

Balance sheet as of 31 December 2016

Assets

Equity and liabilities

	31.Dec. 2016		31. Dec. 2015
	EUR thousand	EUR thousand	EUR thousand
<b>A. Fixed assets</b>			
<b>I. Intangible assets</b>			
1. Purchased concessions, industrial and similar rights		343	50
<b>II. Tangible assets</b>			
1. Land, land rights and buildings	1.180		1.221
2. Other equipment, operating and office equipment	183		157
		1.363	1.378
<b>III. Financial assets</b>			
1. Shares in affiliated companies	21.767		9.660
2. Loans to affiliated companies	53.123		53.123
		74.890	62.783
		76.596	64.211
<b>B. Current assets</b>			
<b>I. Receivables and other assets</b>			
1. Receivables from affiliated companies	36.656		44.866
2. Other assets	1.616		1.336
--of which taxes: EUR 482 thousand (PY: EUR 822 thousand)--			
		38.272	46.202
<b>II. Bank balances</b>		76	1.017
		38.348	47.219
<b>C. Prepaid expenses</b>		770	610
<b>D. Deferred tax assets</b>		957	1.117
		116.671	113.157

	31.Dec. 2016		31. Dec. 2015
	EUR thousand	EUR thousand	EUR thousand
<b>A. EQUITY</b>			
<b>I. Issued capital</b>			
1. Subscribed capital	16.215		16.160,00
2. Nominal amount of treasury shares	0		-164
		16.215	15.996
<b>II. Capital reserves</b>		39.135	38.806
<b>III. Net retained profits</b>		15.649	17.966
		70.999	72.768
<b>B. Provisions</b>			
1. Provisions for pensions and similar obligations	627		613
2. Tax provisions	2.238		2.978
3. Other provisions	3.087		1.986
		5.952	5.577
<b>C. CURRENT LIABILITIES</b>			
1. Liabilities to banks	37.968		33.373
2. Trade payables	670		191
3. Liabilities to affiliated companies	606		1
4. Other liabilities	222		211
--of which taxes: EUR 182 thousand (PY: EUR 203 thousand)--			
		39.466	33.776
<b>D. Deferred tax liabilities</b>		254	1.036
		116.671	113.157

## Income statement for the period from 1 January to 31 December 2016

	1 Jan. - 31 Dec. 2016		1 Jan. - 31 Dec. 2015 (adjusted according to BilRUG)		1 Jan. - 31 Dec. 2015 (as reported)	
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
1. Revenue		2.434		2.083		2.049
2. Other operating income		2.284		1.248		1.282
3. Cost of materials		844		406		0
4. Personnel expenses						
a) Wages and salaries	4.365		3.432		3.432	
b) Social security, post-employment and other employee benefit costs	390		525		525	
--of which post-employment: EUR -22 thousand (PY: EUR 76 thousand)--						
		4.755		3.957		3.957
5. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible assets		134		110		110
6. Other operating expenses		5.593		3.270		3.667
7. Income from investments		0		38		38
--of which from affiliated companies: EUR 0 thousand (PY: EUR 38 thousand)--						
8. Income from profit transfer agreements		5.386		15.305		15.305
9. Expenses from profit transfer agreements		108		214		214
10. Income from loans held as financial assets		1.624		2.016		2.016
--of which from affiliated companies: EUR 1,624 thousand (PY: EUR 2,016 thousand)--						
11. Other interest and similar income		155		334		334
--of which from affiliated companies: EUR 148 thousand (PY: EUR 334 thousand)--						
12. Interest and similar expenses		1.254		1.209		1.209
13. Extraordinary expenses		0		0		9
14. Taxes on income (income in fiscal year, expense in previous year)		416		3.916		3.916
--of which from change in recognised deferred taxes: EUR -3,011 thousand (PY: EUR 2,425 thousand)--						
15. Earnings after taxes		<u>-390</u>		<u>7.942</u>		<u>7.942</u>
16. Other taxes		4		5		5
17. Net income/loss for the year		<u>-394</u>		<u>7.937</u>		<u>7.937</u>
18. Retained profits brought forward from the previous year		16.043		10.029		10.029
19. Net retained profits/net accumulated losses		<u>15.649</u>		<u>17.966</u>		<u>17.966</u>

## Notes to the financial statements of Francotyp-Postalia Holding AG, Berlin, for fiscal year 2016

### I. General information

Francotyp-Postalia Holding AG, Berlin (hereinafter also referred to as “FP Holding” or “the company”), is the parent company of the Francotyp-Postalia Group (hereinafter also referred to as “Francotyp-Postalia”). The company’s headquarters are at Prenzlauer Promenade 28, 13089 Berlin, Germany.

In 2015, FP Holding was entered in the Commercial Register maintained by Berlin (Charlottenburg) Local Court under HRB 169096. The company was previously registered at Neuruppin Local Court under HRB 7649.

FP Holding is an international company in the outbound mail processing sector with a history dating back over 90 years. The company has the function of a holding company. The focus of the activities of the subsidiaries of FP Holding is the traditional product business, which consists of developing, manufacturing and selling franking machines and inserters and conducting after-sales business. In addition, the FP Group offers its German customers sorting and consolidation services, hybrid mail products and products for fully electronic communication via its subsidiary freesort GmbH and its subsidiary internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik and Mentana-Claimsoft GmbH.

Since 2006, all shares in Francotyp-Postalia Holding AG have been admitted for trading on the official market. On the same date, the shares were authorised for trading on the Prime Standard segment of the Frankfurt Stock Exchange, where additional post-listing requirements apply. The shares are traded on the Frankfurt Stock Exchange under the Securities Identification Number (Wertpapierkennnummer) FPH900.

These annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz – AktG). The income statement was prepared using the nature of expense method. The provisions of the German Accounting Directive Implementation Act (BilRUG) were applied for the first time in fiscal year 2016.

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

### II. Accounting policies

The following accounting policies remained the decisive factor in the preparation of the annual financial statements.

**Intangible assets** and **tangible assets** are carried at cost less scheduled amortisation and depreciation. Straight-line amortisation and depreciation is based on the following useful lives:

	Years
<b>I. Intangible assets</b>	
Purchased concessions, industrial and similar rights and assets	3-6
<b>II. Tangible assets</b>	
1. Land, land rights and buildings, including buildings on third-party land	3-25
2. Other equipment, operating and office equipment	2-10

**Shares in affiliated companies** are carried at cost, and **loans** and **receivables** are carried at their nominal values. Assets are subjected to regular impairment testing. If a permanently lower value has

to be assigned to a fixed asset as at the balance sheet date a corresponding impairment will be recognised. The calculation of the fair values of shares in affiliated companies requires an estimate of future cash flows for the subsidiary concerned and an appropriate discount rate for the calculation of present value. Interest is recognised according to the effective interest method and is based on the Group's refinancing interest rate. Specific valuation allowances are recognised for doubtful receivables.

**Receivables in foreign currencies** are measured at the middle spot rate on the balance sheet date. Translation differences are recognised in the income statement. If the remaining term is more than one year and measurement at the middle spot rate on the balance sheet date results in a higher receivable, the receivable is recognised at the historical rate.

