ANNUAL REPORT 2021

Dear business partners and shareholders,

Fiscal year 2021 was dominated by transformation. After the first twelve months, we have come closer to our goal of transforming FP into a sustainably profitable, international technology group thanks to the FUTURE@FP program.

The first step was to implement the initial Vital 5 rightsizing and rightshoring measures of our FUTURE@FP transformation program, with the focus on bringing business volume and costs into line. The first phase of rightsizing has been completed and the savings of EUR 5.5 million achieved in 2021 have had an immediate impact on improving profitability.

We have changed structures and responsibilities. With the three business units Digital Business Solutions, Mailing, Shipping & Office Solutions and Mail Services, the prerequisites were created to manage market development (go-to-market), product roadmaps and the development and launch of products and solutions in a more targeted and customer-focused manner.

The intention of bundling of all digital solutions activities in the Digital Business Solutions business unit is creating synergies in sales and software development. The aim is to create comprehensive solutions from a single source with real added value for customers. Overall revenues in the DBS are still at a low level, however we achieved to grow it by 14% in 2021.

The implementation of a new ERP/CRM system is another important foundation for the future growth of the FP Group. The ERP/CRM system poses enormous challenges for any company. Within the FP Group, we have a historically established, quite complex group structure with operating companies across 15 countries including Europe and North America. There are also specific transactions, such as the electronic transfer of postage. Therefore, as part of the implementation and conversion in 2022, we must ensure that the new ERP/CRM system also adequately maps these business processes that are key to FP.

The market for franking machines has been undergoing a consolidation process for some time now, and we are pleased that we were able to play an active role in this consolidation a few weeks ago with the acquisition of the Azolver Group.

This acquisition strengthens FP's position in the Mailing, Shipping & Office Solutions market in Norway, Sweden, Finland, Denmark, Switzerland and Italy. Our goal is to convert the installed base of franking machines to FP products and identify additional potential for our further product portfolio.

We will also evaluate the digital business areas of the Azolver Group and match their strategic fit and potential with the FP activities in this regard.

As an integrated technology and service centre, the Azolver Group's headquarters in Tallinn, Estonia is a good starting point to accelerate our steps towards nearshoring. We will continue to provide you with regular information regarding the further integration of Azolver in the coming months.

Fiscal year 2022 will continue to be characterised by the implementation of our transformation program.

In the Mailing, Shipping & Office solutions unit we will exploit the potential strengthened by the recent acquisition of Azolver.

In the Digital Business Solutions unit we are further enhancing our enterprise solutions. For example, we are working closely with enterprise customers to develop ways to largely automate incoming and outgoing communications in order to simplify their business processes and make them more efficient, regardless of the communication channel.

The Mail services unit is in a stable development and we are exploiting opportunities for selling output management and leveraging input management by utilizing logistic network and locations.

It is a fact that these changes in our business model also pose major challenges for our employees, and we as the Management Board are aware of this. We are therefore pleased that together we have managed to successfully conclude fiscal year 2021 and would like to particularly thank all our employees for their commitment and contribution to this success in the first year of transformation.

We are certain that the successful future of FP is our shared goal, which we are working towards with all our strength.

We would be delighted if you would accompany us on this journey and we are looking forward to a constructive dialogue with you.

Your Management Board

Carsten Lind	Martin Geisel
CEO	CFO

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

Dear shareholders and business partners,

Fiscal year 2021 was successful in several respects. Revenue and earnings were considerably up on the previous year, despite the continued impact resulting from the corona pandemic and contrary to what had originally been expected. The FUTURE@**FP** transformation was vigorously initiated and implemented and is already generating initial successes. The Supervisory Board continued to closely monitor the process of developing **FP** into an internationally successful technology company. The steps taken are essential for the future success of the entire Group.

Supervisory Board and Management Board collaboration

In fiscal year 2021, 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. 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. Furthermore, the Chairman of the Supervisory Board, the Chairman of the Management Board and the other Management Board members 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.

Again in fiscal year 2021, the transformation process of the **FP** Group and the impact of the coronavirus pandemic were the focus of the exchange between the Supervisory Board and the Management Board.

Supervisory Board meetings

The Supervisory Board held four ordinary and six extraordinary meetings in the reporting year. 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. In light of the special circumstances resulting from the coronavirus pandemic, meetings were held exclusively as video or conference calls.

The Supervisory Board also considered the 2020 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.

At multiple meetings, the Supervisory Board 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 the fiscal year 2021. Other areas of focus were liquidity planning and the current status of implementation of the FUTURE@**FP** programme.

The Supervisory Board also discussed preparations for the Annual General Meeting on 16 June 2021. The Supervisory Board approved the Management Board's decision to hold a virtual Annual General Meeting without the physical presence of the shareholders and their authorised representatives. The Supervisory Board also looked at company and investment planning for fiscal year 2021 and Management Board remuneration issues. In this connection, it also stipulated the key performance indicators (KPIs) for the variable remuneration components (annual bonus) of the members of the Management Board. The draft Management Board remuneration system prepared and approved by the Supervisory Board was presented to the 2021 Annual General Meeting and approved with a majority of 97.4% of the share capital represented. The current system of Supervisory Board remuneration was assessed and confirmed – the Annual General Meeting approved this proposal with 92.6% of the share capital represented. Together with the Management Board, the Supervisory Board prepared the remuneration report for the fiscal year 2021 in accordance with section 162 AktG and will submit it for approval to the Annual General Meeting 2022. There was also a focus on corporate governance, the internal control system (ICS) and compliance.

In fiscal year 2021, 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 2022, 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 and its committees was 100%. Each individual Supervisory Board member's attendance at meetings is presented below:

SUPERVISORY BOARD MEETINGS

	Attendance	Meetings (total)	Attendance in %
Dr. Alexander Granderath	10	10	100 %
Lars Wittan	10	10	100 %
Klaus Röhrig	10	10	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. Information 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 16 June 2021. The Supervisory Board commissioned the auditor appointed by the Annual General Meeting for fiscal year 2021, set out the key areas on which the audit was to focus and determined 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.

