A STRONG TEAM

HALF-YEARLY FINANCIAL REPORT 2014

fp-francotyp.com

KEY FIGURES

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS IN EUR MILLION	1.1.– 30.6.2014	1.1.– 30.6.2013	Changes in %	1.4.– 30.6.2014	1.4.– 30.6.2013	Changes in %
Revenue	84.6	85.5	-1.0	40.2	42.0	-4.3
Recurring revenue	69.4	67.5	2.9	32.8	33.2	-1.0
EBITDA	11.8	11.5	2.4	5.1	5.3	-2.6
as percentage of revenue	14.0	13.5		12.8	12.6	
EBIT	5.7	5.9	-3.4	2.0	2.5	-19.1
as percentage of revenue	6.7	6.9		5.0	5.9	
Net profit	2.9	3.2	-9.6	1.0	1.0	0.1
as percentage of revenue	3.4	3.8		2.6	2.4	
Free cash flow	-1.1	0.3		-2.8	-0.8	250.1
Earnings per share (EUR)	0.18	0.21	-14.3	0.07	0.06	16.7
Share price end of period (EUR)	4.67	3.54	31.9			
Employees (end of period)	1,056	1,064	-0.8			

	30.6.2014	31.12.2013	Changes in %
Equity capital	16.2	16.2	0.0
Shareholders equity	27.8	25.9	7.3
as percentage of balance sheet total	18.7	18.8	
Return on equity (%)	10.5	12.4	
Debt capital	120.6	111.5	8.2
Net debt	11.0	9.7	13.4
Net debt-equity ratio	40	37	
Balance sheet total	148.4	137.4	8.0

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

Investing in future growth is the keynote for the current year and the present interim report on the first half.

Investments rose as planned by 18% in the first half of 2014 to EUR 8.6 million. This capital expenditure is important for the organisation as a whole. In addition, the investments are essential in order to stabilise existing business in the medium term and grow profitably. This applies particularly to investments in the US and French leasing markets. In the US, the decertification of older franking machines will continue to the end of 2015, making it possible to bring larger numbers of PostBase to the market through replacement business. We intend to further expand our business in France, which is the biggest European franking machine market, and we expect PostBase to be licensed there in autumn. In addition to these major markets, we have also had good success in leasing PostBase in countries such as Italy. These needed investments will continue to generate revenue from leasing, supplies and service for years to come.

Equally important are investments in development. Our experts are working on innovative franking machines and on expanding our range of software services. One major area is the development of the MyMail successor, which we plan to launch at the end of the year in the UK, followed by the US and Germany.

The FP Group is financing current capital expenditure from its own resources and with the help of existing credit lines and leasing agreements. In view of the planned higher level of investments, free cash flow in the first half of 2014 was in line with budget at EUR -1.1 million.

Two events are particularly noteworthy. As of 16 July 2014, the FP Group is the sole owner of Mentana-Claimsoft GmbH. Mentana-Claimsoft is Germany's first accredited De-Mail provider, advising, assisting and now supporting numerous companies in optimising their document process. Acquisition of all the shares in Mentana-Claimsoft GmbH is part of the consistent expansion of fully electronic mail communication, and as such is a key contribution to the development of this promising business area of the FP Group. Mentana-Claimsoft is very successful in linking customers to the De-Mail network. It should, however, be noted that in some cases implementing De-Mail involves substantial modification of complex processes, resulting in elaborate projects that delay the process of communicating through De-Mail accordingly.

Hans Szymanski, Speaker of the Management Board of Francotyp-Postalia Holding AG, and Thomas Grethe, Member of the Management Board of the Francotyp-Postalia Holding AG.

On 19 August 2014, we announced that the FP Group now had additional liquid assets totalling GBP 16.7 million as a result of reassessment of the teleporto funds (restricted cash) of the UK subsidiary Francotyp-Postalia Ltd. The reassessment involves advances similar in nature to deposits by FP customers in the UK that are paid directly to us. Current postage recrediting by customers is directly settled with the Royal Mail and customers. Previously, the Royal Mail required the balance of advances to be recognised as "restricted cash". This restriction has been deleted in the new manufacturer agreement negotiated between the Royal Mail and Francotyp-Postalia Ltd. After detailed review by the Management Board, the credit balance is now treated as cash freely available to the FP Group. This strengthens the financial strength of FP. With due regard to commercial prudence, we can now put these liquid assets immediately to productive use for FP, creating added value for all involved.

To begin with, this reassessment significantly reduces net debt to EUR 11 million. Consideration is also being given to using the released funds for investments in the future. Another alternative is to use the funds for a temporary repayment of liabilities, which would significantly reduce liabilities, leading to a higher equity ratio.

After a first half that was largely in line with expectations, we continue to expect that we will achieve our ambitious guidance for 2014 (not including currency effects). In view of the sluggish investment mood in Germany and difficult market conditions in Austria after the end of decertification there, this will not be easy, but we are making every effort to meet our forecast.

Leaving aside currency effects from the strong euro, the company plans to boost revenue to at least EUR 173 million, while also increasing EBITDA to at least EUR 25 million and EBIT to at least EUR 12 million. This profitable growth is conditional on the second half year continuing to develop in line with expectations and the sales initiatives having their due effect. We are seeing, for example, that it takes a comparatively long time for extensive training and certification of dealers to generate the expected contribution to sales.

It is therefore all the more important to expand the range of software and other services and grow our business in other countries. This also means that ongoing investments in future growth are important. Taken all together, the investments create a solid basis for maintaining profitable growth.

It is currently too early to say just how far this capital expenditure will already be effective in the coming year in contributing to achieving our medium-term goals for 2015. The Management Board accordingly expects that, although the coming year will see an improvement in operating results, the EBITDA goal of EUR 30 million will probably not be fully achieved in 2015, for the reasons given earlier. Concrete guidance for 2015 will be announced as usual in February of the new year.

The medium-term goals in particular offer a clear prospect of the opportunities available to the FP Group after increasing its revenue and successfully completing the reorganisation. We are steadily making use of these opportunities and strengthening our company's financial and earning power. In view of the ongoing improvement in earnings, we stand by our intention to share the company's success with you through our dividend.

Sincerely,

Hans Szymanski	Thomas Grethe
CEO & CFO	CSO

Francotyp-Postalia Holding AG
Interim Group Management Report for the first half 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, the Group), based in Birkenwerder near Berlin, is a multichannel 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 hybrid mail and fully electronic mail dispatch via De-Mail. Our target audience comprises corporate clients of all sizes. Francotyp-Postalia offers clients a comprehensive range of products and services for simple, affordable mail communication.

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

Franking and Inserting segment

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

Franking machines enable clients 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. Certification also covers the different ink consumables required by the postal organisations.

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 main revenue generator in the franking machine segment is the after-sales business, which generates recurring revenue. The after-sales business includes the teleporto business, sales of consumables, printing plates, and services and software solutions for cost centre management.

Software Solutions segment

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

FP's subsidiary iab (internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin) is a hybrid mail specialist. 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 deals with the entire production process between those two points – from printing, franking and inserting to handing the letter to a mail delivery company.

The FP Group secured its entry into the fully electronic communication sector in spring 2011 with the acquisition of a majority stake in Mentana-Claimsoft GmbH. At the end of 2013 the stake was increased by 24.5% to 75.5%. In July 2014 the FP Group acquired the remaining 24.5% and now holds 100% of the shares. You will find further information on this in "Events after the balance sheet date". Mentana-Claimsoft specialises in electronic signatures and offers products for securing electronic documents and legally binding communication in addition to products for long-term archiving. The company 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 by very powerful encryption.

