fp-francotyp.com

FP-QUARTERLY REPORT

1/2016

Francotyp-Postalia grows in Q1 2016

+3.7%
increase in revenues to EUR 51.3 million

8.2 EUR MILLION
EBITDA at the level of the previous year

1.6 EUR MILLION
Positive free cash flow

Fiscal year 2016 on schedule:

The FP Group started the fiscal year 2016 as scheduled. In the traditionally strong first quarter, the company increased its revenues and expanded its market position.

Revenue increase in Mail Services:

In the business relating to the collection, franking, sorting, and delivery of postage discounted business mail, the FP Group reached a new revenue high in the past quarter.

Strong demand for PostBase:

Francotyp-Postalia scored points with its modern franking systems, particularly on leasing markets. Two other models will complete the innovative product family in the current year.

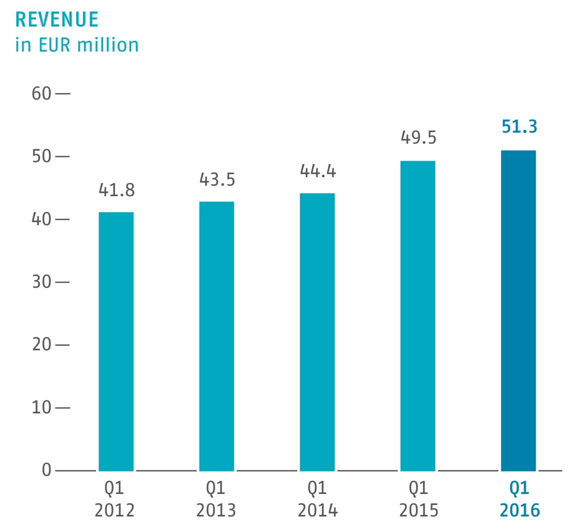
Operating result at the previous year's level:

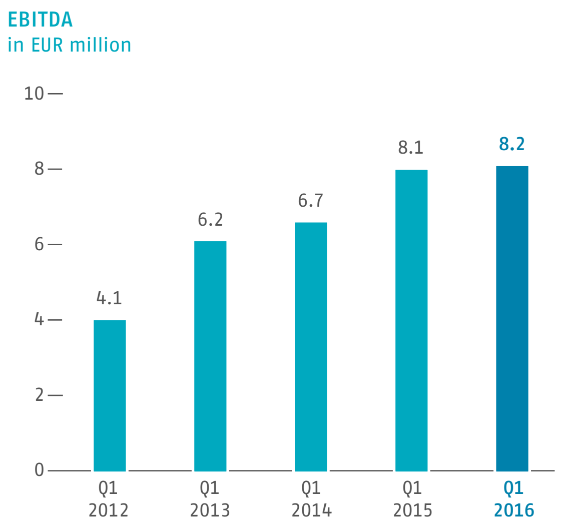
In the first quarter of 2016, EBITDA and EBIT remained at the previous year's level, amounting to EUR 8.2 million and EUR 4.0 million respectively.

Confirmation of the forecast:

On the assumption that exchange rates remain unchanged, the company continues to anticipate a slight increase in revenues and EBITDA in addition to positive free cash flow for 2016 as a whole.

FP on growth course





Management Board sees FP ON THE RIGHT TRACK

RÜDIGER ANDREAS GÜNTHER
CEO & CFO

"The FP Group started 2016 as expected – but we could be even better. This is why we are sharpening our growth strategy this year and will initiate measures in line with operational excellence.

We are still anticipating a slight increase in revenues and EBITDA for 2016. More leeway will be given in the medium term. This is because our company is characterised by a unique mix of longstanding expertise in mail processing and digital know-how. We therefore see opportunities to both grow against the market trend in our traditional business and significantly advance on the markets of the future. This is what we want and this is what we will become."

THOMAS GRETHE
CSO

"The investments in the PostBase family is paying off. Compared to our competitors, we have an innovative product portfolio and are thus acquiring market shares. With every additional franking system in the field, we are securing our basis for regular revenue at the same time – also for many years. This recurring revenue is what makes the charm of our business model."