KPMG audited the annual financial statements for the fiscal year from 1 January to 31 December 2021 prepared by the Management Board in accordance with HGB and the management report of Francotyp-Postalia Holding AG, which is combined with the management report of the **FP** Group. The auditor issued an unqualified audit opinion. The consolidated financial statements of Francotyp-Postalia Holding AG for the fiscal year from 1 January to 31 December 2021 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 also include an unqualified audit opinion by KPMG. Patrick Waubke and Sascha Klein have signed as auditors since fiscal year 2020 and Patrick Waubke has been the auditor responsible for the audit since fiscal year 2017.

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 audit reports for fiscal year 2021 were discussed at length at the Supervisory Board meeting on 25 April 2022. The auditor reported on the key audit findings and, in particular, the key audit matters described in the auditor's report, including the audit procedures carried out. 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 annual financial statements, the consolidated financial statements and the combined management report in the Supervisory Board. The Management Board prepared the annual financial statements and the consolidated financial statements. The Supervisory Board approved the annual financial statements and the consolidated financial statements on 28 April 2022. This also applies to the sustainability reporting. The annual financial statements of Francotyp-Postalia Holding AG are therefore adopted.

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 unchanged. The aim is to allow shareholders to participate in the positive development of the company as a matter of principle. Due to the current restructuring and in view of the recent acquisition, the Management Board and the Supervisory Board proposed that no dividend is distributed for fiscal year 2021 and that the retained profit of EUR 11.7 million is carried forward. The Supervisory Board agreed with this proposal.

Personnel changes on the Management Board

On 11 January 2021, the Management Board contract with Sven Meise was rescinded by mutual consent and Martin Geisel was appointed to the Management Board. The Management Board contract with Patricius de Gruyter ending at the end of May 2021 was not renewed. The company thanks Sven Meise and Patricius de Gruyter for their dedication and wishes them 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, 28 April 2022

For the Supervisory Board

Dr. Alexander Granderath
Chairman of the
Supervisory Board

FP Share

Global stock exchanges reach new highs in 2021

The positive trend on stock exchanges across the world continued in 2021. The Euro Stoxx 50, as well as the American S&P 500 and the US technology exchange Nasdaq, posted considerable price gains during the stock exchange year, in some cases reaching new all-time highs. This also applies to the Dow Jones, the US blue chip index, which towards the end of the year reached 36,000, closing the year at the historical level of 36,338.

After a turbulent end to the previous year, the DAX, the German blue chip index, moved strengthened into the new year. It posted its low of 13,433 at the end of January 2021. By summer the DAX had recovered considerably and posted strong gains, before experiencing a slight correction in the autumn. In the middle of November, the German blue chip index crossed 16,000 mark for the first time. To the end of the year, the index was at a level of 15,885, representing an annual performance of 15.8%.

In September 2021, there was a fundamental realignment of the DAX. After certain changes to the regulations, ten additional companies with the highest free float market capitalisation were added to the index. It now comprises 40 German corporations.

The trend in Germany's small cap index, the SDAX, was similar to that of the DAX in 2021. To the start of the year, the SDAX traded at 14,850 and posted its annual low of 14,708 at the beginning of March. Over the course of the whole stock exchange year, it gained considerably, closing the year at 16,415, up 11.2%.

FP share volatile over the year

The FP started into 2021 at EUR 3.23. Over the following weeks, the share price was very volatile. At the end of February and end of April, it posted its annual high of EUR 3.37 on the basis of the closing price. A correction followed in May 2021. In this month the share recorded its annual low on Xetra of EUR 2.69. However, the share recovered quickly, with the price gaining considerable ground in the early summer months. After the Annual General Meeting on 16 June 2021 and the positive quarterly figures, the share price rose, reaching EUR 3.29 to the end of June. This was again followed by a volatile price trend. In the autumn, the share price declined slightly. However, with the publication of the figures for the third quarter, the share again strengthened, moving past the EUR 3.00 mark again in the middle of November. The FP share closed the year at EUR 3.07, representing a slight negative annual performance of minus 4.1%.

The shares of the two listed competitors performed in line with the general trend on the American and European stock markets. The two stocks posted gains, particularly in the first six months, and closed out the year with a positive performance of 7.6% and 21.7%.

On a whole-year basis, this means that the FP share performed worse than its peer group, which is unsatisfactory from the company's perspective. This is the result of FP being in the middle of a transformation process. Obviously many investors are acting in a restrained manner. The company is doing all in its power for FP to be successful on a long-term and sustained basis and that this is also reflected in the share price in the medium term.

The volume of FP shares traded daily on the Xetra platform decreased in comparison to the previous year to an average of 5,245. The highest figure – 43,150 shares traded on a single trading day – was reached on 19 May. On the Tradegate platform, the highest daily trading volume was on 20 August, when 61,201 shares were traded. On Tradegate the average daily trading volume was 7,063 shares.

Equity analysts recommend share as buy

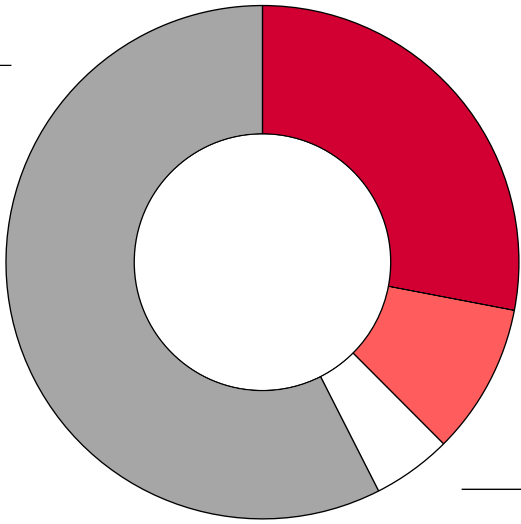
In 2021, the FP share was again covered by the following three analyst companies: Baader Bank, Warburg Research and GSC Research. All analysts recommend buying the share; their average price target is EUR 4.60. This further confirms the associated price potential of the share. A Warburg analyst increased his price target to EUR 5.00 at the end of the year.

