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FP ANNUAL REPORT

2015

Efficiency

FOR CUSTOMERS' COMMUNICATION

2015

Whether it's analogue, hybrid or digital, communication today uses a wide range of channels. Professional mail management has to look at this variety of channels as a whole.

The Annual Report Magazine 2015

Efficiency

THE FP MAGAZINE

fp-francotyp.com

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DEFINITION

[ɪˈfɪʃənsɪ] *noun – acceptance •*
• effectiveness • efficiency •
• durability • usability •

EF|FI|CIEN|CY

• Cost effectiveness • advantage
• eco-friendliness •

EFFICIENCY. FOR OUR CUSTOMERS' COMMUNICATION

OUR CREDO:
efficiency

EDITORIAL

What is the meaning of efficiency? In simple terms, the principle is defined as follows: the need for an optimal ratio of input to output. If we take a look at nature, we find this principle reflected to an impressive extent. Animals need to survive day by day and this sees them use their resources in a totally efficient way. But they are not the only ones who need to operate efficiently – this maxim applies to companies, too.

We have made it our mission to structure our customers' communications efficiently. With our franking systems, we ensure seamless processing of daily mail – from printing, to inserting and franking right through delivery services.

The key issue across the entire company is digitalisation. The transition to a digital working and living environment affects each one of us. We also play our part here with our innovative solutions combined with relevant consulting services. We enable secure and efficient operations throughout the daily document and communication process.

Our credo: efficiency. For our customers' communications. This also is also a a challenge for us. We are forced to constantly develop our business. This is not possible without creative ideas and innovative approaches. Nature gives us a daily reminder of how it is constantly reinventing itself in the interests of being efficient. Let it serve as an example to us.

R.A. Günther

RÜDIGER ANDREAS GÜNTHER
CEO & CFO

Living in BERLIN

LOCATION DECISIONS

AN INNOVATIVE LOCATION. 73% of company founders say that Berlin is the best place to set up a start-up company. With their ideas and innovative inventions, these start-ups contribute to finding efficient solutions.

FROM A TO B EFFICIENTLY

The Berlin circular railway transports approximately 500,000 people a day

at peak times there can be as many as 2,500 passengers in a single S-Bahn rapid transit train. This makes it an efficient means of mobility used by Berlin residents old and new as well as tourists to get to their destinations. Comprising 27 stations, it is a connecting force in a pulsating capital that has around 3.5 million inhabitants. Stretching over a total area of 37 kilometres, the Ringbahn takes passengers from A to B safely and efficiently.

THE MEANS ARE THE ENDS

As an expert in document and communication processes,

Francotyp-Postalia makes sure that business mail from companies gets from A to B quickly and safely – just like the Ringbahn, which reliably transports its passengers to their destinations. FP picks up all documents, digitised them, import the new data into the workflow of the company. From incoming mail to outgoing mail, from postbox service to outsourcing services. FP completes the circle.

SMART PARKING

Looking for a parking space frays on the nerves, takes time and is partly responsible for creating inner-city traffic jams. Efficient: a Berlin pilot project is using ingenious radar sensors to point out free parking spaces directly on drivers' smartphones. Sensors attached to the bonnet scan the surrounding area and lead the driver on the hunt for a parking space to exactly the right spot. This is an efficient solution that takes the burden off people and the environment.

NATURALLY efficient

LEARNING FROM NATURE

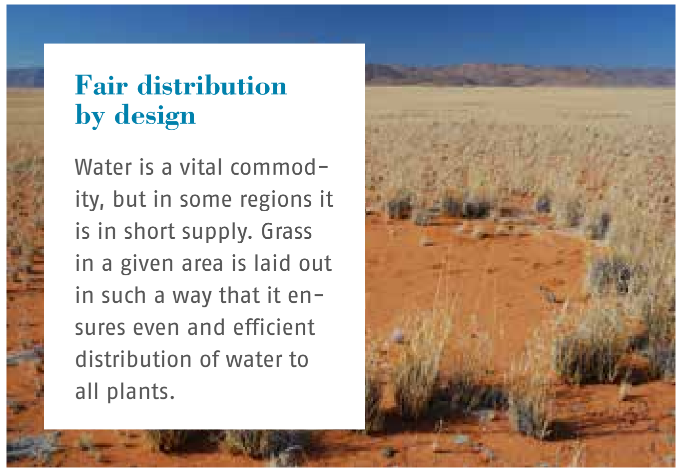
3 m

wingspan used to optimum effect

The wandering albatross is a prime example of efficiency. Due to its build and soaring technique, it expends little energy to fly several hundred kilometres.

Ingenious surface with a self-cleaning effect

The surface of the lotus leaf allows water to drip off it, helping to clean away dust and dirt at the same time. This efficient cleaning process means that the leaf can absorb the maximum amount of the sun's rays.



Fair distribution by design

Water is a vital commodity, but in some regions it is in short supply. Grass in a given area is laid out in such a way that it ensures even and efficient distribution of water to all plants.

HARD-WORKING AND EFFICIENT BEE COLONY

50,000 bees

in one colony

From the outside, a beehive looks like a chaotic mess but the activities within it are coordinated and distributed. Each bee fulfils its role efficiently for the good of the whole colony.

ON THE BASE OF THE WINGS

the tiny scales are

80 x 200

micrometres

It is not pigments that are responsible for the deep blue colour on the wings of the morpho butterfly, but the nature of the surface structure. This means the butterfly is even better camouflaged than any other of its kind.

IN NATURE

efficiency STUDY

IN COOPERATION WITH BITKOM

RÜDIGER ANDREAS GÜNTHER
CEO & CFO

How will companies organise communication processes in future?
Companies will have to optimally coordinate their processes to give themselves a clear competitive edge.

THOMAS GRETHE
CSO

What can customers do to prepare for the future?
Regardless of size and sector, each company needs to know precisely how the internal analogue and digital process steps are executed.

SVEN MEISE
CDO

What is the status of efficiency in relation to digitalisation at companies?
Companies can use digital solutions to increase their efficiency and simplify internal processes, especially by avoiding media gaps or format changes.

Digitalisation is presenting a momentous challenge for the global economy. For many companies, how efficiently they structure their daily operations will be crucial to remain competitive. This also includes communication and document management within companies themselves. In future, they will thus need to be able to use various communication channels flexibly to reach their target groups. A total of 300 billion letters a year worldwide and a continuous increase in electronically mailed documents speak for themselves. Meeting these requirements calls for efficient handling to ensure targeted communication – in both analogue and digital formats. In March 2016, Francotyp-Postalia carried out an efficiency study together with Bitkom and examined the communication channels used as well as the document processes in place in German companies. 305 companies with over 100 employees took part in the study.

One finding of the study is that, in addition to e-mail, lots of companies are still relying on traditional posted letters and fax as communication methods. This is the case for both regular and confidential communication. Document management interlinks with communication channels. When asked how they rated their own document management, one in four companies (26%) admitted to shortcomings. Far more companies believe there is a general need for improvement. 90% of all respondents stated that they definitely saw opportunities to optimise their document processes. The companies believe most potential is in incoming mail processing (68%). Almost 66% identify a need for improvement in archiving business mail. Almost half of respondents state they would optimise the processing of outbound mail, whereas for nearly a third the scan process for incoming mail still has scope for development.

81% of companies are still using traditional letters for sending confidential documents

This finding can be explained by the fact that nearly one in two companies (47%) digitalises its incoming mail.

A second topic of focus is document storage. 63% of companies digitalise their documents with a legal retention period – either exclusively or in combination with a paper archiving system. 64% of respondents estimate that they generate a time saving of around 40% with a digital archive compared with an archive in paper form. Directly correlating with this is the most frequently cited argument for an efficiency advantage: More than two thirds admitted that digitally archived documents are quicker to find.

One thing is clear:

digitalisation in companies is giving rise to potential for improvement. At many companies, there is a real need for optimisation in communications, document management and archiving. The gain in efficiency that companies stand to achieve through digitalisation is correspondingly high, and this will become an even more relevant factor for competitiveness going forward.

FACTS ABOUT THE EFFICIENCY STUDY

The areas in which from the companies' perspective there is still potential for optimising document management:

68% Processing incoming mail

66% Archiving business mail

46% Processing business mail

29% Scan process for outbound mail

DID YOU know?

FASCINATING FACTS ABOUT THE WORLD OF DOCUMENTS

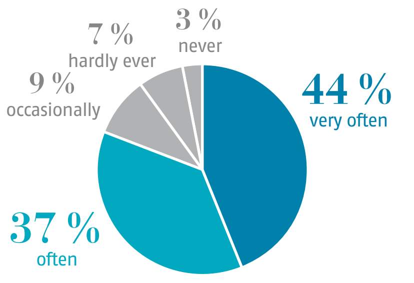
The paper archives of many companies and authorities are bursting at the seams. It's no wonder because many documents have to be retained for a minimum legal retention period.

According to the European Document Retention Guide 2013 (Iron Mountain and De Brau Blackstone Westbroek N.V.), financial or audit reports, for example, must be retained for five years in Denmark and for as many as ten years in Germany, France and Italy. In Austria, retention obligations extend for up to thirty years for employment contracts. In Ireland and the Netherlands, information about work-related medical tests performed in connection with harmful substances must be archived for up to forty years. And Polish companies are obliged to store data on their employees' pensions and early retirement pensions for fifty years.

According to the Record Retention Guide 2014 (Graham & Graham), in the US retention periods of seven years are recommended for audit reports, eight years for salary information and ten years for incoming goods documents.

Germany goes one step further with a notarial retention requirement of 100 years for wills. And documents relating to adoptions have to remain in the local court archives for a whole 120 years. To unburden companies and authorities of these mountains of paper, FP is helping them to replace these processes with scanning and digital long-term storage of their documents. This ensures that documents are scanned and digitally archived in line with a rigorously predefined procedure. This means the evidential value of the documents is permanently maintained even in digital form – and the paper documents can be shredded.

According to the FP efficiency study, four out of five companies surveyed send confidential documents by letter.



Effectiveness vs. efficiency: effective does not necessarily mean efficient.

The term "effectiveness" refers to the effectiveness of specific measures or actions with respect to a goal to be attained. The term "efficiency" goes beyond this: it describes not only the pure effectiveness of a measure, but also its efficiency in working towards a specific goal.

Someone who, for example, diligently franks 500 letters a day by hand is working effectively. He or she achieves the goal, even though it may not be in a particularly efficient manner. If the person uses a franking system instead and is finished processing the mail in a matter of minutes, he or she is working efficiently – still achieving the goal but with a reasonable cost-benefit outlay.

The eternal suffering with stamps: franking letters by hand not only costs companies time, but in many places also results in more postage than is necessary

In Germany, for example, the postage for a standard letter has been steadily rising for a few years – from 58 cents in 2013 to 60 cents (2014) and 62 cents (2015) to a current figure of 70 cents, effective since 1 January 2016. This leads to small one, two or eight-cent stamps accumulating in the bottom of many desks. People wanting to send a letter often stick together the postage amount from stamps left over from the past few years. This costs valuable time – and does not look very professional either. Using franking systems from FP, customers instead automatically apply the correct postage value. Thanks to the consolidation services of FP freesort, they can also benefit from postage discounts, granted by Deutsche Post for larger volumes of presorted post.

In many countries, franked post not only saves time, but also cash. In the UK, for example, Royal Mail grants postage discounts on letters franked by machine. In the UK, a franked 1st class letter costs just 53 pence, whereas a single stamp for the same letter would be eleven pence more. It is a similar story in Canada, with Canada Post granting customers who use franking systems discounts of up to 20%.

FP HAS OPERATIONS WITH ITS OWN SUBSIDIARIES IN

9 COUNTRIES & AND IS REPRESENTED BY DEALERS IN 40 COUNTRIES.

COUNTDOWN TO THE ANNIVERSARY

In 2023

FP will be one hundred years old.

THE POSTBASE 100

FP's largest franking machine, the PostBase One, franks 150 letters every minute.

THE POSTBASE MINI

The smallest franking system made by FP, the PostBase Mini, uses less space than a peace of letter paper.

BERLIN SITE

The new FP headquarters – Berlin – is regarded worldwide as one of the most exciting start-up meccas anywhere in the world.

NICE TO KNOW

reddot design award

The PostBase franking system received the renowned Red Dot Design Award in 2012.

DECENTRALISED COMMUNICATION

Digitalisation and technical advancement

lead to corporate communication taking place in companies and authorities on lots of different channels.

“In next to no time I have a solution.”

ANDREAS SIMMIG, HEAD OF GENERAL ADMINISTRATION SERVICES
ON GAINS IN EFFICIENCY AT DEUTSCHE BKK

Letters upon letters: from daily post through to mailings, the FP subsidiary IAB produces several thousand mail items daily for Deutsche BKK – thereby generating considerable gains in efficiency for the health insurance company. The company also makes significant savings in postage charges thanks to the collection and consolidation services of FP freesort.

“I rate Francotyp-Postalia as a highly innovative company that understands perfectly how to develop further on the market,” says Andreas Simmig, Head of General Administration Services at Deutsche BKK. And Simmig knows what he's talking about. He has been working with FP for quite some time, and the FP subsidiary FP IAB produces several thousand letters for Deutsche BKK on a daily basis. Deutsche BKK is Germany's largest company health insurer. The company's workforce of around 1,750 people looks after the affairs of roughly 1.2 million insured parties. Not only form letters and normal daily correspondence at Deutsche BKK find their way to the FP letter production headquarters, but also specialist applications for the health insurance provider – including exemption cards, for example.

The process works as follows in practice: Deutsche BKK employees send their mail directly from their normal working environment. The data is sent in digital format to FP IAB via highly secure transmission channels. FP IAB takes care of printing, sealing and franking the business mail. Simmig knows just how much this reduces the workload: “Before, our outgoing mail was organised in a decentralised manner. Employees looked after their own business mail themselves, running to the printer, sealing the mail in envelopes, franking the mail and putting it in the outgoing mail pile. This cost an awful lot of time.”

"This allows our employees to focus on their core competencies rather than doing work that would be better performed by others."

ANDREAS SIMMIG

Close cooperation yields process advantages

Once the daily business mail is properly sealed FP takes the mail, sorts it by postcode and delivers it in this format to Deutsche Post AG. For this preliminary service, FP receives postage discounts, which it passes back to BKK in the form of credits.

"At the same time, FP freesort makes a daily trip to 32 of our offices throughout Germany collecting items of business mail that we cannot send in digital format via FP IAB. These include letters with original documents such as treatment and cost schedules," Simmig goes on to say. Every year, this amounts to quite a considerable number of letters, which are likewise consolidated by FP freesort. Recipients receive their post in the professional-looking manner to which they are accustomed – without any delay.

The collaboration with FP freesort dates back to 2010. "Before then, we worked with another consolidator," recalls Simmig. "We switched to FP freesort not least because the company is part of the FP Group and allows us to control our main print run later thanks to the close partnership between FP IAB and FP freesort. We are now able to produce mail every day until 6:00 p.m. rather than until just 4:00 p.m. As a result, we send an additional several hundred thousand mail items a year for consolidation and discounting services."

Postage cost saving of one million euros a year

The processing time saved as a result frees up personnel resources at Deutsche BKK, which are instead used for customer consultations and service support. "This allows our employees to focus on their core competencies rather than doing work that would be better performed by others," says Simmig.

The health insurance company has also set up a new, internal service centre, where employees record information from incoming documents and enter it in the IT system. This is also the result of resources that have been freed up from mail processing. "The service centre is our way of making life easier for the specialist departments, who had to record their own data until now. We are now able to handle input management more efficiently and cost-effectively," explains the Head of General Administration Services.

In addition to these efficiency gains, Deutsche BKK is especially pleased with the significant potential savings that can be generated as a result of outsourcing and consolidating its outgoing mail. Process and administration costs are eliminated as are material, printing and transportation costs. The most impressive thing aside from this is the postage saving that Deutsche BKK makes thanks to the services offered by FP. This saving currently amounts to around EUR 1 million a year.

"With its end-to-end service offering from incoming and outgoing mail right through to De-Mail, in my eyes Francotyp-Postalia is a company that is really fit for the future with an innovative positioning," sums up Simmig. "Whatever related problem or issue I go to FP with, I usually have a solution on the table in next to no time at all."

DEUTSCHE BKK FACTS

Several thousand letters a day

1.2 M policyholders

1.0 M EURO postal charges saved per year

32 sites served locally by fp

www.internet-access.de
www.freesort.de
www.deutschebkk.de

Over 90 years

OF INNOVATIVE SPIRIT

FROM THE FIRST FRANKING MACHINE RIGHT THROUGH TO THE OPTIMISED COMMUNICATION AND DOCUMENT PROCESS: A LOOK AT THE TURBULENT PAST OF FRANCOTYP-POSTALIA.

The founding years

The 1920s were a time of great relief, distinguished by an upbeat atmosphere after the First World War but also by a collapsed economy.

Inflation not only causes the cost of one kilogram of bread to rise temporarily to 233 billion reichsmark, but also sees overworked postal clerks break out in a sweat having to write new values on their stamps almost every hour.

1923 Some of the bright minds at Anker-Werke AG in Bielefeld turn a cash register into a franking machine. Berlin-based company Bafra Maschinen also works on similar plans.

Together with the watch manufacturer Furtwängler AG, in 1923 the two companies form “Postfreistempler GmbH Bielefeld”, which is renamed "Francotyp GmbH" in 1925. Its “Franco-typ Model A”, the first franking machine with manually adjustable postage values, revolutionises the world of mail processing. This is soon followed by Model B – demand is huge.

1929 Francotyp GmbH weathers the Wall Street Crash, launching not only its Model C franking machine, but also the electrically driven CM.

In the same year, Carl Miele builds Europe's first electric dishwasher.

The economic miracle of the 1950s and 1960s

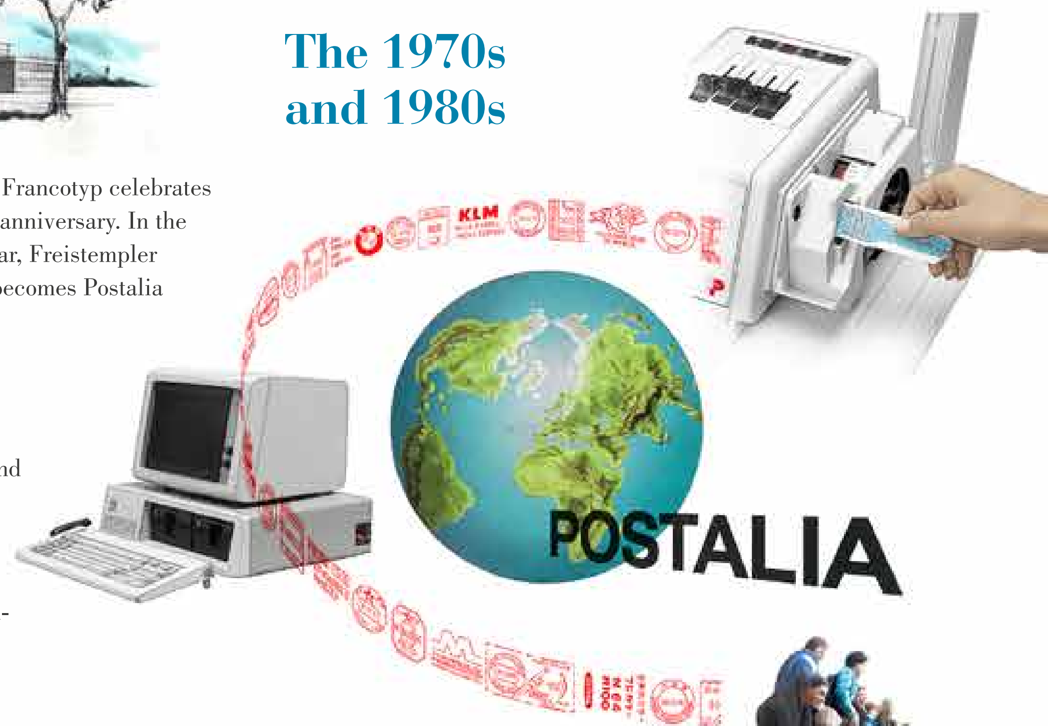
1949 The companies Francotyp and Postalia contend with destruction and dismantling after the war comes to an end. The smallest franking machine the world has ever seen, the D2 developed by Postalia in 1938, becomes a huge success in the 1950s with sales of well over 500,000 units.

1961 Francotyp becomes the first non-American provider of franking machines to receive certification in the US.

1969 The new CM delivers maximum efficiency in mail processing, franking 10,000 letters in 60 minutes.

The 1970s and 1980s

1973 Francotyp celebrates its 50th anniversary. In the same year, Freistempler GmbH becomes Postalia GmbH.



1977 Bergmann AG, which is part of the Siemens Group, takes over Francotyp GmbH (Berlin) and Postalia GmbH (Offenbach).

1983 The holding company Francotyp-Postalia is founded in Berlin and Offenbach.

1985 sees the introduction of the EFS, the world's first fully electronic franking machine.One year earlier, in 1984, the first e-mail is received in Germany at the University of Karlsruhe.

1989 An eventful decade ends with the acquisition of the Bergmann Group, and hence also Francotyp-Postalia, by Gebrüder Röchling KG in Mannheim.

The 1990s

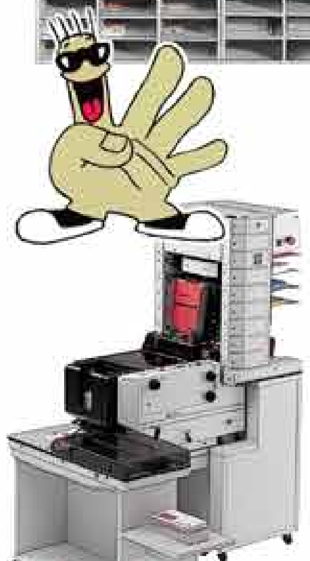
1991 The FP Group is given a uniform appearance with the introduction of a brand image and a common corporate culture. In the same year, the T 1000 – the world's first franking machine featuring thermotransfer printing technology – is launched.

1993/94 New times call for new approaches. The three Berlin-based production and industrial facilities and the factory in Offenbach are combined at the new Birkenwerder production site in Brandenburg.

In 1995 Germany revises its postal codes with the strapline "Five digits is trumps" ("Fünf ist Trümpf").

After registering its own URL, the first website goes online in 1995. The short message service (SMS for short) was also introduced in the same year.

1997 FP launches JetMail, the fastest ever digital franking system with inkjet printing technology. (In 1998, FP receives the Berlin/Brandenburg Innovation Award with prize money of DM 10,000).

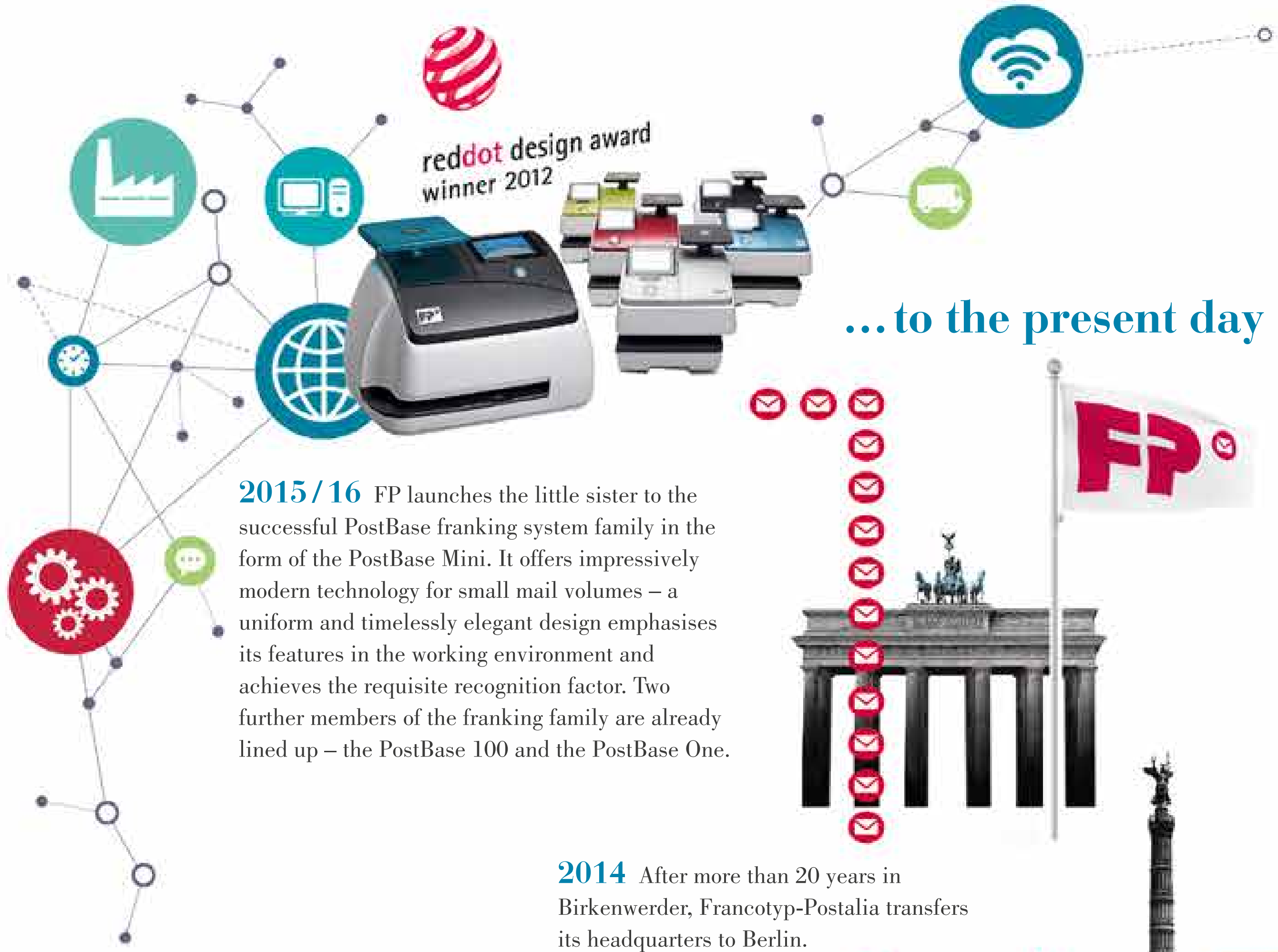


From the turn of the millennium …

2001–2005 Francotyp-Postalia brings a new generation of franking systems to the market with MyMail (2001), OptiMail (2002) and UltiMail (2003). In 2005, OptiMail30 receives the iF Award. In 2004, FP is the first provider of FRANKIT, the digital franking technology.

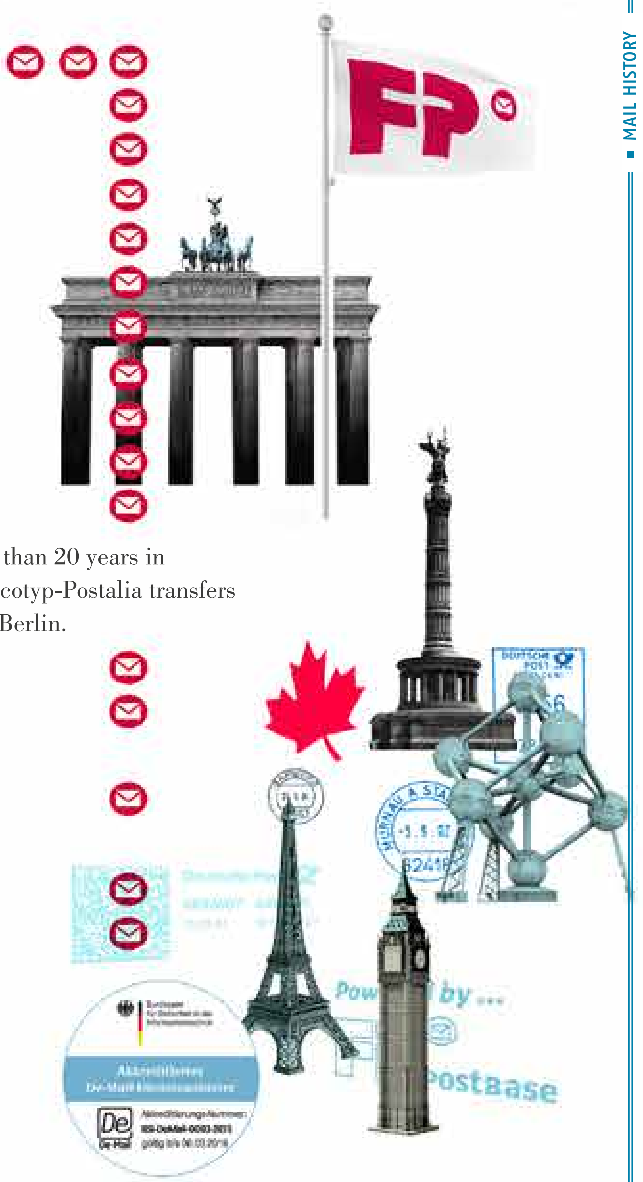
2006 FP reinvents itself, with the company separating from the Röchling Group. Francotyp-Postalia Holding AG is founded and the initial public offering is on 30 November 2006. Although franking systems remain the company's core business, FP also offers companies and authorities its products, solutions and services to help them optimise their communication and document processes.

The acquisition of freesort GmbH and IAB GmbH sees FP extend its service offering with hybrid mail solutions and mail services. The Group thus gears itself at an early stage towards using its innovative range of products to help its customers with their document and communication processes.



… to the present day

2015/16 FP launches the little sister to the successful PostBase franking system family in the form of the PostBase Mini. It offers impressively modern technology for small mail volumes – a uniform and timelessly elegant design emphasises its features in the working environment and achieves the requisite recognition factor. Two further members of the franking family are already lined up – the PostBase 100 and the PostBase One.



2014 After more than 20 years in Birkenwerder, Francotyp-Postalia transfers its headquarters to Berlin.

2012 With the PostBase franking system, FP brings to market a new bestseller, which not only impresses with its innovative technology, but also receives the renowned Red Dot Design Award for its design. The franking machine is operated via a colour touch display – FP thus offers its customers a simple and intuitive means of control to which they are accustomed from their smartphone.

At CeBIT in March 2012, Mentana-Claimsoft is the first company to receive accreditation as a De-Mail provider.

2011 The company rigorously pursues its chosen path: Francotyp-Postalia acquires the IT security specialist Mentana-Claimsoft – augmenting the FP Group's portfolio with digital solutions.

The FP Group constructs its new production site at Wittenberge in Brandenburg. Franking machines sold all over the world are produced here.

2007 FP launches the new franking machine Centormail.

2015
HIGHLIGHTS OF THE YEAR

LOOKING BACK

March FP showcases the PostBase Mini for small mail volumes at CeBIT. FP also presents its software solutions for long-term archiving and encryption of digital documents. The winner of the second FP Award presented for De-Mail innovations is Net at Work GmbH with the idea of seamless integration of De-Mail in e-mail systems.

April The simplified process for end-to-end encryption is introduced by Francotyp-Postalia and other De-Mail providers. This allows German citizens, authorities and companies to protect confidential documents in a simpler way via De-Mail from the sender right down the line to the recipient. The encryption works via an additional program and is based on the globally recognised PGP (Pretty Good Privacy) process.

FP publishes the Annual Report 2014, confirming the Group's solid and profitable growth. EBITDA increased by 4.1% to EUR 23.1 million, while consolidated net income rose by 6.1% to EUR 5.2 million. Based on these results, the Management Board and Supervisory Board propose doubling last year's dividend to 16 cents.

July Première of the PostBase Mini in Germany: after a successful launch in the UK and the US, distribution is also rolled out to the domestic market in Germany. Equipped with innovative technology and a modern design, the system is ideally suited to freelancers, start-ups and small companies with a daily mail volume of 30 letters. The successor model of the My-Mail-i has direct Internet access and is impressively easy to use.

The town of Marl communicates securely and verifiably via a gateway developed by FP Mentana-Claimsoft. The municipality uses the software for communicating via the Electronic Court and Administration Mailbox as well as via De-Mail. The gateway is used for both services and can be accessed by employees in the town of Marl directly via the e-mail program. The Electronic Court and Administration Mailbox ensures legally binding communication with the courts and authorities. Companies, authorities and citizens use De-Mail to exchange digital documents in a confidential and legally binding manner.

October Francotyp-Postalia secures approval in Switzerland for franking systems ranging from the PostBase 30 to the PostBase 85. The demanding approvals process of Post CH AG was handled without any problems. Distribution is in conjunction with Swiss company Koelliker, which has already singled itself out as a strong partner in the inserting business.

Berlin Partner

November Francotyp-Postalia, a long-established, Berlin-based company, joins the Berlin Partner Network. The network comprises the Berlin Senate as well as over 270 companies and scientific institutions that are committed to their city. The association's mission is to promote science and technology for companies, investors and scientific institutions in the capital.

December Francotyp-Postalia Vertrieb und Service GmbH assumes parts of the customer portfolio of Bochum-based company Post+Büro Büromaschinen Vertriebs GmbH. FP is now directly responsible for franking and inserting customers and manages the maintenance and servicing work on mail processing machines belonging to these customers.

At the end of 2015, FP successfully completed decertification in the US. A total of 36,000 newly installed PostBase systems were brought to market for franking machines that will no longer be permitted in the future. This is equivalent to exchanging more than 50% of all FP franking machines in the US.

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LEGAL NOTICE

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FP ANNUAL REPORT
2015

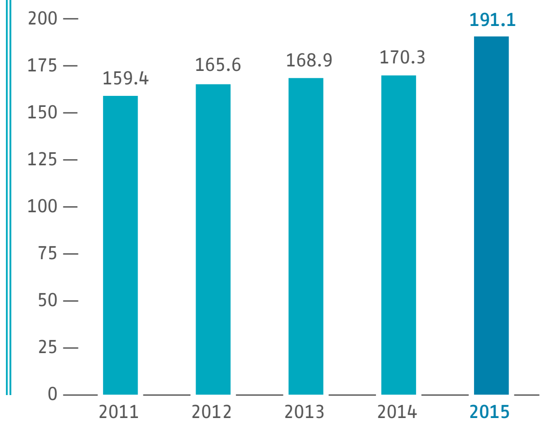
Key Figures

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN EUR MILLION

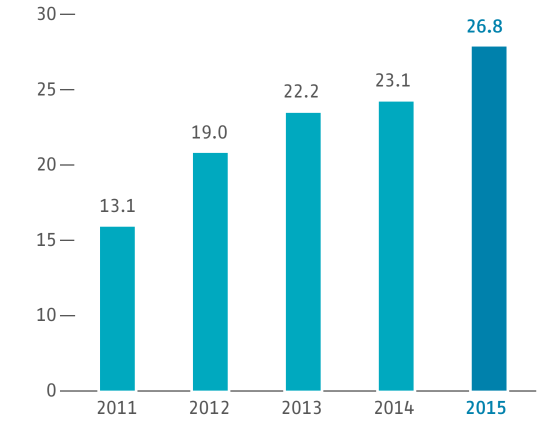
	2015	2014	Changes in %
Revenue	191.1	170.3	12.2
Recurring revenue	154.3	139.4	10.7
EBITDA	26.8	23.1	16.1
as percentage of revenue	14.0	13.6	
EBIT	9.0	9.8	-8.2
as percentage of revenue	4.7	5.8	
Net profit	3.7	5.2	-28.6
as percentage of revenue	1.9	3.1	
Free cash flow	-1.4	-5.6	n/a
Equity capital	16.2	16.2	
Shareholders equity	35.2	30.1	17.2
as percentage of balance sheet total	22.6	21.1	
Return on equity (%)	10.6	17.4	
Debt capital	120.9	112.1	7.9
Net debt	19.6	16.0	22.3
Net debt-equity ratio	55.6	53.2	
Balance sheet total	**156.2**	**142.1**	**9.9**
Share price end of year (EUR)	**4.34**	**3.98**	**9.0**
Earnings per share (EUR)	**0.22**	**0.32**	**-30.7**
Employees	**1,048**	**1,054**	**-0.6**

Facts and figures annual report 2015

CONSOLIDATED REVENUES
in EUR million



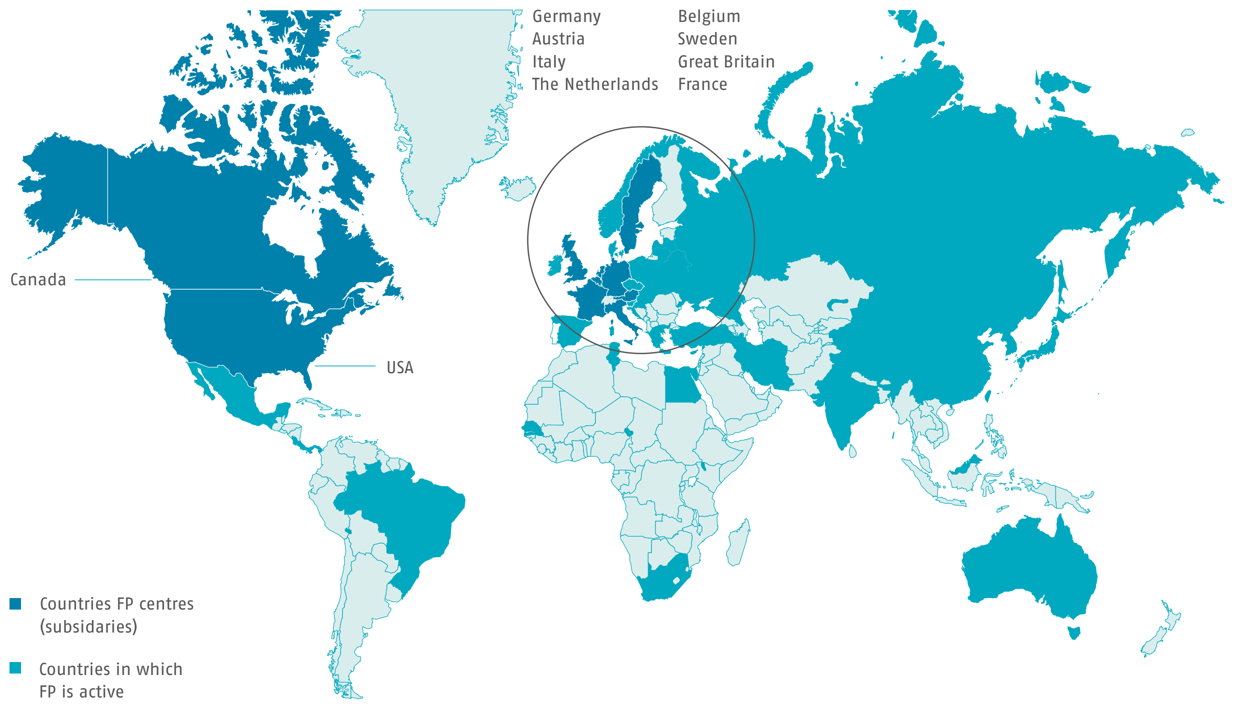
EBITDA
in EUR million



FP – 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.

Efficiency

FOR CUSTOMERS' COMMUNICATION

2015

Whether it's analogue, hybrid or digital, communication today uses a wide range of channels. Professional mail management has to look at this variety of channels as a whole.

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FOR THE FISCAL YEAR 2015

Letter to shareholders

FRANCOTYP-POSTALIA HOLDING AG

THOMAS GRETHE
CHIEF SALES OFFICER (CSO)

RÜDIGER ANDREAS GÜNTHER
CHIEF DIGITAL OFFICER (CDO)

SVEN MEISE
CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO)

Letter to shareholders

DEAR SHAREHOLDERS,

We are at the dawn of a new era: the fourth industrial revolution and the related digitalisation are fundamentally changing processes and structures within companies. What started with retail e-commerce and media downloads is now reaching companies across all industries worldwide. FP will play an active role in shaping this profound change, thus preventing new players from conquering our traditional markets. What's more, we will conquer new markets and existing ones afresh.

We already have innovative products and solutions for the digital era. We are already supporting well-known companies in digitally processing their inbound and outbound mail, as well as classifying and archiving these documents. And although it may come as a surprise to some people, franking machines are still in demand – even in this environment. This became impressively evident on our second-largest market, the US. As part of a so-called decertification process, the FP Group replaced some 36,000 obsolete machines, and thus nearly 100% of the devices affected, with brand-new, innovative PostBase systems. This is a major achievement and shows that hardly any company wants to do without a high-tech system for handling outbound mail, despite the flood of e-mails. Demand is particularly high for the smaller systems for the office sector – and this is precisely where our company's strength lies.

The best possible proof is that, in contrast to the market trend, franking machine revenue grew in 2015, increasing our global market share to 10.8%. And even after this, there is still room for improvement. We want to continue increasing this market share in the years to come. This is an ambitious goal, but a realistic one given our young product portfolio. After all, we are firmly convinced that our traditional business still has a great deal of potential in the digital age. This is why we will continue to expand our range of franking services. In 2016, we will be bringing two further franking systems – the PostBase 100 and the PostBase One – to the market to complete the PostBase family. This means that our company has not only an innovative but also a market and customer oriented product portfolio.

Is this enough? No! Of course, the future of our industry is also digital. It sounds so simple, but, in reality it is proving to be exactly the opposite. Particularly in Germany, many companies and authorities are having difficulty tackling the systematic digitalisation of their business processes alone. However, this can certainly be seen as an opportunity for the FP Group. Therefore, we are expanding the consultancy business to pave the way for both companies and authorities to enter this new age. We are already covering a broad range of services for the first customers – from digitalisation of inbound mail and mail archiving right through to complete digital transmission and preparation of digital data for traditional business letters. This is a start. We now need to expand this business in Germany and abroad. This represents a tremendous opportunity. And we want to make the most of it.

Not only do we have innovative products and a high level of expertise in the digitalisation of communication, but we also have a strong global organisation and a stable customer base. Furthermore, the key figures for the fiscal year 2015 speak for themselves – at least at first glance. Revenue increased by 12% to EUR 191.1 million. EBITDA increased by as much as 16% to EUR 26.8 million. However, our company benefitted from currency effects to a significant extent in the past year – particularly in terms of EBITDA. The FP Group manufactures its products in the euro zone yet a large amount of revenue is generated in markets with other currencies. The US is our largest foreign market, followed by the United Kingdom.

This means that improvements still need to be made with regard to our company's profitability. In 2015, EBIT in particular declined also as a result of the rise in amortisation and depreciation. In 2015, consolidated net income saw a considerable year-on-year decrease to EUR 3.7 million due to a higher tax expense. The dividend proposed by the Management Board and the Supervisory Board is traditionally based on consolidated net income. For fiscal 2015, we will propose to the Annual General Meeting a tax-free distribution of 12 cents per share despite lower annual net profit. This corresponds to the gross dividend of 16 cents paid out in the previous year. With a distribution ratio of 54%, we are exceeding the ratio of 35% to 50%, which was communicated in 2015.

This is a clear sign to you, our investors, that from our perspective the opportunities in the years ahead far outweigh anything else.

In 2016, we still want to – and need to – convince parts of the capital market. Many investors still see the FP Group as a machine manufacturer with some new complementary business areas. But we are much more than that. With franking systems, we have a technology that is unparalleled. These systems contain state-of-the-art encryption software and sophisticated sensor technology, which have a lot of potential, both in terms of traditional and new business. And these are technologies that can also be used for additional purposes. This is precisely what the current strategy process is targeting. Over the next few months, we will further analyse, qualify and quantify trends and drivers, markets and competitors, and also customers and customer requirements. A range of specific fields of activity are already taking shape in dialogues with customers, partners and employees, and are opening up many new avenues of thought. This is something to build upon. We are convinced that the traditional business is anything but old – in fact, it is also part of the new business. And the new business will grow based on the traditional business.

However, this all rests on one prerequisite – and that is operational excellence. Initial measures to optimise processes are already under way and others will follow over the course of the year. To avoid any misunderstandings – the FP Group is well positioned and is generating a double-digit EBITDA margin. However, we are convinced that the Group could be even better positioned and subsequently generate even higher margins. The higher the results, the more potential there is to increase the company's value.

We are still in the initial stages of optimising our processes and perfecting our strategy. Our first forecast for the current fiscal year also reflects this. At this point in time, the FP Group anticipates a slight increase in revenue and EBITDA in addition to positive free cash flow for 2016. We thus want to post growth in all our key performance indicators. And, as we have said, this is just the beginning.

After all, digitalisation opens up a wide array of opportunities for the FP Group. We will master the existing challenges and move forward with a well-honed strategy. We want to make the most of these, in line with our motto: We don't just run for the sake of running. We run to win.

