FP GROUP

COMPANY PRESENTATION

SIXTH CORPORATE GERMAN CONFERENCE MUNICH | 20 SEPTEMBER 2017

FP AT A GLANCE

- Founded 1923 as **Franking Machine Manufacturer**
- **Additional services and software products** enhance product portfolio
- No. 1 in Germany,
  No. 3 worldwide
- 1,100 employees, established in more than 40 countries, own subsidiaries in 10 countries
- Since 2006 public listed
- **FP demonstrates strength.** High market entry barriers, high proportion of recurring revenues, strong cashflow
- **We are kick-starting FP's future**
- **With new strategy ACT FP will realise potentials**

FP GROUP ACCELERATES ACT GROWTH STRATEGY
INCREASE OF REVENUES

- **Revenues up** by **4.1%**
- **Franking machine business plus 2.4%**
- **Mail Services plus 9.6%,** relaunch of Mail Services initiated
- **Adj. EBITDA** of **€14.9m** not including non-recurring effects from Mail Services and investments in ACT
- Sound adjusted free cash flow

* Free Cash flow adjusted for acquisition of customer list UK and addition of finance lease assets

FP GROUP

ACT STRATEGY

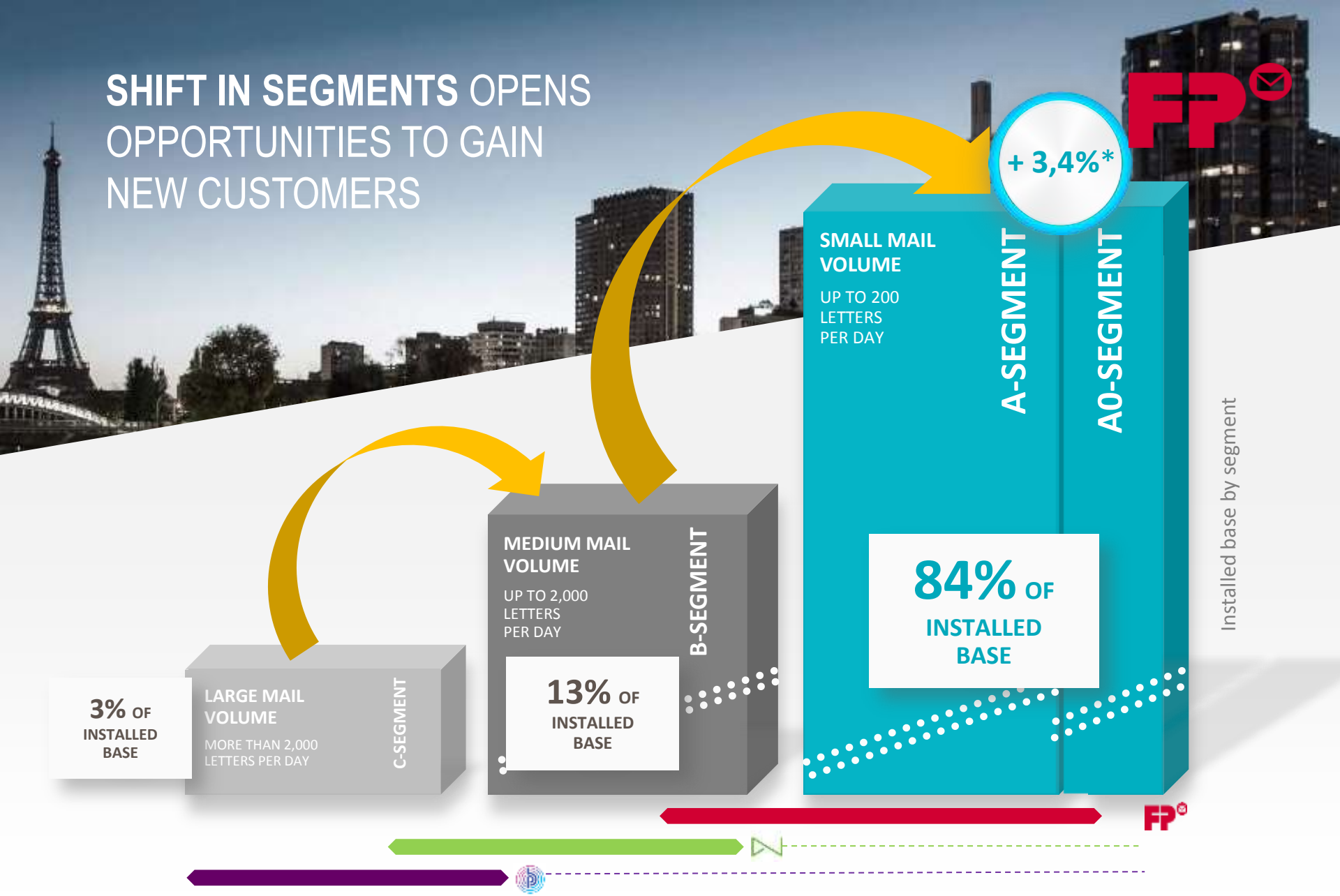
ACT STRATEGY 2016
START INTO A NEW GROWTH ERA

+++ START TO ACT +++
THE OLD IS THE NEW

FIRST MYTH

“The Postage Meter Market has ~~no~~ future“

SHIFT IN SEGMENTS OPENS OPPORTUNITIES TO GAIN NEW CUSTOMERS



* Based on data of the four largest meter markets : US, UK, Germany, France (incl. PC-Postage)

SECOND MYTH

“FP will ~~not~~ grow in its core market”

WE WILL GROW OUR **CUSTOMER BASE**

FP has more than
10 % market share

90%

of the **market**
can be captured

FP GROUP IS AHEAD OF PEERS

PEER GROUP COMPARISON	FP	PEER 1	PEER 2
TOTAL REVENUE GROWTH			
H1 2016 (six months)	**5%**	**-5%**	**-5%**
excluding currency effects	6%	-3%	-4%
FY 2016	**6%**	**-3%**	**-5%**
excluding currency effects	7%	-1%	-4%
H1 2017	**4%**	1%*	-1%
excluding currency effects	4%	-1%*	0%
REVENUE GROWTH FRANKING MACHINE BUSINESS			
H1 2016 (six months)	**2%**	**-8%**	**-7%**
excluding currency effects	3%	-6%	NA
FY 2016	**2%**	**-6%**	**-7%**
excluding currency effects	4%	-5%	NA
H1 2017	**2%**	-2%*	-5%
excluding currency effects	3%	-4%*	NA

* Peer 1: Only data for Q1 2017 available

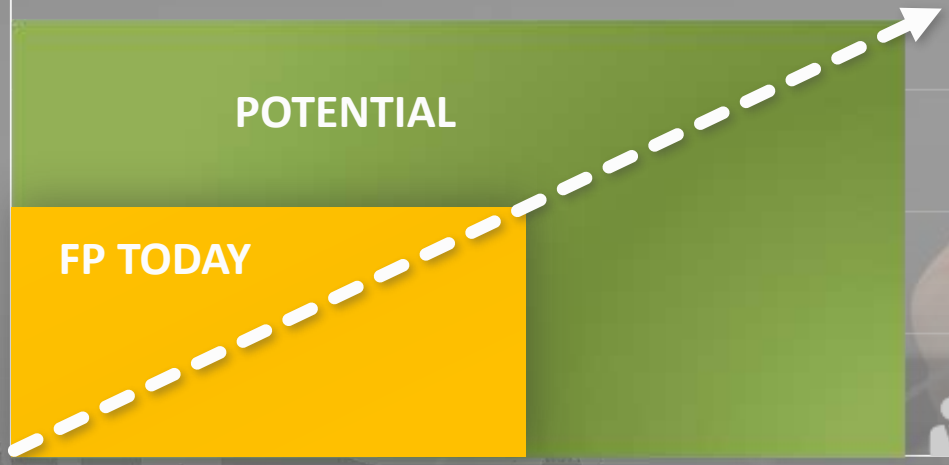
THIRD MYTH

“Digitalisation will come ~~overnight~~”

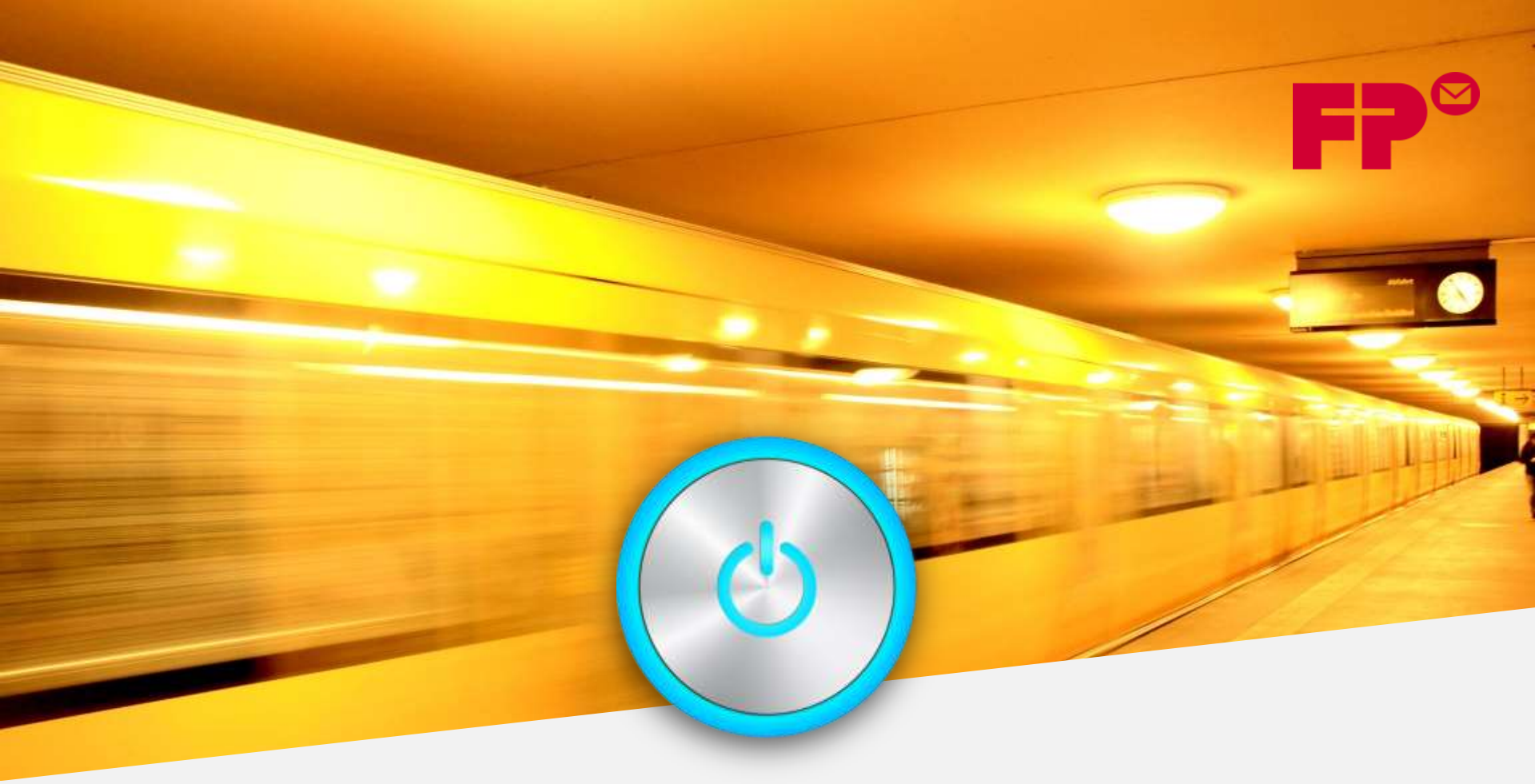
POTENTIAL FOR **GROWTH** AND **TRANSFORMATION**

