A STRONG TEAM

INTERIM REPORT 1/2014

fp-francotyp.com

KEY FIGURES FOR THE 1ST QUARTER 2014

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN EUR MILLION	31.3.2014	31.3.2013	Change in %
Revenue	44.4	43.5	2.1
Recurring revenue	36.6	34.3	6.7
EBITDA	6.7	6.2	8.1
as percentage of revenue	15.0	14.4	
EBIT	3.7	3.4	8.8
as percentage of revenue	8.3	7.8	
Net profit	1.9	2.2	-13.6
as percentage of revenue	4.3	5.0	
Free cash flow	2.3	1.2	91.7
Share price end of period (EUR)	4.55	2.28	100.0
Employees (end of period)	1,057	1,082	-2.3

	31.3.2014	31.12.2013	Change in %
Equity capital	16.2	16.2	
Shareholders equity	27.7	25.9	8.2
as percentage of balance sheet total	19.2	18.9	
Return on equity (%)	7.0	8.7	
Debt capital	117.5	112.3	4.6
Net debt	27.8	30.1	-7.6
Net debt-equity ratio	110.0	116.0	
Balance sheet total	**144.3**	**137.4**	**5.0**
Earnings per share (EUR)	**0.11**	**0.14**	**-21.4**

CONTENT

A STRONG TEAM

FP – the name for modern mail communication.

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

Dear shareholders,
ladies and gentlemen

The FP Group got off to good start in 2014 as expected. We continued on a profitable course for growth in the first quarter: Revenue increased by 2.1% for a total of EUR 44.4 million, EBITDA increased by 8.1% to EUR 6.7 million and EBIT rose by 8.8% to EUR 3.7 million. There are two main reasons for this success: Firstly, the development of the FP Group into a multi-channel provider for mail communication; current growth is primarily attributed to the Software and Mail Service segments. Secondly, our new production site led to a considerable improvement in the cost position as expected. The new production site in Wittenberge is operating in a highly flexible and efficient manner; it is also capable of easily meeting the high demand for the PostBase and other franking machines.

In consideration of the profitable growth at the beginning of the year, one should not forget two points, however: Firstly, that the first quarter tends to be strong. Secondly, the FP Group is also planning to make considerable investments in future growth in the current year. Compared with the previous year, capital expenditure is expected to increase by approximately EUR 5 million for a total of approximately EUR 19 million. Investments in the franking machine business in the USA and France will be in focus. In the USA, ongoing decertification has led many companies to replace older franking machine models with the PostBase. At the same time, we are expanding our business in France, the largest European market for franking machines. Both markets are unique in that they are exclusively rental markets – as prescribed by law. For FP, this means that every new machine we allocate to this market must first be prefinanced – an investment in the future. In this way, we will not only secure the installed base, but also high recurrent revenue from rentals, consumables and service.

In addition to investments in the US and French market, we will also be investing in a new franking machine and fully automatic cartridge machine and a new sorting plant for the freesort GmbH. We finance larger investments primarily with our own funds – a clear indication of our company's high earnings and financial power. This has also made it possible for us to propose the distribution of a dividend in the amount of 8 cents per share to the Annual General Meeting in June 2014.

In our home market of Germany, we are optimising our sales activities as part of the Aufbruch 2015 initiative. Here, we are developing an additional sales channel with specialist retail and are also aligning existing sales activities to an increasing degree with specific customer needs. Traditional specialist retailers from the printing and copying sector as well as IT system houses can add our products to their portfolio in the analogue and digital mail communication segment. In the past few months we have already gained several important partners.

Hans Szymanski, CEO & CFO of the Francotyp-Postalia Holding AG and Thomas Grethe CSO of the Francotyp-Postalia Holding AG

We continue to position the FP Group as a solutions provider for all needs relating to mail communication and intend to tap into further market potential in the process. The use of De-Mail in digital mail communication plays an important role in this respect. Our subsidiary Mentana-Claimsoft is an accredited De-Mail provider and pioneer when it comes to integrating De-Mail in the business processes of companies and authorities. The entries for this year's FP Award De-Mail Innovation demonstrate the possibilities offered by this new, simple and verifiable form of electronic communication. This year's award went to brain-SCC from Merseburg in Saxony-Anhalt. The team won over the high-calibre, independent jury at CeBIT in March 2014 with a De-Mail app that further simplifies the transmission and receipt of De-Mail. Other companies also excelled with innovative solutions demonstrating effective, profitable applications of the new digital communication standard. As interest in De-Mail and complementary solutions for digital mail communication and documentation is growing significantly, we will continue to push forward our sales activities in this area.

The FP Group plans to continue on its profitable course for growth in the current financial year. In view of the anticipated strong start in the financial year, the FP Group confirms its forecast for 2014. The company is anticipating revenue to grow to at least EUR 173 million, EBITDA to increase to at least EUR 25 million and an improvement in EBIT to at least EUR 12 million. For free cash flow, the FP Group is expecting a one-off negative value for 2014 of EUR -2 million due to high capital expenditure.

In 2014, we plan to invest more in future growth and continue to increase both revenue and earnings. This demonstrates that the FP Group is well positioned and still has considerable potential.

Sincerely

Hans Szymanski
CEO & CFO

Thomas Grethe
CSO

Francotyp-Postalia Holding AG
Group Management Report for the 1st quarter of 2014

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

GROUP PRINCIPLES

OPERATING ACTIVITIES

Francotyp-Postalia Holding AG (FP Group or the Company), based in Birkenwerder near Berlin, is a multi-channel provider for mail communication. As postal markets are changing, the company has moved from being a franking machine manufacturer to being a solutions partner. The FP Group is able to cover the entire letter post distribution chain today – from franking and inserting physical letters through mail consolidation to hybrid and fully electronic mail dispatch via De-Mail. Corporate clients of all sizes represent the target group, which can obtain a complete package of products and services for easy and cost-efficient mail communication from Francotyp-Postalia.

The Company divides its business into three product segments: Franking and Inserting, Software Solutions and Mail Services.

Franking and Inserting segment

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

Franking machines enable customers to frank their mail automatically and quickly. This makes outbound mail handling far more efficient, as the appropriate postage is electronically programmed into the machine and each item is franked at the correct value. Clients can also save postage in some countries, as national postal organisations grant a discount when postage is applied by franking machines. All franking machines are certified by national, licensed state-owned or private postal companies. These certifications also include the various inks required by postal organisations in the form of consumables.

The Group's product range extends from the small My-Mail franking machine to the CentorMail machine and new PostBase franking system, which features numerous mechatronics and software management innovations and a simple, intuitive touchscreen interface.

The Group's most important revenue generator in the franking machine segment is its after-sales business with its recurring revenue. This includes the teleporto business, the sale of consumables, the creation of printing plates, services and software solutions for cost centre management.

Software Solutions segment

The FP Group's innovative software solutions operate swiftly and simply. With one mouse click, you can send a letter electronically using the highest security standards. Clients can choose from two options: hybrid mail and a fully electronic solution via De-Mail.

The specialist in hybrid mail is the FP subsidiary internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin (iab). Following the FP Group's IPO, the Group acquired a majority stake in iab at the end of 2006. Hybrid mail is a combination of electronic and physical mail: the sender dispatches the letter electronically, the recipient receives a physical letter. The FP Group takes on the entire production process in between – from printing out, franking and inserting to handover of the letter to a mail delivery company.

