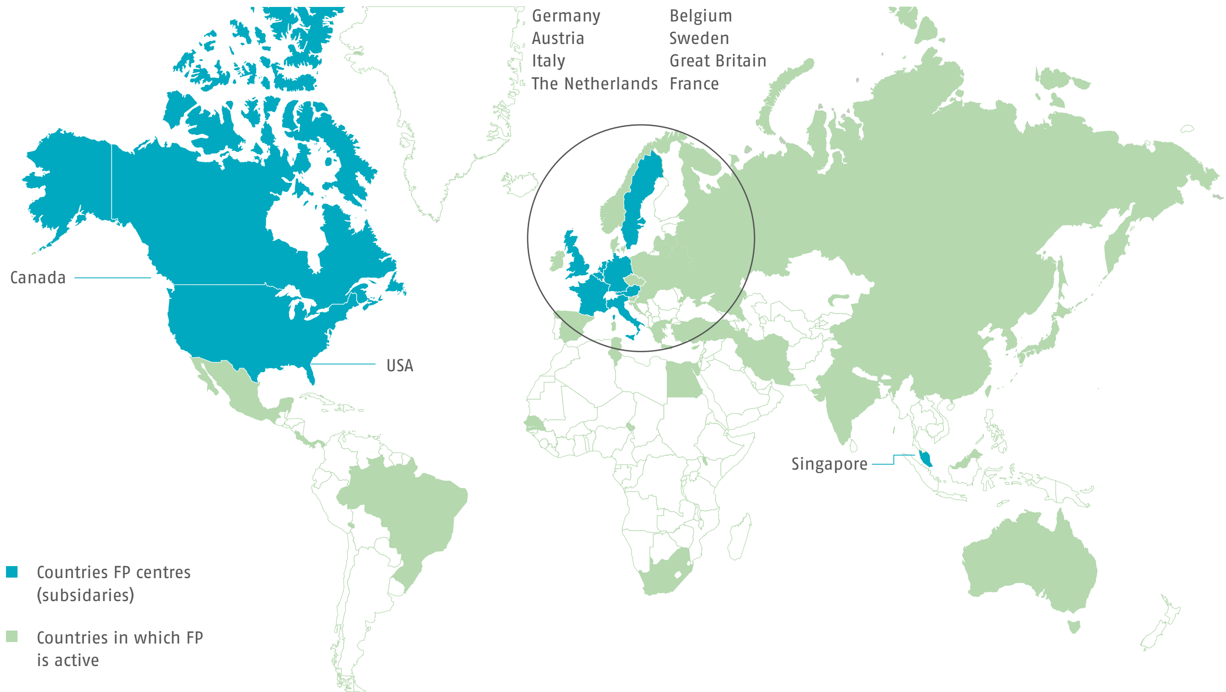
countries

... and via a tightly integrated network.

FRANCOTYP
AT A GLANCE

The FP Group is a digital mailroom provider – from the franking machine to De-Mail.

The long-established company is based in Berlin and operates in over 40 countries, employing approximately 1,100 people all over the world. With the liberalisation of the postal markets, the Group has evolved from a manufacturer of franking machines to an expert in mail communication. This means: FP covers the entire letter distribution chain – analogue, hybrid and digital.



PRODUCTSECTION

ANALOGUE – INSERTING, SORTING

In its Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines. With the consolidation (Mail Services) of franked letters FP also provides a service that allows customers to save on postage.

HYBRID – INTELLIGENT OUTSOURCING

Intelligent outsourcing is simple and fast and complies with all security, privacy and legal standards. Analogue letters are collected, scanned, classified and entered into the digital document flow. As electronic data, outgoing documents are processed into letters in the FP printing centre and prepared for mailing.

DIGITAL – SOFTWARE SOLUTIONS

As the first accredited De-Mail provider and expert in long-term archive and signature solutions, the FP Group along with its subsidiary Mentana-Claimsoft offers encrypted, verifiable and protected digital communication. FP advises companies, government agencies and municipalities as part of the transition to legally secure communication and archiving procedures.

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THE ANNUAL REPORT CAN BE DOWNLOADED AS A PDF AT
http://www.fp-francotyp.com

HEADQUARTERS NOW IN BERLIN:
FRANCOTYP-POSTALIA HOLDING AG
PRENZLAUER PROMENADE 28
13089 BERLIN

HANS SZYMANSKI (*1963)
CEO & CFO of Francotyp-Postalia Holding AG

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

THOMAS GRETHE (*1959)
CSO of Francotyp-Postalia Holding AG

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

SVEN MEISE (*1971)
CDO of Francotyp-Postalia Holding AG

Degree in business administration (BA), responsible for the business areas of Mail Services and Software offered by the subsidiaries freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business as well as the implementation and development of the De-Mail business.

Letter from the Management Board

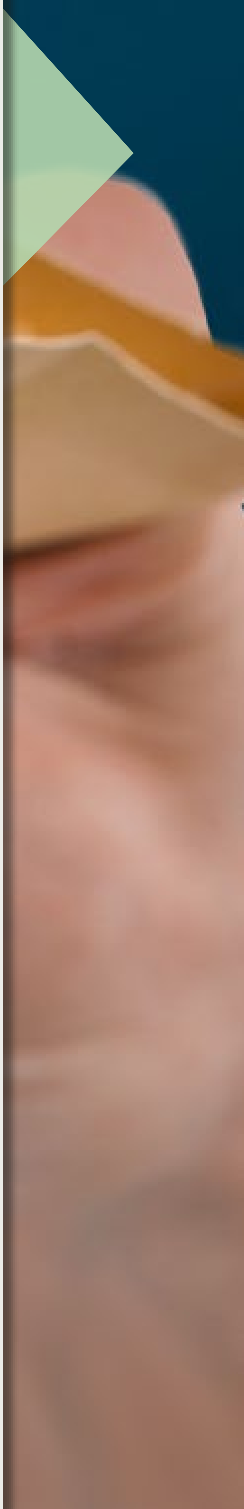
Dear Shareholders,
Ladies and Gentlemen,

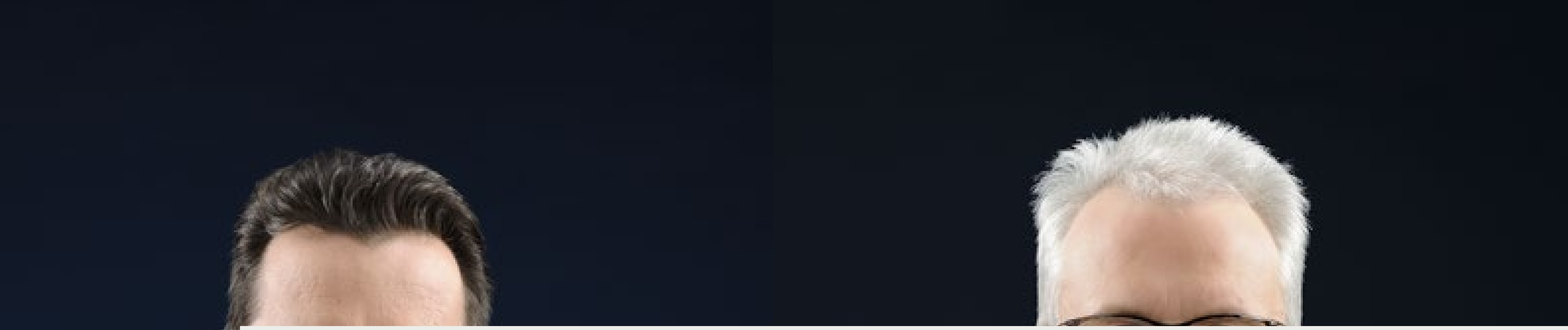
We achieved many of the ambitious goals we had set for 2014, which enabled us to further improve important key ratios in 2014. Revenue rose by 1% to EUR 170.3 million, EBITDA grew 4% to EUR 23.1 million and annual net profit increased 7% to EUR 5.2 million. We also almost halved net debt to EUR 15.7 million. Naturally, we want you to share in this success, which is why the Management Board and Supervisory Board are proposing to double the dividend to EUR 0.16. At a price of EUR 4.20 in March 2015, this corresponds to a dividend yield of 3.8%.

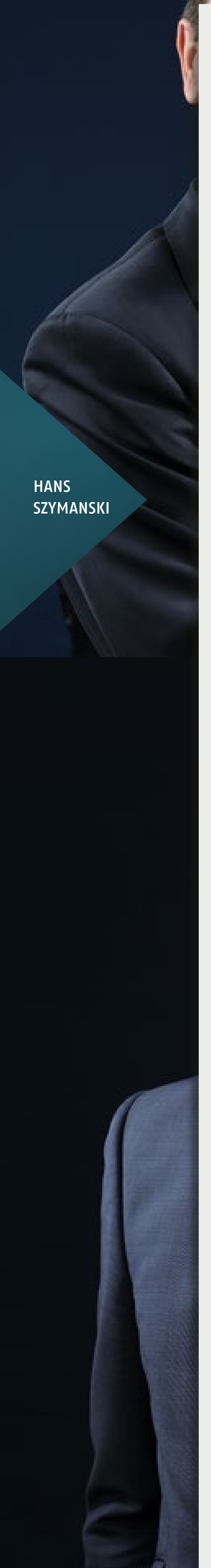
For Francotyp-Postalia, 2014 was dominated by five key factors: the trend in the US dollar rate, progress in our US, UK and Italian franking machine markets, developments in the Software and Mail Services product businesses, strengthening distribution in Germany, and finally the relocation of our headquarters from Birkenwerder to Berlin.

At the start of the year, the temporary weakness of the economy in many industrialised nations was just as unforeseeable as the US dollar exchange rate. The resulting impact on Francotyp-Postalia revenue and earnings in the first half year was offset in the second half. While we were unable to influence these exogenous factors, we were fully in control of progress in our operating business units.

The PostBase family is the core of the franking machine business. Worldwide strong demand shows that the years of development work have paid off, and that our modern franking system is in line with the spirit of the times. There are now over 50,000 PostBase systems in use worldwide. Particularly positive developments are the successful decertification currently in progress in the US and the expansion of the Italian and UK franking machine markets.







Until recently, France was the biggest European market for franking machines, but it has now been overtaken by the UK, where we are also benefiting from a growing installed base. There is a similar trend in Italy, where our market share is again growing through leasing PostBase systems to new customers. In the US, our largest foreign market, we have every reason for satisfaction with the status of decertification, the replacement of older franking machines by new ones initiated by the US Postal Service. By the end of last year, we had replaced – a full year before the decertification cut-off date – over 25,000 old franking machines with new PostBase systems, securing much of the installed base requiring replacement. For the FP Group, this means significant investment, which was a decisive reason for the record level in the previous year. However, this gives the FP Group a base for sustainable and recurrent revenue, which is the centrepiece of the FP business model. In 2014, over 70% of revenue from our traditional core business is recurring revenue.

Besides the US, Germany is our strongest market. In 2014, we initiated measures not only to optimise costs, but also to strengthen sales in Germany, e.g. by expanding the telesales channel. However, the temporary economic weakness and associated unwillingness to invest on the part of many companies meant that the measures for distribution were not as successful as expected in the budget period. Nevertheless, we are sticking with these measures and will continue to work on them in 2015. An important issue in 2015 is the reorientation of customer service. While the older franking machines required direct on-site service, the new technology means that PostBase can be serviced – or, if necessary, even repaired – remotely. In the rare cases that a system has to be replaced, customers will in future receive a replacement machine directly, and inspection and repair of the original machine will be done centrally. This customer-oriented change in the service will result in one-time expense in the current year, but there will be savings as early as 2016 from the reorganisation of the service segment.

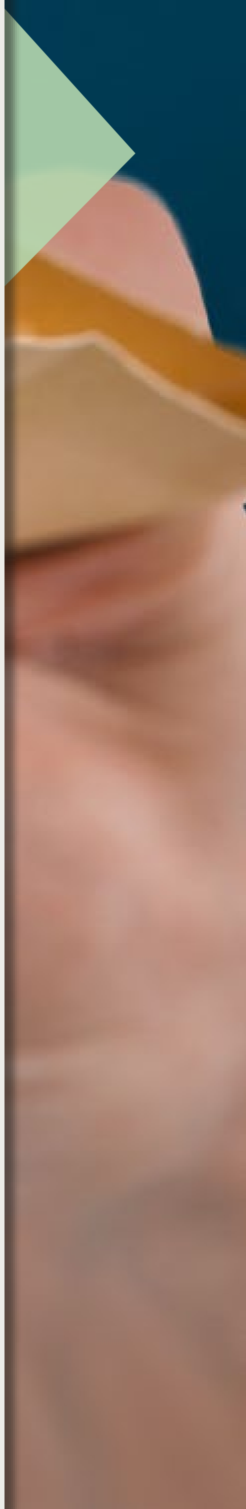
Franking, our traditional core business, is distinguished by strong cash flow and moderate growth potential, and we are concentrating on stabilisation through securing and expanding existing markets and developing new ones. However, our strategy is not limited to maintaining our current position, but gives high priority to areas of business with a promising future. FP is giving a public face to this strategic evolution with its new headquarters in Berlin, the centre for innovation. We are strengthening and expanding our solution-related expertise in the field of secure digital communication, positioning ourselves as a solutions provider.

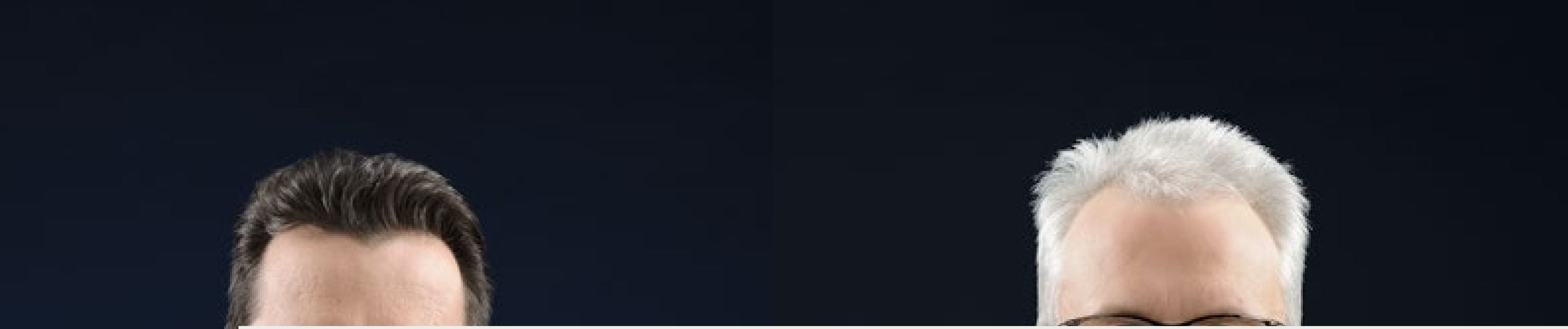
There was strong growth in revenue in 2014 in both the consolidation and software businesses, and we are very well placed for the coming years. The growing importance of digital mail communication in the FP Group is reflected in the newly-created Board position of Chief Digital Officer, filled since February 2015 by Sven Meise.

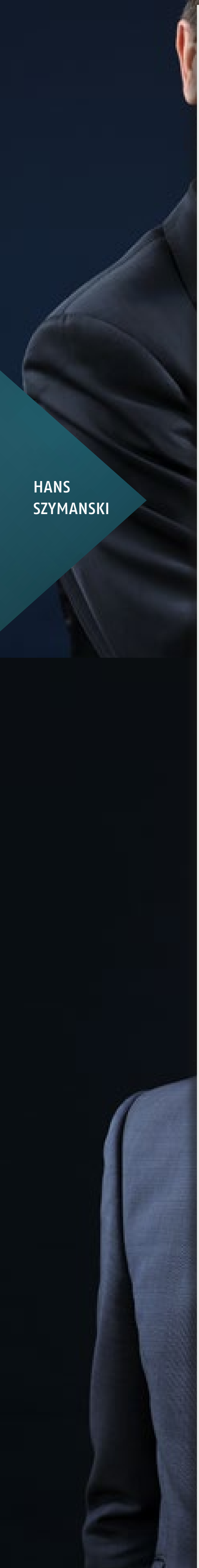
FP offers solutions for long-term archiving and encryption of digital documents, as well as customised services for using De-Mail. We made further progress in this area in 2014. In addition to Deutsche Rentenversicherung, the German Federal Employment Office is another new customer, which is one of the biggest mailers in Germany. We have also linked numerous local authorities, public authorities and companies to the De-Mail gateway. Not least, last year our subsidiary Mentana-Claimsoft became the first company in Germany to offer consulting and certification services in evidential scanning based on the technical guidelines (TR-RESISCAN) issued by the German Federal Office for Information Security (BSI).

Linking analogue and digital solutions for mail management offers major benefits in efficiency for companies and authorities, and our customers are gradually recognising these. The market for digital, encrypted, confidential and evidential communication using De-Mail is growing slowly, but in the previous year we reached important milestones in cooperation with the German Federal Ministry of the Interior, the BSI and the De-Mail working group, and we still see major opportunities here.

In the current year, the franking machine business will generate the majority of revenue. Overall, we expect revenue to increase to EUR 173–177 million and EBITDA to rise to EUR 24–25 million, although earnings have yet to reflect the one-time expense on the reorientation of customer service in Germany. Despite the continuing decertification in 2015 in the US and strong demand for PostBase in other leasing markets, both of which require further investment, we are again budgeting for a significantly improved and positive free cash flow in 2015.







Finally, we should like to thank you, our shareholders, for your continuing confidence. We naturally want you to continue to share in the Company's success, and rising earnings and a positive free cash flow mean that the FP Group will continue to be able to pay attractive dividends. Our aim every year is to distribute 35–50% of adjusted net income, given expected growth in earnings. This doesn't happen by itself, which is why we are thanking our labour force of over 1,000 worldwide for their tireless efforts, and all our customers and partners for their trust.

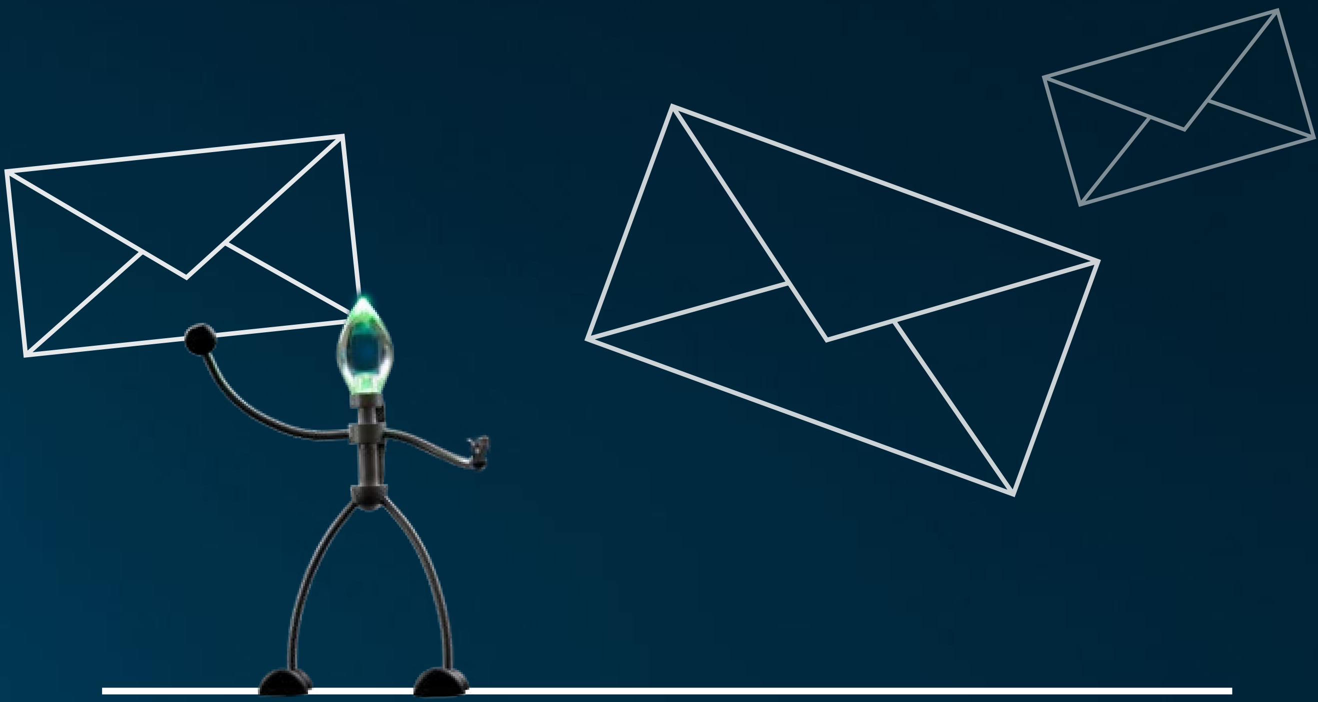
Sincerely,

Hans Szymanski CEO & CFO	Thomas Grethe CSO	Sven Meise CDO

DIGITAL MAILROOM – ANALOGUE

Is there a future for letters?

E-MAIL IS A CONVENIENT AND FAST WAY OF COMMUNICATION WHICH ALSO SAVES TIME AND MONEY. LETTERS DON'T HAVE THESE ADVANTAGES AND ARE THEREFORE WIDELY PERCEIVED AS ANTIQUATED. THIS IS COMPOUNDED BY THE FACT THAT SUBJECTIVELY, THE AMOUNT OF LETTERS APPEARS TO BE DECREASING.



“The letter will still be an important communication medium in future.” *

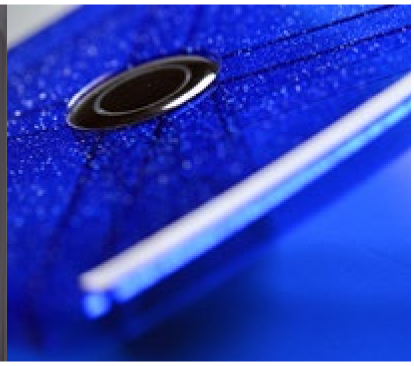
MORE THAN 300 BILLION LETTERS BEING SENT WORLDWIDE EACH YEAR SPEAK FOR THEMSELVES: PEOPLE ALL OVER THE WORLD ARE WRITING LETTERS, EVEN IN THE DIGITAL AGE, AND THEY WILL ALWAYS CONTINUE TO WRITE LETTERS. WHY? HOLDING A LETTER IN YOUR HAND HAS A MUCH HIGHER VALUE THAN READING AN E-MAIL.

Matthias Lorenzen – Innovation Projects project head

FP has placed people at the centre of business processes for years already: Intuitive, self-explanatory user interfaces, visual imagery on large colour displays, quiet, energy-saving and variable devices with innovative ideas. FP products continue to set new trends and standards in mail management.

Our engineers and technicians work every day to develop innovative and efficient products that inspire our customers worldwide and will continue to do so in future.

The letter will still be a success story



300 billion

More than 300 billion letters being sent worldwide each year speak for themselves: people all over the world are writing letters, even in the digital age, and they will always continue to write letters.

Letter writing is probably the oldest form of communication. But that doesn't mean letters have stopped being useful by any stretch. Quite the opposite. In the USA alone, the number of letters sent every year comes to nearly 158 billion. In Germany the volume of mail is around 17 billion items per year and in the UK around 8 billion letters are sent every year.

The majority of franking machine customers in Germany and Austria use Francotyp-Postalia franking systems. FP is clearly the leader in both of these markets. Worldwide FP customers benefit from more than 90 years of global experience in the technical implementation of automated franking. In these product segments the FP Group concentrates on developing, manufacturing, selling and leasing franking machines. The product range extends from the new PostBase Mini to PostBase and CentorMail for large mail volumes. The use of FP products significantly increases efficiency and results in time and cost savings in mail processing. A further advantage: In some countries national postal organisations grant a discount when postage is applied by franking machines.

NUMBER ONE IN THE GERMAN FRANKING MACHINE MARKET

The Group's main revenue generator in this segment is the after-sales business, which generates recurring revenue. This includes the sale of consumables, services, the teleporto (electronic downloading of postage), the creation of printing plates as well as software solutions for cost centre management. In the Services segment – depending on country and customer segment – the FP Group offers maintenance and service contracts in various packages.

The FP Group also offers a collection service for businesses. With this service provided by the subsidiary freesort, business mail is picked up directly, presorted by postcode and delivered to the Deutsche Post AG or other postal distributor. The Deutsche Post AG grants discounts for large volumes of mail. Francotyp-Postalia passes on a large part of those savings to its customers.

DIGITAL MAILROOM – HYBRID

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Do companies still need a mailroom?

A LARGE PART OF WRITTEN COMMUNICATION CIRCUMVENTS THE TRADITIONAL MAILROOM WHERE INCOMING AND OUTGOING MAIL IS PROCESSED – NEW TECHNOLOGIES ARE NEEDED. ADVANCES IN COMMUNICATION TECHNOLOGY ARE FUNDAMENTALLY CHANGING WAY DOCUMENTS ARE HANDLED. THERE HASN'T BEEN A DIRECT RELATIONSHIP BETWEEN DOCUMENTS AND PAPER FOR A LONG TIME.

*“The classic mailroom is** *a discontinued model. Hybrid technology is the future of communication in businesses.”*

ALREADY TODAY THERE IS AN ABUNDANCE OF COMMUNICATION CHANNELS. FOR BUSINESSES IT IS ESSENTIAL TO STREAMLINE ALL COMMUNICATIONS AND TO KEEP TRACK OF ALL PROCESSES. HYBRID APPROACHES ARE CAPABLE OF THIS.

Martin Splitt – Consultant, internet-access GmbH

FP IAB handles all incoming and outgoing mail for businesses and government agencies. Consultants analyse customers’ document processes and data flows in advance and find the optimal solution for receiving and further processing as well as the production and mailing of the daily mail and documents such as invoices and reminders.

Outsourcing as an intelligent alternative

2.2 million

is the number of pages FP IAB is capable of printing with FP IAB is capable to print with its high-performance printers within 24 hours. Around 20 million consignments have been produced in 2014.

The distribution and storage of business mail is costly and time consuming. Time spent on administrative tasks that employees could use for other things. Outsourcing this process removes a major burden from businesses, government agencies and administrations in a professional and affordable way.

With its outsourcing solutions for both incoming and outgoing mail, FP IAB offers powerful document output management services to all companies from small and medium-sized businesses to large corporations, public authorities. By using outsourcing considerable savings can be made and customer productivity can be increased.

TIME AND COST SAVINGS

The digital documents drawn up in companies, government agencies or municipalities – also called transaction mail – are all given to FP IAB for further processing. From the print data stream FP IAB creates bases on defined criteria – the so called metadata –, emails, De-Mails, faxes or classic letters. FP IAB takes on all digital processing and the entire analogue production process: From printing out, inserting and franking to handing over the letter to a mail delivery company. For the customer, this results in time and cost savings as the expenses for paper, envelope and printer as well as maintenance and transportation costs, which is environmentally friendly at the same time, can be reduced. The entry-level solution FP Webmail is suitable for small companies. With a click of the mouse, FP Webmail launches the production process via a virtual printer driver. Large companies can rely on FP Businessmail where they can transfer their print data directly from their IT systems to the FP IAB's output management system.

The incoming mail processing solutions include the collection of mail, scanning and sorting or evaluating, as well as the forwarding and archiving of incoming mail. Analogue letters and documents are digitised, analysed according to specific criteria, tagged and delivered immediately to the customer system. This optimises the mail processing chain and ensures that it runs much faster and more efficiently. Upon customer's request, we can provide a system for responding promptly and flexibly without great effort.

DIGITAL MAILROOM – DIGITAL

Does the future belong to e-mail in the business mail segment? *

THE NUMBER OF BUSINESS E-MAILS IS CONTINUOUSLY INCREASING. BY 2018, THIS NUMBER IS EXPECTED TO RISE TO 139 BILLION E-MAILS. ELECTRONIC COMMUNICATION IS BECOMING THE RULE, ESPECIALLY IN EVERYDAY OPERATIONS – BUT LEGAL UNCERTAINTY REMAINS.

“De-Mail sets new standards.” *

STANDARDS SUCH AS DE-MAIL ARE THE FIRST TO CREATE THE NECESSARY COMMITMENT AND RELIABILITY IN ELECTRONIC COMMUNICATIONS. IT'S NOT JUST ABOUT SENDING MESSAGES, BUT ALSO ABOUT THE UPSTREAM AND DOWNSTREAM PROCESSES.

Stefan Boschulte – Head of Software Development, Mentana-Claimsoft GmbH

Software development at Mentana-Claimsoft is responsible for the design and implementation of the entire digital product range. This includes De-Mail, signature solutions and long-term archiving. We are constantly developing our products. In this way we can always offer our customers innovative, trendsetting solutions to meet their individual needs.

De-Mail as a promising instrument

It is 30 years since the first e-mail was received in Germany. In 2014, internet users send 196 billion emails around the world each day. 109 billion of these were business mails – and the number is rising. In the next four years 100 million new e-mail accounts will be opened.

From e-mail to De-Mail: In Germany, De-Mail is initiating a new chapter in electronic document transfer. With the adoption of the E-Government Act, all German federal authorities must be accessible via De-Mail by the end of 2015.

De-Mail services provide businesses, citizens and government agencies with an encrypted, binding and verifiable exchange of electronic documents. De-Mail ensures secure data transfer with encrypted communication channels. It combines the speed of e-mail with the security of a letter and the evidential value of a registered letter.

AUTHENTICITY AND INTEGRITY USING A SIGNATURE

Electronic networks and channels of communication make it possible to exchange information over long distances in a short time. The electronic management of business processes can reduce costs, error rates and process run times. Essentially, paper-based documents are increasingly being digitised or replaced by electronic documents and processes are being automated. The electronic signature secures these documents and gives them legal transportability while ensuring document integrity. At the same time, existing paper-based archives can be eliminated and new ones avoided.

LONG-TERM ARCHIVING

Because they are a tangible product, paper documents have properties that electronic documents per se cannot have. Among them are the integrity and authenticity of the document. These properties, however, are crucial elements of the evidential value of a document, and even an e-mail.

In particular, to ensure the longer-term evidential value of signed electronic documents, the verification of integrity and authenticity, in addition to maintaining readability and completeness, is essential and must be created and permanently maintained using technical and organisational measures – at least for the duration of statutory retention periods, which can be 110 years or more. Mentana-Claimsoft's Hash-Safe provides an ArchiSig and TR-ESOR compliant component that administrates the stored signature information in a way that maintains its evidential value, even beyond the validity of algorithms.

FROM ANALOGUE TO DIGITAL – LEGAL FROM THE OUTSET

Paper archives are bursting at the seams. That is why more and more institutions are starting to digitise their documents and destroy the originals. In the process, they often make crucial errors due to non-compliance with certain digitisation provisions that result in the evidential value of the documents being lost.

In the summer of 2014 FP Mentana-Claimsoft was the first German company to receive TR-RESISCAN certification from BSI (German Federal Office of Security in Information Technology). FP Mentana-Claimsoft is also a "VOI Certified Expert for Input/Output & Archive Security". On this basis, the company advises its customers on issues ranging from processes that replace scanning, legally compliant archiving and the preservation of the evidentiary value of digital documents. In addition, Mentana-Claimsoft provides companies and government agencies with TR-RESISCAN training and can also approve the process by order of the Organisations- und Informationssysteme e.V. association.

110 years

or more is the timespan that documents – also digitalised ones – have to be archived.

DIGITAL MAILROOM

Analogue, hybrid, digital. That is the mail communication of the future.

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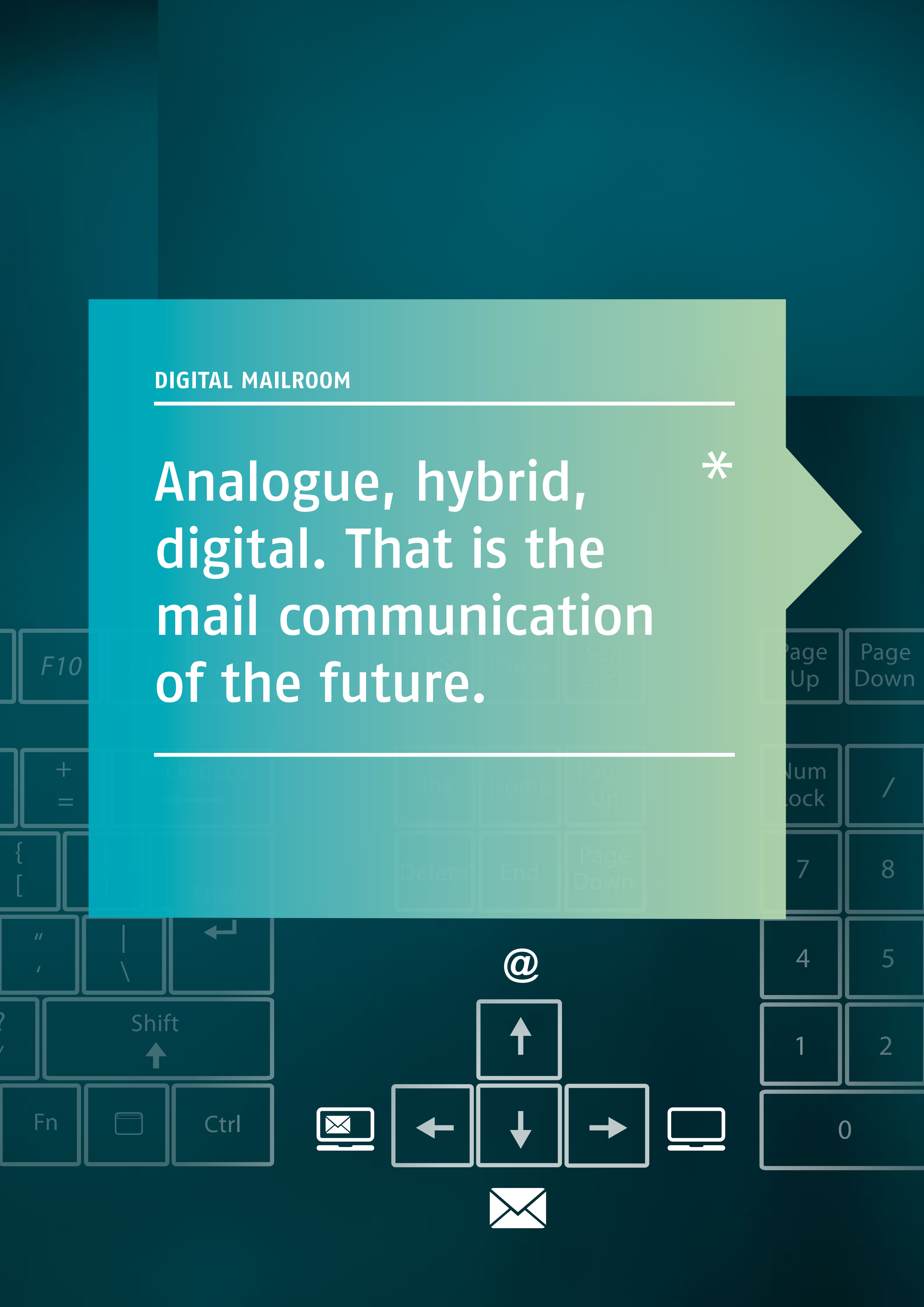
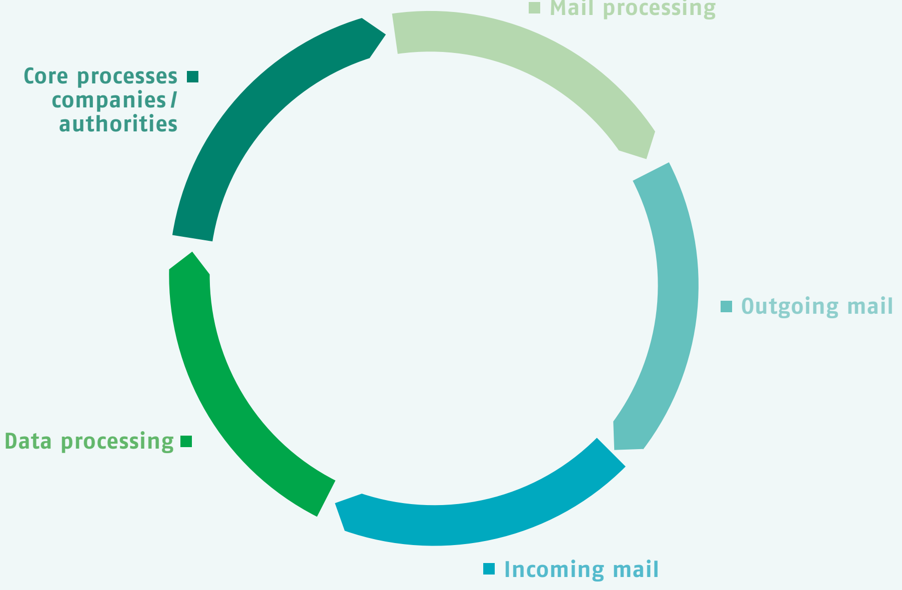


A holistic view of mail communication – the Digital Mailroom

"WE HANDLE ALL ASPECTS OF DOCUMENT AND MAIL PROCESSING FOR OUR CLIENTS – ANALOGUE, HYBRID, DIGITAL. THIS MEANS THEY CAN CONCENTRATE FULLY ON THEIR BUSINESS, WHILE SAVING TIME AND MONEY AS WELL."

THE DIGITAL MAILROOM



Employees of Mentana-Claimsoft recently received the "VOI Certified Expert" and "VOI Certified Trainer" diplomas in "Input/Output & Archive Security", which means they can now act as auditors for VOI, the association for organisation and information systems.

Whether it's analogue, hybrid or digital, mail communication in companies and authorities today uses a wide range of channels. Documents no longer arrive at organisations just as a hard copy, they also arrive as e-mail, De-Mail, or simply as files. Documents can also be sent in many different ways and formats. Professional mail management has to look at this variety of channels as a whole – the Digital Mailroom. The reward is enormous potential for optimisation, leading to savings for companies and authorities.

COLLECTING AND SENDING MAIL

The flow of documents within a company starts with the arrival of mail (analogue or digital) and ends with outgoing mail (analogue or digital). But how exactly do documents arrive at the company? The days when employees had to do everything by themselves are long gone. Today, FP collects corporate mail from a mailbox and – if desired – takes care of digitisation (scanning, verifying, classifying). Documents go to the responsible employees in a digital format, which can be quickly processed without the need for media conversion.

Conversely, FP generates analogue documents for clients from analogue originals. As part of the print outsourcing service, FP prints out, folds, franks and inserts and forwards the client's business correspondence delivery – all in accordance with the agreed requirements. Employees are saved the bother of handling outgoing mail, they no longer have to print out, fold, insert and frank their business correspondence. Instead, they simply forward letters from their application in digital and secure form – FP deals with the rest.

A BRIDGE BETWEEN ANALOGUE AND DIGITAL. WHAT DO YOU DO WITH DIGITAL DOCUMENTS?

Mail has been increasingly moving into the digital world for years. Now, De-Mail offers an electronic way to send sensitive documents, which previously had to be sent by post. For companies and authorities, this makes daily working much easier. However, procedures have to be adapted to the new form of digital communication. This includes not only archiving but also processing using the right forms and entry masks.

FP subsidiary Mentana-Claimsoft advises clients on just this kind of question, ensuring that companies and authorities archive and electronically sign digital documents in compliance with the legal requirements. Among other things, this can be decisive in ensuring that a digital document is admitted as evidence in pending litigation. FP also advises organisations on digitising their hard copy archives. The TR-ResiScan and TR-ESOR technical guidelines of the German Federal Office for Information Security are important for scanning and archiving to preserve the content and evidentiary value of documents. FP Mentana-Claimsoft assists clients in implementing these guidelines, with consulting services that range from detailed analysis of safeguards through to proper documentation of procedures.

EFFICIENT DESIGN OF TRADITIONAL OUTGOING MAIL – SEND MAIL, SAVE POSTAGE

FP is one of the leading companies in the franking and inserting sector. FP's PostBase Mini is another model in the successful PostBase family. Based on the innovative PostBase technology with direct internet access, Francotyp-Postalia developed the PostBase Mini as a system for handling small volumes of mail, which provides an entry solution for small businesses and self-employed persons.

Mail can be simply and conveniently franked with the FP franking system and subsequently collected and consolidated by FP. FP is the only independent, national mail consolidator, and a successful contractor for the German Postal Service. FP collects the daily mail of many companies and authorities. Under the existing subcontractor agreements, the German Postal Service gives FP a discount on postage, and FP in turn passes on a large part of this to its clients in the form of a monthly credit.

The Digital Mailroom at CeBIT 2015

Report of the Supervisory Board
OF FRANCOTYP-POSTALIA HOLDING AG (FP GROUP)

With this report, the Supervisory Board provides details of its activities pursuant to Section 171 (2) of the German Stock Corporation Act (Aktiengesetz – AktG). In 2014, the Supervisory Board performed the duties required of it pursuant to prevailing law, the Articles of Association and the Rules of Procedure, while taking the associated decisions as and when necessary. The Supervisory Board regularly advised the Management Board on the management of the Company, monitored its work and dealt continuously with the course of business and situation of the FP Group. The Supervisory Board was directly involved in all important decisions from an early stage. The Management Board informed the members of the Supervisory Board regularly, comprehensively, and in good time of the Company's circumstances. Whenever a decision was required from the Supervisory Board regarding individual measures of the Management Board, the Supervisory Board passed resolutions on this, if necessary by written procedure. A total of seven in situ meetings took place in the past year. Of these, four were ordinary meetings and three were extraordinary meetings. On one occasion, a member of the Supervisory Board was unable to take part in a meeting due to health reasons, so the agenda could only be processed in part. The Management Board participated in all Supervisory Board meetings.

The meetings focused on the following issues:

- net assets, financial position and results of operations
- the "Aufbruch 2015" initiative
- the progress made in developing the subsidiaries Mentana-Claimsoft GmbH, internet access GmbH and freesort GmbH.

The joint meetings of the Supervisory Board and Management Board were held on 13 February (in Langenfeld, Germany, headquarters of freesort GmbH), 3 April, 28 May, 18 June, 25 September, 24 November and 10 December (budget meeting). In the second part of the meeting held on 13 February, the Supervisory Board met without the Management Board.

TOPICS HANDLED BY THE SUPERVISORY BOARD IN 2014

In the area of operations, financial year 2014 was characterised by the Aufbruch 2015 initiative and by the progress and development of the subsidiaries Mentana-Claimsoft GmbH, internet access GmbH and freesort.

The Management Board and Supervisory Board discussed the Aufbruch 2015 initiative on a regular basis during the past year, both in the Supervisory Board meetings (3 April, 18 June, 25 September, 10 December) and outside. "Aufbruch 2015" with its subprojects relating to a new distribution strategy, strengthening the dealer channel and optimising operating costs was an important project in line with the strategic development of the FP Group from a manufacturer of franking machines to becoming a solution provider.

In this respect, the Supervisory Board and Management Board discussed the development of the fully digital solutions at nearly every meeting, particularly at the meeting held on 13 February 2014. After Francotyp-Postalia had initially increased its stake in Mentana-Claimsoft GmbH by 51% from 24.5% to 75.5%, the Supervisory Board agreed on 16 July 2014 to the purchase of the remaining 24.5%. Thus, Francotyp-Postalia has a 100% stake in the company. Acquisition of all the shares in Mentana-Claimsoft GmbH is part of the consistent expansion of fully-electronic mail communication, and as such is a key factor contributing to the development of this promising business area of the FP Group.

The importance of the FP subsidiary Mentana-Claimsoft and its products for the strategic direction of the FP Group underlines two important decisions made by the Supervisory Board in 2014. By resolution of 19 November 2014, the Supervisory Board appointed Sven Meise to the Management Board as responsible for digital solutions. The Supervisory Board also agreed on 25 September 2014 to appoint by resolution a second managing director to Mentana-Claimsoft.

The development of the subsidiaries internet-access GmbH and freesort GmbH were regularly discussed at meetings between the Management Board and Supervisory Board, held on 13 February, 3 April, 18 June, 25 September, 24 November and 10 December.

The traditional franking and inserting machine business was a major topic at the meetings of the Supervisory Board, held on 13 February, 3 April, 18 June, 25 September, 24 November and 10 December, alongside the progress made of the Aufbruch 2015 initiative and the development of new business fields. The focus of these meetings was primarily on the successful exchange of decertified franking machines ongoing in the US, the positive development of the franking machine business in Italy and the success of the English subsidiary.

Another topic of discussion between the Management Board and the Supervisory Board was the potential for optimisation defined in Aufbruch 2015. At the beginning of the year, preparations were under way for the relocation scheduled for the end of 2014. The Management Board and Supervisory Board regularly exchanged views on the progress of the project. The Management Board and Supervisory Board were in agreement that the relocation from Birkenwerder to a new company headquarters in Berlin is not just a change in physical location but represents a step forward in the development of the FP Group.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

The Management Board reported at each meeting to the Supervisory Board on the net assets, financial position and results of operations of the FP Group. Issues of particular importance were discussed in detail between the Supervisory Board and the Management Board. Two particular events that were significant to FP and that were key topics of discussion between the Supervisory Board and the Management Board were:

On 19 August 2014, the Company was able to announce that as a result of the reassessment of the contractual relationships in connection with the Teleporto funds (restricted cash) of the UK subsidiary Francotyp-Postalia Ltd., UK, the Company can make free use of liquid assets totalling GBP 16.7 million (as at 30 June 2014). In countries such as the UK, Canada and Austria, franking machine users are required to clear payments of Teleporto funds through FP under the manufacturer contracts between FP and the individual postal companies. Different procedures apply in the different countries. In the case of the UK subsidiary Francotyp-Postalia Ltd., UK, the Management Board had reassessed the contractual agreements, after careful consideration and following the introduction of a new provision into the new manufacturer contract. The review also concluded that the restrictions on Teleporto funds in Canada and Austria will continue to apply.

The EUR 13 million of free cash flow available was used in Q4 2014 for the temporary reduction of financial liabilities by common agreement between the Management Board and the Supervisory Board. In addition, the Management Board is considering using part of this cash flow for future investments, with due regard to commercial prudence. These considerations have been and continue to be discussed between the Supervisory Board and Management Board on a regular basis.

By resolution of 7 October, the Supervisory Board approved the amendment to the syndicated agreement which had been in place since April 2013. The total volume of the syndicated loan negotiated by the Management Board increased by EUR 5 million to EUR 50 million. In addition, the Management Board secured significant improvements in the conditions with the new agreement: the term of the loan was extended by more than a year to October 2019. Furthermore, improvements in the interest margin and greater leeway with regard to other financial liabilities were also obtained. Overall, the FP Group has secured a much higher degree of flexibility that will enable it to respond to operational circumstances. It also increases its flexibility for investing in future growth. Rental machines and development projects were the main focus in 2014.

By concluding this amendment agreement, the banks have acknowledged the successful implementation of the Group's strategy, the operational progress the FP Group has demonstrated in the past 18 months, and the further improvements made in the balance sheet structure. The readiness to grant these improved conditions transpired irrespective of the reassessment of the Teleporto funds. The combination of this reassessment and the amendment agreement provides the financing of the FP Group with a very solid foundation in the long term.

Despite progress in the operative business, it became apparent towards the end of financial year 2014 that the ambitious goals for the year were not going to be met in full. This was discussed in detail between the Supervisory Board and the Management Board at the meetings held on 24 November and 10 December. Overall, the franking machine business is lagging behind expectations in the current financial year. Nevertheless, revenue still increased by 0.8% to EUR 170.3 million on the previous year's figure, and EBITDA also increased by 4.1% to EUR 23.1 million. An important factor here is that the cost optimisation measures carried out by the Management Board have fully taken effect, which is reflected in a further rise in profitability, with a year-on-year increase of 7.5% in annual net income and the associated increase in earnings per share of 3.0%.

The budget for the following year that is prepared annually by the Management Board was discussed in detail by the Supervisory and Management Boards at the meetings held on 24 November and 10 December. The Supervisory Board approved the budget on 10 December.

MANAGEMENT BOARD MEMBERS

Effective 1 January 2014, the existing Management Board contract with Hans Szymanski was prematurely extended by three years to 31 December 2016. Mr Szymanski has been a Management Board member since December 2008 and, since November 2010, CEO and CFO of Francotyp-Postalia Holding AG. The extension to the contract ensures ongoing stability and continuity in the Management Board.

In addition, the Supervisory Board appointed Sven Meise to the Management Board of Francotyp-Postalia Holding AG by resolution of 19 November 2014. Meise is responsible for the business units freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business including consolidation, as well as establishing and expanding digital products, including digital signatures and archives, thus also the De-Mail business. In addition, the consultancy services offered by FP to companies and authorities related to introducing and implementing digital solutions are to be greatly developed. With the appointment of Mr Meise, the Supervisory Board emphasises the strategic importance it attaches to the solution and outsourcing business.