New products and **services**

We accompany our customers in their **digital transformation** and generate **further revenue growth**



grow customer base = win installed base



STRATEGY

ACT

ACT WILL TRANSFORM FP INTO A **GROWTH COMPANY**

TRANSFORM FP INTO AN ENLARGED BUSINESS

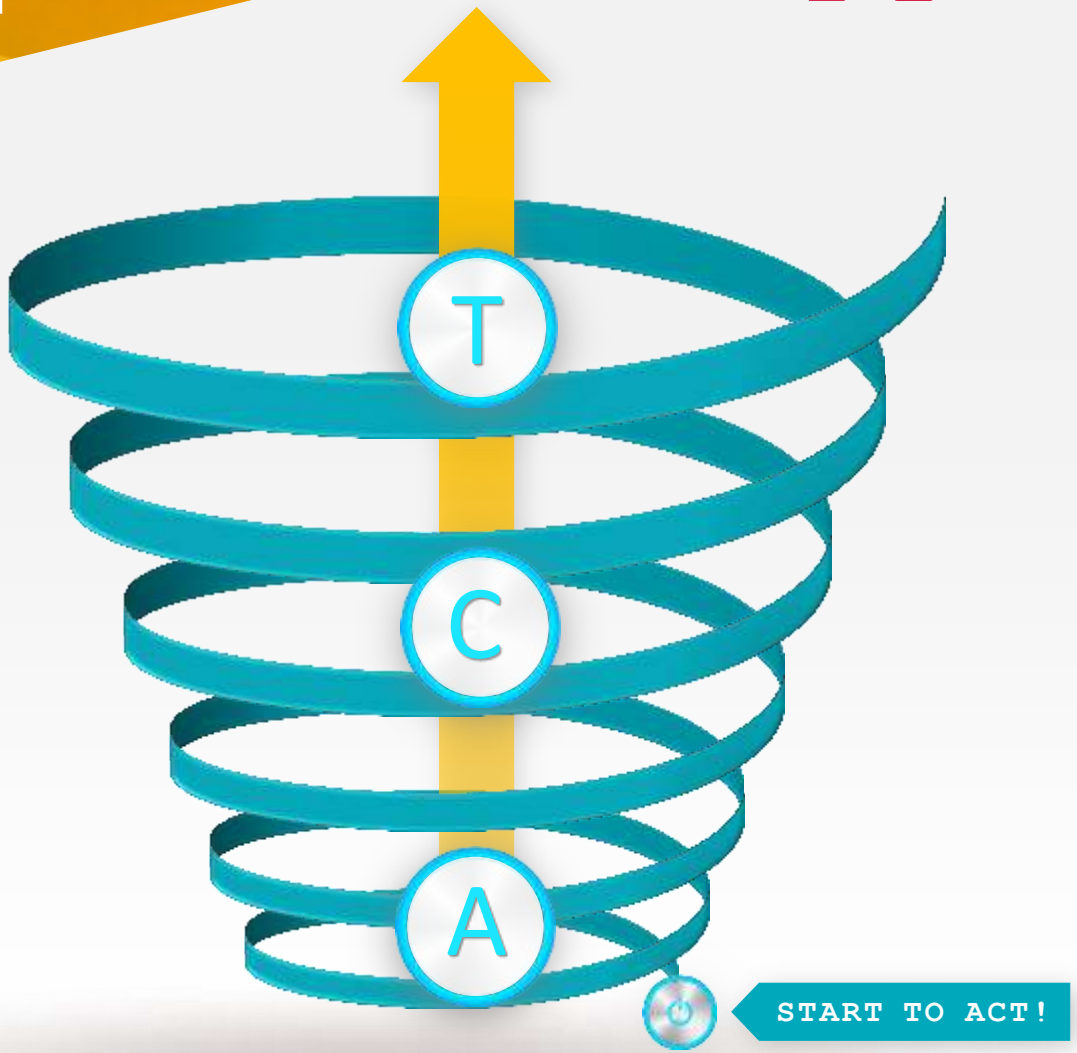
Develop **new digital business segments based on our DNA**

ACCOMPANY THE CUSTOMER

Develop **new solutions and services** for existing and new customers

ATTACK IN CORE BUSINESS

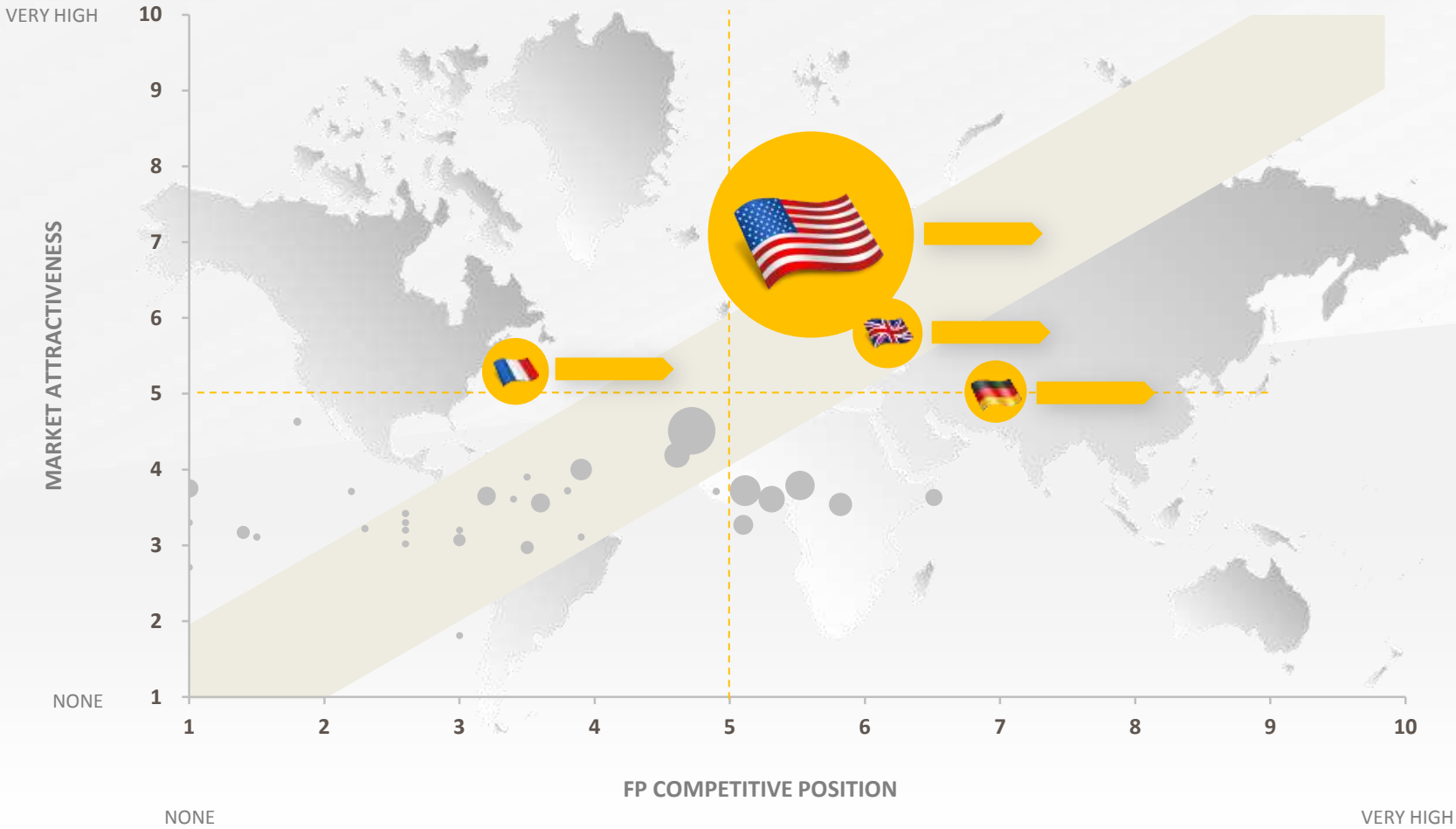
Expand customer base and **increase market share** in core business



ATTACK IN CORE BUSINESS

EXPANSION OF CUSTOMER BASE AND INCREASE OF MARKET SHARE IN CORE BUSINESS

WE WILL **SIGNIFICANTLY STRENGTHEN** OUR ACTIVITIES IN THE **US** AND **FRANCE** – THE **MOST ATTRACTIVE MARKETS WORLDWIDE**



* Bubble size corresponds to market size

THE **METER MARKET** IS STILL **ATTRACTIVE**, PARTICULARLY FOR **SMALL VOLUMES**

- **Focus on the development of low-cost meter systems** that inspire new customer groups
- **Increase market share, margin and revenue** in the traditional meter market

DYNAMIC DEVELOPMENT OF **THE PARCEL MARKET** OPENS **GROWTH OPPORTUNITIES FOR FP**

- **Strong growth in the parcel market** also in **Small- and Medium-sized Businesses** (SMB)
- Customers are looking for **efficient shipping solutions**
- Digital **multi-carrier solutions** in SMB segment (offices) hardly exist
- Offer **solutions for parcel shipping** to benefit from growth in parcel market