We would like to take this opportunity to thank our customers and partners also on behalf of all of our employees for the good cooperation we have enjoyed in the past year. We would personally like to thank the entire FP team for its willingness to actively help shape the FP Group's transformation. But our special thanks go to you, dear shareholders, for your commitment. We would be delighted if you will continue to accompany us on our journey through the digital age and to support us on our growth course.

Kind regards,

Rüdiger Andreas Günther
Chief Executive Officer (CEO) &
Chief Financial Officer (CFO)

Thomas Grethe
Chief Sales Officer (CSO)

Sven Meise
Chief Digital Officer (CDO)

THOMAS GRETHE (*1959)

Chairman of Francotyp-Postalia Holding AG
Banking and economics graduate (WAH)
Responsible for sales Germany, International and Asia, product management, strategic marketing/brand management and internal audit

RÜDIGER ANDREAS GÜNTHER (*1958)

Executive chairman of Francotyp-Postalia Holding AG
Banking and economics graduate
Responsible for strategic business development, finance, law, compliance, corporate communications (investor relations, public relations and internal communications), merger & acquisitions, production, purchasing and quality

SVEN MEISE (*1971)

Chairman of Francotyp-Postalia Holding AG
Degree in business administration (BA)
Responsible for strategic business development, product portfolio, management information technology and research and development

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

With this report, the Supervisory Board provides details of its activities in accordance with section 171(2) of the German Stock Corporation Act (Aktiengesetz – AktG). In the fiscal year 2015, 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 company's management, 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 due time. 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. The Management Board participated in all Supervisory Board meetings. At the meeting on September 4, 2015, the Management Board was represented by Mr Szymanski (CEO/CFO).

The meetings focused on the following issues:

- Net assets, financial position and results of operations
- FP 2020 strategy
- Development of core business, particularly in the US and in Germany
- Development of the subsidiaries Mentana-Claimsoft GmbH, internet access GmbH and freesort GmbH

The 2015 joint meetings of the Supervisory Board and the Management Board were held on 11 February, 26 March, 10 June, 4 September, 17 September (in the office premises of internet access GmbH, Berlin), 24 November and 10 December (budget meeting).

TOPICS HANDLED BY THE SUPERVISORY BOARD IN 2015

In the past year, the Management Board and the Supervisory Board regularly presented and discussed the development of the Mail Services and Software business areas in detail at the Supervisory Board meetings and outside these meetings. The Supervisory Board discussed the software solutions of IAB within the context of a facility visit, particularly at the meeting on 17 September. The operating development of Mentana-Claimsoft GmbH and the development of De-Mail were also regularly discussed. While a particular focus was placed on the creation of a portfolio of customers relating to De-Mail in recent years, Mentana-Claimsoft increases the sale of products relating to encryption, archiving and signature software in 2015.

In the past year, the development of the subsidiaries internet-access GmbH and freesort GmbH was also discussed in detail at meetings between the Management Board and the Supervisory Board held on 26 March, 10 June, 17 September and 24 November. At IAB, business relating to BusinessMail solutions for companies and OwigMail for administrative offices and authorities in particular saw positive development.

In addition to the development of new business areas, the traditional franking machine and inserter business was a major topic at the meetings of the Supervisory Board, held on 11 February, 26 March, 10 June, 17 September, 24 November and 10 December. Here, the successful replacement of decertified franking machines that was ongoing in the US was primarily addressed and the development of the franking machine business on other foreign markets and on the domestic market in Germany was intensively analysed. The reorientation of customer service was resolved for the German market. Given the growing importance of remote maintenance, which was made possible particularly thanks to the successful launch of PostBase and the new PostBase Mini, and declining repairs, the company focuses on the customer-oriented modernisation of its services, as announced some time ago. In December 2015, Francotyp-Postalia Vertrieb und Service GmbH took over the customer portfolio and maintenance contracts of Post+Büro Büromaschinen Vertriebs GmbH.

The FP 2020 strategy presented last year was also discussed in detail by the Management Board and the Supervisory Board. The Supervisory Board approved the strategic direction of the company after careful consideration and examination. The strategy with the strategic areas "Focus – Build – Grow" is set to unlock considerable growth potential for the company. In the meetings, the Supervisory Board and the Management Board also intensively discussed a potential acquisition as part of the FP 2020 strategy.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

At every joint meeting, the Management Board reported to the Supervisory Board on the net assets, financial position and results of operations of the FP Group. Issues of particular importance were discussed in detail between the Supervisory Board and the Management Board. Based on positive operating development in the first nine months and a favourable exchange rate effect, the FP Group increased its forecast for 2015 as a whole. This development was discussed between the Supervisory Board and the Management Board at the meeting held on 24 November.

The budget for the following year that is prepared annually by the Management Board was also 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.

MEMBERS OF THE MANAGEMENT BOARD

IT expert Sven Meise was appointed to the Management Board of Francotyp-Postalia Holding AG with effect on 1 February 2015. Mr Meise is responsible for the divisions of freesort GmbH, iab GmbH and Mentana-Claimsoft GmbH.

In addition, the Supervisory Board appointed Rüdiger Andreas Günther as a member of the Management Board and the new CEO with effect on 11 January 2016. As a result, Rüdiger Andreas Günther, born in 1958, succeeded Hans Szymanski, whose appointment was terminated by amicable and mutual agreement.

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 consist of three members, 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 financial statements, the consolidated financial statements and the combined management and group management report by the Management Board. The same applies to the report and conclusions reached by the independent auditor and independent auditor for the Group. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has audited the annual financial statements of Francotyp-Postalia Holding AG as of 31 December 2015 as well as the consolidated financial statements and condensed Group management report as of 31 December 2015, and has issued an unqualified opinion thereof in each case.

In accordance with section 315a German Commercial Code (Handelsgesetzbuch – HGB), the Group management report and consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRS), as adopted by the EU. 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 due time, together with the audit reports by KPMG AG.

During the balance sheet meeting held by the Supervisory Board on 7 April 2016, in the presence of the independent auditor, who reported on key audit findings, the 2015 annual financial statements, 2015 consolidated financial statements and condensed Group management report and audit reports were discussed comprehensively. The Supervisory Board concurs with the Management Board's presentation of the company's and group's situation 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 prepared by the Management Board on 12 April 2016. The financial statements for 2015 have thus been established in accordance with section 172 AktG.

Finally, the Management Board and Supervisory Board jointly approved the proposed resolutions on 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) in accordance with section 161 AktG, which now forms part of the Declaration on Corporate Governance in accordance with section 289a HGB, and will make this declaration permanently available to shareholders on the Francotyp-Postalia Holding AG website. The Management Board and the Supervisory Board broadly comply with the suggestions and recommendations of the Code. The Declaration on Corporate Governance, which also forms part of the 2015 Annual Report, and the Declaration of Compliance give detailed explanations of points where the Management Board and the Supervisory Board digress from the Code's suggestions 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 the Management Board and all its employees for their commitment and personal contribution in the fiscal year 2015. The Supervisory Board would particularly like to thank former Management Board member Hans Szymanski who brought the company considerably forward since he joined at the end of 2008. Likewise, it would like to thank the shareholders for the confidence they show in the company.

April 2016

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 the Supervisory Board submit an annual corporate governance report on the corporate governance of the company. As with the declaration of compliance, this is also a component of the company's declaration on corporate governance in accordance with section 289a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). The purpose of the German Corporate Governance Code is to make the rules for the management and supervision of companies that apply 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 the Supervisory Board, the transparency of corporate governance and the duties of the auditor. The Management Board and the 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 the Supervisory Board also safeguard the company's continued existence and ensure sustainable added value. The Management Board and the Supervisory Board report on potential departures from the recommendations of the Code in both the declaration of compliance and the following extensive disclosures, based on the version of the Code dated 5 May 2015.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act), the Management Board and the Supervisory Board of Francotyp-Postalia Holding AG hereby declare in the declaration of compliance which recommendations of the version of the German Corporate Governance Code dated 5 May 2015, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, it has complied with and will comply with, and which recommendations have not been or are not 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 are easily accessible to shareholders. The Articles of Association of Francotyp-Postalia Holding AG do not allow postal votes. The company will also not offer postal votes at its next Annual General Meeting.

2.3.3 Given the high level of administration involved, the company will not be able to make it possible for shareholders to watch the Annual General Meeting using modern communication media, e.g. the Internet.

3.8 The company has concluded a D&O insurance for the Management Board. The policy is subject to a retention 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 in accordance with section 93(2) AktG. D&O insurance was also concluded for the Supervisory Board. A deductible 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.

UNTERNEHMEN

5.3.2 As long as the Supervisory Board continues to consist of three persons, the Supervisory Board as a whole performs the duties of an audit committee.

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

5.4.1 The Supervisory Board has so far not set a time limit for membership, but it does intend to make a decision on this matter.

5.6 The Supervisory Board examines the efficiency of its activities with the aid of an external consultant every three years. Efficiency is examined each year through internal resources.

7.1.2 Given the extensive consolidation work involved, the consolidated financial statements are prepared within four months of the end of the fiscal year. Given 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 and the German Transparency Guidelines Implementation Act.

Berlin, 7 April 2016

For the Supervisory Board

Klaus Röhrig
Chairman of the Supervisory Board

Vorstand

Rüdiger Andreas Günther CEO	Thomas Grethe Member of the Management Board	Sven Meise Member of the Management Board

BASIC INFORMATION ON THE STRUCTURE OF CORPORATE GOVERNANCE AND THE UNDERLYING RULES

Francotyp-Postalia Holding AG, Berlin, is subject to German stock corporation law, and is governed by the executive bodies that are the Management Board, the Supervisory Board and the Annual General Meeting. Corporate governance is based on the close and trusting cooperation of all executive bodies and 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 normal business for the FP Group. The company assumes responsibility for products and processes, employees, customers and partners, and for the environment and society. The company maintains an open approach and 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 mem-bers 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 it created itself, govern its working methods.

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 Chairman of the Supervisory Board as required and at his due discretion. In accordance with the Articles of Association, the Supervisory Board can 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.

The Management Board manages the company independently in the interests of the company, with the aim of creating sustainable added value, while taking into account the interests of its shareholders, 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 business in line with uniform plans and policies. The Management Board therefore bears joint responsibility for the management of the entire company. As part of the overall responsibility for the governance of the company, the three members of the Management Board are required to work together in a loyal and trustful manner for the good of the company within the remit of their assigned duties. 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 policies, the Management Board also ensures appropriate risk management and monitoring within the company and the Group companies. More information can be found in the report on risks and opportunities in the Group management report. Management Board meetings are held at regular intervals, every two weeks if possible.

COMMITTEES OF THE SUPERVISORY BOARD

Owing to the size of the company and the number of members of the Supervisory Board prescribed by the Articles of Association, generally no other committees are formed. For this reason, the Supervisory Board as a whole decides on and monitors issues relating to the remuneration system for the Management Board, including the principal elements of contracts. Likewise, the Supervisory Board as a whole assumes the duties of an audit committee, with the Chairman of the Supervisory Board performing the role of the 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 THE SUPERVISORY BOARD

The common goal of the cooperation between the Management Board and the Supervisory Board is achieving sustained increases in enterprise value. The Management Board and the Supervisory Board meet at regular intervals to jointly coordinate the strategic direction of the company. The Management Board also regularly reports to the Supervisory Board on all issues relating to planning, business development, risk, risk management, internal accounting and compliance. The Management Board reports on and explains any discrepancies between actual business performance and the plans and goals prepared. 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 financial position and financial performance, and also concerning transactions of major importance.

Francotyp-Postalia Holding AG has concluded a D&O insurance for the members of the Management Board in accordance with the provisions of the German Corporate Governance Code. The policy is subject to a deductible 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 in accordance with section 93(2) AktG. D&O insurance was also concluded for the Supervisory Board. A deductible for the Supervisory Board will be included when the policy is renegotiated.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

CONFLICTS OF INTEREST

When making decisions and performing their duties, the Management Board and the Supervisory Board are required to act in the company's interest, and they must not pursue either personal interests or confer advantages on other persons or make personal use of business opportunities 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 2015.

DIVERSITY

With regard to its future composition, the Supervisory Board must take into account 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. The German Stock Corporation Act and the Code have newly stipulated that the supervisory boards of listed companies must define targets for the share of women. Given that the Supervisory Board has three members, a target of 0% has been set for the share of women. The Supervisory Board takes diversity into account in its nominations to the Annual General Meeting. The key factor for nomination remains the company's interests, which means that the Supervisory Board will propose the most suitable candidates, male or female. Furthermore, at least one member of the Supervisory Board must satisfy the criterion of internationality. At least one member already has the required traits.

In accordance with the new regulations in the German Stock Corporation Act and the German Corporate Governance Code, the Supervisory Board has resolved a target for the share of women in the Management Board by 30 June 2017. The target has been set at 0%. Nevertheless, the Supervisory Board will take the issue of diversity into account when seeking suitably qualified candidates for Management Board positions that need to be filled. The key factor remains the Group's interests, which means that the Supervisory Board will propose the most suitable candidates, male or female.

In addition, the Management Board is required to set a target for the share of women in the first and, if appropriate, second levels of management below the Management Board. The Management Board has decided that the FP Group should not fall below its current levels.

The Rules of Procedure for the Supervisory Board include an age limit for members of the Supervisory Board. A Supervisory Board mandate should end with the Annual General Meeting following the member's 70th birthday. A time limit for membership has not yet been set, but will be discussed by the Supervisory Board.

EFFICIENCY REVIEW

The Supervisory Board examines the efficiency of its activities with the aid of an external consultant every three years. Efficiency is examined each year through internal resources. The last efficiency review was performed 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, the appropriation of the unappropriated surplus and their official approval of the actions of the members of the Supervisory Board and the Management Board. Those present at the Annual General Meeting also elect the auditor each fiscal year.

At the Annual General Meeting, shareholders of Francotyp-Postalia Holding AG exercise their rights of control and their voting rights. They have the option of exercising their voting rights themselves or having them exercised through an authorised representative of their choice, including a shareholder 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 postal votes.

Naturally, it is in the interests of the company and of the shareholders to ensure that the Annual General Meeting is conducted 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 management 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 that ensure the simultaneous publication of information both in Germany and abroad.

All important regular publications and dates are published well in advance in 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. In accordance with section 15a of the German Securities Trading Act, these persons are required to disclose transactions if their value reaches or exceeds EUR 5,000 per calendar year.

Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. As the total ownership of all Management Board and Supervisory Board members exceeds 1% of the shares issued by the company, total ownership figures for the Management Board and the Supervisory Board are listed here separately:

SHAREHOLDER (DIRECT)

	Number of shares	in %
Hans Szymanski (Member of the Management Board until 11 January 2016)	120,000	0.7
Botho Oppermann (Supervisory Board)	275,000	1.7

SHAREHOLDER (INDIRECT)

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

ACCOUNTING

The principal sources of information for shareholders and third parties are the company's consolidated financial statements and, during the fiscal year, the quarterly and half-year reports. Deviating from the recommendations of the Code and owing to the extensive consolidation work involved, the consolidated financial statements of Francotyp-Postalia Holding AG are prepared within four months of the end of the fiscal year. Given 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 and the German Transparency Guidelines Implementation Act.

The consolidated financial statements and interim reports are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The separate financial statements required by law for tax and dividend payment purposes are prepared in compliance with the German Commercial Code (HGB). An internal control system and uniform accounting principles ensure a true and fair view of the financial position and financial performance and the 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 involved in the monitoring of the effectiveness of the risk management system, the internal control and audit systems, the accounting process and the audit, in particular their independence, in accordance with section 107(3) AktG as amended by the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act). A list of relationships with shareholders qualifying as related parties, as defined by IAS 24, is published by the company in its consolidated financial statements.

AUDIT

In accordance with the resolution by the 2015 Annual General Meeting, the Supervisory Board engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2015 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 the Supervisory Board, in accordance with section 161 AktG.

COMPLIANCE

The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these throughout the Group companies. Questions of compliance are regular issues in the discussions between the Supervisory Board or the Chairman of the Supervisory Board and the Management Board. The corporate culture of the FP Group is characterised by trust and mutual respect, and by the will to adhere strictly to laws and internal regulations. Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. The company does its utmost to minimise this risk as far as possible by uncovering misconduct and dealing with it systematically. Compliance with 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 policy. They provide all employees with guidance regarding corporate integrity in business. Executives and employees receive compliance policy training.

Investor Relations / FP shares

NEW RECORD FOR THE YEAR ON THE STOCK MARKET

In the first quarter of 2015, it was particularly the European Central Bank's monetary policy which sparked a revival of the stock markets. The weak euro and low oil prices also supported this development. In April, the German DAX stock market index exceeded the 12,000-point mark for the first time. However, it did not sustain this performance in the second quarter and the second half of the year and the market was highly volatile. The German share index reached its annual low at 9,325 points in September. Over 2015 as a whole, the DAX achieved an increase of 9%, ending the year at 10,743 points. By contrast, the Dow Jones concluded the year at 17,425 points with a decrease of around 2%.

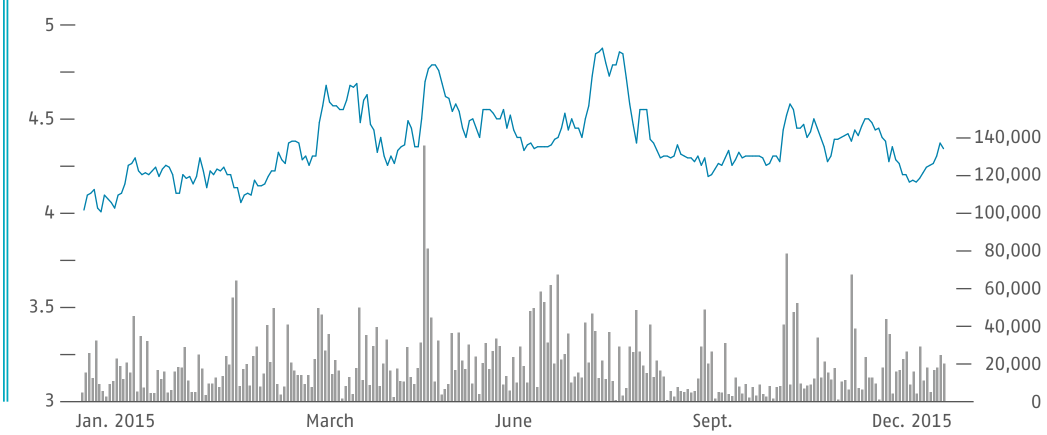
Most of the small caps also benefited from this positive development at the start of the year. Their index, the SDAX, increased significantly, particularly in the first half of the year. Despite high volatility in the second half of the year, the SDAX repeatedly achieved new all-time highs, closing the year at around 9,098 points. Overall, the index rose by approximately 26% over the year as a whole.

FP SHARE ENDS VOLATILE YEAR WITH PRICE GAIN

In the first half of the year, the FP share registered a price gain in line with the SDAX, rising by around 15%. The second half of the year was significantly more volatile overall for the FP share, as investors had anticipated some stronger operating increases on a currency-adjusted basis. The share reached its annual high at EUR 4.88 in August. The FP share closed 2015 at EUR 4.34 and thus achieved an increase of around 10% for the year as a whole.

An average of around 19,200 shares were traded each day. The high on a single trading day was reached at the end of May 2015, with over 135,400 shares traded on this specific day. FP shares were traded with liquidity although these volumes were below the previous year's figure.

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (2.1.2015–30.12.205)
Share price in EUR, volume in shares



A SOLID INVESTOR BASE

In 2015 as well, the FP share consolidated its position among investors with a long-term outlook. 3R Investments remained the largest shareholder in the past year, with an interest of 10.3%. At year-end, 1.0% of FP shares were held by the company itself. These FP shares will be used to exercise the stock options issued to executives. This will result in free float of around 83,5% (as at 31 December 2015).

According to their own reports, the following shareholders held more than 3% of the free float as at 31 December 2015:

- 6.50% INKA GmbH, Germany (interest rose to 10.16% at the start of 2016)
- 3.59% Saltarax GmbH, Germany
- 3.51% Ludic GmbH, Germany
- 3.07% Alceda Fund Management SA, Luxembourg
- 3.03% Rudolf Heil, Germany
- 3.02% Scherzer & Co. AG, Germany

ANALYSTS RECOMMEND FP SHARE

Analyst ratings play a key role in an investor's decision whether or not to buy a share. Two institutions that also traditionally work closely with small caps, namely Hauck & Aufhäuser and Warburg Research, followed the FP share in 2015 as well. Both institutions issued a buy rating for FP at the end of the year.

FP CONTINUOUSLY FOSTERS DIALOGUE WITH INVESTORS

The corporate strategy of the FP Group is geared towards a sustainable increase in value. Continuous, open and transparent communication with all capital market participants is therefore very important. The Management Board and the Investor Relations team make use of one-on-one meetings, investor conferences and roadshows to explain the company's business model and highlight its potential. In the past fiscal year, the Management Board also presented the company at the German Equity Forum in Frankfurt, Europe's most important platform for equity capital financing for medium-sized enterprises. In addition, it took part in events and roadshows in Brussels, Paris, Frankfurt and Stuttgart, as well as in numerous one-to-one meetings either in person or over the telephone.

The Investors' Day has established itself as a focal point for dialogue between investors and analysts. The Management Board made use of this event, which was held in Berlin on 28 May 2015, to present the prevailing results of Q1 2015, explain the strategy and present Francotyp-Postalia Holding AG to all those who were interested on-site.

The FP Group also uses conference calls as a forum for dialogue after the quarterly figures have been published. The associated presentations have been made available on the company's website for the benefit of all interested parties. The IR website – 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 networks and online forums, such as ARIVA or Wallstreet Online, to engage in an open and transparent dialogue with shareholders.

In 2016, the company will further intensify its IR activities and continuously foster the dialogue with all interested capital market participants. In addition to the redesign of the IR website, the

company's presence at roadshows and capital market conferences is set to increase in order to strengthen the relationship with existing contacts and build new ones. For any inquiries, please contact the Investor Relations team by e-mail (ir@francotyp.com) or phone at +49 30 220 660-410.

ANNUAL GENERAL MEETING APPROVES DIVIDEND

Once a year, the Annual General Meeting offers all FP Group shareholders the opportunity to take part in a direct dialogue with those responsible. Approximately 40% of the share capital with voting rights was represented at the last Annual General Meeting, which was held in Berlin on 11 June 2015. All items on the agenda were approved by a large majority and a dividend of 16 cents per share to be paid out for the 2014 fiscal year was resolved, among other things.

The Management Board and Supervisory Board propose a tax-free dividend of 12 cents per share for 2015. Despite a drop in consolidated net income, the proposed dividend corresponds to the gross dividend paid out in 2014, which was 16 cents. The proposed distribution ratio is 54% in relation to the 12-cent dividend. This means that the FP Group has exceeded the dividend policy communicated last year, which targets a distribution ratio between 35% and 50% of adjusted consolidated net income.

KEY SHARE DATA

Number of shares (since 23 March 2012)	16.16 million shares
Type of shares	Bearer shares
Share capital (since 23 March 2012)	EUR 16.16 million
Voting rights	Each share grants one vote
SCN	FPH900
ISIN	DE000FPH9000
Stock exchange symbol	FPH
Trading segment	Official market (Prime Standard)
Stock markets	XETRA and regional stock markets in Germany
Designated sponsor	ODDO SEYDLER BANK
Coverage	Warburg Research, Hauck & Aufhäuser
Announcements	Electronic Federal Gazette
Closing price (Xetra)	EUR 4.34 (30 December 2015)
Annual high (Xetra)	EUR 4.88 (10 August 2015)
Annual low (Xetra)	EUR 4.00 (9 January 2015)
Market capitalisation as at 30 December 2015	EUR 70.1 million
Earnings per share	EUR 0.22

Group
MANAGEMENT REPORT

FOR THE FISCAL YEAR 2015

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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. This global company offers all products and solutions for communication and document processes and thus focuses on business and private customers. In addition to systems for franking and inserting mail, the company's range comprises services such as the collection, franking and consolidation of business mail and innovative software solutions. The FP Group now has branches in many developed countries and has a global market share of more than 10% in the area of franking machines. Having existed for over 90 years, the FP Group now benefits – on all markets – from the willingness of companies to digitise business processes and outsource their business mail to a professional service provider.

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

Product segments

Franking and Inserting segment

The FP Group develops and manufactures franking machines. Moreover, it sells and rents out franking machines and inserters and also has an extensive range of services. Customers are able to frank their mail quickly and automatically using franking machines. Clients in some countries can also reduce postage costs using franked post items as national postal organisations grant a discount when postage has been paid using 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 FP Group's product spectrum ranges from the small and newly developed PostBase Mini franking machine to CentorMail, which franks up to 150 letters per minute. Since 2012, the company has been operating the PostBase franking system. This system connects the analogue and digital post world and includes numerous innovations in the field of mechatronics, sensor systems and software management for the Internet of Things.

The Group's main revenues generator in this segment is the after-sales business, which generates recurring revenues. It comprises the leasing of franking machines, the sale of consumables such as tape or ink cartridges, services, software solutions for cost centre management and the so-called Teleporto service. Here, the FP Group receives a service charge when customers top up their franking machines with credit for postage, for example.

Software Solutions segment

In the Software Solutions segment, the FP Group consolidates its business with hybrid mail and digital solutions for fully digital communication. Both possibilities allow for the quick and easy delivery of mail via the Internet while ensuring the highest security standards.

The specialist in hybrid mail is the FP subsidiary internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik in Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin (IAB or IAB GmbH). Here, the sender dispatches a letter electronically and the recipient receives a physical letter. The FP Group takes on the entire production process – from the customised editing of print data streams, to printing, franking, inserting and handing over letters to mail delivery companies. As data are sent digitally, customers are no longer required to prepare letters or go to the post office or a letterbox. At the same time, hybrid mail is good for the environment as the transport distance from the sender to the recipient is significantly reduced. The service comprises outbound mail processing of routine communication (invoices, reminders or bank statements), daily post, mailings and also special forms of mail such as mail delivery orders, remuneration statements and incoming mail processing.

The wholly-owned subsidiary Mentana-Claimsoft GmbH is in charge of services relating to fully digital communication. It is the first accredited De-Mail provider in Germany. Mentana-Claimsoft's range of services also comprises products for long-term storage and to protect electronic documents using encryption software. In order to provide a consistent archiving concept for the entire lifecycle of electronic documents, Mentana-Claimsoft also offers the HashSafe product. Following a successful conformity test, the Federal Office for Information Security *(Bundesamt für Sicherheit in der Informationstechnik – BSI)* granted the corresponding certificate. De-Mail offers a simple, traceable and confidential communication infrastructure for both businesses and authorities and also for private customers.

Mail Services segment

The Mail Services segment comprises the franking service and the consolidation of business mail. This includes collecting letters from companies, sorting them by postcode and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor. freesort

GmbH operates the corresponding business within the FP Group. freesort has been on the market for ten years and with eight sorting centres throughout Germany, it is one of the leading independent consolidators of business mail on the German market. Furthermore, freesort offers customised franking for business mail within the context of outsourcing services.

Using this service has allowed companies to increase efficiency in outgoing mail and save postage costs at the same time. This is because Deutsche Post has been granting discounts for post deliveries that have already been presorted and franked since the liberalisation of the postal market. freesort gives its customers part of this discount, which results in a win-win situation. Therefore, consolidation represents time and money savings for companies.

Significant sales markets and competitive position

With its franking machines, the FP Group is represented on the most significant markets in the world, which includes Germany, the US, the United Kingdom and France. With a total of approximately 230,000 installed franking machines, the company's global market share stands at approximately 11%. As a result, the FP Group is the third largest provider worldwide. In Germany and Austria, the company is the market leader, with a market share of approximately 42% and 47% respectively. Global sales are performed by subsidiaries in Germany, the US, the United Kingdom, the Netherlands, Belgium, France, Austria, Italy and Sweden in addition to a dense network of dealers in around 40 countries. FP continues to see growth potential for franking machines on the Asian market. Since the closure of the subsidiary in Singapore, sales have been carried out directly from Berlin, where FP is based.

In the Mail Services and Software segments, the FP Group is currently focusing on the German market. With a nationwide decentralised structure, freesort is able to guarantee the extensive collection of business mail with a total of eight sorting centres that are located in Langenfeld, Hamburg, Hanover, Berlin, Leipzig, Frankfurt, Stuttgart and Munich.

IAB has its own printing centre in Berlin from which finished mail is supplied via the channels of Deutsche Post or alternative post distributors. In addition, IAB has a printing centre at the Austrian Group company in Vienna.

STRATEGIES AND OBJECTIVES

Objectives

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

In 2015, the company also drafted its long-term goals for 2020. The FP Group wants to stabilise its growth course and generate revenues between EUR 225 million and EUR 250 million with an EBITDA margin of around 15% and significantly increase free cash flow by 2020. This requires an extensive transformation process. Subsequently, the share of revenues of new business areas relating to Mail Services and Software is expected to be at least 50% of total revenues in 2020.

Strategy

The FP Group is continuously discussing changes on the market and adjusting its own strategy accordingly. At the moment, the company's communication is undergoing a radical transformation. In addition to analogue communication with letters, hybrid and digital communication is increasingly emerging by electronic means. The FP Group is consequently evolving from a franking machine manufacturer into a digital mailroom provider. It is increasingly providing efficient – analogue, hybrid and digital – communication solutions for its customers. The integrated solutions for communication and document processes comprise both the inflow and outflow of information by letter, e-mail or other channels, which is processed and dispatched via all digital and analogue channels, and digital archiving and encryption that comply with the law.

The FP 2020 strategy forms the basis for the company's ongoing transformation. It comprises the following three areas:

1. **Focus:** safeguarding and expanding the franking machine business
2. **Build:** strengthening and expanding solution expertise in secure digital communication
3. **Grow:** expanding by means of organic growth and acquisitions

FOCUS

Securing and expanding the core business of franking to generate high cash flows as a basis for the growth strategy.

BUILD

Strengthening and expanding in the field of secure digital communications to position FP as a solution provider.

GROW

Expansion through organic growth and acquisition to offer customers digital mailroom solutions and to profitably grow in the long term.

Focus

In the "Focus" strategy area, the FP Group focuses on stabilising the core business of franking and inserting. Safeguarding and expanding this business is expected to generate the financial resources required for the implementation of the growth strategy. Modern franking machines are software-based systems that have highly secure IT infrastructures. They generate recurring revenues and guarantee long-term customer relationships. Thanks to certifications, patents and the cryptographic expertise that is required, there are high barriers to entry.

In this traditional business, the FP Group plans to develop existing solutions and products and their integration in digital mailrooms. In this way, revenues is set to increase by up to 2% per year by 2020. Here, the company wants to safeguard its good market position in Germany and Austria and advance the reorientation of sales to increase profitability. Another expansion at international level is planned. In order to acquire market shares in the US, the United Kingdom and Italy, the FP Group aspires to strengthen its lease transactions, telesales and the respective dealer networks there. In countries with low market shares so far, there are opportunities arising from customer-oriented sales and financing models.

Build

In the "Build" strategy area, the FP Group wants to strengthen its position as a solutions provider. To do this, the company is particularly developing more secure digital communication. With the creation of new business areas and higher value creation among existing customers, revenues growth between 7% and 10% per year by 2020 is targeted. The De-Mail service plays a key role here.

Generally, the FP Group focuses on the further integration of new divisions in the "Build" area. The focus is placed on digital solutions such as encryption and archiving. At the same time, the company wants to further expand its outsourcing business and Mail Services for inbound and outbound post. By strengthening sales and upgrading consulting, the FP Group wants to convince new customers of the advantages of the growing range of solutions and assist their digital transformation.

Grow

In the third "Grow" strategy area, the FP Group wants to expand by means of internationalisation and acquisitions. The purpose of targeted investments in organic and inorganic growth is to supplement the existing product and solution portfolio for the communication and document processes of customers. Further internationalisation is set to promote this growth; the FP Group can use its global presence to expand on attractive markets with new products. As part of the FP 2020 strategy, there are also plans to acquire an established and profitable company with a complementary product and solution portfolio.

Development of strategy

The FP 2020 strategy currently forms the basis for corporate activities in the FP Group. It focuses on the advancing digitalisation of the service range and the consistent internationalisation of existing and new products and solutions. At the Investors' Day in April 2016, the company will give an update on this strategy, particularly with regard to the possibilities of an accelerated expansion of future-oriented business areas.

ORGANISATION

Group structure

Francotyp-Postalia Holding AG is the parent company of the FP Group and acts primarily as a management 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% in Mentana-Claimsoft GmbH and 51% in IAB GmbH. The latter three companies form the Mail Services and Software Solutions product segments.

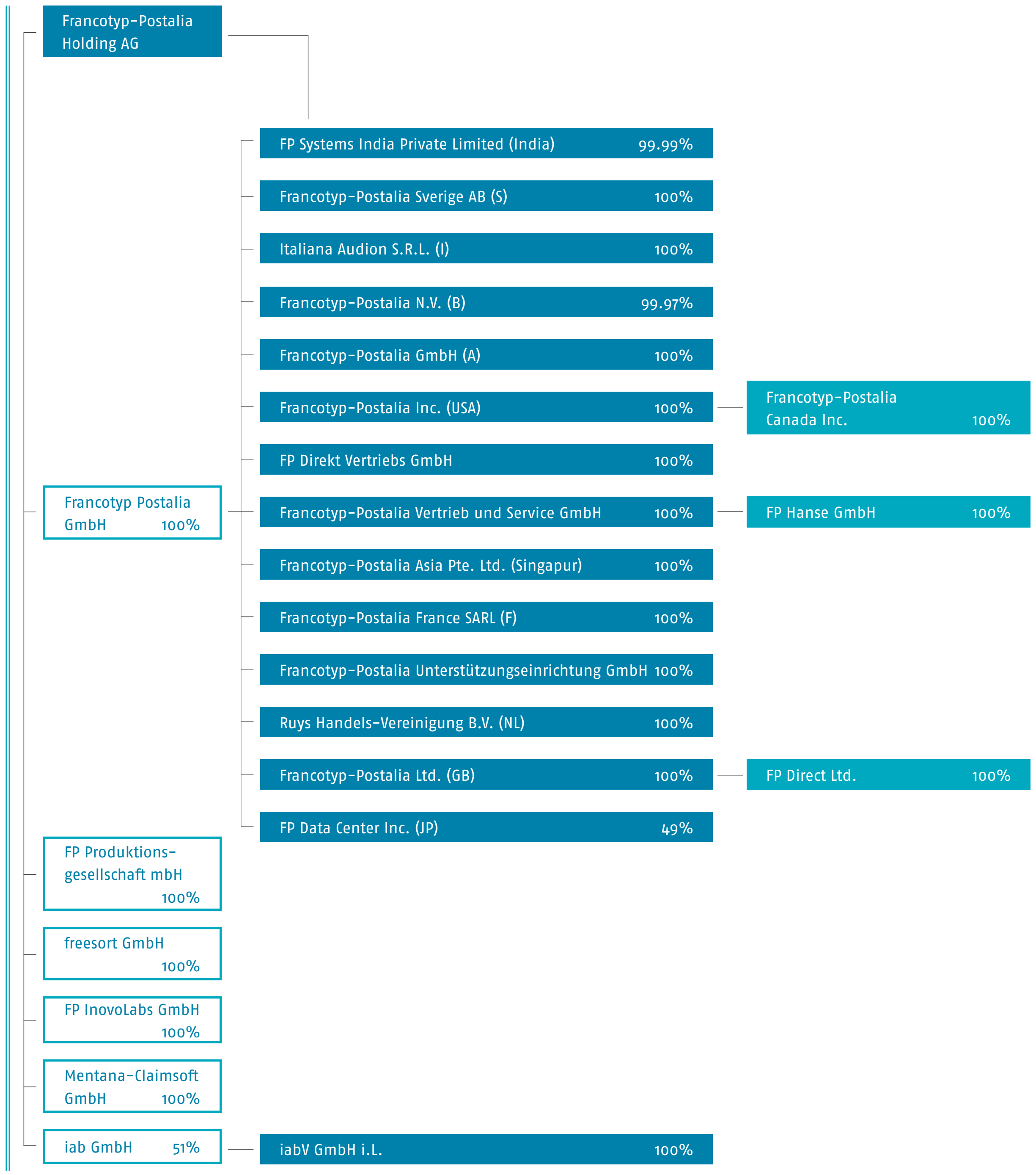
In 2009, FP InovoLabs GmbH, which is essentially in charge of research and development tasks, was established as a 100% subsidiary of FP Holding AG. Further information on research activities can be found in the section on research and development.

The chart in the "Sites" section shows equity interests as of 31 December 2015.

Sites

Since November 2014, the headquarters and main office of the FP Group has been located in Berlin. Key departments such as Accounting, Procurement and Group Controlling are also based in Berlin. Likewise, the franking machines are also developed there. Franking machines and inserters are distributed worldwide by subsidiaries on the markets in Germany, the United Kingdom, the Netherlands, Belgium, Austria, Italy, Sweden, the US, Canada and France, and also via a dense network of dealers. A chart of subsidiaries can be found in the notes to the consolidated financial statements.

Since 2012, the FP Group has been manufacturing its franking machines on a modern and flexible production line in Wittenberge, Brandenburg. 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. Rüdiger Andreas Günther was appointed as a member of the Management Board and CEO with effect on 11 January 2016. As a result, Rüdiger Andreas Günther succeeded Hans Szymanski (CEO), whose appointment was terminated by amicable and mutual agreement.

As the CEO and CFO succeeding Mr Szymanski, Mr Günther was initially in charge of Strategic Business Development, Production / Logistics / Procurement, Quality Management, Development, Information Technology, Compliance, HR / Legal and Finance / Controlling / Accounting. On 5 February 2016, the new business allocation plan for the Management Board was resolved by the Supervisory Board in accordance with the Articles of Association. Mr Günther is now in charge of the following divisions:

- Strategic Business Development
- Finance, Accounting, Controlling
- HR, Legal, Compliance
- Corporate Communication (Investor Relations, Public Relations and Internal Communication)
- Mergers & Acquisitions
- Production, Procurement and Quality

From 15 June 2013 to 5 February 2016, Thomas Grethe was responsible for Sales Germany / Sales International, Strategic Business Development, Product Management, Marketing / Brand Management, Corporate Communication and Internal Audit. Since 5 February 2016, he has been in charge of the following divisions:

- Sales Germany
- Sales International
- Sales Asia
- Product Management
- Strategic Marketing / Brand Management
- Internal Audit

Sven Meise was appointed as the third member of the Management Board and CDO as of 1 February 2015. He is still responsible for the Mail Services and Software product segments offered by freesort GmbH, IAB GmbH and Mentana-Claimsoft GmbH. His responsibilities include the expansion of the solution and outsourcing business as well as the implementation and development of fully digital, secure and traceable communication. In addition to these divisions, Mr Meise has been in charge of the following areas since 5 February 2016:

- Business Development
- Product Portfolio Management
- Information Technology
- Research and Development.

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 in the past fiscal year. As of 31 December 2015, the Supervisory Board was composed of the following members: Klaus Röhrig (Chairman), Robert Feldmeier (Deputy Chairman) and Botho Oppermann.

MANAGEMENT

Management system

The Management Board uses both the Group-wide reporting system and strategic Group planning as management tools. Strategic planning covers a period of three years and is updated on an annual basis during the budget process. 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
- cash flow planning
- monthly reports from segments
- internal audit
- quality, occupational safety and environmental management

Financial performance indicators

Group management was previously performed largely on the basis of the following financial indicators:

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

With the change in the leadership of the Management Board, the focus for 2016 will be directed towards the following financial performance indicators:

- Revenues
- EBITDA
- Free cash flow

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

Revenues is used to gauge market success. Using earnings before interest, taxes, depreciation, and amortisation (EBITDA), the Group measures the operating efficiency and the success of the individual business units.

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.

Non-financial performance indicators

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

The quality indicator measures changes 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 FP Group's research and development division made significant progress in product development in the past year as well. This relates not only to the core business of franking systems, but also to the new divisions.

In 2015, research and development in the area of franking systems focused on rolling out the franking systems of the PostBase family worldwide.

In the past fiscal year, significant efforts were made to develop PostBase 100 and PostBase One. With these systems, the PostBase family in the upper B segment has now been completed.

The entire product portfolio currently has a modular design, which substantially increases effectiveness when new versions are created.

Consolidated Financial Statements

In addition to traditional postal companies, FP is receiving an increasing number of requests from private post providers. Franking systems need to be developed for these companies. These systems have to be tailored to the specific needs of private post providers, secure payment transactions between the service provider and the customer and systematise and structure invoicing procedures more efficiently.

A key task of the FP Group's development activities is the maintenance and ongoing improvements in the existing product portfolio.

For the PostBase and PostBase Mini products, availability on international markets was further promoted and completed. Three projects in particular are to be highlighted here. In the US, FP launched the new standard (IMI = Intelligent Mail Indicia) as the leading company for franking machines in the A segment. In addition, a national variant was developed for the Japanese market, which presents the control panel in the national language. Finally, work on methods to install franking systems easily was continued.

The printing quality of franking machines is a significant factor not only with regard to certifying post companies but also with regard to the relationship with the customer as monetary value is associated with every print. To ensure the necessary printing quality for customers, a system verifying that the right ink cartridges are used was introduced.

In addition to traditional products in the area of franking machines, the FP Group initiated web-based franking for parcels. A payment channel, which will be ready for the market in 2016, was developed together with Canada Post. This channel makes direct postage payments for parcels possible using an FP account. In 2016, FP will expand the range with other functions and usage in other countries.

In addition to the development of new franking systems and ongoing quality improvements, research and development is continuously working on the development of other innovative techniques for franking systems.

Other activities in the area of franking systems

A total of 54 new software packages were released on a total of 14 markets for the MyMail, OptiMail30, UltiMail, CentorMail and PostBase franking systems and their accompanying PC applications in addition to server applications in their IT infrastructures. The model range is therefore being steadily expanded on new markets and oriented towards new demands on existing markets.

As in the previous year, the CentorMail system saw a pleasing development among private mail service providers. In the period under review, the system was configured and released for more than ten additional regional German mail service providers.

Mentana-Claimsoft

Expansion of the FP gateway

Mentana's leading gateway was further developed in 2015 to provide even more secure and traceable services in a convenient and customer-friendly way using the programme.

The integration of electronic court and administration mail, hybrid mail, the archiving function and e.g. domain-based encryption has transformed the gateway into an electronic hub for customers' input and output management.

New web front-end for the De-Mail portal

The web front-end www.fp-demail.de was fully reviewed and restarted in 2015. In addition to many comfort improvements, the use of end-to-end encryption has become significantly more convenient for users.

End-to-end encryption

As one of the leading providers, Mentana has also integrated the popular PGP encryption method for De-Mail. The plug-in, which allows all comfort functions of the Mentana gateway to be used in Outlook, makes it easy to apply end-to-end encryption to De-Mails. A practical side-effect of the plug-in is the fact that this encryption option can also be used for "normal mail."

Hash-Safe

The Hash Safe product for long-term storage in compliance with the law was completed in 2015. It was one of the first products on the market to be certified in line with the new TR-03133 ("TR-ESOR") standard by the German Federal Office for Information Security. Those who do not want to take any risks in electronic archiving remain in good hands at Mentana.

Signature app

Mentana's well-known "Signaturportal.de" solution has an even more convenient design thanks to a tablet app. Accessing Mentana's signature functions and signing and sending off documents ad hoc is possible in a user-friendly manner.

Managed Hosting

Mentana's high-security infrastructure was expanded and developed into managed hosting. As a result, it is now possible to offer highly secure private cloud solutions and software as a service or assume the operation of customer software.

Signature application components

As a leading provider for signature application components, Mentana integrated new signature cards in the Autosigner, OfficeSigner and Autoverifier product line early on. Solutions were also further developed to meet the requirements of the new generation of Trustcenter smartcards (ECDSA), new crypto-algorithms and corresponding ETSI standards.

Large File Transfer

Large file transfers are another innovation by Mentana. They allow large data volumes to be transferred in a highly secure manner and ensure that access can be monitored and restricted. These large data can also be signed together with the signature app. For example, those who gain access and the period in which access has been obtained can be established in addition to the frequency at which a file can be viewed and / or downloaded.

Internet Access Berlin (IAB)

FP Webmail Plus is a newly created solution to process (print, insert, dispatch) PDF documents ready for printing. Here, the solution makes use of direct communication with IAB, therefore requiring a very low amount of resources from the customer. Thanks to high module customisability, customer requests can be quickly and easily implemented directly at IAB, with no installation / maintenance required again.

FP Inbound was completely converted to the latest version of Kofax Capture. This also includes FP's own programming for validation and export / import scripts. Kofax Capture makes better automation possible and accelerates business processes, in which paper documents and forms of all kind are gathered and converted into reliable information available at all times. In addition, the information is transferred to business applications, processes and workflows.