There are 16,301,456 voting rights. As at 31 December 2021, 57.5% of the shares were in the free float. The company itself held 1.6% of the shares. The institutional investors come mainly from Germany and Luxembourg. At the end of 2021, there were the following notifications from institutional investors in line with section 40 (1) WpHG:

NOTIFICATIONS IN LINE WITH SECTION 40 (1) WPHG	
Obotritia Capital KGaA	28.01% (notification dated 10 March 2020)
Active Ownership Fund SICAV-FIS SCS and Active Ownership Corporation S.á.r.l	9.51% (notification dated 7 October 2019)
Saltarax GmbH	5.00% (notification dated 11 November 2020)
Ludic GmbH	4.09% (notification dated 15 June 2021)
Magallanes Value Investors	3.26% (notification dated 22 May 2018)
Universal-Investment-Gesellschaft	3.19% (notification dated 12 November 2020)

As at 31 December 2021, there is thus the following shareholder structure:

SHAREHOLDER STRUCTURE (IN %)



FP Virtual Annual General Meeting

Once a year, the Annual General Meeting offers all FP Group shareholders the opportunity to engage in direct dialogue with management. FP's Annual General Meeting was again held virtually this year. 48.8% of the voting share capital was represented at the virtual Annual General Meeting in Berlin on 16 June 2021. One item on the agenda was the discharge of the Management Board. More then 90% of shareholders in attendance approved this proposal. However, formal approval was not granted for the actions of the former CEO, Rüdiger Andreas Günther, in fiscal year 2020. The proposed resolution on the discharge of the members of the Supervisory Board for the fiscal year 2020 was approved by a large majority. In addition, the Annual General Meeting accepted the resolution on the remuneration system for members of the Management Board with a large majority. All other items on the agenda were also approved by a large majority.

The period of office of all the members of the Supervisory Board ended at the same time as the end of the Annual General Meeting. For this reason, a new election was necessary. The previous members of the Supervisory Board, Dr. Alexander Granderath, Lars Wittan and Klaus Röhrig were elected for a further four years, that is until the end of the Annual General Meeting deciding on the discharge of the Supervisory Board for the fiscal year 2024.

Investor meetings by telephone and on a digital basis

The FP Group maintained its IR activities in fiscal year 2021 despite the coronavirus crisis. In light of the spread of the coronavirus pandemic, most talks with investors took place 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, investor conferences and roadshows to present the company and highlight its potential. CEO Carsten Lind attended the annual German Equity Forum on 23 November 2021 and introduced FP digitally to approximately 100 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 background information on the company’s homepage at www.fp-francotyp.com[1]. 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.

In the fiscal year 2022, the company will continue its dialogue with investors and expand its IR activities, including in virtual format. FP’s presence at international roadshows and capital market conferences will be continued in order to intensify existing contacts and establish new contacts with investors.

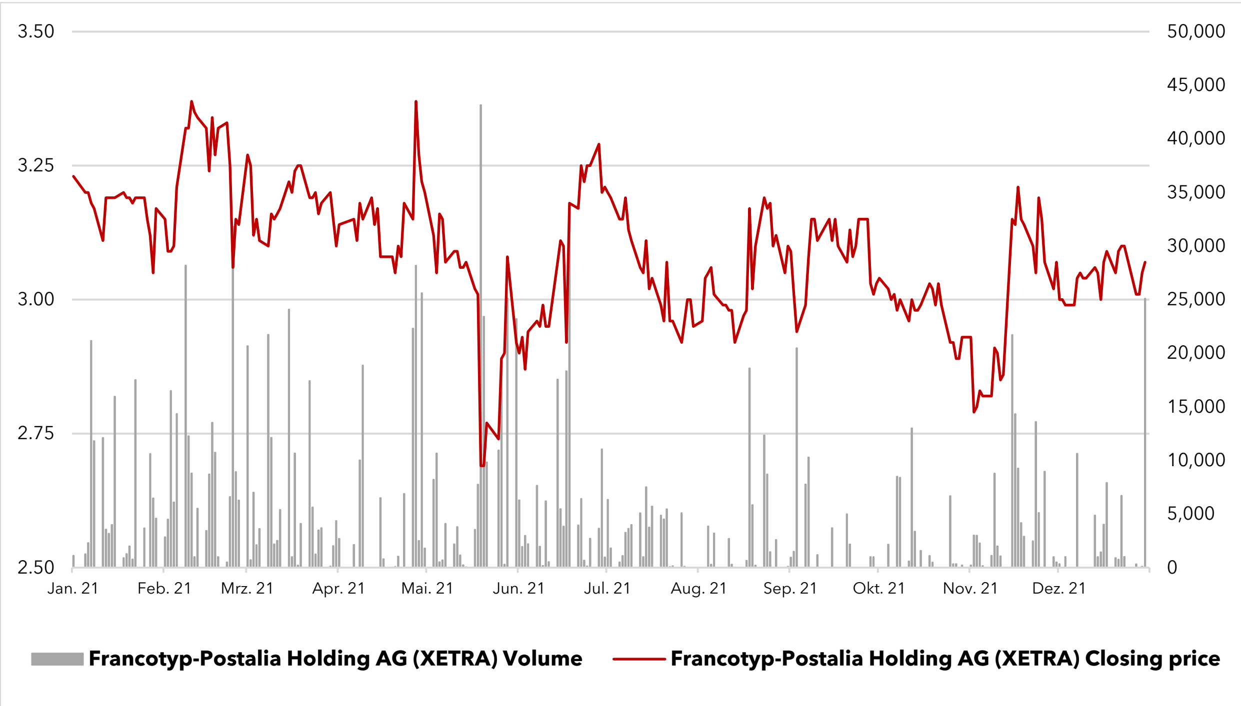
For any inquiries, please contact the Investor Relations team by e-mail (ir@francotyp.com) or phone on +49 30 220660-410.