The FP Group secured its entry into the sector of fully electronic communication in spring 2011 with the acquisition of a majority stake in Mentana-Claimsoft GmbH. At the end of 2013, the stake was increased by a further 24.5% and now totals 75.5%. The company specialises in electronic signatures and offers products for making electronic documents secure and legally binding communication in addition to products for long-term archiving. Mentana-Claimsoft is also the first accredited De-Mail provider in Germany. De-Mail offers a simple, traceable and confidential communication infrastructure in Germany. De-Mail is binding because both sender and recipient are identified in the initial registration process before they can use the technology. Confidentiality is guaranteed thanks to powerful encryption.

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

RESEARCH AND DEVELOPMENT

The expansion of the PostBase franking system platform remained the main focus of research and development activities in the first quarter of 2014. In the past, the PostBase system comprised a basic machine with four speed settings and software that allowed users to configure and use the PostBase system via a PC. A new entry-level model has now been developed, which is smaller than the basic unit and is suitable for using on a small desktop. The FP Group is also making progress with licences for other postal markets with a view to increasing PostBase's international presence.

The FP subsidiary Mentana-Claimsoft is constantly improving the existing De-Mail system. The company is currently overhauling the www.fp-demail.de site. An end-to-end encryption function should be added in 2014. The De-Mail experts are also working on certification for the Hash Safe product, which will comply with the new TR-ESOR standard. The product is due to be released in the second quarter of 2014. An FP Box hardware solution has been developed in order to speed up the rollout of De-Mail and hybrid services for clients. The solution will also simplify marketing and maintenance for De-Mail and hybrid services.

The FP subsidiary iab continues to focus on expanding the applications of the modern output management system and on innovations in automated mail communication transfers. Inbound developments are concentrated on rolling out new software for existing processing methods, with a view to ensuring high-quality and fully automated document recording systems.

In the first quarter of 2014, research and development costs totalled EUR 2.2 million, down 9.0% against the first quarter of 2013 (EUR 2.4 million). Of this figure, EUR 1.1 million was capitalised as intangible assets (Q1 2013: EUR 0.8 million). A further EUR 1.1 million was recognised as expenses (Q1 2013: EUR 1.6 million). The ratio of research and development expenses (including product care) to revenue slipped to 5.0% in the first quarter of 2014 (Q1 2013: 5.6%).

EMPLOYEES

Staff play a significant role in the FP Group's success. The Group's long-term success is dependent on employees identifying with the Group and being committed to our objectives. Their potential is challenged and promoted by a high degree of autonomy.

As at 31 March 2014, the FP Group employed a total of 1,057 people worldwide compared with 1,082 employees in the previous year. The slight decline reflects natural fluctuations and further efficiency improvements in individual companies. As at the reporting date, 673 employees worked in the German companies (Q1 2013: 685) while 384 were employed in the foreign subsidiaries (397).

Segment breakdown of employees as at 31 March 2014 (with comparative figures):

SEGMENT	31.3.2014	31.3.2013
Sales – Germany	478	489
Sales – International	384	397
Production	167	175
Head office functions	28	21
Total	**1,057**	**1,082**

ECONOMIC REVIEW

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

The eurozone is gradually emerging from recession. GDP was up 0.2% qoq in the eurozone countries in the first quarter of 2014. Whereas the southern European states in particular were still struggling with the repercussions of the euro crisis, the German economy posted growth in early 2014. According to figures from the Federal Statistical Office, GDP in the FP Group's home market, Germany, was up 0.8% in the first quarter of 2014 against the previous quarter. In contrast, the United States, the FP Group's largest foreign market, experienced a temporary setback, posting annualised economic growth at just 0.1% for the first quarter of 2014.

The EUR/USD exchange rate is a significant factor in FP Group exports to the US and other markets. The exchange rate was fairly volatile in the first quarter of 2014, but was significantly higher than in the same period in 2013. After falling from USD 1.37 to USD 1.35 in the course of one month, the euro rose consistently to peak at USD 1.39 in mid-March. At the end of the quarter, one euro was worth USD 1.38, ten cents higher than at the end of the first quarter of 2013 (USD 1.28).

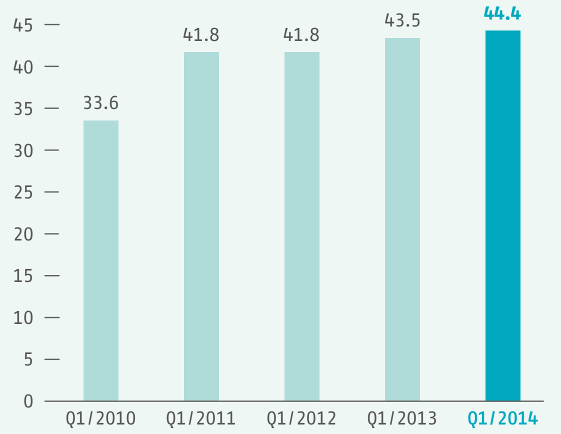
BUSINESS PERFORMANCE

Financial performance indicators

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

Revenue
In the first quarter of 2014, the FP Group increased its total revenue by 2.1% to EUR 44.4 million, compared with EUR 43.5 million in the first quarter of 2013. At the same time, revenue in Germany rose to EUR 24.8 million after EUR 22.9 million in the previous year. The US maintained its position as the largest foreign market in the first quarter of 2014; but exchange rate effects pushed US revenue down EUR 0.2 million to EUR 8.6 million. At EUR 18.8 million, total foreign revenue expressed in euro declined yoy (EUR 19.5 million).

REVENUE
in EUR million



The first quarter is traditionally strong. Revenue was boosted by a very positive contribution from the Mail Services and Software segment. Demand also remained strong for the innovative PostBase franking system.

Nevertheless, revenue from product sales declined yoy, coming in at EUR 7.8 million (Q1 2013: EUR 9.2 million).

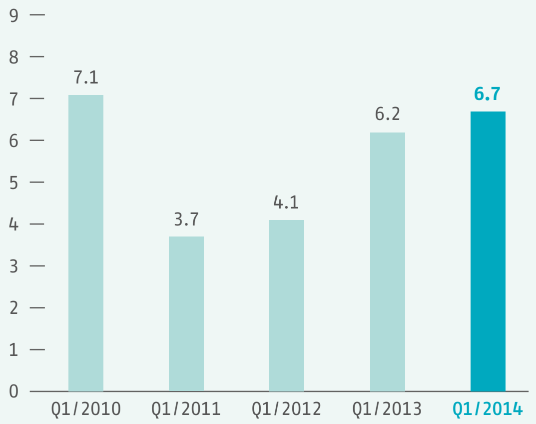
Recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto and sales of consumables for approximately 236,000 franking machines worldwide rose to EUR 36.6 million in the first quarter of 2014 (Q1 2013: EUR 34.3 million). Revenue in Software Business increased to EUR 3.6 million (Q1 2013: EUR 3.3 million). Revenue in the Mail Services segment advanced to EUR 11.8 million (Q1 2013: EUR 10.0 million).

REVENUE BREAKDOWN BY PRODUCT AND SERVICES
in EUR million

	Quarter 1 2014	Quarter 1 2013
Recurring revenue	**36.6**	**34.3**
Equipment hire	5.7	5.6
Service/customer service	7.2	7.1
Consumables	5.6	5.4
Teleporto	2.7	2.9
Mail services	11.8	10.0
Software	3.6	3.3
Product sales revenue	**7.8**	**9.2**
Franking	5.7	6.9
Inserting	1.8	1.7
Other	0.3	0.6
Total	**44.4**	**43.5**
Recurring revenue	82.4%	78.8%
Non-recurring revenue	17.6%	21.2%

Earnings development (EBITDA, EBIT)
Operating earnings before interest, taxes and depreciation, EBITDA, rose in the first quarter of 2014 to EUR 6.7 million from EUR 6.2 million in the year before thanks to higher revenue. EBIT was EUR 3.7 million in the first three months of 2014 (Q1 2013: EUR 3.4 million).