Mail Services segment

The Mail Services segment encompasses mail consolidation services, i.e. 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. 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.

RESEARCH AND DEVELOPMENT

The expansion of the PostBase franking system platform remained the main focus of research and development activities in the second 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 the international presence of PostBase's franking system.

The FP subsidiary Mentana-Claimsoft is constantly improving the existing De-Mail system. The company is currently overhauling the www.fp-demail.de site. New functions are scheduled to be added in 2014, including an end-to-end encryption function. The FP-Box, as hardware solution has been developed in order to speed up the rollout of De-Mail and hybrid services for clients. As an entry product, the FP-Box will also simplify marketing and maintenance for De-Mail and hybrid services. In June 2014 Mentana-Claimsoft was the first company in Germany to receive certification for TR-RESISCAN. The certificate awarded by the German Federal Office for Information Security (BSI) eases digital document management and increases the legal certainty of scanned documents.

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 past quarter, research and development costs came to a total of EUR 1.9 million, significantly lower than during the same quarter of the previous year (EUR 2.4 million). R&D costs for the first half amounted to EUR 4.1 million in comparison to EUR 4.8 million in the previous year. Of this, EUR 2.0 million was capitalised as intangible assets. EUR 2.1 million was recognised as expenses. In the first half of 2014 the ratio of research and development expenses (including product care) to revenue was 4.8% (previous year: 5.6%).

EMPLOYEES

Our staff are a key factor in the success of the FP Group. The Group's long-term success is dependent on employees identifying with the Group and being committed to our objectives. We develop and enhance potential by giving our employees a great deal of autonomy.

As at 30 June 2014, the FP Group employed a total of 1,056 people worldwide, compared with 1,064 employees a year earlier. The slight decrease is primarily due to natural fluctuation in German. In the foreign companies, the number of employees rose slightly overall. As at the reporting date, 658 employees worked in the German companies (previous year: 681) while 398 were employed in the foreign subsidiaries (previous year 383).

Segment breakdown of employees as at 30 June 2014:

SEGMENT	30.6.2014	30.6.2013
Sales Germany	466	483
Sales – International	398	383
Production	166	176
Central functions	26	22
Total	**1,056**	**1,064**

ECONOMIC REVIEW

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

In the second quarter of 2014 the economy in Germany, the FP Group's home market, shrank compared with the first quarter. According to figures from the Federal Statistical Office, GDP in Germany was down slightly (-0.2%) from the previous quarter. In the first three months of 2014 the economy was still growing by 0.7%, but the combination of the tense situation in Ukraine, stagnated demand from companies in the eurozone and uncertainty about further economic developments all inhibited growth. The ifo business climate index, an important indicator for the German economy, fell in July 2014 for the third time in a row. Conversely, the economy in the US, the FP Group's largest foreign market, is recovering, with annualised economic growth of 4.0% in the second quarter of 2014.

The exchange rate between the euro and the US dollar is of paramount importance for exports of the FP Group to the US, and also for other markets. In the second quarter of 2014 the euro depreciated slightly, but was still significantly above the previous year's level. A slight upswing to its high of over USD 1.39 was followed in the past quarter by a downtrend to a level of USD 1.35 at the start of May. This was then followed by a recovery to USD 1.37 by the end of the quarter.

BUSINESS PERFORMANCE

Business performance in the second quarter of 2014 was distinguished by the growing importance of the leasing business, corresponding investment in future growth, and successes in the Software and Mail Services segments. When comparing the figures, it is important to note that the financial statements of the FP Group for the period ending 30 June 2014 take into account the effects of a new regulation of the British Royal Mail on the treatment of so-called restricted cash. Previously, so-called teleporto advances from the UK were recognised in the interim and annual financial statements as having limited availability. By contrast, the new agreement between the UK subsidiary Francotyp-Postalia Ltd and the Royal Mail provides for the funds to be available as cash and cash equivalents. As a result the net debt of the FP Group as at 30 June 2014 amounts to EUR 11.0 million. Further information on this is provided in the section on the financial position and results of operations and in the Notes.

Financial performance indicators

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

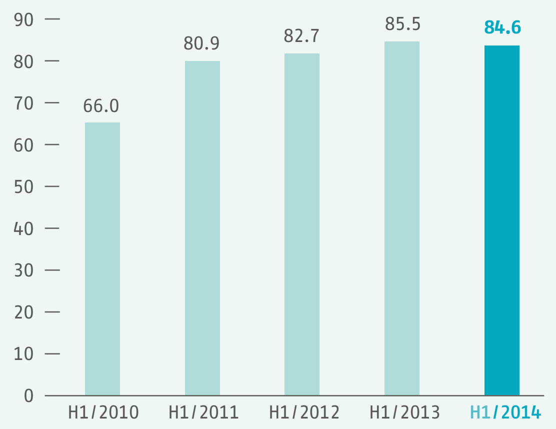
Revenue

In the second quarter of 2014, the FP Group generated total revenue of EUR 40.2 million, compared with EUR 42.0 million for the same period in 2013. The stronger euro had a negative currency effect of EUR 0.5 million. Revenue in Austria was also down on the previous year after the end of decertification. In Russia, revenue for the second quarter of 2013 reflected a one-off positive effect from the delivery of franking machines and accessories to Russian post offices.

In Germany by contrast, revenue in the second quarter of 2014 rose to EUR 22.2 million, up from EUR 21.5 million in the previous year. The US maintained its position as the largest foreign market in the second quarter of 2014, but exchange rate effects pushed US revenue down EUR 0.2 million to EUR 8.0 million.

In the first half of 2014 revenue of the FP Group totalled EUR 84.6 million, only slightly down on the previous year's EUR 85.5 million. Adjusting for the currency effect in the first half of EUR 0.9 million, revenue was unchanged from the previous year.

REVENUE
in EUR million



The breakdown of revenue by products and services highlights the success of the multi-channel strategy: rising revenue in new business areas offset declines in revenue in core product business due to currency and market conditions.

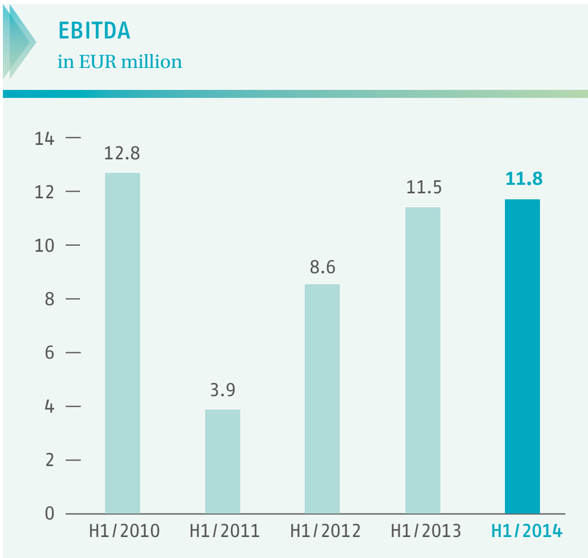
As a result, recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto and sales of consumables for approximately 234,000 franking machines worldwide rose to EUR 69.4 million in the first half of 2014 (H1 2013: EUR 67.5 million). This includes growth of 6% in revenue in the Software segment to EUR 6.6 million and a full 11% in revenue in the Mail Services segment to EUR 22.1 million.