WORK IN THE COMMITTEES

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

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

AUDITING THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board has the task of examining the annual financial statements, management report, consolidated financial statements and Group management report prepared by the Management Board. The same applies to the report and conclusions reached by the independent auditor and independent auditor for the Group. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has audited the financial statements and management report of Francotyp-Postalia Holding AG until 31 December 2014 as well as the consolidated financial statements and Group management report until 31 December 2014, and in each case has issued an unqualified opinion thereof.

Pursuant to Section 315a German Commercial Code (Handelsgesetzbuch – HGB), the Group management report and consolidated financial statements were drawn up pursuant to International Financial Reporting Standards (IFRSs). The independent auditor conducted his audit in accordance with the generally accepted standards for the audit of financial statements promulgated by the IDW Institute of Public Auditors in Germany. As the Supervisory Board did not form its own audit committee, the Supervisory Board as a whole conducted the audit of the documents specified. The Management Board submitted these documents to the Supervisory Board in good time, together with the audit reports by KPMG AG.

During the balance sheet meeting held by the Supervisory Board on 26 March 2015, in the presence of the independent auditor, who reported on his main audit findings, the 2014 financial statements, 2014 consolidated financial statements and combined consolidated management reports and audit reports were subjected to detailed scrutiny. The Supervisory Board concurs with the Management Board's presentation of the state of the Company in its reports and annual financial statements as well as with the results of the audit reports. Accordingly, the Supervisory Board raises no objections thereto. The Supervisory Board approved by resolution the financial statements drawn up by the Management Board on 13 April 2015. The financial statements for 2014 have thus been established pursuant to Section 172 AktG.

Finally, both Management Board and Supervisory Board jointly approved the proposed resolutions to the items on the agenda at the Annual General Meeting.

CORPORATE GOVERNANCE

The Management Board and Supervisory Board issued a Declaration of Compliance with the German Corporate Governance Code (the Code) pursuant to Section 161 AktG, which now forms part of the Declaration on Corporate Governance pursuant to Section 289a HGB, and will make this declaration permanently available to shareholders on the Francotyp-Postalia Holding AG website. The Management Board and Supervisory Board broadly comply with the proposals and recommendations of the Code. The Declaration on Corporate Governance, which also forms part of the 2014 Annual Report, and the Declaration of Compliance give detailed explanations of points where the Management Board and Supervisory Board digress from the Code's proposals and recommendations.

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

EXPRESSION OF THANKS

The Supervisory Board would like to thank Management Board members Hans Szymanski and Thomas Grethe and all employees for their commitment and personal contribution during 2014. Likewise, it would like to thank the shareholders for the confidence they have shown in the Company.

April 2015

The Supervisory Board
Francotyp-Postalia Holding AG

Klaus Röhrig

THE SUPERVISORY BOARD

Klaus Röhrig, Born in 1977
(Chairman)

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

Robert Feldmeier, Born in 1957
(Deputy Chairman)

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

Botho Oppermann, Born in 1947

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

Declaration on Corporate Governance and Corporate Governance Report

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

The purpose of the German Corporate Governance Code is to make the rules for the management and supervision of companies prevailing in Germany as transparent as possible for both domestic and international investors. The Code's provisions and rules cover the fields of shareholder interests, the Management Board and Supervisory Board, the transparency of Company management, and the duties of the independent auditor. The Management Board and Supervisory Board of Francotyp-Postalia Holding AG are committed to the interests of shareholders and thus to the implementation of the recommendations and proposals of the German Corporate Governance Code (the Code). In line with the principles of the social market economy, the Management Board and Supervisory Board also safeguard the company's continued existence and ensure sustainable added value. The Management Board and Supervisory Board report on potential deviations from the recommendations of the Code in both the Declaration of Compliance and the following extensive disclosures with reference to the version of the Code dated 24 June 2014.

DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Management Board and Supervisory Board of Francotyp-Postalia Holding AG hereby present its Declaration of Compliance, setting out which recommendations of the version of the German Corporate Governance Code dated 24 June 2014, as published by the Federal Ministry of Justice in the official section of the electronic version of the Federal Gazette, it has been and is complying with, and which recommendations have not been or are not being applied.

2.3.1 The invitation to the Annual General Meeting and the reports and documents required by law, including the annual report, are published on the Company's website together with the agenda, where they can be accessed easily by shareholders. The Articles of Association of Francotyp-Postalia Holding AG do not allow for the possibility of postal voting. The Company will also not offer postal votes at its next Annual General Meeting.

2.3.3 Due to the great amount of administration involved, the Company will not be able to offer shareholders the option of viewing the Annual General Meeting via state-of-the-art communication media, for example over the Internet.

3.8 The Company has taken out a D&O policy for the Management Board. The policy is subject to an excess of at least 10% of the loss up to at least one and a half times the annual fixed remuneration of the member of the Management Board pursuant to Section 93 (2) of the German Stock Corporation Act (Aktiengesetz – AktG). A D&O policy was also taken out for the Supervisory Board. An excess for the Supervisory Board will be included when the policy is renegotiated.

5.3.1 While the Supervisory Board continues to consist of three persons, no committees will be formed in which the Supervisory Board Chairman or any other Supervisory Board member could occupy an additional chairmanship role, as the composition of the committees would be identical to that of the Supervisory Board.

5.3.2 As long as the Supervisory Board continues to be limited to three persons, the Board as a whole assumes the duties of an Audit Committee.

5.3.3 With regard to the formation of a nomination committee, the same conditions apply as to the other committees.

5.6 Every three years, the Supervisory Board performs an efficiency audit of its activities with the aid of an external consultant. Efficiency is examined each year through internal means.

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

Berlin, 26 March 2015
For the Supervisory Board

Klaus Röhrig
Chairman of the Supervisory Board

The Management Board

Hans Szymanski
CEO & CFO

Thomas Grethe
CSO

Sven Meise
CDO

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

Francotyp-Postalia Holding AG currently still has its registered office in Birkenwerder and will suggest the transfer of the registration to Berlin at the next general meeting. The business address has already been transferred to Berlin. The Company is subject to German stock corporation law, and is governed by executive bodies including the Management Board, the Supervisory Board and the Annual General Meeting. Corporate governance is based on the close and trustful cooperation of all executive bodies as well as an active and continuous flow of information between them. At the Annual General Meeting in particular, shareholders can put questions to the management and exercise their voting rights.

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

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

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

Pursuant to the Articles of Association, the Supervisory Board may appoint one or more persons to the Management Board of the Company. Since February 2015, the Management Board of Francotyp-Postalia Holding AG has comprised three members. Previously, the Company was managed by two Board members. The Management Board manages the Company independently in line with the Company's best interests with the aim of creating sustainable added value while taking into account the concerns of shareholders, its employees and other groups affiliated with the Company. In accordance with the Rules of Procedure for the Management Board issued by the Supervisory Board, the Management Board manages the Company's businesses in line with uniform plans and guidelines. The Management Board therefore bears joint responsibility for the management of the entire Company. As part of the overall responsibility for managing the Company, the three members of the Management Board are required within the remit of tasks allocated to them to cooperate in a loyal and trustful manner for the benefit of the Company.

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

COMMITTEES OF THE SUPERVISORY BOARD

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

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Achieving sustained increases in Company value is the common goal of the collaboration between the Management Board and the Supervisory Board. The Management and Supervisory Boards meet at regular intervals to jointly coordinate the strategic direction of the Company. The Management Board also provides the Supervisory Board with regular information on all issues relating to planning, business trends, risk, risk management, internal accounting, and compliance. The Management Board reports any discrepancies between actual business performance and the plans and goals drawn up, and provides justification for these. The Supervisory Board has stipulated in the Rules of Procedure for the Management Board how the Management Board must provide information and reports. These Management Board Rules of Procedure also stipulate that the Supervisory Board has the right of veto with respect to decisions or measures that could materially affect the Company's net assets, financial position or results of operation, and also concerning transactions of major importance.

Francotyp-Postalia Holding AG has taken out D&O insurance for the members of the Supervisory and Management Boards in accordance with the provisions of the German Corporate Governance Code. The policy is subject to an excess of at least 10% of the loss up to at least one and a half times the annual fixed remuneration of the member of the Management Board pursuant to Section 93 (2) of the German Stock Corporation Act (Aktiengesetz – AktG). A D&O policy was also taken out for the Supervisory Board. An excess for the Supervisory Board will be included when the policy is renegotiated.

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

CONFLICTS OF INTEREST

When taking decisions and performing their duties, the Management Board and Supervisory Board are required to act in the Company's best interests and may neither pursue personal interests nor confer advantages on other persons or make personal use of business opportunities, which are the purview of the Company itself. All members of the Management Board must disclose any conflicts of interest to both the Supervisory Board and other members of the Management Board. Likewise, all members of the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. In its report, the Supervisory Board must notify the Annual General Meeting of any conflicts of interest and how they were dealt with. No conflicts of interest requiring disclosure arose in 2014.

DIVERSITY

With regard to its future composition, the Supervisory Board must bear in mind the composition of the Supervisory Board recommended by the Corporate Governance Code, with male and female members. At present, there are still no women on the Company's Supervisory Board. For a Supervisory Board consisting of three members in total, it is considered to be adequate to have one female Supervisory Board member. In the Supervisory Board elections held at the 2013 Annual General Meeting, no female candidates were put forward for election by the Supervisory Board. The Supervisory Board, of course, takes diversity into account in the case of nominations at the Annual General Meeting. The decisive guideline for nomination remains the Company's interests, which means that the Supervisory Board will propose the most suitable candidate. The Supervisory Board will also take the issue of diversity into account when seeking suitably qualified candidates for Management Board positions that need to be filled.

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

EFFICIENCY AUDIT

Every three years, the Supervisory Board performs an efficiency audit of its activities with the aid of an external consultant. Efficiency is examined each year through internal means. As it was not possible to carry out the efficiency audit in 2012 because of the new membership, the efficiency audit was accordingly carried out in the second half of 2013 and for 2014.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The Management Board convenes an Annual General Meeting at least once a year. At the Annual General Meeting, the shareholders receive the consolidated and annual financial statements and the related management reports and resolve, when necessary, on the use of the unappropriated surplus and on the approval of the actions of the members of the Supervisory and Management Boards. Those present at the Annual General Meeting also select an auditor each financial year.

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

The Company publishes the documents required for the Annual General Meeting and the agenda on its website, where they can be accessed easily by shareholders. The documents are also sent directly to shareholders by their banks. The Articles of Association do not allow for the possibility of postal voting. Naturally, it is in the interests of the Company and of the shareholders to ensure that the Annual General Meeting is concluded quickly. In accordance with the Articles of Association, the chairman of the meeting has the option to impose appropriate limits on the time for which shareholders are permitted to ask questions and to speak. Owing to the high degree of organisational effort involved, an Internet broadcast of the entire Annual General Meeting is still not planned.

TRANSPARENCY

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

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

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

SHAREHOLDER (DIRECT)	Number of shares	in %
Hans Szymanski (Management Board)	120,000	0.7
Botho Oppermann (Supervisory Board)	261,948	1.6

SHAREHOLDER (INDIRECT)	Number of shares	in %
Klaus Röhrig (Chairman of the Supervisory Board) through 3R Investment	1,660,000	10.3

ACCOUNTING

The principal sources of information for shareholders and third parties are the Company's consolidated financial statements as well as, during the financial year, the quarterly and half-yearly reports. Contrary to the recommendations of the Code and due to the extensive consolidation work involved, the consolidated financial statements of Francotyp-Postalia Holding AG are drawn up within four months of the end of the financial year. Due to the large amount of consolidation work involved, the quarterly and half-yearly reports are also published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules (Börsenordnung) and the Transparency Guidelines Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz).

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

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

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

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

AUDIT

In accordance with the 2014 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2014 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that he will inform the Chairman of the Supervisory Board immediately of any grounds for exclusion or bias which might arise during the audit, unless said grounds are eliminated without undue delay. The auditor is also required to immediately report any material findings or occurrences arising during the execution of the audit, which may be relevant to the Supervisory Board's performance of its duties. The auditor is further required either to notify the Supervisory Board or make a corresponding note in its audit report should it discover circumstances indicating inaccuracies in the Declaration of Compliance with the Code given by the Management Board and Supervisory Board, pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG).

COMPLIANCE

The Management Board is responsible for compliance with the law and internal guidelines, and ensures compliance with these throughout the Group companies. Questions of compliance are regular issues in the discussions between the Supervisory Board or Chairman of the Supervisory Board and Management Board. The corporate culture of the FP Group is marked by trust and mutual respect, as well as the motivation to adhere strictly to laws and internal regulations.

Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. The Company does its utmost to minimise this risk as far as possible by uncovering misconduct and dealing systematically with it. Observing legal and ethical regulations and principles is of central importance. These are set out, together with the responsible handling of insider information, in the compliance guidelines. They provide all employees with standards of corporate integrity in business transactions.

Investor Relations / FP shares

VOLATILE YEAR ON THE MARKETS IN 2014

Political instability in countries such as the Ukraine and Syria as well as weak economic data in a number of countries ensured that 2014 was marked by corrections in share prices around the world. Interest rates remaining at extremely low levels, together with the associated glut of liquidity from central banks continued to give the markets a boost. Over the course of the year, the German share index, the DAX, gained 2.2% finishing at 9805 points, whilst in the United States, the Dow Jones rose by 7.6%.

After a strong start to the year and then plateauing a little, the DAX reached 10000 points in June 2014 for the first time in its history. However, it retreated afterwards as a result of weak economic data and an escalation of the conflict in the Ukraine to reach around 8600 in October, before recovering some lost ground by the end of the year.

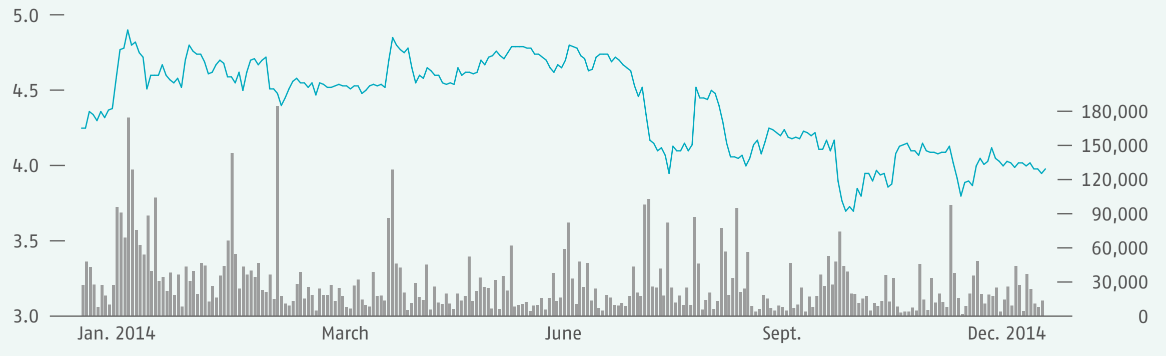
FP SHARES NOT IMMUNE FROM MARKET TURBULENCE

Most smaller stocks were not able to escape the high levels of volatility seen in capital markets in 2014. The relevant index in Germany, the SDAX, managed to rise by 5.5% in 2014, but this masked some big fluctuations during the course of the year.

FP shares fluctuated in line with SDAX until the autumn, which meant that in the first half of the year they performed somewhat more strongly. The shares reached their high for the year of EUR 4.90 in mid-January. After the summer break, the share tracked the market downwards to reach its low for the year in mid-October at EUR 3.70. In the subsequent weeks, it showed a slight recovery to end the year at EUR 3.98. However, the FP share price still fell by 4.1% in 2014. The share price got off to a flying start in 2015 much like the market as a whole, and in January this year breached the EUR 4 barrier once again.

An average trading day in 2014 saw around 28,300 FP shares bought and sold, with a peak daily trading volume as high as 185,000 shares, which represents a fall on the volumes seen in the previous year. Thus, the market for FP shares remained liquid in 2014.

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (2.1.2013–30.12.2014)
Share price in EUR, volume in shares



A SOLID INVESTOR BASE

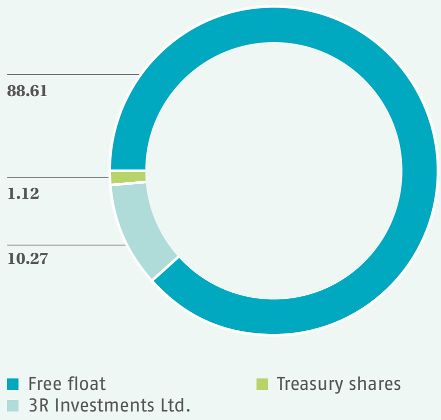
FP shares also consolidated their favored position in 2014 among investors with a long-term outlook. 3R Investments remained the largest shareholder in 2014, with a 10.3% stake. According to the Company, this is planned as a long-term investment. As at the end of 2014 1.1% of FP shares were held by the Company itself. These FP shares will be used to exercise the stock options issued to executives. After the waiting period for the 2010 stock option plan expired, shares were issued for the first time in 2014 to exercise stock options. This corresponds to a free float of around 88% (end of March 2015).

According to their own reports, the following shareholders held more than 3% of the free float as at 31 December 2014:

- Argos Funds SICAV, Luxembourg (5.2%),
- Saltarax GmbH, Germany (3.59%)
- Ludic GmbH, Germany (3.51%)
- Hansainvest, Germany (3.01%)
- internationale Kapitalanlagesellschaft mbH, Germany (3.01%),
- Alceda Fund Management SA , Luxembourg (3.1%),
- Scherzer & Co. AG, Germany (3.0%)
- and Rudolf Heil, Germany (3.0%).

With the exception of Alceda Fund Management SA and Argos Funds SICAV, which are based in Luxembourg, the investors are based in Germany, some of whom have been accompanying the FP Group for some time. INKA mbH informed the Company in January 2015 that it had exceeded the 5% stake threshold at which point disclosure of the holdings becomes compulsory. At the same time, Hansainvest reported that its voting rights had gone below the 3% threshold.

SHAREHOLDER STRUCTURE (DEC. 2014)
in %



ANALYSTS RATE FP SHARES HIGHLY

The assessment of expert analysts plays a key role in an investor's decision whether or not to buy a share. Two institutions who also traditionally work closely with smaller stocks, namely Hauck & Aufhäuser and Warburg Research, followed the FP share in 2014. Both institutions had issued a buy rating for FP as at year-end.

FP PLACES EMPHASIS ON CONSTANT DIALOGUE

The corporate strategy of the FP Group is geared towards a sustainable increase in value. Continuous, open and transparent communication with all capital market participants is therefore very important. The Management Board and the investor relations team also use one-on-one meetings, investor conferences and roadshows to explain the Company's business model and to highlight its potential. In the past financial year, the Management Board represented the Company at the German Equity Forum in Frankfurt, Europe's most important platform for equity capital finance for medium-sized companies. The Management Board also represented the Company at events and roadshows in 2014 in Warsaw, Amsterdam, Paris, Frankfurt and Stuttgart, as well as in a number of one-to-one meetings either in person or over the telephone.

The Investors' Day has been established as the focal point for dialogue between investors and analysts. The Management Board used the event, held in Birkenwerder on 28 May 2014, to present the current results from Q1 2014, to explain the business's strategy and to show those interested around the Francotyp-Postalia site.

The FP Group also used conference calls as a forum for dialogue after the publication of the quarterly reports. The associated presentations have been made available on the Company website for the benefit of all interested parties. The IR website at www.fp-francotyp.com is generally the central point of contact, which contains all the information about the FP Group that is relevant to capital market participants. The Investor Relations team also uses social media such as Ariva and wallstreet-online to engage in an open and transparent dialogue with shareholders. The Investor Relations team is available for further information by e-mail (ir@francotyp.com) or phone at +49 30 220 660-410.

DIVIDEND PAYMENTS APPROVED AT AGM

The Annual General Meeting offers all shareholders of the FP Group the possibility of direct dialogue with the Board. Around 40% of share capital with voting rights was represented at the last Annual General Meeting, held in Berlin on 19 June 2014. All items on the agenda were approved by a large majority, and among other things it was decided to pay out a dividend of 8 cents per share for the financial year 2013.

The Management Board and Supervisory Board suggest a dividend of 16 cents per share in 2014.

KEY SHARE DATA

Number of shares (since 23.3.2012)	16.16 million
Type of shares	Bearer shares
Share capital (since 23.3.2012)	EUR 16.16 million
Voting rights	Each share confers one voting right on the holder
WKN	FPH900
ISIN	DE000FPH9000
Ticker symbol	FPH
Trading segment	Prime Standard
Stock exchanges	XETRA and German regional stock exchanges
Designated Sponsor	Close Brothers Seydler Bank
Coverage	Warburg Research, Hauck & Aufhäuser
Declarations	German Electronic Federal Gazette
Closing price (Xetra)	EUR 3.98 (30.12.2014)
Year high (Xetra)	EUR 4.90 (21.01.2014)
Year low (Xetra)	EUR 3.70 (24.10.2014)
Market capitalisation as at 30.12.2014	EUR 64.3 million
Earnings per share	EUR 0.32

Annual Review 2014

A FULL SCHEDULE IN 2014. THE MOST IMPORTANT MILESTONES AT A GLANCE.

MEHR AUF S. 4

JANUARY / FEBRUARY

Just a few months after the E-Government Act entered into force it became obvious: 2014 was going to be the year of De-Mail Companies and government agencies began to integrate verifiable digital communication into their existing processes.

MARCH

CeBIT is an important trade fair for the company. At the trade fair, Francotyp-Postalia announced its new retail trade strategy. In addition, the company awarded the FP Award for De-Mail innovations for the first time. The winner was brain-SCC GmbH, with an idea entailing a De-Mail app and identity management based on De-Mail.

APRIL

The Annual Report 2013 confirmed the profitability of the FP Group: EBITDA increased 16.8 per cent to EUR 22.2 million, while consolidated results rose 22.5 percent to EUR 4.9 million.

MAY

The mc-sec conference initiated by Mentana-Claimsoft on the secure life cycle of digital documents celebrated its premiere on 20 May. The participants discussed the introduction of De-Mail and the processing of incoming analogue and digital documents.

De-Mail was also an important topic at the Investors Day 2014 on 28 May. Many investors followed Francotyp-Postalia's invitation and received information on first quarter results and FP's strategy first-hand.

JUNE

At the annual general meeting held on 19 June in Berlin, the Board and the Supervisory Board recommended the distribution of a dividend to shareholders for the first time since 2008. The Annual General Meeting approved a dividend of 8 cents per share.

JULY

Mentana-Claimsoft was the first company to receive TR-RESISCAN certification. The certificate awarded by the German Federal Office for Information Security (BSI) eases digital document management and increases the legal certainty of scanned documents.

AUGUST

A revaluation of the Teleporto funds (restricted cash) at the British subsidiary Francotyp-Postalia Ltd. resulted in an increase of cash and cash equivalents of GBP 16.7 million, and thus in a significant reduction of the Group's net debt. The Teleporto funds are an upfront payment similar to a deposit made by the franking machine users.

The Annual Report 2013 was not only impressive because of the numbers, but the design also won plaudits. The report was awarded the silver prize at the FOX Awards as well as the LACP Award in the online category. At the ECON

Awards the report was shortlisted in both the print and online categories.

SEPTEMBER

"Easy to use" – PostBase, which was launched in 2012, proved to be hit amongst customers. In September Francotyp-Postalia reached a milestone with an impressive 25,000 installed PostBase franking systems in the USA.

OCTOBER

Mentana-Claimsoft signed a letter of intent with ABBYY Europe. the companies seek to pool their technological expertise in the area of replacement scanning, tracing signatures and De-Mail data extraction. At the national IT Summit in Hamburg, German Interior Minister Thomas de Maizière presented the preliminary results of the De-Mail working group. The FP Group participated in the working group. The Digital Agenda stipulates that all government agencies and federal facilities must be accessible via De-Mail by the end of 2015.

In the same month, FP IAB held an open house day. At the "Inspiration Day" many visitors and partners were introduced to our products and services.

NOVEMBER

Mentana-Claimsoft organised the first "De-Mail Direct" forum. Some 40 experts from government and industry used the event to share experiences and questions about De-Mail and the business processes associated with it.

On 19 November, Sven Meise was appointed as an additional member of the Board of Management at Francotyp-Postalia. Meise is responsible for the business units freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business and establishing and expanding the De-Mail business. With the appointment of Mr Meise, the Supervisory Board emphasises the strategic importance it attaches to the solution and outsourcing business.

PostBase Mini was launched onto the market in Great Britain. The compact franking system is an entry-level model suitable for companies that frank a small volume.

DECEMBER

After 20 years of being based in Birkenwerder, Francotyp-Postalia returned to Berlin. 200 employees work in a modern office space comprising 5,000 square metres.

Francotyp-Postalia Holding AG Combined Consolidated Management Report for Financial Year 2014

GROUP PRINCIPLES

OPERATING ACTIVITIES

Francotyp-Postalia Holding AG ("FP Group", "Francotyp-Postalia" or "the Company"), which has its headquarters in Berlin, is a provider for digital mailrooms. As postal markets have continued to change, the Company has moved from just being a manufacturer of franking machines to being a solutions partner for the efficient processing of mail and documents. The FP Group is now able to cover the entire letter post distribution chain – from franking and inserting physical letters through mail consolidation to hybrid and digital mail transmission via De-Mail. Francotyp-Postalia targets its services at corporate clients of all sizes, who can obtain a complete package of products and services for easy and cost-efficient mail communication.

The Company's activities are divided into three product segments: Franking and Inserting, Software Solutions, and Mail Services.

Product segments

Franking and Inserting

The FP Group's Franking and Inserting segment focuses on developing, manufacturing, selling, leasing and servicing franking and inserting machines.

Franking machines enable clients to frank their mail automatically and quickly. Outbound mail can then be processed much more efficiently, as the appropriate postage is digitally programmed into the machine and each item is franked at the correct value. Clients in some countries can also save postage, as national postal organisations grant a discount when postage is applied by franking machines. All franking machines are certified by national, licensed state-owned or private postal companies. These certifications also include the various inks required by postal organisations in the form of consumables.

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

The PostBase franking system brings the analogue and digital postal worlds together. The innovative product was successfully introduced into the German and American markets in 2012, followed by other countries in which the Company is active. In 2014, the use of PostBase was authorised for the French market. It features a number of innovations in the field of mechatronics and software management. A touchscreen allows users to operate PostBase extremely easily and intuitively. Using the FP Navigator – a software solution for operating the franking system – PostBase can be directly controlled via a PC.

The Group's main revenue generator in the franking machine segment is the after-sales business, which generates recurring revenue. This includes the Teleporto (electronic downloading of postage) business, the sale of consumables, the creation of printing plates, services and software solutions for cost centre management. Specifically, this is to be understood as follows: every franking machine can be topped up with credit for the necessary postage. The FP Group receives a service charge for the service the so-called Teleporto. Consumables essentially include tape or ink cartridges, which are delivered in the appropriate shape according to the franking machine model. Consumables also include the creation of customer-specific printing plates, which add promotional or informative texts and visuals to the franking imprint. In the Services segment – depending on country and customer segment – the FP Group offers maintenance and service contracts in various packages.

Software Solutions segment

The FP Group offers fast, simple innovative software solutions. A letter can easily and efficiently be sent electronically while guaranteeing the highest security standards. Clients can choose from two options: hybrid mail and the digital solution De-Mail.

The specialist in hybrid mail is the FP subsidiary internet access GmbH in Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin (iab). Following flotation, the Group acquired a majority stake in iab at the end of 2006. Hybrid mail is a combination of electronic and physical mail: the sender dispatches the letter electronically, the recipient receives a physical letter. The FP Group takes on the entire production process in between – from printing out, franking and inserting to handing over the letter to a mail delivery company. Since the letter is sent digitally, customers are saved the great expense of paper, envelope and printer, and also the costs of travelling to the post office or letterbox. The benefits of traditional letters are, nevertheless, still there. At the same time, hybrid mail is environmentally friendly, since the electronic transmission means that transportation between sender and recipient can be reduced considerably. The entry solution FP Webmail or FP Webmail Plus is suitable for small companies and freelancers, while large companies can rely on FP BusinessMail.

The FP Group secured its entry into the digital communication sector in spring 2011 with the acquisition of a majority stake in Mentana-Claimsoft GmbH. The stake was increased by a further 24.5% at the end of 2013, to stand at 75.5%. In July 2014, FP secured the remaining 24.5%, which means it currently holds a 100% stake in Mentana-Claimsoft. The company specialises in electronic signatures, and, in addition to offering products for long-term archiving, it offers products to make electronic documents secure as well as to facilitate legally binding communication. Mentana-Claimsoft is also the first accredited De-Mail provider in Germany.

De-Mail offers a simple, traceable and confidential communication infrastructure for both businesses and authorities and also for private customers. This digital solution enables customers to send their letters securely and confidentially. De-Mail is binding because both sender and recipient have to identify themselves in the initial registration process before they can use the communication standard. Confidentiality is guaranteed thanks to very powerful encryption. The German De-Mail Act defines the security requirements, establishing the legal basis to ensure that De-Mail has the same legal effect as a standard letter.

In 2014, Mentana-Claimsoft also used its pioneering role in the German De-Mail market to configure tailored solutions for companies and authorities. In the previous year, Mentana-Claimsoft not only became the first company in Germany to receive TR-RESICAN certification from the German Office for Information Security, but its employees also achieved "VOI Certified Expert" and "VOI Certified Trainer" certification with regard to "Input / Output & Archive Security". As a result, the company will be able to carry out audits for the VOI, the association for organisation and information systems. TR-RESISCAN is used alongside TR-ESOR (technical guidelines for long-term storage) to close the gaps between the abstract and inconsistent legal requirements as well as for the reliable technical implementation of the scanning function.

Based on other existing recommendations, TR-RESISCAN uses a structured process to bring together the technical and organisational measures that are relevant from a safety perspective for the scanning replacement function by means of a structured process. In this way the aims of information security and legal security are given equal weight. Therefore, the technical guidelines firstly serve to simplify the choice of scanning solutions for the user both in the public and the private sphere, by aiming to standardise the requirements and safety measures. Secondly, manufacturers and service providers are given the necessary specifications so that their services are TR-compliant and can be offered. A defined conformity test enables users and providers of scanning services to provide documented evidence that their processes and systems for the replacement scanning function comply with the technical and observational requirements described here for the relevant module selected (further information can be found on the BSI website).

Mail Services segment

The Mail Services segment encompasses the consolidation of business mail, which became possible after the liberalisation of the postal services market. After the Group's IPO, the FP Group acquired freesort GmbH at the end of 2006. With eight sorting centres in Germany, freesort is one of the leading independent outbound business mail consolidators in the German market. Their mail consolidation services include collecting letters from clients, sorting them by postcode and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor.

Significant sales markets and competitive position

The FP Group with its franking machines is represented in the most important markets in the world, which includes Germany, the US and the United Kingdom, and since 2011 also France. With a total of approximately 231,000 installed franking machines, the Company's global market share stands at just under 10.5%; this makes the FP Group the world's third-biggest provider. In Germany and Austria, the Company is the market leader, with a market share of approximately 42% and 47%, respectively.

Global sales are handled via the Company's own subsidiaries in a total of eleven of the most important markets, and via a comprehensive network of retailers in approximately 40 countries. The Company has been active in the booming Asian market since the beginning of 2009 with its subsidiary Francotyp-Postalia Asia Pte Ltd in Singapore. This is the FP Group's base for expanding its sales business and presence in Asia with new partners and customers. In the Mail Services and Software segments, the FP Group is currently focusing on the German market.

STRATEGIES AND OBJECTIVES

Objectives

The FP Group's entrepreneurial dealings are focused on sustainably increasing the Company's value and growing profitably. The primary objectives are to increase sales, EBITDA and EBIT in the medium and long term, and to improve free cash flow and net debt. The Company uses these objectives as central control parameters; further information on this subject can be found in the chapter on management.

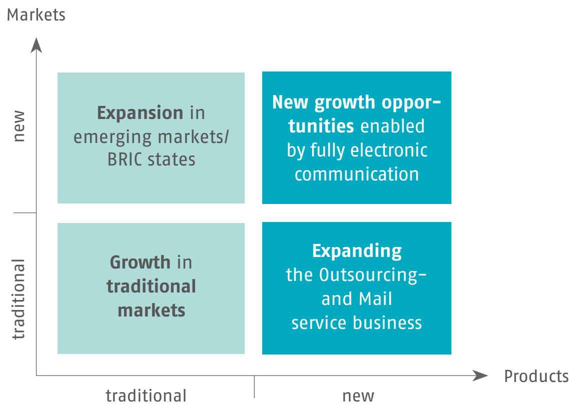
The control approach also takes non-financial values into consideration:

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

Strategy

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

1. expanding the franking and inserting machine business in traditional markets
2. entering new, fast-growing markets in emerging economies
3. expanding the outsourcing and mail service business in Germany
4. new growth opportunities enabled by digital correspondence



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

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

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

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

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

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

A brief comparison makes this apparent: whereas, in industrial countries such as the US, around 460 letters per resident are sent each year in countries such as India, China or Malaysia, this figure stands at just 40 letters a year at most. In these countries, however, rapid technological development will also entail a proportionate rise in demand for the professional processing of mail, so that here, too, it will be essential to provide an innovative, forward-looking offering that brings together the physical and analogue world.

The FP Group wants to make use of this potential in order to grow, which is why the company is working in Singapore with a fully-owned sales subsidiary to enhance its market position in the Asia-Pacific region. Francotyp-Postalia also sees growth opportunities in Eastern Europe.

Expanding the outsourcing business
The liberalisation of the postal markets has meant the emergence of numerous new opportunities for customers to complete their postal processes more efficiently and cost effectively. The outsourcing business is mainly being expanded through an integrated offering that extends from the physical through to the digital realm. This enables customers to use the FP Group's solutions to cater entirely for their individual needs.

New growth opportunities enabled by digital correspondence
The FP Group has been offering its customers digital solutions for mail communication since the beginning of 2012 and is the first accredited De-Mail provider in Germany alongside its subsidiary Mentana-Claimsoft. Using these solutions, companies of all sizes can send their correspondence electronically in a way that is confidential and verifiable at the click of a button. De-Mail was given a boost by the E-Government Act that took effect in August 2013. All federal authorities in Germany must be reachable by De-Mail by the end of 2015. The E-Government Act provides the legal framework for modernising administration and reducing bureaucracy. Citizens, administration and business can communicate with one another in a way that is traceable and confidential via a standardised electronic route.

Development of strategy
The FP Group positioned itself well with the strategy devised in 2009, parts of which have been successfully implemented in recent years. These include entering the French market, further development in emerging markets as well as in the area of digital mail communication. In the past few years, the Group has focused on a number of projects aimed at consolidating growth. The major issues addressed included establishing the production site in Wittenberge, increasing the sales activity in Germany as well as relocating the headquarters from Birkenwerder to Berlin in November 2014. Since 2009, the Company's strategic development from being solely a manufacturer of franking machines to becoming a solutions provider has also increased the public awareness of FP.

FP Group believes it is on the right track regarding the implementation of the strategy, which at the same time is also implied by the strategy being further developed. The Company will unveil its updated strategy for the next few years at Investors' Day in May 2015.

ORGANISATION

Group structure

Francotyp-Postalia Holding AG is the parent company of the FP Group and acts primarily as a holding company. The Company holds 100% of the shares in Francotyp-Postalia GmbH; the Franking and Inserting operating business of the FP Group is concentrated here and in its direct and indirect subsidiaries. Francotyp-Postalia Holding AG also holds 100% of the shares in FP Produktionsgesellschaft mbH as well as 100% of the shares in freesort GmbH, 100% of Mentana-Claimsoft GmbH and 51% of iab. The latter three of which form the Mail Services and Software Solutions product segments.

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

The Group structure chart (page 42) shows equity interests as at 31 December 2014.

Key sites

Since November 2014, the headquarters and main office of the FP Group has been located in Berlin. Head office departments such as accounting, purchasing and Group controlling are also based in Berlin. Likewise, the franking machines are also developed there. Global sales of franking and inserting machines are handled via fully-owned subsidiaries in the markets of Germany, United Kingdom, the Netherlands, Belgium, Austria, Italy, Sweden, the US, Canada, Singapore and France as well as via a concentrated retailer network. A chart of subsidiaries can be found in the notes to the consolidated financial statements.

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

Management and controlling

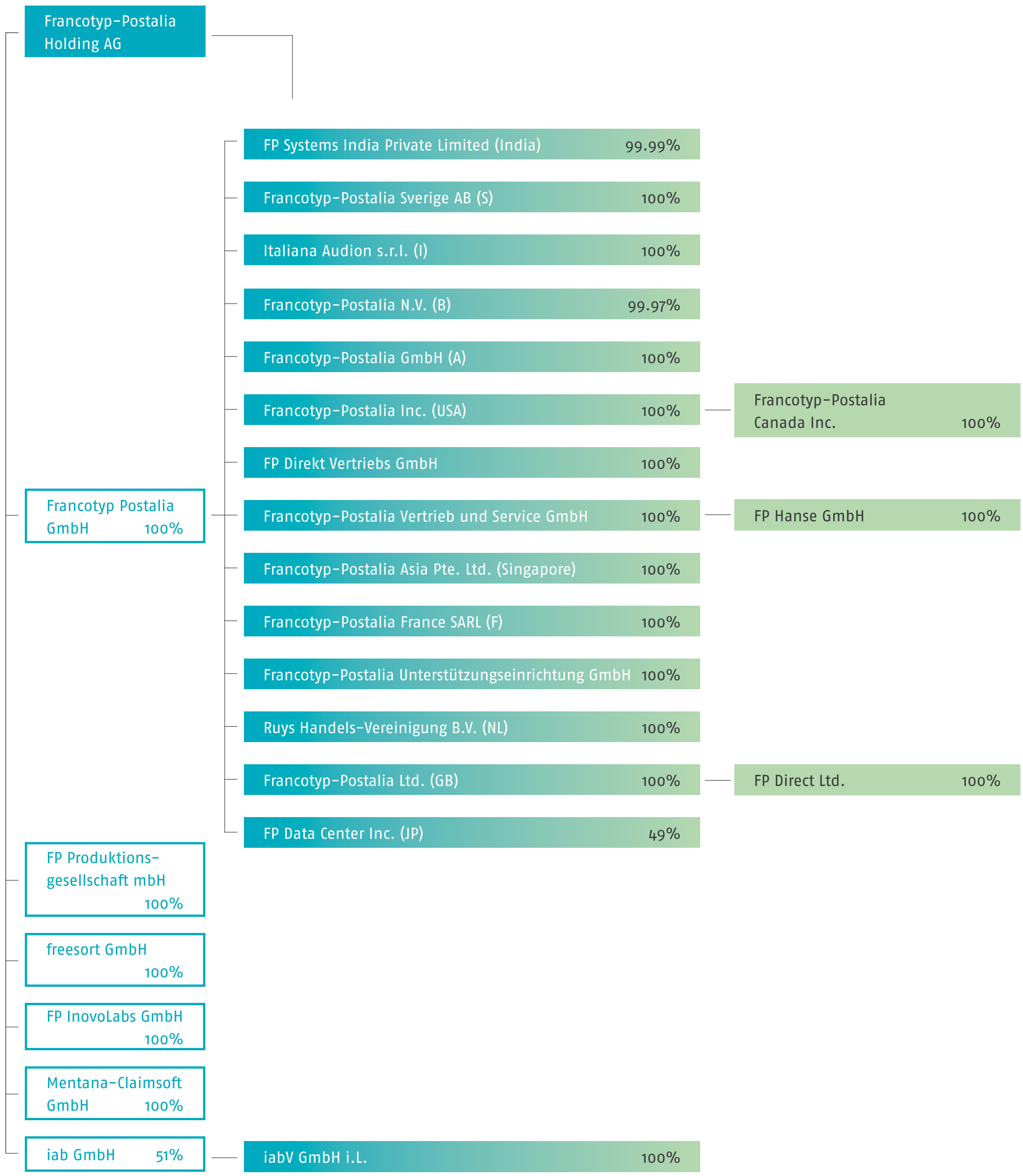
The business of the FP Group is conducted by a Management Board consisting of three members. Hans Szymanski is CEO & CFO and is responsible for strategic business performance, production, logistics and purchasing, quality management, research and development, information technology, compliance, human resources and legal, and finance, controlling and accounting. The Supervisory Board prematurely extended the existing Management Board contract with Hans Szymanski by three years to 31 December 2016.

Since 15 June 2013, Thomas Grethe has been responsible for Sales Germany / Sales International, strategic business performance, product management, marketing and brand management, corporate communication and internal audit.

Sven Meise was appointed as the third member of the Management Board on 1 February 2015. He is responsible for the Mail Services and Software product segments offered by freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business, and establishing and expanding the De-Mail business.

The Management Board works closely with a team of managers who convene regularly for extended Management Board meetings or take part in telephone conference discussions.

A three-member Supervisory Board monitors the activity of the Management Board and provides advice. There were no changes of personnel within the Supervisory Board during the past financial year. As at 31 December 2014, the Supervisory Board was composed of these members: Klaus Röhrig (Chairman), Robert Feldmeier (Deputy Chairman) and Botho Oppermann.


Francotyp-Postalia Holding AG
FP Systems India Private Limited (India) 99.99%
Francotyp-Postalia Sverige AB (S) 100%
Italiana Audion s.r.l. (I) 100%
Francotyp-Postalia N.V. (B) 99.97%
Francotyp-Postalia GmbH (A) 100%
Francotyp-Postalia Inc. (USA) 100%
Francotyp-Postalia Canada Inc. 100%
FP Direkt Vertriebs GmbH 100%
Francotyp Postalia GmbH 100%
Francotyp-Postalia Vertrieb und Service GmbH 100%
FP Hanse GmbH 100%
Francotyp-Postalia Asia Pte. Ltd. (Singapore) 100%
Francotyp-Postalia France SARL (F) 100%
Francotyp-Postalia Unterstützungseinrichtung GmbH 100%
Ruys Handels-Vereinigung B.V. (NL) 100%
Francotyp-Postalia Ltd. (GB) 100%
FP Direct Ltd. 100%
FP Data Center Inc. (JP) 49%
FP Produktions-gesellschaft mbH 100%
freesort GmbH 100%
FP InovoLabs GmbH 100%
Mentana-Claimsoft GmbH 100%
iab GmbH 51%
iabV GmbH i.L. 100%

MANAGEMENT

Management system

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

All segments and subsidiaries report monthly as part of the Group-wide reporting on their net assets, financial position and results of operations. This data is consolidated in the Group's quarterly and financial reports. In addition, the segments provide a monthly estimate of current and probable business trends.

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

- regular Management Board and Supervisory Board meetings
- regular extended Management Board meetings
- regular partner meetings
- regular meetings of all international and German managers
- risk and opportunity management
- liquidity planning
- monthly reports from segments
- internal audit
- quality, occupational safety and environmental management

Financial performance indicators

Group management is largely performed via the following financial indicators:

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

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

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

By taking free cash flow into account, it is possible to ensure that the financial substance of the Group is maintained. Free cash flow results from the balance of cash flows from operating activities less capital expenditure. An equally important indicator is net debt, which results from net debt less cash and cash equivalents.

Non-financial performance indicators

In addition to financial performance indicators, the FP Group also uses non-financial performance indicators to manage the company. Quality and improvement indicators are used to measure product and service quality.

The quality indicator measures change in product quality, based on annual servicing incidents in relation to the average weighted installed base of machines. The improvement indicator especially records the quality of new franking systems. It is based on the amount of parts used for amendments to delivered machines. Further information on non-financial performance indicators can be found in the economic review.

RESEARCH AND DEVELOPMENT

The main focus of research and development activities was on the development of the PostBase Mini franking machine, which was introduced the British market in autumn 2014. Based on the successful PostBase technology with direct Internet access, Francotyp-Postalia developed the PostBase Mini as a machine for handling small volumes of mail. It is the successor model to My-Mail and rounds off the PostBase product family in the smallest-volume segment, making it the automated entry-level solution for small companies and freelancers with a franking volume of up to 30 letters per day.

The security technology and online infrastructure of the PostBase franking system platform is deployed. Maximum synergy is achieved from software development through manufacture to service, and new customers will later be able to change easily and quickly to the bigger PostBase basic unit.

The PostBase platform's international presence was boosted by approvals in other postal markets, such as France and Belgium.

A more powerful version is being developed for the PostBase product family, which also uses a dynamic scale to weigh post.

At the upper end of the franking system portfolio, an innovative new dynamic weighing module has been developed.

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

Mentana-Claimsoft

The De-Mail infrastructure, especially the De-Mail gateway, has been extensively further developed to meet new customer requirements. Most specifically, this has meant enhancing the functionality of electronic legal communications (EGVP) and the connection to archive systems. Furthermore, the PGP program was unveiled to the public at CeBIT 2015, offering the possibility of simple end-to-end encryption. Additionally, work was begun on the complete redevelopment of the De-Mail web portal. This redevelopment largely focuses on redesigning the De-Mail web portal based on the latest standards.

The necessary measures for re-accreditation of the De-Mail service were also introduced. This process was successfully completed in March 2015, which made it the first De-Mail service provider to be reaccredited.

The FP Box appliance was redesigned based on customer requirements and further developed. The development of the product has been in the beta test phase since it was first launched on the market in 2013.

The long-term archiving solution Hash-Safe was reworked in 2014 to meet BSI-Standard TR-03133 (TR-ESOR).

Existing signature solutions also underwent further development to meet the requirements of the new generation of Trustcenter smartcards, new crypto-algorithms and corresponding ETSI standards. Work has begun as part of the eIDAS project to adapt the entire Mentana-Claimsoft product range for the European market based on European standards. This is an ongoing process, which as per the technical specifications, should be completed by 2016.

Internet Access Berlin (IAB)

IAB's main R&D activities in 2014 were shaped by the introduction of an ERP system specialising in the sector (APL). This went hand in hand with the development of a production management system (PMS) customised to the ERP system. IAB's existing "Webmail" product was developed into "Webmail Plus", which allows users to work with PDF documents. The technology developed for Webmail Plus was also implemented in developing the FP Box appliance. In response to increasing demand from customers, the introduction of new software solutions in the Inbound segment has begun, which ensures a higher level of automation. The share of PDF documents to be printed rose significantly in 2014, and the Production segment reacted by introducing special software products.

Activities and results

A total of 76 new software packages were released in a total of 13 markets for the MyMail, CentorMail, PostBase and PostBase Mini franking systems and their accompanying PC applications as well as server applications in their IT infrastructures. The model range is therefore being steadily expanded into new markets and focused on new demands in existing markets.

A total of 96 postage tables were released.

SOFTWARE-RELEASES

Number	Franking system / product	Number of releases	Number of markets
1	MyMail	1	1
2	CentorMail	4	3
3	PostBase	16	13
4	PostBase Mini	1	1
5	Software	38	13
6	Infrastructure	16	7
	Total	**76**	**13**

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

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

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

Employee research and development

At the end of 2014, 76 permanent staff were employed in the Research and Development divisions of the Group (including subsidiaries), which represents around 7.2% of the Group's total workforce (previous year: 7.7%). Additional external staff are temporarily recruited for certain projects, as required. At the end of 2014, external staff accounted for 4% of the permanent R&D workforce.

R&D divisions are responsible for all of the FP Group's new development, further development and product maintenance orders. The R&D division of FP GmbH and of FP InovoLabs GmbH consists of five specialist departments: Mechanics and Electronics Development, Transition to Production, Software Development, and Project Management / Controlling / Lifecycle Management / Compliance.

Research and development investment

In the past financial year, research and development costs came to a total of EUR 8.9 million, and were therefore 1.1% lower than during the same quarter of the previous year (EUR 9.0 million). Of this figure, EUR 4.6 million was capitalised as intangible assets (Q1 2013: EUR 4.2 million). A further EUR 4.3 million was recognised as expenses (Q1 2013: EUR 4.8 million). The ratio of research and development expenses (including product care) to revenue fell in 2014 to 5.2% (previous year 5.3%).

RESEARCH AND DEVELOPMENT COSTS
in EUR million

Personnel

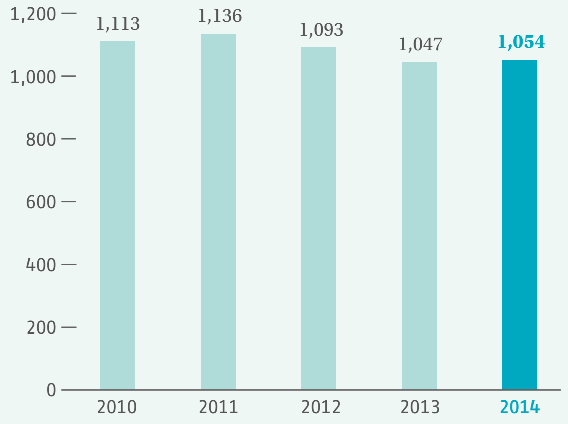
Our personnel is a key factor in the success of the FP Group. The Company's long-term success is dependent on employees identifying with the Company and being committed to its objectives. Their potential is developed and enhanced by a high degree of autonomy.