EBITDA
in EUR million



Free cash flow
Free cash flow – the difference between cash inflows from operating activities (EUR 6.4 million) and cash outflows from investing activities (EUR 4.1 million) – improved to EUR 2.3 million (Q1 2013: EUR 1.2 million). This improvement reflected a rise in cash inflows from operating activities while outflows from investment activities remained unchanged. During 2014, higher levels of leased product replacements, new tools and moving the head office to a new location are expected to push up capital expenditure.

Net debt
In the first quarter of 2014, the FP Group was able to further reduce the debt net: EUR 27.8 million compared with EUR 30.1 million as at end-2013. Net debt is calculated as debt minus cash and cash equivalents. Debt includes borrowing and liabilities from finance leases. Cash and cash equivalents comprises liquid assets, treasury shares and securities, but does not include postage credit balances managed by the FP Group.

Changes in material items in the Group statement of comprehensive income

INFORMATION ON THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	Quarter 1 2014	Quarter 1 2013	Change in %
Revenue	**44.4**	**43.5**	**2.1%**
Inventory changes	1.0	0.7	42.9%
Other own work capitalised	3.8	3.7	2.7%
Overall performance	**49.1**	**47.8**	**2.7%**
Other income	0.3	0.3	0.7%
Materials costs	21.8	20.3	7.4%
Personnel costs	13.7	13.9	-1.4%
Depreciation, amortisation and impairment losses	3.0	2.8	7.1%
Other expenses	7.4	7.7	-3.9%
Operating income before special income and expenditures	**3.7**	**3.4**	**8.8%**
Net interest income / expense	-0.6	-0.5	20.0%
Other financial result	-0.1	0.2	n/a
Tax result	-1.1	-1.0	10.0%
Consolidated net income	**1.9**	**2.2**	**-13.6%**
EBIT	**3.7**	**3.4**	**8.8%**
EBITDA	**6.7**	**6.2**	**8.1%**

Revenue
In the first quarter of 2014, the FP Group generated total revenue of EUR 44.4 million, compared with EUR 43.5 million for the same period in 2013. The rises are largely explained by the success achieved in the Mail Services and Software segments.

Other own work capitalised
Other capitalised own work remained on a par with the same period in 2013: EUR 3.8 million compared with EUR 3.7 million. The figure reflects consistently high levels of franking machines produced for leasing in the US. The FP Group capitalises the lease machines and depreciates them over their useful lives. The decertification process due to run until end-2015 in the US has boosted demand for the PostBase franking system, which many clients plan to use to replace existing franking machines. Other own work capitalised includes income from leased products, which contributed EUR 2.6 million in the first quarter of 2014 (Q1 2013: EUR 2.8 million). Development costs included in other own work capitalised totalled EUR 1.1 million (EUR 0.8 million).

Other income
Other income for the first quarter of 2014 remained on a par with the same period in 2013 at EUR 0.3 million.

Materials costs
In the first quarter of 2014, materials costs rose to EUR 21.8 million, compared with EUR 20.3 million for the same period in 2013. The increase was largely driven by higher costs for services purchased, which rose from EUR 10.3 million in the first quarter of 2013 to EUR 12.7 million, in line with higher revenue for the Mail Services segment. In contrast, the cost of raw materials, consumables and supplies fell slightly to EUR 9.0 million due to lower product sales (Q1 2013: EUR 10.0 million). The cost of materials ratio rose from 46.7% in the same period in 2013 to 49.1%.

Personnel costs
In the first quarter of 2014, personnel costs of EUR 13.7 million were nearly stable compared to Q1 2013 (Q1 2013: EUR 13.9 million). The personnel cost ratio fell to 30.9% (Q1 2013: 32.0%).

Other expenses
Other expenses declined in the first quarter of 2014, down to EUR 7.4 million, compared with EUR 7.7 million for the same period in 2013.

EBITDA
The FP Group generated EBITDA – earnings before interest, taxes and depreciation – of EUR 6.7 million in the traditionally strong first quarter (Q1 2013: EUR 6.2 million). EBITDA was dented by currency effects totalling EUR -0.3 million. The EBITDA margin rose to 15.1% (Q1 2013: 14.3%).

Depreciation and impairments
Depreciation and impairments rose to EUR 3.0 million in the first quarter of 2014, from EUR 2.8 million in the same quarter in 2013. The increase was driven by higher depreciation on replacements of leased products.

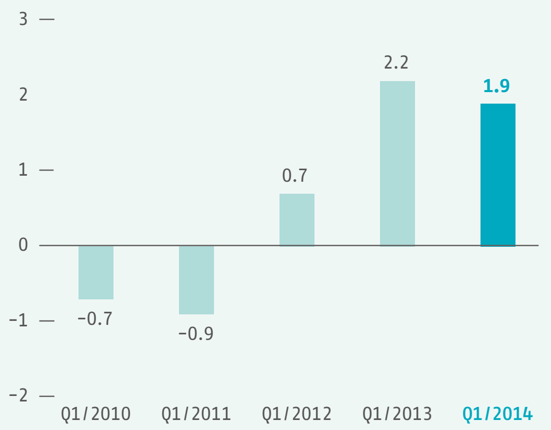
Net interest income / expense
In the first quarter of 2014, net income expense / income stood at EUR -0.6 million compared with EUR -0.5 million in the year before. Owing to falling interest rates, interest income fell slightly to EUR 0.1 million compared with EUR 0.3 million in the first quarter of 2013. Interest expenses remained unchanged at EUR 0.7 million.

Other financial result
The FP Group posted a financial result of EUR -0.1 million in the first quarter of 2014 (EUR 0.2 million). The effects in the financial result depend on the reporting date evaluation at different exchange rates.

Tax result
The tax result consists of tax income of EUR 0.5 million and ongoing tax expenses of EUR 1.7 million. The net tax result came to EUR -1.1 million, compared with EUR -1.0 million for the same period in 2013. The tax ratio rose to 37.7% (Q1 2013: 30.6%). The first quarter of 2013 was affected by an increase in deferred tax assets for individual companies showing losses, which led to higher tax income. The tax ratio for the first quarter of 2014 was on a par with financial year 2013.

Consolidated net income
Consolidated net income declined yoy to EUR 1.9 million (Q1 2013: EUR 2.2 million) due to the EUR 0.3 million fall in other financial result and the EUR 0.3 million drop in tax income, which were not offset by improved EBITDA and EBIT. Earnings per share stood at EUR 0.11 compared with EUR 0.14 in the first quarter of 2013.

CONSOLIDATED NET INCOME
in EUR million



Non-financial performance indicators
The FP Group uses non-financial performance indicators alongside financial performance indicators for management purposes. Quality and improvement indicators are used to measure product and service quality. Consistently high quality is crucial for Group’s long-term success. Further information on non-financial performance indicators can be found in the 2013 annual report.

BUSINESS PERFORMANCE BY SEGMENT

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

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

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

Sales Germany segment

Overall, the FP Group generated revenue of EUR 24.8 million with third parties in its German domestic market in the first quarter of 2014, compared with EUR 23.0 million in the same period of the previous year. It was also possible, in conjunction with consolidation specialist freesort, to increase revenue in the Mail Services segment to EUR 11.8 million, compared with EUR 10.0 million in the previous year. Revenue in the Software Solutions segment improved to EUR 3.6 million, compared with EUR 3.3 million in the first three months of 2013.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, reported revenue of EUR 9.4 million after EUR 9.8 million in the previous year. With a market share of 42%, the company was able to affirm its market leadership in the franking machine business.