REVENUE BREAKDOWN BY PRODUCT AND SERVICES

in EUR million	H1 2014	H1 2013	Q2 2014	Q2 2013
Recurring revenue	**69.4**	**67.5**	**32.8**	**33.2**
Equipment hire	11.8	11.4	6.1	5.8
Service/customer service	13.1	13.2	5.9	6.2
Consumables	10.4	10.7	4.8	5.2
Teleporto	5.3	5.9	2.6	3.0
Mail services	22.1	20.0	10.3	10.1
Software	6.6	6.2	3.0	3.0
Product sales revenue	**15.2**	**18.0**	**7.4**	**8.8**
Franking	11.1	13.4	5.4	6.5
Inserting	3.3	3.4	1.5	1.7
Other	0.8	1.3	0.5	0.7
Total	**84.6**	**85.5**	**40.2**	**42.0**
Recurring revenue	82.0%	78.9%	81.6%	79.0%
Non-recurring revenue	18.0%	21.1%	18.4%	21.0%

Earnings development (EBITDA, EBIT)

Operating earnings before interest, taxes, depreciation, and amortisation, EBITDA, developed in line with revenue in the second quarter of 2014 to EUR 5.1 million, compared with EUR 5.3 million in the year before. EBIT amounted to EUR 2.0 million, down from EUR 2.5 million in the same period of the previous year. Over the first half, EBITDA increased to EUR 11.8 million, while EBIT amounted to EUR 5.7 million. The impact on EBITDA from changing exchange rates compared to the previous year totalled EUR 0.3 million in the second quarter and EUR 0.6 million in the first half year.



Free cash flow

Free cash flow – the difference between cash inflows from operating activities (EUR 7.5 million) and cash outflows from investing activities (EUR 8.6 million) – fell to EUR -1.1 million in the first half, compared to EUR 0.3 million in the previous year. The negative cash flow is due to the scheduled increase in investment. The FP Group expects investment in the second half to be higher due to an increase in exchanges of leased products, the purchase of new tools and machines for production and the relocation of the head office.

Net debt

In the first half of 2014 FP Group's net debt rose slightly as a result of the negative cash flow to EUR 11.0 million, compared to EUR 9.7 million at the end of 2013. The reduction in the adjusted figures for 31 December 2013 compared to those originally reported is due to the change in recognition of teleporto advances in the UK. The new arrangement with the Royal Mail allows FP Group to dispose freely of the cash and cash equivalents.

CHANGES IN NET DEBT

in EUR million	30.6.2014	31.12.2013 (adjusted)	31.12.2013
Liabilities	42.2	38.6	38.6
Funds	31.3	28.9	8.5
Net dept	**11.0**	**9.7**	**30.1**
Equity	27.8	25.9	25.9
Net debt-equity ratio	**40%**	**37%**	**116%**

Net debt is calculated as debt minus cash and cash equivalents. Debt includes borrowing and liabilities from finance leases. Cash and cash equivalents include liquid assets, treasury shares and securities. For the first time, teleporto credit balances administered by the FP Group in the UK are also included. Postage credit balances in Canada and Austria were also reviewed, but here the funds paid in advance by customers to the FP subsidiaries continue to be restricted.

Changes in material items in the Group statement of comprehensive income

DETAILS TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1st half year 2014	1st half year 2013	Q2 2014	Q2 2013
Revenue	**84.6**	**85.5**	**40.2**	**42.0**
Changes in Inventory	0.8	1.9	-0.1	1.2
Other own work capitalised	7.6	7.0	3.8	3.3
Overall performance	**93.0**	**94.3**	**43.8**	**46.5**
Other income	0.6	0.6	0.3	0.3
Materials costs	41.1	40.0	19.3	19.7
Personnel costs	27.4	27.7	13.7	13.8
Depreciation, amortisation and impairment losses	6.1	5.6	3.1	2.8
Other operating expenses	13.4	15.7	6.0	8.0
Operating income before special income and expenditures	**5.7**	**5.9**	**2.0**	**2.5**
Net interest income/expense	-1.2	-1.0	-0.7	-0.5
Other financial result	0.0	0.1	0.1	-0.1
Tax result	-1.6	-1.8	-0.4	-0.8
Consolidated net result	**2.9**	**3.2**	**1.0**	**1.0**
EBIT	**5.7**	**5.9**	**2.0**	**2.5**
EBITDA	**11.8**	**11.5**	**5.1**	**5.3**

Revenue
In the second quarter of 2014, the FP Group generated total revenue of EUR 40.2 million, compared with EUR 42.0 million for the same period in 2013. The decrease is primarily due to currency effects and lower revenue in foreign markets. In the Mail Services and Software segments, revenue in the second quarter was virtually unchanged, although revenue increased in both segments over the full half-year.

Other own work capitalised
Other own work capitalised rose in the second quarter to EUR 3.8 million from EUR 3.3 million in the previous year. This is due to the continuing high level of franking systems manufactured for the leasing business 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. Increases in leased products included in capitalised own work amounted to EUR 2.9 million in the first half year, compared with EUR 2.3 million in the previous year.

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

Materials costs
In the second quarter of 2014, materials costs fell to EUR 19.3 million, compared with EUR 19.7 million for the same period in 2013. The cost of raw materials, consumables and supplies fell slightly to EUR 9.3 million due to lower product sales (previous year: EUR 9.6 million). The cost of services purchased fell slightly to EUR 10.0 million. The cost of materials ratio rose to 48.0% from 46.9% in the same period in 2013.

Personnel costs
In the second quarter of 2014, personnel costs decreased slightly to EUR 13.7 million (Q2 2013: EUR 13.8 million). Consistent with revenue, the personnel cost ratio rose to 34.1% from 32.9% in the same period in 2013.

Other expenses
Other expenses declined in the second quarter of 2014 to EUR 6.0 million, compared with EUR 8.0 million for the same period in 2013.

EBITDA
The FP Group posted a financial result of EUR 5.1 million in the second quarter of 2014 (Q2 2013: EUR 5.3 million). Over the first half of 2014 EBITDA rose to EUR 11.8 million, from EUR 11.5 million in the prior-year period, despite currency effects totalling EUR -0.6 million. The EBITDA margin rose to 14.0% from 13.5% in the previous year.

Depreciation and impairments
Depreciation and impairments rose to EUR 3.1 million in the second quarter of 2014, from EUR 2.8 million in the same period of 2013. The increase was driven by higher depreciation on replacements of leased products.

Net interest income/expense

In the second quarter of 2014, net interest expense stood at EUR 0.7 million compared with EUR 0.5 million in the year before. Owing to falling interest rates, interest income fell to EUR 0.1 million compared with EUR 0.3 million in the second quarter of 2013. Interest expenses remained unchanged at EUR 0.8 million.

Other financial result

The FP Group posted a financial result of EUR 0.1 million in the second quarter of 2014 (Q2 2013: EUR -0.1 million). The value of the financial result is affected by different exchange rates at the reporting date.

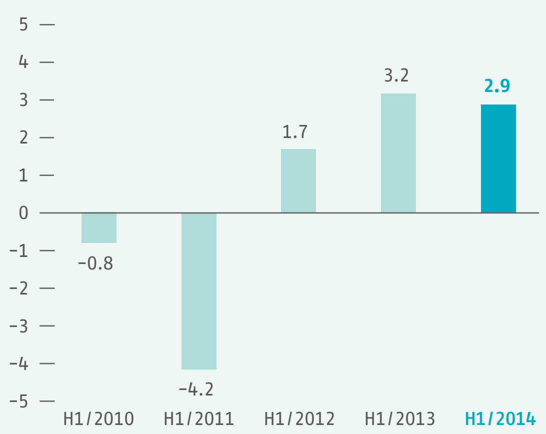
Net tax result

The tax result consists of tax income of EUR 0.5 million and current tax expenses totalling EUR 0.9 million. The net tax result came to EUR -0.4 million, compared with EUR -0.8 million for the same period in 2013. As a result, the tax ratio fell to 29.6%, compared to 45.2% in the prior-year period.

