Preliminary version of audited consolidated financial statements (without audited ESEF tagging and audited financial statements of FP Holding AG)

as at 30 April 2024

ANNUAL REPORT 2023

Dear business partners and shareholders,

In this report, we inform you as usual about the course of business in the past fiscal year 2023. At the same time, we would like to look to the future of FP with you, because we believe that FP, with its 100-year company history, is well equipped to successfully master and help shape the challenges of an increasingly digital world.

Following the strong increase in revenue in the 2022 fiscal year, which was largely characterised by various non-recurring effects, the Management Board had planned to generate revenue in a range between EUR 245 million and EUR 255 million in the 2023 fiscal year. EBITDA (earnings before interest, taxes, depreciation and amortisation) were forecast to reach a range between EUR 28 million and EUR 31 million. As usual, these forecasts were based on stable exchange rates, which can develop positive or negative effects over the course of the year.

With revenue of EUR 241.8 million and taking account of negative FX effects totalling EUR 4.1 million, the revenue target was achieved at the lower end of expectations. EBITDA developed slightly better than expected – also due to non-recurring effects – and totalled EUR 31.0 million, or even EUR 33.4 million on a constant currency basis. In view of these figures, the fiscal year as a whole can be described as satisfactory.

In 2023, the business divisions had to deal with the challenges posed by the difficult economic environment, increased interest rates and high inflation in different ways. The Mailing, Shipping & Office Solutions division recorded a slight decline in sales compared to the previous year. Taking into account the non-recurring effect from the postage increase in the 2022 fiscal year, this results in a stable development. This shows that FP can successfully assert itself with its current product range in this otherwise declining market. A slight decline in revenue was also recorded in the Digital Business Solutions segment.

Here, the pleasing performance in most product areas was unable to compensate for the loss of a major customer in Output Management. And as expected, there was no repeat of the pandemic-related special mailings from 2022 in the Mail Services segment, meaning that a decline in revenue was also recorded here. To summarise, we can state that business performance was largely as expected.

FP is undergoing a process of transformation. The expansion of the digital product areas is intended to create the basis for not only compensating for the expected further decline in business with franking machines, but also for tapping additional growth potential for the future. With the further development of the product portfolio in this area, a starting point has already been created that now needs to be expanded quickly and purposefully.

As the new Management Board team, we will integrate the necessary transformation projects into a framework that allows for central management. The focus is on the key value drivers for the positive development of the respective business areas. By concentrating on these value drivers, we can use resources in a more targeted way and prioritise activities in order to implement the transformation projects and thus achieve an increase in value and sustainable management together with the team.

The business model provides a solid foundation for the planned transformation. Whereas in business with franking machines and in the Mail Services business unit the focus is on stabilising the top line, improving the cost structure and making the product range more sustainable through increased use of recycled components and overhauled machines (circular economy), the focus in the digital business is on growth, for which purpose many of the products were modernised significantly in 2023 already.

We are ready and motivated to continue the transformation of FP and write the next chapter in the company's 100-year history.

Carsten Lind's term of office as Chairman of the Management Board ended in spring 2024. We would like to thank him for setting the course in a challenging time and wish him all the best for the future. Friedrich G. Conzen is taking over as the new CEO and will play an instrumental role in FP's success in the coming years.

We would also like to take this opportunity to express our special thanks to all of our employees, whose commitment and identification with our common goals make FP's progress possible. The team is well positioned and will successfully master the challenges of the future.

We would be pleased if you would continue to accompany us on this journey, and we look forward to a joint dialogue with you.

Your Management Board

Friedrich G. Conzen	Ralf Spielberger
CEO	CFO

Report of the Supervisory Board of Francotyp-Postalia Holding AG (FP Group)

Dear shareholders and business partners,

The past 2023 fiscal year was also dominated by increasing digitalisation. Mail volumes continue to decline in many major markets, which is noticeable both in the franking machine business and in the Mail Services (freesort) division. The necessary transformation is beginning to show results, as the revenue and earnings contributions of digital products are increasing.

Supervisory Board and Management Board collaboration

In fiscal year 2023, the Supervisory Board performed the duties required of it pursuant to prevailing law, the Articles of Association and the Rules of Procedure, while continuously monitoring the Management Board's governance of the company and advising it regularly on company management.

The Management Board fulfilled its information and reporting obligations in full. It provided us with regular, prompt and detailed written and verbal information on all matters of strategy, planning, business performance, the risk situation, changes in risk and compliance relevant to the company and the Group. This also included information about where actual performance deviated from earlier targets and where business performance deviated from planning, including in the development of agreed ESG key figures. Furthermore, the Chairman of the Supervisory Board, the Chairman of the Management Board and the entire Management Board regularly exchanged information.

The members of the Supervisory Board always had adequate opportunities to critically assess the reports submitted and resolutions proposed by the Management Board and to make their own suggestions. In particular, the Supervisory Board was directly consulted about all decisions of fundamental importance to the company at an early stage and discussed these with the Management Board in detail. The Supervisory Board examined the company's objectives, risk situation, liquidity planning and equity situation in detail on several occasions. As part of this, the Supervisory Board was also consulted about key operating issues. Where Supervisory Board approval was required for decisions or action by the Management Board by law or in accordance with the Articles of Association or the Rules of Procedure, the Supervisory Board members granted this after close examination and discussion.

Supervisory Board meetings

In the reporting year, the Supervisory Board held eight meetings, some of which were attended in person and some of which were held as video or telephone conferences as required. Our regular discussions addressed revenue and earnings performance at Francotyp-Postalia Holding AG and the Group, as well as the financial position and results of operations. The Supervisory Board also dealt with the ongoing integration of the operating units of the Azolver Group acquired in 2022.

Another topic at the meetings was the introduction of new ERP/CRM software. Successful further development of the IT landscape will be one of the main challenges in the coming fiscal year. In addition, progress in its implementation as well as the implementation of the share buyback programme were addressed.

The Supervisory Board also considered the 2022 annual and consolidated financial statements, together with the combined management report including the separate non-financial declaration and the combined declaration on corporate governance by the Management Board and the Supervisory Board. Quarterly reports and the half-year report were discussed with the Management Board at length prior to publication.

The Supervisory Board also examined the monitoring of the accounting process, issues relating to the effectiveness of the internal monitoring system and its further development, the effectiveness of the risk management system and the internal audit system, compliance management and the development of the FP Group's strategic compliance measures. In addition, the Supervisory Board examined Internal Audit's audit findings, audit processes and audit planning for fiscal year 2023. In this context, the Supervisory Board also issued its own instructions to the internal audit department and thus was satisfied of the appropriateness and effectiveness of the internal control system. Another key topic was the current status of implementation of the FUTURE@FP programme.

The Supervisory Board also discussed preparations for the Annual General Meeting on 14 June 2023. The Supervisory Board approved the Management Board's decision to hold the event in person. The Supervisory Board also discussed the company and investment planning for the 2023 fiscal year and set the target figures (KPIs) for the variable remuneration components (annual bonus) of the Management

Board members. Together with the Management Board, the Supervisory Board prepared the remuneration report for fiscal year 2023 in accordance with section 162 AktG and will submit it for approval to the Annual General Meeting 2024. There was also a focus on corporate governance, the internal control system (ICS) and compliance.

In fiscal year 2023, after reviewing the recommendations and suggestions of the current version of the German Corporate Governance Code (GCGC), the Management Board together with the Supervisory Board resolved to submit and publish the declaration of compliance. The latest declaration on corporate governance in accordance with section 161 AktG, which was submitted on 17 January 2024, is available on the FP Group's website. The Management Board and Supervisory Board also report on corporate governance at the FP Group in the declaration on corporate governance.

There were no transactions with related parties subject to approval or disclosure requirements in the reporting year. Furthermore, there were no conflicts of interest involving Management Board or Supervisory Board members that would have had to have been disclosed to the Supervisory Board.

Members' attendance rate at meetings of the Supervisory Board was 100%.

The members of the Management Board attended Supervisory Board meetings. At times, the Supervisory Board also regularly met without the Management Board. Agenda items at these meetings related either to the Management Board itself or to internal Supervisory Board matters.

Members of the Supervisory Board are individually responsible for participating in training and further development activities required for their jobs, for example relating to changes in legal frameworks and new technology. They are supported by the company in doing so. Informational events are attended where necessary for targeted training.

No committees were formed because the Articles of Association prescribe that the Supervisory Board must consist of three members. In accordance with section 107 (4) AktG, the Supervisory Board is also the Audit Committee.

Audit of the annual financial statements and consolidated financial statements

In accordance with the statutory provisions, the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed by the Annual General Meeting on 14 June 2023. The Supervisory Board issued the audit mandate to the auditor elected by the Annual General Meeting for the 2023 fiscal year and set the auditor's fee. Prior to this, it reviewed and assessed the selection, independence, qualification, rotation and efficiency of the auditor and the services performed by the auditor and reviewed the quality of the audit.

The Supervisory Board regularly exchanged information with the auditor during the audit.

The consolidated financial statements of Francotyp-Postalia Holding AG for the fiscal year from 1 January to 31 December 2023 and the management report of the FP Group, which is combined with the management report of the company, were prepared in accordance with section 315e HGB in line with the International Financial Reporting Standards (IFRSs) as adopted by the EU. Both the consolidated financial statements and the combined management report include an unqualified audit opinion by KPMG. As the auditors responsible for the audit, Jack Cheung has signed since fiscal year 2023 and Sascha Klein since fiscal year 2020.

The auditor conducted the audit in compliance with section 317 HGB and the EU Audit Regulation, taking account of the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as the International Standards on Auditing (ISA). The auditor also found that the Management Board has established a suitable information and monitoring system, the design and use of which is appropriate for identifying developments that threaten the continuation of the company at an early stage.

The financial statement documents and the findings from the audit for fiscal year 2023 were discussed at length at the Supervisory Board meeting on 18 April 2024. The auditors reported on the key findings of their audit and in particular on the key audit matters described in the respective auditor's report, including the audit procedures performed. It also provided information on its findings regarding the internal control system in connection with the accounting process and the early risk detection system and was available for additional questions and information. There were no objections raised after auditing and discussing in detail the consolidated financial statements and the combined management report in the Supervisory Board. The Management Board prepared the consolidated financial statements. The

Supervisory Board approved the consolidated financial statements on 30 April 2024. This also applies to the sustainability reporting.

In addition, the auditor examined the remuneration report jointly prepared by the management board and the supervisory board in accordance with section 162 of the German Stock Corporation Act (AktG). In the auditor’s opinion, the information required by section 162 (1) and (2) of the German Stock Corporation Act (AktG) has been provided in all material respects in the remuneration report.

Francotyp-Postalia Holding AG’s dividend policy remains essentially unchanged. The aim is to allow shareholders to participate in the positive development of the company. Due to the ongoing transformation, the Management Board proposed to the Supervisory Board that no dividend be distributed for fiscal year 2023 again and that the retained earnings of Francotyp-Postalia Holding AG of EUR 41.0 million be carried forward to new account. The Supervisory Board agreed with this proposal.

Personnel changes in the Management Board and Supervisory Board

Lars Wittan has been a member of the company's Supervisory Board since November 2020. As Chief Investment Officer of Obotritia Capital KGaA, his membership was based on a proposal by the major shareholder Obotritia Capital KGaA, which held 28.01% of the shares in the company. Obotritia sold its shares in March 2023 and Mr Wittan resigned from office with effect from the end of the 2023 Annual General Meeting. The Management Board and the Supervisory Board would like to thank Mr Wittan for his commitment.

At the Annual General Meeting in June 2023, Johannes Boot was elected as a new member of the Supervisory Board until the Annual General Meeting in 2025. This corresponds to the remaining term of office. Mr Boot is Investment Officer of Lotus Investment Management and thus represents the new major shareholder Olive Tree Invest GmbH.

In February 2024, Mr Boot also took over as Chairman of the Supervisory Board. The Management Board and Supervisory Board would like to thank Dr Alexander Granderath, who has been Chairman since 2020.

The Supervisory Board appointed Friedrich G. Conzen as a member of the Management Board and at the same time as Chairman of the Management Board with effect from 1 March 2024. Mr Conzen succeeds Carsten Lind, who is leaving the Management Board at the same time. The Supervisory Board would like to thank Mr Lind, who has made a significant contribution to the growth of the digital business and the transformation of FP with his drive and vision, and wishes him all the best for the future.

On behalf of the Supervisory Board, I would like to thank all members of the Management Board, employees and the employee representatives of Francotyp-Postalia Holding AG and all Group companies for their hard work and commitment and constructive collaboration in the past fiscal year.

Berlin, 30 April 2024

For the Supervisory Board

Johannes Boot

Chairman of the Supervisory Board

Addendum

At the time of reporting, the audit of the separate financial statements of Francotyp-Postalia Holding AG for the 2023 financial year had not yet been completed. Once this audit has been completed, the Supervisory Board will provide information on this in an addendum to its report.

FP Share

Highly volatile stock markets
In 2023, global stock markets were characterised by huge fluctuations. Whilst prices rose significantly at the start of the year, negative reports from the banking sector in the USA and Europe resulted in a temporary decline in prices. The markets recovered and then demonstrated positive performance until the summer, followed by several months of correction. In addition to inflation and the monetary policy of central banks, fears of a recession and uncertain corporate outlooks, the enduring war in Ukraine, the conflict in the Middle East and further international tensions had an impact on prices. Prices scrambled up again at the end of the year and the indexes showed solid price gains for the year as a whole.

The Euro Stoxx 50, the US S&P 500 and the US Dow Jones benchmark index were all up by the end of 2023, whereby tech shares were in particularly high demand. The US Nasdaq technology index rose by around 50%. Share prices also increased in Germany over the year as a whole. The German DAX stock index reached its low for the year of 14,069 points at the start of the year. After increasing by around 1500 points, negative reports in March resulted in a decline in prices in the German benchmark index. The DAX subsequently recovered and, despite increasing base rates, rose to a yearly high of 16,470 points. In September 2023, the European Central Bank had increased the base rate for the tenth time in a row in order to counteract rising inflation. The DAX lost much ground and, by the end of October, reached a similarly low level to the spring at around 14,700 points. The final weeks of 2023 followed a very positive trend; the benchmark index recorded significant price gains in November and December and ended the year at 16,752 points. Looking at the year as a whole, this corresponds to an increase of 20%.

The performance of the SDAX small cap index was also positive in the 2023 stock exchange year; growth of 17% was, however, somewhat lower than the benchmark index. The SDAX began the year with 12,085 points, then continued to gain ground and was subsequently as volatile as the other indexes. At the end of October, it reached its low for the year of 12,076 points, before significant price increases in the following two months. The small cap index achieved its high for the year of 13,960 points on the final trading day of 2023.

FP share with a weak price performance
The FP started into 2023 at EUR 3.44. In January, the price increased and, at the start of February, reached its high for the year of EUR 3.71 on the basis of the closing price. The price subsequently declined throughout the course of the year. The share reached its low for the year of EUR 2.74 at the end of December. The FP share ended the year at EUR 2.84. This corresponds to a decrease of around 18% for the year as a whole compared with the end of 2022.

The shares of the two listed competitors from Europe and the US performed positively. Both shares recorded double-digit price gains for the year as a whole. On a whole-year basis, the FP share therefore performed more weakly than its peer group. This is possibly due to the fact that FP is still undergoing a transformation process and many investors are still being cautious. In its communication with the capital market, FP will therefore focus on demonstrating the potential to be gained from the continuing transformation process. The company is doing all in its power to be successful on a sustained basis and for this to be reflected in the share price in the medium term.

In view of the decline in prices, trading with FP shares was rather low. The volume of FP shares traded daily on the Xetra platform decreased to an average of 4,045 shares in comparison to the previous year (previous year: 8,723). The highest figure – 43,428 shares traded on a single trading day – was reached on 6 December. On Tradegate, the average daily trading volume was 3,732 shares (previous year: 4,626).

Equity analysts recommend FP share as buy
In 2023, the FP share was again covered by the following three analyst companies: Baader Bank, Warburg Research and GSC Research. All analysts recommend buying the share; their average price target is EUR 5.83. Compared with the current price, the high price potential of the share is again confirmed. Two analysts amended their price targets to EUR 6.30 and EUR 6.20 at the end of the year. One analyst puts the price target at EUR 5.00.

The total of voting rights at the end of the fiscal year remains unchanged at 16,301,456. Between 2 November 2022 and 1 November 2023 inclusive, FP conducted a share buyback programme. The total volume of shares acquired within the scope of this share buyback amounts to 420,210 shares. This corresponds to an arithmetical share of 2.58% of the share capital of Francotyp-Postalia Holding AG.

The average purchase price of each share was EUR 3.35. In total, shares totalling EUR 1,407,708.89 were bought back. In the 2023 fiscal year, 273,696 shares were acquired at an average price of EUR 3.41. In 2022, FP had acquired 146,514 shares at an average price of EUR 3.24.

The company itself therefore held a total of 677,603 shares or 4.16% at the end of the year. The institutional investors come mainly from Germany and Luxembourg. At the end of 2023, there were the following notifications from institutional investors in line with section 40 (1) WpHG:

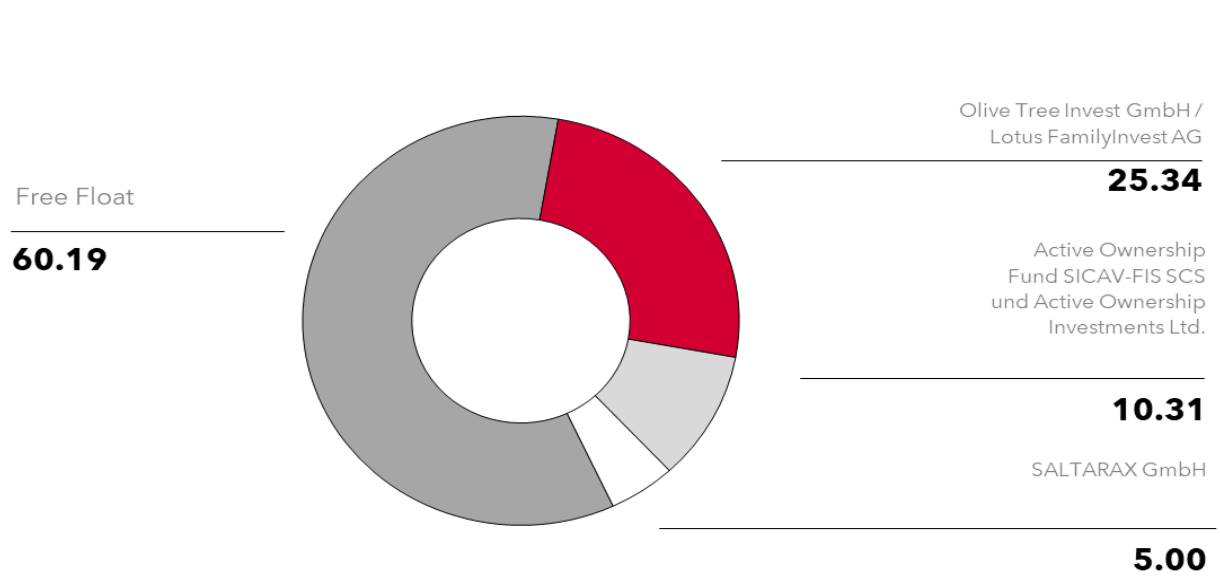
NOTIFICATIONS IN LINE WITH SECTION 40 (1) WPHG

Olive Tree Invest GmbH / Lotus FamilyInvest AG	25.34% (notification dated 4 May 2023)
Active Ownership Fund SICAV-FIS SCS and Active Ownership Investments Ltd.	10.31% (notification dated 7 October 2019)
Saltarax GmbH	5.00% (notification dated 11 November 2020)
Ludic GmbH	3.51% (notification dated 15 June 2013)
Magallanes Value Investors	3.26% (notification dated 22 May 2018)
Universal-Investment-Gesellschaft	3.19% (notification dated 12 November 2020)

Obotritia Capital KGaA sold all of its shares (previously 28.01%) with effect from 7 March 2023. The new major shareholder is Olive Tree Invest GmbH, which now holds 25.34% of the shares in the company. On 31 December 2023, 60.2% of the shares were in free float.

As at 31 December 2023, there is thus the following shareholder structure:

SHAREHOLDER STRUCTURE (in %)



FP Annual General Meeting

Once a year, the Annual General Meeting offers all FP Group shareholders the opportunity to engage in direct dialogue with management. In 2023, FP's Annual General Meeting was held as an in-person event for the first time since 2020.

Some 44.3% of the voting share capital was represented at the Annual General Meeting in Berlin on 14 June 2023. All items on the agenda were approved by a large majority.

Johannes Boot was elected by 90.5% of the votes represented at the Annual General Meeting as a new member of the Supervisory Board until the Annual General Meeting in 2025. This corresponds to the remainder of the regular term of office of the members elected by the Annual General Meeting in June 2021. An additional election was required because Lars Wittan had resigned as a Supervisory Board member at the end of the Annual General Meeting. Johannes Boot was elected as the new Chairman of the Supervisory Board during the Supervisory Board meeting on 6 February 2024.

Intensifying investor discussions

In fiscal year 2023, the FP Group continued to cultivate its IR activities. As in previous years, investor meetings took place in person, online or by telephone. This ensured that capital market participants were able to engage in open, transparent and regular discussions with the FP Group. FP’s Management Board and Investor Relations team made use of one-on-one meetings and investor conferences to present the company.

The team took part in the spring conference (Equity Forum) in Frankfurt on 15 and 16 May 2023 and the annual German Equity Forum on 28 November 2023. The Management Board and Investor Relations team presented FP in front of numerous national and international investors.

The German Equity Forum is Europe’s most important platform for equity capital financing for medium-sized enterprises. Following the release of quarterly figures, the FP Group again made use of conference calls to talk with investors. The associated presentations have been made available on the company’s website for the benefit of all interested parties. Visitors and capital market participants can find all further relevant information on the company’s homepage at www.fp-francotyp.com. Together with annual and half-year reports, the FP Group’s quarterly reports, financial presentations and press releases can also be found here. All the latest developments, such as announcements about voting rights or directors’ dealings, can also be found there.

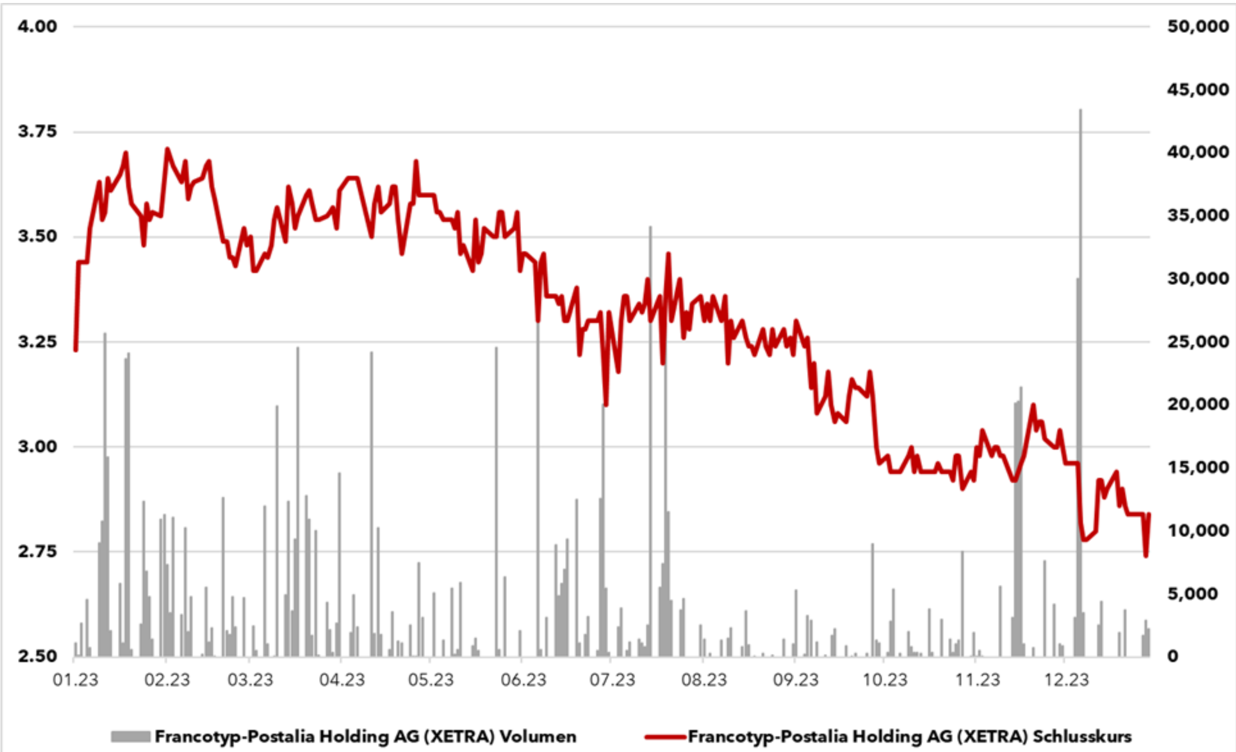
During the 2024 fiscal year, IR activities will focus on explaining the business model, strategy and implementation activities in detail in order to demonstrate FP's potential.

For any inquiries, please contact the Investor Relations team by e-mail (ir@francotyp.com) or phone on +49 30 220660-410.

KEY SHARE DATA

Number of shares	16,301,456
Type of shares	Bearer shares
Share capital	EUR 16,301,456
Number of shares outstanding	15,623,853
Voting rights	Each share grants one vote
SCN	FPH900
ISIN	DE000FPH9000
Stock exchange symbol	FPH
Trading segment	Official market (Prime Standard)
Stock markets	Xetra and regional German exchanges
Designated sponsor	Baader Bank
Coverage	Warburg Research, GSC Research, Baader Bank
Announcements	Electronic Federal Gazette
Closing price (Xetra)	EUR 2.84 (29 Dec. 2023)
High (Xetra)	EUR 3.71 (1 Feb. 2023)
Low (Xetra)	EUR 2.74 (28 Dec. 2023)
Market capitalisation as at 31 Dec. 2023	EUR 46.3 million
Earnings per share (basic)	EUR 0.67
Earnings per share (diluted)	EUR 0.67

PERFORMANCE OF THE FRANCOTYP-POSTALIA SHARE (1 JANUARY 2023-31 DECEMBER 2023)



COMBINED MANAGEMENT REPORT

of Francotyp-Postalia Holding AG for Fiscal Year 2023

Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.) Any percentage changes stated in the management report relate to the respective data base in millions of euro and may differ from the figures in the notes.

Non-binding convenience translation from German

1. Principles of the Company and the Group

1.1 General information

Francotyp-Postalia Holding AG (hereinafter referred to as "FP Holding", the "company", or "parent company"), headquartered in Berlin, is entered in the commercial register of the Charlottenburg Local Court in Berlin (registration number: HRB 169096 B). Francotyp-Postalia Holding AG's address is Prenzlauer Promenade 28, 13089 Berlin, Germany.

Francotyp-Postalia Holding AG is the parent company of direct and indirect subsidiaries (hereinafter referred to as the "FP Group", "FP", "Francotyp-Postalia" or "the company").

Francotyp-Postalia Holding AG's shares are admitted to trading in the Prime Standard (regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange.

This report combines the FP Group's Group management report with Francotyp-Postalia Holding AG's management report. It should be read in context together with the consolidated financial statements and the annual financial statements, including the notes. The consolidated financial statements and the annual financial statements are based on a number of assumptions and accounting policies, which are described in more detail in the notes to the consolidated financial statements. The consolidated financial statements were prepared in line with IFRS, as adopted by the European Union. The annual financial statements of Francotyp-Postalia Holding AG were prepared in accordance with the German Commercial Code (HGB).

The combined management report contains statements relating to the future about business, financial performance and income. These statements are based on assumptions and forecasts, which in turn are based on information available at present and current estimates. They are subject to a number of uncertainties and risks. Actual performance may thus differ significantly from expected performance. Beyond legal requirements, Francotyp-Postalia Holding AG is not obliged to update statements relating to the future.

The combined management report for fiscal year 2023 is prepared in euro (EUR), the functional currency of Francotyp-Postalia Holding AG. Unless stated otherwise, all figures are rounded to euro millions (EUR million) to one decimal place. This may result in rounding differences and the percentages shown may not be exactly comparable to the figures to which they relate.

The combined management report has been prepared for the reporting period from 1 January to 31 December 2023.

1.2 Business activity

The FP Group develops, produces and sells products and solutions that make office and working life easier. In addition to solutions for efficient mail processing, these include digital solutions for communication and business processes of business customers. The company divided its business activities into three business units in fiscal year 2023: (1) Mailing, Shipping & Office Solutions, (2) Digital Business Solutions and (3) Mail Services.

FP has its own subsidiaries in 15 different countries and is represented by a dealer network in many other countries. The company was founded in 1923 and celebrated its 100th anniversary in 2023.

The parent company largely performs the tasks of a traditional management holding company. As it has no operating business itself, the financial position of the company mainly depends on the results of the subsidiaries.

1.2.1 Business units

Mailing, Shipping & Office Solutions

In the Mailing, Shipping & Office Solutions business area, the FP Group develops franking systems. FP produces and sells or rents these and also offers customers a comprehensive range of products, services and support. These also include processing and billing postage that customers use with the franking machines (telepostage). The products FP offers to customers in this business area are not limited to franking machines and related hardware – its range also extends to other office supplies and solutions from the digital product spectrum. Recurring revenue represents a significant proportion, including from the sale of consumables, services and telepostage.

Revenues and earnings from digital solutions and products are allocated to the Digital Business Solutions business area.

The business area is reflected in the segment reporting in the Mailing, Shipping & Office Solutions segment, which reports in accordance with local accounting standards.

Digital Business Solutions

The Digital Business Solutions business unit comprises all digital activities with which FP is expanding its business model in a growth-oriented manner. This includes Input and Output Management in the Document Workflow Management area, which enables customers to efficiently manage their incoming and outgoing mail. In Input Management, incoming physical and digital documents are collected, analysed according to the customer's specific criteria, evaluated and then fed into the customer's data or document system in an electronic form. In Output Management, FP takes care of printing, inserting, franking and handover to delivery services or delivery in digital form. The Business Process Management & Automation area comprises products and solutions for efficient and automated customer process workflows. In addition to digital signatures, this includes solutions for electronic legal transactions. The Shipping & Logistics area includes both the SaaS-based FP Parcel Shipping software for outbound parcel shipping and the FP TRAXsuite software solutions for inbound parcel management, asset tracking and internal logistics.

Revenues and earnings from digital solutions such as FP Parcel Shipping, which are sold through the MSO sales channel, are reported in the Digital Business Solutions business area.

The business area is reflected in segment reporting in the Digital Business Solutions segment, which reports in accordance with local accounting standards.

Mail Services

The Mail Services business unit comprises the franking service – collecting unfranked outbound post and providing the franking – and the consolidation service – collecting franked post, sorting it by postcode and delivering it in batches to a regional office of Deutsche Post AG or an alternative postal distributor. Collection, postage-optimised sorting and delivery to postal service providers takes the pressure off companies with medium and high volumes of letters and helps to reduce the costs that this entails.

This business is operated by the FP Group at eight locations throughout Germany and is one of the leading consolidators of business mail on the German market.

The business area is reflected in segment reporting in the Mail Services segment, which reports in accordance with local accounting standards.

1.2.2 Significant sales markets and competitive position

In the Mailing, Shipping & Office Solutions business unit, the FP Group is represented with its franking systems on the most important markets in the world, which include Germany, the US, the UK and France. Based on more than 250,000 installed franking systems, the FP Group is the third-largest supplier in the world. The company is the market leader in Germany, Austria, Scandinavia and Italy. Global sales are handled by subsidiaries in the two regions: North America and Europe, as well as through an international worldwide dealer network.

In many markets, the letter volume is shrinking as a result of digitalisation. Also, in fiscal year 2023, the FP Group witnessed an ongoing trend towards smaller franking systems. The FP Group has traditionally focussed on this market segment and has franking systems especially for smaller and medium volumes of letters with the Post-Base and PostBase Vision family.

The activities of the Digital Business Solutions business unit are currently still focused on Germany. In the area of input and output management, the company works in a fragmented competitive environment. The FP Group has its own printing and scanning centre in Berlin for output management. There is also a printing centre at the Austrian Group company.

In the area of electronic legal communication, FP is only active in Germany and is one of the few certified providers on the market.

With its signature solution, FP Sign, FP is addressing a fast-growing market with several major competitors. FP is adopting a special approach here and, in addition to tapping into the market in Germany, is also working on a roll-out to other countries such as Great Britain and the Scandinavian countries.

FP is active in the fast-growing parcel market with its FP Parcel Shipping solution. The application is currently available in the US, Norway, the Netherlands and Great Britain.

FP TRAXsuite concentrates on incoming parcel shipments and internal logistics. The solution is predominately available in Scandinavia, but in future it will also be offered in Germany, Italy, Great Britain and France. The market for providers of similar solutions is strongly fragmented. FP has specialised in a field of application where the competition is less intense.

In the Mail Services business unit, the FP Group guarantees the extensive collection of business mail and has thus established itself as an independent consolidator on the German market thanks to a nationwide structure with eight locations in Langenfeld, Hamburg, Hanover, Berlin, Leipzig, Frankfurt, Stuttgart and Munich.

1.3 Strategy and goals

Sustainable growth and improved profitability

The transformation of the FP Group was also the focus in fiscal 2023. In addition to the franking machine business, more digital business areas have been developed and expanded, which are expected to bring growth in revenue and earnings back to the Group. This has created the conditions to sustainably improve the profitability of the FP Group in the future. A strong basis in the digital business models is essential for the future, not only to make up for potentially declining revenue in the traditional business unit of franking and inserting due in the long term to the downturn in the overall market, but also to steer the Group towards business areas where it can expect growth and improved profitability in the years ahead.

Objectives and implementation of strategy

The FUTURE@FP transformation programme launched in 2021 created the conditions for combining the planned growth with an above-average increase in profitability, particularly with a new operating model. FP continued on this growth path in fiscal year 2023 and achieved operational improvements in the business areas.

The market for franking machines is declining overall. This general market development, which FP is also exposed to, is to be more than compensated for with complementary products and digital solutions. The Mail Services business unit is highly competitive and is also affected by the general decline in mail volumes. This is counteracting by exploiting the opportunities arising from market consolidation. All the Group's digital activities are bundled in the Digital Business Solutions business unit. They represent the greatest growth potential for the future, although the contributions to revenue and earnings are currently still rather low.

FP has the potential and the financial power to dynamically expand the digital business areas. This includes targeted M&A activities that can support the new business model. At the same time, profitability is expected to improve as a result of the new business activities, as these areas tend to generate higher margins than in Mail Services and Input/Output Management.

As key steps in the implementation of the strategy, the following points were achieved in 2023:

In 2023, the company introduced two new franking systems from the PostBase Vision model family. In spring, the A120 was initially introduced onto the German market and then successively introduced in further countries. At the end of the year, the PostBase Vision M2 was introduced as the successor to the PostBase Mini for smaller volumes of letters in Great Britain. Further country variants will follow in 2024. With its investments in the area of franking machines, FP has created the conditions to remain competitive in the market with a customer-focussed product portfolio. The acquisition of the operating Azolver companies in 2022 has strengthened FP's market position in the MSO segment, while the conversion of third-party franking machines to FP machines has countered the downward market trend for the coming years.

In the Digital Business Solutions area, investments were made in the further development of products and solutions, and sales and marketing activities were expanded. FP further developed the platform that forms the basis for the digital business model with SaaS-based solutions such as FP Sign and FP Parcel Shipping.

The company invested in new software and hardware in the area of Document Workflow Management in order to turn the range for input and output management into a stronger data-based service model.

The FP Sign range was significantly expanded in the area of Business Process Management & Automation. As well as updating the back-end infrastructure, further functionalities in the Enterprise segment in particular were developed and preparations made for further internationalisation.

In the area of electronic legal communication, the range for the electronic mailbox for businesses and organisations was expanded to include solutions for the target group of companies that need to communicate electronically with courts.

In the area of Shipping and Logistics, FP Parcel Shipping was introduced as an independent SaaS solution in Norway initially, in the Netherlands in spring 2023 and in Great Britain at the end of 2023. FP TRAXsuite, another SaaS-based solution, was also expanded to include numerous functionalities for parcel management and internal logistics.

Focussed marketing and sales activities expanded the customer base for all purely digital solutions and increased both revenue and profitability.

The Mail Services business unit is showing an improvement in profitability, partly due to the change in discount structures by Deutsche Post AG at the beginning of 2023.

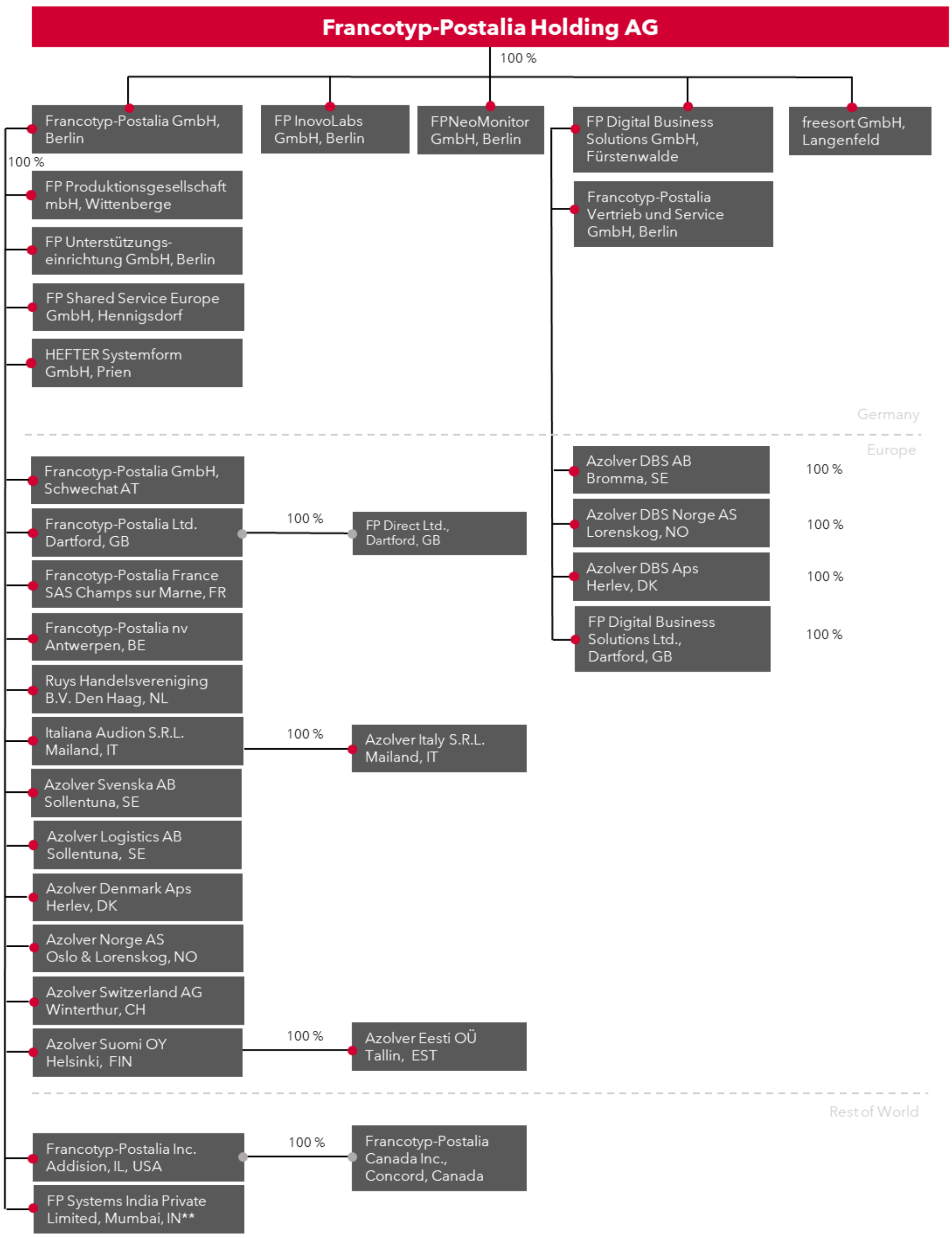
Further progress was made on the implementation of the ERP/CRM system in 2023.

The transformation program was thus continued in order to transform FP into an international technology group in the long term.

1.4 OrganisationGroup structure and locations

The chart below shows the legal structure of the Group as at 31 December 2023. For further information, please refer to section I. (4) of the notes to the consolidated financial statements.

GROUP STRUCTURE



** in liquidation

The FP Group headquarters are located in Berlin. Key departments such as Finance, Corporate Development, Human Resources, Purchasing, IT and Group Controlling are located in Berlin. Subtasks in the areas of finance, human resources, IT, sales and customer support were handled by the companies in Tallinn and Hennigsdorf (Shared Services). The development of franking solutions for the MSO business unit is based at the headquarters in Berlin. DBS solutions are developed in Germany, Estonia and Sweden.

The legal structure of the Group has changed as follows in comparison to the previous year:

The company FP Technology & Services OÜ, Tallinn, Estonia, was merged into the company Azolver Eesti OÜ, Tallinn, Estonia, on 1 January 2023.

The company Francotyp-Postalia Sverige AB, Bromma, Sweden, was merged into the company Azolver Svenska AB, Sollentuna, Sweden, on 1 July 2023.

FP Produktionsgesellschaft mbH und Co. KG was converted into a GmbH (limited liability company) on 19 July 2023. In this context, the company FP Produktionsverwaltung GmbH, Wittenberge, was merged into the company Francotyp-Postalia GmbH, Berlin, on 1 January 2023.

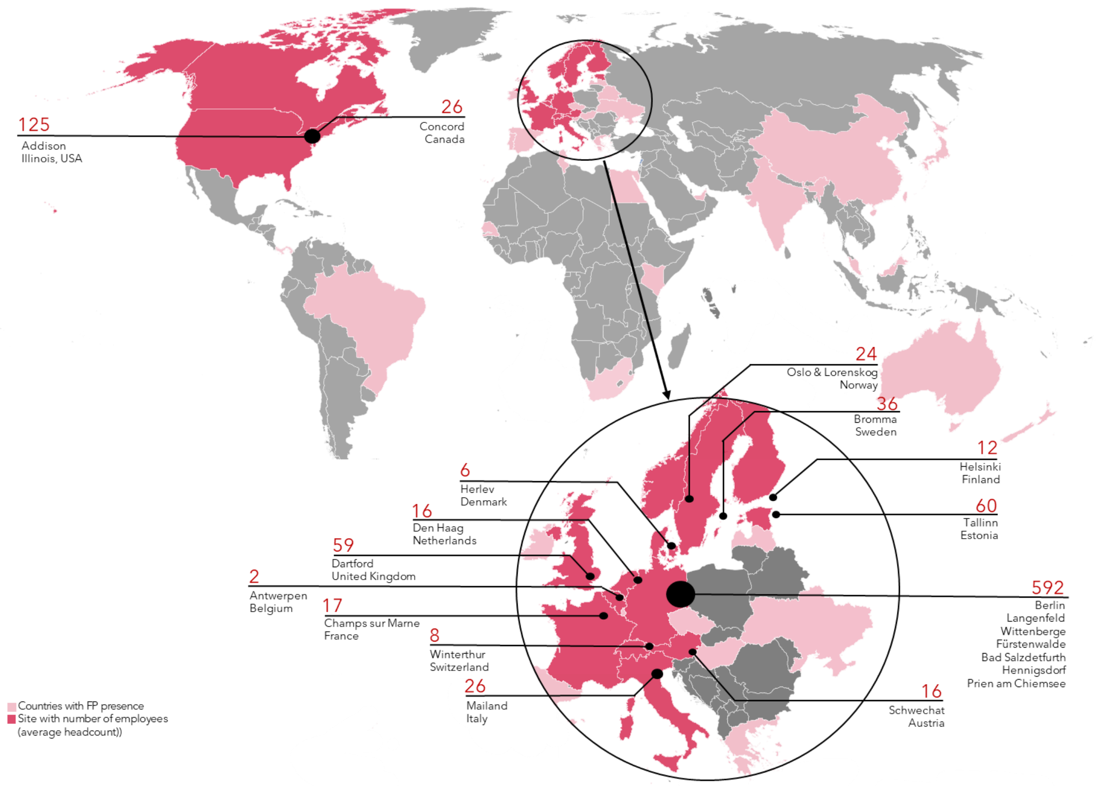
The company Azolver Belgium SA, Brussels, Belgium, has ceased operations and was liquidated as at 17 October 2023.

In March 2022, FP had acquired all shares and voting rights in the operating companies of the Azolver Group. The acquired companies were assigned to the Mailing, Shipping & Office Solutions business unit and the Digital Business Solutions business unit.

Since 2012, the FP Group has been manufacturing its franking systems exclusively in Wittenberge, Brandenburg in Germany. FP has subsidiaries in the US, Germany, the UK, Canada, France, Italy, the Netherlands, Belgium, Austria, Sweden, Switzerland, Norway, Denmark, Finland and Estonia. Sales are handled by the business units. It also has a dense global network of dealers for distributing its franking and inserting systems.

The 2023 consolidated financial statements of the FP Group include Francotyp-Postalia Holding AG as well as ten (previous year: eleven) domestic and 20 (previous year: 22) foreign subsidiaries.

OUR LOCATIONS WORLDWIDE



1.4.2 Management and controlling

The FP Group is managed by the Management Board independently. At the end of fiscal year 2023, it consisted of two members who are appointed by the Supervisory Board. The members of the Management Board are jointly responsible for managing the business. Please see section V. (39) Management Board and Supervisory Board (additional disclosures in accordance with German Commercial Code (HGB)) in the notes to the consolidated financial statements for information on the Management Board members' responsibilities according to the schedule of responsibilities.

The Management Board works closely with a team of national and international managers.

The Supervisory Board with three members monitors and advises the Management Board. Details on the work of the Supervisory Board in fiscal year 2023 can be found in the Report of the Supervisory Board.

Declaration on Corporate Governance

The declaration on corporate governance (https://www.fp-francotyp.com/de/erklarung-zur-unternehmensfuhrung[1]) for Francotyp-Postalia Holding AG and the FP Group (sections 289 f, 315 d HGB) contains further information on corporate governance and monitoring, including the declaration of compliance in accordance with section 161 AktG, and is published at https://www.fp-francotyp.com/Corporate_Governance[2].