SVEN MEISE
CDO

"We see a positive performance of the Mail Service and Software segments. In the consolidation business, we increased revenues again despite a fiercely competitive environment. An increasing number of companies are focusing on outsourcing their inbound and outbound mail to a service provider. Thanks to the FP Group's extensive range of services, there are virtually no other German providers in the same position. With new software features, we are further expanding this unique position."

Overview
OF THE FIRST QUARTER OF 2016

CURRENT FISCAL YEAR STARTED IN LINE WITH EXPECTATIONS

The FP Group started the fiscal year 2016 as scheduled. In the traditionally strong first quarter, the company increased its revenues and expanded its market position in the traditional and new business areas at the same time. In the first quarter of 2016, revenues saw a year-on-year increase by 3.7% to EUR 51.3 million. EBITDA and EBIT remained at the previous year's level at EUR 8.2 million and EUR 4.0 million respectively.

FRANKING MACHINE BUSINESS GAINS MARKET SHARES

In the first quarter of 2016, revenues in the traditional business with franking machines maintained its position despite a headwind resulting from the strong euro. Revenues amounted to EUR 32.2 million compared with EUR 32.3 million in the same period of the previous year. This stable performance was primarily the result of the ongoing strong demand for the PostBase franking system. After Germany, the introduction of the PostBase One and PostBase 100 franking systems is also planned in countries like the US and the UK for the current year. With these new franking systems, FP has completed its innovative product family in the upper product segment. Thanks to the innovative product portfolio, the company gained shares in various countries such as Canada, France, Italy and Sweden.

The successful performance of 2015 continued, especially on the two largest foreign markets, the US and the UK. Also after the end of decertification and thus after older machines had been replaced, as required by the US Postal Service (USPS), Francotyp-Postalia managed to convince new and existing customers to use PostBase in the US. Demand continued to be strong in the United Kingdom. In 2016, Francotyp-Postalia also introduced PostBase in other retailer countries like Australia.

INCREASE IN REVENUES IN MAIL SERVICES

In the new business areas, the FP Group increased its revenues by 11.6% to EUR 19.1 million in the first quarter of 2016. The Mail Services segment relating to the collection, franking, sorting and delivery of business mail with postage discounts were main contributors to this success. Revenues of the Mail Services subsidiary freesort subsequently rose by 15.0% alone to EUR 15.3 million. In the course of this, the Mail Services segment benefited in particular from the increase in postal charges in Germany as of 1 January 2016. In the first three months of 2016. The company consolidated more than 55 million letters and thus processed more than 3 million additional business letters compared to the same period of the previous year. At the same time, freesort acquired more than 50 new renowned customers.

In the Software business, FP moved forward with the systematic extension of its service range. Revenues in the Software segment remained at the previous year's level of EUR 3.9 million. In the past quarter, more renowned customers were also acquired in the Software segment. In particular, success was achieved with new offers for the Electronic Court and Administration Mailbox (EGVP – Elektronisches Gerichts- und Verwaltungspostfach). Moreover, a consulting offer for "TR-RESISCAN" was successfully launched. This allows for the destruction of paper documents once they have been scanned in compliance with the law, means retention of evidence of scanned documents.

OPERATING RESULT AT THE PREVIOUS YEAR'S LEVEL

With increasing revenues, the cost of materials grew by 5.6% to EUR 23.8 million in the first quarter of 2016, primarily as a result of the expansion of the Mail Services business. Staff costs increased by 1.9% to EUR 14.4 million. As at 31 March 2016, there were 1,049 employees as against 1,048 employees year-on-year. Despite of this increase in expenses the FP Group achieved EBITDA of EUR 8.2 million in the first quarter of 2016 and thus repeated the strong quarterly figures of the previous year. As a result, the EBITDA margin remained virtually unchanged at around 16%. As expected, amortisation and depreciation increased in the first quarter of 2016 and amounted to EUR 4.2 million after EUR 4.0 million in the same period of the previous year. Operating earnings (EBIT) remained at the level of the previous year (EUR 4.0 million).

The other financial result decreased to EUR 0.1 million compared with EUR 1.8 million in the same period of 2015. In the previous year, the FP Group benefited in particular from positive exchange rate effects on the revaluation of balance sheets items on the reporting date. The FP Group thus achieved consolidated net income of EUR 2.5 million in the first quarter of 2016, compared with EUR 3.5 million in the same quarter of the previous year. Earnings per share (undiluted) reached 15 cents after 21 cents in the first quarter of 2015.