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

KEY SHARE DATA

Number of shares	16,301,456
Type of shares	Bearer shares
Share capital	€ 16,301,456
Number of shares outstanding	16,044,063
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	Stifel Europe Bank AG, Baader Bank
Coverage	Warburg Research, GSC Research, Baader Bank
Announcements	Electronic Federal Gazette
Closing price (Xetra)	EUR 3.07 (30.12.2021)
High (Xetra)	EUR 3.37 (10.02.2021 and 27.04.2021)
Low (Xetra)	EUR 2.69 (19.05.2021 and 20.05.2021)
Market capitalisation as at 31.12.2021	EUR 49.3 million
Earnings per share (basic)	EUR 0.02
Earnings per share (diluted)	EUR 0.02

DEVELOPMENT OF THE FRANCOTYP-POSTALIA SHARE (01.01.2021 TO 31.12.2021)



COMBINED MANAGEMENT REPORT

of Francotyp-Postalia Holding AG

for the fiscal year 2021

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

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”) is entered in the commercial register of the Charlottenburg Local Court in Berlin (registration number: 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 and, until April 2021, held indirect shares in an associate (hereinafter referred to as “the FP Group”, “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 2021 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 2021.

1.2 Business activity

The FP Group develops, produces and sells products and solutions for efficient mail processing and the consolidation of business mail. Digital solutions for companies and public authorities are also of increasing importance. The company, which has subsidiaries in various industrialised countries and a dense worldwide network of dealers, divided its business activities into three business units in fiscal year 2021: (1) Mailing, Shipping & Office Solutions, (2) Mail Services as well as (3) Digital Business Solutions.

FP has subsidiaries based in eleven different countries and is represented by its own trading network in an additional 40 countries, with a corporate history dating back nearly 100 years.

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 depends on the results of the subsidiaries.

1.2.1 Business units

Mailing, Shipping & Office Solutions

In the Mailing, Shipping & Office Solutions business unit, the FP Group develops franking systems. FP sells or leases these systems and offers customers a comprehensive service package.

The products FP offers to customers in this business unit are not limited to franking machines and related hardware – its range also extends to other office supplies and solutions from the digital product spectrum. The portfolio was complemented by the products of the subsidiary HEFTER. Parcel Shipping and Vision360 are examples of digital solutions that are attractive not only to franking machine customers.

One main revenue generator is the aftersales business, which generates recurring revenue chiefly from the sale of consumables such as tape or ink cartridges, services, software solutions for cost centre management and the Teleporto service.

Further suitable solutions can also expand the range by way of collaboration or M&A. The aim is to offer customers a comprehensive solution for their office. These offer significant potential in Europe and the US. The business unit already accounts for a high share of recurring revenue. This business unit is divided into two segments – Mailing, Shipping & Solutions – Europe and Mailing, Shipping & Solutions – North America.

The product portfolio offered to customers also includes solutions from the Digital Business Solutions business unit.

Mail Services
The Mail Services business unit comprises the franking service – collecting unfranked outbound post and providing the franking – and the consolidation service – sorting the post by postcode and delivering it in batches to a regional office of Deutsche Post AG or an alternative postal distributor. This business unit specialises in consolidating large letter volumes. Collection, postage-optimised sorting and delivery to postal service providers take the pressure off companies with a high volume of letters and helps reduce the costs that this entails. There are currently signs of increasing consolidation in this market.

This business is operated by the FP Group with eight sorting centres throughout Germany, being one of the leading independent consolidator of business mail on the German market.

Digital Business Solutions
The Digital Business Solutions business unit comprises all activities with which FP is expanding its business model in a growth-oriented manner. This also includes the business with hybrid mail services and solutions for secure digital communication. With its hybrid mail services, the FP Group offers its customers universal complete solutions for incoming mail processing (FP Input). This involves digitising all incoming mail, analysing it according to the customer's specific criteria, evaluating it and then feeding it into the customer's data or document system in an electronic form. In addition, FP also handles output management (FP Output), i.e. printing, inserting, franking and handover to the mail delivery services. The digital solutions also include offers that customers use to optimise their logistics (FP Parcel Shipping) or platforms through which data can be analysed and evaluated (Neomonitor, Vision360). De-Mail enables public authorities to exchange documents electronically. FP Sign, a cloud-based electronic signature solution, is also benefiting from the trend towards digitalisation.

The products and solutions in this business unit offer customers efficient and automated process workflows. In addition to software-as-a-service and platform-as-a-service, the solutions include hybrid mail, transACTmail, back office and front office automation, DE-Mail, FP Sign and Parcel Shipping, as well as products from third party providers. FP uses this business unit to address the fast-growing market of process automation. Strategic additions are intended to expand the solutions portfolio, for example in the area of cloud applications, in order to provide customers with secure and efficient processes such as data analytics, control and automated service management. This business unit is divided into two segments – Digital Business Solutions – IAB and Digital Business Solutions – Mentana.

1.2.2 Significant sales markets and competitive position
With franking systems, the FP Group is represented on the most important markets in the world, which include Germany, the US, the UK and France. Having installed more than 210,000 franking systems, the FP Group is the third-largest supplier in the world. In Germany and Austria, the FP is the market leader. 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 2021, 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 family.

In the Mail Services business unit, the FP Group guarantees the extensive collection of business mail and has thus established itself as an consolidator on the German market thanks to a nationwide structure with eight sorting centres in Langenfeld, Hamburg, Hanover, Berlin, Leipzig, Frankfurt, Stuttgart and Munich. The FP Group has its own printing and scanning centre in Berlin for its Hybrid Mail Services business in the Digital Business Solutions business unit. There is also a printing centre at the Austrian Group company in Vienna.

In the Digital Business Solutions business unit, FP competes with some established providers and wins customers through targeted performance commitments.

1.3 Aims and strategy

Sustainable growth and improved profitability
The transformation of the FP Group was the focus in fiscal 2021. In addition to the franking machine business, more digital business areas have been developed, which are expected to bring growth in revenue and earnings back to the Group. This will create the conditions to sustainably improve the profitability of the FP Group. A strong basis in the digital business models is essential for the future, not only to make up for shrinking revenue in the traditional business unit of franking and inserting, but also to steer the Group towards business areas where it can expect improved profitability in the years ahead.