The remuneration report for fiscal year 2023 and the auditor's report in accordance with section 162 AktG as well as the applicable remuneration system in accordance with section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution in accordance with section 113 (3) AktG will be made publicly available at https://www.fp-francotyp.com/remuneration[3].

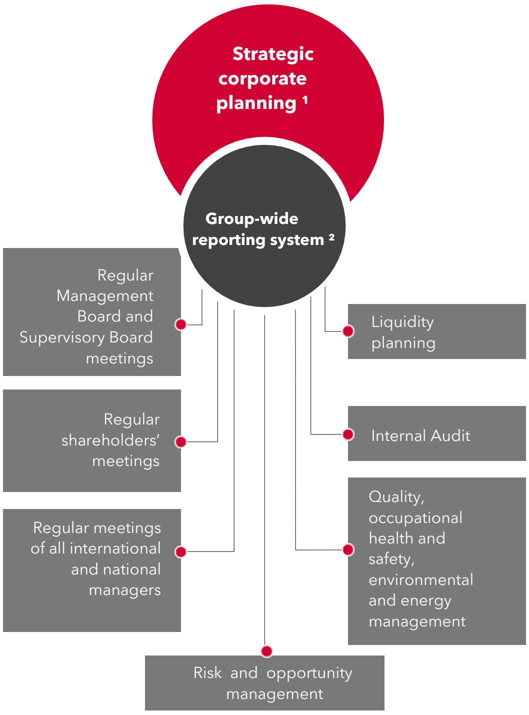
[1]) The declaration on corporate governance does not form part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

[2]) This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.
[3]) This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

1.5 Management

1.5.1 Management system

MANAGEMENT SYSTEM



[1] Covers three years, adjusted annually in the budget process, if necessary also during the year

[2] Twice a month on earnings, financial and asset position

The structure and organisation of the global FP Group is based on a target operating model.

The company, with subsidiaries in various industrialized countries and a dense worldwide dealer network, divided its business activities into three business areas in 2023:

- Mailing, Shipping & Office Solutions (MSO);
- Digital Business Solutions (DBS);
- Mail Services.

The business areas are reflected in segments of the same name in segment reporting, which reports in accordance with local accounting standards.

At the same time, work is underway to introduce a standardized ERP/CRM landscape in order to efficiently support processes worldwide.

1.5.2 Financial performance indicators

Group management has essentially been carried out using the following significant financial performance indicators:

- Revenue;
- EBITDA.

Free cash flow is used as another parameter and will be given more weight in the future.

The FP Group thereby ensured that decisions take sufficient account of conflicting priorities: growth and profitability.

Revenue is used to gauge market success. The Group uses earnings before interest, taxes, depreciation and amortisation (EBITDA) to measure operational performance and performance of the individual business units. The form of EBITDA reported by the Group represents adjusted EBITDA as defined by the ESMA (European Securities and Markets Authority).

The most important key financial performance indicators for FP Holding are:

- Income from investments
- Profit before tax.

In addition to income from participations, income from profit and loss transfer agreements is included in income from investments.

Profit before tax corresponds to the profit and loss from the company's income statement before taxes on income and earnings and other taxes.

1.5.3 Non-financial performance indicators

In addition to financial performance indicators, the FP Group also uses non-financial performance indicators to manage the business. The focus lies on the quality of the service range, which is measured using a quality and an improvement indicator.

The quality indicator measures the change in product quality in the area of franking machines on the basis of annual service calls in relation to the weighted average number of machines. A lower value indicates a relative decrease in service calls and thus an improvement in quality. Ongoing changes, such as the introduction of new products or the optimisation of existing products, are also taken into account. This indicator was initially measured in Germany only and used comparatively for the international subsidiaries, for example to support cost calculation. Since 2020, this indicator has been called PQI - Germany and supplemented by the indicator PQI - International. The Product Quality Indicator - International is also made up of the average machine inventory and the annual service calls. However, the data from Belgium, Germany, Great Britain, Italy, Canada, the Netherlands, Austria, Sweden and the USA are analysed together. These are the countries that support the FP Group with data on service calls in identifying opportunities for improvement. As the value of the PQI - International is calculated differently than that of the PQI - Germany, the two indicators cannot be compared with each other. Both PQIs (since 2019) only consider products that are currently produced in Wittenberge. Since 2020, the values of the PostBase Vision have been included in the key figure.

Through the new development of PostBase franking systems, FP has been able to significantly improve quality in recent years. The PQI value in Germany, which indicates the number of technician deployments per machine, also remained at a consistently low level of 9.9% in 2023 (previous year: 9.9%). The PQI - International deteriorated to 38.1% in the 2023 fiscal year (previous year: 33.2%) due to a temporary process-related increase in Belgium and the Netherlands. The PQI - Germany is expected to remain at a low level in 2024. A slight improvement is expected for the PQI - International, as the trend is expected to normalise, particularly in Belgium and the Netherlands, due to the associated process changes. In addition, improvement projects are continuously initiated as part of quality task forces to further increase product quality.

The improvement indicator (nf IQ) also records the quality of FP products and, in particular, the quality of new franking systems. Previously, it was based on the cost of parts for repairs to delivered machines and measured the ratio of parts costs from warranties to total franking machine revenue. A lower value indicated a relative decrease in the cost of parts under warranty and thus an improvement in quality. The FP Group collects the necessary data monthly, whereby an analysis of previous years have shown that the indicator tends to increase when new franking systems are introduced. The 2020 value of 0.96 therefore initially rose with the introduction of PostBase Vision in several countries. In 2021 and 2022, the value normalised to 0.57 and 0.59 respectively. In 2023, there was a slight increase to 0.64, which is due to the launch of the PostBase Vision A120 in several countries. There may be a slight increase in the 2024 fiscal year due to the launch of both the PostBase Vision A120 and the PostBase Vision M2 in additional countries.

The FP Group chiefly uses these two non-financial performance indicators internally with respect to the issue of sustainability. The quality indicator and the improvement indicator describe sustainable increases in product and service quality. Improvements in the two indicators serve to ensure customer satisfaction and thus the Group's financial success. This also helps to ensure more sparing use of material and human resources.

In addition to the quality indicators, other non-financial performance indicators are used, for example for Management Board remuneration (e.g. annual ISO certification and reduction of CO_2 emissions). These performance indicators are presented in the non-financial statement.

Quantitative information on non-financial performance indicators of the parent company is currently not collected for management purposes.

FP is currently revising its non-financial reporting within the scope of the implementation of the EU Corporate Social Responsibility Directive. Non-financial performance indicators are being adapted accordingly in order to correspond to the materiality analysis. The incorporation of non-financial performance indicators for other business units is also being reviewed.

With regard to non-financial information and the non-financial performance indicators, please refer to the comments in the non-financial Group report of Francotyp-Postalia Holding AG and its subsidiaries including the non-financial declaration) (sections 289b, 315b HGB), which is available online at https://www.fp-francotyp.com/non_financial_reports[4].

[4]) The non-financial statement is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

1.6 Research and development

1.6.1 Presentation and explanation of research and development activities

1.6.1.1 Alignment and goals

For FP as a technology company, innovation is crucial and forms the basis for the future success of the company. The central objective of research and development activities is to implement the corporate strategy. It aims to unlock growth potential in digital business areas and thus enable future growth. With the ongoing transformation programme, the focus of research and development activities is therefore shifting towards products and solutions for the digital business areas that promise greater growth potential in the medium term.

The focus is on the customer-centric product development of innovative solutions, products and services. Activities of basic research that primarily do not have an economic purpose are not the focus of activities.

Responsibility for research and development lies with the respective business units, thereby guaranteeing the focussed and efficient alignment of activities. The research and development activities by business units will therefore also be described below.

1.6.1.2 Methods and core areas of expertise

A key element of the transformation is stronger alignment with customer-centric products and solutions.

FP uses agile processes and methods, such as Scrum, in all projects where this is practical. This iterative approach enables customer needs and wishes to be responded to quickly and innovative solutions that offer real added value to be developed.

The teams work in short, regular iterations in Scrum and continuously monitor their progress. By regularly incorporating customer feedback, for example through Customer Councils, products can be quickly adapted to customer requirements.

The agile methods promote close cooperation between development teams and customers, enable flexible adaptation to changing requirements and thereby make a significant contribution to customer-centric product development.

The core areas of expertise of the various development teams differ according to the respective products and solutions in focus.

In the area of Mailing, Shipping & Office Solutions, the focus is on the secure transfer of cash flows. The infrastructure must meet the highest security requirements of postal companies worldwide. One of the core areas of expertise is the development and programming of embedded system software for cryptographic security modules. These security modules enable the secure management and billing of postage credit in the franking machines. This is supplemented by expertise in middleware components for device and customer management or for the secure connection of commercial back-end or shop systems.

Software expertise relevant to the development of Software-as-a-Service solutions is the primary focus of the Digital Business Solutions business unit. In addition to the corresponding programming languages, the expertise of this business unit lies in the implementation of cloud-based solutions as well as API integration.

In terms of the solutions for secure electronic communication and digital signatures, this is supplemented by corresponding expertise in encryption technologies as well as security protocols and standards.

1.6.1.3 Activities

Specifically, work in 2023 focused on:

Mailing, Shipping & Office Solutions

Development activities in the area of Mailing, Shipping & Office Solutions focussed on the new and further development of the franking machine portfolio. Two further models of the PostBase Vision family were developed as new developments and introduced onto the market in 2023. With the development of the PostBase Vision A120, the offering at the top end of the product range for processing larger volumes of letters has been expanded. In addition to faster processing, new functionalities, such as dynamic weighing, have also been integrated into the PostBase Vision. As well as the market launch of country variants in Germany, Sweden, Norway and Finland in 2023, preparations were also made to introduce these in further countries. With the PostBase Vision M2, a new model was also developed in the small letter volume segment in 2023 and the first country variant was introduced onto the market in Great Britain in December. Preparations were made to develop further country variants. In terms of its overall focus, FP therefore boasts an innovative, customer-oriented product portfolio.

In addition to new developments, the adaptation and maintenance of the existing product portfolio are also of great importance. In 2023, the implementation of new country variants and infrastructure for the conversion of Azolver franking machines to FP franking machines was undertaken with the introduction in Finland.

In terms of adapting to the new requirements of postal companies, the primary focus was on continuing the work that began in 2022 on implementing the new FIPS 140-3 security standard in the current franking machine models. Furthermore, international postage charge tables were re-implemented as required and software adjustments were made. As a result of more flexible pricing, postal companies have started to change some of their postage charge tables several times a year.

Digital Business Solutions
In the Digital Business Solutions business unit, the continuous, customer-oriented further development of the existing range of products and services is always in the foreground.

The integration of the Posy Outputfactory achieved a higher degree of automation in the area of output management and created the basis for further data-driven functionalities.

In terms of FP Sign, 2023 saw extensive development of the FP Sign Next Generation platform, which both delivers greater performance and, in conjunction with an API-first strategy, creates the conditions for the quick and easy integration of FP Sign into third-party systems and further platforms. Enterprise functionalities, such as the documents folder (for signing multiple documents) and advanced white label options, were also developed. Thanks to the simplification of the qualified electronic signature and the introduction of two-factor authentication, the user friendliness of even complex processes has been improved.

Electronic legal communications solutions were expanded with the market launch of the electronic mailbox for businesses and organisations (eBO) in June 2023. In terms of customer-focussed development, corporate customers, who have much more stringent requirements for such a solution, were the primary focus.

In the area of Shipping & Logistics, FP Parcel Shipping marked the first stand-alone Software-as-a-Service solution to be launched onto the market in Norway in January 2023. Further country versions were developed on this basis and introduced onto the market in 2023: the Netherlands in April and Great Britain in December. Introducing a solution in different countries requires tailored development and the involvement of other parcel delivery companies. The solution was also extended to include further functionalities such as returns and integration into e-commerce platforms such as shopify.

The Software-as-a-Service solution for inbound parcel management and internal logistics was further developed with a range of new functionalities. The primary focus was on functions that improve usability for customers. The mobile app was therefore extended to give customers the ability to create their own workflows and thereby adapt the solution to their own requirements. The integration of further parcel locker stations was also advanced, giving customers a wider range of optional hardware.

The development of the Digital Commerce platform created the shared basis for the Software-as-a-Service solutions. These include self-onboarding, corresponding subscription & billing systems as well as single sign-on. This also simplifies the cross-selling of the various solutions and creates the conditions for the future ecosystem of in-house and potential partner solutions.

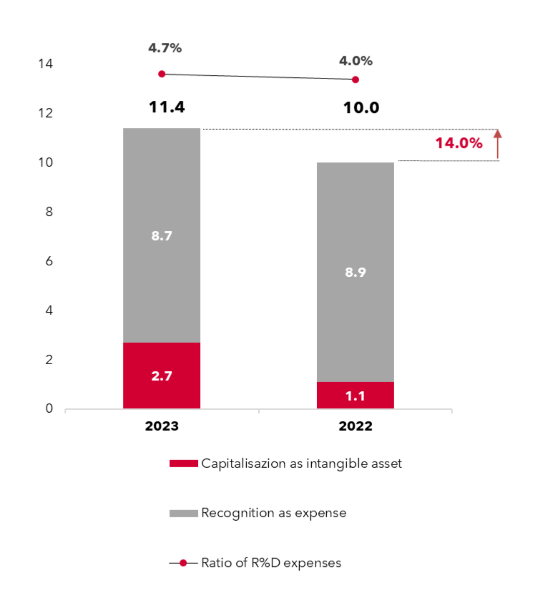
Mail Services
In the Mail Services area, following the adjustments that were necessary at the end of 2022 to meet the new requirements of Deutsche Post AG in the course of the change in discount structures, no further significant development activities were necessary in fiscal year 2023.

1.6.1.4 Changes in research and development activities compared to the previous year

As part of the transformation process underway since 2021, the focus of development activities has changed significantly in comparison to previous years. By shifting responsibility to the business units, it was possible to better prioritise and manage projects and resources in a customer-oriented manner. This has strengthened the focus on forward-looking digital products. This also continued in comparison to the previous year. Development activities in the digital area are not limited to Germany, but are also carried out by distributed international teams in the companies in Estonia, Sweden and Norway.

1.6.2 Quantitative information on the results of research and development activities

RESEARCH AND DEVELOPMENT COSTS (in EUR million)



The ratio of R&D expenses to consolidated revenue increased from 4.0% in the previous year to 4.7% in the reporting year.

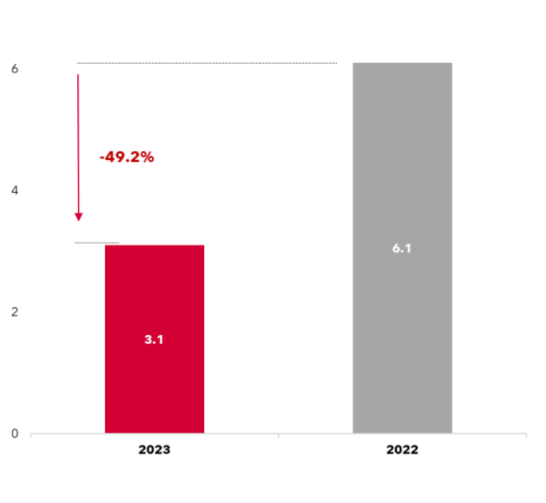
1.6.2.1 Development costs

Research and development costs came to EUR 11.4 million in the reporting year after EUR 10.0 million in the previous year. This corresponds to an increase of 14.0%.

Development costs increased as a result of the increase in activities in both business areas MSO and DBS. In the area of Mailing, Shipping & Office Solutions, development costs increased by 14.3% to EUR 6.4 million and the ratio of R&D expenses to the revenue of the business unit was 4.4%. In the area of Digital Business Solutions, development costs increased by 13.6% to EUR 5.0 million and the ratio of R&D expenses to the revenue of the business unit reached 17.9%. This is an indicator that the focus of research and development activities within the FP Group is increasingly on new digital solutions.

The capitalisation of development costs increased from EUR 1.1 million in the previous year to EUR 2.7 million in the reporting year. Capitalisations were primarily attributable to the development of the new franking machines (EUR 1.7 million) and, to a lesser extent, digital solutions (EUR 1.0 million). Amortisation and impairment of capitalised development costs amounted to EUR 3.1 million after the previous year's figure of EUR 6.1 million, which had included impairment losses of EUR 1.0 million. Amortisation and impairment thus exceeded the newly capitalised development costs.

IMPAIRMENTS ON CAPITALISED DEVELOPMENT COSTS (in EUR million)



1.6.2.2 Number of employees in research and development

a. Allocation of employees in research and development to the business units

The distribution of employees across the business units shifted slightly in favour of Digital Business Solutions, which now has the largest share at 52%. This is yet another indicator that the focus of research and development activities is on digital solutions.

Area	2023	2022
Mailing, Shipping & Office Solutions	48%	51%
Digital Business Solutions	52%	49%

b. Research and development employees

At the end of 2023, 96 employees (previous year: 102) were permanent staff in the research and development divisions of the FP Group (including subsidiaries), which represents 9.1% of the Group's total workforce (previous year: 9.2%). These figures are similar to the previous year's level.

If necessary, additional external employees are temporarily employed for MSO and DBS projects as well as for product maintenance projects.

1.6.3 Outlook

The realignment of development as part of the transformation process has proven successful. By expanding capacity, especially in terms of digital solutions, work continues on ensuring that products and solutions reliably satisfy the expectations of the respective market and that revenue is commensurate with the complexity of development activities.

2. Economic conditions

Macroeconomic and industry-specific conditions
According to calculations by the International Monetary Fund (IMF)[1], global gross domestic product (GDP) rose by 3.1% in 2023, a weaker increase than in 2022, when growth was still at 3.4%. While the economic recovery was somewhat stronger in the emerging countries, the increase in GDP in the industrialised countries that are primarily relevant for the FP Group was moderate. In the US, FP's largest foreign market in terms of number of customers and revenue, economic activity posted an increase in 2023. The economy in the euro countries developed slightly positively, although economic growth in Germany was negative, as the following chart shows:

TABLE OF GDP PERFORMANCE IN 2023

World	+3.1%
United States	+3.1%
Eurozone	+0.5%
Germany	-0.3%

1) Sources: IMF, Bureau of Economic Analysis, Eurostat, German Federal Statistical Office

The euro/US dollar exchange rate plays an important role when it comes to the FP Group's exports to the US and also to other markets. Over the course of 2023, the euro continuously gained slightly in value against the US dollar, with fluctuations; the exchange rate recovered towards the end of the year and stood at USD 1.105 as at 31 December 2023, more than 3% above the previous year's closing rate. On average, the euro traded just under 3% higher against the US dollar in the 2023 fiscal year than in the prior-year reporting period. The British pound, which is also important for the FP Group, saw a slight upward trend in 2023. Over the course of the year, the exchange rate closed at GBP 0.87, slightly below the level of GBP 0.89 at the end of 2022. The euro thus traded against the pound sterling at around 2% above the level in the same period of the previous year during fiscal year 2023. The euro also gained slightly against the Canadian dollar in 2023 (+1%). There was also a significant increase against the Norwegian krone (+ 7%). In contrast, the euro remained virtually unchanged against the Swedish krona and the Danish krone (+/- 0%). A stronger euro exchange rate has a negative impact on the revenue and earnings development of the FP Group insofar as some of the revenue is generated in these currencies and converted into euro at Group level.

The FP Group is engaged in the processing of mail in foreign and domestic markets. According to statistics from the Universal Postal Union[5], around 245 billion letters were sent worldwide in 2022 (figures for 2023 are not yet available). The trend that has been declining for years continues with a decrease of 4 % compared to 2021.

In most countries, there were more pronounced declines in letter volumes between 2020 and 2022 due to COVID-19. A more consistent trend at a high level is now emerging again in 2023. The decline in letter volumes is between 8 % and 10 % for 2023. In the markets that are particularly relevant for FP, the following development can be observed for 2023[6]: In the USA, UK, France and the Netherlands, letter volumes fell by around 9 %. In Germany, which still recorded a moderate decline of 2 % in 2022 in recent years, the decline in letter volumes has increased significantly for the first time at -7.6 %.

Global parcel volumes in 2022 reached around 161 billion shipments, representing a 1 % increase on 2021.[7] Concrete figures for 2023 are not yet available. The sharp increase in 2020 and 2021, mainly due to COVID-19, has slowed significantly in most countries in 2022. In addition, the weak economic development in most countries is significantly slowing package growth. Overall, further growth of 6 % per year is forecast for the next few years. In Germany, the parcel volume is estimated to have risen slightly to 4.4 billion shipments in 2023, with growth of 3 % forecast for the coming years[8].

Dynamic growth is[9] expected in the market for digital signatures. In 2022, the global sales volume was USD 3.9 billion. The estimated volume for 2023 is USD 5.2 billion. And the estimate for 2030 is USD 43 billion.

5Website of the Universal Postal Union: https://www.upu.int/en/Universal-Postal-Union/Activities/Research-Publications/Postal-Statistics

6 Source: Reports from the respective regulatory authorities and postal organisations (USPS, Ofcom, La Poste, BNetzA)

7Pitney Bowes: https://www.pitneybowes.com/us/shipping-index.html

8Information on the parcel market can be found on the website of the German Parcel and Express Logistics Association at the Federal Network Agency: https://www.bundesnetzagentur.de/DE/Fachthemen/Datenportal/3_Post/start.html

9Information on the study can be found on the Statista website: https://www.statista.com/statistics/1337874/digital-signature-market-size/

3. Course of business

3.1 Comparison of actual/forecast Group business performance

The table below shows a comparison of the actual and the forecast business performance with regard to the financial and non-financial performance indicators of the FP Group.

COMPARISON OF ACTUAL/FORECAST BUSINESS PERFORMANCE 2023

KPI	Forecast 2023[1]	Actual 2023
Revenue in EUR million	*Development of sales in the amount of EUR 245 million to EUR 255 million; based on the half-year figures, the Management Board confirmed its forecast on 31 August 2023. Based on the nine-month figures, the Management Board specified its forecast on 23 November 2023 and expected a revenue level at the lower end of the range.*	241.8
EBITDA in EUR million	*EBITDA in a range of EUR 28 million to EUR 31 million; based on the nine-month figures, the Management Board confirmed the forecast on 23 November 2023.*	31.0
Quality indicator (PQI) - Germany	*Slight deterioration compared to the previous year (previous year 9.9)*	9.9
Quality indicator (PQI) - International	*Slight deterioration compared to the previous year (previous year 33.2)*	38.1
Improvement indicator (nf QI) - International	*Slight deterioration compared to the previous year (previous year 0.59)*	0.64

[1] Assuming constant exchange rates for foreign currencies.

3.2 Comparison of the actual/forecast business performance of FP Holding

The forecast for FP Holding for fiscal year 2023 provided for a slight improvement in net income from investments and earnings before taxes.

In the 2023 fiscal year, FP Holding generated a sharp increase in income from investments totalling EUR 30.8 million (previous year: EUR 2.4 million), which is well above the forecast.

FP Holding thus achieved profit before tax of EUR 25.1 million in the reporting year (previous year: EUR -2.6 million). This also represents a significant increase compared to the forecast and the previous year.

This significant deviation was caused by a period shift in the investment result based on a subsequent adjustment of the transfer prices for the 2022 fiscal year in the 2023 reporting year.

In the notes to the consolidated financial statements for 2023, the matter is presented as an error correction in accordance with IAS 8.41 et seq., see section (9).

3.3 Course of business

The FP Group's business performance in the 2023 fiscal year was largely in line with expectations. In 2023, the company generated revenue of EUR 241.8 million, compared with EUR 251.0 million in the same period of the previous year. Overall, FP therefore recorded a 3.7% decrease in revenue for fiscal year 2023. It should be noted that the previous year's figures were influenced by positive non-recurring effects that were not repeated in 2023, as expected. The company also recorded negative currency effects on revenue. Excluding these effects, revenue totalled EUR 245.9 million.

At the same time, the Group worked continuously on implementing the transformation programme. Positive developments continue to be seen here, particularly in the operating area.

Nevertheless, revenue in the Mailing, Shipping & Office Solutions division was slightly negative in 2023. Negative currency effects had a negative impact on this division. In addition, revenue in the previous year was positively influenced by one-off effects from the postage increase in Germany and by the revenue contribution from Azolver's operating companies. In a challenging market environment, FP is demonstrating resilience and adapting its business activities to both market dynamics and customer needs.

In the Digital Business Solutions division, FP also recorded a slight decline in revenue, mainly due to the Document Workflow Management division, which had been influenced slightly positively in the previous year by a non-recurring effect. The purely digital product and solution areas of DBS displayed a positive revenue trend.

Revenue in the Mail Services division also declined as expected, as the previous year had been positively impacted by pandemic-related non-recurring effects in the form of a significantly increased letter volume.

EBITDA rose to EUR 31.0 million compared to EUR 27.6 million in the same period of the previous year. The reversal of provisions due to changes in the restructuring plans (EUR 4.8 million) made a not insignificant contribution to this growth in EBITDA. On the contrary, EBITDA was impacted by negative currency effects of EUR 2.4 million. EBITDA in the previous year was also influenced by positive one-off effects. Compared with the same period of the previous year, FP thus developed positively overall, demonstrating the robustness of the FP Group's business model. In the reporting period the Group also had sufficient liquidity as well as financial flexibility and reserves on the basis of the existing syndicated loan agreement.

The credit line utilised as at 31 December 2023 amounts to EUR 22.5 million. At the same time, negotiations with the bank consortium on the continuation of the syndicated loan were conducted in the 2023 fiscal year and successfully concluded with the agreement dated 26 February 2024. Please refer to the further information in section 4.2.1.

The Group has adjusted the comparative period 2022 in the consolidated financial statements as at December 31, 2023. The adjustment relates to the measurement of tax effects from intra-group service relationships in the comparative period 2022. These service relationships are processed by FP in accordance with the arm's length principle. In 2022, the measurement of these service relationships was not carried out on the basis of the best information available at that time to fulfill the requirement of the arm's length principle. On balance, this led to an excessively high current tax burden in the Group's sales companies in the Mail Shipping and Office Solutions business area in 2022. In 2022, the error correction led to a reduction in current tax liabilities in accordance with IAS 12.12 as at December 31, 2022 in the amount of EUR 1,880 thousand and the recognition of deferred tax assets on loss carryforwards in accordance with IAS 12.34 as at December 31, 2022 in the amount of EUR 590 thousand.

For further details, please refer to note (9) in the notes to the consolidated financial statements.

4. Position of the Group

Francotyp Postalia Holding AG's consolidated financial statements were prepared in line with IFRS as adopted by the European Union.

4.1 Earnings position of the Group

The development in the material items in the consolidated statement of comprehensive income was as follows:

in EUR million	2023	2022	Change in %
Revenue	**241.8**	**251.0**	**-3.7**
Changes in inventory	**-1.3**	0.4	-425.0
Own work capitalized	**8.5**	7.7	10.4
Overall performance	**249.0**	**259.1**	**-3.9**
Other operating income	**2.4**	2.1	14.3
Cost of materials	**112.8**	124.7	-9.5
Employee benefit expenses	**66.2**	65.7	0.8
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	**2.5**	2.8	-10.7
Other operating expenses	**38.9**	40.3	-3.5
EBITDA	**31.0**	**27.6**	**12.3**
Amortisation, depreciation and impairment	**18.0**	21.0	-14.3
EBIT	**13.0**	**6.6**	**97.0**
Net interest income	**0.5**	1.5	-66.7
Other financial result	**-0.6**	0.4	n.a.
Income taxes	**-2.4**	-0.5	-380.0
Consolidated profit	**10.5**	**8.0**	**31.3**

4.1.1 Revenue development

In the 2023 fiscal year, the FP Group generated revenue of EUR 241.8 million compared to EUR 251.0 million in the same period of the previous year (adjusted for currency effects: EUR 245.9 million), which corresponds to a year-on-year decline of 3.7%.

On the one hand, the decline in revenue is in line with expectations, as the 2022 fiscal year benefited from a number of special effects that were not repeated in the 2023 fiscal year, as expected. On the other hand, the development shows the necessity of the transformation process in order to compensate for the effects of falling letter volumes and the associated decline in the franking machine business in the medium to long term.

At EUR 146.8 million, the company realised sales in its largest business division Mailing, Shipping & Office Solutions in the 2023 fiscal year, which was EUR 1.6 million below the previous year's level of EUR 148.4 million. The previous year was positively influenced by effects totalling EUR 2.9 million, mainly from the postage changeover in Germany. The decline in sales was also influenced by negative exchange rate effects.

Nevertheless, given the existing product range, which is predominantly based around the smaller letter volumes segment, and the high share of recurring revenue, the Group still enjoys a solid business model and its core business remains comparatively well positioned for the future. Nevertheless, FP was unable to completely escape the global downturn in the franking machine market in 2023.

At EUR 27.9 million, revenue in the Digital Business Solutions division fell slightly by 3.1 % in the reporting period compared to the previous year (EUR 28.8 million). In the Document Workflow Management segment, there was a downward trend in the second half of the year, primarily due to the decline in business from a major customer in output management, which could not be compensated for in the short term. In addition, the sharp decline in letter volumes in Germany is also having an impact on existing customers, as fewer volumes were processed. In addition, the previous year's sales were characterised by a pandemic-related special effect of EUR 0.4 million.

In the case of purely digital solutions, revenue developed positively in 2023. The FP Sign signature solution continues to show positive business development, benefiting both from the sales successes of the previous year with recurring revenue and increased new customer acquisition. This innovative digital solution has further improved the order pipeline, thanks in part to its successful integration into other ERP/CRM solutions. In the area of electronic legal transactions, further solutions were introduced, such as the special electronic mailbox for citizens and organisations (eBO), which showed a positive sales trend. In the Shipping & Logistics division, the FP Parcel Shipping solutions launched in Norway and the Netherlands in 2023 made a positive contribution to revenue. The FP TRAXsuite solution for incoming parcel management also recorded revenue growth due to the onboarding of new customers.

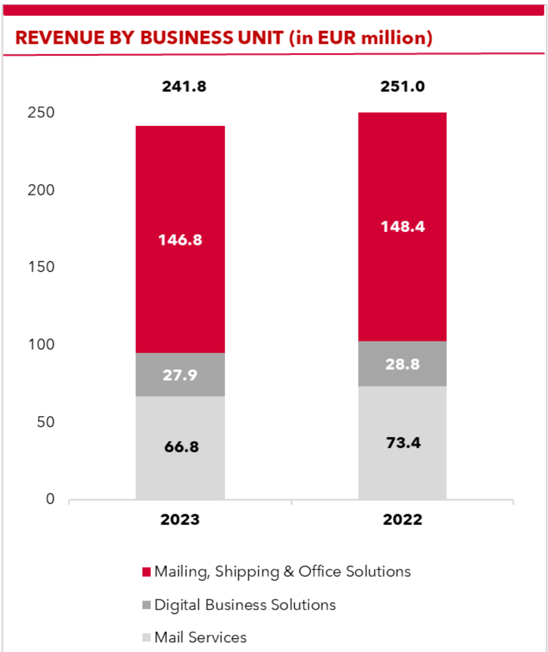
Revenue in the Mail Services division fell by 9.0% or EUR 6.6 million compared to the same period in the previous year. The Mail Services business for the collection, franking and consolidation of business mail benefited from pandemic-related special effects in the previous year. In the 2023 fiscal year, sales totalled EUR 66.8 million after EUR 73.4 million in the previous year. The volume of letters processed fell significantly overall compared to the previous year.

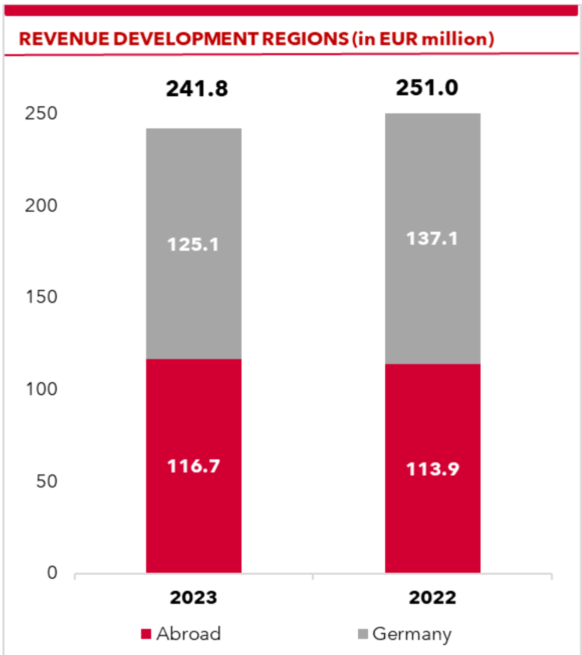
The FP Group's largest foreign market remained the US in fiscal year 2023. There, revenue increased by 1.2% from EUR 58.3 million to EUR 59.0 million.

A key driver here is the stricter postal requirements in the US. This has led to a decertification of older franking systems, which offers FP as a smaller market player in the US potential for acquiring competitors' customers. Adjusted for currency effects, revenue in the US increased by 4.0% in the reporting period.

The negative exchange rate effects across all foreign currencies (USD, CAD, GBP, NOR and SEK) totalled EUR 4.1 million in relation to total revenue in the reporting year (previous year: positive exchange rate effects of EUR 6.2 million).

The development of revenue (in EUR million) has been as follows:





REVENUE BY PRODUCTS AND SERVICES

In EUR million	2023	2022	Change in %
Product sales income (Franking and Inserting)	35.7	36.1	-1.1
Service/customer service	31.1	33.0	-5.8
Consumables	26.6	29.0	-8.3
Telepostage	9.2	8.9	3.4
Mail Services	66.8	73.4	-9.0
Software/Digital	28.4	30.1	-5.7
Revenue in accordance with IFRS 15	**197.7**	**210.4**	**-6.0**
Finance Lease	14.8	12.8	15.6
Operating lease	29.7	28.4	4.6
Revenue in accordance with IFRS 16	**44.5**	**41.2**	**8.0**
Reduction in revenue due to currency effects from hedge accounting	-0.3	-0.6	50.0
Revenue total	**241.8**	**251.0**	**-3.7**
Non-recurring revenue	33%	32%	
Recurring revenue	67%	68%	

In the service business, there was a decline of -5.8% compared to the same period of the previous year, mainly due to rate change revenue achieved in the previous year. The slight decline in revenue from product sales in the Mailing, Shipping & Office Solutions division in the 2023 fiscal year is mainly due to lower sales in some European countries. The consumables business recorded a decline of 8.3%, reflecting the fall in mail volume in many countries. In contrast, sales revenue from the leasing business increased by 8.0% in the fiscal year compared to the same period in the previous year. Revenue also fell in the Software/Digital product category by 5.7% and in the Mail Services product category by 9.0%. In particular, revenue saw a decline in the Output Management product category, while Mail Services had benefited from pandemic-related special mailings in the previous year.

4.1.2 Own work capitalized

Own work capitalised saw an increase to EUR 8.5 million in fiscal year 2023 (up +10.4% year-on-year). The development costs reported in own work capitalised increased by EUR 1.6 million versus 2022 to EUR 2.7 million. In the reporting year, development costs for product development in the franking segment were capitalised in the amount of EUR 1.7 million and in the digital segment in the amount of EUR 1.0 In the previous year, development costs were mainly capitalised in the franking area. As an integral part of the core business in the Mailing, Shipping & Office Solutions business unit, the additions to leased products increased to EUR 5.8 million in the reporting year, compared with EUR 6.6 million in the previous year.

4.1.3 Other operating income

The increase in other operating income in the reporting year from EUR 2.1 million to EUR 2.4 million is due to the further derecognition of time-barred liabilities from teleportation fees totalling EUR 0.1 million and the derecognition of other contractual obligations in the amount of EUR 0.2 million. Income relating to other accounting periods mainly results from invoice credits.

4.1.4 Cost of materials

In fiscal year 2023, the FP Group’s cost of materials increased by 9.5% to EUR 112.8 million, compared with EUR 124.7 million in the previous year. The reduction corresponds to the decline in sales revenue, particularly in the Mail Services division, while price changes only played a minor role. Expenses for raw materials, consumables and supplies thus increased to EUR 40.5 million in the reporting year compared with EUR 43.8 million in the previous year. The cost of purchased services, which is mainly attributable to the Mail Services segment, also fell by EUR 8.6 million to EUR 72.3 million compared to the previous year's level of EUR 80.9 million. At EUR 63.4 million, expenses for purchased postage were significantly below the previous year's level of EUR 72.7 million. The cost of materials ratio, i.e. the ratio of cost of materials to sales, fell to 46.6% in the reporting year (previous year: 49.7%).

4.1.5 Employee benefit expenses

Employee benefit expenses increased by 0.8% year-on-year to EUR 66.2 million in fiscal year 2023 (previous year: EUR 65.7 million). The employee benefit ratio – employee benefit expenses in relation to revenue – increased to 27.4% in the 2023 fiscal year compared to 26.2% in the previous year. The increase is due to the higher salary level in the Group, partly as a compensation for inflation, which partially offset the positive effects from the continuation of the transformation programme.

4.1.6 Expenses from impairment losses and income from reversals of impairment losses on trade receivables

The reduction in expenses from impairments to EUR 2.5 million (previous year: EUR 2.8 million) is mainly the result of lower individual default risks as well as reduced expenses for actual defaults on receivables.

4.1.7 Other operating expenses

Other operating expenses rose by 3.5% in fiscal year 2023, up from EUR 40.3 million to EUR 38.9 million. The increase in various expense types is offset by a one-off effect from the reversal of a significant portion of the restructuring provision totalling EUR 4.8 million. In the FP Group, the further implementation of the transformation programme required significantly less expenditure than calculated in previous years. In contrast, other expenses have increased. Due to the continuation of the project to introduce the new ERP solution, expenses for external IT services and licences increased by EUR 0.5 million. The increase in expenses from the recognition of provisions chiefly results from the addition for potential losses from onerous contracts with suppliers in the amount of EUR 1.3 million. Further reductions in expenses compared to the previous year were achieved in freight and packaging costs by EUR 0.8 million and in other taxes by EUR 0.3 million.

4.1.8 EBITDA

The EBITDA of FP Group amounted to EUR 31.0 million in fiscal year 2023 compared to EUR 27.6 million in the previous year. The FP Group’s EBITDA margin improved to 12.8% after 11.0% in the previous year. This change is influenced by opposing factors. The positive effect from the reversal of restructuring provisions in the amount of EUR 4.8 million and the increase in own work capitalised in the amount of EUR 8.5 million are offset by negative effects from exchange rate changes in the amount of EUR 2.4 million.

4.1.9 Amortisation, depreciation and impairment

Amortisation, depreciation and impairment rose by 14.3% year-on-year in fiscal year 2023, increasing significantly from EUR 21.0 million to EUR 18.0 million. This is primarily the result of lower impairments on internally generated intangible assets totalling EUR 2.7 million. As a result of the ongoing development activities, amortisation, depreciation and impairment can be expected to increase again in the coming years. A contrary effect from impairment losses on customer relationships and goodwill was recognised in the amount of EUR 0.2 million. (In the previous year, impairment losses of EUR 1.0 million on capitalised development costs for IoT projects.)

Under current assets, prepaid expenses of EUR 0.5 million were reversed. These are prepaid expenses for ERP licences that cannot be fully utilised in the Group's operating business.

4.1.10 Net interest income

The decrease in net interest income in the 2023 fiscal year by EUR 1.0 million to EUR 0.5 million was mainly due to higher interest expenses to banks, other financial liabilities and pension provisions as a result of the general rise in interest rates.

4.1.11 Other financial result

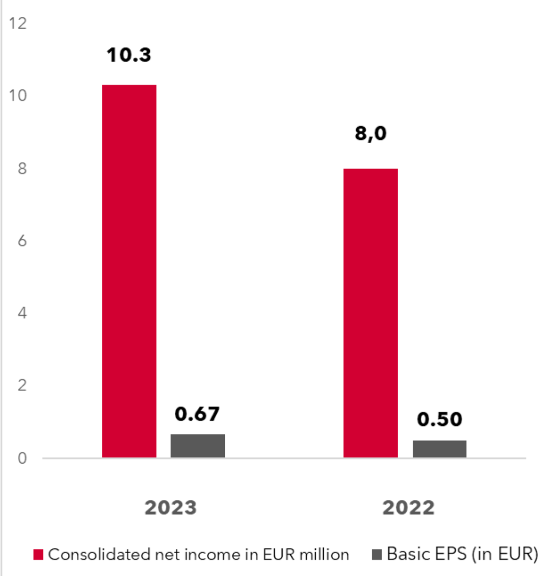
The FP Group posted a positive other financial result in fiscal year 2023 of EUR 0.6 million (previous year: positive result of EUR 0.4 million). This development is primarily due to currency effects from foreign currency translations, in particular the measurement of items in the statement of financial position at the reporting date, as well as expenses and income from the development of currency hedges.

4.1.12 Income taxes

Expenses from income taxes totalled EUR 2.4 million in fiscal year 2023 (previous year: EUR 0.5). This corresponds to a tax rate of 19.0% (previous year: 6.6%). The tax rate in 2023 is determined by the current result and in particular by a period shift in connection with the correction of errors in accordance with IAS 8.

4.1.13 Consolidated profit

CONSOLIDATED NET INCOME (in EUR million) and EPS (basic) in EUR



As a result, consolidated profit improved slightly in the 2023 fiscal year to EUR 10.5 million compared to EUR 8.0 million in the same period of the previous year.

This is mainly due to the reversal of restructuring provisions as part of adjustments to the transformation program on the one hand and negative currency effects on the other.

4.1.14 Summary of results per segment

The segments report according to local accounting standards. The following table shows the revenue and EBITDA of the segments.

SUMMARY OF RESULTS PER SEGMENT

	Revenue[1]			EBITDA[1]		
in EUR million	**2023**	**2022**	**Change in %**	**2023**	**2022**	**Change in %**
Mailing, Shipping & Office Solutions	**149.1**	150.8	-1.1	**36.9**	40.1	-8.0
Mail Services	**66.8**	73.4	-9.0	**2.1**	0.9	133.3
Digital Business Solutions	**27.1**	28.4	-4.6	**-0.9**	-0.8	12.5
Not allocated to any segment	**0.3**	0.4	-25.0	**2.8**	-7.6	-136.8
Group reconciliation	**-1.5**	-2.0	-25.0	**-9.9**	-5.1	94.1
Group	**241.8**	251.0	-3.7	**31.0**	27.6	12.3

[1] Revenue with third parties and EBITDA, according to local accounting standards

4.2 Financial position of the Group

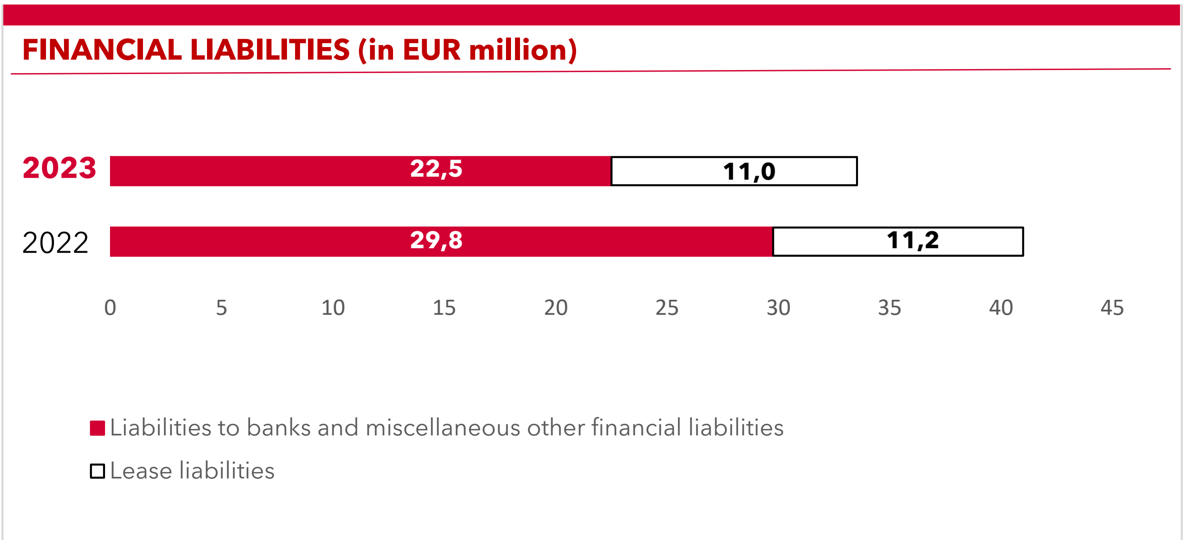
4.2.1 Principles and objectives of financial management

The main aim of financial management is to avoid financial risks and to ensure the financial flexibility of the FP Group. The FP Group achieves this objective by employing a variety of financial instruments. Various factors are taken into account when selecting the instrument, such as flexibility, loan terms, the existing maturity profile and finance costs. The long-term liquidity forecast is based on operational planning. A significant part of liquidity in the FP Group comes from the segment's operating activities and its resulting cash flow. The Group also uses loans from financial institutions and finance leases.

4.2.2 Dividend-bearing net profit and dividends

The FP Group’s dividend policy remains consistent as a basic principle, also based on implementing its new growth strategy. However, the company is currently focusing on securing and expanding existing Group liquidity in order to secure the FP Group's strategic and operational goals in the long term. Due to FP's transformation process and the need to ensure sustainable profitability, the Management Board has once again decided, with the approval of the Supervisory Board, not to distribute a dividend for the 2023 fiscal year.

4.2.3 Financing analysis



At the beginning of the fiscal year, the FP Group had a credit volume of up to EUR 90 million, of which EUR 30 million are a term loan.

FP repaid EUR 7.5 million of the term loan in September 2023.

As a result, the FP Group had up to EUR 67.5 million at its disposal as at the balance sheet date. As at the reporting date, the syndicated loan consisted of a term facility totalling EUR 22.5 million and a revolving facility totalling EUR 45 million.