**Other assets** are recognised at nominal value.

Expenses incurred before the balance sheet date are carried on the assets side as **prepaid expenses** if they represent expenditure relating to a specific time after that date, while income received before the balance sheet date is carried on the liabilities side as **deferred income** if the income relates to a specific time after that date.

**Treasury shares** are shown as an item to be deducted from subscribed capital. The difference between the nominal value and the cost is offset against the distributable reserves. Other expenses associated with the acquisition that are transaction costs are treated as expenses for the fiscal year.

**Provisions for pensions** have been formed on the basis of figures calculated on actuarial principles using the mortality tables (Richttafeln 2005 G) drawn up by Professor Klaus Heubeck in accordance with the projected unit credit method, applying an interest rate in accordance with section 253(2) sentence 2 HGB, and offset against any plan assets available. At present, an interest rate of 3.24% (previous year: 3.89%) is used as an average interest rate for the last seven years and 4.01% (previous year: not recognised) as an average interest rate for the last ten years. Expected average annual increases in pensions are taken into account at 2.00% (previous year: 2.00%). The accumulated difference arising from remeasurement on the basis of the introduction of the German Accounting Law Modernisation Act will be at least  $\frac{1}{15}$  by 31 December 2024 and is shown in extraordinary expenses.

For **indirect pension commitments**, the option granted under section 28(1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) is exercised, and no pension provisions are recognised. Any deficit arising as the difference between the provisions and the assets of the pension institution is stated in the notes to the financial statements.

**Other provisions** cover all discernible risks and uncertain liabilities. They are recognised in accordance with prudent business judgement and at settlement amount. Provisions with a remaining term of more than one year are discounted with the average market interest rate of the past seven fiscal years corresponding to their remaining term.

In accordance with section 254 HGB, the company exercised the option not to recognise hedges. Therefore, the negative fair value changes of the derivatives over the term are anticipated by recognising a provision for anticipated losses from uncompleted transactions in accordance with the imparity principle under the German Commercial Code. Positive fair value changes are not recognised in accordance with the prudence principle under the German Commercial Code.

All **liabilities** are carried at their settlement values.

**Current and non-current liabilities in foreign currencies** are generally measured at the middle spot rate on the balance sheet date. Translation differences are recognised in income. If the remaining term is more than one year and measurement at the middle spot rate on the balance sheet date results in a lower liability, the liability is recognised at the historical rate.

Future tax assets and liabilities arising from differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income under commercial law and their tax carrying amounts

and from interest and loss carryforwards, which are expected to decrease in the next five fiscal years, are recognised as **deferred taxes** on the balance sheet. The resulting future tax assets and liabilities are recognised without offsetting.

### **III. Balance sheet disclosures**

#### **1. Fixed assets**

Changes during fiscal year 2016 to the asset items carried on the balance sheet are set out in the statement of fixed assets, attached as an appendix.

Shares in Francotyp-Postalia GmbH (FP GmbH), Berlin (formerly Birkenwerder), Berlin, freesort GmbH (freesort), Langenfeld, FP InovoLabs GmbH, Berlin (formerly Birkenwerder), FP Systems India Private Limited, Mumbai, FP Produktionsgesellschaft mbH, Wittenberge, and Mentana-Claimsoft GmbH, Fürstenwalde/Spree are reported under financial assets.

In addition, the share in FP Vertrieb und Service GmbH was spun off from Francotyp-Postalia GmbH and transferred to Mentana-Claimsoft GmbH in accordance with sections 123 et seq. of the German Transformation Act (Umwandlungsgesetz – UmwG) by way of a spin-off and acquisition agreement dated 29 June 2016. FP Holding AG's shareholding in Mentana-Claimsoft GmbH increased by EUR 18,186 thousand. The spin-off and acquisition took economic effect on 1 January 2016. The entry in Part B of the Commercial Register was made on 31 December 2016.

By resolution dated 31 December 2016, Mentana-Claimsoft refunded contributions of EUR 6,080 thousand to FP Holding from the capital reserves, which reduced the carrying amount of FP Holding's equity investment by this amount. FP Holding's receivable from Mentana-Claimsoft increased accordingly, so the balance sheet shows an asset swap.

FP Holding exercised its option to purchase the remaining shares (48.99%) in internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin (iab), with effect from 1 October 2016. This increased the carrying amount of the equity investment by the purchase price of EUR 800 thousand. It then sold its 100% share in the company to freesort GmbH.

FP Holding holds 0.002% of the shares in FP Systems India Private Limited, Mumbai, India, which was founded in September 2010; the remaining 99.996% of the shares are held directly by FP GmbH.

The shareholdings are distributed as follows:

Item no.	Company	Currency	Share of capital in %	Earnings 31 Dec. 2016	Equity 31 Dec. 2016	Shareholder (item no.)
1	Francotyp-Postalia Holding AG, Berlin, Germany					
	<b>List of shareholdings</b>					
2	Francotyp-Postalia GmbH, Berlin, Germany	EUR thousand	100	0	1,005	1
3	freesort GmbH, Langenfeld, Germany	EUR thousand	100	4,224	5,610	1
4	internet access GmbH lilibit Berlin Gesellschaft für Kommunikation und Digitaltechnik, Berlin, Germany	EUR thousand	100	930	1,039	3
6	FP Direkt Vertriebs GmbH, Berlin, Germany	EUR thousand	100	0	26	2
7	Francotyp-Postalia Vertrieb und Service GmbH, Berlin, Germany	EUR thousand	100	0	11,187	12
8	FP Hanse GmbH, Hamburg, Germany	EUR thousand	100	0	102	7
9	FP InovoLabs GmbH, Berlin, Germany	EUR thousand	100	0	215	1
10	Francotyp-Postalia Unterstützungseinrichtung GmbH, Berlin, Germany	EUR thousand	100	-371	3,659	2
11	FP Produktionsgesellschaft mbH, Wittenberge, Germany	EUR thousand	100	0	319	1
12	Mentana-Claimsoft GmbH, Fürstenwalde/Spree, Germany	EUR thousand	100	2,189	8,137	1
13	Francotyp-Postalia N.V./S.A., Antwerp, Belgium	EUR thousand	99.97	46	769	2
14	Francotyp-Postalia GmbH, Vienna, Austria	EUR thousand	100	222	981	2
15	Ruys Handelsvereniging B.V., Zoetermeer, Netherlands	EUR thousand	100	292	587	2
16	Italiana Audion s.r.l., Milan, Italy	EUR thousand	100	-408	-237	2
17	Francotyp-Postalia Ltd., Dartford, UK	GBP thousand	100	2,355	7,834	2
18	Francotyp-Postalia Inc., Addison, Illinois, USA	USD thousand	100	641	35,657	2
19	Francotyp-Postalia Canada Inc., Concord, Canada	CAD thousand	100	202	-2,357	18
20	Francotyp-Postalia Sverige AB, Solna, Sweden	SEK thousand	100	342	1,049	2
21	Francotyp-Postalia France SARL, Rungis, France	EUR thousand	100	35	349	2
22	Francotyp-Postalia Asia Pte.Ltd., Singapore, Singapore *	SGD thousand	-	-	-	-
23	FP Data Center Inc., Osaka, Japan	JPY thousand	49	372	94,781	2
24	Nippon Postalia-Francotyp Co. Ltd., Tokyo, Japan	JPY thousand	24.01	-543	892	23
25	FP Systems India Private Limited, Mumbai, India	INR thousand	99.996	-324	927	1 and 2
26	FP Direct Ltd., Dartford, UK	GBP	100	n.a.	1	17

\*figures not yet available

\*\* different fiscal year, figures as at 31 May 2016

The financial assets represent approximately 64% (previous year: 56%) of the balance sheet total or 106% (previous year: 86%) of shareholders' equity.