FP FINANCE – SALES AID LEASING WITH KEY CUSTOMER BENEFITS

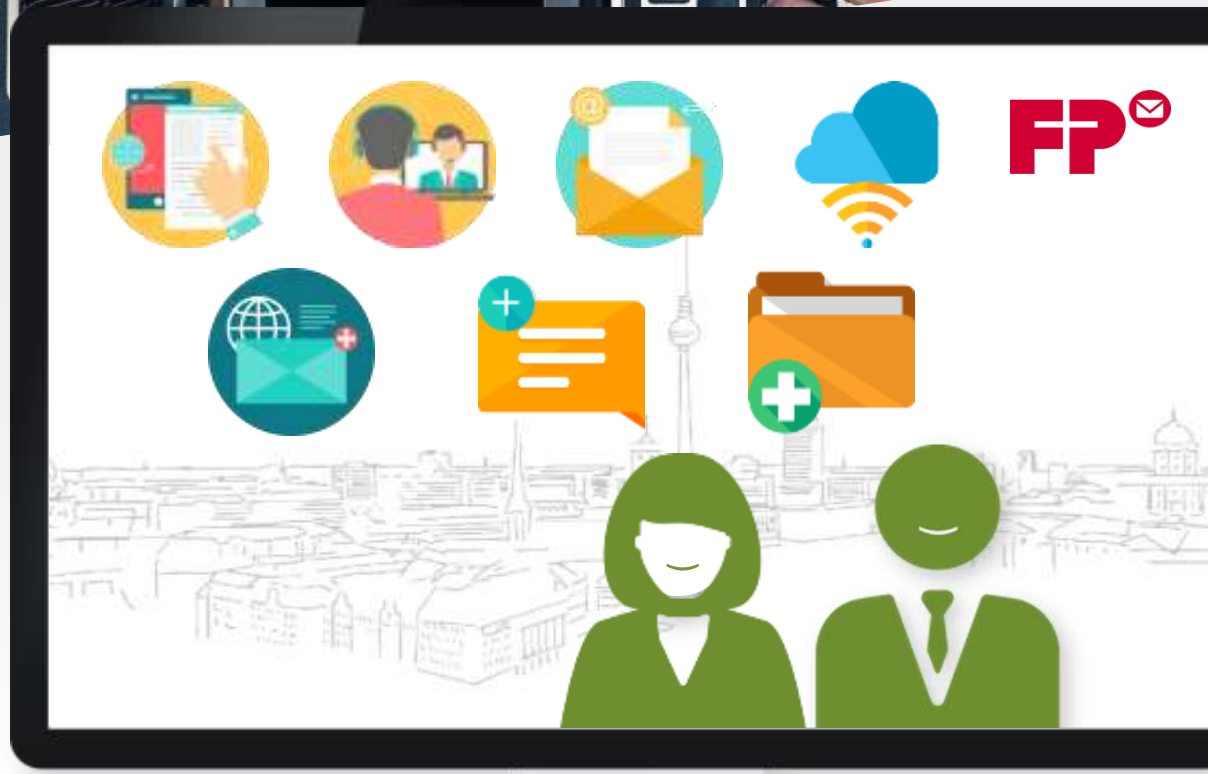
FP as **financing partner** for its customers:

- Completion of **consulting and solution expertise**
- Funding and other customer benefits
- **Individual** contract arrangements

Provide a **Sales Aid** Leasing package to FP's sales channels:

- **Growth** through targeted, proactive sales
- Increase of **profitability**
- Strengthening of **customer loyalty** and improved **retention**

THE **CUSTOMER PORTAL** OPENS UP ACCESS TO THE DIGITAL WORLD OF FP



- **Direct access to customers**
- **Easy management** of business communication
- **Platform** for additional products and services

ACCOMPANY THE **CUSTOMER**

EXPAND SOLUTIONS PORTFOLIO ALONG THE CUSTOMER JOURNEY BY DEVELOPING NEW SOLUTIONS AND SERVICES FOR EXISTING AND NEW CUSTOMERS

FP SUPPORTS ITS CUSTOMERS IN THEIR **DIGITAL TRANSFORMATION** AND THUS GENERATES FURTHER **REVENUE GROWTH**

Digital Transformation does not happen overnight:

- Change and use of digital products/services **is a gradual process**
- Customers continue to use established processes for **confidential and important communication** (letter, fax)
- Nevertheless, there is a growing demand for **digital alternatives**
- There is **uncertainty** about **confidentiality, security and compliance** of digital solutions
- FP will use this opportunity

CUSTOMER JOURNEY:
FP WILL FOLLOW ITS CUSTOMERS JOURNEY …

*„**81 %** of businesses use **traditional letter mail**.“*

*„**66%** of large businesses see optimization potential in **digitizing inbound mail**.“*

*„Only **14 %** of businesses exclusively use a **digital archive**.“*

Processing of letters and parcels within the mailroom

Digitization and processing of inbound mail

Digital document and transaction management

ANALOG

DIGITAL

Optimization of document based processes

Production and processing of outbound mail

*„**53%** of business responding **do not yet use the potential of digital alternatives**.“*

*„**51%** of businesses in SMB segment (50-500 employees) push **outsourcing** in print/mail business .“*

Source: Effizienzreport 2016 of FP; Customer survey, Marktforschungsinstitut mifm, München

… TO BE A **COMPETENT PARTNER** IN THEIR DIGITAL TRANSFORMATION

Mailroom
Meter, inserter, software products for mail and parcel management

Inbound services
for digitization and classification of documents

Digital document and transaction management
Signatures and workflow services

PRODUCT

Need for optimization
Supply of consulting services

Outbound services
for analog and digital communication

SOLUTION

Source: Effizienzreport 2016 der FP, Customer survey, Marktforschungsinstitut mifm, München

FP BECOMES A PROFESSIONAL PARTNER IN **BUSINESS PROCESS OUTSOURCING**

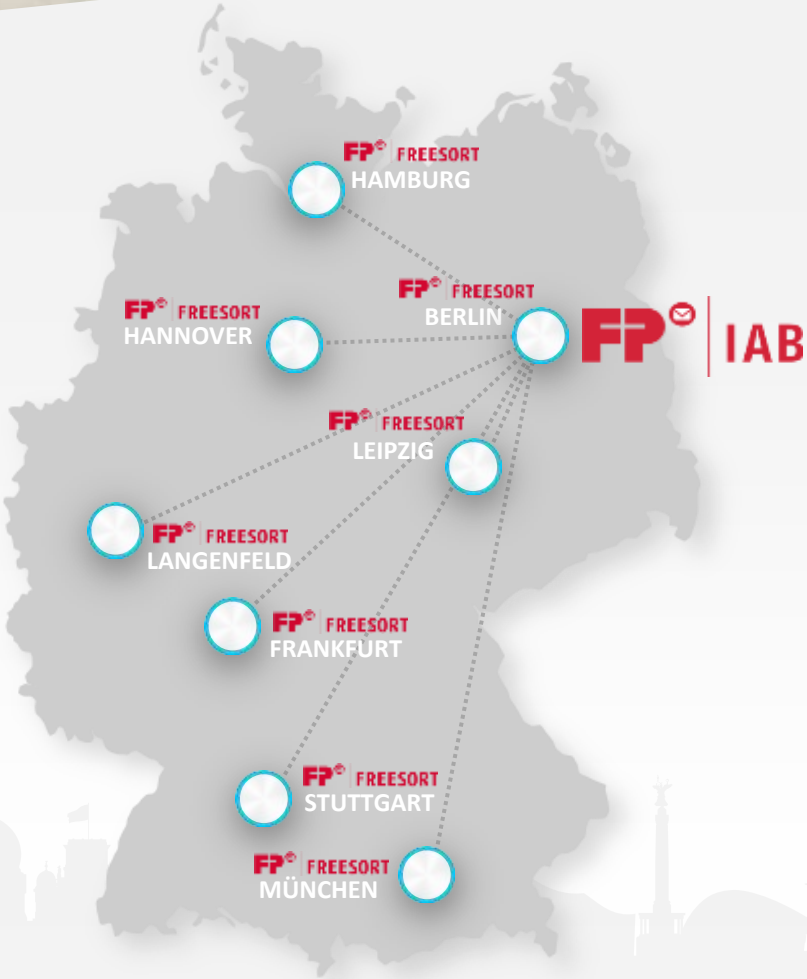
FP positions itself as a „one stop“-partner in the area of in- and outbound management

IAB
100% subsidiary

- **Standardization und modularization** of existing and future solutions
- Expansion of **solutions- and consulting expertise**
- Active **customer development** and **expansion of solutions selling**
- Enhancement of **IT- and project management skills**
- **Internationalization of Business Process Outsourcing Services** (BPO)

FP UTILIZES **INTERNAL SYNERGIES** TO **STRENGTHEN MARKET POSITION**

- Enhance **nationwide sorting centers** into **digitization hubs** for **inbound mail**
- Intelligent **combination of logistics** and **IT services**



FP UTILIZES GROWTH IN THE MARKET FOR **DIGITAL TRANSACTION MANAGEMENT**

Digital transaction management

Efficient, secure and compliant business processing of digital transactions by avoiding media disruption and having complete control of transactions

Market volume of 5 bn. USD with 43% growth p.a over the next five years

Source: Aragon Research

FP sign

„Made in & for Europe“

FP SIGN MEETS **THE SPECIAL NEEDS OF GERMAN AND EUROPEAN CUSTOMERS** FOR SECURITY AND LEGAL COMPLIANCE

MARKET LAUNCH 20 MARCH ’17

HTTPS://WWW.FP-SIGN.COM

FP-SIGN PLATFORM-BASED SOLUTION FOR SECURE TRANSACTION MANAGEMENT

Use within the core application of the sender

- ERP
- CRM
- HR
- Contract management

Select document type

- Contracts
- Order documents
- NDA's
- ...simply everything!

Select signature level, sign document and send invitation to partner

- Qualified electronic signature
- Advanced electronic signature
- Digital signature

Identification of partner

- TAN
- nPA
- DE Mail
- Video Ident

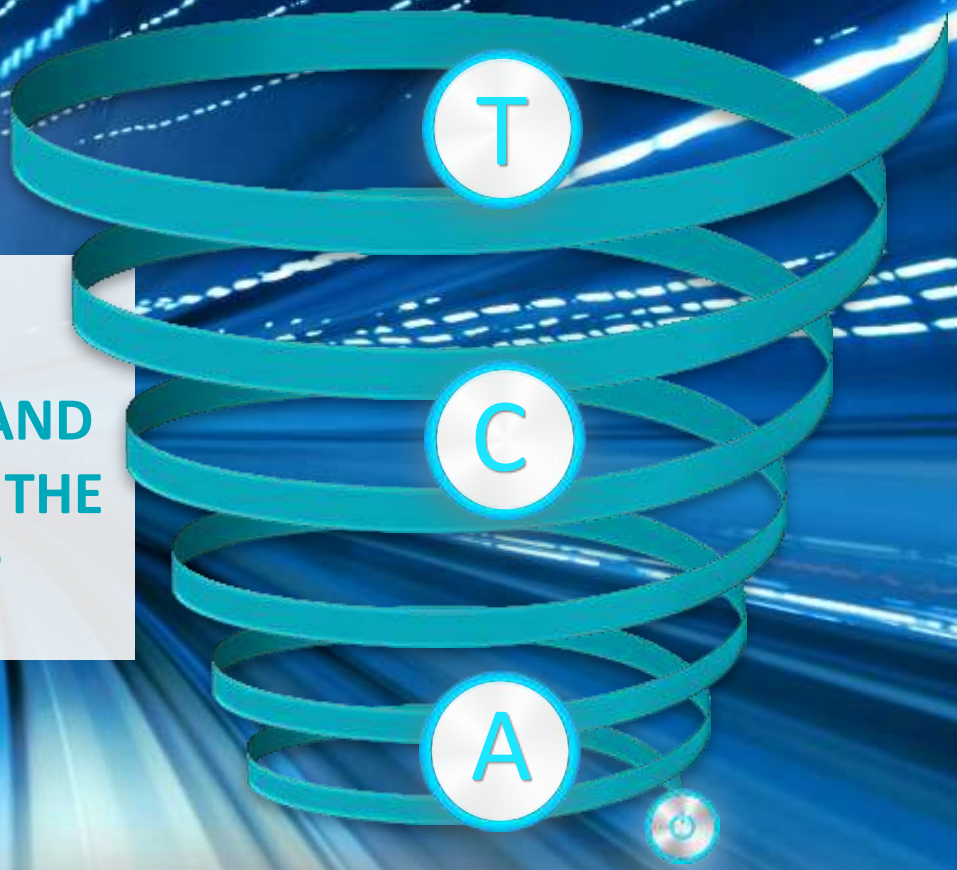
Countersign by partner

- Smartphone
- Tablet
- Desktop

FP sign

TRANSFORM FP INTO AN ENLARGED BUSINESS

DEVELOPMENT OF INNOVATIVE PRODUCTS AND STRATEGIC OPTIONS FOR THE TRANSFORMATION OF FP



TRANSFORMATION HAS **INTERNAL AND EXTERNAL** DIMENSIONS

INTERN

Use of **agile innovation methods** for the **strategic positioning and adaptation of the core business** along the changing customer requirements.