Segment EBITDA came in at EUR 1.7 million (Q1 2013: EUR 1.9 million) due to the decline in franking income.

Sales International segment

The Sales International segment, which encompasses all activities by foreign subsidiaries, generated revenue of EUR 18.8 million with third parties in the first three months of 2014 (Q1 2013: EUR 19.5 million). Revenue was dented by negative currency effects. US revenue came in at EUR 8.6 million (Q1 2013: EUR 8.8 million). Currency effects totalled EUR -0.3 million. Revenue in the UK rose EUR 0.1 million to EUR 3.7 million, with exchange effects at EUR +0.1 million. Total currency effects for the FP Group came to EUR -0.5 Mio.

The Sales International segment generated EUR 4.5 million of EBITDA for the FP Group (Q1 2013: EUR 4.3 million). Revenue growth was dented by currency effects totalling EUR -0.2 million.

Production segment

The FP Group consolidates its production activities in Germany in the Production segment. Segment revenue came to EUR 1.1 million in the first quarter of 2014 (Q1 2013: EUR 1.3 million). EBITDA was EUR 1.7 million (EUR 1.5 million).

BREAKDOWN OF SEGMENT INCOME

EUR million	Revenue [1]			EBITDA		
	Quarter 1 2014	Quarter 1 2013	Change in %	Quarter 1 2014	Quarter 1 2013	Change in %
Sales – Germany	24.8	23.0	7.8	1.7	1.9	-10.5
Sales – International	18.8	19.5	-3.6	4.5	4.3	4.7
Production	1.1	1.3	-15.4	1.7	1.5	13.3
FP Group [2]	44.4	43.5	2.1	6.7	6.2	8.1

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

FINANCIAL POSITION

Principles and objectives of financial management

The main aim of financial management is to avoid financial risks and ensure the financial flexibility of the FP Group. The Group achieves this by employing a variety of financial instruments. Various factors are taken into account when selecting the instrument, such as flexibility, loan terms, the existing maturity profile and finance costs. The long-term liquidity forecast is based on operational planning. A significant part of liquidity in the FP Group comes from segment operating activities and the resultant cash flow. The FP Group 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 monitored constantly. The ratio improved to 100% in the first quarter of 2014 as equity was boosted by the current surplus. The ratio was 116% as at 31 December 2013.

Liquidity analysis

Cash flow from operating activities increased to EUR 6.4 million in the first quarter of 2014 (Q1 2013: EUR 5.3 million). The increase reflected the improved results of operations. The cash outflow from investing activities rose slightly to EUR 4.1 million in the first three months of 2014 (Q1 2013: EUR 4.0 million). 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 2.3 million in the first quarter of 2014 (Q1 2013: EUR 1.2 million). Cash flow from financing activities was EUR 0.5 million (Q1 2013: EUR 0.7 million). Cash and cash equivalents comprise liquid assets and securities minus teleporto balances. The FP Group was able to meet its payment obligations at all times.

LIQUIDITY ANALYSIS in EUR million	1.1.–31.3.2014	1.1.–31.3.2013
1. Cash flow from operating activities		
Cash flow from operating activities	6.4	5.3
2. Cash flow from investing activities		
Cash flow from investing activities	-4.1	-4.0
3. Cash flow from financing activities		
Cash flow from financing activities	0.5	0.7
Cash and cash equivalents		
Change in cash and cash equivalents	2.8	1.9
Change in cash and cash equivalents due to currency translation	0.0	0.0
Cash and cash equivalents at beginning of period	6.7	5.6
Cash and cash equivalents at end of period	9.5	7.6

Financing analysis

The FP Group increased its financial clout in the first quarter of 2014. The Group primarily used the cash flow from operating activities for financing, along with existing and new loan agreements with financial institutions signed in 2013, and finance lease agreements. Financing liabilities remained more or less at the same level as at end-December 2013.

Liquid assets totalled EUR 30.7 million at the end of the quarter (31 December 2013: EUR 29.0 million). Financial debt included EUR 33.3 million in borrowing (end-2013: EUR 33.3 million) and liabilities from finance leases totalling EUR 5.8 million (EUR 5.3 million). Cash and cash equivalents comprises liquid assets plus treasury shares of EUR 1.8 million (end 2013: EUR 1.8 million) and securities with a value of EUR 0.7 million (EUR 0.7 million). The item does not include the EUR 21.9 million in postage credit balances managed by the FP Group (end-2013: EUR 23.0 million).

Investment analysis

The FP Group is pursuing a focused investment strategy and concentrating, in particular, on investments that will facilitate the Company's ongoing development into a complete service provider for mail communication. Capital expenditure remained fairly stable yoy, coming in at EUR 4.1 million in the first quarter of 2014. However, the Group anticipates an increase in capital expenditure over the next few quarters, as announced in the annual report. In 2014, the Group plans to invest heavily in future growth, with a particular focus on development, production and more franking machines for the major leasing markets of the US and France.

The capitalisation of development costs rose in the first quarter of 2014 to EUR 1.1 million (Q1 2013: EUR 0.8 million). Investments in property, plant and equipment (including leased products and investments in finance lease relationships) declined to EUR 2.9 million in the first three months of 2014 (Q1 2013: EUR 3.1 million). Investments in leased products were EUR 2.6 million (Q1 2013: EUR 2.8 million) due to the US leasing business.

INVESTMENTS in EUR million	1.1.– 31.3.2014	1.1.– 31.3.2013
Capitalised development costs	1.1	0.8
Investments in other intangible assets	0.1	0.1
Investments in property, plant and equipment (excluding leased products)	0.3	0.3
Investments in leased products	2.6	2.8
Investments in company acquisitions	0.0	0.0
Proceeds from the disposal of non-current assets	0.0	0.1
Investments	**4.1**	**4.0**

NET ASSETS AND NET ASSETS STRUCTURE ANALYSIS

The balance sheet as at 31 March 2014 reveals an increase in current assets and higher current liabilities. Non-current assets and liabilities remained virtually unchanged against end-2013. Total assets increased from EUR 137.4 million as at 31 December 2013 to EUR 144.3 million, bringing the ratio of non-current assets to total assets down from 51.6% to 49.1%. As at 31 March 2014, the ratio of current assets to current liabilities was 110.8% (end-2013: 107.7%).

Non-current and current assets

Intangible assets remained stable at EUR 32.8 million. Intangible assets comprise goodwill at EUR 9.1 million, intangible assets including customer lists totalling EUR 17.3 million, and development projects in progress at EUR 6.4 million.

Property, plant and equipment rose to EUR 25.9 million as at 31 March 2014 (end-2013: EUR 24.6 million). Leased products advanced to EUR 11.1 million from EUR 10.1 million at the end of 2013. The increase in leasing activities also pushed up investments in finance lease relationships to EUR 7.7 million from EUR 7.5 million at the end of 2013. The FP Group uses finance leasing to finance lease machines in the US.

Deferred tax claims declined from EUR 5.5 million to EUR 4.7 million. Current assets were boosted by an increase in inventories, which rose from EUR 8.8 million as at 31 December 2013 to EUR 10.6 million as at 31 March 2014. Accounts receivable climbed to EUR 18.7 million (end-2013: EUR 17.1 million). Securities totalling EUR 0.7 million were used by freesort GmbH as a cash deposit for a guarantee to Deutsche Post AG. Liquid assets rose from EUR 29.0 million to EUR 30.7 million. Other current assets advanced from EUR 10.9 million to EUR 12.8 million.