Objectives and implementation of strategy

In fiscal 2021, the Group's new operating model was established as part of FUTURE@FP to increase profitability.

As of fiscal year 2021, FP now has three business units: Mailing, Shipping & Office Solutions, Mail Services and Digital Business Solutions. The market for Franking machines is declining. This decline 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 counteracted by actively participating in 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 relatively low.

FP has the potential and the financial power to dynamically expand the digital business areas on the basis of its business (particularly franking machines), that enjoys strong cash flows. This includes targeted M&A activities that support the new business model. At the same time, profitability is expected to improve measurably as a result of the new business activities, as these areas tend to generate better margins than in the Mailing, Shipping & Office Solutions business unit.

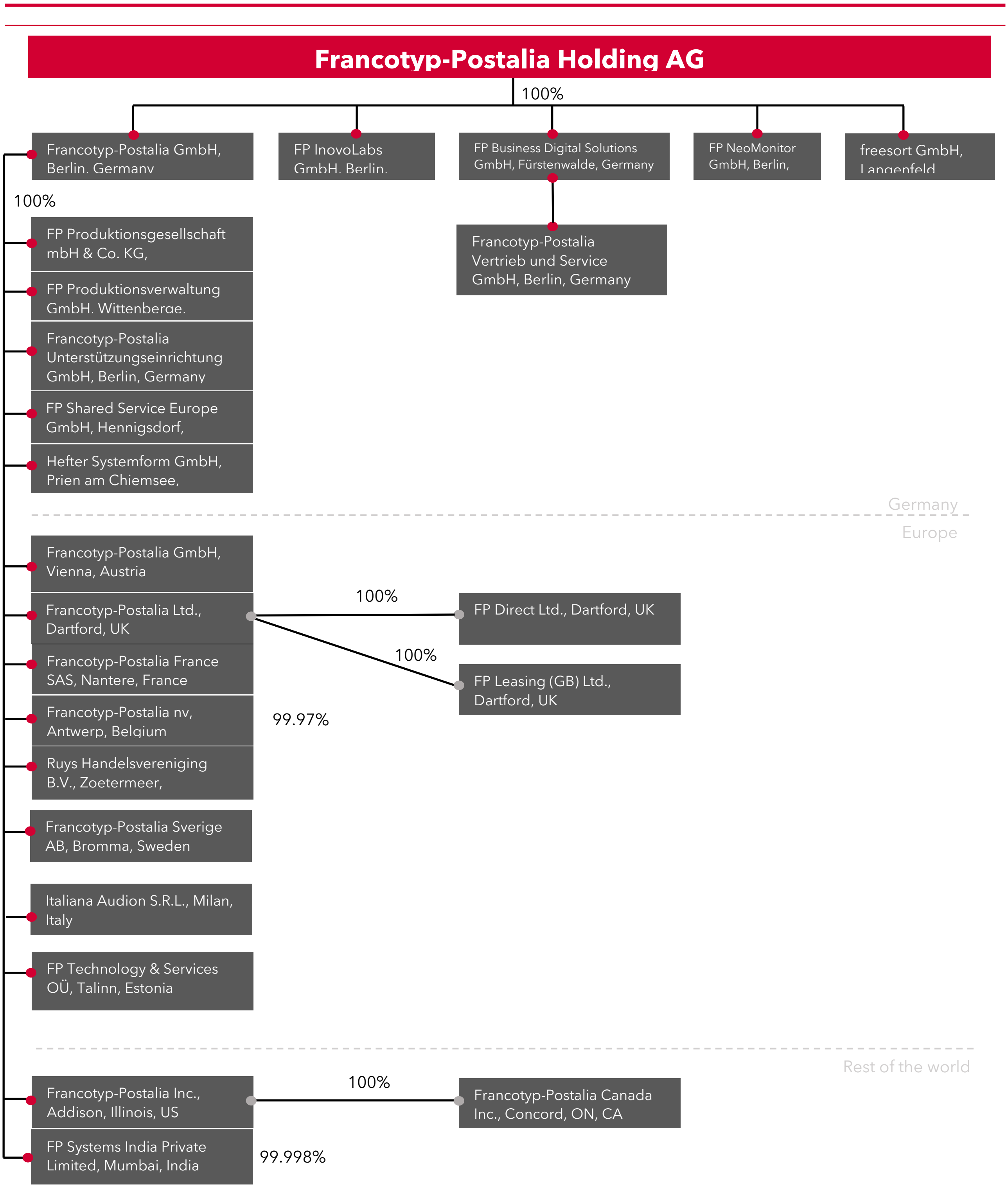
FP will thus evolve into an international technology group in the next few years. Organisation in the business units puts customers at the heart and serves the market through agile business units. Lean management structures ensure clear responsibilities combined with the greatest possible degree of flexibility, agility and accountability. Service areas support the operating units on the basis of cost-efficient, highly-effective processes. Furthermore, the introduction of a uniform ERP/CRM system will also drive the goal of a significant improvement in profitability, sustainable growth and thus an increase in the value of the company.

1.4 Organisation

1.4.1 Group structure and locations

The chart below shows the legal structure of the Group as at 31 December 2021.

For further information, please refer to section I. (4) of the notes to the consolidated financial statements.