EXTERN

Exploration and testing of future markets, products and business models **based on our DNA** (Cryptography, Sensors, Actuators, Connectivity)

FP FIT

START TO ACT

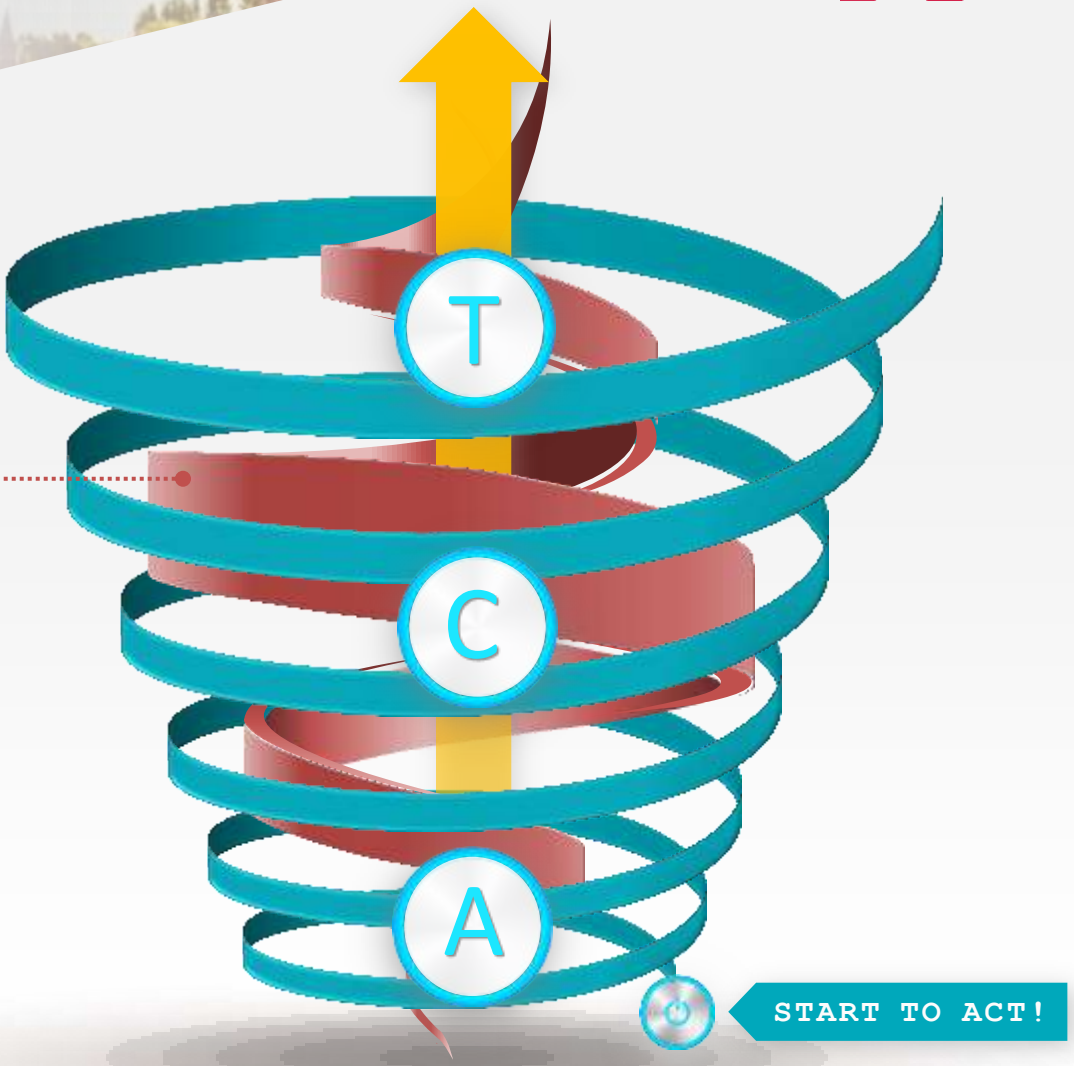
FP FIT IS THE **BASIS** AND **DRIVING FORCE** FOR ACT

FINANCIAL
EXCELLENCE

SALES
EXCELLENCE

HR
EXCELLENCE

DIGITAL
EXCELLENCE



PREREQUISITE FOR SUCCESS– FP FIT

FINANCIAL EXCELLENCE

- ✓ **REORGANIZE FINANCE DEPARTMENT**
  CLEAR STRUCTURES / CENTRAL VS. DE-CENTRAL RESPONSIBILITY
- ✓ **REDESIGN MIS** MANAGEMENT INFORMATION SYSTEM
  INCREASE QUALITY AND TRANSPARENCY / COMPLIANCE
- ✓ **PROFESSIONALIZE FINANCE MANAGEMENT**
  GROUP FINANCING / TAX RATIO / WORKING CAPITAL / FUNDING
- ✓ **SUPPLY CHAIN MANAGEMENT**
  REVIEW SUPPLY CHAIN / MANAGEMENT OF MATERIAL COSTS

SALES EXCELLENCE

- ✓ **PRICE MANAGEMENT**
  REORGANIZATION OF PRICE STRUCTURE / BEST IN CLASS PROCESS
- ✓ **STRENGTHEN AND ENHANCE SERVICE**
  OPTIMIZE SERVICE MODEL / ADD NEW SERVICES
- ✓ **DEVELOP SALES DISTRIBUTION**
  OPTIMIZATION / PROFESSIONALIZATION / CHANNEL MIX
- ✓ **SIGNIFICANTLY INCREASE MARKET PENETRATION**
  LEAD GENERATION / INTELLIGENT MARKETING

SUSTAINABLE PROFITABILITY THROUGH CUSTOMER FOCUS AND EXCELLENT PROCESSES

PREREQUISITE FOR SUCCESS– FP FIT

HR
EXCELLENCE

DIGITAL
EXCELLENCE

- ✓ **DRIVE INNOVATION CULTURE AND CHANGE**
  LEADERSHIP / RESPONSIBILITY / VALUES
- ✓ **IDENTIFY, INSPIRE AND DEVELOP TALENTS**
  TALENT MANAGEMENT / BRANDING / „FP ACADEMY“
- ✓ **ESTABLISH CLEAR GOVERNANCE / ORGANIZATION**
  RULES OF PROCEDURE / GUIDELINES / CLEAR COMPETENCIES
- ✓ **DEVELOP RETENTION PROGRAM**
  INCENTIVE, COMPENSATION SYSTEMS / COMMUNICATION / EVENTS

- ✓ **HARMONIZE AND MAKE “IT” MORE EFFECTIVE**
  INFRASTRUCTURE / ERP / WORKFLOWS / COLLABORATION
- ✓ **IMPROVE INNOVATION / IP MANAGEMENT**
  R&D PROCESSES / START-UP METHODS / MANAGE PATENTS
- ✓ **REPOSITION DIGITAL BUSINESS**
  EXPAND KNOW HOW / SECURE COOPERATION PARTNERS
- ✓ **DIGITIZE BUSINESS PROCESSES**
  100% DIGITAL OFFICE / DATA ANALYTICS PLATFORM

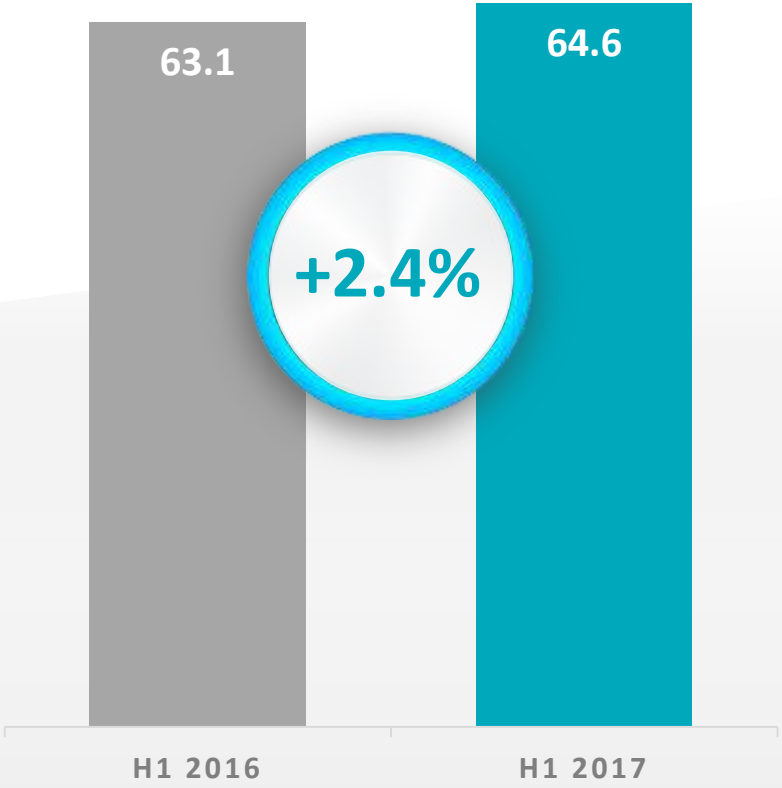
SUSTAINABLE PROFITABILITY THROUGH INNOVATION AND EMPOWERMENT

FP GROUP

RESULTS HALF-YEAR 2017

REVENUE GROWTH IN FRANKING MACHINE BUSINESS

REVENUES FRANKING MACHINE BUSINESS
€ MILLION



- ✓ **Revenue growth in franking machine business** of 2.4%
- ✓ **Product sales grew by 9.4%** - high interest in PostBase products
- ✓ Negative currency effect of €0.2m
- ✓ Increasing revenues especially in **USA and France**

FP GROUP ATTACKS IN CORE BUSINESS

= Countries in which FP is active

USA

- ✓ **Market Share of 6.5%**
- ✓ Successful launch of PostBase One
- ✓ National Dealer Summit
- ✓ Successful dealer recruiting
- ✓ New lead generation system