By focusing on a specific system, support, maintenance and care are considerably simplified.

Research and development employees

At the end of 2015, 78 employees were permanent staff in the Research and Development divisions of the Group (including subsidiaries), which represents around 7.4% of the Group's total workforce (previous year: 7.2%). Additional external staff is temporarily recruited for certain projects, as required. At the end of 2015, external staff accounted for around 6% of the permanent R&D workforce.

In addition to traditional engineering areas, product management and R&D are increasingly working together to increase the pace of innovation.

Research and development investments

In the past fiscal year, research and development costs totalled EUR 8.8 million, therefore 1.3% lower than the level of the previous year (EUR 8.9 million). Of this figure, EUR 4.8 million was capitalised as intangible assets (previous year: EUR 4.6 million). A further EUR 4.0 million was recognised in profit or loss (previous year: EUR 4.3 million). The ratio of research and development expenses (including product maintenance) to revenues fell to 4.6% in 2015 (previous year: 5.2%).

EMPLOYEES

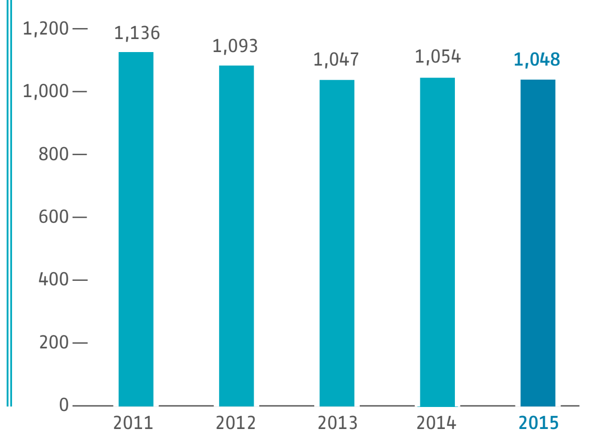
As of 31 December 2015, the FP Group employed a total of 1,048 people worldwide, compared with 1,054 employees in the previous year. As at the end of the reporting period, 658 employees were attributable to the German companies (previous year: 653) and 390 were attributable to foreign subsidiaries (previous year: 401). In Germany, employee numbers in the Production and Central Functions segments increased while the number of jobs was further reduced at Francotyp-Postalia Vertrieb und Service (VSG). The international markets saw an increase in employee numbers in France and Sweden. In the course of the closure of the Singapore subsidiary and optimisation measures at the Belgian sales company, 15 jobs in total were axed. The following provides a segment breakdown of employees as of 31 December 2015 (with comparative figures):

Consolidated Financial Statements

SEGMENT

	2015	2014
Sales Germany	466	468
Sales International	390	401
Production	162	158
Central functions	30	27
Total	1,048	1,054

EMPLOYEE DEVELOPMENT



ENVIRONMENT AND SOCIAL COMMITMENT

Environmental and occupational safety, quality and energy management and data protection and information security

The FP Group is duty-bound to deal with resources responsibly and safeguard the environment. The Group sees this as part of the responsibility it assumes on behalf of employees, customers, partners and neighbours.

The company therefore expanded its quality management system already in 2010 with an ISO 14001-certified environmental management system. In 2013, this was followed by an occupational health and health and safety system, which is certified in line with BS OHSAS 18001. The FP Group continues to endeavour to further improve its environmental and occupational safety management and therefore to better establish an attitude of sustainability in all divisions. This was confirmed in 2015 as the Group was one of the first companies to certify its integrated management system in line with the new ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental management) standards and orient its occupational health and health management system in line with ISO 45001:2016 for a commissioned certification.

Environmental protection, occupational safety and health protection are important management tasks for the FP Group. An integrated management system ensures its implementation in all operational roles and at all operational levels. Such a management system can only be brought to life with the help of committed and confident employees. This is why the FP Group is continuously raising necessary environmental and safety awareness among its employees by means of adequate information and training. The integrated management system specifies those who are responsible, corresponding methods and continuous improvement processes from operating activities. In this context, the Group also meets its obligations after introducing an energy management system and commissioning its certification in line with ISO 50001 in 2016.

Environmental protection and the conservation of resources already play a major role in product development. For example, the PostBase franking system meets the latest requirements for environmentally-aware franking. The 8% reduction in weight, the option to re-use components, and the labelling of the plastics used are noteworthy in this context. In the area of energy consumption, PostBase meets the stricter requirements of Energy Star Version 1.2 and has been awarded the "Blue Angel" environmental label. The PostBase franking system will replace all the older franking systems in the next few years. 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. With the recertification of the integrated management system, the company locations of FP IAB – internet access GmbH and of FP freesort GmbH System were integrated into the FP Group in 2015. In connection with consistent process documentation, auditors highlighted the high level of quality, environmental and occupational safety management that was already in place.

As part of the introduction of energy management, FP Mentana-Claimsoft GmbH will also be integrated into the Group-wide management system in 2016. FP Mentana-Claimsoft GmbH is certified in line with ISO 9001. As a De-Mail provider, it is also certified on the basis of IT baseline security in line with ISO 27001, in accordance with section 18(3) no. 4 of the 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 GmbH was the first company in Germany to be awarded the TR-RESISCAN certification. If a process is certified with TR-RESISCAN, users can scan archived documents and subsequently avoid using paper without sacrificing the evidential value of a document.

Information security is constantly gaining significance among our customers and in the integrated management system of the FP Group. In this context, it was decided that FP IAB – internet access GmbH and FP GmbH would also be certified in line with ISO 27001.

Social responsibility

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

Foreign subsidiaries also get involved beyond their company walls. 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 has been supporting the National Breast Cancer Foundation (NBCF) for several years. The NBCF focuses on providing information and medical check-ups in relation to breast cancer. The FP Group is committed to fighting cancer in Italy, too, and has signed up for a partnership with the "Lega Italiana Lotta ai Tumori" (LILT, Italian Association Against Cancer). For every PostBase sold, FP makes a set donation to LILT.

In a similar way, the Swedish subsidiary supports "Médecins Sans Frontières". For example, customers are given the possibility to donate part of their rental costs to this organisation. FP Netherlands donates money to the international children's charity "Plan." This Dutch subsidiary of FP supports a wind power project in India in partnership with The Netherlands' postal services, which compensates for CO_2 emissions that result from mail volumes.

ECONOMIC CONDITIONS

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

In the second half of 2015, the tense situation in the Arab region and declining growth in many developing countries had a curbing impact on the global economy in addition to the sustained growth slowdown in the eurozone. According to calculations of the International Monetary Fund (IMF), global gross domestic product (GDP) increased by 3.1%, as in the previous year. By contrast, there was only a 1.9% increase in GDP in the developed countries that are particularly relevant to the FP Group.

There were above-average growth rates particularly in the US, which is FP's largest foreign market. Here, economic output increased by 2.5% in 2015. However, growth in the eurozone amounted to a mere 1.5%. GDP in Germany saw a year-on-year increase by 1.7% in 2015.

The differing fortunes between the eurozone and the US have also 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 2015, it consistently lost ground in the second half of the year. At the end of 2015, EUR 1 was worth USD 1.09, which is 12 cents lower than at the end of the previous year (USD 1.21).

In 2015, the FP Group also benefited from the ongoing trend on a number of markets for smaller franking machines. Many customers replaced their bigger machines with smaller models like 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 330 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 2.6% in 2014. Figures for 2015 have not been published yet.

On established markets and in Germany in particular, opportunities will therefore come from marketing innovative software solutions for communication and document processes. The German Federal Network Agency has written in a discussion paper that the postal market would be in a period of upheaval and subject to constant change. The rise in digitalisation in particular offers 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 offers a broad service spectrum for conventional and digital mail transmission.

Overall, the economy and politics in Germany highlight growth potential arising from consistent digitalisation. However, this location is at risk at falling behind competitors in other countries. A 2015 study conducted by the consulting firm accenture concluded that the German economy had only reached ninth place among the 17 leading economies. At the same time, German companies are well aware of the potential of digitalisation. According to a survey conducted by the digital association Bitkom at the end of 2015, around 96% of all German companies in key industries see digitalisation as an opportunity. Two thirds of companies even insist on the necessity of its quick implementation. Thanks to its digital solutions for communication and document processes, the FP Group is able to make a significant contribution to accelerate the digitalisation process of these companies.

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 communication 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. Since the end of 2015, over 200 government offices and agencies have been 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.

In a report at the end of 2015, the German Monopolies Commission welcomed ongoing digitalisation in postal services. According to experts, electronic postal services and hybrid mail constitute a complementary service in addition to traditional mail services that can contribute to an increase in efficiency along the postal value creation chain and promote innovations. The Monopolies Commission advised the Federal Network Agency and the Federal Cartel Office to continue closely observing market developments in electronic postal services and hybrid mail. Based on market developments, hybrid mail is expected to be considered as its own relevant market in future.

Beyond this, there were no significant changes to legal conditions in 2015.

INCOME SITUATION

The FP Group significantly increased its revenues and EBITDA in 2015. The double-digit revenues growth particularly resulted from growth in Mail Services (collecting the business mail of customers, sorting by postcode and delivery at Deutsche Post AG – in short: consolidation – and the franking service), from success in leasing the PostBase franking system and as a result of positive exchange rate effects overall. These exchange rate effects also had a positive impact on the earnings situation.

The freesort FP subsidiary, which is in charge of mail services, celebrated record revenues in 2015. The company exceeded the EUR 50 million mark for the first time and quickened its growth course in recent years. On foreign markets, the FP Group particularly benefited from the success of the PostBase franking system. In the past fiscal year, the company expanded this product family in many countries with an entry-level model: PostBase Mini.

The significance of the leasing business for franking machines increased in 2015 as well. On the US lease market, the FP Group successfully replaced franking machines that had been removed for post purposes (decertification); this was necessary due to the discontinuation of older franking machines by the US Postal Services. Although the leasing business requires significant investments in the short term, in the case of the US and other markets such as France, the United Kingdom and Italy, this will lead to an expansion of the installed basis for franking machines in the medium and long term and thus result in recurring revenues in the medium and long term as well.

As anticipated, the company's EBIT did not reach the previous year's level. One-time extraordinary factors in particular were significant in this development (see section 3.1.2 Earnings development (EBITDA, EBIT)).

FINANCIAL PERFORMANCE INDICATORS

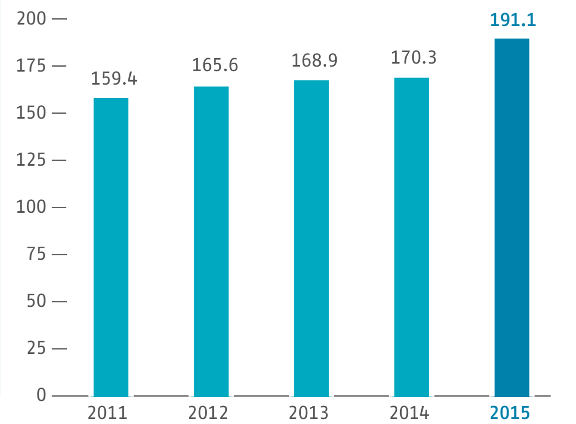
The FP Group's financial performance indicators are revenues, EBITDA and free cash flow. These are the value-driving parameters of the conflicting priorities that the company faces: profitability, growth and liquidity.

	2015 forecast	Adjustment 2015 forecast	ACTUAL 2015	Note
Revenues	Between EUR 173 million and EUR 177million	Between EUR 184 million and EUR 188 million	EUR 191.1 million	Growth in Mail Services exceeds forecasts. Higher and positive currency effects.
EBITDA	Increase between EUR 24 million and EUR 25 million	Increase between EUR 27 million and EUR 28 million	EUR 26.8 million	Significantly higher revenues, including positive exchange rate effects.
EBIT	Below the level of the previous year (EUR 9.8 million)	Unchanged	EUR 9.0 million	
Free cash flow	Significantly improved positive free cash flow (EUR -5.6 million in 2014)	Unchanged	EUR -1.4 million	Due to constantly high investments and the increase in receivables from finance leases, the increase in free cash flow at the end of the year was lower than expected.
Net debt	Slight decline (EUR 16.0 million in 2014)	Unchanged	EUR 19.6 million	Increase due to higher financial liabilities to fund investments in future growth.

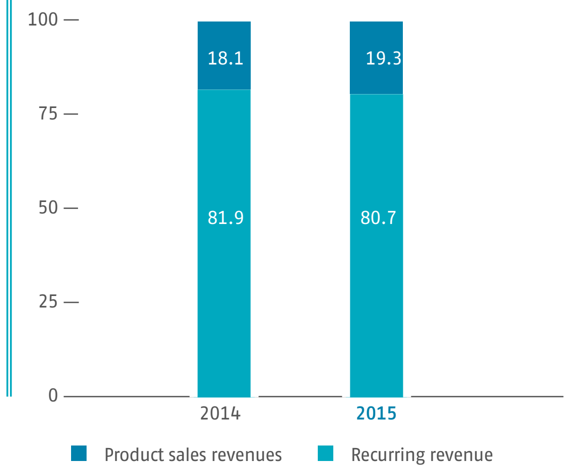
Development of revenues

In the fiscal year 2015, the FP Group increased total revenues to EUR 191.1 million, compared with EUR 170.3 million in the previous year. On the domestic market in Germany, revenues increased to EUR 101.0 million compared to EUR 92.6 million in the previous year; the largest share in this increase was achieved by the FP subsidiary freesort. The largest foreign market in 2015 was again the US, where revenues moved up from EUR 34.2 million to EUR 42.7 million. Based on the euro, foreign revenues rose to EUR 90.1 million in total compared to EUR 77.7 million in the previous year. The exchange rate effects across all currencies were positive, adding up to the effect of EUR 9.1 million (before consolidation).

CONSOLIDATED REVENUES
in EUR million



ALLOCATION OF REVENUES
in %



In the year under review, recurring revenues increased to EUR 154.3 million, compared with EUR 139.4 million in the previous year. This was generated by the Mail Services and Software business in addition to service agreements, the leasing business, Teleporto and the sale of consumables for around 230,000 franking machines worldwide. The growing significance of the leasing business led to an increase in revenues to EUR 31.4 million compared to EUR 25.3 million in the previous year. Revenues in the Mail Services segment increased to EUR 53.8 million (2014: EUR 44.1 million). At the same time, mail volumes increased from around 190 million consignments in 2014 to 198 million consignments in 2015. Revenues in the Software business amounted to EUR 13.7 million, which was slightly above the previous year's level (EUR 13.4 million). Against all expectations, in 2015 Mentana-Claimsoft generated no significant revenues, in particular from De-Mail transactions. Revenues from product sales increased to EUR 36.8 million compared to EUR 30.9 million in the same period of the previous year.

REVENUES BREAKDOWN BY PRODUCT AND SERVICE

in EUR million	2015	2014
Recurring revenues	**154.3**	**139.4**
Equipment hire	31.4	25.3
Service / customer service	22.3	24.8
Consumables	23.1	21.1
Teleporto	10.0	10.7
Mail Services	53.8	44.1
Software	13.7	13.4
Product sales revenues	**36.8**	**30.9**
Franking	28.2	22.9
Inserting	7.3	6.2
Other	1.3	1.8
Total	**191.1**	**170.3**
Recurring revenues	80.7%	81.9%
Non-recurring revenues	19.3%	18.1%

Earnings development (EBITDA, EBIT)

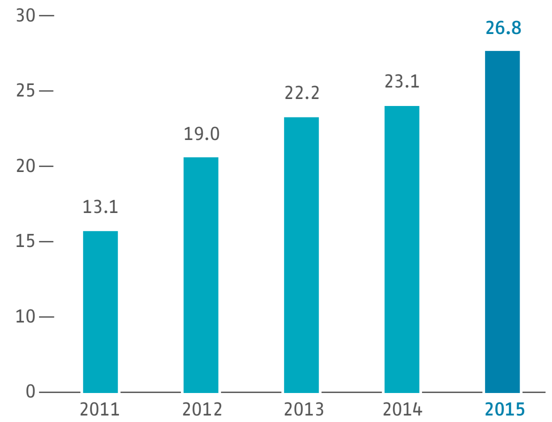
Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to EUR 26.8 million in the past fiscal year, compared with EUR 23.1 million in the preceding year. The EBITDA margin increased to 14.0% after 13.6% in the previous year. EBITDA were influenced positively primarily by the foreign currency effect resulting from the performance of the euro against the US dollar in the fiscal year. Overall, this led to a positive exchange rate effect of 3.9 million.

In 2015, EBIT were influenced by extraordinary factors. Including extraordinary factors, EBIT amounted to EUR 9.0 million and were thus below the level of the previous year.

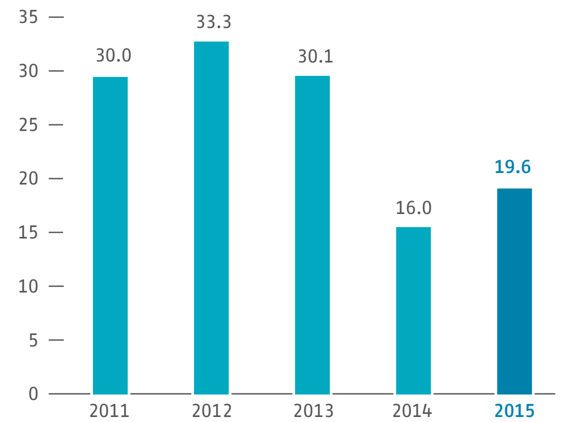
Extraordinary factors consist of the following:

- Restructuring costs of EUR 0.8 million as part of the optimisation of service in Germany
- Unscheduled impairment on goodwill and customer relationships totalling EUR 1.0 million
- Expenses of EUR 0.5 million in connection with the early resignation of the CEO and CFO
- Derecognition of statute-barred liabilities of EUR 1.4 million
- Positive deconsolidation effect of EUR 0.5 million from intra-year changes in the consolidated group in the fiscal year

EBITDA
in EUR million



CHANGES IN NET DEBT
in EUR million



Free cash flow

Free cash flow, the balance of cash inflows from operating activities and cash outflows from investing activities, improved to EUR -1.4 million in the past fiscal year compared to EUR -5.6 million in the previous year. At year-end, it was still weaker than expected due to continuously high investments on the US lease market. Cash inflows from operating activities amounted to EUR 18.6 million compared to EUR 17.5 million in the previous year. Cash outflows from investing activities fell to EUR 20.0 million compared to EUR 23.1 million in the previous year.

Net debt

The FP Group's net debt increased from EUR 16.0 million in 2014 to EUR 19.6 million in 2015. Net debt is calculated as financial liabilities minus cash and cash equivalents. Financial liabilities include borrowing and liabilities from finance leases. Cash and cash equivalents comprises liquid assets, treasury shares and securities. This does not include restricted postal funds of EUR 3.0 million managed in Austria and Canada.

in EUR million	31 Dec. 2014	31 Dec. 2015
Financial liabilities	31.4	36.3
Cash and cash equivalents	15.4	16.7
Net debt	**16.0**	**19.6**
Equity	30.1	35.2
Net debt-equity ratio	**53.2%**	**55.6%**

NON-FINANCIAL PERFORMANCE INDICATORS

The FP Group uses non-financial performance indicators alongside financial performance indicators for management purposes. The focus lies on the quality of the service range, which is measured using a quality and improvement indicator. 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 recognition 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.

The target value for the quality indicator was 29.0 to 30.8 for the fiscal year 2015; the FP Group achieved a value of 24.1 (previous year: 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 total revenues. 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 0.11 in 2015 after recording 0.13 in the previous year. The company therefore exceeded its own internal target of less than 0.13.

CHANGES IN MATERIAL ITEMS IN THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	2015	2014	Change %
Revenues	**191.1**	**170.3**	**12.2**
Change in inventories	-0.1	0.6	-122.7
Other own work capitalised	15.8	15.5	1.8
Overall performance	**206.7**	**186.4**	**10.9**
Other income	4.3	2.4	83.4
Cost of materials	91.3	82.0	11.3
Staff costs	57.4	53.5	7.2
Amortisation, depreciation and write-downs	17.8	13.3	34.1
Other expenses	35.6	30.1	18.1
Operating income before special income and expenditures	9.0	9.8	-8.2
Net interest income	-1.6	-2.1	-26.9
Other financial result	0.2	0.7	-72.7
Tax result	-3.9	-3.2	23.1
Result for the year	**3.7**	**5.2**	**-28.6**
EBIT	**9.0**	**9.8**	**-8.2**
EBITDA	**26.8**	**23.1**	**16.1**

Development of revenues
In the fiscal year 2015, the FP Group increased total revenues to EUR 191.1 million, compared with EUR 170.3 million in the previous year. Revenues growth is particularly based on growth in Mail Services, success in leasing the PostBase franking system and positive exchange rate effects overall.

Other own work capitalised
Work performed by the enterprise and capitalised saw a slight increase to EUR 15.8 million in 2015 compared to EUR 15.5 million in the previous year. This was the result of an increase in the development costs involved in own work capitalised, which amounted to EUR 4.8 million in 2015 compared to EUR 4.6 million in 2014. The proportion of manufactured franking systems for the leasing business remained at the level of the previous year. The FP Group capitalises the lease machines and depreciates them over their useful lives.

Other income
Other income increased to EUR 4.3 million in 2015 compared to EUR 2.4 million in the previous year. The increase is primarily attributable to income from the derecognition of intra-year liabilities of EUR 1.4 million and a rise in income from investment grants of EUR 1.0 million. A detailed structural chart of other operating income can be found in the notes to the consolidated financial statements under section 3.

Cost of materials
In the fiscal year 2015, the cost of materials increased to EUR 91.3 million, compared with EUR 82.0 million in the previous year. The increase in expenditure on services purchased to EUR 54.6 million compared to EUR 46.2 million in the previous year is a significant reason for this, reflecting business growth in the Mail Services segment. In addition, the performance of the euro against the US dollar had an impact. Expenses for raw materials, consumables and supplies increased to EUR 36.7 million in 2015 (previous year EUR 35.8 million). In 2015, the cost of materials ratio saw a slight improvement to 47.8% compared to 48.2% in the previous year, which was primarily due to the lower increase in the cost of materials.

Staff costs
In the fiscal year 2015, staff costs increased to EUR 57.4 million, compared with EUR 53.5 million in the previous year. In 2015, the FP Group employed 1,048 people worldwide, compared with 1,054 in the previous year. The euro, which was weaker against the US dollar in the fiscal year 2015, substantially contributed to a significant increase in staff costs of EUR 1.9 million. In addition, the early resignation of the CEO incurred a charge of EUR 0.4 million in staff costs. Nevertheless, as a result of the above-average rise in revenues the staff costs ratio improved to 30.0% compared to 31.4% in the same period of the previous year.

Other expenses
In 2015, other expenses rose to EUR 35.6 million compared with EUR 30.1 million in the previous year. Overall, marketing expenses in particular increased by EUR 0.8 million from EUR 2.0 million to EUR 2.8 million. Other material items comprise increased expenses for fees and consulting services of EUR 3.9 million compared to EUR 3.0 million in the previous year. Other remaining expenses increased from EUR 2.1 million in 2014 to EUR 4.6 million in 2015. The main items therein were prior-period expenses of EUR 1.1 million compared to EUR 0.3 million in the previous year and expenses for guarantees and complaints of EUR 0.6 million in 2015 compared to EUR 0.0 million in 2014. A detailed structural chart of other expenses can be found in the notes to the consolidated financial statements under section 6.

EBITDA
In the past fiscal year, the FP Group generated EBITDA – earnings before interest, taxes, depreciation and amortisation – of EUR 26.8 million compared with EUR 23.1 million in the previous year. The development of the euro's exchange rate against the US dollar led to a positive exchange rate effect of EUR 3.9 million. The EBITDA margin increased to 14.0% (previous year: 13.6%).

Amortisation, depreciation and impairments
Amortisation, depreciation and impairments increased to a scheduled EUR 17.8 million in 2015, compared with EUR 13.3 million in the previous year. This was due to planned higher depreciation on the leased products newly placed on the market and capitalised development projects. In addition, goodwill and the Mentana-Claimsoft customer relationship totalling EUR 0.9 million were unexpectedly amortised. Further information can be found in the risks and opportunities report in the devaluation risk section and in the notes to the consolidated financial statements.

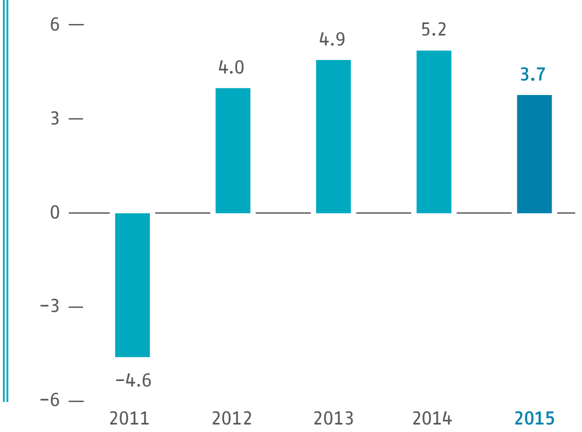
Net interest expense / income
In 2015, net interest expense / income stood at EUR -1.6 million compared with EUR -2.1 million in the previous year. Despite the low interest rate, interest income saw a slight increase to EUR 0.7 million compared to EUR 0.5 million in 2014 as the volume of receivables from finance leases increased overall. By contrast, interest expenses fell by EUR 0.4 million to EUR 2.2 million.

Other comprehensive income
The FP Group posted a financial result of EUR 0.2 million in the fiscal year 2015 compared with EUR 0.7 million in the previous year. Adjustments of EUR 0.6 million on the interest in and receivables from a subsidiary not included in consolidation as of the end of the reporting period had a detrimental effect. The effects in the financial result also depend on the reporting date evaluation at different exchange rates.

Tax result
The tax result consists of tax income of EUR 4.1 million and ongoing tax expenses totalling EUR 8.0 million. The net tax result came to EUR -3.9 million, compared with EUR -3.2 million for the same period in the previous year. The tax rate of 51.3% was above the previous year's figure of 38.0%. Including income tax actually paid in the fiscal year, the cash-effective tax ratio is 18.2% (previous year: 25.0%).

Consolidated net income
The FP Group generated consolidated net income of EUR 3.7 million after EUR 5.2 million in the previous year. Earnings per share stood at EUR 0.22 compared with EUR 0.32 in 2014 (basic).

CONSOLIDATED NET INCOME
in EUR million



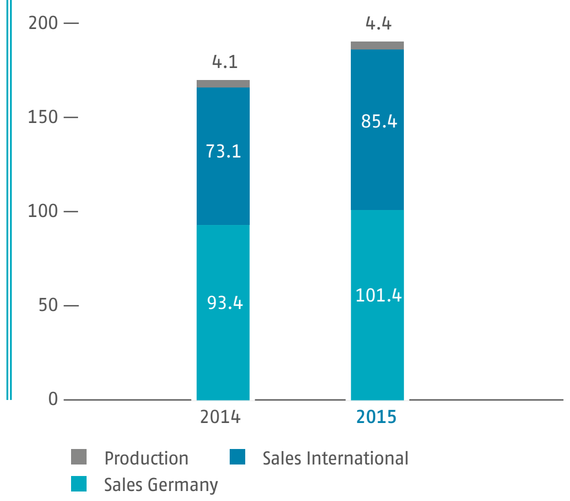
Dividend-bearing net profit and dividends
At the AGM on 7 June 2016, the Management Board and Supervisory Board will propose that the meeting approves a dividend payment of EUR 0.12 per share for the fiscal year 2015. Unlike the previous year, this proposal relates to a distribution from the tax contribution account as defined by section 27 KStG (German Corporation Tax Act) (not contributions to nominal capital). The payment will therefore be made without deducting capital gains tax or the solidarity surcharge. The net dividend is thus unchanged year on year. The FP Group paid a gross dividend of EUR 0.16 per share in the fiscal year 2015. For the determination of net income providing entitlement to dividends, please refer to 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 1.9 million. The Management Board proposes that the remaining accumulated profit be carried forward.

Business performance by segment
The company is divided into four segments: Production, Sales Germany, International Sales, and Central Functions. This segmentation is in line with the FP Group's internal reporting.

As the segments report in accordance with local financial reporting provisions, 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 intrasegment 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.

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

REVENUES BY SEGMENT
in EUR million



Sales Germany segment

Overall, the FP Group generated revenues of EUR 101.4 million with third parties on its German domestic market in 2015, compared with EUR 93.4 million in the same period of the previous year. Mail Services revenues alone rose to EUR 53.8 million compared to EUR 44.1 million in the previous year. The Francotyp-Postalia Vertrieb und Service Group (VSG), which is in charge of franking and inserting, reported revenues of EUR 33.9 million, down from EUR 35.9 million in the previous year. With a market share of 41.5%, the company was able to affirm its market leadership in the franking machine business amidst a challenging environment.

The EBITDA segment stood at EUR 6.6 million compared with EUR 6.7 million in the previous year because the segment benefited from lower Group operating expenses in other segments.

Sales International segment

In its Sales International segment, which combines all activities of foreign subsidiaries, the FP Group generated revenues of EUR 85.4 million with third parties in 2015 after EUR 73.1 million in the same period of the previous year. Revenues in the US rose to EUR 42.7 million from the EUR 34.2 million recorded in the previous year. In the United Kingdom, revenues improved from EUR 16.1 million in 2014 to EUR 19.3 million in 2015.

EBITDA in the Sales International segment stood at EUR 16.6 million compared with EUR 14.0 million in the previous year.

Production segment

All FP Group production activities in Germany are reported under the Production segment. In 2015, revenues reported in this segment amounted to EUR 4.4 million compared to EUR 4.1 million in the previous year. Intersegment revenues climbed to EUR 86.4 million compared to EUR 75.3 million in the previous year.

This results in a rise in EBITDA in the Production segment to EUR 10.6 million in the year under review, compared with EUR 5.2 million the year before.

SUMMARY OF RESULTS PER SEGMENT

in EUR million	Revenue 1)			EBITDA		
	2015	2014	Changes in %	2015	2014	Changes in %
Sales Germany	101.4	93.4	8.5	6.6	6.7	-1.3
Sales International	85.4	73.1	16.9	16.6	14.0	18.5
Production	4.4	4.1	5.6	10.6	5.2	103.9
Group 2)	191.1	170.3	12.2	26.8	23.1	16.1

1) Sales to third parties

2) The Central Functions segment is also shown in segment reporting. The segment generates no revenues with external third parties. Revenues 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 ensure the financial flexibility of the FP Group. The company achieves this objective by employing a variety of financial instruments. Various factors are taken into account when selecting the instrument, such as flexibility, 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. As of 31 December 2015, the ratio was 55.6%, compared with 53.3% as of 31 December 2014.

LIQUIDITY ANALYSIS

in EUR million	1 Jan. 2015–31 Dec. 2015	1 Jan. 2014–31 Dec. 2015
1. Net cash from/used in operating activities		
Cash flow from operating activities	18.6	17.5
2. Net cash from/used in investing activities		
Cash flow from investing activities	-20.1	-23.1
3. Net cash from/used in financing activities		
Cash flow from financing activities	2.4	-7.8
Cash and cash equivalents		
Change in cash and cash equivalents	1.0	-13.4
Change in cash and cash equivalents due to currency translation	0.6	0.6
Cash and cash equivalents at the beginning of period	14.4	27.2
Cash and cash equivalents at the end of period	**16.0**	**14.4**

LIQUIDITY ANALYSIS

Cash flow from operating activities increased to EUR 18.6 million in the fiscal year 2015, compared with EUR 17.5 million in the previous year. The increase resulted particularly from the rise in EBITDA with an increase in working capital. In the fiscal year 2015, cash outflow from investing activities decreased to EUR 20.1 million, compared with EUR 23.1 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 – improved to EUR -1.4 million in 2015 compared with EUR -5.6 million in the previous year. In 2015, cash flow from financing activities was EUR 2.4 million after EUR -7.8 million in the previous year. In 2015, the effects of the dividend payment of EUR 2.6 million, a net repayment of liabilities from finance leases of EUR 2.3 million and an increase in liabilities from bank loans of EUR 7.2 million were particularly apparent here.

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

Furthermore, the FP Group had unused credit lines totalling EUR 7.6 million as of the end of the reporting period, whereby the liquidity can be regarded as assured. The FP Group was able to meet its payment obligations at all times.

FINANCING ANALYSIS

To finance itself, the FP Group primarily uses cash flow from operating activities, along with existing or adjusted loan agreements with financial institutions and finance leases of less than one year. The corresponding liabilities were above the previous year's level as of 31 December 2015. 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 financial liabilities include loan liabilities of EUR 33.1 million (previous year: EUR 25.9 million) and liabilities from finance leases totalling EUR 3.2 million (previous year: EUR 5.5 million). Cash and cash equivalents include EUR 18.2 million in liquid assets (EUR 16.5 million in the previous year), treasury shares of EUR 0.8 million (EUR 1.0 million in the previous year), 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 3.0 million (EUR 2.8 million in the previous year).

The company took advantage of the favourable financing environment in 2015 and concluded another amendment agreement with the existing bank syndicate with regard to the current syndicate loan agreement. The total volume of the syndicate loan was not changed. There were improvements, particularly with regard to the interest margin. 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").

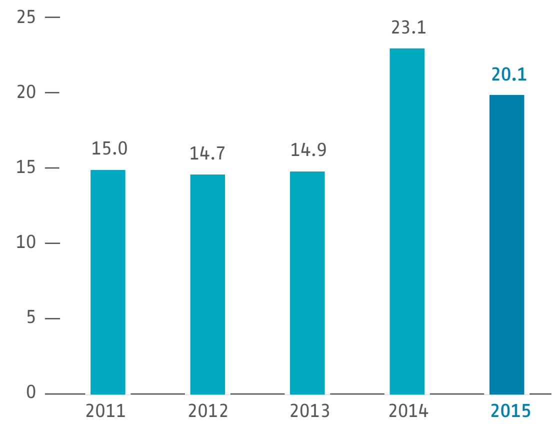
OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The FP Group uses operate-lease agreements to lease business premises or vehicles, for example. More detailed information is provided in the consolidated financial statements under section IV, note 4. Existing contingent assets and liabilities are presented in the notes. Furthermore, there are tax loss carryforwards of EUR 9.9 million that were not recognised. Otherwise, FP does not use any other off-balance-sheet financial instruments.

INVESTMENT ANALYSIS

The FP Group pursues a focused investment strategy. In line with expectations, investment fell to EUR 20.1 million in 2015 compared to EUR 23.1 million in the previous year, in each case allowing for cash inflow from the disposal of fixed assets of EUR 0.1 million (previous year: EUR 0.3 million). In 2015, the company continued to significantly increase its investments in future growth, including investment in development, production and the large number of franking machines for the major leasing markets in the US and France.

DEVELOPMENT OF INVESTMENT FUNDS
in EUR million



Investments in intangible assets increased to EUR 1.0 million in 2015 compared with EUR 0.5 million one year before. Capitalisation of development costs totalled EUR 4.8 million in the fiscal year 2015, slightly above the figure of EUR 4.6 million in the previous year. Investments in property, plant and equipment (excluding leased products and investments in finance leases) decreased to EUR 3.3 million in 2015, down from EUR 5.4 million in the previous year. Investments in leased products and investments in finance leases) amounted to EUR 11.0 million in the year under review compared to EUR 12.9 million in the previous year.

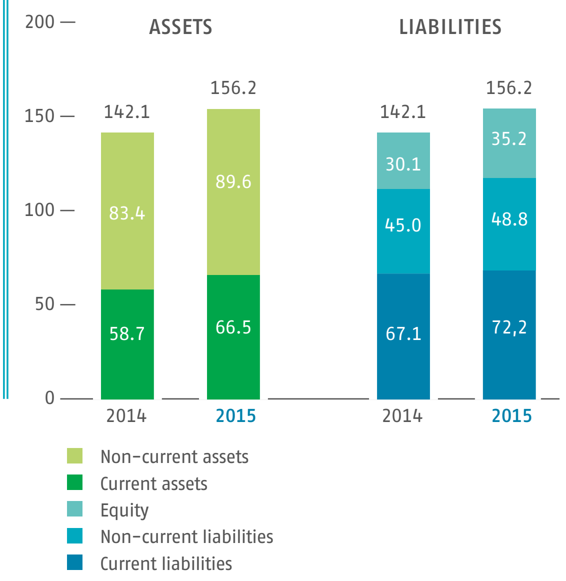
INVESTMENT

in EUR million	1 Jan. 2015–31 Dec. 2015	1 Jan. 2014–31 Dec. 2015
Capitalised development costs	4.8	4.6
Investments in other intangible assets	1.0	0.5
Investments in property, plant and equipment (excluding leased products)	3.3	5.4
Investments in leased products	11.0	12.9
Proceeds from the disposal of non-current assets	0.1	0.3
Investment	**20.1**	**23.1**

FINANCING SITUATION

The growing operating business also shaped the FP Group's statement of financial position as of 31 December 2015. Overall, total assets increased by EUR 14.1 million from EUR 142.1 million to EUR 156.2 million compared to 31 December 2014.

STATEMENT OF FINANCIAL POSITION STRUCTURE
in EUR million



NON-CURRENT AND CURRENT ASSETS

Within non-current assets, intangible assets were virtually unchanged at EUR 33.0 million at year-end compared with EUR 32.9 million on 31 December 2014. Here, as a result of amortisation, intangible assets including customer lists fell to EUR 13.8 million compared with EUR 16.2 million as at the end of the reporting period in 2014. The value of development projects not yet completed increased to EUR 10.7 million as of 31 December 2015 compared with EUR 7.6 million at the end of the reporting period in 2014.

As of 31 December 2015, investments in property, plant and equipment totalled EUR 42.0 million, compared with EUR 37.0 million in the previous year. Here, the value of leased products increased to EUR 24.6 million compared to EUR 18.9 million in the previous year. By contrast, the value of investments in finance leases fell to EUR 5.3 million compared to EUR 6.4 million in the previous year. Tax assets also dropped to EUR 8.6 million on 31 December 2015 compared to EUR 10.4 million in the previous year.

In terms of current assets, the value of the inventories was EUR 11.7 million as at 31 December 2015 following the expansion of the operating business, compared with EUR 10.0 million at the end of the reporting period in 2014. By contrast, trade receivables saw a slight decline to EUR 16.9 million compared with EUR 17.3 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 increased to EUR 18.2 million compared to EUR 16.5 million on 31 December 2014. In this period, other current assets increased from EUR 14.2 million to EUR 19.0 million.

EQUITY

Equity rose to EUR 35.2 million as of 31 December 2015 compared with EUR 30.1 million at the end of 2014. This was attributable to positive consolidated net profit and accumulated other comprehensive income.

As of 31 December 2015, the share capital of Francotyp-Postalia Holding AG amounted to EUR 16.16 million, divided into 16,160,000 no-par value bearer shares.

As of the end of 2015, the company held a total of 163,944 treasury shares, corresponding to 1.0% of 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 in accordance with section 315(4) HGB (German Commercial Code) in conjunction with section 120(3) sentence 2 AktG (German Stock Corporation Act).

NON-CURRENT AND CURRENT LIABILITIES

Current liabilities rose to EUR 72.2 million as at 31 December 2015 compared with EUR 67.1 million one year before. Current financial liabilities decreased to EUR 4.6 million, compared with EUR 5.5 million on 31 December 2014. Trade payables rose to EUR 9.9 million compared with EUR 9.5 million in the 2014 fiscal year. Other current provisions increased to EUR 5.9 million compared to EUR 4.6 million at the end of the reporting period in 2014. The rise in provisions was predominantly attributable to expenses of EUR 0.8 million to restructure service in Germany and expenses in the amount of EUR 0.5 million in connection with the resignation of the CEO. Other provisions are detailed in the consolidated finance statements under section IV, note 20. Other current liabilities rose to EUR 47.9 million after EUR 44.9 million on 31 December 2014, of which EUR 27.1 million (previous year: EUR 25.9 million) was attributable to Teleporto liabilities as at the end of the reporting period.

Non-current liabilities saw an increase to EUR 48.8 million on 31 December 2015 compared to EUR 45.0 million at the end of the reporting period in 2014. In this period, non-current financial liabilities increased from EUR 25.9 million to EUR 31.7 million. By contrast, pension provisions declined from EUR 17.4 million to EUR 15.5 million despite the persistently low interest rate environment.

LEASES

The FP Group offers both operating and finance leases. These business models are also reflected in the FP statement of financial position. Non-current assets comprises machines leased under operating leases with FP Group clients. In reference to this, EUR 28.5 million is contained accordingly in the leased products and investments in finance lease relationships items. Receivables from finance leases, which include finance leases with customers, totalled EUR 5.6 million in the long term and EUR 2.8 million in the short term. Without these indicated components, total assets would be EUR 119.3 million instead of EUR 156.2 million. On the liabilities side, EUR 1.7 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 154.5 million instead of EUR 156.2 million.

FRANCOTYP-POSTALIA HOLDING AG (CONDENSED VERSION – HGB)

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) is the parent company of the FP Group and has its headquarters in Berlin, Germany. The business address of the company is Prenzlauer Promenade 28, 13089 Berlin.

FP Holding indirectly functions as a complete service provider for business mail through its subsidiaries and second-tier subsidiaries. As postal markets have continued to change, the company wants to move from being a manufacturer of franking machines to being a digital mailroom provider. FP Holding is able to cover all dispatch channels relating to mail – from franking and inserting physical letters, mail consolidation to hybrid mail and the fully digital, secure and traceable dispatch of documents.

Sales take place in Germany and abroad via subsidiaries and a dense network of dealers in around 40 countries.

Since 1 January 2007, FP Holding has been employing its own staff. As of 31 December 2015, FP Holding AG employed a total of 30 people alongside the three Management Board members (previous year: 27).

FP Holding largely performs the tasks of a traditional management holding company. As it has no operating business itself, the financial position of the company depends on the results of the subsidiaries. Because of this, the financial performance indicators of FP Holding are derived from those of its subsidiaries. Its financial performance indicators are revenues, EBITDA and free cash flow. FP Holding 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.

FP Holding's annual financial statements are prepared in line with the German Commercial Code (HGB). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs).

This results in some differences with regard to recognition and measurement methods. This mainly relates to intangible assets, provisions, financial instruments, lease transactions and deferred taxes.

INCOME SITUATION

Annual net profit amounted to EUR 7.9 million in the past fiscal year (previous year: EUR 6.9 million). Here, the company generated income from investments and profit transfer agreements of EUR 15.4 million (previous year: EUR 11.7 million) and cost of loss absorption contracts of EUR 0.2 million (previous year: EUR 0.0 million).

As a management holding company, FP Holding indirectly benefited from income from profit transfers and the good economic development of its 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.

In the fiscal year 2015, income from profit transfers was higher than anticipated.

Due to the move to Berlin, which was associated with further investments in restructuring offices and workplaces, amortisation and depreciation saw a year-on-year increase in the fiscal year 2015. This had an impact on the company's earnings.

CONDENSED STATEMENT OF PROFIT OR LOSS OF FP HOLDING

in EUR million	2015	2014	Change
Revenue	2.1	**1.9**	**0.2**
Other operating income	1.3	1.2	0.1
Staff costs	4.0	2.9	1.1
Depreciation, amortisation and impairment losses	0.1	0.0	0.1
Other operating expenses	3.7	3.5	0.2
Income from investments and profit transfers	15.4	11.7	3.7
Cost of loss absorption contracts	0.2	0.0	0.2
Income from loans classified as financial assets	2.0	1.3	0.7
Other interest and similar income	0.3	0.7	-0.4
Interest and similar expenses	1.2	1.5	-0.3
Profit from ordinary activities	**11.9**	**8.9**	**3.0**
Extraordinary expenses	0.0	0.0	0.0
Taxes on income and earnings	4.0	2.0	2.0
Other taxes	0.0	0.0	0.0
Net profit for the year	**7.9**	**6.9**	**1.0**

Development of revenues

Revenues from services performed for the subsidiaries rose by EUR 0.2 million to EUR 2.1 million (previous year: EUR 1.9 million). The slight increase in revenues came about despite there being no change in the service activities rendered by FP Holding to the subsidiaries, but rather largely because of only minor changes in the number of hours and the hourly rates passed on.

Other operating income

Other operating income saw a slight increase by EUR 0.1 million to EUR 1.3 million. Other operating income in 2015 was primarily the result of a wage subsidy that had been received, which is attributable to the move to Berlin.

Staff costs

In the fiscal year 2015, staff costs saw a year-on-year increase by EUR 1.1 million to EUR 4.0 million. This is particularly attributable to the appointment of a third member to the Management Board and the recruitment of additional staff. The early resignation of the CEO also incurred a charge of EUR 0.4 million in staff costs.