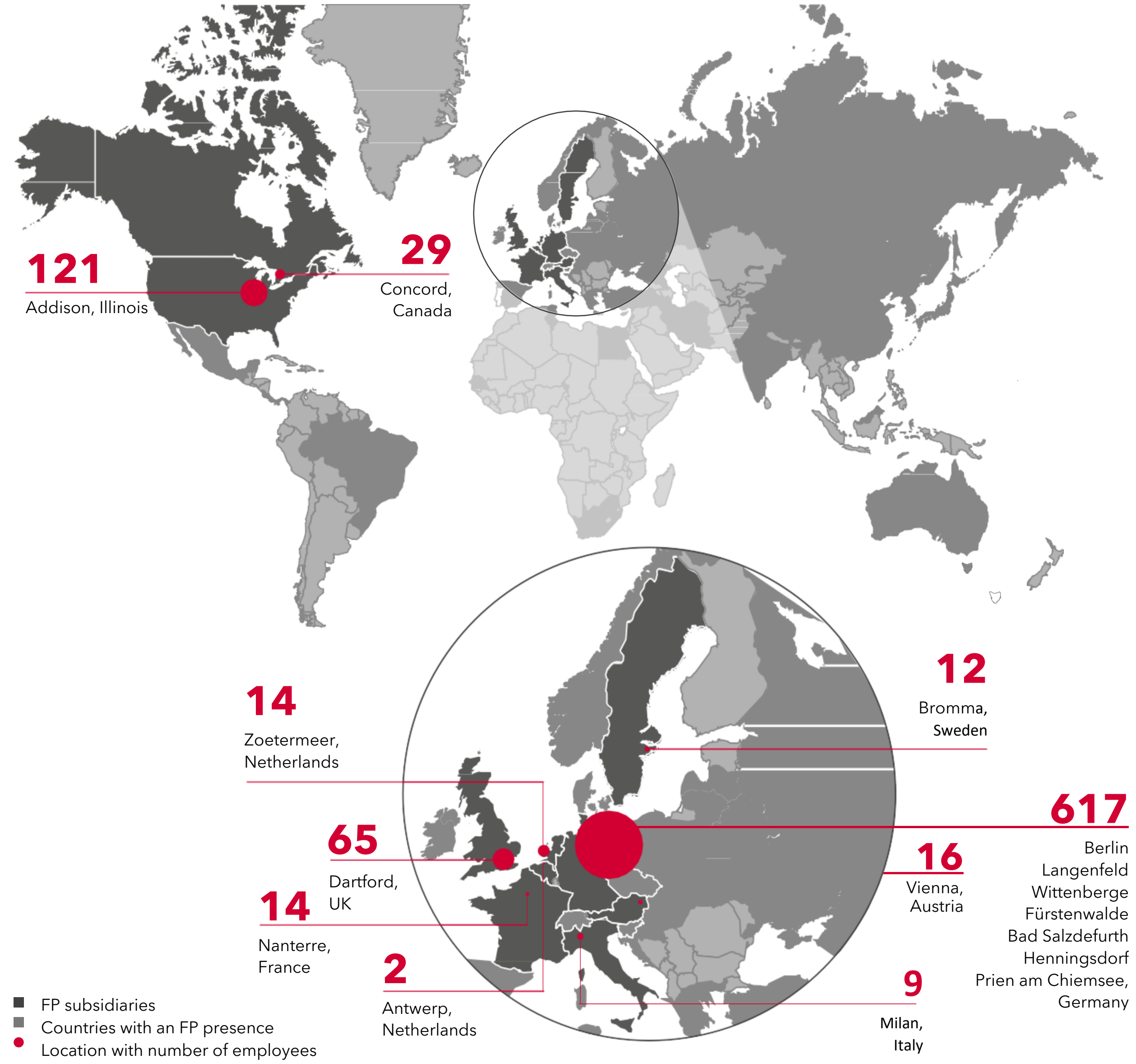


The FP Group headquarters are located in Berlin. Key departments such as Finance, Corporate Development, Human Resources, Purchasing, IT and Group Controlling are located in Berlin. The development of franking systems and new digital products and business models also takes place there.

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, the Netherlands, Belgium, Austria, Sweden, Italy and Estonia. It also has a dense global network of dealers for distributing its franking and inserting systems. Sales are handled by our business units.

OUR LOCATIONS WORLDWIDE



1.4.2 Management and controlling

The FP Group is managed by the Management Board independently. At the end of the fiscal year 2021, 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 2021 can be found in the Report of the Supervisory Board.

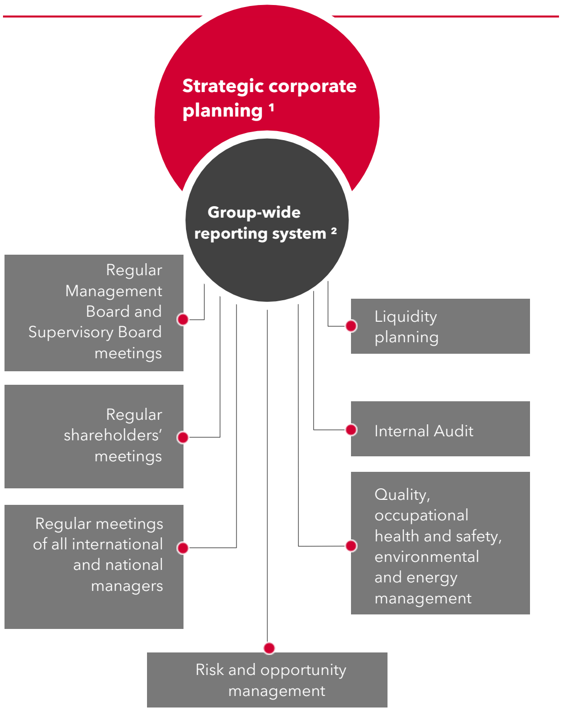
Declaration on Corporate Governance

The declaration on corporate governance 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[2] in accordance with section 161 AktG, and is published at https://www.fp-francotyp.com/Declaration on Corporate Governance [3]. The remuneration report for the 2021 fiscal year 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.

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 was changed and optimised according to a new target operating model in fiscal year 2021.

In the past, the FP Group organised its operating activities into four segments:

- Production,
- Sales Germany,
- International Sales, and
- Central Functions.

In fiscal year 2021, based on the segments defined on the basis of current internal management, the Group divided the three business units and five reportable segments as follows:

[2] This cross-reference does not form part of the audit of the financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft.

[3]) The declaration on corporate governance is not part of the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

- Business unit Mailing, Shipping & Office Solutions with the segments
    - Europe
    - North America (NAM)
- Business unit Mail Services
- Business unit Digital Business Solutions with the segments:
    - IAB
    - Mentana (MEN)

At the same time, a uniform ERP/CRM landscape is being introduced to efficiently support processes worldwide.

1.5.2 Financial performance indicators

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

- Revenue
- EBITDA
- EBITDA margin

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 EBITDA margin (EBITDA in relation to revenue) is also used in addition to EBITDA.