Equity

Equity was boosted by the increase in consolidated net income, rising to EUR 27.7 million as at 31 March 2014 (end-2013: EUR 25.9 million). The return on equity improved to 19.2% (31 December 2013: 18.9%). As at 31 March 2014, the share capital of Francotyp-Postalia Holding AG stood at EUR 16.2 million, divided into 16,160,000 nonpar value bearer shares.

At the end of the first quarter of 2014, the company held a total of 370,444 treasury shares, corresponding to 2.29% of the share capital. For more information about authorised and contingent capital and conversion and option rights, please see the 2013 annual report.

Non-current and current liabilities

Current liabilities stood at EUR 66.4 million as at 31 March 2014 (end-2013: EUR 61.8 million). Liabilities from sales and services came to EUR 9.4 million (31 December 2013: EUR 7.5 million). Other current liabilities rose to EUR 44.4 million from EUR 42.1 million as at 31 December 2013, which included EUR 21.9 million in teleporto balances (EUR 23.0 million).

Non-current liabilities rose slightly during the first quarter from EUR 49.8 million to EUR 50.3 million as at 31 March 2014. The net debt to equity ratio continued to improve, closing the quarter at 100% (end-2013: 116%).

Leasing

The FP runs both Operate Lease and Finance Lease. The business models are also reflected in the FP balance sheet. Non-current assets comprises machines leased under operating lease agreements to FP Group clients. Leased products and investments in finance lease relationships stood at EUR 16.0 million. Finance lease agreements with clients are recognised under receivables from finance leases; non-current and current items came to EUR 1.4 million as at 31 March 2014.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the reporting date (31 March 2014) that could have a material effect on the net assets, financial position and results of operations of the FP Group.

RISK AND OPPORTUNITY REPORT

The Company discussed its opportunities and risks in detail in the consolidated financial statements dated 31 December 2013. No further risks and opportunities are currently discernible.

FORECAST

As the first quarter is traditionally strong, the FP Group confirmed its forecast for 2014. The Group intends to raise revenue to at least EUR 173 million, with EBITDA advancing to at least EUR 25 million and EBIT improving to at least EUR 12 million. The FP Group anticipates an exceptional negative free cash flow of EUR -2 million due to increased capital expenditure in 2014. For the same reason, the FP group predicts that net debt will increase slightly to EUR 32 million.

The predicted revenue growth will benefit from a favourable operating environment. According to the International Monetary Fund (IMF), the global economy is set to grow by 3.7% in 2014 (2013: 3.0%). The IMF predicts 1.6% growth for Germany in 2014. The upturn will also impact the eurozone, where the IMF expects GDP to grow by 1.0%. The US, the FP Group's main foreign market, should fare even better, with GDP advancing by 2.8%.

Capital expenditure will continue to focus on investments in the US leasing market in 2014. In response to the current decertification process, many companies are now replacing older models with new franking machines. PostBase is gaining in popularity among companies. At the same time, the FP Group intends to expand its business in the largest European franking machine market, France, over the coming months. France is a leasing market and the move will therefore require investment. The planned investments in development and production mean that capital expenditure levels are set to rise considerably yoy in 2014.

The FP Group will finance the bulk of investment from operating cash flow and will also use a new long-term bank loan agreed in April 2013. The solid financial base will allow the Management and Supervisory Boards to propose a dividend payment of EUR 0.08 per share at the AGM on 19 June 2014. If the AGM approves the proposal, the total amount distributed will be EUR 1.3 million.

All statements made in this interim report are based on information available at the end of the first quarter of 2014. The FP Group stresses that actual performance may diverge from the target figures provided here.

Consolidated Financial Statements for the 1st quarter of 2014

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

in EUR thousand

	cum. Q1/2014 1.1.–31.3.2014	cum. Q1/2013 1.1.–31.3.2013	Changes in %
Revenue	44,402	43,489	2.1%
Changes in inventories of finished goods and work in progress	980	659	48.7%
	45,382	**44,148**	**2.8%**
Other own work capitalised	3,767	3,667	2.7%
Other income	292	290	0.7%
Material costs			
a) Cost of raw materials, consumables and supplies	9,043	10,026	-9.8%
b) Costs for purchased services	12,722	10,275	23.8%
	21,765	**20,301**	**7.2%**
Personnel costs			
a) Wages and salaries	11,522	11,717	-1.7%
b) Social security contributions	1,921	1,917	0.2%
c) Expenditure on pension schemes and other benefits	215	262	-17.9%
	13,658	**13,896**	**-1.7%**
Depreciation and impairments	2,965	2,830	4.8%
Other expenses	7,365	7,666	-3.9%
Net interest income / expense			
a) Interest and similar income	128	251	-49.0%
b) Interest and similar expenses	686	714	-3.9%
	-558	**-463**	**20.5%**
Other financial result			
a) Other financial income	159	794	-80.0%
b) Other financial expenses	262	582	-55.0%
	-103	**212**	**-148.6%**
Tax result			
a) Tax income	471	784	-39.9%
b) Tax expense	1,612	1,750	-7.9%
	-1,141	**-966**	**18.1%**
Consolidated net income	**1,886**	**2,195**	**-14.1%**
Other comprehensive income			
Translation of foreign currencies from financial statements of foreign entities	-138	286	-148.3%
of which taxes	-44	-19	131.6%
of which reclassified in consolidated net income	-21	-131	-84.0%
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011)	0	0	0%
of which taxes	0	0	0%
of which reclassified in consolidated net income	0	0	0%
Other comprehensive income after taxes	**-138**	**286**	**-148.3%**
Comprehensive income	**1,748**	**2,481**	**-29.5%**
Consolidated net income for the year:	1,886	2,195	-14.1%
– of which attributable to the shareholders of the FP Holding	1,791	2,284	-21.6%
– consolidated net profit attributable to minority interests	95	-89	-206.7%
Comprehensive income:	1,748	2,481	-29.5%
– of which attributable to the shareholders of FP Holding	1,653	2,570	-35.7%
– of which attributable to minority interests	95	-89	-206.7%
Earnings per share (undiluted and diluted, in EUR):	**0.11**	**0.14**	**-21.4%**

CONSOLIDATED BALANCE SHEET OF 31 MARCH 2014

ASSETS

in EUR thousand

	31.3.2014	31.12.2013
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets including customer lists	17,264	16,472
Goodwill	9,147	9,147
Development projects and payments in progress	6,386	7,131
	32,797	**32,750**
Property, plant and equipment		
Land, land rights and buildings	2,458	2,420
Technical equipment and machinery	1,033	1,033
Other equipment, operating and office equipment	3,435	3,560
Leased products	11,135	10,060
Investments in finance lease relationships	7,729	7,509
Advance payments and assets under construction	71	36
	25,861	**24,618**
Other assets		
Associated companies	36	36
Other equity investments	163	163
Receivables from finance leases	301	995
Other non-current assets	206	201
	706	**1,395**
Tax assets		
Deferred tax claims	4,774	5,450
Current tax assets	6,689	6,689
	11,463	**12,139**
	70,827	**70,902**
CURRENT ASSETS		
Inventories		
Raw materials and supplies	4,202	3,578
Work in progress	715	530
Finished products and merchandise	5,705	4,712
	10,622	**8,820**
Accounts receivable	**18,675**	**17,067**
Other assets		
Receivables from finance leases	1,107	995
Income tax assets	755	228
Derivative financial instruments	59	81
Other current assets	10,896	9,637
	12,817	**10,941**
Securities	**680**	**680**
Liquid assets	**30,707**	**28,990**
	73,501	**66,498**
	144,328	**137,400**