The FP Group has extended the syndicated loan agreement in place since 2016 with the proven banking consortium consisting of Landesbank Baden-Württemberg as facility agent, Deutsche Bank AG and UniCredit Bank GmbH with effect from 26 February 2024. The syndicated loan agreement has a total volume of EUR 55 million until February 2027. The liabilities from the syndicated loan agreement are secured by a guarantor concept, according to which the ten largest companies in the FP Group are guarantors to the agreement. The guarantors are liable with their assets for possible payment defaults/liquidity difficulties of FP Holding AG as the borrower.

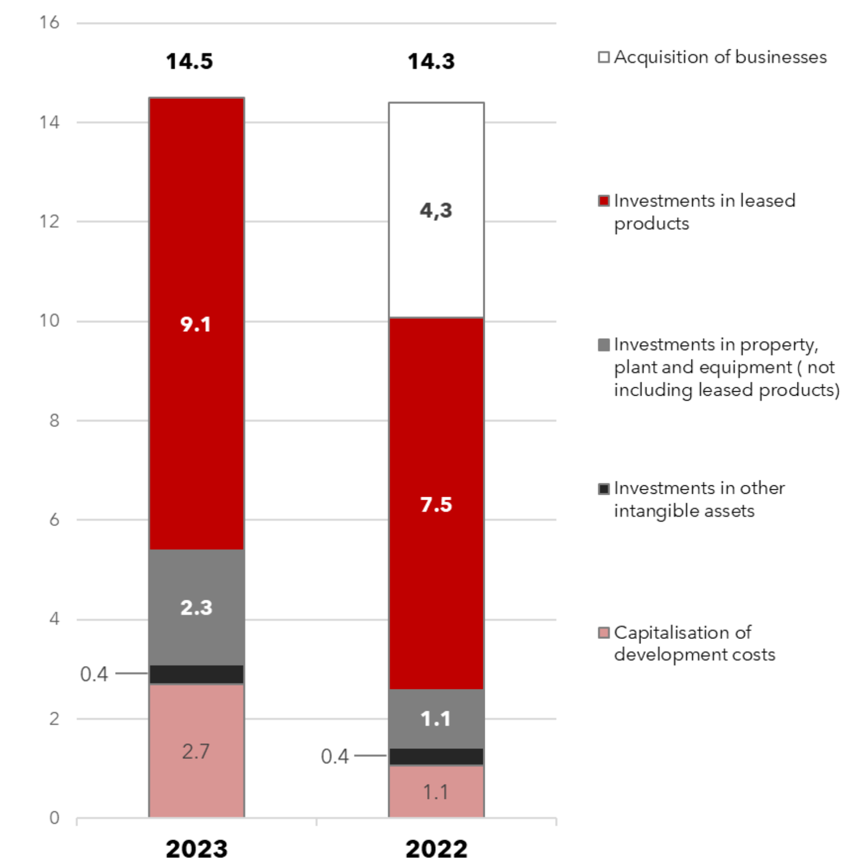
The loan agreement continues to serve as financing security for acquisitions. Furthermore, the FP Group has entrepreneurial headroom to enter into additional financial obligations. Overall, the syndicated loan agreement forms a forward-looking basis for the financial stability and flexibility of the FP Group.

In addition, the FP Group has utilized guarantee facilities of EUR 1.4 million outside of the syndicated loan.

Information on changes in the company's equity in the 2023 fiscal year can be found in section 4.3.2 Equity.

4.2.4 Investment analysis

INVESTMENTS (in EUR million)



The FP Group continued to invest in future growth in the 2023 fiscal year, investing in franking systems for rental markets and thus in the expansion of its market position in the MSO division as well as in new products and solutions in the DBS division. Investments were also made in production and other core and support processes. The company has focussed on cost control and liquidity management once more.

At EUR 14.5 million, investments in fiscal year 2023 as a whole were slightly above the previous year's level of EUR 14.3 million. There was a significant increase in capitalised development costs, from EUR 1.1 million in the previous year to EUR 2.7 million in the reporting year. In the previous year, investments were significantly influenced by the acquisition of the operating Azolver companies on 23 March 2022 (EUR 4.3 million, taking into account acquired cash and cash equivalents of EUR 8.1 million).

Investments in leased products increased to a total of EUR 9.1 million in fiscal 2023 (previous year: EUR 7.5 million).

4.2.5 Liquidity analysis

LIQUIDITY ANALYSIS (IN EUR MILLION)

	2023	2022
Cash flow from operating activities	**23.6**	22.4
Cash flow from investing activities	**-14.5**	-14.3
Free cash flow	**9.1**	***8.1***
Cash flow from financing activities	**-12.8**	-4.9
Change in cash	**-3.7**	**3.2**
Change in cash due to currency translation	**0.0**	-0.1
Cash at the beginning of the period	**22.8**	19.7
Cash at the end of the period	**19.2**	**22.8**

The FP Group successfully focussed on cost control and liquidity management in fiscal year 2023 as well.

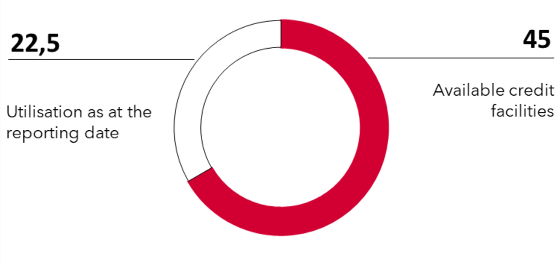
At EUR 23.6 million, operating cash flow in 2023 was considerably up on the previous year's figure of EUR 22.4 million. This was mainly attributable to the improved consolidated profit with an increase of EUR 2.4 million, which was partly offset by the change in cash interest (EUR -0.7 million) and taxes (EUR -1.0 million).

Cash flow from investing activities also increased slightly in the 2023 fiscal year. The increase in cash flows from investing activities to EUR 14.5 million compared to EUR 14.3 million in the previous year mainly results from the EUR 1.6 million increase in the capitalization of development costs as well as higher investments in property, plant and equipment of EUR 2.8 million. In the previous year, payments were made for the acquisition of the Azolver companies (EUR 4.3 million). Please see the section on Investment Analysis (section 4.2.4) for more information about further changes.

Due to the improved cash flow from operating activities, free cash flow increased to EUR 9.1 million in fiscal year 2023 (previous year: EUR 8.1 million) despite the high level of capital expenditure.

Cash flow from financing activities in the 2023 fiscal year includes payments to repay liabilities to banks totalling EUR 7.5 million (previous year: EUR 2.8 million). Payments from the share buyback programme increased to EUR 1.0 million compared to EUR 0.5 million in the previous year. Payments for the repayment of lease liabilities increased slightly by EUR 0.1 million to EUR 4.5 million compared with the previous year.

COMMITTED, BUT NOT FULLY UTILISED CREDIT FACILITIES (in EUR million)



In accordance with the syndicated loan agreement, the FP Group has undertaken to comply with two defined financial covenants:

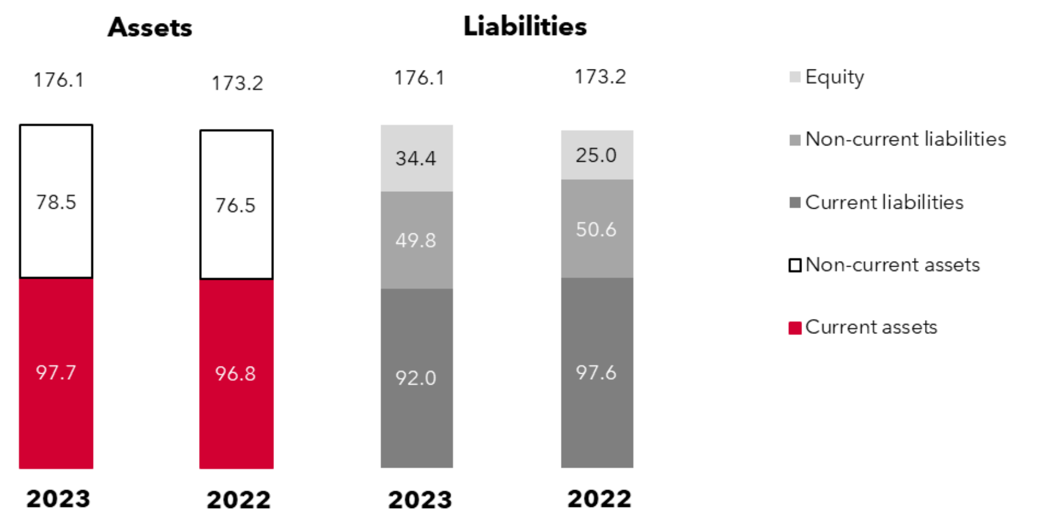
$$\text{Leverage} = \frac{\text{Total net debt}}{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}} \leq 3{,}0\times$$

$$\text{Interest Cover} = \frac{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}}{\text{Net interest income (adjusted for IAS 23 Borrowing Costs)}} \geq 5{,}0\times$$

As per the agreement, non-recurring effects are (partially) adjusted for calculating the covenants using a simplified procedure. The credit conditions were complied with consistently on the agreed key dates throughout the reporting year. In fiscal year 2023, the FP Group was able to meet its payment obligations.

4.3 Asset position of the Group

STATEMENT OF FINANCIAL POSITION STRUCTURE (in EUR million)



The FP Group's total assets increased by EUR 2.9 million in the 2023 fiscal year.

4.3.1 Non-current and current assets

NON-CURRENT AND CURRENT ASSETS

in EUR million	2023	2022
Intangible assets	17.9	19.8
Property, plant and equipment	28.7	26.9
Right-of-use assets	10.7	11.0
Other financial assets	16.1	15.8
Other non-financial assets	1.5	1.4
Deferred tax assets	3.6	1.6
Non-current assets	**78.5**	**76.5**
Inventories	17.9	19.5
Trade receivables	20.3	20.7
Other financial assets	12.9	13.8
Other non-financial assets	8.1	8.4
Cash and cash equivalents	38.5	34.4
Current assets	**97.6**	**96.8**
Other non-financial liabilities	**176.1**	**173.2**

Non-current assets increased by EUR 2.0 million to EUR 78.5 million.

The reduction in intangible assets from EUR 19.8 million in the previous year to EUR 17.9 million in the reporting year is due to the fact that amortisation of EUR 4.8 million exceeded investments. EUR 2.7 million in additions were capitalised under the item internally generated intangible assets in the reporting year. Additions to development projects not yet completed were recognised in the amount of EUR 2.4 million.

The EUR 1.8 million increase in property, plant and equipment stemmed essentially from the increase in leased products of EUR 1.9 million.

The EUR 2.0 million increase in deferred taxes is mainly due to the first-time recognition of deferred tax assets on loss carryforwards.

Current assets picked up by EUR 0.8 million from EUR 96.8 million to EUR 97.6 million.

In the area of cash and cash equivalents, an increase in restricted cash (telepostage funds) totalling EUR 7.8 million is offset by a reduction in free cash flow of EUR 3.7 million.

The reduction in inventories by EUR 1.6 million is primarily due to increased write-downs of EUR 3.7 million compared to EUR 2.5 million in the previous year. There was also a decline in inventories built up during the coronavirus pandemic, particularly in the USA.

4.3.2 Equity

As at 31 December 2023, the share capital of Francotyp-Postalia Holding AG remained unchanged at EUR 16.3 million, divided into 16,301,456 no-par value bearer shares.

As at 31 December 2023, the company held 677,603 treasury shares (previous year: 403,907) or 4.16% of the share capital (previous year: 2.5%). FP carried out a share buyback programme in the period from November 2022 to November 2023 and acquired a further 273,696 shares in the reporting year. The average price of the entire share buyback amounts to EUR 3.35 per share. The notional value of treasury shares is openly deducted from the share capital. The difference to the purchase price is offset against the retained earnings in the annual financial statements of Francotyp-Postalia Holding AG. For additional information on own shares, see section IV of the notes to the consolidated financial statements. (27). More information about authorised and contingent capital as well as conversion and option rights can be found in the explanatory report by the Management Board in accordance with sections 289a (1) and 315a (1) HGB in section 9 of the combined group management report.

Group equity increased by EUR 9.4 million from EUR 25.0 million to EUR 34.4 million. The increase is mainly due to the positive net income for the reporting period of EUR 10.5 million.

Information on the adjustment of the previous year's figure can be found in section (9) of the Notes to the Consolidated Financial Statements on the Correction of Errors in accordance with IAS 39. IAS 8.41 et seq.

4.3.3 Non-current and current liabilities

NON-CURRENT AND CURRENT LIABILITIES

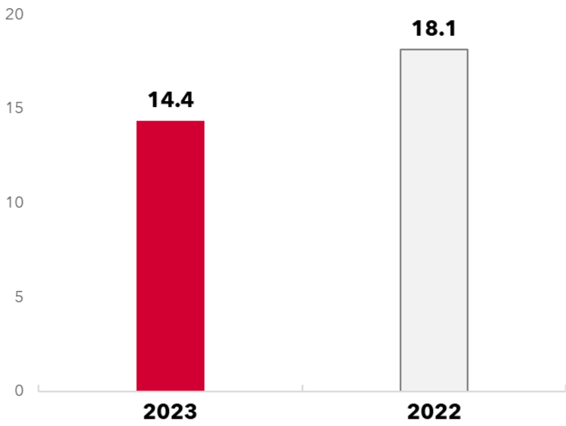
in EUR million	2023	2022
Provisions for pensions and similar obligations	**14.1**	14.6
Other provisions	**0.9**	1.1
Deferred tax liabilities	**3.2**	3.9
Financing liabilities	**30.2**	29.5
Other financial liabilities	**0.4**	0.4
Other non-financial liabilities	**1.1**	1.1
Non-current liabilities	**49.8**	**50.6**
Tax liabilities	**4.1**	2.5
Other provisions	**9.1**	13.9
Financing liabilities	**3.4**	11.5
Trade payables	**14.1**	13.6
Other financial liabilities	**39.0**	34.6
Other non-financial liabilities	**22.3**	21.5
Current liabilities	**92.0**	**97.6**
Other non-financial liabilities	**141.8**	**148.2**

Non-current liabilities declined slightly by EUR 0.8 million from EUR 50.6 million to EUR 49.8 million. An increase in financial liabilities of EUR 0.7 million was offset by a decrease in deferred tax liabilities of EUR 0.7 million due to higher netting with tax refund claims and a reduction in provisions for pension obligations and other provisions totalling EUR 0.5 million as a result of higher interest rates.

Non-current liabilities declined by EUR 5.6 million from EUR 97.6 million to EUR 92.0 million. On the one hand, this results from the reduction in financing liabilities of EUR 8.1 million, which includes the repayment of the loan amount of EUR 7.5 million due in the 2023 fiscal year. Other provisions fell by EUR 4.8 million as a result of the utilisation and reversal of provisions for restructuring. On the other hand, the EUR 4.4 million increase in other financial liabilities was mainly due to higher telepostage fees in Italy of EUR 8.1 million. This was offset by lower liabilities from derivatives in the amount of EUR 1.1 million and the reduction in creditors with debit balances and other financial liabilities in the amount of EUR 1.7 million. In addition, trade payables increased by EUR 0.5 million due to reporting date and other non-financial liabilities by EUR 0.8 million due to an increase in accrued payments.

Net gearing is an additional indicator of the FP Group's capital structure. This is calculated as the ratio of net debt to equity and is reviewed on an ongoing basis.

DEVELOPMENT OF NET DEBT (in EUR million)



Net debt is calculated from financing liabilities less cash and cash equivalents. Financing liabilities include liabilities to banks and lease liabilities. Cash and cash equivalents comprise cash less restricted funds (postage credit managed by the FP Group). This applies to the calculation of the net debt ratio as a management parameter for the FP Group's capital structure as well as the presentation in the cash flow statement.

Due to the repayment of loans, the consolidated net profit achieved and the cost control and liquidity management measures, the FP Group's net debt fell from EUR 18.1 million to EUR 14.4 million in the 2023 fiscal year. The gearing ratio thus fell by 31 percentage points from 73% to 42%. As at 31 December 2023, equity rose to EUR 34.4 million, an increase of EUR 9.4 million compared to the previous year (EUR 25.0 million).

4.3.4 Leasing

As a lessor, the FP Group operates both operating leases and finance leases. These business models are reflected in the Group's statement of financial position and income statement. As at 31 December 2023, assets with a carrying amount of EUR 22.3 million (previous year: EUR 20.4 million), which are mainly leased to customers as part of operating lease agreements, are reported under "Leased products" in fixed assets. Finance lease agreements with customers can be found under "receivables from finance leases" and totalled EUR 23.0 million (previous year: EUR 23.1 million) in the non-current and current areas as at the balance sheet date.

4.4 Overall statement regarding the earnings, financial and asset position of the Group

The 2023 fiscal year was largely in line with expectations overall. At EUR 241.8 million, revenue was below the previous year's level. It should be noted that the previous year's figures were influenced by positive one-off effects. In addition, the company recorded negative currency effects of EUR 4.1 million in 2023. Excluding currency effects, revenue totalled EUR 245.9 million and was therefore in line with the guidance. Assuming exchange rates remain the same, revenue in the range of EUR 245 million to EUR 255 million was expected for the 2023 fiscal year.

EBITDA, on the other hand, totalled EUR 31.0 million (adjusted for currency effects: EUR 33.4 million). This even slightly exceeded the forecast, as EBITDA had been expected to be in the range of EUR 28 to 31 million. Despite the challenging market environment in the franking business, FP showed solid business development and continued to work on its transformation programme. FP's new operating model is an important part of the simplification and digitalisation of internal, customer and partner-oriented processes. The transformation programme continues to show positive effects with an improvement in cost structures. FP increased its profitability slightly, even if one-off effects on earnings have to be taken into account here. The aim is to transform the company into a sustainably profitable, international technology group in the long term.

Overall, FP achieved its targets for the year as a whole. In view of the development in the first nine months of 2023, the Management Board recently specified and confirmed the forecast. The expected revenue level was finalised at the lower end of the forecast. These revenue expectations were ultimately almost met. EBITDA even slightly exceeded the original forecast. The Management Board therefore considers the course of business development in the 2023 fiscal year to be satisfactory overall.

5. Position of the company

FP Holding's annual financial statements are prepared in line with the German Commercial Code (HGB). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs). This results in some differences with regard to recognition and measurement methods. This mainly relates to intangible assets, provisions, financial instruments, lease transactions and deferred taxes.

5.1 Earnings position of the company

in EUR million	2023	2022	Change in %
Revenue	**2.7**	2.6	3.9
Other operating income	**0.6**	0.8	-25.0
Cost of materials	**1.0**	0.6	66.7
Employee benefit expenses	**4.0**	5.4	-25.9
Other operating expenses and amortisation and depreciation	**6.3**	4.4	43.2
Income from investments	**30.7**	2.4	1,179.2
Net interest income	**2.3**	2.1	9.5
Earnings before taxes	**25.0**	-2.6	n/a
Taxes on income and earnings (income (+), expense (-))	**-0.5**	0.5	n/a
Earnings after taxes	**24.5**	**-2.1**	n/a
Other taxes	**0.0**	**0.0**	n/a
Net income (previous year: net loss)	**24.5**	**-2.1**	**n/a**

5.1.1 Revenue

With FP Holding's service functions remaining unchanged, revenue in the reporting year was at the previous year's level.

5.1.2 Other operating income

Other operating income in the year under review and in the previous year essentially comprised income relating to other periods from the reversal of provisions.

5.1.3 Cost of materials

The increase in the cost of materials from purchased services in the reporting year is primarily due to the higher advertising costs passed on and other staff costs as compared to the previous year.

5.1.4 Employee benefit expenses

Employee benefit expenses fell by EUR 1.4 million in fiscal year 2023, stemming primarily from lower provisions for bonuses. The average number of employees also decreased to 28 (previous year: 30).

5.1.5 Other operating expenses and amortisation and depreciation

This mainly includes legal and consulting costs and expenses for Group allocations.

The total amount of other operating expenses increased by EUR 1.8 million in the reporting year. This was mainly due to impairment on a financial receivable from a subsidiary in the amount of EUR 1.5 million. Legal and consulting costs rose by EUR 0.5 million, while IT service costs decreased by EUR 0.1 million.

5.1.6 Income from investments

The significant increase in income from investments from EUR 2.4 million in the previous year to EUR 30.7 million in fiscal year 2023 is mainly due to a period shift resulting from a subsequent adjustment of transfer prices for fiscal year 2023 in the reporting year 2023 (see also explanations in section 3.2).

5.1.7 Net interest income

At EUR 2.1 million, interest expenses were EUR 1.3 million higher than in the previous year and resulted primarily from interest on the bank loan, which increased compared to the previous year. In addition, interest expenses of affiliated companies increased by EUR 0.5 million to EUR 0.5 million. Interest income is essentially generated from loans and short-term loans to affiliated companies. The increase in net interest income of EUR 0.2 million in the 2023 fiscal year is due to higher interest on the bank loan and higher interest income from loans and receivables from affiliated companies.

5.1.8 Taxes on income and earnings

The income tax expense of EUR 0.5 million is mainly the result of current taxes for the year under review (previous year: tax income of EUR 0.5 million, mainly from tax refunds from previous years).

5.1.9 Net income/loss for the year

FP Holding generated net income of EUR 24.5 million in the 2023 fiscal year (previous year: net loss of EUR 2.1 million), mainly due to the significant increase in income from investments.

5.2 Financial position of the company

LIQUIDITY ANALYSIS (IN EUR MILLION)

	2023	2022
Cash flow from operating activities	8.8	-1.0
Cash flow from investing activities	0.0	0.0
Free cash flow	**8.8**	**-1.1**
Cash flow from financing activities	-8.4	-0.5
Change in cash	**0.4**	**-1.5**

The increase in cash flows from operating activities in the 2023 fiscal year is mainly due to the positive result and partially offsetting effects from the increase in receivables.

Cash flow from financing activities in the 2023 fiscal year includes payments to repay liabilities to banks in the amount of EUR 7.5 million and payments from the share buyback programme in the amount of EUR 0.9 million.

As of 31 December 2023, FP Holding had unused credit lines amounting to EUR 45.0 million (previous year: EUR 58.6 million). FP Holding was able to meet its payment obligations at all times in fiscal year 2023.

5.3 Asset position of the company

CONDENSED BALANCE SHEET OF FP HOLDING (IN EUR MILLION)

	31.12.2023	31.12.2022
Non-current assets	83.8	82.4
Current assets	48.7	40.1
Prepaid expenses	0.3	0.5
Assets	**132.8**	**123.0**
Equity	95.9	72.3
Provisions	5.6	6.3
Liabilities	31.3	44.4
Equity and liabilities	**132.8**	**123.0**

5.3.1 Non-current assets

Fixed assets in fiscal year 2023 were slightly above the previous year’s level.

5.3.2 Current assets

The increase of EUR 8.6 million in current assets in the reporting year is due in particular to the increase of EUR 8.3 million in receivables from affiliated companies as a result of higher receivables from profit transfers.

5.3.3 Equity

Equity increased by a total of EUR 23.6 million in fiscal year 2023 due to the positive annual result for the year of EUR 24.5 million and the repurchase of treasury shares (reduction in issued capital and retained earnings totalling EUR 1.0 million). FP Holding's equity ratio rose from 58.8% to 72.2% in the year under review.

5.3.4 Provisions

Provisions fell by a total of EUR 0.7 million in fiscal year 2023. This is mainly due to the reduction in other provisions by EUR 1.1 million from EUR 3.8 million to EUR 2.7 million as a result of lower premiums totalling EUR 0.9 million.

5.3.5 Liabilities

The decrease in liabilities in the 2023 fiscal year of EUR 13.1 million to EUR 31.3 million is mainly due to a reduction in liabilities to affiliated companies of EUR 5.4 million and a decrease in liabilities to banks of EUR 7.5 million.

5.4 Overall statement regarding the earnings, financial and asset position of the company

Besides operational factors, fiscal year 2023 was mainly influenced by the effects of the correction of transfer prices for fiscal year 2022. The financial position was also influenced by the repayment of bank loans.

The significant deviation from the forecast was caused by a period shift in the investment result. With regard to the operating position, the Management Board considers the development of business in the fiscal year to be satisfactory overall.

6. Risk and opportunity report

Risks and opportunities are defined in the following as influencing factors or events that may result in the management's targets for short-term or medium-term Group performance being exceeded or missed. The aim of opportunity management is to identify these opportunities at an early stage and pursue them. In turn, risk management is intended to ensure that risks are not only identified in time, but that countermeasures are taken promptly to control and, where necessary, minimise the impact on the company and the Group.

6.1 Risk and opportunity management system

Francotyp-Postalia Holding AG and its subsidiaries are exposed to an array of risks as part of their business activities. These are inextricably linked to entrepreneurial activity.

The Management Board has overall responsibility for the risk and opportunity management system of the FP Group. Risk and opportunity management is closely intertwined with compliance management and is an integrated aspect of corporate governance. The Management Board has also established an internal control system in line with the scope of business activities and the risk situation. The Management Board is not aware of any facts indicating that the internal control system is inadequate or ineffective in material respects, taking into account that corrective measures have been initiated for known issues.[10]

The risk and compliance situation is regularly analysed within the scope of risk management and the risks identified are assessed, managed and controlled. This system is used not only for the early detection of risks that could potentially threaten the continued existence of the FP Group.

Detailed market and competition analyses and forecast scenarios, together with intensive examination of relevant value and cost drivers, serve to determine opportunities.

Aims and strategy

The most important aim of risk and compliance management is to identify potential risks at an early stage, reliably assess how likely they are to occur and what impact they may have on business performance, to manage them and – where possible and within reason – to limit them. At the same time, opportunities for success must be protected, provided these do not entail inappropriate levels of risk. On this basis, suitable measures are implemented to manage risks in line with the company strategy.

Different strategies are used depending on how the risks are assessed. Risks that could have severe repercussions for Group performance or even endanger the going concern of FP are, as far as possible, avoided. The effects of less significant risks are limited. For example, certain maximum levels are stipulated, controls are conducted regularly and systematically and/or consistent separation of functions is ensured. Risks are outsourced where possible or reasonable, for example to insurance companies or suppliers. Risks that are intrinsically linked to business activities are taken on knowingly and in a controlled manner.

The FP Group's risk strategy stipulates an innovative yet risk-averse approach in the Mailing, Shipping & Office Solutions and Mail Services business unit, while a healthy risk appetite is adopted in the investments made in the growing Digital Business Solution business unit, which carries its vision for the future.

Structures and processes

Risk management structures and processes are standardised across the Group and are supported by the use of risk management software. The existing risk reporting is based on a risk catalogue that is divided into several risk areas: macro environment/country risks, market/competition, strategy, supporting processes/IT, performance management, human resources, finance and compliance.

The risk owners in the subsidiaries and the division heads of the central departments are integrated into this early warning system and report newly identified, existing and eliminated risks every six months. In addition, ad hoc reporting to the risk management officer and the Management Board takes place when significant or critical risks are identified or when significant changes occur in identified risks.

Internal risk management aggregates all risks identified within the scope of the risk assessment process using a Monte Carlo simulation in order to determine the overall risk potential of the FP Group. The corresponding results are analysed and reported to the Management Board. The Management Board regularly assesses the risk situation, and takes into account the relationship between the aggregated risk position of the FP Group and its risk-bearing capacity when making decisions.

Within the scope of risk reporting, both gross and net risk are stated by the respective reporting units. The gross risk describes the maximum loss potential without taking into account hedging and risk mitigation measures. After countermeasures, the residual risk results in the form of the net risk. In order to determine which risks have a going-concern character, they are classified according to their estimated probability of occurrence and extent of damage.

[10] Not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

To actively limit the relevant risks through appropriate control measures and to regularly review the defined control activities for appropriateness and effectiveness, risk management is complemented by an internal control system (ICS). The scope and effectiveness of the system are regularly monitored. Internal checks on accounting in the Group companies as well as decentralised compliance audits therefore take place at regular intervals. Where necessary, the system is extended to include new control measures, for example in the form of guidelines or process instructions. The Management Board is responsible for the ICS. The Board assesses the appropriateness and effectiveness of the system. As part of the audit of the financial statements, the early risk detection system is evaluated by the auditor in order to assess that the system is suitable for the timely detection, assessment and communication of all risks potentially jeopardising the existence of the company with a sufficient degree of probability.

Compliance management system

The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these throughout the Group companies. Questions of compliance are regularly discussed between the Supervisory Board or the Chairman of the Supervisory Board and the Management Board. The corporate culture of the FP Group is characterised by trust and mutual respect, and by the will to adhere strictly to laws and internal regulations. Nonetheless, statutory violations due to individual misconduct can never be completely ruled out. Employees and third parties have the opportunity to report misconduct at the Group to the Compliance Officer. Anonymous reports are also followed up on. The FP Group is very keen to minimise the risk of compliance violations as far as possible, to uncover misconduct and to deal with it systematically. Regulations and principles are set out, together with the responsible handling of insider information, in the code of conduct, which provides all employees with guidance regarding corporate integrity in business. Managers and employees receive training on the code of conduct and are able – and expected – to consult the Compliance Officer whenever they have any doubts. Internal Audit carries out risk-orientated audits of compliance with regulations.

Internal control system and risk management system relevant for the consolidated financial reporting process

The accounting-related internal control system is an integral component of the comprehensive company-wide control and risk management system. Its aim is to ensure that financial reporting is reliable and transparent. To achieve this aim, FP has implemented the respective structures, processes and controls. These should ensure that the results of the accounting process are free from significant errors and submitted on time.

The accounting-related internal control system at the FP Group is predominantly supported by a functioning internal management system based on efficient processes, along with process-integrated, organisational security measures such as access restrictions in IT or payment guidelines. Process-integrated controls reduce the probability of errors and support the detection of errors that have already occurred.

The accounting-related ICS is designed by the Management Board and the Supervisory Board monitors its effectiveness. As the parent company, Francotyp-Postalia Holding AG prepares the FP Group's consolidated financial statements. This process is preceded by the financial reporting of the Group companies included in the consolidated financial statements. Both processes are monitored by means of a stringent internal control system, which ensures both true and fair accounting and compliance with the relevant legal stipulations. Cross-segment key functions are managed centrally, whereas the Group's companies prepare their financial statements locally and in accordance with local statutory requirements. The annual financial statements of all major Group companies that are consolidated are subject to an external audit.

Key regulations and instruments in the preparation of the consolidated financial statements are:

- accounting guidelines at Group level;
- a clearly-defined separation of functions and allocation of responsibilities among the segments involved in the accounting process;
- involvement of external experts as far as necessary, to measure pension obligations, for example;
- use of suitable IT financial systems and the application of detailed authorisation concepts to ensure that authority is granted in line with the task while complying with principles of separation of roles;
- checks implemented within the system and further process checks on accounting in the companies; consolidation in the context of the consolidated financial statements and of other relevant processes at Group and company level;
- consideration of the risks recorded and evaluated in the risk management system in the annual financial statements, as far as is required under current accounting rules,
- audits by Internal Audit with regard to compliance with and the adequacy of these regulations.

The duty of all subsidiaries to report their business figures to Francotyp-Postalia Holding AG on a monthly or quarterly basis in a standardised reporting format in each case means that planned/actual variances during the year are detected in good time to enable appropriate action to be taken quickly.

Risk management system with regard to financial instruments

The FP Group has a centralised financial management, whereby FP Holding coordinates the consolidated financial requirements, secures liquidity and monitors and manages currency, interest rate and liquidity risks across the Group. The goal of financial risk management is to limit financial risks from changes in exchange rates and interest rates through finance-oriented activities. Derivative financial instruments are used exclusively for the purpose of hedging underlying transactions. Currency risks result from the Group's international activities, specifically in the US, Canada, Great Britain and Scandinavia. FP Holding identifies these risks in cooperation with the Group companies and uses appropriate measures to manage them, e.g. entering into forward currency transactions. Interest rate risks result from medium and long-term financial liabilities. The purpose of liquidity planning is to identify liquidity exposure risks at an early stage and to minimise it throughout the Group. A monthly rolling liquidity forecast is used to monitor and manage liquidity. For further information on risks from financial instruments, including currency and interest rate risks and the corresponding hedging activities, please refer to section 6.1.2 of this risk report and the disclosures in the notes to the consolidated financial statements in section IV (32) Financial instruments.

Risk assessment

Central risk management ensures the implementation of a uniform risk strategy and methodology for identifying, analysing and evaluating opportunities and risks as well as the subsequent management of risks.

All risks with loss potential of at least 8% of the Group EBITDA budget for 2024 are reported on here, the same process as for internal reporting.

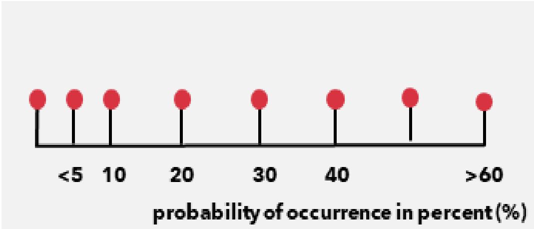
6.2 Risk matrix of the FP Group

Explanation of probability of occurrence and extent of loss

Risks are assessed using a Group-specific assessment matrix, which takes account of the probability of occurrence and the potential extent of the loss caused by possible events and uses this data to determine priorities.

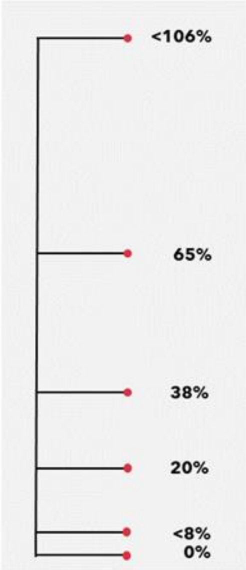
In order to more efficiently allocate the FP Group's prevention resources, risks in the lowest probability categories are considered in more detail and divided into the categories 0–5%, 5–10% and 10–20%. Risks are not further subdivided where the probability of occurrence is over 60%, as close attention is already paid to events that are very likely to occur. The intermediate probability categories reflect this idea, increasing towards the top end of the probability scale:

ASSESSMENT METRIC: PROBABILITY OF OCCURRENCE



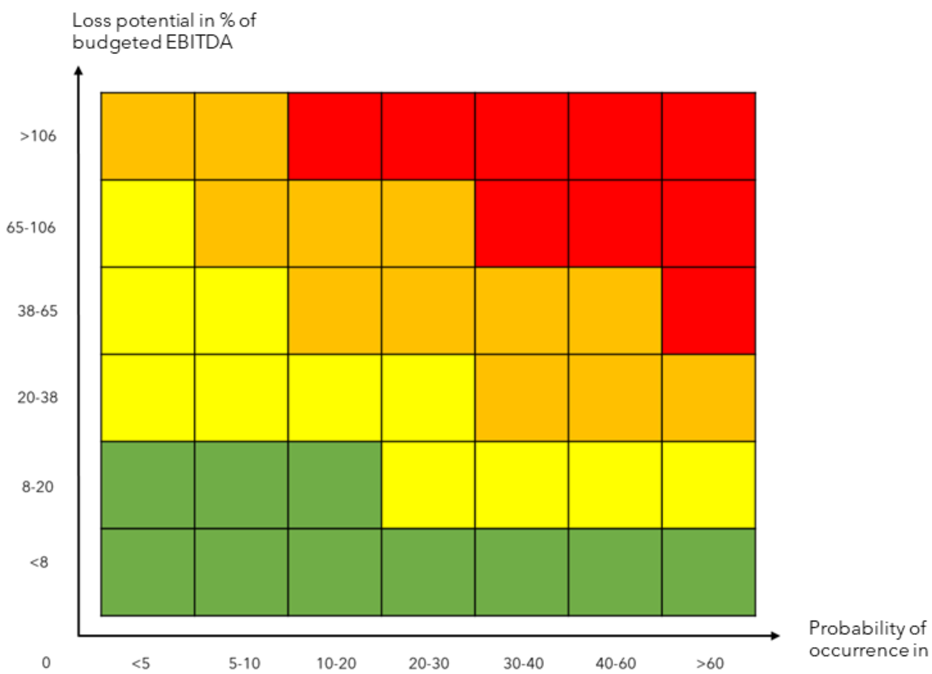
The assessment of loss potential is based on the impact a risk would have on forecast Group EBITDA if it were to occur. The loss classes are different sizes. The class limits show in detail whether the continued existence of the company is endangered if the risk materialises.

ASSESSMENT METRIC: LOSS POTENTIAL – IN EACH CASE AS A PERCENTAGE OF BUDGETED EBITDA



This differentiation enables FP to focus its risk management on managing risks that are significant or threaten the continued existence of the company. Events with a low loss potential that are almost certain to occur are actively managed by the specialist department responsible.

Assessment metric



The time reference for the assessment of risks is generally one year from the balance sheet date.

The FP Group uses a four-tier traffic light system (green, yellow, orange, red) to classify risks.

The following nomenclature is used:

Risk classification		
Material risks	red	Threatens continued existence
	orange	Material risks
Immaterial risks	yellow	Medium risks
	green	Minor risks

Both kinds are deemed to be material, with red risks even threatening the company's continued existence. Active efforts are also made to reduce yellow and green risks where this makes good business sense, i.e. where the costs of further diminishing the risk are not expected to outweigh the reduction in the expected extent of loss.

6.3 Risks faced by the FP Group

Reported risks

Risks identified as relevant for FP are reported below. The assessment of the damage potential is based on the impact on the EBITDA budgeted for 2024. The assessment is "net", i.e. taking into account risk-reducing measures that have already been implemented. Unless explicitly stated, the risks apply to all of our divisions and segments.

6.3.1 Market-related risks

Macroeconomic risks

As a result of the current geopolitical situation, the FP Group is exposed to various risks regarding the macroeconomic environment. For example, general conditions affect customers, some of whom are faced with a decline in their business, cash flows and financing options. This causes customers to delay or cancel their planned investments. Suppliers are also in a similar situation, which means that they may be unable to meet orders or the standards of service and quality agreed. A continued deterioration in economic conditions in fiscal year 2024 – in particular also with regard to the impact of geopolitical tensions and global economic sanctions against Russia – could have a significant impact on the earnings, financial and net asset position, including due to additional impairment on goodwill or other assets.

Competitors

The franking machine manufacturer sector has become increasingly consolidated and global in recent years, and FP's main competitors have, in our view, substantial financial resources and technological abilities. In some areas, these rivals compete mainly over price. They could take advantage of special market conditions to expand their market share or attack FP's dealer network. There is no guarantee that FP will always be able to successfully hold its own against competitors. Heightened competition can result in lower profit margins or loss of market share, which could have a serious adverse effect on earnings, financial and net asset position.

Quantifying the specific impact of the macroeconomic environment and the state of competition on FP is extremely unreliable and so we have opted not to do so.

Changes in customer needs as a result of the digital transformation

Probability of occurrence	Loss potential	Current	Previous year
10-20%	8-20%	green	yellow

As a result of digitalisation, volumes of paper mail have been declining by between 5% and 10% p.a. on all markets for many years and the intensity of competition has been increasing. This decline in the core business may have a negative impact on revenue and thus EBITDA.

Through its ongoing transformation program, FP has focused its business model more strongly on digital products, which should help to compensate for a decline in the franking machine business, at least in the medium term. In addition, the decline in mail volumes in most countries has not recently accelerated beyond an expected level. The risk assessment has thus improved slightly compared with the previous year.

6.3.2 Operational risks

Implementation of strategic and operational projects and measures

Probability of occurrence	Loss potential	Current	Previous year
> 60%	< 8%		

In order to adapt FP structures to the changes in the business model, processes are being redefined and realigned from an organisational and technological perspective. These projects and measures can have an impact on day-to-day business, they can exceed the planned timescale and budget. Planning errors could also have an impact on the assessment of the recoverability of goodwill. Similarly, undesirable developments could occur in the context of R&D activities, which could result in corresponding amortization expenses. Specifically, this relates to the introduction of a new ERP and CRM system.

Decisions made at both the technological and personal level have indeed contributed to reducing risk. However, some complex projects are not yet complete at the time of reporting. Their complexity has increased in comparison with the previous year, which is why the risks associated with these projects continues to exist. The loss potential, on the other hand, has been lowered due to previous advances.

Acquisitions/M&A

Probability of occurrence	Loss potential	Current	Previous year
10-20%	8-20%		

Management regularly reviews potential acquisitions of companies or technologies that have the potential to strengthen the market position. Acquisitions of companies may result in goodwill, which is recognized as an intangible asset. Such transactions are subject to risk.

Procurement and quality risks

Probability of occurrence	Loss potential	Current	Previous year
> 60%	20-38%		

FP procures components for the product range from third parties. Due to geopolitical developments, the availability of key components has become more acute over the course of recent years. Delivery times have become significantly longer in various areas and procurement prices have increased significantly in some cases due to higher raw material and energy costs. This is also due to general supply chain disruptions affecting numerous sectors of industry such as in the area of semiconductors.

The risks currently also result from uncertainties regarding price stability and available supply volumes. Supply chain disruptions in production or logistics are also possible. They also affect products such as toner, special papers and special tools. In some cases, it is not possible to quickly and easily switch to other suppliers.

These risks therefore affect not only franking machine components, but also consumables. In addition, quality problems in FP Group preliminary processes or preliminary products or in the supply chain can lead to disruptions later in the process, which may cause additional costs and ultimately also result in a loss of reputation and revenue.

Due to the geopolitical situation, the probability of occurrence increased again overall as compared to the previous year.

FP's strategic procurement ensures the availability of requirements in close collaboration with the production and the development departments and to an appropriate extent. As well as building up buffer inventory, this includes suppliers' contractual obligations, monitoring their financial stability, analysing alternative manufacturers and the amount of time expected to qualify these.

Contractual penalties

Probability of occurrence	Loss potential	Current	Previous year
5-10%	< 8%		

In the highly competitive mail services market, especially for public-sector customers, a contractual penalty is a standard component of the term and conditions of the bidding process. These penalties usually significantly exceed the margin contributions associated with the contracts. If a loss were to occur that would result in a corresponding contractual penalty, the impact on earnings would be correspondingly severe. The risk assessment shown represents the case where several contractual penalties were incurred simultaneously as a result of technical disruptions.

General Human Resources risks

Probability of occurrence	Loss potential	Current	Previous year
20-30%	20-38%		

The transformation of FP has changed the profile of the workforce required in various areas. It is proving difficult in some cases to recruit staff on a tight specialist market at reasonable conditions. If key positions remain unfilled for longer, this could have a negative impact on the implementation of various projects, not only in IT.

Changes in the professional environment can trigger uncertainty among employees. This risks a loss of motivation, which could impact negatively on productivity. In addition, it may result in employees whose experience and expertise are valuable to the Group leaving FP.

FP endeavours to communicate specific changes planned clearly and at an early stage so as to ensure planning security for employees. Key positions have also been filled and the transfer of knowledge promoted by means of various process optimisations. As a result, the probability of occurrence of these risks has been reduced.

Risks from regulation, law and compliance

Probability of occurrence	Loss potential	Current	Previous year
20-30%	< 8%		.

FP is developing a large number of new digital products in order to expand its business model in a targeted manner. Despite thorough checks, it cannot be ruled out that the new products may affect or infringe third-party property rights. Due to the disappearance of a risk due to the bandonment of a field of activity, the assessment of risks has changed accordingly. The probability of occurrence of the remaining risks is 20-30%, the loss potential is <8%.

IT risks

Probability of occurrence	Loss potential	Current	Previous year
10-20%	> 65%		n.a.

As a provider of IT services and due to its IT-supported business processes, FP is exposed to IT risks such as system failures, a lack of data security (and the associated loss of data), cyber-attacks, the discontinuation of updates from external software providers, etc. FP has implemented comprehensive IT risk management in order to counteract these risks. With the objective of reducing IT risks, comprehensive security systems have also been implemented, employees receive regular training and the IT landscape is regularly examined by means of internal and external audits. Given the current geopolitical situation, however, it is not possible to rule out cyber-attacks on the GP Group's IT landscape and sales may be lost due to system failures. This is why the risk assessment is currently so high.

6.3.3 Financial risks

Change of control

Probability of occurrence	Loss potential	Current	Previous year
< 5%	< 8%		

The FP Group uses credit facilities for corporate financing, of which EUR 22.5 million had been utilised at the end of 2023. The current terms of the syndicated loan include a change-of-control clause. Under these conditions, the lending banks are entitled to terminate all outstanding syndicated credit facilities if a shareholder holds more than 30% of shares in Francotyp-Postalia Holding AG.

Financial covenants risks

Probability of occurrence	Loss potential	Current	Previous year
< 5%	< 8%		

In line with standard practice, FP has agreed financial covenants and thresholds for these with its syndicated loan providers. The loan can be called in if these are exceeded or not met.

Based on improved profitability and targeted net debt management via receivables management, cash management, optimised liquidity planning and a constructive dialogue with creditors, the valuation remained the same as the previous year.

Defaults on receivables

Probability of occurrence	Loss potential	Current	Previous year
30-40%	< 8%		

It must be assumed that a more difficult economic situation can lead to an increase in bad debt losses. Although there was a slight decrease in bad debt losses in the challenging environment of fiscal year 2023, the loss potential is still estimated to be similar to that for fiscal year 2024. FP's customer structure is dominated by many small and medium-sized companies. This inherent risk is also countered by targeted receivables management. As a result, the risk assessment has not changed significantly compared with the previous year.

Tax risks

Probability of occurrence	Loss potential	Current	Previous year
10-20%	8-20%		

The advancing realignment of the FP Group is associated with various tax risks, for example from an inadvertent misapplication of tax law or from a subsequent deviating assessment by the tax authorities. For example, the number of intercompany relationships requiring documentation has increased. If services are not priced correctly or documented inappropriately, this could lead to subsequent profit adjustments in connection with the corresponding tax consequences. The time horizon for the probability of occurrence here is up to ten years due to the deadlines and processes.

In particular, FP counters this risk by closely aligning the processes of Controlling / Group Accounting and Group Tax to ensure transparency in the case of new or modified intercompany matters and by strengthening internal control, also with the help of external consultants, and by coordinating in advance with the tax authorities (binding information). For instance, intercompany relationships are subject to regular retrograde evaluation and adjustment to meet tax requirements, and documentation with external partners is updated. Thanks to the acquisition of Azolver, the risk assessment has increased slightly compared with the previous year.