Depreciation, amortisation and impairment losses

Amortisation and depreciation rose by EUR 0.1 million to EUR 0.1 million in the fiscal year. Due to the move to Berlin, which was associated with further investments in restructuring offices and workplaces, amortisation and depreciation saw another year-on-year increase in the fiscal year 2015.

Other operating expenses

Other operating expenses increased by EUR 0.2 million to EUR 3.7 million. This was primarily the result of an increase in legal and consulting fees by EUR 0.4 million. FP Holding became the main tenant as a result of the move to Berlin. As a result, rental costs went up by EUR 0.2 million, maintenance costs rose by EUR 0.1 million and insurance increased by EUR 0.1 million. In contrast, Group operating expenses decreased by EUR 0.2 million and other goods and services declined by EUR 0.1 million.

Financial result

The financial result including income from loans classified as financial assets rose by EUR 0.6 million to EUR 1.1 million in the fiscal year 2015 (previous year: EUR 0.5 million). The improvement in interest income largely resulted from the fall in interest expenses to EUR 1.2 million, which is a reduction of EUR 0.3 million or 20% on 2014's figure of EUR 1.5 million. This is due to improved financing conditions. The increase in income from loans classified as financial assets by EUR 0.7 million to EUR 2.0 million is exclusively the result of loans to affiliated companies. At the same time, interest income, which was also exclusively attributable to affiliated companies, declined by EUR 0.4 million to EUR 0.3 million.

Profit from ordinary activities

Profit from ordinary activities increased by EUR 3.0 million in the year under review. This is principally the result of the increase by EUR 3.7 million in income from profit transfer agreements and the increase in interest income by EUR 0.6 million.

Tax result

Tax loss carryforwards for trade tax in the FP Holding have been completely utilised as of 31 December 2015. Against the backdrop of limited possibilities to use loss carryforwards, taxes on income and earnings rose by EUR 2.0 million to EUR 4.0 million.

Annual net profit

The annual net profit of FP Holding rose by EUR 1.0 million to EUR 7.9 million (previous year: EUR 6.9 million) as a result of the significant increase in income from profit transfers and an improved financing situation.

FINANCING SITUATION

Net debt

FP Holding's net debt increased from EUR 26.5 million in 2014 to EUR 33.3 million in 2015. The company generated positive cash flow in 2015 as well, rising by EUR 1.0 million to EUR 1.0 million. Net debt is calculated as liabilities to banks minus cash and cash equivalents.

CONDENSED STATEMENT OF FINANCIAL POSITION OF FP HOLDING

in EUR million	2015	2014	Change
Fixed assets	64.2	64.0	0.2
Current assets	47.2	30.1	17.1
Deferred income	0.7	0.7	–0.1
Deferred tax assets	1.1	2.9	–1.8
Assets	**113.2**	**97.7**	**15.5**
Equity	72.8	67.3	5.5
Provisions	5.6	3.0	2.6
Liabilities	33.8	27.0	6.8
Deferred tax liabilities	1.0	0.4	0.6
Liabilities	**113.2**	**97.7**	**15.5**

As a result of the effects described below total assets increased from EUR 97.7 million to EUR 113.2 million.

Receivables from affiliated companies rose by EUR 16.3 million from EUR 28.6 million to EUR 44.9 million. In addition, provisions increased by EUR 2.6 million. Due to a greater use of credit lines, the company's liabilities to banks rose by EUR 6.8 million.

At the same time, the further increase in equity of EUR 5.5 million was driven primarily by the positive result. Since total assets increased more strongly than equity, the equity ratio declined from 68.9% to 67.3%.

Property, plant and equipment

Since the company also invested in new offices at the headquarters in Berlin in 2015, the carrying amount of the leasehold improvements saw another increase by EUR 0.1 million (previous year: EUR 0.7 million). This is the main reason for the increase in the book value of property, plant and equipment from EUR 1.3 million to EUR 1.4 million.

Financial assets

Financial assets of EUR 62.8 million (previous year: EUR 62.8 million) remained unchanged from the previous year.

Receivables from affiliated companies

In the course of intra-Group settlements, receivables from FP Holding were calculated along with liabilities to affiliated companies. They include short- to medium-term loans receivable from a general loan agreement to finance a subsidiary. In addition to cash pooling and short-term funding, they also include income from the profit transfer agreements of subsidiaries. The increase in the loan to Mentana-Claimsoft GmbH and the higher income from profit transfers of Francotyp Postalia GmbH and FP Produktionsgesellschaft mbH also led to an increase in receivables from affiliated companies by EUR 16.3 million.

Other assets

Other assets decreased by EUR 0.1 million to EUR 1.3 million, which mainly included income tax receivables and value added tax.

Deferred tax assets

The reduction totalling EUR 1.8 million in deferred tax claims on losses carried forward by FP Holding as of 31 December 2015 is largely the result of the use of those carryforwards this year. Deferred tax assets for fiscal losses and interest carried forward were EUR 1.1 million as at the end of the reporting period compared with EUR 2.9 million in the previous year.

Equity

In the year under review, equity rose from EUR 67.3 million to EUR 72.8 million (or by 8.1%) as a result of annual net profit of EUR 7.9 million, taking into account the 2015 dividend payment of EUR 2.6 million. Against the backdrop of the significant increase in debt by EUR 5.8 million to EUR 32.4 million (previous year: EUR 26.5 million), the equity ratio declined from 68.9% to 64.3% in the period under review.

As of 31 December 2015, the share capital of FP Holding amounted to EUR 16.160 million, divided into 16,160,000 no-par value bearer shares.

As at the end of 2015, the company held a total of 163,944 treasury shares or 1.01% of the share capital, compared with 202,944 treasury shares or 1.26% 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.

Other provisions

Other provisions increased by EUR 1.2 million to EUR 2.0 million. In 2015, a provision for the costs of annual financial statements of EUR 0.4 million had to be formed; at the same time, premium and bonus provisions increased by EUR 0.2 million as against the previous year. In addition, provisions in connection with a Management Board membership change were formed in the amount of EUR 0.3 million.

Liabilities to banks

In 2015, the company reported liabilities to banks of EUR 33.4 million (previous year: EUR 26.5 million). The increase in financial liabilities is attributable to the greater use of the syndicated loan. More information can be found in the consolidated financial statements.

Liabilities to affiliated companies

Liabilities to affiliated companies were around the previous year's level and are primarily the result of intra-Group settlements with Mentana-Claimsoft GmbH.

FINANCIAL POSITION

Cash flow from operating activities amounted to EUR –3.1 million in the fiscal year 2015 (previous year: EUR 8.6 million) and is attributable to the intra-Group settlement of receivables from and liabilities to affiliated companies.

Cash outflows from investing activities amounted to EUR –0.3 million in the fiscal year 2015 (previous year. EUR –0.8 million) and are attributable to investments in the fiscal year as a result of the move to Berlin.

In 2015, cash flow from financing activities was EUR 4.4 million (previous year: EUR –7.8 million). This largely results from a decrease by EUR 4.0 million in the balance of payments and repayments of bank loans of EUR –3.0 million in 2015 from EUR –7.0 million in the previous year and a dividend payment of EUR 2.6 million, up from EUR 1.3 million in the previous year.

FP Holding was in a position to comply with its financial obligations at all times throughout the year. Furthermore, FP Holding had unused credit lines totalling EUR 7.6 million as at the end of the reporting period, whereby the liquidity can be regarded as secured. In accordance with the syndicate loan agreement concluded with the banks, FP Holding must adhere to four defined financial performance measures (covenants) – see also the risk report. The financial indicators that were decisive as of 31 December 2015 were complied with.

COMPARISON OF THE ACTUAL / FORECAST BUSINESS PERFORMANCE OF FP HOLDING

The company has partially been able to exceed its goals for 2015 with regard to its forecast indicators. However, some of its goals have not been met. The forecast anticipated revenues of EUR 2.1 million and annual net profit of EUR 8.5 million, generated exclusively from transactions with Group companies. The company also predicted income from profit transfers of around EUR 12.3 million.

In the fiscal year 2015, the company generated revenues of EUR 2.1 million and thus achieved the forecast amount. EBIT without the income from profit transfers fell to EUR –4.4 million whilst the income and expenses from profit transfers rose to EUR 15.2 million. The better result of the Francotyp-Postalia GmbH subsidiary played a significant role here, as it improved by around EUR 3.7 million. It also benefited from the positive exchange rate relations and stronger supplies to the US subsidiary.

Consolidated Financial Statements

OVERALL STATEMENT ON BUSINESS PERFORMANCE

The performance of the FP Group and thus of FP Holding was positive on the whole over the previous fiscal year. Based on flexible production in Wittenberge and the innovative PostBase franking system, the company's strategy has continued to be successful in serving the sales markets. Digital services also attract great interest among customers.

The FP 2020 strategy, which was announced in the spring of 2015, aimed to develop the full potential of the FP Group in all areas and on all markets and thus achieve ambitious growth objectives by 2020. 2015 has demonstrated that the FP Group is on a profitable growth course.

RISKS AND OPPORTUNITIES

Die Geschäftsentwicklung der FP Holding AG unterliegt im The business performance of FP Holding is largely subject to the same risks and opportunities as the FP Group. FP Holding's share in the risks of the investments and subsidiaries 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 FP Holding's links with the Group companies, we refer to our statements in the report on expected developments in the Group management report, which particularly reflect the expectations for the parent company. We expect FP Holding's revenues in 2016 to be on a par with the level recorded in the previous year and annual net profit to decline slightly. The decline in annual net profit is attributable to lower scheduled income from profit transfers.

These plans are based on the level of knowledge available at the start of 2016. The FP Group wishes to point out that the planning information stated may differ from the values actually reached at a later date.

OVERALL STATEMENT ON THE FINANCIAL POSITION

COMPARISON OF ACTUAL / FORECAST BUSINESS PERFORMANCE

On 5 March 2015, the FP Group issued an initial quantitative forecast for 2015 as a whole with ambitious growth targets when it presented its provisional business figures. The company expected substantially improved and positive free cash flow regardless of the continued expansion of the leasing business and the related declining investments. At the same time, the company anticipated revenues between EUR 173 million and EUR 177 million and EBITDA between EUR 24 million and EUR 25 million. This amount did not yet include possible one-time expenses of around EUR 1 million for the realignment of customer service in Germany. At the time, the company anticipated a positive economic environment on key markets and stable exchange rate development of the euro against the US dollar.

Based on positive operating development in the first nine months and a declining euro, the FP Group increased its forecast for 2015 as a whole when it released its nine-month figures on 18 November 2015. Afterwards, the company anticipated a rise in revenues between EUR 184 million and EUR 188 million and an increase in EBITDA between EUR 27 million and EUR 28 million. In addition, the Group expected EBIT to remain at approximately the same level as in the previous year despite higher amortisation and depreciation. Moreover, the Group expected to achieve positive free cash flow for the year as a whole. This forecast still did not include one-time expenses for the realignment of customer service in Germany.

The FP Group exceeded its increased forecast for revenues and EBITDA; with an EBIT result below the previous year, the company achieved its forecast. The FP Group fell below its target level for free cash flow. In 2015, revenues rose to EUR 191.1 million. EBITDA, taking into account expenses for the realignment of customer service, stood at EUR 26.8 million and EBIT was EUR 9.0 million. In 2015, free cash flow improved to EUR –1.4 million, compared with EUR -5.6 million in the previous year.

BUSINESS PERFORMANCE IN 2015

The FP Group increased its revenues and EBITDA again in the fiscal year 2015. In terms of revenues, the company particularly benefited from the success of the PostBase franking system on a number of markets, as well as from the expansion of the Mail Service business on the German market. A positive exchange rate effect was a key driver for strong growth in EBITDA, as for revenues.

EVENTS AFTER THE REPORTING PERIOD

The Supervisory Board of Francotyp-Postalia Holding AG appointed Rüdiger Andreas Günther as a member of the Management Board and CEO and CFO with effect on 11 January 2016. Mr Günther, born in 1958, succeeded Hans Szymanski (CEO and CFO), whose appointment was terminated by amicable and mutual agreement with immediate effect.

On 12 January 2016, in accordance with section 21 of the German Securities Trading Act (WpHG), Internationale Kapitalanlagegesellschaft mbH, Düsseldorf reported that it had exceeded the share in voting rights at 10.16% compared to 6.46%.

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 divisions 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 reports on risks and opportunities are consolidated in a risk and opportunity report on a semi-annual basis and reported to the Management Board. The Management Board keeps the Supervisory Board informed about risk and opportunity management, which assumes a 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 serves to recognise and seize opportunities at an early stage and identify and limit risks as soon as possible. The policy of the FP Group regarding risks and opportunities is aimed at securing the company's long-term existence and continuously improving competitiveness.

Risk and opportunity management is an integral part of the value-oriented management and existing structures of the FP Group in order to identify and assess any indications of these risks and opportunities at an early stage. 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) AktG (German Stock Corporation Act). 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 risks threatening the Group's existence in addition to all legal, business, operational, financial and IT risks in the FP Group is drawn up at least twice a year. The consolidated group for the purposes of risk management is largely the same as the consolidated group for accounting purposes. The risks identified are then assessed in accordance with their potential for damage and their probability of occurrence in addition to 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 the extent of damage of 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 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 divisions, 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 and risks. Therefore, their impact on the company are discussed at Management Board meetings on a monthly basis and at performance meetings with the subsidiaries. Proposed measures to limit or eliminate any serious risks are also 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 2015 in accordance with the methodology already described and compare it to the previous year.

1. QUALITATIVE AND QUANTITATIVE EVALUATION OF THE PROBABILITY OF OCCURRENCE

Category	Evaluation (qualitative)	Evaluation (quantitative)
1	Very low	Once every ten years
2	Low	Once every five years
3	Medium	Once a year
4	High	Several times a year
5	Very high	Nearly weekly

2. QUALITATIVE AND QUANTITATIVE EVALUATION OF THE 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 OF RISK INDICATORS

PROBABILITY OF OCCURRENCE					
5	5 Low	10 Medium	15 High	20 High	25 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

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.

RISKS FACED BY THE FP GROUP

Market-related risks

Competitive pressure

The FP Group distributes certain consumables for franking machines, such as tape or ink cartridges, and generates a significant proportion of recurring revenues from these. Due to the increase in demand, a new cartridge machine was built in 2015. 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, revenues 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.

The FP Group limits this risk with premium programmes for sellers, expanding the more cost-effective leasing business and continuously strengthening sales.

This risk remains unchanged from the previous year.

Rate change and parcel post

At the beginning of 2016, Canada Post implemented an increase in rate change. To handle the risk of potential customer losses, the company increased its current fees for the rate change to new tariffs in order to offset the potential decline in rate change revenues.

Furthermore, pricing and service in the area of parcel post was restructured in Canada. As a countermeasure, the company is strengthening telemarketing at small companies. Moreover, new products and attractive pricing are expected to result in new machines on the market.

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.

Risks exist if independent dealers or franchisees are not proactive in selling the FP machines and market competitors' products instead. The FP Group combats this particular risk by finding new sales partners as soon as possible. In the United Kingdom, CentorMail cannot be replaced until the end of 2016 because relevant development work has not yet been completed. Therefore, the Qi1000 franking machine was launched on the market as an alternative. On overseas markets like Canada, there is a risk of losing market shares 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 unchanged from the previous year.

Performance-related risks

Trend-related risk

Since about 2005, mail volumes have been falling on all markets, most strongly in the C segment but also significantly in the B segment and the least in the A segment. A segment refers to 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. Innovative strength and systematic preliminary development are needed to prepare the technical solutions that will be demanded in future in this changing market environment. 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 unchanged from the previous year.

Financial risks

Currency risk

FP's procurement costs accrue predominantly in euro as the company has its production facilities in Germany. Currency risks arise when FP revenues is realised in other currencies, such as the US dollar and the British pound. Therefore, any rise in the euro against other currencies has an adverse effect on Group revenues, earnings and the cash flow reported in euro.

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

FP limits these currency risks by concluding currency hedging transactions and by purchasing in the dollar region.

This risk remains unchanged from 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 reach a certain value 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, which reflects the relation between EBITDA and financing costs.

The financial indicators that were decisive as at 31 December 2015 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 the 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 transactions

This risk remains unchanged from the previous year.

Devaluation risk

In the consolidated statement of financial position, goodwill of EUR 8.5 million is capitalised, comprising EUR 5.9 million from the acquisition of freesort (unchanged from the previous year), EUR 2.6 million from the acquisition of IAB (unchanged from the previous year) and EUR 0 million from the acquisition of Mentana-Claimsoft (previous year: EUR 0.7 million). 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 (carrying amount as at 31 December 2015: EUR 2.8 million), as well as capitalised development costs (carrying amount as at 31 December 2015: EUR 20.5 million). Although amortisation would have no effect on EBITDA, it would affect net income and hence equity as well.

This risk remained unchanged from the previous year, regardless of the full impairment on goodwill and the customer list of Mentana-Claimsoft.

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. At the same time, FP GmbH 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 United Kingdom, the US, Austria, the Netherlands and Belgium.

In 2014, an external tax audit was performed for 2009 up to and including 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. Necessary documents are still pending for the ongoing audit at Mentana-Claimsoft GmbH.

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 capitalised in Germany in the consolidated financial statements of Francotyp-Postalia Holding AG up to 31 December 2014. As of 31 December 2015, tax receivables totalling EUR 6.7 million were reported and are thus unchanged. There is still some uncertainty regarding the amount and timing of recognition, resulting from the pending mutual agreement and arbitration procedures between Germany and the tax authorities abroad. FP has capitalised deferred taxes assets of EUR 1.9 million (previous year: EUR 3.7 million). In 2015, corporation and trade tax losses carried forward of EUR 5.0 million (previous year: EUR 2.5 million) and EUR 1.9 million (previous year: EUR 3.2 million), respectively, were recorded for offsetting against positive tax results in 2015. In accordance with current tax planning, the tax losses and interest carried forward, for which the deferred tax assets 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 plan because the PostBase product line may be less successful on 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 from the individual subsidiaries also help to contain the risk.

Both risks remain unchanged from the previous year.

Other risks

Legal risks

A lawsuit is pending at the U.S. District Court for the 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 (promotional faxes) 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. Provisions for outstanding lawyer's fees were set aside for this case.

The risk remained unchanged from the previous year.

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 extensive measures to further develop the existing security technology in order to handle business processes securely. The FP Group minimises these risks further by implementing an information security management system (ISMS) and by raising staff awareness of how all information that is relevant to the business should be handled. Well-trained IT staff, experts and professional project management ensure the risks are minimised.

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

Geographic redundancy was set up as the administrative building is in Berlin and the data centres are located at two different IT sites. FP uses the infrastructure of large Internet service providers (ISP) based on the colocation centre model. This particularly minimises the risks to the air-conditioning, electricity supply and network connectivity.

With the use of postal server systems such as FrankIT, IBIP or Orchid, the IT segment is constantly obliged to meet requirements based on various standards such as BSI basic protection, ISO 27001, NIST 800-34 or 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 within the IT was established reflecting the BSI standard 100-3 for the operation of sensitive postal server systems. Regular audits and security certificates document and inform customers of FP's standard of security.

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

The risks at the US subsidiary have also been minimised by setting up a backup computing centre in Indianapolis. The redundant design of the repository, which is used across the globe as the heart of the PostBase business, means all of its components have been duplicated to minimise any potential outages.

As an accredited De-Mail provider, the Mentana-Claimsoft GmbH subsidiary is exposed to further IT risks arising from the operation of 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 ISO 27001-certified and therefore complies with the most stringent safety regulations.

Overall statement on the Group's risk situation
The risk situation as at 31 December 2015 has not significantly changed compared with the previous year. In principle, each risk concerns all segments, with the exception of currency risks for 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 possible 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 does not currently anticipate that the risk situation will change fundamentally. From an organisational view point, the company has laid all the necessary foundations required to ensure potential new risks are recognised in good time and can be acted upon quickly.

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

The Management Board and Supervisory Board of the FP Group place great value on ensuring the truth, 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 implement adequate controls to sufficiently ensure that financial statements comply with the regulations. The internal control system at the FP Group is predominantly supported by a functioning internal management system based on efficient processes, along with process-integrated, organisational security measures such as access restrictions in IT or payment guidelines. Process-integrated controls reduce the probability of errors and support the detection of errors that have already occurred.

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

As the parent company, Francotyp-Postalia Holding AG 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 and the individual subsidiaries possess a defined degree of autonomy when preparing their financial statements.

Key regulations and instruments in the preparation 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, to measure pension obligations, for example;
- the use of suitable IT financial systems and the application of detailed authorisation concepts to ensure that authority is granted in line with the task while complying with principles of separation of roles;
- checks implemented within the system and further process checks on accounting in the companies; consolidation in the context of the consolidated financial statements and of other relevant processes at Group and company level, 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 divisions, 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.

The annual financial statements of all major Group companies that are consolidated are audited.

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 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 risks result from medium-term financial liabilities. In order to manage the latter, FP Holding AG did not conclude any new interest rate derivatives in the fiscal year 2015. 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 qualitatively determined opportunities for 2015. As in the previous year, they were not 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 on emerging markets such as Russia and India in order to share in the growth that can be expected in those parts of the world.

However, opportunities also exist on established postal markets. This particularly applies to markets in which the FP Group's presence is not as strong as it is in Germany, the United Kingdom or the US. With this in mind, the FP Group is gradually building up its presence on 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. The Group also has opportunities on new markets such as Switzerland and Ireland.

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 PostBase Mini as the successor to MyMail, the FP Group has widened 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. However, the introduction and, in particular, the utilisation of De-Mail are developing much more slowly than originally anticipated. However, the Group still expected De-Mail to develop in line with expectations in the fiscal year 2015, particularly against the backdrop of the Federal Government's E-Government strategy.

Selling opportunities
Developing and strengthening sales creates opportunities for the FP Group on established markets. For example, the company is increasingly using telesales, leasing offers and specialist dealers in order to reach a large number of customers. In Germany in particular, the expansion of solution-related expertise is opening up new possibilities for the company – both in terms of direct sales and in connection with IT system houses and comparable partners. The FP Group is also establishing itself as a provider of encryption and archiving software for 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 has plans to acquire companies to strengthen or broaden its own portfolio. The focus here is on communication and information logistics, where one option would be to acquire an established company with solid growth and a robust EBITDA. Such an acquisition would not only strengthen the position of the FP Group on the global market but also improve the income situation. Further opportunities may arise from the use of the global FP sales network, the global FP customer base and the integration of technologies.

Opportunities as a result of currency effects
The FP Group's international orientation in its business activities means that not only may risks arise due to foreign currency effects, but also opportunities. Positive foreign currency effects can result from items in the statement of

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financial position and floating transactions in foreign currencies. Positive results can also arise from all cash flow that is not listed in euro.

Every FP company has opportunities in connection with exchange rate 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 2016; 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 balanced. The conditions have been created to recognise potential and react in good time.

FORECAST

In 2016, the FP Group will focus on strengthening earning power, continuously developing the traditional business with franking machines and expanding new business areas. The company plans to draw up an operational excellence programme and leverage potential to increase efficiency in all areas based on an analysis of the existing structures. In the area of franking machines, the FP Group will build on the success of 2015. In particular, there are plans to further expand the leasing business and launch PostBase Mini, PostBase 100 and PostBase on other markets. On the domestic market in Germany, the FP Group particularly anticipates another expansion in the Mail Services segment. FP will further develop as a specialist in secure digital communication in order to participate even more in the economy's digitalisation in subsequent years.

Against this backdrop, the FP Group anticipates a slight increase in revenues and a similar slight increase in EBITDA in the fiscal year 2016 compared to the previous year. Here, the company anticipates exchange rates for foreign currencies will remain constant. Against the backdrop of the high level of investment in the US lease market from 2012 to 2015, the FP Group expects amortisation and depreciation to rise again in the fiscal year 2016. To increase the return on sales, the company is actively taking measures to improve the tax rate. In addition, the company is again expecting positive free cash flow. Overall, this is an initial forecast following the change in CEO. The Management Board reserves the right to conduct a review later in the year, particularly after the completion of the evaluation of the prevailing strategy and the identification of possible measures to accelerate growth in the new business areas.

This planning as well as all subsequent statements are based on the level of knowledge available at the start of 2016. 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 for macroeconomic conditions is based on information provided by the International Monetary Fund (IMF). In addition, the following premisses apply:

- a positive macroeconomic situation on key FP markets;
- a moderate downturn or stagnation in mail volumes on traditional markets;
- stable development in exchange rates for foreign currencies;
- maintenance of the installed base in the franking machine business;
- development of the Mail Services and Software business.

FUTURE MACROECONOMIC AND MICROECONOMIC CONDITIONS

Despite turbulence on the capital markets and weaker economies in developing countries, the International Monetary Fund (IMF) anticipates robust development for the global economy in 2016. It forecasts growth in global gross domestic product (GDP) of 3.4% following 3.1% in the previous year. For Germany, the monetary fund is anticipating 1.7% growth in 2016. The upturn is also expected to have an impact on the eurozone, where the IMF also expects a rise by 1.7% in 2016. In the US, the FP Group's most important foreign market, the IMF anticipates GDP to grow by 2.6%.

The economic climate has an influence on future industry growth and, hence, also on the future business performance of the FP Group. Companies are more inclined to invest in a positive economic climate, which could have a positive impact on the franking machine and inserter business. In a robust economy, companies are more willing to innovate, which is favourable for the software business in particular. At the same time, it could benefit from the ongoing digitalisation of the economy. Digitalisation is also increasingly taking hold on the mail market. In Germany, the E-Government Act is forcing authorities to do more to communicate with the public via electronic means. As a result, over 200 federal authorities had to be be reachable via De-Mail by March 2016. This is a trend that the FP subsidiary Mentana-Claimsoft could benefit from in the medium term.

Even if the transfer of letter communication via digital channels is likely to continue in the years to come, franking machines remain a key element of mail processing. A clear sign is the willingness of US companies of all sizes to replace their old franking systems with new ones as part of decertification; as a result, the FP Group has ensured its installed base to a great extent.

FUTURE GROWTH OF FRANCOTYP-POSTALIA

Stable development in the franking machine business and growth on digital markets are shaping the FP Group's strategy. Over the course of 2016, the company will further develop this strategy under the leadership of the new CEO, Rüdiger Andreas Günther, particularly with regard to the possibilities of an accelerated expansion of promising business areas.

In the case of franking machines, the FP Group will focus on launching both PostBase Mini in other countries and the newly developed franking systems PostBase 100 and PostBase One. These systems round off the upper range of the product portfolio of PostBase, allowing the FP Group to offer the latest franking systems from the lower A segment to the lower B segment. Thanks to the expansion of the leasing business, the company has also improved its competitive position in various countries. In addition, the expansion of this business on markets that are still new, such as France, Ireland and Switzerland, remains a priority. On the domestic market in Germany, there was a positive effect arising from the most recent increase in postal charges in the Mail Services segment. In the Mail Services and Software segment, there are plans to further expand the product portfolio and strengthen marketing and sales.

FUTURE DEVELOPMENT OF PERFORMANCE INDICATORS

For the fiscal year 2016, the FP Group anticipates a slight increase in revenues. Here, the company anticipates stable development for franking machines and growth in the other business areas.

The FP Group likewise expects a slight increase in EBITDA. Despite further investments in the expansion of new business areas and the franking machine business, the company anticipates a positive free cash flow. For upcoming investments, the FP Group believes it has a solid financial base, based on high operating cash inflows and credit lines used entirely only in some cases. It also aims to achieve planned growth and to expand Group funding already in place.

Non-financial performance indicators are likely to continue improving in 2016. The quality indicator, which measures the changes in product quality based on annual servicing interventions, could remain stable compared with 2015. For the expense indicator, which focuses on the proportion of expenses for parts used for subsequent improvements, a slight improvement compared with the previous year's figure is also anticipated. Further comments on the calculation of these indicators can be found in the "Non-financial performance indicators" section in this consolidated management report.

OTHER DISCLOSURES

EXPLANATORY REPORT BY THE MANAGEMENT BOARD IN ACCORDANCE WITH SECTIONS 289(4) AND 315(4) GERMAN COMMERCIAL CODE (HGB)

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

Disclosures in accordance with sections 289(4), 315(4) no. 1 HGB (issued capital)

On 31 December 2015, the share capital of Francotyp-Postalia Holding AG was EUR 16,160,000. It is divided into 16,160,000 shares.

Disclosures in accordance with sections 289(4), 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.

The authorisation to purchase and sell treasury shares, which was resolved by the Annual General Meeting on 1 July 2010 and restricted until 30 June 2015, was revoked by resolution of the Annual General Meeting of 11 June 2015 and replaced with a new authorisation. Following this, the company is authorised to purchase treasury shares in the amount of up to 10% of the share capital existing at the time of the Annual General Meeting's resolution and use these shares for any purposes permitted by law.

The shares may also – disapplying the pre-emptive rights of shareholders in the context of business combinations or in the case of company acquisitions or investments – be offered and transferred to these entities, provided that the company acquisition or the investment is in the company's best interest and the amount to be paid for the treasury shares is not disproportionately low. Treasury shares can also be issued or sold in exchange for cash payments to third parties or individual members of the Management Board for introduction on a foreign stock market on which the shares were not authorised for trading until this date. This can be done in place of a cash bonus at a price that is not significantly below the stock market price at the time of sale. Treasury shares can also be used or redeemed to serve the 2010 and 2015 stock option plans.

As at 31 December 2015, the number of treasury shares stood at 163,944. That corresponds to approximately 1.0% of share capital. No voting rights are exercised in the case of treasury shares. The Management Board of Francotyp-Postalia Holding AG is not aware of any restrictions that may result from agreements between shareholders.

Disclosures in accordance with sections 289(4), 315(4) no. 3 HGB (direct or indirect investments in capital exceeding 10% of the voting rights)

As at 31 December 2015, 3R Investments Ltd, based in Cyprus, held 10.27% in Francotyp-Postalia Holding AG's share capital. 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 in accordance with section 21(1) German Securities Trading Act) (WpHG) and section 22(1) sentence 1, no. 1 WpHG as an indirect stake.

Disclosures in accordance with sections 289(4), 315(4) no. 4 HGB (shares with special rights)

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

Disclosures in accordance with sections 289(4), 315(4) no. 5 HGB (control of voting rights of employee shareholders)

There are no controls over voting rights.

Disclosures in accordance with sections 289(4), 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)

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

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

Disclosures in accordance with sections 289(4), 315(4) no. 7 HGB (powers of the Management Board with regard to the possibility to issue or buy back shares)

Authorisations for authorised and contingent capital

On 11 June 2015, the Annual General Meeting of FP Holding resolved the creation of new authorised capital (authorised capital 2015 / I) in the amount of EUR 8,080 thousand and the revocation of the existing authorisation of the Management Board to increase share capital (authorised capital 2011) and the corresponding amendment to the Articles of Association. With the approval of the Supervisory Board, the share capital of the company can be increased on one or more occasions by up to a total of EUR 8,080,000 by issuing new bearer shares against cash or non-cash contributions by 10 June 2020. Shareholders generally have a pre-emptive right to the new shares. In accordance with section 186(5) of the German Stock Corporation Act (AktG), the new shares can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to shareholders for subscription.

The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholder's pre-emption rights on one or more occasions.

On 11 June 2015 the Annual General Meeting also resolved to contingently increase the share capital of the company by an amount of up to EUR 6,464,000 by issuing up to 6,464,000 new bearer shares, each accounting for a pro rata amount of share capital of EUR 1.00 (Contingent Capital 2015 / I).

The contingent capital serves to grant shares to the holders or creditors of warrant or convertible bonds, profit participation certificates or participating bonds (or combinations of these instruments) that were issued by the company or one of its direct or indirect Group companies as defined by section 18 AktG by 10 June 2020. This is only carried out to the extent that options or conversion rights from the above bonds are utilised, or option or conversion obligations arising from these bonds are met, unless other means of settling the obligation are used. New shares are issued at the option or conversion price to be determined based on the aforementioned authorisation. The new shares participate in profits from the beginning of the fiscal year in which they arise as a result of options or conversion rights being exercised or conversion obligations being fulfilled.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details for the implementation of 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.

On 11 June 2015, the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 959,500 by issuing up to 959,500 bearer shares (Contingent Capital 2015 / II). The contingent capital increase is exclusively intended to serve pre-emption rights granted by 10 June 2020 on the basis of the authorisation of the Annual General Meeting in accordance with the adjustment of the 2010 stock option plan and Contingent Capital 2010. The contingent capital increase will only be implemented to the extent that the bearers of the issued pre-emption rights exercise their rights to subscribe to shares in the company and the company does not grant any treasury shares to serve pre-emption rights. The new shares participate in profits from the beginning of the fiscal year in which pre-emption rights are exercised.

By way of resolution of the Annual General Meeting on 11 June 2015, the Management Board was authorised, with the approval of the Supervisory Board, to issue, on one or more occasions and in full or in partial amounts, warrant or convertible bonds, profit participation certificates, participating bonds or combinations of these instruments (collectively referred to as "bonds") with a total nominal amount of up to EUR 200,000,000 by 10 June 2020, and to grant the bearers or creditors (collectively referred to as "bearers") of the respective bonds options or conversion rights to acquire bearer shares of the company accounting for a total pro rata amount of share capital of up to EUR 6,464,000 in accordance with the further conditions of the bonds and to establish the corresponding option and conversion obligations. The bonds and the options and conversion rights / obligations can be issued with a duration of up to 30 years or as perpetual instruments. Bonds can also be issued, in whole or in part, against a contribution in kind.

The individual issues can be divided into different types of bonds with equal rights. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights to bonds.

The Annual General Meeting of Francotyp-Postalia Holding AG on 10 June 2015 authorised the Management Board, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital at the time of this resolution. The shares acquired under this authorisation, together with other treasury shares held by the company or attributable to it in accordance with the sections 71d and 71e of the German Stock Corporation Act, must not account for more than 10% of the share capital at any time. The authorisation can be exercised in full or in part, and on one or more occasions. The authorisation remains in effect until 10 June 2020. The authorisation of the Management Board to acquire and use purchased treasury shares resolved by the Annual General Meeting of the company on 1 June 2010 ended when the new authorisation became effective.

Contingent capital increase and 2010 stock option plan

Item 1.1 of Francotyp-Postalia Holding AG's 2010 stock option plan states: "The Annual General Meeting of Francotyp-Postalia Holding AG on 1 July 2010 [...] resolved (i) to contingently increase the share capital of the company by up to EUR 1,045,000 by issuing up to 1,045,000 no-par value bearer shares and (ii) to issue to members of the Management Board of the company, members of management of affiliated companies as defined by section 15 AktG and executives of the FP Group pre-emption rights [...] that entitle the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price."

The stock option plan resolved thus exclusively allows for settlement in equity instruments, primarily by treasury shares and secondarily by way of a contingent capital increase.

The Annual General Meeting on 11 June 2015 resolved that 200,000 options under the 2010 stock option plan will no longer be issued.

Contingent capital increase and 2015 stock option plan

Item 1.1 of Francotyp-Postalia Holding AG's 2015 stock option plan states: "The Annual General Meeting of Francotyp-Postalia Holding AG on 11 June 2015 resolved (i) to contingently increase the share capital of the company by up to EUR 959,500 by issuing up to 959,500 no-par value bearer shares ("shares") and (ii) to issue to members of the Management Board of the company, members of management of affiliated companies as defined by section 15 AktG and executives of the FP Group pre-emption rights that entitle the bearers to subscribe to a maximum of 959,000 shares against payment of the exercise price."

The company can elect to use treasury shares to serve the pre-emption rights under the 2015 stock option plan instead of new shares if this is covered by a separate enabling resolution of the Annual General Meeting.

The purpose of both stock option plans, in accordance with item 1.3 of the respective stock option plan, is "a lasting link between the interests of management and executives and the interests of the shareholders in a long-term increase in enterprise value."

In accordance with item 2.2 of the respective stock option plan, every stock option grants the right to acquire one share in Francotyp-Postalia Holding AG.

In accordance with item 2.3 of the respective stock option plan, an option has a term of ten years from its award date. In accordance with item 2.4 of the respective stock option plan, options are not evidenced. In accordance with item 5.5 of the respective stock option plan, no premiums were paid when awarding options.

The following stock options were awarded under the 2010 stock option plan: 900,000 stock options as of 1 September 2010, 75,000 stock options as of 27 April 2012, 20,000 stock options as of 7 September 2012, 57,500 stock options as of 6 December 2014 and 30,000 stock options as of 11 June 2014. 180,000 stock options each of the stock options awarded relate to one active member of the Management Board of Francotyp-Postalia Holding AG as of 31 December 2015 and one former member.

Under the 2015 stock option plan, 465,000 stock options had been awarded as of 31 August 2015 and 40,000 as of 25 November 2015. 180,000 stock options under the 2015 plan related to active members of the Management Board of Francotyp-Postalia Holding AG as of 31 December 2015.

All the following conditions must be met for the options to be exercised under the 2010 and 2015 stock option plans:

a) Vesting period

In accordance with item 7.1 of the stock option plan, provided that the terms of the stock option plan "do not expressly state otherwise, the vesting period must be over and options cannot be exercised within this period. The vesting period before the options can be exercised is four years." This is a service condition.

b) Performance target

Item 7.2 of the stock option plan states: "Pre-emption rights can only be exercised if the performance target is met. The performance target for the pre-emption rights issued is met if EBITDA (IFRS), as reported in the consolidated financial statements for the fiscal year in which the pre-emption rights are awarded, has increased by 10% compared to EBITDA (IFRS) as reported in the consolidated financial statements for the last fiscal year before being awarded. [...] If EBITDA (IFRS) is reported after adjustment for restructuring costs in one or both of the sets of consolidated financial statements to be compared, this EBITDA after adjustment for restructuring costs (IFRS) serves as the basis for determining achievement of the performance target. If the performance target was not met, the pre-emption rights expire and can be reissued to participants of the Group.

The determination of EBITDA (possibly adjusted for restructuring costs) and changes in it compared to EBITDA (possibly adjusted for restructuring costs) in the relevant comparative year will be verified by the company's auditor within two weeks of the approval of the consolidated financial statements by the Supervisory Board in a manner binding for the issue of the admissibility of exercising options." This performance target is a non-market performance condition.

c) Personal exercise conditions

Item 7.3 of the stock option plan states that the option bearer must work for either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

Disclosures in accordance with sections 289(4), 315(4) no. 8 HGB (significant agreements of the parent company subject to a change of control following a takeover offer)

A key agreement of the parent company Francotyp-Postalia Holding AG, which falls under the condition of a change of control following a takeover offer, is the current 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 subsidiaries.

Disclosures in accordance with sections 289(4), 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 2015.

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289A HGB

The declaration on corporate governance in the FP Group contains the information required in accordance with 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 ACCORDANCE WITH SECTION 315 (2) NO. 4 SENTENCE 1 HGB

The report follows the recommendations of the German Corporate Governance Code (GCGC) and includes details in accordance with 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.

GENERAL COMPENSATION SYSTEM

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 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 a 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 the termination of employment, as well as fringe benefits of any kind and payments from third parties, which have been granted during the fiscal 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

Fixed remuneration

Basic remuneration is paid out every month in the form of a salary. In 2015, the basic remuneration of Hans Szymanski amounted to EUR 275,000. Thomas Grethe's basic remuneration amounts to EUR 230,000 per year and Sven Meise's basic remuneration amounts to EUR 200,000 per year.

Fringe benefits

Fringe benefits include 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

Variable remuneration

Variable remuneration (annual bonus related to short-term targets) depends on the cash flow available for redemption, on free cash flow 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 fiscal 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 fiscal years during the entire term of the 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 fiscal year agreed by the Supervisory Board. Apart from that, the credits and the malus components are summarised according to certain sustainability objectives. The long-term objectives to be achieved are, firstly, the franking machines installed in relation to the market as a whole (world) based on post office statistics and, secondly, the staff costs ratio as a percentage of the gross earnings in the franking business. In Mr Meise's case, the first long-term goal is average annual growth for the 2015, 2016 and 2017 fiscal years amounting to at least 10% of EBIT (earnings before interest and taxes) accumulated in line with freesort, IAB and Mentana-Claimsoft and supplemented areas during the contractual term. The second long-term goal is defined by the Supervisory Board.

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. Ahead of the payment of the expected long-term bonus, each member of the Management Board receives an annual advance payment of EUR 20,000. 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.

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 11 June 2015 resolved to issue pre-emptive rights to members of the management boards of affiliated companies as defined in section 15 AktG and executives of the FP Group, whereby these pre-emptive rights entitle the holders to subscribe to a maximum up to the statutory limit of 10% of share capital (2015 stock option plan).

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

In the event of the premature amicable termination of an individual's membership on the Management Board without good cause, the Management Board 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, their employment contract shall be terminated. If the appointment is revoked for good cause that is not covered by section 626 German Civil Code (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. As for the Management Board contract of Mr Szymanski, if his appointment is revoked, this member of the Management Board will be 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. The contract of Mr Szymanski was prematurely terminated upon his request on amicable terms on 11 January 2016. The service agreement of Mr Szymanski ends after three months at the end of the calendar month once the termination agreement enters into force. The Management Board member 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. Regulations on insurance are included. With regard to the long-term bonus for the fiscal year 2015, there was no malus and Mr Szymanski does not owe a repayment. Incidentally, Mr Szymanski will be at least in the same position as other Management Board members regarding variable compensation (long-term bonus and annual bonus) for the fiscal year 2015. The 2010 and 2015 stock options remain in force as resolved at the respective Annual General Meetings.

If his appointment is revoked, Mr Meise's contract provides for a lump sum of half his annual compensation 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 the company's conversion to a public EU company (SE), each Management Board member already declares his agreement to an appointment to the Management Board (in the event of the company's reorganisation as a two-tier SE) or as Executive Director (in the event of the company's reorganisation as a single-tier SE).

Compensation of members of the Management Board and Supervisory Board in the fiscal year 2015

The following table shows the total remuneration of the Management Board in accordance with German Accounting Standard (GAS) 17. Total remuneration includes directly and indirectly paid remuneration components in accordance with GAS 17. In accordance with GAS 17, the fair value of share-based payment (2010 and 2015 stock option tranches) is reported in total remuneration in the year the commitment was granted – fiscal 2010 and 2015 respectively. As non-share-based payment, the long-term bonus granted in fiscal 2015 will not be recognised in the remuneration report until the occurrence of the long-term conditions in accordance with GAS 17.

		Mr Szymanski				
in EUR thousand		2011	2012	2013	2014	**2015**
	Fixed remuneration	203	240	253	275	275
	Revocation (reimbursement, lump sum, long-term bonus)					**369** 1)
Fixed components	Fringe benefits	11	15	11	12	14
	Total	**214**	**255**	**265**	**658**	**289**
Performance-based components						
without long-term incentive effect	Annual variable remuneration:	44	30	130	91 2)	-11
with long-term incentive effect	***Long-term variable remuneration:***					
	2010 stock option plan	0	0	0	0	0
	2015 stock option plan	0	0	0	0	37
	Long-term bonus 3)	0	0	0	0	0
	Total	**44**	**30**	**130**	**91**	**26**
Pension provisions		76	76	76	76	76
Total remuneration		**334**	**361**	**471**	**454**	**760**

1) This provision amount constitutes an expense of EUR 369 thousand relating to other periods.

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

3) Non-share-based compensation is accounted for in total remuneration in accordance with GAS 17 if the condition attached to the approval is fulfilled. EUR -14 thousand (previous year: EUR 34 thousand) was recognised in profit or loss in the 2015 annual financial statements as a reversal of the provision (previous year: addition to provisions) in line with the probable achievement of goals.

		Mr Grethe (Member of the Management Board as at 15.6.2013)			
in EUR thousand		2012	2013	2014	2015
	Fixed remuneration	0	119	200	230
Fixed components	Fringe benefits	0	6	12	10
	Total	**0**	**125**	**212**	**240**
Performance-based components					
without long-term incentive effect	Annual variable remuneration:	0	20	36	-11
with long-term incentive effect	***Long-term variable remuneration:***				
	2015 stock option plan	0	0	0	54
	Long-term bonus[4]	0	0	0	0
	Total	**0**	**20**	**36**	**43**
Pension provisions		0	2	21	21
Total remuneration		**0**	**147**	**269**	**304**

4) In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR -10 thousand (previous year: EUR 7 thousand) was recognised in profit or loss in the 2015 annual financial statements as a reversal of the provision (previous year: addition to provisions) in line with the probable achievement of goals.