POSITIVE FREE CASH FLOW IN THE FIRST QUARTER

Thanks to its innovative product portfolio, the FP Group has been successful, particularly on leasing markets. The company therefore needs to continuously invest in new machines and is thus creating a good basis for long-term revenues and income over lengthy periods of time. In the first quarter of 2016, investments amounted to EUR 4.2 million from EUR 5.0 million in the previous year. EUR 2.2 million of this amount was attributable to leased inventories; in the previous year, this amounted to EUR 3.1 million. In the first quarter of 2016, the company also capitalised development costs of EUR 1.3 million and invested a total of EUR 0.4 million in property, plant and equipment.

Cash outflows for investments of EUR 4.2 million were offset by cash inflows of EUR 5.9 million from cash flow from operating activities in the first quarter of 2016. Free cash flow then reached EUR 1.6 million, compared with EUR 2.6 million in the previous year.

Positive cash flow from operating activities is an important funding source for the FP Group in addition to finance leases and existing loan agreements with banks. Debt from the last two items totalled EUR 36.6 million as at 31 March 2016, compared with EUR 36.3 million at the end of 2015. In contrast, funds totalled EUR 18.1 million (31 December 2015: EUR 16.7 million). These also include treasury shares of EUR 0.8 million and securities of EUR 0.7 million in addition to cash and cash equivalents of EUR 19.3 million; postage credit balances of EUR 2.6 million as at 31 March 2016 are excluded. This resulted in net debt of EUR 18.5 million as at 31 March 2016 as against EUR 19.6 million at the end of 2015.

FORECAST: FP GROUP ANTICIPATES SLIGHT INCREASE IN REVENUE AND EBITDA

As announced in April 2016, the FP Group is continuously developing traditional business with franking machines, expanding its new business areas, and focusing on strengthening its earning power in the current fiscal year. The company is also implementing targeted operational excellence measures. Alongside this, it is working on the development of the existing growth strategy. It will present the results in the second half of 2016. At the moment, the FP Group still anticipates a slight year-on-year increase in revenue and EBITDA and positive free cash flow for the 2016 fiscal year.*

* The forecast is based on unchanged exchange rates.

Consolidated
FINANCIAL STATEMENTS

FOR THE 1ST QUARTER OF 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

in thousand euro	1.1.–31.3.2016	1.1.–31.3.2015
Revenue	51,302	49,480
Increase / decrease in inventories of finished goods and work in progress	–469	289
	50,833	**49,769**
Other own work capitalised	3,514	3,825
Other income	534	334
Cost of materials		
a) Raw materials and consumables used	9,010	8,792
b) Cost of purchased services	14,830	13,787
	23,840	**22,579**
Staff costs		
a) Wages and salaries	12,086	11,850
b) Social security contributions	1,969	2,020
c) Expenses for pensions and other benefits	304	226
	14,359	**14,096**
Depreciation, amortisation and write-downs	4,176	4,017
Other expenses	8,517	9,198
Net interest income		
a) Interest and similar income	235	113
b) Interest and similar expenses	468	406
	–233	**–293**
Net other finance costs		
a) Other financial income	2,240	4,230
b) Other finance costs	2,108	2,403
	132	**1,827**
Net tax income		
a) Tax income	874	307
b) Tax expense	2,230	2,389
	–1,356	**–2,082**
Consolidated net income	**2,532**	**3,490**
Other comprehensive income		
Foreign currency translation of financial statements of foreign entities	–1,881	2,105
of which taxes	–8	24
of which reclassified to consolidated net income	28	–37
Adjustment of provisions for pensions and partial retirement obligations in accordance with IAS 19	0	–2,150
of which taxes	0	3
of which reclassified to consolidated net income	0	0
Other comprehensive income after taxes	**–1,881**	**–45**
Total comprehensive income	**651**	**3,445**
Consolidated net income, thereof:	2,532	3,490
attributable to the shareholders of FP Holding	2,358	3,291
attributable to non-controlling interests	174	199
Total comprehensive income, of which:	651	3,445
attributable to the shareholders of FP Holding	477	3,246
attributable to non-controlling interests	174	199
Earnings per share (basic and diluted, in EUR)	**0.15**	**0.21**
Earnings per share (diluted)	**0.15**	**0.20**