Liquidity risk

FP defines liquidity risk as the risk that the FP Group will become insolvent. FP puts the Group's liquidity position through ongoing stress tests. This involves running through various scenarios. As in the previous year, FP does not experience a liquidity bottleneck by the end of 2024 in this scenario, even without taking up additional borrowing. The risk has been further downgraded in comparison to the previous year thanks to the positive development of liquidity requirements and the reduction of net debt. For an evaluation of the risk, please see para 4. Liquidity risks in note 32 ("Financial instruments") to the consolidated financial statements.

Risks from financial instruments

FP uses financial instruments exclusively for hedging purposes. The use of financial instruments therefore does not create any risks for FP as there are always offsetting items with opposing changes. FP is also exposed to risks that can be hedged using financial instruments. These include exchange rate risks from sales in USD, GBP, SEK, NOK, DKK and CAD. There are also interest rate risks from the utilization of loans and in connection with the bonding of pensions and leasing transactions. In addition there are market price risks from the purchase of parts made from plastic commodities where the suppliers can and are permitted to pass on higher commodities prices to FP.

6.3.4 Risks in connection with geopolitical developments

At the time of reporting, the consequences of the Russian invasion of Ukraine and the Gaza conflict can be better assessed. The consequences for the global economy have now made themselves known, but they had no significant impact on FP's business performance. Further developments will continue to be carefully monitored in the business units and taken into account in the risk assessment. In the past, economic changes have had only a limited impact on the FP Group's business development. However, it cannot be ruled out at present that this could be different in the future.

6.3.5 Other risks

In the areas of

- Reputational and brand risks
- Environmental and sustainability risks

the risk assessment did not identify any significant risk potential that this report would have to cover.

6.3.6 Overall statement on the Group's risk situation

The following table shows an overview of the risk situation of the FP Group as at the reporting date as well as the development of risks compared with the previous year. The following twelve risks are currently deemed to be significant risks to the FP Group:

OVERVIEW OF RISKS IN THE FP GROUP

Risk	Current probability of occurrence[1]	Current loss potential[2]	Current risk class	Risk class in previous year
Changes in customer needs as a result of the digital transformation	10-20%	8-20%		
Implementation of strategic and operational projects and measures	> 60%	< 8%		
Acquisitions/M&A	10-20%	8-20%		
Procurement and quality risks	> 60%	20-38%		
Contractual penalties	5-10%	< 8%		
General Human Resources risks	20-30%	20-38%		
Regulation, law and compliance	20-30%	< 8%		
IT risks	10-20%	> 65%		n.a.
Change of control	< 5%	< 8%		
Financial covenants risks	< 5%	< 8%		
Defaults on receivables	30-40%	< 8%		
Tax risks	10-20%	8-20%		

[1]The probability of occurrence covers a 12-month time frame.
[2]The loss potential is given as a percentage of Group EBITDA budget for 2024.

Compared with the previous year, there have been only minor changes in strategic and operational risks overall.

Procurement and IT risks are of increasing relevance. The already tense situation in the supply chains may worsen as a result of geopolitical turmoil. The situation on the labour market remains tense. IT risks from cyber attacks are increasing. These significant risks could affect the success of business activities and the transformation process.

The FP Group is also exposed to a number of additional risks at the time of reporting and for the current planning period.

According to the risk aggregation based on a Monte Carlo simulation, the overall risk does not exceed the risk-bearing capacity of the FP Group with a probability of at least 95%. The Management Board therefore considers the risks manageable and does not consider the continued existence of the Group to be at risk in the planning period. Despite the comprehensive risk analysis, it cannot be conclusively stated that these risks will not occur.

6.4 Opportunities for the FP Group

The Management Board defines material opportunities as reported below as possible future developments or events that may result in a deviation from the forecast or target that is very positive for the company.

Strategic opportunities

For various reasons, the FP Group currently assumes that overall mail volume is shrinking, and consequently also assumes a shrinking market for franking machines. This scenario could prove too defensive in some areas, as letters remain the preferred way of sending confidential or binding documents in many areas. Thanks to the focus on franking machines for smaller letter volumes, a decline in the volume of letters could even prove advantageous, as these can replace larger machines and therefore offer competitive advantages. Furthermore, FP still does not have a large installed base in many countries and it could still substantially expand its presence there.

One component of the growth strategy is to make use of suitable options in order to acquire companies or technologies so as to expand digital business areas. If corresponding acquisition targets are identified and taken over more quickly than expected, the company may outperform planned business development.

Work on opening up digital business areas is moving full speed ahead. Business opportunities that cause expectations to be far exceeded or met more quickly than anticipated could also result in a positive deviation from forecasts.

Operational opportunities
As part of the transformation, numerous processes were redesigned and clear business areas were created that are tailored to customer and market needs and are responsible for everything from customer-focused development to sales of the solutions. This means that customer potential can be exploited to a greater extent within the business areas with a broader offering and more focused sales approach.

The acquisition of the Azolver companies has expanded the FP Group's range of digital solutions for parcel shipping, inbound parcel management and internal logistics. If the further development and internationalisation of these solutions progresses faster than planned, this could result in additional cross-selling and up-selling opportunities in all business units.

This also applies to the further expansion and internationalisation of existing digital solutions. In Germany, digital signature solutions are increasingly being sold via integration in ERP/CRM and similar systems. Should this also be possible to a greater extent in the context of internationalisation, this could give rise to additional opportunities.

In mailing, shipping, and office solutions, as well as in solutions for parcel shipping, changes in the requirements of postal companies and regulatory decisions could open up additional potential.

6.5 Overall statement on opportunities

The FP Group's products, solutions and internal measures put it in a good position to systematically take advantage of opportunities in future markets for the Group. While the company targets its efforts towards seizing these opportunities, it is rather unlikely that this will result in unexpected short-term successes.

6.6 Company's risks and opportunities

The business performance of FP Holding is largely subject to the same risks and opportunities as the FP Group. FP Holding's share in the risks of the subsidiaries is basically in proportion to its level of ownership. Risks and opportunities are outlined in the "Risk and opportunities report". Additional financial burdens may also arise from investments as a result of legal or contractual contingent liabilities (particularly financing).

7. Forecast report

The forecast for macroeconomic conditions is based on information provided by the International Monetary Fund (IMF) and the German Council of Economic Experts (GCEE).

The company points out that statements relating to the future are based on assumptions and estimates. Actual future developments and results may vary substantially from these assumptions and estimates.

7.1 Expected macroeconomic and industry-specific conditions

The economic climate has an influence on future industry growth and therefore also on the future business performance of the FP Group.

At the beginning of the year, the International Monetary Fund (IMF)[11] slightly raised its forecast for global gross domestic product (GDP) growth in 2024. It is now 0.2 percentage points higher than forecast from October 2023[12]. However, at 3.1%, it is well below the average of recent years. The global economy continues to be impacted by the increase in central bank interest rates to combat inflation and the reduction in fiscal aid in view of the high levels of debt in many countries. The IMF has also slightly raised its forecast for real GDP growth in the economies most relevant to FP, although the growth prospects remain rather moderate (USA 2.1%; UK 0.6%; France 1.0%).

The IMF[1] expects inflation rates to remain high, but to fall steadily due to a tighter monetary policy supported by lower international commodity prices. Global inflation is forecast to drop from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025.

The German Council of Economic Experts[13] expects economic development in Germany to improve slightly in 2024. This is according to the economic forecast published in November 2023. The council expects GDP to grow by 0.7% in the current year 2024. The unexpectedly sluggish recovery of the global economy, especially China's, is likely to continue and also slow down German exports in 2024, according to the German Council of Economic Experts. On average, the experts expect inflation to reach 2.6% this year.

However, the five leading economic research institutes in Germany are more pessimistic. In their spring report[14] of 27 March 2024, they revised their forecast for the current year 2024 significantly downwards and now only expect economic output to grow by 0.1%. According to the experts, the economy in Germany is struggling. A phase of economic weakness that has persisted until recently has been accompanied by dwindling growth momentum. Cyclical and structural factors are therefore overlapping in the overall sluggish economic development. Although a recovery is likely to set in from spring, the overall momentum will not be very strong, according to the report.

The European Central Bank (ECB)[15] has raised the key interest rate for the eurozone several times in 2023. In September 2023, the key interest rate last rose by 0.25 percentage points to 4.5%. In doing so, the European central bankers are aiming to counter the persistently high rate of inflation. However, experts expect interest rate cuts in Europe and the USA in 2024. The US Federal Reserve recently[16] left its key interest rate unchanged in a range from 5.25% to 5.5%. In the fight against high inflation, the US monetary authorities also raised the key interest rate several times, most recently by 0.25 percentage points in July 2023. At the same time, the Fed has slightly lowered its GDP estimate for 2024. The Fed[17] expects the US economy to grow by only 1.4% in 2024. That would be 0.1 percentage points less than forecast in September 2023.

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[11]IMF, World Economic Outlook Update, January 2024
https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024
[12] IMF, World Economic Outlook Update, October 2023
https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023
[13]German Council of Economic Experts
https://www.sachverstaendigenrat-wirtschaft.de/jahresgutachten-2023.html
[14]Joint forecast spring 2024
https://www.ifo.de/fakten/2024-03-27/gemeinschaftsdiagnose-fruehling-2024
[15]ECB, Monetary policy decisions
https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230914~aab39f8c21.de.html
[16] Fed, Federal Reserve issues FOMC statement
https://www.federalreserve.gov/newsevents/pressreleases/monetary20230726a.htm
[17] Fed, Summary of Economic Projections
https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20231213.pdf

7.2 Expected business performance of the FP Group

Developments in the 2024 fiscal year will be determined by the economic environment described on the one hand and the measures taken to further improve business performance on the other. In the business and product areas that are dependent on letter volumes, such as Mailing, Shipping & Office Solutions, Mail Services and, in the DBS segment, Input and Output Management, the increasing decline in letter volumes is having a particular impact.

In the Mailing, Shipping & Office Solutions division, the FP Group anticipates a slight overall decline in revenue and EBITDA. The challenging economic and specific business environment is reflected here. However, the sales trend is expected to be better than the overall market trend.

In the Digital Business Solutions division, FP has laid the foundation for expanding it into a substantial area of the company. This will have a positive impact on revenue and EBITDA in 2024, each of which is expected to increase slightly. An additional contribution is expected from the expansion and internationalisation of digital solutions.

One key step is focussing on solutions that offer customers quick and efficient benefits. To accelerate the expansion in this area, this may also be supplemented by targeted, inorganic developments. The aim is to tap high-margin business areas in the medium term that boosts the Group's profitability in the long run.

The Mail Services division will also be affected by the increasing decline in letter volumes in Germany. Despite some customer growth, revenue and EBITDA are therefore expected to be stable to slightly lower overall in the 2024 fiscal year.

7.3 Expected development of performance indicators

	2024 forecast
Revenue	Unchanged or slightly below previous year's revenue
EBITDA	Unchanged or slightly below previous year's earnings
Quality indicator – PQI Germany	Unchanged
Quality indicator – PQI international	Slightly below previous year's level
Improvement indicator nf IQ	Slightly above previous year's level

Business development in 2024 will continue to be influenced by the difficult macroeconomic conditions. There is still great uncertainty about the future development of the economy in key markets due to continued high inflation, higher interest rates and possible geopolitical risks and their potential impact on business performance in the 2024 fiscal year. In addition, the market-specific developments on the postal market remain challenging.

The Management Board therefore expects the Group's revenue and EBITDA in fiscal year 2024 to be at the previous year's level or just below. Consolidated revenue amounted to EUR 241.8 million in 2023, while EBITDA came to EUR 31.0 million.

The anticipated development of financial performance indicators for fiscal year 2024 is based on the assumption of constant exchange rates.

In terms of non-financial performance indicators, the PQI – Germany (quality indicator) is expected to remain stable while the PQI – International is expected to improve slightly, bringing it to slightly below the previous year's level. Here, the expected improvement in Belgium and the Netherlands compensates for the slight deterioration due to the introduction of PostBase Vision 120 and PostBase Vision M2. When new and further developments are introduced, the quality indicator deteriorates temporarily at first due to initial problems.

A slight deterioration in the nf IQ improvement index and a higher indicator level slightly above the previous year's level are therefore also expected for the 2024 fiscal year. This figure will also be influenced by the new product launch.

FP is currently revising its non-financial reporting within the scope of the implementation of the EU Corporate Social Responsibility Directive. Non-financial performance indicators are being adapted accordingly in order to correspond to the materiality analysis. The incorporation of non-financial performance indicators for the digital business units is also being reviewed.

7.4 Company forecast report

Because of FP Holding's links with the Group companies, we refer to our statements in the report on expected developments in the Group management report, which particularly reflect the expectations for the parent company.

The forecast for fiscal year 2024 takes into account the latest developments in connection with the aforementioned general conditions. For the 2024 fiscal year, FP Holding expects a significant decline due to the non-recurring effects in the 2023 fiscal year and thus a normalisation of the investment result and earnings before taxes.

The company points out that statements relating to the future are based on assumptions and estimates. Actual future developments and results may vary substantially from these assumptions and estimates.

8. Takeover-related disclosures

8.1 Explanatory Report by the Management Board on Disclosures Pursuant to Sections 289a (1), 315a (1) HGB

1. Composition of the subscribed capital
The composition of the subscribed capital is presented in Section (27) of the Notes to the Consolidated Financial Statements.

All shares grant identical rights in accordance with the German Stock Corporation Act.

2. Restrictions relating to voting rights or the transfer of shares
Each share entitles the holder to cast one vote at the Annual General Meeting. There are no restrictions relating to voting rights or the transfer of shares.

3. Direct or indirect shareholdings in the capital that exceed 10% of the voting rights
Information on direct or indirect shareholdings that exceed 10% of the voting rights can be found in Section (40) of the Notes to the Consolidated Financial Statements.

4. Shares with special rights
Francotyp-Postalia Holding AG has issued no shares with special rights.

5. Control of voting rights of employee shareholders
There are no controls over voting rights.

6. Statutory regulation in the Articles of Association on appointing and dismissing Management Board members and amending the Articles of Association
In accordance with article 6 (2) of the Articles of Association of Francotyp-Postalia Holding AG, the Supervisory Board is responsible for determining the number of Management Board members, appointing them, and revoking their appointment. In accordance with article 6 (3) of the Articles of Association, the Supervisory Board can appoint a Supervisory Board committee to sign, amend and terminate employment contracts of Management Board members.

The Articles of Association stipulate in article 23 (1) that the Annual General Meeting passes resolutions by a simple majority of the votes cast, and, where the statute requires a majority of capital in addition to a majority of votes, by a simple majority of capital represented at the time the resolution is passed, insofar as the law or the Articles of Association do not require a larger majority. Abstentions count as votes not cast. Furthermore, in accordance with article 15 (2) of the Articles of Association, the Supervisory Board can make amendments to the Articles which relate only to wording.

7. Management Board authorisation with regard to the possibility of buying back shares

On 10 November 2020, the Annual General Meeting authorised the company to purchase treasury shares in the amount of up to 10% of the share capital existing at the time of the Annual General Meeting's resolution and to use these shares for any purposes permitted by law up to 9 November 2025. The authorisation can be exercised in full or in part, and on one or more occasions. The treasury shares may also – with the approval of the Supervisory Board and in particular in the context of business combinations or in the case of company acquisitions or investments – be offered and transferred to third parties against in-kind contributions, provided that the company acquisition or the investment is in the company's best interest and the amount to be paid for the treasury shares is not disproportionately low.

With the approval of the Supervisory Board, the treasury shares can be issued against cash contributions in order to list the company's shares on a foreign stock exchange on which the shares were not admitted for trading until now.

With the approval of the Supervisory Board, the treasury shares can be sold to third parties in exchange for cash payments if the price at which the shares are sold is not significantly lower than the market price. In total, the shares used on the basis of the authorisation granted under this section, issued in accordance with section 186 paragraph 3 sentence 4 AktG (with subscription rights withheld in exchange for cash contributions close to the quoted market price), may not exceed 10% of the share capital. Shares that have been issued or sold up to this point in time in direct or corresponding application of this regulation during the term of this authorisation are to be counted towards this limit. This limit also includes shares that are to be issued to service bonds (including profit sharing rights) with conversion or option rights or conversion obligations, provided the bonds or profit sharing rights are issued during the term of this authorisation with subscription rights being excluded in corresponding application of section 186 paragraph 3 sentence 4 AktG.

The Supervisory Board can offer the treasury shares to members of the Management Board instead of the cash remuneration owed by the company.

The treasury shares can, with the approval of the Supervisory Board, be used to service subscription rights duly issued and exercised under the 2015 stock option plan (agenda item 11 of the Annual General Meeting on 11 June 2015).

Please also see the information in the notes to the annual financial statements of FP Holding AG regarding the acquisition of treasury shares in accordance with section 160 (1) no. 2 AktG.

8. Significant agreements between the company and the parent company which are subject to the condition of a change of control following a takeover offer and compensation agreement between the company and the parent company in the event of a takeover offer

A key agreement of the parent company Francotyp-Postalia Holding AG, which falls under the condition of a change of control following a takeover offer, is the current syndicated loan agreement, which includes a right of termination in the event of a change of control. If this occurs, FP would potentially have to conclude new financing agreements at less favourable conditions. No further agreements have been entered into with either third parties or subsidiaries.

9. Compensation agreements in the event of a takeover offer

There are agreements with the members of the Management Board in the event of a change of control.

Berlin, 30 April 2024

The Management Board of Francotyp-Postalia Holding AG

Friedrich G. Conzen

CEO

Ralf Spielberger

CFO

9. Non-financial declaration

With regard to non-financial information, please refer to the comments in the non-financial Group report of Francotyp-Postalia Holding AG and its subsidiaries, including the non-financial declaration[18] (sections 289b, 315b HGB), which is available online at https://www.fp-francotyp.com/non_financial_reports.

Berlin, 30 April 2024

The Management Board of Francotyp-Postalia Holding AG

Friedrich G. Conzen	Ralf Spielberger
CEO	CFO

[18]) The non-financial declaration is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

REMUNERATION REPORT

of Francotyp-Postalia Holding AG

for the 2023 fiscal year

Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.)

Non-binding convenience translation from German

The following remuneration report, which was prepared jointly by the Management Board and the Supervisory Board in accordance with the statutory provisions of section 162 AktG, presents and explains the remuneration of the current and former members of the Management Board and Supervisory Board of Francotyp-Postalia Holding AG in fiscal year 2023. For purposes of better comprehension, the remuneration system for the Management Board resolved at the Annual General Meeting on 16 June 2021 and the remuneration system for the Supervisory Board resolved at the Annual General Meeting on 15 June 2022 are also outlined. The remuneration report was formally audited by the auditor in accordance with Section 162 (3) AktG - German Stock Corporation Act. The audit report is attached.

The aim of this report is to make clear the connection between the overarching corporate strategy and the structure of the remuneration system, while at the same time making the concrete operation of the remuneration system – pay for performance – comprehensible. This report will be presented for approval at the Annual General Meeting resolving on fiscal year 2023.

1. Remuneration system for the Management Board

Resolution on the approval of the remuneration system for the members of the Management Board

The current remuneration system for the members of the Management Board of Francotyp-Postalia Holding AG was adopted by the Supervisory Board—with the support of third-party experts—in accordance with sections 87 (1) and 87a (1) AktG on 27 April 2021 and approved by the Annual General Meeting on 16 June 2021, with a majority of 97.4% of the capital represented. The remuneration report for the 2022 financial year was approved at the 2023 Annual General Meeting with a majority of 90.6% of the capital represented. There was therefore no reason to question or make adjustments to the reporting or application of the remuneration system.

The remuneration system complies with the requirements of the German Stock Corporation Act, in particular the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II), and is based on the recommendations of the German Corporate Governance Code as amended on 28 April 2022.

Summary of key aspects of fiscal year 2023 from a remuneration perspective

Fiscal year 2023 was not successful from a remuneration perspective. The development of revenue, earnings and free cash flow meant that the targets set for the short-term bonus were not achieved.

As the business performance in recent years has not had an impact on the FP share price, no benefit was realised from the long-term incentives (LTI 1), which are linked to the share price performance. LTI 2, which is based on sustainability targets, will not be reviewed yearly during its term.

In view of the Supervisory Board, the design of the incentive focuses on a balance between short-term, annual successes and the multi-year sustainable development of the company. Through the first component of the LTI, virtual stock options, which can be exercised after four years at the earliest, the Management Board member participates in the increase in the share price. The second component of the LTI relates to sustainability criteria and thus takes into account the growing importance of environmental, social and governance criteria ("ESG") in corporate management.

Application of the Management Board remuneration system in fiscal year 2023

Since the resolution by the Supervisory Board, the current remuneration system for the Management Board has been taken into account by the company when concluding new contracts and renewing existing contracts. The remuneration system did not apply to the remuneration of the members of the Management Board hired in fiscal year 2021, as their contracts were concluded before the resolution on the new remuneration system.

Where members of the Management Board within the meaning of section 162 AktG were granted individual remuneration in fiscal year 2023 which had been promised in previous fiscal years under the remuneration system applicable at the time, this is also presented and explained.

The remuneration system for members of the Management Board of Francotyp-Postalia Holding AG is reviewed by the Supervisory Board in accordance with Section 120a of the German Stock Corporation Act (AktG), in particular as part of contract negotiations with existing or future members of the Management Board. The Supervisory Board may – in accordance with the legal requirements in section 87a (2) sentence 2 AktG – temporarily deviate from the remuneration system if this is necessary in the interests of the long-term well-being of the company. There is to be a regular review, although a specific date has not been set.

Disclosures on the remuneration components

The following presentation relates to the Management Board remuneration system approved by the Annual General Meeting 2021. Where the remuneration of the Management Board members in fiscal year 2023 deviates from these explanations, this will be explained in the individual presentation of the specific Management Board remuneration for the fiscal year.

The remuneration of the Management Board members is made up of non-performance-related and performance-related components. Linking remuneration to both the short-term and long-term performance of the company can support successful and sustainable corporate governance. At the same time, the choice of suitable performance criteria provides important incentives for implementing the strategic realignment of the Group.

As non-performance-related fixed remuneration, the members of the Management Board receive an annual fixed salary in twelve equal monthly instalments. In the Supervisory Board's opinion, this provides a secure and predictable income. They also receive fringe benefits in the form of non-cash remuneration, such as a company car and insurance premiums.

The performance-related remuneration components comprise short-term variable remuneration (short-term incentive, "STI") and long-term variable remuneration (long-term incentive, "LTI"). The short-term component has an assessment period of one year and is linked to two to four key performance indicators based on the budget for the respective fiscal year approved by the Supervisory Board. The long-term component (LTI) consists of two components and has an assessment period of four years to promote sustainable corporate development. The first component of the LTI is virtual share options, which are allocated to the Management Board member at a strike price and may be linked to a percentage of shares purchased and held by the Management Board member himself. The virtual share options can be exercised after four years at the earliest (vesting), so that the Management Board member participates accordingly in the increase in the share price via the difference between the strike price and the exercise price.

The second component of the LTI relates to two equally agreed sustainability criteria. The fulfilment of this component is remunerated in cash. The first criterion is the successful maintenance or re-certification of five ISO certifications over the entire period. The second criterion is the reduction of CO_2 emissions by certain target values agreed by contract compared with the beginning of the period and the end of the bonus period. The members of the Management Board receive advance payments on this second LTI component, which are offset after the assessment period.

The Supervisory Board determines the specific target remuneration for the Management Board members and the performance criteria for the variable remuneration components provided for in the remuneration system for the respective upcoming fiscal year. At least 80% of the planned target figures must be achieved in order to be entitled to the agreed bonus components. A target achievement of 120% constitutes the upper limit (cap).

The share of long-term variable remuneration exceeds the share of short-term variable remuneration in total target remuneration.

OVERVIEW OF REMUNERATION COMPONENTS

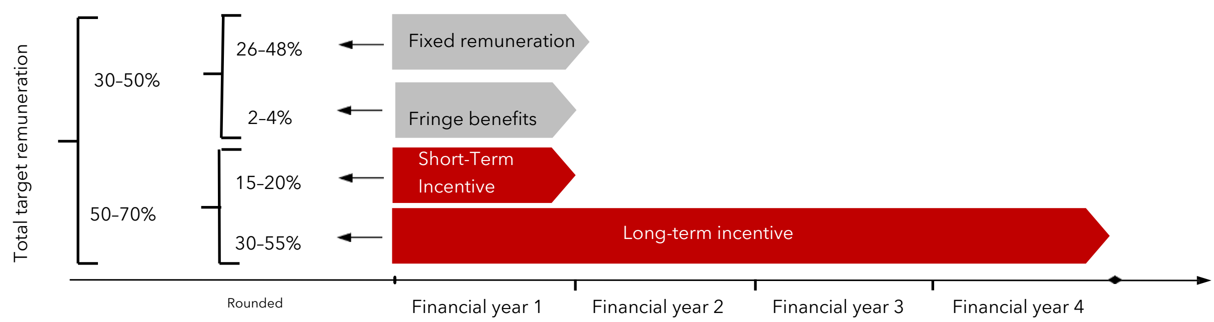
Remuneration component	Basis of assessment / parameters
Non-performance-based remuneration	
Fixed remuneration	Fixed remuneration, paid monthly pro rata as salary
Fringe benefits	Company car, insurance premiums; further one-off or time-limited (transitional) benefits possible in the case of new appointments with express resolution of the Supervisory Board
Performance-based remuneration	
Short-term incentive (STI)	• Annual bonus model: Basis for target achievement: a separate number of key performance indicators ("KPIs") to be determined annually by the Supervisory Board, or already defined, for each member of the Management Board, each of which must be taken into equal account (minimum 2 KPIs, maximum 4 KPIs) • Cap: 120% of the target amount
Long-term incentive (LTI)	Sustainability component 1: virtual share options ("virtual SO") • Allocation of virtual SO with appointment to the Management Board • Number of options to be allocated is left to the discretion of the Supervisory Board; additional options may be granted for the achievement of specific additional targets • Obligation of the Management Board to acquire a percentage of the virtual share options as real shares (holding period: 4 years)

	• Exercise of virtual option after 4 years (vesting period)
	• Exercise price: Arithmetical average of the Xetra closing prices of the last 90 trading days prior to exercise
	• Calculation: Payout amount = difference between strike price and exercise price multiplied by the number of virtual SOs allocated (no minimum)
	• Cap payout amount per virtual SO: a price in EUR per virtual SO to be determined at the discretion of the Supervisory Board.
	
	Sustainability component 2: ESG targets
	• Determination of two ESG targets by the Supervisory Board, which should be identical for all Management Board members as far as possible, but do not have to be
	• Example ESG targets up to 2024
	  • 1. ESG target: annual ISO (re-)certifications
	  • 2. ESG target: Reduction of CO_2emissions
	• Annual advance payments on payout amount
	• Cap: 120% of the target amount

Other remuneration schemes	
Maximum remuneration	Limitations on total remuneration granted for a fiscal year pursuant to section 87a (1) sentence 2 no. 1 AktG
Severance pay cap	Severance payments of a maximum of one year's total remuneration; remuneration for the remaining term of the contract may not be exceeded
Penalty and clawback provision	Penalty: In the event of a serious violation of applicable law in the sense of individual misconduct or organisational culpability, the Supervisory Board may partially reduce or completely eliminate the variable remuneration components (STI/LTI) for the respective assessment period Clawback: Possibility for the Supervisory Board to reclaim variable remuneration already paid out in the event of subsequent discovery of a penalty event

Determination of target remuneration

TOTAL TARGET REMUNERATION



According to the approved remuneration system, the non-performance-based remuneration should account for approximately 30-50 percent of the total target remuneration in accordance with the approved remuneration system. Fixed remuneration for approximately 26–48% of target total remuneration, and regular fringe benefits normally account for approximately 2–4%.

The performance-based remuneration is to account for a total of approximately 50–70 percent of the total target remuneration, which directly reflects the pay-for-performance approach. The target amount of the STI accounts for around 15-20% of total target remuneration, while the target amount of the LTI accounts for around 30-55% of total target remuneration. This ensures that the variable remuneration resulting from the achievement of long-term targets exceeds the share resulting from short-term targets.

The following table shows the envisaged target remuneration of the Management Board members for the 2023 fiscal year and the respective share of the remuneration components in total remuneration:

TARGET REMUNERATION OF THE MANAGEMENT BOARD

	Carsten Lind CEO *until 1 March 2024*		Ralf Spielberger CFO *since 1 October 2022*	
Target remuneration for fiscal year 2023	**2023 in EUR thousand**	**2023 in %**	**2023 in EUR thousand**	**2023 in %**
Basic remuneration	**420**	62%	**250**	57%
+ fringe benefits	**33**	5%	**35**	8%
Total fixed remuneration	**453**	67%	**285**	65%
Variable remuneration				
Short-term variable remuneration for 2023	**180**	27%	**125**	29%
Long-term variable remuneration (LTI 2) - annual payment on account	**40**	6%	**28**	6%
Total variable remuneration	**220**	33%	**153**	35%
= Total remuneration	**673**	100%	**438**	100%
Share of fixed remuneration in %	**67.3%**		**65.1%**	
Share of variable remuneration in %	**32.7%**		**34.9%**	

Target remuneration was determined on the basis of 100% target achievement for the variable remuneration components.

The current members of the Management Board have not received any pension commitments.

Disclosures on shares and share options

The members of the Management Board do not receive any remuneration components in the form of shares or options on shares in Francotyp-Postalia Holding AG. The long-term variable remuneration of the Management Board is related to the share price development of Francotyp-Postalia Holding AG via virtual share options.

As part of the LTI 1 remuneration component, there is an obligation for Mr Lind and Mr Spielberger to acquire 8%, respectively, of the allocated virtual share options as shares in the company and to hold them for four years from the date of acquisition (Share Ownership Guidelines).

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

	As at 31 Dec. 2023 - number of shares	in % of share capital
Carsten Lind	48,000	0.29
Ralf Spielberger	23,500	0.14

Information on the clawback of variable remuneration components

In the opinion of the Supervisory Board, the remuneration of the members of the Management Board ensures that special performance is rewarded appropriately and that any failure to meet targets leads to a noticeable reduction in remuneration. In addition, the employment contracts of the current members of the Management Board stipulate that they are not entitled to a long-term bonus in the event of premature termination due to a serious breach of duty and that any advance payments received in this regard must be refunded. No variable remuneration components were reclaimed or withheld in fiscal year 2023.

Disclosures on deviations from the remuneration system in 2023

The company concluded an employment contract with Carsten Lind before the current remuneration system was adopted. Consequently, it does not apply in all respects to this contract. For example, the Supervisory Board is able to offset effects on the long-term bonus from corporate actions carried out in the assessment period.

Disclosures on the implementation of the Annual General Meeting resolution
The remuneration system for the Management Board is taken into account when new Management Board employment contracts are concluded with the company and when they are renewed. It is therefore not yet fully applied to the remuneration of Carsten Lind.

Remuneration granted and owed
The remuneration granted and owed to the respective members of the Management Board of the company is as follows. As the compensation granted and owed is not always accompanied by a payment in the respective fiscal year, the STI is reported for the fiscal year in which the activity underlying the compensation was fully performed. LTI 1, i.e. virtual stock options, is reported in the year of issue with a purely arithmetical value from the number of virtual options issued multiplied by the fair value at the grant date. LTI 2 is reported with the annual progress payments and, after the four-year bonus period has been reached, the difference is reported over the actual target achievement less the progress payments already made.

REMUNERATION OF THE MANAGEMENT BOARD (GRANTED AND OWED)

	Active members of the Management Board on 31 December 2023			
	Carsten Lind CEO since 1 June 2020 until 1 March 2024		**Ralf Spielberger CFO since 1 October 2022**	
in EUR	**2023**	2022	**2023**	**2022**
Fixed remuneration	**420,000**	411,667	**250,000**	62,500
Fringe benefits	**32,877**	30,790	**35,349**	13,421
Total fixed remuneration	**452,877**	442,457	**285,349**	75,921
Long-term variable remuneration (LTI 1)	**-**	-	**-**	197,161
Long-term variable remuneration (LTI 2) - annual payment on account	**40,000**	40,000	**28,000**	7,000
Short-term variable remuneration (bonus)	**-**	360,000	**-**	32,569
Short-term variable remuneration (discretionary bonus)	**-**	83,363	**-**	-
Total variable remuneration	**40,000**	483,363	**28,000**	236,730
Total remuneration	**492,877**	925,820	**313,349**	**312,650**
Share of fixed remuneration in %	**91.9%**	47.8%	**91.1%**	24.3%
Share of variable remuneration in %	**8.1%**	52.2%	**8.9%**	75.7%

Disclosures on compliance with the maximum remuneration
In accordance with section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set a maximum remuneration limit which restricts the total amount of remuneration actually received for a given fiscal year (fixed remuneration + fringe benefits + payout from STI + payout from LTI). For the Chairman of the Management Board, the maximum annual remuneration is EUR 2,500,000.00 gross, and EUR 1,900,000.00 gross each for the ordinary members of the Management Board.

It is not possible to verify compliance with the maximum remuneration if it still depends on the inflow of variable remuneration components in future years. It is therefore not possible to report on compliance with the maximum remuneration in fiscal year 2023 for any of the currently active members of the Management Board.

Explanation of variable remuneration components

I. Carsten Lind, Chairman of the Management Board

The Supervisory Board has agreed targets with Mr Lind for the annual bonus for fiscal year 2023, which relate to Group revenue and EBITDA. The prerequisite for the annual bonus is target achievement of more than 80%. If the target is fully achieved, the annual bonus will be EUR 180,000.

The cap (120% target achievement) is a bonus amount of EUR 360,000. The annual bonus is paid in the month following the resolution by the Annual General Meeting on the annual financial statements and is therefore included in the table as "granted". The bonus was calculated in accordance with the following presentation:

CALCULATION OF THE BONUS | CARSTEN LIND

KPI	Target	Actual	Weighting	Target achievement in %	Share bonus
Revenue	EUR 254.1 million	EUR 241.8 million	50%	< 40%	EUR 0
EBITDA	EUR 30.4 million	EUR 31.0 million	50%	> 150%	EUR 0
Total			**100%**	**<80%**	**EUR 0**

Mr Lind was granted a total of 350,000 virtual share options as LTI, first component, at the beginning of the four-year bonus period on 1 June 2020, at a strike price of EUR 3.60. One quarter of the virtual share options will vest after 12, 24, 36 and 48 months, respectively. Depending on the exercise price, which does not have to meet any minimum amount, and the timing of the exercise declaration, it is not possible to determine the amount of the LTI until later. The amount is limited to EUR 15 per virtual share option (cap). The share options were granted in fiscal year 2020 at a fair value (fair value at grant) of EUR 221 thousand. The revaluation according to IFRS 2.30 as at the reporting date resulted in a fair value of EUR 121 thousand. The change in valuation was recognised in profit or loss. At the same time, the corresponding provision was increased by EUR 30 thousand and recognised as an expense in the 2023 annual financial statements.

A further 50,000 virtual share options were also granted, which were linked to the expansion of the digital business in relation to total revenue. This target was missed, meaning that the final allocation of the virtual share options did not take place.

Furthermore, sustainability targets were agreed with Mr Lind. Half of these ESG criteria relate to the successful re-certification of five ISO certifications and half to the reduction of CO_2 emissions. On the agreed LTI targets of this second component (ESG), Mr Lind will receive annual advance payments of EUR 40,000, which will be offset at the end of the assessment period of four years. The prerequisite is target achievement of more than 80%. If the target is fully achieved, this LTI amounts to EUR 280,000.

The cap (120% target achievement) is a bonus amount of EUR 560,000. Payment will be made in the month after the bonus period expires and achievement of the agreed targets can be determined, presumably in fiscal year 2025.

The Supervisory Board has therefore linked the remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. At the same time, the suitable performance criteria selected by the Supervisory Board provide important incentives for implementing the strategic realignment of the Group. Linking LTI 1 to the development of the share price also ensures a high degree of alignment of interest with that of shareholders.

II. Ralf Spielberger, Chief Financial Officer

The Supervisory Board has agreed targets with Mr Spielberger for the annual bonus for the 2023 financial year, which relate to Group revenue, EBITDA, free cash flow and individual targets for the implementation of the "One ERP/CRM project" in line with the budget and schedule. The prerequisite for this annual bonus is cumulative target achievement of more than 80% for various agreed KPIs. If the target is fully achieved, the annual bonus will be EUR 125,000. The cap (120% target achievement) is a bonus amount of EUR 50,000. The annual bonus or the pro rata annual bonus is paid in the month following the resolution by the Annual General Meeting on the annual financial statements and is therefore included in the table as "granted".

Mr Spielberger was granted a total of 240,000 virtual share options as LTI, first component, at the beginning of the four-year bonus period on 1 October 2022, at a strike price of EUR 3.10. One quarter of the virtual share options will vest after 12, 24, 36 and 48 months, respectively. Depending on the exercise price, which does not have to meet any minimum amount, and the timing of the exercise declaration, it is not possible to determine the amount of the LTI until later. The amount is limited to EUR 15 per virtual share option (cap). The share options were granted in fiscal year 2022 at a fair value (fair value at grant) of EUR 197 thousand. The revaluation according to IFRS 2.30 as at the reporting date resulted in a fair value of EUR 153 thousand. The change in valuation was recognised in profit or loss. At the same time, the corresponding provision was increased by EUR 38 thousand in the 2023 annual financial statements and recognised as an expense.

Furthermore, sustainability targets were agreed with Mr Spielberger. Half of these ESG criteria relate to the successful re-certification of five ISO certifications and half to the reduction of CO2 emissions. On the agreed LTI targets of this second component (ESG), Mr Spielberger will receive annual advance payments of EUR 28,000, which will be offset at the end of the assessment period of four years. The prerequisite is target achievement of more than 80%. If the target is fully achieved, this LTI amounts to EUR 195,000. The cap (120% target achievement) is a bonus amount of EUR 234,000. Payment will be made in the month after the bonus period expires and achievement of the agreed targets can be determined, presumably in fiscal year 2026.

The Supervisory Board has therefore linked the remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. At the same time, the suitable performance criteria selected by the Supervisory Board provide important incentives for implementing the Group's corporate strategy. Linking LTI 1 to the development of the share price also ensures a high degree of alignment of interest with that of shareholders.

CALCULATION OF THE BONUS | RALF SPIELBERGER

KPI	Target	Actual	Weighting	Target achievement in %	Share bonus
Revenue	EUR 254.1 million	EUR 241.8 million	25%	< 40%	EUR 0
EBITDA	EUR 30.4 million	EUR 31.0 million	25%	> 150%	EUR 0
Free cash flow	EUR 12.8 million	EUR 9.1 million	25%	> 50%	EUR 0
Budget ERP	EUR 13.9 million	EUR 13.2 million	12.5%	100%	EUR 0
ERP schedule	Milestones according to the Supervisory Board meeting on 1 December 2022	Assessment of milestones	12.5%	100%	EUR 0
Total			**100%**	**<80%**	**EUR 0**

Explanation of disclosures relating to former members of the Management Board

Pension payments of EUR 64 thousand (previous year: EUR 45 thousand) were made to former members of the Management Board in fiscal year 2023.

Defined benefits from third parties

The members of the Management Board have not received any defined benefits from third parties, neither within nor outside the Group, in connection with their activities as members of the Management Board of Francotyp-Postalia Holding AG.

Benefits in the event of premature termination

If the appointment to the Management Board is revoked for good cause that is not covered within the meaning of section 626 BGB for the summary cancellation of the employment contract, the Management Board member is entitled to a lump-sum severance payment due on the date of legal termination. The amount of the severance payment then due corresponds to a percentage of the last annual remuneration of the respective Management Board member, consisting of fixed salary and STI without LTI and without other remuneration components. In any case, this corresponds to a maximum total of the amount of fixed remuneration entitlements for the remaining term of the contract.

In the event of other premature termination of the employment contract without good cause in accordance with section 626 BGB, the company and the Management Board member may agree separate arrangements; in this case, payments to members of the Management Board including fringe benefits may not exceed the value of one year's remuneration (severance pay cap) and may not remunerate more than the remaining term of the service contract. The severance pay entitlement and severance pay cap are to be calculated based on the corresponding total remuneration for the last full fiscal year; before the end of the first fiscal year, the calculation shall be based on the current fiscal year (pro rata).

If a Management Board member leaves their employment due to a serious breach of duty ("bad-leaver situation"), the vested virtual share options and the virtual share options already due for exercise may also no longer be exercised. All virtual share options expire without remuneration.

Should a post-contractual non-competition clause be agreed with a member of the Management Board in the future, the severance pay would be offset against the competition indemnity.

If the appointment is revoked in accordance with section 84 (3) AktG within three months of a change of control becoming known at the instigation of the new majority shareholder and if the revocation is not based on good cause pursuant to section 626 BGB, the severance pay entitlement shall be increased to the amount of the total annual remuneration for the last completed fiscal year, but no more than the amount of the remuneration entitlements for the remaining term of the contract.

Benefits in the event of regular termination
No separate provisions have been made for the case of regular termination of a Management Board contract and no agreements have been concluded in this respect. In particular, no benefits have been promised by the company for a retirement pension.

Outlook for the 2024 financial year from a remuneration perspective
The Supervisory Board has not resolved any adjustments to the remuneration amounts or changes to the remuneration system.

2. Remuneration system for the Supervisory Board

Resolution on the remuneration system for the members of the Supervisory Board
The Annual General Meeting decides on the remuneration of the members of the Supervisory Board. The remuneration is set out in article 17 of the company's Articles of Association. The Management Board and Supervisory Board regularly review the remuneration of the Supervisory Board members. If they come to the conclusion that an adjustment is necessary, they propose it to the Annual General Meeting. The last change to the remuneration system was approved at the 2022 Annual General Meeting with a majority of 99.69% of the capital represented.

Structure and application of the remuneration system for the Supervisory Board
The remuneration system for the Supervisory Board is governed by the Articles of Association and provides both the abstract and the concrete framework for the remuneration of Supervisory Board members. This ensures that the remuneration of Supervisory Board members is always in line with the remuneration system resolved by the Annual General Meeting.

The remuneration of the members of the Supervisory Board consists of a basic remuneration and supplements granted for assuming certain functions in view of the additional workload involved.

The members of the Supervisory Board receive fixed annual remuneration of EUR 40,000 (previous year: EUR 40,000) for each full fiscal year in office. For the Chairman, the fixed remuneration is 200% (previous year: 200%) of the remuneration of the other members of the Supervisory Board. As in the previous year, the Vice Chairman does not receive a supplement to the basic remuneration.

Due to the increased preparation and workload regularly associated with this and in accordance with recommendation G.17 GCGC, the members of the Supervisory Board receive additional annual remuneration of 10% of their basic remuneration for each membership of a committee, provided that such a committee has met at least twice in the fiscal year in question. Given its number of three members, the Supervisory Board has not currently established any committees.

Supervisory Board members who have not belonged to the Supervisory Board for a full fiscal year or who have not held the position of Chairman or Deputy Chairman of the Supervisory Board for a full fiscal year receive remuneration on a pro rata basis, rounded up to full months.

The remuneration is paid in the last month of the respective fiscal year.

The company provides the members of the Supervisory Board with insurance cover at an appropriate level for the performance of their Supervisory Board work and pays the premiums due for this. In addition, the company reimburses each Supervisory Board member for appropriate and proven expenses incurred in performing his or her duties, as well as for any value-added tax payable on the remuneration.

There is no variable remuneration for members of the Supervisory Board that is dependent on the achievement of specific successes or targets. The Supervisory Board can thus gear its decisions to the good of the company and thus to a long-term business strategy and sustainable development without pursuing any other motives. Due to the special nature of Supervisory Board remuneration, which differs fundamentally from the activities of employees of the company because of its supervisory nature, there is no vertical comparison with employee remuneration.

In the future, the Annual General Meeting will resolve on the remuneration of the members of the Supervisory Board at least every four years. The Supervisory Board will therefore conduct an analysis of its remuneration at least every four years in order to submit a corresponding resolution proposal to the Annual General Meeting together with the

Management Board. In fiscal year 2023, the remuneration system for the Supervisory Board was applied in all aspects as regulated in the revised article 17 of the company's Articles of Association. The members of the Supervisory Board did not receive any further remuneration or benefits in the reporting year for services provided personally – in particular, consulting and mediation services. The members of the Supervisory Board were not granted any loans or advances, and no contingent liabilities were entered into in their favour.

Individualised disclosure of Supervisory Board remuneration

The following table shows the remuneration of the members of the Supervisory Board in the past fiscal year in accordance with section 162 AktG: whereby the remuneration is attributed to the fiscal year in which the underlying activity was fully performed ("vesting-oriented view"):

REMUNERATION OF THE SUPERVISORY BOARD (GRANTED AND OWED)

in EUR		2023	2022
Dr Alexander Granderath	Member since 10 November 2020, Chairman of the SVB until 6 Feb. 2024	**80,000**	80,000
Klaus Röhrig	Member since 1 April 2013	**40,000**	40,000
Johannes Boot	Member since 14 June 2023 Chairman of the SVB since 6 Feb. 2024	**21,918**	0
Lars Wittan	Member until 14 June 2023	**18,082**	40,000
Total remuneration		**160,000**	**160,000**

Comparative presentation of remuneration and earnings performance

The following comparative presentation shows the annual change in the remuneration of current and former Management Board and Supervisory Board members, the company's earnings performance and the remuneration of employees on a full-time equivalent basis. The average remuneration of employees includes employee benefit expenses for wages and salaries, for fringe benefits, for employer contributions to social security, and for any short-term variable remuneration components attributable to the fiscal year. Thus, the remuneration of employees – in line with the remuneration of the Management Board and the Supervisory Board – also corresponds in principle to the remuneration granted and owed within the meaning of section 162 (1) sentence 1 AktG. Employee remuneration (except for apprentices and temporary workers) was based on the average wages and salaries of the Group's employees in Germany in the respective fiscal year.

Change in %	**2023 to 2022**
Current members of the Management Board	
Carsten Lind	**-46.8**
Ralf Spielberger	**0.2**
Former members of the Management Board	
Martin Geisel (until 30 September 2022)	**-100.0**
Former members of the Management Board who retired more than 10 years ago	**42.2**
Current members of the Supervisory Board	
Dr Alexander Granderath	**0.0**
Klaus Röhrig	**0.0**
Johannes Boot	**100.0**
Lars Wittan (until 14 June 2023, thereafter former member of the Supervisory Board)	**-54.8**
Development of the company	
Net profit of Francotyp-Postalia Holding AG (HGB)1	**n/a[1]**
EBITDA of the FP Group (IFRS)	**12.3**
Average remuneration of employees 2023 to 2022	**6.0**
Average remuneration of employees 2022 to 2021	**5.1**
Average remuneration of employees 2021 to 2020	**2.6**

[1] The net profit of Francotyp-Postalia Holding AG amounted to EUR -2.1 million in 2022 and EUR 26.7 million in 2023.