Loans are unchanged at EUR 53,123 thousand (previous year: EUR 53,123 thousand), of which EUR 48,623 thousand to FP GmbH and EUR 4,500 thousand to freesort. A letter of subordination has been issued for the loans to freesort GmbH.

## **2. Receivables and other assets**

The **receivables from affiliated companies** of EUR 36,657 thousand (previous year: EUR 44,866 thousand) have a remaining term of up to one year. In addition to cash pooling and short-term financing, they include the income from the profit transfer agreements with FP GmbH of EUR 4,882 thousand (previous year: EUR 14,810 thousand) and FP Produktionsgesellschaft mbH of EUR 503 thousand (previous year: EUR 495 thousand).

On 29 June 2016, it was resolved to waive FP Vertrieb und Service's debt of EUR 18,186 thousand, which reduced receivables from affiliated companies in favour of equity investments. On 31 December 2016, Mentana-Claimsoft resolved to repay EUR 6,080 thousand from the capital reserves. Receivables from Mentana-Claimsoft increased accordingly as at the reporting date.

**The other assets** of EUR 1,616 thousand (previous year: EUR 1,336 thousand) mainly include receivables from subsidies not yet received from Investitionsbank Berlin of EUR 1,051 thousand and income tax receivables from the tax office of EUR 324 thousand (previous year: EUR 822 thousand). The other assets have a remaining term of less than one year.

## **3. Prepaid expenses**

The **prepaid expenses** of EUR 770 thousand (previous year: EUR 610 thousand) primarily include prepaid bank fees of EUR 651 thousand (previous year: EUR 510 thousand).

## **4. Deferred tax assets**

Deferred tax assets of EUR 956 thousand (previous year: EUR 1,117 thousand) are recognised. The tax rate is 30.18% (previous year: 30.18%). Francotyp-Postalia Holding AG is the corporation and trade tax group parent for Francotyp-Postalia GmbH, FP Direkt Vertriebs GmbH, FP Produktionsgesellschaft mbH and FP InovoLabs GmbH. The indirect investments in the former tax group entities FP Vertrieb und Service GmbH and FP Hanse GmbH were transferred to another Group company as part of intragroup restructuring.

The deferred tax assets were recognised on tax loss carryforwards and temporary differences of Francotyp-Postalia Holding AG and its tax group entities.

## **5. Equity**

### **5.1 Share capital**

The share capital of Francotyp-Postalia Holding AG is currently EUR 16,215 thousand (previous year: EUR 16,160 thousand) divided into 16,215,356 no-par value bearer shares with pro rata entitlement to participate in the company's profits. Each share also confers one vote at the company's Annual General Meeting. The share capital is fully paid in.

163,944 treasury shares were issued in the reporting period due to stock options exercised under the 2010 stock option plan. Thus as at 31 December 2016 the company no longer had any treasury shares (previous year: 163,944 shares or 1.01% of the share capital with a market value of EUR 702 thousand as at 31 December 2015).

## **5.2 Capital reserves**

In 2016, there was a reduction in treasury shares due to the exercise of the 2010 stock option plan. The excess of EUR 329 thousand over the nominal value was transferred to capital reserves.

## **5.3 Valid resolutions**

### **Authorisation for authorised and contingent capital**

On 11 June 2015, the Annual General Meeting of FP Holding adopted resolutions to create new authorised capital (Authorised Capital 2015/I) of EUR 8,080 thousand, to cancel the existing authorisation of the Management Board to increase share capital (Authorised Capital 2011) and to amend the Articles of Association accordingly. With the approval of the Supervisory Board, the share capital of the company can be increased on one or more occasions by up to a total of EUR 8,080 thousand by issuing new bearer shares against cash or non-cash contributions by 10 June 2020. Shareholders have pre-emption rights to the new shares. In accordance with section 186(5) AktG, the new shares can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to shareholders for subscription.

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

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

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

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

On 11 June 2015, the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 960 thousand by issuing up to 959,500 bearer shares (Contingent Capital 2015/II). The contingent capital increase is exclusively intended to serve pre-emption rights granted by 10 June 2020 on the basis of the authorisation of the Annual General Meeting in accordance with the adjustment of the 2010 stock option plan and Contingent Capital 2010. The contingent capital increase will only be implemented to the extent that the bearers of the issued pre-emption rights exercise their rights to subscribe to shares in the company and the company does not grant any treasury shares to serve pre-emption rights. The new shares participate in profits from the beginning of the fiscal year in which pre-emption rights are exercised.



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

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

### Share buyback programme

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

The authorisation remains in effect until 10 June 2020. The authorisation of the Management Board to acquire and use purchased treasury shares resolved by the Annual General Meeting of the company on 1 June 2010 ended when the new authorisation became effective. A total of 370,444 shares were acquired in the period from November 2007 to April 2008 in connection with this authorisation. No further shares were purchased in the reporting year. As at 31 December 2016, FP Holding no longer held any treasury shares.

After the treasury shares were completely depleted in connection with fulfilling the pre-emption rights from the 2010 stock option plan, the share capital was increased by EUR 55,356 and Contingent Capital 2015/II utilised (see note 16. Contingent Capital 2015/II).

The development in the number of shares outstanding can be seen in the following reconciliation:

	<b>Number of shares outstanding</b>
Number of shares	16,160,000
Repurchase of treasury shares	-163,944
<b>As at 31 Dec. 2015</b>	<b>15,996,056</b>
Number of shares (31 December 2015)	16,160,000
Capital increase (Contingent Capital 2015/II)	55,356
<b>As at 31 Dec. 2016</b>	<b>16,215,356</b>

In the reporting year, 219,000 shares (previous year: 39,000), of which 163,944 treasury shares were issued in accordance with the provisions to serve pre-emption rights under the company’s 2010 stock option plan.

### 2010 stock option plan

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

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

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

### **2015 stock option plan**

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

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

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

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

In accordance with item 2.3 of the respective stock option plan, an option has a contractual life of 10 years from its award date. In accordance with item 2.4 of the respective stock option plan, the options are not evidenced. In accordance with item 5.5 of the respective stock option plan, no premiums were paid when awarding options.