As at 31 December 2014, the FP Group employed a total of 1,054 people worldwide, compared with 1,047 employees in the previous year. As at the reporting date, 653 employees were attributable to the German companies (previous year: 667) and 401 to foreign subsidiaries (previous year: 380). In Germany, employee numbers at Mentana-Claimsoft rose while at VSG the numbers declined. The international markets saw an increase in employee numbers, especially in France, Great Britain and the US. Segment breakdown of employees as at 31 December 2014 (with comparative figures):

SEGMENT

	2014	2013
Sales Germany	468	476
Sales International	401	380
Production	158	167
Central functions	27	24
Total	**1,054**	**1,047**

CHANGE IN EMPLOYEE NUMBERS



ENVIRONMENT AND SOCIAL COMMITMENT

Conservation and occupational safety, quality management

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

In 2010, Francotyp-Postalia Holding AG expanded its quality management system through the addition of an ISO 14001 certified environmental management system, and again in 2013 with an OHSAS 18001 certified occupational health and health and safety system. The FP Group continuously endeavours to further improve its environmental and occupational safety management and therefore to establish an attitude of sustainability in all divisions.

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

The persons responsible, the corresponding methods, and the continuous improvement processes from operating activities are set down in the integrated management system. The system is designed to optimise processes from the ecological and human point of view and to generate awareness of the responsible handling of resources among all employees.

The topic of environmental protection and the conservation of resources already plays a major role in product development. The FP Group brought the first franking system with the GOGREEN functionality to market in 2009, thereby supporting the climate protection programme of Deutsche Post; the latter records CO_2 emissions that occur when a GOGREEN consignment is transported on a customer-by-customer basis. The PostBase franking system also lives up to modern demands for environmentally-aware franking in a number of ways. The 8% reduction in weight, the option to re-use components, and the labelling of the plastics used are noteworthy in this context.

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

As a manufacturer, the FP Group feels bound to provide sophisticated quality management. The certification of the integrated management system at the individual sites of the FP Group was successfully confirmed during the past year. In particular, the auditors certified that the companies had made further progress in developing their management systems, and remarked on the Group's strengths in the transparency of records, preventive risk assessments and escalation management. In summary, the auditors highlighted the high level of quality and environmental management that was already a reality.

The quality systems of the subsidiaries freesort, iab and Mentana-Claimsoft are also ISO 9001 certified, as confirmed by the supervisory audit. Mentana-Claimsoft is additionally certified as a De-Mail provider on the basis of IT baseline security according to ISO 27001, in accordance with Section 18 (3) no. 4 De-Mail Act by the German Federal Commissioner for Data Protection and Freedom of Information and in accordance with the De-Mail Act by the German Federal Office for Information Security. Likewise, Mentana-Claimsoft was the first company in Germany to be awarded the TR-RESISCAN certification. IAB is set to receive ISO 27001 certification in 2015.

Social responsibility

The FP Group is aware of its corporate social responsibility, and provides support, for example, to people with disabilities. One example of this is the subsidiary freesort, which has paid attention to accessibility and meeting the needs of handicapped persons since it was founded. The Company has numerous deaf-mute and hard-of-hearing employees and has already won several awards for this. FP Produktionsgesellschaft mbH based in Wittenberge in northeast Germany is also committed in this area. The Company supports the association Lebenshilfe Prignitz e.V, which helps disabled people and their families in the Wittenberge area.

The English subsidiary, Francotyp-Postalia Ltd, donates to charity on a regular basis. Our sponsored projects or associations are chosen by FP employees and change every three months.

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

The FP Group is committed to fighting against cancer in Italy, too, and has signed up for a partnership with the "Lega Italiana Lotta ai Tumori" (LILT, the Italian League for Fighting Tumours) (http://www.lilt.it/). For every PostBase sold, FP makes a set donation to LILT.

In a similar way, the Swedish subsidiary supports "Médecins Sans Frontières". Customers are therefore able to consent to having part of their their rental costs donated to "Médecins Sans Frontières".

FP Netherlands donates money to the international children's charity "Plan", which campaigns for children's rights in developing countries. The Dutch subsidiary of FP supports a wind power project in India in partnership with the Dutch Post Office, which compensates for CO_2 emissions that result from mail volumes.

ECONOMIC CONDITIONS AND BUSINESS PERFORMANCE

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

The tensions in the Ukraine and in the Middle East dampened on economic activity in the previous year, as did the continuing weak growth in the Eurozone. According to information from the International Monetary Fund (IMF), global economic growth remained stable year-on-year at 3.3%. However, the main industrialised nations that are most pertinent to the FP Group recorded GDP growth of just 1.8%.

In comparison, the US, the largest overseas market of the FP Group, recorded strong growth in 2014 of 2.4%. However, the growth rate in the Eurozone amounted to a mere 0.8%. This can mostly be attributed to the ongoing weak economy in Southern Europe. The German economy rose in the fourth quarter of 2014 after a relatively sluggish performance in the second and third quarters. Overall, GDP growth during 2014 was 1.5% up on the previous year.

The differing economic fortunes between the Eurozone and the US has had an impact on the exchange rate. While the euro was able to maintain its relatively strong position against the dollar in the first half of 2014, it consistently lost ground in the second half of the year. At the end of 2014, one euro was worth USD 1.21, which is 17 cents lower than at the end of 2013 (USD 1.38).

The FP Group also benefited in 2014 from the ongoing trend in a number of markets for smaller franking machines. A number of customers replaced their bigger machines with smaller models like the PostBase. The FP Group traditionally focuses on the A and B segment for machines with smaller to medium volumes of correspondence.

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

This trend is based on the increased digitalisation of correspondence. While various post office statistics report that around 300 billion letters continue to be sent worldwide every year, mostly in Europe and North America according; to the Universal Postal Union, global mail volumes fell by a total of 2.9% in 2013, although figures for 2014 are not yet available. Trends in mail volumes vary widely throughout the world. This may result in opportunities for the FP Group especially in the emerging markets.

In the established markets, and in Germany in particular, opportunities are more likely to come from innovative software solutions for mail communication. The German Federal Network Agency has written in a recent discussion paper that the postal market is in a period of upheaval and is subject to constant change. The increasing digitalisation, in particular, offers opportunities and scope for innovation, on the one hand; but, it places traditional business models under pressure, on the other hand. According to the Federal Network Agency, one example of product innovation is hybrid letters, which are sent electronically but delivered to the recipient in physical form. The FP Group made timely preparations for this transformation and now covers a broad service spectrum for conventional and digital mail transmission.

The main challenges faced by the FP Group in 2014 included the weak economy in the eurozone and currency fluctuations between the euro and the US dollar. Yet at the same time, the Company benefited from strong demand in the English-speaking markets and a growing interest in hybrid and software solutions.

Legal conditions

The most recent change to the legal conditions for the software business of the FP Group took place in 2013 as a result of the E-Government Act. This created the legal framework for modern digital communications in Germany. Most particularly, the law obliges authorities to become accessible via a digital channel. The initial findings of the De-Mail working group were presented at an IT summit in autumn 2014. The German government has confirmed that it will contribute to the digital agenda by introducing the De-Mail system on a large scale. By the end of 2015, well over 200 government offices and agencies should be able to communicate via De-Mail. The German states are also making their contribution. Saxony plans to use De-Mail in all its municipalities from August 2016.

Businesses and citizens alike will be able to exchange electronic documents with authorities easily, confidentially and verifiably in future via the Internet. The FP Group is one of the pioneers in the emerging German De-Mail market. In the medium term, the FP Group is anticipating a market share of approximately 10% of a potential overall market volume of 540 million consignments per year in Germany that could be handled through De-Mail. According to current estimates, this corresponds to an annual sales volume of EUR 15–20 million. However, this had no measurable influence on the Company in 2014.

Beyond this, there were no significant changes to legal conditions in 2014.

INCOME SITUATION

The course of the past financial year was highly successful for the FP Group overall, despite a number of challenges. Foreign markets such as the UK, Italy and the US saw success in the selling and leasing of franking machines in particular, and in Germany progress was made in the Mail Services and Software segments. In contrast, business was impacted by the political crisis in Russia and the completed decertification in Austria. The experience in Germany has shown that measures to strengthen the sales organisation are taking longer than originally planned. This applies particularly to the development of a dealership sales channel, which requires more time-consuming training and more intensive support.

The FP Group benefited overall from the introduction of PostBase, particularly in its foreign markets. The leasing business is playing a growing role in franking machines. Although this requires significant investment in the short term, in the medium and long term it will provide a solid base (US) and lead to further expansion (Italy, UK; France) of the installed base of franking machines and recurring income. 2014 saw the new franking system PostBase Mini introduced into the British market. Other countries are set to follow in 2015.

The Company has won a large number of new clients through its De-Mail solutions, most notably the German Federal Employment Agency. In that regard, the acquisition of the remaining 24.5% stake in Mentana-Claimsoft GmbH in July 2014 was a strategically important move. The Company is now a 100% subsidiary of the FP Group. By 2011 the FP Group had already acquired a majority stake in the De-Mail provider.

The revaluation of the so-called Teleporto funds (restricted cash) of the British subsidiary Francotyp-Postalia Ltd in summer 2014 also had an impact on the results and financial position of the Company. Following a new regulation implemented by the British Royal Mail, the Group is free to use the postage advance payments. This strengthens the financial clout of the FP Group, reduces net debt and increases its financial scope.

FINANCIAL PERFORMANCE INDICATORS

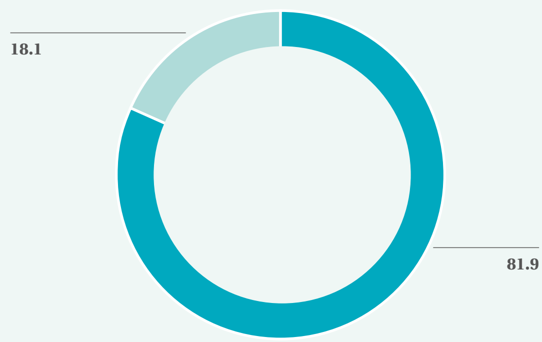
The FP Group's financial performance indicators are revenue, EBITDA, EBIT, free cash flow and net debt. These are the value-driving parameters of the conflicting priorities that the Company faces: profitability, growth and liquidity.

Revenue growth

In the financial year 2014, the FP Group raised total revenue to EUR 170.3 million, compared with EUR 168.9 million in the previous year. At the same time, revenue in Germany rose to EUR 92.6 million after EUR 92.1 million in the previous year. The largest foreign market in 2014 was again the US, where sales grew by EUR 1.2 million to EUR 34.2 million. On a EUR basis, foreign income also rose to a total of EUR 77.7 million from EUR 76.9 million in the previous year. The exchange rate effect across all currencies was positive to the effect of EUR 0.3 million.

REVENUE
in EUR million

REVENUE SPLIT BY RECURRING AND NON-RECURRING*
in %



Recurring revenue
EUR 139.4 million (81.9%)
2013: EUR 136.9 million (81.0%)

Revenue total
EUR 170.3 million
2013: EUR 168.9 million

Income from product sales
EUR 30.9 million (18,1.%)
2013: EUR 32.1 million (19.0%)

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

Recurring revenue from the Mail Services and Software business and from service agreements, leasing / rental, Teleporto and the sale of consumables for approximately 231,000 franking machines worldwide increased to EUR 139.4 million in 2014, compared with EUR 136.9 million in the previous year. Revenue in the software business rose to EUR 13.4 million compared with EUR 12.9 million in the preceding year, whereas Mentana-Claimsoft had yet to generate significant revenue. Revenue in the Mail Services segment also rose to EUR 44.1 million (2013: EUR 42.7 million). At the same time, mail volumes dropped from around 196 million consignments in 2013 to 190 million in 2014. Revenue from product sales, however, fell slightly over the course of the year from EUR 32.1 million to EUR 31.0 million. This is down to the ongoing trend moving from buying machines towards leasing machines as well as the weaker sales in the German market.

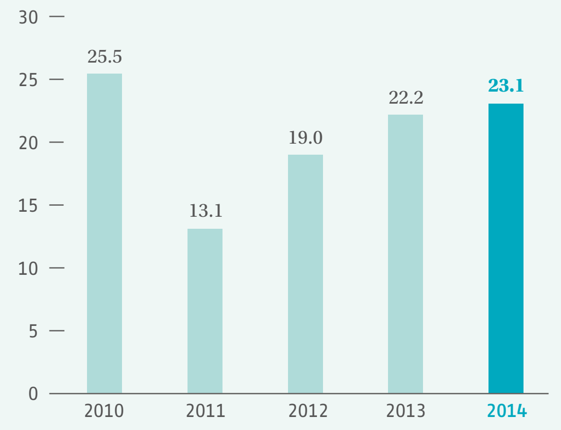
REVENUE BREAKDOWN BY PRODUCT AND SERVICES

in EUR million	2014	2013
Recurring revenue	**139.4**	**136.9**
Equipment hire	25.3	22.9
Service / customer service	24.8	25.7
Consumables	21.1	21.1
Teleporto	10.7	11.6
Mail services	44.1	42.7
Software	13.4	12.9
Product sales revenue	**30.9**	**32.1**
Franking	23.9	23.6
Inserting	6.2	6.9
Other	1.8	1.6
Total	**170.3**	**168.9**
Recurring revenue	81.9%	81.0%
Non-recurring revenue	18.1%	19.0%

Earnings development (EBITDA, EBIT)

Operating earnings before interest, taxes and depreciation, EBITDA, rose in the period under review to EUR 23.1 million, compared with EUR 22.2 million in the preceding year. As the result of planned higher depreciation for leased machines, EBIT was EUR 9.8 million in 2014, down from EUR 10.4 million in the previous year.

EBITDA
in EUR million



Free cash flow

Free cash flow, the difference between cash inflows from operating activities and cash outflows from investing activities, was EUR -5.6 million, due to planned high investments, mostly in leasing markets such as the US and the launch of new franking systems. Cash inflows from operating activities fell to EUR 17.5 million from EUR 20.9 million in the previous year (the previous year's figure adjusted for changes in restricted cash). Cash outflows from operating activities rose during the course of the year from EUR 14.9 million to EUR 23.1 million as a result of a significant increase in cash paid for investments in property, plant and equipment.

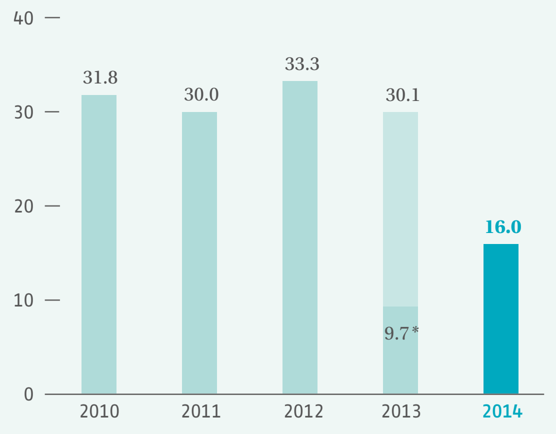
Net debt

In 2014, the FP Group almost halved its level of net debt to a total of EUR 16.0 million, compared with EUR 30.1 million in 2013. The reduction in the adjusted figures for 31 December 2013 compared to those originally reported is due to the change in recognition of postage advance payments in the UK.

Net debt is calculated as debt minus cash and cash equivalents. Debt includes loan liabilities and liabilities from finance leases. Cash and cash equivalents comprises liquid assets, treasury shares and securities, and also includes the postage credit balances in the UK managed by the FP Group.

in EUR million	31.12.2014	31.12.2013 (adjusted)	31.12.2013
Liabilities	31.4	38.6	38.6
Funds	15.4	28.9	8.5
Net liabilities	**16.0**	**9.7**	**30.1**
Equity	30.1	25.9	25.9
Net debt-equity ratio	**53%**	**37%**	**116%**

DEVELOPMENT OF NET DEPT
in EUR million



*Adjusted figure

NON-FINANCIAL PERFORMANCE INDICATORS

The FP Group uses non-financial performance indicators alongside financial performance indicators for management purposes. Quality and improvement indicators are used to measure product and service quality. A consistently high quality is crucial for the Group's long-term success.

Quality indicator

The quality indicator measures changes in product quality based on annual servicing incidents in relation to the average weighted installed base of machines, also taking into consideration ongoing changes such as the introduction of new products or the optimisation of existing ones. This indicator is ascertained in Germany, as the organisational structure here means that the recording and analysis of servicing incidents can be undertaken optimally. The results are applied on a comparative basis to the international subsidiaries, where the indicator can be used, for example, to calculate costs for sales partners.

For the financial year 2014, the target value for the quality indicator was 31 to 35; the FP Group achieved a value of 30.9 and thereby exceeded the internal target set.

Improvement indicator

This non-financial performance indicator also records the quality of FP products, and in this case, the quality of new franking systems, in particular. It is based on the amount of parts used for amendments to delivered machines and measures the ratio of parts costs from guarantees to overall revenue. The FP Group records the necessary data on a monthly basis; an analysis of past years shows that the indicator embarks on an upward trend when a new generation of franking systems is introduced. The improvement indicator fell to 0.13 in 2014 after recording 0.20 in the previous year. The Company therefore exceeded its own internal target of less than 0.18.

CHANGES IN MATERIAL ITEMS IN THE GROUP STATEMENT OF COMPREHENSIVE INCOME

DISCLOSURES ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2014	2013	Change %
Revenue	**170.3**	**168.9**	**0.8**
Changes in inventories	0.6	-0.5	n/a
Other own work capitalised	15.5	13.5	15.0
Overall performance	**186.4**	**181.9**	**2.5**
Other income	2.4	2.5	-4.4
Materials costs	82.0	77.9	5.2
Personnel costs	53.5	54.0	-0.9
Depreciation and impairments	13.3	11.8	12.5
Other expenses	30.1	30.3	-0.4
Operating income before special income and expenses	**9.8**	**10.4**	**-5.4**
Net interest income / expense	-2.1	-2.3	n/a
Other financial result	0.7	-0.2	n/a
Tax result	-3.2	-3.0	n/a
Consolidated net income	**5.2**	**4.9**	**7.5**
EBIT	**9.8**	**10.4**	**-5.4**
EBITDA	**23.1**	**22.2**	**4.1**

Revenue growth

In the financial year 2014, the FP Group increased total revenue to EUR 170.3 million, compared with EUR 168.9 million in the previous year. The rises are largely explained by the expansion of business in the Mail Services and Software segments as well as in leased franking machines.

Other own work capitalised

Other capitalised own work rose in 2014 to EUR 15.5 million compared with EUR 13.5 million in the previous year. It results from a rise in franking systems manufactured for the leasing business. The FP Group capitalises the lease machines and depreciates them over their useful lives. The decertification announced in the US in autumn 2012 boosted demand for the PostBase franking system, as many clients in this lease market are making use of the process, which is ongoing until the end of 2015, to replace their machines. Development costs involved in own work capitalised rose from EUR 4.2 million in 2013 to EUR 4.6 million in 2014.

Other income

Other income fell in 2014 to EUR 2.4 million compared with EUR 2.5 million in the previous year. A detailed structural chart of other operating income can be found in the notes to the consolidated financial statements under Section 3.

Materials costs

In the financial year 2014, materials costs rose to EUR 82.0 million, compared with EUR 77.9 million in the previous year. One reason for this is the expenses for services purchased, which rose to EUR 46.2 million compared with EUR 43.8 million in the previous year. This rise is primarily driven by the business expansion in the Mail Services segment. Expenses for raw materials, consumables and supplies rose to EUR 35.8 million in 2014 (previous year EUR 34.1 million). In this category, materials costs rose as a result of higher levels of own work capitalised for leased products and an increase in inventory. As a result of these shifts, the materials costs ratio rose to 48.1% as compared to 46.1% in the previous year.

Personnel costs

In the financial year 2014, personnel costs fell slightly to EUR 53.5 million, compared with EUR 54.0 million in the previous year. In 2014, the FP Group employed 1,054 people worldwide, compared with 1,047 in the previous year. The personnel costs ratio fell to 31.4% compared with 32.0% in the previous year.

Other expenses

Other expenses remained relatively stable in 2014 at EUR 30.1 million compared with EUR 30.3 million in the previous year. In particular, expenses in the rental / leasing sector fell by EUR 0.5 million. A detailed structural chart of other operating expenses can be found in the notes to the consolidated financial statements under Section 6.

EBITDA

In the period under review, the FP Group generated EBITDA – earnings before interest, taxes and depreciation – amounting to EUR 23.1 million compared with EUR 22.2 million in the previous year. The declining exchange rate of the euro against the US dollar, especially in the fourth quarter of 2014, led to a neutralisation of the negative currency effects from the first half of 2014. The EBITDA margin rose to 13.6% (Q1 2013: 13.1%).

Depreciation and impairments

Depreciation and impairments increased to a scheduled EUR 13.3 million in 2014, compared with EUR 11.8 million in the previous year. This was due to higher depreciation on the leased products newly placed on the market and capitalised development projects. These development projects, including the franking system PostBase and the independent De-Mail solutions, form the basis for expected profitable growth in years to come.

Net interest income / expenses

In 2014, net interest expense / income stood at EUR -2.1 million compared with EUR -2.3 million in the previous year. Owing to falling interest rates, interest income fell sharply to EUR 0.5 million compared with EUR 0.9 million in 2013. For this same reason, and because of lower levels of net debt, interest expenses also fell by EUR 0.7 million to EUR 2.6 million.

Other financial results

The FP Group posted a financial result of EUR 0.7 million in the financial year 2014 compared to EUR -0.2 million in the previous year. The effects in the financial result depend on the reporting date evaluation at different exchange rates.

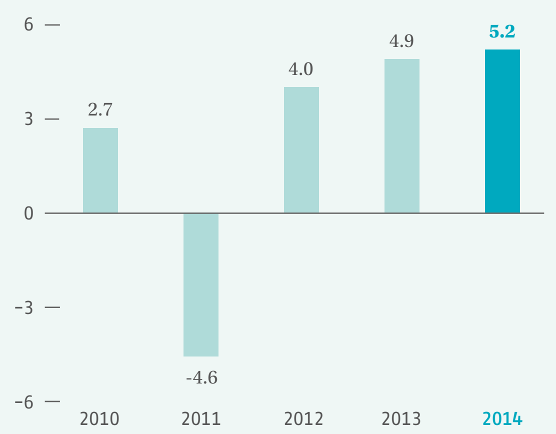
Tax result

The tax result consists of tax income of EUR 9.6 million and ongoing tax expenses totalling EUR 12.8 million. The net tax result came to EUR -3.2 million, compared with EUR -3.0 million for the same period in 2013. The tax rate of 38.0% was roughly in line with prior year's figure of 37.9%.

Consollidated net income

The FP Group generated consolidated net income of EUR 5.2 million after EUR 4.9 million in the previous year. Earnings per share stood at EUR 0.32 compared with EUR 0.31 in 2013.

CONSOLIDATED NET INCOME
in EUR million



Dividend-bearing net profit and dividends

At the AGM on 11 June 2015, the Management and Supervisory Boards will propose that the meeting approves a dividend payment of EUR 0.16 per share for the financial year 2014. The FP Group paid a dividend of EUR 0.08 per share in the previous year. For the determination of net income providing entitlement to dividends, refer to the information in the notes in Section IV. If the AGM approves the proposed dividend, the total amount distributed for dividend-bearing shares will be EUR 2.6 million. The Management Board proposes that the remaining accumulated profit be carried forward.

Business performance by segment

The Company is divided into four segments, namely Production, Sales Germany, International Sales, and Central Functions. This segmentation corresponds to the FP Group's internal reporting.

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

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

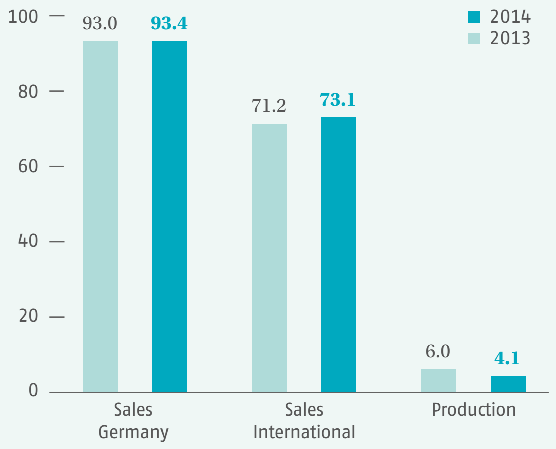
Sales Germany segment

Overall, the FP Group generated revenue of EUR 93.4 million with third parties in its German domestic market in 2014, compared with EUR 93.0 million in the same period of the previous year. Together with the consolidation specialist freesort, it has also been possible to increase revenue in the Mail Services segment to EUR 44.1 million, compared with EUR 42.7 million in the previous year. Revenue in the Software Solutions segment improved to EUR 13.4 million, compared with EUR 12.9 million in 2013.

Francotyp-Postalia Vertrieb und Service (VSG) – Franking and Inserting – reported revenue of EUR 35.9 million, down from EUR 37.6 million for the same period in 2013. With a market share of 42%, the Company was able to affirm its market leadership in the franking machine business amidst a challenging environment.

Segment EBITDA stood at EUR 6.7 million compared with EUR 5.8 million in the previous year, because the segment benefited from a reduction in intra-Group allocations from other segments.

REVENUE BY SEGMENT*
in EUR million



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

Sales International segment
In its Sales International segment, which combines all activities of foreign subsidiaries, the FP Group generated revenue of EUR 73.1 million with third parties in 2014 after EUR 71.2 million in the same period of the previous year. Revenue in the US rose to EUR 34.2 million from the EUR 33 million recorded in the previous year. In Great Britain, revenue improved from EUR 13.7 million in 2013 to EUR 16.1 million in 2014.

EBITDA in the Sales International segment stood at EUR 14.0 million compared with EUR 13.3 million in the previous year.

Production segment
All FP Group production activities in Germany are reported under the Production segment. Revenue in this segment stood at EUR 4.1 million in 2014, down from EUR 6.0 million in the previous year. The positive effect of the settlement of a tender in Russia could still be noticed in 2013.

Since April 2012, the FP Group has been manufacturing franking machines at its plant in Wittenberge. In the financial year 2014, positive economies of scale arose from the considerable increase in intersegment sales from EUR 71.2 million in 2013 to EUR 75.3 million in 2014.

EBITDA in the Production segment came in at EUR 5.2 million, down from EUR 6.7 million in 2013 due to the decline in intra-Group allocations.

SUMMARY OF RESULTS PER SEGMENT

in EUR million	Revenue [1]			EBITDA		
	2014	2013	Change in %	2014	2013	Change in %
Sales Germany	93.4	93.0	0.5	6.6	5.8	15.5
Sales International	73.1	71.2	2.6	14.0	13.3	5.2
Production	4.1	6.0	-31.5	5.2	6.7	-21.5
FP Group [2]	170.3	168.9	0.8	23.1	22.2	4.1

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

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The main aim of financial management is to avoid financial risks and to ensure the financial flexibility of the FP Group. The Company achieves this by employing a variety of financial instruments. Various 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 segment operating activities and the resultant cash flow. The Company also uses finance leases and loans from financial institutions. The net debt ratio is an important management parameter for the FP Group's capital structure. The net debt ratio represents net debt over equity and is constantly monitored. On 31 December 2014, the ratio was 53%, compared with 37% as at 31 December 2013 (figure adjusted for changes in restricted cash).

LIQUIDITY ANALYSIS

Cash flow from operating activities fell to EUR 17.5 million in financial year 2014, compared with EUR 20.9 million the year before. The difference is primarily due to the increase in inventory in the current financial year to deal with the increase in deliveries of new machines, particularly for the leasing business; whereas in 2013, inventory levels were reduced, which had a positive effect on the cash flow. In the financial year 2014, cash outflow from investing activities rose to EUR 23.1 million, compared with EUR 14.9 million in the previous year. Please see the investment analysis for more information about the increase.

Free cash flow – the balance of cash inflows from operating activities and cash outflows from investing activities – fell to EUR -5.6 million in 2014 compared with EUR 6.0 million in the previous year.

In 2014, cash flow from financing activities was EUR -7.8 million after EUR -2.5 million in the previous year. The effects of dividend payments made as well as repayments of bank loans were particularly evident in 2014.

Cash and cash equivalents comprise liquid assets plus securities minus Teleporto balances.

Furthermore, the FP Group had unused credit lines totalling EUR 17.3 million as at the balance sheet date, whereby the liquidity can be regarded as assured. The FP Group was able to meet its payment obligations at all times.

LIQUIDITY ANALYSIS

in EUR million	1.1.– 31.12.2014	1.1.– 31.12.2013
1. Cash flow from operating activities		
Cash flow from operating activities	17.5	20.9*
2. Cash flow from investing activities		
Cash flow from investing activities	-23.1	-14.9
3. Cash flow from financing activities		
Cash flow from financing activities	-7.8	-2.5
Cash and cash equivalents		
Change in cash and cash equivalents	-13.4	3.4*
Change in cash and cash equivalents due to currency translation	0.6	-0.5*
Cash and cash equivalents at beginning of period	27.2	24.1*
Cash and cash equivalents at end of period	**14.4**	**27.1***

*) figure adjusted for changes in restricted cash

FINANCING ANALYSIS

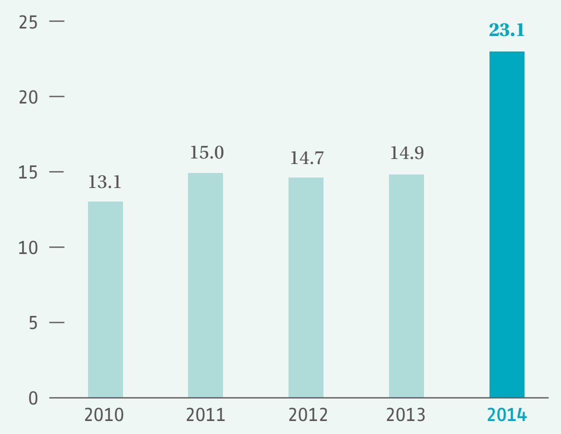
To finance itself, the FP Group primarily uses the cash flow from operating activities, along with existing or newly signed loan agreements with financial institutions and finance lease agreements of less than one year. The corresponding liabilities were below the previous year's level as at 31 December 2014. Reference is made to the "Hedging policy and risk management" section of the consolidated financial statements with respect to potential effects of altered interest levels and loan conditions.

The debts include loan liabilities of EUR 25.9 million (previous year: EUR 33.3 million) and liabilities from finance leases total EUR 5.5 million (previous year: EUR 5.3 million). Cash and cash equivalents include EUR 16.5 million in liquid assets (down from EUR 29 million in the previous year), treasury shares of EUR 1.0 million (previous year: EUR 1.8 million), securities of EUR 0.7 million (unchanged on previous year) and exclude postage credit balances managed by the FP Group to the sum of EUR 2.8 million (previous year: EUR 2.5 million).

The Company took advantage of the favourable environment for financing in 2014 and concluded an amendment agreement with the existing bank syndicate to the current syndicate loan agreement, which has been in force since April 2013. The total volume of the syndicate loan has increased by EUR 5 million and now totals EUR 50 million. At the same time, the conditions were significantly improved: the term of the loan was extended by more than a year to October 2019. Furthermore, improvements in the interest margin and greater leeway with regard to other financial liabilities were also obtained.

The level of net debt resulting from comparing the liabilities with the cash and cash equivalents is constantly being monitored. (For a detailed presentation of net debt, see the chapter "Financial performance indicators: net debt").

DEVELOPMENT OF INVESTMENTS FUNDS
in EUR million



OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The FP Group uses operate-lease agreements to leasing business premises or vehicles, for example. More detailed information is provided in the consolidated financial statements under Section IV, Subsection 24. Existing contingent assets and liabilities are presented in the notes. There are also losses carried forward but not applied for corporation tax totalling EUR 8.4 million and not applied for commercial tax totalling EUR 3.9 million. There is an accepted framework for sale and leaseback transactions relating to leased franking machines, which at EUR 2.4 million is not being utilised. Otherwise, FP does not use any other off-balance-sheet financial instruments.

INVESTMENT ANALYSIS

The FP Group has a focused investment strategy with a clear emphasis on investments that will facilitate the Group's ongoing development as a complete service provider for mail communication. Investment in 2014 rose in line with expectations to EUR 23.1 million, up from EUR 14.9 million in the previous year, in each case allowing for cash inflow from the disposal of fixed assets of EUR 0.3 million (previous year: EUR 0.2 million). In 2014, the Company increased investment in future growth, including investment in development, production and more franking machines for the major leasing markets of the US and France.

Investments in intangible assets increased in 2014 to EUR 0.5 million compared with EUR 0.3 million one year before. Capitalisation of development costs in 2014 totalled EUR 4.6 million, slightly above the figure of EUR 4.2 million recorded in the previous year. Investments in property, plant and equipment (excluding leased products and investments in finance lease relationships) rose to EUR 5.4 million in 2014, up from EUR 1.3 million in the previous year. Investment in leased products and leased products in finance lease relationships also increased significantly due to the ongoing decertification in the US and the replacement of machines as a result, rising to EUR 12.9 million from EUR 9.3 million in the previous year.

Information on significant investment obligations is provided in notes to the consolidated financial statements under Section IV, Subsection 24.

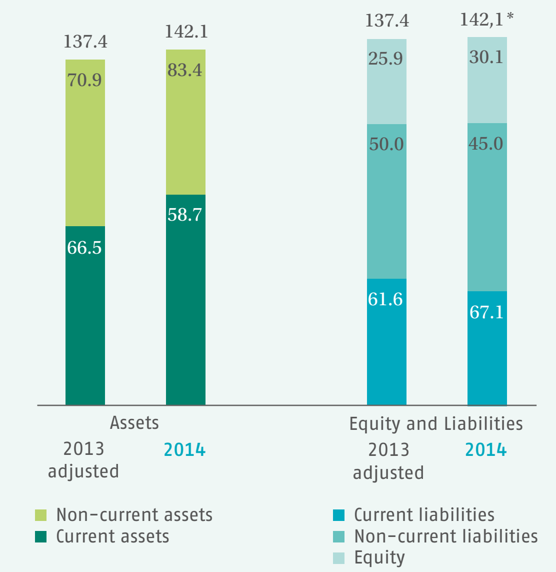
INVESTMENTS

in EUR million	1.1.–31.12.2014	1.1.–31.12.2013
Capitalised development costs	4.6	4.2
Investments in other intangible assets	0.5	0.3
Investments in property, plant and equipment (excluding leased products)	5.4	1.3
Investments in leased products	12.9	9.3
Proceeds from the disposal of non-current assets	0.3	0.2
Investments	**23.1**	**14.9**

FINANCIAL SITUATION

The balance sheet as at 31 December 2014 reveals an increase in long-term assets and a decrease in short-term assets. Long-term liabilities remained at the same level as in the previous year. Overall, total assets rose by EUR 4.7 million from EUR 137.4 million to EUR 142.1 million between year-end 2013 and year-end 2014.

BALANCE SHEET STRUCTURE
in EUR million



*The accounting methods applied may result in rounding differences of +/– one unit.

NON-CURRENT AND CURRENT ASSETS

Within non-current assets, intangible assets were virtually unchanged at EUR 32.9 million compared with EUR 32.8 million in the previous year. Items included here are goodwill at EUR 9.1 million (previous year: EUR 9.1 million), intangible assets including customer lists at EUR 16.2 million (previous year: EUR 16.5 million), and as yet unfinished development projects at EUR 7.6 million (previous year: EUR 7.1 million).

As at 31 December 2014 investments in property, plant and equipment totalled EUR 37.0 million, compared with EUR 24.6 million in the previous year. At the same time, leased assets increased to EUR 18.9 million from EUR 10.1 million in the previous year in particular because of the rise in the rental business, whereas investments in finance lease relationships fell during the year from EUR 7.5 million to EUR 6.4 million. The FP Group uses finance leases primarily to finance rental machines in the US, but on occasion also to finance production facilities.

Deferred tax assets decreased slightly from EUR 5.5 million to EUR 3.7 million.

In terms of current assets, the value of the inventories as at 31 December 2014 was EUR 10.0 million, compared with EUR 8.8 million on the balance sheet date in 2013. Trade accounts receivable rose slightly to EUR 17.3 million compared with EUR 17.1 million one year before. Securities totalling EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee to Deutsche Post AG. Liquid assets fell from EUR 29 million to EUR 16.5 million as a result of a reduction in long-term liabilities and dividend payments. Other short-term assets on the other hand increased from EUR 10.9 million to EUR 14.2 million.

SHAREHOLDER EQUITY

Shareholders equity rose to EUR 30.1 million as at 31 December 2014 compared with EUR 25.9 million at the end of 2013 because of the positive consolidated net profit and the reduction in loss carryforwards.

As at 31 December 2014, the share capital of Francotyp-Postalia Holding AG amounts to EUR 16.2 million, divided into 16,160,000 no-par value bearer shares.

At year-end 2014, the Company held a total of 202,944 treasury shares, corresponding to 1.3% of the share capital. More information about authorised and contingent capital and conversion and option rights can be found in the explanatory report by the Management Board pursuant to Section 315 (4) in combination with Section 120 (3) sentence 2 AktG.

NON-CURRENT AND CURRENT LIABILITIES

Current liabilities rose to EUR 67.1 million as at 31 December 2014 compared with EUR 61.6 million one year before. Current financial liabilities were EUR 5.5 million at year-end 2014 compared with EUR 5.2 million at year-end 2013. Trade accounts payable totalled EUR 9.5 million at year-end 2014 compared with EUR 7.5 million at year-end 2013. Provisions amounted to EUR 4.6 million, unchanged from on the balance sheet date in 2013. These provisions are detailed in the consolidated finance statement under Section IV, Subsection 20. Other current liabilities rose from EUR 42.1 million to EUR 44.9 million, of which EUR 24.9 million fell to payables from Teleporto, up from EUR 22.2 million the previous year.

Non-current liabilities fell in 2014 from EUR 50.0 million to EUR 45.0 million. Non-current financial liabilities declined from EUR 33.3 million to EUR 25.9 million due to the use of Teleporto funds to repay the Group's credit lines and other repayments. Pension provisions, however, rose amidst the ongoing low-interest rate environment. The ratio of net debt to equity at year-end 2014 was 53%, compared with 37% at year-end 2013.

LEASES

The FP Group has concluded both operating and finance leases. These business models are also reflected in the FP balance sheet. Non-current assets comprises machines leased under operating lease agreements to FP Group clients. In reference to this, EUR 25.2 million is contained in the leased products and investments in finance lease relationships items. Receivables from finance leases, which include finance lease agreements with customers, totalled EUR 2.6 million in the long-term and EUR 1.2 million in the short-term category. Without these indicated components, total assets would be EUR 113.1 million instead of EUR 142.1 million. On the liabilities side, EUR 4.0 million for sale and lease-back transactions relating to the financing of leased devices was contained in the financial liabilities (non-current and current). Without this indicated component, total liabilities would be EUR 138.1 million instead of EUR 142.1 million.

FRANCOTYP-POSTALIA HOLDING AG (CONDENSED)

In addition to the report relating to the FP Group, the following also summarises the performance of Francotyp-Postalia Holding AG.

Francotyp-Postalia Holding AG (FP Holding AG) is the parent company of the FP Group and has its headquarters in Birkenwerder, Germany. The business address of the Company is Prenzlauer Promenade 28, 13089 Berlin.

Francotyp-Postalia Holding AG indirectly functions as a complete service provider for mail communication through its subsidiaries and second-tier subsidiaries. As postal markets have continued to change, the Company has moved from being a manufacturer of franking machines to being a provider of digital mailrooms. FP Holding AG is able to cover the entire letter post distribution chain – from franking and inserting physical letters to mail consolidation and even hybrid and fully electronic mail transmission via De-Mail.

The Company sells through its subsidiaries both within Germany and internationally, as well as through a consolidated dealer network in around 40 countries.

Since 1 January 2007, FP Holding AG has employed its own staff. As at 31 December 2014, the FP Holding AG employed a total of 27 staff alongside the two Management Board members, compared to 24 one year previously.

Francotyp-Postalia Holding AG largely performs the tasks of a traditional management holding company. Because it has no operating business itself, the financial position of the Company depends on the results of the subsidiaries. Because of this, the financial performance indicators of FP Holding AG are derived from those of its subsidiaries. Its financial performance indicators are revenue, EBITDA, EBIT, free cash flow and net debt. FP Holding AG keeps a close eye on the EBIT and net debt ratios, in particular.

Quantitative information on non-financial performance indicators is currently not applied for management purposes, instead qualitative information is subsequently used.

Francotyp-Postalia Holding AG's annual financial statements are produced in line with the German Commercial Code (HGB). The consolidated financial statements follow the 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.

INCOME SITUATION

Operating earnings before interest and taxes (EBIT) in the previous year totalled EUR -3.223 thousand (previous year: EUR -2,129 thousand). In addition, the Company recorded income from investments and profit transfer agreements of EUR 11,658 thousand (previous year: EUR 9,538 thousand).

As a management holding company, FP Holding AG indirectly benefits from income from profit transfer agreement and the strong performance of its individual subsidiaries. The strong performance of the FP subsidiaries is largely the result of the high level of efficiency of the new production facilities and the successful marketing of the PostBase franking system.

As expected, depreciation was higher in 2014 than in 2013 for leased products that have recently been launched on the market and for active development projects. This has had an impact on the earnings of the FP companies in question. This has meant that the income from profit transfer agreements and thus the EBIT of FP Holding AG has not increased much more.

CONDENSED PROFIT AND LOSS STATEMENT OF FRANCOTYP-POSTALIA HOLDING AG

in EUR thousand	2014	2013	Change %
Revenue	**1,917**	**2,206**	**-289**
Other operating income	1,202	1,121	81
Materials costs	0	0	0
Personnel costs	2,897	3,259	-362
Depreciation and impairments	27	20	7
Other operating expenses	3,418	2,177	1,241
Income from investments and profit transfer agreements	11,658	9,538	2,120
Income from loans classified as financial assets	1,298	1,750	-452
Other interest receivable and similar income	674	114	560
Writedowns of financial assets and securities classified as current assets	0	0	0
Interest and similar expenses	1,515	2,118	-603
Profit from ordinary activities	**8,892**	7,155	**1,737**
Extraordinary expenses	9	9	0
Taxes on income and earnings	1,621	1,105	516
Other taxes	5	10	-5
Annual net profit	**7,257**	**6,030**	**1,226**

Revenue growth

Revenue from services performed for the subsidiaries reduced by EUR 289 thousand to EUR 1,917 thousand (previous year: EUR 2,206 thousand). The decline in revenue has come about despite there being no change in the service activities rendered by FP Holding AG to the subsidiaries, but rather largely because of a change in the number of hours and the hourly rates passed on.

Personnel costs

Personnel costs fell by EUR 362 thousand to EUR 2,897 thousand. This is mainly due to the fact that expenses of EUR 371 thousand in connection with a reimbursement was incurred in the same period of the previous year.

Other operating income

Other operating income remained fairly stable at EUR 1,202 thousand. Other operating income in 2014 largely results from the book value of an investment appreciating by EUR 700 thousand as well as grants of EUR 292 thousand.

Other operating expenses

Other operating expenses rose dramatically by EUR 1,241 thousand to reach EUR 3,418 thousand. This is largely the result of increased intra-Group allocations (EUR 817 thousand), increased advertising costs (EUR 167 thousand) and an increase in other personnel-related costs, for example recruitment costs (EUR 125 thousand). Legal and consultancy fees, however, fell by EUR 139 thousand and currency losses fell by EUR 109 thousand.

Financial result

The financial result including results from loans classified as financial assets rose by EUR 711 thousand during the year to EUR 457 thousand, after registering a loss of EUR -255 thousand in the previous year. The improvement in interest income largely resulted from the fall in interest expenses to EUR 1,515 thousand, which is a reduction of EUR 603 thousand or 28% on 2013's figure of EUR 2,118 thousand. This is the result of improved financing conditions as well as credit lines being restored. Both reasons also led to a fall of EUR 452 thousand in income from loans classified as financial assets to EUR 1,298 thousand. Interest income in the same period rose by EUR 560 thousand to EUR 674 thousand.

Profit from ordinary activities

Profit from ordinary activities grew by EUR 1,737 thousand over the financial year. This is principally the result of the increase of EUR 2,120 thousand in income from investments and profit transfer agreements as well as the increase in income of EUR 711 thousand.

Tax result

Taxes on income and earnings rose in relation to income before taxes to EUR 1,965 thousand (previous year: EUR 1,105 thousand) because of the use of tax loss carryforwards.

Annual net profit

The annual net profit of FP Holding AG rose by EUR 1,227 thousand to EUR 7,257 thousand (previous year: EUR 6,030 thousand) as a result of the significant increase in income from profit transfer agreements and an improved financial situation.

NET ASSETS

Net debt

FP Holding AG was able to reduce its net debt from EUR 33,483 thousand to EUR 26,518 thousand in 2014, as both the Group's positive cash flow as well as newly identified investable assets (restricted cash) reduced the need to turn to existing credit lines. Net debt is calculated as liabilities to banks minus cash and cash equivalents.

CONDENSED BALANCE SHEET OF FRANCOTYP-POSTALIA HOLDING AG

in EUR thousand	2014	2013	Change %
Assets			
Fixed assets	64,052	62,548	1,504
Current assets	30,090	55,938	-25,848
Prepaid expenses	657	582	75
Deferred tax assets	2,870	4,119	-1,249
	97,669	**123,187**	**-25,518**
Liabilities			
Equity	67,293	61,225	6,068
Provisions	2,951	2,887	64
Liabilities	27,025	59,036	-32,011
Deferred tax liabilities	400	39	361
	97,669	**123,187**	**-25,518**

Total assets fell because of the effects described below from EUR 123,187 thousand to EUR 97,669 thousand.

Receivables of FP Holding AG were calculated along with liabilities to affiliated companies. These transactions meant that the receivables from affiliated companies fell by EUR 26,726 thousand and amounts owed to affiliated undertakings fell by EUR 24,960 thousand. The Company was additionally able to reduce the amount owed to credit institutions by EUR 6,953 thousand.

At the same time, the positive results largely led to a further increase of EUR 6,412 thousand in own capital, which increases the equity ratio from 49.7% to 68.9%.

Property, plant and equipment

Investments in property, plant and equipment rose significantly in the last quarter of 2014 in connection with the transfer of the administration from Birkenwerder to Berlin. The book value of the leasehold improvements rose by EUR 710 thousand. This is the main reason for the increase in the book value of property, plant and equipment of EUR 463 thousand to EUR 1,268 thousand.

Financial assets

Financial assets rose from EUR 62,083 thousand in 2013 to EUR 62,783 thousand this year. This comes from a partial recovery of EUR 700 thousand of an investment with a book value of EUR 1,200 thousand which had been written off as at 31 December 2012. The holdings in affiliated companies consequently rose to EUR 9,600 thousand.

Receivables from affiliated companies

In the course of intra-Group settlements, receivables from FP Holding AG were calculated along with liabilities to affiliated companies. These transactions meant that the receivables from affiliated companies fell by EUR 26,726 thousand.

Other assets

The increase in other assets of EUR 866 thousand to EUR 1,470 thousand can be largely attributed to new receivables from income tax (EUR 275 thousand), VAT (EUR 305 thousand), and a grant notification awarded by the Investitionsbank Berlin for public sector financing to the amount of EUR 292 thousand.

Deferred tax assets

The reduction of EUR 1,249 thousand in deferred tax claims on losses carried forward from FP Holding AG as at 31 December 2014 is largely the result of the use of those carryforwards during this year. Deferred tax assets for fiscal losses and interest carried forward were EUR 2,442 thousand as at the balance sheet date compared to EUR 3,470 thousand.

Shareholders' equity

As a consequence of the strong performance during the financial year, the equity ratio improved markedly from 49.7% to 68.9% due to decreased debt capital.

As at 31 December 2014, the share capital of Francotyp-Postalia Holding AG amounts to EUR 16.2 million, divided into 16,160,000 no-par value bearer shares.

As at year-end 2014, the Company held a total of 202,944 treasury shares, corresponding to 1.26% of the share capital, compared with 370,444 treasury shares, corresponding to 2.29% of the share capital held in the previous year. For more information about authorised and contingent capital and conversion and option rights, please see the consolidated financial statements.

Liabilities to affiliated companies

Liabilities to affiliated companies fell by EUR 24,960 thousand down to nil. This is largely the result of repayment of amounts owed to FP GmbH and FP Produktionsgesellschaft mbH as part of intra-Group settlements.

Other provisions

Other provisions fell by EUR 303 thousand to EUR 781 thousand because of the use of severance provisions.

FINANCIAL SITUATION

Cash flow from operating activities totalled EUR 8,641 thousand in the financial year 2014 as compared with EUR 6,328 thousand in 2013. The increase reflected the improved results of operations.

Cash flow from investing activities during the financial year 2014 was EUR -831 thousand (previous year: EUR -5,425 thousand). In the previous year, there was a significant amount of investment in financial assets (loans to affiliated companies).