The information on the remuneration of the members of the Management Board is based on the remuneration granted and owed.

Lars Wittan stepped down from the Supervisory Board in the 2023 financial year. Johannes Boot is a new member of the Supervisory Board.

Berlin, 30 April 2024

Friedrich G. Conzen

CEO

Ralf Spielberger

Member of the Management Board

Johannes Boot
Chairman of the
Supervisory Board

Klaus Röhrig
Member of
the Supervisory Board

Dr Alexander Granderath
Member of the
Supervisory Board

Independent Auditor's Assurance Report on Examination of the Remuneration Report pursuant to Section 162 (3) AktG

To Francotyp-Postalia Holding AG, Berlin,

Opinion

We have formally audited the remuneration report of Francotyp-Postalia Holding AG, Berlin, for the financial year from January 1 to December 31, 2023 to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG (*Aktiengesetz*, Stock Corporation Act) have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with § 162 Abs. 1 and 2 AktG. Our opinion does not cover the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report in accordance with § 162 Abs. 3 AktG and the IDW Auditing Standard: The audit of the remuneration report pursuant to § 162 Abs. 3 AktG (IDW PS 870 (09.2023)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. As an audit firm, we have applied the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)). We have complied with the professional requirements of the German Public Auditors' Code and the Professional Code for German Public Auditors / Chartered Accountants, including the independence requirements.

Responsibility of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud (i.e. accounting fraud or fraudulent misrepresentation) or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the remuneration report includes, in all material respects, the disclosures required by section 162 (1) and (2) AktG and to issue an auditor's report thereon.

We planned and performed our audit such that we can determine the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by section 162 (1) and (2) AktG. In accordance with § 162 Abs. 3 AktG, we have not audited the content accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the remuneration report.

Umgang mit etwaigen irreführenden Darstellungen

Im Zusammenhang mit unserer Prüfung haben wir die Verantwortung, den Vergütungsbericht unter Berücksichtigung der Kenntnisse aus der Abschlussprüfung zu lesen und dabei für Anzeichen aufmerksam zu bleiben, ob der Vergütungsbericht irreführende Darstellungen in Bezug auf die inhaltliche Richtigkeit der Angaben, die inhaltliche Vollständigkeit der einzelnen Angaben oder die angemessene Darstellung des Vergütungsberichts enthält.

Falls wir auf Grundlage der von uns durchgeführten Arbeiten zu dem Schluss gelangen, dass eine solche irreführende Darstellung vorliegt, sind wir verpflichtet, über diese Tatsache zu berichten. Wir haben in diesem Zusammenhang nichts zu berichten.

Berlin, 30 April 2024

KPMG AG

Wirtschaftsprüfungsgesellschaft

Cheung	Klein
German Public Auditor	German Public Auditor

CONSOLIDATED FINANCIAL STATEMENTS

of Francotyp-Postalia Holding AG for Fiscal Year 2023

Please note that there may be rounding differences compared to exact mathematical figures (monetary units, percentages, etc.)

Non-binding convenience translation from German

Consolidated statement of comprehensive income for the period

in EUR thousand	Notes	1 Jan.-31 Dec. 2023	1 Jan.-31 Dec. 2022
			adjusted[1]
Revenue	(10)	**241,826**	250,950
Changes in inventory		**-1,264**	360
Own work capitalized	(11)	**8,548**	7,738
Other operating income	(12)	**2,381**	2,071
Cost of materials	(13)	**112,795**	124,709
a) Expenses for raw materials, consumables and supplies		**40,478**	43,829
b) Cost of purchased services		**72,317**	80,880
Employee benefit expenses	(14)	**66,187**	65,740
a) Wages and salaries		**55,811**	55,349
b) Social security contributions		**9,325**	8,337
c) Expenses for pensions and other benefits		**1,050**	2,055
Expenses from impairments losses, less income from reversals of impairment losses on trade receivables and other current assets	(15, 24)	**2,542**	2,811
Other operating expenses	(16)	**38,928**	40,257
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**31,039**	**27,602**
Amortisation, depreciation and impairment	(20, 21, 35)	**17,963**	20,956
Earnings before interest and taxes (EBIT)		**13,076**	**6,646**
Net interest income	(17)	**458**	1,507
a) Interest and similar income		**2,786**	2,990
b) Interest and similar expenses		**2,328**	1,483
Other financial result	(17)	**-643**	416
a) Other financial income		**1,158**	2,505
b) Other finance costs		**1,801**	2,089
Income taxes	(18)	**-2,444**	-563
Consolidated profit		**10,446**	**8,005**

[1] For explanations of the adjustment of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

from 1 January to 31 December 2023

in EUR thousand	Notes	1 Jan.-31 Dec. 2023	1 Jan.-31 Dec. 2022
			adjusted[1]
Other comprehensive income			
Adjustment of provisions for pensions in accordance with IAS 19		**165**	2,636
thereof taxes		**23**	-1,179
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**165**	**2,636**
Foreign currency translation of financial statements of foreign entities		**-509**	491
Net investments in foreign operations		**0**	-22
thereof taxes		**0**	9
Cash flow hedges – effective part of changes to fair value		**-80**	-662
thereof taxes		**35**	284
Cash flow hedges – hedging costs		**48**	143
thereof taxes		**-20**	-61
Cash flow hedges – reclassified to profit or loss		**232**	442
thereof taxes		**-102**	-190
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-308**	**393**
Other comprehensive income after taxes		**-144**	**3,029**
Total comprehensive income		**10,302**	**11,034**
Consolidated profit		**10,446**	8,005
thereof attributable to the shareholders of FP Holding		**10,446**	8,005
Total comprehensive income		**10,303**	11,034
thereof attributable to the shareholders of FP Holding		**10,303**	11,034
Earnings per share (basic in EUR)	(19)	**0.67**	0.50
Earnings per share (diluted in EUR)		**0.67**	0.50

[1] For explanations of the adjustment of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

Consolidated statement of financial position as at 31 December 2023

ASSETS

in EUR thousand	Notes	31.12.2023	31.12.2022
			adjusted[1]
NON-CURRENT ASSETS		**78,490**	**76,476**
Intangible assets	(20)	**17,926**	19,780
Internally generated intangible assets		**4,450**	7,221
Customer relationships and purchased intangible assets		**5,734**	6,878
Goodwill		**4,320**	4,408
Development projects in progress and advance payments		**3,422**	1,273
Property, plant and equipment	(21)	**28,674**	26,896
Land, land rights and buildings		**1,784**	2,091
Technical equipment and machinery		**1,271**	1,572
Other equipment, operating and office equipment		**3,048**	2,518
Leased products		**22,304**	20,444
Advance payments and assets under construction		**267**	270
Right-of-use assets	(35)	**10,691**	10,981
Non-current financial assets		**16,148**	15,813
Finance lease receivables	(22, 32)	**16,094**	15,571
Other non-current financial assets	(32)	**55**	242
Non-current non-financial assets		**1,460**	1,363
Other non-current non-financial assets	(25)	**1,460**	1,363
Deferred tax assets	(29)	**3,591**	1,644
CURRENT ASSETS		**97,650**	**96,765**
Inventories	(23)	**17,880**	19,492
Raw materials, consumables and supplies		**7,475**	6,781
Work in progress		**198**	277
Finished goods and merchandise		**10,207**	12,434
Trade receivables	(24, 32)	**20,255**	20,710
Other current financial assets		**12,899**	13,771
Finance lease receivables	(22, 32)	**6,881**	7,479
Derivative financial instruments	(32)	**293**	94
Other financial assets	(25, 32)	**5,725**	6,197
Other current non-financial assets		**8,071**	8,405
Income taxes receivable	(29)	**4,328**	4,288
Other non-financial assets	(25)	**3,743**	4,116
Cash and cash equivalents[1]	(26, 37)	**38,545**	34,387
Assets		**176,140**	**173,241**

1) Explanations of the adjustment to the balance sheet as at 31 December 2022: see note (9) Correction of errors in accordance with IAS 8.
2) Cash and cash equivalents includes postage credit managed by the FP Group of EUR 19,380 thousand (previous year EUR 11,541).

EQUITY AND LIABILITIES

in EUR thousand	Notes	31.12.2023	31.12.2022
			adjusted[1]
EQUITY	**(27)**	**34,359**	**25,021**
Share capital		**16,301**	16,301
Capital reserves		**34,296**	34,296
Stock option reserve		**1,544**	1,544
Treasury shares		**-2,524**	-1,559
Loss carried forward		**-22,477**	-30,482
Consolidated profit after non-controlling interests		**10,446**	8,005
Other comprehensive income		**-3,227**	-3,083
NON-CURRENT LIABILITIES		**49,776**	**50,631**
Provisions for pensions and similar obligations	(28)	**14,054**	14,640
Other provisions	(30)	**861**	1,087
Financing liabilities	(31, 32)	**30,151**	29,487
Other financial liabilities	(31, 32)	**383**	385
Other non-financial liabilities	(31)	**1,095**	1,118
Deferred tax liabilities	(29)	**3,231**	3,914
CURRENT LIABILITIES		**92,005**	**97,589**
Tax liabilities	(29)	**4,141**	2,449
Other provisions	(30)	**9,086**	13,914
Financing liabilities	(31, 32)	**3,377**	11,502
Trade payables	(31, 32)	**14,090**	13,583
Other financial liabilities	(31, 32)	**39,018**	34,595
thereof telepostage		***32,479***	*25,072*
Other non-financial liabilities	(31)	**22,293**	21,545
Equity and liabilities		**176,140**	**173,241**

[1] Explanations of the adjustment to the balance sheet as at 31 December 2022: see note (9) Correction of errors in accordance with IAS 8.

Consolidated cash flow statement for the period from 1 January to 31 December 2023

in EUR thousand	Notes	2023	2022
			adjusted[2]
1. Cash flow from operating activities			
Consolidated profit		**10,446**	8,005
Net income tax recognised in profit or loss	(18)	**2.444**	563
Net interest income recognised in profit or loss	(17)	**-458**	-1,507
Amortisation, depreciation and impairment on non-current assets	(20, 21)	**17,963**	20,956
Decrease (-) / increase (+) in provisions and tax liabilities	(29, 30)	**-5,950**	-6,971
Loss (+) / gain (-) on the disposal of non-current assets		**358**	0
Decrease (+) / increase (-) in inventories, trade receivables and other assets	(23, 24, 25)	**2,766**	2,125
Decrease (+) / increase (-) in finance lease receivables	(22)	**74**	1,569
Decrease (-) / increase (+) in trade payables and other liabilities	(31)	**-1,986**	-1,699
Other non-cash expenses (+) / income (-)		**359**	-6
Interest received	(17)	**2,786**	2,990
Interest paid	(17)	**-1,859**	-1,322
Income taxes received	(18)	**721**	1,407
Income taxes paid	(18)	**-4,097**	-3,733
Cash flow from operating activities		**23,567**	22,376
2. Cash flow from investing activities			
Payments for the capitalisation of development costs	(11, 20)	**-2,674**	-1,083
Proceeds/payments from disposals of items of fixed assets	(20, 21)	**54**	57
Payments for investments in intangible assets	(20)	**-419**	-358
Payments for investments in property, plant and equipment	(21)	**-11,408**	-8,568
Payments for investments in the acquisition of operations	(4)	**0**	-4,325
Cash flow from investing activities		**-14,446**	-14,276
3. Cash flow from financing activities			
Bank loan repayments	(31, 32)	**-7,504**	-2,842
Repayment of lease liabilities	(31, 32, 35)	**-4,546**	-4,420
Proceeds from the sale of treasury shares	(27)	**-965**	-493
Proceeds from the assumption of bank loans	(31, 32)	**239**	2,834
Cash flow from financing activities		**-12,776**	-4,921
Cash and cash equivalents[1]			
Change in cash	(37)	**-3,656**	3,179
Change in cash due to currency translation		**-26**	-54
Cash at the beginning of the period	(37)	**22,846**	19,721
Cash at the end of the period	**(37)**	**19,165**	**22,846**

[1] Postage credit balances managed by the FP Group of EUR 19,380 (previous year: EUR 11,541) are deducted from cash and other liabilities.
[2] For explanations of the adjustment of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

Consolidated statement of changes in equity for the period from 1 January to 31 December 2023

in EUR thousand	Share capital	Capital reserves	Stock option reserve	Treasury shares	Consolidated profit/loss
Adjusted as at 1 Jan 2022	**16,301**	**34,296**	**1,544**	**-1,066**	**-30,482**
Consolidated profit 01.01. - 31.12.2022 as previously reported					5,535
Adjusted[1]					2,470
Adjusted consolidated profit 01.01. - 31.12.2022					**8,005**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0
Adjustment of provisions for pensions and similar liabilities	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Adjusted other comprehensive income 01.01. - 31.12.2022	**0**	**0**	**0**	**0**	**0**
Adjusted overall result 01.01. - 31.12.2022	**0**	**0**	**0**	**0**	**8,005**
Share Buyback	0	0	0	-493	0
Adjusted status as at 31 December 2022	**16,301**	**34,296**	**1,544**	**-1,559**	**-22,477**
Consolidated profit 01.01. - 31.12.2023					**10,446**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0
Adjustment of provisions for pensions and similar liabilities	0	0	0	0	0
Cash flow hedges	0	0	0	0	0
Other comprehensive income 01.01. - 31.12.2023	**0**	**0**	**0**	**0**	**0**
Comprehensive income 01.01. - 31.12.2023	**0**	**0**	**0**	**0**	**10,446**
Share Buyback	0	0	0	-965	0
As at 31 Dec. 2023	**16,301**	**34,296**	**1,544**	**-2,524**	**-12,031**

[1] Explanations of the adjustment of the comparative period from 1 January 2022 to 31 December 2022: see note (9) Error correction in accordance with IAS 8.

Other comprehensive income							
Foreign currency translation	**Net investment in foreign operations**	**Adjustment due to IAS 19**	**Difference amount from acquisition of shares of other shareholders**	**Reserve from cash flow hedge**	**Reserve from hedging transactions**	**Equity attributable to the shareholders of FP Holding**	**Total equity**
-99	**21**	**-5,358**	**-439**	**-160**	**-79**	**14,480**	**14,480**
						5,535	5,535
						2,470	2,470
						8,005	**8,005**
491	-21	0	0	0	0	470	470
0	0	2,636	0	0	0	2,636	2,636
0	0	0	0	-219	143	-77	-77
491	**-21**	**2,636**	**0**	**-219**	**143**	**3,030**	**3,030**
491	**-21**	**2,636**	**0**	**-219**	**143**	**11,035**	**11,034**
0	0	0	0	0	0	-493	-493
393	**0**	**-2,722**	**-439**	**-379**	**64**	**25,021**	**25,021**
						10,446	**10,446**
-509	0	0	0	0	0	-509	**-509**
0	0	165	0	0	0	165	**165**
0	0	0	0	152	48	200	**200**
-509	**0**	**165**	**0**	**152**	**48**	**-144**	**-144**
-509	**0**	**165**	**0**	**152**	**48**	**10,303**	**10,303**
0	0	0	0	0	0	-965	**-965**
-116	**0**	**-2,557**	**-439**	**-227**	**112**	**34,349**	**34,359**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2023

I. General information

(1) General information

Francotyp-Postalia Holding AG, headquartered in Berlin (hereinafter also referred to as “FP Holding”, “the company” or “the parent company”), is entered in the commercial register of the Charlottenburg Local Court under HRB 169096 B. Francotyp-Postalia Holding AG’s registered office is at Prenzlauer Promenade 28, 13089 Berlin, Germany.

Francotyp-Postalia Holding AG is the parent company of direct and indirect subsidiaries (hereinafter referred to as the "FP Group", "FP", "Francotyp-Postalia" or "the company").

Francotyp-Postalia Holding AG's shares are admitted to trading in the Prime Standard (regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange.

The international FP Group has a history dating back nearly 100 years. Its business activities focus on products and services for efficient mail processing, the consolidation of business mail, and digital solutions for businesses and authorities.

The Management Board of Francotyp-Postalia Holding AG approved the consolidated financial statements for submission to the Supervisory Board on 30 April 2024. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

(2) Accounting principles

General information

Francotyp-Postalia Holding AG acts as the parent company under which the FP Group is consolidated. The fiscal year is the calendar year for all Group companies.

The consolidated financial statements and the Group management report for the year ending 31 December 2023 will be submitted to and published in the business register.

The consolidated 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 otherwise stated. The commercial rounding of individual items and percentages can result in minor arithmetic differences.

Statement of Compliance

FP Holding has prepared its consolidated financial statements as at 31 December 2023 in accordance with the International Financial Reporting Standards (IFRS), as adopted by and as applicable in the EU, and the supplementary provisions in accordance with section 315e (1) of the German Commercial Code (HGB).

The accounting policies applied to prepare these consolidated financial statements have been applied consistently in all periods shown, with the exceptions outlined in note 9. An explanation of these is provided in note 7. The Group also applied the IFRS standards and interpretations outlined in note 3 for the first time in fiscal year 2023.

(3) Adoption of new and revised IFRSs

IFRS standards and interpretations applied for the first time

The Group applied the following new or revised IFRS standards and interpretations, which have already been approved by the EU and are binding for fiscal years beginning on 1 January 2023, for the first time in fiscal year 2023:

- Amendments to IAS 12 – Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction and International Tax Reform,
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies,
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates,
- IFRS 17 (incl. amendments) – Insurance Contracts.

These new or revised IFRS standards and interpretations had no or no material impact on the consolidated financial statements.

New IFRS standards and interpretations

The following new and revised IFRS standards and interpretations that were not yet mandatory in the reporting period or not yet adopted by the European Union are not applied early. The Group intends to apply these standards once they are mandatory in the EU. No material impact on the consolidated financial statements is expected.

Standard/Interpretation		Mandatory for fiscal years beginning on	Adopted by the European Union
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	Yes
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024	No
Amendments to IAS 7 and IFRS 7	Financing agreements for suppliers	1 January 2024	No
Amendments to IAS 21	Lack of convertibility	1 January 2025	No
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indeterminate	No

(4) Consolidated group

The consolidated financial statements comprise the financial statements of FP Holding and its directly and indirectly controlled subsidiaries. The FP Holding controls a company if it is exposed to variable returns from its investment and has rights to these and the ability to affect these returns through its power over the company. If control ends, these companies are deconsolidated.

In addition to Francotyp-Postalia Holding AG, the 2023 consolidated financial statements include ten (previous year: eleven) German and 20 (previous year: 22) foreign subsidiaries (see following table).

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 HGB[1)]

No.	Name and registered office of the company	31.12.2023 Interest in %[2)]	Via no.
1	Francotyp-Postalia Holding AG, Berlin		
	Fully consolidated subsidiaries		
2	Azolver Belgium SA, Brussels, Belgium[4)]	100	12
3	Azolver Danmark Aps, Herlev, Denmark	100	21
4	Azolver Digital Business Solution AB, Stockholm, Sweden	100	14
5	Azolver Digital Business Solution ApS, Herlev, Denmark	100	14
6	Azolver Digital Business Solution Norge AS, Lorenskog, Norway	100	14
7	Azolver Eesti OÜ, Tallinn, Estonia	100	10, 21
8	Azolver Italia S.r.l., Milan, Italy	100	30
9	Azolver Logistics AB, Stockhom, Sweden	100	21
10	Azolver Norge AS, Oslo, Norway	100	21
11	Azolver Suomi OY, Helsinki, Finland	100	21
12	Azolver Svenska AB, Sollentuna, Sweden	100	21
13	Azolver Switzerland AG, Winterthur, Switzerland	100	21
14	FP Digital Business Solutions GmbH, Fürstenwalde	100	1
15	FP InovoLabs GmbH, Berlin	100	1
16	FP NeoMonitor GmbH, Berlin	100	1
17	FP Produktionsgesellschaft mbH, Wittenberge	100	21
18	FP Shared Service Europe GmbH, Hennigsdorf[5)]	100	21
19	Francotyp-Postalia Canada Inc., Concord, Canada	100	23
20	Francotyp-Postalia France SAS, Champs-sur-Marne, France	100	21
21	Francotyp-Postalia GmbH, Berlin	100	1
22	Francotyp-Postalia GmbH, Schwechat, Austria	100	21
23	Francotyp-Postalia Inc., Addison, Illinois, USA	100	21
24	Francotyp-Postalia Ltd., Dartford, UK	100	21
25	Francotyp-Postalia N.V./S.A., Antwerp, Belgium	100	21
26	Francotyp-Postalia Unterstützungseinrichtung GmbH, Berlin	100	21
27	Francotyp-Postalia Vertrieb und Service GmbH, Berlin	100	14
28	freesort GmbH, Langenfeld	100	1
29	Hefter Systemform GmbH, Prien a. Chiemsee	100	21
30	Italiana Audion s. r. l, Milan, Italy	100	21
31	Ruys Handelsvereniging B.V., The Hague, Netherlands	100	21
	Other subsidiaries[3)]		
32	FP Digital Business Solutions Ltd, Dartford, Great Britain	100	14
33	FP Direct Ltd, Dartford, Great Britain	100	24
34	FP Systems India Private Limited, Mumbai, India[4)]	99.998	1, 21

1) For Francotyp-Postalia GmbH, FP Shared Service Europe GmbH, Francotyp-Postalia Vertrieb und Service GmbH, FP InovoLabs GmbH, FP Digital Business Solutions GmbH, freesort GmbH, Hefter Systemform GmbH and FP NeoMonitor GmbH, it was decided to make full use of the exemptions provided by section 264 (3) HGB in conjunction with section 325 of the German Commercial Code (HGB). FP Produktionsgesellschaft mbH (formerly: FP Produktionsgesellschaft mbH & Co. KG) made use of the exemptions under section 264b HGB in conjunction with section 325 HGB. These companies are also exempt from the obligation to prepare a 2023 management report in accordance with section 264 (3) HGB in conjunction with section 289 HGB or section 264b HGB. The corresponding resolutions were submitted to the operator of the electronic Federal Gazette, the respective announcement was arranged.
2) Including directly and indirectly attributable shares.
3) Not included in the consolidated financial statements due to immateriality.
4) in Liquidation
5) The company FP Shared Service Europe GmbH was merged with the company Francotyp-Postalia GmbH on 18 March 2024.

Change in the scope of consolidation in fiscal year 2023

The consolidated group has changed as follows in comparison to the previous year.

The company FP Technology & Services OÜ, Tallinn, Estonia, was merged into the company Azolver Eesti OÜ, Tallinn, Estonia, on 1 January 2023.

The company Francotyp-Postalia Sverige AB, Bromma, Sweden, was merged into the company Azolver Svenska AB, Sollentuna, Sweden on 1 July 2023.

The company FP Produktionsverwaltung GmbH, Wittenberge, was merged into the company Francotyp-Postalia GmbH, Berlin, on 19 July 2023.

Change in the scope of consolidation in fiscal year 2022

In the previous year, the FP Group carried out and completed two acquisition transactions:

- On 23 March 2022, FP acquired all shares and voting rights in the following companies of the Azolver Group:
- On 1 October 2022, the FP Group acquired the business operations of pakadoo GmbH, Böblingen, through its subsidiary FP Digital Business Solutions GmbH by way of an asset deal.

Detailed information on the changes can be found in the 2022 Annual Report.

(5) Consolidation principles

Capital consolidation is performed in accordance with the principles of IFRS 10.

Business combinations are accounted for using the purchase method in accordance with IFRS 3. All identifiable assets, liabilities and contingent liabilities acquired as part of a business combination are recognised at fair value at the acquisition date. The cost of the equity investments is then offset against the remeasured, pro rata equity. Any surplus is capitalised as goodwill.

(6) Currency translation

The functional currency of FP Holding is the Euro (EUR).

Foreign currency transactions are translated at the exchange rates in effect at the transaction dates. Foreign currency monetary items are reported using the closing rate as at the end of the reporting period. Foreign exchange differences are recognised in the consolidated statement of comprehensive income of the Group company in question and reported under finance costs.

The foreign companies of the FP Group are independent units and prepare their annual financial statements in their own national currency. When preparing the consolidated financial statements, assets and liabilities of subsidiaries that do not prepare their accounts in Euro are translated at the closing rate, equity is translated at the historical rate and items of the consolidated statement of comprehensive income at average rates for the year. Foreign currency translation differences arising from different exchange rates for items in the statement of financial position and the consolidated statement of comprehensive income are shown in other comprehensive income. If Group companies are deconsolidated, the foreign currency translation difference in question is reversed to profit or loss.

Currency translation differences from monetary items that are part of a net investment in a foreign operation are recognised in other comprehensive income at Group level in accordance with IAS 21. In the event of a subsequent disposal of the respective net investment or the repayment of loans, the equity amounts in question are taken to profit or loss.

	Closing rate		Average rate	
EUR 1 =	**31.12.2023**	**31.12.2022**	**2023**	**2022**
CAD	**1.46420**	1.44390	**1.45889**	1.36973
CHF	**0.92600**	0.98505	**0.97292**	1.00476
DKK	**7.45290**	7.43645	**7.45062**	7.43958
GBP	**0.86905**	0.88685	**0.87037**	0.85280
NOK	**11.24050**	10.50325	**11.39816**	10.09965
SEK	**11.09600**	11.07815	**11.4612**	10.62898
USD	**1.10500**	1.06765	**1.08171**	1.05330

(7) Accounting policies

In preparing the 2023 consolidated financial statements, the Management Board applied the going concern principle to all companies included in the consolidated financial statements.

Revenue

The FP Group recognises revenue from contracts with customers in accordance with IFRS 15 and as a lessor in connection with the transfer of right-of-use assets in accordance with IFRS 16. See the disclosures on leases for information on the recognition of revenue as a lessor.

Revenue in accordance with IFRS 15

Contracts that do not include the transfer of a right-of-use asset
The FP Group generated revenue from contracts with customers in the following segments: Mailing, Shipping & Office Solutions, Digital Business Solutions and Mail Services. Revenue is recognised in accordance with IFRS 15 if the customer has obtained control over the goods and services that the FP Group is required to provide. Control is transferred either at a point in time or over time.

The FP Group provides sales and services. The sales primarily relate to the sale of franking and inserting machines and consumables. The services relate to customer service and Telepostage services with regard to sold or leased franking or inserting machines, services for the consolidation of business mail and software services for businesses and authorities.

Services can be ordered individually or via fixed-term service contracts. Service contracts generally have original durations of twelve months and roll over if the customer does not cancel on time. The service contracts can contain various services, such as customer services, provision of postage credit or updating of postal charge tables.

Each sale of individual services is a separate performance obligation. The revenue for sales and individually ordered services is recognised on delivery or performance of the service. The revenue for services from fixed-term service contracts is recognised evenly over the term of the contract. The even recognition over the terms of these contracts directly reflects the even provision of the services and is therefore an appropriate depiction of revenue recognition over time.

Depending on the payment arrangement, customers make advance payments for service periods of subsequent months. Contract liabilities are recognised in this respect. The time between performance of the service and receipt of payment is therefore a few months at most. The transaction price is therefore not adjusted for the time value of the money.

If the FP Group provides services in advance, contract assets are recognised.

The amount of the revenue depends on contractually defined fixed prices less trade discounts and rebates. The transaction price is allocated to distinct performance obligations of a contract on the basis of the relative stand-alone selling prices. The FP Group uses observable prices and estimates to determine stand-alone selling prices for the purposes of allocation to performance obligations. This requires the use of judgement. FP bases the estimate on market data and cost information.

The average payment term is 30 days.

The guarantee essentially includes of assurance of freedom from error and exists over the statutory term.

Contracts that include the transfer of a right-of-use asset
In the FP Group, performance obligations that have to be recognised in accordance with IFRS 15 also occur in leases that grant customers the right to use franking or inserting machines. The components of these leases that constitute right-of-use assets and the components of these leases that do not constitute right-of-use

assets are recognised separately. The right-of-use asset is recognised in accordance with IFRS 16, while the other components are within the scope of IFRS 15. Here too, the consideration of the overall contract is allocated to the components and performance obligations on the basis of the relative stand-alone selling prices.

Other operating income

Other operating income is recognised when service is rendered or goods are delivered, i.e. when risk has transferred to the customer.

Interest income and expenses

Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the income can be measured reliably. Interest expenses are recognised in the period in which they arise net of any transaction costs and discounts using the effective interest method.

Goodwill

Goodwill is tested for impairment at least once a year and whenever there is an indication that the cash-generating unit may be impaired. Impairment is tested at the level of cash-generating units.

Intangible assets

The recoverability of purchased intangible assets is calculated in accordance with IAS 36. In principle, the higher value in use and fair value are referred to. Here, the present value of cash flows relating solely to the asset being measured is calculated. The discount rate for the cash flows after tax is based on the concept of the weighted average cost of capital (WACC).

Customer relationships capitalised in the context of purchase price allocation are measured using an earnings-based approach, whereby the value of customer relationships is shown by discounting the resulting cash flows. The cost of revenue generation is deducted from any revenue anticipated from customer relationships.

Except for capitalised development costs, the costs of internally generated intangible assets are recognised in profit or loss in the period in which they are incurred.

Development costs for internally generated intangible assets are capitalised in accordance with IAS 38 if their production is technically so advanced that they can be used or sold, the Group has the intention to complete the asset and use or sell it, the FP Group is able to use or sell the intangible asset, the nature of benefits can be demonstrated, the technical and financial resources are available to complete the asset and the expenditure attributable to the intangible asset during its development can be measured reliably. Development costs include all costs directly attributable to the development process. Grants received for development costs are deducted from the carrying amount. Borrowing costs that can be directly allocated to a development project that is a qualifying asset within the meaning of IAS 23 are capitalised as part of production costs for the period of production. They are recognised solely in connection with capitalised development costs. The amount of capitalised borrowing costs is determined from the weighted average of the borrowing costs applicable to the borrowings granted by lenders.

From the start of commercial production of the corresponding products, capitalised development costs are written down over the period of their expected use. An impairment test is performed annually for intangible assets in development. For completed intangible assets, an impairment test is carried out when triggering events occur. Impaired capitalised development work is written down.

As in the previous year, straight-line amortisation of the intangible assets is essentially based on the following useful lives:

Intangible assets	Useful life
Industrial property rights (including licences, software, customer lists)	2 to 10 years
Internally generated intangible assets	2 to 6 years

Property, plant and equipment

Property, plant and equipment is measured at cost less depreciation due to use and amortisation. Their cost includes the purchase price, incidental costs and subsequent costs of acquisition. Reductions in the purchase price are deducted. Financing costs are included for the period of production whenever qualifying assets are concerned. Costs for the maintenance and repair of property, plant and equipment are expensed as incurred. Processing costs for property, plant and equipment are recognised as a subsequent cost in accordance with the criteria of IAS 16.12 et seq. if these costs increase the future benefit of the property, plant and equipment (IAS 16.10). Straight-line depreciation is recognised for property, plant and equipment. If leased products are sold, revenue and cost of materials are recognised at the residual carrying amount. When property, plant and equipment is shut down, sold or given up, the profit or loss from the difference between the sales proceeds and the residual carrying amount is recognised under other operating income or expenses.

Straight-line depreciation of property, plant and equipment is based on the following useful lives:

Buildings	Useful life
Buildings	2 to 25 years
Technical equipment and machinery	2 to 19 years
Operating and office equipment	1 to 25 years
Leased products	7 years

Impairment on property, plant and equipment is recognised in accordance with IAS 36 if the recoverable amount, i.e. the higher of the asset's value in use and its fair value less costs to sell, has fallen below the carrying amount. If the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount and the carrying amount are then also compared at the level of the cash-generating unit. If the reasons for impairment losses recognised in previous years no longer apply, the impairments are reversed.

Inventories

In the measurement of inventories, a simplified measurement method was applied in the form of average prices.

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials, consumables and supplies and merchandise comprises the purchase price and incidental costs less purchase price reductions. The cost of finished goods and work in progress includes the direct costs and the overheads attributable to the production process, including appropriate depreciation of production facilities assuming normal capacity utilisation. Financing costs are not included for the period of production as there are no qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business less the costs still required to complete and sell the assets.

Impairment losses in inventories are shown in the cost of materials whenever merchandise, raw materials, consumables and supplies are concerned and in changes in inventories whenever they pertain to finished goods and work in progress.

Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. They include on the one hand primary financial instruments such as trade receivables and payables and financial receivables and liabilities. On the other hand, this also includes derivative financial instruments that are used as hedges against risks arising from changes in exchange rates or interest rates.

Financial assets and financial liabilities are shown in the consolidated statement of financial position from the time at which the Group becomes party to the contractual provisions of the instrument.

Financial assets

Classification

The FP Group classifies its financial assets into the following measurement categories:

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets measured at amortised cost (FAAC).

The classification of financial assets is based on the business model in which the assets are held and the composition of the contractual cash flows. The business model is determined at portfolio level and is oriented to the intention of the management and past transaction patterns. The cash flows are examined on the basis of the individual instruments. For assets measured at fair value, gains and losses are either recognised in profit or loss or in other comprehensive income. Investments in equity instruments that are not held for trading depend on whether the Group has irrevocably decided to recognise the equity instrument at fair value through other comprehensive income at the time of initial recognition.

The Group reclassifies debt instruments only if the business model for managing those assets changes. As at each reporting date, this is reviewed by the management.

Recognition

A regular purchase or sale of financial assets is recognised as at the trading date, i.e. the date the Group has a commitment to buy or sell the asset. Financial assets are derecognised if the rights to the receipt of cash flows from the financial assets expire or are transferred and the Group has transferred all material risks and opportunities.

Measurement

At initial recognition, the FP Group measures a financial asset at fair value plus, in the case of a financial asset subsequently not measured at fair value through profit and loss, the transaction costs directly attributable to the acquisition of that asset. Transaction costs of financial assets measured at fair value through profit or loss are recognised as expense.

Financial assets with embedded derivatives are considered in their entirety if it is determined that their cash flows represent only repayment and interest payments.

The subsequent measurement of debt instruments depends on the Group's business model to manage the asset and the cash flow characteristics of the asset.

All Group debt instruments were recognised at amortised cost in fiscal years 2023 and 2022. Interest income from these financial assets is recognised in financial income using the effective interest method. Gains and losses from derecognition are recognised directly in the income statement and – together with the foreign currency gains and losses – posted under other financial income/other finance costs.

Subsequently, the FP Group measures all equity instruments held at fair value through profit or loss (FVTPL). Dividends from those instruments continue to be recognised in the financial result if the FP Group's right to receive payments is justified.

Impairment

The FP Group assesses the expected credit losses associated with its debt instruments measured at amortised cost on a forward-looking basis. The impairment model depends on whether the credit risk significantly increases.

The expected credit losses approach utilises a three-stage model to allocate impairment:

Stage 1: Expected credit losses within the next twelve months.

Stage 1 contains all contracts with any material increase in the credit risk since the initial recognition and generally contains new contracts and those whose payments are less than 31 days past due. The share in the lifetime credit losses of the instrument which is due to a default within the next twelve months is recognised.

Stage 2: Lifetime expected credit losses – not credit-impaired.

If a financial asset is subject to a significant increase in its credit risk after initial recognition, but is not credit-impaired, it is allocated to stage 2. Impairment is recognised as the expected credit losses anticipated over the lifetime of the financial asset.

Stage 3: Lifetime expected credit losses – credit-impaired

If a financial asset is credit-impaired or in default, it is assigned to Stage 3. The lifetime credit losses of the financial asset are recognised as impairment. Objective evidence that a financial asset is credit-impaired includes it being past due by more than 91 days and further information on material financial difficulties of the debtor.

The determination if a financial asset has experienced a substantial increase of the credit risk is based on an assessment of the default probabilities which is to be implemented at least once a month, which takes account not only of external rating information but also internal information on the credit quality of the financial asset. For debt instruments which are not receivables from financial services, a substantial increase of the credit risk is determined on the basis of past due information or default probabilities.

Expected credit losses are calculated on the basis of the following factors:

- Neutral and probability-weighted amount;
- Time value of the money; and
- Adequate and reliable information (providing this is available without undue cost or effort) at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated as the probability-weighted present value of all defaults over the expected lifetime of the financial assets.

The assessment of these risk parameters includes all publicly available relevant information. In addition to historical and current information on losses, reasonable and supportable forward-looking information on factors are included. This information covers macro-economic factors (e.g. growth of gross domestic product, unemployment rate) and forecasts of future economic conditions.

The simplified approach is used for trade receivables and contract assets, where these receivables are allocated to stage 2 at initial recognition. Credit losses expected over the term are recognised from the point at which the receivables are recognised for the first time. Further information can be found in note 24.

Impairment on trade receivables is recognised on an individual basis if there is objective evidence that the amounts due are not fully recoverable (e.g. opening of insolvency proceedings or significant delays in payment by the debtor).

Impairments on other financial assets and cash and cash equivalents are insignificant for the Group.

Derecognition

A financial asset is derecognised if there is no reasonable expectation of recovering it in its entirety or a portion thereof, e.g. after conclusion of insolvency proceeding or after court decisions.

Impairments on trade receivables and contract assets are shown on a net basis in the operating results as net impairment. Previously impaired amounts collected in subsequent periods are recognised in the same items.

Derivatives and hedging transactions

The effective part of changes of fair value of derivatives classified as hedging transactions under cash flow hedges is recognized in the cash flow hedge reserve as a component of equity. The profit or loss relating to the portion designated as hedging costs is recognized in other comprehensive income in the hedging cost reserve as a component of equity.

The volume of the underlying transaction actually hedged matches the volume of the corresponding hedging instrument. The hedge ratio is therefore 100%.

In the context of designated hedges, there can be ineffectiveness as a result of deferrals of the hedged items and effects of the credit default risk on the fair value of the hedging instruments. In the statement of comprehensive income, any ineffectiveness is recognized in the item "Other financial result."

When options are used to hedge expected transactions, the FP Group classifies only the intrinsic value of the options as a hedging instrument.

Gains or losses from the effective part of the change in the intrinsic value of the options are recognised in the reserve from cash flow hedges as part of equity. Changes in the time value of options which relate to the hedged item are recognised in other comprehensive income in the reserve for hedging costs as part of equity.

If forward transactions are used to hedge expected transactions, the FP Group classifies only the change in the fair value of the forward contract from the spot element as a hedging instrument. The spot element is determined using the relevant spot exchange rate. The difference between the contractually agreed forward exchange rate and the spot exchange rate is defined as a forward element and discounted if material. Gains and losses from the effective part of the spot element of the forward transaction are recognised in the reserve for cash flow hedges as part of equity. The change of the forward element of the hedging instrument which relates to the hedged item is recognised in other comprehensive income in the reserve for hedging costs as part of equity.

Cumulative amounts recognised in equity are reclassified during periods in which the hedged item affects profit or loss. In the statement of comprehensive income, the reclassification is recognised under other comprehensive income in the item “Cash flow hedges – reclassified to profit or loss” or in “Revenue”.

If a hedging instrument expires, is sold or terminated or the hedging transaction no longer meets the criteria for the accounting of hedging transactions, any accrued gains or losses from hedging and deferred hedging costs accumulated at that time will remain in equity until the expected transaction occurs. If the transaction is no longer expected to occur, the cumulative gains and losses and deferred hedging costs shown in equity are reclassified directly to profit or loss.

Financial liabilities

Financial liabilities are divided into the following categories:

financial liabilities at amortised cost (FLAC) and

financial liabilities at fair value through profit or loss (FLFV).

Financial liabilities at amortised cost are initially measured at fair value less any directly attributable transaction costs. Loans are always measured at amortised cost in the Group. They are not designated as at amortised cost. The effective interest method is used to calculate the amortised cost.

Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and other financial liabilities that are classified as at fair value through profit and loss on first-time recognition. Financial liabilities are classified as held for trading if they are acquired with a view to subsequent disposal in the near future. Financial liabilities measured at fair value through profit and loss also include liabilities from derivatives transactions. Gains and losses from financial liabilities held for trading are recognised in profit or loss.

Finance lease liabilities are stated at the present value of the lease payments.

Equity

Share capital is equal to the number of shares issued.

Amounts otherwise contributed to equity by shareholders are shown in the capital reserves. Expenses directly incurred by the issue of new shares in the earlier IPO of FP Holding are deducted from equity net of any related income tax benefit.

The stock option reserve reports the amounts recognised in employee benefit expenses for the 2010 and 2015 stock option programmes. This is based on the fair value of the options expected to vest, which is distributed over their term.

When the Group acquires own treasury shares, these are deducted from equity. The value of treasury shares is openly deducted from equity. The purchase, sale, issue or cancellation of treasury shares is not recognised in profit or loss.

Provisions

Provisions for pensions and similar obligations are recognised using the projected unit credit method based on actuarial principles. This process not only considers the pensions and vested benefits known at the end of the reporting period, but also the expected future increases in pensions and salaries when estimating relevant influencing factors. These benefits earned in return for work performed are discounted using the interest rate at the end of the period. Plan assets are deducted from these defined benefit obligations at fair value. This gives rise to the net liability for defined benefit obligations, which is recognised as a provision.

The net liability is calculated at the end of each reporting period on the basis of actuarial opinions prepared by qualified actuaries.

The interest rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Currencies and terms consistent with the post-employment benefit obligations are taken into account in selecting the relevant bonds.

Pension plans that the FP Group implements through insurance contracts are accounted for as defined benefit plans if the vested entitlements are not covered by the insurance premiums.

Contributions under defined contribution plans are expenses in the period in which the payments in question are rendered.

Termination benefits are granted if an employment relationship is terminated before the employee reaches pension age or if an employee voluntarily leaves the company in return for severance pay. The Group recognises severance pay if it is demonstrably obliged to terminate the employment of current employees according to a formal plan that cannot be revoked, or if it is evidently obliged to pay severance whenever an employee leaves voluntarily.

Provisions for early retirement are measured at the respective present value of the outstanding settlement amounts and top-up amounts (accrued pro rata in the vesting period) and netted against plan assets measured at fair value in the form of insurance used to cover early retirement commitments.

The Group recognises a provision for profit-sharing and bonuses when there is a contractual obligation or a constructive obligation as a result of past business practices.

Provisions for warranty expenses are recognised when the products in question are sold in accordance with the management's best estimate of the expenses necessary to fulfil the Group's obligation.

Accounting for leases in which Francotyp-Postalia is the lessor

The FP Group rents out franking and inserting machines in the Mailing, Shipping & Office Solutions segment. The leases generally have fixed terms of between two and six years. If the customers do not cancel on time, the leasing contracts are usually automatically extended for one year. In addition to the transfer of the right of use, the leases can also contain service components.

The lease components contained in the leases are recognised in accordance with IFRS 16. Service components are accounted for in accordance with IFRS 15. Pursuant to IFRS 15, the consideration of the overall contract is allocated to the components and performance obligations on the basis of the relative stand-alone selling prices.

According to IFRS 16, a lease is to be classified as a finance lease or an operating lease. A finance lease exists when the significant risks and rewards of ownership are transferred to the lessee. For further details, see note 8 "Classification of leases in which Francotyp-Postalia is the lessor".

For leases classified as finance leases, a receivable and revenue in the amount of the present value of the minimum lease payments are recognised at the inception of the contract. The lease instalments subsequently received are divided into a repayment portion and an interest portion. The repayment portion reduces receivables in other comprehensive income. The interest portion is recognised in profit or loss. The intrinsic interest rate for the lease in question is used.

For operating leases, the machines in question are recognised as leased products under non-current assets in property, plant and equipment while the lease instalments are reported as revenue.

Depending on the payment arrangement, customers make advance payments for lease periods of subsequent months. If they do not represent revenue for the fiscal year, they are recognised as liabilities from deferred payments.

The FP Group pays commissions to dealers for brokering leases. The commission paid for a contract can be based on different components within the scope of IFRS 16 as well as IFRS 15. Accordingly, commissions have been allocated as follows:

The portion of the commission attributable to lease components classified as finance leases is recognised in other operating expenses at the time of revenue recognition.

- The portion of the commission attributable to lease components classified as operating leases is capitalised as part of the underlying asset under leased products and amortised on a straight-line basis over the term of the corresponding contracts.

- The portion of the commission attributable to period-related performance obligations as defined by IFRS 15 is capitalised as costs to obtain contracts under other non-current assets and recognised under other operating expenses on a straight-line basis over the term of the contract.

Accounting for leases in which Francotyp-Postalia is the lessee

Pursuant to IFRS 16, the FP Group recognises leases in which it is the lessee in the statement of financial position. A right-of-use asset is recognised on the assets side and a lease liability (under financing liabilities) on the liabilities side. The right-of-use asset is initially measured at cost, equating to the present value of the lease liability plus any initial direct costs, payments made before the commencement date and estimated asset retirement obligations and less any incentives received by the Group from the lessor.

Subsequently, the right-of-use asset is measured less depreciation and any impairment losses. Depreciation is recognised on a straight-line basis over the term of the lease. If the lease transfers ownership of the underlying asset the FP Group by the end of the lease term, the right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset. In the event of remeasurements of the lease liability, the right-of-use asset is adjusted accordingly.

The lease liability is initially measured at the present value of the lease payments. In subsequent measurement, it is increased to reflect interest using the Group's respective incremental borrowing rate and reduced to reflect the lease payments made.

Leases with a term of up to twelve months and low-value leases are not recognised in the statement of financial position. Instead, the lease payments are recognised as an expense on a straight-line basis over the lease term. This also applies to leases of intangible assets.

(8) Judgements and estimates

When preparing the consolidated financial statements, certain items require judgements and estimates to be made for the recognition, measurement and reporting of recognised assets and liabilities and of income and expenses. The actual figures may differ from the estimates. Estimates and their underlying assumptions are examined on an ongoing basis. Revisions of estimates are recognised prospectively. Key areas for exercising judgement and making estimates reflect the following:

Revenue

For information on the use of judgement with regard to the allocation of transaction prices, see the notes on revenue under note 7.