<b>Date of grant</b>	<b>Number of instruments (thousand)</b>	<b>Contractual term of the option after award date</b>	<b>Securitisation</b>	<b>Premium at award</b>
1 Sep. 2010	900,000	10 years	No	None
27 Apr. 2012	75,000	10 years	No	None
7 Sep. 2012	20,000	10 years	No	None
6 Dec. 2014	57,500	10 years	No	None
11 Jun. 2014	30,000	10 years	No	None
31 Aug. 2015	465,000	10 years	No	None
25 Nov. 2015	40,000	10 years	No	None
31 Aug. 2016	180,000	10 years	No	None

Of the stock options granted under the 2015 plan in 2016, 180,000 related to one member of the Management Board of Francotyp-Postalia Holding AG.

#### **5.4 Profit appropriation**

A dividend of EUR 1,923 thousand was distributed in the reporting year (previous year: EUR 2,559 thousand). The Management Board of Francotyp-Postalia Holding AG plans to distribute a dividend of EUR 0.16/share to the shareholders for 2016.

#### **5.5 Distribution restriction**

As the option to report deferred tax assets was exercised, an amount of EUR 703 thousand (previous year: EUR 81 thousand) is subject to a restriction on distribution in accordance with section 268(8) sentence 2 HGB.

### **6. Provisions for pensions and similar obligations**

EUR 616 thousand (previous year: EUR 603 thousand) of the provisions for pensions and similar obligations of EUR 627 thousand (previous year: EUR 613 thousand) relate to pension commitments to former Management Board members and EUR 11 thousand (previous year: EUR 10 thousand) to death benefits. The settlement amount according to section 253(1) HGB amounted to EUR 688 thousand as at the balance sheet date (previous year: EUR 685 thousand). The company exercises the option granted under section 67 EGHGB. As at 31 December 2016, the difference amounted to EUR 72 thousand (previous year: EUR 82 thousand). In addition to the Heubeck mortality tables (2005 G), the measurement was based on the market interest rate published by Deutsche Bundesbank of 3.24% (previous year: 3.89%) as an average of the last seven years and 4.01% (previous year: no value) as an average of the last ten years, and annual increases in the cost of living and expected pension increases of 2.00% (previous year: 2.00%).

In the wake of the German Act to Implement the Mortgage Credit Directive and to Amend Commercial Law of 11 March 2016, the average market interest rate relevant to discounting was increased from seven to ten years for pension obligations. This results in the following difference according to section 253(6) sentence 3 HGB:

	Discounting with a seven-year average market interest rate	Discounting with a ten-year average market interest rate
Actuarial interest rate recognised for pension assessments in %	3.24	4.01
Settlement amount as at 31 December 2016	792	688

The difference of EUR 104 thousand (previous year: EUR 0 thousand) is subject to a restriction on distribution. There is also an indirect pension commitment, in which the promised pension benefits are provided to the beneficiaries by Francotyp-Postalia Unterstützungseinrichtung GmbH. The deficit in accordance with section 28(2) EGHGB before the deduction of fund assets amounts to EUR 89 thousand (previous year: EUR 57 thousand) with an average interest rate for the last seven years and EUR 76 thousand (previous year: no value) with an average interest rate for the last ten years.

## 7. Tax provisions

The tax provisions of EUR 2,237 thousand (previous year: EUR 2,978 thousand) include back taxes expected on the basis of an audit for the audit period from 2005 to 2013 and current taxes. EUR 2,186 thousand (previous year: EUR 1,616 thousand) relate to prior periods.

## 8. Other provisions

The other provisions in the amount of EUR 3,087 thousand (previous year: EUR 1,986 thousand) essentially comprise provisions for bonuses of EUR 939 thousand (previous year: EUR 434 thousand), for costs of annual financial statements and tax consulting of EUR 720 thousand (previous year: EUR 443 thousand), for other uncertain liabilities of EUR 522 thousand (previous year: EUR 187 thousand), for project consulting fees of EUR 482 thousand (previous year: EUR 0 thousand), outstanding holiday pay and overtime obligations of EUR 210 thousand (previous year: EUR 73 thousand), for other outstanding invoice of EUR 91 thousand (previous year: EUR 327 thousand), for losses from derivatives of EUR 0 thousand (previous year: EUR 121 thousand) and for severance payments of EUR 0 thousand (previous year: EUR 245 thousand). EUR 204 thousand of the provisions has a remaining term of more than one year.

## 9. Liabilities

In fiscal year 2016, the FP Group concluded a significantly extended syndicated loan agreement at improved terms and conditions with a strong, international syndicate of banks for an amount of EUR 120,000 thousand, with an option to increase the volume by a further EUR 30,000 thousand. The agreement has a duration of five years to 14 June 2021, plus two one-year extension options. This was used to repay liabilities early in connection with the previous loan which had a duration to October 2019 and an amount of EUR 33,373 thousand.

In accordance with the new syndicated loan agreement, the FP Group has undertaken

to comply with a net debt ratio of  $\leq 3.0x$  and interest cover of  $\geq 5.0x$

In the previous loan agreement, the FP Group had to comply with four key financial ratios with a much narrower definition (debt ratio, debt service coverage ratio, adjusted own funds and own funds ratio).

Additional key new elements of the financing documents on the basis of the British Loan Market Association (LMA) include the option of utilising part of the loan facility in foreign currency. Furthermore, the new loan agreement also creates financing security for acquisitions. In the future, the FP Group has entrepreneurial headroom to enter into additional financial obligations. What is more, the conditions were improved in comparison to the previous financing facility (margin plus reference interest rate and commitment fee). As a result of the new syndicated loan agreement, the FP Group overall has achieved a considerable improvement in financial stability and flexibility.

The credit conditions were complied with consistently throughout the reporting year. The FP Group was able to meet its payment obligations at all times.

The other liabilities of EUR 222 thousand (previous year: EUR 211 thousand) primarily include tax liabilities. EUR 6 thousand (previous year: EUR 140 thousand) of this relates to income taxes and EUR 176 thousand (previous year: EUR 63 thousand) to payroll taxes.

The liabilities have the following remaining maturities:

EUR thousand	Total	Up to 1 year	Between 1 and 5 years	More than 5 years
<b>2016</b>				
Liabilities to banks	37,968	0	37,968	0
Trade payables	670	670	0	0
Liabilities to affiliated companies	607	607	0	0
Other liabilities	222	222	0	0
<b>Total</b>	<b>39,467</b>	<b>1,499</b>	<b>37,968</b>	<b>0</b>
<b>2015</b>				
Liabilities to banks	33,373	3,000	30,373	0
Trade payables	191	191	0	0
Liabilities to affiliated companies	1	1	0	0
Other liabilities	211	211	0	0
<b>Total</b>	<b>33,776</b>	<b>3,403</b>	<b>30,373</b>	<b>0</b>

#### 10. Deferred tax liabilities

Deferred tax liabilities are calculated with a tax rate of 30.18% (previous year: 30.18%). In 2016, deferred tax liabilities of EUR 254 thousand (previous year: EUR 1,036 thousand) are recognised. The deferred tax liabilities were recognised on temporary differences of Francotyp-Postalia Holding AG and its tax group entities.

#### 11. Other financial commitments

The existing rental agreement on the balance sheet date accounts for other financial commitments totalling EUR 2,434 thousand (previous year: EUR 2,783 thousand). EUR 740 thousand (previous year: EUR 713 thousand) of this has a term of up to one year and EUR 1,694 thousand (previous year: EUR 2,070 thousand) a term of between one and five years.