In 2014, cash flow from financing activities was EUR -7,798 thousand (previous year: EUR -920 thousand). This largely results from an increase of EUR 6,033 thousand in the balance of payments and repayments of bank loans to EUR -6,953 thousand in 2014 from EUR 920 thousand in 2013, and a dividend payment of EUR 1,263 thousand, up from EUR 0 thousand in 2013.

FP Holding AG has still been in a position to comply with its financial obligations throughout the whole year. Furthermore, FP Holding AG had unused credit lines totalling EUR 17.3 million as at the balance sheet date, whereby the liquidity can be regarded as secured. In accordance with the syndicate loan contract concluded with the banks, FP Holding AG must adhere to four defined financial performance measures (covenants) – see also the risk report. The financial indicators that were decisive as at 31 December 2014 were complied with.

COMPARISON OF ACTUAL WITH FORECAST BUSINESS PERFORMANCE FOR FRANCOTYP-POSTALIA HOLDING AG

The Company has partially been able to exceed its goals for 2014 in terms of its forecast indicators; however, some of its goals have not been met. The revenue, exclusively from business with Group companies, was forecast to be EUR 2.0 million, as well as an EBIT of EUR -3.4 million (without the income from profit transfers). The Company also predicted income from profit transfer agreements of around EUR 14.7 million.

Revenue generated by the Company in the 2014 financial year was EUR 1.9 million. EBIT without the income from profit transfers fell to EUR -3.1 million whilst the income from profit transfer agreements rose to EUR 11.7 million.

OVERALL STATEMENT ON BUSINESS PERFORMANCE

The performance of the FP Group and thus also for FP Holding AG over the previous financial year was on the whole positive. The Company's strategy, based on flexible production in Wittenberge and the innovative PostBase franking system, has continued to be successful in serving the sales markets. The new digital ranges, particularly the De-Mail solutions, are also attracting wide interest from our clients.

The Aufbruch 2015 initiative aims to develop the full potential of the FP Group in all areas and markets and to thus realise the ambitious growth objectives for 2015. 2014 demonstrated that the FP Group is on the right path regarding growth and has laid the foundation for a successful future.

RISKS AND OPPORTUNITIES

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

FORECAST

Because of Francotyp-Postalia Holding AG's links with the Group companies, we refer to our statements in the report on expected developments in the consolidated management report, which particularly reflects the expectations for the parent company. We expect annual net profit for Francotyp-Postalia Holding AG to be slightly above the level recorded in the financial year 2014. The Company forecasts revenue of EUR 2.1 million, income from profit transfer agreements of EUR 12.3 million, and annual net profit of EUR 8.5 million. The higher result forecast is still set to result in a disproportionately low increase in tax expenses due to the utilisation of losses carried forward.

OVERALL STATEMENT ON THE FINANCIAL POSITION

COMPARISON OF ACTUAL WITH FORECAST BUSINESS PERFORMANCE

On 27 February 2014 the FP Group issued an initial quantitative forecast for 2014 with ambitious growth targets when it presented its provisional business figures. The plans envisaged revenue of at least EUR 173 million and EBITDA of at least EUR 25 million. In addition, the Company forecast EBIT of at least EUR 12 million.

At that time, the Company was expecting an improved economic environment in key markets, and also expected the measures initiated under Aufbruch 2015 to have the planned effect. These expectations were not fully met. Whilst business in foreign markets such as the US and UK as well as in postal services has been positive, improving the sales and marketing in Germany, particularly in developing a dealership sales channel, has taken longer than expected. In light of these challenges, the FP Group adjusted its target upon releasing its nine-month figures. The Company anticipates revenue of at least EUR 168 million, EBITDA of EUR 23–24 million and EBIT of EUR 10–11 million.

The FP Group managed to exceed its adjusted sales target, the Company's EBITDA was in line with the forecast and EBIT finished slightly below the target level. In 2014, revenue rose to EUR 170.3 million, EBITDA stood at EUR 23.1 million and EBIT at EUR 9.8 million.

BUSINESS PERFORMANCE 2014

The FP Group increased its revenue and profit figures again in 2014, and performed strongly overall amidst a challenging economic environment. The Management Board and Supervisory Board, therefore, propose a doubling of the dividend for the previous financial year to 16 cents, following on from 8 cents in 2013. On the sales side, the Company particularly benefited from the success of the franking system PostBase in a number of markets, as well as from expanding the mail service business in Germany. The Company was able to increase its share of the global franking machines market to 10.5%.

EVENTS AFTER THE BALANCE SHEET DATE

On 19 November 2014, Sven Meise was appointed to the Management Board. This added a third member to the Management Board of Francotyp-Postalia Holding AG. Meise is responsible for the business units freesort GmbH, internet access GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business including consolidation, as well as the establishment and expansion of digital products, including digital signatures and archives, thus also the De-Mail business. In addition, the consultancy services offered by FP to companies and authorities related to introducing and implementing digital solutions are to be greatly developed.

On 13 January, the currency hedges for 2015 were concluded. A number of exchange rate futures were concluded with a total value of GBP 4.2 million and an average hedging rate of 0.7822 GBP / EUR. In addition to this, a number of hedging transactions with participations were concluded for a total of USD 12.6 million with an average worst case hedging rate of 1.2248 USD / EUR. Beyond this, no events of special significance occurred after the end of the financial year, which could have had a notable effect on the net assets, financial position and results of operation of the FP Group.

At the AGM on 11 June 2015, the Management and Supervisory Boards will propose that the meeting approves a dividend payment of EUR 0.16 per share for the financial year 2014. The FP Group paid a dividend of EUR 0.08 per share in the previous year. For the determination of net income providing entitlement to dividends, refer to the information in the notes in Section IV. If the AGM approves the proposed dividend, the total amount distributed for dividend-bearing shares will be EUR 2.6 million. The Management Board proposes that the remaining accumulated profit be carried forward.

RISK AND OPPORTUNITY REPORT

The FP Group's entrepreneurial dealings inevitably expose it to a variety of risks. A risk is defined as an event or action that prevents the Company from reaching its targets. On the other side, opportunities also exist which may enable the FP Group to outperform its targets.

FP defines risks as events that can be qualitatively assessed on a scale from 1 (very low) to 5 (high) by means of a risk matrix.

Opportunities are defined as relevant events which may cause a positive deviation to the expected values.

Organisation

The Management Board is responsible for the risk and opportunity management system of the FP Group. Operational management in the segments and subsidiaries is responsible for the early and regular identification, evaluation and utilisation of opportunities and risks. The coordinator for the reporting of risks and opportunities organises and manages the management of risks and opportunities across the Group in close cooperation with the managing directors of the respective subsidiaries and departmental heads. The Management Board keeps the Supervisory Board informed about the risk and opportunity management, which assumes an external supervisory role.

The FP Group uses a comprehensive management and control system to identify risks and opportunities, and combines these tasks into the risk and opportunity management system as shown below.

Risk and opportunity management system

The risk and opportunity management system of the FP Group exists to recognise and exploit opportunities at an early stage, as well as identifying and limiting risks as soon as possible. Essentially, the policy of the FP Group regarding risk and opportunity is aimed at securing the Company's long-term existence, and at continuously improving competitiveness.

Risk and opportunity management is an integral part of the value-oriented management and existing structures of the FP Group. It is derived from the strategic objectives. Detailed market and competition analyses and forecast scenarios, together with intensive examination of relevant value and cost drivers, serve to determine opportunities. A system to monitor risk has been set up in line with Section 91(2) of the German Stock Corporation Act (AktG). This system is used for the early detection of risks that may be a threat to the continued existence of the FP Group.

An inventory of all legal risks, business, operational, financial and IT risks in the FP Group is drawn up at least twice a year. The scope of risk consolidation is largely consistent with the financial scope of consolidation. The risks identified are then assessed in accordance with their potential for damage and their probability of occurring, whether or not they are a threat to the continued existence of the Company. Risks that are a threat to continued existence are recorded separately and placed under further observation. To diagnose which risks may be a threat to continued existence, all risks are subdivided into five different categories, according to the frequency of occurrence and the amount of damage they could potentially cause. The tables on the next page show the evaluation grids for quantitative and qualitative evaluation of probability of occurrence and extent of damage for individual risks.

When subdividing the individual risks, the FP Group distinguishes between insignificant risks and those that are significant for business activities and therefore a threat to continued existence. Significant risks are those reported risks for which the probability of occurrence has been estimated at Category 3 or higher and the feared extent of damage (contingent on probability of occurrence) has been indicated at Category 3 or higher. When subdividing the individual risks, the FP Group distinguishes between opportunities with a low and very high probability of occurring. Opportunities with a very high probability of occurring are categorised as Category 3 or higher and are hoped to occur within at least two years.

The FP Group regards risk management as a continuous and consistent process. Once all listed individual risks have been documented in the risk directory by the operating subsidiaries and business units, they are evaluated in the form of a risk matrix. The respective category of probability of occurrence is multiplied by the factor of the potential extent of damage. The result produces the risk indicator for the individual risks. The risk coordinator catalogues all reported risks and opportunities and aggregates any key risks (all risks with a risk indicator of 15 or more) and carries out a general assessment of the Group's risk statement.

The Management Board receives the risk directory on a six-monthly basis and is informed about the current risk situation of the Group by the risk coordinator, and if necessary, recommends any further action to be taken. After the Management Board has seen the Group risk report, it is presented to the Supervisory Board.

Risk prevention is a key element of the risk management system, so risks and their impact on the Company are discussed at Management Board meetings on a monthly basis and at performance meetings with the subsidiaries, and any measures to be taken to eliminate any serious risks are discussed.

In addition to this, risks identified during the course of the year, which have a high probability of occurring and which have a high potential of causing damage, are immediately brought to the attention of the Management Board by means of the reporting lines (ad-hoc notification).

The reporting instruments named are the basis of the early warning system for risks and opportunities. This system is evaluated by the auditor as part of the annual audit to ensure that it is suitable to identify, assess and communicate any risks, which may potentially endanger the existence of the Company in a timely manner.

The next step is to calculate the up-to-date risk matrix for 2014 in accordance with the methodology already described and compare it to the previous year. Those risks that the FP Group currently classifies as being of significance to business activities or to its continued existence are subsequently explained in closer detail. These risks can be found in the top right corner of the risk matrix and are highlighted red. The risks described below have a risk indicator of 15 or more.

1. QUANTITATIVE AND QUALITATIVE EVALUATION OF PROBABILITY OF OCCURRENCE

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

2. QUANTITATIVE AND QUALITATIVE EVALUATION OF EXTENT OF DAMAGE

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

OVERVIEW RISK INDICATORS

PROBABILITY OF OCCURANCE	1	2	3	4	5
5	5 low	10 medium	15 high	20 high	25 very high
4	4 low	8 low	12 medium	16 high	20 high
3	3 very low	6 low	9 medium	12 medium	15 high
2	2 very low	4 low	6 low	8 low	10 medium
1	1 very low	2 very low	3 very low	4 low	5 low
	1	2	3	4	5

EXTENT OF DAMAGE

RISKS FACED BY THE FP GROUP

Market-related risks

Price pressure due to competition

Francotyp-Postalia operates in a competitive market in which there are only a handful of suppliers in the world. Given the reduced value of franking machines in the eyes of customers, an environment like this may lead to falling prices. Competitors attempt to achieve growth in the so-called A0 segment by increasing sales volumes of low-budget franking machines. However, the FP Group continues to focus on high-quality machines, also for low mail volumes.

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

FP Group is limiting this risk through:

- incentive schemes for sellers
- expanding the less price-sensitive rental and leasing business
- continuously strengthening the sales process
- building a new cartridge machine

This risk remains high, unchanged on the previous year.

Other risks to competitiveness

Francotyp-Postalia is in competition with several providers. The global market leader in franking machines is Pitney-Bowes from the US; other providers with significant market shares are Neopost from France and Frama AG from Switzerland. A number of smaller regional manufacturers provide franking machines alongside these.

An element of risk entails if independent dealers and also franchisees are not proactive in selling the FP machines and market our competitors' products instead. The FP Group combats this particular risk by finding new sales partners as soon as possible. In overseas markets like Canada, there is a risk of losing market share because competitors are providing hybrid mail solutions and electronic solutions. The FP Group combats this risk by proposing to unveil the electronic solutions already introduced in Germany on an international scale.

This risk remains high, unchanged on the previous year.

PERFORMANCE-RELATED RISKS

Trend-related risk

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

At the same time, shipping of packets and parcels is rising (e-business), more secure e-mail solutions are additionally replacing mail volumes, and private mail service providers are seeking new efficient solutions to boost their mail conveyance business. Innovation and systematic preliminary development are needed to prepare the technical solutions that will be demanded in future in this changing market environment. Recently, the FP Group has been concentrating on the necessary country-specific versions of PostBase and the development of the new PostBase Mini. In the long term, further innovative, new solutions will be needed to provide alternatives to the shrinking physical mail conveyance market. Apart from De-Mail, no products or solutions are in the pipeline, so the lack of new products represents a possible risk. The FP Group is trying to limit this risk by means of a systematic innovation process as well as by analysing possible acquisition targets and by carrying out feasibility studies of promising new product ideas. The Company is already competing strongly with electronic communication providers, and, as a result, is enhancing its marketing activity with campaigns and telemarketing, and working to retain existing customers.

This risk remains high, unchanged on the previous year.

FINANCIAL RISKS

Currency risk

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

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

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

This risk remains high, unchanged on the previous year.

Liquidity risk

In line with the syndicate loan agreement signed with the banks, the FP Group must comply with defined financial indicators (covenants). Firstly, "adjusted equity capital" of the FP Group must be reached at the end of the respective quarter. Secondly, an "adjusted equity capital ratio" is defined, which results from the relation between "adjusted equity capital" and "adjusted total assets". Furthermore, a defined net debt ratio must not be exceeded. This ratio results from the relation of net debt to EBITDA; these two values are slightly corrected with reference to certain items in line with the loan agreement definition. Finally, a "Debt Service Coverage Ratio" must be achieved; this reflects the relation between EBITDA and financing costs.

The financial indicators that were decisive as at 31 December 2014 were complied with. If the financial performance measures were not met, the syndicate of banks would have had the contractual right to accelerate the maturity of the loan.

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

Moreover, the Company is obliged to pay back its loans at certain times and make interest payments. In tough economic circumstances, the possibility of the Company having difficulties making payments cannot be completely ruled out.

FP Group is limiting the liquidity risk via:

- managing receivables
- cash management with the subsidiaries
- cash flow planning
- sale and leaseback businesses

This risk remains high, unchanged on the previous year.

Devaluation risk

In the consolidated balance sheet, goodwill of EUR 9.14 million is activated, comprising EUR 5.85 million from the acquisition of freesort (unchanged on the previous year), EUR 2.64 million from the acquisition of iab (unchanged on the previous year) and EUR 0.65 million from the acquisition of Mentana-Claimsoft. This goodwill must be subjected to an impairment test on an ongoing basis. If it emerges that recoverability is no longer a given at the full amount, goodwill must be amortised. In addition, there are still risks arising due to potential impairment losses on customer lists as well as capitalised development costs (Book value as at year-end 2014: EUR 2.5 million), as well as capitalised development costs (Book value as at year-end 2014: EUR 19.6 million). Though amortisation would have no effect on EBITDA, it would affect the net income and hence also shareholders' equity.

This risk remains high, unchanged on the previous year.

Tax risks

The external tax audits of several German FP Group companies for the years 2005 to 2008 were completed in 2010, which led to significant corrections to the transfer prices for goods deliveries by the legal entity FP GmbH to its foreign sales subsidiaries.

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

In 2014, an external tax audit was performed for the years 2009 to 2012 concerning almost all Group companies. The audit has yet to result in any findings by the tax administration. Tax risks were reflected in tax provisions using reasonable commercial judgement.

Due to the tax demands to be expected from the adjustment effects for years following the audit abroad as a result of the mutual agreement procedure and arbitration cited above, current tax demands in the amount of the deferred tax assets triggered due to the transfer price correction as well as the expected back taxes were activated in Germany in the consolidated financial statements of Francotyp-Postalia Holding AG up to 31 December 2013. As at 31 December 2014, tax demands of a total of EUR 6,689 thousand were reported (previous year: EUR 6,689 thousand).

There is still uncertainty over the amount and time of realisation, which may result from the requested mutual agreement and arbitration procedure between Germany and the tax authorities abroad.

FP has capitalised deferred taxes assets to the tune of EUR 3,724 thousand (previous year: EUR 5,450 thousand).

Corporation and trade tax losses carried forward of EUR 4,230 thousand were recorded in 2014 (previous year: EUR 4.876 thousand) for offsetting against positive tax results in 2014. In accordance with current tax planning, the tax losses and interest carried forward, for which the active deferred taxes have been used, will be used within the next five years. There is a risk that the losses and interest carried forward may not be expensed according to schedule because the PostBase product line has not been well positioned in the market. The FP Group is countering the risk of a possible reduction in active deferred taxes by means of an ongoing examination of the planning and of management decisions derived from the results. Improved earnings figures from the individual subsidiaries also help to contain the risk.

Both risks remain high, unchanged on the previous year.

OTHER RISKS

Legal risks

A court action is pending at the U.S. District Court for Eastern District of Missouri against our subsidiary in the US (Case No. 4:14-cv-01161-HEA). In the putative class action, it is claimed that Francotyp-Postalia Inc. violated the Telephone Consumer Protection Act of 1991 by unsolicited advertising. It has not yet been clarified whether the approach in question is recognised in the statutory provisions. The outcome of the action taken against Francotyp-Postalia is pending. FP does not currently expect any obligation to be incurred or that any outflow of resources is likely. No provisions have been set aside for this situation.

Technological Risks

Decertification

The US Postal Service (USPS) reported on a "hard decertification" of the T1000 and OptiMail models back in October 2012. For cost reasons and for lack of equipment, all machines that do not meet the IBIP (Information-Based Indicia Program) standard are to be replaced. FP's devices are also affected by decertification.

The FP Group is countering this risk with the introduction of the new PostBase franking machine as well as the PostBase Mini from 2015, both of which meet the IMI (Intelligent Mail Indicia) standard.

This risk remains high, unchanged on the previous year.

Rate Change

Some reports claim that USPS have delayed the rate change to May / June 2015 instead of January 2015 as announced. There is little that the Company can do to counteract this risk as it concerns an external factor.

Cross-border IT risks

The business processes of the FP Group that are supported by information technology are exposed to IT security risks, and thus can jeopardise the principles of IT security, such as confidentiality, availability and the integrity of information.

The Company counters potential IT risks by using modern hardware and software in accordance with current security standards. The Company checks the IT systems on a regular basis and carries out a number of measures to develop the existing security technology in order to handle business processes securely. The FP Group minimises these risks further by using an information security management system (ISMS) and by making staff aware of how all information that is relevant to the business should be handled. The risk is reduced by well-trained IT staff, experts and professional project management.

The Company thus estimates that potential risks in connection with information security or risks arising from the information technology used are low.

The move to a new administrative building in Berlin as well as transferring the data centre at Birkenwerder to two new IT sites has made FP geo-redundant. We use the infrastructure of large Internet Service Providers (ISP) based on the server housing model. This particularly minimises the risks to the air-conditioning, power supply and network connectivity.

With the use of postal server systems such as FrankIT, IBIP, Orchid etc. the IT segment is constantly obliged to meet requirements based on various standards such as BSI basic protection, ISO 27001, NIST 800-34, COBIT 4.1. It is also compulsory to take a business continuity management (BCM) process into account as well as an information security management system. A risk management process was set up within IT based on the BSI Standard 100–3, with sensitive postal server systems in operation. We keep our customers informed about the standard of security through regular audits and security certificates.

BCM plans have been set up based on so-called business impact analyses, and BCM concepts implemented, continuously improved and periodically tested for key markets such as Germany, France and North America. Risk analyses have also been performed and evaluated for operating postal infrastructures.

The risks at our American subsidiary have been minimised by setting up a backup computing centre in Indianapolis. As the heart of the Postbase Business, the repository, which is used across the globe, has a redundant design with all components to minimise any potential outages.

As an accredited De-Mail, provider our subsidiary Mentana-Claimsoft GmbH is exposed to additional IT risks arising from operating the systems for its customers. These risks are minimised among other factors by the use of a backup computing centre as well as by the redundant design of important systems. Mentana-Claimsoft GmbH is certified according to ISO 27001 and therefore satisfies the most stringent safety regulations.

Overall statement on the Group's risk situation

The risk situation at 31 December 2014 has not significantly changed compared with the previous year. In principle, the risks each concern all segments, with the exception of risks relating to currency and decertification of the Sales Germany segment. No risks are currently discernible that will lead to a permanent, significant impairment of the net assets, financial position or profit and loss of the FP Group when the extent of damage and probabilities of occurrence are taken into account. Overall, the risks are manageable; from today's viewpoint, the Group's continued existence is not under any threat. The FP Group is not currently anticipating any fundamental changes in the risk situation. Organisationally speaking, the Company has created all the conditions to be informed about any potential new risk situations in good time and to be able to react quickly.

Contingencies are detailed in the consolidated finance statement under Section IV, Subsection 26.

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

The Management Board and Supervisory Board of the FP Group place exceedingly high value on ensuring the truth and fairness, accuracy and reliability of financial reporting. The accounting-related internal control system is therefore an integral component of a comprehensive Company-wide control and risk management system. The objective of the internal control system as far as the accounting process is concerned is to sufficiently ensure that financial statements comply with the regulations by implementing adequate controls. 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, for example, 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 Supervisory Board provides advice on risk management and monitors the effectiveness of the risk management system, the internal control system and the accounting process, and also monitors the financial statements auditing and its impartiality.

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

As the parent company, Francotyp-Postalia Holding AG compiles the consolidated financial statements of the FP Group. 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; the individual subsidiaries possess a defined degree of autonomy when compiling their financial statements.

The significant regulations and instruments during the compilation of the consolidated financial statements are:

- accounting guidelines at Group level
- a clearly-defined division of labour and allocation of responsibilities among the segments involved in the accounting process
- the involvement of external experts as far as necessary, for example, for the evaluation of pension obligations
- the use of suitable IT financial systems and application of detailed authorisation concepts to ensure that authority is granted in line with the task while complying with principles of separation of roles
- controls implemented 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 the Group and company level, and
- consideration of the risks recorded and evaluated in the risk management system in the annual financial statements, as far as is required under current accounting rules.

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

The FP Group guarantees that its annual and consolidated financial statements strictly comply with German and international accounting standards by employing specialist staff, ensuring effective and regular additional training and adhering to the peer-review principle.

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

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

RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

Francotyp-Postalia has a centralised financial management, where FP Holding AG coordinates the consolidated financial requirements, secures liquidity and monitors currency, interest rate and liquidity risks across the Group. The goal of financial risk management is to limit financial risks from changes in market prices, exchange rates and interest rates through finance-oriented activities. Derivative financial instruments are used in this exclusively for the purpose of hedging underlying transactions. Currency risks result from the Group's international activities, specifically in the US and UK. FP Holding AG identifies these risks in cooperation with the Group companies, and uses appropriate measures to manage them, e.g. entering into forward currency transactions. Interest rate exposure results from medium-term financial liabilities, and in the course of the refinancing in financial year 2013, FP Holding AG entered into interest rate swap and CAP transactions. The purpose of liquidity planning is to identify liquidity exposure at an early stage and to minimise it throughout the Group. A monthly rolling liquidity forecast is used to monitor and manage liquidity.

OPPORTUNITIES FOR THE FP GROUP

The FP Group has qualitatively determined the opportunities for 2014; as in the previous year, they have not been quantified for management purposes or displayed in an opportunity matrix.

Market opportunities

Despite a decline in the average number of postal consignments delivered worldwide, there are a number of countries where the postal market is growing. This means that opportunities exist for the FP Group to share in this growth. The FP Group was quick to position itself in emerging markets such as Russia and India in order to share in the growth that can be expected in those parts of the world.

Although opportunities do also exist in established postal markets. This particularly applies to markets in which the FP Group's presence is not as strong as it is in as Germany, Great Britain and the USA.

With this in mind, the FP Group is gradually building up its presence in the franking machine market in France and is primarily winning customers with PostBase. PostBase is also making a significant contribution to the Company's success in Italy.

Product opportunities

The FP Group's innovative products are the guarantor for the Company's success. These encompass the continuous development of the franking machines along with new solutions for digital and hybrid mail transmission. With the introduction of the PostBase Mini as the successor to MyMail, the FP Group is widening the PostBase portfolio with the inclusion of a machine for smaller volumes. At the same time, the Company is pushing ahead with marketing De-Mail. In the next few years, this traceable, secure and confidential method of electronic communication may be implemented in Germany, particularly as all governmental agencies are set to be connected to the De-Mail network by the end of 2015. Thanks to the E-Government Act and a number of other guidelines adapted by government agencies, De-Mail has a good chance of becoming the default communication method between public authorities in Germany.

Selling opportunities

Developing the sales channels creates opportunities for the FP Group in established markets. For example, the Company is increasingly using telesales, leasing offers and specialist dealers in order to reach high numbers of customers. In Germany in particular, the increased focus on solution-related expertise is opening up new possibilities for the Company – both in terms of direct sales and in connection with the office equipment business and IT systems houses. The FP Group is also establishing itself as a point of contact for aspects such as the encryption and archiving of electronic communication and the optimisation of all processes relating to inbound and outbound mail, thanks to its comprehensive solution portfolio relating to digital mailrooms.

Opportunities as a result of acquisitions

The FP Group does not rule out specifically purchasing companies in the future to strengthen or broaden its own portfolio. The focus here is on the area of communications and information logistics, where the option exists to purchase an established provider with solid growth and a robust cash flow situation. This kind of acquisition would not only strengthen the position of the FP Group in the global market but also improve the income situation.

Opportunities as a result of currency effects

The FP Group's international orientation in its business activities means that not only risks may arise due to foreign currency effects, but also opportunities. Positive foreign currency effects can result from balance sheet items and floating transactions in foreign currencies. Positive results can also arise from all cash flow that is not listed in euros.

Every FP company has opportunities in connection with exchange rate fluctuations if it concludes transactions with international contract partners which result in future cash flows.

Overall statement on opportunities

The FP Group has qualitatively determined the opportunities for 2014; as in the previous year, they have not been quantified for management purposes or displayed in a risk matrix. The situation regarding opportunities has not significantly changed since the previous year. As in the previous year, opportunities and risks are in a balanced relationship with each another. The conditions have been created for recognising potential in good time and being able to react quickly.

FORECAST

In the next few years, the markets in which the FP Group is active will continue to evolve. Mail volumes in developed countries are likely to stagnate or fall on one hand, but on the other hand, the trend towards digitalisation is likely to proceed. The FP Group has been quick to anticipate this changed environment and is evolving into a complete service provider for physical and digital mail communication. The Company is well positioned for the future, with important investments in the leasing business, in both the franking sector and the software sector.

The Company was also able to increase its profitability over the course of the financial year 2014. With revenue of EUR 170.3 million, the FP Group achieved EBITDA of EUR 23.1 million and EBIT of EUR 9.8 million. Free cash flow was EUR –5.6 million in the period under review due to planned high investments in leasing markets and the launch of new franking systems. Although the growing leasing business requires short-term investments, it does secure our installed base and provides recurring revenues for the medium and long term.

For the financial year 2015, the FP Group expects a much improved and positive free cash flow regardless of continued expansion of the leasing business and the related but declining investments in the traditional business area. At the same time, the Company has targeted sales revenue between EUR 173 million and 177 million, and EBITDA of EUR 24 million to EUR 25 million. This amount does not yet include possible one-time expenses of around EUR 1 million for the realignment of customer service in Germany. Given the growing importance of remote maintenance, which in particular allowed the successful introduction of PostBase and the new PostBase Mini, together with declining repairs, the Company plans a customer-oriented modernisation of its service operation, as announced some time ago.

The FP Group will introduce PostBase Mini in a large number of markets during the current financial year. It also plans to extend the range of services associated with digital solutions. FP already offers long-term archiving and encryption of digital documents, as well as solutions for the use of De-Mail. FP combines analogue and digital solutions for mail management and thus opens up possibilities for businesses to optimise their processes. This is the trend of the future. Based on our solid traditional business with franking machines, this gives us at FP considerable potential for profitable growth – and opportunity to pay attractive dividends as a result.

This planning as well as all subsequent statements are based on the level of knowledge available at the start of 2015. The FP Group wishes to point out that the planning information stated may differ from the values actually reached at a later date. The forecasts by the International Monetary Fund (IMF) were used as the basis for the described forecast concerning macroeconomic conditions.

The forecast is based on the following premises:

- a positive macroeconomic situation in key FP markets
- a moderate downturn or stagnation in mail volumes in the traditional markets
- a stable exchange rate between the euro and the US dollar
- an introduction of new franking machines to boost volume sales, also maintenance of the installed base
- expansion of the software business

These points are covered in greater depth below.

FUTURE MACROECONOMIC AND MICROECONOMIC CONDITIONS

The global economic environment is expected to be positive in 2015. According to the International Monetary Fund (IMF), the global economy is expected to grow by 3.5% in the current year after 3.3% in the previous year. For Germany, the monetary fund is anticipating 1.3% growth in 2015. The upturn should also have an impact on the eurozone, where the IMF expects GDP to grow by 1.2% in 2015. The US, the FP Group's main foreign market, should fare even better, with GDP advancing by 3.6%.

The emerging countries will probably continue to grow more dynamically than the industrialised states in 2015. Here, the IMF estimates growth of 4.3%. A considerable share in this will be in China, which is likely to grow by 6.8%. FP is tapping into the booming Asian market from its base in Singapore. However, a little time may need to pass before these countries insist on professional mail communication of a similar standard as industrialised countries.

The economic climate, along with regulations, have an influence on future industry growth and, hence, also on the future business performance of the FP Group. A favourable economic climate raises a company's inclination to invest – which could have a positive impact on the franking and inserting machine business. At the same time, companies are becoming more willing to innovate, which the software business in particular could benefit from.

The FP Group is anticipating that the mail communication market will shift further towards digital forms of mail processing in the next few years. New offerings such as De-Mail have the long-term potential to generate new dynamics in terms of growth and competition. In the medium to long term, the FP Group will endeavour to achieve a market share of 10% of the De-Mail market.

FUTURE GROWTH OF FRANCOTYP-POSTALIA

The FP Group is pursuing a strategy with four focal areas: growth in traditional markets, expansion in additional markets with existing products, expansion of the outsourcing and mail services business in Germany, as well as growth in Software Solutions. The Company will unveil its updated strategy at Investors' Day at the end of May 2015. Further comments on the strategy can be found in the "Strategy" section of this consolidated management report.

Opportunities are emerging for FP in Germany and in other countries thanks to the marketing of the innovative PostBase franking machine family. FP is launching the PostBase Mini onto the market in response to the successful introduction of PostBase. In the US, the substitution of older machines for the new PostBase system is being driven by the decertification process that is set to continue until the end of this year. The introduction of the PostBase Mini planned for the early part of 2015 could give an additional boost to the American market. The new machines are also set to be launched onto the German market in 2015. Other countries are set to follow. FP sees good opportunities in France, the second largest market for franking machines in Europe with around 214,000 machines installed. After a successful entry into the French market, the Company is aiming for a market share of 10% in the medium to long term.

At the same time, the Company is also taking its first steps in emerging markets such as India. These countries are still in the first stages of professionalising mail communications, meaning that the impact on revenue and earnings will remain limited for the time being. However, the FP Group has established an early presence in markets here, which could yield growth potential in the years to come.

FUTURE DEVELOPMENT OF PERFORMANCE INDICATORS

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

The FP Group expects an increase in revenue in 2015 of between EUR 173 million and EUR 177 million as well as an increase in EBITDA of EUR 24 million to EUR 25 million and an EBIT below the prior year's level as a consequence of the increased depreciation due to higher investment. The Group also expects free cash flow to be much more positive and net debt levels to fall slightly. This amount does not yet include possible one-time expenses of around EUR 1 million for the realignment of customer service in Germany.

The Company also anticipates an improvement this year in non-financial performance indicators. The quality indicator, which measures the change in product quality based on annual servicing interventions, will probably make further progress in the current financial year and finish below the value of 30.9 seen in 2014. The forecast for 2015 is between 29.0 and 30.8. The expense indicator, which focuses on the proportion of expenses for parts used for subsequent improvements, may also improve in 2015. FP expects a value of below 0.13. Further comments on the calculation of these indicators can be found on the Section "Non-financial performance indicators" in this consolidated management report.

FUTURE SEGMENT DEVELOPMENT

Sales Germany segment

In Germany, the FP Group is the market leader in the field of franking and inserting machines, and it intends to defend this position in the current financial year. Prospects are improving in particular thanks to the development of the PostBase family and the expansion of the sales network, as well as the expansion of the Mail Service and Software Business. The Company sees long-term potential from marketing De-Mail solutions. The E-Government Act encourages authorities to make it possible to communicate with the public via electronic means. Most particularly, the law obliges authorities to become accessible via De-Mail. Over 200 governmental agencies in Germany are expected to be reachable via De-Mail by the end of 2015. The De-Mail provider Mentana-Claimsoft has already won a number of new customers who will not significantly contribute towards the revenue and profit figures for 2015 but who should contribute towards revenue and profit growth in future.

The FP Group in Germany will realign its customer service in 2015. Given the decline in repairs and the growing importance of remote maintenance, which is made possible by the PostBase family in particular, the modernisation of the service should go ahead as planned.

The Company expects slight growth in revenue for this segment in the financial year 2015 and EBITDA to be slightly above the prior year's level, whereas the expenses for realigning the customer services have yet to be taken into account.

Sales International segment

The United States is the most important foreign market for the FP Group. Decertification has provided an additional boost to PostBase sales volume in the US since 2013. Postal companies decertify older franking systems when they are replaced by updated technology. Decertification focuses on franking systems in the lower segment and is expected to run until the end of 2015. FP will launch the new PostBase Mini machine onto the American market in the early part of the year. Plans to introduce the PostBase Mini to other countries are also well under way.

The Company expects this segment to see a slight increase in sales in financial year 2015 and a slight increase in EBITDA.

Production segment

The performance of the Production segment depends essentially on growth in the above-mentioned sections. All franking systems have been produced in Wittenberge since 2012. The segment may also continue to benefit from the high levels of production efficiency in the current financial year.

For the financial year 2015, the Company is expecting revenue to remain stable and EBITDA to remain stable or slightly increase.

OTHER DISCLOSURES

EXPLANATORY REPORT BY THE MANAGEMENT BOARD PURSUANT TO SECTION 298 (4), 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) IN CONJUNCTION WITH SECTION 120 (3) SENTENCE 2 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

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

Disclosures pursuant to Section 315 (4) no. 1 HGB (subscribed capital)

On 31 December 2014, the share capital of Francotyp-Postalia Holding AG was EUR 16,160,000. It is divided into 16,160,000 shares.

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

Each share entitles the holder to cast one vote at the Annual General Meeting. There are no restrictions relating to voting rights or their transfer. As at 31 December 2014, the number of treasury shares stood at 202,944. That corresponds to a 1.3% share of capital stock. No voting rights are exercised in the case of treasury shares. The Management Board of Francotyp-Postalia Holding AG is not aware of any restrictions that may result from agreements between shareholders.

Disclosures pursuant to Section 315 (4) no. 3 HGB (direct or indirect interests in share capital exceeding 10% of voting rights)

As at 31 December 2014, 3R Investments, based in Cyprus, held 10.03% in the share capital of Francotyp-Postalia Holding AG. This equates to 1,660,000 shares. These voting rights are attributable to Tamlino Import & Advisory LP, Limassol, Cyprus, Tamlino Investments Ltd., Limassol, Cyprus and Klaus Röhrig, in each case pursuant to Section 21 (1) WpHG and Section 22 (1) sentence 1, no. 1 WpHG as an indirect stake.

Disclosures pursuant to Section 315 (4) no. 4 HGB (shares with special rights)

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

Disclosures pursuant to Section 315 (4) no. 5 HGB (control of voting rights of employee shareholders)

There are no controls over voting rights.

Disclosures pursuant to Section 315 (4) no. 6 HGB (statutory regulation in the Articles of Association on appointing and dismissing Management Board members and amending the Articles of Association)

Pursuant to Section 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. Pursuant to Section 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 Section 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, pursuant to Section 15 (2) of the Articles of Association, the Supervisory Board can make amendments to the Articles which relate only to wording.

Disclosures pursuant to Section 315 (4) no. 7 HGB (powers of the Management Board to issue or buy back shares)

Authorised capital

By resolution of the Annual General Meeting of 30 June 2011, the Management Board was authorised to increase the share capital of the company once or on several occasions up to 29 June 2016, subject to the approval of the Supervisory Board, through the issuance of new no-par value bearer shares for subscription in cash or in kind by up to a total of EUR 7,350,000 (2011 authorised capital). Shareholders generally have a subscription right to the new shares. Pursuant to Section 186 (5) AktG, the new shares can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to the shareholders for subscription.

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

- for fractional amounts resulting from the subscription ratio;
- if this is necessary, to be able to grant a subscription right to holders of bonds with option or conversion rights, or option or conversion obligations, which have been issued previously, in the amount to which they would be entitled after exercising the option or conversion rights or fulfilling the option or conversion obligations;
- if the new shares are to be issued for subscription in kind in order to acquire companies, company divisions, or equity interests in companies, and provided that the acquisition of the Company or the equity interest is in the best interest of the Company;
- if the new shares are issued for subscription in cash and the pro-rata percentage of the share capital attributable to the new shares to be issued does not exceed 10% of the share capital and the issue price for new shares to be issued does not fall significantly below the stock market price of the Company shares that are already listed when the final issue price is set. The amount of the share capital when the authorisation comes into effect or – if this figure is lower – when this authorisation is exercised is decisive when calculating the 10% of share capital limit. This maximum amount is to include the pro-rata amount of share capital attributable to new or previously acquired treasury shares that are issued or sold during the term of this authorisation excluding subscription rights in direct, corresponding or mutatis mutandis application of Section 186 (3) sentence 4 AktG, as well as the pro-rata amount of share capital attributable to shares that are issued or are to be issued to service option or conversion rights or to fulfil option or conversion obligations arising from bonds, provided that the bonds are issued during the term of this authorisation that excludes subscription rights pursuant to Section 186 (3) sentence 4 AktG; and
- for a share of authorised capital up to a total amount of EUR 1,470,000 to issue the new shares to employees of the Company or employees of a directly or indirectly consolidated company within the meaning of Section 18 AktG, whereby employee shares may be issued at a preferential price.

The Management Board decides on the content of the respective share rights and other conditions for the issuance of shares subject to the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association according to the amount of the capital increase from authorised capital. On 23 March 2012, the Management Board of Francotyp-Postalia Holding AG resolved, with the approval of the Supervisory Board, to increase the Company's share capital by EUR 1.46 million.

To this end, the Company issued new no-par value bearer shares, each with a notional interest in the share capital of EUR 1.00 and utilised the authorised capital to do so. The new shares were subscribed immediately following approval by the Supervisory Board in the context of a private placement by 3R Investments Ltd, Cyprus.

Contingent capital

On 30 June 2011, the Annual General Meeting passed a resolution for a conditional increase in the Company's share capital by an amount of up to EUR 6,305,000 by issuing up to 6,305,000 new no-par value bearer shares, each representing EUR 1.00 of share capital (2011 contingent capital).

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

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of implementing the contingent capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the implementation of the contingent capital increase.

Conversion and option rights

The Management Board was authorised by way of resolution of the Annual General meeting on 30 June 2011, subject to the approval by the Supervisory Board, to issue option or convertible bonds, profit-sharing rights or participating bonds or combinations of these instruments (collectively referred to as "bonds"), in total or for separate amounts, once or on several occasions up to 29 June 2016 up to a nominal total of EUR 200,000,000 and to grant option or conversion rights to the holders or creditors (collectively referred to as "holders" in the following) of the respective bonds for the acquisition of no-par value bearer shares in the Company representing a pro-rata amount of the share capital up to a total of EUR 6,305,000 subject to the detailed conditions of the bonds and to establish corresponding option and conversion obligations. The bonds and conversion and option rights / obligations can be issued with a duration of up to 30 years or without limitation of maturities. Bonds can also be issued in whole or in part against a contribution in kind.

The issuances can be divided into different bonds carrying equal rights.

The bonds can be issued either in euros or in the legal currency of an OECD country at an equivalent value. They can also be issued by a directly or indirectly consolidated company of Francotyp-Postalia Holding AG within the meaning of Section 18 AktG. In this case, the Management Board is authorised, subject to the approval of the Supervisory Board, to assume the guarantee for the bonds and to grant option or conversion rights to new no-par value bearer shares in the Company to the holders or to establish corresponding option or conversion obligations.

If option bonds are issued, one or more warrants are attached to each bond, which authorise the holder to subscribe to the no-par value bearer shares in the Company subject to the conditions of the option bond to be determined by the Management Board and the approval of the Supervisory Board. The conditions of the option bond may also allow for a full or partial contribution to the option price through the transfer of bonds, provided that these are in euros. In this case, the subscription ratio is calculated by dividing the nominal amount of a bond by the specified option price for one no-par value bearer share in the Company. The pro-rata amount of share capital attributable to the shares for each bond may not exceed the nominal amount of the individual bond. The duration of the option right must not exceed the duration of the option bond.

If convertible bonds are issued, the holders of the bonds obtain the right to convert these into bearer shares in the Company subject to the detailed conditions of the convertible bond to be determined by the Management Board subject to the approval of the Supervisory Board. The conversion ratio is calculated by dividing the nominal amount or the issue amount (lower than the nominal amount) of a bond by the specified conversion price for one no-par value bearer share in the Company and may be rounded up or down to a whole number. The pro-rata amount of share capital attributable to the shares for each bond may not exceed the nominal amount of the individual bond.

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

The conditions of the bonds may provide for the right on the part of the Company to grant shares in the Company to the holders of the bonds, upon final maturity of the bonds associated with an option or conversion right, in place of part or all of the monetary amount due. Furthermore, provision may also be made for the Company not to grant no-par value bearer shares in the Company to the holders of option or conversion rights or obligations, but instead to pay the equivalent amount in cash.

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

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

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

- the Frankfurt Stock Exchange, Frankfurt am Main, before the date of the Management Board's resolution regarding the issuance of the bonds or regarding the declaration of acceptance by the Company following a public request for the issue of subscription offers; or
- in the event that a subscription right to the bonds is granted, from the beginning of the subscription period up to and including the day before the final conditions are fixed pursuant to Section 186 (2) sentence 2 AktG.

Section 9 (1) AktG remains unaffected.

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

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

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

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

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

The Management Board is also authorised, subject to approval by the Supervisory Board, to specify the further details for the issuance of bonds and for determining their conditions, or to determine these in consultation with the bodies of the companies issuing the bonds in which the Company holds a direct or indirect majority stake. This applies in particular to the volume, date, interest rate, type of interest payment, issue price, duration and denomination, the option or conversion period, the determination of an additional payment in cash, the settlement or merging of fractional amounts and cash payment instead of the provision of no-par value bearer shares.

Contingent capital for exclusive fulfilment of subscription rights

On 1 July 2010, the Annual General Meeting passed a resolution for a conditional increase in the Company's share capital by up to EUR 1,045,000.00 by issuing up to 1,045,000 new bearer shares. The contingent capital increase serves exclusively to meet subscription rights guaranteed until 30 June 2015 on account of the conditions formulated in the resolution of the Annual General Meeting passed on the same day (see notes, Section IV, Subsection 17). The contingent capital increase is only 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 guarantee any treasury shares to meet the subscription rights. Shares are issued from contingent capital according to the conditions decided upon by the Annual General Meeting in accordance with the following: "The exercise price of a subscription right corresponds to the average market price (closing price) of the no-par value bearer share of the Company in electronic Xetra trading (or a comparable successor system) at Deutsche Börse AG in Frankfurt am Main on the last 90 calendar days before the subscription right is granted. However, the minimum exercise price is the pro-rata amount of share capital in the Company attributable to the individual no-par value share, currently EUR 1.00 (Section 9 (1) AktG)."

The new no-par value shares participate in the profits from the beginning of the financial year for which no resolution has yet been made on the use of the retained profit at the time the subscription rights were issued.

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

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

To the extent that the number of shares tendered in response to a public purchase offer exceeds the number intended for purchase, shares can be purchased in proportion to the number of shares tendered and by excluding shareholders' rights to tender their shares in order to simplify the process. This simplification also serves the preferential consideration for smaller numbers of shares (up to 100 shares offered to each shareholder).

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

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

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

Disclosures pursuant to Section 315 (4) no. 8 HGB (significant agreements of the parent company subject to a change of control following a takeover offer)

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

Disclosures pursuant to Section 315 (4) no. 9 HGB (compensation agreement on the part of the parent company in the event of a takeover offer)

No such agreements were in place as at 31 December 2014.

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A HGB

The declaration on corporate governance in the FP Group contains the information required pursuant to Section 289a (2) HGB and is published on the homepage of the FP Group (http://www.fp-francotyp.com/FP/unternehmen/investoren/corporate-governance).

REMUNERATION REPORT IN COMPLIANCE WITH SECTION 315 (2) NO. 4 SENTENCE 1 HGB

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

COMPENSATION SYSTEM, GENERAL

The remuneration of members of the Management Board is set at an appropriate level by the Supervisory Board based on performance assessments. The criteria for determining the appropriate level of remuneration include the duties of the Management Board member in question, his or her personal performance, the economic situation, the success and the future prospects of the Company as well as the customariness of remuneration – according to the Corporate Governance Code published in June 2014 – taking into consideration the peer group and the remuneration structure that otherwise prevails in the Company. In the process, the Supervisory Board takes into consideration the development of Management Board remuneration in relation to the remuneration of management as whole and of the personnel over time, whereby the Supervisory Board determines for the purposes of the comparison how management and the relevant personnel are defined. The changes published in the remuneration system with the Corporate Governance Code 2013 have been taken into account in the employment contracts of members of the Management Board.

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

The overall remuneration package for Management Board members comprises the monetary compensation components, pension undertakings and other commitments, in particular in the event of termination of employment, as well as fringe benefits of any kind and payments from third parties, which have been granted during the financial year or pledged for Management Board activities. In compliance with the recommendations of the Corporate Governance Code, the monetary remuneration components are composed of both fixed (non-performance-related) and variable (performance-related) components.

FIXED COMPONENTS

1. Fixed remuneration

The basic remuneration is paid out every month in the form of a salary. Hans Szymanski's basic salary is EUR 275,000 p.a. and Thomas Grethe's basic salary is EUR 200,000 p.a.

2. Fringe benefits

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

VARIABLE COMPONENTS

1. Variable compensation

The variable compensation (annual bonus related to short-term targets) depends on the cash flow available for redemption generated and the EBITA obtained after taking into account any bonus payments payable by the Company. The value of the bonus depends largely on the level of achievement as measured against the targets on and the specifications from the budget for the respective business year (12 months) agreed by the Supervisory Board.

Payment of the long-term bonus depends on the long-term growth of the Company and is based on the relevant financial years during the entire term of the employment contract. An overall assessment is made after the contract has expired. This involves settling the credit balance accrued during the period of the contract against the malus components accrued. The total amount paid out may not be negative. If the calculation results in a negative figure, then the long-term bonus paid out is zero. The basic prerequisite of attaining a credit balance is firstly to stick to the budget for the financial year agreed by the Supervisory Board. Apart from that, the credits and the malus components too are summarised according to certain sustainability objectives. The long-term targets to be achieved, based on post office statistics, are firstly the franking machines installed in relation to total market (world), and secondly the personnel costs as a percentage of the gross earnings in the franking machine business.

The long-term bonus awarded as non-equity-based remuneration is only to be recognised on entry into effect of the above conditions in the remuneration report as per DRS 17. The recognised long-term bonus is due in the month following the month in which the annual accounts are finalised for the last month of the employment contract term. Management Board members Thomas Grethe and Hans Szymanski, receive annual advance payments of EUR 14,000 and EUR 20,000 respectively ahead of the payment of the expected long-term bonus. The Management Board member is obliged to promptly refund to the Company any difference between the advance payments and the defined long-term bonus.

The Bonus is paid in cash.

2. Long-term share-based compensation

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

COMMITMENTS IN CONNECTION WITH THE CESSATION OF ACTIVITY IN THE MANAGEMENT BOARD

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

If the appointment to the Management Board is revoked or the member of the Management Board resigns his or her position, then the employment contract terminates. If the appointment is revoked for good cause that is not covered by Section 626 of the BGB for the summary cancellation of the contract of employment, the contract of employment shall end three months from the end of the calendar month of the Board member being notified of the appointment being revoked. If the appointment is revoked, the Board member (Hans Szymanski) is entitled to a lump sum of 1.75 times his annual compensation (21 months) due on the day of the legal termination; however, up to a maximum of the remuneration entitlement for the remainder of the contract. In the event of premature termination of the employment contract without good cause, payments to the Management Board member including fringe benefits may not exceed the value of one year's compensation (severance pay cap) and may not compensate more than the remaining term of the service contract. In the event of conversion of the Company into a public EU company (SE), the Management Board member now in advance declares his agreement to an appointment to the Management Board (in the event of reorganisation of the Company as a two-tier SE) or as Executive Director (in the event of reorganisation of the Company as a single-tier SE).