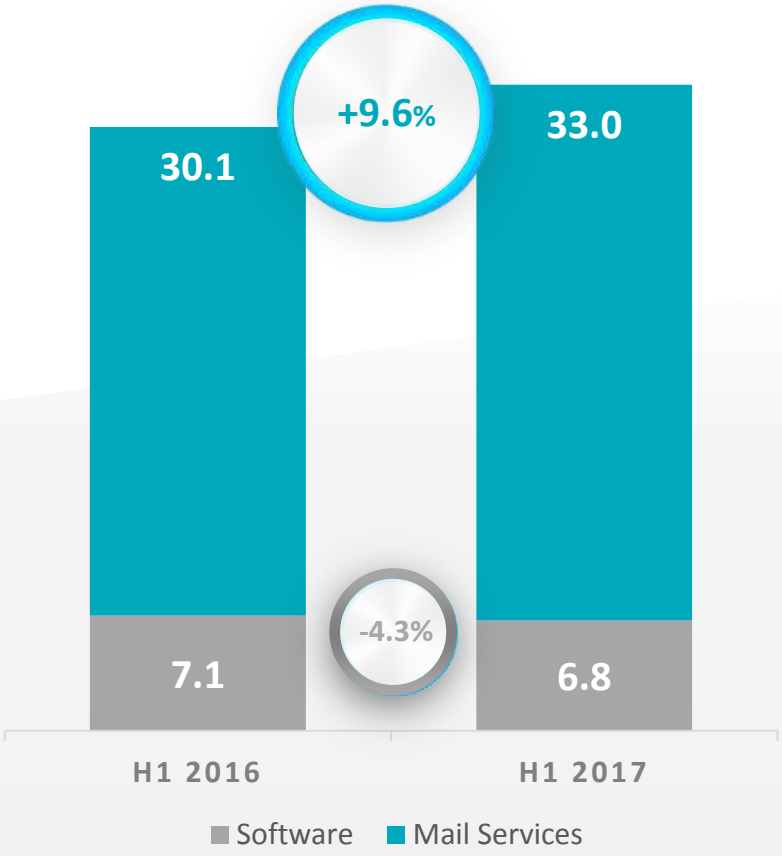
France

- ✓ **Market Share of 1.9%**
- ✓ Installed base doubled
- ✓ New Sales Office
- ✓ Introduction of PostBase One for completion of product offering in progress

➢ **Further increase of total market shares**

CHALLENGING ENVIRONMENT IN MAIL SERVICES AND SOFTWARE BUSINESS

REVENUES
€ MILLION



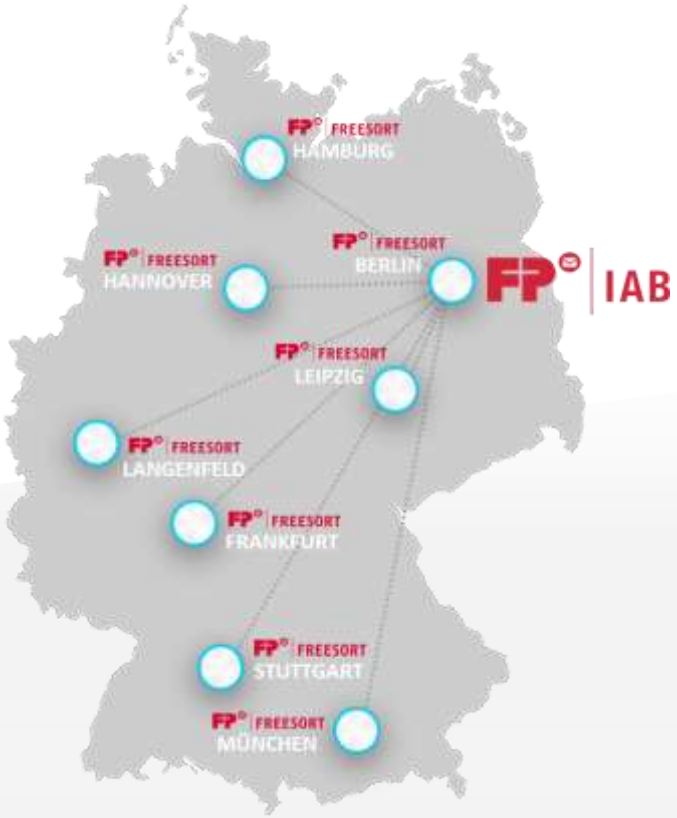
Software

- ✓ Temporary decrease in revenues due to change in customer base

Mail Services

- ✓ Revenue growth of 9.6% with high purchased services due to franking service
- ✓ Reduction of postage discount by Deutsche Post AG since Jan 1st, 2017 burdened revenues by €0.5m
- ✓ Detection of deviations and occasional irregularities in internal processes

BRINGING FORWARD RELAUNCH OF MAIL SERVICES

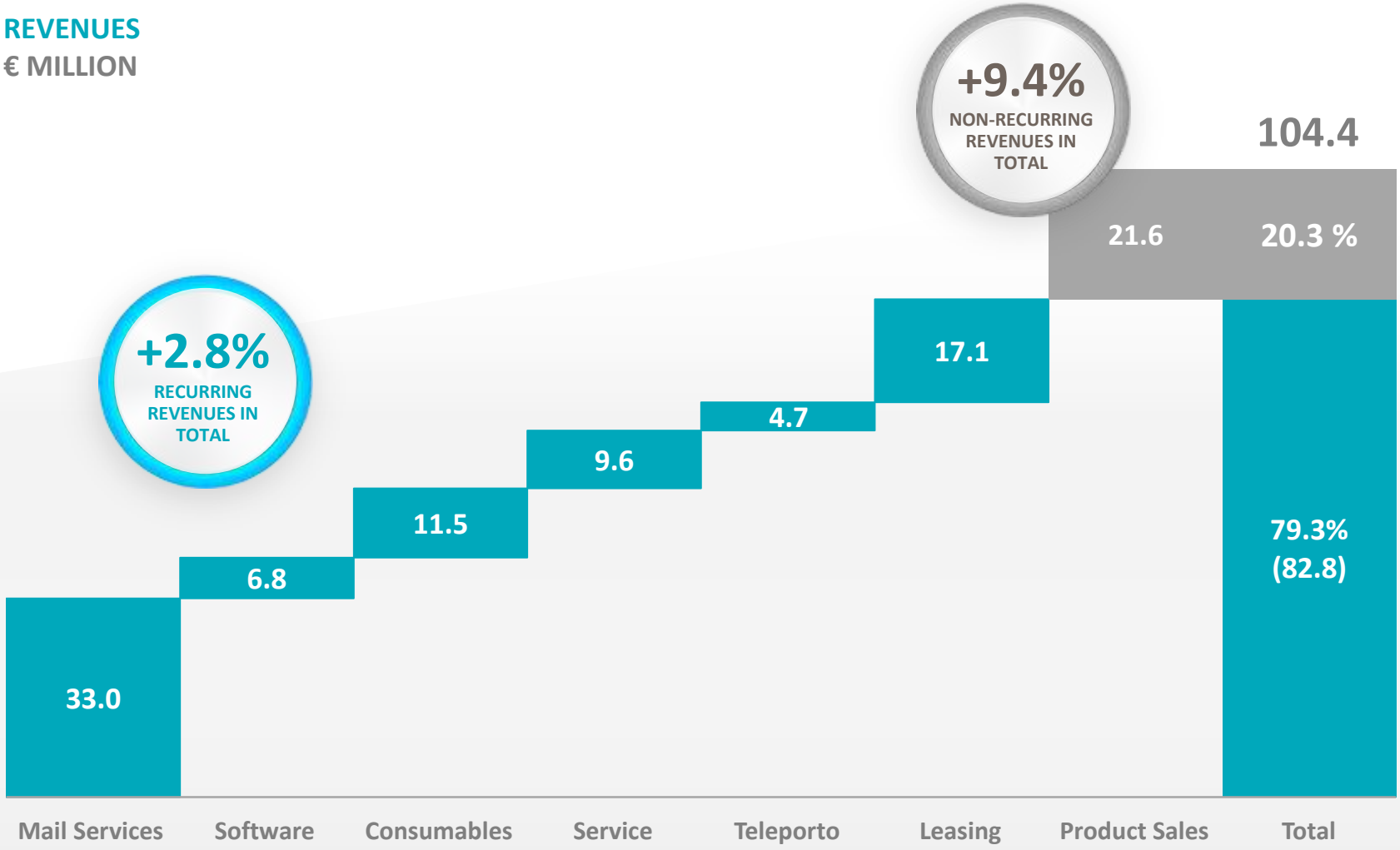


Mail Services

- ✓ Strengthen Management Team
- ✓ Enhancement of process quality and security
- ✓ Increasing level of automation
- ✓ Setup of new Mail Services centre
- ✓ Qualification programs for staff
- ✓ Implementation of continuous improvement process
- ✓ Closer integration of Mail Services and Software

REVENUES AT A GLANCE:
STRONG INCREASE OF **PRODUCT SALES**

REVENUES
€ MILLION



TRANSITION YEARS 2017 AND 2018
EFFECT ON EARNINGS

€ MILLION	01.01. - 30.06.2016	01.01. - 30.06.2017
Revenues	100.3	104.4
EBITDA	14.6	12.7
EBITDA-Marge (%)	14.6	12.2
EBITDA adj.	15.0	14.9
Depreciation/ Amortisation	8.3	9.8
EBIT	6.3	2.9
Net Income	4.0	2.1
EPS (basic, EUR)	0.24	0.13
EPS(diluted, EUR)	0.23	0.13

Average rates €/$ H1 2016 = 1.116 and H1 2017 = 1.083
€/£ H1 2016 = 0.779 and H1 2017 = 0.860

ACT

- ✓ Ongoing expected implementation of ACT: expenses of €1.7m, thereof personal expenses €1.0m