Other contracts (purchase commitments, mobile communications, capital market support, press clipping, etc.) existing on the balance sheet date account for other financial commitments totalling EUR 474 thousand (previous year: EUR 539 thousand). EUR 469 thousand (previous year: EUR 376 thousand) of this has a term of up to one year and EUR 5 thousand (previous year: EUR 163 thousand) a term of between one and five years.

As at the balance sheet date, there were financial commitments to affiliated companies from leases for company cars totalling EUR 182 thousand (previous year: EUR 110 thousand). EUR 72 thousand (previous year: EUR 54 thousand) of this has a term of up to one year and EUR 109 thousand (previous year: EUR 56 thousand) a term of between one and five years.

## **12. Contingent liabilities**

All present, contingent and future receivables of the financing parties to the syndicated loan agreement from or in connection with this loan agreement, a sub-loan agreement or other financing documents are secured by guarantees. Each guarantor autonomously and independently guarantees the financing parties the irrevocable and unconditional payment of all amounts owed by the borrowers under the loan agreement or other financing document, if they are not paid on time or in full. The guarantors undertook to make any payment under this guarantee free from deductions or retentions.

In addition to the borrower FP Holding, the guarantors are also Francotyp-Postalia GmbH, freesort GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP Produktionsgesellschaft mbH, Mentana-Claimsoft GmbH, iab GmbH, Francotyp-Postalia Inc. (USA), Francotyp-Postalia Ltd. (UK), Francotyp-Postalia Canada Inc. (Canada) and Francotyp-Postalia France SARL (France).

freesort GmbH concluded a lease with IKB Leasing GmbH on 14 March 2011 and on 20 April 2011 for two letter-sorting machines. Francotyp-Postalia Holding AG assumed a directly enforceable guarantee of EUR 624 thousand for these leases.

On the basis of freesort GmbH's positive going-concern forecast, the risk of utilisation is classified as low.

The company assumed a fixed liability guarantee, which was notarised on 27 January 2012, to Investitionsbank des Landes Brandenburg of EUR 365 thousand to secure the receivables from the subsidy relationship, in particular for potential future reimbursement claims against FP Produktionsgesellschaft mbH.

On the basis of FP Produktionsgesellschaft mbH's positive going-concern forecast, the risk of utilisation is classified as low.

On 29 February 2016, FP Holding issued a parent company guarantee (letter of comfort) to its subsidiary freesort GmbH, to the effect that, until 31 December 2017, it would irrevocably and unreservedly undertake

- to immediately, on request, furnish freesort GmbH with additional liquidity or other funds in so far as necessary to enable it to satisfy all its creditors' claims and thus remedy any existing or impending insolvency and to avoid any existing indebtedness within the meaning of insolvency law, and
- to ensure that freesort GmbH remains in a position to substantially continue its business operations.

In addition, FP Holding issued an indefinite subordination agreement to freesort GmbH on 29 February 2016. This agreement entails:

- The subordination of all receivables from the company, arising from the granting of additional liquidity as per the above letter of comfort, owed to FP Holding according to section 39(2) of the German Insolvency Statute (InsO) behind all present and future receivables of other creditors of the company in the case of bankruptcy. The receivables to which FP Holding is subordinated are not to be considered before but only simultaneously with the claims to the repayment of equity of any other shareholders.
- Receivables with which FP Holding is subordinated must only be paid from net income reported according to commercial law, a liquidity surplus or other free assets.

In the last few years, freesort GmbH has seen an increase in revenue and results. Utilisation of the letter of comfort or the subordination agreement does not seem likely.

On 16 December 2016, FP Holding issued a parent company guarantee (letter of comfort) to its subsidiary Mentana-Claimsoft GmbH valid until 31 December 2018, undertaking

- to immediately, on request, furnish Mentana-Claimsoft GmbH with additional liquidity or other funds in so far as necessary to enable it to satisfy all its creditors' claims and thus remedy any existing or impending insolvency of the company and to avoid any existing indebtedness within the meaning of insolvency law, and
- to ensure that Mentana-Claimsoft GmbH remains in a position to substantially continue its business operations.

In addition, FP Holding issued an indefinite subordination agreement to Mentana-Claimsoft GmbH on 29 February 2016. This agreement entails:

- The subordination of all receivables from the company, arising from the granting of additional liquidity as per the above letter of comfort, owed to FP Holding according to section 39(2) of the German Insolvency Statute (InsO) behind all present and future receivables of other creditors of the company in the case of bankruptcy. The receivables to which FP Holding is subordinated are not to be considered before but only simultaneously with the claims to the repayment of equity of any other shareholders.
- Receivables with which FP Holding is subordinated must only be paid from net income reported according to commercial law, a liquidity surplus or other free assets.

In the last few years, Mentana-Claimsoft GmbH has not achieved the expected increase in revenue and results. For this reason, the company has since 2015 been strategically realigned with the aim of making better use of the company's potential. In this context, the business segment Francotyp-Postalia Vertrieb und Service GmbH was spun off and contributed to Mentana-Claimsoft GmbH. The non-cash contribution increased equity by EUR 18,186 thousand. The framework loan agreement that still existed in the previous year was terminated at the same time.

### **Contingent liabilities from public subsidies**

The subsidy in connection with the joint scheme for improving regional economic structures for Berlin results in a long-term obligation to maintain a defined number of jobs on an ongoing basis. The subsidised jobs must all be kept for at least five years from the end of subsidisation of the last subsidised job. A violation of the subsidy conditions may result in an obligation to repay subsidy funds.

#### **IV. Income statement disclosures**

##### **1. Revenue**

The revenue of EUR 2,434 thousand (previous year: EUR 2,049 thousand) resulted primarily from consulting services to German subsidiaries. The intra-Group settlement of consulting services was re-organised in fiscal year 2016 and is arranged in intra-Group allocation agreements.

Due to the first-time application of BilRUG, other operating income of EUR 69 thousand was reclassified as revenue. If BilRUG had been applied to the previous year, EUR 33 thousand would have been reclassified.

##### **2. Other operating income**

The other operating income of EUR 2,284 thousand (previous year: EUR 1,281 thousand) primarily includes a wage subsidy of EUR 1,768 thousand (previous year: EUR 991 thousand), income from currency gains of EUR 109 thousand (previous year: EUR 119 thousand), income from the reversal of provisions of EUR 267 thousand (previous year: EUR 43 thousand) and other income of EUR 28 thousand (previous year: EUR 45 thousand). Prior-period income amounts to EUR 112 thousand (previous year: EUR 50 thousand).

##### **3. Personnel expenses**

The EUR 798 thousand increase in staff costs in 2016 follows general salary increases and the recruitment of new employees in connection with the strategic reorientation of FP Holding in line with the Group's ACT strategy.