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

ASSETS

in thousand euro	31.3.2016	31.12.2015
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets including customer lists	13,008	13,821
Goodwill	8,494	8,494
Development projects in progress and advance payments	12,044	10,715
	33,546	**33,030**
Property, plant and equipment		
Land, land rights and buildings	3,209	3,285
Technical equipment and machinery	4,786	4,944
Other equipment, operating and office equipment	3,700	3,764
Leased assets	23,970	24,602
Finance lease assets	4,024	5,299
Advance payments and assets under construction	208	96
	39,897	**41,990**
Other assets		
Associates	36	36
Other equity investments	163	163
Finance lease receivables	6,760	5,567
Other non-current assets	258	251
	7,217	**6,017**
Tax assets		
Deferred tax assets	1,314	1,901
Current tax assets	6,689	6,689
	8,003	**8,590**
	88,663	**89,627**
CURRENT ASSETS		
Inventories		
Raw materials and supplies	4,408	5,956
Work in progress	555	710
Finished goods and merchandise	5,574	5,025
	10,537	**11,691**
Trade receivables	19,513	16,937
Other assets		
Finance lease receivables	2,310	2,829
Income taxes receivable	1,832	1,914
Derivative financial instruments	683	992
Other current assets	14,650	13,287
	19,475	**19,022**
Securities	684	681
Cash and cash equivalents	19,269	18,214
	69,478	**66,545**
	158,141	**156,172**

LIABILITIES

in thousand euro	31.3.2016	31.12.2015
EQUITY		
Equity attributable to shareholders of the parent company		
Issued capital	16,160	16,160
Capital reserves	34,912	34,937
Stock option reserve	1,080	1,046
Treasury shares	–760	–810
Loss carried forward	–18,871	–22,414
Consolidated net income after minority interests	2,358	3,543
Total other equity	–630	1,251
	34,249	**33,713**
Non-controlling interests	1,693	1,519
	35,942	**35,232**
NON-CURRENT LIABILITIES		
Provisions for pensions and similar obligations	15,446	15,454
Other provisions	922	911
Financial liabilities	32,187	31,698
Deferred tax liabilities	226	687
	48,781	**48,750**
CURRENT LIABILITIES		
Tax liabilities	4,749	3,899
Provisions	6,050	5,899
Financial liabilities	4,398	4,631
Trade payables	9,388	9,850
Other liabilities	48,833	47,911
	73,188	**72,190**
	158,141	**156,172**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

in thousand euro	1.1.–31.3.2016	1.1.–31.3.2015
1. Cash flow from operating activities		
Consolidated net income	2,532	3,490
Net income tax recognised in profit or loss	1,356	2,082
Net interest income recognised in profit or loss	233	293
Depreciation, amortisation and write-downs on non-current assets	4,176	4,011
Decrease (–)/increase (+) in provisions and tax liabilities	–101	–1,048
Loss (+)/gain (–) on the disposal of non-current assets	29	54
Decrease (+)/increase (–) in inventories, trade receivables and other assets not attributable to investing or financing activities	–2,961	–5,084
Decrease (–)/increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	801	6,312
Other non-cash income	283	–1,672
Interest received	693	113
Interest paid	–1,034	–335
Income taxes paid	–131	–604
Cash flow from operating activities	**5,876**	**7,612**
2. Cash flow from investing activities		
Payments for the capitalisation of development costs	–1,297	–881
Payments for capitalised interest for development costs	–32	–42
Payments for investments in intangible assets	–268	–69
Payments for investments in property, plant and equipment	–2,636	–4,024
Cash flow from investing activities	**–4,233**	**–5,016**
3. Cash flow from financing activities		
Dividend payments to minority interests	–1	0
Bank loan repayments	0	–1,484
Repayments of finance lease liabilities	–562	–526
Proceeds from the assumption of finance lease liabilities	0	254
Proceeds from the sale of treasury shares	25	53
Proceeds from the assumption of bank loans	819	1
Cash flow from financing activities	**280**	**–1,702**
Cash and cash equivalents*		
Cash change in cash and cash equivalents	1,924	894
Exchange rate-related change in cash and cash equivalents	–524	702
Cash and cash equivalents at beginning of period	15,928	14,396
Cash and cash equivalents at end of period	**17,327**	**15,992**