LIABILITIES

in EUR thousand

	31.3.2014	31.12.2013
EQUITY		
Attributable to shareholders of the parent company equity		
Subscribed capital	16,160	16,160
Capital reserves	35,312	35,312
Stock option reserve	848	781
Treasury shares	-1,829	-1,829
Loss carried forward	-22,719	-27,650
Consolidated net income after minority interests	1,791	4,931
Other comprehensive income	-2,733	-2,595
	26,830	**25,110**
Non-controlling interests	**858**	**764**
	27,688	**25,874**
NON-CURRENT LIABILITIES		
Provisions for pensions and similar obligations	14,091	14,089
Other provisions	1,079	1,194
Financial debt	33,717	33,337
Other liabilities	313	313
Deferred tax liabilities	1,090	824
	50,290	**49,757**
CURRENT LIABILITIES		
Tax liabilities	2,576	2,188
Provisions	4,652	4,803
Financial debt	5,400	5,223
Liabilities from sales and services	9,355	7,456
Other liabilities	44,367	42,099
	66,350	**61,769**
	144,328	**137,400**

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

in EUR thousand	1.1.–31.3.2014	1.1.–31.3.2013
Cash flow from operating activities		
Consolidated net income	1,791	2,195
Income tax result recognised in profit or loss	1,141	1,805
Net interest income recognised in profit or loss	558	463
Depreciation and amortisation of non-current assets	2,965	2,830
Decrease (–) / increase (+) in provisions	194	–748
Loss (+) / gain (–) on the disposal of non-current assets	–69	36
Decrease (+) / increase (–) in inventory, trade receivables, and other assets not attributable to investing or financing activities	–4,070	–5,839
Decrease (–) in trade payables and other liabilities * not attributable to investing or financing activities	5,269	5,731
Other non-cash income	–73	–329
Government assistance not yet received	0	–121
Interest received	128	251
Interest paid	–562	–259
Income tax paid	–919	–763
Cash flow from operating activities	**6,352**	**5,252**
Cash flow from investing activities		
Cash paid for internally generated intangible assets	0	0
Cash payments for the capitalisation of development costs	–1,147	–837
Proceeds from the disposal of non-current assets	17	88
Cash paid for investments in intangible assets	–64	–135
Cash paid for investments in property, plant and equipment	–2,886	–3,134
Cash paid for financial investments	0	0
Cash flow from investing activities	**–4,080**	**–4,018**
Cash flow from financing activities		
Cash outflows from reverse repo transactions	0	–2
Cash paid to owner on acquisition of own shares in company	0	0
Dividend payments to minority interests	0	0
Cash paid to repay bank loans	–36	–487
Cash payments to repay liabilities from finance leases	–490	–385
Cash inflows from taking up liabilities from finance leases	723	1,470
Cash inflows as a result of issuing shares	0	0
Cash inflows from taking out bank loans	316	114
Cash flow from financing activities	**514**	**710**
Cash and cash equivalents*		
Change in cash and cash equivalents	2,786	1,944
Change in cash and cash equivalents due to currency translation	–4	4
Cash and cash equivalents at beginning of period	6,680	5,620
Cash and cash equivalents at end of period	**9,462**	**7,568**

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 21,925 thousand; previous year EUR 20,614 thousand). Cash and cash equivalents include current securities totalling EUR 680 thousand (previous year: EUR 680 thousand).

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

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

						Other comprehensive income					
in EUR thousand	Subscribed capital	Capital reserves	Stock option reserve	Treasury shares	Net result	Difference from currency translation	Net investments in foreign business operations [1]	Difference from adjustment of IAS 19 (revised 2011) [1]	Equity attributable to FP Holding	Minority interests	**Total**
Balance as at 1.1.2013 [1]	16,160	35,312	636	-1,829	-26,999	-1,344	885	-1,742 [1]	21,079	492	21,571
Consolidated net income 1.1.–31.3.2013	0	0	0	0	2,284	0	0	0	2,284	-89	2,195
Translation of financial statements of foreign entities	0	0	0	0	0	286	-150	0	136	0	136
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011) [1]	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income 1.1.–31.3.2013	0	0	0	0	0	286	-150	0	136	0	136
Comprehensive income 1.1.–31.3.2013	0	0	0	0	2,284	286	-150	0	2,420	-89	2,331
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Capital increase from stock options	0	0	76	0	0	0	0	0	76	0	76
Other changes	0	0		0		0	0	0	0	0	0
Balance as at 31.3.2013 [1]	16,160	35,312	712	-1,829	-24,715	-1,058	735	-1,742 [1]	23,575	403	23,978
Balance as at 1.1.2014 [1]	16,160	35,312	781	-1,829	-22,719	-1,517	294	-1,372 [1]	25,110	764	25,874
Consolidated net income 1.1.–31.3.2014	0	0	0	0	1,791	0	0	0	1,791	95	1,886
Translation of financial statements of foreign entities	0	0	0	0	0	-25	-113	0	-138	0	-138
Adjustment of provisions for pensions and partial retirement as per IAS 19 (revised 2011)	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income 1.1.–31.3.2014	0	0	0	0	0	-25	-113	0	-138	0	-138
Comprehensive income 1.1.–31.3.2014	0	0	0	0	1,791	-25	-113	0	1,653	95	1,748
Dividends	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Capital increase from stock options	0	0	67	0	0	0	0	0	67	0	67
Balance as at 31.3.2014	**16,160**	**35,312**	**848**	**-1,829**	**-20,928**	**-1,542**	**181**	**-1,372**	**26,830**	**858**	**27,688**

1) Changes in assets according to IAS 19 (revised 2011).

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

I. GENERAL PRINCIPLES

GENERAL NOTES

Francotyp-Postalia Holding AG, Birkenwerder ("FP Holding"), is a German stock corporation (Aktiengesellschaft) registered in the Commercial Register of Neuruppin District Court under HRB 7649. The company's registered office is at Triftweg 21–26, 16547 Birkenwerder, Germany. The interim consolidated financial statements for FP Holding for the reporting period ending on 31 March 2014 include FP Holding and its subsidiaries (the "FP Group").

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

The Management Board of Francotyp-Postalia Holding AG drew up the 2013 consolidated financial statements and Group management report on 31 March 2014 and submitted them to the Supervisory Board. The Supervisory Board examined the consolidated financial statements and Group management report and adopted them on 9 April 2014. The Francotyp-Postalia Holding AG 2013 consolidated financial statements and Group management report were published on 30 April 2014.

These are condensed interim consolidated financial statements in accordance with IAS 34. The interim consolidated financial statements do not contain all the information required for annual financial statements produced in accordance with IAS 1. The interim financial statements were approved for publication by the Management Board of FP Holding on 28 May 2014.

ACCOUNTING PRINCIPLES

Principles for the preparation of the financial statements

The interim consolidated financial statements of FP Holding for the period from 1 January to 31 March 2014 – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes – have been submitted to the electronic Federal Gazette and published. These are condensed interim consolidated financial statements in accordance with IAS 34 (interim financial reporting) for the reporting period from 1 January to 31 March 2014. The accounting methods used to prepare these interim financial statements are essentially the same as those used to prepare the 2013 consolidated financial statements. The interim financial statements should be read in conjunction with the audited 2013 financial statements.

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

The consolidated balance sheet is broken down into current and non-current items, in accordance with IAS 1. The balance sheet therefore presents non-current and current assets and liabilities separately. Assets and liabilities are classified as current if their remaining term to maturity or useful life is less than one year, or they are sold in less than one year in the course of normal operations. Assets and liabilities are classified as non-current if they remain in the company for more than one year.