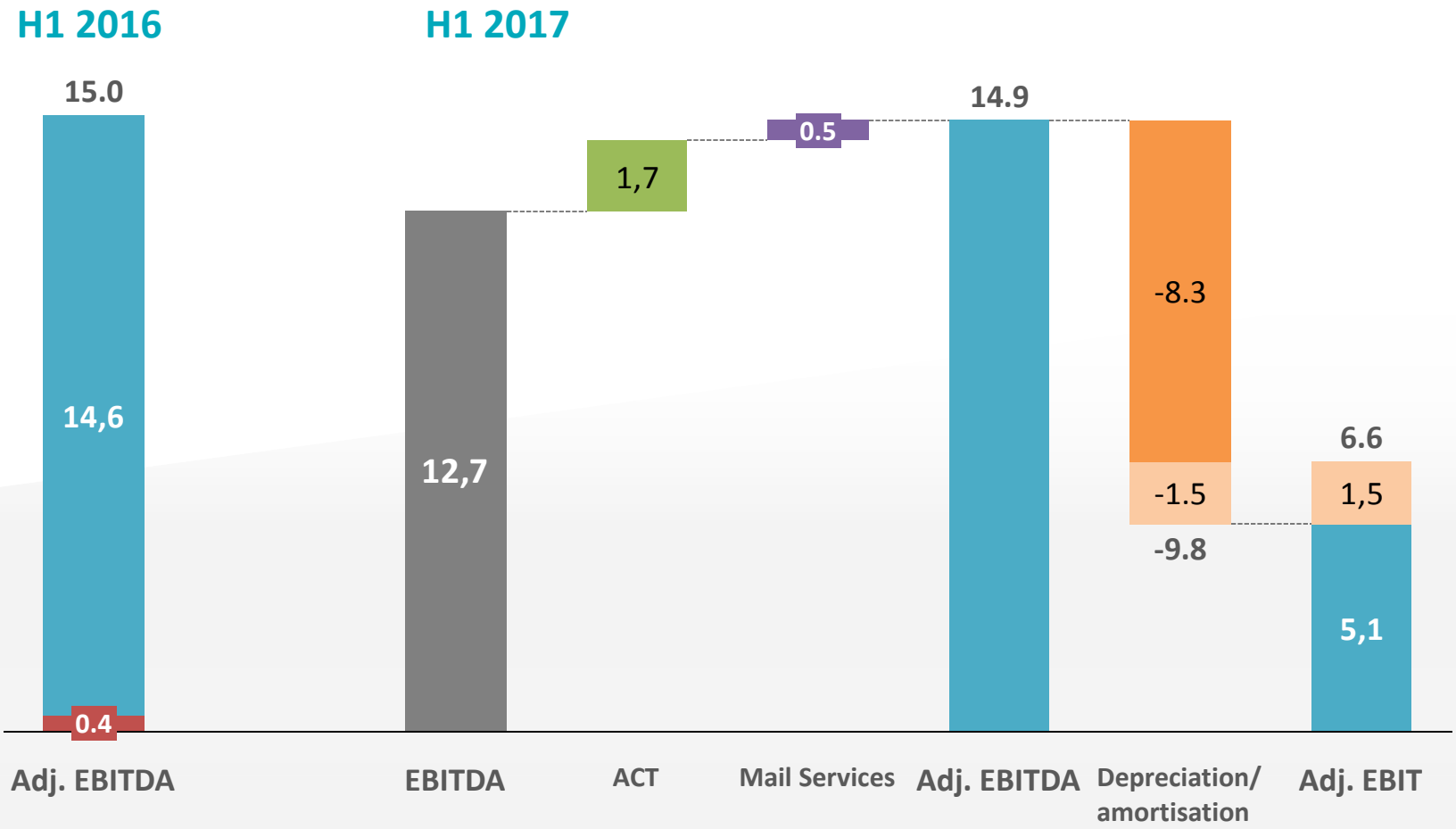
Mail Services

- ✓ Reduced margin due to less postage discounts of €0.5m and increase of cost of purchased services (franking services)
- ✓ Extraordinary expenses of €0.5m

Depreciation/Amortisation

- ✓ As expected higher depreciation and amortisation leads to lower EBIT
- ✓ Depreciation/amortisation to revenues is expected to level out as of 2018

ACT GROWTH STRATEGY
INVESTMENTS INTO FP's FUTURE



ACT expenses H1 2016

ACT expenses H1 2017

Extra ordinary expenses Mail Services H1 2017

Depreciation/ amortisation H1 2016

Increase depreciation/ amortisation H1 2017, mainly due to modernisation porduct portfolio

CASH FLOW COMPARED TO PREVIOUS YEAR

€ MILLION	01.01. - 30.06.2016	01.01. - 30.06.2017
Cash flow from **operating activities**	14.7	12.0
Cash flow from **investing activities**	-8.5	-8.0
Free Cash flow	**6.3**	**4.0**
Adj. Free Cash flow*	**7.6**	**6.7**
Cash flow from **financing activities**	-1.2	-4.0
Cash and cash equivalents	20.0	18.2

Operating activities:

- ✓ Decreasing cash flow due to lower EBITDA

Investing activities:

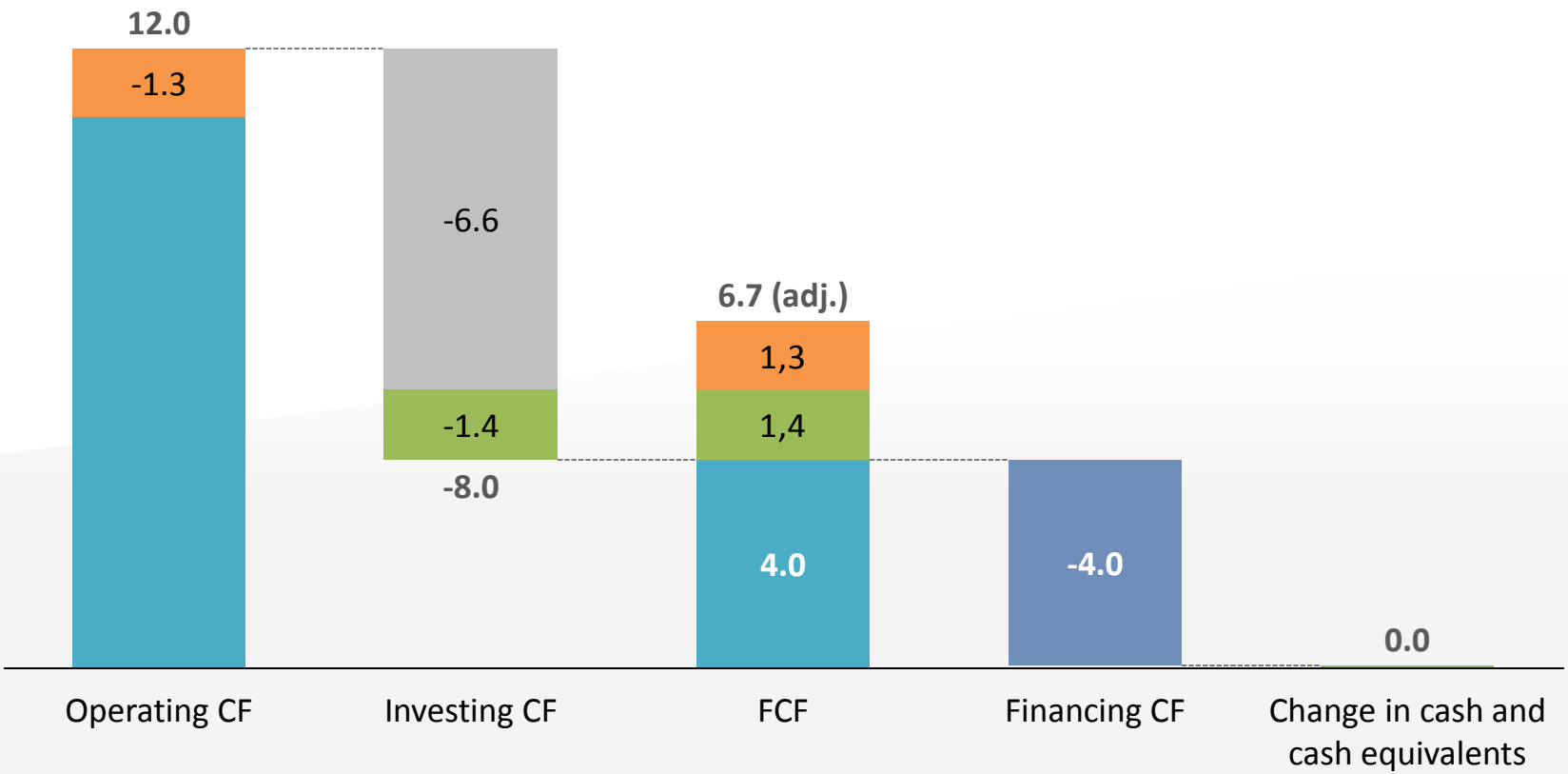
- ✓ Slight temporary decrease of capitalised development costs and investments in rental equipment
- ✓ Acquisition of customer list (UK)

Financing activities:

- ✓ Payment of dividends
- ✓ Repayment of financial liabilities

* excluding M&A and additions to finance lease assets

SOUND ADJUSTED FREE CASH FLOW IN H1 2017



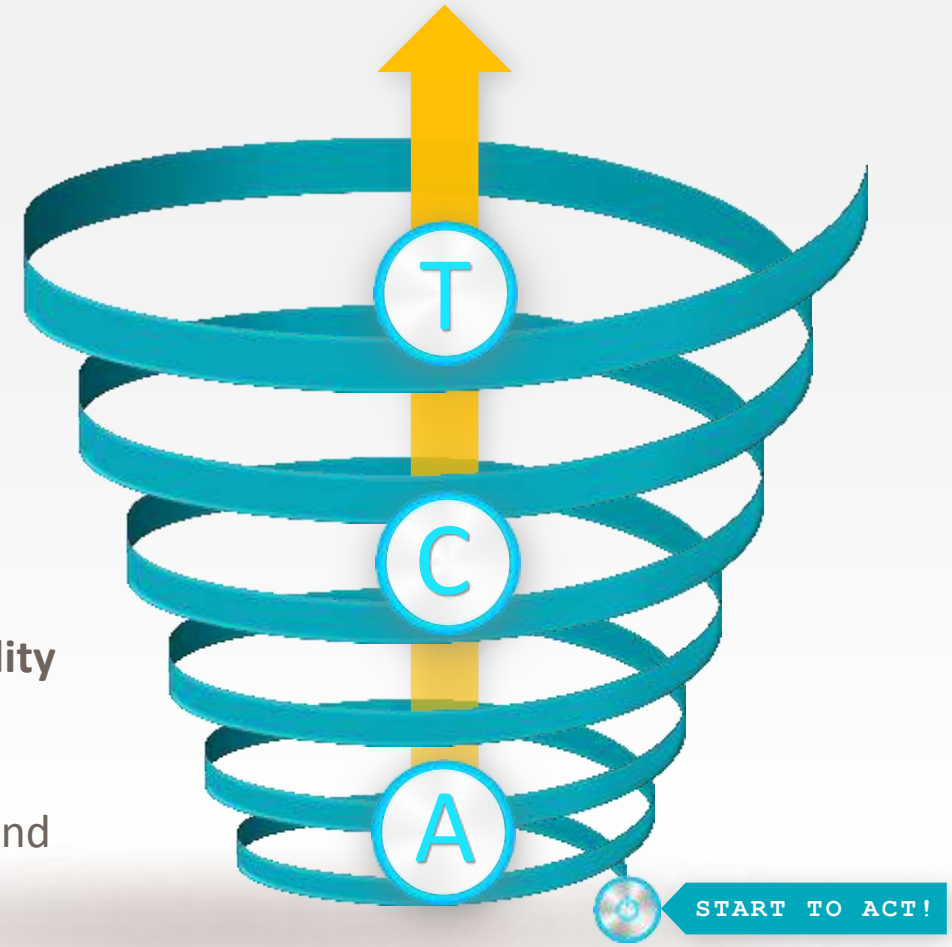
Investment in finance lease assets

Acquisition Customer List UK

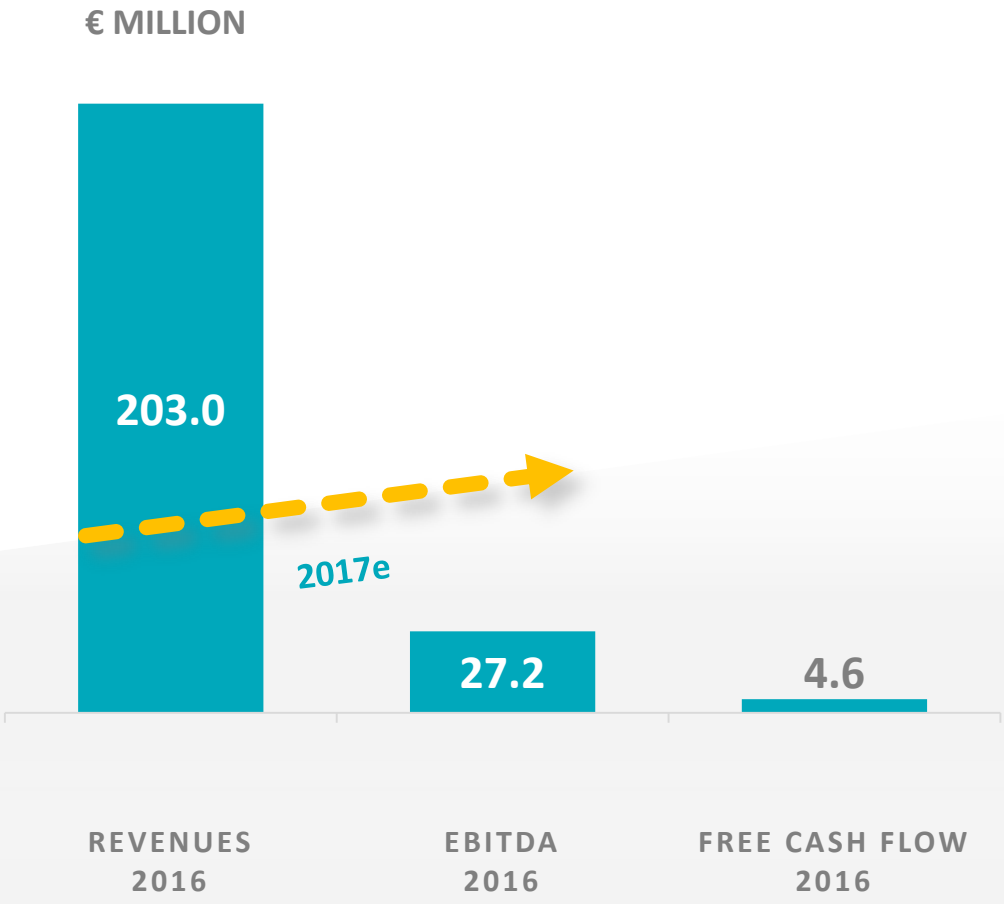
* Free Cash flow adjusted for acquisition of customer list UK and addition of finance lease assets

SUMMARIZING H1 2017 AND OUTLOOK 2017

- ✓ FP Group **accelerates ACT strategy**
- ✓ **Increase in market shares** against general market trend
- ✓ Further growing business in the **USA and France**
- ✓ **Initiated improvements of profitability** in Mail Services
- ✓ **Closer integration** of **Mail Services** and **Software Solutions** business



FP MAINTAINS GUIDANCE FOR 2017



REVENUES

FP expects a **slight increase***

EBITDA

FP expects a **slight increase***

FREE CASH FLOW

FP expects adj. FCF at a **similar level** to last year**

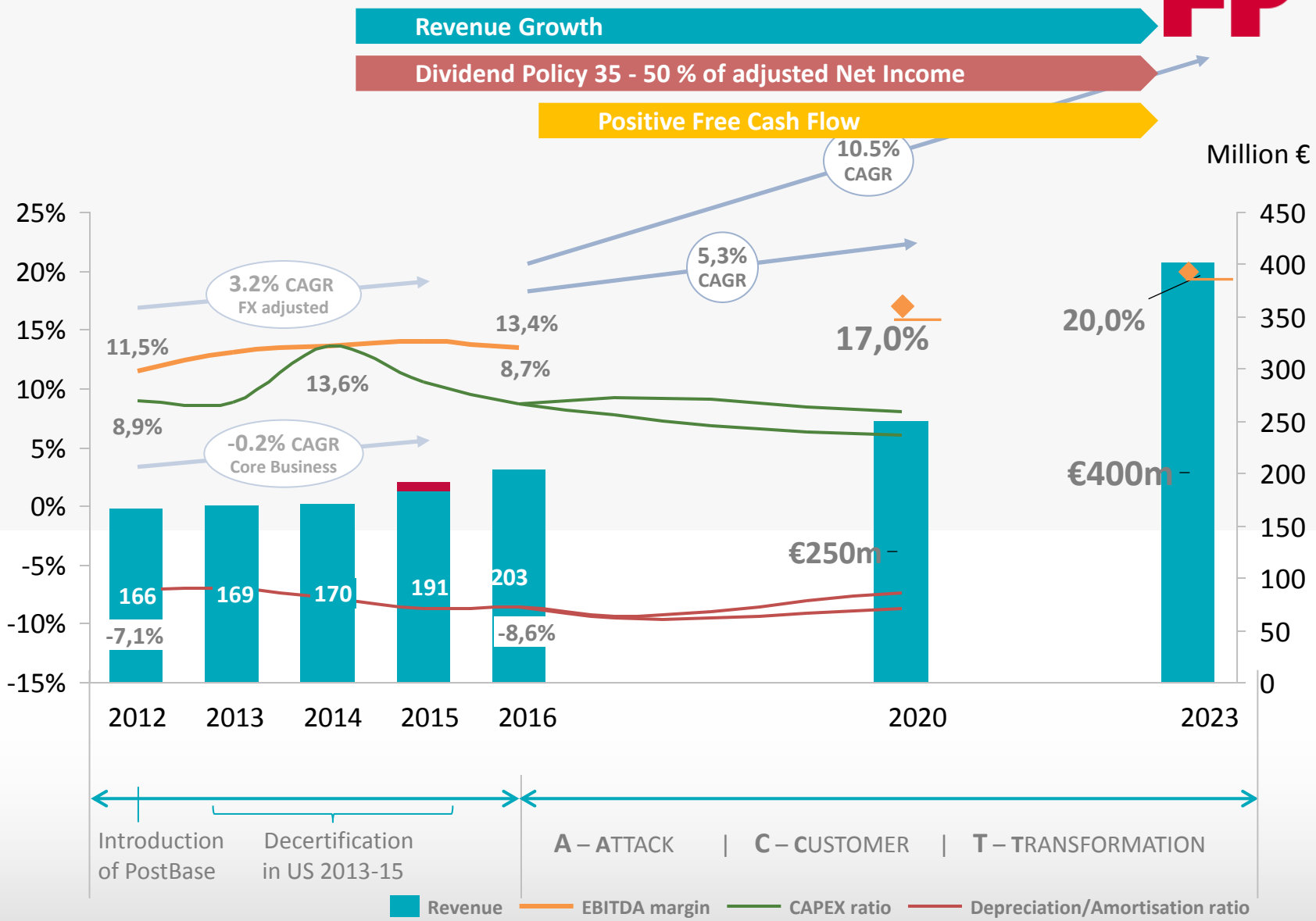
* Based on constant currency level
** Based on constant currency level, excluding M&A and additions to finance lease assets

ON TRACK TO REACH AMBITIOUS TARGETS

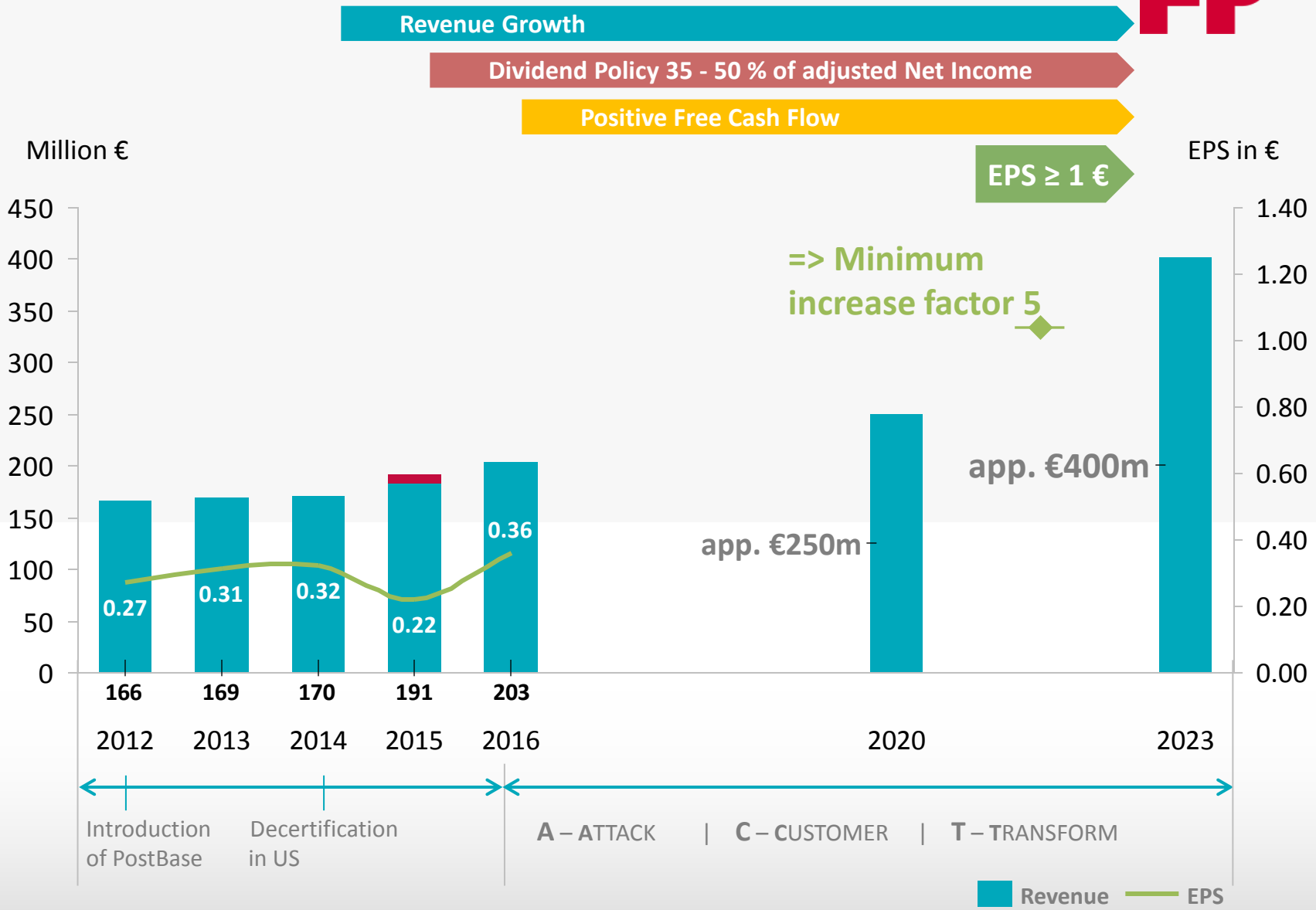
SUMMARY

RECAP

NEW ERA FOR FP



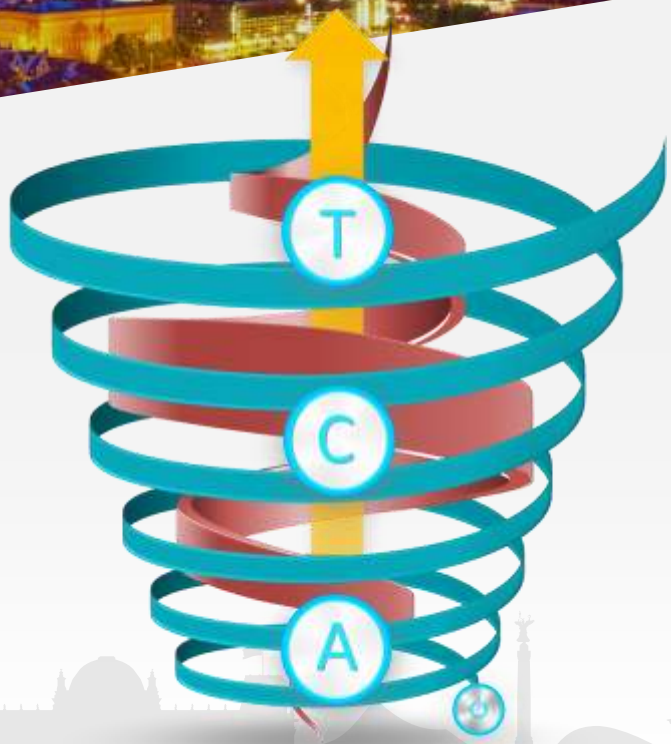
A NEW ERA FOR FP



ACT BRINGS THE **FP-GROUP** INTO A **NEW GROWTH ERA**

Three Reasons to Invest in FP:

1. Dynamic growth company and dividend stock
2. Innovative products and services with clear customer focus
3. High-margin with recurring revenue business and strong cash flows. EPS target of ≥1 Euro (2020 – 2023)



FP GROUP

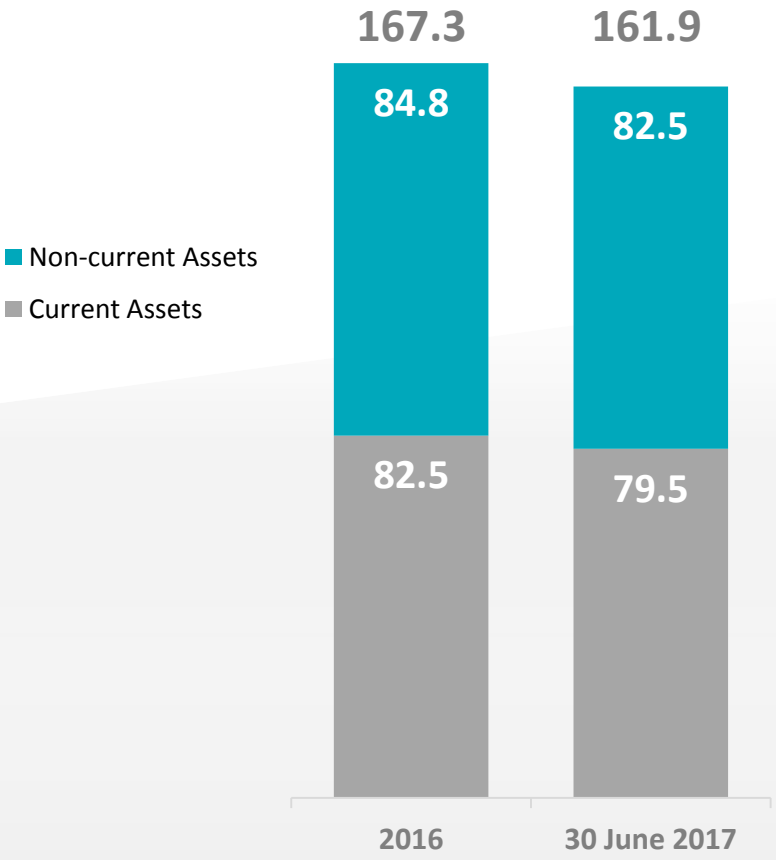
TO BE CONTINUED

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

€ MILLION	H1 2016	H1 2017	%
Revenues	**100.3**	**104.4**	**4.1**
Change in inventories	-0.2	0.5	n/a
Own work capitalised	6.5	5.1	-21.0
Total output	**106.6**	**110.0**	**3.2**
Material expenses	47.8	51.8	8.4
Personnel expenses	28.7	30.3	5.4
Other income ./. expenses	-15.4	-15.2	-1.5
EBITDA	**14.6**	**12.7**	**-13.2**
as % of revenue	14.6	12.2	
Deprecation / Amortisation	8.3	9.8	18.1
EBIT	**6.3**	**2.9**	**-54.5**
Interest result	-0.3	0.7	n/a
Financial results	0.1	-0.3	n/a
Tax results	-2.2	-1.1	-48.3
Net Income	**4.0**	**2.1**	**-46.9**
EPS (€ basic)	**0.24**	**0.13**	**-45.3**
EPS (€ diluted)	**0.23**	**0.13**	**-44.0**

FINANCIAL SITUATION – **BALANCE SHEET**

FINANCIAL SITUATION
€ MILLION



Decrease of non-current assets due to

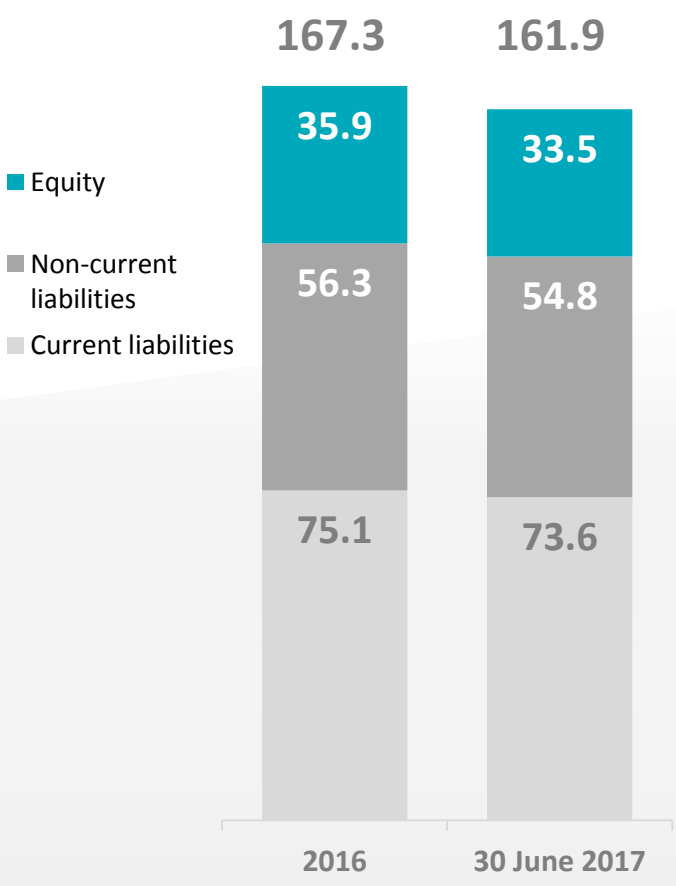
- – Declining leased products (-13%)
- + Increasing Finance lease receivables (+10%)

Decrease of current assets due to

- – Slight decrease of inventories
- – Decreasing trade receivables (-6%)
- + Increase of cash and cash equivalents (+3%)

FINANCIAL SITUATION – **BALANCE SHEET**

FINANCIAL SITUATION
€ MILLION



Equity ratio of **20.7%** (2016: 21.5%)

Decrease of non-current liabilities due to

- ✓ Decreasing financial liabilities

Decrease of current liabilities due to

- ✓ Decreasing provisions

THE GLOBAL SUCCESS OF POSTBASE

PostBase

reddot design award
winner 2012

2012

...Germany

...US

...Austria

Launch PostBase family…

2013

...United Kingdom

...Canada

...Italy

2014

...Netherlands

... Belgium

...Denmark

...France

2015

Launch PostBase Mini

...United Kingdom

...US

...Italy

2016

...Netherlands…

PostBase Mini:
https://www.youtube.com/watch?v=HB9PvOrajCY

FP MANAGEMENT

Rüdiger Andreas Günther
CEO and CFO
since January 2016 with FP

Bank Apprenticeship and Business Administration studies in Göttingen, North Carolina, USA

- ✓ 1985 Beginning of career at today's Bank of America in Chicago, USA
- ✓ Afterwards responsible for finance department at Metro AG
- ✓ 1993 Change to Claas KGaA: 13 years CFO and CEO
- ✓ Afterwards Board positions within Infineon and Arcandor
- ✓ 2012 Change to Jenoptik AG as CFO

Thomas Grethe
CSO
since June 2013 with FP

Banker and Economist (WAH)

- ✓ More than 30 years of sales experience in the IT and telecommunications industry
- ✓ Executive positions in sales management and general management of international groups such as Oki Systems, Konica Minolta Printing Solutions und Ricoh
- ✓ CEO of Utax GmbH (was acquired by Kyocera Corporation in 2010)

Sven Meise
CDO
since February 2015 with FP

Degree in Business Administration (BA) specializing in Business Computer Science

- ✓ Many years of experience in Output Management, IT and Software Solutions
- ✓ National and international positions at IBM Germany GmbH
- ✓ Responsible for Professional Services, Information Technology and Group Program Management at TA Triumph-Adler GmbH

FP AT THE **STOCK MARKET**

ISIN	DE000FHP9000
Segment	Prime Standard/ All Industrial
IPO	30 November 2006
Reuters	FPHG.DE
Shares	16.3 million
Freefloat	74.3% (according to GSE Frankfurt)
Coverage	Hauck & Aufhäuser, Warburg Research

MAIN SHAREHOLDER

3R Investments	10.3%
INKA MBH	10.2%
Quaero Capital	5.2%
SALTARAX GMBH	3.6%
Ludic GmbH	3.5%
RUDOLF HEIL	3.0%

FINANCIAL CALENDAR

24 August 2017
Results for the Half Year 2017

16 November 2017
Results for the Third Quarter 2017

CONTACT

Sabina Prüser
Corporate Communication
Vice President Investor Relations / PR

Francotyp-Postalia Holding AG
Prenzlauer Promenade 28
13089 Berlin

Telephone
Fon + 49 (0) 30 220 660 410
Fax + 49 (0) 30 220 660 425
s.prueser@francotyp.com

Blog
www.fp-francotyp.com/blog

Facebook
www.facebook.com/FPFrancotypDE

Twitter
www.twitter.com/ir_fp

DISCLAIMER

This report contains forward-looking statements on the business development of the Francotyp-Postalia Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press.

The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany) or in the USA, UK, or Canada, and Singapore will have a corresponding impact on the development of our business.

The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, Canadian dollars, Singapore dollars. In addition, expected business development may vary if the assessments of value-enhancing factors and risks presented in the 2016 Annual Report develop in a way other than we are currently expecting.

FP GROUP

ICONS UND BILDER MIT FREUNDLICHER GENEHMIGUNG VON FREEPIK.COM, FLATICON.COM UND SHUTTERSTOCK.COM