##### **4. Amortisation and depreciation**

Amortisation of intangible assets amounted to EUR 29 thousand in the fiscal year (previous year: EUR 10 thousand). The depreciation of tangible assets of EUR 105 thousand (previous year: EUR 100 thousand) primarily includes depreciation on leasehold improvements of EUR 67 thousand (previous year: EUR 62 thousand) and other operating and office equipment of EUR 26 thousand (previous year: EUR 26 thousand).

##### **5. Other operating expenses**

The other operating expenses primarily include legal and consulting fees of EUR 2,574 thousand (previous year: EUR 1,369 thousand), group operating expenses of FP GmbH of EUR 751 thousand (previous year: EUR 657 thousand), other non-labour and service costs of EUR 621 thousand (previous year: EUR 102 thousand), advertising costs of EUR 378 thousand (previous year: EUR 177 thousand) and rental expenses of EUR 374 thousand (previous year: EUR 299 thousand). EUR 94 thousand (previous year: EUR 8 thousand) of the other operating expenses relates to prior periods.

Due to the first-time application of BilRUG, other operating expenses of EUR 824 thousand were reclassified as cost of materials (purchased services). These are expenses attributable to revenue. If BilRUG had been applied to the previous year, EUR 397 thousand would have been reclassified.

##### **6. Income and expenses from profit transfer agreements**

The income and expenses from profit transfer agreements of EUR 5,278 thousand (previous year: EUR 15,130 thousand) result from the profit transferred from Francotyp-Postalia GmbH, Berlin, and FP Produktionsgesellschaft mbH, Wittenberge, and the loss transferred from FP InovoLabs GmbH, Berlin, under a control and profit transfer agreement.



**7. Income from loans held as financial assets**

The income of EUR 1,624 thousand (previous year: EUR 2,016 thousand) from loans held as financial assets relates exclusively to affiliated companies.

**8. Other interest and similar income**

EUR 155 thousand (previous year: EUR 334 thousand) of the interest income of EUR 148 thousand (previous year: EUR 334 thousand) relates to affiliated companies.

**9. Interest and similar expenses**

The interest expenses of EUR 1,254 thousand (previous year: EUR 1,209 thousand) mainly include interest on bank loans of EUR 1,225 thousand (previous year: EUR 1,127 thousand).

In addition to loan interest, there are expenses from interest accrued on the provision for pension obligations of EUR 27 thousand (previous year: EUR 27 thousand).

**10. Extraordinary expenses**

The extraordinary expenses of EUR 9 thousand (previous year: EUR 9 thousand) are shown under other operating expenses as a result of BilRUG.

**9. Taxes on income**

The tax expense of EUR 416 thousand (previous year: EUR 3,916 thousand) also includes prior-period tax expenses and is attributable entirely to the result from ordinary activities.

## V. Other disclosures

### 1. Average number of employees

During the year, the company employed an average of 36 staff (previous year: 33) in addition to three members of the Management Board. Two of these staff acted in a managerial capacity. The 36 staff include 14 female and 22 male staff.

### 2. Management Board and Supervisory Board

The Management Board of FP Holding consisted of three persons in the 2016 reporting period. According to the schedule of responsibilities for the Management Board of Francotyp-Postalia Holding AG, the responsibilities of the members of the Management Board are as follows:

Name	Appointment	End of appointment	Areas of responsibility
Rüdiger Andreas Günther Business graduate	11 January 2016	December 2019	<ul style="list-style-type: none"><li>• Strategic Business Development</li><li>• Production/Procurement/Quality</li><li>• HR/Legal/Compliance</li><li>• Finance/Accounting/Controlling</li><li>• Corporate Communications/Investor Relations/Press</li><li>• Internal Communications</li><li>• Mergers &amp; Acquisitions</li></ul>
Thomas Grethe Banker and business economist	June 2013	June 2018	<ul style="list-style-type: none"><li>• (Strategic Business Development)</li><li>• Internal Audit</li><li>• Business Development/Product Portfolio Management</li><li>• Strategic Marketing/Brand Management</li><li>• Franking/Inserting segment (Sales Germany/International/Product Management)</li></ul>
Sven Meise Business economics graduate	February 2015	January 2018	<ul style="list-style-type: none"><li>• (Strategic Business Development)</li><li>• Business Development/Product Portfolio Management</li><li>• IT</li><li>• Research and Development</li><li>• Digital Solutions segment (freesort, iab, Mentana-Claimsoft)</li></ul>

Mr Günther has been CEO since 11 January 2016.

In the reporting year, Mr Günther was a member of the Commerzbank Unternehmerperspektive Mittelstand (Entrepreneur Perspective Mittelstand) and in the Commerzbank Regional Advisory Council East. The members of the Management Board were not members of any statutory supervisory boards or similar executive bodies of business enterprises in Germany or abroad outside the FP Group.

The following table shows the members of the Supervisory Board of Francotyp-Postalia Holding AG and their activities outside the company and other administrative, management or supervisory board mandates or mandates for similar executive bodies of business enterprises in Germany and abroad:

<b>Name</b>	<b>Profession</b>	<b>Other administrative or supervisory board mandates or mandates for similar executive bodies in Germany and abroad</b>
Klaus Röhrig (Member and Deputy Chairman of the Supervisory Board since 1 April 2013; Chairman since 9 April 2013)	<ul style="list-style-type: none"> <li>Managing Partner of Mercury Capital Unternehmensberatungs- GmbH, Vienna, Austria</li> <li>Managing Director, MAM Babyartikel GmbH, Vienna, Austria</li> <li>Managing Director, R3 Beteiligungen GmbH, Vienna, Austria</li> <li>Managing Director, Active Ownership Capital SARL, Hesperange, Luxembourg</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Robert Feldmeier (member of the Supervisory Board since 28 July 2012; Deputy Chairman since 27 June 2013)	<ul style="list-style-type: none"> <li>Managing Director of Unigloves GmbH, Siegburg</li> <li>Managing Director of Unigloves Service und Logistik GmbH, Troisdorf</li> <li>Managing Director of Unigloves Arzt- und Klinikbedarfshandels Gesellschaft mbH, Troisdorf-Spich</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
Botho Oppermann (Member of the Supervisory Board since 27 June 2013)	<ul style="list-style-type: none"> <li>Managing Partner of Internet Business Solutions Nord UG (haftungsbeschränkt), Wentorf bei Hamburg</li> <li>Managing Partner of Internet Business Solutions Süd UG (haftungsbeschränkt), Wentorf bei Hamburg</li> <li>Managing Partner of Internet Business Solutions Ost UG, (haftungsbeschränkt), Wentorf bei Hamburg</li> <li>Managing Partner of Internet Business Solutions West UG, (haftungsbeschränkt), Wentorf bei Hamburg</li> </ul>	<ul style="list-style-type: none"> <li>President of the Board of Directors of Internet Business Solutions AG, Boppelsen, Switzerland</li> <li>Supervisory Board of ID Information und Dokumentation im Gesundheitswesen GmbH &amp; Co. KGaA, Berlin</li> <li>Member of the Board of Directors of ID Suisse AG, St. Gallen, Switzerland</li> <li>Member of the Board of Directors of HCG Holding AG, Zug, Switzerland</li> </ul>

#### **Total remuneration of the Management Board and Supervisory Board**

The long-term bonus for Mr Günther of EUR 180 thousand (previous year: EUR 0 thousand), Mr Grethe of EUR 11 thousand (previous year: EUR -10 thousand), Mr Meise of EUR 41 thousand (previous year: EUR 0 thousand) and Mr Szymanski of EUR -6 thousand (previous year: EUR -14 thousand) and the variable short-term remuneration in the amount of the probable achievement of goals were recognised in profit or loss in the 2016 annual financial statements.