Consolidated net income

Despite the decrease in revenue, FP Group's consolidated net income in the second quarter of 2014 was unchanged from the previous year at EUR 1.0 million. Earnings per share stood at EUR 0.07 compared with EUR 0.06 in the second quarter of 2013. For the first half of 2014 consolidated net income totalled EUR 2.9 million.

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: Sales Germany, Sales International, Production and Central functions. The segment structure is reflected in the FP Group's internal reporting.

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

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

Sales Germany segment

Overall, the FP Group generated revenue of EUR 47.0 million with third parties in its German domestic market in the first half of 2014, compared with EUR 44.4 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 22.1 million, compared with EUR 20.0 million in the previous year. Revenue in the Software Solutions segment also improved to EUR 6.6 million, compared with EUR 6.2 million in the first six months of 2013.

Segment EBITDA stood at EUR 3.1 million compared with EUR 3.0 million in the previous year.

Sales International segment

The Sales International segment, which encompasses all activities by foreign subsidiaries, generated revenue of EUR 36.0 million with third parties in the first six months of 2014 (H1 2013: EUR 37.8 million). This reflects the impact of negative currency effects and the weaker business in Austria.

The Sales International segment generated EUR 7.7 million of EBITDA for the FP Group in the first half of 2014, compared with EUR 8.2 million in the previous year.

Production segment

All FP Group production activities in Germany are reported under the Production segment. Segment revenue came to EUR 2.2 million in the first six months of 2014, down from EUR 3.1 million in the previous year. This is due in particular to the one-off positive effect from the delivery of franking-machines and accessories to Russian post offices, which could not be repeated in 2014. EBITDA was EUR 3.2 million (EUR 3.1 million).

BREAKDOWN OF SEGMENT INCOME

in EUR million	Revenue [1]			EBITDA		
	Q2 2014	Q2 2013	Change in %	Q2 2014	Q2 2013	Change in %
Sales Germany	22.2	21.5	3.3	1.4	1.2	16.7
Sales – International	17.2	18.3	-6.0	3.2	3.8	-15.8
Production	1.1	1.8	-38.9	1.5	2.1	-28.6
FP Group [2]	40.2	42.0	-4.3	5.1	5.3	-3.8

BREAKDOWN OF SEGMENT INCOME

in EUR million	Revenue [1]			EBITDA		
	1st half 2014	1st half 2013	Change in %	1st half 2014	1st half 2013	Change in %
Sales Germany	47.0	44.5	5.6	3.1	3.0	3.3
Sales – International	36.0	37.8	-4.8	7.7	8.2	-6.1
Production	2.2	3.1	-29.0	3.2	3.5	-8.6
FP Group [2]	84.6	85.5	-1.1	11.8	11.5	2.6

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

FINANCIAL POSITION

Principles and objectives of financial management

The main aim of financial management is to avoid financial risks and 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 change in recognition of teleporto advances in the UK due to a new agreement with the Royal Mail which gives the FP Group free disposal over these liquid assets has a significant effect on net debt, as these funds no longer have to be deducted from cash and cash equivalents in calculating this key ratio, which accordingly shows a significantly better level. Further information on the new agreement is given in the Notes at I. "Adjustments to accounting methods". On 30 June 2014 the ratio was 40%, compared with 37% as at 31 December 2013.

Liquidity analysis

Cash flow from operating activities in the first half of 2014 amounted to EUR 7.5 million, virtually unchanged from EUR 7.6 million in the previous year. The cash outflow from investing activities rose as scheduled to EUR 8.6 million in the first six months of 2014, up from EUR 7.3 million in the first half of 2013. Please see the investment analysis for more information about the increase. Free cash flow – the balance of cash inflows from operating activities and cash outflows from investing activities – fell to EUR -1.1 million in the first half of 2014 (H1 2013: EUR 0.3 million). Cash flow from financing activities was unchanged at EUR 2.6 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.

The figure for liquid assets also shows the effect of the change in recognition of teleporto advances in the UK under a new agreement with the Royal Mail, which gives the FP Group free use of these liquid assets. The corresponding figures for 2013 and 2014 were adjusted in the statement of cash flow. Further information on the new agreement is given in the Notes at I. "Adjustments to accounting methods".

LIQUIDITY ANALYSIS in EUR million	1.1.– 30.6.2014	1.1.– 30.6.2013
1. Cash flow from operating activities		
Cash flow from operating activities	7.5	7.6
2. Cash flow from investing activities		
Cash flow from investing activities	-8.6	-7.3
3. Cash flow from financing activities		
Cash flow from financing activities	2.6	2.6
Cash and cash equivalents		
Change in cash and cash equivalents	1.5	2.8
Change in cash and cash equivalents due to currency translation	0.9	-1.0
Cash and cash equivalents at beginning of period	27.1	24.1
Cash and cash equivalents at end of period	**29.4**	**26.0**

Financing analysis

The FP Group further increased its financial strength in the first half of 2014, basing its financing primarily on the cash flow from operating activities for financing, along with existing and new loan agreements with financial institutions signed in the previous year and finance lease agreements.

Liquid assets totalled EUR 31.1 million at the end of the second quarter (end-2013: EUR 29.0 million). Financial debt included EUR 37.2 million in borrowing (end-2013: EUR 33.3 million) and liabilities from finance leases totalling EUR 5.0 million (end-2013: EUR 5.3 million). Cash and cash equivalents comprise 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 (end-2013: EUR 0.7 million). The item does not include the EUR 2.6 million in postage credit balances managed by the FP Group (end-2013: EUR 2.6 million). As explained, the teleporto credit balance from the UK is not subtracted from liquid assets.

Investment analysis

The FP Group has a focused investment strategy with a clear emphasis on investments that will facilitate the Group's ongoing development as a complete service provider for mail communication. Investment in the first half of 2014 rose in line with expectations to EUR 8.6 million, up from EUR 7.3 million in the first half of the previous year. Investment in the second half of 2014 is also likely to be higher than in the previous year. In 2014, the Group is investing heavily in future growth, including investment in development, production and more franking machines for the major leasing markets of the US and France.

Capitalisation of development costs in the first half of 2014 amounted to EUR 2.0 million, almost unchanged from EUR 1.9 million in the first half of the previous year. Investment in property, plant and equipment (excluding leased products and investments in finance lease relationships) increased to EUR 1.0 million in the first six months of 2014 (H1 2013: EUR 0.4 million). Investment in leased products increased due to the US rental business to EUR 5.5 million, compared with EUR 5.0 in the previous year.

INVESTMENTS in EUR million	1.1.- 30.6.2014	1.1.- 30.6.2013
Capitalised development costs	2.0	1.9
Investments in other intangible assets	0.1	0.1
Investments in property, plant and equipment (excluding leased products)	1.0	0.4
Investments in leased products	5.5	5.0
Investments in company acquisitions	0.0	0.0
Proceeds from the disposal of non-current assets	0.0	+0.1
Investments	**8.6**	**7.3**

NET ASSETS AND NET ASSETS STRUCTURE ANALYSIS

Primarily as a result of the expansion of the leasing business and the utilisation of the credit line to finance current investment, total assets as at 30 June 2014 increased to EUR 148.4 million, up from EUR 137.4 million at 31 December 2013. The share of non-current assets in total assets decreased from 51.6% to 49.9%. As at 30 June 2014, the ratio of current assets to current liabilities was 111.8% (end-2013: 107.7%).