Compensation of the members of the Management Board in the financial year 2014

In addition to the applicable accountancy principles, the following disclosure of the compensation granted for the financial year 2014 also takes into consideration the new recommendations of the DCGK. The model table recommended by the Code will, therefore, be used to present the value of the benefits granted for the year under review. At the same time, the maximum and minimum achievable values are also indicated.

	Hans Szymanski				Thomas Grethe			
	Board Chairman / CFO				CSO			
	1.12.2008–31.12.2014				15.6.2013–31.12.2014			
in thousand EUR	2013	2014	2014 (min)	2014 (max)	2013	2014	2014 (min)	2014 (max)
Fixed remuneration	253	275	275	275	119	200	200	200
Fringe benefits	11	12	12	12	6	12	12	12
Total	**265**	**287**	**287**	**287**	**125**	**212**	**212**	**212**
Annual variable remuneration	80	91 1)	0	100	20	36	0	54
Long-term variable remuneration								
SOP Tranche 2010 (DCGK)	53	36	36	36	0	0	0	0
Long-term bonus	0	34	0	40	13	24	0	36
Total	**183**	**161**	**36**	**156**	**33**	**60**	**0**	**90**
Pension provisions	76	76	76	76	2	21	21	21
Total remuneration	**524**	**524**	**399**	**539**	**159**	**293**	**233**	**259**

1) This amount is composed of expenses relating to other periods of EUR 40 thousand and the creation of a provision of EUR 51 thousand.

FP does not operate an annually recurring stock option plan but a regular multi-annual stock option plan (see Subsection 17). In this context, the pro-rata value of the DCGK contributions on an annual basis from the 2010 stock option plan for the Board member Hans Szymanski are EUR 53,000 for the years 2010 to 2013 respectively and EUR 36,000 for 2014.

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

	Hans Szymanski		Thomas Grethe	
	Board Chairman / CFO		CSO	
	1.12.2008–31.12.2014		15.6.2013–31.12.2014	
in thousand EUR	**2014**	2013	**2014**	2013
Fixed remuneration	253	275	119	200
Fringe benefits	11	12	6	12
Total	**265**	**287**	**125**	**212**
Annual variable remuneration	50	120	0	26
Long-term variable remuneration				
SOP Tranche 2010	0	0	0	0
Long-term bonus	0	0	0	0
Other	0	0	0	0
Total	**50**	**120**	**0**	**26**
Pension provisions	76	76	2	21
Total remuneration	**391**	**483**	**127**	**259**

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

		Herr Szymanski				
in thousand EUR		2010	2011	2012	2013	2014
	Fixed remuneration	168	203	240	253	275
Fixed component	Fringe benefits	11	11	15	11	12
	Total	179	214	255	265	287
Variable component						
without long-term incentive	Annual variable remuneration	128	44	30	130	91 [1)]
with long-term incentive effect	Long-term variable remuneration					
	Stock Options Plan 2010	213	0	0	0	0
	Long-term bonus	0	0	0	0	0
	Sum total	341	44	30	130	91
Pension provisions	Pension provisions	76	76	76	76	76
Total remuneration	**Sum total**	**596**	**334**	**361**	**471**	**454**

1) This amount is composed of expenses relating to other periods of EUR 40 thousand and provisions of EUR 51 thousand.

in thousand EUR		Herr Grethe 2012	2013	2014
	Fixed remuneration	0	119	200
Fixed component	Fringe benefits	0	6	12
	Total	0	125	212
Variable component				
without long-term incentive	Annual variable remuneration	0	20	36
with long-term incentive effect	Long-term variable remuneration			
	Stock Options Plan 2010	0	0	0
	Long-term bonus	0	0	0
	Sum total	0	20	36
Pension provisions	Pension provisions	0	2	21
Total remuneration	**Sum total**	**0**	**147**	**269**

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

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

As in the previous year, comparatively insignificant amounts were set aside for pension obligations towards active members of the Management Board (2014: EUR 2 thousand; EUR 3 thousand).

For pension commitments to former Management Board members of Francotyp-Postalia Holding AG and former Managing Directors (as well as their surviving dependants) of German Francotyp-Postalia GmbH, a total of EUR 1,812 thousand was set aside (previous year: EUR 1,419 thousand) (for the former members of the Board of Francotyp-Postalia Holding AG: 31.12.2014: EUR 1,050 thousand; 31.12.2013: EUR 744 thousand). EUR 46 thousand (previous year: EUR 43 thousand) was assigned to the provisions in the year under review 2014. Of this, EUR 1 thousand is apportioned to service cost and EUR 45 thousand to interest cost.

Other

Members of the Management Board do not receive any loans or advance payments besides the contractually agreed options from the Company.

Benefits in connection with the termination of activity in the Management Board

In the context of the appointment of Andreas Drechsler to the Management Board being revoked on 3 June 2013, the contractually agreed benefits shall be paid out until 30 April 2014. A severance payment of EUR 122 thousand has been made for the premature termination of the employment contract.

Remuneration of Supervisory Board

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

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

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

Share ownership of the Management Board and Supervisory Board

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

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

RESPONSIBILITY STATEMENT BY LEGAL REPRESENTATIVES PURSUANT TO SECTION 315 (1) SENTENCE 6 AND SECTION 289 (1) SENTENCE 5 HGB

To the best of our knowledge and in accordance with the applicable reporting principles for the consolidated financial statements, we assure that the consolidated financial statements give a true and fair view of the net assets, financial position, and profit or loss of the Group, and the management report of the Company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

To the best of our knowledge and in accordance with the applicable reporting principles for the financial statements, we assure that the financial statements give a true and fair view of the net assets, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, 26 March 2015

Hans Szymanski
CEO & CFO

Thomas Grethe
CSO

Sven Meise
CDO

Consolidated Financial Statement for the 2014 fiscal year

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

in thousand euro

	Notes	1.1.–31.12.2014	1.1.–31.12.2013
Revenue	(1)	170,307	168,918
Changes in inventories of finished goods and work in progress		555	–517
		170,862	**168,401**
Other own work capitalised	(2)	15,496	13,476
Other income	(3)	2,351	2,475
Materials costs	(4)		
a) Cost of raw materials, consumables and supplies		35,828	34,157
b) Costs for purchased services		46,188	43,778
		82,016	**77,935**
Personnel costs	(5)		
a) Wages and salaries		45,079	45,518
b) Social security contributions		7,463	7,438
c) Expenditure on pension schemes and other benefits		939	1,036
		53,481	**53,992**
Depreciation and impairments	(10)	13,275	11,800
Other expenses	(6)	30,131	30,262
Net interest income/expense	(7)		
a) Interest and similar income		511	939
b) Interest and similar expenses		2,632	3,271
		–2,121	**–2,332**
Other financial result	(7)		
a) Other financial income		1,806	1,111
b) Other financial expenses		1,087	1,326
		719	**–215**
Tax result	(8)		
a) Tax income		9,647	2,132
b) Tax expense		12,837	5,096
		–3,190	**–2,964**
Consolidated net income		**5,214**	**4,852**
Other comprehensive income			
Currency translation for financial statements of foreign entities		2,105	–764
of which taxes		17	73
of which reclassified in consolidated net income		–56	12
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011)		–2,150	385
of which taxes		980	–152
Other comprehensive income after taxes		**–45**	**–379**
Total comprehensive income		**5,169**	**4,473**
Consolidated net income for the year:		5,214	4,852
– of which attributable to the shareholders of the FP Holding		5,094	4,931
– of which attributable to non-controlling interests		120	–81
Comprehensive income:		5,169	4,473
– of which attributable to the shareholders of FP Holding		5,064	4,538
– of which attributable to non-controlling interests		105	–65
Earnings per share (diluted and undiluted, euro):	(9)	0.32	0.31

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2014

ASSETS

in thousand euro	Notes	31.12.2014	31.12.2013
NON-CURRENT ASSETS			
Intangible assets	(10)		
Intangible assets including customer lists		16,199	16,472
Goodwill		9,147	9,147
Development projects and payments in progress		7,557	7,131
		32,903	32,750
Property, plant and equipment	(10)		
Land, land rights and buildings		3,145	2,420
Technical equipment and machinery		3,852	1,033
Other equipment, operating and office equipment		4,288	3,560
Leased products		18,862	10,060
Investments in finance lease relationships		6,387	7,509
Advance payments and assets under construction		508	36
		37,042	24,618
Other assets			
Associated companies	(22)	36	36
Other equity investments	(22)	163	163
Receivables from finance leases	(11, 22)	2,612	995
Other non-current assets		223	201
		3,034	1,395
Tax assets	(19)		
Deferred tax assets		3,724	5,450
Current tax assets		6,689	6,689
		10,413	12,139
		83,392	70,902
CURRENT ASSETS			
Inventories	(12)		
Raw materials, consumables and supplies		4,324	3,578
Work in progress		875	530
Finished products and merchandise		4,835	4,712
		10,034	8,820
Trade accounts receivable	(13, 22)	17,318	17,067
Other assets			
Receivables from finance leases	(11, 22)	1,231	995
Income tax reimbursement rights	(19)	1,429	228
Derivative financial instruments	(22)	292	81
Other current assets	(15, 22)	11,238	9,637
		14,190	10,941
Securities	(14, 22)	680	680
Liquid assets	(16, 22)	16,519	28,990
		58,741	66,498
		142,133	137,400

LIABILITIES

in thousand euro	Notes	31.12.2014	31.12.2013
EQUITY			
Attributable to shareholders of the parent company Equity	**(17)**		
Subscribed capital		16,160	16,160
Capital reserves		35,032	35,312
Stock option reserve		977	781
Treasury shares		-1,002	-1,829
Loss carried forward		-24,949	-27,650
Consolidated net income after minority interests		5,094	4,931
Other comprehensive income		-2,626	-2,595
		28,686	**25,110**
Non-controlling interests		**1,365**	**764**
		30,051	**25,874**
NON-CURRENT LIABILITIES			
Provisions for pensions and similar obligations	(18)	17,354	14,265 [1]
Other provisions	(20)	909	1,226 [1] [2]
Financial liabilities	(21, 22)	25,915	33,337
Other liabilities	(21, 22)	157	313
Deferred tax liabilities	(19)	659	824
		44,994	**49,965**
CURRENT LIABILITIES			
Tax liabilities	(19)	2,564	2,188
Provisions	(20)	4,624	4,595 [2]
Financial liabilities	(21, 22)	5,503	5,223
Trade payables	(21, 22)	9,466	7,456
Other liabilities	(21, 22)	44,931	42,099
		67,088	**61,561**
		142,133	**137,400**

1) Reclassification of other provisions (EUR 176 thousands) to pensions provisions. Thereof attributable to FP GmbH Austria EUR 161 thousands and to FP France SARL, France EUR 15 thousands.
2) Reclassification of current provisions (EUR 208 thousands) to non-current other provisions (social fund FP GmbH).

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

in thousand euro	Notes	**1.1.–31.12.2014**	1.1.–31.12.2013 adjusted
Cash flow from operating activities			
Consolidated net income		5,214	4,852
Income tax result recognised in profit or loss	(8)	3,190	2,964
Net interest income recognised in profit or loss	(7)	2,121	2,331
Depreciation and amortisation of non-current assets	(9)	11,988	11,800
Decrease (–) / Increase (+) in provisions and tax liabilities	(18, 19, 20)	2,014	-1,059
Loss (+) / gain (–) on the disposal of non-current assets		518	103
Decrease (+) / increase (–) in inventories, trade receivables, and other assets not attributable to investing or financing activities	(12, 13, 15)	-5,152	2,581
Decrease (–) / increase (+) in trade payables and other liabilities [1] not attributable to investing or financing activities	(21)	4,364	-292 [1) 2)]
Other non-cash income		-3,002	-240 [2)]
Interest received	(7)	511	939
Interest paid	(7)	-2,185	-2,836
Income tax paid	(8)	-2,113	-212
Cash flow from operating activities		**17,467**	**20,931** [2)]
Cash flow from investing activities			
Cash paid for internally generated intangible assets	(2, 10)	-4,401	-3,899
Cash paid for the capitalisation of development costs		-198	-266
Proceeds from the disposal of non-current assets	(10)	276	172
Cash paid for investments in intangible assets	(10)	-472	-312
Cash paid for investments in property, plant and equipment	(10)	-18,274	-10,565
Cash paid for financial investments		0	-23
Cash flow from investing activities		**-23,070**	**-14,893**
Cash flow from financing activities			
Cash paid from reverse repo transactions		0	-2,037
Dividend payments to non-controlling interests		-37	-49
Cash paid for profit distributions to shareholders	(17)	-1,263	0
Cash paid to repay bank loans	(21)	-7,007	-7,472
Cash paid to repay liabilities from finance leases	(17)	-2,146	-2,622
Cash inflows from taking up liabilities from finance leases	(21)	2,357	3,687
Cash inflows from disposal of treasury shares	(17)	419	0
Cash inflows from taking out bank loans	(21)	-112	6,034
Cash flow from financing activities		**-7,790**	**-2,460**
Cash and cash equivalents [1]			
Change in cash and cash equivalents	V.	-13,392	3,578 [2)]
Change in cash and cash equivalents due to currency translation		599	-513 [2)]
Cash and cash equivalents at beginning of period	V.	27,189	24,124 [2)]
Cash and cash equivalents at end of period	**V.**	**14,396**	**27,189** [1) 2)]

Further information about the consolidated statement of cash flows can be found in Section V of the Notes.

1) Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (2,803 thousand euro; 2,4812 euro) in previous year).
Cash and cash equivalents include current securities totalling 680 thousand euro (previous year: 680 thousand euro).

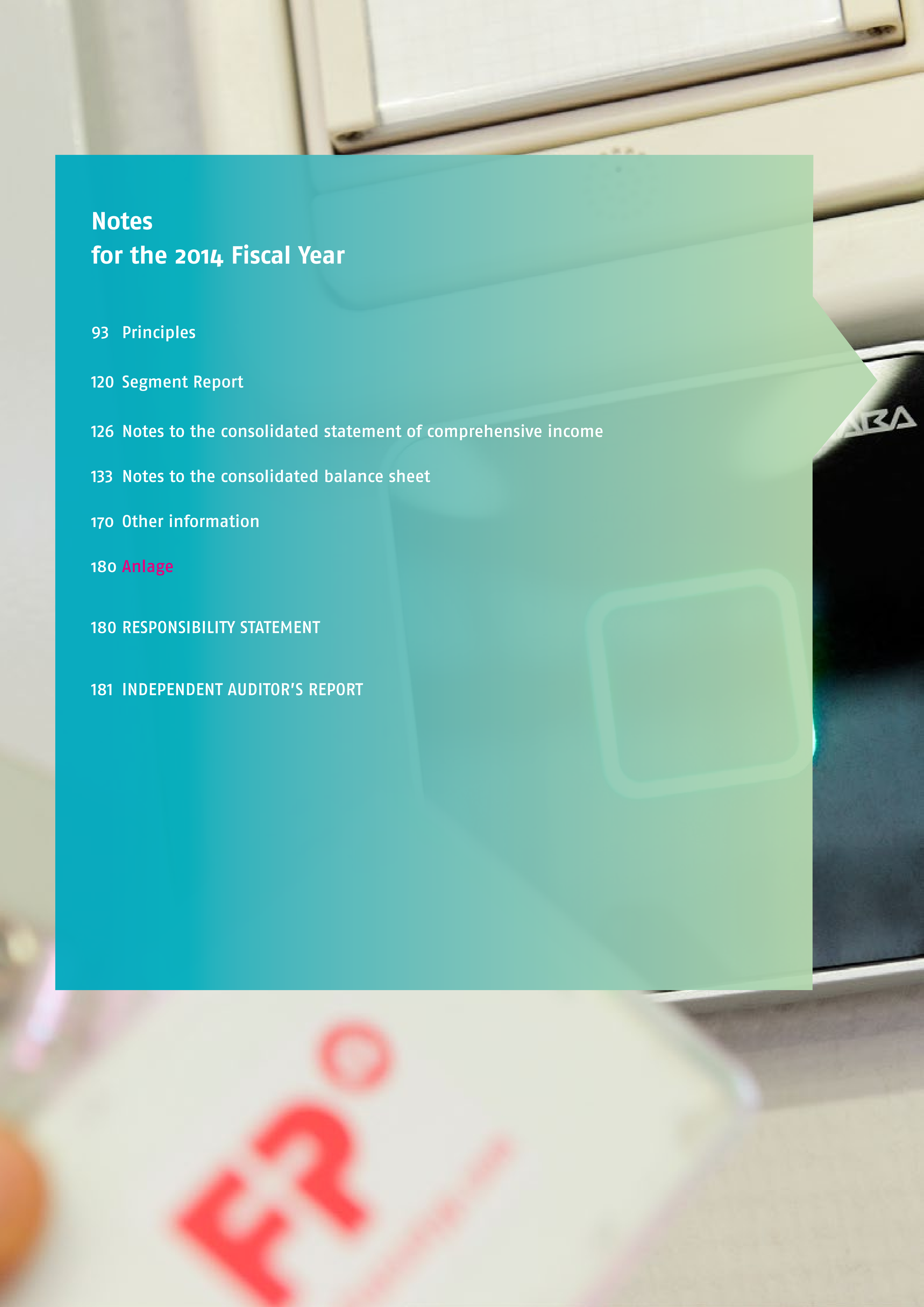
2) Change in previous year's comparative figures. For explanations, see "Selected explanatory notes for the period from 1 January to 30 September 2014".

Letzte Zeile ist in fett gesetzt.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

						Other comprehensive equity					
in thousand euro	Subscribed capital	Capital reserves	Stock option reserve	Treasury shares	Net result	Difference from currency translation	Net investments in foreign business operations	Difference from adjustment of IAS 19 (revised 2011) 1)	Equity attributable to FP Holding	Non-controlling interests	**Total**
Balance as at 1.1.2013 1)	16,160	35,312	636	-1,829	-26,999	-1,344	885	-1,742 1)	21,079	492	21,571
Consolidated net income 1.1–31.12.2013	0	0	0	0	4,931	0	0	0	4,931	-80	4,851
Currency translation of financial statements of foreign entities	0	0	0	0	0	-173	-591	0	-764	0	-764
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011) 1)	0	0	0	0	0	0	0	370	370	15	385
Other comprehensive income 1.1.-31.12.2013	0	0	0	0	0	-173	-591	370	-394	15	-379
Total comprehensive income 1.1.-31.12.2013	0	0	0	0	4,931	-173	-591	370	4,537	-65	4,472
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Capital increase from stock options	0	0	145	0	0	0	0	0	145	0	145
Dividends	0	0	0	0	0	0	0	0	0	-49	-49
Other changes	0	0	0	0	-651	0	0	0	-651	386	-265
Balance as at 31.12.2013 1)	16,160	35,312	781	-1,829	-22,719	-1,517	294	-1,372 1)	25,110	764	25,874
Balance as at 1.1.2014 1)	16,160	35,312	781	-1,829	-22,719	-1,517	294	-1,372 1)	25,110	764	25,874
Consolidated net income 1.1–31.12.2014	0	0	0	0	5,094	0	0	0	5,094	119	5,213
Currency translation of financial statements of foreign entities	0	0	0	0	0	2,145	-40		2,105	0	2,105
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011)	0	0	0	0	0	0	0	-2,136	-2,136	-14	-2,150
Other comprehensive income 1.1.-31.12.2014	0	0	0	0	0	2,145	-40	-2,136	-31	-14	-45
Total comprehensive income 1.1.-31.12.2014	0	0	0	0	5,094	2,145	-40	-2,136	5,063	105	5,168
Dividends	0	0	0	0	-1,263	0	0	0	-1,263	-37	-1,300
Other changes	0	128	0	0	-967	0	0	0	-839	533	-306
Capital increase from stock options	0	-408	196	827	0	0	0	0	615	0	615
Balance as at 31.12.2014	**16,160**	**35,032**	**977**	**-1,002**	**-19,855**	**628**	**254**	**-3,508**	**28,686**	**1,365**	**30,051**

1) Notes to the Consolidated statement of changes in equity are given under Section 17. Eplanation to the amendments: See "Notes 2.1 (IAS 19 – Employee Benefits)".



Notes
for the 2014 Fiscal Year

I. PRINCIPLES

GENERAL NOTES

Francotyp-Postalia Holding AG, Birkenwerder ("FP Holding"), is a German stock corporation (Aktiengesellschaft) registered in the Commercial Register of Neuruppin Local Court under HRB 7649. The Company's registered office is in Birkenwerder, Germany. The business address of the Company is Prenzlauer Promenade 28, 13089 Berlin. The consolidated financial statements of FP Holding for the reporting period ending on 31 December 2014 include FP Holding and its subsidiaries (also referred to hereafter as the "FP Group").

The FP Group is an international company in the outbound mail processing sector with a history dating back 90 years. The focus of the Group's activities is the traditional product business, which primarily consists of developing, manufacturing and selling franking machines, but also inserting machines and after-sales business. The FP Group offers clients in Germany sorting and consolidation services, together with hybrid mail as well as hybrid mail and fully electronic mail communication products via its subsidiaries freesort and Mentana-Claimsoft and majority shareholdings in iab.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for submission to the Supervisory Board on 26 March 2015. It is the responsibility of the Supervisory Board to check the consolidated financial statements and to clarify whether it approves them.

DECLARATION OF COMPLIANCE

FP Holding prepared its consolidated annual financial statements as at 31 December 2014 in accordance with the International Financial Reporting Standards (IFRSs), as they are to be applied in the EU, and the commercial law regulations that are also to be applied in accordance with Section 315a (1) German Commercial Code (HGB).

ACCOUNTING PRINCIPLES

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

The consolidated financial statements and Group management report of FP Holding as at 31 December 2014 have been drawn up in accordance with Section 315a (1) German Commercial Code (HGB) and in accordance with the International Financial Reporting Standards (IFRSs) that were valid in the EU on the balance sheet date and are valid and obligatory, and will be submitted to the electronic Federal Gazette and published.

The consolidated financial statements have been prepared in euro. For greater clarity and to facilitate comparison, all amounts are presented in thousands of euro (thousand euro) unless otherwise stated. The rounding of figures for individual items and percentage data may result in minor arithmetical differences.

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

The consolidated statement of comprehensive income is drawn up using the nature of expense method.

CONSISTENCY OF THE ACCOUNTING METHODS AND ADJUSTMENTS TO NOTES FOR THE PREVIOUS YEAR

As a consequence of the relocation of FP Holding's registered office in 2014, the consolidated tax filing status and thus the Group's tax rate changed from the previous year's 28.08% to 30.18%. All deferred tax assets and liabilities were recognised at the currently applicable tax rate in financial year 2014. The change in tax rate resulted in deferred tax income of 214 thousand euro.

Apart from the exceptions detailed below, the accounting methods used are the same as in the previous year.

THE APPLICATION OF NEW AND REVISED IFRSS REGULATIONS

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

REGULATIONS REQUIRING DISCLOSURE PURSUANT TO IAS 8.28

IFRS 10 – Consolidated Financial Statements

This standard comprehensively redefines the term "control". If a company controls another company, the parent company must consolidate the subsidiary. In accordance with the new concept, control is given if the potential parent company has the power of decision due to voting rights or other rights concerning the potential subsidiary, if it participates in the positive or negative return flows from the subsidiary and if it can influence these return flows through its power of decision.

The control concept outlined in IFRS 10 opens up the consolidated group definition based on voting rights, according to which all rights are to be considered that can be used by a company to control the relevant business activities of another company: this also includes contractual relationships other than regulations required under company law. In this context Francotyp analysed existing group-wide delivery and/or financing contracts with regard to possible control within the meaning of IFRS 10 that would require obligatory consolidation.

The amendments do not have any impact on the consolidated financial statements.

IFRS 11 – Joint Arrangements

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

The amendments do not have any impact on the consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

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

The FP Group has met the extended disclosure requirements.

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

The amendments contain clarification and additional simplifications for the transition to IFRS 10, IFRS 11 and IFRS 12. This means that adjusted benchmarking information is only required for the previous comparative period. In connection with the notes on unconsolidated structured entities, the obligation to state benchmarking information for periods before the first application of IFRS 12 does not apply either. The FP group made use of the simplifications provided for in the transitional provisions.

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

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

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

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

Amendments to IAS 27 – Separate Financial Statements

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

The amendments do not have any impact on the consolidated financial statements of the FP Group.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

There were also adjustments to IAS 28 as part of the adoption of IFRS 11. IAS 28 governs – as previously – the application of the equity method. However, the scope has been extended considerably with the adoption of IFRS 11 because, from now on, both investments in associates and joint ventures (see IFRS 11) must be recognised in accordance with the equity method. Consequently, the use of proportionate consolidation for joint ventures does not apply.

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

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

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

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

Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

As part of the consequential amendment to IFRS 13, a new disclosure requirement has been introduced for 2013 regarding the goodwill impairment test in accordance with IAS 36: the recoverable amount of cash-generating units needed to be stated regardless of whether the value has actually been impaired. As the explanatory note had been introduced unintentionally, it has been withdrawn again for 2014 by virtue of this amendment from May 2013.

On the other hand, this amendment henceforth results in additional disclosure requirements if the value is actually impaired and the recoverable amount has been calculated based on fair value.

The FP Group has met disclosure requirements in accordance with the amendment.

Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

This means that, under certain conditions, derivatives are still designated as hedging tools in continued hedge accounting despite a novation of a hedging tool for a central counterparty due to on legal requirements.

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

REGULATIONS REQUIRING DISCLOSURE PURSUANT TO IAS 8.30

The FP Group is not planning early application of the following new or amended standards and interpretations the application of which is only mandatory in later financial years. Unless otherwise indicated, the impacts on FP's consolidated financial statements are currently being verified.

a) This has already been endorsed by the EU

IFRIC 21 – Levies

IFRIC 21 is an interpretation regarding IAS 37. Above all, it clarifies when a current obligation arises due to levies raised by public authorities and when a provision or liability has to be recognised. The interpretation does not cover penalties and levies resulting from contracts under public law or penalties and levies falling under the scope of another IFRS, for instance IAS 12. Under IFRIC 21, a liability item must be recognised for levies when the event triggering such levies actually occurs. In turn, this triggering event that justifies the obligation is the result of the wording of the underlying standard. Its wording is thus crucial for accounting.

The amendments must be initially applied in financial years that begin on or after 17 June 2014.

Improvements to IFRSs 2011–2013

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

The amendments must be initially applied in financial years that begin on or after 1 January 2015.

b) EU endorsement still outstanding

IFRS 9 – Financial Instruments

The IFRS 9 published in July 2014 replaces the existing guidelines in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines for the classification and evaluation of financial instruments, including a new model of expected credit losses to calculate the impairment of financial assets, as well as the new general accounting rules for hedging transactions. It also adopts the guidelines for the recognition and derecognition of financial instruments in IAS 39.

Subject to pending adoption into EU law, IFRS 9 is to be applied first in financial years beginning on or after 1 January 2018.

IFRS 14 – Regulatory Deferral Accounts

As part of a comprehensive overall project of the IASB, this standard is initially only an interim solution that facilitates the transition to IFRSs accounting for companies subject to price regulation until the IASB has issued regulations valid for all companies using IFRSs.

Price regulations can be found in particular in sectors with companies that have significant market power, for instance in transport or in utilities (electricity, water, gas). These regulations can, for example, lead to a price reduction obligation or a right to a price increase in the following year as a result of an increase or decrease of volume in the current financial year. The question of whether these rights and obligations meet the definition of assets or liabilities in accordance with IFRSs is now being discussed in literature on the subject in the absence of specific IFRSs guidance, but the answer is mostly a negative. To close the loophole, the IASB has initiated a comprehensive project, the completion of which, however, is only to be expected in a few years.

The interim standard now allows first-time IFRSs users to record regulatory deferrals and accruals on the balance sheet in the IFRSs financial statements. The prerequisite for this is that these balance sheet items must have already been recorded in previous financial statements in accordance with national accounting rules.

The new standard is – subject to pending adoption into EU law – that the amendments be applied first in financial years beginning on or after 1 January 2016.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, to what extent and at what time revenue is recorded. It replaces existing guidelines for the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Under IFRS 15, the amount is to be recorded as revenue that is expected in return for the transfer of goods or services to customers. With regard to the determination of the time or the period, it will no longer primarily depend on the transfer of risks and rewards (risk and reward approach), but on the transfer of control of the goods or services to the customer (control approach). In future, the user should determine in five steps when and to what extent revenue is recorded.

In the first step, the contract as defined in IFRS 15 is to be determined. In certain cases contracts should be summarised.

In the second step, the individual performance obligations are to be determined. For this purpose, first the contractual performance obligations are to be identified and reviewed to determine if they are distinguishable in terms of the standard. Indistinguishable performance obligations are to be summarised until a distinguishable bundle of services is produced.

In the third step, the compensation is determined. Among other things, variable cost elements such as rebates and considerable financing components are to be considered.

In the fourth step, compensation is to be allocated to the respective performance obligation. The allocation is based on the relative individual sales price. A distinction is made whether these are observable or need to be estimated using an appropriate method.

In the fifth step, at what point revenue is recorded is determined subject to the transfer of control. Depending on the performance obligation, specific criteria are to be applied to determine whether revenue is recorded over a period of time or at a certain point in time.

The standard also provides for extensive disclosure requirements for the type, amount, revenue and cash flows over time as well as associated uncertainties.

The new standard – provided it is adopted into EU law – must be applied initially in financial years that begin on or after 1 January 2017. An earlier application is permitted.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The changes address a known inconsistency between the provisions of IFRS 10 and IAS 28 (2011) for the case of the sale of assets to an associated company or a joint venture and the contribution of assets in an associated company or a joint venture.

Under IFRS 10, a parent company must record in full in the profit and loss statement the gain or loss on the sale of a subsidiary when the ability to control is lost. In contrast, the currently applicable IAS 28.28 requires the successful sale to be recorded in disposal transactions between an investor and investments accounted for using the equity method - whether it is an associated company or a joint venture - only in the amount of the share of the others in this company.

In future, the entire gain or loss from a transaction is only to be recorded if the sold or contributed assets constitute a business operation as defined in IFRS 3. This applies regardless of whether the transaction is designed as a share or asset deal. If the assets, however, do not constitute a business operation, only pro rata recognition of gains and losses is permissible.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments are intended to clarify various issues related to the application of the exemption from the consolidation requirement under IFRS 10 whenever the parent company meets the definition of an "investment company". Accordingly, parent companies are also exempt from the consolidated financial statements requirement if the parent company does not consolidate its subsidiaries, but recognised them at fair value under IFRS 10.

Based on the accounting for subsidiaries of an investment company, differentiation is now conducted as follows: subsidiaries that are themselves investment entities – following the general principle of investment entity exception – are to be accounted for at fair value. By contrast, subsidiaries that are not investment entities themselves, but render services relating to the investment activities of the parent company and are therefore to be regarded as an extension of the activities of the parent company, are to be consolidated.

Lastly, it specified that an investor who does not meet the definition of an investment unit and who applies the equity method to an associated company or a joint venture may continue to use the fair value measurement that the associate company applies to its investments in subsidiaries.

Furthermore, the amendments provide that an investment unit carrying all its subsidiaries at fair value is required to make the disclosures on investment units required under IFRS 12.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

IFRS 11 contains rules on accounting for joint ventures and joint operations. While joint ventures are recognised using the equity method, in IFRS 11 reporting on joint activities is comparable to proportionate consolidation.

With the introduction of the amendment to IFRS 11, the IASB provides regulations on accounting pertaining to the acquisition of shares in a joint operation that represents a business as defined by IFRS 3 Mergers. In such cases, the acquirer must apply the principles of accounting for mergers under IFRS 3. In addition, in these cases, the disclosure requirements under IFRS 3 apply.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IAS 1 – Disclosure Initiative

The amendments affect various reporting issues. It is clarified that disclosures are necessary only if their content is not insignificant. This also explicitly applies if IFRSs require a list of minimum information. Moreover, explanations on the aggregation and disaggregation of items on the balance sheet and the statement of comprehensive income are included. It is also clarified how the shares of companies that are recognised using the equity method in other comprehensive are to be presented in the statement of comprehensive income. Finally, the model structure for the notes is eliminated in favour of taking account of company-specific relevance.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

With these amendments, the IASB provides further guidance for determining an acceptable depreciation method. Revenue-based depreciation methods are not admissible for property, plant and equipment and admissible for intangible assets only in exceptional cases (rebuttable presumption of inadequacy).

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants

Under IAS 41, all biological assets are held at fair value through profit and loss less estimated selling costs. This also applies to so-called fruit-bearing plants, such as grapevines, rubber trees and oil palms which are part of the harvest of biological assets over several periods without being sold themselves as an agricultural product. After the amendments, fruit-bearing plants are in future to be accounted for as property, plant and equipment in accordance with IAS 16 because their use is comparable. Their fruits, however, continue to be accounted for in accordance with IAS 41. As part of the initial application of the amendments, the reporting entities can make use of special simplification provisions. This simplification means that fruit-bearing plants may be held at fair value on the date of transition.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

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

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

Amendments to IAS 27 – Equity Method in Separate Financial Statements

With the amendment, the equity method of accounting becomes permissible again as an option for investments in subsidiaries, joint ventures and associated companies in the separate financial statements of an investor. The existing options for measurement at original cost or in accordance with IAS 39/IFRS 9 remain in place. Beginning in 2005, the use of the equity method for investments was no longer permitted in separate financial statements (of the parent company) in accordance with IAS 27.

The IASB made the amendment to IAS 27 due to complaints made by users, among other things regarding the high cost of a fair value measurement at each reporting date, especially for unlisted associated companies.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

Improvements to IFRSs 2010–2012

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

The amendments – provided that they are adopted into EU law – must be applied initially in financial years that begin on or after 1 July 2014, while amendments to IFRS 2 and IFRS 3 are to be applied to transactions taking place on or after 1 July 2014.

Improvements to IFRSs 2012–2014

Amendments have been made to four standards as part of the annual improvements project. The adjustment to the wording of individual IFRSs/IASs is intended to clarify existing regulations. Standards IFRS 5, IFRS 7, IFRS 19, and IAS 34 are affected by this.

Subject to adoption into EU law, the amendments are to be applied first in financial years beginning on or after 1 January 2016.

REGULATIONS REQUIRING DISCLOSURE PURSUANT TO IAS 8.41

Retroactive application

In the previous year, managed postage charges in the amount of 22,990 thousand euro, which were correctly recognised in the balance sheet as at 31 December 2013 as part of liquid funds and part of other liabilities, were not included in cash and cash equivalents in the cash flow statement. It has emerged that a partial amount of 20,380 thousand euro was not restricted cash and should therefore have been included in cash and cash equivalents in the cash flow statement.

This has been retroactively corrected. The resulting effects on the changes due to exchange rate effects in cash and cash equivalents and in two items in cash flow from operating activities were also taken into account.

The interim financial statements as at 31 December 2014 and the comparison period have been adjusted accordingly. The following table shows the corrected amounts for the relevant entries in the cash flow statement. The relevant explanatory notes are also being corrected.

thousand euro	01.01–31.12.2013 (as reported)	adjustment of	01.01–31.12.2013 (adjusted)
Change in trade accounts payable and other liabilities	–2,297	1,876	–421
Other non-cash income	–680	440	–240
Cash flow from operating activities	18,486	2,316	20,802
Change in cash and cash equivalents	1,133	2,316	3,449
Cash and cash equivalents at beginning of period	5,620	18,504	24,124
Changes due to exchange rate effects	–73	–440	–513
Cash and cash equivalents at end of period	6,680	20,380	27,060

The corrections made do not affect the consolidated balance sheets as at 1 January 2013, 31 December 2013 and 31 December 2014.

There have also been no effects on the consolidated statement of comprehensive income for financial year 2013 and the reporting period. The same applies to earnings per share and the statement of changes in equity.

COMPANY GROUP

All companies for which the Group exercises control over the financial and business policies (subsidiaries) are included in the consolidated financial statements of FP Holding. Subsidiaries are included in the consolidated financial statements from the time from which FP Holding acquires the option to control. The companies in question will be excluded from the consolidated group when the control ceases.

In comparison with the consolidated financial statements as at 31 December 2013, no changes were made to the group of consolidated companies during the reporting period. The Group's share in Mentana-Claimsoft GmbH, Fürstenwalde, Germany, has been increased from 75.5% to 100%. This resulted in an increase of 425 thousand euro in non-controlling interests (negative with regard to Mentana-Claimsoft). On the other hand, the Group's balance sheet profit/loss was reduced by 968 thousand euro.

As part of restructuring in the third quarter of 2014, two non-operational, fully consolidated subsidiaries were merged into another fully consolidated Group company. The merger effects were completely eliminated for consolidation purposes.

In addition to Francotyp-Postalia Holding AG, eleven (previous year: thirteen) domestic and ten (previous year: ten) foreign subsidiaries are included in the 2014 consolidated financial statements of the FP Group (see the following breakdown).

Controlled but not consolidated companies:

As in the equivalent period of the previous year, three investments of minor importance for gaining insight into the Group's net assets, financial position and profit and loss were not consolidated, but accounted for at amortised cost as associated companies or other investments under other non-current assets in accordance with IAS 39. Since no market prices existed, no measurement could be carried out in accordance with IAS 39.60.

Francotyp-Postalia Ltd., Dartford, Great Britain holds a 100% interest in FP Direct Ltd., Dartford, United Kingdom. As in the previous year, this is shown at original cost in the 2014 consolidated financial statements. The company is not yet in operation and has also not yet issued financial statements. As in the previous year, it was neither accounted for using the equity method nor consolidated, as it was not essential. On 31 December 2014, the equity is still GBP 1 (0.78 euro).

A 99.99% holding in FP Systems India Private Limited, Mumbai, India. As in the previous year, this is shown at original cost in the 2014 consolidated financial statements. The company has not been operational to date. As in the previous year, it was neither accounted for using the equity method nor consolidated, as it was not essential. On 31 December 2014 equity was 22.2 thousand euro compared to 1 thousand euro the previous year. The currency was translated at an end-of-period exchange rate for the equity of 0.0129 to 1 Indian rupee.

A holding of 49% in FP Data Center Inc, Japan. It was recognised at acquisition costs in the consolidated financial statements 2014 (as in the previous year). It is a teleporto data centre without own personnel. It was not accounted for using the equity method, as it was not essential (as in the previous year). The financial key data of FP Data Center Inc, Japan was as follows on 31 December 2014: assets: 804 thousand euro (previous year: 812 thousand euro), liabilities: 158 thousand euro (previous year: 172 thousand euro), revenue: 159 thousand euro (previous year: 191 thousand euro), and annual result: 13 thousand euro (previous year: 35 thousand euro). The currency was translated at an average market price for the annual result of 1 to JPY 140.38 and at an end-of-period exchange rate of 1 to JPY 145.78 (144.51) for the balance sheet ratios.

The total of the operating results of unconsolidated subsidiaries is around 0.1% (0.4%) of the Group's operating result. The estimated effect of consolidating the companies on the Group's total assets is, as in the previous year, around 0.3% of the Group's total assets.

internet access GmbH lilibit Berlin Company for Communication and Digital Technology, Berlin, Germany (abbreviated to: "iab") has non-controlling shareholders (non-consolidated shareholders and/or minority interests) of 49%. The following table summarises the financial information of the aforementioned company that is to be published:

thousand euro	31.12.2014
Revenue	15,905
Comprehensive income after taxes	462
Comprehensive income after taxes of the non-controlling shareholders	226
Other comprehensive income of the non-controlling shareholders	0
Total comprehensive income of the non-controlling shareholders	226
Dividends paid to non-controlling shareholders	37
Current and non-current assets	6,034
Current and non-current liabilities	3,261
Company net assets	2,773
Net assets of non-controlling shareholders	1,359

LIST OF SHAREHOLDERS IN ACCORDANCE WITH SECTION 313 HGB

Ite. No.	Company name and place of business	31.12.2014 Investment share in % 1)
	Consolidated company	
1	Francotyp-Postalia Holding AG, Birkenwerder, Germany	
2	Francotyp-Postalia GmbH, Birkenwerder, Germany (abbreviated to: "FP GmbH")	100.00
3	freesort GmbH, Langenfeld, Germany (abbreviated to: "freesort")	100.00
4	internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany (abbreviated to: "iab")	51.01
5	IAB Verwaltungs- und Vertriebs GmbH i.L., Berlin, Germany	100.00
6	FP Direkt Vertriebs GmbH, Birkenwerder, Germany	100.00
7	Francotyp-Postalia Vertrieb und Service GmbH, Birkenwerder, Germany	100.00
8	FP Hanse GmbH, Hamburg, Germany	100.00
9	FP InovoLabs GmbH, Birkenwerder, Germany	100.00
10	Francotyp-Postalia Unterstützungseinrichtung GmbH, Birkenwerder, Germany	100.00
11	FP Produktionsgesellschaft mbH, Wittenberge, Germany	100.00
12	Mentana-Claimsoft GmbH, Fürstenwalde, Germany	100.00
13	Francotyp-Postalia N.V./S.A., Zaventem, Belgium	99.97
14	Francotyp-Postalia GmbH, Vienna, Austria	100.00
15	Ruys Handelsvereniging B.V., the Hague, Netherlands (abbreviated to: "Ruys B.V.")	100.00
16	Italiana Audion s. r. l, Milan, Italy	100.00
17	Francotyp-Postalia Ltd, Dartford, United Kingdom (abbreviated to: "FP Ltd")	100.00
18	Francotyp-Postalia Inc., Addison, Illinois, USA (abbreviated to: "FP Inc.")	100.00
19	Francotyp-Postalia Canada Inc, Markham, Canada (abbreviated to: "FP Canada")	100.00
20	Francotyp-Postalia Asia Pte. Ltd., Singapore	100.00
21	Francotyp-Postalia Sverige AB, Stockholm, Sweden (abbreviated to: "FP Sweden")	100.00
22	Francotyp-Postalia France SARL, Rungis, France	100.00
	Unconsolidated companies	
23	FP Data Center Inc, Osaka, Japan	49.00
24	FP Systems India Private Limited, Mumbai, India (99.996% held by no. 2; 0.002% held by no. 1)	99.998
25	FP Direct Ltd, Dartford, United Kingdom (held by no. 17)	100.00

1) Including directly and indirectly attributable shares.

CONSOLIDATION PRINCIPLES

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

Accounts receivable and liabilities and/or provisions are eliminated between the consolidated companies. Intragroup sales revenue, other intragroup profits, and the corresponding expenses are eliminated. Unrealised profits from intragroup deliveries and services are adjusted through profit or loss. Consolidation transactions are subject to deferred taxes. Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right to set off current tax assets against current tax liabilities exists, provided they relate to income taxes levied by the same taxation authority.

The applied consolidation methods have not been changed compared to the previous year.

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

CURRENCY TRANSLATION

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

Foreign currency transactions in the financial statements of FP Holding and the domestic subsidiaries are translated using the exchange rate at the time of the business transaction. On the accounting date, monetary items are recognised at foreign currency using the end-of-period exchange rate. Each translation difference is recorded as income or expense in the consolidated statement of comprehensive income for the Group company in question and shown in the financial result.

The foreign companies owned by the FP Group are independent partial units and prepare their annual financial statements in their respective local currency. Assets and liabilities are translated into euro at the rate in force on the balance sheet date as part of preparing consolidated financial statements. The equity of each subsidiary whose accounting is not performed in euro is translated at the historical exchange rate. The impact on the currency translation of the equity is recorded in other comprehensive income. The items on the consolidated statement of comprehensive income are translated using weighted annual average exchange rates. The differences in currency translation that result from various exchange rates for balance sheet items and for items on the consolidated statement of comprehensive income are entered as other comprehensive income. If Group companies withdraw from the Group of consolidated companies, the difference in currency translation in question is reversed as income or expense.

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

The currency translation is based on the following foreign exchange rates:

	End-of-period exchange rate		Average rate	
1 Euro =	**31.12.2014**	31.12.2013	**2014**	2013
US dollar (USD)	1.2155	1.3767	1.3290	1.3282
Pound sterling (GBP)	0.7788	0.8331	0.8065	0.8493
Canadian dollar (CAD)	1.4075	1.4636	1.4670	1.3685
Singapore dollar (SGD)	1.6059	1.7391	1.6832	1.6620
Swedish krona (SEK)	9.3982	8.8262	9.0967	8.6506

ACCOUNTING AND VALUATION PRINCIPLES

When preparing the 2014 consolidated financial statements, the Board of Directors assumed going concern of all companies involved in the consolidated financial statements. As a consequence, the accounting and valuation was performed under the assumption of going concern.

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

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

Depending on the amount of the advance payments or partial payments received, construction contracts valued in line with the percentage of completion method are shown under receivables or liabilities from construction contracts. They are valued at production cost plus a pro-rata profit corresponding to the percentage of completion. If cumulative performance (order costs and income) exceeds advance payments in exceptional cases, the construction contracts are reported as assets under receivables from construction contracts. Any negative balance remaining after the deduction of the advances is reported in receivables as a liability from production contracts. When it is expected that losses will be made, these losses are covered by write-downs or provisions that are determined by taking all recognisable risks into account.

Grants are recorded within the meaning of IAS 20.07 if the underlying conditions for granting them are fulfilled and there is appropriate certainty that the grant will be paid. IAS 20 distinguishes between grants relating to non-current assets and grants relating to income.

Grants relating to non-current assets are deducted from the carrying amount of the assets and recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Provided that they are benefits for self-constructed assets, the benefits reduce internally produced and capitalised assets and the book value equally.

Grants which compensate the Group for expenses already incurred are recognised in profit or loss of the periods in which the expenses are recognised.

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

The **goodwill** represents the surplus of the acquisition costs of corporate acquisitions over the fair value of the Group's shares in the net assets of the acquired companies on the respective acquisition date. The respective goodwill is subject to impairment tests on at least an annual basis and always when it is indicated that the cash-generating unit might be reduced in value. The impairment tests are performed on the cash-generating unit. The respective recoverable amounts are calculated during the test. The higher of value in use or fair value less cost to sell is used to determine the recoverable amount. Any impairment loss recorded for goodwill is not made up for in subsequent reporting periods.

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

Intangible assets that have been purchased are recognised at acquisition costs with due regard to the additional costs. As in the previous year, they are amortised using the straight-line method as planned over their useful life of three to six years.

The acquisition costs of **intangible assets acquired within the framework of a merger** correspond to fair value at the time of acquisition. The intangible assets are recognised in the following periods at acquisition and/or manufacturing cost less accumulated amortisation and accumulated impairment losses. Costs for internally generated intangible assets are recorded as income in the period in which they occur, with the exception of development costs that can be capitalised. The planned amortisations are made in accordance with the useful lives elicited within the framework of determining the purchase price. Customer relationships or customer lists are amortised accordingly over 15 years.

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

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

In the consolidated statement of comprehensive income, the development costs are shown as capitalised own work according to the addition to capitalised development costs in non-current assets. Capitalised development costs are amortised using the straight-line method when commercial manufacture of the corresponding products begins for the duration of their useful lives, but for a maximum of six years. Costs of internally generated intangible assets are recorded as income in the period in which they occur, with the exception of development costs that can be capitalised. An impairment test is performed on an annual basis during the development phase and after capitalisation. Capitalised developments that can no longer be recovered are written off. Research costs are shown as current expense as per IAS 38.

Property, plant and equipment is measured at cost, less scheduled depreciation due to use. The acquisition costs include the cost price, the additional costs and the subsequent acquisition costs. Cost price reductions are deducted. The manufacturing costs of self-created property, plant and equipment (rented/leased franking machines and accessories) include all individual costs and all overheads that are due in association with the manufacturing process. Financing costs for the manufacturing period are included, provided that they are qualifying assets. Costs of maintaining and repairing objects in property, plant and equipment are recognised as expenses. The processing costs of objects in property, plant and equipment are recorded in accordance with the criteria stated in IAS 16.12 ff. as subsequent manufacturing costs if the future use of such property, plant and equipment is increased through these costs (IAS 16.10). Scheduled linear depreciation is recognised for objects in property, plant and equipment if their use is limited in time. If property, plant and equipment objects are abandoned, sold or relinquished, the profit or loss from the difference between the sales proceeds and the depreciated book value is recognised in other operating income and/or expenses.

As in the previous year, the scheduled depreciation is essentially based on the following useful lives:

PROPERTY, PLANT AND EQUIPMENT	Useful life
Land and buildings	8 to 40 years
Technical equipment and machinery	13 to 15 years
Factory and business equipment	3 to 13 years
Leased products	4 to 8 years
Investments in finance lease relationships	4 to 15 years

Impairments of intangible assets and property, plant and equipment are recognised in accordance with IAS 36 if the recoverable amount, in other words the higher of the value in use and the fair value less cost to sell, has fallen below the book value. If the recoverable amount for an individual asset cannot be estimated, the recoverable amount for the cash-generating unit to which the asset belongs is estimated. The distinction between cash-generating units is made on the basis of the legal structure of the companies.