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

- Income from investments
- Profit before tax

Income from investments includes income from profit transfer agreements and expenses from loss absorption.

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 based on annual service incidents in relation to the average weighted machine inventory. Ongoing changes such as the introduction of new products or the optimisation of existing products are also taken into account. This indicator was previously only measured in Germany 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 our PostBase franking systems, we have been able to significantly improve quality in recent years. Nevertheless, the value of the PQI - Germany deteriorated by 8.5% from 10.6 in 2020 to 11.5 in 2021 due to problems with the PostBase Mini, which were, however, resolved in the fourth quarter of 2021. The PQI - International improves from 45.1 in 2020, by 11.7% to 39.8 in 2021. For 2022, it is expected that both the PQI - Germany and the PQI - International will improve slightly, as we continue to improve our product quality through improvement projects arising from the quality circles.

The improvement indicator (nf IQ) also records the quality of FP products and in particular the quality of new franking systems. It was previously based on the cost of parts for reworking delivered machines and measured the ratio of parts costs from warranties to total revenue. Since 2019 and retroactively for 2018, the nf IQ is calculated from the parts costs from warranties and the revenue from franking machines.

The FP Group collects the necessary data on a monthly basis, with an analysis of previous years showing that the indicator tends to increase when a new generation of franking systems is introduced. Following the introduction of PostBase Vision in several countries and the associated normal increase in the nf IQ, the value fell from 0.96 in 2020 to 0.57 in 2021. A similar value of the nf IQ is expected for the 2022 financial year, as the measures from the regular quality circles take effect but warranty reports from the previous year could also take longer to have an effect.

The FP Group chiefly uses these two non-financial performance indicators internally with respect to the issue of sustainability. Additional non-financial performance indicators are also reported in our sustainability report. 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.

Quantitative information on the parent company's non-financial performance indicators is currently not applied for management purposes.

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].

1.6 Research and development

1.6.1 Presentation and explanation of research and development activities

1.6.1.1 Focus

For FP as a technology company, innovation is crucial. The FUTURE@FP transformation process has therefore led to a significant change in the focus and consequently also in the use of resources in fiscal 2021. The focus was predominantly on the development of products and solutions for the digital business areas that promise a large growth potential in the medium term.

Research and development is focused on customers and product development for innovative solutions, products and services for the target markets. Activities of basic research that primarily do not have an economic purpose are less of a priority.

1.6.1.2 Objectives

The central objective of research and development is to implement the corporate strategy. It aims to unlock growth potential in digital business areas and thus enable future growth. With the establishment of the three business units Mailing, Shipping & Office Solutions, Mail Services, and Digital Business Solutions, responsibility for the development of the respective products and solutions has also been shifted to these business units.

Agile methods are used in the early phases of development. Product ideas and technologies are verified with potential customers on an ongoing basis to ensure that the results meet their needs. These design sprints enable market feedback to be taken into account as early as the inception phase of the product idea. FP now uses agile processes and methods integrated into all projects where this is practical.

1.6.1.3 Core areas of expertise

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, the focus is on the secure transfer of cash flows. The infrastructure must meet the highest security requirements of various postal authorities and companies worldwide. This secure infrastructure is supplemented by hardware and software components for secure billing. And this billing must comply with the respective local conditions in the markets.

In the area of digital products and solutions, the focus is predominantly on software expertise to develop solutions that are provided to customers, for example, as software-as-a-service or platform-as-a-service. Here, too, important aspects include secure data transmission, cryptography and process management to make data available and analysable.

1.6.1.4 Activities

Specifically, work in 2021 focused on:

Mailing, Shipping & Office Solutions

Development activities relating to franking machines focused mainly on product maintenance measures. For example, international postage charge tables were re-implemented as required and software adjustments were made.

Digital Business Solutions

Business areas and further use cases were evaluated in all digital product areas. Thanks to ongoing customer-oriented development, the existing range of products and solutions has been considerably expanded:

- Activities were bundled in the subsidiary Neomonitor to provide customers with an easily accessible end-to-end platform to support building automation, for example. Collected data is stored on this portal, enabling targeted analysis and simplifying service. Initial installations from a single source have been completed for this turnkey platform. In addition to the housing industry, these applications currently also address the energy and utility industries.

- The FP Sign digital signature solution was expanded with various components for enterprise customers, such as single sign on. It was also integrated into the document management system of DATEV eG, Nuremberg. Onboarding and billing via the company's own website was also set up for individual users. Alongside developing additional

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

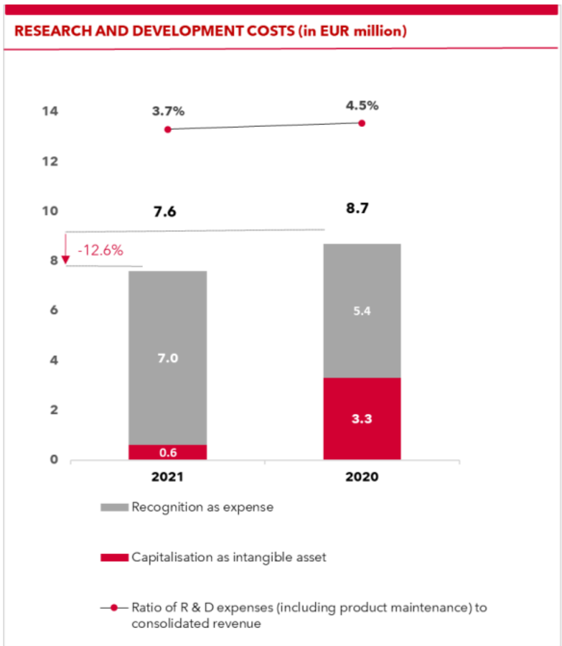
functions, the basic systems are also regularly updated.