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

Aside from the exceptions detailed below, the same accounting methods have been applied as in the previous year.

Impact of applying IFRS 10–12:

FP Holding applied the new consolidation standards contained in IFRS 10 – consolidated financial statements, IFRS 11 – joint arrangements and IFRS 12 – disclosure of interests in other entities and the associated amendments to IAS 27 on consolidated and separate financial statements and IAS 28 on investments in associates and joint ventures from 1 January 2014 with retrospective effect.

IFRS 10 introduces a standardised consolidation model for all companies based on control. Under the new model, a company is deemed a parent company with control where the company can make decisions regarding a subsidiary through voting rights or other rights, has exposure or rights to variable returns from the subsidiary company, and is able to influence those returns by the decisions it takes. The new standard has no significant impact on FP Holding.

IFRS 11 has changed the accounting rules for entities with joint control of activities. From now on, each operation has to be classified either as a joint operation or a joint venture. For joint ventures, the parties with joint control have an interest in the net assets, which is presented using the equity method. By contrast, in joint operations the parties with joint control have rights to the assets and obligations for the liabilities. A joint operator is required to recognise the assets, liabilities, revenue and expenses on a pro rata basis. The new standard has no significant impact on FP Holding.

IFRS 12 deals with the disclosure requirements for interests in subsidiaries, joint arrangements, associates, and consolidated and unconsolidated structured companies. The Group is not required to make any disclosures under IFRS 12 in these interim consolidated financial statements.

The interim consolidated financial statements and the interim Group management report have not been audited or reviewed in accordance with section 317 of the German Commercial Code (HGB).

COMPANY GROUP

Francotyp-Postalia Holding AG acts as the parent company for the Group under which FP Group companies are consolidated. All companies for which the Group exercises control over the financial and business policies (subsidiaries) are included in the consolidated financial statements of FP Holding. Subsidiaries are included in the consolidated financial statements from the moment when FP Holding acquires control. If that control ceases to exist, the corresponding companies are excluded from the consolidated group.

Compared with the consolidated financial statements as at 31 December 2013, there were no changes to the consolidated group in the reporting period.

CURRENCY TRANSLATION

Currencies have been translated at the following rates:

	Closing rate			Average rate	
1 EURO =	**31.3.2014**	31.12.2013	31.3.2013	**Q1/2014**	Q1/2013
US dollar (USD)	1.3798	1.3767	1.2809	1.3699	1.3208
Pound sterling (GBP)	0.8290	0.8331	0.8471	0.8279	0.8513
Canadian dollar (CAD)	1.5259	1.4636	1.3024	1.5112	1.3314
Swedish krona (SEK)	8.9486	8.8262	8.3509	8.8574	8.4977
Singapore dollar (SGD)	1.7381	1.7391	1.5907	1.7383	1.6348

The first quarter is the period from 1 January to 31 March of the year under review.

MANAGEMENT ESTIMATES AND DISCRETIONS

Preparing the interim consolidated financial statements requires a certain number of assumptions and estimates to be made which affect the amount and the recognition of assets and liabilities in the balance sheet and income and expenses for the reporting period. The assumptions and estimates are based on premises which rely on current knowledge. The expected future business performance in particular is based on the conditions when the interim consolidated financial statements are prepared and on realistic projected global and sectoral developments. The actual amounts reported may vary from the original estimates due to divergent developments or circumstances outside the management's control. If actual performance deviates from the expected performance, the premises and, if necessary the carrying amounts of the assets and liabilities concerned, will be adjusted accordingly.

II. DEVELOPMENTS IN THE REPORTING PERIOD

The activities of the FP Group are generally not affected by seasonal influences.

Please see the comments in the Group management report for information on how significant economic developments have affected the activities of the FP Group in the reporting period.

In February 2014, the Supervisory Board of Francotyp-Postalia Holding AG chose to extend the contract early for the current CEO Hans Szymanski; the contract has been extended to 31 December 2016. Mr Szymanski has been a member of the Management Board since December 2008 and CEO of the FP Group since November 2010. He is responsible for the Finance, Strategic Business Development, Production, IT, Research and Development, and Human Resources and Legal departments.

At the Annual General Meeting on 19 June 2014, the Management and Supervisory Boards will propose that the meeting approves a dividend payment of EUR 0.08 per share for the financial year 2013. The FP Group did not pay a dividend in 2013. If the Annual General Meeting approves the proposed dividend, the total amount distributed for dividend-bearing shares will be EUR 1.3 million. The Management Board proposes to carry forward the remaining profit.

In the lawsuit against former CEO Heinz-Dieter Sluma, the respondent submitted a defence statement on 21 March 2014. Legal experts are currently examining the lengthy written statement.

In the lawsuit against Mr Hans-Jürgen Voges, the minority shareholder in Mentana-Claimsoft GmbH, the respondent submitted a defence statement on 31 March 2014. Legal experts are currently examining the written statement. The potential loss could be a few hundred thousand euro.

OTHER DEVELOPMENTS

Please see the comments in the Group management report for information about other developments concerning the FP Group.

III. EXPLANATORY NOTES

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement of the FP Group shows cash inflows and outflows from ongoing operating, investing and financing activities.

Cash and cash equivalents are calculated as follows:

in EUR thousand	31.3.2014	31.3.2013
Liquid assets	30,707	27,502
Plus securities	680	680
Current liabilities in respect of postage credit balances held	21,925	-20,614
Cash and cash equivalents	**9,462**	**7,568**

Postage credit balances are deducted from cash and cash equivalents because the funds in question can be drawn down by clients at any time. The corresponding offsetting item appears under other current liabilities.

EMPLOYEES

Breakdown of the employees of the FP Group by region and function.

Regional distribution

COUNTRY	31.3.2014	31.3.2013
Germany	673	685
USA	112	113
UK	92	96
Netherlands	53	54
Canada	35	37
Italy	21	24
Belgium	18	22
Austria	18	21
Sweden	17	18
Singapore	10	8
France	8	4
Total	**1,057**	**1,082**

Functional distribution

SEGMENT	31.3.2014	31.3.2013
Production	167	175
Sales Germany	478	489
Sales International	384	397
Central functions	28	21
Total	**1,057**	**1,082**

CONTINGENT LIABILITIES AND ASSETS

As a participant in a competitive market it is not surprising that the FP Group is involved in a series of legal disputes. In particular, Francotyp-Postalia Vertrieb und Service GmbH is involved in several competition disputes with rivals, both in and out of court, as claimant and respondent. The substance of these disputes is customer advertising methods and market operations. The proceedings are focused on eliminating anti-competitive practices and have no significant commercial relevance. If the company loses the disputes, other promotional options are available. FrancotypPostalia GmbH is also involved in several disputes with competitors concerning infringements of trademark and patent rights. These cases are not currently believed to pose any great risk to the company.

Neopost has brought several out-of-court claims for patent infringements. The claims are currently being examined. We cannot give a definitive comment at this stage. If the patent infringement claims are upheld, there is a risk that Neopost will bring a lawsuit for patent infringement and damages against FP.

The lawsuit brought by SBW Vermögensverwaltungs GmbH against FP Holding on 9 March 2011 could be significant, however. The alleged claims are linked to the iab Group share purchase contract concluded by FP Holding. The company is claiming EUR 1,518,750.00 based on claims to the higher purchase price contained in the company purchase contract and the allegation that part payment in shares by the respondent is unlawful. Neuruppin Regional Court dismissed the case on 8 November 2011. SBW Vermögensverwaltungs GmbH lodged and substantiated an appeal against the judgment within the time limit. The Group continues to view the litigation risk as minor.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the balance sheet date of 31 March 2014 other than those shown in the financial statements for the interim period.