Classification of leases in which Francotyp-Postalia is the lessor

Leases are classified as finance leases at the FP Group in cases including when the lease term covers the major part of the asset's economic life (useful life test) or the present value of the future minimum lease payments amounts to at least substantially all of the fair value of the leased asset (present value criterion). The FP Group has interpreted "the major part" to mean 75% and "substantially" to mean 90%. When determining the contract term, the FP Group considers the likelihood that contracts will be automatically extended.

Deferred tax assets

Deferred tax assets are recognised for unused tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the IFRS consolidated balance sheet to the extent that it is probable that future taxable profit will be available against which they can be utilised. The calculation of the amount of deferred tax assets requires significant management discretion based on the expected timing and amount of future taxable income together with future tax planning strategies.

Tax receivables and liabilities

The assessment and measurement of tax receivables and liabilities require a significant degree of management judgement due to the complexity of the legal provisions and divergent practices among the responsible tax authorities, especially in the context of cross-border transactions. An asset or liability arising from tax risk position is recognised in accordance with IAS 12 if a payment of refund is probable with respect to the legal uncertainty. Uncertain tax assets and liabilities are measured at the most probable value in accordance with IFRIC 23.

Key assumptions in the context of estimates and sources for estimation uncertainty include:

Impairment losses

The Group measures expected credit losses for all trade receivables on the basis of lifetime expected credit losses.

Development costs

Estimates are required whenever a development project reaches certain milestones in a current project. In order to assess whether the amounts to be capitalised are actually recoverable, the management makes assumptions regarding the forecast future cash flows from assets, the applicable discount rates and the period when the forecast future cash flows generated by the assets will be received.

Remeasurement of intangible assets in accounting for business combinations

Estimates are required for the remeasurement of fair values for intangible assets in accounting for business combinations in accordance with IFRS 3. The intangible assets of purchased entities must be identified in purchase price allocation and carried at fair value; they are separated from any (negative) goodwill.

Goodwill

In order to establish possible impairment of goodwill, the value in use or the fair value of the cash-generating units must be calculated. The calculation requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate to calculate present value.

The recoverable amount of all cash-generating units with goodwill is derived on the basis of the respective value in use. If this is found to be higher than the carrying amount of the cash-generating unit, there is no need to determine the fair value less costs to sell.

The value in use is determined using discounted cash flow. This was based on cash flow forecasts derived from financial planning by the management. The figures used in these assumptions are based on external analyses of the postal market (including expected postage increases by Deutsche Post AG) and on management experience. Financial planning consists of earnings planning, the statement of financial position and the statement of cash flows and is prepared in detail for the first three years on the basis of sales planning, and then extrapolated using general assumptions for the next two years of planning. Perpetual maturity is assumed after the fifth year of planning.

In accordance with IAS 36, the discount rates were derived using a growth rate for cash flows after the end of the five year planning period. The discount rates are based on the concept of the weighted average cost of capital (WACC).

The recoverable amount is initially derived based on the discounting of cash flows using the costs of capital after taxes. The costs of capital before taxes are then calculated iteratively.

The basic assumptions on which the calculation of value in use of the cash-generating units are based, are subject to estimation uncertainty affecting EBIT and thus the cash flows to be discounted and the discount rate.

The gross profit margins used are based on currently realisable figures and management experience.

To calculate the discount rate assumptions are made on the individual components of WACC and the long-term growth rate.

Pensions and other post-employment benefits

The actuarial valuation is based on assumptions regarding interest rates, future wage and salary increases, mortality and future pension increases.

Provisions

The calculation of provisions for potential losses from contracts, warranties and legal disputes requires a great degree of management estimates.

Expenses for warranties are incurred in connection with subsequent improvements.

Legal disputes often involve complex legal issues – hence they entail considerable uncertainty. The estimate of expected expenses also includes the anticipated litigation costs. The FP Group regularly evaluates the current status of proceedings, also with the assistance of external lawyers.

For restructuring costs, a provision is made at the level of expected direct expenses.

The expected internal and external costs in connection with the outstanding audit cycles of FP Group companies or appeals following tax audits in Germany and abroad are accounted for by recognising corresponding provisions that take into account the complexity of the issues, including in the cross-border context.

Calculation of fair value

A number of accounting policies and disclosures require the Group to determine the fair value of financial and non-financial assets and liabilities.

As far as possible, the Group uses observable market data to determine the fair value of an asset or liability. Based on the inputs used in the measurement methods, the fair values are assigned to different levels of the fair value hierarchy:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities.
- Level 2: Measurement parameters other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Measurement parameters for assets or liabilities not based on observable market data.

If the inputs used to determine the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, the fair value measurement in its entirety is assigned to the level of the fair value hierarchy based on the lowest input factor that is material overall for measurement of fair value.

The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

Further information on the assumptions in determining fair values can be found in note 32.

(9) Correction of errors in accordance with IAS 8

In the consolidated financial statements as at 31 December 2023, the Group has adjusted the comparative period 2022. The adjustment relates to the measurement of tax effects from intra-group service relationships in the comparative period 2022. FP handles these service relationships in accordance with the arm's length principle. In 2022, the measurement of these performance relationships was not carried out on the basis of the best information available at that time to fulfil the requirement for the arm's length principle. All in all, this led to an excessively high current tax burden at the Group’s sales companies in the Mail Shipping and Office Solutions segment in 2022. The error correction will lead to the following effects in 2022:

(i) Reduction in current tax liabilities in accordance with IAS 12.12 as at 31 December 2022 in the amount of EUR 1,880 thousand. This results from the decrease in taxable income of the sales companies in comparison to the originally calculated tax base, as the tax-effective expenses of the sales companies to be recorded increased as a result of the service relationship measurement to be corrected.

(ii) Recognition of deferred tax assets on loss carryforwards in accordance with IAS 12.34 as at 31 December 2022 in the amount of EUR 590 thousand. This is a consequence of (i). The subsequent burden at the sales companies in the context of correcting errors led to increased taxable income at the level of the relevant taxable entity. This in turn resulted in emerging from the loss history on an accumulated basis in the past three years (2020, 2021 and 2022), with the effect that deferred tax assets were to be recognised on loss carryforwards for the first time as at 31 December 2022.

The following tables summarise the effects on the consolidated financial statements:

1. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income from 1 January 2022 to 31 December 2022

In EUR thousand	**Effects due to error correction**		
	As previously reported	**Adjustments**	**Adjusted**
Income taxes	-3,033	2,470	-563
Other income and expenses	8,568	0	8,569
Consolidated profit	**5,535**	**2,470**	**8,005**
Other comprehensive income after taxes	**3,029**	**0**	**3,029**
Total comprehensive income	**8,564**	**2,470**	**11,034**

Effects on earnings per share

In EUR	**Effects due to error correction**		
	As previously reported	**Adjustments**	**Adjusted**
Earnings per share (basic in EUR)	0.35	0.15	0.50
Earnings per share (diluted in EUR)	0.35	0.15	0.50

2. Consolidated statement of financial position as at 31 December 2022

In EUR thousand	Effects due to error correction		
	As previously reported	Adjustments	Adjusted
Deferred tax assets, non-current	1,055	590	1,645
Miscellaneous assets	171,596	0	171,596
Total assets	**172,651**	**590**	**173,241**
Consolidated profit after non-controlling interests	5,535	2,470	8,005
Other equity	17,016	0	17,016
Equity	**22,552**	**2,470**	**25,022**
Tax liabilities, current	4,330	-1,880	2,450
Other current liabilities	95,139	0	95,139
Total current liabilities	**99,469**	**-1,880**	**97,589**
Liabilities, non-current	**50,630**	**0**	**50,630**
Equity and liabilities	**172,651**	**590**	**173,241**

3. Consolidated cash flow statement from 1 January 2022 to 31 December 2022

In EUR thousand	Effects due to error correction		
	As previously reported	Adjustments	Adjusted
Consolidated profit	5,535	2,470	8,005
Net income tax recognised in profit or loss	3,033	-2,470	563
Other effects in cash flow from operating activities	13,808	0	13,808
Cash flow from operating activities	**22,376**	**0**	**22,376**

There were no further adjustment effects in the cash flow statement.

II. Segment Reporting

In the interest of effective management of the Group based on the business strategy, the definition of the business areas was changed in the first half of 2023 and, consequently, the internal reporting and segment reporting was changed accordingly. In the 2023 fiscal year, a combination of factors from the organisational structure and differences between products and services were used to identify the reportable segments. The Group is divided into three segments for internal management purposes: Mailing, Shipping & Office Solutions (MSO), Mail Services and Digital Business Solutions (DBS).

The Mailing, Shipping & Office Solutions segment focuses largely on the franking machine business. In this segment, the FP Group develops franking systems. FP produces and sells or rents these and also offers customers a comprehensive range of products, services and support. For customers in this segment, FP offers not only franking machines and related hardware, but also other office supplies and solutions from the digital product range. Revenue and results with digital solutions and products will be allocated to the Digital Business Solutions segment in the 2023 fiscal year.

This results in the following changes to segment reporting. In the previous year, Mailing, Shipping & Office Solutions (MSO) division was still reported in two segments: Mailing, Shipping & Office Solutions – Europe and Mailing, Shipping & Office Solutions – North America. It is now presented as a single segment. The revenues and earnings of the companies that were reported in the past under the segments Mailing, Shipping & Office Solutions - Europe and Mailing, Shipping & Office Solutions - North America are now partially included in the Mailing, Shipping & Office Solutions segment. The revenue and results of FP Produktionsgesellschaft mbH and FP InovoLabs GmbH are presented in this segment.

The Mail Services segment comprises the franking service – collecting unfranked outbound mail and providing the franking – and the consolidation service – collecting franked mail, sorting it by postcode and delivering it in batches to a regional office of Deutsche Post AG or an alternative postal distributor.

The Digital Business Solutions segment comprises all digital activities with which FP is expanding its business model in a growth-oriented manner. This includes input and output management in the Document Workflow Management area. The Business Process Management & Automation area comprises products and solutions for efficient and automated customer process workflows. The Shipping & Logistics area includes both the SaaS-based Parcel Shipping software for outbound parcel shipping and software solutions for parcel inbound management, asset tracking, and internal logistics. Revenues and earnings from digital solutions, such as Parcel Shipping, which are sold via the MSO sales channel, are reported in the Digital Business Solutions segment.

The segments report in accordance with the respective local accounting standards of the Group companies belonging to the segment. The segment information for fiscal year 2022 was adjusted accordingly to ensure comparability.

While the revenue and cost of materials of the subsidiary Francotyp-Postalia GmbH are allocated to the Mailing, Shipping & Office Solutions segment, other income and expenses of this company are not allocated to any segment. Revenue from external third parties in the Mail Services and Digital Business Solutions segments includes Deutsche Post AG discounts passed on within the Group.

The comparability of the segments presented in the 2023 fiscal year with the previous period is impaired by the acquisition of the operating Azolver companies on 23 March 2022, as the operating companies of the Azolver Group are only included for nine months in the previous year.

SEGMENT INFORMATION 2023

in EUR thousand	Mailing, Shipping & Office Solutions	Mail Services	Digital Business Solutions	Other non-financial liabilities
Revenue with external third parties	149,085	66,769	27,080	**242,934**
Intersegment revenue	1,902	0	1,565	**3,467**
Segment revenue	**150,986**	**66,769**	**28,646**	**246,401**
SOR, changes in inventories & own work capitalised	7,879	93	437	**8,409**
Cost of materials	41,161	56,751	17,320	**115,231**
Employee benefit expenses	43,169	4,530	7,370	**55,069**
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	1,838	27	435	**2,300**
Other operating expenses	35,846	3,461	4,822	**44,130**
Segment EBITDA	**36,852**	**2,093**	**-865**	**38,080**

SEGMENT INFORMATION 2022

in EUR thousand	Mailing, Shipping & Office Solutions	Mail Services	Digital Business Solutions	Other non-financial liabilities
Revenue with external third parties	150,838	73,360	28,393	**252,590**
Intersegment revenue	2,432	0	1,184	**3,616**
Segment revenue	**153,270**	**73,360**	**29,577**	**256,206**
SOR, changes in inventories & own work capitalised	6,820	195	309	**7,325**
Cost of materials	40,941	64,076	19,790	**124,806**
Employee benefit expenses	41,831	4,074	6,591	**52,496**
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	1.574	164	513	**2,251**
Other operating expenses	35,624	4,305	3,804	**43,733**
Segment EBITDA	**40,119**	**937**	**-812**	**40,244**

RECONCILIATION OF REVENUE

in EUR thousand	2023	2022
Segment revenue	**246,401**	256,206
Revenue of other Group companies	**2,713**	2,078
Effects from the adjustment of IFRS 15 and IFRS 16	**-1,112**	-1,409
Effect from other revenue corrections	**-334**	-632
Effects from consolidation	**-5,842**	-5,292
Group revenue	**241,826**	**250,950**

RECONCILIATION OF SEGMENT EBITDA TO GROUP EBT

in EUR thousand	2023	2022
Segment EBITDA	38,080	40,244
Segment amortisation, depreciation and impairment	-13,182	-13,722
Segment net interest	1,571	820
Segment other financial result	-1,015	4,969
Segment EBT	25,454	**32,310**
Result not allocated to a segment	37,670	-2,113
Effects of IFRS remeasurement	0	0
Lessee valuation in accordance with IFRS 16	4,877	4,584
Effects from the capitalisation of internally generated intangible assets	2,878	1,163
Effects of the adjustment of revenue from IFRS 15/16	355	-1,409
Effects from the adjustment of cost of materials in accordance with IFRS 15/16	-431	-562
Sales adjustment due to currency effects from hedge accounting	-334	-632
Contract acquisition cost adjustment according to IFRS 15/16	901	1,129
Other IFRS entries	1,062	1,572
Effects of IFRS remeasurement on amortisation, depreciation and impairment	-1,432	-3,467
Effects of IFRS remeasurement on interest	708	1,052
Effects of IFRS remeasurement on other financial result	-831	-2,550
Effects at consolidation level (including consolidation of expenses and income, elimination of intercompany profits)	-57,985	-22,508
Group EBT	12,891	**8,568**

REVENUE BY REGION

in EUR thousand	2023	2022
Germany	125,146	137,061
Abroad	116,680	113,889
thereof		
United States	58,972	58,301
UK	10,414	10,714
Sweden	9,616	9,050
Other countries	37,678	35,824
Group revenue	241,826	**250,950**

NON-CURRENT ASSETS[1] BY REGION

in EUR thousand	31.12.2023	31.12.2022
Germany	23,308	22,515
Abroad	35,442	36,504
thereof		
United States	21,780	20,088
Sweden	2,317	2,797
UK	2,156	2,688
Other countries	9,190	10,931
Other non-financial liabilities	58,751	**59,019**

[1] In line with IFRS 8.33 (b) this includes current assets which are not financial instruments, deferred tax assets, post-employment benefit assets and rights arising from insurance contracts.

III. Notes to the consolidated statement of comprehensive income

(10) Revenue

The following tables show revenue disaggregated by performance type. Revenue both within the scope of IFRS 15 and within the scope of IFRS 16 is presented.

The tables also include the reconciliation of disaggregated revenue to segment reporting.

2023					**IFRS revenue**
in EUR thousand	**Mailing, Shipping & Office Solutions**	**Mail Services**	**Digital Business Solutions**	**Not allocated to any segment**	**Other non-financial liabilities**
Product sales income (Franking and Inserting)	35,673	0	0	25	**35,698**
Service / customer service	31,067	0	0	0	**31,067**
Consumables	26,550	0	0	0	**26,550**
Telepostage	9,211	0	0	0	**9,211**
Mail Services	0	66,769	0	0	**66,769**
Software/Digital	131	0	27,929	313	**28,373**
Revenue in accordance with IFRS 15	**102,631**	**66,769**	**27,929**	**338**	**197,668**
Finance lease	14,793	0	0	0	**14,793**
Operating lease	29,699	0	0	0	**29,699**
Revenue in accordance with IFRS 16	**44,492**	**0**	**0**	**0**	**44,492**
Reduction in revenue due to currency effects from hedge accounting	-334	0	0	0	**-334**
Revenue total	**146,790**	**66,769**	**27,929**	**338**	**241,826**

	Reconciliation to segment revenue				Segment revenue			
	Mailing, Shipping & Office Solutions	Digital Business Solutions	Not allocated to any segment	Other non-financial liabilities	Mailing, Shipping & Office Solutions	Mail Services	Digital Business Solutions	Other non-financial liabilities
	-30	0	-25	**-55**	35,642	0	0	**35,642**
	-2,685	0	0	**-2,685**	28,383	0	0	**28,383**
	-579	0	0	**-579**	25,970	0	0	**25,970**
	-419	0	0	**-419**	8,792	0	0	**8,792**
	0	0	0	**0**	0	66,769	0	**66,769**
	0	-849	-313	**-1,162**	131	0	27,080	**27,211**
	-3,713	**-849**	**-338**	**-4,900**	**98,918**	**66,769**	**27,080**	**192,768**
	-3,031	0	0	**-3,031**	11,763	0	0	**11,763**
	8,705	0	0	**8,705**	38,404	0	0	**38,404**
	5,674	**0**	**0**	**5,674**	**50,167**	**0**	**0**	**50,167**
	334	0	0	**334**	0	0	0	**0**
	2,295	**-849**	**-338**	**1,108**	**149,085**	**66,769**	**27,080**	**242,934**

The reconciliation from IFRS revenue to segment revenue shows an increase in segment revenue of EUR 1,108 thousand (previous year: increase of EUR 1,640 thousand). This effect primarily relates to revenue from lease and service agreements under IFRS 15 & 16 in the MSO segment in the amount of EUR 1,961 thousand (previous year: EUR 1,778 thousand). This was countered by (i) the disclosure in accordance with IFRS 15 of digital revenue in the MSO segment of EUR -849 thousand (previous year: EUR -369 thousand) and (ii) currency effects from hedge accounting of EUR 334 thousand (previous year: EUR 632 thousand). Revenue of EUR 338 thousand (previous year: EUR 402 thousand) was not allocated to any segment.

Due to the allocation of transaction prices according to IFRS 15 and consideration according to IFRS 16 in conjunction with IFRS 15, there are transfers between the individual performance types under IFRS that are eliminated in the reconciliation with segment revenue.

2022					IFRS revenue
in EUR thousand	Mailing, Shipping & Office Solutions	Mail Services	Digital Business Solutions	Not allocated to any segment	Other non-financial liabilities
Product sales income (Franking and Inserting)	36,053	0	0	0	**36,053**
Service / customer service	33,023	0	0	0	**33,023**
Consumables	28,961	0	0	0	**28,961**
Telepostage	8,944	0	0	0	**8,944**
Mail Services	0	73,360	0	0	**73,360**
Software/Digital	937	0	28,762	356	**30,055**
Revenue in accordance with IFRS 15	**107,918**	**73,360**	**28,762**	**356**	**210,396**
Finance leasing	12,777	0	0	46	**12,823**
Operating lease	28,364	0	0	0	**28,364**
Revenue in accordance with IFRS 16	**41,141**	**0**	**0**	**46**	**41,187**
Reduction in revenue due to currency effects from hedge accounting	-632	0	0	0	**-632**
Revenue total	**148,427**	**73,360**	**28,762**	**402**	**250,950**

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	Reconciliation to segment revenue				Segment revenue			
	Mailing, Shipping & Office Solutions	Digital Business Solutions	Not allocated to any segment	Other non-financial liabilities	Mailing, Shipping & Office Solutions	Mail Services	Digital Business Solutions	Other non-financial liabilities
	-291	0	0	**-291**	35,763	0	0	**35,763**
	-4,240	0	0	**-4,240**	28,784	0	0	**28,784**
	-463	0	0	**-463**	28,498	0	0	**28,498**
	-355	0	0	**-355**	8,589	0	0	**8,589**
	0	0	0	**0**	0	73,360	0	**73,360**
	0	-369	-356	**-725**	937	0	28,393	**29,330**
	-5,349	**-369**	**-356**	**-6,074**	**102,569**	**73,360**	**28,393**	**204,322**
	-3,295	0	-46	**-3,341**	9,482	0	0	**9,482**
	10,422	0	0	**10,422**	38,787	0	0	**38,787**
	7,127	**0**	**-46**	**7,081**	**48,268**	**0**	**0**	**48,268**
	632	0	0	**632**	0	0	0	**0**
	2,411	**-369**	**-402**	**1,640**	**150,838**	**73,360**	**28,393**	**252,590**

The following table shows the contract assets and contract liabilities. These are reported in the statement of financial position under other non-financial assets or other non-financial liabilities.

in EUR thousand	31.12.2023	31.12.2022
Contract assets	**456**	387
thereof non-current	**342**	290
thereof current	**114**	97
Liabilities for social security contributions	**9,654**	9,593
thereof non-current	**1,095**	1,118
thereof current	**8,559**	8,475

The contract liabilities result from accounting-related advance payments for future services in subsequent months.

As the original durations of the service contracts in the FP Group do not exceed one year as a rule, FP utilises the practical expedient provided by IFRS 15.121(a). The transaction price attributable to contracted performance obligations that were not yet fulfilled as at the reporting date is therefore not disclosed.

Amounts recognised under current contract liabilities in the previous year were realised in full in the 2023 reporting year.

(11) Own work capitalized

in EUR thousand	2023	2022
Capitalised development costs	**2,674**	1,068
Rental machinery	**5,774**	6,605
Other	**99**	65
Other non-financial liabilities	**8,548**	**7,738**

Capitalised development costs mainly include the development of new products in the MSO division (EUR 1,737 thousand, previous year: EUR 1,068 thousand) and in the DBS division (EUR 937 thousand; in previous year EUR 0 thousand).

Own work capitalised for rental machinery relates to internally generated leased products.

The “Other” item contains EUR 99 thousand (previous year: EUR 65 thousand) for franking machines that are used for operations in a Group company.

(12) Other operating income

in EUR thousand	2023	2022
Derecognition of liabilities	**1,007**	718
Bonus credit	**261**	340
Usage fees	**242**	251
Prior-period income	**150**	187
Cost subsidies and grants	**9**	12
Other income	**712**	564
Other non-financial liabilities	**2,381**	**2,071**

The derecognition of liabilities mainly relates to lapsed telepostage liabilities in the amount of EUR 573 thousand (previous year: EUR 430 thousand) and derecognition of other contractual obligations in the amount of EUR 226 thousand. Income relating to other periods resulted primarily from credit notes.

(13) Cost of materials

in EUR thousand	2023	2022
Expenses for raw materials, consumables and supplies	**40,478**	43,829
Cost of purchased services	**72,317**	80,880
thereof postage fees	**63,412**	72,685
Other non-financial liabilities	**112,795**	**124,709**

(14) Employee benefit expenses

in EUR thousand	2023	2022
Wages and salaries	**55,811**	55,349
Social security contributions	**9,325**	8,337
Expenses for pensions and other benefits	**1,050**	2,055
thereof defined contribution plans	**973**	1,944
thereof defined benefit plans	**76**	111
Other non-financial liabilities	**66,187**	**65,740**

Employee benefit expenses increased by 0.7% year-on-year to EUR 66,186 thousand in fiscal year 2023 (previous year: EUR 65,740 thousand). The average number of employees fell from 1,1,069 in the 2022 fiscal year to 1,025 in the reporting year.

The employee benefit ratio, staff costs in relation to revenue, rose slightly to 27.4% in the 2023 fiscal year compared to 26.2% in the previous year. The increase is due to the higher salary level in the Group, partly as a compensation for inflation, which partially offsets the positive effects from the continuation of the transformation programme.

(15) Expenses from impairments losses, less income from reversals of impairment losses on trade receivables and other current assets

in EUR thousand	2023	2022
Expenses from recognition of impairment	**2,350**	2,218
Derecognition of receivables	**623**	965
Income from dissolution of impairment losses	**-834**	-355
Expense (+) from expected losses on receivables, income (-) from reversals of impairment on receivables	**-61**	-10
Payments received on derecognised receivables	**-15**	-7
Reversal of prepaid expenses	**478**	0
Other non-financial liabilities	**2,542**	**2,811**

Expense from the recognition of impairment in the reporting year was based primarily on the measurement of individual default risks.

Furthermore, prepaid expenses amounting to EUR 478 thousand were reversed in the reporting year. This relates to prepaid expenses for licences that could not be fully utilised in the Group's operating business.

(16) Other operating expenses

in EUR thousand	2023	2022
External IT services and licences	**9,848**	9,334
Legal and consulting costs	**5,354**	5,072
Packaging and freight	**4,950**	5,797
Marketing	**3,145**	3,316
Sales commission	**2,765**	2,586
Rents/leases	**2,032**	1,684
Messaging and postage	**1,705**	1,679
Repairs and maintenance	**1,398**	1,246
Expenses from the recognition of provisions	**1,349**	-27
Travel expenses	**1,313**	1,252
Motor vehicle costs (fuel, operating overheads) excluding lease costs	**853**	729
Payment transaction costs	**708**	729
Insurance	**692**	721
Office supplies	**507**	493
Expenses from disposal of non-current assets	**490**	202
Other taxes	**193**	535
Staff-related costs	**-1,442**	1,275
Other	**3,068**	3,634
Other non-financial liabilities	**38,928**	**40,257**

Compared to the previous year, the disclosure of expenses relating to the IT infrastructure has been summarised in one item. This is due to the correct change in contracts with IT service providers in favour of SaaS contracts. As a rule, these include support services in addition to usage rights (licence expenses). The item external IT services and licences therefore includes expenses for external support for the support and maintenance of all systems in operation, external support for the implementation of the new ERP system and licence costs. The previous year's figures were adjusted to this structure. The increase in these expenses from EUR 9,334 thousand to EUR 9,848 thousand is mainly due to the progress of the project to implement the new ERP system.

Legal and consulting costs relate mainly to legal counselling and management consulting.

The expenses for personnel-related costs totalling EUR -1,442 thousand (previous year: EUR 1,275 thousand) include the reversal of the restructuring provision of EUR 4,833 thousand through profit or loss in the reporting year.

The increase in expenses from the recognition of provisions results from the addition for potential losses from onerous contracts with suppliers in the amount of EUR 1,389 thousand.

Expenses from the disposal of non-current assets mainly result from the disposal of property, plant and equipment.

(17) Net interest income and other financial result

in EUR thousand	2023	2022
Other interest receivable and similar income	2,786	2,990
thereof from finance leases	2,383	2,671
thereof from bank balances	300	75
thereof from third parties	103	244
Interest and similar expenses	2,328	1,483
thereof from bank liabilities	1,486	1,091
thereof interest on the net liability for pension obligations	466	161
thereof from lease liabilities	305	171
Other	71	59
Total net interest income	458	1,507
Other financial income	1,158	2,505
Other finance costs	1,801	2,089
Other non-financial liabilities	**-186**	**1,923**

In the previous year, other interest and similar income from third parties included income from refunds in connection with the completion of tax audits for the period 2013 to 2015.

The decline in net interest income is mainly due to the general rise in interest rates.

As in the previous year, other financial income and other finance costs essentially result from foreign currency translation, especially the measurement of statement of financial position items at the reporting date.

It also includes expenses and income from the development of foreign exchange hedges: income of EUR 1,123 thousand from the fair value measurement of foreign exchange swaps (previous year: EUR 425 thousand) and expenses of EUR 970 thousand from single derivatives (previous year: EUR 36 thousand).

(18) Income taxes

in EUR thousand	2023	2022
		adjusted[1]
Current tax expense (+), income (-)	**4,870**	**1,482**
thereof prior-period	-308	-631
Deferred tax expenses	**-2,426**	**-919**
thereof occurrence and reversal of temporary differences	413	-2,702
thereof utilisation of loss and interest carryforwards and capitalisation of deferred taxes on new loss carryforwards	-2,876	1,805
thereof due to change in tax rates	37	-22
Income taxes	**2,444**	**563**

[1] For explanations of the adjustments of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

Deferred taxes were measured using tax rates and tax regulations valid or enacted by the end of the reporting period. Combined income tax rates consisting of corporation tax, the solidarity surcharge and trade tax were used for the German subsidiaries. Due to the expected trade tax apportionment, the German tax rates are slightly changed in comparison to the previous year in a range between 29.13% and 30.24% (previous year: 27.13% to 30.27%).

Country-specific tax rates of 20.00% to 26.60% (previous year: 19.00% to 26.60%) were calculated for the foreign companies. The tax rate adjustments result in only immaterial differences of deferred taxes.

in EUR thousand	2023	2022
		adjusted [1]
Consolidated profit/loss before taxes	**12,889**	8,568
Forecast tax expense (30.0%)	**3,867**	2,571
Tax rate difference	**-295**	-670
Tax effect of non-deductible expenses and tax-free income	**546**	545
Tax effect from outside basis differences	**-141**	-65
Current and deferred income tax for previous years	**-895**	-671
Impairement on deferred taxes recognised / not recognised in previous years	**61**	3,096
Non-recognition of deferred taxes for the financial year	**6**	1,757
Other deviations	**256**	-148
Income taxes	**2,444**	563
Tax expense in %	**19.0%**	**6.6%**

[1] For explanations of the adjustments of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

(19) Earnings per share

As at 31 December 2023, the Group held 677,603 treasury shares (previous year: 403,907). This translates into 4.2% (previous year: 2.5%) of the share capital.

	2023	2022
		adjusted[1]
Ordinary shares outstanding as at 1 January	**15,623,853**	15,897,549
Weighted average ordinary shares (basic) as at 31 December	**15,623,853**	**15,897,549**
Effect of issued stock options	**0**	0
Weighted average ordinary shares (diluted) as at 31 December	**15,623,853**	**15,897,549**
Consolidated profit/loss (in EUR thousand)	**10,446**	**8,005**
Basic result (in EUR/share)	**0.67**	**0.50**
Diluted result (in EUR/share)	**0.67**	**0.50**

[1] For explanations of the adjustments of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

IV. Notes to the consolidated statement of financial position

(20) Intangible assets

The tables below present the development of intangible assets.

DEVELOPMENT OF INTANGIBLE ASSETS 2023

in EUR thousand	Internally generated intangible assets	Customer relationships and purchased intangible assets	Goodwill	Development projects in progress and advance payments	Other non-financial liabilities
Cost or cost of manufacture					
As at 1 Jan. 2023	**76,648**	**94,835**	**25,390**	**1,273**	**198,146**
Currency differences	0	-230	66	0	-163
Additions	272	419	0	2,402	3,093
Disposals	0	-663	-2	-11	-676
Reclassifications	78	163	0	-241	0
As at 31 Dec. 2023	**76,999**	**94,524**	**25,455**	**3,422**	**200,400**
Amortisation, depreciation and impairment					
As at 1 Jan. 2023	**69,427**	**87,957**	**20,982**	**0**	**178,367**
Currency differences	0	-151	113	0	-38
Additions	3,122	1,638	40	0	4,800
Disposals	0	-655	0	0	-655
As at 31 Dec. 2023	**72,549**	**88,789**	**21,135**	**0**	**182,474**
Carrying amount as at 1 Jan. 2023	**7,221**	**6,878**	**4,408**	**1,273**	**19,779**
Carrying amount as at 31 Dec. 2023	**4,450**	**5,734**	**4,320**	**3,422**	**17,926**

DEVELOPMENT OF INTANGIBLE ASSETS 2022

in EUR thousand	Internally generated intangible assets	Customer relationships and purchased intangible assets	Goodwill	Development projects in progress and advance payments	Other non-financial liabilities
Cost or cost of manufacture					
As at 1 Jan. 2022	**76,012**	**89,207**	**24,912**	**278**	**190,409**
Currency differences	-1	-438	77	0	-361
Acquisition through business combinations	0	5,832	401	79	6,312
Additions	0	165	0	1,276	1,441
Disposals	420	-13	0	-61	346
Reclassifications	217	82	0	-299	0
As at 31 Dec. 2022	**76,648**	**94,835**	**25,390**	**1,273**	**198,146**
Amortisation, depreciation and impairment					
As at 1 Jan. 2022	**62,926**	**86,710**	**20,983**	**61**	**170,680**
Currency differences	0	-203	2	0	-201
Additions	6,080	1,463	-2	0	7,541
Disposals	420	-13	0	-61	346
As at 31 Dec. 2022	**69,427**	**87,957**	**20,982**	**0**	**178,367**
Carrying amount as at 1 Jan. 2022	13,086	2,497	3,929	217	19,729
Carrying amount as at 31 Dec. 2022	7,221	6,878	4,408	1,273	19,780

Additions to internally generated intangible assets and development projects in progress and advance payments totalled EUR 2,673 thousand (previous year: EUR 1,276 thousand). In the reporting year, amortisation of EUR 3,122 thousand (previous year: EUR 5,101 thousand) was recognised on internally generated intangible assets. With the completion of the development projects currently under construction, scheduled depreciation and amortisation is expected to increase again.

Amortisation and impairment of the customer relationships and purchased intangible assets item includes impairment losses of EUR 185 thousand. These are required for customer relationships of a subsidiary in the Mailing, Shipping & Office Solutions segment as a subsequent effect from the amortisation of goodwill (see below on goodwill).

The additions to purchased intangible assets and customer relationships totalling EUR 419 thousand (previous year: EUR 165 thousand) mainly include the acquisition of software and licences.

With regard to acquisitions through business combinations in the previous year, please refer to note (4) Scope of consolidation in the notes to the consolidated financial statements for the 2022 fiscal year.

Goodwill

Of the goodwill of EUR 4,320 thousand (previous year: EUR 4,408 thousand), EUR 2,643 thousand (previous year: EUR 2,643 thousand) is attributable to the cash-generating unit IAB (Digital Business Solutions segment), EUR 1,317 thousand (previous year: EUR 1,363 thousand) to PostageInk.com LLC (cash-generating unit Francotyp-

Postalia Inc. in the Mailing, Shipping & Office Solutions segment) and EUR 360 thousand (previous year: EUR 402 thousand) to the group (several units without significant goodwill) of the cash-generating units of the operating Azolver companies in the Mailing, Shipping & Office Solutions segment. Due to the impairment test in accordance with IAS 36, an impairement loss of EUR 40 thousand was recognised on one unit of the Azolver companies.

The other minor changes compared to the previous year are due to exchange rate differences and the disposal of Azolver Belgium SA i.L. in the amount of EUR 1 thousand.

The following table shows the significant assumptions used in estimating the recoverable amount:

2023

in EUR thousand	Francotyp-Postalia Inc., US	IAB, Germany	Azolver Switzerland AG, Switzerland	Azolver Danmark Aps; Denmark	Azolver Suomi OY, Finland	Azolver Italy S.r.l., Italy	Azolver Norge AS, Norway	Azolver Svenska AB, Sweden
Basic assumptions								
Revenue growth range	-1.6%-5.2%	1.0%-4.9%	0.0%-6.6%	-67.7%-2.0%	-5.8%-2.0%	0.0%-1.7%	0.0%-8.1%	-3.7%-2.0%
Gross profit margins [1]	28.1%-30.4%	9.9%-10.8%	4.0%-6.6%	-5.8%-2.6%	3.9%-8.7%	5.6%-6.1%	4.6%-5.7%	12.3%-14.2%
Growth rate perpetuity	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Discount rate (WACC)	8.49%	8.75%	6.26%	8.71%	9.29%	10.39%	8.98%	9.18%
Discount rate before taxes	9.60%	11.91%	7.89%	14.10%	9,93%	13.02%	11.42%	11.62%

[1] [1] EBITDA in % of sales

2022

in EUR thousand	Francotyp-Postalia Inc.	IAB, Germany	Azolver Switzerland AG, Switzerland	Azolver Danmark Aps; Denmark	Azolver Suomi OY, Finland	Azolver Italy S.r.l., Italy	Azolver Norge AS, Norway	Azolver Svenska AB, Sweden
Basic assumptions								
Revenue growth range	-0.6%-3.0%	1.0%-12.6%	-0.2%-3.5%	-1.7%-1.6%	-1.5%-1.0%	0.0%-16.3%	0.0%-9.3%	0.0%-4.5%
Gross profit margins [1]	31.5%-33.9%	15.7%-20.3%	5.3%-13.7%	1.1%-3.4%	4.5%-6.2%	0.9%-11.2%	2.9%-3.7%	14.4%-16.3%
Growth rate perpetuity	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Discount rate (WACC)	7.50%	8.38%	6.24%	8.02%	8.77%	9.81%	8.38%	8.58%
Discount rate before taxes	9.78%	11.46%	7.96%	10.32%	11.02%	12.56%	9.00%	10.89%

[1] EBITDA in % of sales

The impairment test for goodwill is based on a number of discretionary assumptions, including expected business performance and the regulatory environment.

Development costs

in EUR thousand	2023	2022
Total development costs	**11,395**	10,003
thereof MSO	**6,356**	5,608
thereof DBS	**5,039**	4,395
thereof capitalised	**2,674**	1,068
thereof MSO	**1,737**	1,068
thereof DBS	**937**	0
Total activation rate	**23.5%**	10.7%
thereof MSO	**27.3%**	19.0%
thereof DBS	**18.6%**	0.0%
Total R&D quota	**4.7%**	4.0%
thereof MSO	**4.3%**	3.8%
thereof DBS	**18.0%**	15.0%

In the interest of greater transparency regarding the implementation of the Group strategy, the presentation of development costs will be changed in the 2023 fiscal year so that the activities are now broken down and explained by segment. The previous year's figures have been adjusted to reflect the changed reporting structure.

With the ongoing transformation programme, the focus of research and development activities is therefore shifting towards products and solutions for the digital business areas that promise greater growth potential in the medium term.

Development costs increased as a result of the increase in activities in both business units. In the area of Mailing, Shipping & Office Solutions, development costs increased by 13.3% and the ratio of R&D expenses to the revenue of the business unit was 4.3%. In the area of Digital Business Solutions, development costs increased by 14.7% and the ratio of R&D expenses to the revenue of the business unit reached 18.0%. This is a clear indicator that the focus of research and development activities within the FP Group is on new digital solutions.

In the reporting year, EUR 95 thousand (previous year: EUR 14 thousand) borrowing costs were capitalised. An average capitalisation rate of 5.14% (previous year: 2.59%) was applied.

(21) Property, plant and equipment

The tables below present the development of property, plant and equipment.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2023

in EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Leased products	Advance payments and assets under construction	Other non-financial liabilities
Cost						
As at 1 Jan. 2023	**4,644**	**11,653**	**29,961**	**80,983**	**270**	**127,512**
Currency differences	9	-2	-52	-1,884	0	-1,929
Additions	35	383	1,776	9,094	120	11,408
Disposals	-414	-1,489	-564	-2,111	0	-4,577
Reclassifications	0	0	123	0	-123	0
As at 31 Dec. 2023	**4,275**	**10,544**	**31,244**	**86,083**	**267**	**132,413**
Amortisation, depreciation and impairment						
As at 1 Jan. 2023	**2,553**	**10,081**	**27,443**	**60,539**	**0**	**100,616**
Currency differences	9	-2	-44	-1,501	0	-1,537
Additions	237	680	1,236	6,383	0	8,537
Disposals	-308	-1,487	-439	-1,643	0	-3,876
As at 31 Dec. 2023	**2,491**	**9,273**	**28,197**	**63,779**	**0**	**103,740**
Carrying amount as at 1 Jan. 2023	**2,091**	**1,572**	**2,518**	**20,444**	**270**	**26,896**
Carrying amount as at 31 Dec. 2023	**1,784**	**1,271**	**3,048**	**22,304**	**267**	**28,674**

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2022

in EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Leased products	Advance payments and assets under construction	Other non-financial liabilities
Cost or cost of manufacture						
As at 1 Jan. 2022	**4,672**	**11,686**	**29,638**	**73,682**	**150**	**119,828**
Currency differences	-25	2	-72	2,497	0	2,403
Acquisition through business combinations	45	0	92	459	0	596
Additions	5	97	918	7,526	123	8,669
Disposals	-52	-115	-636	-3,181	0	-3,984
Reclassifications	0	-18	20	0	-2	0
As at 31 Dec. 2022	**4,644**	**11,653**	**29,961**	**80,983**	**270**	**127,512**
Amortisation, depreciation and impairment						
Carrying amount as at 1 Jan. 2022	**2,331**	**9,283**	**26,906**	**55,388**	**0**	**93,908**
Currency differences	-26	2	-93	1,762	0	1,645
Additions	270	895	1,250	6,399	0	8,815
Disposals	-22	-99	-620	-3,010	0	-3,751
As at 31 Dec. 2022	**2,553**	**10,081**	**27,443**	**60,539**	**0**	**100,616**
Carrying amount as at 1 Jan. 2022	**2,341**	**2,403**	**2,732**	**18,294**	**150**	**25,920**
Carrying amount as at 31 Dec. 2022	**2,091**	**1,572**	**2,518**	**20,444**	**270**	**26,896**

The recognised additions to leased products totalling EUR 9,094 thousand (previous year: EUR 7,526 thousand) include leased franking machines and capitalised contract acquisition costs and relate mainly to the Mailing, Shipping & Office Solutions segment.

Own work capitalised of EUR 8,548 thousand (previous year: EUR 7,738 thousand) was recognised in manufacturing costs under property, plant and equipment in the reporting period.

(22) Finance lease receivables (FP as lessor)

Net investments in leases amounted to EUR 22,974 thousand as at 31 December 2023 (previous year: EUR 23,050 thousand). The change of EUR -76 thousand breaks down as follows:

CHANGE IN NET INVESTMENTS IN LEASES

in EUR thousand	2023	2022
United States	**530**	467
Canada	**174**	462
United Kingdom	**-57**	-1,718
Azolver companies	**-597**	597
Other	**-126**	-337
Other non-financial liabilities	**-76**	**-529**

The decline in finance lease receivables is based on the following two contrary effects:

a) Increase in the USA and Canada due to an increase in the contract population

b) Recognition of the Azolver companies' finance lease receivables acquired in the PPA.

The selling profit from finance leases in the reporting year was EUR 8,463 thousand (previous year: EUR 7,228 thousand). The increase is mainly due to increased revenue from finance leases in the US and to the inclusion of the Azolver companies for twelve months. In the previous year, this income had been recognised in the FP Group only for nine months due to the acquisition during the year.

The interest income from the interest on the finance lease receivables amounted to EUR 2,383 thousand in the reporting year (previous year: EUR 2,679 thousand).

The decrease of EUR 296 thousand in the reporting year resulted from the change in the maturity structure of the finance leases in the portfolio.

The following table provides an overview of the maturities of the payments from the finance leases as at 31 December 2023 and 31 December 2022 with FP as lessor. It shows the contractually agreed payments that are allocable to lease components.

in EUR thousand	Other non-financial liabilities	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
31.12.2023							
Nominal payments	**26,629**	8,639	6,553	5,088	3,466	2,031	852
Non-guaranteed residual value	**1,072**						
Future interest income	**-4,726**						
Net leasing investment	**22,974**						
31.12.2022							
Nominal payments	**28,184**	9,747	7,390	5,020	3,448	1,908	671
Non-guaranteed residual value	**854**						
Future interest income	**-5,988**						
Net leasing investment	**23,050**						

The following table shows the maturities of the payments from the operating leases with FP as lessor as at 31 December 2023 and 31 December 2022. The contractually agreed payments are stated without separating any shares for non-leasing components. The lease and non-lease components are separated in the respective period in which revenue is recognised.

in EUR thousand	Other non-financial liabilities	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Nominal payments as at 31 Dec. 2023	**50,665**	20,804	11,820	8,782	5,498	2,626	1,135
Nominal payments as at 31 Dec. 2022	**42,689**	21,987	9,288	5,972	3,450	1,275	717

(23) Inventories

in EUR thousand	31.12.2023	31.12.2022
Raw materials, consumables and supplies	**7,475**	6,781
Work in progress	**198**	277
Finished goods and goods for resale	**10,207**	12,434
Other non-financial liabilities	**17,880**	**19,492**

Impairment losses on inventories amounted to EUR 3,666 thousand (previous year: EUR 2,476 thousand) and were recognised under "Cost of materials" in the consolidated statement of comprehensive income as at the date of the impairment. In the reporting period, utilisation of inventories amounted to EUR 40,478 thousand (previous year: EUR 43,829 thousand) in the consolidated statement of comprehensive income.

(24) Trade receivables

in EUR thousand	31.12.2023	31.12.2022
Trade receivables – Germany	**9,305**	8,657
Trade receivables – abroad	**14,989**	15,608
Trade receivables – gross	**24,294**	**24,265**
Impairment on trade receivables	**-4,039**	-3,555
Trade receivables – net	**20,255**	**20,710**

IMPAIRMENT LOSSES

in EUR thousand	
As at 1 January 2022	**1,861**
Foreign currency effects	-39
Addition due to business combination	678
Addition	2,317
Utilised	-798
Unused amounts reversed	-464
As at 31 December 2022	**3,555**
Foreign currency effects	-28
Addition	2,375
Utilised	-943
Unused amounts reversed	-920
As at 31 December 2023	**4,039**

Impairment losses

The Group applies the simplified approach in accordance with IFRS 9 to measure expected credit losses for trade receivables. Under this approach, the credit losses expected over the term are used for all trade receivables. In accordance with the General Terms and Conditions, the FP Group receives the leased machines back in the event of default on receivables from finance leases. The market prices of the assets less the return-related costs exceed the defaulted receivables.

Trade receivables based on joint credit risk characteristics and number of days past due were combined to measure expected credit losses. The expected loss rates are based on the payment profiles of revenue over a period of four years and the relevant historical default rates. The historical default rates are adjusted to map current and forward-looking information on macroeconomic factors, which impact the ability of customers to settle receivables.

As the most relevant factors, the Group has identified the gross domestic product and the employment rate of the countries in which it sells products and services and adjusts the historical loss rates on the basis of the expected changes of these factors.