* Postage credit balances managed by the FP Group (EUR 2,626 thousand; previous year: EUR 3,295 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 MARCH 2016

	Total other equity										
in thousand euro	Issued capital	Capital reserves	Stock option reserve	Treasury shares	Consoli-dated net income	Currency trans-lation adjust-ment	Net invest-ments in foreign opera-tions	Adjust-ment due to IAS 19	Equity attribut-able to FP Holding	Non-con-trolling interests	Total
As at 1 January 2015	16,160	35,032	977	−1,002	−19,855	628	254	−3,508	28,686	1,365	30,051
Consolidated net income 1 Jan. – 31 Mar. 2015	**0**	**0**	**0**	**0**	**3,290**	**0**	**0**	**0**	**3,290**	**200**	**3,490**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	2,751	55	0	2,806	0	2,806
Adjustment of provisions for pensions and partial retirement obligations in accordance with IAS 19	0	0	0	0	0	0	0	3	3	0	3
Other comprehensive income 1 Jan. – 31 Mar. 2015	**0**	**0**	**0**	**0**	**0**	**2,751**	**55**	**3**	**2,809**	**0**	**2,809**
Total comprehensive income 1 Jan. – 31 Mar. 2015	**0**	**0**	**0**	**0**	**3,290**	**2,751**	**55**	**3**	**6,099**	**200**	**6,299**
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Capital increase from stock options	0	−51	5	104	0	0	0	0	58	0	58
Dividend	0	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0	0
As at 31 March 2015	**16,160**	**34,981**	**982**	**−898**	**−16,565**	**3,379**	**309**	**−3,505**	**34,843**	**1,565**	**36,408**
As at 1 January 2016	16,160	34,937	1,046	−810	−18,871	3,425	178	−2,352	33,713	1,519	35,232
Consolidated net income 1 Jan. – 31 Mar. 2016	**0**	**0**	**0**	**0**	**2,358**	**0**	**0**	**0**	**2,358**	**174**	**2,532**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	−1,901	20	0	−1,881	0	−1,881
Adjustment of provisions for pensions and partial retirement obligations in accordance with IAS 19	0	0	0	0	0	0	0	0	0	0	0
Cash flow hedges	0	0	0	0	0	0	0	0	0	0	0
Fair value changes on available-for-sale financial assets	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income 1 Jan. – 31 Mar. 2016	**0**	**0**	**0**	**0**	**0**	**−1,901**	**20**	**0**	**−1,881**	**0**	**−1,881**
Total comprehensive income 1 Jan. – 31 Mar. 2016	**0**	**0**	**0**	**0**	**2,358**	**−1,901**	**20**	**0**	**477**	**174**	**651**
Dividend	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 from stock options	0	−25	34	50	0	0	0	0	59	0	59
As at 31 March 2016	**16,160**	**34,912**	**1,080**	**−760**	**−16,513**	**1,524**	**198**	**−2,352**	**34,249**	**1,693**	**35,942**

More INFORMATION

INFORMATION ABOUT THIS QUARTERLY REPORT

This document complies with new guidelines for quarterly reporting in accordance with section 51a of the Regulations of the Frankfurt Stock Exchange. As a result of amendments to European law, the legal obligation for listed companies to issue quarterly financial reports was revoked in Germany in 2015 effective from 2016. In future, companies will have the possibility to publish a condensed quarterly report in this way for the first and third quarters of a fiscal year.

INFORMATION ABOUT THE COMPANY FRANCOTYP-POSTALIA HOLDING AG

The FP Group, which has its headquarters in Berlin, is a digital mailroom provider. This global company offers all products and solutions for communication and document processes and thus focuses on business and private customers. In addition to traditional machinery to frank and insert mail, the company's range comprises services such as the collection of business mail and innovative software solutions such as De-Mail. The FP Group is now present in many developed countries with its own branches 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. In the 2015 fiscal year, the company generated EUR 191.1 million in revenue. The FP Group employees over 1,000 people worldwide.

IMPRINT

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