		Mr Meise (Member of the Management Boardas as at 1.2.2015)
in EUR thousand		2015
	Fixed remuneration	183
Fixed components	Fringe benefits	18
	Total	**201**
Performance-based component		
without long-term incentive effect	Annual variable remuneration:	24
with long-term incentive effect	***Long-term variable remuneration:***	
	2015 stock option plan	48
	Long-term bonus[5]	0
	Total	**76**
Pension provisions		19
Total remuneration		**292**

5) In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR 0 thousand (previous year: EUR 0 thousand) was recognised in profit or loss in the 2015 annual financial statements in line with the probable achievement of goals.

The following presentation of Management Board remuneration complies with the recommendations of the German Corporate Governance Code (GCGC). As a result, the benefits granted in the year under review and the maximum and minimum achievable values are also indicated.

	Hans Szymanski CEO and CFO 1.12.2008 – 31.12.2015			
in EUR thousand	2014	2015	2015 (Min)	2015 (Max)
Fixed remuneration	275	275	275	275
Revocation (reimbursement, lump sum, long-term bonus)		369[2]		
Fringe benefits	12	14	14	14
Total	**287**	**658**	**289**	**289**
Annual variable remuneration	91[1]	-11	0	100
Long-term variable remuneration				
SOP Tranche 2010 (GCGC)	36	0	0	0
SOP Tranche 2015 (GCGC)	0	3	3	3
Long-term bonus	34	-14	0	40
Total	**161**	**-22**	**3**	**143**
Pension provisions	76	76	76	76
Total	**524**	**712**	**368**	**508**

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.

2) This provision amount constitutes an expense of EUR 369 thousand relating to other periods.

	Thomas Grethe CSO 15.6.2013 – 31.12.2015			
in EUR thousand	2014	2015	2015 (Min)	2015 (Max)
Fixed remuneration	200	230	230	230
Fringe benefits	12	10	10	10
Total	**212**	**240**	**240**	**240**
Annual variable remuneration	36	-11	0	54
Long-term variable remuneration				
SOP Tranche 2015 (GCGC)	0	5	5	5
Long-term bonus	24	-10	0	42
Total	**60**	**-16**	**5**	**101**
Pension provisions	21	21	21	21
Total	**293**	**245**	**266**	**362**

	Sven Meise			
	CDO 1.2.2015 – 31.12.2015			
in EUR thousand	2014	2015	2015 (Min)	2015 (Max)
Fixed remuneration	0	183	183	183
Fringe benefits	0	18	18	18
Total	**0**	**201**	**201**	**201**
Annual variable remuneration	0	24	24	37
Long-term variable remuneration				
SOP Tranche 2015 (GCGC)	0	4	4	4
Long-term bonus	0	0	0	37
Total	**0**	**28**	**28**	**78**
Pension provisions	0	19	19	19
Total	**0**	**248**	**248**	**298**

FP does not operate an annually recurring stock option plan but a regular multi-annual stock option plan. In this context, the pro-rata value of the GCGC contributions on an annual basis from the 2010 stock option plan for the Management Board member Hans Szymanski are EUR 53,000 for the years 2010 to 2013, respectively, and EUR 36,000 for 2014. For the 2015 stock option plan, the value of GCGC contributions amounted to EUR 3 thousand.

In Mr Grethe's case, the value of GCGC contributions on an annual basis from the 2015 stock option plan amounts to EUR 5 thousand. For Mr Meise, this amount is EUR 4 thousand.

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

	Hans Szymanski		Thomas Grethe		Sven Meise	
	CEO and CFO 1.12.2008 – 31.12.2015		CSO 15.6.2013 – 31.12.2015		CDO 1.2.2015 – 31.12.2015	
in EUR thousand	2014	2015	2014	2015	2014	2015
Fixed remuneration	275	275	200	230	0	183
Fringe benefits	12	14	12	10	0	18
Total	**287**	**289**	**212**	**240**	**0**	**201**
Annual variable remuneration	120	40	26	25	0	0
Long-term variable remuneration						
SOP Tranche 2010 (GCGC)	0	0	0	0	0	0
SOP Tranche 2015 (GCGC)	0	0	0	0	0	0
Long-term bonus	0	20	0	14	0	0
Others	0		0	0	0	0
Total	**120**	**60**	**26**	**39**	**0**	**0**
Pension provisions	76	76	21	21	0	19
Total	**483**	**425**	**259**	**300**	**0**	**220**

Of the share-based payment granted in fiscal 2010 from the 2010 stock option plan, EUR 213 thousand or 180,000 options related to Mr Szymanski. No further options were granted under this 2010 stock option plan by 31 December 2015. The exercise period for the options began in fiscal 2014.

Of the share-based payment granted in fiscal 2015 from the 2015 stock option plan, EUR 37 thousand (47,500 options) related to Mr Szymanski, EUR 54 thousand (70,000 options) to Mr Grethe and EUR 48 thousand (62,500 options) to Mr Meise. The exercise period for the options is in fiscal 2019.

The amounts stated in the above table as pension cost are subsidies for pensions and part of the fixed remuneration 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, provisions of only insignificant amounts were recognised for pension obligations to active Management Board members (2015: EUR 2 thousand; 2014: EUR 2 thousand).

EUR 928 thousand was recognised for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2015 (previous year: EUR 1,050 thousand). EUR 32 thousand (previous year: EUR 46 thousand) was added to provisions in the 2015 reporting year.

Other

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

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.

In addition to the reimbursement of cash expenses and any VAT incurred in relation to Supervisory Board work, each member of the Supervisory Board receives fixed remuneration of EUR 30 thousand per fiscal year, payable in the last month of the fiscal year. From fiscal 2009, the fixed remuneration for the Chairman is 150% of the remuneration for a normal Supervisory Board member and 125% for the Deputy Chairman.

The fixed remuneration of the Supervisory Board for fiscal 2015 amounted to EUR 113 thousand (previous year: EUR 113 thousand).

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 Management 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 Management Board and Supervisory Board members exceeds 1% of the shares issued by the company, we are listing the total ownership separately according to the Management Board and Supervisory Board:

SHAREHOLDER

(Direct)	Number of shares	%
Hans Szymanski (Member of the Management Board until 11.1.2016)	120,000	0.7
Botho Oppermann (Supervisory Board)	275,000	1.7
(Indirect)	**Number of shares**	**%**
Klaus Röhrig (Chairman of the Supervisory Board) via 3R Investment Ltd, Limassol, Cyprus, Tamlino Import & Advisory LP, Limassol, Cyprus and Tamlino Investments Ltd, Limassol, Cyprus	1,660,000	10.3

RESPONSIBILITY STATEMENT BY LEGAL REPRESENTATIVES IN ACCORDANCE WITH SECTION 315(1) SENTENCE 6 AND SECTION 289(1) SENTENCE 5 GERMAN COMMERICAL CODE (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 fiscal 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 fiscal year.

Berlin, 31 March 2016

Rüdiger Andreas Günther
CEO

Thomas Grethe
CSO

Sven Meise
CDO

Consolidated
FINANCIAL STATEMENT

FOR THE FISCAL YEAR 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

in thousand euro	Note	**1.1. – 31.12.2015**	1.1. – 31.12.2014
Revenue	(1)	191,056	170,307
Increase / decrease in inventories of finished goods and work in progress		–126	555
		190,930	**170,862**
Other own work capitalised	(2)	15,779	15,496
Other income	(3)	4,311	2,351
Cost of materials	(4)		
a) Raw materials and consumables used		36,673	35,828
b) Cost of purchased services		54,600	46,188
		91,273	**82,016**
Staff costs	(5)		
a) Wages and salaries		48,757	45,079
b) Social security contributions		7,658	7,463
c) Expenses for pensions and other benefits		935	939
		57,350	**53,481**
Depreciation, amortisation and write-downs	(10)	17,801	13,275
Other expenses	(6)	35,591	30,131
Net interest income	(7)		
a) Interest and similar income		693	511
b) Interest and similar expenses		2,244	2,632
		–1,551	**–2,121**
Net other finance costs	(7)		
a) Other finance income		4,676	1,806
b) Other finance costs		4,480	1,087
		196	**719**
Net tax income	(8)		
a) Tax income		4,109	9,647
b) Tax expense		8,036	12,837
		–3,927	**–3,190**
Consolidated net income		**3,723**	**5,214**
Other comprehensive income			
Foreign currency translation of financial statements of foreign entities		2,721	2,105
of which taxes		33	17
of which reclassified to consolidated net income		–108	–56
Adjustment of provisions for pensions and partial retirement obligations in accordance with IAS 19 (rev. 2011)		1,166	–2,150
of which taxes		–495	980
Other comprehensive income after taxes		**3,887**	**–45**
Total comprehensive income		**7,610**	**5,169**
Consolidated net income, thereof:		3,723	5,214
attributable to the shareholders of FP Holding		3,543	5,094
attributable to non-controlling interests		180	120
Consolidated net income of the year		7,610	5,169
of which attributable to the shareholders of fp holding		7,420	5,064
of which attributable to minority interests		190	105
Earnings per share (basic and diluted, in EUR):	(9)	**0.22**	**0.32**
Earnings per share (diluted, in EUR):		**0.22**	**0.32**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

ASSETS

in thousand euro	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS	(10)		
Intangible assets			
Intangible assets including customer lists		13,821	16,199
Goodwill		8,494	9,147
Development projects in progress and advance payments		10,715	7,557
		33,030	**32,903**
Property, plant and equipment	(10)		
Land, land rights and buildings		3,285	3,145
Technical equipment and machinery		4,944	3,852
Other equipment, operating and office equipment		3,764	4,288
Leased assets		24,602	18,862
Finance lease assets		5,299	6,387
Advance payments and assets under construction		96	508
		41,990	**37,042**
Other assets			
Associated companies	(22)	36	36
Other equity investments	(22)	163	163
Finance lease receivables	(11, 22)	5,567	2,612
Other non-current assets		251	223
		6,017	**3,034**
Tax assets	(19)		
Deferred tax assets		1,901	3,724
Current tax assets		6,689	6,689
		8,590	**10,413**
		89,627	**83,392**
CURRENT ASSETS			
Inventories	(12)		
Raw materials and supplies		5,956	4,324
Work in progress		710	875
Finished goods and merchandise		5,025	4,835
		11,691	**10,034**
Trade receivables	(13, 22)	16,937	17,318
Other assets			
Finance lease receivables	(11, 22)	2,829	1,231
Income taxes receivable	(19)	1,914	1,429
Derivative financial instruments	(22)	992	292
Other current assets	(15, 22)	13,287	11,238
		19,022	**14,190**
Securities	(14, 22)	681	680
Cash and cash equivalents	(16, 22)	18,214	16,519
		66,545	**58,741**
		156,172	**142,133**

LIABILITIES

in thousand euro	Note	31.12.2015	31.12.2014
EQUITY			
Equity attributable to shareholders of the parent company	(17)		
Share capital		16,160	16,160
Capital reserve		34,937	35,032
Stock option reserve		1,046	977
Treasury shares		-810	-1,002
Loss carried forward		-22,414	-24,949
Consolidated net income after minority interests		3,543	5,094
Total other shareholders' equity		1,251	-2,626
		33,713	**28,686**
Non-controlling interests		1,519	1,365
		35,232	**30,051**
NON-CURRENT LIABILITIES			
Provisions for pensions and similar obligations	(18)	15,454	17,354
Other provisions	(20)	911	909
Financial liabilities	(21, 22)	31,698	25,915
Other liabilities	(21, 22)	0	157
Deferred tax liabilities	(19)	687	659
		48,750	**44,994**
CURRENT LIABILITIES			
Tax liabilities	(19)	3,899	2,564
Provisions	(20)	5,899	4,624
Financial liabilities	(21, 22)	4,631	5,503
Trade payables	(21, 22)	9,850	9,466
Other liabilities	(21, 22)	47,911	44,931
		72,190	**67,088**
		156,172	**142,133**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

in thousand euro	Note	1.1.–31.12.2015	1.1.–31.12.2014
1. Net cash from/used in operating activities			
Consolidated net income		3,723	5,214
Net income tax recognised in profit or loss	(8)	3,927	3,190
Net interest income recognised in profit or loss	(7)	1,551	2,121
Depreciation, amortisation and write-downs on non-current assets	(10)	17,801	11,988
Decrease (–) / increase (+) in provisions and tax liabilities	(18, 19, 20)	–746	2,014
Loss (+) / gain (–) on the disposal of non-current assets		420	518
Decrease (+) / increase (–) in inventories, trade receivables and other assets not attributable to investing or financing activities	(12, 13, 15)	–8,410	–5,152
Decrease (–) / increase (+) in trade payables and other liabilities [1] not attributable to investing or financing activities	(21)	3,043	4,364
Other non-cash income		175	–3,002
Interest received	(7)	693	511
Interest paid	(7)	–2,147	–2,185
Income taxes paid	(8)	–1,396	–2,113
Net cash from operating activities		**18,634**	**17,468**
2. Net cash from/used in investing activities			
Payments for the capitalisation of development costs	(2, 10)	–4,607	–4,401
Payments for capitalised interest for development costs		–200	–198
Proceeds from disposals of non-current assets	(10)	82	276
Payments for investments in intangible assets	(10)	–1,030	–472
Payments for investments in property, plant and equipment	(10)	–14,320	–18,274
Net cash from investing activities		**–20,075**	**–23,070**
3. Net cash from/used in financing activities			
Dividend payments to minority interests		–37	–37
Payments for distributions to shareholders	(17)	–2,559	–1,263
Bank loan repayments	(21)	–3,011	–7,007
Repayments of finance lease liabilities	(21)	–2,505	–2,146
Proceeds from the assumption of finance lease liabilities	(21)	228	2,357
Proceeds from the sale of treasury shares [1]	(17)	97	419
Proceeds from the assumption of bank loans	(21)	10,199	–112
Net cash from/used in financing activities		**2,412**	**–7,790**
Cash and cash equivalents [1]			
Cash change in cash and cash equivalents	V.	971	–13,392
Exchange rate-related change in cash and cash equivalents		561	599
Cash and cash equivalents at beginning of period	V.	14,396	27,189
Cash and cash equivalents at end of period	**V.**	**15,928**	**14,396**

1) Postage credit balances managed by the FP Group (EUR 2,967 thousand; previous year: EUR 2,803 thousand) are deducted from cash and cash equivalents and other liabilities. Securities held as current assets in the amount of EUR 681 thousand (previous year: EUR 680 thousand) are included in cash and cash equivalents.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

					Total other shareholders' equity						
in thousand euro	Share capital	Capital reserve	Stock option reserve	Treasury shares	Consolidated net income	Currency translation adjustment	Net investments in foreign operations	Adjustment due to IAS 19	Equity attributable to FP Holding	Non-controlling interests	Total
As at 1.1.2014 [1]	16,160	35,312	781	–1,829	–22,719	–1,517	294	–1,372	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**
Foreign currency translation of financial statements of foreign entities						2,145	–40		2,105		2,105
Adjustment of provisions for pensions								–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**
Dividend					–1,263				–1,263	–37	–1,300
Other changes		128			–967				–839	533	–306
Capital increase from stock options		–408	196	827					615		615
As at 31.12.2014 [1]	**16,160**	**35,032**	**977**	**–1,002**	**–19,855**	**628**	**254**	**–3,508**	**28,686**	**1,365**	**30,051**
As at 1.1.2015 [1]	**16,160**	**35,032**	**977**	**–1,002**	**–19,855**	**628**	**254**	**–3,508**	**28,686**	**1,365**	**30,051**
Consolidated net income 1.1.–31.12.2015	0	0	0	0	**3,543**	0	0	0	**3,543**	**180**	**3,723**
Foreign currency translation of financial statements of foreign entities						2,797	–76		2,721		2,721
Adjustment of provisions for pensions								1,156	1,156	10	1,166
Other comprehensive income 1.1.–31.12.2015	0	0	0	0	0	**2,797**	**–76**	**1,156**	**3,877**	**10**	**3,887**
Total comprehensive income 1.1.–31.12.2015	0	0	0	0	**3,543**	**2,797**	**–76**	**1,156**	**7,420**	**190**	**7,610**
Capital increase from stock options		–95	69	192					166		166
Dividend					–2,559				–2,559	–36	–2,595
As at 31.12.2015	**16,160**	**34,937**	**1,046**	**–810**	**–18,871**	**3,425**	**178**	**–2,352**	**33,713**	**1,519**	**35,232**

Notes

FOR THE FISCAL YEAR 2015

I. BASIC INFORMATION

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Berlin (also referred to below as "FP Holding"), is a stock corporation and is entered in the commercial register of the Charlottenburg Local Court under HRB 169096 B. Its registered office is in Berlin, Germany. Its business address is Prenzlauer Promenade 28, 13089 Berlin. The consolidated financial statements of FP Holding for the fiscal year ended 31 December 2015 comprise FP Holding and its subsidiaries (also referred to below as the "FP Group").

The FP Group is an international company in the outbound mail processing sector with a history dating back 90 years. Its business activities focus on traditional product business, which consists of the development, manufacture and distribution of franking machines, and also inserting machines and after-sales business. Through its subsidiaries, freesort and Mentana-Claimsoft, and its majority interest in iab, the FP Group also offers its customers in Germany sorting and consolidation services in addition to products for fully electronic communication and hybrid mail products.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for submission to the Supervisory Board on 31 March 2015. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

COMPLIANCE DECLARATION

FP Holding has prepared its consolidated financial statements as at 31 December 2015 in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, as applicable in the EU, and the supplementary provisions in accordance with section 315a(1) of the German Commercial Code (HGB).

ACCOUNTING PRINCIPLES

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

The consolidated financial statements and the Group management report of FP Holding as at 31 December 2015 were prepared in accordance with section 315a(1) HGB and in line with the effective International Financial Reporting Standards (IFRS) endorsed by the EU at the end of the reporting period, submitted to the electronic Federal Gazette and published.

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

In accordance with IAS 1, the consolidated statement of financial position is structured by maturity. Its items are therefore divided into current and non-current assets and liabilities. Assets and liabilities are classified as current if they have a remaining term of less than one year or turned over within one year in the ordinary course of business. Accordingly, assets and liabilities are classified as non-current if they remain in the company for longer than one year.

The consolidated statement of comprehensive income has been prepared in line with the nature of expense method.

CONSISTENCY OF ACCOUNTING POLICIES AND ADJUSTMENTS TO DISCLOSURES IN THE NOTES FOR THE PREVIOUS YEAR

Apart from the exceptions described below, the accounting policies applied are the same as in the previous year.

ADOPTION OF NEW AND REVISED IFRSS

The FP Group applies new and revised IFRSs only from the date on which they become effective. The FP Group's commentary on the new or revised IFRSs is as follows.

REGULATIONS REQUIRING DISCLOSURE IN ACCORDANCE WITH IAS 8.28

IFRIC 21 Levies

IFRIC 21 is an interpretation of IAS 37. In particular, it clarifies when a present obligation arises for a levy imposed by a government and a provision or liability must be recognised. In particular, the interpretation does not apply to fines, penalties or levies resulting from arrangements under public law covered by a different IFRS, such as IAS 12. Under IFRIC 21, a liability must be recognised for levies when the event triggering the obligation to pay the levy occurs. In turn, this obligating event is derived from the wording of the underlying standard. Its formulation is therefore relevant to accounting.

The new interpretation has no material impact on the consolidated financial statements of Francotyp-Postalia Holding AG.

Improvements to IFRSs 2011–2013

Amendments were made to four standards as part of the annual improvement project. Changes made to the wording of individual IFRSs clarified the existing regulations. These standards were IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The changes have no material impact on the consolidated financial statements of Francotyp-Postalia Holding AG.

Regulations requiring disclosure in accordance with IAS 8.30

The FP Group is not planning early adoption of the following new or amended standards and interpretations that become effective in subsequent fiscal years. Unless stated otherwise, their impact on the FP consolidated financial statements is currently being examined.

a) They have already been endorsed by the EU.

Other than the new standards and interpretations listed below that may have a material effect on the consolidated financial statements, a number of other standards and interpretations have been issued that are not expected to have a material impact on the consolidated financial statements:

Amendments to IAS 1 – Disclosure Initiative

The amendments relate to various reporting issues. It has been clarified that disclosures are only required if their content is not immaterial. This is explicitly also the case if an IFRS calls for a list of minimum disclosures. Notes on the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income have also been added. It also clarifies the presentation of items of other comprehensive income arising from equity accounted investments in the statement of comprehensive income. Finally, an illustrative structure for the notes was removed in order to give more relevance to aspects specific to entities.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

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

In these amendments the IASB provides further guidance for determining an acceptable method of depreciation and amortisation. Revenue-based methods are therefore not permitted for property, plant and equipment and they are only acceptable under certain exceptions (a rebuttable presumption that it is not appropriate) for intangible assets.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments, clarify the attribution of contributions from employees or third parties to periods of service if the contributions are linked to service. Convenience options have also been created if contributions are independent of the number of years of service.

The amendments are effective for reporting periods beginning on or after 1 February 2015.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The options currently in place for measurement at cost or in accordance with IAS 39/IFRS 9 will remain in effect. The use of the equity method for investments in separate financial statements (of a parent company) under IAS 27 has not been allowed since 2005.

The IASB made the change to IAS 27 as a result of complaints from adopters on issues such as the high cost of measurement at fair value at the end of each reporting period, particularly for unlisted associates.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

Improvements to IFRSs 2010–2012

Amendments were made to seven standards as part of the annual improvement project. Changes made to the wording of individual IFRSs are intended to clarify the existing regulations. There are also amendments affecting disclosures in the notes. These standards were IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

The amendments are effective for reporting periods beginning on or after 1 February 2015. The amendments to IFRS 2 and IFRS 3 apply to transactions occurring on or after 1 July 2014.

Improvements to IFRSs 2012–2014
Amendments were made to four standards as part of the annual improvement project. Changes made to the wording of individual IFRSs/IASs are intended to clarify the existing regulations. These standards were IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

b) Endorsement by the EU is still pending

IFRS 9 Financial Instruments
Published in July 2014, IFRS 9 replaces the existing guidelines of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new model of expected credit losses to calculate impairment on financial assets, and new general accounting rules for hedges. It also includes the guidelines for the recognition and derecognition of financial instruments from IAS 39.

Subject to EU endorsement, IFRS 9 is effective for reporting periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 15 Revenues from Contracts with Customers
IFRS 15 Revenues from Contracts with Customers was published by the IASB in May 2014. It replaces the existing guidance on the recognition of revenues, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.The new standard sets out a comprehensive framework for determining whether, how much and when revenues should be recognised. IFRS 15 establishes a five-step model to account for revenues arising from all contracts with customers.

The analysis of the impact on the consolidated financial statements of applying IFRS 15 is not yet complete. The adoption of IFRS 15 is not currently expected to have a material effect on the Group's financial position and results of operations.

Subject to EU endorsement, IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. Early adoption is permitted.

Furthermore, first-time adoption of IFRS 15 will result in significantly extended disclosure requirements for the FP Group so that readers of financial statements can understand the type, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers in accordance with IFRS 15.

IAS 16 Leases
On 13 January 2016 the IASB published IFRS 16 Leases, thereby replacing IAS 17.

The amendments essentially relate to the lessee and result in the need to recognise all leases and the associated contractual rights and obligations on the lessee's statement of financial position. Their exact impact on the FP Group is still being analysed.

Subject to EU endorsement, IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. Early adoption is permitted.

CONSOLIDATED GROUP

The consolidated financial statements of FP Holding include all companies in which it can control financial and operating policies (subsidiaries). If control ends, these companies are deconsolidated.

The consolidated group changed in fiscal 2015. The operations of Francotyp-Postalia Asia Pte. Ltd., Singapore, were discontinued as at 30 June 2015 and the company was deconsolidated from this date. This resulted in a deconsolidation effect of EUR 549 thousand.

In addition to Francotyp-Postalia Holding AG, the 2015 consolidated financial statements include eleven (previous year: eleven) German and nine (previous year: ten) foreign subsidiaries (see list on page 83).

Companies controlled but not consolidated:
Four equity investments (previous year: three equity investments) not material to the financial position and results of operations of the Group were not consolidated, and were instead accounted for at amortised cost as associates or other equity investments under other non-current assets in accordance with IAS 39.

Francotyp-Postalia Ltd., Dartford, UK, holds a 100% interest in FP Direct Ltd., Dartford, UK. As in the previous year, this is reported in the 2015 consolidated financial statements at cost. The company is not yet operational and does not yet prepare financial statements. As in the previous year, it was not equity accounted or consolidated owing to its immateriality. As at 31 December 2015 its equity still amounts to GBP 1 (EUR 0.74).

The FP Group has a 99.99% investment in FP Systems India Private Limited, Mumbai, India. As in the previous year, this is reported in the 2015 consolidated financial statements at cost. The company is not yet operational. As in the previous year, it was not equity accounted or consolidated owing to its immateriality. As at 31 December 2015 its equity is EUR 17 thousand (previous year: EUR 22 thousand). Its equity was translated at a closing rate of EUR 0.0138 (previous year: EUR 0.0129) to INR 1.

The Group also holds an equity investment of 49% in FP Data Center Inc., Japan. As in the previous year, this is reported in the 2015 consolidated financial statements at cost. It is a teleporto data centre without its own staff. It was not equity accounted owing to its immateriality. The key financial data of FP Data Center Inc., Japan, as at 31 December 2015 are as follows: assets: EUR 849 thousand (previous year: EUR 804 thousand), liabilities: EUR 134 thousand (previous year: EUR 158 thousand), revenue: EUR 150 thousand (previous year: EUR 159 thousand) and result for the year: EUR 1 thousand (previous year: EUR 13 thousand). Its revenues and result for the year were translated at an average rate of EUR 1 to JPY 134.25 (previous year: JPY 140.38) and the items of its statement of financial position at a closing rate of EUR 1 to JPY 131.98 (previous year: JPY 145.78).

The 100% equity investment in Francotyp-Postalia Asia Pte. Ltd., Singapore, was deconsolidated at 30 June 2015. The company has discontinued its operations. The carrying amount of the equity investment was written down in full on deconsolidation. It was not equity accounted owing to its immateriality. The key financial data of the company were not yet available as at 31 December 2015.

The total operating earnings of the subsidiaries not consolidated amount to around -0.1% (0.1%) of consolidated operating earnings. As in the previous year, the estimated effect of the consolidation of the companies on the Group's total assets is around 0.3% of the Group's total assets.

internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany (iab), has non-controlling interests of 49%. The following table summarises the financial information to be published for this company:

in thousand euro	2015	2014
Revenue	16,393	15,905
Earnings after taxes	367	448
Earnings after taxes of non-controlling interests	180	220
Other comprehensive income of non-controlling interests	0	0
Total comprehensive income of non-controlling interests	180	220
Dividend paid to non-controlling interests	37	37
Current and non-current assets	5,667	6,034
Current and non-current liabilities	2,559	3,218
Net assets of the company	3,108	2,816
Net assets of non-controlling interests	1,523	1,380

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB

No.	Name and registered office of the company	31.12.2015 Shareholding in % [1]
	Consolidated companies	
1	Francotyp-Postalia Holding AG, Berlin, Germany	
2	Francotyp-Postalia GmbH, Berlin, Germany	100.00
3	freesort GmbH, Langenfeld, Germany	100.00
4	internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany	51.01
5	IAB Verwaltungs- und Vertriebs GmbH i.L., Berlin, Germany	100.00
6	FP Direkt Vertriebs GmbH, Berlin, Germany	100.00
7	Francotyp-Postalia Vertrieb und Service GmbH, Berlin, Germany	100.00
8	FP Hanse GmbH, Hamburg, Germany	100.00
9	FP InovoLabs GmbH, Berlin, Germany	100.00
10	Francotyp-Postalia Unterstützungseinrichtung GmbH, Berlin, 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	100.00
16	Italiana Audion s. r. L, Milan, Italy	100.00
17	Francotyp-Postalia Ltd., Dartford, UK	100.00
18	Francotyp-Postalia Inc., Addison, Illinois, USA	100.00
19	Francotyp-Postalia Canada Inc., Markham, Canada	100.00
20	Francotyp-Postalia Sverige AB, Stockholm, Sweden	100.00
21	Francotyp-Postalia France SARL, Rungis, France	100.00
	Companies not included in consolidation	
22	Francotyp-Postalia Asia Pte. Ltd., Singapore	100.00
23	FP Data Center Inc., Osaka, Japan	49.00
24	FP Systems India Private Limited, Mumbai, India	99.998
25	FP Direct Ltd., Dartford, UK	100.00

1) Including directly and indirectly attributable shares.

PRINCIPLES OF CONSOLIDATION

Acquisition accounting is performed in accordance with the principles of IFRS 3 (2008). All unrecognised gains and losses of the acquiree are identified on first-time consolidation and all identifiable intangible assets are reported separately. All assets and liabilities are thus remeasured at fair value. The cost of the equity investments are then offset against the remeasured, pro rata equity. Any surplus is capitalised as goodwill. Incidental costs of acquisition in business combinations are expensed.

Receivables, liabilities and provisions between the companies consolidated are eliminated. Intragroup revenues and other intragroup income/expenses are eliminated. Intercompany profits resulting from trade transactions between Group companies were eliminated in profit or loss. Consolidation adjustments are subject to deferred taxes, which are netted if there is a legally enforceable right to offset current tax assets and liabilities, provided that they relate to income taxes levied by the same taxation authority.

The consolidation methods applied are the same as in the previous year.

For details of other accounting principles please see "Accounting principles".

CURRENCY TRANSLATION

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

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

The foreign companies of the FP Group are independent units and prepare their annual financial statements in their own national currency. Their assets and liabilities are translated into euro using the closing rate when preparing the consolidated financial statements. The equity of the subsidiaries that do not prepare their accounts in euro is translated at the historical rate. The effects of the foreign currency translation of equity are recognised in other comprehensive income. The items of the consolidated statement of comprehensive income are translated at weighted average rates for the year. Foreign currency translation differences arising from different exchange rates for items in the statement of financial position and the consolidated statement of comprehensive income are shown in other comprehensive income. If Group companies are deconsolidated, the foreign currency translation difference in question is reversed to profit or loss.

Currency translation differences from monetary items that are part of a net investment in a foreign operation are recognised in other comprehensive income at Group level in accordance with IAS 21.15 in conjunction with IAS 21.32. In the event of a subsequent disposal of the respective net investment or the repayment of loans, the equity amounts in question are taken to profit or loss.

Currency translation is based on the following exchange rates:

EUR 1 =	Closing rate		Average rate	
	31.12.2015	31.12.2014	2015	2014
US dollar (USD)	1.0893	1.2155	1.1099	1.3290
Pound sterling (GBP)	0.7351	0.7788	0.7260	0.8065
Canadian dollar (CAD)	1.5130	1.4075	1.4176	1.4670
Singapore dollar (SGD) 2)	1.5044	1.6059	1.5065	1.6832
Swedish krona (SEK)	9.1820	9.3982	9.3550	9.0967

2) Rates as at 30 June 2016 and from 1 January to 30 June 2016 (deconsolidation as at 30 June 2016).

ACCOUNTING POLICIES

In preparing the 2015 consolidated financial statements, the Management Board applied the going concern principle to all companies included in the consolidated financial statements. The accounting was therefore prepared under the going concern assumption.

Revenues and **other operating income** are recognised when service is rendered or goods are delivered, i.e. when risk has transferred to the customer. Other conditions are the probability that the economic benefits associated with the transaction will flow to the Group, and the amount of the income can be measured reliably. Revenues is reported net of trade discounts and rebates. Revenues from operating leases is recognised over the term of performance; for agreements with flat-rate payment, such as service contracts, revenues is recognised on a straight-line basis over the term of the agreement.

Government grants as defined by IAS 20.7 are recognised when the underlying conditions for it have been met and it is reasonably assured that the grant will be received. IAS 20 distinguishes between property-related grants for non-current assets and grants related to income.

Grants for non-current assets are deducted from the carrying amount of the asset and recognised in profit or loss over the term of the depreciable asset at a reduced depreciation amount. If they are grants for internally generated assets, the grants reduce own work capitalised and the carrying amount by the same amount.

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

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

Goodwill represents the excess of the cost of acquisitions over the Group's share in the fair value of the net assets of the acquiree at the respective dates. The respective goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is tested at the level of cash-generating units. The respective recoverable amounts are calculated in testing. The recoverable amount is determined as the higher of the value in use and the fair value less cost to sell. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Negative goodwill from capital consolidation is recognised in profit or loss in other operating income in accordance with IFRS 3.

Purchased intangible assets are measured at cost including incidental costs and, as in the previous year, amortised on a straight-line basis over their useful life of three to six years.

The cost of **intangible assets acquired in a business combination** is equal to their fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost less any cumulative amortisation and cumulative impairment losses. Except for capitalised development costs, the costs of internally generated intangible assets are recognised in profit or loss in the period in which they are incurred. Amortisation takes place over the useful life as established in the purchase price calculation. Accordingly, customer relationships or customer lists are written down over eight years.

Customer relationships capitalised in the context of purchase price allocation are measured using an earnings-based approach (multi-period excess earnings method), whereby the value of customer relationships is shown by discounting the resulting cash flows. Excess earnings anticipated from customer relationships are deducted from the associated costs of revenues generation. Tax benefits due to amortisation from a notional individual acquisition of customer relationships were taken into account in calculations.

Development costs for internally generated intangible assets are capitalised at cost if their production is technically so advanced that they can be used or sold, the Group has the intention to complete the asset and use or sell it, the FP Group is able to use or sell the intangible asset, the nature of benefits can be demonstrated, the technical and financial resources are available to complete the asset and the expenditure attributable to the intangible asset during its development can be measured reliably. Development costs include all costs directly attributable to the development process. Grants received for development costs are deducted from the carrying amount. If the requirements for capitalisation are not met, the expenses are offset in profit or loss in the year that they arise. Borrowing costs that can be directly attributed to the development project are capitalised for the production period as part of the cost. The amount of borrowing costs eligible for capitalisation was determined by applying a capitalisation rate to the development costs. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings granted by lenders.

In the consolidated income statement, development costs are reported as own work capitalised under non-current assets in line with additions to capitalised development costs. From the start of commercial production of the corresponding products, capitalised development costs are written down over the period of their expected use, not exceeding six years. Except for capitalised development costs, the costs of internally generated intangible assets are recognised in profit or loss in the period in which they are incurred. An impairment test is performed annually during the development phase and after capitalisation. Impaired capitalised development work is written down. Research costs are expensed as incurred in accordance with IAS 38.

Property, plant and equipment are measured at cost less depreciation due to use. Their cost includes the purchase price, incidental costs and subsequent costs of acquisition. Reductions in the purchase price are deducted. The costs of internally generated property, plant and equipment (rented/leased franking machinery and accessories) comprise all directly attributable costs and all overheads incurred in the course of production. Financing costs are included for the period of production if there are qualifying assets. Costs for the maintenance and repair of property, plant and equipment are expensed as incurred. Processing costs for property, plant and equipment are recognised as a subsequent cost in accordance with the criteria of IAS 16.12 et seq. if these costs increase the future benefit of the property, plant and equipment (IAS 16.10). Straight-line depreciation is recognised for finite-lived property, plant and equipment. When property, plant and equipment are shut down, sold or given up, the profit or loss from the difference between the sales proceeds and the residual carrying amount is recognised under other operating income or expenses.

As in the previous year, 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	5 to 15 years
Operating and office equipment	3 to 13 years
Leased assets	4 to 8 years
Finance lease assets	3 to 15 years

Impairment on intangible assets and property, plant and equipment is recognised in accordance with IAS 36 if the recoverable amount, i.e. the higher of the asset's value in use and its fair value less costs to sell, has fallen below the carrying amount. If the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Cash-generating units are defined based on the legal structure of the companies.

The recoverable amount and the carrying amount are then also compared at the level of the cash-generating unit. If the reasons for impairment losses recognised in previous years no longer apply, the write-downs are reversed; this does not apply to goodwill.

Inventories are measured as at the end of the reporting period at the lower of cost and net realisable value. Measurement conveniences were used in the form of average prices.

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

Impairment losses in inventories are shown in the cost of materials for merchandise, raw materials, consumables and supplies and in changes in inventories for finished goods and work in progress.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. At Francotyp-Postalia, the capitalisation of borrowing costs is only relevant for the capitalisation of development costs (capitalised development costs are for assets for which a substantial period of time is needed to get them ready for their intended use or sale).

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IAS 32, they include on the one hand primary financial instruments such as trade receivables and payables and financial receivables and liabilities. On the other, they also include derivative financial instruments used to hedge the risks of changes in exchange rates and interest rates.

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

Financial assets are recognised as at the settlement date. As an exception, the equity investments and the associate FP Data Center Inc. are carried at cost owing to immateriality.

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

Classification is dependent on the purpose for which the financial asset was acquired. The management determines the classification of financial assets on first-time recognition and reviews their classification as at the end of each reporting period.

On first-time recognition, financial instruments are measured at fair value plus transaction costs, if appropriate. The effective interest method is used to calculate the amortised cost.

Available-for-sale financial assets are non-derivative financial assets that are categorised as available for sale. In the Group these include the other equity investments.

After first-time measurement, financial assets held for sale are measured at fair value. The fair value is generally the market value or listed price. If there is no active market, the fair value is calculated using mathematical methods such as discounting the estimated future cash flows using the market interest rate or using recognised option pricing models, and verified by confirmation from the banks that handle the transactions.

Unrealised gains or losses are recognised in other comprehensive income. If such a financial asset is derecognised or impaired, the amounts previously recognised in other comprehensive income are reclassified to profit or loss. Objective indications are taken into account to determine whether an impairment loss must be recognised. Such indications include, for instance, the economic environment, the legal situation, the durability and extent of losses in value, etc. If the fair value of an equity instrument cannot be reliably determined, as in the above cases, they are measured at cost.

Cash transactions with financial assets are accounted for at the settlement date for the first time. Derivatives are accounted for at the trade date (date of purchase or sale).

The group of **financial assets at fair value through profit and loss** includes financial assets and liabilities held for trading classified as at fair value on first-time recognition and thereafter. Financial assets are classified as held for trading if they are acquired with a view to subsequent disposal in the near future (at the FP Group these exclusively include units held for trading in a capital appreciation fund that predominantly invests in interest-bearing securities, money market instruments and demand deposits). Derivatives are also classified as held for trading. Gains and losses from financial assets held for trading are recognised in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Initial measurement is at fair value. Subsequent to initial recognition, loans and receivables are measured at amortised cost less impairment. Any discernible specific risks are taken into account appropriately by way of write-downs in the measurement of receivables. Impairment on trade receivables is recognised if there is objective evidence that the amounts due are not fully recoverable (e.g. opening of insolvency proceedings or significant delays in payment by the debtor). Please also see the comments in section IV, note 13. A separate allowance account is used for impairment losses; amounts recognised in this account are derecognised when the impairment of loans and receivables becomes definite. The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable. Gains and losses are recognised in the net income for the period when the loans and receivables are written off or impaired.

Cash and cash equivalents comprise all liquid funds, i.e. cash on hand, checks and bank balances with original maturities of three months or less. These are recognised at nominal amount. Cash and cash equivalents that are not readily available are reported separately. Such funds are a component of cash and cash equivalents and other liabilities according to the statement of financial position, but not according to the statement of cash flows. Bank balances have been partially pledged in connection with porto funds managed.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities are divided into the following categories:

- financial liabilities at amortised cost and
- financial liabilities at fair value through profit or loss.

On first-time recognition, financial instruments are measured at fair value plus transaction costs if appropriate. The effective interest method is used to calculate the amortised cost.

Financial liabilities at amortised cost are initially measured at fair value less any transaction costs directly attributable to borrowing. The loans are not designated as at amortised cost. After first-time recognition, interest-bearing loans are measured at amortised cost.

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

Finance lease liabilities at the present value of lease payments.

An **equity instrument** is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The issued capital was classified as equity, whereby the costs (net of any related income tax benefit) directly attributable to the acquisition of treasury shares are deducted from equity.

Amounts otherwise contributed to equity by shareholders are shown in the **capital reserves**. Expenses directly incurred by the issue of new shares in the earlier IPO of FP Holding were deducted from capital reserves in accordance with IAS 32.35.

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

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

Provisions for pensions and similar obligations are recognised using the projected unit credit method based on actuarial principles. This process not only considers the pensions and vested benefits known as at the end of the reporting period, but also the expected future increases in pensions and salaries when estimating relevant influencing factors. These benefits earned in return for service are discounted using the interest rate at the end of the period. Plan assets are deducted from these defined benefit obligations at fair value. This gives rise to the net liability for defined benefit obligations, which is recognised as a provision.

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

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

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

The revaluation component comprises the actuarial gains and losses from the measurement of the pension obligation and the differences between the return on plan assets assumed at the beginning of the period and the actual return on plan assets. All effects from the revaluation component are recognised in other comprehensive income.

The service cost (the third component of net pension expense in addition to the net interest and revaluation components) includes both current and past service cost and the effects of the settlement of pension plans. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Service costs are recognised in staff costs in the period in which the benefit is earned or the plan amendment, curtailment or settlement occurs.

At Italiana Audion s.r.l., Milan, Italy, Francotyp-Postalia GmbH, Vienna, Austria, and Francotyp-Postalia France SARL, Rungis, France, provisions are recognised for pension obligations that become due when employees leave the company, in line with the legal situation in the respective countries. The FP Group recognises expenses for comparably defined benefit plans.

Contributions under defined contribution plans are expenses in the period in which the benefits in question are rendered. Multi-employer plans, which are defined benefit plans and for which, at the same time, there is not sufficient information on the benefit obligations and plan assets that fall to the FP Group, are treated as defined contribution plans.

Provisions and **other provisions** are recognised for uncertain obligations to third parties whose occurrence will probably lead to an outflow of resources if a reliable estimate can be made of the amount of the provision necessary. Provisions are stated at the settlement amount discounted to the end of the reporting period if the time value of money is material. The settlement amount includes expected price and cost increases. Provisions are discounted using pre-tax discount rates that reflect current market assessments of the time value of money and those risks specific to the liability and that depend on the term of the obligation. The interest component of the addition to provisions is recognised in net financial income.

If there are multiple obligations of the same type, the probability of an outflow of resources is calculated on the basis of the group of these obligations.

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

Provisions for partial early retirement are measured at the respective present value of the outstanding settlement amounts and top-up amounts (accrued pro rata in the vesting period). In accordance with IAS 19.102 et seq., the provision was netted against plan assets measured at fair value in the form of insurance used to cover partial early retirement commitments.

A provision for restructuring activities is recognised when the Group has a detailed formal plan for the restructuring that raises a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Only the direct expenses of restructuring are taken into account in measuring a restructuring provision. These are only the amounts caused by the restructuring in question and not those in connection with the continuing operations of the entity.

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

Provisions for anniversary bonuses are recognised in accordance with the projected unit credit method of IAS 19 according to the method of single-premium financing for additional obligations accruing annually, taking trend assumptions into account.

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

Tax liabilities include current income tax liabilities. Deferred taxes are reported in separate line items of the statement of financial position and the income statement.

Tax liabilities for trade and corporation tax or similar taxes on income are reported based on taxable income of the companies included in consolidation less advances paid. Other taxes to be assessed are taken into account, accordingly.

Current tax assets and tax liabilities for the current and earlier periods are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The calculation of this amount is based on the tax rates and tax laws in effect at the end of the reporting period.

Deferred taxes are accounted for using the asset and liability method in accordance with IAS 12 on the basis of the tax rates expected to apply when they are realised. Deferred taxes are therefore recognised for all temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated statement of financial position.

Deferred tax assets are reported to the extent that it is probable that in future, taxable income will be available against which the temporary difference can be utilised. Deferred taxes are recognised on tax loss carryforwards if it is probable that it will be possible to use them in future. Deferred tax assets and liabilities are offset if they relate to the same taxation authority and have matching terms.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates and tax laws which are in effect as at the end of the reporting period apply. Future tax rate changes are taken into account at the end of the reporting period if substantive law effectiveness requirements have been met in legislation.

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

Contingent liabilities are potential obligations that relate to past events and the existence of which will not be confirmed until one or more uncertain future events occur. These future events, however, lie outside the sphere of influence of the FP Group. Furthermore, current obligations may represent contingent liabilities if the outflow of resources is not sufficiently probable to recognise a respective provision or if the amount of the obligation cannot be reliably estimated. The carrying amount of contingent liabilities is equal to the extent of liability at the end of the reporting period. They are not recognised in the statement of financial position and are instead described in the notes.

Accounting for leases in which Francotyp-Postalia is the lessor

IAS 17 defines a lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for a specified period of time. A distinction is made between finance leases and operating leases.