The recoverable amount and the book value are then compared at the level of the cash-generating unit. The corresponding write-ups are made if the reasons for impairments recognised in previous years no longer apply; this does not apply to goodwill.

The **inventories** are valued on the accounting date at the lower of cost price and the feasible net realisable value. Simplification options to measure at average price have been used.

The acquisition costs of goods and raw materials, consumables and supplies include the acquisition price and the additional costs less reductions in acquisition price. The manufacturing costs of finished goods and work in progress include the directly attributable individual costs and the overheads that can be attributed to the production process, including appropriate depreciation of production equipment, assuming normal usage. Financing costs for the manufacturing period are not included because there are no qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business, less the necessary completion costs and disposal costs.

Impairment of inventories is recognised for goods and raw materials, consumables and supplies in the materials costs item and for finished goods and work in progress in changes in inventories.

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

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

Financial assets are generally recognised at the settlement date. By way of exception, investments and the **associated company** FP Data Center Inc. are carried at original cost for reasons of immateriality.

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

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

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

Financial assets available for sale are non-derivative financial assets classified as available for sale. In the Group, these include other holdings.

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

Unrealised gains and losses are recognised in other comprehensive income. If such a financial asset is derecognised or impaired, the amounts previously recognised in other comprehensive income are reported in the profit and loss for the respective period. During examination of whether impairment needs to be recognised on the balance sheet, appropriate objective indications are taken into account. Indications of this kind include, for example, the economic environment, legal situation, duration and extent of loss of value, etc. If the fair value of an equity instrument cannot be reliably measured as in the cases cited above, it is measured at cost.

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. First-time recognition is at fair value. After initial recognition, loans and receivables are recognised at amortised cost less any impairment. All identifiable risks are taken into account by appropriate allowances in the measurement of receivables. Allowances are made to trade receivables on an individual basis if there are objective indications that the amount of the receivable due is not fully recoverable (e.g. initiation of insolvency proceedings or significant defaults on the part of the debtor). Please see our comments in Section IV., Subsection 13. A separate allowance account is used for these allowances; amounts recognised in this account are derecognised as soon as it is clear that there has been a definite loss of value of the loan or the receivable. The allowance amount is the difference between the book value of the receivable and the present value of the estimated future cash flows from the receivable. Gains and losses are recorded in the result for the respective period when loans and receivables are derecognised or impaired.

Cash and cash equivalents include all liquid funds, i.e. cash in hand, cheques and bank balances, with original maturities of up to three months. These are recognised at nominal value. Cash reserves that are not readily available are reported separately. This restricted cash is part of liquid funds and other liabilities in the balance sheet, but not a part of the cash and cash equivalents in the cash flow statement. Certain credit balances held at banks are pledged in conncection with managed postage charges.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities are divided into the following categories:

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

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

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

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

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

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

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

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

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

Provisions for pensions and similar obligations are made using the 'projected unit credit method' based on actuarial principles. This procedure not only takes account of the pensions and vested entitlements that exist on the reporting date, but also of future increases in pensions and salaries by making estimates of the relevant influencing factors. These retirement benefits earned in exchange for work completed are discounted at the effective interest rate at the end of the period. The fair value of plan assets is deducted from the projected value of pension obligations. This results in the net debt from pension obligations, to be reported as a provision.

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

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

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

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

The service cost (as the third component of the net pension cost, alongside net interest and the revaluation component) comprises both the current and the past service cost, as well as effects from settling pension plans. The past service cost results from changes in the present value of pension obligations after a plan change or curtailment. The service cost is recorded in personnel costs in the period in which the pension benefit was earned or when the plan change or curtailment or settlement of the plan occurs.

At Italiana Audion s.r.l., Milan, Italy, Francotyp-Postalia GmbH, Vienna, Austria and Francotyp-Postalia France SARL, Rungis, France, provisions are made for severance payments due when staff leaves the Company in accordance with the legal situation in the respective country. The FP Group recognises the costs of comparable defined benefit plans

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

Provisions and **other provisions** are made for uncertain obligations to third parties, the occurrence of which would probably lead to an outflow of resources, if the amount of the necessary provision can be reliably estimated. Provisions are recognised at the amount required to settle the obligation discounted to the reporting date, provided that the interest effect is not immaterial. The amount required to settle the obligation also includes the expected price and cost increases. Discounting is based on interest rates before taxes, which reflect the current market expectations regarding the interest rate effect and the risks which are specific to the liability and depend on the corresponding duration of the obligation. The interest portion of additions to provisions is reported under net financial income.

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

Payments due to termination of employment are made if an employee is made redundant before normal pensionable age or if an employee voluntarily leaves the contract of employment in exchange for a severance payment. The Group recognises severance payments when it is demonstrably obliged to terminate the employment of current employees in accordance with an irrevocable detailed formal plan, or when it is demonstrably obliged to make severance payments to employees who voluntarily terminate their employment.

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

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

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

Provisions for anniversary payments are recognised in line with the projected unit credit method prescribed by IAS 19 in accordance with the one-time premium procedure for additional obligations accruing annually, taking account of projected trends.

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

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

Tax liabilities for trade tax and corporation tax or similar taxes on income are determined on the basis of the taxable income of the affected companies less any prepayments made. Other taxes to be assessed are considered accordingly.

Actual tax refund claims and tax liabilities for the current and previous periods are measured at the amount expected from the tax refund from the tax authorities or a payment to the tax authorities. The amount is calculated based on the tax rates and tax legislation in effect on the reporting date.

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

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

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

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

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

Accounting for leases in which Francotyp-Postalia is the lessor

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

With a finance lease, the leased property, plant and equipment is not capitalised as part of the reporting entity's property, plant, and equipment, but instead is reported under finance lease receivables. The requirements are fulfilled if the material opportunities and risks arising from use are on the lessee's part. In the case of a finance lease, a receivable is capitalised at the present value of the minimum lease payments at the time the contract is concluded. The leasing instalments received are divided into a repayment and an interest component. The repayment component reduces the amount of the receivable without affecting profit or loss. The interest component is recognised in profit and loss. The market interest rate is calculated for finance leases with reference to comparable lease agreements.

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

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

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

Both new and used machines are leased under finance leases.

Accounting for leases in which Francotyp-Postalia is the lessee

The beneficial ownership of the printers, photocopiers and franking, sorting and inserting machines used by the FP Group is sometimes assigned to the legal entities. They therefore meet the conditions for lessees under finance leases. The leased assets are reported as investments in **finance lease** relationships under non-current assets. A leased asset is initially recognised at the lower of fair value or the present value of the minimum lease payments. The corresponding liabilities are recognised and broken down on the basis of maturities.

Leased products were sometimes refinanced by way of sale-and-lease-back contracts. FP concluded hire-purchase contracts to this end, which provide for repurchase at an agreed date and at a pre-defined repurchase price. This equipment is reported as investments in finance lease relationships. The corresponding liabilities are recognised and broken down on the basis of maturities.

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

ASSUMPTIONS AND ESTIMATES

Assumptions

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

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

Leases are classified using certain criteria that normally – individually or in combination – indicate a finance lease. These criteria are not conclusive however and are more of a guideline. There is sometimes room for considerable discretion in the assessment.

On 31 December 2014, investments in finance lease relationships with book values of 6,387 thousand euro (previous year: 7,509 thousand euro) were reported, as well as receivables from finance leases of 3,843 thousand euro (previous year: 1,990 thousand euro) and finance lease liabilities of 5,477 thousand euro (previous year: 5,267 thousand euro).

As at the reporting date, there are operating lease liabilities of 12,085 thousand euro (previous year: 16,992 thousand euro).

Discretionary measurements that may have a significant impact on the consolidated financial statements exist in the accounting treatment of **grants** with regard to the estimated probability of future inflows or outflows of economic benefits in connection with compliance with the grant conditions. Please see our comments in Section III., Subsection 2.

Assumptions and uncertainty of estimates

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

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

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

Development costs

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

Included in the consolidated balance sheet as at 31 December 2014 are capitalised development costs for internally generated intangible assets in the amount of 12,066 thousand euro (previous year: 11,723 thousand euro) and 7,557 thousand euro (previous year: 7,131 thousand euro) for development projects in progress. In the year under review, development costs totalled 8,925 thousand euro (previous year: 8,989 thousand euro) of which 4,553 thousand euro (previous year: 4,165 thousand euro) were capitalised.

Revaluation of intangible assets in the reporting of mergers

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

Goodwill

To assess a potential impairment of goodwill, it is necessary to determine the value in use of the asset or the fair value of the cash-generating unit.

A check is performed here as to whether the book value is above the recoverable amount. In this context, the recoverable amount is defined as the higher of the fair value less cost to sell and the value in use. The difference between the book value and the recoverable amount represents the impairment to be recognised.

The calculation of the value in use and, if necessary that of the fair value less cost to sell requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate for the calculation of present value.

The book value of the goodwill as at the reporting date was 9,147 thousand euro (previous year: 9,147 thousand euro). See also Section IV, Subsection 10

Deferred tax assets

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

As at 31 December 2014, the book value of the deferred tax assets on unutilised tax loss carryforwards was 6,114 thousand euro (previous year: 5,429 thousand euro).

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

The external tax audits of several German FP Group companies for the years 2005 to 2008 which were completed in 2013 led to significant corrections to the transfer prices for goods deliveries by the legal entity FP GmbH to its foreign sales subsidiaries. The additional taxes were determined in 2013 and paid in part or recognised as liabilities with interest at the level of FP Holding on 31 December 2014. In 2014, external tax audits of several German FP Group companies began for the assessment period 2009 to 2012. Any audit findings were deferred. Corrections to transfer prices are expected in these years as well.

As at 31 December 2014, the income tax put aside for operational risks at FP Holding AG amounted to 1,066 thousand euro (previous year: 896 thousand euro) plus interest on arrears of 328 thousand euro (previous year: 287 thousand euro).

An appeal was lodged against the tax assessment notices for 2005-2008 that were modified as a result of the audit. In addition, due to the transfer pricing corrections, FP GmbH has applied for the initiation of mutual agreement procedures in accordance with the Double Taxation Agreement and, respectively, the EU Arbitration Convention between the Federal Republic of Germany and the UK, the US, Austria, the Netherlands and Belgium.

In the preliminary stages of the aforementioned audit, FP had already changed its transfer pricing system to the transactional net margin method (TNMM), effective as from 2009. Sales contracts were revised accordingly, and, in December, annual transfer prices adjustments were made to within the range of interquartile margin for comparable sales companies. This procedure is in line with the transfer pricing study conducted by the auditors Deloitte for the years 2005 to 2008.

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

The transfer price adjustments should, in the view of FP, be fully taken into account in a way that affects net income in the context of reviewing the EBIT margins of the subsidiaries in the framework of TNMM – as is the case in the audited period 2005 2008. Otherwise, accounting, which partly does not affect net income, would result in excessive transfer price corrections, which were not intended by the parties. Francotyp-Postalia, however, has used the results of the review as an opportunity to reanalyse the system of transfer price determination, taking into consideration the deviating accounting outside Germany. Where necessary, the transfer price determinations/agreements will need to be adjusted in consultation with the foreign subsidiaries in such a way that the deviating accounting of the transfer price adjustments can be better recorded within Germany and abroad in future.

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

Due to the tax demands to be expected from the adjustment effects for the years following the audit abroad as a result of the mutual agreement procedure and arbitration cited above, current tax demands in the amount of the deferred tax assets triggered due to the transfer price correction as well as the expected subsequent payment of taxes were capitalised in Germany in the consolidated financial statements of FP Holding as at 31 December 2014. As at 31 December 2014, tax demands of a total of 6,689 thousand euro were reported (previous year: 6,689 thousand euro). There is still uncertainty over the amount and time of realisation, which may result from the requested mutual agreement and arbitration procedure between Germany and the tax authorities abroad.

Pensions and other post-employment benefits

Liabilities for pensions and other post-employment benefits and related expenses are calculated using actuarial valuation. The actuarial valuation is made based on assumptions about interest rates, future wage and salary increases, mortality rates and future pension increases. Given the long-term nature of these plans, these estimates are subject to considerable variation. Provisions for pensions and similar obligations came to 17,354 thousand euro as at 31 December 2014 (previous year: adjusted 14,265 thousand euro). The revaluation of net debt for defined benefit pension commitments is recognised in other comprehensive income. See also Section III, Subsection 18.

Provisions

Provisions for anticipated losses from orders, from warranty provisions and provisions for lawsuits are largely based on estimates of the management.

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

FP Holding recognises provisions for lawsuits if it is likely that a liability has been incurred in these proceedings that is likely to result in future outflow of resources and if a reliable estimate can be made of the amount. Lawsuits are often based on complex legal issues, which is why they are associated with considerable uncertainty. Accordingly, the management exercises considerable discretion in assessing whether there is a present obligation as a result of a past event on the balance sheet date, whether a future outflow of resources is likely and a reliable estimate of the obligation can be made. FP Holding also assesses the current status of the lawsuit on a regular basis using the services of outside counsel. The assessment may be changed on the basis of new information. It may become necessary to adjust the amount of provisions for an ongoing lawsuit because of new developments in the future. Changes in estimates and assumptions over time may have a significant impact on earnings. Depending on the outcome of a lawsuit, FP Holding may generate income or expenses from previous provisions made that were too high or too low.

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

The reversal of provisions of 645 thousand euro relates primarily to provisions for phased early retirement (ATZ) of 295 thousand euro, provisions for lawsuits of 117 thousand euro and provisions for severance payments of 86 thousand euro.

Determination of fair value

A number of accounting methods and company data require the determination of the fair values of financial and non-financial assets and liabilities. The Group has stipulated a control framework concept for the determination of fair values. This includes a valuation team led by the head of the finance, accounting and controlling department, which has the general responsibility for supervising all significant fair value measurements including the Level 3 fair values and reports directly to the Chief Financial Officer.

The valuation team regularly checks the significant unobservable inputs and makes adjustments. If information from third parties, for instance, price quotations from brokers or pricing services, is used to determine the fair value, the valuation team checks the evidence obtained from third parties to verify that such measurements meet the IFRSs requirements, including the level in the fair value hierarchy in which these measurements are classified.

Important issues surrounding measurement are reported to the Chief Financial Officer.

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

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

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

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

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

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

II. SEGMENT REPORT

Segment reporting is based on the rules of IFRS 8. According to this standard, operating segments are defined on the basis of internal management of group segments, the operating results of which are regularly reviewed by the chief operating decision-makers of the Company for the allocation of resources to this segment and the assessment of its performance.

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

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

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

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

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

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

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

EBITDA stands for earnings before interest, taxes, depreciation and amortisation of property, plant and equipment and intangible assets – before profit/loss transfer. Segment assets comprise total assets on the balance sheet, i.e. the aggregate of the total assets of the financial statements prepared in accordance with local regulations after taking profit transfer into consideration. Segment liabilities, on the other hand, are calculated from the total assets on the balance sheet less equity. The capital expenditure comprises additions to non-current assets less financial instruments and deferred taxes as well as investments in property, plant and equipment and intangible assets.

Please refer to the notes on sales revenue in Section III, Subsection 1 for information on products and services and geographical areas. Francotyp-Postalia does not rely on major customers as defined in IFRS 8.34.

SEGMENT INFORMATION 2014

thousand euro	A Production[1]	B Sales Germany[1]	C Sales International	D Central Functions[1]	Group reconciliation	**Total**
Sales revenue	79,432	97,466	74,894	1,917	-83,401	**170,307**
with external third parties	4,125	93,425	73,093	0	-335	**170,307**
inter/intrasegment revenues	75,307	4,041	1,801	1,917	-83,066	**0**
EBITDA	**5,221**	**6,671**	**13,993**	**-3,119**	**314**	**23,080**
Depreciation and impairments	1,132	2,702	10,495	27	-1,081	**13,275**
Interest income	-1,385	-774	-430	457	12	**-2,121**
of which, expenses	2,254	909	684	1,515	-2,730	**2,632**
of which, interest earned	869	135	253	1,972	-2,719	**511**
Other financial result	8,892	7	-120	11,567	-19,627	**719**
Tax result	25	-612	-1,510	-1,965	874	**-3,189**
Profit and loss transfer	-11,620	-4,106	0	0	15,726	**0**
Net result	0	-1,517	1,437	6,913	-1,620	**5,213**
Segment assets	122,426	42,255	93,516	97,670	-213,735	**142,132**
Capital expenditure	2,060	3,278	18,233	831	1,058	**23,345**
Segment liabilities	120,887	35,706	74,051	30,377	-148,940	**112,081**

SEGMENT INFORMATION 2013, ADJUSTED

thousand euro	A Production[1]	B Sales Germany[1]	C Sales International	D Central Functions[1]	Group reconciliation	**Total**
Sales revenue	77,227	97,365	72,976	2,206	-80,857	**168,918**
with external third parties	6,018	92,996	71,243	0	-1,340	**168,918**
inter/intrasegment revenues	71,209	4,369	1,733	2,206	-79,517	**0**
EBITDA	**6,652**	**5,775**	**13,298**	**-2,384**	**-1,179**	**22,162**
Depreciation and impairments	1,107	2,595	8,903	20	-825	**11,800**
Interest income	-662	-688	-507	-798	323	**-2,332**
of which, expenses	2,232	966	910	2,662	-3,499	**3,271**
of which, interest earned	1,570	278	403	1,864	-3,176	**939**
Other financial result	5,167	152	-4	10,963	-16,494	**-215**
Tax result	-183	-64	-1,698	-1,105	87	**-2,964**
Profit and loss transfer	-9,487	-2,351	4	-626	12,460	**0**
Net result	380	230	2,190	6,030	-3,979	**4,851**
Segment assets	112,359	82,961	81,269	139,322	-278,510	**137,400**
Capital expenditure	425	888	14,680	10	-1,220	**14,782**
Segment liabilities	110,820	74,819	63,316	71,588	-209,017	**111,526**

1) Frankierversand UG and FP International GmbH were merged into FP GmbH as at 31 December 2013. In 2013, Frankierversand UG operated in the "Sales Germany" segment and FP International GmbH in the "Central Functions" segment; with the merger the assets and liabilities that have been transferred to FP GmbH, will be recorded in the "Production" segment in 2014. The following values were assigned to these companies in the same period in the previous year. Frankierversand UG: sales revenue 21 thousand euro; EBITDA -143 thousand euro; segment assets 9 thousand euro and segment liabilities 7 thousand euro. FP International GmbH: Sales revenue 0 thousand euro; EBITDA -7 thousand euro; segment assets 17,634 thousand euro and segment liabilities 11,124 thousand euro.

SEGMENT INFORMATION

thousand euro	Production	Sales Germany	Sales International	Central Functions [1]	Group reconciliation	
2014	A	B	C	D		**Gesamt**
Use of provisions for restructuring	-1,012	0	0	0	0	**-1,012**
Income from the reversal of provisions	244	437	0	128	-809	**0**
2013	A	B	C	D		
Use of provisions for restructuring	-1,644	-180	0	0	0	**-1,824**
Income from the reversal of provisions	110	128	0	21	-259	**0**

In the reconciliation column, depreciation includes impairment losses of 0 thousand euro (previous year: 180 thousand euro) for customer relationships in Sweden.

Reconciliations to the segment information

REVENUE

thousand euro	**01.01.–31.12.2014**	01.01.–31.12.2013
Sales revenue of the segments A–C	251,791	247,569
Sales revenue of the Central Functions segment	1,917	2,206
Effects from the adjustment of finance leases	-335	-1,340
	253,372	248,435
Minus inter-segment revenue	83,066	79,517
Revenue as per financial statement	**170,307**	**168,918**

EBITDA

thousand euro	**01.01.–31.12.2014**	01.01.–31.12.2013
EBITDA of the segments A–C	25,884	25,725
EBITDA of the Central Functions segment	-3,119	-2,384
	22,765	23,341
Effects at the consolidation level	-4,093	-3,532
Measurement effects from the reconciliation to IFRSs	4,408	2,353
EBITDA Group	**23,080**	**22,162**
Depreciation and impairments	-13,275	-11,800
Net interest income/expense	-2,121	-2,332
Other financial result	719	-215
Group earnings before taxes	8,402	7,815
Tax result	-3,189	-2,964
Consolidated net income	**5,213**	**4,851**

DEPRECIATION

Thousand euro	01.01.–31.12.2014	01.01.–31.12.2013
Depreciation of the segments A–C	14,330	12,607
Depreciation of the Central Functions segment	27	20
Effects from the revaluation of IFRSs development costs	3,336	3,075
Effects from the revaluation of IFRSs leases	-368	-477
Effects from the depreciation of customer relationships	268	477
Effects from the depreciation of internally generated software	58	68
Effects from adjustment of remaining intangible assets	-834	-825
Remaining effects from revaluation under IFRSs	-125	-155
	16,692	**14,790**
Effects at the consolidation level	-3,418	-2,990
Depreciation as per financial statement	**13,275**	**11,800**

ASSETS

Thousand euro	31.12.2014	31.12.2013
Assets of the segments A–C	258,197	276,589
Assets of the Central Functions segment	97,670	139,322
Capitalisation of development costs under IFRSs	19,044	17,817
Effects from the revaluation of goodwill	7,752	6,917
Effects from depreciation of customer relationships	-268	-477
Effects from depreciation of internally generated software	-58	-68
Remaining reconciliations to IFRSs	6,396	4,202
	388,733	**444,303**
Effects at the consolidation level (including debt consolidation)	-246,601	-306,902
Assets as per financial statement	**142,132**	**137,400**

LIABILITIES

Thousand euro	31.12.2014	31.12.2013
Liabilities of the segments A–C	230,644	248,955
Liabilities of the Central Functions segment	30,377	71,588
Effects from the adjustment of pension provisions	13,528	3,853
Effects from the adjustment of other provisions	-4,009	-3,778
Remaining reconciliations to IFRSs	13,751	12,430
	284,291	**333,048**
Effects at the consolidation level (including debt consolidation)	-172,210	-221,522
Liabilities as per financial statement	**112,081**	**111,526**

CAPITAL EXPENDITURE

Thousand euro	31.12.2014	31.12.2013
Capital expenditure of the segments A–C	23,571	15,992
Capital expenditure of the Central Functions segment	831	10
Effects of revaluation under IFRSs	4,079	3,478
	28,482	**19,479**
Effects at the consolidation level	-5,137	-4,697
Capital expenditure as per financial statement	**23,345**	**14,782**

ASSETS BY REGION IN 2014

Thousand euro	31.12.2014	Current	Non-current
Germany	262,351	108,229	154,122
US and Canada	48,403	16,882	31,521
Europe (without Germany)	44,305	18,857	25,448
Remaining regions	808	784	24
	355,867	**144,753**	**211,114**
Effects from revaluation under IFRSs	33,192		
Effects from depreciation of customer relationships	-268		
Effects from depreciation of internally generated software	-58		
Effects at the consolidation level (including debt consolidation)	-246,601		
Assets as per financial statement	**142,132**		

ASSETS BY REGION IN 2013

Thousand euro	31.12.2013	Current	Non-current
Germany	334,642	165,285	169,357
US and Canada	38,822	18,275	20,547
Europe (without Germany)	41,919	33,350	8,570
Remaining regions	528	496	31
	415,911	**217,406**	**198,505**
Effects from revaluation under IFRSs	28,937		
Effects from depreciation of customer relationships	-477		
Effects from depreciation of internally generated software	-68		
Effects at the consolidation level (including debt consolidation)	-306,902		
Assets as per financial statement	**137,400**		

The goodwill of 9,147 thousand euro (previous year: 9,147 thousand euro) shown in the consolidated balance sheet is exclusively assigned to the Sales Germany segment.

Otherwise, we are using the relief options under IFRS 8.33.

The data is based on figures from financial statements prepared in accordance with local accounting standards of the companies included in the consolidated statement.

We refer to Section III. Subsection 1 for a breakdown of sales revenue.

Francotyp-Postalia realises sales revenue from business transactions with a very broad customer base. Here, the revenue share of every external customer or every group of companies that are to be seen as individual external customers is lower than 10% of the sales revenue of Francotyp-Postalia.

III. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1) REVENUE

The sales revenue of the FP Group can be broken down as follows:

Thousand euro	**2014**	2013
Franking	22,922	23,614
Inserting	6,207	6,883
Other	1,782	1,563
Product sales revenue	**30,910**	**32,059**
Mail services	44,059	42,665
Service/customer service	24,808	25,700
Equipment leases	25,294	22,922
Consumables	21,063	21,117
Teleporto	10,724	11,597
Software	13,449	12,859
Recurring revenue	139,397	136,859
Total	**170,307**	**168,918**

If the sales revenue from consumables is added to the income from product sales, the FP Group achieved earnings of 52,096 thousand euro in 2014 from the sale of goods (as compared with 53,176 thousand euro the previous year). The Group generated income of 118,211 thousand euro (previous year: 115,742 thousand euro) from the sale of services (including equipment leases). A total of 0 thousand euro (previous year: 1,075 thousand euro) related to projects under IAS 11.

The regional breakdown of the sales revenue is as follows (revenue is allocated to regions based on the location of the customer):

Thousand euro	**2014**	2013
Germany	92,608	92,050
US	34,152	33,032
Europe (excluding Germany and the UK)	21,295	23,644
UK	16,110	13,730
Other	6,142	6,463
Total	**170,307**	**168,919**

(2) OWN WORK CAPITALISED

Thousand euro	**2014**	2013
Capitalised development costs	4,553	4,165
Leased equipment	10,267	5,918
Investments in finance leases	676	3,164
Other	0	229
Total	**15,496**	**13,476**

Of the capitalised development costs, PostBase Mini accounted for 1,316 thousand euro (previous year: 740 thousand euro) and the development of additional country variants of PostBase for a further 1,213 thousand euro (previous year: 1,593 thousand euro).

The capitalised development costs were reduced in the previous year by the withdrawal of contributions as financing for research and development projects of 121 thousand euro. This financing was granted as co-financing of the eligible costs of development projects.

Capitalised own work on leased machines and investments in finance leases refers to products created by the Group and hired out. Investments in finance leases are refinanced.

In the 2014 financial year the financing structure of leased machines was reorganised, so that new finance leases were only concluded in the first quarter of 2014. This resulted in a reclassification of capitalised own work from investments in finance leases to leased machines.

The other item comprised mainly software developments in the amount of 229 thousand euro in the previous year.

(3) OTHER INCOME

Thousand euro	**2014**	2013
Derecognition of liabilities	514	272
Grants for expenses and allowances	321	126
Usage fees	217	360
Bonus credit notes	154	332
Compensation for damages	103	740
Payment of receivables already written off	87	197
Commission income	46	31
Book profit from the sale of non-current assets	32	61
Other income	877	356
Total	**2,351**	**2,475**

The derecognition of liabilities in the amount of 514 thousand euro is largely comprised of statute-barred obligations. Grants for expenses and allowances include public funding in the amount of 292 thousand euro (GRW funds) for capital expenditure in the reporting year in the amount of 1,847 thousand euro in connection with the establishment of the administration of FP Holding in Berlin. This income is recognised on the basis of the grant awarded on 23 June 2014. It is connected with the creation of 193 permanent jobs and eligible investments in non-current assets. This position includes subsidies for the employment of people with severe disabilities of 13 thousand euro (previous year: 84 thousand euro).

Other income (877 thousand euro) relates primarily to revaluations of finance lease receivables of 572 thousand euro as well as credit notes referring to other periods of 102 thousand euro.

(4) MATERIALS COSTS

Thousand euro	**2014**	2013
Cost of raw materials, consumables and supplies	35,828	34,157
Costs for purchased services	46,188	43,778
Total	**82,016**	**77,935**

In 2014, the cost of raw materials, consumables and supplies rose by 1,671 thousand euro as a result of the increased own work capitalised for leased products and an increase in raw materials, consumables and supplies. In 2014, the cost of purchased services increased by 2,410 thousand euro. This rise is driven by the business expansion in the Mail Services business.

(5) PERSONNEL COSTS

Thousand euro	**2014**	2013
Wages and salaries	45,079	45,518
Social security contributions	7,463	7,438
Expenses for pension schemes and other benefits	939	1,036
Total	**53,481**	**53,992**

Expenses for pension schemes and other benefits includes 130 thousand euro (previous year: 161 thousand euro) in past service costs for performance-oriented pension obligations.

Expenses of 2,729 thousand euro were recorded for contribution plans in 2014 (previous year: 2,705 thousand euro). These expenses also include employer contributions to statutory pension insurance.

In addition, defined benefit plans in which multiple employers are involved are in place in some of our European subsidiaries. Since the related pension funds cannot provide sufficient details on the pension liabilities or the plan assets as far as our subsidiary is concerned, these plans are treated as contribution-based plans.

All employers within the sector are obliged to make pension provisions of this kind for their employees. The pension commitment of the employees is financed in full by the plan assets of the multi-employer plan. In order to guarantee the financing, the contributions to be paid are defined by the pension institution. These contributions are based on the remuneration of the employees.

The expenses for direct benefit multi-employer plans in the year under review totalled 337 thousand euro (previous year: 374 thousand euro). Contributions of a comparable amount are expected for 2015. According to information provided by the pension fund, the benefit plans continue to show a surplus at the end of 2014 as in the previous year.

(6) OTHER EXPENSES

Thousand euro	**2014**	2013
Rent/leases	6,032	6,498
Sales commissions	3,546	3,514
Charges, fees, consultancy expenses	3,044	2,106
Repairs and maintenance	2,509	2,476
Packaging and freight	2,445	2,668
Marketing	1,995	2,031
Communications and postage charges	1,713	1,749
Travel expenses	1,524	1,580
Employee-related costs	1,487	1,109
External IT services	1,117	985
Motor vehicle costs	644	702
Contributions to professional organisations	561	532
Watch services and cleaning by third parties	542	525
Costs of monetary transactions	493	460
Entertainment expenses	447	412
Valuation of accounts receivable	433	989
Expenses for insurances	426	399
Office supplies	413	437
Expenses for IP rights and licenses	238	406
Losses related to the disposal of non-current assets	152	164
Other	370	520
Total	**30,131**	**30,262**

(7) FINANCIAL RESULT

Thousand euro	**2014**	2013
Other interest receivable and similar income	511	939
of which from finance leases	321	505
of which from bank balances	162	334
of which from third parties	28	100
Interest and similar expenses	2,632	3,271
of which for bank liabilities	1,450	2,078
of which interest on net liabilities for pension obligations	438	426
of which for finance leases	362	357
Other	382	410
Net interest income/expense	**-2,121**	**-2,332**
Other financial income	**1,806**	**1,111**
Other financial expenses	**1,087**	**1,326**
Total	**-1,402**	**-2,547**

As in the previous year, the other financial income and other financial expenses result primarily from foreign currency conversions. Other financial income also includes 324 thousand euro from developments in the currency hedges.

Interest expenses include expenses related to derivatives of 95 thousand euro (previous year: 113 thousand euro).

(8) TAXES

The tax result is as follows:

Thousand euro	**2014**	2013
Actual tax expenses	387	1,477
of which related to other periods	222	-40
of which actual taxes for the current period	165	1,517
Deferred tax expenses	2,801	1,487
of which related to other periods	-461	-135
of which deferred taxes for the current period	3,262	1,622
Tax expense	**3,190**	**2,964**

Deferred taxes were measured using the tax rates and regulations that were valid or announced on the reporting date. A combined income tax rate from corporation tax, the solidarity surcharge and the trade tax was used for German corporations. The German tax rates were between 28.43% and 30.18% (previous year: between 27.13% and 29.13%). The increase is due to a higher trade tax rate resulting from the relocation from Birkenwerder to Berlin. Country-specific tax rates of between 17.00% and 38.35% (as in previous year: between 17.00% and 38.35%) were calculated for foreign companies. Tax rate adjustments had no significant effect on deferred taxes.

Of the deferred tax expenses, 3,487 thousand euro (previous year: 1,027 thousand euro) can be attributed to the change in temporary differences and -686 thousand euro (previous year: 460 thousand euro) to the change in capitalised deferred taxes for loss and interest carryforwards. The expense recognised in other comprehensive income from the change in deferred taxes was 997 thousand euro (previous year: 79 thousand euro) in 2014.

The book value of the recognised deferred tax assets for unused tax loss and interest carryforwards is 6,115 thousand euro as at the reporting date (previous year: 5,429 thousand euro).

Deferred tax assets on balance sheet differences and tax loss carryforwards are only recognised if such tax benefits are likely to be realised. In accordance with current fiscal planning, which has been deduced from company planning (medium-term planning), the tax loss and interest carryforwards, for which the deferred tax assets were recognised, will be used within the next five years. This use is based on the assumption that the PostBase product range continues to feature a successful market position.

No deferred tax assets have been recognised for loss carryforwards and deductible temporary differences of 1,665 thousand euro (previous year: 1,044 thousand euro) as their use is currently insufficiently secure. The loss carryforwards which are the basis of non-capitalised deferred tax assets and deductible temporary differences total 5,359 thousand euro (previous year: 3,678 thousand euro). These loss carryforwards pertain especially to the subsidiaries in Italy, France, Germany and Singapore. Some of the tax loss carryforwards from abroad can only be carried forward for a limited period of time.

An amount of 0 thousand euro (previous year: 1,057 thousand euro) is recognised as surplus of deferred tax assets over deferred tax liabilities for companies that have incurred losses in the current period or previous period.

Please refer to our comments in Section I. "Assumptions and estimates of the Management" for the uncertainties involved in estimates associated with the capitalisation of deferred taxes for loss carryforwards.

As a rule, deferred taxes must be calculated for the difference between the share of equity of subsidiaries recognised in the consolidated balance sheet and the corresponding values of the equity investments determined for tax purposes, for instance through retained earnings. Deferred tax liabilities have not been recognised on temporary differences of 259 thousand euro (previous year: 327 thousand euro), as a realisation is not planned at present. In the event of a sale or payout, 5% of profits from the sale or the dividend are subject to taxation in Germany.

The expense from income taxes of 3,190 thousand euro according to the profit and loss statement (previous year: 2,964 thousand euro) is offset by an expected income tax expense of 2,536 thousand euro (previous year: 2,194 thousand euro) that would result if the Group income tax rate were to be applied to consolidated earnings before taxes. The tax rate of 30.18% (previous year: 28.08%) for the material German Group companies was used as the Group tax rate.

Thousand euro	2014	2013
Group result before income taxes	**8,404**	**7,815**
Expected tax expenses (30.18%; previous year: 28.08%)	2,536	2,194
Tax effects in connection with the following led to a deviation between the actual and the expected tax expenses: Effects from tax rate changes and deviations	62	265
Tax effect from non-deductible expenses and tax-free income	229	577
Income taxes for previous years	-169	-40
Change in value-adjustments of deferred taxes and the non-recognition of deferred taxes	781	-135
Other deviations	-249	103
Actual tax expenses	**3,190**	**2,964**
Tax burden in %	**38.0**	**37.9**

(9) EARNINGS PER SHARE

On 20 November 2007, the Management Board of Francotyp-Postalia Holding AG decided to implement a programme to repurchase shares in the Company, based on the authorisation resolved by the Annual General Meeting of the Company on 16 October 2006. A total of 370,444 shares were repurchased.

Calculation of the earnings per share was based on the weighted average number of shares circulating during the reporting period, and the consolidated earnings attributable to the shareholders of FP Holding. The number of shares has therefore been adjusted for the repurchased shares in accordance with IAS 33.20. Moreover, the 2010 stock option programme must be taken into consideration when calculating the average number of shares circulating.

The weighted average number of shares for financial year 2014 is therefore 15,835,008 shares (undiluted; previous year: 15,789,556 shares) and 16,165,755 shares (diluted: previous year: 15,920,729 shares). The weighted average number of undiluted and diluted shares breaks down as follows:

Thousand euro	2014	2013
Ordinary shares issued as at 1 January	16,160,000	16,160,000
Effect of treasury shares	-202,944	-370,444
Weighted average number of ordinary shares (undiluted) as at 31 December	15,835,008	15,789,556
Effect of issued stock options	330,747	131,173
Weighted average number of ordinary shares (diluted) as at 31 December	16,165,755	15,920,729

With consolidated earnings (attributable to the shareholders of FP Holding) of 5,094 thousand euro (previous year: 4,931 thousand euro), the earnings per share (undiluted and diluted) was 0.32 euro (previous year: 0.31 euro).

IV. NOTES TO THE CONSOLIDATED BALANCE SHEET

(10) NON-CURRENT ASSETS

The changes in individual items of non-current assets in the reporting period are shown in the statement of changes in non-current assets, which can be found at the end of the notes (Annex to the Notes). Purchased intangible assets are stated in the balance sheet together with internally generated intangible assets, which relate exclusively to capitalised development costs. These are presented separately in the statement of changes in non-current assets.

The **intangible assets**, with book values of 32,903 thousand euro (previous year: 32,750 thousand euro), include purchased intangible assets of 4,133 thousand euro (previous year: 4,749 thousand euro), and development costs for internally generated intangible assets of 12,066 thousand euro (previous year: 11,723 thousand euro). Furthermore, this item also states (separately) goodwill of 9,147 thousand euro (previous year: 9,147 thousand euro) as well as development projects which have not yet been completed with book values of 7,557 thousand euro (previous year: 7,131 thousand euro).

Purchased intangible assets essentially comprise 4,751 in customer relationships allocated in 2010 in the scope of the purchase price allocation in connection with Franco Frankerings Interessenter AB, Stockholm/Sweden. The relevant customer relationships were built up based on contractual agreements, and were not accounted for at the date immediately before acquisition.

As at 31 December 2014, the Swedish relationships still have a book value of 2,521 thousand euro (previous year: 2,946 thousand euro). The scheduled amortisation of these customer relationships (without consideration of exchange rate differences) was 254 thousand euro in financial year 2014 (previous year: 283 thousand euro). In addition, there was no impairment (previous year: 180 thousand euro which was recorded in the statement of comprehensive income under depreciation and impairments). The remaining amortisation period is 10 years and 3 months.

As sales revenue in financial year 2014 fell significantly short of the previous year's expectations, customer relationships were tested for impairment under IAS 36. The residual value method was applied. Under the residual value method, the present value of the cash flows attributable solely to the asset to be valued is determined. The discount rate for the cash flows is based on the concept of the weighted average cost of capital (WACC) after tax, and is 8.82%. A value of 2,527 thousand euro was calculated for customer relationships.

Further material items in acquired intangible assets are software products of the individual subsidiaries of the FP Group totalling 1,224 thousand euro.

In financial year 2014, there were research and development costs of 8,925 thousand euro (previous year: 8,989 thousand euro), of which a total of 4,553 thousand euro (previous year: 4,165 thousand euro) was capitalised. A total of 4,372 thousand euro (previous year: 4,604 thousand euro) was recorded as overheads. Borrowing costs of 198 thousand euro (previous year: 266 thousand euro) were capitalised in the reporting period. An average capitalisation rate of 3.51% (previous year: 4.19%) was applied.

Goodwill of 9,147 thousand euro (previous year: 9,147 thousand euro) breaks down to 5,851 thousand euro (unchanged from the previous year) for the cash-generating unit freesort, 2,643 thousand euro (unchanged from the previous year) for the cash-generating unit iab, and 653 thousand euro (unchanged from the previous year) for the cash-generating unit Mentana-Claimsoft. The impairment losses accumulated for the reported goodwill were 12,500 thousand euro for freesort, and 1,275 thousand euro for iab (unchanged from the previous year in each case).

At the balance sheet date, the Group determined the recoverable amounts of the cash-generating units, to which goodwill was assigned. This was performed in accordance with IAS 36, in the form of impairment tests. The recoverable amount is the higher of the following two values: fair value less cost to sell, or value in use.

When determining the recoverable amount of the respective cash-generating units freesort, iab and Mentana-Claimsoft, the fair value less cost to sell was taken into account, as the management estimated that this value was higher than the respective value in use in each case.

As it was not possible to derive the fair value less cost to sell based on information from active markets, owing to the lack of past transactions, the calculation was made using discounted cash flows (Level 3 fair value hierarchy). The basis of this calculation is provided by cash flow forecasts, which, in turn, are based on the financial plans of the management. The values used for these assumptions are based on external analyses of the postal market, and on management experience. The financial plans primarily consist of performance planning, the balance sheet and cash flow statement. For the first three years, they will be derived in detail on the basis of sales planning, and then extrapolated for the two subsequent planning years using general assumptions. Perpetuity is assumed at freesort, iab and Mentana-Claimsoft from the fifth planning year onwards.

The discount rates were derived in accordance with the requirements of IAS 36, taking into account a growth rate for the cash flow after the end of the five-year planning period. The discount rates are based on the weighted average cost of capital (WACC).

Calculation of the recoverable amount is initially based on cash flows discounted at capital costs after taxes. The capital costs before taxes were then calculated iteratively.

Costs to sell are included in the calculation of fair value at a general rate.

No impairment was determined as part of the impairment test carried out in 2014 regarding the goodwill of **freesort**, as the fair value less cost to sell was calculated to be higher than the book value of the assets. At 13,043 thousand euro, the recoverable amount, based on the cash-generating unit, was 1,262 thousand euro higher than the book value (previous year: 10,206 thousand euro). If only 89.8% (previous year: 58.6%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 11.06% (previous year: 8.9%) was used to determine the fair value less cost to sell of freesort. The corresponding rate before taxes was 14.76% (previous year: 10.2%). The cash flows to be generated at freesort after the analysis period of five years are extrapolated on the basis of the fifth planning year, at a growth rate of 1.0% (previous year: 1.0%).

The following basic assumptions used to calculate the fair value less cost to sell of freesort are subject to estimate uncertainty affecting EBIT and, as a result, the cash flows to be discounted and the discount rate:

- Mail volumes: the future development of cash flows is dependent on the number of customer relationships and the volume of mail processed. Sales growth will range between 2.0% and 8.0%. The values used are based on an evaluation of market potential and current customer contacts, and show a strongly positive trend. The assumptions are based on the positive trend in the financial year and planned expansion of distribution activities.

- Gross profit margin: the gross profit margin applied is based on the current realisable values and management experience. A moderately positive margin trend is expected. EBITDA in % of revenue is expected to grow at a rate ranging between 3.8% and 4.9%.

- Discount rate: assumptions concerning the individual components of the WACC and the long-term growth rate.

The underlying positive planning is slightly lower than the assumptions in the previous year.

A sensitivity analysis of the main calculation parameters provides the following information (ceteris paribus):

	31.12.2014		31.12.2013	
Discount rate	11.1 %	13.0 %	8.9 %	14.5 %
Impairment	–	0.8 million euro	–	0.4 million euro
Fluctuation in planned EBIT	100.0 %	85.0 %	100.0 %	55 %
Impairment	–	0.6 million euro	–	0.9 million euro
Growth rate	1.0 %	0.0 %	1.0 %	-11.0 %
Impairment	–	0.0 million euro	–	0.2 million euro

No impairment was determined as part of the impairment test carried out in 2014 regarding the goodwill of iab, as the fair value less cost to sell was calculated to be higher than the book value of the assets. At 7,128 thousand euro, the recoverable amount, based on the cash-generating unit (incl. minority interests of 49%), was 828 thousand euro higher than the book value (previous year: 1,213 thousand euro). If only 90.9% (previous year: 86.3%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 13.23% (previous year: 10.2%) was used to determine the fair value less cost to sell. The corresponding rate before taxes was 17.85% (previous year: 11.53%). The cash flows to be generated at iab after the analysis period of five years are extrapolated on the basis of the fifth planning year, at a growth rate of 2.0% (previous year: 2.0%).

The following basic assumptions used to calculate the fair value less cost to sell of iab are subject to estimate uncertainty affecting EBIT and, as a result, the cash flows to be discounted and the discount rate:

- Mail volumes: the future development of cash flows is dependent on the number of customer relationships and the volume of mail processed. Sales growth from 2015 onwards will range between 5.0% and 17.9%. The values used are based on an evaluation of market potential and current customer contacts and show a strongly positive trend.

- Gross profit margin: the gross profit margin applied is based on the current realisable values and management experience. A moderately positive margin trend is expected. EBITDA in % of revenue is expected to range between 7.6% and 8.8%.

- Discount rate: assumptions concerning the individual components of the WACC and the long-term growth rate.

Overall, the underlying planning is somewhat more optimistic compared to the previous year, due to the positive development of iab during the year.

A sensitivity analysis of the main calculation parameters, based on goodwill reported in the consolidated financial statement, provides the following information (ceteris paribus):

	31.12.2014		31.12.2013	
Discount rate	11.1%	13.0%	10.2%	12.0%
Impairment	–	0.8 million euro	–	0.4 million euro
Fluctuation in planned EBIT	100.0%	85.0%	100.0%	80.0%
Impairment	–	0.6 million euro	–	0.6 million euro
Growth rate	2.0%	0.0%	2.0%	-1.0%
Impairment	–	0.0 million euro	–	0.5 million euro

No impairment was determined as part of the impairment test carried out in 2014 regarding the goodwill of **Mentana-Claimsoft**, as the fair value less cost to sell was calculated to be higher than the book value of the assets. At 4,969 thousand euro, the recoverable amount of the cash-generating unit was 2,162 thousand euro higher than the book value (previous year: 13,395 thousand euro). If only 44% (previous year: 15.6%) of the planned EBIT is achieved, the recoverable amount would be equal to the book value of the assets.

A discount rate (WACC) after taxes of 18.63% (previous year: 14.3%) was used to determine the fair value less cost to sell. The corresponding rate before taxes was 22.06% (previous year: 16.25%). The cash flows to be generated at Mentana-Claimsoft after the analysis period of five years are extrapolated on the basis of the fifth planning year, at a growth rate of 2.0% (previous year: 2.0%).

The following basic assumptions used to calculate the fair value less cost to sell of iab are subject to estimate uncertainty affecting EBIT and, as a result, the cash flows to be discounted and the discount rate:

– Mail volumes: the future development of cash flows is dependent on the number of customer relationships and the volume of mail processed. Sales growth from 2015 onwards will range between 41.5% and 128.8%. The values used are based on an evaluation of market potential, and show a positive trend. The assumptions are based specifically on the customer contracts concluded in the financial year.

– Gross profit margin: the gross profit margin applied per transported De-Mail is based upon the values currently expected by the management. They reflect comparative values for physical letters, taking into account the cost advantages for market participants. Strongly increasing margins are expected. EBITDA in % of revenue is expected to range between -48.0% and 22.5%.

– Discount rate: assumptions concerning the individual components of the WACC and the long-term growth rate.

Overall, the underlying planning is more cautious compared to the previous year, due to continued market observations.

A sensitivity analysis of the main calculation parameters, based on goodwill reported in the consolidated financial statement, provides the following information (ceteris paribus):

	31.12.2014		31.12.2013	
Discount rate	18.6%	30.0%	14.3%	50.0%
Impairment	–	0.6 million euro	–	0.2 million euro
Fluctuation in planned EBIT	100.0%	40.0%	100.0%	10.0%
Impairment	–	0.2 million euro	–	0.9 million euro
Growth rate	2.0%	0.0%	2.0%	-99.9%
Impairment	–	0.0 million euro	–	0.0 million euro

Property, plant and equipment includes assets leased with book values of 18,862 thousand euro (previous year: 10,060 thousand euro), and investments in finance leases (where the FP Group is the lessee), with book values of 6,387 thousand euro (previous year: 7,509 thousand euro). The FP Group finances sorting and franking machines, printers as well as leased assets via finance leases.

The manufacturing costs of property, plant and equipment during the reporting period include capitalised assets of 15,496 thousand euro (previous year: 13,476 thousand euro). Compensation sums of 5 thousand euro were collected from third parties in the previous year for tangible Non-current assets that were impaired, lost or decommissioned.

Capital expenditure of 1,847 thousand euro pertains to the transfer of the administration in Germany to Berlin. This was the main reason for the increase in the following property, plant and equipment items: property, technical equipment and machinery, operating and office equipment as well as advance payments totalling 4,258 thousand euro.

We refer here to the notes on collateral in Subsection 23 as well as capital expenditure obligations in Subsection 24 of this Section.

(11) RECEIVABLES FROM FINANCE LEASES

The reconciliation of future minimum lease payments for receivables from finance leases is as follows:

31.12.2014

		Residual terms		
Thousand euro	**Total**	up to 1 year	1 – 5 years	more than 5 years
Future minimum lease payments	4,824	1,718	3,085	21
Interest component	981	487	489	5
Receivables from finance leases (cash value)	**3,843**	**1,231**	**2,596**	**16**

Receivables from finance leases increased significantly by 1,853 thousand euro. This is due to a revised sales approach in the Group companies Francotyp-Postalia Ltd., Dartford, UK and Italiana Audion s. r. l., Milan, Italy. Both companies are, for the first time since 2014, reporting receivables from finance leases along with Francotyp-Postalia Vertrieb und Service GmbH, Birkenwerder, Germany. Of the receivables from finance leases of 3,843 thousand euro, 1,202 are attributable to Francotyp-Postalia Ltd. and 710 thousand euro to Italiana Audion s. r. l.