Regarding the remuneration report in accordance with section 315(2) no. 4 sentence 1 HGB, please see the Group management report. The total remuneration paid to the Management Board in accordance with German Accounting Standard 17 (GAS/DRS 17) was as follows:

Mr Günther (Management Board member from 10 January 2016)			2016
<b>Non-performance-based component</b>	Fixed remuneration		400
	Additional benefits		45
	<b>Total</b>		<b>445</b>
<b>Performance-based component</b>			
without long-term incentive effect	Short-term variable remuneration:		220
with long-term incentive effect	Long-term variable remuneration:		
	2015 stock option plan		141
	Long-term bonus <sup>1</sup>		180
	<b>Total</b>		<b>541</b>
Pension cost			19
<b>Total remuneration</b>			<b>1,005</b>

Mr Szymanski						
		2012	2013	2014	2015	2016
<b>Non-performance-based component</b>	Fixed remuneration	240	253	275	275	0
	Cancellation (release and settlement)				369 <sup>2</sup>	0
	Additional benefits	15	11	12	14	0
	<b>Total</b>	<b>255</b>	<b>265</b>	<b>287</b>	<b>658</b>	<b>0</b>
<b>Performance-based component</b>						
without long-term incentive effect	Short-term variable remuneration:	30	130	91 <sup>3</sup>	-11	-40
with long-term incentive effect	Long-term variable remuneration:					
	2010 stock option plan	0	0	0	0	0
	2015 stock option plan	0	0	0	37	0
	Long-term bonus <sup>4</sup>	0	0	0	0	-6
	<b>Total</b>	<b>30</b>	<b>130</b>	<b>91</b>	<b>26</b>	<b>-46</b>
Pension cost		76	76	76	76	0
<b>Total remuneration</b>		<b>361</b>	<b>471</b>	<b>454</b>	<b>760</b>	<b>-46</b>

<sup>1</sup> In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. For fiscal year 2016, a lower threshold of EUR 180 thousand was established. A provision at this level was recognised in profit and loss in the 2016 annual financial statements.

<sup>2</sup> This provision amount constitutes an expense of EUR 369 thousand relating to other periods.

<sup>3</sup> This amount consists of a prior-period expense of EUR 40 thousand and the recognition of a provision in the amount of EUR 51 thousand.

<sup>4</sup> In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR -6 thousand (previous year: EUR -14 thousand) was recognised in profit or loss in the 2016 annual financial statements as a reversal of the provision in line with the achievement of goals.

Mr Grethe (Management Board member from 15 June 2013)		2012	2013	2014	2015	2016
Non-performance-based component	Fixed remuneration	0	119	200	230	293
	Additional benefits	0	6	12	10	16
	<b>Total</b>	<b>0</b>	<b>125</b>	<b>212</b>	<b>240</b>	<b>309</b>
Performance-based component						
without long-term incentive effect	Short-term variable remuneration:	0	20	36	-11	10
with long-term incentive effect	Long-term variable remuneration:					
	2015 stock option plan	0	0	0	54	0
	Long-term bonus <sup>5</sup>	0	0	0	0	38
	<b>Total</b>	<b>0</b>	<b>20</b>	<b>36</b>	<b>43</b>	<b>48</b>
Pension cost		0	2	21	21	21
<b>Total remuneration</b>		<b>0</b>	<b>147</b>	<b>269</b>	<b>304</b>	<b>378</b>

Mr Meise (Management Board member from 1 February 2015)		2015	2016
Non-performance-based component	Fixed remuneration	183	233
	Additional benefits	18	26
	<b>Total</b>	<b>201</b>	<b>259</b>
Performance-based component			
without long-term incentive effect	Short-term variable remuneration:	24	42
with long-term incentive effect	Long-term variable remuneration:		
	2015 stock option plan	48	0
	Long-term bonus <sup>6</sup>	0	0
	<b>Total</b>	<b>72</b>	<b>42</b>
Pension cost		19	21
<b>Total remuneration</b>		<b>292</b>	<b>322</b>

Of the share-based payment granted in fiscal year 2010 from the 2010 stock option plan, EUR 213 thousand or 180,000 options related to Mr Szymanski. No further options were granted under this 2010 stock option plan by 31 December 2016. The exercise period for the options began in fiscal year 2014.

Of the share-based payment granted in fiscal year 2016 from the 2015 stock option plan, EUR 141 thousand or 180,000 options related to the Management Board. The exercise period for the options is in fiscal year 2019.

The amounts stated in the above table as pension cost are subsidies for pensions and part of the fixed remuneration paid to Management Board members.

The additional benefits essentially consist of the value of the use of a company car as determined in compliance with tax law.

<sup>5</sup> In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. In the 2016 annual financial statements, provisions for periods settled in 2016 were reversed and recognised anew in line with the probable achievement of goals. The amount recognised in profit and loss was EUR 11 thousand (previous year: EUR -10 thousand).

<sup>6</sup> In accordance with GAS 17, non-share-based payment is recognised in total remuneration when the condition linked to the commitment is met. EUR 41 thousand (previous year: EUR 0 thousand) was recognised in income in the 2015 annual financial statements as an addition to provisions in line with the probable achievement of goals.

As in the previous year, provisions of only insignificant amounts were recognised for pension obligations to active Management Board members (2016: EUR 3 thousand; 2015: EUR 2 thousand).

EUR 616 thousand was recognised for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2016 (previous year: EUR 603 thousand).

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

The fixed remuneration of the Supervisory Board for fiscal year 2016 amounted to EUR 113 thousand (previous year: EUR 113 thousand).

### **3. Auditor's fee recognised as expenses**

On the basis of a recommendation of the Supervisory Board, the Annual General Meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the auditor for fiscal year 2016. The payments incurred as expenses for the auditor's services are reported in the notes to the consolidated financial statements in accordance with section 285 no. 17 HGB.

### **4. Related party transactions**

The related parties of the FP Group as defined by IAS 24 include associated companies and subsidiaries not included in consolidation on the one hand and individuals and companies with a significant influence on the financial and operating policies of the FP Group on the other; furthermore, related persons include persons in key positions at the reporting entity (including their close relatives). Companies whose financial and operating policies are at least significantly influenced by the above enterprises and persons are also related parties of Francotyp-Postalia.

Significant influence on the financial and operating policies of the FP Group can derive from a shareholding in FP Holding of 20% or more, a seat on the Management Board of FP Holding or another key position in the FP Group, from contractual arrangements or from the Articles of Association.