Property, plant and equipment under finance leases are not recognised in the line item "Property, plant and equipment". They are reported under "Receivables from finance leases". The relevant requirements are met if the risks and rewards substantially lie with the lessee. Under a finance lease, a receivable is capitalised in the amount of the present value of the minimum lease payments at the inception of the lease. The lease instalments received are divided into a repayment portion and an interest portion. The repayment portion reduces receivables in other comprehensive income. The interest portion is recognised in profit or loss. For finance leases, the market interest rate is calculated by reference to similar leases.

Leases in which beneficial ownership is retained are **operating leases**. The leased assets are reported under non-current assets in property, plant and equipment, while the lease instalments are reported as revenue.

The leases for franking and inserting machines, for which the German FP companies in particular and, to some extent, FP companies in the UK, Italy and the US are the lessor, qualify as **finance leases**.

Leases for franking and inserting machines at the other FP companies are predominantly classified as operating leases because economic ownership is retained.

Both new and used machinery is leased under finance leases.

Accounting for leases for which Francotyp-Postalia is the lessee

Economic ownership of the printers, photocopiers, franking, sorting and inserting machines used by the FP Group is partially assigned to the legal entities. They satisfy the conditions for a lessee under **finance leases**. The leased assets are reported under non-current assets as "Finance lease assets". On first-time recognition, leased assets are recognised at the lower of fair value and the present value of the minimum lease payments. The related liabilities are expensed as financial liabilities in line with their term.

In some cases leased assets were refinanced using sale and leaseback agreements. Here, FP concluded agreements that stipulate the repurchase of assets at a price determined in advance at an agreed date. Such equipment is reported as "Leased products". The related liabilities are expensed as financial liabilities in line with their term.

Some properties, motor vehicles and office equipment are used under **operating leases**. The terms of leases are not the major part of the economic life of the asset and can include renewal options and price adjustment clauses. These leases are usually treated as rental agreements and the lease instalments are recognised as an expense.

JUDGEMENTS AND ESTIMATES

Judgements

In preparing the consolidated financial statements the management has a certain degree of discretion; this discretion affects the recognition, measurement and reporting of recognised assets and liabilities and of income and expenses during the reporting period. The key areas affected by discretion in the accounting of the FP Group result from the leasing of assets and the accounting treatment of grants.

Depending on which party has been assigned beneficial ownership of a leased asset, a distinction is made between finance leases and operating leases. It can be difficult to identify the beneficial owner in some cases. The basis for clarifying the allocation of leases is the extent to which the risks and opportunities associated with the ownership of a leased item lie with the lessor or the lessee.

Leases are classified based on certain criteria that usually – singly or in combination – indicate a finance lease. However, these criteria are not conclusive and are more of an indicative nature. There is considerable room for discretion in assessment.

Finance lease assets with carrying amounts of EUR 5,299 thousand (previous year: EUR 6,387 thousand), receivables from finance leases of EUR 8,396 thousand (previous year: EUR 3,843 thousand) and liabilities from finance leases of EUR 3,201 thousand (previous year: EUR 5,477 thousand) were reported as at 31 December 2015.

In addition, as at the end of the reporting period, there were obligations under operating leases of EUR 11,867 thousand (previous year: EUR 12,085 thousand).

There is discretion with a potentially significant impact on the consolidated financial statements in the accounting treatment of grants as regards the estimated probabilities of future benefits in connection with compliance with grant conditions. Please also see the comments in section III, note 2.

Assumptions and estimation uncertainty

When preparing consolidated financial statements, to a certain asset, assumptions and estimates are made that affect the amount and reporting of assets and liabilities and income and expenses in the period under review. Estimates and assumptions reflect the most recent information. In particular, the circumstances at the time of preparing the consolidated financial circumstances and the realistically assumed future development of the global and industry environment were used as a basis with respect to expected future business developments.

As a result of developments in these conditions differing from assumptions and those beyond management control, the amounts that occur may deviate from original estimates. If the actual developments differ from those forecast, the premises and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

The main assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are stated below:

Development costs

Development costs were capitalised in line with the accounting policies already presented. First-time recognition of costs is based on the management assessment that technical feasibility and commercial viability have been demonstrated; this is usually the case when a development project has reached a certain milestone in a current project. For the purposes of assessing impairment on the amounts to be capitalised, the management makes assumptions regarding the forecast future cash flows from assets, the applicable discount rates and the period when the forecast future cash flows generated by the assets will be received.

The capitalised development costs for internally generated intangible assets are included in the consolidated statement of financial position as at 31 December 2015 at EUR 9,834 thousand (previous year: EUR 12,066 thousand) and at EUR 10,715 thousand (previous year: EUR 7,557 thousand) for development projects not yet completed. Total development costs of EUR 8,811 thousand (previous year: EUR 8,925 thousand) were incurred in the reporting year, EUR 4,796 thousand (previous year: EUR 4,553 thousand) of which was capitalised.

Remeasurement of intangible assets in accounting for business combinations

Estimates are required for the remeasurement of intangible assets in accounting for business combinations in accordance with IFRS 3 (2008). The intangible assets of purchased entities must be identified in purchase price allocation and carried at fair value; they are separated from any (negative) goodwill. Various estimates are essential in determining fair value.

Goodwill

In order to establish possible impairment of goodwill, the value in use of the asset or the fair value of the cash-generating unit must be calculated.

This is done to test whether the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The difference between carrying amount and recoverable amount is the impairment.

The calculation of value in use and, where appropriate, the fair value less costs to sell requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate to calculate present value.

The carrying amount of goodwill as at the end of the reporting period is EUR 8,494 thousand (previous year: EUR 9,147 thousand). See also section IV, note 10.

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax loss carryforwards to the extent that it is likely that there will be future taxable profit available against which the losses can actually be used. The calculation of the amount of deferred tax assets requires significant management discretion based on the expected timing and amount of future taxable income together with future tax planning strategies.

As at 31 December 2015, the carrying amount of deferred tax assets on unutilised tax loss and interest carryforwards is EUR 4,846 thousand (previous year: EUR 6,115 thousand).

In 2009 Francotyp-Postalia commissioned a report on international Group transfer prices. The first result of this study was the adjustment of transfer prices for 2009. Correspondingly, revised price lists were used for fiscal years from 2010 onwards.

In 2010 income tax audits were ordered for German FP Group companies for 2005 to 2008. The audits commenced in the 2011 reporting year and ended with reports dated 16 January 2013. The audit resulted in significant corrections of transfer prices for deliveries of goods by the FP GmbH entity to its foreign sales companies. The additional taxes were established in 2013 and paid in part, with the remainder expensed in addition to interest at the level of FP Holding as at 31 December 2013.

Since 2014 there has been an ongoing audit of 2009 up to and including 2012, which has not yet produced any results or audit findings.

As at 31 December 2015, the provisions recognised for income taxes for the years audited in the consolidated financial statements of FP Holding amount to EUR 1,220 thousand (previous year: EUR 1,066 thousand) plus arrears of EUR 388 thousand (previous year: EUR 328 thousand).

The assessments in question have been appealed. Furthermore, on account of the transfer price corrections, FP GmbH has applied for the initiation of mutual agreement procedures in accordance with the Double Taxation Agreement and the EU Arbitration Convention between the Federal Republic of Germany and the UK, the US, Austria, the Netherlands and Belgium.

Prior to this audit, Francotyp-Postalia had already changed its transfer pricing system to the transactional net margin method (TNMM) from the fiscal year 2009. Sales contracts were revised accordingly and in December annual transfer prices were adjusted to the edge of the interquartile margin ranges of similar sales companies. This approach is consistent with a transfer pricing study for 2005 to 2008 authored by the audit company Deloitte.

As part of a review for 2009 up to and including 2012, it was noticed in 2012 that the final EBIT margins for international sales companies, despite the contractual adjustment of transfer prices, were in some cases outside the range for arm's length EBIT margins. In particular, this is because the transfer price adjustments recognised entirely in profit or loss in Germany were in some cases recognised in other comprehensive income in the respective period in line with local accounting standards at companies outside Germany (capitalisation of leased assets in particular) and will only result in higher write-downs in subsequent periods.

From Francotyp-Postalia's perspective, the transfer price adjustments were supposed to be recognised fully in profit or loss for the review of the sales companies' EBIT margins under the TNMM – as in the 2005 to 2008 audit period. Their partial recognition in other comprehensive income otherwise led to excessive transfer price corrections that were also not intended by the parties. However, Francotyp-Postalia took the results of the review as an opportunity to now analyse the system of transfer price calculation again, taking into consideration the different accounting treatment abroad. Transfer price calculations/agreements may have to be adjusted in coordination with the foreign sales companies to ensure that the different accounting treatment of transfer price adjustments can be better presented in Germany/abroad in future.

The adjustment requirement calculated by FP as part of the review for 2009 up to and including 2012 amounts to EUR 3.8 million. Given the result of operations of the FP Holding income tax group and sufficient loss carryforwards, the income correction resulted in only an insignificant increase in taxes for these years.

On account of the tax receivables expected from the adjustment effects for subsequent years following the audit abroad as a result of the above mutual agreement and arbitration procedures, current tax receivables were capitalised in the amount of the deferred tax assets reversed on account of the transfer price correction and the tax arrears expected in Germany in this context in the consolidated financial statements of Francotyp-Postalia Holding AG as at 31 December 2015. Tax receivables totalling EUR 6,689 thousand were reported as at 31 December 2014 (previous year: EUR 6,689 thousand). There is still some uncertainty regarding the amount and timing of recognition, resulting from the pending mutual agreement and arbitration procedures between Germany and the tax authorities abroad.

Corporation and trade tax loss carryforwards of EUR 4,926 thousand (previous year: EUR 2,465 thousand) and EUR 1,904 thousand (previous year: EUR 3,223 thousand), respectively, were utilised for offsetting against positive tax results in 2015. According to current tax planning, which was derived from (medium-term) business planning as in the previous year, the tax loss and interest carryforwards for which deferred tax assets have been reported will be utilised within the next five years. This utilisation of loss and interest carryforwards is based on the key assumption of the continuing successful market placement of the PostBase product line.

Pensions and other post-employment benefits

Pension obligations and other post-employment benefit obligations and the associated expenses are calculated in accordance with actuarial valuations. The actuarial valuation is based on assumptions regarding interest rates, future wage and salary increases, mortality and future pension increases. Given the long-term nature of these plans, such estimates are subject to significant uncertainty. The provision for pensions and similar obligations was EUR 15,454 thousand (previous year: EUR 17,354 thousand) as at 31 December 2015. The remeasurement of the net defined benefit liabilities is recognised in other comprehensive income. See also section III, note 18.

Provisions

The calculation of provisions for onerous contracts, warranty provisions and provisions for legal disputes greatly entails management estimates.

FP Holding recognises a provision for onerous contracts when the latest estimated total contract costs exceed the expected revenue. These estimates are subject to change based on new information.

The FP Holding recognises a provision for legal disputes when it is likely these proceedings have given rise to an obligation that is likely to result in future cash outflows that can be reasonably estimated. Litigation often involves complex legal issues, hence they entail considerable uncertainty. Accordingly, assessing whether there is a present obligation as a result of a past event, a future outflow is probable and whether the obligation can be reliably estimated as at the end of the reporting period requires considerable management judgement. The FP Group regularly evaluates the current status of proceedings, also with the assistance of external lawyers. An assessment can be subject to change based on new information. It may be necessary that the amount of a provision for pending proceedings may have to be adjusted in future due to new developments. Changes in estimates and assumptions over time can have a significant impact on the future result of operations. Depending on the outcome of proceedings, FP Holding may generate income or incur expenses from provisions previously recognised at too high or too low an amount.

A provision for restructuring activities is recognised when the Group has a detailed formal plan for the restructuring that raises a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Only the direct expenses of restructuring are taken into account in measuring a restructuring provision. These are only the amounts caused by the restructuring in question and not those in connection with the continuing operations of the entity.

The income from the reversal of provisions of EUR 346 thousand essentially relates to provisions for bonuses of EUR 200 thousand, provisions for severance payments of EUR 56 thousand and provisions for litigation costs of EUR 50 thousand.

Calculation of fair value

A number of accounting policies and disclosures require the Group to determine the fair value of financial and non-financial assets and liabilities. The Group has established a control framework for determining fair value. This includes a valuation team led by the Head of Accounting, Finance and Controlling, which has overall responsibility for the monitoring of all significant fair value measurements, including level 3, and reports directly to the CFO.

The valuation team conducts a regular review of significant unobservable inputs and carries out measurement adjustments. If information from third parties, such as quoted prices from brokers or pricing services, is used to determine fair values, the valuation team reviews the evidence obtained from third parties in order to satisfy the requirements of IFRSs, including the level in the fair value hierarchy to which these ratings are assigned.

Key points in measurement are reported to the CFO.

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

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

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

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

Further information on the assumptions in determining fair values can be found in the following notes:

- Section III, note 17 – Contingent capital increase and 2010 and 2015 stock option plans
- Section IV, note 22 – Financial instruments

II. SEGMENT REPORTING

Segment reporting is consistent with the regulations of IFRS 8. These require that business segments are defined on the basis of the internal management of Group areas whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Francotyp-Postalia is divided into the four segments **Production, Sales Germany, International Sales and Central Functions**. The segments report according to local accounting standards. They therefore include individual, local figures added together to produce total comprehensive income for the segment in addition to intra-segment figures and intercompany profits. The reconciliation to the consolidated financial statements (i.e. the reconciliation column) therefore shows both the adjusting entries under IFRS and the consolidation entries. The consolidation entries relate to business relationships within and between segments.

The **Production** segment essentially includes traditional product business, which consists of the development, manufacture and distribution of franking machines, and also inserting machines and after-sales business for foreign trading partners. The segment is also home to central corporate areas such as procurement, Group management, parts of accounting, the management of the international dealer network and FP InovoLabs GmbH (separate financial statements). In the year under review, there was only one production site in Wittenberge.

Sales Germany bundles and manages German sales teams. This segment leverages synergies and optimises the processing of the customer potential of the individual companies.

The **International Sales** segment is responsible for the global distribution of franking and inserting machines via its own subsidiaries on the key markets.

The **Central Functions** segment comprises Francotyp-Postalia Holding AG (separate financial statements), FP InovoLabs GmbH (separate financial statements). Revenues was generated from services for other Group companies in the reporting year.

The "Group reconciliation" column eliminates transactions between and within segments and shows adjustments in local accounting to IFRS. Detailed information on this can be found in "Reconciliation to segment information".

The above segments are both reportable segments and operating segments.

EBITDA refers to earnings before interest, tax, depreciation and amortisation – before profit transfer or loss absorption. The total segment assets are derived from the total reported assets, i.e. the total assets of the separate financial statements after profit transfers. By contract, segment liabilities are calculated as total liabilities minus equity. Investments include additions to non-current assets (less financial instruments and deferred taxes) and investments in property, plant and equipment and intangible assets.

Information on products and services, and on geographical areas, can be found in the notes on revenues under section III, note 1. Francotyp-Postalia is not dependent on major customers as defined by IFRS 8.34.

SEGMENT INFORMATION 2015

	A	B	C	D		
in thousand euro	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	Total
Revenue	90,769	106,026	85,793	2,049	–93,581	191,056
from third parties	4,357	101,350	85,426	0	–77	191,056
inter/intra-segment revenue	86,412	4,676	367	2,049	–93,504	0
EBITDA	**10,645**	**6,584**	**16,581**	**–4,265**	**–2,740**	**26,805**
Depreciation, amortisation and write-downs	1,305	2,739	14,728	110	–1,081	17,801
Net interest income	–1,704	–977	–187	1,141	176	–1,551
of which interest expense	2,575	1,027	714	1,209	–3,281	2,244
of which interest income	871	49	527	2,350	–3,105	693
Other net finance costs	7,669	–3	–227	15,088	–22,330	197
Net tax income	0	–351	–1,049	–3,916	1,390	–3,926
Profit transfer	–15,305	–4,010	0	0	19,316	0
Net income	0	–1,496	390	7,938	–3,108	3,723
Segment assets	138,156	35,911	110,488	113,158	–241,540	156,172
Investment	1,459	2,075	19,365	273	–3,030	20,141
Segment liabilities	136,616	30,934	88,376	40,389	–175,375	120,940

SEGMENT INFORMATION 2014

	A	B	C	D		
in thousand euro	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	Total
Revenue	79,432	97,466	74,894	1,917	–83,401	170,307
from third parties	4,125	93,425	73,093	0	–335	170,307
inter/intra-segment revenue	75,307	4,041	1,801	1,917	–83,066	0
EBITDA	**5,221**	**6,671**	**13,993**	**–3,119**	**314**	**23,080**
Depreciation, amortisation and write-downs	1,132	2,702	10,495	27	–1,081	13,275
Net interest income	–1,385	–774	–430	457	12	–2,121
of which interest expense	2,254	909	684	1,515	–2,730	2,632
of which interest income	869	135	253	1,972	–2,719	511
Other net finance costs	8,892	7	–120	11,567	–19,627	719
Net tax income	25	–612	–1,510	–1,965	874	–3,189
Profit transfer	–11,620	–4,106	0	0	15,726	0
Net income	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
Investment	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

in thousand euro	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	Total
2015	A	B	C	D		
Utilisation of the provision for restructuring	–65	775	0	0	–710	0
Income from the reversal of provisions	422	180	0	43	–645	0
2014	A	B	C	D		
Utilisation of the provision for restructuring	–1,012	0	0	0	0	–1,012
Income from the reversal of provisions	244	437	0	128	–809	0

Reconciliation to segment information

REVENUE

	1.1. – 31.12.	
in thousand euro	2015	2014
Revenues from segments A–C	282,588	251,791
Revenues from Central Functions segment	2,049	1,917
Effects of finance lease adjustment	–77	–335
	284,561	**253,372**
Less inter-segment revenue	93,504	83,066
Revenues as per financial statements	**191,056**	**170,307**

EBITDA

	1.1. – 31.12.	
in thousand euro	2015	2014
EBITDA from segments A–C	33,810	25,884
EBITDA from Central Functions segment	–4,265	–3,119
	29,545	**22,765**
Effects at consolidation level	–6,892	–4,093
Measurement effects of IFRS reconciliation	4,152	4,408
Consolidated EBITDA	**26,805**	**23,080**
Depreciation, amortisation and write-downs	–17,801	–13,275
Net interest income	–1,551	–2,121
Other net finance costs	197	719
Consolidated earnings before taxes	7,649	8,402
Net tax income	–3,926	–3,189
Consolidated net income	**3,723**	**5,213**

DEPRECIATION AND AMORTISATION EXPENSE

	1.1. – 31.12.	
in thousand euro	2015	2014
Depreciation and amortisation expense from segments A–C	18,773	14,330
Depreciation and amortisation expense from Central Functions segment	110	27
Effects of remeasurement of IFRS development costs	3,481	3,336
Effects of remeasurement of IFRS leases	–352	–368
Effects of write-downs on customer relationships	518	268
Effects of write-downs on internally generated software	122	58
Effects of adjustment of other intangible assets	–808	–834
Other effects of IFRS remeasurement	247	–125
	22,092	**16,692**
Effects at consolidation level	–4,291	–3,418
Depreciation and amortisation expense as per financial statements	**17,801**	**13,275**

ASSETS

in thousand euro	31.12.2015	31.12.2014
Assets of segments A–C	284,554	258,197
Assets of Central Functions segment	113,158	97,670
Capitalised development costs in accordance with IFRS	20,268	19,044
Effects of remeasurement of goodwill	8,528	7,752
Effects of write-downs on customer relationships	–518	–268
Effects of write-downs on internally generated software	–122	–58
Other reconciliation adjustments to IFRS	9,936	6,396
	435,803	**388,733**
Effects at consolidation level (including elimination of intragroup balances)	–279,631	–246,601
Assets as per financial statements	**156,172**	**142,132**

LIABILITIES

in thousand euro	31.12.2015	31.12.2014
Liabilities of segments A–C	255,926	230,644
Liabilities of Central Functions segment	40,389	30,377
Effects of adjustment of pension provisions	11,542	13,528
Effects of adjustment of other provisions	–5,563	–4,009
Other reconciliation adjustments to IFRS	15,745	13,751
	318,039	**284,291**
Effects at consolidation level (including elimination of intragroup balances)	–197,099	–172,210
Liabilities as per financial statements	**120,940**	**112,081**

INVESTMENT

in thousand euro	31.12.2015	31.12.2014
Investments of segments A–C	22,898	23,571
Investments of Central Functions segment	273	831
Effects of IFRS remeasurement	4,106	4,079
	27,277	**28,482**
Effects at consolidation level	–7,136	–5,137
Investments as per financial statements	**20,141**	**23,345**

ASSETS BY REGION IN 2015

in thousand euro	31.12.2015	current	non-current
Germany	287,224	132,586	154,638
US and Canada	57,466	18,815	38,651
Europe (not including Germany)	53,021	23,187	29,834
Other regions	0	0	0
	397,712	174,587	223,124
Effects of IFRS remeasurement	38,732		
Effects of write-downs on customer relationships	-518		
Effects of write-downs on internally generated software	-122		
Effects at consolidation level (including elimination of intragroup balances)	-279,631		
Assets as per financial statements	**156,172**		

ASSETS BY REGION IN 2014

in 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 (not including Germany)	44,305	18,857	25,448
Other regions	808	784	24
	355,867	144,753	211,114
Effects of IFRS remeasurement	33,192		
Effects of write-downs on customer relationships	-268		
Effects of write-downs on internally generated software	-58		
Effects at consolidation level (including elimination of intragroup balances)	-246,601		
Assets as per financial statements	**142,132**		

The goodwill of EUR 8,494 thousand (previous year: EUR 9,147 thousand) reported in the consolidated statement of financial position relates exclusively to the Sales Germany segment.

The convenience options of IFRS 8.33 have also been applied.

The figures are based on the separate financial statements (each prepared according to the respective local GAAP) of the companies included in the consolidated financial statements.

Please see section III, note 1 for a breakdown of revenue.

Francotyp-Postalia generates revenues from transactions with a very broad customer base. The share of revenues generated with each third-party customer or group of companies considered a single third-party customer is less than 10% of the revenues of Francotyp-Postalia.

III. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) REVENUE

The revenues of the FP Group breaks down as follows:

in thousand euro	2015	2014
Franking	28,235	22,922
Inserting	7,263	6,207
Other	1,304	1,782
Product sales income	**36,802**	**30,910**
Mail Services	53,806	44,059
Service/customer service	22,265	24,808
Equipment hire	31,439	25,294
Consumables	23,104	21,063
Teleporto	9,987	10,724
Software	13,653	13,449
Recurring revenue	**154,254**	**139,397**
Total	**191,056**	**170,307**

Adding revenues from the sale of consumables to income from product sales, the FP Group generated income of EUR 59,906 thousand from the sale of goods in 2015 (previous year: EUR 51,973 thousand). Income of EUR 131,150 thousand (previous year: EUR 118,211 thousand) was generated from the sale of services (including equipment hire).

The regional breakdown of revenues is as follows (regional allocation of revenues according to customer's domicile):

in thousand euro	2015	2014
Germany	100,965	92,608
United States	42,711	34,152
Europe (not including Germany or UK)	22,188	21,295
UK	19,326	16,110
Other	5,867	6,142
Total	**191,056**	**170,307**

(2) OWN WORK CAPITALISED

in thousand euro	2015	2014
Capitalised development costs	4,796	4,553
Rental machinery	10,547	10,267
Finance lease assets	0	676
Other	436	0
Total	**15,779**	**15,496**

EUR 180 thousand of capitalised development costs related to PostBase Mini (previous year: EUR 1,316 thousand) and EUR 1,260 thousand (previous year: EUR 1,213 thousand) to the development of additional national variants of PostBase.

Work performed by the enterprise and capitalised for rental machinery and finance lease assets relates to internally generated leased products. The finance lease assets are refinanced.

The "Other" item essentially includes franking machines sold to freesort GmbH and used there (EUR 313 thousand) and software developments of EUR 69 thousand.

(3) OTHER INCOME

in thousand euro	2015	2014
Derecognition of liabilities	1,355	514
Cost subsidies and grants	998	321
Result of deconsolidation	549	0
Book gains from the sale of non-current assets	264	32
Prior-period income	239	201
Usage fees	231	217
Damages	84	103
Impairment losses on receivables	48	87
Commission income	28	46
Other income	515	830
Total	**4,311**	**2,351**

The derecognition of liabilities of EUR 1,355 thousand essentially relates to expired liabilities. The expiry of teleporto obligations resulted in EUR 1,088 thousand. Cost subsidies and grants include state subsidies of EUR 991 thousand (joint scheme for improving regional economic structures) for investments in connection with the establishment of FP Holding's head office in Berlin. This income was recognised on the basis of the award dated 23 June 2014. It is linked to the creation of 193 permanent jobs and eligible investments in non-current assets. This item also includes subsidies for the employment of disabled persons of EUR 6 thousand (previous year: EUR 13 thousand).

CONSOLIDATED FINANCIAL STATEMENTS

(4) COST OF MATERIALS

in thousand euro	2015	2014
Raw materials, consumables and supplies	36,673	35,828
Cost of purchased services	54,600	46,188
Total	**91,273**	**82,016**

The costs of raw materials, consumables and supplies rose by EUR 1,019 thousand in 2015 as a result of higher sales figures and higher revenues (adjusted for currency effects) for PostBase Mini and PostBase consumables. The cost of purchased services climbed by EUR 8,412 thousand in 2015. This was essentially due to the increase in postage fees in Mail Services.

(5) STAFF COSTS

in thousand euro	2015	2014
Wages and salaries	48,757	45,079
Social security contributions	7,658	7,463
Expenses for pensions and other benefits	935	939
Total	**57,350**	**53,481**

Expenses for pensions and other benefits include EUR 163 thousand (previous year: EUR 130 thousand) in service costs for defined benefit plans.

EUR 2,691 thousand (previous year: EUR 2,729 thousand) was recognised as an expense for defined contribution plans in 2015. These expenses also includes employer contributions to statutory pension schemes.

Furthermore, some European subsidiaries have joint defined benefit plans with several employers. As the pension funds in question cannot provide sufficient information on the pension obligations and plan assets for the Group's subsidiaries, these plans are treated as defined contribution plans. All employers in the industry are required to participate in this type of pension for their employees. The pension commitment to employees is fully funded by plan assets of the joint plan. To ensure financing, the contributions payable are determined by the pension institution. The contributions are based on employees' pay.

The expenses incurred in the reporting year for defined benefit multi-employer plans amounted to EUR 366 thousand (previous year: EUR 337 thousand). Contributions of a similar amount are expected in 2016. According to the insurance provider, as in the previous year, the pension plans have surplus assets at the end of 2015.

(6) OTHER EXPENSES

in thousand euro	2015	2014
Div.	5,706	6,032
Sales commission	4,009	3,546
Professional fees, consulting	3,908	3,044
Marketing	2,753	1,995
Packaging and freight	2,687	2,445
Repairs and maintenance	2,436	2,509
Messaging and postage	1,771	1,713
Travel expenses	1,667	1,524
Staff-related costs	1,452	1,487
Purchased IT services	1,380	1,117
Prior-period expenses	1,059	288
Contributions to professional associations	674	561
Measurement of receivables	657	433
Warranty expenses	594	36
Motor vehicle costs	543	644
Transaction costs	495	493
Cost of purchased security and cleaning	478	542
Office supplies	452	413
Insurance expenses	437	426
Losses on the disposal of non-current assets	423	152
Entertainment expenses	421	447
Costs of industrial rights and licenses	287	238
Other	1,302	46
Total	**35,591**	**30,131**

The main items under "Other" are other value added, excise and capital taxes (EUR 201 thousand), Supervisory Board remuneration (EUR 113 thousand), expenses (EUR 90 thousand) and expenses for waste and packaging (EUR 75 thousand). In addition it contains the result from intercompany profit elimination of EUR -26 thousand (previous year: EUR -1,296 thousand).

(7) NET FINANCE COSTS

in thousand euro	2015	2014
Other interest receivable and similar income	693	511
of which from finance leases	557	321
of which from bank balances	57	162
of which from third parties	80	28
Interest and similar expenses	2,244	2,632
of which from bank liabilities	1,257	1,450
of which interest on the net liability for pension obligations	303	438
of which from finance leases	251	362
Other	433	382
Net interest income	**-1,551**	**-2,121**
Other financial income	**4,676**	**1,806**
Other finance costs	**4,480**	**1,087**
Total	**-1,355**	**-1,402**

As in the previous year, other financial income and other finance costs essentially result from foreign currency translation. Furthermore, other financial income includes the development in currency hedges of EUR 613 thousand. Other finance costs include write-downs of interests and receivables from FP Asia of EUR 636 thousand.

Interest expenses include expenses in connection with derivatives of EUR 36 thousand (previous year: EUR 95 thousand).

(8) TAXES

The net tax result is as follows:

in thousand euro	2015	2014
Current tax expense	2,246	387
of which prior-period	29	222
of which taxes for the current period	2,217	165
Deferred tax expenses	1,681	2,801
of which prior-period	419	-461
of which deferred taxes for the current period	1,262	3,262
Tax expense	**3,927**	**3,190**

In 2015 the external tax audit for 2009 up to and including 2012 inclusively continued and was extended to include almost all Group companies. The audit has not yet resulted in any findings by the tax authorities. Tax risks were reflected in tax provisions using prudent business judgement.

Deferred taxes were measured using tax rates enacted or substantively enacted by the end of the reporting period. Combined income tax rates consisting of corporation tax, the solidarity surcharge and trade tax were used for the German corporations. The German tax rates were between 28.43% and 30.18% (no change since the previous year).

Country-specific tax rates of 17.00% to 38.50% (previous year: 17.00% to 38.35%) were calculated for the foreign companies. Tax rate changes resulted in deviations of EUR -595 thousand on deferred taxes.

EUR 412 thousand (previous year: EUR 3,487 thousand) of deferred tax expense relates to the change in temporary differences and EUR 965 thousand (previous year: EUR -686 thousand) to the change in deferred tax assets for loss and interest carryforwards. The change in deferred taxes recognised in other comprehensive income as an expense totalled EUR 357 thousand in 2015 (previous year: EUR 997 thousand).

The carrying amount of deferred tax assets on unutilised tax loss and interest carryforwards is EUR 4,847 thousand as at the end of the reporting period (previous year: EUR 6,115 thousand). The deferred tax assets for loss carryforwards are based on the expectation that loss carryforwards can be offset against future taxable profits. The underlying planning is based on an assessment period of not more than five years.

Please see the comments in section I, "Assumptions and estimation uncertainty" for details of the estimation uncertainty entailed in deferred tax assets.

At EUR 3,019 thousand (previous year: EUR 1,665 thousand) in total, no deferred tax assets were recognised for loss carryforwards and deductible temporary differences. The deferred taxes not capitalised are based on loss carryforwards and deductible temporary differences of EUR 9,856 thousand (previous year: EUR 5,359 thousand) These loss carryforwards relate to subsidiaries in Germany, France and Italy in particular.

No deferred taxes are calculated on the difference between the pro rata equity of subsidiaries recognised in the consolidated statement of financial position and the corresponding tax amounts of equity investments, e.g. due to profit retention. Deferred tax liabilities were not recognised on temporary differences of EUR 249 thousand (previous year: EUR 259 thousand) as their realisation is not currently planned. Gains on disposals or distributions are subject to 5% taxation in Germany.

The expenses for income taxes of EUR 3,927 thousand according to the income statement (previous year: EUR 3,190 thousand) are offset by a forecast income tax expense of EUR 2,309 thousand (previous year: EUR 2,536 thousand) which would arise applying the Group income tax rate to consolidated net income before income taxes. The tax rate of the material German Group companies of 30.18% was used as the Group income tax rate.

CONSOLIDATED FINANCIAL STATEMENTS

in thousand euro	2015	2014
Consolidated net income before taxes	**7,650**	**8,404**
Forecast tax expense (30.18%)	2,309	2,536
Tax rate differences	-595	62
Tax effect of non-deductible expenses and tax-free income	553	229
Income taxes for previous years	448	-169
Change in recognition/non-recognition of deferred taxes assets on loss carryforwards and deductible temporary differences	1,150	781
Other deviations	62	-249
Current tax expense	**3,927**	**3,190**
Tax expense in %	**51.3**	**38.0**

(9) EARNINGS PER SHARE

On 20 November 2007, on the basis of an enabling resolution of the Annual General Meeting of the company on 16 October 2006, the Management Board of Francotyp-Postalia Holding AG resolved to carry out a programme to buy back shares of the company. 370,444 treasury shares were acquired in total.

The weighted average number of shares outstanding in the reporting period and the consolidated net income attributable to the shareholders of FP Holding are used to calculate earnings per share. The number of shares is therefore adjusted for repurchased treasury shares in accordance with IAS 33.20. Furthermore, the 2010 and 2015 stock option programmes are taken into account when calculating the average number of shares outstanding.

The weighted average number of shares in fiscal 2015 was therefore 15,988,160 (basic; previous year: 15,835,008) and 16,239,942 (diluted; previous year: 16,165,755). The weighted average number of basic and diluted shares was calculated as follows:

	2015	2014
Ordinary shares outstanding as at 1 January	16,160,000	16,160,000
Effect of treasury shares	-163,944	-202,944
Weighted average ordinary shares (basic) as at 31 December	**15,988,160**	**15,835,008**
Effect of issued stock options	251,782	330,747
Weighted average ordinary shares (diluted) as at 31 December	**16,239,942**	**16,165,755**

With consolidated net income (attributable to the shareholders of FP Holding) of EUR 3,543 thousand (previous year: EUR 5,094 thousand), basic earnings per share amount to EUR 0.22 (previous year: EUR 0.32) and diluted earnings per share to EUR 0.22 (previous year: EUR 0.32).

IV. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) NON-CURRENT ASSETS

The development in individual items of non-current assets in the reporting period is shown in the statement of changes in non-current assets at the end of the notes (annex to the notes). Purchased intangible assets are reported in the statement of financial position together with internally generated intangible assets, which are exclusively capitalised development costs. The statement of changes in non-current assets shows these separately.

The **intangible assets** with carrying amounts of EUR 33,030 thousand (previous year: EUR 32,903 thousand) include purchased intangible assets of EUR 4,135 thousand (previous year: EUR 4,133 thousand) and development costs for internally generated intangible assets of EUR 9,834 thousand (previous year: EUR 12,066 thousand). Also reported in this item are goodwill of EUR 8,494 thousand (previous year: EUR 9,147 thousand) ongoing development projects with carrying amounts of EUR 10,715 thousand (previous year: EUR 557 thousand).

Purchased intangible assets essentially include customer lists.

Customer relationships of EUR 4,751 thousand were capitalised in the purchase price allocation for Franco Frankerings Interessenter AB, Stockholm, Sweden, in 2010. The respective customer relationships were derived from contractual arrangements and were not recognised directly before the merger. As at 31 December 2015 these Swedish customer relationships still have a carrying amount of EUR 2,328 thousand (previous year: EUR 2,521 thousand). Amortisation on these customer relationships (not including currency translation effects) amounted to EUR 247 thousand in fiscal 2015 (previous year: EUR 254 thousand). As in the previous year, there were no write-downs in addition to this. The outstanding amortisation period is nine years and three months.

The customer relationships in Sweden were tested for impairment in accordance with IAS 36. The multi-period excess earnings method was used. In the multi-period excess earnings method, the present value of cash flows relating solely to the asset being measured are calculated. Based on the concept of the weighted average cost of capital, the discount rate for the cash flows after taxes is 8.68%. A value of EUR 2,433 thousand was calculated for the customer relationships.

The customer lists of Mentana-Claimsoft were amortised from EUR 237 thousand to EUR 0 thousand as of 31 December 2015. The company analysed the cash flows stemming from these customer lists for fiscal 2015. Given that no sustainable cash flows were generated in fiscal 2015 from the customer contracts at that time, an impairment loss was recognised.

In 2015 Francotyp-Postalia Vertrieb und Service GmbH, Berlin, acquired the customer list of its trading partner Post+Büro GmbH for EUR 525 thousand. The customer list is being amortised over eight years. Amortisation in the reporting year amounted to EUR 5 thousand, hence it is still recognised at a carrying amount of EUR 520 thousand. As the customer list was acquired in the month of reporting, no impairment test was performed.

Other significant items of acquired intangible assets are software products of the individual subsidiaries of the FP Group totalling EUR 1,141 thousand (previous year: EUR 1,224 thousand).

Research and development expenses of EUR 8,811 thousand were incurred in fiscal 2015 (previous year: EUR 8,925 thousand), EUR 4,796 thousand (previous year: EUR 4,553 thousand) of which was capitalised and EUR 4,015 thousand (previous year: EUR 4,372 thousand) of which was expensed. Borrowing costs of EUR 201 thousand (previous year: EUR 198 thousand) were capitalised in the reporting period. An average capitalisation rate of 2.71% (previous year: 3.51%) was applied.

The **goodwill** of EUR 8,494 thousand (previous year: EUR 9,147 thousand) breaks down as EUR 5,851 thousand (unchanged year-on-year) attributable to the freesort cash-generating unit, EUR 2,643 thousand (unchanged year-on-year) to the iab cash-generating unit and EUR 0 thousand (previous year: EUR 653 thousand) to the Mentana-Claimsoft cash-generating unit. The cumulative impairment losses for the reported goodwill amounts to EUR 12,500 thousand for freesort, EUR 1,275 thousand for iab (both unchanged year-on-year) and EUR 653 thousand for Mentana-Claimsoft (previous year: EUR 0 thousand).

As at the end of the reporting period the Group determined the recoverable amount of the cash-generating units to which goodwill was assigned in impairment testing in accordance with IAS 36. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The fair value less costs to sell was used to determine the recoverable amount of the cash-generating units freesort, iab and Mentana-Claimsoft as the management believes that this is higher than the respective value in use.

As it is not possible to derive the fair value less costs to sell on the basis of information from active markets due to a lack of transactions performed, this was calculated on the basis of discounted cash flows (level 3 of the fair value hierarchy). This was based on cash flow forecasts derived from financial planning by the management. The figures used in these assumptions are based on external analyses of the postal market and on management experience. Financial planning consists of earnings planning, the statement of financial position and the statement of cash flows and is prepared in detail for the first three years on the basis of sales planning, and then extrapolated using general assumptions for the next two years of planning. Perpetual maturity is assumed for freesort, iab and Mentana-Claimsoft after the fifth year of planning.

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

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

The costs to sell to sell are taken into account on a general basis when calculating fair value.

No impairment was identified in the 2015 impairment test of the goodwill associated with **freesort's** business as a fair value less costs to sell higher than the carrying amount of the assets was calculated. The recoverable amount of the cash-generating unit was EUR 13,034 thousand in total, EUR 178 thousand higher than its carrying amount (previous year: EUR 1,262 thousand). As long as only 98.7% (previous year: 89.8%) of planned EBIT were achieved, the recoverable amount would still be equal to the carrying amount of the assets.

A discount rate (WACC) after taxes of 10.82% (previous year: 11.06%) was used to determine the fair value less costs to sell of freesort. The corresponding discount rate before taxes was 14.63% (previous year: 14.76%). The cash flows generated at freesort after the observation period of five years are projected on the basis of the fifth year of the plan with a growth rate of 1.0% (previous year 1.0%).

In the following basic assumptions on which the calculation of fair value less costs to sell of freesort are based, there is estimation uncertainty affecting EBIT and thus the cash flows to be discounted and the discount rate:

- Mail volume: The future development of cash flows is dependent on the number of customers or the number of dispatches processed. Revenues growth is in the range of 2.5% to 2.6%. The values used are based on the evaluation of market potential and current customer contacts, and show a strong rising trend. The assumptions are based on the positive development in the fiscal year and the planned expansion of sales activities.
- Gross profit margins: The gross profit margins used are based on currently realisable values and management experience; a moderate upward trend in margins was assumed. EBITDA as a percentage of revenues is rising in a range of 3.1% to 3.8%.
- Discount rate: Assumptions on the individual components of WACC and the long-term growth rate.

The underlying positive planning is slightly below the assumptions from the previous year.

The sensitivity analysis of the main calculation parameters, with all other parameters remaining constant, is as follows:

	31.12.2015		31.12.2014	
Discounting rate	10.82%	11.26%	11.1%	13.0%
Impairment	–	0.4 Mio, EUR	–	0.8 Mio, EUR
Fluctuation in planned EBIT	100%	90%	100%	85.0%
Impairment	–	1.1 Mio, EUR	–	0.6 Mio, EUR
Growth rate	1.0%	0.0%	1.0%	0.0%
Impairment	–	0.3 Mio, EUR	–	0.0 Mio, EUR

No impairment was identified in the 2015 impairment test of the goodwill associated with **iab's** business as a fair value less costs to sell higher than the carrying amount of the assets was calculated. The recoverable amount of the cash-generating unit (including non-controlling interests of 49%) was EUR 8,266 thousand in total, EUR 371 thousand higher than its carrying amount (previous year: EUR 828 thousand). As long as only 96.0% (previous year: 90.9%) of planned EBIT were achieved, the recoverable amount would still be equal to the carrying amount of the assets.

A discount rate (WACC) after taxes of 11.63 % (previous year: 13.23%) was used to determine the fair value less costs to sell. The corresponding discount rate before taxes was 15.3% (previous year: 17.85%). The cash flows generated at iab after the observation period of five years are projected on the basis of the fifth year of the plan with a growth rate of 2.0% (previous year 2.0%).

In the following basic assumptions on which the calculation of fair value less costs to sell of iab are based, there is estimation uncertainty affecting EBIT and thus the cash flows to be discounted and the discount rate:

- Mail volume: The future development of cash flows is dependent on the number of customers or the number of dispatches processed. Revenues growth from 2016 is in the range of 7.1% to 7.7%. The values used are based on the evaluation of market potential and current customer contacts, and show a strong rising trend.
- Gross profit margins: The gross profit margins used are based on currently realisable values and management experience; a moderate upward trend in margins was assumed. EBITDA as a percentage of revenues is in a range of 7.5% to 11.8%.
- Discount rate: Assumptions on the individual components of WACC and the long-term growth rate.

The underlying planning is approximately at the same level as the previous year.

Based on the goodwill reported in the consolidated financial statements, the sensitivity of the main calculation parameters, with all other parameters remaining constant, is as follows:

	31.12.2015		31.12.2014	
Discount rate	11.6%	12.43%	11.1%	13.0%
Impairment	–	0.4 Mio, EUR	–	0.8 Mio, EUR
Fluctuation in planned EBIT	100%	85%	100%	85.0%
Impairment	–	1.0 Mio, EUR	–	0.6 Mio, EUR
Growth rate	2.0%	0.0%	2.0%	0.0%
Impairment	–	0.6 Mio, EUR	–	0.0 Mio, EUR

No impairment was identified in the 2015 impairment test of the goodwill associated with **Mentana-Claimsoft's** business as a fair value less costs to sell higher than the carrying amount of the assets was calculated. The recoverable amount of the cash-generating unit was EUR 9,070 thousand in total, EUR 7,914 thousand higher than its carrying amount. Cash flow forecasts based on the management's financial planning for the next five years were used in this calculation. The cash flows and net income achieved in fiscal 2015 were significantly lower than the previous year's expected figure.

When Mentana-Claimsoft was purchased, primarily its knowledge of digital communications was recognised as goodwill. In the opinion of the Management Board, however, this will generate only minor cash flows in the near future. This is primarily explained by the rapid technological development and the partial reorientation of the company. Regarding the expected future cash flows in connection with the partial reorientation, the management is standing by its planning and positive forecasts for the future, but not the goodwill allocated in purchase price allocation in fiscal 2011. In light of this, a full amortisation in the amount of EUR 653 thousand was performed in accordance with IAS 36.

A discount rate (WACC) after taxes of 18.38% (previous year: 18.63%) was used to determine the fair value less costs to sell. The corresponding discount rate before taxes was 20.47% (previous year: 22.06%). The cash flows generated at Mentana-Claimsoft after the observation period of five years are projected on the basis of the fifth year of the plan with a growth rate of 2.0% (previous year 2.0%).

In the following basic assumptions on which the calculation of fair value less costs to sell of iab are based, there is estimation uncertainty affecting EBIT and thus the cash flows to be discounted and the discount rate:

- Mail volume: The future development of cash flows is dependent on the number of customers or the number of dispatches processed. Revenues growth from 2016 is in the range of 2.3% to 101.4%. The values used are based on the evaluation of market potential and show a rising trend. In particular, the assumptions are based on customer contracts concluded in the fiscal year.
- Gross profit margins: The gross profit margins used for mail transported in Germany are based on the current figures expected by management. They reflect comparative values for physical letters, taking into account the cost benefits for market participants. Strong rises in margins are assumed. EBITDA as a percentage of revenues is in a range of -25.1% to 39.6%.
- Discount rate: Assumptions on the individual components of WACC and the long-term growth rate.

Overall, the underlying planning is more restrained compared to the previous year as a result of progressive market observation.