IV. SEGMENT INFORMATION

As the segments carry out their reporting in accordance with the local financial reporting framework (level I financial statements), both the adjustments in accordance with IFRS and the Group consolidation entries are included in the reconciliation with the interim consolidated financial statements. The Group consolidation entries relate to business relationships between the segments. As the figures in the level I financial statements are added up to calculate total segment income, the total segment values also include intra-segment figures and intra-Group profits. Consolidation takes place in the reconciliation column.

SEGMENT INFORMATION 1.1.-31.3.2014

in EUR thousand

	A	B	C	D		
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	**Total**
Revenue	21,446	25,753	19,135	622	-22,554	44,402
with third parties	1,113	24,796	18,754	0	-261	44,402
inter-segment	20,333	957	381	622	-22,293	0
EBITDA	**1,725**	**1,731**	**4,474**	**-529**	**-748**	**6,653**
Depreciation and impairments	274	647	2,336	5	-298	-2,965
Net interest income / expense	-114	-148	-144	-110	-42	-558
of which interest expense	381	219	203	404	-521	686
of which interest income	267	71	59	295	-563	128
Other financial result	-97	0	0	-7	0	-104
Tax result	9	-113	-573	-770	306	-1,140
Net income	1,250	822	1,421	-1,420	-186	1,886
Segment assets (as at 31 March)	116,937	43,526	86,661	114,314	-217,110	144,328
Capital expenditure	83	162	3,912	2	-63	4,095
Segment liabilities (as at 31 March)	114,148	34,562	66,978	48,000	-147,047	116,641

SEGMENT INFORMATION 1.1.–31.3.2013

in EUR thousand

	A	B	C	D		
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	**Total**
Revenue	21,456	24,190	20,015	449	–22,621	43,489
with third parties	1,362	22,965	19,458	0	–296	43,489
inter-segment	20,095	1,225	557	449	–22,325	0
EBITDA	**1,463**	**1,880**	**4,321**	**–464**	**–955**	**6,244**
Depreciation and impairments	284	680	2,082	4	–219	2,830
Net interest income / expense	–159	–190	–50	–110	45	–463
of which interest expense	471	248	192	547	–745	714
of which interest income	312	58	143	437	–700	251
Other financial result	–133	0	63	241	42	212
Tax result	–37	–64	–840	–1,113	1,087	–967
Net income	850	946	1,412	–1,451	439	2,196
Segment assets (as at 31 March)	117,174	90,792	98,806	118,498	–279,863	145,407
Capital expenditure	81	126	4,267	0	–368	4,106
Segment liabilities (as at 31 March)	115,164	82,005	77,743	58,246	–211,762	121,395

At the end of the year, the income of FP GmbH and its foreign sales companies is adjusted in accordance with standard fiscal rules for cross-border intra-Group transfer pricing. The adjustment primarily affects the reported inter-segment revenue and segment EBITDA and net income. Based on the current profit margins of the foreign sales companies, the Production segment's revenue and EBITDA for the reporting period 1 January to 31 March 2014 are set to increase by EUR 5,000 (2013: EUR 825 thousand). EBITDA for the Sales International segment is set to decrease by the same amount.

SEGMENT INFORMATION

in EUR thousand

	Production	Sales Germany	Sales International	Central functions	Group reconciliation	Total
1.1.–31.3.2014	A	B	C	D		
Provisions for restructuring	–200	0	0	0	0	–200
Income from the reversal of provisions	0	59	0	0	–59	0
1.1.–31.3.2013						
Provisions for restructuring	–830	–162	0	0	0	–992
Income from the reversal of provisions	0	0	0	0	0	0

RECONCILIATION IN EUR THOUSAND

REVENUE in EUR thousand	1.1.–31.3. 2014	2013
Sales revenue of segments A–C	66,335	65,661
Sales revenue of the Central functions segment	622	449
Effects from the adjustment of finance leases	-261	-296
	66,696	**65,814**
Minus inter-segment sales revenue	22,293	22,325
Sales revenue as per financial statement	**44,402**	**43,489**

EBITDA in EUR thousand	1.1.–31.3. 2014	2013
EBITDA of segments A–C	7,929	7,664
EBITDA of Central functions segment	-529	-464
	7,401	**7,199**
Assessment effects from the IFRS transition	311	620
Effects at the consolidation level	-1,059	-1,575
EBITDA Group	**6,653**	**6,244**
Depreciation and impairments	-2,965	-2,830
Net interest income / expense	-558	-463
Other financial result	-104	212
Group earnings before taxes	**3,026**	**3,163**
Tax result	-1,140	-967
Consolidated net income	**1,886**	**2,196**

ASSETS in EUR thousand	31.3. 2014	31.3. 2013
Assets of segments A–C	247,124	306,772
Assets of the Central functions segment	114,314	118,498
	361,438	**425,270**
Capitalisation of development costs under IFRS	18,148	17,291
Effects from the reassessment of goodwill	7,126	6,291
Effects from depreciation of customer relationships	-69	76
Effects from depreciation of software developed in house	-16	17
Remaining transitions to IFRS	3,218	4,474
	389,845	**453,419**
Effects at the consolidation level (including debt consolidation)	-245,517	-308,012
Assets as per financial statement	**144,328**	**145,407**

ASSETS BY REGION in EUR thousand	31.3.2014	31.3.2013
Germany	274,777	326,464
USA and Canada	42,177	42,322
Europe (without Germany)	43,776	43,143
Remaining regions	708	13,341
	361,438	**425,270**
Effects of revaluation under IFRS	28,492	28,056
Effects from depreciation of customer relationships	-69	76
Effects from depreciation of software developed in house	-16	17
	389,845	**453,419**
Effects at the consolidation level (including debt consolidation)	-245,517	-308,012
Assets as per financial statement	**144,328**	**145,407**

Goodwill totalling EUR 9.147 million (2013: EUR 9.147 million – amdended) is recognised in the consolidated balance sheet and is assigned exclusively to Sales Germany.

RESPONSIBILITY STATEMENT BY LEGAL REPRESENTATIVES

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

Birkenwerder, 28 May 2014

Management Board of Francotyp-Postalia Holding AG

Hans Szymanski
CEO & CFO

Thomas Grethe
CSO

Financial calendar / Imprint

Presentation Financial Results 1st Quarter 2014	28 May 2014
Annual General Meeting 2014	19 June 2014
Presentation Financial Results 2nd Quarter 2014	28 August 2014
Presentation Financial Results 3rd Quarter 2014 / Equity Forum Frankfurt 2014	November 2014

EDITOR AND CONTACT
Investor Relations
Triftweg 21–26
16547 Birkenwerder
Germany

Telephon: +49 (0)3303 52 57 77
Fax: +49 (0)3303 53 70 77 77
E-mail: ir@francotyp.com
Internet: www.fp-francotyp.com

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

TRANSLATION
CLS Communication AG, Basel
www.cls-communication.com

PHOTOGRAPHY
Daniel Möller, Hannover
www.fotodanielmoeller.de

STATEMENT RELATING TO THE FUTURE

The interim report is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at http://www.fp-francotyp.com.

FRANCOTYP-POSTALIA HOLDING AG

Triftweg 21–26
16547 Birkenwerder
Germany

Telephone: +49 (0)3303 52 57 77
Fax: +49 (0)3303 53 70 77 77
E-mail: ir@francotyp.com
Internet: www.fp-francotyp.com