In addition to the members of the Management Board and the Supervisory Board (and their close relatives) of FP Holding, the related parties of the FP Group in the reporting year were:

- the associated company FP Data Center Inc., Japan;
- the non-consolidated subsidiary FP Systems India Private Limited, India;
- the non-consolidated subsidiary Francotyp-Postalia Asia Pte. Ltd., Singapore;
- the non-consolidated subsidiary FP Direct Ltd., UK;
- Mercury Capital Unternehmensberatungs- GmbH, Vienna, Austria (through a member of the Supervisory Board);
- R3 Beteiligungen GmbH, Vienna, Austria (through a member of the Supervisory Board);
- Active Ownership Capital SARL, Hesperange, Luxembourg (through a member of the Supervisory Board);
- Managing Director of UNIGLOVES GmbH, Siegburg (through a member of the Supervisory Board);
- Managing Director of UNIGLOVES Arzt-und Klinikbedarf Handelsgesellschaft mbH, Siegburg (through a member of the Supervisory Board);

- Managing Director of UNIGLOVES Holding GmbH, Munich;
- Managing Partner of Internet Business Solutions Nord UG (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Süd UG (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions Ost UG, (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- Managing Partner of Internet Business Solutions West UG, (haftungsbeschränkt), Wentorf bei Hamburg (through a member of the Supervisory Board);
- President of the Board of Directors of Internet Business Solutions AG, Boppelsen, Switzerland (through a member of the Supervisory Board);
- CamTech GmbH, Berlin (through a former member of the Management Board).

As in the previous year, no remuneration was paid to related parties with a significant influence on the financial and operating policies of the FP Group in the 2016 reporting year. There were no reportable issues as defined by IAS 24.18 (b) to (d) in the reporting period.

For information on the total remuneration of the Management Board and the Supervisory Board, please see “Total remuneration of the Management Board and the Supervisory Board” above.

## **5. Consolidated financial statements**

Consolidated financial statements are drawn up for Francotyp-Postalia Holding AG. The statements are submitted to the electronic version of the German Federal Gazette (Bundesanzeiger) for publication.

## **6. Corporate governance**

The Management Board and the Supervisory Board of Francotyp-Postalia Holding AG have issued a declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made this declaration permanently accessible on the company’s website (<http://www.fp-francotyp.com/FP/unternehmen/investoren/corporate-governance/entsprechenserklaerung>).

## 7. Shareholder structure

In fiscal year 2016 Francotyp-Postalia Holding AG received the following notifications from its shareholders in accordance with section 21(1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and published them in accordance with section 26(1) WpHG and section 26a WpHG:

Publication date	18 Jan. 2016	31 Aug. 2016
Reason for notification	Share purchase	Share sale
Entity subject to disclosure requirement	Internationale Kapitalanlagegesellschaft mbh, Düsseldorf, Germany	Scherzer & Co. AG
Date threshold reached	12 Jan. 2016	30 Aug. 2016
Total share of voting rights		
Old	6.46%	3.02%
New	10.16%	2.90%
Voting rights (sections 21, 22 WpHG)	1,641,732	468,608

In fiscal year 2016, Francotyp-Postalia Holding AG received the following notifications from its shareholders in accordance with section 19 (1) Market Abuse Regulation with reference to the share ISIN DE00FPH9000 and published them:

Publication date	26 Sep. 2016	6 Oct. 2016	6 Oct. 2016
Information on persons exercising management tasks	Botho Oppermann	Rüdiger Andreas Günther	Rüdiger Andreas Günther
Reason for notification/position	Member of the Supervisory Board	Member of the Board of Management	Member of the Board of Management
Transaction type	Purchase	Purchase	Purchase
Price(s)	EUR 4.258185		
Volume	EUR 106,454.63		
Aggregate price	n/a	EUR 4.1430114	EUR 4.2540557
Aggregate volume	n/a	EUR 30,546.42	EUR 10,690.44
Date of transaction	22 Sep. 2016	30 Sep. 2016	5 Oct. 2016
Place of transaction	Xetra	Xetra	Xetra

In fiscal year 2016, Francotyp-Postalia Holding AG published the following notifications on changes in voting rights in line with section 26a WpHG:

Publication date	4 Jan. 2017	4 Jan. 2017 Correction notification
Capital measure	Other capital measure (section 26a (1) WpHG)	Issue of subscription shares (section 26a (2) WpHG)
As at/effective date	31 Dec. 2016	31 Dec. 2016
New total of voting rights	16,215,356	16,215,356



## **8. Significant events after the end of the reporting period**

The Management Board will propose to the Supervisory Board and the 2016 Annual General Meeting that the net retained profits of EUR 15,648,619.10 be utilised as follows:

Distribution of a dividend of EUR 0.16 per entitled share	EUR 2,594,456.96
Retained profits brought forward	EUR 13,054,162.14
Net retained profits	EUR 15,648,619.10

There were no significant events after the end of the fiscal year that would have had a notable effect on the financial position and results of operations of FP Holding.

Berlin, 31 March 2017

The Management Board of Francotyp-Postalia Holding AG

Rüdiger Andreas Günther  
Chairman

Thomas Grethe

Sven Meise

Statement of changes in fixed assets for the 2016 fiscal year (EUR thousand)											
Item no.		Cost				Amortisation, depreciation and write-downs				Carrying amounts	
		01. Jan 2016	Additions	Disposals	31. Dez 2016	01. Jan 2016	Amortisation and depreciation	Disposals	31. Dez 2016	01. Jan 2016	31. Dez 2016
1.	<b>I. Intangible assets</b>										
	Purchased concessions, industrial and similar rights and assets	208	322	0	530	158	29	0	187	50	343
2.	<b>II. Tangible assets</b>										
	1. Land, land rights and buildings	1.339	39	0	1.378	118	80	0	198	1.221	1.180
3.	2. Other equipment, operating and office equipment	195	51	1	245	38	26	1	63	157	182
	<b>Total</b>	1.534	90	1	1.623	156	106	1	261	1.378	1.362
4.	<b>III. Financial assets</b>										
	1. Shares in affiliated companies	29.417	12.107	0	41.524	19.757	0	0	19.757	9.660	21.767
5.	2. Loans to affiliated companies	53.123	0	0	53.123	0	0	0	0	53.123	53.123
	<b>Total</b>	82.540	12.107	0	94.647	19.757	0	0	19.757	62.783	74.890
	<b>Fixed assets</b>	84.282	12.519	1	96.800	20.071	135	1	20.205	64.211	76.595

## **Auditor's Report for Francotyp-Postalia Holding AG**

We audited the annual financial statements – comprising the balance sheet, income statement and notes – including the accounting and the combined Group management report of Francotyp-Postalia Holding AG, Berlin, for the fiscal year from 1 January to 31 December 2016. The accounting and the preparation of the annual financial statements and combined Group management report according to German commercial law are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the annual financial statements including the accounting and on the combined Group management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB) and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the generally accepted accounting principles and in the combined Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting, annual financial statements and combined Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual financial statements and the report on the position of the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the generally accepted accounting principles. The combined Group management report is consistent with the annual financial statements, complies with legal requirements and as a whole provides a suitable view of the position of the company and the Group and suitably presents the opportunities and risks of future development.

Berlin, 30 March 2017

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Modder  
German Public Auditor

Unger  
German Public Auditor