Property, plant and equipment also includes leased products with carrying amounts of EUR 24,602 thousand (previous year: EUR 18,862 thousand) and finance lease assets (in which the FP Group is the lessee) with carrying amounts of EUR 5,299 thousand (previous year: EUR 6,387 thousand). The FP Group uses finance leases to finance sorting and franking machines, printers and leased assets.

Work performed by the enterprise and capitalised of EUR 15,737 thousand (previous year: EUR 15,496 thousand) was recognised in property, plant and equipment in the reporting period. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up of EUR 8 thousand (previous year: EUR 0 thousand) were recognised.

There were investments of EUR 664 thousand (previous year: EUR 1,847 thousand) in 2015 due to the relocation of head office in Germany to Berlin. This was a key reason for the total rise in the property, plant and equipment items "Land", "Technical equipment and machinery", "Operating and office equipment" and "Prepayments" of EUR 3,121 thousand (previous year: EUR 4,258 thousand).

Please also see the notes on collateral (23) and investment obligations (24) in this section.

(11) FINANCE LEASE RECEIVABLES

The reconciliation of future lease payments to receivables under finance leases is as follows:

31.12.2015

	Total	Remaining term		
in thousand euro		Up to 1 year	1–5 years	More than 5 years
Future minimum lease payments	11,613	3,170	7,934	509
Finance charges	3,217	955	2,080	182
Receivables from finance leases (present value)	**8,396**	**2,215**	**5,854**	**327**

Finance lease receivables increased significantly by EUR 4,553 thousand. This is due to a change in sales methods at the Group companies Francotyp-Postalia Ltd., Dartford, UK, Italiana Audion s. r. l., Milan, Italy, and FP Inc., Illinois, USA. In addition to Francotyp-Postalia Vertrieb und Service GmbH, Berlin, Germany, these companies have reported finance lease receivables since 2014 (FP Inc., Illinois, USA, since 2015). Of the finance lease receivables of EUR 8,396 thousand, Francotyp-Postalia Ltd. accounts for EUR 5,087 thousand (previous year: EUR 1,202 thousand), Italiana Audion s. r. l. for EUR 1,704 thousand (previous year: EUR 710 thousand) and FP Inc., Illinois, USA, for EUR 199 thousand.

There are no non-guaranteed residual values for the benefit of the lessor as at the end of the reporting period. In accordance with IAS 17.7, the value of gross investments is therefore equal to the stated future lease payments of EUR 11,613 thousand (previous year: EUR 4,824 thousand). After discounting of EUR 3,217 thousand (previous year: EUR 981 thousand), this results in net investments of EUR 8,396 thousand (previous year: EUR 3,843 thousand) equal to the unearned finance income as the difference between gross and net investment. As at the end of the reporting period there were no allowances for uncollectible minimum lease payments receivable or contingent rents recognised as income in the 2015 reporting period (previous year: also not).

31.12.2014

	Total	Remaining term		
in thousand euro		Up to 1 year	1–5 years	More than 5 years
Future minimum lease payments	4,824	1,718	3,085	21
Finance charges	981	487	489	5
Receivables from finance leases (present value)	**3,843**	**1,231**	**2,596**	**16**

The future minimum lease payments under non-cancellable operating leases that FP receives when leasing out franking and inserting machines as the lessor are as follows:

31.12.2015

	Total	Remaining term		
in thousand euro		Up to 1 year	1–5 years	More than 5 years
Future minimum lease payments under non-cancellable operating leases	56,454	26,407	29,971	76

31.12.2014

	Total	Remaining term		
in thousand euro		Up to 1 year	1–5 years	More than 5 years
Future minimum lease payments under non-cancellable operating leases	50,525	24,619	25,856	50

The change is essentially attributable to the strong new business in the US. There an old franking machine had to be replaced with the new PostBase franking system by the end of the reporting period, whereby the future minimum lease payments under non-cancellable operating leases alone rose by EUR 5,822 thousand.

(12) INVENTORIES

in thousand euro	31.12.2015	31.12.2014
Raw materials and supplies	5,956	4,324
Work in progress	710	875
Finished goods and goods for resale	5,025	4,835
Total	**11,691**	**10,034**

Impairment losses on inventories amount to EUR 1,778 thousand (previous year: EUR 1,854 thousand) and are reported under "Cost of materials" in the consolidated statement of comprehensive income. Utilisation of inventories amounted to EUR 36,973 thousand (previous year: EUR 35,273 thousand) in the consolidated statement of comprehensive income in the reporting period.

(13) TRADE RECEIVABLES

Trade receivables break down as follows:

in thousand euro	31.12.2015	31.12.2014
Trade receivables – Germany	6,302	7,238
Trade receivables – abroad	10,635	10,080
Total trade receivables	**16,937**	**17,318**

A gross amount of EUR 18,423 thousand (previous year: EUR 18,647 thousand) was reported under trade receivables as at 31 December 2015.

The allowance accounts include specific valuation allowances and portfolio-based valuation allowances. The specific valuation allowances reflect individual and specifically discernible risks. Meanwhile, general methods are used to calculate portfolio-based valuation allowances. The maturities of receivables, including those past due, were also taken into account.

Allowance accounts developed as follows:

	in thousand euro
As at 1.1.2014	**1,839**
Charge for the year (impairment loss)	1,087
Utilised	1,341
Unused amounts reversed	256
As at 31.12.2014	**1,329**
Foreign currency effects	82
Charge for the year (impairment loss)	1,430
Utilised	1,351
Unused amounts reversed	6
As at 31.12.2015	**1,485**

There are no impairment losses for classes of financial instruments other than trade receivables.

Additions to allowance accounts are recognised under other operating expenses.

The maturity structure of trade receivables was as follows as at 31 December 2015 (and 31 December 2014):

	Nominal amount Total	Of which not past due	Of which trade receivables past due		
in thousand euro			0 to 60 days	61 to 120 days	>121 days
31.12.2015					
Gross carrying amount	18,423	11,032	4,327	2,070	994
Impairment	1,485	386	260	173	666
31.12.2014					
Gross carrying amount	18,647	9,062	5,675	2,233	1,677
Impairment	1,329	167	241	305	616

The financial assets neither past due nor impaired are considered recoverable.

(14) SECURITIES

The reported securities with a fair value of EUR 681 thousand (previous year: EUR 680 thousand) are units held for trading in a capital appreciation fund that predominantly invests in interest-bearing securities, money market instruments and demand deposits. The reported securities have no fixed maturity and no fixed interest rate.

Unchanged from the end of the previous reporting period, securities of EUR 590 thousand have been pledged as a Commerzbank guarantee to secure DPAG postage fees.

(15) OTHER CURRENT ASSETS

in thousand euro	31.12.2015	31.12.2014
Deferred payments	5,502	4,964
Receivables from other taxes	1,771	659
Miscellaneous financial assets	6,014	5,616
Total	**13,287**	**11,239**

The deferred payments are essentially prepayments to dealers of Francotyp-Postalia Inc., Addison, Illinois, USA, for the conclusion of long-term customer agreements.

EUR 1,454 thousand (previous year: EUR 0 thousand) of receivables from other taxes relate to freesort GmbH, EUR 134 thousand (previous year: EUR 66 thousand) to Francotyp-Postalia GmbH and EUR 127 thousand (previous year: EUR 7 thousand) to FP Vertrieb und Service GmbH while VAT prepayments account for EUR 1,667 thousand (previous year: EUR 551 thousand).

In particular, EUR 2,786 thousand (previous year: EUR 2,612 thousand) of miscellaneous financial assets as at 31 December 2015 relate to creditors with debit balances. In addition, they include prepayments of EUR 881 thousand (previous year: EUR 995 thousand), franchise fees of EUR 792 thousand (previous year: EUR 0 thousand), receivables from trading partners of EUR 742 thousand (previous year: EUR 399 thousand), receivables in connection with a lawsuit for damages against a former member of the Management Board of EUR 490 thousand (as in the previous year) and deposits of EUR 185 thousand (previous year: EUR 169 thousand).

(16) CASH AND CASH EQUIVALENTS

in thousand euro	31.12.2015	31.12.2014
Bank balances	17,907	16,192
Checks and cash on hand	307	327
Total	**18,214**	**16,519**

EUR 2,967 thousand (previous year: EUR 2,803 thousand) of bank balances are restricted. This relates to telepostage received from customers that can be accessed by customers at any time. A corresponding amount is included under other liabilities.

The development of cash and cash equivalents is shown in the statement of cash flows.

(17) EQUITY

Changes in equity are shown in the statement of changes in equity.

Components of consolidated equity

The capital of FP Holding consists of the share capital of EUR 16,160 thousand (previous year: EUR 16,160 thousand), the capital reserves contributed by shareholders of EUR 34,937 thousand (previous year: EUR 35,032 thousand) and other reserves. Please see the consolidated statement of changes in equity for details of other reserves.

The differences arising from the translation of financial statements of foreign subsidiaries and the deviations between average monthly rates in the consolidated statement of comprehensive income and the closing rates are reported in other comprehensive income.

The share capital is divided into 16,160,000 no-par value bearer shares with pro rata rights to the company's profits. Each share grants one vote at the Annual General Meeting of the company and the bearer of the share a dividend entitlement. The share capital is fully paid in.

Share buyback programme

On 20 November 2007, on the basis of an enabling resolution of the Annual General Meeting of the company on 16 October 2006, the Management Board of Francotyp-Postalia Holding AG resolved to carry out a programme to buy back shares of the company in order to be able to acquire companies or equity investments in companies using treasury shares as acquisition currency.

A total of 370,444 shares were acquired in the period from November 2007 to April 2008, which were deducted from equity (reserve for treasury shares) on the face of the statement of financial position at cost (EUR 1,829 thousand) in accordance with IAS 32.33. No further shares were purchased in the reporting year.

167,500 treasury shares were issued in the reporting period due to stock options exercised under the 2010 stock option plan. The treasury shares account for 1.26% (previous year: 2.29%) of share capital as at 31 December 2015 and have a market value of EUR 795 thousand (previous year: EUR 1,519 thousand) as at the end of the reporting period. The development in the number of shares outstanding can be seen in the following reconciliation:

Capital reserves

	Number of shares outstanding
Number of shares	16,160,000
Repurchase of treasury shares	–202,944
As at 31.12.2014	**15,957,056**
Number of shares	16,160,000
Repurchase of treasury shares	–163,944
As at 31.12.2015	**15,996,056**

Capital reserves

On 30 November 2006, all shares in FP Holding were listed on the Official Market of the Frankfurt Stock Exchange with simultaneous listing in the section of the Official Market with further post-admission obligations (Prime Standard). In its IPO, FP Holding generated gross issue proceeds of EUR 51,300 thousand from the sale of 2,700,000 shares. The premiums paid by the new shareholders of EUR 48,600 thousand were transferred to capital reserves. The expenses of the IPO amounted to EUR 4,603 thousand in total. Taking into account the tax effect of EUR 1,711 thousand, the expenses were offset against capital reserves in the amount of EUR 2,892 thousand in the consolidated financial statements.

Net accumulated losses of EUR 12,527 thousand were offset against capital reserves in fiscal 2011.

On 23 March 2012 the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by EUR 1,460 thousand against cash contributions by issuing 1,460,000 bearer shares. The issue amount was EUR 2.66, leading to gross issue proceeds of EUR 3,884 thousand. The premium paid by the new shareholder less the costs of the capital increase, taking into account the tax effect, of EUR 2,131 thousand was transferred to the capital reserves.

From September 2014 to December 2015, 206,500 stock options were exercised by the option holders under the 2010 stock option plan. FP Holding issued treasury shares. This caused a decrease of EUR 1,019 thousand in treasury shares and of EUR 503 thousand in capital reserves.

Authorisations for authorised and contingent capital

On 11 June 2015 the Annual General Meeting of FP Holding adopted resolutions to create new authorised capital (Authorised Capital 2015 / I) of EUR 8,080 thousand and to cancel the existing authorisation of the Management Board to increase share capital (Authorised Capital 2011) with a corresponding amendment of the Articles of Association. With the approval of the Supervisory Board, the share capital of the company can be increased on one or more occasions by up to a total of EUR 8,080,000 by issuing new bearer shares against cash or non-cash contributions by 10 June 2020. Shareholders have pre-emption rights to the new rights. In accordance with section 186(5) of the German Stock Corporation Act (AktG), the new shares can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to shareholders for subscription.

The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholder's pre-emption rights on one or more occasions.

On 11 June 2015 the Annual General Meeting also resolved to contingently increase the share capital of the company by an amount of up to EUR 6,464,000 by issuing up to 6,464,000 new bearer shares, each accounting for a pro rata amount of share capital of EUR 1.00 (Contingent Capital 2015 / I).

The contingent capital serves to grant shares to the holders or creditors of warrant or convertible bonds, profit participation certificates or participating bonds (or combinations of these instruments) that were issued by the company or one of its direct or indirect Group companies as defined by section 18 AktG by 10 June 2020. This is only carried out to the extent that options or conversion rights from the above bonds are utilised or option or conversion obligations arising from these bonds are met, unless other means of settling the obligation are used. New shares are issued at the option or conversion price to be determined based on the above authorisation. The new shares participate in profits from the beginning of the fiscal year in which they arise as a result of options or conversion rights being exercised or conversion obligations being fulfilled.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details for the implementation of 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.

On 11 June 2015 the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 959,500 by issuing up to 959,500 bearer shares (Contingent Capital 2015 / II). The contingent capital increase is exclusively intended to serve pre-emption rights granted by 10 June 2020 on the basis of the authorisation of the Annual General Meeting in accordance with the adjustment of the 2010 stock option plan and Contingent Capital 2010. The contingent capital increase will only be implemented to the extent that the bearers of the issued pre-emption rights exercise their rights to subscribe to shares in the company and the company does not grant any treasury shares to serve pre-emption rights. The new shares participate in profits from the beginning of the fiscal year in which pre-emption rights are exercised.

By way of resolution of the Annual General Meeting on 11 June 2015, the Management Board was authorised, with the approval of the Supervisory Board, to issue, on one or more occasions and in full or in partial amounts, warrant or convertible bonds, profit participation certificates, participating bonds or combinations of these instruments (collectively referred to as "bonds") with a total nominal amount of up to EUR 200,000,000 by 10 June 2020, and to grant the bearers or creditors (collectively referred to as "bearers") of the respective bonds options or conversion rights to acquire bearer shares of the company accounting for a total pro rata amount of share capital of up to EUR 6,464,000 in accordance with the further conditions of the bonds and to establish the corresponding option and conversion obligations. The bonds and the options and conversion rights / obligations can be issued with a duration of up to 30 years or as perpetual instruments. Bonds can also be issued in whole or in part against contributions in kind.

The individual issues can be divided into different types of bonds with equal rights. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights to bonds.

The Annual General Meeting of Francotyp-Postalia Holding AG on 10 June 2015 authorised the Management Board, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the share capital at the time of this resolution. The shares acquired under this authorisation, together with other treasury shares held by the company or attributable to it in accordance with den sections 71d and 71e of the German Stock Corporation Act, must not account for more than 10% of the share capital at any time. The authorisation can be exercised in full or in part, and on one or more occasions. The authorisation remains in effect until 10 June 2020. The authorisation of the Management Board to acquire and use purchased treasury shares resolved by the Annual General Meeting of the company on 1 June 2010 ended when the new authorisation became effective.

Contingent capital increase and 2010 stock option plan

Item 1.1 of Francotyp-Postalia Holding AG's 2010 stock option plan states: "The Annual General Meeting of Francotyp-Postalia Holding AG on 1 July 2010 [...] resolved (i) to contingently increase the share capital of the company by up to EUR 1,045,000 by issuing up to 1,045,000 no-par value bearer shares [...] and (ii) to issue to members of the Management Board of the company, members of management of affiliated companies as defined by section 15 AktG [...] and executives of the FP Group pre-emption rights that entitle the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price."

The stock option plan resolved thus exclusively allows for settlement in equity instruments, primarily by treasury shares and secondarily by way of a contingent capital increase.

The Annual General Meeting on 11 June 2015 resolved that 200,000 options under the 2010 stock option plan will no longer be issued.

Contingent capital increase and 2015 stock option plan

Item 1.1 of Francotyp-Postalia Holding AG's 2015 stock option plan states: "The Annual General Meeting of Francotyp-Postalia Holding AG on 11 June 2015 [...] resolved (i) to contingently increase the share capital of the company by up to EUR 959,500 by issuing up to 959,500 no-par value bearer shares ("shares") [...] and (ii) to issue to members of the Management Board of the company, members of management of affiliated companies as defined by section 15 AktG [...] and executives of the FP Group pre-emption rights that entitle the bearers to subscribe to a maximum of 959,000 shares against payment of the exercise price."

The company can elect to use treasury shares to serve the pre-emption rights under the 2015 stock option plan instead of new shares if this is covered by a separate enabling resolution of the Annual General Meeting.

The purpose of both stock option plans, in accordance with item 1.3 of the respective stock option plan, is "a lasting link between the interests of management and executives and the interests of the shareholders in a long-term increase in enterprise value."

In accordance with item 2.2 of the respective stock option plan, each stock option grants the right to acquire one share in Francotyp-Postalia Holding AG.

In accordance with item 2.3 of the respective stock option plan, an option has a term of 10 years from its award date. In accordance with item 2.4 of the respective stock option plan, the options are not evidenced. In accordance with item 5.5 of the respective stock option plan, no premiums were paid when awarding options.

The following stock options were awarded under the 2010 stock option plan: 900,000 stock options as at 1 September 2010, 75,000 stock options as at 27 April 2012, 20,000 stock options as at 7 September 2012, 57,500 stock options as at 6 December 2014 and 30,000 stock options as at 11 June 2014. 180,000 stock options each of the stock options awarded relate to one active member of the Management Board of Francotyp-Postalia Holding AG as at 31 December 2015 and one former member.

Under the 2015 stock option plan, 465,000 stock options had been awarded as at 31 August 2015 and 40,000 as at 25 November 2015. 180,000 stock options under the 2015 plan related to active members of the Management Board of Francotyp-Postalia Holding AG as at 31 December 2015.

All the following conditions must be met for the options to be exercised under the 2010 and 2015 stock option plans:

a) Vesting period

In accordance with item 7.1 of the stock option plan, provided that the terms of the stock option plan "do not expressly state otherwise, the vesting period must be over and options cannot be exercised within this period. [...] The vesting period before the options can be exercised is four years." This is a service condition.

b) Performance target

Item 7.2 of the stock option plan states: "Pre-emption rights can only be exercised if the performance target is met. The performance target for the pre-emption rights issued is met if EBITDA (IFRS), as reported in the consolidated financial statements for the fiscal year in which the pre-emption rights are awarded, has increased by 10% compared to EBITDA (IFRS) as reported in the consolidated financial statements for the last fiscal year before being awarded. [...] If EBITDA (IFRS) is reported after adjustment for restructuring costs in one or both of the sets of consolidated financial statements to be compared, this EBITDA after adjustment for restructuring costs (IFRS) serves as the basis for determining achievement of the performance target. If the performance target was not met, the pre-emption rights expire and can be reissued to participants of the Group.

The determination of EBITDA (possibly adjusted for restructuring costs) and changes in it compared to EBITDA (possibly adjusted for restructuring costs) in the relevant comparative year will be verified by the company's auditor within two weeks of the approval of the consolidated financial statements by the Supervisory Board in a manner binding for the issue of the admissibility of exercising options." This performance target is a non-market performance condition.

c) Personal exercise requirements

Item 7.3 of the stock option plan states that the option bearer must work for either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

The following fair values were calculated for the options:

		Award date						
						SOP 2010		SOP 2015
		1.9.2010	27.4.2012	7.9.2012	6.12.2013	11.6.2014	31.8.2015	25.11.2015
31.12.2015								
One option	EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07
All options	TEUR	727	39	23	106	0	497	43
31.12.2014								
One option	EUR	1.37	1.31	1.17	1.85	1.82	n/a	n/a
All options	TEUR	781	39	23	106	55	n/a	n/a

The options were measured using a Black-Scholes option pricing model as there is no public trading of options for Francotyp-Postalia shares with the same features.

Measurement is based on the following:

	Award date						
					SOP 2010		SOP 2015
	1.9.2010	27.4.2012	7.9.2012	6.12.2013	11.6.2014	31.8.2015	25.11.2015
Price per FP share	2.55 EUR	2.60 EUR	2.32 EUR	4.10 EUR	4.71 EUR	4.39 EUR	4.46 EUR
Exercise price	2.50 EUR	2.61 EUR	2.34 EUR	3.86 EUR	4.56 EUR	4.48 EUR	4.39 EUR
Anticipated exercise date	31.08.2015	26.04.2017	06.09.2017	05.12.2018	10.06.2019	30.08.2020	24.11.2020
Expected volatility	74.48%	70.8%	71.3%	59.9%	52.21%	38.81%	37.41%
Annual dividend yield	2%	2%	2%	2%	2%	3%	3%
Matched-term,risk-free interest rate	1.32%	0.67%	0.60%	0.82%	0.44%	0.07%	0.07%
Number of exercisable stock options at award date	741,439	52,031	16,476	39,646	19,596	302,426	26,015

- In accordance with the 2010 and 2015 stock option plans, the exercise price of the stock options awarded is equal to the average market price (closing price) of no-par value bearer shares of Francotyp-Postalia Holding AG in Deutsche Börse AG's electronic Xetra trading in Frankfurt / Main or a comparable successor system on the last 90 calendar days before 1 September 2010, 27 April 2012, 7 September 2012, 6 December 2013, 11 June 2014, 31 August 2015 and 25 November 2015 in euro, or at least the amount of share capital accounted for by the share.
- On average, options are exercised after an estimated five years (forecast average holding period).
- The expected volatility was determined by reference to the price volatility of Francotyp-Postalia shares in the periods 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 2013, 11 June 2009 to 10 June 2014, 31 August 2010 to 28 August 2015 and 25 November 2010 to 24 November 2015.
- The dividends paid by the FP Group in the past were taken into account in determining the dividend yield.
- The matched-term, risk-free interest rate for the expected option term of five years is based on yield curve data on 31 August 2010, 27 April 2012, 7 September 2012, 6 December 2013, 10 June 2014, 28 August 2015 and 24 November 2015, whereby hypothetical zero bonds were derived from the current yields of coupon bonds of the Federal Republic of Germany.

The following assumptions were made to determine the number of exercisable stock options as at the end of the retention period for the new tranches of the 2015 stock option plan:

- Annual employee turnover was estimated at 7.8% (previous year: 7.7%).
- The probability of an EBITDA increase of more than 10% was estimated at 90% (previous year: 90%).

When exercising options, amounts of EUR 2.50 (EUR 2.61, EUR 2.34, EUR 3.86, EUR 4.56, EUR 4.48 and EUR 4.39 respectively) must be paid per share by the respective option holder, though there is a specific limit for members of the Management Board of Francotyp-Postalia Holding AG. Item 9 of the stock option plan states: "The Supervisory Board must stipulate maximum total annual remuneration (a cap) for

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the Management Board in accordance with item 4.2.3 of the German Corporate Governance Code. This will be agreed in a supplementary agreement to Management Board members' contracts before options are awarded."

The following table shows the development of the share-based payment arrangement in accordance with IFRS 2 for the two stock option plans in the reporting year:

	SOP 2010		SOP 2015	
Options	Number	Average exercise price in EUR	Number	Average exercise price in EUR
As at 31.12.2012	**927,500**	**2.51**		
Granted in fiscal year	57,500	3.86		
Forfeited in fiscal year	–65,000	2.50		
Exercised in fiscal year	0	n / a		
Expired in fiscal year	0	n / a		
As at 31.12.2013	**920,000**	**2.59**		
Granted in fiscal year	30,000	4.56		
Forfeited in fiscal year	–75,000	2.57		
Exercised in fiscal year	–167,500	2.50		
Expired in fiscal year	0	n / a		
As at 31.12.2014	**707,500**	**2.70**		
Range of exercise price		2.34–4.56		
Average remaining term as at 31.12.2014		76 months		
Exercisable as at 31.12.2014	570,000	2.50	0	n / a
As at 31.12.2014	**707,500**	**2.70**	**0**	**n / a**
Granted in fiscal year	0	n / a	505,000	4.48
Forfeited in fiscal year	–30,000	4.56	0	n / a
Exercised in fiscal year	–39,000	2.50	0	n / a
Expired in fiscal year	0	n / a	0	n / a
As at 31.12.2015	**638,500**	**2.62**	**505,000**	**4.48**
Range of exercise price		2.34–3.86		4.48
Average remaining term as at 31.12.2015		62 months		116 months
Exercisable as at 31.12.2015	531,000	2.50	0	n / a

As at 31 December 2015, EUR 78 thousand (previous year: EUR 196 thousand) resulting from the stock option plan was recognised under staff costs with an offsetting entry in equity (stock option reserve).

Other comprehensive income

The 2015 consolidated financial statements also include companies that do not belong to the euro area. As the euro is the functional currency of the FP Group, the financial statements of the subsidiaries in question are translated into euro when preparing the consolidated financial statements. Effects due to currency translation that arise when the value of net asset items converted in euro changes as a result of exchange rate fluctuations are recognised in the currency translation reserve in other comprehensive income.

Translation differences from monetary items are part of a net investment in a foreign operation are shown in the reserve for net investments in foreign operations in other comprehensive income. The translation differences relate to the long-term loans to FP Canada and FP Sweden.

The net translation differences (foreign currency translation and net investments) is recognised in other comprehensive income developed as follows:

in thousand euro	2015	2014
Net amount at beginning of reporting period	882	–1,223
Translation differences in reporting period	2,721	2,105
Net amount at 31 December	**3,603**	**882**

Other comprehensive income increased by EUR 1,166 thousand in the reporting year in connection with the remeasurement of defined benefit pension commitments. In the same period of the previous year it was down by EUR 2,150 thousand. The amounts are recognised accordingly in the reserve for the remeasurement of defined benefit pension commitments. Please also see section III, note 18.

Overall, other comprehensive income thus comprises amounts from currency translation, from net investments in foreign operations and from the remeasurement of defined benefit plans.

Net investments in foreign operations

FP GmbH provided its Canadian subsidiary with significant funds to enable it to purchase new equipment for its customers following decertification. This represents a net investment in a (Canadian) operation for which settlement is neither planned nor likely in the foreseeable future. The currency difference resulting from translation after deferred taxes of (net) EUR -111 thousand (previous year: EUR 58 thousand) is recognised in other comprehensive income in accordance with IAS 21.32 f.

In connection with the acquisition of shares in Franco Frankerings Interessenter AB (formerly: Carl Lamm Personal AB), FP GmbH substantially refinanced Francotyp-Postalia Sverige AB. As the repayment of the financing in question by Francotyp-Postalia Sverige AB to FP GmbH is not expected in the foreseeable future, the refinancing of Francotyp-Postalia Sverige AB by FP GmbH is seen as a net investment in a (Swedish) operation. The currency difference resulting from translation after deferred taxes of (net) EUR 35 thousand (previous year: EUR -97 thousand) is recognised in other comprehensive income in accordance with IAS 21.32 f.

Non-controlling interests

Non-controlling interests include adjustments for minority interests in consolidated equity from acquisition accounting and their interests in profit and loss. The non-controlling interests of EUR 1,519 thousand (previous year: EUR 1,365 thousand) are reported separately from the equity of the parent company in consolidated equity in accordance with IAS 27.33, and relate to the other shareholders in iab.

Distribution of a dividend

A dividend of EUR 2,559,048.96 was distributed in the 2015 reporting year.

The Management Board will propose to the Supervisory Board and recommend to the 2016 Annual General Meeting that the net retained profits of FP Holding of EUR 17,966,212.29 be utilised as follows:

in euro		
Distribution	of a dividend of EUR 0.12 per entitled share	1,919,526,72
Profit carryforward		16,046,685.57
Net retained profits		**17,966,212.29**

Based on the German Commercial Code, the company generated the following distributable amount by 31 December 2015:

in euro	
Issued capital	15,996,056.00
Capital reserves	38,806,581.39
Net retained profits	17,966,212.29
Equity	**72,768,849.68**
./. Issued capital	–15,996,056.00
./. Capital reserves	–38,806,581.39
./. Distribution restriction as per section 268(8) HGB	–80,756.16
Distribution potential	**17,885,456.13**

(18) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

There are defined benefit pension plans for employees' occupational pensions.

Under a works agreement dated 9 July 1996 concerning the German companies, the beneficiaries of these plans are all employees who began work before 1 January 1995. Benefits in the form of pensions, disability and survivors' benefits are granted to employees after completing ten eligible years. The amount of pension commitments is based on the duration of employment and employees' pay.

Furthermore, in accordance with the "Pension Policy for Above-scale Employees" as amended January 1986, employees above the general pay scale are also entitled to pensions, disability and survivors' benefits. The beneficiaries have to have been employed before 1 January 1994 and have completed at least ten years of service. The amount of pension commitments is based on the duration of employment and employees' pay.

Death benefits are payable to the surviving dependents of employees in accordance with the framework collective agreement for employees and the works agreement dated 30 December 1975. The benefits are dependent on the duration of employment and employees' pay and are paid as a fixed amount.

In addition, some of the Group's European subsidiaries have the legal obligation to set up pension plans. These plans provide for a one-time payment at the end of employment. The amount of payments is based on the duration of employment and employees' pay.

A further defined benefit pension plan is based on individual agreements and provides for entitlements to pensions, disability and survivors' benefits. The defined pension amounts are paid, at the discretion of the FP Group, in a lump sum, in three or five annual instalments or as a life-time annuity with annual increases in benefits. A fixed monthly payment has also been agreed for disability and survivors' benefits. The pension plan is funded in part by insurance policies.

The above pension commitments are accounted for by the recognition of provisions.

The details of the above pension plans are summarised below.

In particular, there are actuarial risks such as longevity risk or interest rate risks in connection with defined benefit plans.

Provisions for pension obligations are recognised on the basis of commitments for pensions, disability and survivors' benefits. Provisions are recognised exclusively for defined benefit plans in which the company guarantees employees a specific pension level.

This is based on the following key actuarial assumptions for the calculation of the defined benefit obligation as at the end of the reporting period:

in percent per year	31.12.2015	31.12.2014
Interest rate	2.38	1.74
Salary trend	3.00	3.00
Pension trend	2.00	2.00

The biometric data, such as mortality and disability, for pensions in Germany is still based on the 2005 G Heubeck mortality tables, which are generally accepted for the measurement of occupational pension commitments.

The defined benefit obligation, the fair value of plan assets and the net pension liability developed as follows in 2015 and 2014:

	Defined benefit obligation		Fair value of plan assets		Net pension liability	
in thousand euro	2015	2014	2015	2014	2015	2014
As at 1 Jan. of the reporting period	**17,698**	**14,577**	**–344**	**–312**	**17,354**	**14,265**
In profit or loss						
Current service cost	162	130	–	–	162	130
Interest expense (+) income (–)	309	448	–6	–10	303	438
In other comprehensive income						
Remeasurement						
Actuarial gains and losses						
from changes in biometric assumptions	–	–2	–	–	–	–2
from changes in financial assumptions	–1,428	3,266	–	–	–1,428	3,266
due to experience adjustments	–218	–137	–	–	–218	–137
Return on plan assets (not including above interest income)	–	–	–14	3	–14	3
Other						
Employer contributions to pension plan	–	–	–24	–24	–24	–24
Payments from pension plan	–680	–584	–	–	–680	–584
As at 31 Dec. of the reporting period	**15,843**	**17,698**	**–388**	**–344**	**15,454**	**17,354**

The plan assets consist of insurance policies in the form of classical endowment and annuity pensions with bonuses.

Employer contributions to plan assets for fiscal 2015 are expected to amount to EUR 24 thousand.

The defined benefit obligation breaks down by the different groups of beneficiaries as follows:

In percent	31.12.2015	31.12.2014
Active beneficiaries	19.4	20.9
Beneficiaries who have left the company	25.2	26.0
Retired employees	55.4	53.1

All pension commitments are vested.

The weighted average term of pension commitments is 14.0 years as at 31 December 2015 (previous year: 15.0 years). The maturities of the undiscounted pension commitments are allocated to the following bands:

in thousand euro	31.12.2015	31.12.2014
Up to 1 year	636	627
1 to 5 years	3,185	3,230
6 to 10 years	3,899	3,886
More than 10 years	16,116	16,964
Total	**23,836**	**24,707**

An increase or decrease in the key actuarial assumptions would have the following effects on defined benefit obligations:

	Effect on defined benefit obligations as at 31.12.2015	
in thousand euro	Increase	Decrease
Interest rate (change of 1.00%)	–1,894	2,370
Salary trend (change of 0.50%)	380	–370
Pension trend (change of 0.25%)	419	–401
Life expectancies (change of 1 year)	470	–463

The sensitivity calculations were performed in isolation for the key actuarial assumptions in order to show their effects on defined benefit obligations calculated as at 31 December 2015 separately.

(19) TAX ASSETS AND LIABILITIES

The following tax assets are reported:

in thousand euro	31.12.2015	31.12.2014
Deferred income tax receivables	1,901	3,724
Current income tax receivables (long-term)	6,689	6,689
Tax receivables	**8,590**	**10,413**

Please also see section I "Assumptions and estimation uncertainty".

Other current assets include current income tax receivables (short-term) of EUR 1,914 thousand (previous year: EUR 1,429 thousand).

The following tax liabilities are reported:

in thousand euro	31.12.2015	31.12.2014
Deferred income tax liabilities	687	659
Current income tax liabilities (short-term)	3,899	2,564
Tax liabilities	**4,586**	**3,223**

Deferred tax assets and liabilities are recognised as follows in relation to measurement differences on individual items of the statement of financial position and tax loss carryforwards:

in thousand euro	Deferred tax assets 31.12.2015	Deferred tax liabilities 31.12.2015	Deferred tax assets 31.12.2014	Deferred tax liabilities 31.12.2014
Non-current assets	4,133	11,505	5,608	12,646
Other assets	591	1,691	1,294	354
Provisions	3,691	0	3,799	0
Liabilities	2,059	911	1,757	2,510
Tax loss carryforwards	4,847	0	6,115	0
Total	**15,321**	**14,107**	**18,574**	**15,510**
Offset	–13,420	–13,420	–14,851	–14,851
Carrying amount	**1,901**	**688**	**3,724**	**659**

(20) OTHER PROVISIONS (SHORT-TERM) AND PROVISIONS (LONG-TERM)

in thousand euro	As at 1.1. 2015 (restated)	Foreign exchange differences	Charge for the year	Utilisation	Unused amounts reversed	As at 31.12.2015	of which non-current	of which current
Staff provisions	4,181	116	3,746	–3,308	–256	4,479	778	3,701
Restructuring	65	0	771	–65	0	771	0	771
Warranties	289	0	520	–39	0	770	0	770
Invention royalties	164	0	195	–130	–3	226	0	226
Litigation costs	448	0	73	–360	–50	111	0	111
Anticipated losses	0	0	64	0	0	64	0	64
Miscellaneous provisions	386	1	218	–179	–37	389	133	256
(Other) provisions	**5,533**	**117**	**5,588**	**–4,081**	**–346**	**6,810**	**911**	**5,899**

All other provisions reported under non-current liabilities in the consolidated statement of financial position have a remaining term of more than one year. As in the previous year, the interest effect of interest accrued on and the discounting of non-current provisions is EUR 9 thousand.

Staff provisions essentially include provisions for severance payments, anniversary provisions, obligations under partial retirement plans and bonuses.

The obligations under partial retirement plans (EUR 586 thousand; previous year: EUR 455 thousand) are based on the following key actuarial assumptions:

in percent per year	31.12.2015	31.12.2014
Interest rate	0.36	0.16
Salary trend	3.00	3.00

The anniversary provisions (EUR 203 thousand; previous year: EUR 209 thousand) are based on the following key actuarial assumptions:

in percent per year	31.12.2015	31.12.2014
Interest rate	2.38	1.74
Salary trend	3.00	3.00

The biometric data, such as mortality and disability, for pensions in Germany is still based on the 2005 G Heubeck mortality tables.

The provisions for litigation costs essentially relate to expected costs for pending legal disputes. Please also see section III, note 26.

Provisions for warranties were recognised for products sold on the basis of past experience.

The income from the reversal of provisions of EUR 346 thousand (previous year: EUR 645 thousand) essentially relates to provisions for bonuses of EUR 200 thousand, provisions for severance payments of EUR 56 thousand and provisions for litigation costs of EUR 50 thousand.

	31.12.2015			31.12.2014 restated		
in thousand euro	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Staff provisions	4,479	3,701	778	4,181	3,379	802
Restructuring	771	771	0	65	65	0
Warranties	770	770	0	289	289	0
Invention royalties	226	226	0	164	164	0
Litigation costs	111	111	0	448	448	0
Anticipated losses	64	64	0	0	0	0
Miscellaneous provisions	389	256	133	386	279	107
(Other) provisions	**6,810**	**5,899**	**911**	**5,533**	**4,624**	**909**

(21) LIABILITIES

	31.12.2015			31.12.2014		
in thousand euro	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years	Total	Remaining term < 1 year	Remaining term > 1 year ≤ 5 years
Liabilities to banks	33,128	2,969	30,159	25,941	3,012	22,929
Finance lease liabilities	3,201	1,662	1,539	5,477	2,491	2,986
Financial liabilities	**36,329**	**4,631**	**31,698**	**31,418**	**5,503**	**25,915**
Trade payables						
to third parties	9,774	9,774	0	9,390	9,390	0
from prepayments received on account of orders	76	76	0	76	76	0
Trade payables	**9,850**	**9,850**	**0**	**9,466**	**9,466**	**0**
Other liabilities						
from taxes	1,373	1,373	0	978	978	0
(of which income taxes)	(0)	(0)	(0)	(0)	(0)	(0)
For social security contributions	327	327	0	467	467	0
from teleporto	27,064	27,064	0	25,867	25,867	0
to employees	1,181	1,181	0	1,160	1,160	0
from derivatives	318	318	0	117	117	0
from deferral accounts	12,596	12,596	0	12,084	12,084	0
Miscellaneous liabilities	5,052	5,052	0	4,416	4,259	157
Other liabilities	**47,911**	**47,911**	**0**	**45,089**	**44,932**	**157**
Total	**94,090**	**62,392**	**31,698**	**85,973**	**59,901**	**26,072**

There were no liabilities with a remaining term of more than five years as at the end of the reporting period (previous year: EUR 0 thousand).

Liabilities to banks relate to a syndicate of banks and primarily comprise loans to finance the purchase price paid for the FP Group in 2005. As at 31 December 2015 the loans amounted to EUR 33,126 thousand (previous year: EUR 25,940 thousand; please see the comments on the syndicated loan agreement under "Financial instruments – Fair values and risk management", 4. Liquidity risks, in section IV).

In accordance with the syndicated loan agreement in place on 31 December 2015, an interest rate pegged to EURIBOR has been determined for the individual loans. These interest rates were hedged with carious derivatives (please see the comments on derivatives under "Financial instruments – Fair values and risk management", 2. Interest rate risks, in section IV).

The financing agreements concluded in 2015 are expected to result in EUR 3,000 thousand from the repayment of the total loan volume in 2016; there amounts are accordingly shown in the table above with a remaining term of less than one year. Other loan financing is considered to have a remaining term of more than one year.

The future lease payments as described in note 25 can be reconciled to **finance lease liabilities**.

The terms of the leases are predominantly up to 75% of the useful life. After the basic term there is usually the option to renew the leases or to acquire the assets for a pre-determined amount. The carrying amount of assets leased to third parties is EUR 3,859 thousand (previous year: EUR 4,771 thousand). The carrying amount of leased assets including the above assets re-leased to third parties as at 31 December 2015 is EUR 5,299 thousand (previous year: EUR 6,387 thousand). The total future minimum payments from subleases amounted to EUR 5,905 thousand as at the end of the reporting period.

Deposits totalling EUR 50 thousand (previous year: EUR 50 thousand) were paid in connection with leases. Interest expenses of EUR 251 thousand in total (previous year: EUR 362 thousand) related to leases.

Teleporto liabilities relate to customer funds held in trust.

The liabilities from **deferral accounts** of EUR 12,596 thousand (previous year: EUR 12,084 thousand) include deferred revenues received under finance leases.

(22) FINANCIAL INSTRUMENTS

In the context of its operating activities, the FP Group is exposed to credit risks, liquidity and market risks in the financial sector. In particular, market risks relate to interest rate and exchange rate risks. Detailed information on risk management can be found below. The following information refers exclusively to the quantitative effects of risks in the fiscal year.

The risks described above affect the following financial assets and liabilities. The table below shows the fair values and carrying amounts of financial assets and financial liabilities:

CLASSES OF FINANCIAL INSTRUMENTS

Figures in thousand euro	Carrying amounts 31.12.2015	Carrying amounts 31.12.2014
Available-for-sale financial assets		
Equity investments and associates	199	199
Financial assets at fair value through profit or loss		
Securities	681	680
Asset derivatives	992	292
Loans and receivables		
Trade receivables	16,937	17,318
Other financial assets	6,265	5,839
Finance lease receivables	8,396	3,843
Cash and cash equivalents	18,214	16,519
Financial liabilities at amortised cost		
Liabilities to banks	33,128	25,941
Trade payables	9,850	9,466
Other financial liabilities	32,116	30,282
Finance lease liabilities	3,201	5,477
Financial liabilities at fair value through profit or loss		
Liability derivatives	318	117

The measurement methods used, including the relevant inputs for the financial assets and liabilities at fair value, are shown in the table below:

CLASSES OF FINANCIAL INSTRUMENTS

Figures in thousand euro	Fair values 31.12.2015	Fair values 31.12.2014	Measurement method	Significant unobservable inputs	Hierarchy
Financial assets at fair value through profit or loss					
Securities	681	680	Quoted market price	not applicable	Level 1
Asset derivatives	992	292	Mark to market: The fair values are based on quoted prices from brokers	not applicable	Level 2
Financial liabilities at fair value through profit or loss					
Liability derivatives	318	117	Mark to market: The fair values are based on quoted prices from brokers	not applicable	Level 2

There were no reclassifications between measurement classes of financial instruments in the reporting year.

Fair values that are available as quoted market prices at all times are assigned to level 1. Fair values that are calculated from directly or indirectly observable parameters are assigned to level 2. Measurement parameters not based on observable market data are assigned to level 3.

The fair values of available-for-sale financial assets are calculated based on market prices (level 1) or discounted cash flows (level 3).

A description of the change in fair values can be found in the corresponding notes on items of the statement of financial position.

Risk management

The FP Group is exposed to certain financial risks in its business activities, including in particular currency fluctuations, interest rate risk, liquidity risk and bad debts. The overall risk management system of the Group takes into account the unpredictability of financial markets and aims to minimise the negative impact on the result of operations of the Group. The Group certain financial instruments to achieve this goal.

For further details on the qualitative information on risk management and financial risks, please see the risk report in the Group management report.

No further significant risk clusters in relation to financial instruments have been identified. The framework, responsibilities, financial reporting procedures and control mechanisms for financial instruments are set out in internal regulations for the Group. This includes a separation of duties between the monitoring and controlling of financial instruments. The currency, interest rate and liquidity risks of the FP Group are managed centrally.

1. Foreign currency risks

Given its global operations, the FP Group is exposed to foreign exchange risks in its ordinary activities. Foreign currency risks arise from statement of financial position items, from pending transactions in foreign currencies and cash inflows and outflows in foreign currencies. Derivative financial instruments are used to minimise these risks.

Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities. Each FP company is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The risk is mainly mitigated by invoicing business transactions (sales and purchases of products and services as well as investing and financing activities) in the respective functional currency. Moreover, it offsets the foreign currency risk in part by procuring goods, raw materials and services in the corresponding foreign currency.

Operating units are prohibited from borrowing or investing funds in foreign currencies for speculative reasons. Intragroup financing or investments are preferably carried out in the respective functional currency. Corporate financing is organised and carried out by FP Holding.

Income from translation differences of EUR 4,676 thousand (previous year: EUR 1,716 thousand) and expenses of EUR 3,793 thousand (previous year: EUR 1,020 thousand) were recognised in net finance costs in the reporting year.

The foreign currency risks from anticipated future cash inflows in US dollars and pound sterling are hedged to a significant extent.

Liquidity in the Group in pound sterling (GBP 12,000 thousand; prepayments from customers) was used in 2014 to repay some of the syndicated loan denominated in euro. Based on historical data, the Group assumed that these customer advances are permanently available. However, as the risk of a repayment to customers at short notice cannot be ruled out, these GBP amounts have been hedged with a currency forward (CF). In 2015 the FP Group either rolled over this CF on maturity or replaced it with three new CFs concluded with banks from the syndicate on 20 October 2015.