On this basis, the impairment on trade receivables and contract assets as at 31 December 2023 and 31 December 2022 is calculated as follows:

in EUR thousand		**Due**	**Due**	**Due**	**Due**	**Due**
31 December 2023	**Total**	**Immediately**	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**
Gross carrying amount – trade receivables	**24,294**	804	19,321	3,303	295	571
Impairment – not credit-impaired	**-298**	-2	-223	-45	-3	-25
Impairment – credit-impaired	**-3,742**	-747	-2,721	-175	-16	-83
31 December 2022						
Gross carrying amount – trade receivables	**24,265**	862	19,358	3,035	400	610
Impairment – not credit-impaired	**-362**	-2	-293	-52	-7	-8
Impairment – credit-impaired	**-3,193**	-713	-2,121	-197	-25	-136

(25) Other assets

in EUR thousand	**31.12.2023**	**31.12.2022**
Contract assets (non-current)	**342**	290
Costs to obtain contracts	**1,081**	1,036
Remaining non-current non-financial assets	**36**	36
Other non-current non-financial assets	**1,460**	**1,363**
Creditors with debit balances	**3,655**	4,140
Miscellaneous financial assets	**2,070**	2,058
Other current financial assets	**5,725**	**6,197**
Receivables from other taxes	**128**	266
Contract liabilities	**2,850**	2,631
Contract assets (current)	**114**	97
Other current non-financial assets	**651**	1,123
Other current non-financial assets	**3,743**	**4,116**

Contract acquisition costs include commissions paid to FP Group dealers for the concluding contracts with customers that include non-lease components in multi-component leases. The costs are recognised as expense evenly over the term of the lease in question. In fiscal year 2023, EUR 955 thousand was amortised on costs to obtain contracts (previous year: EUR 1,092 thousand).

Miscellaneous current financial assets include deposits of EUR 846 thousand (previous year: EUR 1,155 thousand).

(26) Cash and cash equivalents

in EUR thousand	**31.12.2023**	**31.12.2022**
Bank balances	**38,482**	34,374
Checks and cash on hand	**62**	12
Other non-financial liabilities	**38,545**	**34,387**

EUR 19,380 thousand (previous year: EUR 11,541 thousand) of bank balances are restricted. This relates to telepostage received from customers that can be accessed by customers at any time. Other liabilities include an offsetting amount of EUR 32,479 thousand (previous year: EUR 25,072 thousand) in liabilities from telepostage funds. The increase in the amounts of restricted credit balances and liabilities from telepostage funds is mainly due to the inclusion of restricted cash (telepostage funds) from a subsidiary in Italy totalling

EUR 8,132 thousand. Other financial liabilities include an offsetting amount in liabilities from telepostage funds in the same amount.

(27) Equity

Changes in equity are shown in the statement of changes in equity.

The share capital is divided into 16,301,456 no-par value bearer shares with pro rata rights to the company's profits. Each share grants one vote at the Annual General Meeting and one dividend entitlement to the bearer of the share. The share capital is fully paid in.

The Share

At the Annual General Meeting on 11 June 2015, the Management Board was authorised, 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 the sections 71d and 71e of the German Stock Corporation Act (AktG), 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 remained in effect until 10 June 2020.

On 9 October 2017, the Management Board of Francotyp-Postalia Holding AG, with the consent of the Supervisory Board, resolved to implement a program to buy back shares in the Company on the basis of the aforementioned authorization resolution ("2017 share buyback program"). The shares were acquired for the purpose of serving subscription rights issued or to be issued under stock option plans. The buyback program started on 13 October 2017 and ran until 12 January 2018.

The Annual General Meeting of Francotyp-Postalia Holding AG on 10 November 2020 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 the sections 71d and 71e of the German Stock Corporation Act (AktG), 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 19 November 2025.

On 28 October 2022, the Management Board of Francotyp-Postalia Holding AG resolved with the approval of the Supervisory Board to launch a share buyback programme ("2022 share buyback programme") in exercise of the authorisation granted by the company's Annual General Meeting on 10 November 2020.

In the 2022 share buyback programme, up to 557,680 treasury shares (equating to around 3.4% the company's current share capital) are to be bought back on the stock exchange at a total purchase price (not including ancillary acquisition costs) of no more than EUR 2.0 million in order to use them for any purposes permitted by stock corporation law.

A total of 818,703 treasury shares had been acquired from the two aforementioned share buyback programmes by the balance sheet date. Of these, 1,100 shares were used to settle stock options in 2017 and 140,000 shares were used to settle stock options in 2020.

As at 31 December 2023, Francotyp-Postalia Holding AG thus holds 677,603 treasury shares (previous year: 403,907). This corresponds to 4.2% (previous year: 2.5%) of the share capital.

Capital reserves

The additional paid-in capital includes amounts in accordance with § 272 (2) nos. 1 and 2 HGB.

The capital reserve remains unchanged at EUR 34,296 thousand.

AUTHORISATIONS FOR AUTHORISED AND CONTINGENT CAPITAL

in EUR thousand	
Contingent Capital 2010 / I	657
Authorised Capital 2015 / I	8,080
Contingent Capital 2015 / II	960
Authorised Capital 2020 / I	8,150
Contingent Capital 2020 / I	6,464

Contingent Capital 2010 / I

On 11 June 2015, the Annual General Meeting resolved to adjust Contingent Capital 2010/I. The contingent capital was reduced by EUR 388,500 from EUR 1,045,000 to EUR 656,500, as the 2010 stock option plan was reduced by 388,500 options to 656,500 options. Article 4 (5) of the company's Articles of Association regarding Contingent Capital 2010 has been amended as follows: "The company's share capital is contingently increased by up to EUR 656,500 by issuing up to 656,500 new bearer shares".

Contingent Capital 2015 / II

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

Bonds

By way of resolution of the Annual General Meeting on 10 November 2020, 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 50,000,000 up to 9 November 2025, 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 6,464,000 in accordance with the further conditions of the bonds and to establish the corresponding option or 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' subscription rights to bonds.

Authorised Capital 2020 / I

By way of the Annual General Meeting resolution from 10 November 2020, the Management Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by issuing new bearer shares against cash or non-cash contributions on one or more occasions by up to a total EUR 8,150,000 by 9 November 2025 (Authorised Capital 2020/I). Shareholders have subscription rights to the new rights. In accordance with section 186 (5) of the German Stock Corporation Act (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 subscription rights on one or more occasions.

The Management Board is also authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the content of the share rights and the conditions of issuing shares.

Authorised Capital 2020/I is intended to provide management with room for manoeuvre as the Authorised Capital available to management expired on 10 June 2020 in accordance with an Annual General Meeting resolution from 11 June 2015 (Authorised Capital 2015/I). It serves to broaden the company's equity base and should allow management to respond appropriately to future developments.

Contingent Capital 2020 / I

On 10 November 2020, the Annual General Meeting resolved to contingently increase the share capital of the company by up to EUR 6,464,000 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 2020/I).

The contingent capital 2020/I 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 9 November 2025. 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 authorisation to issue option or convertible bonds resolved by the Annual General Meeting on 11 June 2015 (Contingent Capital 2015/I) was rescinded as a precaution.

2010 stock option plan

Under the 2010 stock option plan, subscription rights are issued to members of the Management Board of the company, to members of the management boards of affiliated companies as defined in section 15 AktG and to executives of the FP Group that entitle the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price.

The stock option plan 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

Under the 2015 stock option plan, subscription rights are issued to members of the Management Board of the company, to members of the management boards of affiliated companies as defined in section 15 AktG and to executives of the FP Group 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 subscription rights under the 2015 stock option plan instead of new shares if this is covered by a separate resolution to authorise passed by the Annual General Meeting.

Stock option plans

The purpose of both stock option plans, in accordance with paragraph 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 paragraph 2.2 of the respective stock option plan, each stock option grants the right to acquire one share in Francotyp-Postalia Holding AG.

Subscription rights that had not been exercised were as follows as at the end of the reporting period:

Date of grant	Number of instruments (EUR thousand)	Contractual term of the option after award date	Securitisation	Premium at grant date
6 Dec. 2013	0	10 years	No	None
31 Aug. 2015	265,000	10 years	No	None
25 Nov. 2015	40,000	10 years	No	None

All the following conditions must be met for the options to be exercised under the 2010 and 2015 stock option plans:

a) Vesting period	Four years before the options can be exercised (service condition).
b) Performance target	10% increase in EBITDA (IFRS) in the consolidated financial statements for the fiscal year in which the subscription rights are awarded compared to EBITDA (IFRS) in the consolidated financial statements for the last fiscal year before being awarded. If the EBITDA (IFRS) is shown adjusted for restructuring costs in one or both of the consolidated annual financial statements to be compared, this EBITDA (IFRS) adjusted for restructuring costs applies. If the performance target was not met, the subscription rights expire and can be reissued to participants of the Group. This performance target is a non-market performance condition.
c) Personal exercise conditions	The option bearer must work for either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

The following overview shows the fair values of the options of the individual tranches for the 2010 and 2015 stock option plans and the underlying measurement criteria. The options were measured using a Black-Scholes option pricing model as there is no public trading of options for Francotyp-Postalia shares with the same features.

									Grant date
					SOP 2010				SOP 2015
		1 Sep. 2010	**27 Apr. 2012**	**07.09.2012**	**6 Dec. 2013**	**11 Jun. 2014**	**31 Aug. 2015**	**25 Nov. 2015**	**31.08.2016**
31.12.2023									
One option	in EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	in EUR thousand	0	0	0	0	0	284	43	0
31.12.2022									
One option	in EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	in EUR thousand	0	39	0	51	0	305	43	0
Price per FP share		EUR 2.55	EUR 2.60	EUR 2.32	EUR 4.10	EUR 4.71	EUR 4.39	EUR 4.46	EUR 4.20
Exercise price [1]		EUR 2.50	EUR 2.61	EUR 2.34	EUR 3.86	EUR 4.56	EUR 4.48	EUR 4.48	EUR 3.90
Expected exercise date		31 Aug. 2015	26.04.2017	06.09.2017	05.12.2018	10.06.2019	30.08.2020	24.11.2020	30.08.2022
Forecast average holding period in years		5	5	5	5	5	5	5	5
Expected volatility [2]		74.48%	70.84%	71.31%	59.94%	52.21%	38.81%	37.41%	36.62%
Annual dividend yield [3]		2%	2%	2%	2%	2%	3%	3%	3%
Matched-term risk-free interest rate [4]		1.32%	0.67%	0.60%	0.82%	0.44%	0.07%	0.07%	-0.48%
Expected number of exercisable stock options at award date		741,439	52,031	16,476	39,646	19,596	302,426	26,015	65,888
Estimated annual employee turnover		3.5%	3.5%	3.5%	7.7%	7.7%	7.8%	7.8%	7.5%
Expected increase in EBITDA of more than 10% year-on-year		95%	80%	95%	95%	90%	90%	90%	50%

1) The exercise price of an option awarded is equal to the average market price (closing price) of bearer shares of the company in Deutsche Börse AG's electronic Xetra trading in Frankfurt am Main or a comparable successor system on the last 90 calendar days before the subscription right is granted, at least the amount of share capital accounted for by the share. When exercising options, the respective option holder must pay the exercise price per share. There is a limit for members of the Management Board of Francotyp-Postalia Holding AG. Item 9 of the stock option plan states: "The Supervisory Board must stipulate maximum total annual remuneration (a cap) for the Management Board in accordance with item 4.2.3 of the German Corporate Governance Code. This will be agreed in a supplementary agreement to Management Board members' contracts before options are awarded".
2) Determined in reference to the price volatility of an FP share in the respective period.
3) Assessment takes account of the distribution behaviour of the FP Group in the past.
4) The matched-term, risk-free interest rate for the expected option term of five years (or six years) is based on the corresponding yield curve data, whereby hypothetical zero bonds were derived from the current yields of coupon bonds of the Federal Republic of Germany.

Options	SOP 2010 Number	SOP 2010 Average exercise price in EUR	SOP 2015 Number	SOP 2015 Average exercise price in EUR
As at 1 Jan. 2022	**57,500**	**3.21**	**325,000**	**4.28**
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	0	n/a
Exercised in fiscal year	0	n/a	0	n/a
Expired in fiscal year	-30,000	3.21	0	n/a
As at 31 Dec. 2022	**27,500**	**3.21**	**325,000**	**4.48**
Range of exercise price		2.50–3.86		3.90–4.48
Average remaining term as at 31 Dec. 2022		14 months		44 months
Exercisable as at 31 Dec. 2022	27,500	3.21	325,000	4.48
As at 1 Jan. 2023	**27,500**	**3.21**	**325,000**	**4.48**
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	0	n/a
Exercised in fiscal year	0	n/a	0	n/a
Expired in fiscal year	-27,500	3.21	-20,000	4.48
As at 31 Dec. 2023	**0**	**n/a**	**305,000**	**4.48**
Range of exercise price		n/a		3.90–4.48
Average remaining term as at 31 Dec. 2023		n/a		32 months
Exercisable as at 31 Dec. 2023	**0**	**n/a**	**305,000**	4.48

No expenses resulting from stock option plans were recognised in the reporting year or in the previous year.

Other comprehensive income

Foreign currency translation
The effects of the currency translation of foreign financial statements are recognised in the currency translation adjustment. In the reporting year, the effect amounted to EUR -472 thousand (previous year: EUR 393 thousand).

Adjustment due to IAS 19
The adjustment due to IAS 19 relates to the recognition of actuarial gains and losses from provisions for pensions and similar obligations. The change in this item of EUR 165 thousand in the reporting year (previous year: EUR 2,636 thousand) is primarily attributable to actuarial losses from the change in discount rates.

Reserve for cash flow hedges
The reserve for cash flow hedges comprises the effective portion of the cumulative net changes in the fair value of hedging instruments used to hedge cash flows until their subsequent recognition in profit or loss or direct recognition in the cost or carrying amount of a non-financial asset or liability. Accordingly, the reserve for cash flow hedges includes changes in the spot component of forward exchange transactions as well as changes in the intrinsic value of foreign currency options recognised in other comprehensive income and amounts to EUR -115 thousand as at 31 December 2023 (previous year: EUR -316 thousand).

Reserve for hedging costs
The reserve for hedging costs shows gains and losses on the portion excluded from the designated hedge that relates to the forward element of a forward foreign exchange contract or the fair value of an option contract. These are initially recognised as other comprehensive income and accounted for in the same way as gains and losses on the hedging reserve. The reserve for hedging costs includes changes in the forward component of forward exchange contracts recognised in other comprehensive income as well as changes in the fair value of the foreign currency options and amounted to EUR 112 thousand as at 31 December 2023 (previous year: EUR 64 thousand).

Distribution of a dividend
No dividends were distributed in the 2023 and 2022 reporting years.

(28) Provisions for pensions and similar obligations

The company pension scheme for employees in Germany, Austria, France, the Netherlands, Italy and Switzerland is partly based on defined benefit commitments.

Under a works agreement dated 9 July 1996 concerning the German companies, the beneficiaries of these plans are all employees who began work before 1 January 1995. Benefits in the form of pensions, disability and survivors' benefits are granted to employees after completing ten eligible years. The amount of pension commitments is based on the duration of employment and employees' pay.

Furthermore, in accordance with the "Pension Policy for Above-scale Employees" as amended January 1986, employees above the general pay scale are also entitled to pensions, disability and survivors' benefits. The beneficiaries have to have been employed before 1 January 1994 and have completed at least ten years of service. The amount of pension commitments is based on the duration of employment and employees' pay. Death benefits are payable to the surviving dependants of employees in accordance with the framework collective agreement for employees and the works agreement dated 30 December 1975. The benefits are dependent on the duration of employment and employees' pay and are paid as a fixed amount.

In addition, some European subsidiaries are legally obliged to set up pension plans. These plans provide for a one-time payment at the end of employment. The amount of payments is based on the duration of employment and employees' pay. In the Netherlands, there is a defined benefit plan under which the increases in obligations attributable to the years are covered by the annual purchases of insurance. At Azolver Schweiz AG, there is a legal obligation to provide a company pension via company pension funds.

In particular there are actuarial risks such as longevity risk or interest rate risks in connection with defined benefit plans.

This is based on the following key actuarial assumptions for the calculation of the defined benefit obligation as at the end of the reporting period:

In % per year	31.12.2023	31.12.2022
Interest Rate	**1.50-3.86**	0.88-3.88
Salary trend	**2.62-3.00**	2.38-3.00
Pension trend	**0.00-2.00**	0.00-4.50

The biometric data, such as mortality and disability, for pensions in Germany is based on the updated 2018 G mortality tables by Prof. Dr. Klaus Heubeck, which are generally accepted for the measurement of occupational pension commitments. Italy and Austria follow the same procedure. For the defined benefit pension plan in the Netherlands, the Dutch Actuarial Society's mortality tables (AG 2022) are used. In Switzerland, the biometric calculation bases are based on databases of the BVG collective foundation Swiss Life.

PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS AND PROJECTED BENEFIT OBLIGATION IN TEUR

	Present value of defined benefit obligation		Fair value of plan assets		Net liability of the pension obligation	
in EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
As at 1 Jan. of the reporting period	**15,894**	18,959	**-1,255**	0	**14,640**	18,959
Addition from company acquisition	**0**	1,674	**0**	-1,234	**0**	440
In profit or loss						
Current service cost	**121**	148	**-44**	-37	**76**	111
Interest expense (+) / income (-)	**496**	171	**-31**	-11	**466**	161
In other comprehensive income						
Remeasurement						
Actuarial gains and losses	**0**	0	**0**	0	**0**	0
from changes in biometric assumptions	**0**	-9	**0**	0	**0**	-9
from changes in financial assumptions	**591**	-4,712	**0**	0	**591**	-4,712
due to experience adjustments	**-746**	833	**0**	0	**-746**	833
Income from plan assets (not including above interest income)	**0**	0	**14**	18	**14**	18
Exchange rate changes	**90**	31	**-80**	-52	**10**	-21
Other						
Employer contributions to pension plan	**-244**	-256	**-44**	-37	**-288**	-293
Payments from pension plan	**-787**	-945	**78**	98	**-709**	-847
As at 31 Dec. of the reporting period	**15,414**	**15,894**	**-1,361**	**-1,255**	**14,054**	**14,640**

PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

In %	**31.12.2023**	**31.12.2022**
Active beneficiaries	**18.0**	16.7
Beneficiaries who have left the company	**23.9**	25.9
Retired employees	**58.2**	57.3

All pension commitments are vested.

The weighted average term of pension commitments is 11.9 years as at 31 December 2023 (previous year: 11.8 years).

MATURITY OF THE UNDISCOUNTED PENSION OBLIGATIONS

in EUR thousand	**31.12.2023**	**31.12.2022**
Up to 1 year	**830**	858
1-5 years	**3,443**	3,682
6-10 years	**4,350**	4,531
More than 10 years	**14,899**	16,099
Other non-financial liabilities	**23,522**	**25,170**

The table below shows the effect of the change in actuarial assumptions on defined benefit obligations as at 31 December 2023:

SENSITIVITY ANALYSIS AS AT 31 DEC. 2023

in EUR thousand	**Increase**	**Decrease**
Interest rate (change of 1.0%)	-1,465	2,309
Salary trend (change of 0.5%)	-355	-714
Pension trend (change of 0.25%)	832	-777
Life expectancies (change of 1 year)	636	-583

The sensitivity analysis was performed in isolation for the key actuarial assumptions in order to show their effects on defined benefit obligations calculated as at 31 December 2023 separately.

(29) Tax assets and liabilities

Recognition and measurement differences in the individual balance sheet items and tax-related

The following recognised deferred tax assets and liabilities are attributable to loss carryforwards:

in EUR thousand	Net as at 31 Dec. 2022	Recognised in profit/loss	Recognised directly in equity	Other	Net as at 31 Dec. 2023	Deferred tax assets	Deferred tax liabilities
	Adjusted[1]						
Intangible assets	-4,846	-163	0	22	**-4,988**	3,543	-8,531
Property, plant and equipment	-3,406	206	0	220	**-2,980**	500	-3,480
Right of use assets	-2,723	-168	0	-47	**-2,938**	-80	-2,858
Receivables and other assets	629	-291	-87	21	**272**	2.332	-2,060
Outside basis differences	-680	534	0	0	**-146**	0	-146
Provisions	2,540	17	23	12	**2,592**	4,250	-1,658
Liabilities	2,830	-259	0	-46	**2,525**	3,082	-557
Liabilities from finance leases	2,461	486	0	-13	**2,934**	2,934	0
Tax loss carryforwards	10,596	-3,465	0	0	**7,131**	7,131	0
Unrecognised deferred tax assets	-9,669	5,528	0	99	**-4,042**	-4,042	0
Total	**-2,269**	**2,425**	**-64**	**268**	**360**	**19,651**	**-19,291**
Tax offset						-16,060	16,060
Group carrying amount						**3,591**	**-3,231**

[1] For explanations of the adjustments of the comparative period from 1 January 2022 to 31 December 2022, see note (9) Error correction in accordance with IAS 8.

Deferred tax assets for loss carryforwards are based on the expectation that loss carryforwards can be offset against future taxable profits.

The deferred taxes not capitalised are based on loss carryforwards of EUR 19,476 thousand (previous year: EUR 42,178 thousand). No deferred taxes were recognised for temporary differences of EUR 4,398 thousand (previous year: EUR 270 thousand). These relate to the German companies and, in particular, to subsidiaries in Italy, France and Norway.

Overall, the Group has corporate tax loss carryforwards totalling EUR 16,379 thousand (previous year: EUR 26,459 thousand), trade tax loss carryforwards amounting to EUR 16,940 thousand (previous year: EUR 29,339 thousand) and foreign tax losses amounting to EUR 9,015 thousand (previous year: EUR 15,457 thousand).

At the end of the reporting period, there were deferred tax liabilities of EUR 87 thousand (previous year: EUR 225 thousand) from outside basis differences, arising from temporary differences in the amount of EUR 292 thousand (previous year: EUR 736 thousand), which were not recognised separately because the requirements of IAS 12.39 were met.

International mutual agreement procedures for the avoidance of double taxation have been carried out against the significant corrections of transfer prices for deliveries of goods by the Francotyp Postalia GmbH entity to its foreign sales companies in the USA made in the context of the tax audit for the years 2009–2012. In January 2021, the German Federal Central Tax Office confirmed that an agreement had been reached in the proposed mutual agreement procedure under the German-American double taxation treaty. This agreement is essentially in line with the proposal. This resulted in tax refund claims at the level of Francotyp-Postalia Inc. Current tax receivables totalling EUR 4,328 thousand (previous year: EUR 4,288 thousand) have arisen from both the expected reimbursement claims in Germany and abroad as well as from overpayments of current taxes. The measurement of the tax receivable at the management's discretion was based on an estimate of the most likely result of the realisation of the receivable.

(30) Other provisions

in EUR thousand	As at 1 Jan. 2023	Currency differences	Utilisation	Unused amounts reversed	Addition	As at 31 Dec. 2023
Personnel	**5,633**	-24	-4,060	-412	3,416	**4,553**
Restructuring	**7,463**	0	-450	-4,833	90	**2,270**
Warranties	**507**	6	-37	-206	547	**817**
Invention royalties	**120**	0	-79	-41	99	**99**
Litigation costs	**381**	1	-20	-199	56	**219**
Onerous contracts	**1**	0	-1	0	1,389	**1,389**
Miscellaneous provisions	**896**	1	-329	-283	315	**600**
Other provisions	**15,001**	**-16**	**-4,976**	**-5,974**	**5,912**	**9,947**

Provisions for personnel essentially include provisions for severance payments, anniversary provisions, obligations under early retirement plans and bonuses.

Besides measures in Germany, the restructuring provision also affects all subsidiaries in Germany and abroad. This provision includes costs for contract terminations and consultancy fees. The employees impacted and the employee representatives were informed of the measures. The implementation of measures was started in fiscal year 2021 and continued in fiscal year 2022 as well as 2023. The estimated costs are based on the conditions of the relevant contracts. In addition, probability-weighted assumptions were used to determine the value, particularly in the areas of personnel expenses and estimated acceptance rates.

In the course of implementing the transformation programme, new developments arose with regard to the areas and employees affected. This is also related to delays in the implementation of a standardised ERP/CRM system in the FP Group. As a result, the costs incurred were lower than originally estimated and therefore the estimate for future expenses was significantly reduced in this financial year. As a result, provisions totalling EUR 4,833 thousand (previous year: EUR 1,407 thousand) were recognised as income. At the same time, EUR 90 thousand was allocated for measures in subsidiaries that were not originally part of the transformation programme.

The provision for onerous contracts totalling EUR 1,389 thousand (previous year: EUR 1 thousand) is based on pending procurement transactions. These are purchase obligations, some of which have limited utilisation and exploitation options for goods and services.

Miscellaneous provisions include risks for other taxes and interest from tax audits in the amount of EUR 216 thousand (previous year: EUR 633 thousand). The reduction due to utilisation and reversal is related to the conclusion of the tax audit for the assessment periods 2012 to 2015.

The obligations under early retirement plans of EUR 26 thousand (previous year: EUR 78 thousand) are based on the following key actuarial assumptions:

In % per year	31.12.2023	31.12.2022
Interest Rate	**3.06**	2.33
Salary trend	**3.00**	3.00

The anniversary provisions of EUR 163 thousand (previous year: EUR 179 thousand) are based on the following key actuarial assumptions:

In % per year	31.12.2023	31.12.2022
Interest Rate	**3.86**	3.38
Salary trend	**3.00**	3.00
Social security trend	**2.50**	2.50

The biometric data, such as mortality and disability, for obligations under early retirement plans and anniversary provisions in Germany is based on the updated mortality tables 2018 G by Prof. Dr. Klaus Heubeck. In Austria, it is based on the updated mortality tables Pagler & Pagler (AVÖ 2018 P).

The provisions for litigation costs essentially relate to expected costs for pending legal disputes.

Provisions for warranties are recognised for products sold on the basis of past experience.

Income from the reversal of provisions amounting to EUR 5,974 thousand (previous year: EUR 2,203 thousand) mainly relates to the provisions for restructuring totalling EUR 4,833 thousand (previous year: EUR 1,407 thousand).

The remaining terms of the other provisions are shown in the following table.

	31.12.2023			31.12.2022		
in EUR thousand	**Other non-financial liabilities**	**Remaining term < 1 year**	**Remaining term > 1 year < 5 years**	**Other non-financial liabilities**	**Remaining term < 1 year**	**Remaining term > 1 year < 5 years**
Personnel	**4,553**	**3,842**	**711**	5,633	4,600	1,033
Restructuring	**2,270**	**2,192**	**78**	7,463	7,463	0
Warranties	**817**	**817**	**0**	507	507	0
Invention royalties	**99**	**99**	**0**	120	120	0
Litigation costs	**219**	**219**	**0**	381	381	0
Licence costs	**0**	**0**	**0**	0	0	0
Discounts and rebates	**0**	**0**	**0**	0	0	0
Onerous contracts	**1,389**	**1,389**	**0**	1	1	0
Miscellaneous provisions	**600**	**528**	**72**	896	842	54
Other provisions	**9,947**	**9,086**	**861**	**15,001**	**13,914**	**1,087**

(31) Liabilities

	31.12.2023				31.12.2022			
	Remaining term				Remaining term			
	Other non-financial liabilities	< 1 year	> 1 year ≤ 5 years	> 5 years	Other non-financial liabilities	< 1 year	> 1 year ≤ 5 years	> 5 years
Liabilities to banks	**22,496**	**7**	**22,489**	**0**	29,761	7,278	22,483	0
Lease liabilities	**11,031**	**3,369**	**7,414**	**248**	11,226	4,223	6,362	641
Liabilities to non-consolidated affiliates	**0**	**0**	**0**	**0**	1	1	0	0
Financing liabilities	**33,528**	**3,377**	**29,903**	**248**	**40,988**	**11,502**	**28,845**	**641**
Trade payables	**14,090**	**14,090**	**0**	**0**	**13,583**	**13,583**	**0**	**0**
Liabilities from telepostage	**32,479**	**32,479**	**0**	**0**	25,072	25,072	0	0
Liabilities from derivatives	**4**	**4**	**0**	**0**	1,124	1,124	0	0
Miscellaneous financial liabilities	**6,918**	**6,535**	**383**	**0**	8,784	8,399	385	0
Other financial liabilities	**39,401**	**39,018**	**383**	**0**	**34,980**	**34,595**	**385**	**0**
Income tax liabilities	**0**	**0**	**0**	**0**	6	6	0	0
Income tax liabilities	**2,160**	**2,160**	**0**	**0**	2,021	2,021	0	0
Liabilities from other taxes	**2,471**	**2,471**	**0**	**0**	2,376	2,376	0	0
Liabilities to employees	**750**	**750**	**0**	**0**	668	668	0	0
Liabilities for social security contributions	**9,654**	**8,559**	**1,095**	**0**	9,593	8,475	1,118	0
Contract liabilities	**8,280**	**8,280**	**0**	**0**	7,915	7,915	0	0
Deferred payments	**72**	**72**	**0**	**0**	84	84	0	0
Other non-financial liabilities	**23,388**	**22,293**	**1,095**	**0**	**22,663**	**21,545**	**1,118**	**0**
Other non-financial liabilities	**110,407**	**78,778**	**31,381**	**248**	**112,214**	**81,225**	**30,348**	**641**

The amount of EUR 22,489 thousand (previous year: EUR 29,750 thousand) of the total liabilities to banks amounting to EUR 22,496 thousand (previous year: EUR 29,761 thousand) is due to an international banking consortium. For further information, see note 32 4. Liquidity risks as well as note 33 for collateral.

In accordance with the syndicated loan agreement in place on 31 December 2023, an interest rate pegged to EURIBOR has been determined for the individual loans. Due to the increase in the interest rates for 3-month EURIBOR and 6-month EURIBOR, a 24-month interest rate hedge was concluded in fiscal year 2022.

Telepostage liabilities relate to customer funds held in trust.

Contract liabilities essentially include deferred revenue received in accordance with IFRS 15. The deferred payments mainly include deferred revenue from incoming payments in accordance with IFRS 16.

(32) Financial instruments

Classes of financial instruments

The following table shows the carrying amounts of all financial instruments included in the consolidated financial statements and their measurement category in accordance with IFRS 9.

FINANCIAL ASSETS AND LIABILITIES

in EUR thousand		Carrying amount	
Item in statement of financial position	Valued at [1]	2023	2022
Finance lease receivables (non-current)	n/a [2]	16,094	15,571
Derivative financial instruments with a hedging relationship	FV	0	186
Other non-current financial assets	AC	55	56
Non-current financial assets		**16,148**	**15,813**
Trade receivables	**AC**	**20,255**	**20,710**
Finance lease receivables (current)	n/a [2]	6,881	7,479
Derivative financial instruments with a hedging relationship	FV	294	94
Derivative financial instruments without a hedging relationship	FV	0	0
Other financial assets (current)	AC	5,725	6,197
Other current financial assets		**12,900**	**13,771**
Cash and cash equivalents	**AC**	**38,545**	**34,387**
Liabilities to banks (non-current)	AC	22,489	22,483
Lease liabilities (non-current)	n/a [2]	7,662	7,003
Non-current financing liabilities		**30,151**	**29,487**
Other financial liabilities (non-current)	AC	384	385
Other non-current financial liabilities		**384**	**385**
Liabilities to banks (current)	AC	7	7,278
Lease liabilities (current)	n/a [2]	3,369	4,223
Other financing liabilities (current)	AC	0	1
Current financing liabilities		**3,377**	**11,502**
Trade payables	**AC**	**14,090**	**13,583**
Derivative financial instruments with a hedging relationship	FV	4	1
Derivative financial instruments without a hedging relationship	FV	0	1,123
Other financial liabilities (current)	AC	39,014	33,472
Other current financial liabilities		**39,018**	**34,595**
Thereof, as per IFRS 9 measurement categories			
Financial assets measured at amortised cost (FAAC)		64,579	61,350
Financial assets at fair value through profit or loss (FVTPL)		0	0
Derivative financial assets in a hedging relationship		294	281
Financial liabilities measured at amortised cost (FLAC)		75,984	77,202
Financial liabilities measured at fair value through profit or loss (FLFV)		0	1,123
Derivative financial liabilities in a hedging relationship		4	1

1) [1]AC - amortised cost, FV - fair value
2) [2]Finance lease receivables and lease liabilities are covered by IFRS 16 and are thus not allocated to any of the measurement categories formed under IFRS 9.

Most of the trade receivables, other financial assets (current), cash and cash equivalents, trade payables, current financing liabilities and other financial liabilities (current) have short remaining maturities. The carrying amounts of these financial instruments thus approximate their fair values as at the end of the reporting period.

The carrying amount of non-current financial assets and liabilities and non-current financing liabilities measured at amortised cost approximate their fair value, as these bear variable interest or there have been no material changes to the applicable measurement parameters since the initial recognition of these financial instruments.

The table below contains information on measuring financial assets and liabilities at fair value through profit or loss, including their level in the fair value hierarchy.

Financial instruments	Fair value	Fair value	Measurement method	Significant unobservable inputs	
Figures in EUR thousand	**31.12.2023**	**31.12.2022**			**Hierarchy**
Financial assets measured at fair value					
Derivative financial instruments with positive fair values	**294**	281	Market approach: the fair values are based on brokers' price quotations	Not applicable	Level 2
Financial liabilities measured at fair value					
Derivative financial instruments with negative fair values	**4**	1,124	Market approach: the fair values are based on brokers' price quotations	Not applicable	Level 2

At the end of the reporting period, an examination is made whether reclassifications between measurement hierarchies is required. No reclassifications were made in fiscal years 2023 and 2022.

Risk management

In the context of its operating activities, the FP Group is exposed to credit risks, liquidity and market risks in the financial sector. Market risks relate in particular to interest rate and exchange rate risks.

The overall risk management system of the Group takes into account the unpredictability of financial markets and aims to minimise the negative impact on the result of operations of the Group. The Group uses certain financial instruments to achieve this goal.

For further details on the qualitative information on risk management and financial risks, please see the risk report in the Group management report.

No further significant risk clusters in relation to financial instruments have been identified. The framework, responsibilities, financial reporting procedures and control mechanisms for financial instruments are set out in internal regulations for the Group. This includes a separation of duties between the monitoring and controlling of financial instruments. The currency, interest rate and liquidity risks of the FP Group are managed centrally.

1. Foreign currency risks

Given its global operations, the FP Group is exposed to foreign exchange risks in its ordinary activities. Foreign currency risks arise from statement of financial position items, from pending transactions in foreign currencies and cash inflows and outflows in foreign currencies. Derivative financial instruments are used to minimise these risks.

Translation risks

Income from translation differences and hedges of EUR 1,479 thousand (previous year: EUR 2,504 thousand) and expenses of EUR 1,748 thousand (previous year: EUR 2,054 thousand) were recognised in net finance costs in the reporting year.

Transaction risks

The risk is mainly mitigated by invoicing business transactions (sales and purchases of products and services as well as investing and financing activities) in the respective functional currency. Moreover, it offsets the foreign currency risk in part by procuring goods, raw materials and services in the corresponding foreign currency.

Operating units are prohibited from borrowing or investing funds in foreign currencies for speculative reasons. Intragroup financing or investments are preferably carried out in the respective functional currency. Corporate financing is organised and carried out by FP Holding and Francotyp-Postalia GmbH.

With all other parameters remaining constant, the following table shows the sensitivity of consolidated profit/loss before taxes and consolidated equity to possible changes in the exchange rates relevant to the FP Group (GBP, USD, CAD, SEK). The unhedged transactions in the relevant currencies (net risk position) and the existing financial instruments and net investments in accordance with IAS 21 were used as the benchmark for the calculated sensitivities.

DERIVATIVE FINANCIAL INSTRUMENTS IN GBP

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
GBP	+5%	0	-48
	-5%	0	15
2022			
GBP	+5%	323	-33
	-5%	-302	57

DERIVATIVE FINANCIAL INSTRUMENTS IN USD

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
USD	+5%	0	-3
	-5%	0	318
2022			
USD	+5%	0	-234
	-5%	0	152

DERIVATIVE FINANCIAL INSTRUMENTS IN CAD

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
CAD	+5%	0	-32
	-5%	0	29
2022			
CAD	+5%	0	-33
	-5%	0	29

NET RISK POSITION IN GBP

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
GBP	+5%	160	0
	-5%	-145	0
2022			
GBP	+5%	207	0
	-5%	-187	0

NET RISK POSITION IN USD

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
USD	+5%	938	0
	-5%	-849	0
2022			
USD	+5%	858	0
	-5%	-776	0

NET RISK POSITION IN CAD

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
CAD	+5%	80	0
	-5%	-72	0
2022			
CAD	+5%	98	0
	-5%	-89	0

NET RISK POSITION IN SEK

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
SEK	+5%	114	0
	-5%	-103	0
2022			
SEK	+5%	81	0
	-5%	-73	0

NET INVESTMENTS IN CAD

in EUR thousand	Course development of the foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2023			
CAD	+5%	0	0
	-5%	0	0
2022			
CAD	+5%	0	0
	-5%	0	0

The Group uses foreign exchange forward transactions and foreign currency options to hedge foreign exchange risks from anticipated future cash inflows in US dollars (USD), Canadian dollars (CAD) and pound sterling (GBP). According to Group guidelines, the material contractual terms of the forward transactions and options must be consistent with the hedged items.

The FP Group recognises all changes (including the forward element as hedging costs) of the fair value of foreign exchange future contracts and foreign currency options in equity.

In accordance with IFRS 9, changes to the forward elements of foreign exchange transactions and the time value of options which relate to the hedged items are deferred in the hedging reserve.

In order to minimize fluctuations in earnings, hedging transactions together with the respective underlying transactions were transferred to hedging unit at the balance sheet date of 31 December 2023, taking into account the provisions of IFRS 9.

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2023

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency as at 31.12.2023	Average hedged price	Type of Hedging relationship	Carrying amount as at 31 Dec. 2023	Effectiveness test/effective part, spot element	Effectiveness test - ineffective part	Undesignated part of the hedge, forward element
					Other current financial assets (+) / liabilities (-)	Reserve for cash flow hedges	Profit and loss	Reserve from hedging transactions
USD	34,700,000	15,600,000	1.12 EUR/USD	FX collar / cash flow hedge	165,471	0	0	165,471
GBP	3,600,000	960,000	0.90 EUR/GBP	FX collar / cash flow hedge	3,554	0	0	-3,554
CAD	3,120,000	900,000	1.4636 EUR/CAD	DTG / Cash Flow-Hedge	912	3,292	0	-2,380

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2022

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency as at 31.12.2022	Average hedged price	Type of Hedging relationship	Carrying amount as at 31 Dec. 2022	Effectiveness test/effective part, spot element	Effectiveness test - ineffective part	Undesignated part of the hedge, forward element
					Other current financial assets (+) / liabilities (-)	Reserve for cash flow hedges	Profit and loss	Reserve from hedging transactions
USD	33,000,000	15,600,000	1.10 EUR/USD	FX collar / cash flow hedge	79,601	0	0	79,601
GBP	5,400,000	1,920,000	0.90 EUR/GBP	FX collar / cash flow hedge	14,853	0	0	14,853
CAD	3,600,000	900,000	1.4505 EUR/CAD	DTG / Cash Flow-Hedge	-639	2,601	0	-3,240

The FP Group is anticipating cash flows in US dollars of USD 34,700 thousand in 2023 (previous year: USD 33,000 thousand) from the operating activities of its US subsidiary. As at the end of December 2023, currency forwards and foreign currency options with a fixed maturity in the amount of USD 15,600 thousand were concluded (previous year: USD 15,600 thousand).

The FP Group is anticipating cash flows in GBP of GBP 3,600 thousand in 2023 (previous year: GBP 5,400 thousand) from the operating activities of its subsidiary in the United Kingdom. As at the end of December 2023, currency forwards with a fixed maturity in the amount of GBP 960 thousand (previous year: GBP 1,920 thousand) were concluded.

The FP Group expects cash flows in CAD from the operating activities of the subsidiary in Canada in 2023 in the amount of CAD 3,120 thousand (previous year: CAD 3,600 thousand). Forward exchange contracts of CAD 900 thousand (previous year: CAD 900 thousand) with a fixed maturity had been concluded as at the end of December 2023.

Taking account of the currency hedges in place at the reporting date, the following net risk positions result:

NET RISK POSITION AS AT 31 DECEMBER 2023

in thousands

Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	3,600	960	2,640
USD	34,700	15,000	19,700
CAD	3,120	900	2,220
SEK	24,000	0	24,000

NET RISK POSITION AS AT 31 DEC. 2022

in thousands

Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	5,400	1,920	3,480
USD	33,000	15,600	17,400
CAD	3,600	900	2,700
SEK	17,000	0	17,000

In the previous year, further hedges of currency risks were recognised as part of "individual derivative transactions" that do not qualify for hedge accounting under IFRS 9. These expired in the reporting year and no further agreements were concluded. The expired hedge relationships were the transactions shown in the following table.

in thousands

Currency	Nominal volume in foreign currency	Type of hedge	Market value as at 31 Dec. 2023	Market value as at 31 Dec. 2022
GBP	5,550	Currency swap	0	-1,123

2. Interest rate risks

The risk of fluctuations in market interest rates, to which the FP Group is exposed, predominantly results from long-term liabilities with variable interest rates. The finance department of the Group manages the interest rate risk with the aim of optimising the net interest income of the Group and minimising the total interest rate risk. The financing requirements of companies in the FP Group are covered by intragroup loans or intragroup clearing accounts.

The loan agreement concluded in June 2016, modified in September 2018 and extended in September 2022 provides for an interest rate on the basis of a variable reference interest rate (3-month EURIBOR or 6-month EURIBOR) plus a credit margin.

Due to the development of market interest rates in fiscal year 2022, interest rate hedges – interest rate swaps – were concluded to hedge the future interest costs of the utilized credit facility.

The FP Group recognises all changes in the fair value of interest rate swaps (IRS) in equity.

In order to minimize fluctuations in earnings, hedging transactions together with the respective underlying transactions were transferred to hedging unit at the balance sheet date of 31 December 2023, taking into account the provisions of IFRS 9.

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2023

Interest Rate	Sum of the expected Cash Flow in EUR	Secured Volume in EUR as of 31.12.2023	Average Hedging rate in %	Type of Hedging relationship	Carrying amount as of 31.12.2023	Effectiveness test/ effective part, spot element	Effectiveness test - ineffective part	Undesignated portion of hedge, forward component
					Other current assets (+) / liabilities (-)	Reserve for cash flow hedges	Profit and loss	Reserve from hedging transactions
EURIBOR 6M	22,500,000	30,000,000	2.97	IRS/Cash Flow Hedge	127,095	95,322	31,774	0

Floating rate financial instruments are exclusively liabilities to banks. The following table shows the sensitivity of consolidated profit/loss before taxes and other comprehensive income to a reasonable possible change in interest rates. All other variables remain constant. The average amount of loans at the end of the year was used as the benchmark for sensitivity.

in EUR thousand	Change in percentage points	Effect on consolidated profit/loss before taxes	Effect on total other equity before taxes
2023			
Loan	+1%	-225	0
Loan	-1%	225	0
Interest rate derivatives	+1%	0	298
Interest rate derivatives	-1%	0	-152
2022			
Loan	+1%	-300	0
Loan	-1%	300	0
Interest rate derivatives	+1%	0	193
Interest rate derivatives	-1%	0	-857

3. Risk of default

The carrying amount of financial assets is the maximum risk of default in the event that counterparties fail to meet their contractual payment obligations. For all contracts on which primary financial instruments are based, depending on the type and volume of the contract, collateral is required, credit information/references are obtained or historical data from previous business relations (e.g. analysis of payment performance) are used to minimise the risk of default. In accordance with the terms and conditions of Francotyp-Postalia, there is a retention of title to goods purchased until all payments have been received in full. If a customer leasing machinery is in arrears or if a lessor refuses to execute a contract despite warnings, the customer is required to return the leased assets to Francotyp-Postalia and to pay damages on termination of the contract.

The default risk of the FP Group is impacted primarily by the individual characteristics of the customers. However, the Management Board also takes into account the entire customer base, including the default risk of the industry and the countries in which the customers operate, as these factors could also impact the default risk.

For other financial assets (such as cash and cash equivalents, financial instruments measured at amortised cost and derivative financial instruments), the maximum risk of default is the respective reported carrying amount.

The FP Group concludes derivative financial instruments on the basis of netting agreements. In general, with these agreements the amounts owed from all transactions of the respective contractual partners on a specific individual day within our currency are offset and paid from one contract partner to the other contract partner as one amount. In special circumstances – for example in the case of a credit event such as a default, all outstanding transactions under the agreement are ended and a total amount determined by offsetting all transactions. This amount is then payable.

These agreements do not fulfil the criteria for offsetting transactions in the financial statements. This is the case because Francotyp-Postalia has no lawful means of offsetting these transactions in a normal situation. Offsetting is legally possible only in the case of a future event such as a default on liabilities or something similar.

The following tables show the carrying amounts of the recognised financial instruments subject to such an agreement:

31.12.2023

in EUR thousand	Gross amount of the financial instruments recognised in the statement of financial position	Relevant not recognised financial instruments	Net amount
Derivative financial instruments with positive fair values	294	-4	290
Derivative financial instruments with negative fair values	4	-4	0

31.12.2022

in EUR thousand	Gross amount of the financial instruments recognised in the statement of financial position	Relevant not recognised financial instruments	Net amount
Derivative financial instruments with positive fair values	281	-170	111
Derivative financial instruments with negative fair values	1,124	-170	953

4. Liquidity risks

The liquidity risks of the Group are that it may no longer be able to meet its financial obligations (for instance, the expected repayment of financial liabilities, the payment of suppliers or fulfilment of finance lease obligations). The FP Group limits these risks with working capital and cash management. Liquidity risks are addressed by a liquidity forecast for the entire Group.

In addition to the liquidity management instruments stated above, the FP Group is constantly monitoring financing opportunities as they arise on the financial markets. The central aim is to ensure the Group's financial flexibility and to limit financial risks.

To finance itself, the FP Group primarily uses cash flow from operating activities as well as loan agreements with financial institutions and finance leases that are either already in place or are adjusted during the year.

In fiscal year 2021, the syndicated loan agreement in place since 2016 and modified in 2018 was adjusted. The reduction of the total credit facility from EUR 150,000 thousand to EUR 90,000 thousand was made for cost/benefit reasons. Following the prolongation of the existing syndicated loan agreement in the 2022 fiscal year, the Group had EUR 90,000 thousand available until September 2023 and EUR 67,500 thousand until September 2024. With effect from 26 February 2024, the syndicated loan agreement with the established banking consortium consisting of Landesbank Baden-Württemberg as facility agent, Deutsche Bank AG and UniCredit Bank GmbH was extended by three years until February 2027. EUR 55 million is thus available to the company until February 2024. The liabilities from the syndicated loan agreement are secured by a guarantor concept, according to which the nine largest companies in the FP Group are guarantors to the agreement. The guarantors are liable with their assets for possible payment defaults/liquidity difficulties of FP Holding AG as the borrower.