Non-current and current assets

Within non-current assets, intangible assets decreased slightly by EUR 0.2 million to EUR 32.6 million. By contrast, property, plant and equipment increased to EUR 28.6 million, compared with EUR 24.6 million at the end of 2013. The total for leased products in particular rose to EUR 14.1 million, compared with EUR 10.1 million at the end of 2013. This is twice the total for the first half of 2013, highlighting the growing importance of the leasing business. Investment in finance lease relationships amounted to EUR 7.4 million, virtually unchanged from EUR 7.5 million at 31 December 2013. The FP Group uses finance leasing to finance rental machines (US), among other purposes.

Within current assets the value of inventories at 30 June 2014 rose to EUR 11.5 million, compared to EUR 8.8 million at 31 December 2013, as the FP Group is expanding the production of franking machines in the current year, primarily for the US leasing market. Trade receivables remained largely unchanged at EUR 17.4 million after EUR 17.1 million at year-end 2013. Securities of EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee issued to Deutsche Post AG. Other current assets increased from EUR 10.9 million to EUR 13.3 million at 30 June 2014, and cash and cash equivalents rose from EUR 29.0 million to EUR 31.3 million.

Equity

Because of the positive consolidated net profit, shareholders' equity rose as at 30 June 2014 to EUR 27.8 million compared with EUR 25.9 million at the end of 2013. As a result of the increase in total assets, the equity ratio at 30 June 2014 was 18.7%, virtually unchanged from the year-end level of 18.8%. As at 30 June 2014 the share capital of Francotyp-Postalia Holding AG amounted to EUR 16.2 million, divided into 16,160,000 non-par value bearer shares.

As at the end of the first half 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

Non-current liabilities rose in the first half of 2014 from EUR 49.8 million to EUR 54.2 million, as the FP Group drew down an existing credit line to finance current investment in future growth. The ratio of net debt to equity at the end of the first half was 40%, compared with 37% at end-2013.The change in recognition of teleporto advances in the UK has a significant effect on net debt, as these funds no longer have to be deducted from cash and cash equivalents in calculating the ratio, which accordingly shows a significantly improved level. Further information on the new agreement is given in the Notes at I. "Adjustments to accounting methods".

Current liabilities stood at EUR 66.4 million as at 30 June 2014 (end-2013: EUR 61.8 million). Liabilities from sales and services came to EUR 8.2 million (end-2013: EUR 7.5 million). Other current liabilities rose to EUR 46.9 million from EUR 42.1 million as at 31 December 2013, which included EUR 23.4 million in teleporto balances (end-2013: EUR 23.0 million). It should be noted that despite the free disposal over teleporto advances from customers in the UK, the corresponding liabilities to the customers are unchanged in the full amount.

Leasing

The FP Group has both operating and finance leases. The business models are also reflected in the FP balance sheet. Non-current assets comprise machines leased under operating lease agreements to FP Group clients. Leased products and investments in finance lease relationships stood at EUR 21.5 million. Finance lease agreements with clients are recognised under receivables from finance leases; non-current and current items came to EUR 1.6 million as at 30 June 2014.

EVENTS AFTER THE BALANCE SHEET DATE

In July 2014 Francotyp-Postalia Holding AG acquired a further 24.5% of the shares in Mentana-Claimsoft GmbH. After Francotyp-Postalia's initial purchase of 51% of the shares on 3 March 2011 and the subsequent acquisition of a further 24.5% in November 2013, the company now holds 100% of the shares. The acquisition is part of an amicable agreement with one of the original sellers and did not involve any use of liquid assets. This settlement resolved a legal dispute. The acquisition of all the shares in Mentana-Claimsoft marks a further consistent expansion by the FP Group of its business in fully electronic mail communication.

At the start of July 2014 Francotyp-Postalia also announced that the company will leave the Arbeitgeberverband der Metall- und Elektroindustrie (Employers' Association of the Metals and Electronic Industry – VME) in Berlin and Brandenburg, effective 31 December 2014, and will join the Allgemeiner Wirtschaftsverband (General Association of Trade and Industry – AWV). The aim is to achieve greater flexibility in configuring salaries, which need to be aligned with the actual situation in the market, the Group and the performance of the employees. In future, the company will enter into negotiations on remuneration directly, without regard to any general collective bargaining agreement.

On 19 August 2014, FP published an ad hoc notice on the correction of errors in accordance with IAS 8 in connection with the availability of funds. Further information on this may be found in the Notes under "Adjustments to accounting methods and new standards and interpretations".

Beyond this, no events of special significance occurred after the interim reporting date (30 June 2014) which could have had a notable effect on the net assets, financial position or results of operation of the FP Group.

RISK AND OPPORTUNITY REPORT

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

FORECAST

Given that business has developed very largely in line with expectations in the first half of 2014, the FP Group continues to believe that it can achieve its ambitious goals for 2014. Leaving aside currency effects, the company plans growth in revenue to at least EUR 173 million, and an increase in EBITDA to at least EUR 25 million and EBIT to at least EUR 12 million. This profitable growth is conditional on the second half year continuing to develop in line with expectations, and the sales initiatives having their due effect.

The company expects a one-time negative value of EUR -2 million for free cash flow in 2014, as a result of the high level of expected investment for the year. The FP Group is only revising its forecast for net debt, where the change in recognition of teleporto advances in the UK has resulted in a substantial reduction in the company's net debt. The figure for net debt as at 31 December 2013 has been revised from its original EUR 30.1 million to EUR 9.7 million, and the company accordingly expects the total for 2014 to be EUR 12 million, instead of EUR 32 million.

2014 is a year of investment for the FP Group, with a focus on investment in the US leasing market. 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 France, the largest European franking machine market, over the coming quarters. As France is also a leasing market, the move will require corresponding investment. The planned investments in development and production mean that capital expenditure levels are set to rise considerably year over year in 2014.

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

Interim Consolidated Financial Statements for the first half of 2014

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014

in EUR thousand

	1st half 2014 1.1.–30.6.2014	1st half 2013 1.1.–30.6.2013	2nd quarter 2013 1.4.–30.6.2014	2nd quarter 2013 1.4.–30.6.2013
Revenue	84,591	85,466	40,189	41,977
Changes in inventories of finished goods and work in progress	840	1,877	-140	1,218
	85,431	**87,343**	**40,049**	**43,195**
Other capitalised own work	7,566	6,962	3,799	3,295
Other income	608	607	316	317
Materials costs				
a) Cost of raw materials, consumables and supplies	18,325	19,610	9,282	9,584
b) Costs for purchased services / Other financial result	22,741	20,397	10,019	10,122
	41,066	**40,007**	**19,301**	**19,706**
Personnel costs				
a) Wages and salaries	23,108	23,397	11,586	11,680
b) Social security contributions	3,852	3,778	1,931	1,861
c) Expenditure on pension schemes and other benefits	415	549	200	287
	27,375	**27,724**	**13,717**	**13,828**
Depreciation and impairments	6,098	5,622	3,133	2,792
Other expenses	13,362	15,655	5,997	7,989
Net interest income / expense				
a) Interest and similar income	268	528	140	277
b) Interest and similar expenses	1,487	1,498	801	784
	-1,219	**-970**	**-661**	**-507**
Other financial result				
a) Other financial income	152	1,125	-7	331
b) Other financial expenses	152	1,028	-110	446
	0	**97**	**103**	**-115**
Tax result				
a) Tax income	948	815	477	31
b) Tax expense	2,521	2,626	909	876
	-1,573	**-1,811**	**-432**	**-845**
Consolidated net income	**2,912**	**3,220**	**1,026**	**1,025**
Other comprehensive income				
Translation of foreign currencies from financial statements of foreign entities	111	84	249	-202
of which taxes	-23	78	21	97
of which reclassified in consolidated net income	15	-479	36	-348
Other comprehensive income after taxes	**111**	**84**	**249**	**-202**
Comprehensive income	**3,023**	**3,304**	**1,275**	**823**
Consolidated net income:	2,912	3,220	1,026	1,025
– of which attributable to the shareholders of the FP Holding	2,884	3,285	1,093	1,001
– consolidated net profit attributable to minority interests	28	-65	-67	24
Comprehensive income:	3,023	3,304	1,275	823
– of which attributable to the shareholders of FP Holding	3,051	3,369	1,342	799
– of which attributable to minority interests	-28	-65	-67	24
Earnings per share (undiluted and diluted, in EUR):	**0.18**	**0.21**	**0.07**	**0.06**