There are no non-guaranteed residual values in favour of the lessor to date. The value of gross investments therefore corresponds to the specified future lease payments of 4,824 thousand euro (previous year: 2,296 thousand euro) in accordance with IAS 17.7. After discounting 981 thousand euro (previous year: 306 thousand euro), this results in a net investment of 3,843 thousand euro (previous year: 1,990 thousand euro), corresponding to financial income not yet realised, as the difference between gross and net investment. No impairment was recognised for uncollectible minimum lease payments or contingent rent payments recognised as income in financial year 2014 as of the reporting date (nor in the previous year).

31.12.2013

		Residual terms		
Thousand euro	**Total**	up to 1 year	1 – 5 years	more than 5 years
Future minimum lease payments	2.296	1.246	1.050	0
Interest component	306	251	55	0
Receivables from finance leases (cash value)	**1.990**	**995**	**995**	**0**

The future minimum lease payments from non-cancellable operating lease agreements, which FP receives as the lessor when leasing franking and inserting machines, are as follows:

31.12.2014

Thousand euro	Total	Residual terms up to 1 year	1 – 5 years	more than 5 years
Future minimum lease payments from non-cancellable operating lease agreements	**50,525**	**24,619**	**25.856**	**50**

31.12.2013

Thousand euro	Total	Residual terms up to 1 year	1 – 5 years	more than 5 years
Future minimum lease payments from non-cancellable operating lease agreements	**42,571**	**20,309**	**22,019**	**243**

The change is mainly due to strong new business in the United States. An old type of franking machine must be replaced with the new franking system PostBase, causing future minimum lease payments from non-cancellable operating lease agreements alone to increase by 6,282 thousand euro.

(12) INVENTORIES

Thousand euro	**31.12.2014**	31.12.2013
Raw materials and supplies	4,324	3,578
Work in progress	875	530
Finished products and merchandise	4,835	4,712
Total	**10,034**	**8,820**

The impairment of inventories amounts to 1,854 thousand euro (previous year: 1,727 thousand euro) and is recognised in the consolidated statement of comprehensive income under materials costs. The use inventories on the consolidated statement of comprehensive income in the reporting period totalled 35,273 thousand euro (previous year: 34,647 thousand euro).

We refer here to the notes on collateral in Subsection 23 of this Section.

(13) TRADE ACCOUNTS RECEIVABLE

The accounts receivable break down as follows:

Thousand euro	**31.12.2014**	31.12.2013
Accounts receivable – domestic	7,238	7,903
Accounts receivable – international	10,080	9,164
Total accounts receivable	**17,318**	**17,067**

As at 31 December 2014, accounts receivable were reported at gross 18,647 thousand euro (previous year: 18,791 thousand euro).

The impairment accounts take into account individual value adjustments and impairment losses on a portfolio basis. The individual value adjustments take into account specifically identifiable risks on an individual basis. However, when calculating the impairments on a portfolio basis, a general procedure is applied. This also takes into account the (over-)maturities of receivables.

The development of the impairment accounts is as follows:

	Thousand euro
As at 01.01.2013	**1,831**
Charged as expenses (impairment loss)	1,362
Drawdowns	1,412
Reversals	59
As at 31.12.2013	**1,723**
Foreign currency effects	116
As at 01.01.2014	**1,839**
Charged as expenses (impairment loss)	1,087
Drawdowns	1,341
Reversals	256
As at 31.12.2014	**1,329**

There are no impairment losses for other classes of financial instruments, other than accounts receivable.

Additions to the impairment accounts are recognised under other operating expenses.

As at 31 December 2014 (and 31 December 2013), the age structure of accounts receivable was as follows:

Thousand euro	Nominal value Total	Of which not overdue	Of which overdue accounts receivable		
			0 to 60 days	61 to 120 days	more than 120 days
31.12.2014					
Gross book value	18,647	9,062	5,675	2,233	1,677
Impairment	1,329	167	241	305	616
31.12.2013					
Gross book value	18,790	9,832	5,593	2,378	987
Impairment	1,723	196	260	583	684

Financial assets which are neither regarded as overdue nor impaired are considered to be recoverable.

(14) SECURITIES

The reported securities with a fair value of 680 thousand euro (previous year: 680 thousand euro) include shares in a reinvestment fund, which are held for trading purposes, and which are primarily invested in fixed-income securities, money market instruments and demand deposits. The reported securities have no fixed maturity and no fixed interest rate.

Securities of 590 thousand euro have been pledged for postage from DPAG by means of a guarantee from Commerzbank. This is unchanged from the previous year's financial statement.

(15) OTHER CURRENT ASSETS

Thousand euro	**31.12.2014**	31.12.2013
Deferred payments	4,964	3,843
Reimbursement claims from other taxes	659	258
Other financial assets	5,616	5,536
Total	**11,239**	**9,637**

Deferred payments relate primarily to advances to independent dealers of Francotyp-Postalia Inc., Addison, Illinois, USA for long-term customer contracts.

The reimbursement claims from other taxes are 306 thousand euro for FP Holding AG (previous year: 0 thousand euro), and 202 thousand euro (previous year: 137 thousand euro) for iab, and relate to sales tax pre-payments.

As at 31 December 2014, other financial assets of 2,612 thousand euro particularly related to accounts with debit balances (previous year: 2,300 thousand euro). In addition, they include advances (995 thousand euro), receivables in connection with a claim for damages against a former board member (490 thousand euro), claims for grants (292 thousand euro), receivables from trading partners (399 thousand euro) and deposits (169 thousand euro).

(16) LIQUID ASSETS

Thousand euro	**31.12.2014**	31.12.2013
Credit balances at financial institutions	16,192	28,647
Cheques and cash in hand	327	343
Total	**16,519**	**28,990**

Of the credit balances at financial institutions, 2,803 thousand euro (previous year: 2,610 thousand euro – adjusted) are subject to limited availability. This sum is related to Teleporto funds received from customers, which can be requested by customers at any time. A corresponding amount is reported under other liabilities.

The changes in cash and cash equivalents are shown in the cash flow statement.

(17) EQUITY

Changes in equity are shown in the statement of changes in equity.

Components of Group equity
The capital of FP Holding is comprised of the share capital of 16,160 thousand euro (previous year 16,160 thousand euro) and the capital reserve of 35,032 thousand euro (previous year: 35,312 thousand euro) provided by the shareholders and other reserves. With regard to other reserves we refer to the consolidated statement of changes in equity.

Differences arising as a result of currency translation for transactions by foreign subsidiaries and deviations between monthly average exchange rates in the consolidated statement of comprehensive income and the exchange rates as at the balance sheet date are reported in other cumulated equity.

The share capital is subdivided into 16,160,000 no-par value bearer shares, each representing a pro rata stake in the profits of the Company. Each share represents one vote at the Annual Shareholders' Meeting and guarantees the holder one dividend entitlement. The share capital is fully paid in.

Capital reserves

All shares of FP Holding were admitted to the official market with simultaneous admission to the sub-segment of the official market with further admission requirements (Prime Standard) for the Frankfurt Stock Exchange on 30 November 2006. FP Holding generated gross proceeds of 51,300 thousand euro in the IPO from the sale of 2,700,000 shares. Additional payments by the new shareholders of 48,600 thousand euro were allocated to capital reserves. The expenses of the IPO were a total of 4,603 thousand euro. The expenses were offset in the consolidated financial statements with an amount of 2,892 thousand euro against the capital reserve directly in equity under consideration of the tax effect of 1,711 thousand euro.

A net loss of 12,527 thousand euro was offset against the capital reserve in financial year 2011.

On 23 March 2012, the Management Board with the approval of the Supervisory Board decided to increase the share capital by 1,460 thousand euro against cash contributions by issuing 1,460,000 no-par value bearer shares. The issue price was 2.66 per share and the issue generated gross proceeds of 3,884 thousand euro. The additional payment by the new shareholder minus the costs of the capital increase was set aside in capital reserves at an amount of 2,131 thousand euro under consideration of the tax effect.

From September to December 2014, the first stock options (167,500 stocks) from the stock option plan 2010 were exercised by the option owners. FP Holding issued treasury shares from its stock. This led to a decrease of treasury shares by 827 thousand euro and a reduction of capital reserves of 408 thousand euro.

Capital authorisation for approved and conditional capital

On 30 June 2011, it was decided by a resolution of the FP Holding Shareholders' Meeting that approved capital of 7,350 thousand euro be created, the articles of association be amended accordingly, and the share capital be increased conditionally by an amount of up to 6,305 thousand euro through the issue of no-par value bearer shares, each representing 1.00 of share capital. Furthermore, the Management Board has been authorised to issue warrants and convertible debentures with the option to exclude subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and to create conditional capital and a corresponding amendment.

Share buy-back programme

On 20 November 2007, the board of Francotyp-Postalia Holding AG decided to execute the share buy-back programme of the Company on the basis of the authorising resolution of the Shareholders' Meeting of the Company on 16 October 2006, to be able to purchase companies or holdings in companies with own shares as acquisition currency.

A total of 370,444 shares were purchased in the period from November 2007 to April 2008. These shares were deducted with their purchase cost of 1,829 thousand euro from equity (reserves for treasury shares) on the balance sheet in accordance with IAS 32.33. No other shares were purchased in the reporting year.

As a part of exercising stock options under the stock option plan 2010, 167,500 treasury shares were issued during the financial year. On 31 December 2014, treasury shares correspond to a share of 1.26% (previous year: 2.29%) of the share capital, whereby they had a market value of 795 thousand euro (previous year 1,519 thousand euro) on the closing date. The development of the amount of shares in circulation can be seen from the following reconciliation table:

NUMBER OF SHARES IN CIRCULATION

Number of no-par value shares	16,160,000
Buy-back of treasury shares	-370,444
As at 31.12.2013	**15,789,556**
Number of no-par value shares	16,160,000
Buy-back of treasury shares	-202,944
As at 31.12.2014	**15,957,056**

Resolutions in 2010

On 1 July 2010, the Shareholders' Meeting authorised the Company up to 30 June 2015, with the approval of the Supervisory Board, to purchase treasury shares up to a total of 10% of the share capital existing on 1 July 2010. At no time may the shares acquired in accordance with this authorisation, together with other treasury shares held by the Company or attributed to it in accordance with Sections 71d and 71e of the German Stock Corporation Act (Aktiengesetz), represent more than 10% of the share capital.

The authorisation may be exercised in whole or in part, and on one or on several occasions. The authorisation is valid until 30 June 2015. The shares are purchased at the Management Board's discretion as a purchase via the stock exchange or via public tender offer.

In addition to a sale via the stock exchange or via a tender to all shareholders, the Management Board or, in the case mentioned in item ee), the Supervisory Board was authorised to use the purchased treasury shares as described in items aa) to cc). The authorisations may be exercised on one or several occasions, individually or together, fully or in parts.

(aa) Treasury shares may be redeemed with the approval of the Supervisory Board without the redemption or the implementation thereof requiring another resolution from the shareholders. The redemption leads to capital reduction. The redemption can also be done in a simplified process without capital reduction by adjusting the proportionate amount of the share capital of the remaining shares in accordance with Section 8 (3) German Stock Corporation Act (AktG). In this case, the Management Board is authorised to change the number of shares in the articles of association accordingly.

(bb) With the approval of the Supervisory Board, the treasury shares may be offered to third parties against contributions in kind, particularly with respect to business combinations or upon purchase of companies or investments in the same. The treasury shares may also be transferred to third parties if the acquisition of the company or equity investment is in the best interest of the Company and provided that the consideration to be provided for the treasury shares is not unreasonably low.

(cc) Treasury shares may be issued with the approval of the Supervisory Board against cash contributions in order to introduce the Company's shares to foreign stock exchanges where the securities are not yet listed.

(dd) With the approval of the Supervisory Board, the treasury shares may be sold to third parties against cash if the price at which the shares are sold is not significantly below (without incidental purchase costs) the price of a share determined on the day of sale by the opening auction in the electronic Xetra trading (or a similar successor system) of the Deutsche Börse AG in Frankfurt am Main. Overall, the shares issued based on the authorisations under this item dd) that were issued in the corresponding application of Section 186 (3) sentence 4 of the German Stock Corporation Act (under exclusion of subscription rights against cash contributions close to the stock price), may not exceed 10% of the share capital at the time of this resolution and its implementation. This limitation shall apply to shares that were issued or sold in direct or corresponding application of this provision during the past 12 months before using this authorisation up until this point.

(ee) Treasury shares may be issued by the Supervisory Board to offer individual members of the Board treasury shares instead of cash payment owed by the Company. However, the prerequisite for this is that the price which is taken as the basis to determine the number of treasury shares to be transferred in lieu of performance is not significantly below (without incidental purchase costs) the price of a share determined on the day of tender submission in the electronic Xetra trading (or a similar successor system) of the Deutsche Börse AG in Frankfurt am Main.

(ff) Treasury shares may be issued with the approval of the Supervisory Board to use rights that were properly issued and exercised under the stock option plan 2010 of the Company. The stock option plan 2010 was received by the Shareholders' Meeting for resolution as item 8 on the agenda.

The right of the shareholders to acquire the purchased treasury shares is excluded to the extent that these shares are issued in accordance with the aforementioned authorisations under (bb) to (ff).

Resolutions in 2012

On 23 March 2012, with the approval of the Supervisory Board, the Management Board decided to increase the share capital of FP Holding from 14,700,000, divided into 14,700,000 no-par value bearer shares, by 1,460,000 against cash contributions to 16,160,000 by issuing 1,460,000 no-par value bearer shares with full dividend rights as from 1 January 2012. The legal subscription rights of the shareholders were excluded. The issue price was 2.66 per share and the issue generated gross proceeds of 3,883,600. 3R Investments Ltd, Limassol, Cyprus subscribed to and acquired 1,460,000 new no-par value bearer shares. The cash contributions plus premium were received in March 2012.

Conditional capital increase and stock option plan 2010

The following is stated in 1.1. of the stock option plan 2010 of Francotyp-Postalia Holding AG: "The Annual General Meeting of Francotyp-Postalia Holding AG [...] resolved on 1 July 2010 (i) to conditionally increase the share capital of the Company by up to 1,045,000 by issuing up to 1,045,000 no-par value bearer shares [...] and (ii) to issue rights to members of the Company's Management Board, members of the management of affiliated companies in terms of Section 15 AktG [...] and to the executives of the FP group that entitle the holder to receive a maximum total of 1,045,000 shares against payment of the exercise price."

The adopted stock option plan exclusively provides for compensation in equity capital instruments, primarily by using treasury shares, and thereafter by way of a conditional capital increase.

The purpose of the stock option plan, pursuant to 1.3 of the stock option plan, is "the sustainable link between the interests of corporate management and the executives and the interests of the shareholders for a long-term increase of the Company's value."

A total of 900,000 stock options was issued as at 1 September 2010. A further 75,000 stock options were allocated on 27 April 2012, and an additional 20,000 stock options on 7 September 2012. On 6 December 2013, a further 57,500 stock options were allocated and another 30,000 were allocated in 2014. Pursuant to 2.3 of the stock option plan, an option always has a term of 10 years from the date of allocation. The options are not securitised as per 2.4 of the stock option plan of 2010. Additional payments were not to be made for the allocation of options as per 5.5 of the stock option plan 2010. Out of the 900,000 allocated stock options, 180,000 stock options are attributed to one active and one former member of the board of Francotyp-Postalia Holding AG

Pursuant to 2.2 of the stock option plan 2010, every individual stock option carries the authorisation to purchase a share of Francotyp-Postalia Holding AG. The following conditions must be met cumulatively to exercise the options:

a) Waiting period

Unless otherwise stated in 7.1 of the stock option plan and the terms of the stock option plan, the waiting time must have expired and the exercise need not be within a [certain] vesting period. [...] The waiting period until options may be exercised is 4 years." This is a service condition.

b) Performance target

7.2 of the stock option plan states: "The performance target must be achieved. The performance target for the issued options is achieved when the EBITDA, as declared in the consolidated financial statements for the financial year of the allocation of the option, is increased by 10% on the EBITDA as declared in the consolidated financial statements for the previous financial year before the allocation. [...] If the performance target was not achieved, the options are forfeited." This performance target is a non-market-related performance condition.

c) Personal prerequisites for exercise

7.3 of the stock option plan states that the option owner has to be employed either by Francotyp-Postalia Holding AG or a domestic or international company of the FP Group at the time of exercise.

The following fair values were determined for the options:

		Allocation date				
		1.9.2010	27.4.2012	7.9.2012	6.12.2013	11.6.2014
31.12.2014						
Single option	euro	1,37	1,31	1,17	1,85	1,82
All options	thousand euro	781	39	23	106	55
31.12.2013						
Single option	euro	1,37	1,31	1,17	1,85	n/a
All options	thousand euro	1.051	98	23	106	n/a

The assessment was done with the help of a Black-Scholes option price model as public trading of options does not exist for Francotyp-Postalia shares with the same characteristics.

The assessment is based on the following:

	Allocation date				
	1.9.2010	27.4.2012	7.9.2012	6.12.2013	11.6.2014
Price of an FP share	2.55 euro	2.60 euro	2.32 euro	4.10 euro	4.71 euro
Exercise price	2.50 euro	2.61 euro	2.34 euro	3.86 euro	4.56 euro
Expected exercise date	31.08.2015	26.04.2017	06.09.2017	05.12.2018	10.06.2019
Expected volatility	74.48 %	70.8 %	71.3 %	59.9 %	52.21 %
Annual dividend yield	2 %	2 %	2 %	2 %	2 %
Risk-free interest rate for equivalent maturities	1.32 %	0.67 %	0.60 %	0.82 %	0.44 %
Number of exercisable share options at allocation date	741,439	52,031	16,476	39,646	19,596

- Pursuant to the stock option plan, the exercise price of the granted stock options corresponds to the average market price (closing price) of the no-par value bearer shares of Francotyp-Postalia Holding AG in the electronic Xetra trading of the Deutsche Börse AG in Frankfurt am Main or a similar successor system in the last 90 days before 1 September 2010; 27 April 2012; 7 September 2012; 6 December 2013; or 11 June 2014, in euro, at least however to the amount attributable to a share in the share capital.

- The options are exercised, on average, approximately after 5 years (expected average holding period).

- The expected volatility was determined on the basis of the price volatility of a Francotyp-Postalia share shown in the period from 30 November 2006 to 27 August 2010; 28 April 2007 to 27 April 2012; 8 September 2007 to 7 September 2012; 8 December 2008 to 6 December 2103; or 11 June 2009 to 10 June 2014.

- The payout/dividend policy of the FP Group in the past was considered in estimating the dividend yields.

– The risk-free interest rate for equivalent maturities for the expected option period of 5 years is based on interest rate structure data as at 31 August 2010, 27 April 2012, 7 September 2012, 6 December 2013 or 10 June 2014, whereby hypothetical zero-coupon bonds were derived on the basis of running yields of coupon bonds of the Federal Republic of Germany.

The following assumptions were made for the *new tranche in 2014* to determine the number of exercisable stock options at the end of the waiting period:

– The annual employee fluctuation was estimated at 7.70% (previous year: 7.70%).

– The probability of EBITDA growth exceeding 10% was estimated at 90% (previous year: 95%).

In case of exercising options, the amount of 2.50 (2.61 euro, 2.34 euro, 3.86 euro or 4.56 euro) per share must be paid by the respective stockowner, whereby there is a specific limit for the members of the Management Board of Francotyp-Postalia Holding AG. Point 9 of the stock option plan states: "The Supervisory Board must stipulate a maximum total annual remuneration (capping limit) for the Management Board as per the stipulation of point 4.2.3 of the Corporate Governance Code. The corresponding agreement shall be done by means of a supplement agreement to the employment contracts of the Board members before granting the options."

The following table shows the progress of the share-based remuneration in the reporting year as per IFRS 2:

Optionen	Number	Average exercise price in euro
As at 31.12.2012	**927,500**	**2.51**
Granted in the financial year	57,500	3.86
Forfeited in the financial year	-65,000	2.50
Exercised during the financial year	0	n/a
Expired in the financial year	0	n/a
As at 31.12.2013	**920,000**	**2.59**
Bandwidth of the exercise price		2.34-3.86
Average remaining term as at 31.12.2013		25 months
Exercisable as at 31.12.2013	0	n/a
As at 31.12.2013	**920,000**	**2.59**
Granted in the financial year	30,000	4.56
Forfeited in the financial year	-75,000	2.57
Exercised during the financial year	-167,500	2.50
Expired in the financial year	0	n/a
As at 31.12.2014	**707,500**	**2.70**
Bandwidth of the exercise price		2.34-4.56
Average remaining term as at 31.12.2014		15 months
Exercisable as at 31.12.2014	570,000	2.50

Resulting from the stock option plan, 196 thousand euro (previous year 145 thousand euro) were recognised as personnel costs with a counter entry directly in equity (stock options reserve) as at 31.12.2014.

Other comprehensive income

Companies that do not belong to the eurozone are also included in the consolidated financial statements for 2014. As the euro is the functional currency of the FP Group, the financial statements of the concerned subsidiaries are converted to euro as part of the consolidated financial statements. Translation-related effects that arise when the value of the net asset positions translated to euro changes due to exchange rate fluctuations are reported in other comprehensive income or foreign currency translation reserve.

Translation differences from monetary items which are part of net investments in a foreign business operation are recognised in other comprehensive income or in reserves for net investments in foreign business operations. The translation differences include long-term loans to FP Canada and FP Sweden.

The net translation adjustments (foreign currency translation and net investments) that are entered in comprehensive income were as follows:

Thousand euro	**2014**	2013
Balance at the start of reporting period	-1,223	-459
Translation differences in reporting period	2,105	-764
Balance as at 31 December	**882**	**-1,223**

In connection with the revaluation of direct benefit pension commitments, other comprehensive income increased by 2,150 thousand euro in the reporting year. This is an increase of 385 thousand euro compared to the same period in the previous year. The amounts are recognised correspondingly in the reserve for revaluation of direct benefit pension commitments. We refer also to Section III, Subsection 18.

Overall, other cumulated shareholders' equity accordingly includes amounts from currency translation, net investments in foreign business operations and revaluation of direct benefit pension commitments.

Net investments in foreign business operations

FP GmbH provided significant funds to its Canadian subsidiary to purchase new machines after a decertification and to provide them to their customers. This represents a net investment in a (Canadian) business operation, the settlement of which is neither planned nor likely in a foreseeable period. The currency difference resulting from the translation after deferred taxes in the net amount of 58 thousand euro (previous year: -545 thousand euro) is recognised in comprehensive income in accordance with IAS 21.32 et seq.

FP GmbH re-financed Francotyp-Postalia Sverige AB as part of the acquisition of shares of Franco Frankerings Interessenter AB (formerly: Carl Lamm Personal AB) to a large extent. As a repayment of the concerned resources by Francotyp-Postalia Sverige AB to FB GmbH is not to be expected in the near future, the re-financing of Francotyp-Postalia Sverige AB is seen as a net investment in a (Swedish) business operation. The currency difference resulting from the translation after deferred taxes to the net amount of -97 thousand euro (previous year: -46 thousand euro) is entered in comprehensive income in accordance with IAS 21.32 f.

Non-controlling interests

The non-controlling interests include adjustment items for minority interests of external shareholders in the capital requiring consolidation from capital consolidation and for their share in profit and loss. The non-controlling interests to the amount of 1,365 thousand euro (previous year 764 thousand euro) are recognised in Group equity, separately from the equity of the parent company in accordance with IAS 27.33 and pertain to the remaining shareholders of iab.

Payout of a dividend

In the reporting year 2014, there was a dividend payout of 1,263,164.48.

The Board shall propose to the Supervisory Board and put forward the recommendation to use the profit of FP Holding of 12,587,648.74 as follows, at the Annual General Meeting of 2015:

in euro		
Payout	of € 0.16 dividends per dividend-entitled share	2,553,128.96
Accumulated profit		10,034,519.78
Profit		12,587,648.74

Based on the German Commercial Code, the Company earned the following distributable amount for the period ending 31 December 2014:

in euro	**31.12.2014**
Issued capital	15,957,056.00
Capital reserves	38,748,081.39
Profit	12,587,648.74
Shareholders' equity	67,292,786.13
./. Issued capital	-15,957,056.00
less Capital reserves	-38,748,081.39
./. Pay-out block under section 268 para. 8 HGB	-2,469,977.00
Potentially available for pay-out	10,117,671.74

(18) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Performance-based benefit commitments are in place for the occupational provision of pensions to employees.

Pursuant to a work's agreement concerning companies in Germany dated 9 July 1996, all staff members whose employment relationship began before 1 January 1995 are beneficiaries. The pension payments, in the form of pensions, disability benefits and provision for surviving dependants, are granted to staff following the completion of ten years' service. The extent of the pension commitments is based on the duration of employment and the employees' remuneration.

Furthermore, also employees who receive a salary in excess of the agreed wage scale have a right to pensions, disability benefits and provision for surviving dependants in accordance with the 'Guidelines for the payment of retirement pensions to employees who receive a salary in excess of the agreed wage scale' ['Richtlinien für die Zahlung von Ruhegehalt an übertarifliche Angestellte'] in the version dated January 1986. The beneficiaries must have been employed before 1 January 1994 and have completed at least ten years of service. The extent of the pension commitments is based on the duration of employment and the employees' remuneration.

Death benefit obligations for the employees' surviving dependants exist based on the industry-wide tariff agreements for employees and staff as well as the employment agreement of 30 December 1975. The benefits depend on the duration of employment and employment remuneration and are granted as a fixed amount.

In addition, there is a legal obligation to set up pension plans at some of our European subsidiary companies. These plans allow for a one-off payment once the working relationship has ended. The payment amount is based on the duration of employment and employees' remuneration.

A further performance-based pension plan is based on individual agreements and provides a right to pensions, disability benefits and provision for surviving dependants. The pensions, which have specified amounts, are paid at the discretion of the FP Group as a one-off contribution, in three or five annual instalments, or as a lifelong annuity with annually increasing amounts. A fixed monthly payment was also agreed for the disability benefits and provision for surviving dependants. The pension plan is partly financed by reinsurance policies.

The above-mentioned pension commitments are recognised by way of the formation of provisions.

The details of the above-mentioned pension commitments are outlined in the summary below.

There are actuarial risks, such as longevity risk and interest-rate fluctuation risks, associated with the performance-based pension commitments.

The reserves for pension obligations are formed based on pension commitments for old age, disability benefits and provision for surviving dependants. The formation of reserves takes place exclusively for performance-based pension commitments, in which the Company guarantees employees a specified amount of benefit.

The following basic actuarial assumptions are made; these underlie the determination of the projected unit credit of the benefits obligation at the cut-off date:

in % per year	**31.12.2014**	31.12.2013
Interest rate	**1.74**	3.21
Salary trend	**3.00**	3.00
Pension trend	**2.00**	2.00

The biometric basis for the calculations, such as mortality and disability, for pensions in Germany continue to be based on the guidance tables 2005 G by Prof Dr Klaus Heubeck, which are generally accepted for the evaluation of occupational benefits obligations.

The projected unit credit of the benefit obligations, the fair value of the plan assets and the net debt of the benefit obligations developed in 2014 and 2013 as follows:

	Projected unit credit of the benefit obligations		Fair value of the plan assets		Net debt of the benefit obligations	
Thousand euro	2014	2013	2014	2013	2014	2013
As at 01.01. of the reporting period	**14,577**	**15,109**	**-312**	**-283**	**14,265**	**14,827**
Included in profit and loss						
Current service cost	130	180	–	–	130	180
Interest expense (+) interest income (-)	448	445	-10	-8	438	437
Included in other results						
Revaluations						
Actuarial profit and loss						
due to changes in biometrical assumptions	-2	-4	–	–	-2	-4
due to changes in financial assumptions	3,266	-411	–	–	3,266	-411
due to adjustments based on experience	-137	-129	–	–	-137	-129
Income from plan assets (excluding the above interest income)	–	–	3	3	3	3
Other						
Employer contributions to the benefit plan	–	–	-24	-24	-24	-24
Payments from the benefit plan	-584	-613	–	–	-584	-613
As at 31.12. of the reporting period	**17,698**	**14,557**	**-344**	**-312**	**17,354**	**14,265**

The plan assets comprise reinsurance policies in the form of traditional whole-life and annuity insurance with surplus sharing.

The employers' contributions to the plan assets for 2015 are calculated provisionally at 16 thousand euro.

The projected unit credit of the benefit obligations is distributed between the individual groups of those entitled to benefits as follows:

in %	**31.12.2014**	31.12.2013
Active applicants	20.9	24.6
Retired applicants	26.0	21.1
Pensioners	53.1	54.3

All pension commitments are non-forfeitable.

The weighted average maturity of the pension obligations is 15.0 years (previous year: 14.1 years) as at 31 December 2014. The due date of undiscounted pension obligations is distributed over the following period range:

Thousand euro	**31.12.2014**	31.12.2013
up to 1 year	627	618
1 – 5 years	3,230	3,110
6 – 10 years	3,886	3,913
more than 10 years	16,964	17,898
Total	**24,707**	**25,540**

An increase or decrease in the main actuarial assumptions would have the following impact on the defined benefit obligation:

Thousand euro	**Effect on the defined benefit obligation as at 31.12.2014**	
	Increase	**Decrease**
Interest rate (change by 1.00%)	–2,287	2,900
Salary increase (change by 0.50%)	8	–7
Pension increase (change by 0.25%)	502	–480
Life expectancy (change by 1 year)	550	–540

The sensitivity analyses were performed separately for the significant actuarial assumptions to individually show the accumulated benefit obligation calculated as at 31 December 2014.

(19) TAX ASSETS AND LIABILITIES

The following tax assets are identified:

Thousand euro	**31.12.2014**	31.12.2013
Deferred income tax receivables	3,724	5,450
Actual income tax receivables (non-current)	6,689	6,689
Tax receivables	**10,413**	**12,139**

We refer to section I "Assumptions and uncertainty of estimates".

Other current assets includes actual income tax receivables (current) of 1,429 thousand euro (previous year: 228 thousand euro).

The following tax liabilities and tax debts are identified:

Thousand euro	31.12.2014	31.12.2013
Deferred income tax liabilities	659	824
Actual income tax liabilities (current)	2,564	2,188
Tax liabilities and tax debts	**3,223**	**3,012**

The following deferred tax assets and liabilities on the balance sheet are for recognition and measurement differences in individual balance sheet items and tax loss carryforwards:

Thousand euro	Deferred tax assets 31.12.2014	Deferred tax liabilities 31.12.2014	Deferred tax assets 31.12.2013	Deferred tax liabilities 31.12.2013
Non-current assets	5,608	12,646	8,345	12,495
Other assets	1,294	354	1,247	315
Provisions	3,799	0	3,192	145
Liabilities	1,757	2,510	1,436	2,068
Tax loss carryforwards	6,115	0	5,429	0
Total	**18,574**	**15,510**	**19,649**	**15,023**
Balancing	-14,851	-14,851	-14,199	-14,199
Consolidated balance sheet disclosure	**3,724**	**659**	**5,450**	**824**

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

Thousand euro	As at 1.1.2014 adjusted	Currency differences	Additions	Utilisation	Reversal	As at 31.12.2014	of which non-current	of which current
Provisions for personnel	3,733	93	3,751	-2,916	-480	4,181	802	3,379
Legal costs	292	0	419	-146	-117	448	0	448
Warranty	289	0	289	-29	0	289	0	289
Inventor remuneration	150	0	164	-141	-9	164	0	164
Restructuring measures	1,077	0	0	-1,013	0	65	0	65
Loss of orders	0	0	0	0	0	0	0	0
Other provisions	280	5	274	-134	-39	386	107	279
(Other) provisions	**5,821**	**98**	**4,897**	**-4,639**	**-645**	**5,533**	**909**	**4,624**

Under non-current liabilities, all items on the consolidated balance sheet which have been recognised in other provisions have a remaining term of more than one year. The interest rate effect of compounded and discounted interest on long-term provisions in the financial year amounted to 9 thousand euro.

The provisions for personnel primarily include anniversary provisions in addition to phased early retirement scheme obligations and bonuses.

The phased early retirement scheme obligations (455 thousand euro, previous year: 759 thousand euro) are based on the following actuarial assumptions:

in percent per year	**31.12.2014**	31.12.2013
Interest rate	0.16	0.77
Salary trend	3.00	3.00

The anniversary provisions (209 thousand euro, previous year: 187 thousand euro) are based on the following actuarial assumptions:

in percent per year	**31.12.2014**	31.12.2013
Interest rate	1.74	3.21
Salary trend	3.00	3.00

The biometric basis for the calculations, such as mortality and disability, for pensions in Germany, continue to be based on the guidance tables 2005 G by Prof Dr Klaus Heubeck

Provisions for legal costs relate primarily to expected costs associated with pending legal disputes. We refer also to Section III, Subsection 26.

Provisions for warranty are set aside for products sold on the basis of past experience.

Income from the reversal of provisions of 645 thousand euro (previous year: 122 thousand euro) relates primarily to the reversal of provisions for phased early retirement in connection with the resignation from the Arbeitgeberverband der Metall- und Elektroindustrie (Employers' Association of the Metals and Electronic Industry – VME) in Berlin and Brandenburg.

Thousand euro	**31.12.2014**			31.12.2013 (adjusted)		
	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Provisions for personnel	4,181	3,379	802	3,748	2,788	960
Legal costs	448	448	0	292	292	0
Warranty	289	289	0	289	289	0
Inventor remuneration	164	164	0	150	150	0
Restructuring measures	65	65	0	1,076	1,076	0
Other provisions	386	279	107	266	0	266
(Other) provisions	**5,533**	**4,624**	**909**	**5,821**	**4,595**	**1,226**

(21) LIABILITIES

Thousand euro	31.12.2014			31.12.2013		
	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Liabilities to financial institutions	25,941	3,012	22,929	33,294	3,300	29,994
Liabilities from finance leases	5,477	2,491	2,986	5,266	1,923	3,343
Financial liabilities	**31,418**	**5,503**	**25,915**	**38,560**	**5,223**	**33,337**
Liabilities from sales and services						
to third parties	9,390	9,390	0	7,381	7,381	0
from advance payments received on orders	76	76	0	75	75	0
Trade payables	**9,466**	**9,466**	**0**	**7,456**	**7,456**	**0**
Other liabilities						
from taxes (of which, from income taxes)	978	978	0	1,374	1,374	0
in connection with social	(0)	(0)	(0)	(0)	(0)	(0)
security	467	467	0	422	422	0
from teleporto	25,867	25,867	0	23,817	23,817	0
to employees	1,160	1,160	0	1,033	1,033	0
under derivatives	117	117	0	69	69	0
from deferrals and accruals	12,084	12,084	0	11,550	11,550	0
other liabilities	4,416	4,259	157	4,147	3,834	313
Other liabilities	**45,089**	**44,932**	**157**	**42,412**	**42,099**	**313**
Total	**85,973**	**59,901**	**26,072**	**88,428**	**54,778**	**33,650**

Liabilities with a remaining term of more than five years were not reported on the balance sheet date (previous year: 0 thousand euro).

Liabilities to financial institutions are owed to a bank syndicate and primarily include loans to finance the purchase price paid for the FP Group in 2005. As at 31 December 2014, loans amounted to 25,940 thousand euro (previous year: 32,000 thousand euro; we refer here to our comments on the syndicated loan in Section "Financial Instruments - fair value and risk management", 4. Liquidity risks, in Section IV).

An interest rate coupled to the EURIBOR was fixed for the individual loans in accordance with the syndicated loan agreement in place on 31 December 2014. These interest rates have been secured by means of various derivative transactions (here, reference is made to our remarks concerning derivative transactions in Section "Financial instruments – fair values and risk management", 2. Interest rate risks, in Section IV).

From the financing agreements entered into in 2014, 2015 will result in an expected 3,000 thousand euro repayment of the overall credit volume; these amounts are accordingly shown in the table above with a remaining term of less than one year. The rest of the credit financing is considered as having a residual term of more than one year.

As explained in Subsection 25, reconciliation is performed for the leasing payments to be paid in the future to the **liabilities from finance leases** item.

The terms of the leases mostly cover up to 75% of the useful life. After the base period, as a rule, there is the option to extend the contracts or acquire the items against a predetermined amount. The book value of assets leased to third parties is 4,771 thousand euro (previous year: 4,560 thousand euro). As at 31 December 2014, the book value of the leased assets – including the previously cited subletting – is 6,387 thousand euro (previous year: 7,510 thousand euro). The total of future minimum lease payments from subleases amounted to 6,306 thousand euro on the balance sheet date. Deposits were paid of 50 thousand euro in connection with the leases (previous year: 84 thousand euro). In addition, there was an impairment of 362 thousand euro (previous year: 551 thousand euro) were assigned to leases.

Liabilities from **teleporto** relate to customer funds held in trust.

Liabilities of 12,084 thousand euro (previous year: 11,550 thousand euro) from **deferrals and accruals** include the sales revenue from finance leases in incoming payments relating to other periods.

(22) FINANCIAL INSTRUMENTS

In the course of its operations, the FP Group is exposed to financial risks concerning credit, liquidity and market. The market risks relate specifically to interest rate and foreign exchange rate risks. Detailed information on risk management control is given below under Risk management. The following comments apply exclusively to quantitative effects of the risks in the financial year.

The risks described above have an effect on the following financial assets and liabilities. The following table shows the fair values and book values of financial assets and financial liabilities:

CLASSES OF FINANCIAL INSTRUMENTS

values in thousand euro	Book values 31.12.2014	Book values 31.12.2013
Financial assets available for sale		
Investments and associated companies	199	199
Financial assets measured at fair value through profit and loss		
Securities	680	680
Derivative financial instruments with positive fair values	292	81
Loans and receivables		
Trade accounts receivable	17.318	17.067
Other financial assets	5.839	5.737
Receivables from finance leases	**3.843**	**1.990**
Liquid assets	**16.519**	**28.990**
Financial liabilities measured at amortised cost		
Liabilities to financial institutions	25.941	33.294
Trade payables	9.466	7.456
Other financial liabilities	30.282	27.824
Obligations from finance leases	**5.477**	**5.267**
Financial liabilities measured at fair value through profit and loss		
Derivative financial instruments with negative fair values	117	69

The valuation technique used including the relevant input factors for financial assets and liabilities measured at fair value are shown in the following overview:

CLASSES OF FINANCIAL INSTRUMENTS

values in thousand euro	**Fair value 31.12.2014**	Fair value 31.12.2013	Valuation technique	Material unobservable input factors	Hierarchy
Financial assets measured at fair value through profit and loss					
Securities	680	680	Listed market price	Not applicable	Level 1
Derivative financial instruments with positive fair values	292	81	Market comparison method: the fair value is based on direct quotations from brokers.	Not applicable	Level 2
Financial liabilities measured at fair value through profit and loss					
DDerivative financial instruments with negative fair values	117	69	Market comparison method: the fair value is based on direct quotations from brokers.	Not applicable	Level 2

No regrouping took place between the levels of the financial instruments in the reporting year.

Fair values available at all times as listed market prices are allocated to Level 1. Fair values determined on the basis of directly or indirectly observable parameters are allocated to Level 2. Level 3 is based on valuation parameters not based on observable market data.

Fair values of financial assets available for sale are determined on the basis of listed prices (Level 1) or discounted cash flows (Level 3).

The explanation of a change in fair value is contained in the corresponding notes to the balance sheet items.

Risk management

Within the scope of its business activities, the FP Group is exposed to certain financial risks which, in particular, include currency fluctuations, risks from interest rate changes, liquidity risks and losses from bad debts. The overall risk management system of the Group takes the unpredictability of financial markets into account and seeks to minimise negative effects on the earning position of the Group. In order to achieve this objective, the Group implements certain financial instruments.

For further information regarding qualitative information relating to risk management and financial risks, reference is made to the risk report in the Group management report.

It was not possible to identify further substantial concentrations of risk with reference to financial instruments. The scope for action, the responsibilities, the financial reporting and the control mechanisms for financial instruments are fixed through internal rules relating to the Group. These include the separation of functions between the recording and checking of financial instruments. The currency risks, risks associated with interest rate changes and liquidity risks affecting the FP Group are controlled centrally.

1. Foreign currency risks

Due to its international nature, the FP Group is exposed to foreign currency risks as part of its usual business activities. Foreign currency risks arise as a result of balance sheet items, pending transactions in foreign currencies and all cash inflows and cash outflows in foreign currencies. Derivative financial instruments are used to limit these risks.

Exchange rate fluctuations can lead to undesirable and unforeseen volatilities in terms of results and cash flow. Each FP company is exposed to risks in connection with exchange rate fluctuations if it concludes business with international contract partners and if as a result future payment flows evolve, which do not correspond to the functional currency of the respective FP company. The Company reduces the risk by mainly settling business transactions (sales and purchasing of products and services and investment and financing activities) in the respective functional currency. In addition, the foreign currency risk is partially compensates for itself through the procurement of goods, raw materials and services in the respective foreign currency.

For reasons associated with speculation, operational units are forbidden from borrowing or investing funds in foreign currencies. Internal financing or investments within the Group are preferably carried out in the respective functional currency. The financing of the Company is organised and carried by FP Holding.

In the reporting year, income from translation differences of 1,716 thousand euro (previous year: 1,072 thousand euro) and expenses of 1,020 thousand euro (previous year: 1,225 thousand euro) were recognised in the financial statements.

Essentially, the foreign exchange risks from incoming payments in USD and GBP (expected in the future) are hedged. There were no such hedges as at 31 December 2014.

Liquidity in the Group available in GBP (GBP 12,000 thousand euro) was used in the reporting year to pay back part of the euro-denominated syndicated loan. In 2014, the FP Group used payments from customers in GBP to reduce liabilities to credit institutions in euro. Based on historical data, the Group assumes these customer payments will be available on a sustainable basis. However, since the risk of short-term repayment to the customers is not excluded, these GBP amounts were hedged with a forward exchange transaction. The FP Group assumes that the forward exchange transaction can be extended upon maturity.

On 17 December 2014, five forward exchange transactions were concluded with banks in the syndicate to hedge against currency risks. These are forward exchange transactions with a fixed maturity. The conditions of the contracts as well as the market values as at 31 December 2014 can be seen in the following table:

Seq. no.	Coverage amount	Type	Maturity date	Hedging rate to the euro	Market value
1	GBP 3,333,333.34	FXF	20.10.2015	0.8016	86,470.18
2	GBP 3,333,333.34	FXF	20.10.2015	0.8017	98,495.59
3	GBP 2,400,000.00	FXF	20.10.2015	0.7996	62,917.79
4	GBP 2,133,333.00	FXF	20.10.2015	0.8018	48,908.60
5	GBP 800,000.00	FXF	20.10.2015	0.8035	24,683.88

All changes to the market values of the aforementioned contracts were reflected in the Group results. The stated market values are calculated and confirmed by banks.

From operating activities of the British subsidiary, GBP cash flows are expected in 2015, which are not hedged as at 31 December 2014. As at 13 January 2015, forward exchange contracts in the amount of GBP 4,200 thousand were concluded at an average hedging rate of 0.7822 GBP/EUR.

in thousends GBP	**31.12.2014**
Expected inflows in GBP for 2015	6,000
FX forward transactions for 2015	0
Net risk	**6,000**

The following table shows the sensitivity of the Group results before taxes, and the Group's equity in relation to possible changes in exchange rates, which are relevant for the FP Group (GBP) – ceteris paribus. The derivative transactions were used as reference values for the calculated sensitivities.

Thousand euro	Market trend of foreign currency in percentage points	Impact on the Group result before taxes	Impact on equity
2014			
GBP	+5 %	405	405
	–5 %	–367	–367
2013			
GBP	+5 %	285	285
	–5 %	–220	–220

In 2015, the FP Group expects cash flows in USD from operating activities of the US subsidiary to amount to 18,000 thousand euro. These are not hedged as at 31 December 2014. As at 13 January 2015, USD 12,600 thousand in forward exchange contracts were concluded with participation at a hedging rate of 1.2248 USD/EUR (worst case).

Thousand euro	Market trend of foreign currency in percentage points	Impact on the Group result before taxes	Impact on equity
2014			
USD	+5 %	779	779
	-5 %	-705	-705
2013			
USD	+5 %	262	262
	-5 %	-213	-213

2. Interest rate risks

Predominantly, the risk of fluctuations in market interest rates to which the FP Group is exposed comes from long-term liabilities with a variable interest rate. The finance department of the Group controls the interest rate risks with the objective of optimising the Group's interest income and minimising the overall risk relating to interest rate changes. The financing needs of companies in the FP Group are covered by internal Group loans and/or internal Group settlement accounts.

Interest hedge transactions were concluded with a banking syndicate on 20 December 2013 (for information concerning the syndicated loan, see Section I, Subsection 4). These transactions relate to five interest rate swap transactions (hereinafter known as "swaps") for the repayment of loans and five interest rate cap transactions in the form of maximum rate agreements (hereinafter known as "caps") for the loan on a revolving basis.

Within the scope of interest rate swap transactions, the Group exchanges variable 6-month EURIBOR interest payments against a fixed interest rate ranging between 1.0–0.88% p. a. for the period 30 June 2014 to 30 December 2016. The market value of these swaps is -84 thousand euro as at 31 December 2014 (31 December 2013: -41 thousand euro). The swaps are settled on a half-yearly basis. The respective reference amount over the term of the loan is reduced in accordance with the planned repayments defined in the syndicated loan contract.

As part of the cap transactions, the Group caps the variable 3-month EURIBOR interest payments of the revolving loan with a cap rate of 1.00%. The reference amount remains constant over the period of the contract with each individual cap transaction. As at 31 December 2014, the market value of the caps is 3 thousand euro (31 December 2013: 55 thousand euro). The caps are settled on a quarterly basis.

The conditions of the contracts as well as the market values as at 31 December 2014 can be seen in the following two tables:

Seq. no.	Type	Start date	End date	Reference amount at the start in euro	Reference amount at the end in euro	Fixed rate	Market value in euro
1	Swap	30.06.2014	30.09.2016	2,916,666.67	1,249,999.99	0.90%	-25,345.06
2	Swap	30.06.2014	30.09.2016	2,616,498.74	349,496.22	0.88%	-16,638.22
3	Swap	30.06.2014	19.10.2016	2,100,000.00	900,000.00	0.88%	-18,048.34
4	Swap	30.06.2014	30.09.2016	1,866,900.00	800,700.00	0.90%	-16,474.68
5	Swap	30.06.2014	30.12.2016	700,000.00	300,000.00	1.00%	-7,524.47

Seq. no.	Type	Start date	End date	Reference amount in euro	Cap rate	Market value
6	Cap	31.03.2014	30.09.2016	4,166,666.67	1.00%	247.45
7	Cap	31.03.2014	30.09.2016	4,150,000.00	1.00%	2,394.00
8	Cap	30.06.2014	19.10.2016	3,000,000.00	1.00%	8.60
9	Cap	31.03.2014	30.09.2016	2,666,666.00	1.00%	100.17
10	Cap	31.03.2014	31.12.2016	1,000,000.00	1.00%	118.03

The conditions of the contracts as well as the market values as at 31 December 2013 can be seen in the following two tables:

Seq. no.	Type	Start date	End date	Reference amount at the start in euro	Reference amount at the end in euro	Fixed rate	Market value in euro
1	Swap	30.06.2014	30.09.2016	2,916,666.67	1,249,999.99	0.90%	-11,860.79
2	Swap	30.06.2014	30.09.2016	2,616,498.74	349,496.22	0.88%	-10,110.38
3	Swap	30.06.2014	19.10.2016	2,100,000.00	900,000.00	0.88%	-7,630.31
4	Swap	30.06.2014	30.09.2016	1,866,900.00	800,700.00	0.90%	-7,765.94
5	Swap	30.06.2014	30.12.2016	700,000.00	300,000.00	1.00%	-3,759.60

Seq. no.	Type	Start date	End date	Reference amount in euro	Cap rate	Market value
6	Cap	31.03.2014	30.09.2016	4,166,666.67	1.00%	14,013.82
7	Cap	31.03.2014	30.09.2016	4,150,000.00	1.00%	16,703.20
8	Cap	30.06.2014	19.10.2016	3,000,000.00	1.00%	10,212.12
9	Cap	31.03.2014	30.09.2016	2,666,666.00	1.00%	9,987.67
10	Cap	31.03.2014	31.12.2016	1,000,000.00	1.00%	4,344.34

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

Thousand euro	31.12.2014		31.12.2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps				
Fair value	0	84	0	41
Interest rate caps				
Fair value	3	0	55	0

All changes to the fair values are reflected in the Group results.

Variable interest financial debt solely exists in the form of liabilities to banks. The following table shows the sensitivity of the Group results before taxes and the Group's equity with respect to a reasonably foreseeable, possible change in the interest rates. All other variables remain constant. The average annual loan portfolio was used as a reference value for the sensitivity.