As at 31 December 2023, the FP Group had unused credit facilities of EUR 45,000 thousand (previous year: EUR 58,563 thousand).

In accordance with the new syndicated loan agreement, the FP Group has undertaken to comply with two defined financial covenants.

$$\text{Leverage} = \frac{\text{Total net debt}}{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}} \leq 3.0\times$$

$$\text{Interest cover} = \frac{\text{Adjusted EBITDA (if required, adjusted for non-recurring effects)}}{\text{Net interest income (adjusted for IAS 23 Borrowing Costs))}} \geq 5.0\times$$

In accordance with the existing change of control clause in the syndicated loan agreement, a change of control occurs when a person or a group of people acting in concert directly or indirectly hold over 30% of the voting rights or shares in Francotyp-Postalia Holding AG.

In the event of a change of control and after a written request from a creditor, all loans (including interest) from the creditor become due for repayment within 30 days.

The loan agreement continues to serve as financing security for acquisitions. In the future, the FP Group has entrepreneurial headroom to enter into additional financial obligations. As a result of the syndicated loan agreement, the FP Group has achieved significant overall 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 FP Group has also utilised guarantee facilities of EUR 1.4 million outside of the syndicated loan.The lease liabilities, trade payables and other liabilities mainly relate to the financing of operating assets used in continued operations (such as property, plant and equipment) and to investments within working capital (such as inventories and trade receivables). The Group takes these assets into account in the effective management of its overall liquidity risk.

The following tables show the undiscounted, contractually agreed payment outflows from financial liabilities. These include the cash flows resulting from the syndicated loan agreement, including estimated interest payments and payments from derivative financial instruments with negative fair value. In addition to the stated syndicated loan of EUR 22,489 thousand (previous year: EUR 29,750 thousand), there were other liabilities to banks of EUR 7 thousand (previous year: EUR 11 thousand).

FINANCIAL LIABILITIES AS AT 31 DEC. 2023

in EUR thousand	Carrying amount	Cash outflows		
		< 1 year	1-5 years	> 5 years
Liabilities to banks	22,496	-9,767	-16,770	0
Lease liabilities	11,031	3,369	7,414	248
Other financing liabilities	0	0	0	0
Trade payables	14,090	-14,090	0	0
Other financial liabilities (excluding derivatives)	39,398	-39,014	-384	0
Incoming payments from derivatives transactions		1,111	0	0
Outgoing payments from derivatives transactions		-1,105	0	0

FINANCIAL LIABILITIES AS AT 31 DEC. 2022

in EUR thousand	Carrying amount	Cash outflows		
		< 1 year	1-5 years	> 5 years
Liabilities to banks	29,761	-8,559	-23,239	0
Lease liabilities	11,227	-4,223	-6,362	-641
Other financing liabilities	1	-1	0	0
Trade payables	13,583	-13,583	0	0
Other financial liabilities (excluding derivatives)	33,857	-33,472	-385	0
Incoming payments from derivatives transactions		11,587	0	0
Outgoing payments from derivatives transactions		-12,660	0	0

Net gains and losses on financial instruments by measurement category

IFRS 9 NET RESULT

in EUR thousand	2023	2022
Financial instruments measured at fair value through profit or loss[1]	152	388
Financial assets at amortised cost[2]	-2,115	-1,757
Financial liabilities at amortised cost[3]	-503	-595
Other non-financial liabilities	**-2,466**	**-1,964**

1) Fair value changes
2) Impairment losses, reversals, interest payments and foreign currency effects
3) Foreign currency effects, interest payments and gains on disposal

Capital management

The capital structure is key to the capital management of the Group. The net debt ratio is the control parameter for the capital structure. This is the ratio of net liabilities to equity. The net debt ratio is monitored on an ongoing basis.

in EUR thousand	31.12.2023	31.12.2022
Liabilities to banks	22,496	29,761
Lease liabilities	11,031	11,227
Other financing liabilities	0	1
Liabilities	**33,528**	**40,988**
Cash and cash equivalents	-38,545	-34,387
Postage credit balances managed by the FP Group	19,380	11,541
Cash (cash and cash equivalents less restricted funds)	**-19,165**	**-22,846**
Net debt	**14,363**	**18,142**
Equity	34,359	25,021
Net debt ratio	**42%**	**73%**

The goal of capital management is to achieve the highest possible credit rating. The future of the Group as a going concern must also be ensured.

By increasing equity by 37.3%, the FP Group was able to significantly reduce its net debt ratio.

In the 2023 reporting year, there were no changes in the objectives, policies or processes for capital management.

Financial performance indicators

Group management is essentially carried out using the following financial performance indicators: revenue, EBITDA.

(33) Collateral

in EUR thousand	31.12.2023	31.12.2022
Guarantee obligations	250	250
Other non-financial liabilities	**250**	**250**

The guarantee obligations include rent guarantees for machinery and postage.

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 & Co. KG, FP Digital Business Solutions GmbH, Francotyp-Postalia Inc. (USA), Francotyp-Postalia Ltd. (UK), Francotyp-Postalia Canada Inc. (Canada).

The loan utilised amounted to EUR 22,500 thousand as at 31 December 2023 (previous year: EUR 31,437 thousand).

Collateral received has a fair value of EUR 1,821 thousand (previous year: EUR 1,900 thousand) and is available to the FP Group in the short term only in the reporting year (previous year: unchanged). The collateral essentially consists essentially of rent deposit guarantees and guarantees for deliveries of goods and services.

(34) Other financial obligations

NOMINAL VALUES OF OTHER FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2023

in EUR thousand	Other non-financial liabilities	< 1 year	1-5 years	> 5 years
Other financial obligations	**28,692**	23,770	3,806	1,115
thereof from rental agreements/leases (not recognised)	**4,194**	1,105	1,973	1,115
thereof from purchase commitments	**22,998**	21,408	1,590	0
thereof from other contractual obligations	**1,500**	1,257	243	0

NOMINAL VALUES OF OTHER FINANCIAL OBLIGATIONS AS AT 31 DECEMBER 2022

in EUR thousand	Other non-financial liabilities	< 1 year	1-5 years	> 5 years
Other financial obligations	**25,899**	22,692	1,973	1,234
thereof from rental agreements / leases (not recognised)	**4,064**	1,248	1,582	1,234
thereof from purchase commitments	**20,429**	20,415	14	0
thereof from other contractual obligations	**1,406**	1,029	377	0

The obligations from rental agreements and leases as at 31 December 2023 relate to:

(i) obligations from short-term or low-value agreements that were not recognised in the statement of financial position due to the exercise of options under IFRS 16.

(ii) Obligations for contractual components of a service nature. The consideration allocated to these services is not recognised as part of the right-of-use asset or lease liability. In this respect, no other financial obligations arise.

Purchase commitments relate predominantly to the purchase of materials and other services.

(35) Disclosures on leases for the FP Group as lessee

As a lessee, the Group primarily leases real estate (office and warehouse space), but also vehicles, machinery and other operating and office equipment. The conditions of the leases vary widely, especially in the case of real estate leases, which account for most of the leases in the Group.

This applies to the term, the agreement of termination or extension options, and pricing.

The following disclosures can be made regarding leases in which the Group is the lessee:

Right-of-use assets and lease liabilities

The right-of-use assets from leases are recognised in the statement of financial position in the separate "right-of-use assets" item under "non-current assets".

The development of the recognised right-of-use assets was as follows.

RIGHT-OF-USE ASSETS

in EUR thousand	Land and buildings	Machinery	Motor vehicles and other operating and office equipment	Total
As at 1 Jan. 2022	**9,381**	**6**	**996**	**10,383**
Additions to right-of-use assets	1,643	680	627	2,951
Additions due to business combinations	2,022	0	437	2,459
Disposals of right-of-use assets	-301	0	-13	-315
Depreciation in the fiscal year	-3,642	-128	-830	-4,600
Currency differences	111	0	-9	103
As at 31 Dec. 2022	**9,214**	**558**	**1,208**	**10,981**
Additions to right-of-use assets	4,902	0	621	5,523
Additions due to business combinations	0	0	0	0
Disposals of right-of-use assets	-1,029	0	-57	-1,086
Depreciation in the fiscal year	-3,615	-144	-867	-4,626
Currency differences	-97	0	-4	-101
As at 31 Dec. 2023	**9,376**	**414**	**901**	**10,691**

The lease liabilities are recognised in the statement of financial position under "non-current liabilities" and "current liabilities" within the "financing liabilities" item and had the following maturities as at the end of the reporting period:

MATURITIES OF LEASE LIABILITIES

in EUR thousand	31.12.2023	31.12.2022
Up to one year	**3,369**	4,223
More than one and less than five years	**7,414**	6,362
More than five years	**248**	641
Other non-financial liabilities	**11,031**	**11,227**

Expenses and income from leases

The following amounts from leases are recognised in the consolidated income statement:

EXPENSES AND INCOME FROM LEASING

in EUR thousand	2023	2022
Depreciation of right-of-use assets	**4,626**	4,600
Interest expenses for lease liabilities	**305**	171
Expenses from short-term leases	**322**	181
Expenses from low-value leases	**29**	100
Expenses from variable lease payments	**2**	16

Payments from leases

Payments for leases totalling EUR 4,852 thousand (previous year: EUR 4,526 thousand) were made in fiscal year 2023.

(36) Contingent assets

Contingent assets

In fiscal year 2017, irregularities in the internal recording and billing of letter volumes were reported. In the time-critical consolidation business, the FP Group found that as a result of breaches of duty by individuals it had suffered financial damage extending beyond the reporting period. As a consequence, FP asserted damages claims against employees of around EUR 1.7 million on 14 February 2018 as part of wrongful dismissal proceedings that are currently still ongoing. The fidelity insurer was informed about the breaches of duty and the damages incurred. If the claims are upheld, this could have a one-time positive effect on the Group's financial position and results of operations and result in FP exceeding the forecast for 2024.

III. Other disclosures

(37) Notes to the cash flow statement

The FP Group's cash and cash equivalents comprise cash less restricted funds (postage credit managed by the FP Group).

in EUR thousand	31.12.2023	31.12.2022
Cash and cash equivalents	**38,545**	34,387
less restricted cash and cash equivalents (telepostage funds managed)	**-19,380**	-11,541
Cash (cash and cash equivalents less restricted funds)	**19,165**	**22,846**

Liabilities from financing activities developed as follows:

in EUR thousand	01.01.2023	Cash		Non-cash				31.12.2023
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects	
Liabilities to banks	29,761	239	-7,504	0	0	0	0	**22,496**
Lease liabilities	11,227	0	-4,852	305	-1,059	5,513	-103	**11,031**
Total liabilities from financing activities	**40,988**	**239**	**-12,356**	**305**	**-1,059**	**5,513**	**-103**	**33,527**

in EUR thousand	01.01.2022	Cash		Non-cash				31.12.2022
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects	
Liabilities to banks	29,708	2,834	-2,842	61	0	0	0	**29,761**
Lease liabilities	10,469	0	-4,420	170	-445	5,352	101	**11,227**
Total liabilities from financing activities	**40,177**	**2,834**	**-7,262**	**231**	**-445**	**5,352**	**101**	**40,988**

(38) Employees

AVERAGE NUMBER OF EMPLOYEES BY COUNTRY

	2023	2022
Germany	592	610
United States	125	124
UK	59	60
The Netherlands	16	14
Canada	26	27
Italy	26	30
Sweden	36	47
Austria	16	16
France	17	14
Belgium	2	2
Norway	24	32
Finland	12	12
Switzerland	8	7
Denmark	6	7
Estonia	60	67
Other non-financial liabilities	**1,025**	**1,069**

AVERAGE NUMBER OF EMPLOYEES BY SEGMENT

	2023	2022
		adjusted[1)]
Mailing, Shipping & Office Solutions	610	627
Mail Services	132	126
Digital Business Solutions	120	132
Other	163	184
Other non-financial liabilities	**1,025**	**1,069**

1) Allocation of employees adjusted in 2022 due to changed segment reporting. For information on the change, see section II. of the notes to the consolidated financial statements.

AVERAGE NUMBER OF EMPLOYEES BY GENDER

	2023	2022
Male	609	676
Female	415	392
Non-binary	1	1
Other non-financial liabilities	**1,025**	**1,069**

AVERAGE NUMBER OF EMPLOYEES BY GROUPS

	2023	2022
Executives	36	37
Employees	989	1,032
Other non-financial liabilities	**1,025**	**1,069**

The number of employees is reported as an annual average in accordance with section 314 HGB. In 2022, the employees of the acquired companies Azolver and pakadoo are included on a pro rata basis in each case. The allocation of employees to the segments in based on legal entities. In a few cases, employees work on DBS activities but are employed at MSO companies. These staff costs are passed on internally. The disclosures on management staff include the first and second management level below the Management Board.

(39) Management Board and Supervisory Board (additional disclosures in accordance with German Commercial Code (HGB))

According to the schedule of responsibilities for the Management Board of Francotyp-Postalia Holding AG, the positions and responsibilities of the members of the Management Board under the current schedule of responsibilities are as follows:

Name	Position on Management Board	Areas of responsibility
Carsten Lind	CEO (since 11 November 2020) until 1 March 2024	From 11 January 2021: Company Strategy including M&A / Communication (Public Relations, Corporate Communication) / Human Resources / Internal Audit / Mailing Shipping & Office Solutions, Digital Business Solutions and Mail Services business units From 23 February 2023: Company Strategy including M&A / Communication (Public Relations, Corporate Communication, Investor Relations) / Human Resources / Mailing Shipping & Office Solutions, Digital Business Solutions and Mail Services business units
Friedrich G. Conzen	CEO since 1 March 2024	from 18 April 2024: Company Strategy including M&A / Communication (Public Relations, Corporate Communication, Investor Relations) / Human Resources / Legal / Mailing Shipping & Office Solutions, Digital Business Solutions and Mail Services business units
Ralf Spielberger	CFO (since 1 October 2022)	From 1 October 2022: Finance / Accounting / Controlling / Tax / Treasury / Legal and Compliance / Risk Management / Investor Relations / Purchasing and Procurement / Internal IT From 23 February 2023: Finance / Accounting / Controlling / Tax / Treasury / Legal, Compliance and Internal Audit / Risk Management / Purchasing and Procurement / Internal IT / Group Services From 18 April 2024 Finance / Accounting / Controlling / Tax / Treasury / Compliance and Internal Audit / Risk Management / Purchasing and Procurement / Internal IT / Group Services

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.

Name	Professional activity	Other administrative or supervisory board mandates or mandates for similar executive bodies in Germany and abroad
Dr Alexander Granderath (Member, until 6 February 2024 Chairman)	• Managing Director, Dr Granderath, Rat und Vermögen GmbH, Willich • Managing Director, StreamParty GmbH, Willich • Managing Director, Value for Generations GmbH, Willich	• Chairman of the Supervisory Board, Vita 34 AG
Johannes Boot (since 14 June 2023; Deputy Chairman since 14 June 2023; Chairmann since 6 February 2024)	• Managing Director, Tiven Malta Ltd., Malta	• Member of the Supervisory Board, Deutsche Konsum REIT-AG, Potsdam • Member of the Supervisory Board, Gerlin NV, Maarsbergen, Netherlands (since 2023: Gerlin Participaties Coöperatief U.A.) • Member of the Board of Directors, Orange Horizon Capital Group S.A., Luxembourg
Lars Wittan (Deputy Chairman until 14 June 2023)	• Chief Investment Officer, Obotritia Capital KGaA, Potsdam	• Chairman of the Supervisory Board, Quarterback Immobilien AG, Leipzig
Klaus Röhrig (Member; Deputy Chairmann since 6 February 2024)	• Managing Director, Active Ownership Corporation S.à r.l., Grevenmacher, Luxembourg	• Member of the Management Board, Agfa-Gevaert NV, Mortsel, Belgium • Member of the Supervisory Board, Formycon AG, Munich) • Member of the Board of Directors, Fagron NV, Rotterdam, Niederlande • Member of the Board of Directors, MAM Baby AG, Wollerau, Switzerland

(40) Shareholder structure (additional disclosures in accordance with German Commercial Code (HGB))

Francotyp-Postalia Holding AG received the following notifications from its shareholders in the 2023 fiscal year in accordance with Section 33 (1) of the German Securities Trading Act (WpHG) and published them in accordance with section 40 (1) WpHG and section 41 WpHG:

Publication date	**04.05.2023**	**04.05.2023**
Reason for notification	Share purchase	Sale of shares
Shareholder/reporter	Olive Tree Invest GmbH,/ Lotus FamilyInvest AG, Grünwald, Germany	OSP Alpha Management Limited, Eden Island SC Mahe, Seychelles,
Date threshold reached	25.04.2023	25.04.2023
Total share of voting rights	25.34%	25.34%
Voting rights (sections 33, 34 WpHG)	4,130,335	4,130,335

Publication date	**14.03.2023**	**14.03.2023**
Reason for notification	Share purchase	Sale of shares
Shareholder/reporter	OSP Alpha Management Limited, Eden Island SC Mahe, Seychelles,	Obotritia Capital KGaA, Potsdam, Germany
Date threshold reached	07.03.2023	07.03.2023
Total share of voting rights	25.34%	25.34%
Voting rights (sections 33, 34 WpHG)	4,130,335	4,130,335

In addition, there were the following significant voting rights as at 31 December 2023:

Publication date	**12 Nov. 2020**	**25 Feb. 2020**	**22 May 2018**
Reason for notification	Share purchase	Share purchase	Share purchase
Shareholder/reporter	Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt a.M., Germany	Axel Sven Springer / Saltarax GmbH, Sylt, Germany	Magallanes Value Investors S.A. SGIIC, Madrid, Spain
Date threshold reached	11 Nov. 2020	19 Feb. 2020	16 May 2018
Total share of voting rights	3.19%	5.00%	3.26%
Voting rights (sections 33, 34 WpHG)	520,000	815,100	531,456

Publication date	**29 May 2013**		
Reason for notification	Share purchase		
Shareholder/reporter	Tom Hiss, Ludic GmbH, Bad Oldesloe, Germany		
Date threshold reached	24 May 2013		
Total share of voting rights	3.51%		
Voting rights (sections 33, 34 WpHG)	566,882		

In fiscal year 2023, Francotyp-Postalia Holding AG received and published the following notifications from its members of executive bodies in accordance with section 19 (1) Market Abuse Regulation with reference to the share ISIN DE000FPH9000:

Francotyp-Postalia Holding AG did not publish any changes to the total voting rights in accordance with section 41 WpHG in fiscal year 2023. In previous years, there were the following changes:

Publication date	4 Jan. 2017	04 Jan. 2017 Notification of correction	30.01.2017	28 Feb. 2017	31.03.2017	30 Jun. 2017
Capital measure	Other capital measure (section 26a (1) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)	Issue of new shares (section 26a (2) WpHG)
As at / effective date	31.12.2016	31.12.2016	27.01.2017	28 Feb. 2017	31.03.2017	30 Jun. 2017
New total of voting rights	16,215,356	16,215,356	16,255,356	16,265,356	16,285,356	16,301,456

(41) Related party disclosures

Related parties are shareholders who have a significant influence on the FP Group, unconsolidated subsidiaries and persons with a significant influence on the Group’s financial and operating policies. Persons with a significant influence on the Group's financial and operating policies are all key management personnel and their close relatives. Within the FP Group, this applies to members of the Management Board and Supervisory Board of Francotyp-Postalia Holding AG.

Transactions with shareholders with significant influence

In the previous year, the shareholder with significant influence was Obotritia Capital KGaA, Potsdam, which held 28.7% of the voting rights in FP Holding as at 31 December 2023 (taking into account shares in float). Obotritia Capital KGaA, Potsdam, sold its shares in FP Holding AG with effect from 7 March 2023.

The new shareholder with significant influence became OSP Alpha Management Limited, Eden Insel SC Mahe, which held 25.34% shares in the Company until 25 April 2023.

With effect from 25 April 2023, Olive Tree Invest GmbH, Grünwald, became the new shareholder with significant influence with 25.34% (or 26.44% taking into account the shares in circulation) of the voting rights. The company behind Olive Tree Invest GmbH is LOTUS FamilyInvest AG, Innsbruck, Austria.

Further information on changes of important voting rights can be found at https://www.fp-francotyp.com/en/voting-rights-notification/34d7329ef8d9abe0.

Please see the information in section 8 of the combined management report (Investments in capital exceeding 10% of the voting rights).

The acquisition of shares in the 2020 fiscal year by Obotritia Capital KGaA and in the 2023 fiscal year by OSP Alpha Management Limited and Olive Tree Invest GmbH are shown in note 40 Shareholder structure.

No other transactions were carried out with Obotritia Capital KGaA, OSP Alpha Management Limited and Olive Tree Invest GmbH in the 2023 and 2022 fiscal years.

Transactions with persons in

key positions

The acquisition of shares in fiscal years 2022 and 2023 by key management personnel are explained in note 40, Shareholder structure.

Key management personnel remuneration

The remuneration for members of the Management Board and the Supervisory Board according to IAS 24.17 is as follows:

in EUR thousand	2023	2022
Short-term benefits	906	1,560
Post-employment benefits	0	0
Other long-term benefits (expense (+), income (-))	31	-26
Termination benefits (expense (+), income (-))	0	167
Share-based payment transactions	-70	75
Supervisory Board compensation	160	160
Other non-financial liabilities	**1,027**	**1,936**

Provisions to members of the Management Board from cash-settled share-based payment transactions and similar liabilities came to EUR 257 thousand (previous year: EUR 327 thousand) at the end of the reporting period.

The total remuneration for active members of the Management Board in accordance with section 314 (1) No. 6 HGB totalled EUR 806 thousand in the reporting year (previous year: EUR 1,757 thousand) and EUR 0 thousand for former members of the Management Board (previous year: EUR 212 thousand). The advance payments on long-term bonuses granted to members of the Management Board amounted to EUR 156 thousand as at 31 December 2023 (previous year: EUR -88 thousand). In the 2023 fiscal year, advance payments on long-term variable remuneration totalling EUR 68 thousand (previous year: EUR 47 thousand) were made to members of the Management Board. The progress payments for long-term compensation components are settled at the end of the assessment period on the basis of actual target achievement. The provisions in connection with the termination of employment of members of the Management Board of EUR 331 thousand remaining in fiscal year 2023 were utilised in the amount of EUR 291 thousand and reversed in the amount of EUR 40 thousand in fiscal year 2023.

No contingent liabilities were entered into for the benefit of members of the Management Board as at the end of the reporting period.

Remuneration for the parent company's Supervisory Board for performing its duties at the parent company and the subsidiaries came to EUR 160 thousand (previous year: EUR 160 thousand).

Of the stock options granted in fiscal years 2015 and 2016 from the 2015 stock option plan, a total of 180,000 options related to the Management Board. An option entitles the bearer to purchase one no-par-value bearer share in Francotyp-Postalia Holding AG. No further options were granted under the 2015 stock option plan in the reporting year. The possibility to exercise the granted options began in fiscal year 2019 (issued in 2015) or began in 2020 (issued in 2016) and ends in fiscal year 2024 (issued in 2015) or 2025 (issued in 2016).

EUR 1,460 thousand was set aside for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2023 (previous year: EUR 1,565 thousand). EUR 48 thousand (previous year: EUR 18 thousand) was allocated to provisions in the 2023 reporting year. EUR 0 thousand of this is attributable to service costs and EUR 48 thousand to interest costs.

Virtual shares and stock options

No further virtual shares in Francotyp-Postalia Holding AG were granted to the active members of the Management Board as part of individual Management Board commitments in the fiscal year.

In fiscal year 2023, a total of 50,000 virtual options were forfeited, as the final allocation of these additional options was tied to the development of the digital business in 2023. The targets set were not achieved.

When exercised, the option rights are fulfilled by cash compensation (cash settlement). A prerequisite for the full allocation is a personal investment. Accordingly, the members of the Management Board must acquire shares in Francotyp-Postalia Holding AG amounting to 8% or 15% of the number of virtual shares allocated to them and hold them for a period of four years from the respective acquisition ("vesting period"). They can be exercised by the members of the Management Board at any time after the vesting period has expired within a further four years. The arithmetic mean of the share price of the last 90 days at the time of exercise is decisive for the exercise price. The value of the option rights is aligned to the price performance between grant and exercise. The option rights may be exercised when the exercise price has increased by at least 10% against the base price when the option rights are granted (absolute hurdle). If the hurdle has not been reached, the related right lapses. The value of the option right is based on the difference between the exercise price and the basis price, multiplied by the number of virtual shares of the respective tranche. The value is limited to EUR 300 thousand per tranche.

The fair value of the consideration granted from virtual share option rights is calculated using the Black-Scholes option price model. Measurement is based on the expected holding period of four years. Correspondingly, the parameters relevant for measurement (risk-free interest rate, volatility) are derived from capital market data over a four-year period. The exercise price is calculated using the arithmetical average of the Xetra daily closing prices of the last 90 trading days before the exercise date. Account is taken of special contractual elements such as an exercise hurdle and payment cap by a combination of three part-options.

As at 31 December 2023, the fair value of all virtual shares granted to Management Board members in the years 2018 to 2022 was calculated using the Black-Scholes option price model.

As a result, the corresponding provision of EUR 139 thousand was reversed to profit or loss.

Grant date

	Virtual options	**Virtual options**	**Virtual options**	**Virtual options**	**Virtual options**	**Virtual options**	**Virtual options**
	01.03.2018	01.03.2019	01.01.2020	01.03.2020	01.06.2020	01.03.2021	01.10.2022
31.12.2023							
One option in EUR	0.17	0.45	0.35	0.50	0.34	0.61	0.64
All options in EUR thousand	5	27	21	30	120	18	153
Expected exercise date	01.03.2022	01.03.2023	01.03.2024	01.01.2024	01.06.2024	01.03.2025	01.10.2026
Forecast average holding period in years	4	4	4	4	4	4	4
Expected volatility	26.53%	29.65%	29.57%	29.58%	33.07%	33.50%	33.70%
Annual dividend yield	3%	3%	1.5%	1.5%	1.5%	1.5%	1.5%
Matched-term, risk-free interest rate	-0.14%	-0.27%	-0.47%	-0.70%	-0.59%	-0.54%	1.88%
Expected number of exercisable stock options at award date	30,000	60,000	60,000	60,000	350,000	30,000	240,000
Estimated annual employee turnover		0%	0%	0%	0%	0%	0%

	2023		2022	
Virtual shares and stock options	Number	Average exercise price in EUR	Number	Average exercise price in EUR
As at 1 Jan.	**880,000**	**3.79**	**640,000**	**3.75**
Granted in fiscal year	**0**	**0.00**	240,000	3.10
Forfeited in fiscal year	**-50,000**		0	
Exercised in fiscal year	**0**		0	
Expired in fiscal year	**0**		0	
As at 31 Dec.	**830,000**		**880,000**	
Range of exercise price in EUR	**3.10-3.97**			3.10-3.97
Average remaining term in months as at 31 Dec.	**17**			23
Exercisable as at 31 Dec.	**90,000**		30,000	n/a

As at 31 December 2023, EUR 68 thousand (previous year: EUR 75 thousand) was recognised in employee benefit expenses with an offsetting entry in provisions.

Transactions with associates and unconsolidated subsidiaries

Related parties are parties under common control or where one party is able to control the other party or exert a joint controlling influence over the other party's financial and operating decisions. In considering each possible related party relationship, focus is on the substance of the relationship and not the legal form.

No transactions were conducted with non-consolidated subsidiaries in the fiscal years 2023 and 2022.

(42) Auditor's fee

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 2023. The total fee charged for services by the auditor in the fiscal year is shown in the table below:

in EUR thousand	2023
Audits of financial statements	608
Other services	99
Other non-financial liabilities	**707**

Of the fees charged for auditing services in the reporting year 2023, EUR 83 thousand are attributable to the previous year.

Other services mainly relate to investigations agreed upon in connection with compliance with debt covenants as well as consulting in connection with IT migration processes.

The information provided only includes the legally independent unit of the appointed auditor.

All non-audit services were approved by the Supervisory Board.

(43) Significant events after the end of the reporting period

There were no further significant events after the end of fiscal year 2023 that would have had a notable effect on the earnings, financial and asset position of the FP Group.

(44) 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 (https://www.fp-francotyp.com/Declaration_of_Conformity[19]).

Berlin, 30 April 2024

The Management Board of Francotyp-Postalia Holding AG

Friedrich G. Conzen	Ralf Spielberger
CEO	CFO

[19] This cross reference is not part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

RESPONSIBILITY STATEMENT

of Francotyp-Postalia Holding AG

for the period from 1 January

to 31 December 2023

V. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the FP Group, and the Group management report, which is combined with the management report of Francotyp-Postalia Holding AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.[20)]

Berlin, 30 April 2024

The Management Board of Francotyp-Postalia Holding AG

Friedrich G. Conzen	Ralf Spielberger
CEO	CFO

[20)] The responsibility statement does not form part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To Francotyp-Postalia Holding AG, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Francotyp-Postalia Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Francotyp-Postalia Holding AG for the financial year from 1 January to 31 December 2023.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The combined group management report contains cross-references, which are not required by law and are identified as unaudited. In compliance with German law, we did not audit the contents of these cross-references or the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with these requirements, andthe accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references marked as unaudited that are not required by law. Our audit opinion does not cover these cross-references or the information to which the cross-references relate.Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment of goodwill

For the accounting and valuation principles applied and the assumptions used, we refer to section 7 of the notes to the consolidated financial statements. Information on the amount of goodwill can be found in section 20 of the notes to the consolidated financial statements and information on the economic development of the operating segments in section 4 of the Group management report.

The Financial Statement Risk

As at 31 December 2023, goodwill amounted to EUR 4.3 million and, at 13.4% of Group equity, is of considerable significance for the financial position.

Goodwill is tested for impairment annually at the level of the relevant cash-generating units (CGU), irrespective of any triggering events. If impairment triggers arise during the year, an event-driven goodwill impairment test is also carried out during the year. To test for impairment, the company primarily determines the value in use and compares this with the respective carrying amount. The reporting date for the impairment test is 30 September 2023.

The impairment test for goodwill is complex and is based on a number of judgmental assumptions. These include the expected business and earnings performance of the CGU for the next five years, the assumed long-term growth rates and the discount rate used.

In the 2023 financial year, there was an increase in the general market interest rate level compared to previous years. There was also a decline in market capitalisation. As a result of the impairment tests carried out, FP Holding identified an impairment requirement for one CGU of the Azolver companies.

For the consolidated financial statements, there is a risk that the existing impairment has not been recognised in an appropriate amount. There is also a risk that the related disclosures in the notes are not appropriate.

Our Audit Approach

We evaluated, among other things, the appropriateness of the key assumptions and the Company's calculation method. For this purpose, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for planning. We also performed reconciliations with other internally available forecasts, e.g. for tax purposes, and the budget prepared by the executive directors and approved by the Supervisory Board.

We also verified the accuracy of the company's forecasts to date by comparing forecasts from previous financial years with actual results and analysing deviations. With the involvement of our valuation specialists, we compared the assumptions and data underlying the discounted rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take account of the existing forecast uncertainty, we also examined the effects of possible changes in the capitalisation interest rate, the expected cash flows and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the company's valuation results (sensitivity analysis).

To ensure the mathematical accuracy of the valuation method used, we analysed the company's calculations on the basis of selected risk-oriented elements.

In addition, we critically analysed the company's justification as to why the total recoverable amount is higher than the market value of the company.

Finally, we assessed whether the disclosures in the notes on the recoverability of goodwill are appropriate.

Our Conclusion

The accounting method underlying the impairment test of goodwill is appropriate and consistent with the applicable valuation principles.

The Company's assumptions and data underlying the valuation are appropriate. The related disclosures in the notes are appropriate.

Other Information

The Supervisory Board are responsible for the other information. The other information comprises the following non-audited parts of the combined management report:

- the separate combined non-financial report of the company and the Group, which is referred to in the combined management report, and

- the combined corporate governance statement of the company and the Group referred to in the combined management report, and

- the information contained in the combined management report that is not part of the management report and has been labelled as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined group management report information audited for content and our accompanying auditor’s report.

Our opinions on the consolidated financial statements and on the combined group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide a statement to those charged with governance of our compliance with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Declaration of non-audit opinion on the electronic reproduction of the consolidated financial statements and the summarised management report to be prepared for disclosure purposes in accordance with Section 317 (3a) HGB

We had the responsibility of performing a reasonable assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format").

We do not express an opinion on the ESEF documents. Due to the significance of the matter described below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

Since the legal representatives did not submit the ESEF documents to us in time for the audit by the time the auditor's report was issued, we do not express an opinion on the ESEF documents.

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our responsibility is to perform an audit of the ESEF documents in accordance with Section 317 (3a) HGB and IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Based on the matter described above, we were not able to obtain sufficient appropriate audit evidence as a basis for an audit opinion on the ESEF documents.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 14 June 2023. We were engaged by the supervisory board on 24 November 2023. We have been the group auditor of the Francotyp Postalia Holding AG without interruption since the financial year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

We have performed the following non-audit services for the Company and its controlled entities in addition to the audit of the consolidated financial statements and the combined management report:

In addition to the consolidated financial statements, we audited the annual financial statements and the summarised management report of Francotyp-Postalia Holding AG and conducted various audits of the annual financial statements of subsidiaries.

Furthermore, other statutory or contractual audits were carried out, such as the audit of the remuneration report as well as agreed examination procedures with regard to compliance with debt covenants. In addition, we provided consulting services in connection with compliance with regulatory requirements and in the IT area.

Responsible Public Auditor

The auditor responsible for the audit is Jack Cheung.

Berlin, 28 April 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

Cheung	Klein
German Public Auditor	(German Public Auditor

Glossary

A

Agile methods

Agile methods are principle-based approaches for higher efficiency in software development.

API

API stands for "Application Programming Interface" and refers to an interface that enables different software applications to communicate with each other. It facilitates integration into various systems during software development and accelerates the development of applications.

App

Program for smartphones and tablet computers.

A segment

The franking machine segment for customers with low mail volume (up to 200 letters per day).

B

beBPo

The special electronic mailbox for public authorities (beBPo) is used for the secure electronic exchange of documents between public authorities and courts. It is based on the EGVP standard.

B segment

The franking machine segment for customers with medium mail volume (200–2,000 letters per day).

BSI

German Federal Office for Information Security.

C

CDS spreads

A credit default swap (CDS) is a credit derivative that allows the default risks of loans or bonds to be traded. Spread is the difference between bid and ask prices.

CGU

According to International Financial Reporting Standards (IFRS), a cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (IAS 36.6).

Cloud services

Provision of IT infrastructure such as processing power, memory space or application software as a service over the internet.

Concept of operation

A concept that describes the features of a system from the perspective of a user.

CRM

Customer relationship management system. Software solution for the systematic configuration of customer relationship processes.

Cross selling

Efforts to sell customers complementary products or services.

C segment

The franking machine segment for customers with high mail volume (more than 2,000 letters per day).

Cyberattack

Targeted, external attack on major computer networks that are important for specific infrastructure.

D

Currency swap

In a currency swap, two contracting parties swap two currencies at the current exchange rate and then swap them back at the same rate at a later date.

E

eBO (special electronic citizen and organisation mailbox)

The electronic citizen and organisation mailbox is used for the secure electronic exchange of documents between companies, citizens and other parties involved in proceedings, such as interpreters or experts with courts. It is based on the EGVP standard.

EGVP standard

The EGVP standard stands for "electronic court and administration mailbox" and is a standard developed by the German justice system for electronic communication in the area of justice and administration. It defines technical specifications and security standards for the secure electronic exchange of documents between courts, authorities, lawyers and other parties.

eIDAS

European regulation on electronic identification and trust services for electronic transactions.

Electronic signature (e-signature)

Data record that confirms the identity of the sender of an email, for example, and that the message has not been changed. Legally binding under the eIDAS Regulation and subordinate German regulations in the form of advanced and qualified electronic signatures.

Electronic legal transactions

Electronic legal transactions refer to the secure, legally effective exchange of electronic documents between companies, citizens, lawyers, notaries, courts and authorities. Various mailboxes based on the EGVP standard are available for different groups (see eBO, bebPO).

Embedded software

Software that takes on certain control, monitoring and corrective functions within technical apparatus, e.g. in a car.

EMC

Electromagnetic compatibility. Ability of an electronic device not to interfere with others through electromagnetism.

ERP

Enterprise resource planning. ERP systems support the planning of company resources such as finance, personnel, goods, etc. ERP connects different back office systems such as production, finance, personnel, sales and materials management systems.

ESD

Electrostatic discharge

F

Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease.

Financial covenants

Blanket term for additional contractual clauses or side agreements in loan and bond agreements with enterprises.

Forfaiting

The purchase of receivables – usually without recourse to the seller in the event of default.

FP Input management

FP Input takes on structured incoming mail processing of all incoming mail including digital storage of scanned documents.

FP Output management

FP Output management takes over data flows from the customer. FP takes care of the entire production process from the preparation of data, printing, inserting, franking and handing over the letters to the delivery service or alternatively digital delivery.

FP Parcel Shipping

A new FP solution for parcel shipment with multi-carrier selection, franking and tracking of parcels.

FP Sign

FP Sign is a cloud-based software solution for the secure, confidential and legally binding digital signing and exchange of contracts and documents.

FP Trax Suite

FP Trax Suite is a cloud-based solution for incoming parcel management and internal logistics. This is an easy and transparent method of registering and tracking parcels, documents, goods and other assets.

TransACTmail

Online letter service for private customers. The users transmit their text via a browser-based app to FP, which prints, envelopes and sends the letter. The service is available with a minimum of just one letter.

Freedom to operate analysis

Analysis of whether third parties already have property rights with respect to the development, manufacture and market launch of a new product.

G

Gateway

Component (hardware and/or software) that establishes a connection between two systems.

Going concern

Positive forecast of company continuation for the coming fiscal year.

H

Hardware security module

External or internal computer accessory for encrypting and decrypting sensitive data.

Hybrid mail services

Hybrid mail services transform data into mailable letters and vice versa.

I

Infrastructure discount

Since 1 January 2018, the infrastructure discount has replaced Deutsche Post AG’s volume discount. This requires specific conditions to be met, including with regard to machine-readable postage paid impressions.

Intellectual property

A category of property that includes intangible creations of the human intellect.

K

Connectivity

The ability of systems to establish a connection with other systems.

Credit facility

Sum of all credit lines that are available to a customer to cover a credit requirement from one or several banks (usually in exchange for collateral) and that the customer can draw upon as required.

M

Mail Services

The Mail Services product area comprises the franking service–collection of unfranked outbound post and providing the franking–and the consolidation service–sorting by postcode and delivery to a Deutsche Post AG sorting office or alternative postal distributor.

O

Operating lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease.

P

PKI

In cryptology, public key infrastructure is a system that can issue, distribute and check digital certificates.

PostBase One

PostBase One replaced CentorMail in spring 2016 and is a new system in the upper performance class of the PostBase product family. PostBase One enables the franking of medium and large mail volumes.

PostBase Vision franking systems

The PostBase Vision franking systems, which have been gradually introduced since 2019, are the consistent further development of the PostBase "Classic" franking system introduced in 2012. With the market launch of the PostBase Vision A120 and Post Base M2, the product range for larger and smaller letter volumes was expanded in 2023.

PostBase100

PostBase 100 is a system of the PostBase product family. A special feature is its dynamic scale, which allows customers to conveniently process stacks of uniform mixed mail.

Proof of concept

Demonstration of feasibility.

S

Sale and leaseback

Sale of assets that are then used by way of rental or leasing.

Shared service centre (SSC)

Pooling of an organisation's internal services with the aim of achieving greater efficiency through synergies.

Signature

Legally binding signature. An electronic signature, or e-signature, can replace a handwritten signature. FP Sign is a service for signing digital documents in conformity with the law.

Software-as-a-Service solutions (SaaS solutions)

SaaS stands for "Software as a Service" and refers to a form of providing software applications in which the software is made available via the Internet and subscribed to as a service instead of being installed on local computers. SaaS-based solutions allow users to access the applications via the Internet without having to install, update or maintain the software themselves.

Start-up

Newly founded company.

Strategic controller

Strategic control is used to describe the process companies use to control the preparation and execution of strategic plans.

T

Target operating model

Model that describes the desired state of an organisation's operating model.

Part-performance discount

The part-performance discount is granted under part-performance contracts with Deutsche Post when letters are consolidated and pre-sorted for delivery at a Deutsche Post AG sorting office.

Time to PoC

Time to proof of concept (PoC). Important milestone in project development. Basis for further work, as it validates the project concept. It thus services as decision basis for the further course of the project and allows the identification and minimisation of risks.

Transformation

Transformation is a process of significant change. The goal is often new technologies, product or financial innovations. Transformation can be triggered by adjustments to external (e.g. due to changes in market data) or internal environmental influences (e.g. technology transfer). For FP, the development of new, digital business areas is at the centre of the transformation.

Triggering event

Event that triggers an impairment test.

U

Upselling

Efforts to offer customers higher-value products and services as a next step.

V

Vision 360

A portal that, in conjunction with the PostBase Vision product family, provides customers with an overview of the relevant franking system data. It includes a help centre and the option to view invoices, orders and contracts and handle service requests.

W

White spot

Market segments that are not yet served or are served only by a few current offers (also "unused market potential" or "identification of opportunities for innovation").

Recurring revenue

We define recurring revenue as revenue from rental and lease agreements as well as, for example, from services and consumables in connection with the installed base. It is generated over the term of the machines and is thus not affected by any cyclical fluctuations in the sales of new machines.

WIFI (WLAN)

Wireless local area network. Short-range local data transmission network using radio waves. Internationally mostly referred to as Wi-Fi.

Financial calendar

FINANCIAL CALENDAR	
Consolidated financial statements 2023	30 April 2024
Results for the first quarter 2024	23 May 2024
Annual General Meeting, Berlin	25 June 2024
Interim Financial Report 2024	29 August 2024
Results for the third quarter 2024	21 November 2024

We cannot exclude the possibility of postponements, please check the current status at http://www.fpfrancotyp.com.

Imprint

Editor and Contact

Francotyp-Postalia Holding AG
Investor Relations
Prenzlauer Promenade 28
13089 Berlin, Germany

Telephone: +49 (0)30 220 660 410
Telefax: +49 (0)30 220 660 425
E-mail: ir@francotyp.com
Internet: www.fp-francotyp.com

Sustainability report in the form of a non-financial statement

Sustainability has long been a firm fixture at numerous levels of our company. Growing sustainably is part of our responsibility as a global corporation to our employees, to our customers and suppliers, to our shareholders, and to our social and natural environment. Growing keeps us in a position to constantly improve our fulfilment of this responsibility. Our separate non-financial report describes how we meet this responsibility. It is available on our website at https://www.fp-francotyp.com/non_financial_reports.

Forward-looking statements

This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of Francotyp-Postalia Holding AG. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. Francotyp-Postalia Holding AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this annual report. It is neither the intention of Francotyp-Postalia Holding AG nor does Francotyp-Postalia Holding AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published. The annual report is also available in German. It is available for download in English and German at www.fpfrancotyp.com. If there are variances, the German version has priority over the English translation.

Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)

	2023	2022[1]	2021	2020[2)]	2019
Revenue	**241.8**	251.0	203.7	195.9	209.1
Recurring revenue	**161.2**	171.1	131.7	127.1	161.2
EBITDA	**31.0**	27.6	18.5	8.7	33.3
as percentage of revenue	**12.8**	11.0	9.1	4.4	15.9
EBIT	**13.1**	6.6	-0.7	-14.2	5.9
as percentage of revenue	**5.4**	2.6	-0.3	-7.2	2.8
Consolidated profit	**9.3**	8.5	0.4	-15.3	1.7
as percentage of revenue	**3.8**	2.2	0.2	-7.8	0.8
Free cash flow	**8.8**	8.1	6.5	11.4	1.7
Share capital	**16.3**	16.3	16.3	16.3	16.3
Equity	**34.4**	25.0	14.5	12.0	32.0
as percentage of balance sheet	**19.2**	13.1	8.7	6.9	17.2
Return on equity (%)	**27.6**	24.5	2.5	-128.0	5.3
Debt capital	**141.8**	147.1	151.1	160.3	154.3
Net debt	**14.4**	18.1	20.5	23.8	31.7
as percentage of equity	**43**	80	141	199	99
Balance sheet total	**175.5**	172.7	165.6	173.6	186.3
Share price end of year (EUR)	**2.84**	3.45	3.10	3.20	3.45
Earnings per share (basic in EUR)	**0.67**	0.50	0.02	-0.95	0.11
Earnings per share (diluted in EUR)	**0.67**	0.50	0.02	-0.95	0.11

1) Comparative figures in 2022 adjusted
2) Comparative period 2020 adjusted.

Key figures

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)

	2023	2022[1]	Change in %
Revenue	**241.8**	251.0	-3.7
Recurring revenue	**161.2**	171.1	-5.8
EBITDA	**31.0**	27.6	12.3
as percentage of revenue	**12.8**	11.0	16.6
EBIT	**13.1**	6.6	98.5
as percentage of revenue	**5.4**	2.6	106.0
Consolidated profit	**9.3**	8.5	9.4
as percentage of revenue	**3.8**	3.4	13.6
Free cash flow	**8.8**	-1.1	-900.0
Share capital	**16.3**	16.3	0.0
Equity	**34.4**	25.0	37.7
as percentage of balance sheet	**19.2**	11.3	69.2
Return on equity (%)	**27.6**	43.4	-36.4
Debt capital	**141.8**	147.1	-3.6
Net debt	**14.4**	18.1	-20.4
as percentage of equity	**43**	92	-53.7
Balance sheet total	**175.5**	172.7	1.6
Share price end of year (EUR)	**2.84**	3.45	-17.7
Earnings per share (basic in EUR)	**0.67**	0.53	60.0
Earnings per share (diluted in EUR)	**0.67**	0.53	60.0

[1] Comparative figures in 2022 adjusted

Francotyp-Postalia Holding AG
Prenzlauer Promenade 28, 13089 Berlin
Tel: +49 (0) 30 220 660 410 · Email: ir@francotyp.com