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2014

ASSETS

in EUR thousand

	30.6.2014	31.12.2013
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets including customer lists	16,138	16,472
Goodwill	9,147	9,147
Development projects and payments in progress	7,290	7,131
	32,575	**32,750**
Property, plant and equipment		
Land, land rights and buildings	2,484	2,420
Technical equipment and machinery	999	1,033
Other equipment, operating and office equipment	3,464	3,560
Leased products	14,091	10,060
Investments in finance lease relationships	7,378	7,509
Advance payments and assets under construction	206	36
	28,622	**24,618**
Other assets		
Associated companies	36	36
Other equity investments	163	163
Receivables from finance leases	441	995
Other non-current assets	211	201
	851	**1,395**
Tax assets		
Deferred tax claims	5,384	5,450
Current tax assets	6,689	6,689
	12,073	**12,139**
	74,121	**70,902**
CURRENT ASSETS		
Inventories		
Raw materials and supplies	4,836	3,578
Work in progress	810	530
Finished products and merchandise	5,849	4,712
	11,495	**8,820**
Accounts receivable	**17,427**	**17,067**
Other assets		
Receivables from finance leases	1,139	995
Income tax assets	603	228
Derivative financial instruments	52	81
Other current assets	11,539	9,637
	13,333	**10,941**
Securities	**680**	**680**
Liquid assets	**31,336**	**28,990**
	74,271	**66,498**
	148,392	**137,400**

LIABILITIES

in EUR thousand

	30.6.2014	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	915	781
Treasury shares	-1,829	-1,829
Loss carried forward	-23,982	-27,650
Consolidated net income after minority interests	2,884	4,931
Other comprehensive income	-2,484	-2,595
	26,976	**25,110**
Minority interests	792	764
	27,768	**25,874**
NON-CURRENT LIABILITIES		
Provisions for pensions and similar obligations	14,085	14,089
Other provisions	1,086	1,194
Financial debt	37,096	33,337
Other liabilities	313	313
Deferred tax liabilities	1,634	824
	54,214	**49,757**
CURRENT LIABILITIES		
Tax liabilities	2,384	2,188
Provisions	3,832	4,803
Financial debt	5,109	5,223
Liabilities from sales and services	8,160	7,456
Other liabilities	46,925	42,099
	66,410	**61,769**
	148,392	**137,400**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014

in EUR thousand	**1.1.–30.6.2014**	1.1.–30.6.2013
Cash flow from operating activities		
Consolidated net income	2,884	3,285
Income tax result recognised in profit or loss	1,573	1,811
Net interest income recognised in profit or loss	1,219	970
Depreciation and amortisation of non-current assets	6,098	5,625
Decrease in provisions	–795	–2,046
Loss (+)/gain (–) on the disposal of non-current assets	–1,173	55
Decrease (+)/increase (–) in inventory, trade receivables, and other assets not attributable to investing or financing activities	–4,508	–3,829
Decrease (–)/increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	5,523	2,636
Other non-cash income	–915	720
Government assistance not yet received	0	–121
Interest received	268	528
Interest paid	–1,213	–1,285
Income tax paid	–1,438	–798
Cash flow from operating activities	**7,523**	**7,551**
Cash flow from investing activities		
Cash paid for internally generated intangible assets	–10	0
Cash payments for the capitalisation of development costs	–2,045	–1,912
Proceeds from the disposal of non-current assets	26	118
Cash paid for investments in intangible assets	–142	–97
Cash paid for investments in property, plant and equipment	–6,463	–5,402
Cash paid for financial investments	0	0
Cash flow from investing activities	**–8,634**	**–7,293**
Cash flow from financing activities		
Cash outflows from reverse repo transactions	0	–2,037
Dividend payments to minority interests	0	49
Cash paid for profit distributions to shareholders	–1,263	0
Cash paid to repay bank loans	–1,588	–1,848
Cash payments to repay liabilities from finance leases	–998	–1,164
Cash inflows from taking up liabilities from finance leases	723	3,207
Cash inflows as a result of issuing shares	0	0
Cash inflows from taking out bank loans	5,716	4,379
Cash flow from financing activities	**2,590**	**2,586**
Cash and cash equivalents*		
Change in cash and cash equivalents	1,479	2,844
Change in cash and cash equivalents due to currency translation	860	–982
Cash and cash equivalents at beginning of period	27,060	24,124
Cash and cash equivalents at end of period	**29,399**	**25,986**

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 2,617 thousand; previous year EUR 2,385 thousand). Cash and cash equivalents include current securities totalling EUR 680,000 (previous year: EUR 680,000).

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 30 JUNE 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 January 2013 [1]	16,160	35,312	636	-1,829	-26,999	-1,344	885	-1,742	21,079	492	21,571
Consolidated net income 1.1.-30.6.2013	0	0	0	0	3,285	0	0	0	3,285	-65	3,220
Translation of financial statements of foreign entities	0	0	0	0	0	84	-400	0	-316	0	-316
Adjustment of provisions for pensions and semi-retirement as per IAS 19 (rev. 2011) [1]	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income 1.1.-30.6.2013	0	0	0	0	0	84	-400	0	-316	0	-316
Comprehensive-income 1.1.-30.6.2013	0	0	0	0	3,285	84	-400	0	2,969	-65	2,904
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Capital increase from stock options	0	0	21	0	0	0	0	0	21	0	21
Dividends	0	0	0	0	0	0	0	0	0	-49	-49
Other changes	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30.6.2013 [1]	16,160	35,312	657	-1,829	-23,714	-1,260	485	-1,742 [1]	24,069	378	24,447
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.-30.6.2014	0	0	0	0	2,884	0	0	0	2,884	28	2,912
Translation of financial statements of foreign entities	0	0	0	0	0	171	-60	0	111	0	111
Adjustment of provisions for pensions and semi-retirement as per IAS 19 (rev. 2011)	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income 1.1.-30.6.2014	0	0	0	0	0	171	-60	0	111	0	111
Comprehensive income 1.1.-30.6.2014	0	0	0	0	2,884	171	-60	0	2,995	28	3,023
Dividends	0	0	0	0	-1,263	0	0	0	-1,263	0	-1,263
Capital increase from stock options	0	0	134	0	0	0	0	0	134	0	134
Balance as at 31.3.2014	16,160	35,312	915	-1,829	-21,098	-1,346	234	-1,372	26,976	792	27,768

1) For more information about the amendments see "Selected explanatory notes 2.1 on IAS 19 – Employee Benefits".

SELECTED EXPLANATORY NOTES
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 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 30 June 2014 include FP Holding and its subsidiaries (the "FP Group" or Francotyp).

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

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 2013 consolidated financial statements and Group management report of Francotyp-Postalia Holding AG 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 financial statements were approved by the Management Board of FP Holding for publication on 28 August 2014.