	Change in percentage points	Impact on the Group result before taxes in thousand euro	Impact on the equity before taxes in thousand euro
2014	+1 %	−295	−295
	−1 %	+295	+295
2013	+1 %	−348	−348
	−1 %	+348	+348

3. Default risks

The balance sheet amount of financial assets reflects the maximum default risk in the event that counterparties do not comply with their contractual payment obligations. Collateral is required to minimise default risks for all performance relationships based on original financial instruments depending on the nature and amount of the respective performance. In addition, credit information/references are obtained and in order to avoid payment defaults, historical data is used from previous business relations (such as considering the payment history). In accordance with the terms and conditions of Francotyp-Postalia, title to assets sold is retained until all payments have been received. If a customer who is leasing a machine is in arrears, or if a lessee refuses to observe the terms of the lease in spite of deadlines being set, the customer is obliged to pay compensation and return the leased asset to Francotyp-Postalia on termination of the contract.

Identifiable default risks from receivables and general credit risks are countered by corresponding specific and general provisions. An age structure of the accounts receivable can be found in Section IV, Subsection 13 of these notes. From this age structure, it is also possible to identify the extent to which payments are overdue.

In the case of other financial assets (e.g. liquid assets, financial instruments available for sale and derivative financial instruments), the maximum credit risk in the case of counterparty default corresponds to the respective book value as disclosed. Age structures for the other financial assets are not stated, as there are no corresponding overdue assets, for which no impairment has been recognised.

For the rest, reference is made to our statements in Section IV., Subsection 22 (Financial risk management) of these notes.

4. Liquidity risks

The liquidity risks of the Group consist of possible financial obligations, which can no longer be met (e.g. the repayment of financial debts, the payment of suppliers or fulfilling obligations from finance leases). The FP Group limits these risks by managing working capital and cash. The liquidity risks are further limited by a liquidity forecast for the entire Group. Additionally, the liquidity situation is improved through the financing of investment in leased products via sale-and-lease-back transactions.

In addition to the liquidity-securing instruments mentioned above, the FP Group continuously follows the financing options offered on the financial markets. In doing so, the main aim is to secure the financial flexibility of the Group and limit financing risks.

Financial liabilities essentially concern loans for financing the purchase price of the FP Group. Since the stock market launch, the acquisition loan and an acquisition and Capex line have been combined to form a facility.

On 19 April 2013, a new syndicated loan contract valued at 45,000,000 was concluded between Francotyp Postalia Holding AG and Francotyp Postalia GmbH as the borrowers and guarantors and a syndicate of banks as the lender. Up to 7 October 2014, the loan was made up of loan A (a repayment loan up to 15,000,000) and loan B (a loan up to 30,000,000 on a revolving basis). According to the loan contract, the old syndicated loans are to be initially replaced by the loans, starting with loan A. Furthermore, they serve general operational purposes, whereby loan B can be used in particular for financing the further development of the rental business, Francotyp-Postalia Inc (USA).

By offset against loan B, the borrowers may utilise bilateral ancillary facilities via the bank ancillary facilities in the form of a current account line and/or a guaranteed credit line up to one banking day before the final due date. For each of the ancillary facilities, at no point in time is an ancillary facility allowed to exceed 3,000,000 (and/or 6,000,000 for both), and each ancillary facility agreement must have a term that lasts to final maturity.

With the letter dated 10 June 2013, FP terminated the old syndicated loan contract dated 21 February 2011, and on 25 June 2013 replaced the obligations from the old syndicated loan contract of 29,535 thousand euro and USD 4,953 thousand euro with the aid of the new syndicated loan.

Given the general market environment and the performance of the FP Group, the parties to the loan agreement decided on 7 October 2014 to adjust the agreement in some respects to reflect the changed needs of the FP Group. Loan B on a revolving basis – originally up to 30,000 thousand euro – was increased to up to 35,000 thousand euro, bringing the syndicated loan now to a total of 50,000 thousand euro. The term of the loan was extended and lasts until 18 October 2019, provided the loans have not previously been fully repaid.

Interest rates also improved and the amount of allowed financial liabilities increased. In addition, the pledging of the German trademark rights has been deleted without substitution.

As at the balance sheet date, the FP Group had unused credit lines totalling 17.3 million (previous year 8.3 million).

Reference is made to our remarks concerning the interest rate risks in Section IV, "Financial instruments – fair value and risk management" with regard to maturities of derivative liabilities.

The liabilities from finance leases, the accounts receivable and other liabilities mainly arise from the financing of operating assets employed in continued business operations (e.g. property, plant and equipment) and from investments within working capital (e.g. inventories and accounts receivable). The Group takes assets into account in the effective control of the overall liquidity risk.

The following table shows the cash flows resulting from the syndicated loan contract including estimated interest payments and the payments from the connected derivative financial instruments. In addition to the cited loan of 25,928 thousand euro (previous year: 32,000 thousand euro), there were further liabilities to banks of 12 thousand euro (previous year: 994 thousand euro).

Thousand euro		Cash flows				
	Book value as at 31.12.2014	2015	2016	2017	2018	2019
Loans	−25,928	−3,726	−3,635	−3,543	−494	−17,937
Interest hedging	−81	−224	−111	−0	0	0
		−3,950	**−3,746**	**−3,543**	**−494**	**−17,937**

Thousand euro		Cash flows		
	Book value as at 31.12.2013	2014	2015	2016
Loans	−32,000	−4,166	−4,038	−26,747
Interest hedging	−104	−104	0	0
		−4,270	**−4,038**	**−26,747**

Section IV, Subsection 21 also states the contractually fixed cash flows from finance leases, differentiated by their residual terms.

Concerning the other financial debts (see Section IV, Subsection 22 Financial risk management), the disclosed book values correspond in each case to the cash outflow in the following year.

Net gains and losses from financial instruments

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

The net gains and net losses in the "financial instruments held for trading" category consist of the fair value adjustments and interest payments. This gives a net gain of 0 thousand euro in 2014 (previous year: 80 thousand euro). The total net gain is reflected in the Group result as in the previous year. Impairments in this category amount to 0 thousand euro as in the previous year.

The net gains and net losses in the "loans and receivables" category consist of impairments, reversals and exchange rate effects. This gives a net gain of 1,952 thousand euro in 2014 (previous year: -141 thousand euro). For the remaining details, see Section IV Subsection 13.

The net gains and net losses in the "financial liabilities measured at amortised cost" category consist of exchange rate effects and proceeds from disposals. This gives a net loss of 327 thousand euro in 2014 (previous year: 366 thousand euro).

Accounting for derivative financial instruments on the balance sheet
DDerivative instruments are only used outside hedge accounting as defined by IFRSs. In each case, the balance sheet entry takes place at fair value through profit and loss.

Capital control
Capital structure is decisive for the capital control of the Group. Net gearing is the core ratio for managing capital structure. This is derived from net debt in relation to equity (Net Debt/Equity ratio).

In particular, the selected debts include liabilities to credit institutions (25,941 thousand euro; previous year: 33,294 thousand euro) and liabilities from finance leases (5,477 thousand euro; previous year: 5,266 thousand euro). The financial resources in this context do not include treasury shares (795 thousand euro; previous year: 1,829 thousand euro), securities (680 thousand euro; previous year: 680 thousand euro) nor postage credit balances, which are managed by the FP Group (2,803 thousand euro; previous year: 2,610 thousand euro – adjusted).

The Net Debt/Equity ratio is continuously monitored. This is represented as follows:

Thousand euro	**31.12.2014**	31.12.2013
Liabilities	31,418	38,560
Funds	-15,398	-28,889
Net liabilities	**16,020**	**9,671**
Equity	30,051	25,874
Net Debt/Equity ratio	**53%**	**37%**

The objective of capital control is to achieve the highest possible credit rating. Going concern status should also be ensured.

There were no changes in terms of the objectives, guidelines and procedures for capital control in the reporting year 2014.

In accordance with the syndicated loan contract concluded with the banks, the FP Group must adhere to four defined financial performance measures (covenants). A debt service coverage ratio must be met. In other words, the EBITDA divided by the financing cost must be at least 2.5. In addition, a defined debt to equity ratio must not be exceeded. From 1 January 2014, the level for this is 2.25. The ratio results from the relation of net debt to EBITDA; these two values are slightly adjusted with reference to certain items in line with the loan agreement definition. It is also not permitted to fall short of time-staggered, adjusted equity and equity ratios.

The financial indicators that were decisive as at 31 December 2014 were complied with. If the financial performance measures were not met, the syndicate of banks would have had the contractual right to accelerate the maturity of the loan.

Financial control variables
Group management is largely performed using the following financial indicators:

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

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

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

By taking free cash flow into account, it is possible to ensure that the financial substance of the Group is maintained. Free cash flow results from the balance of cash flows from operating activities minus investments performed. An equally important indicator is net debt, which results from net debt minus cash and cash equivalents.

The development of the sales revenue and the EBITDA result can be found in the Segment Report in Section II.

(23) COLLATERAL

Thousand euro	**31.12.2014**	31.12.2013
Loan guarantee obligations	1,477	1,617
Pledging of securities	590	590
Total	**2,067**	**2,207**

The loan guarantee obligations include rental guarantees for office space (sales offices), rental guarantees for machinery, guarantees for overdrafts, postage and any claims for refunds from subsidy payments.

The following loan collateral was furnished by the Group for the syndicated loan contract:

1. land charge on the Company property in Wittenberge of 1,000 thousand euro (Wittenberge land register, folio 5179);

2. (initially non-participating) assignment by way of security of accounts receivable relating to the following companies of the Group (with registered office in Germany) against clients or other companies in the Group: FP Holding, FP GmbH, freesort GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Produktionsgesellschaft mbH, FP Direkt Vertriebs GmbH;

3. transfer by way of security of the current and future inventories and mobile property, plant and equipment assets of the following German companies of the Group: FP GmbH, freesort GmbH, Francotyp-Postalia Vertrieb und Service GmbH and FP Produktionsgesellschaft mbH;

4. assignment by way of security of the current and future receivables from insurance contracts which exist with the German companies of the Group listed under no. 3;

5. guarantee from Francotyp-Postalia Inc (USA), Ruys Handelsvereniging B.V. (The Netherlands) and Francotyp-Postalia Ltd, UK, which, in each case, covers the collateralised claims.

On the balance sheet date, the book value of the assets of the cited German Group companies which have been transferred and/or assigned as security was 20,265 thousand euro (previous year: 18,643 thousand euro). The book values are reported as follows:

Thousand euro	**2014**	2013
Property, plant and equipment	7,742	6,711
Inventories	6,260	5,037
Accounts receivable	6,262	6,895
Total	**20,265**	**18,643**

Additionally, in each case, as additional security, the foreign subsidiaries Francotyp-Postalia Inc (US), Ruys Handelsvereniging B.V. (The Netherlands) and Francotyp-Postalia Ltd, Great Britain, irrevocably and unconditionally guarantee to the lenders the payment of all amounts that are owed, where these are not duly settled or not settled in full.

The collateral serves to collaterise all current, conditional and future claims of the lender from an ancillary facility agreement or the other financing documents associated with this loan agreement. The cited collateral may be drawn upon if due payments are not made by FP companies under the syndicated loan contract or the bilateral ancillary facilities. Credit to the amount of 25,929 thousand euro was drawn upon as at 31 December 2014.

Received collateral has a fair value of 1,264 thousand euro (previous year: 1,235 thousand euro), and in the reporting year, it is only available to the FP Group on a short-term basis (likewise in the previous year). The collateral essentially comprises rental guarantees and guarantees for the delivery of goods (from banks and an insurance company).

(24) OTHER FINANCIAL OBLIGATIONS

The nominal values of financial obligations are organised as follows:

31.12.2014

Thousand euro	**Total**	< 1 year	1 – 5 years	> 5 years
Other contractual obligations	**19,816**	9,579	9,459	778
of which from operating leases	**12,085**	3,948	7,403	734
of which from purchase commitments	**3,508**	3,508	0	0
of which from remaining other	**4,223**	2,123	2,056	44

31.12.2013

Thousand euro	**Total**	< 1 year	1 – 5 years	> 5 years
Other contractual obligations	**27.670**	14.036	9.446	4.188
of which from operating leases	**16.992**	4.949	7.855	4.188
of which from purchase commitments	**6.706**	6.706	0	0
of which from remaining other	**3.972**	2.381	1.591	0

Given the impracticabililty of splitting out expense of 474 thousand euro, future minimum lease payments from operating lease agreements include leases with service components in addition to lease expense. Of this, 374 thousand euro is apportioned to short-term liabilities and 100 thousand euro to medium-term liabilities.

There are contractual obligations for the purchase of property, plant and equipment of 98 thousand euro, for the purchase of intangible assets of 20 thousand euro, and for other orders of 3,390 thousand euro.

In the reporting year, payments of 6,270 thousand euro (previous year: 6,904 thousand euro) from leases are recognised in profit and loss. Expense from leases in the current year includes additional lease costs.

(25) OTHER INFORMATION CONCERNING FINANCE LEASES

The nominal values of the other financial obligations from finance leases are 5,477 thousand euro as at 31 December 2014 (previous year: 5,266 thousand euro) and are organised as follows:

Thousand euro	Future operating lease payments		Interest payments		Present value of future operating lease payments	
	2014	2013	2014	2013	2014	2013
Less than 1 year	2,736	2,233	245	310	2,491	1,923
Between 1 and 5 years	3,141	3,558	155	215	2,986	3,343
Liabilities from finance leases	**5,877**	**5,791**	**400**	**525**	**5,477**	**5,266**

(26) CONTINGENT ASSETS AND LIABILITIES

As a participant in a competitive market it is not surprising that the FP Group is involved in a series of legal disputes. This affects Francotyp-Postalia Vertrieb und Service GmbH in particular; it is involved in several competition disputes with competitors, in court and out of court, both as claimant and respondent. The substance of these disputes is customer advertising methods and market operations. These proceedings are focused on refraining from anti-competitive practices and have no significant commercial relevance. If a case is lost, there are other promotional activities to fall back on. Francotyp-Postalia GmbH is also involved in several cases against competitors concerning violation of trademark and patent rights. These cases are not currently believed to pose any great risk to the Company.

The lawsuit brought by SBW Vermögensverwaltungs GmbH on 9 March 2011, in which it made claims against FP Holding, could be significant, however. The alleged claims arise from the iab Group share purchase contract concluded by FP Holding. The amount claimed is 1,518,750.00. The claim is based on demands for the higher purchase price from the company purchase contract and the alleged unlawfulness of the partial payment with shares by the respondent. In its judgment of 8 November 2011, the Neuruppin Local Court dismissed the case. SBW Vermögensverwaltungs GmbH lodged and substantiated an appeal against the judgment within the time limit. The Group considers the litigation risk is still minor.

A court action is pending at the U.S. District Court for Eastern District of Missouri against our subsidiary in the USA (Case No. 4:14-cv-01161-HEA). In the putative class action it is claimed that Francotyp-Postalia Inc. violated the Telephone Consumer Protection Act of 1991 by unsolicited advertising. It has not yet been clarified whether the approach in question is recognised in the statutory provisions. The outcome of the action against Francotyp-Postalia Inc. is uncertain and could result in potential damages estimated at up to 1 million euro. FP does not currently expect any obligation to be incurred or that any outflow of resources is likely. No provisions have been set aside for this situation.

V. OTHER INFORMATION

NOTES TO THE CASH FLOW STATEMENT

The FP Group cash flow statement reports the progress of cash flows broken down by cash inflows and outflows from operating, investing and financing activities.

Postage credit balances held by the FP Group are subtracted from cash and cash equivalents. The corresponding offsetting item is included in other liabilities. Cash and cash equivalents and other liabilities are therefore reported net in the cash flow statement. Cash and cash equivalents are calculated as follows:

Thousand euro	31.12.2014	31.12.2013 adjusted
Liquid assets	16,519	28,990
Plus securities	680	680
Less restricted cash ("managed postage credit balances")	-2,803	-2,610*
Cash and cash equivalents	**14,396**	**27,060**

* Notes to the change: see "Disclosure requirements in accordance with IAS 8.41".

As banks are involved in the new syndicated loan contract which were also involved in the old syndicated loan contract, this constitutes follow-up financing, and the flow of funds relating to group financing is shown net.

Employees

The average number of employees is distributed regionally as shown below:

Country	2014	2013
Germany	661	678
US	121	111
UK	92	93
Netherlands	54	54
Canada	37	36
Austria	21	20
Belgium	18	18
Sweden	18	18
Italy	16	22
Singapore	9	8
France	9	5
Total	**1,056**	**1,063**

The average number of employees is distributed over segments as shown below:

Segment	2014	2013
Sales Germany	470	483
Sales International	395	376
Production	164	181
Central Functions	27	23
Total	**1,056**	**1,063**

Management Board and Supervisory Board (additional information in compliance with HGB)

In the 2014 reporting period, the FP Holding Management Board consisted of two people as in the previous year, 2013.

The schedule of responsibilities of the members of the Francotyp-Postalia Holding AG Management Board is as below:

Name	Appointment date	End of appointment	Areas of responsibility
Hans Szymanski Graduate economist	December 2008	December 2014 (prematurely extended in February 2014 to 31 December 2016)	– Strategic business development – Production/purchasing/quality – Development – Information technology – Compliance – Human resources/law – Finance/accounting/controlling
Thomas Grethe Banker and business economist	June 2013	June 2016	– Strategic business development – Sales – Germany/International – Business development/product management – Marketing/brand management – Corporate communication – Internal audit

Mr Szymanski has been spokesperson for the Management Board since 1 January 2011.

The members of the Management Board were not represented outside of the FP Group on any statutory supervisory boards or comparable domestic or foreign supervisory committees of commercial enterprises in 2014.

The table below lists the members of the Francotyp-Postalia Holding AG Supervisory Board, giving an overview of their activities outside of the Company and other administration, management or supervisory mandates or mandates in comparable domestic and foreign supervisory committees of commercial enterprises:

Name	Occupation	Other administration or supervisory mandates or mandates in comparable domestic and foreign supervisory committees
Klaus Röhrig (Member and Deputy Chairman of the Supervisory Board since 1 April 2013; Chairman since 9 April 2013)	– Managing Partner of Mercury Capital Unternehmensberatungs [consulting] GmbH, Vienna, Austria	– None
Robert Feldmeier (Member of the Supervisory Board since 28 July 2012; Deputy Chairman since 27 June 2013)	– Managing Director of Unigloves GmbH, Siegburg – Managing Director of Unigloves Service und Logistik GmbH, Troisdorf – Managing Director of Unigloves Arzt- und Klinikbedarfshandels [medical & clinical supplies] GmbH, Troisdorf-Spich	
Botho Oppermann (Member of the Supervisory Board since 27 June 2013)	– Managing Partner of Internet Business Solutions Nord UG (mini GmbH), Wentorf near Hamburg – Managing Partner of Internet Business Solutions Süd UG (mini GmbH), Wentorf near Hamburg – Managing Partner of Internet Business Solutions Ost UG (mini GmbH), Wentorf near Hamburg – Managing Partner of Internet Business Solutions West UG (mini GmbH), Wentorf near Hamburg	– President of the Supervisory Board of Internet Business Solutions AG, Boppelsen, Switzerland – Member of the Supervisory Board of ID Information und Dokumentation im Gesundheitswesen [ID Information and Documentation in the Health Service] GmbH & Co. KGaA, Berlin – Member of the Supervisory Board of ID Suisse AG, St Gallen, Switzerland – Member of the Supervisory Board of HCG Holding AG, Zug, Switzerland

Shareholder structure (additional information in compliance with HGB)

In 2014, Francotyp-Postalia Holding AG received the following notifications from its shareholders pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) and disclosed them pursuant to Sections 26 (1) and 26a WpHG:

Disclosure of 24 January 2014

Internationale Kapitalanlage [investment] mbH, Düsseldorf, Germany has informed us pursuant to Section 21 (1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 21.01.2014 and were 2.87% on that date (equivalent to 463,990 voting rights).

Disclosure of 03 April 2014

ARGOS FUNDS SICAV, Luxembourg, informed us pursuant to Section 21 (1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 5% threshold on 1 April 2014 and were 5.2% on that date (equivalent to 840,000 voting rights).

ARGOS INVESTMENT MANAGERS SA, Meyrin, Switzerland informed us pursuant to Section 21 (1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 5% threshold on 1 April 2014 and were 5.2% on that date (equivalent to 840,000 voting rights). 5.2% of the voting rights (equivalent to 840,000 voting rights) are attributable to the Company from ARGOS FUNDS SICAV as per Section 22 (1) sentence 1, no. 6 WpHG.

Disclosure of 13 June 2014

HANSAINVEST Hanseatische Investment GmbH, Hamburg, Germany, informed us pursuant to Section 21 (1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 3% threshold on 10 June 2014 and were 2.9996% on that date (equivalent to 484,740 voting rights).

Disclosure of 17 June 2014

Eric Spoerndli; Switzerland, informed us pursuant to Section 21 (1) WpHG that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had fallen short of the 5% and 3% threshold on 12 June 2014 and were 2.9499% on that date (equivalent to 476,706 voting rights).

Disclosure of 18 June 2014

Thomas Lange, Germany, informed us pursuant to Section 21 (1) WpHG that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 17 June 2014 and were 3.71% on that date (equivalent to 600,000 voting rights).

Of these, 3.71% of the voting rights (corresponding to 600,000 voting rights) were to be allocated to him pursuant to Section 22 (1) sentence 1, no. 6 WpHG. Voting rights have been attributed to him by the following shareholders as well, each of whom has voting rights in Francotyp-Postalia Holding AG of 3% or more: Axel Sven Springer.

Thomas Lange also informed us pursuant to Section 22 (1) no. 6 WpHG. in conjunction with Section 22 (4) WpHG that he is only empowered to exercise voting rights at the Annual General Meeting of Francotyp-Postalia Holding AG on 19 June 2014. Following the general meeting of shareholders his voting rights are 0% (equivalent to 0 voting rights).

Disclosure of 20 June 2014
HANSAINVEST Hanseatische Investment GmbH, Hamburg, Germany informed us pursuant to Section 21(1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 16 June 2014 and were 3.01% on that date (equivalent to 487,000 voting rights).

Disclosure of 24 June 2014
(Correction to the announcement dated 18 June 2014)

Thomas Lange, Germany, informed us pursuant to Section 21 (1) WpHG that his voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 17 June 2014 and were 3.61% on that date (equivalent to 600,000 voting rights).

Of these, 3.61% of the voting rights (corresponding to 600,000 voting rights) were to be allocated to him pursuant to Section 22 (1) 1 sentence 1, no. 6 WpHG. Voting rights have been attributed to him by the following shareholders as well, each of whom has voting rights in Francotyp-Postalia Holding AG of 3% or more: Axel Sven Springer.

Thomas Lange also informed us pursuant to Section 22 (1) no. 6 WpHG. in conjunction with Section 22 (4) WpHG that he is only empowered to exercise voting rights at the Annual General Meeting of Francotyp-Postalia Holding AG on 19 June 2014. Following the general meeting of shareholders his voting rights are 0% (equivalent to 0 voting rights).

Disclosure of 20 October 2014
International Kapitalanlagegesellschaft mbH, Düsseldorf, Germany has informed us pursuant to Section 21 (1) WpHG that its voting rights in Francotyp-Postalia Holding AG, Birkenwerder, Germany had exceeded the 3% threshold on 15 October 2014 and were 3.01% on that date (equivalent to 486,282 voting rights).

TRANSACTIONS WITH RELATED PARTIES

Parties related to the FP Group within the meaning of IAS 24 are, on the one hand, associated companies and non-consolidated subsidiaries, and on the other hand, persons and companies with the ability to exercise significant influence on the financial and business policy of the FP Group; related parties also include persons in key management positions in the reporting Company (and close relatives of these persons). Companies whose financial and business policy is influenced significantly by the related parties mentioned above also belong to the group of parties related to the FP Group.

A significant influence on the financial and business policy of the FP Group can be based on a shareholding of 20% or more in FP Holding, a seat on the FP Holding Management Board or other key management position in the FP Group or contractual or statutory arrangements.

In the reporting year, parties related to the FP Group – apart from members of the Management Board and Supervisory Board (and their close relatives) – were:

- the associated company FP Data Center Inc, Japan;
- the non-consolidated subsidiary FP Systems India Private Limited, India;

- the non-consolidated subsidiary FP Direct Ltd., UK;
- Mercury Capital Unternehmensberatungs [consulting] GmbH, Vienna, Austria (through a member of the Supervisory Board);
- Managing Director of Unigloves GmbH, Siegburg (through a member of the Supervisory Board);
- Managing Director of Unigloves Service und Logistik GmbH, Troisdorf (through a member of the Supervisory Board);
- Managing Director of Unigloves Arzt-und Klinikbedarfshandels mbH, Troisdorf-Spich (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Nord UG [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Süd UG [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Ost UG [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions West UG [mini-GmbH], Wentorf near Hamburg (through a member of the Supervisory Board);
- President of the Supervisory Board of Internet Business Solutions AG, Boppelsen, Switzerland (through a member of the Supervisory Board);
- CamTech GmbH, Berlin (through a member of the Management Board

In reporting year 2014, the group of related entities and persons with a significant influence on the financial and business policy of the FP Group were paid a total of 0 thousand euro in salaries. There were no reportable transactions within the meaning of IAS 24.18 (b) to (d) in the reporting period.

Please see the section below: "Total remuneration of Management Board and Supervisory Board members" for the total remuneration of Management Board and Supervisory Board members.

TOTAL REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The following overview shows the remuneration of the Management Board for financial year 2014. In compliance with GAS 17 this includes components direct and indirect components of remuneration. Pursuant to GAS 17, the fair value of share-based remuneration (Stock Options Tranche 2010) is shown in total remuneration in the year of commitment (financial year 2010). No new stock options were granted to the Management Board in financial year 2014. As non-share-based remuneration, the long-term bonus granted in financial year 2014 will not be shown in the remuneration report pursuant to GAS 17 until the long-term conditions are met. In the financial statements for 2014 both the long-term bonus for Mr Szymanski of 34 thousand euro (previous year: 0 thousand euro) and Mr Grethe of 24 thousand euro (previous year 13 thousand euro) and the variable annual remuneration in the amount of the likely goal achievement are shown.

For the remuneration report as per Section 315 (2), no. 4 sentence 1 HGB we refer to the Group management report. The total remuneration paid to the Management Board as per GAS 17 was as follows:

		Mr Szymanski				
Thousand euro		2010	2011	2012	2013	2014
Fixed component	Fixed remuneration	168	203	240	253	275
	Fringe benefits	11	11	15	11	12
	Total	**179**	**214**	**255**	**265**	**287**
Variable component						
without long-term incentive	Annual variable remuneration:	128	44	30	130	91 [3]
with long-term incentive effect	Long-term variable remuneration:					
	Stock Options Plan 2010	213	0	0	0	0
	Long-term bonus	0	0	0	0	0
	Total	**341**	**44**	**30**	**130**	**91**
Pension provisions		76	76	76	76	76
Total remuneration		**596**	**334**	**361**	**471**	**454**

[1] This amount is composed of expenditure relating to other periods totalling 40 thousand euro and the creation of a provision of 51 thousand euro.

		Mr Herr Grethe (Management Board member from 15 June 2013)		
Thousand euro		2012	2013	2014
Fixed component	Fixed remuneration	0	119	200
	Fringe benefits	0	6	12
	Total	**0**	**125**	**212**
Variable component				
without long-term incentive	Annual variable remuneration:	0	20	36
with long-term incentive effect	Long-term variable remuneration:			
	Stock Options Plan 2010	0	0	0
	Long-term bonus [1)]	0	0	0
	Total	**0**	**20**	**36**
Pension provisions		0	2	21
Total remuneration		**0**	**147**	**269**

1) Non-share-based remuneration is included in total remuneration pursuant to GAS 17 if the conditions attached to the commitment are met. In the 2014 financial statements, provisions of 7,000 (previous year: 13,000) for likely goal achievement were recognised as an addition in the financial statements.

On 30 April 2014, the member of the Management Board who resigned on 3 June 2013 left FP Holding. In 2014, provisions of 281 thousand euro were used. With the departure in 2014, the balance of provisions was reversed in profit or loss.

Of the share-based remuneration granted in financial year 2010 under the Stock Options Plan 2010, Mr Szymanski and Mr Drechsler each received 213 thousand euro or 180 thousand euro options. No further options were granted in the period ending 31 December 2014. The exercise period for the options begins in financial year 2014.

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

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

As in the previous year, comparatively insignificant amounts were set aside for pension obligations towards active members of the Management Board (2014: 2 thousand euro; 2013: 3 thousand euro).

Reserves for pension commitments to former members of the Management Board of Francotyp-Postalia Holding AG amounted to 1,050 thousand euro as at 31 December 2014 (previous year: 744 thousand euro). 46 thousand euro (previous year: 43 thousand euro) was assigned to the provisions in the year under review 2014.

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

The fixed remuneration of the Supervisory Board amounted to 113 thousand euro (previous year: 113 thousand euro) for financial year 2014.

AUDITOR'S FEES

The Shareholder Meeting has selected, based on the recommendation of the Supervisory Board, the accountancy firm KPMG AG, Berlin, as the auditor of annual accounts for financial year 2014. The total fee calculated for the auditor for professional services in the financial year is as follows:

thousand euro	2014	2013
Accounts auditing services	250	312
Tax advisory services	142	124
Other services	163	154
Total	**555**	**590**

Of the fee calculated in financial year 2014, 29 thousand euro (previous year: 22 thousand euro) is attributed to previous years.

The figures relate solely to the legally independent tasks of the appointed auditor.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The board shall propose to the Supervisory Board and put forward the recommendation to use the profit of €12,587,648.74 as follows, at the Annual General Meeting of 2015:

in euro		
	Dividend of €0.16 per	
	dividend-entitled share	2,553,128.96
Accumulated profit		10,034,519.78
Profit		**12,587,648.74**

Sven Meise joined the Management Board of Francotyp-Postalia Holding AG with effect from 1 February 2015. Mr Meise is responsible for the business units freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH. His responsibilities include expanding the solution and outsourcing business and establishing and expanding the De-Mail business.

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

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG have issued a declaration of conformity pursuant to Section 161 AktG and made this permanently available on the Company website (http://www.fp-francotyp.com/en/FP/company/investors/corporate-governance/declaration-of-compliance).

DISCLOSURES IN THE ELECTRONIC FEDERAL GAZETTE

The 2014 consolidated financial statements for the FP Group, and the separate 2014 financial statements for Francotyp-Postalia Holding AG are published in the electronic Federal Gazette. The disclosures are submitted to the business register together with financial statements.

Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Hanse GmbH, FP Direkt Vertriebs GmbH, FP InovoLabs GmbH, as well as Francotyp-Postalia Unterstützungseinrichtung GmbH are pursuant to Section 264 (3) of the German Commercial Code (HGB) in conjunction with Section 325 HGB, exempt in each case from the obligation to publish their 2014 financial statements. The companies named are equally exempt from the obligation to compile a management report for 2014 pursuant to Section 264 (3) of the German Commercial Code (HGB) in conjunction with Section 289 HGB

The corresponding resolutions have been submitted to the operator of the electronic Federal Gazette, which has arranged for the respective announcement.

Berlin, 26 March 2015

Management Board of Francotyp-Postalia Holding AG

Hans Szymanski Board Chairman	Thomas Grethe Board Member	Sven Meise Board Member

APPENDIX 1
CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2013, ADJUSTED [1)]

	Cost or cost of manufacture					
Thousand Euro	C/F 1.1.2013	Currency differences	Other additions	Disposals	Reclassifications	Status 31.12.2013
INTANGIBLE ASSETS [2)]						
Internally generated intangible assets	29,950	0	196	4	2,973	33,115
Other intangible assets	88,231	-428	312	940		87,175
Intangle assets including customer lists	118,181	-428	508	944	2,973	120,290
Goodwill	22,922	0	0	0	0	22,922
Development projects in progress and advances	6,135	0	3,969	0	-2,973	7,131
Total	**147,238**	**-428**	**4,477**	**944**	**0**	**150,343**
PROPERTY, PLANT AND EQUIPMENT [2)]						
Land and similar rights and buildings	2,561	-2	243	0	0	2,802
Technical equipment and machinery	3,733	-8	66	245	0	3,546
Other plant and operating and office machinery	31,139	-519	879	1,013	3	30,489
Leased products	48,033	-2.606	5,918	5,727	0	45,618
Investments in finance lease relationships	8,523	-175	3,164	96	0	11,415
Advance payments and assets under construction	3	0	36	0	-3	36
Total	**93,991**	**-3,310**	**10,306**	**7,081**	**0**	**93,906**
Non-current assets	**241,229**	**-3.738**	**14,783**	**8,025**	**0**	**244,249**

1) Notes to amendments: See “Regulations requiring disclosure in accordance with IAS 8.41”.
2) Notes (17)

	Depreciation, amortisation and impairment losses						Book values	
	C/F 1.1.2013	Currency differences	Depreciation in the financial year	Impairment losses	Disposals	Status 31.12.2013	31.12.2013	1.1.2013
	18,110	0	3,286	0	4	21,392	11,723	11,840
	82,344	–287	1,129	180	940	82,426	4,749	5,887
	100,454	–287	4,415	180	944	103,818	16,472	17,727
	13,775	0	0	0	0	13,775	9,147	9,147
	0	0	0	0	0	0	7,131	6,135
	114,229	**–287**	**4,415**	**180**	**944**	**117,593**	**32,750**	**33,009**
	277	–2	106	0	0	381	2,421	2,284
	2,581	–8	175	0	235	2,513	1,033	1,152
	27,066	–506	1,339	0	968	26,931	3,558	4,073
	40,301	–3.272	4,130	0	5,601	35,558	10,060	7,732
	2,594	–72	1,457	0	73	3,906	7,509	5,928
	0	0	0	0	0	0	36	3
	72,819	**–3,860**	**7,207**	**0**	**6,877**	**69,289**	**24,617**	**21,172**
	187,048	**–4,147**	**11,622**	**180**	**7,821**	**186,882**	**57,367**	**54,181**

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2014

	Cost or cost of manufacture					
Thousand Euro	C/F 1.1.2014	Currency differences	Other additions	Disposals	Reclassifications	Status 31.12.2014
INTANGIBLE ASSETS [2)]						
Internally generated intangible assets	33,114	1	416		3,694	37,225
Other intangible assets	87,175	389	472	549	583	88,070
Intangle assets including customer lists	120,289	390	888	549	4,277	125,295
Goodwill	22,922	0		129		22,793
Development projects in progress and advances	7,131	0	4,183	64	-3,694	7,556
Total	150,342	390	5,071	742	583	155,644
PROPERTY, PLANT AND EQUIPMENT						
Land and similar rights and buildings	2,801	22	896	21		3,698
Technical equipment and machinery	3,546	13	750	929	5,089	8,469
Other plant and operating and office machinery	30,489	462	1,807	2,119	319	30,958
Leased products	45,617	5,508	11,602	13,449	-583	48,695
Investments in finance lease relationships	11,415	1,206	2,414	126	-5,075	9,834
Advance payments and assets under construction	36		805		-333	508
Total	93,904	7,211	18,274	16,644	-583	102,162
Non-current assets	**244,246**	**7,601**	**23,345**	**17,386**	**0**	**257,806**

	Depreciation, amortisation and impairment losses							Book values	
	C/F 1.1.2014	Currency differences	Other additions	Disposals	Reclassi-fications	Write-up	Status 31.12.2014	1.1.2014	31.12.2014
	21,391	1	3,766		1		25,159	11,723	12,066
	82,425	537	883	491	583		83,937	4,750	4,133
	103,816	538	4,649	491	584	0	109,096	16,473	16,199
	13,775	0	0	129			13,646	9,147	9,147
	0				-1		-1	7,131	7,557
	117,591	**538**	**4,649**	**620**	**583**	**0**	**122,741**	**32,751**	**32,903**
	381	8	171	7			553	2,420	3,145
	2,513	12	561	784	2,315		4,617	1,033	3,852
	26,929	434	1,342	2,021	-13	1	26,670	3,560	4,288
	35,557	4,433	5,022	13,664	-583	932	29,833	10,060	18,862
	3,906	440	1,529	126	-2,302		3,447	7,509	6,387
	0						0	36	508
	69,286	**5,327**	**8,625**	**16,602**	**-583**	**933**	**65,120**	**24,618**	**37,042**
	186,877	**5,865**	**13,274**	**17,222**	**0**	**933**	**187,861**	**57,369**	**69,945**

Responsibility Statement

To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 26 March 2015

Hans Szymanski	Thomas Grethe	Sven Meise
CEO & CFO	CSO	Board Member

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Francotyp-Postalia Holding AG, Birkenwerder, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements together with the report on the position of the Company and the Group for the financial year from 1 January to 31 December 2013.The preparation of the consolidated financial statements and the report on the position of the Company and the Group in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the company's officers. Our responsibility is to express an opinion on the consolidated financial statements and on the report on the position of the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code (HGB) and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by company officers, as well as evaluating the overall presentation of the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Francotyp-Postalia Holding AG, Birkenwerder, comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The report on the position of the Company and the Group are consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 13 April 2015

KPMG AG – Wirtschaftsprüfungsgesellschaft

Dr Großmann	Neumann
(German Public Auditor)	(German Public Auditor)

Glossary

TERMS AND DEFINITIONS OF FRANCOTYP

A **A Segment**
Describes franking machine segment for customers with low mail volume (up to 200 letters per day).

After-Sales Business
Sale or rental of franking machines with follow-up business, e.g. service and technical support, sale of consumables.

B **B Segment**
Describes franking machine segment for customers with medium mail volume (from 200 to 2,000 letters per day).

C **C Segment**
Describes franking machine segment for customers with high mail volume (over 2,000 letters per day).

CentorMail
CentorMail is a high-tech franking machine from the FP Group for medium to high volumes of mail. The franking system with contact-free inkjet technology offers ease of use and comprehensive additional functions.

Certification
Official operating authorisation for franking machines.

Collective Communication
Individual daily mail, collated centrally.

Consolidation
Refers to the sorting of letters by postcode, followed by bundlin and passing on to a mail delivery centre in order to gain a rebate on the franking charge.

Country-Specific Variations
The postal organisations certify franking machines for a specific country in an extensive certification procedure. In order to obtain certification, the franking machines must meet the specifications set by the postal organisations. This results in a country-specific variation for each country in which a franking machine is certified.

D **De-Mail**
De-Mail is a communication tool to enable legally binding and confidential exchange of electronic documents over the internet. Mentana-Claimsoft is a member of the De-Mail project initiated by the German government.

Decertification
Franking machines must be certified by the national postal authorities for sale or leasing. If a postal authority wishes to introduce a new technological standard, certification can be revoked. A current example of decertification is the US postal market, where franking machines which do not meet the IBIP (Information Based Indicia Program) standard must be withdrawn from the market by end-2015.

Digitalisation
Using the services offered by FP iab GmbH mail processing can be digitalised at certain points, i.e., inbound mail can be scanned and archived electronically. Outbound mail is sent electronically by PC to the printing centre, where it is processed into a completed letter.

DIN EN ISO 9001:2008
This quality management standard describes the requirements that the management of a company must satisfy in order to meet certain criteria in the implementation of quality management.

F **FP Box**
FP's FP Box makes it possible for the first time to receive and send De-Mails and send hybrid mail with a small smart hardware device. The box can be connected to the client network and PC.

FP BusinessMail
FP BusinessMail, like FP WebMail, is a hybrid mail solution from the FP Group and works in a similar way to FP WebMail. This solution is aimed at larger companies, as in these cases, the flow of data can be accessed directly via a data connection and processed further.

FP Navigator
A software solution for easier operation of PostBase using a PC keyboard or, alternatively a 22" touchscreen.

FP WebMail
FP WebMail is a hybrid mail solution from the FP Group. With this mixture of electronic and physical mail, the sender sends a letter digitally and the recipient receives a physical letter. The FP Group takes care of such tasks as printing out and franking the letter, as well as inserting it into the envelope and handing it over to a mail delivery agent. This software solution works as a virtual printer, meaning that documents can be sent from Windows environments at the click of a mouse button. This entry-level solution is particularly suited to stand-alone solutions.

G **GoGreen**
GoGreen is an environmental protection programme for responsible logistics. The goal is to reduce CO_2 emissions by offering the option of sending mail in a CO_2-neutral manner. By using GoGreen products, customers can also make an active contribution to climate protection for a small surcharge.

H **Hybrid Mail**
Generic term for solutions in which letters are initially transported digitally, then printed out, inserted and franked. The finished letters are then passed on to a mail delivery centre.

I **iab**
iab stands for internet access lilibit Berlin GmbH. Francotyp-Postalia Holding AG has an equity interest of 51 % in this company.

Investors' Day
Investors' Day is a central event in the IR activities. The Management Board of Francotyp-Postalia Holding AG uses this opportunity to present to investors FP's strategic development and the measures planned for this, with particular emphasis on the achievement of key strategic milestones.

ISO 14001
The international environmental management standard ISO 14001 stipulates globally recognised requirements for an environmental management system that can be applied to both manufacturing and service-orientated companies.

L **Liberalisation**
Liberalisation is a process initiated politically at EU level, which has been gradually implemented in European countries since the start of the 1990s. Germany is a forerunner in Europe. As at 1 January 2011, the complete liberalisation of the postal market in Europe was concluded.

M **Mentana-Claimsoft**
Mentana-Claimsoft GmbH is a subsidiary of Francotyp-Postalia Holding AG, through which the FP Group distributes archiving, scanning and signature solutions in Germany. In 2012 Mentana-Claimsoft became the first company to be accredited for De-Mail by the BSI.

Multi-Channel
FP offers ist customers mail communication through all communication channels: physical, hybrid and fully electronic.

MyMail
MyMail is the FP Group's franking machine for smaller volumes of mail. With this entry-level solution, customers can save up to three advertising themes and manage three cost centres. The correct postage can also be automatically determined via the optional scales.

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

OHSAS18001
OHSAS (Occupational Health and Safety Assessment System) standard 18001 is the basis of an occupational health management system for companies.

OptiMail30
OptiMail30 is a franking machine from the FP Group that is ideally suited to small to medium volumes of mail. This machine, with economical thermal transfer printing, saves up to six advertising themes and has a large, easy-to-use display.

P **Phoenix**
See PostBase

Postage
Postage means the postal charges and / or the charges applied for the services. Payment is made by purchasing and attaching stamps, by printing with a franking machine or by electronic stamps – each of these methods is called franking.

Postage Credit Balance
Also referred to as restricted cash – in some countries, users of franking machines are obliged to pay postage credit in advance. These monetary amounts are managed by the FP Group and constitute amounts owed to customers. These credit balances are to be distinguished from teleporto.

PostBase
Latest franking system from the FP Group that combines the analogue and digital worlds of mail communication.

T **Teleporto**
A system of franking whereby the franking charge is downloaded by telephone or modem to the franking machines.

U **UltiMail**
UltiMail is an FP Group franking machine. It has a modular structure, offering up to nine storable advertising motifs, variable text messages in the franking imprint, optional differential weighing and as many as 150 cost centres.

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

GENERAL DEFINITIONS

A Accreditation
The term accreditation (Latin: accredere, give trust) is used in various areas to describe the circumstances when a generally recognised body has attested a particular (beneficial) quality to another.

Aval
As a collective term, "banker's guarantee" encompasses both guarantees and sureties, as well as bill guarantees, which a bank assumes on behalf of one of its customers against a third party.

C Cashflow
Cash flow is a measured quantity in financial terms that represents the net inflow of cash from revenue-generating activities and other ongoing operations during a period.

CeBIT
CeBIT (Centrum für Büroautomation, Informationstechnologie und Telekommunikation – Centre for Office, Information and Communications Technology) is the world's largest trade fair for information technology and since 1986 has been held each spring at the Hanover fairground. CeBIT is organised by Deutsche Messe AG (DMAG).

Corporate Governance Code
The German Corporate Governance Code (DCGK) is a set of regulations compiled by a commission of the German government which contains suggestions for organising good corporate governance, covering ethical employee conduct and the management of companies and organisations.

D Derivatives
Derivatives are financial instruments whose price or value is linked to the rates or prices of other commercial goods (e.g. commodities or agricultural goods), assets (securities, such as shares or bonds) or to market-based parameters (interest rates, indices).

DPAG
Abbreviation for Deutsche Post AG.

E EBIT
EBIT (earnings before interest and taxes) is a measurement of profitability. It comprises net income before taxes, interest expenses and extraordinary items.

EBITA
EBITA (earnings before interest, tax and amortisation), similarly to the EBIT profit ratio, denotes the result of ordinary operating activities.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin
The EBITDA margin is the percentage share of EBITDA in the revenue of a company within a certain period.

EURIBOR
European InterBank Offered Rate (EURIBOR) is the interest rate in euros for short-term money in interbank lending.

I IAS
International Accounting Standards. See also IFRS.

IFRS
International Financial Reporting Standards. These comprise the standards of the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

Interest rate swap
An interest rate swap is an interest rate derivative for which two contractual partners agree to exchange interest payments at specified nominal amounts on certain dates. Most of the interest payments are set such that one party pays an interest rate fixed at the time the contract is included, while the other party pays a variable interest rate ("plain vanilla swap").

Internationaler Währungsfonds (IWF)
The International Monetary Fund (IMF) is a special organisation of the United Nations. It is a sister organisation to the World Bank Group and is based in Washington, DC, USA. Its responsibilities include fostering global monetary cooperation, expanding international trade, stabilising exchange rates, granting loans, monitoring monetary policy and providing technical assistance.

ISIN
Abbreviation for International Securities Identification Number (ISIN)

L **LIBOR**
London Interbank Offered Rate (also Libor, LIBOR) is the reference interest rate fixed daily for interbank lending that is fixed every working day at 11:00 hours London time.

M **M & A activities**
Refers to both the process involved in company acquisitions and mergers as well as the sector of services providers which deal with them, such as investment banks, company lawyers, auditors and consultants. In the investment banking sector, M&A is regarded as a sub-area of corporate finance.

N **Net Working Capital**
Net working capital enables the net funding requirement for current assets to be determined. It is defined as the capital that generates revenue for a company without resulting in capital costs in the strictest sense.

O **Outsourcing**
Refers to the delegation of production and tertiary services to third parties.

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

SPOCS Project
SPOCS (Simple Procedures Online for Cross-Border Services) is a major project which was launched in May 2009. The goal of SPOCS is to develop the next generation of online portals (Point of Single Contact, or PSC),

Stock Corporation Act
The German Stock Corporation Act (Aktiengesetz – AktG) regulates the establishment, constitution, accounting, annual general meetings liquidation of stock corporations and partnerships limited by shares. German group law is also regulated in the Stock Corporation Act.

Syndicated loan
In banking, a syndicated loan is the extension of uniform credit to a borrower by at least two banks.

W **WKN**
Abbreviation for Wertpapierkennnummer (Security Identification Number)

WpHG
The Securities Trading Act (Wertpapierhandelsgesetz – WpHG) regulates securities trading in Germany and serves in particular to monitor service providers involved in the trading of securities, as well as financial futures contracts, but also to protect customers.

Financial calendar

Presentation Consolidated Financial Statements 2014	30 April 2015
Presentation Financial Results 1st Quarter 2015	28 May 2015
Annual General Meeting 2015	11 June 2015
Presentation Financial Results 2nd Quarter 2015	27 August 2015
Presentation Financial Results 3rd Quarter 2014 / Equity Forum Frankfurt 2015	23 November 2015

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Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN MILLION EURO	2014	2013	2012	2011	2010
Revenues	170.3	168.9	165.6	159.4	147.3
Increase in revenues (%)	0.8	2.0	3.9	8.2	14.2
Recurring revenues	139.4	136.9	132.1	124.9	111.8
EBITDA	23.1	22.2	19.0	13.1	25.5
as percentage of revenues	13.6	13.1	11.5	8.2	17.3
Operating income EBIT	9.8	10.4	9.1	-1.3	7.5
as percentage of revenues	5.8	6.1	5.5	n/a	5.1
Net income / loss	5.2	4.9	4.0	-4.6	2.7
as percentage of revenuesz	3.1	2.9	2.4	n/a	1.8
Free Cash flow	-5.6	6.0	-7.0	2.4	9.4
Equity capital	16.2	16.2	16.2	14.7	14.7
Shareholder's equity	30.1	25.9	21.6	15.9	19.6
as percentage of balance sheet total	21.1	18.8	15.8	11.9	14.4
Return on equity (%)	17.4	18.8	18.4	n/a	13.8
Debt capital	112.1	111.5	114.9	117.2	116.3
Net debt	16.0	9.7	33.3	30.0	31.8
Net Debt/Equity ratio (%)	53	37	154	189	162
Balance sheet total	**142.1**	**137.4**	**136.5**	**133.1**	**135.9**
Share price end of the year (in euro)	**3.98**	**4.17**	**2.48**	**2.11**	**3.15**
Earnings per share (in EUR)	**0.32**	**0.31**	**0.27**	**-0.27**	**0.23**
Employees (end of period)	**1,054**	**1,047**	**1,093**	**1,136**	**1,113**

STATEMENT RELATING TO THE FUTURE

This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of Francotyp-Postalia Holding AG. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. Francotyp-Postalia Holding AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this annual report. It is neither the intention of Francotyp-Postalia Holding AG nor does Francotyp-Postalia Holding AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The annual report is available in English. If there are variances, the German version has priority over the English translation. It is available for download inboth languages at www.fp-francotyp.com.

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