A further eighteen currency forwards were agreed on 10 November 2015. These are currency forwards with a participation option and fixed maturity. The table below shows the terms of the contracts and their fair values as at 31 December 2015:

No.	Hedging amount	Type	Maturity	Hedging rate to EUR	Fair value
1	GBP 3,333,333.34	CF	20.10.2016	0.8038	363,261.57
2	GBP 2,400,000.00	CF	20.10.2016	0.8066	267,805.86
3	GBP 2,133,333.00	CF	20.10.2016	0.8047	215,782.56
4	GBP 2,100,000.00	CF	20.10.2016	0.7127	–124,899.29
5	GBP 1,050,000.00	CF	20.10.2016	0.7117	–56,370.95
6	GBP 983,333.00	CF	20.10.2016	0.7115	–51,514.52
7	GBP 200,000.00	CF with participation	18.01.2016	0.7190	5,946.50
8	GBP 200,000.00	CF with participation	24.02.2016	0.7370	1,559.01
9	GBP 200,000.00	CF with participation	21.03.2016	0.7480	91.96
10	GBP 200,000.00	CF with participation	20.04.2016	0.7370	2,774.93
11	GBP 60,000.00	CF with participation	23.05.2016	0.7340	1,226.61
12	GBP 140,000.00	CF with participation	23.05.2016	0.7285	3,941.30
13	GBP 200,000.00	CF with participation	20.06.2016	0.7480	1,859.15
14	GBP 200,000.00	CF with participation	18.07.2016	0.7480	2,384.36
15	GBP 200,000.00	CF with participation	24.08.2016	0.7370	5,178.05
16	GBP 100,000.00	CF with participation	19.09.2016	0.7410	2,326.44
17	GBP 100,000.00	CF with participation	19.09.2016	0.7480	1,771.32
18	GBP 200,000.00	CF with participation	17.10.2016	0.7365	5,984.49
19	GBP 200,000.00	CF with participation	23.11.2016	0.7370	6,783.55
20	GBP 100,000.00	CF with participation	16.12.2016	0.7420	2,746.48
21	GBP 100,000.00	CF with participation	16.12.2016	0.7480	2,510.37

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All changes in the fair values of the above contracts are reflected in consolidated net income. The reported fair values were calculated and confirmed by the banks.

Cash flows in GBP are expected from the operating activities of the UK subsidiary in 2016 that were not hedged as at 31 December 2015. As at 10 November 2015, currency forwards with participation and a fixed maturity in the amount of GBP 2,400 thousand were concluded at an average hedge rate of GBP 0.7389 per euro.

in thousands GPB	31.12.2015
Forecast inflows in GBP for 2016	3,600
Currency forwards for 2016	0
Net risk	**3,600**

With all other parameters remaining constant, the following table shows the sensitivity of consolidated net income before taxes and consolidated equity to possible changes in the exchange rates relevant to the FP Group (GBP). The derivatives were used as the benchmark for the calculated sensitivities.

in thousand euro	Change in foreign currency in percentage points	Effect on consolidated net income before taxes	Effect on equity
2015			
GBP	+5%	86	86
	–5%	–78	–78
2014			
GBP	+5%	405	405
	–5%	–367	–367

The FP Group is forecasting cash flows in US dollars of USD 24,000 thousand in 2016 from the operating activities of its US subsidiary. As at 10 November 2015, thirteen currency forwards with participation and a fixed maturity with banks from the syndicate in the amount of USD 18,000 thousand were concluded at an average hedge rate of USD 1.1134 per euro (worst case).

The table below shows the terms of the contracts and their fair values as at 31 December 2015:

No.	Hedging amount	Type	Maturity	Hedging rate to EUR	Fair value
1	USD 1,500,000.00	CF with participation	15.01.2016	1.1198	−15,279.48
2	USD 1,500,000.00	CF with participation	24.02.2016	1.1100	−5,453.09
3	USD 1,500,000.00	CF with participation	21.03.2016	1.0971	6,751.19
4	USD 1,500,000.00	CF with participation	18.04.2016	1.0998	7,189.92
5	USD 1,500,000.00	CF with participation	23.05.2016	1.1100	8,719.15
6	USD 1,500,000.00	CF with participation	20.06.2016	1.1198	−429.48
7	USD 1,500,000.00	CF with participation	20.07.2016	1.1100	3,715.67
8	USD 1,500,000.00	CF with participation	22.08.2016	1.1198	4,955.99
9	USD 300,000.00	CF with participation	19.09.2016	1.1157	1,240.16
10	USD 1,200,000.00	CF with participation	19.09.2016	1.1245	379.27
11	USD 1,500,000.00	CF with participation	19.10.2016	1.1100	16,610.88
12	USD 1,500,000.00	CF with participation	21.11.2016	1.1198	12,578.00
13	USD 1,500,000.00	CF with participation	16.12.2016	1.1222	7,705.21

in thousand euro	Change in foreign currency in percentage points	Effect on consolidated net income before taxes	Effect on equity
2015			
USD	+5%	290	290
	−5%	−262	−262
2014			
USD	+5%	779	779
	−5%	−705	−705

2. Interest rate risks

The risk of fluctuations in market interest rates, to which the FP Group is exposed, predominantly results from long-term liabilities with variable interest rates. The finance department of the Group manages the interest rate risk with the aim of optimising the net interest income of the Group and minimising the total interest rate risk. The financing requirements of companies in the FP Group are covered by intragroup loans or intragroup clearing accounts.

Interest rate hedges were concluded with banks in the syndicate on 20 December 2013 (for details of the syndicated loan see section I, note 4). These consist of five interest rate swaps ("swaps") for the amortising loan and five interest rate caps in the form of maximum rate agreements ("caps") for the revolving loan.

Under the interest rate swaps, the Group swaps floating six-month EURIBOR interest for a fixed interest rate ranging from 1.0% to 0.88% p. a. for the period from 30 June 2014 to 30 December 2016. The fair value of these swaps as at 31 December 2015 is EUR -36 thousand (31 December 2015: EUR -84 thousand). The swaps are settled every six months. In accordance with the scheduled repayments defined in the syndicated loan agreement, the respective reference amount is reduced over its term.

With the caps, the Group caps the floating three-month EURIBOR interest payments on the revolving loan at a cap rate of 1.00%. The reference amount remains constant over the term of each cap contract. The fair value of the caps as at 31 December 2015 is EUR 0 thousand (31 December 2015: EUR 3 thousand). The caps are settled every six months.

The tables below show the terms of the contracts and their fair values as at 31 December 2015:

No.	Type	Start date	End date	Reference amount at start in EUR	Reference amount at end in EUR	Fixed rate	Fair value in EUR
1	Swap	30.06.2014	30.09.2016	2,916,666.67	1,249,999.99	0.90%	−11,067.98
2	Swap	30.06.2014	30.09.2016	2,616,498.74	349,496.22	0.88%	−5,130.65
3	Swap	30.06.2014	19.10.2016	2,100,000.00	900,000.00	0.88%	−8,292.29
4	Swap	30.06.2014	30.09.2016	1,866,900.00	800,700.00	0.90%	−7,300.25
5	Swap	30.06.2014	30.12.2016	700,000.00	300,000.00	1.00%	−3,730.17

No.	Type	Start date	End date	Reference amount in EUR	Cap rate	Fair value in EUR
6	Cap	31.03.2014	30.09.2016	4.166.666.67	1.00%	0.00
7	Cap	31.03.2014	30.09.2016	4.150.000.00	1.00%	0.42
8	Cap	30.06.2014	19.10.2016	3.000.000.00	1.00%	3.34
9	Cap	31.03.2014	30.09.2016	2.666.666.00	1.00%	1.73
10	Cap	31.03.2014	31.12.2016	1.000.000.00	1.00%	7.59

The tables below show the terms of the contracts and their fair values as at 31 December 2014:

No.	Type	Start date	End date	Reference amount at start in EUR	Reference amount at end in EUR	Fixed rate	Fair value in EUR
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

No.	Type	Start date	End date	Reference amount in EUR	Cap rate	Fair value in EUR
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 table below shows the fair value of interest rate derivatives currently in place:

	31.12.2015		31.12.2014	
in thousand euro	Assets	Liabilities	Assets	Liabilities
Interest rate swaps				
Fair value	0	–36	0	84
Interest rate caps				
Fair value	0	0	3	0

All changes in fair value are reflected in consolidated net income.

Floating rate financial liabilities are exclusively liabilities to banks. The following table shows the sensitivity of consolidated net income before taxes and consolidated equity to a reasonable possible change in interest rates. All other variables remain constant. The average amount of loans for the year was used as the benchmark for sensitivity.

	Change in percentage points	Effect on consolidated net income before taxes in EUR thousand	Effect on equity before taxes in EUR thousand
2015	+1%	–295	–295
	–1%	+295	+295
2014	+1%	–295	–295
	–1%	+295	+295

3. Risk of default

The carrying amount of financial assets is the maximum risk of default in the event that counterparties fail to meet their contractual payment obligations. For all contracts on which primary financial instruments are based, depending on the type and volume of the contract, collateral is required, credit information/references are obtained or historical data from previous business relations (e. g. analysis of payment performance) are used to minimise the risk of default. In accordance with the terms and conditions of Francotyp-Postalia, there a retention of title to goods purchased until receipt of all payments. If a customer renting machinery is in arrears or if a lessor refuses to execute a contract despite warnings, the customer is required to return the rented assets to Francotyp-Postalia on termination of the contract in addition to the payment of damages.

The discernible risks of default and general credit risks are taken into account with corresponding specific and general valuation allowances. The maturity structure of trade receivables can be seen in section IV, note 13. This maturity structure also shows the receivables past due.

For other financial assets (such as cash and cash equivalents, available-for-sale financial instruments and derivative financial instruments), the maximum risk of default is the respective reported carrying amount. Maturity structures are not shown for the other financial assets as there are no such assets past due but not impaired.

Please also see the comments in section IV, note 22 Financial risk management.

4. Liquidity risks

The liquidity risks of the Group are that it may possibly no longer be able to meet its financial obligations (for instance, the repayment of financial liabilities, the payment of suppliers or fulfilment of finance lease obligations). The FP Group limits these risks with working capital and cash management. Liquidity risks are further addressed by a liquidity forecast for the entire Group. In addition, the liquidity situation is improved by financing investments in leased products with sale-and-lease-back transactions.

In addition to the above liquidity management instruments, the FP Group is constantly monitoring financing opportunities as they arise on the financial markets. The central aim is to ensure the Group's financial flexibility and to limit financial risks.

Financial liabilities essentially relate to loans to finance the purchase price of the FP Group. Since the IPO, the acquisition loans and an acquisition and capex line were combined into one facility.

A new syndicated loan agreement for EUR 45,000,000 between Francotyp-Postalia Holding AG and Francotyp-Postalia GmbH as the borrower and guarantor and a syndicate of banks as the lender was concluded on 19 April 2013. The loan consists of Loan A (amortising loan of up to EUR 15,000,000) and Loan B (revolving loan of up to EUR 30,000,000). By way of letter dated 10 June 2013, FP cancelled the old syndicated loan agreement of 21 February 2011 and, using the new syndicated, replaced the financial obligations under the old syndicated loan agreement of EUR 29,535 thousand and USD 4,953 thousand on 25 June 2013.

Given the general market conditions and the development of the FP Group, the parties to the loan agreement decided on 7 October 2014 to adjust some aspects of it to the changing needs of the FP Group. The revolving loan – originally up to EUR 30,000 thousand – was increased to EUR 35,000 thousand, as a result of which the syndicated loan now amounts to EUR 50,000 thousand in total. The term of the loans was extended until 18 October 2019, provided that the loans are not repaid in full before this date. There were also improvements in interest rates and an increase in the amount of permitted financial liabilities. Furthermore, the pledging of German trademarks was cancelled and not replaced.

Given the consistently favourable market environment and the continued positive development of the Francotyp-Postalia Group, some aspects of the loan agreement dated were adjusted to the changing needs of the Francotyp-Postalia Group on 30 December 2015, including in particular, but not exclusively, collateral and interest rates.

According to the loan agreement, the loans, primarily Loan A, would first be used to repay the old syndicated loan. Furthermore, they would serve general operating purpose, with Loan B in particular intended to finance the further expansion of rental business at Francotyp-Postalia Inc. (USA).

Also, the borrowers can use bilateral sub-loans in the form of a current account or guarantee line, counting towards Loan B, until a bank working day before maturity. The sub-loans must not exceed EUR 3,000 thousand (or EUR 6,000 thousand for both combined) at any time, and each sub-loan agreement must end before maturity.

As at the end of the reporting period, the FP Group has unutilised credit facilities of EUR 7,627 thousand (previous year: EUR 17,257 thousand).

For information on the maturities of derivative liabilities, please see the comments on interest rate risks in section IV, "Financial instruments – Fair values and risk management".

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

The following table shows the cash flows resulting from the syndicated loan agreement, including estimated interest payments and payments from associated derivatives. In addition to the stated loans of EUR 33,126 thousand (previous year: EUR 25,928 thousand), there were other liabilities to banks of EUR 2 thousand (previous year: EUR 12 thousand).

		Cash flows			
in thousand euro	Carrying amount as at 31.12.2015	2016	2017	2018	2019
Loans	–33,126	–2,814	–3,373	–374	–28,279
Interest rate hedging	–36	–132	0	0	0
		–2,946	**–3,373**	**–347**	**–28,279**

		Cash flows				
in thousand euro	Carrying amount as at 31.12.2014	2015	2016	2017	2018	2019
Loans	–25,928	–3,726	–3,635	–3,543	–494	–17,937
Interest rate hedging	–81	–224	–111	–0	0	0
		–3,950	**–3,746**	**–3,543**	**–494**	**–17,937**

Information on the contractually agreed cash flows from finance leases, broken down by remaining term, can be found in section IV, note 21.

For the other financial liabilities (see section IV, note 22 Financial risk management), the reported carrying amount is the cash payment in the following year.

Net gains and losses on financial instruments

As in the previous year, there are no net gains or losses in the category "Available-for-sale financial assets".

The net gains and losses in the category "Held-for-trading financial instruments" consist of the changes in their fair value and interest payments. For 2015 there is therefore a net gain of EUR 1 thousand (previous year: EUR 0 thousand). As in the previous year, the total net gain is shown in consolidated net income. Impairment losses in this category, as in the previous year, amount to EUR 0 thousand.

The net gains and losses of the "Loans and receivables" category consist of impairment losses, reversals thereof and foreign currency effects. For 2015 there is therefore a net gain of EUR 2,181 thousand (previous year: EUR 1,952 thousand). Please also see section IV, note 13.

For the category of financial liabilities at amortised cost, the net gains and losses consist of foreign currency effects and gains and losses on disposal. For 2015 there is therefore a net loss of EUR 10 thousand (previous year: EUR 327 thousand).

Accounting for derivative financial instruments

Derivative financial instruments are exclusively used outside hedges as defined by IFRS. They are accounted for at fair value in profit or loss.

Capital management

The capital structure is key to the capital management of the Group. The control parameter for the capital structure is the net debt ratio. This is the ratio of net liabilities to equity.

In particular, the selected liabilities include liabilities to banks (EUR 33,128 thousand; previous year: EUR 25,941 thousand) and finance lease liabilities (EUR 3,201 thousand; previous year: EUR 5,477 thousand). The funds defined in this context include treasury shares (EUR 810 thousand; previous year: EUR 1,002 thousand) and securities (EUR 681 thousand; previous year: EUR 680 thousand), but not postage credit held by the FP Group (EUR 2,967 thousand; previous year: EUR 2,803 thousand).

The net debt ratio is monitored on an ongoing basis. It is as follows:

in thousand euro	31.12.2015	31.12.2014
Liabilities	36,329	31,418
Cash and cash equivalents	–16,738	–15,398
Net debt	**19,591**	**16,020**
Equity	35,232	30,051
Net indebtedness	**56%**	**53%**

The goal of capital management is to achieve the highest possible credit rating. The future of the Group as a going concern must also be ensured.

In the 2015 reporting year there were no changes in the objectives, policies or processes for capital management.

In accordance with the syndicated loan agreement with the banks, the FP Group must comply with four defined financial covenants. A debt service coverage ratio must be maintained. This means that EBITDA divided by finance costs must be at least 2.5. Also, a defined debt ratio must not exceed 2.25 from 1 January 2014. This is the ratio of net debt to EBITDA, whereby these two values are adjusted to a small extent based on certain positions in accordance with loan agreement definitions. In additions, the Group must maintain adjusted figures for own funds and own fund ratios staggered over time.

The relevant financial covenants were complied with as at 31 December 2015. If the financial covenants had not been complied with, the syndicate of banks would have had the contractual right to accelerate the loan.

Financial performance indicators

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

- Revenue
- EBITDA
- Free cash flow

The FP Group thereby ensures that decisions always sufficiently take into account the relationships between growth, profitability and liquidity.

Revenues is used to gauge market success. The Group uses earnings before interest, taxes, depreciation, and amortisation (EBITDA) to measure operational performance and the performance of the individual business units. EBIT, earnings before interest and taxes, is a key performance indicator that eliminates distortions due to fluctuating tax rates, interest expenses or other extraordinary factors.

Taking free cash flow into account ensures that the financial substance of the Group is preserved. Free cash flow is derived from the net cash flow from operating activities less capital expenditure. An equally important indicator is net debt, which is calculated as net liabilities less cash and cash equivalents.

Information on the development of revenues and EBITDA can be found in segment reporting in section II.

(23) COLLATERAL

in thousand euro	31.12.2015	31.12.2014
Guarantee obligations	1,347	1,477
Pledging of securities	590	590
Total	**1,937**	**2,067**

The guarantee obligations include rent guarantees for office space for sales branches, rent guarantees for machinery, guarantees for overdrafts, postage and any refunds of subsidies.

All present, contingent and future receivables of the financing parties to the syndicated loan agreement from or in connection with this loan agreement, a sub-loan agreement or other financing documents are secured by guarantees. Each guarantor autonomously and independently guarantees the financing parties the irrevocable and unconditional payment of all amounts owed by the borrowers under the loan agreement or other financing document, if they are not paid on time or in full. The guarantors undertook to make any payment under this guarantee free from deductions or retentions.

In addition to FP Holding and Francotyp-Postalia GmbH, the guarantors are also freesort GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Produktionsgesellschaft mbH, Francotyp-Postalia Inc. (USA), Ruys Handelsvereniging B. V. (NL) and Francotyp-Postalia Ltd. (UK).

By way of the amendment agreement (of 30 December 2015) to the syndicated loan agreement (of 19 April 2013) it was agreed that FP Holding will hand over the cancellation authorisation issued by Commerzbank relating to the land charge on the property in Wittenberge in the amount of EUR 1,000 thousand (Wittenberge land register, sheet 5179) serving as collateral until the amendment agreement.

The loan utilised amounted to EUR 33,373 thousand as at 31 December 2015 (31 December 2014: EUR 25,929 thousand).

Collateral received has a fair value of EUR 1,304 thousand (previous year: EUR 1,264 thousand) and is available to the FP Group in the short term only in the reporting year (previous year: unchanged). The collateral essentially consists of essentially of rent deposit guarantees, guarantees from banks for deliveries of goods and an insurance policy.

(24) OTHER FINANCIAL OBLIGATIONS

The nominal values of financial obligations broken down by maturity are as follows:

31.12.2015

in thousand euro	Total	< 1 year	1–5 years	> 5 year
Other contractual obligations	21,478	10,380	9,491	1,607
of which from operating leases	11,867	4,100	6,789	978
of which from purchase commitments	3,511	3,511	0	0
of which from miscellaneous other financial obligations	6,100	2,769	2,702	629

31.12.2014

in thousand euro	Total	< 1 year	1–5 years	> 5 year
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 miscellaneous other financial obligations	4,223	2,123	2,056	44

Owing to the impracticable separability of expenses of EUR 517 thousand (previous year: EUR 474 thousand), future minimum lease payments under operating leases also include leases that comprise a service component in addition to the lease expense. EUR 323 thousand (previous year: EUR 374 thousand) of this relates to short-term obligations and EUR 194 thousand (previous year: EUR 100 thousand) to medium-term obligations.

There are contractual obligations for the acquisition of property, plant and equipment of EUR 87 thousand (previous year: EUR 98 thousand), the acquisition of intangible assets of EUR 51 thousand (previous year: EUR 20 thousand) and other purchases of EUR 3,374 thousand (previous year: EUR 3,390 thousand).

Lease payments of EUR 5,999 thousand (previous year: EUR 6,270 thousand) are recognised in profit or loss in the year under review. Lease expenses for the current year include incidental rental costs.

(25) OTHER DISCLOSURES ON FINANCE LEASES

The nominal values of other financial obligations under finance leases amount to EUR 3,201 thousand as at 31 December 2015 (previous year: EUR 5,477 thousand) and break down by maturity as follows:

	Future lease payments		Interest payments		Present value of future lease payments	
in thousand euro	2015	2014	2015	2014	2015	2014
Less than one year	1,762	2,736	100	245	1,662	2,491
Between one and five years	1,594	3,141	55	155	1,539	2,986
Finance lease liabilities	**3,356**	**5,877**	**155**	**400**	**3,201**	**5,477**

(26) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A lawsuit filed against our subsidiary in the US is pending before the US District Court for Eastern District of Missouri (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 faxing unsolicited advertising. It has not yet been clarified whether the approach in question (advertising by fax) is covered by the statutory provisions. The outcome of the lawsuit filed against Francotyp-Postalia Inc. is pending and could lead to potential damages of up to an estimated EUR 1,000 thousand. FP assumes that there is currently no obligation. Nonetheless, given the pending lawsuit, a future outflow of resources for legal fees is expected. A provision of EUR 192 thousand was recognised for this.

V. OTHER DISCLOSURES

NOTES ON THE STATEMENT OF CASH FLOWS

The statement of cash flows of the FP Group shows the development of cash flows broken down according to cash generated by and used in operating, investing and financing activities.

Postage held by the FP Group is eliminated from cash. The corresponding offsetting item is included in other liabilities. Cash and cash equivalents are therefore reported net of other liabilities in the statement of cash flows. Cash and cash equivalents thus break down as follows:

in thousand euro	31.12.2015	31.12.2014
Cash and cash equivalents	18,214	16,519
Plus securities	681	680
Less restricted cash and cash equivalents (“postage credit held”)	–2,967	–2,803
Cash and cash equivalents	**15,928**	**14,396**

As new banks that were already involved in the old syndicated loan agreement are also involved in the new syndicated loan agreement and this is follow-up financing, the cash flows associated with the Group’s financing are shown net.

EMPLOYEES

The average number of employees by region is as follows:

Country	2015	2014
Germany	660	661
United States	119	121
UK	96	92
Netherlands	53	54
Canada	39	37
Italy	21	21
Sweden	21	18
Austria	17	18
France	16	9
Belgium	10	16
Singapore	4	10
Total	**1,056**	**1,056**

The average number of employees by segment is as follows:

Segment	2015	2014
Sales Germany	472	470
Sales International	396	395
Production	158	164
Central Functions	30	27
Total	**1,056**	**1,056**

MANAGEMENT BOARD AND SUPERVISORY BOARD (ADDITIONAL DISCLOSURES IN ACCORDANCE WITH GERMAN COMMERCIAL CODE)

The Management Board of FP Holding consisted of three persons in the 2015 reporting period (2014: two persons). Mr Günther has been CEO since 11 January 2016. Mr Szymanski's appointment was revoked as at this date.

According to the schedule of responsibilities for the Management Board of Francotyp-Postalia Holding AG, the responsibilities of the members of the Management Board are as follows:

Name	Appointment	End of appointment	Areas of responsibility
Rüdiger Andreas Günther Business graduate	11 January 2016	December 2019	– Strategic Business Development – Production / Procurement / Quality – HR / Legal / Compliance – Finance / Accounting / Controlling – Corporate Communications / Investor Relations / Press – Internal Communications
Hans Szymanski Economics graduate	December 2008	11 January 2016	– Strategic Business Development – Production / Procurement / Quality – Development – HR / Legal / Compliance – Finance / Accounting / Controlling – Information Technology
Thomas Grethe Banking and economics graduate	June 2013	June 2016	– (Strategic Business Development) – Internal Audit – Business Development / Product Portfolio Management – Corporate Communications / Marketing / Brand Management – Sales Germany/International / Product Management
Sven Meise Business management graduate (BA)	February 2015	January 2018	– (Strategic Business Development) – Digital Solutions (freesort, iab, Mentana-Claimsoft) – Research and Development – IT

The members of the Management Board were not members of any statutory supervisory boards or similar executive bodies of business enterprises in Germany or abroad outside the FP Group in fiscal 2015.

The following table shows the members of the Supervisory Board of Francotyp-Postalia Holding AG and their activities outside the company and other administrative, management or supervisory board mandates or mandates for similar executive bodies of business enterprises in Germany and abroad:

Name	Occupation	Other administrative or supervisory board mandates or mandates for similar executive bodies in Germany and abroad
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- GmbH, Vienna, Austria – Managing Director, MAM Babyartikel GmbH, Vienna, Austria – Managing Director, R3 Beteiligungen GmbH, Vienna, Austria – Managing Director, Active Ownership Capital SARL, Hesperange, Luxembourg	– 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 Gesellschaft mbH, Troisdorf-Spich	– None
Botho Oppermann (Member of the Supervisory Board since 27 June 2013)	– Managing Partner of Internet Business Solutions Nord UG (haftungsbeschränkt), Wentorf bei Hamburg – Managing Partner of Internet Business Solutions Süd UG (haftungsbeschränkt), Wentorf bei Hamburg – Managing Partner of Internet Business Solutions Ost UG, (haftungsbeschränkt), Wentorf bei Hamburg – Managing Partner of Internet Business Solutions West UG, (haftungsbeschränkt), Wentorf bei Hamburg	– President of the Board of Directors of Internet Business Solutions AG, Boppelsen, Switzerland – Supervisory Board of ID Information und Dokumentation im Gesundheitswesen GmbH & Co. KGaA, Berlin – Member of the Board of Directors of ID Suisse AG, St. Gallen, Switzerland – Member of the Board of Directors of HCG Holding AG, Zug, Switzerland

SHAREHOLDER STRUCTURE (ADDITIONAL DISCLOSURES IN ACCORDANCE WITH HGB)

In accordance with section 15a WpHG Botho Oppermann as the administrative and supervisory body on 15 July 2015 the acquisition of 13,052 FP shares (ISIN: DE000FPH9000/SCN: FPH900). His shareholdings therefore increased to 275,000.

In fiscal 2015 Francotyp-Postalia Holding AG received the following notifications from its shareholders in accordance with section 21(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and published them in accordance with section 26(1) WpHG and section 26a WpHG:

Publication of 7 January 2015
Internationale Kapitalanlagegesellschaft mbH, Düsseldorf, Germany, notified us in accordance with section 21(1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Berlin, Germany, exceeded the threshold of 5% of voting rights on 2 January 2015 and amounted to 6.46% (1,043,901 voting rights) on this date.

Publication of 8 January 2015
Internationale Kapitalanlagegesellschaft mbH, Düsseldorf, Germany, notified us in accordance with section 21(1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of voting rights on 2 January 2015 and amounted to 6.46% (1,043,901 voting rights) on this date. 3.02% of the voting rights (487,401 voting rights) are attributable to the company in accordance with section 22(1) sentence 1 no. 6 WpHG.

Publication of 8 February 2015
HANSAINVEST Hanseatische Investment-GmbH, Hamburg, Germany, notified us in accordance with section 21(1) WpHG that its share in the voting rights of Francotyp-Postalia Holding AG, Berlin, Germany, fell below the threshold of 3% of voting rights on 2 January 2015 and amounted to 0.4950% (80,000 voting rights) on this date.

RELATED PARTY DISCLOSURES

The related parties of the FP Group as defined by IAS 24 include associates and subsidiaries not included in consolidation on the one hand and companies with a significant influence on the financial and operating policies of the FP Group on the other; furthermore, related persons include persons in key positions at the reporting entity (including their close relatives). Companies whose financial and operating policies are at least significantly influenced by the above enterprises and persons are also related parties of Francotyp-Postalia.

Significant influence on the financial and operating policies of the FP Group can derive from a shareholding in FP Holding of 20% or more, a seat on the Management Board of FP Holding or another key position in the FP Group, from contractual arrangements or provisions of the Articles of Association.

In addition to the members of the Management Board and the Supervisory Board (and their close relatives) of FP Holding, the related parties of the FP Group in the reporting year were:

- the associate FP Data Center Inc., Japan;
- the non-consolidated subsidiary FP Systems India Private Limited, India;
- the non-consolidated subsidiary Francotyp-Postalia Asia Pte. Ltd., Singapore;
- the non-consolidated subsidiary FP Direct Ltd., UK;
- Mercury Capital Unternehmensberatungs- GmbH, Vienna, Austria (through a member of the Supervisory Board);
- MAM Babyartikel GmbH, Vienna, Austria (through a member of the Supervisory Board);
- R3 Beteiligungen GmbH, Vienna, Austria (through a member of the Supervisory Board);
- Active Ownership Capital SARL, Hesperange, Luxembourg (through a member of the Supervisory Board);
- Managing Director of Unigloves GmbH (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 Klinikbedarf Handelsgesellschaft mbH, Troisdorf-Spich (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Nord UG (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Süd UG (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Ost UG, (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions West UG, (haftungsbeschränkt),
- Wentorf bei Hamburg (through a member of the Supervisory Board);
- President of the Board of Directors of Internet Business Solutions AG, Boppelsen, Switzerland (through a member of the Supervisory Board);
- CamTech GmbH, Berlin (through a member of the Management Board).

As in the previous year, no remuneration was paid to related parties with a significant influence on the financial and operating policies of the FP Group in the 2015 reporting year. There were no reportable issues as defined by IAS 24.18 (b) to (d) in the reporting period.

For information on the total remuneration of the Management Board and the Supervisory Board, please see "Total remuneration of the Management Board and the Supervisory Board" below.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The following table shows the remuneration of the Management Board for fiscal 2015. This includes directly and indirectly paid remuneration components in accordance with GAS 17. In accordance with GAS 17, the fair value of share-based payment (2010 and 2015 stock option tranches) is reported in total remuneration in the year the commitment was granted – fiscal 2010 and 2015 respectively. As non-share-based payment, the long-term bonus granted in fiscal 2015 will not be recognised in the remuneration report until the occurrence of the long-term conditions in accordance with GAS 17. The long-term bonus for Mr Szymanski of EUR –14 thousand (previous year: EUR 34 thousand), Mr Grethe of EUR –10 thousand (previous year: EUR 7 thousand) and Mr Meise of EUR 0 thousand (previous year: EUR 0 thousand) and the variable short-term remuneration in the amount of the probable achievement of goals were recognised in profit or loss in the 2015 annual financial statements.

Regarding the remuneration report in accordance with section 315(2) no. 4 sentence 1 HGB, please see the Group management report. The total remuneration paid to the Management Board in accordance with GAS 17 was as follows:

MR SZYMANSKI

in thousand euro		2011	2012	2013	2014	2015
Non-performance-based component	Fixed remuneration	203	240	253	275	275
	Revocation (reimbursement, lump sum, long-term bonus)					369 1)
	Additional benefits	11	15	11	12	14
	Total	**214**	**255**	**265**	**287**	**658**
Performance-based component						
without long-term incentive effect	Short-term variable remuneration:	44	30	130	91 2)	–11
with long-term incentive effect	Long-term variable remuneration:					
	2010 stock option plan	0	0	0	0	0
	2015 stock option plan	0	0	0	0	37
	Long-term bonus 3)	0	0	0	0	0
	Total	**44**	**30**	**130**	**91**	**26**
Pension cost		76	76	76	76	76
Total remuneration		**334**	**361**	**471**	**454**	**760**

1) This provision amount constitutes an expense of EUR 369 thousand relating to other periods.

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

3) Non-share-based compensation is accounted for in total remuneration in accordance with GAS 17 if the condition attached to the approval is fulfilled. EUR –14 thousand (previous year: EUR 34 thousand) was recognised in profit or loss in the 2015 annual financial statements as a reversal of the provision (previous year: addition to provisions) in line with the probable achievement of goals.

MR GRETHE (MANAGEMENT BOARD MEMBER FROM 15 JUNE 2013)

in thousand euro		2012	2013	2014	2015
Non-performance-based component	Fixed remuneration	0	119	200	230
	Additional benefits	0	6	12	10
	Total	**0**	**125**	**212**	**240**
Performance-based component					
without long-term incentive effect	Short-term variable remuneration	0	20	36	–11
with long-term incentive effect	Long-term variable remuneration				
	2015 stock option plan	0	0	0	54
	Long-term bonus 4)	0	0	0	0
	Total	**0**	**20**	**36**	**43**
Pension cost		0	2	21	21
Total remuneration		**0**	**147**	**269**	**304**

4) In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR 42 thousand (previous year: EUR 7 thousand) was recognised in profit or loss in the 2015 annual financial statements as an addition to provisions in line with the probable achievement of goals.

MR MEISE (MANAGEMENT BOARD MEMBER FROM 1 FEBRUARY 2015)

in thousand euro		2015
Non-performance-based component	Fixed remuneration	183
	Additional benefits	18
	Total	**201**
Performance-based component		
without long-term incentive effect	Short-term variable remuneration	24
with long-term incentive effect	Long-term variable remuneration	
	2015 stock option plan	48
	Long-term bonus 7)	0
	Total	**72**
Pension cost		19
Total remuneration		**292**

5) In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR 0 thousand (previous year: EUR 0 thousand) was recognised in profit or loss in the 2015 annual financial statements as an addition to provisions in line with the probable achievement of goals.

Of the share-based payment granted in fiscal 2010 from the 2010 stock option plan, EUR 213 thousand or 180,000 options related to Mr Szymanski. No further options were granted under this 2010 stock option plan by 31 December 2015. The exercise period for the options began in fiscal 2014.

Of the share-based payment granted in fiscal 2015 from the 2015 stock option plan, EUR 37 thousand (47,500 options) related to Mr Szymanski, EUR 54 thousand (70,000 options) to Mr Grethe and EUR 48 thousand (62,500 options) to Mr Meise. The exercise period for the options is in fiscal 2019.

The amounts stated in the above table as pension cost are subsidies for pensions and part of the fixed remuneration paid to Management Board members.

The additional benefits essentially consist of the value of the use of a company car as determined in compliance with tax law.

As in the previous year, provisions of only insignificant amounts were recognised for pension obligations to active Management Board members (2015: EUR 2 thousand; 2014: EUR 2 thousand).

EUR 928 thousand was recognised for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2015 (previous year: EUR 1,050 thousand). EUR 32 thousand (previous year: EUR 46 thousand) was added to provisions in the 2015 reporting year.

In addition to the reimbursement of cash expenses and any VAT incurred in relation to Supervisory Board work, each member of the Supervisory Board receives fixed remuneration of EUR 30 thousand per fiscal year, payable in the last month of the fiscal year. From fiscal 2009, the fixed remuneration for the Chairman is 150% of the remuneration for a normal Supervisory Board member and 125% for the Deputy Chairman.

The fixed remuneration of the Supervisory Board for fiscal 2015 amounted to EUR 113 thousand (previous year: EUR 113 thousand).

AUDITOR'S FEE

On the basis of a recommendation of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for fiscal 2015. The total fee charged for services by the auditor in the fiscal year is as follows:

in thousand euro	2015	2014
Audits of financial statements	328	250
Tax advisory services	279	142
Other services	121	163
Total	**728**	**555**

EUR 139 thousand (previous year: EUR 29 thousand) of the fee charged in the 2015 reporting year relates to previous years, thereof EUR 81 thousand relates to audits of financial statements and EUR 58 thousands relates to tax advisory services.

The figures calculated comprise only the legally independent entity of the appointed auditor.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The Management Board will propose to the Supervisory Board and the 2015 Annual General Meeting that the net retained profits of EUR 17,966,212.29 be utilised as follows:

in euro		
Entitled share	Distribution of a dividend of EUR 0.12 per	1,919,526.72
Profit carryforward		16,046,685.57
Net retained profits		17,966,212.29

Effective 11 January 2016, Rüdiger Andreas Günther was appointed as a member and the new Chairman (CEO) of the Management Board of Francotyp-Postalia Holding AG. Mr Günther is the successor to Mr Hans Szymanski, whose appointment ended at the same time. Mr Günther is therefore responsible for the areas of Strategic Business Development, Production / Procurement/Quality, HR / Legal / Compliance, Finance / Accounting / Controlling, Development and Information Technology.

There were no further significant events after the end of the fiscal year that would have had a notable effect on the financial position and results of operations of the FP Group.

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG have issued a declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made this declaration permanently accessible on the company's website (http://www.fp-francotyp.com/FP/unternehmen/investoren/corporate-governance/entsprechenserklaerung).

ANNOUNCEMENTS IN THE ELECTRONIC FEDERAL GAZETTE

The 2015 consolidated financial statements of the FP Group and the 2015 annual financial statements of Francotyp-Postalia Holding AG were announced in the electronic Federal Gazette. The announcements were submitted to the company register with the financial statement documents attached.

Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Produktionsgesellschaft mbH, FP Hanse GmbH, FP Direkt Vertriebs GmbH, FP InovoLabs GmbH and Francotyp-Postalia Unterstützungseinrichtung GmbH are exempt from the obligation to publish 2015 annual financial statements in accordance with section 264(3) HGB in conjunction with section 325 HGB. These companies are also exempt from the obligation to prepare a 2015 management report in accordance with section 264(3) HGB in conjunction with section 289 HGB.

The corresponding resolutions were submitted to the operator of the electronic Federal Gazette, the respective announcement was arranged.

Berlin, 31 March 2016

The Management Board of Francotyp-Postalia Holding AG

Rüdiger Andreas Günther
CEO

Thomas Grethe

Sven Meise

APPENDIX 1
CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2014, ADJUSTED [1)]

	Cost or cost of manufacture						Depreciation. amortisation and impairment losses							Book values	
in thousand euro	C / F 1.1.2014	Currency differences	Additions	Disposals	Reclassifi-cations	Status 31.12.2014	C / F 1.1.2014	Currency differences	Additions	Disposals	Reclassifica-tions	Write-up	Status 31.12.2014	1.1.2014	31.12.2014
Intangible assets [2)]															
Internally generated intangible assets	33,114	1	416		3,694	37,225	21,391	1	3,766		1		25,159	11,723	12,066
Other intangible assets	87,175	389	472	549	583	88,070	82,425	537	883	491	583		83,937	4,750	4,133
Intangle assets including customer lists	120,289	390	888	549	4,277	125,295	103,816	538	4,649	491	584	0	109,096	16,473	16,199
Goodwill	22,922	0		129		22,793	13,775	0	0	129			13,646	9,147	9,147
Development projects in progress and advances	7,131	0	4,183	64	–3,694	7,556	0				–1		–1	7,131	7,557
Total	**150,342**	**390**	**5,071**	**742**	**583**	**155,644**	**117,591**	**538**	**4,649**	**620**	**583**	**0**	**122,741**	**32,751**	**32,903**
Property. plant and equipment [2)]															
Land and similar rights and buildings	2,801	22	896	21		3,698	381	8	171	7			553	2,420	3,145
Technical equipment and machinery	3,546	13	750	929	5,089	8,469	2,513	12	561	784	2,315		4,617	1,033	3,852
Other plant and operating and office machinery	30,489	462	1,807	2,119	319	30,958	26,929	434	1,342	2,021	–13	1	26,670	3,560	4,288
Leased products	45,617	5,508	11,602	13,449	–583	48,695	35,557	4,433	5,022	13,664	–583	932	29,833	10,060	18,862
Investments in finance lease relationships	11,415	1,206	2,414	126	–5,075	9,834	3,906	440	1,529	126	–2,302		3,447	7,509	6,387
Advance payments and assets under construction	36		805		–333	508	0						0	36	508
Total	**93,904**	**7,211**	**18,274**	**16,644**	**–583**	**102,162**	**69,286**	**5,327**	**8,625**	**16,602**	**–583**	**933**	**65,120**	**24,618**	**37,042**
Non-current assets	**244,246**	**7,601**	**23,345**	**17,386**	**0**	**257,806**	**186,877**	**5,865**	**13,274**	**17,222**	**0**	**933**	**187,861**	**57,369**	**69,945**

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT BETWEEN 1 JANUARY AND 31 DECEMBER 2015

	Cost or cost of manufacture						Depreciation, amortisation and impairment losses						Book values	
in thousand euro	C / F 1.1.2015	Currency differences	Additions	Disposals	Reclassifi-cations	Status 31.12.2015	C / F 1.1.2015	Currency differences	Additions	Disposals	Reclassifications	31.12.2015	1.1.2015	31.12.2015
Intangible assets														
Internally generated intangible assets	37,225	1	56		1,593	38,875	25,159	1	3,881			29,041	12,066	9,834
Other intangible assets	88,070	650	1,030	175		89,575	83,937	580	1,243	172		85,588	4,133	3,987
Intangle assets including customer lists	125,295	651	1,086	175	1,593	128,450	109,096	581	5,124	172	0	114,629	16,199	13,821
Goodwill	22,922					22,922	13,775		653			14,428	9,147	8,494
Development projects in progress and advances	7,556	1	4,751		–1,593	10,715	–1	1				0	7,557	10,715
Total	**155,773**	**652**	**5,837**	**175**	**0**	**162,087**	**122,870**	**582**	**5,777**	**172**	**0**	**128,057**	**32,903**	**33,030**
Property, plant and equipment														
Land and similar rights and buildings	3,699	29	380		1	4,109	554	8	262			824	3,145	3,285
Technical equipment and machinery	8,469	9	1,339	207	501	10,111	4,617	8	686	144		5,167	3,852	4,944
Other plant and operating and office machinery	30,958	82	1,306	1,920	6	30,432	26,670	41	1,682	1,725		26,668	4,288	3,764
Leased products	48,695	4,473	10,971	4,500	191	59,830	29,833	2,156	7,374	4,254	119	35,228	18,862	24,602
Investments in finance lease relationships	9,834	1,322	261	423	–191	10,803	3,447	546	2,020	390	–119	5,504	6,387	5,299
Advance payments and assets under construction	508		96		–508	96						0	508	96
Total	**102,163**	**5,915**	**14,353**	**7,050**	**0**	**115,381**	**65,121**	**2,759**	**12,024**	**6,513**	**0**	**73,391**	**37,042**	**41,990**
Non-current assets	**257,936**	**6,567**	**20,190**	**7,225**	**0**	**277,468**	**187,991**	**3,341**	**17,801**	**6,685**	**0**	**202,448**	**69,945**	**75,020**

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Francotyp-Postalia Holding AG, Berlin (until 26. July 2015: 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 2015.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 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, 12 April 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Neumann	Unger
(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 revenues 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 revenues 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 2015	13 April 2016
Presentation Financial Results 1st Quarter 2016	25 May 2016
Annual General Meeting 2016	7 June 2016
Presentation Financial Results 2nd Quarter 2016	25 August 2016
Presentation Financial Results 3rd Quarter 2016	17 November 2016
Equity Forum Frankfurt 2016	21 – 23 November 2016

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Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN MILLION EURO

	2015	2014	2013	2012	2011
Revenue	191.1	170.3	168.9	165.6	159.4
Increase in revenues (%)	12.2	0.8	2.0	3.9	8.2
Recurring revenue	154.3	139.4	136.9	132.1	124.9
EBITDA	26.8	23.1	22.2	19.0	13.1
as percentage of revenue	14.0	13.6	13.1	11.5	8.2
EBIT	9.0	9.8	10.4	9.1	-1.3
as percentage of revenue	4.7	5.8	6.1	5.5	n/a
Net profit	3.7	5.2	4.9	4.0	-4.6
as percentage of revenue	1.9	3.1	2.9	2.4	n/a
Free cash flow	-1.4	-5.6	5.9	-6.5	2.4
Equity capital	16.2	16.2	16.2	16.2	14.7
Shareholders equity	35.2	30.1	25.9	21.6	15.9
as percentage of balance sheet total	22.6	21.1	18.8	15.8	11.9
Return on equity (%)	10.6	17.4	18.8	18.4	n/a
Debt capital	120.9	112.1	111.5	114.9	117.2
Net debt	19.6	16.0	9.7	33.3	30.0
Net debt-equity ratio	55.6	53.2	37.4	154.4	189.0
Balance sheet total	**156.2**	**142.1**	**137.4**	**136.5**	**133.1**
Share price end of year (EUR)	**4.34**	**3.98**	**4.17**	**2.48**	**2.11**
Earnings per share (EUR)	**0.22**	**0.32**	**0.31**	**0.27**	**-0.27**
Employees	**1,048**	**1,054**	**1,047**	**1,093**	**1,136**

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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