ACCOUNTING PRINCIPLES

Principles for the preparation of the financial statements

The interim consolidated financial statements – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and selected explanatory notes – of FP Holding for the period from 1 January to 30 June 2014 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 30 June 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.

Adjustments to accounting methods and new standards and interpretations

During the 2014 financial year, FP has become aware of a matter that has not previously been properly addressed. It has become evident that liquid assets were inappropriately described in the cash flow statement as "restricted" and were therefore deducted from the holdings of "Cash and cash equivalents at end of period". The error in the cash flow statement is being corrected retrospectively in accordance with IAS 8. We have adjusted the interim financial statements as at 30 June 2014 and the comparison period accordingly. The following table shows the corrected amounts for the relevant entries in the cash flow statement. The relevant explanatory notes are also being corrected.

in EUR thousand	30.6.2013	Adjustment 30.6.2013	30.6.2013 (adjustment)	**30.6.2014**
Cash and cash equivalents at end of period	8,084	17,902	25,986	29,399
Increase in trade payables and other liabilities not attributable to investing or financing activities	3,238	-601	2,637	5,523

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 retroactive 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 ultimate parent company for the group under which the 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	
EUR 1 =	**30.6.2014**	31.12.2013	30.6.2013	**H1 2014**	H1 2013
US dollar (USD)	1,3650	1,3767	1,3067	1,3705	1,3134
Pound sterling (GBP)	0,8013	0,8331	0,8579	0,8214	0,8510
Canadian dollar (CAD)	1,4582	1,4636	1,3698	1,5032	1,3341
Swedish krona (SEK)	9,1773	8,8262	8,7867	8,9538	8,5314
Singapore dollar (SGD)	1,7040	1,7391	1,6537	1,7282	1,6330

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 prematurely extended the existing Management Board contract with Hans Szymanski until 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.

The AGM on 19 June 2014 resolved on the distribution of a dividend of EUR 0.08 per share for the financial year 2013. The total amount distributed for the dividend-bearing shares was EUR 1.3 million and was paid out in the second quarter of 2014. The remaining profit was carried forward. The FP Group did not pay a dividend in 2013.

In the lawsuit against the Mentana-Claimsoft GmbH minority shareholder, Mr Hans-Jürgen Voges, negotiations towards a settlement out of court were commenced and successfully concluded (details under point III 4.).

In the lawsuit against former CEO Heinz-Dieter Sluma, the respondent submitted a defence statement on 21 March 2014. In counsel's view, the defendant's response gives no cause to amend the current risk assessment. The court hearing has been scheduled for 9 October 2014.

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	30.6.2014	30.6.2013 [1]
Liquid assets	31,336	27,691
Plus securities	680	680
Current liabilities in respect of postage credit balances held	−2,617	−2,385
Cash and cash equivalents	**29,399**	**25,986**

1) Adjusted. Notes to amendments: See "I. Adjustments to accounting methods and new standards and interpretations".

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 segment.

Regional distribution

COUNTRY	30.6.2014	30.6.2013
Germany	658	681
US	124	110
UK	93	92
Netherlands	54	54
Canada	37	36
Italy		21
Austria	18	21
Sweden	18	19
Belgium	15	18
Singapore	10	8
France	8	4
Total	**1,056**	**1,064**

Segment distribution

SEGMENT	30.6.2014	30.6.2013
Production	166	176
Sales Germany	466	483
Sales International	398	383
Central functions	26	22
Total	**1,056**	**1,064**

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. These accusations are currently being examined. It is not yet possible to give a final evaluation. 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. The alleged claims arise from the contract for the purchase of iab Group shares concluded by FP Holding. The sum claimed is 1,518,750.00 euro. The claim is based on demands for the higher purchase price from the company purchase contract and the alleged unlawfulness of the partial payment with shares by the respondent. In its judgment of 8 November 2011, the Neuruppin District Court dismissed the case. SBW Vermögensverwaltungs GmbH lodged and substantiated an appeal against the judgment within the time limit. The Higher Regional Court of Brandenburg announced in the hearing of 1 July 2014 that it intends to reject the appeal as either inadmissible or unfounded. The litigation risk is therefore regarded by the Group as very low.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

A court hearing in the matter of SBW Vermögensverwaltungs GmbH versus FP Holding was held at the Higher Regional Court, Brandenburg, on 1 July 2014. Counsel take the view that there is little prospect of the appeal succeeding. Judgment is due to be pronounced on 19 August 2014.

An out-of-court settlement between Francotyp-Postalia Holding AG and the former Mentana-Claimsoft GmbH minority shareholder Mr Hans-Jürgen Voges was certified by a notary on 10 July 2014. Under its terms, Francotyp-Postalia Holding AG acquires 24.5% of the shares in Mentana-Claimsoft GmbH, thus becoming its sole shareholder. In return for the shares, Francotyp-Postalia will initially suspend the still pending lawsuit and withdraw it five months after the settlement becomes effective in law.

On 19 August 2014, FP published an ad hoc notice on the correction of errors in accordance with IAS 8 in connection with the availability of funds. Further information on this is to be found in the Notes under I. "Adjustments to accounting methods and new standards and interpretations".

No other significant events occurred after the balance sheet date of 30 June 2014 other than those shown in the financial statements for the interim period.

IV. SEGMENT INFORMATION

Segment reporting is based on the financial statements in accordance with the local financial reporting framework (level I financial statements). The figures in the individual level I financial statements are added up to form segment amounts and also include intersegment figures and intragroup profits. Consolidation and reconciliation on the interim consolidated financial statements takes place using the reconciliation column, which also includes the adjusting entries in accordance with IFRS.

SEGMENT INFORMATION 1.1.–30.6.2014

in EUR thousand

	A	B	C	D		
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	**Total**
Revenue	42,692	48,933	36,980	1,278	–45,292	84,591
with third parties	2,174	47,008	35,977	0	–568	84,591
inter-segment	40,518	1,925	1,003	1,278	–44,724	0
EBITDA	**3,234**	**3,131**	**7,668**	**–1,204**	**–1,027**	**11,802**
Depreciation and impairments	546	1,278	4,844	10	–580	6,098
Net interest income/expense	–631	–347	–266	105	–80	–1,219
of which interest expense	1,133	446	384	924	–1,400	1,487
of which interest income	502	99	118	1,029	–1,480	268
Other financial result	10	0	–37	–2	29	0
Tax result	–2	–222	–918	–660	229	–1,573
Net income	2,065	1,284	1,603	–1,771	–269	2,912
Segment assets (as at 30 June)	116,885	43,157	86,855	116,854	–215,359	148,392
Capital expenditure	484	287	8,651	2	–766	8,658
Segment liabilities (as at 30 June)	113,281	33,732	66,257	52,154	–144,800	120,624

SEGMENT INFORMATION 1.4.–30.6.2013

in EUR thousand

	A	B	C	D		
	Production 1)	Sales Germany	Sales International	Central functions 1)	Group reconciliation	**Total**
Revenue	44,594	47,508	38,826	1,031	–46,493	85,466
with third parties	3,232	44,477	37,777	0	–20	85,466
inter-segment	41,362	3,031	1,049	1,031	–46,473	0
EBITDA	**3,459**	**3,047**	**8,166**	**–1,625**	**–1,521**	**11,526**
Depreciation and impairments	563	1,326	4,308	9	–584	5,622
Net interest income/expense	–287	–369	–141	–277	104	–970
of which interest expense	974	488	420	1,141	–1,525	1,498
of which interest income	687	119	279	864	–1,421	528
Other financial result	–113	0	80	309	–179	97
Tax result	–52	–3	–1,619	–654	517	–1,811
Net income	2,444	1,349	2,178	–2,256	–495	3,220
Segment assets (as at 30 June)	117,775	92,537	84,102	132,548	–283,042	143,920
Capital expenditure	139	288	7,674	3	–586	7,518
Segment liabilities (as at 30 June)	114,172	83,447	62,586	73,102	–213,868	119,438

1) FP InovoLabs GmbH has been reallocated from the “Central Functions” segment to the “Production” segment.

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 30 June 2014 are set to increase by EUR 529,000 (2013: EUR 1,103,000). EBITDA for the Sales International segment is set to decrease by the same amount.

SEGMENT INFORMATION

in EUR thousand

	Production [1]	Sales Germany	Sales International	Central functions [1]	Group reconciliation	Total
1.1.-30.6.2014						
Provisions for restructuring	-400	0	0	0	0	-400
Income from the reversal of provisions	12	108	0	86	0	206
1.1.-30.6.2013						
Provisions for restructuring	-1,250	-173	0	0	0	-1,423
Income from the reversal of provisions	55	108	2	3	0	168

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

RECONCILIATION IN EUR THOUSAND

SALES REVENUE

	1.1.–30.6. 2014	1.1.–30.6. 2013
Sales revenue of segments A-C [1]	128,605	130,928
Sales revenue of the Central functions segment [1]	1,278	1,031
Effects from the adjustment of finance leases	-568	-653
Effects of POC valuation	0	633
	129,315	131,939
Minus inter-segment sales revenue	44,724	46,473
Sales revenue as per financial statement	**84,591**	**85,466**

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

EBITDA

	1.1.–30.6. 2014	1.1.–30.6. 2013
EBITDA of segments A-C [1]	14,033	14,672
EBITDA of the Central functions segment [1]	-1,204	-1,625
	12,829	13,047
Assessment effects from the IFRS transition	1,113	1,912
Effects at the consolidation level	-2,140	-3,433
EBITDA Group	**11,802**	**11,526**
Depreciation and impairments	-6,098	-5,622
Net interest income/expense	-1,219	-970
Other financial result	0	97
Group earnings before taxes	**4,485**	**5,031**
Tax result	-1,573	-1,811
Consolidated net income	**2,912**	**3,220**

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

ASSETS

ASSETS	30.6.2014	30.6.2013
Assets of segments A–C[1]	246,898	294,415
Assets of the Central functions segment[1]	116,854	132,548
	363,752	426,963
Capitalisation of development costs under IFRS	18,215	17,495
Effects from the reassessment of goodwill	7,335	6,500
Effects from depreciation of customer relationships	–136	9
Effects from depreciation of software developed in house	–30	–28
Remaining transitions to IFRS	3,539	4,407
	392,675	455,347
Effects at the consolidation level (including debt consolidation)	–244,281	–311,426
Assets as per financial statement	**148,392**	**143,920**

1) FP InovoLabs GmbH has been reallocated from the “Central Functions” segment to the “Production” segment.

ASSETS BY REGION

ASSETS BY REGION	30.6.2014	30.6.2013
Germany	276,897	342,862
USA and Canada	42,147	41,821
Europe (without Germany)	43,868	41,637
Remaining regions	840	643
	363,751	426,963
Effects of revaluation under IFRS	29,089	28,403
Effects from depreciation of customer relationships	–136	9
Effects from depreciation of software developed in house	–30	–28
	392,674	455,346
Effects at the consolidation level (including debt consolidation)	–244,281	–311,426
Assets as per financial statement	**148,392**	**143,920**

SEGMENT INFORMATION 1.4.–30.6.2014

in TEUR

	A	B	C	D		
	Production	Sales Germany	Sales International	Central functions	Group reconciliation	**Total**
Revenue	21,246	23,180	17,845	656	-22,738	40,189
with third parties	1,061	22,212	17,223	0	-307	40,189
inter-segment	20,185	968	622	656	-22,431	0
EBITDA	**1,509**	**1,400**	**3,194**	**-675**	**-279**	**5,149**
Depreciation and impairments	272	631	2,508	5	-282	3,133
Net interest income/expense	-517	-199	-122	215	-38	-661
of which interest expense	752	227	181	520	-879	801
of which interest income	235	28	59	734	-917	140
Other financial result	107	0	-37	5	29	104
Tax result	-11	-109	-345	110	-77	-433
Net income	815	462	182	-351	-83	1,026
Segment assets (as at 30 June)	116,885	43,157	86,855	116,854	-215,359	148,392
Capital expenditure	401	125	4,739	0	-702	4,563
Segment liabilities (as at 30 June)	113,281	33,732	66,257	52,154	-144,800	120,624

SEGMENT INFORMATION 1.4.–30.6.2013

in TEUR

	A	B	C	D		
	Production 1)	Sales Germany	Sales International	Central functions 1)	Group reconciliation	**Total**
Revenue	23.138	23.318	18.811	582	-23.872	41.977
with third parties	1.870	21.512	18.319	0	276	41.977
inter-segment	21.267	1.806	492	582	-24.148	0
EBITDA	**1.996**	**1.168**	**3.846**	**-1.160**	**-566**	**5.284**
Depreciation and impairments	279	647	2.226	5	-365	2.792
Net interest income/expense	-128	-179	-91	-167	59	-507
of which interest expense	503	240	228	594	-780	784
of which interest income	375	61	136	427	-721	277
Other financial result	20	0	17	68	-220	-115
Tax result	-15	61	-780	459	-570	-845
Net income	1.594	403	766	-805	-932	1.025
Segment assets (as at 30 June)	117.775	92.537	84.102	132.548	-283.042	143.920
Capital expenditure	58	161	3.407	3	-218	3.411
Segment liabilities (as at 30 June)	114.172	83.447	62.586	73.102	-213.868	119.438

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

RECONCILIATION IN EUR THOUSAND

REVENUE in EUR thousand	1.4.–30.6. 2014	2013
Sales revenue of segments A–C[1]	62,270	65,267
Sales revenue of the Central functions segment[1]	656	582
Effects from the adjustment of finance leases	-307	-357
Effects of POC valuation	0	633
	62,620	66,125
Minus inter-segment sales revenue	22,431	24,148
Sales revenue as per financial statement	**40,189**	**41,977**

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

EBITDA in EUR thousand	1.1.–30.6. 2014	2013
EBITDA of segments A–C[1]	6,104	7,010
EBITDA of the Central functions segment[1]	-675	-1,160
	5,428	5,850
Assessment effects from the IFRS transition	802	1,292
Effects at the consolidation level	-1,082	-1,859
EBITDA Group	5,148	5,284
Depreciation and impairments	-3,133	-2,792
Net interest income/expense	-661	-507
Other financial result	104	-115
Group earnings before taxes	1,458	1,869
Tax result	-433	-845
Consolidated net income	**1,027**	**1,025**

1) FP InovoLabs GmbH has been reallocated from the "Central Functions" segment to the "Production" segment.

Goodwill totalling EUR 9.147 million (2013: EUR 9.147 million[2]) is recognised in the consolidated balance sheet and is assigned exclusively to Sales Germany.

2) Error corrected in accordance with IAS 8 in the report on quarter III of 2013.

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 August 2014

Management Board of Francotyp-Postalia Holding AG

Hans Szymanski	Thomas Grethe
CEO & CFO	CSO

Financial calendar / Imprint

Presentation Financial Results 2nd Quarter 2014	28 August 2014
Presentation Financial Results 3rd Quarter 2014 / Equity Forum Frankfurt 2014	November 2014

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STATEMENT RELATING TO THE FUTURE

This interim 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 interim 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 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 www.fp-francotyp.com.

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