- In the area of electronic legal communication, FP offers an EGVP solution in addition to the integrated gateway for electronic court and administrative mailboxes.
- For DE-Mail, an instrument for secure, confidential and verifiable communication on the Internet, the functions are being expanded to meet the demand for more and larger attachments. Multi-client capability has also been expanded, while at the same time stability and fail-safety are ensured through redundancy.
- Vision 360 is software that gives franking machine customers a 360-degree view of their postage costs. In addition to detailed analyses of postage usage, such as by postal product or cost centre, important status information about the franking machine, such as remaining credit or ink level, can also be monitored. The development focus here was on the internationalisation of the product.
- FP Parcel Shipping allows customers to select the most favourable shipping service provider for their parcels. Here, too, the focus was on the internationalisation of the product and the further development and addition of functions, such as additional reporting or the processing of returns. A corresponding subscription model is intended to open up target groups beyond FP's franking machine customers.
- The development of automated workflows was the focus of input and output management. Regardless of the communication channel, incoming information is analysed with AI support using a communication highway, forwarded automatically and answered if necessary. Integration with ERP systems is just as important as the internationalisation of the solutions.

Changes in research and development activities compared to the previous year

The focus of R&D activities has changed significantly from earlier 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 significantly strengthened the focus on forward-looking digital products. In the future, development will be supported by a shared service centre in Tallinn (Estonia), also to counteract the local shortage of skilled workers. Our intention to develop all solutions in-house remains unchanged. FP is also aiming to expand its internal expertise in this area in a targeted, inorganic manner.

1.6.2 Quantitative information on the results of research and development activities

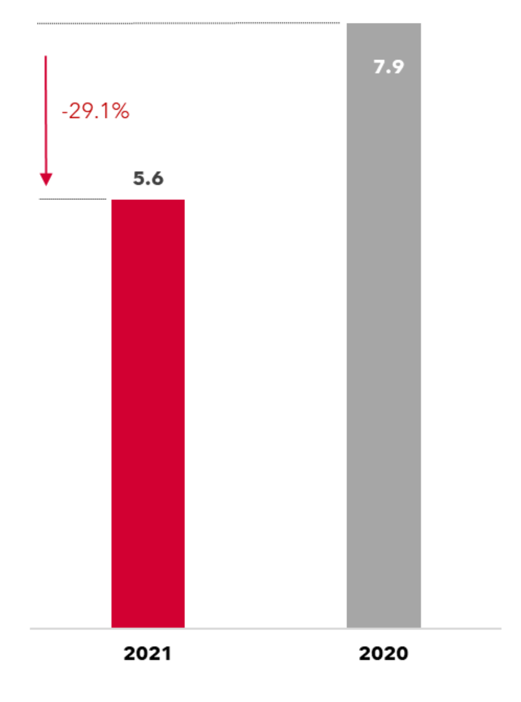


The ratio of R&D expenses to consolidated revenue declined from 4.5% in the previous year to 3.7% in the reporting year.

1.6.2.1 Development costs

Research and development costs came to EUR 7.6 million in the reporting year after EUR 8.7 million in the previous year. This corresponds to a decrease of 12.6%. This is mainly due to lower development activities in franking machines in fiscal year 2021. Expenses for product development increased by 37% from EUR 3.1 million in the previous year to EUR 4.3 million. Expenses for product maintenance increased by 19% from EUR 2.3 million in the previous year to EUR 2.8 million. At EUR 0.6 million, the share required to be capitalised as intangible assets is far lower than in the previous year (EUR 3.3 million). Furthermore, impairments on capitalised development costs decreased by 29.1% to EUR 5.6 million. Impairments thus far 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 to the research and development divisions as at the reporting date in percent

Area	2021	2020
Embedded software, test, postal relations	17%	29%
Innovation and lifecycle management	0%	9%
Intellectual property	3%	7%
Construction / electronics	14%	23%
Application development/ Special applications / IoT /other / merchandise management	66%	32%

b. Research and development employees

At the end of 2021, 72 employees (previous year: 55) were permanent staff in the research and development divisions of the FP Group (including subsidiaries), which represents 8.0% of the Group's total workforce (previous year: 5.6%). The reason for the change is the implementation of the FUTURE@FP transformation program measures and bringing together employees as part of rightsizing and rightshoring within the three business units.

Additional external employees are temporarily recruited for certain projects, as required. At the end of 2021, external staff accounted for up to 5.6% of the permanent R&D workforce (previous year: 14.5%).

1.6.3 Outlook

The realignment of development has already proven its worth in the 2021 business year. In the 2022 business year, we will continue to work on ensuring that the products and solutions reliably meet the expectations of the respective market and that the sales expectations corresponding to the development costs are met.

2. Economic conditions

2.1 Macroeconomic and industry-specific conditions

Global gross domestic product (GDP) increased significantly in 2021, after having declined substantially in the previous year due to the coronavirus pandemic. According to the International Monetary Fund (IMF) the growth rate was 5.9%. 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 noticeable. In the US, FP's largest foreign market in terms of number of customers and revenue, economic activity posted a significant increase in 2021. Economic performance in the eurozone and in Germany also developed positively again, although economic growth in Germany was significantly lower than in the eurozone, as shown by the following chart:

TABLE OF GDP PERFORMANCE IN 2021*

World	+5.9%
United States	+5.7%
Eurozone	+5.3%
Germany	+2.9%

* 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 other markets. Amidst fluctuations, the euro depreciated continually against the US dollar in the course of 2021, finishing up at USD 1.13 as at 31 December 2021, around 7% below the previous year's closing price. On average, however, the euro traded against the US dollar at approximately 3% above the level in the previous year during fiscal year 2021. The British pound, which is also important for the FP Group, experienced a downward movement in 2021 after the trade and cooperation agreement between the United Kingdom and the European Union came into force at the beginning of 2021. With a closing price of 0.84 pound sterling, the exchange rate remained well below the 0.90 recorded at year-end 2020. The euro thus traded against the pound sterling at around 7% below the level in the same period of the previous year during fiscal year 2021. The euro also weakened against the Canadian dollar in 2021 (-8%). By contrast, the euro gained slightly against the Swedish krona (+2%). A weaker euro exchange rate has a positive 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 processes post in foreign and domestic markets. According to statistics from the Universal Postal Union, around 260 billion letters are still being sent around the world each year, albeit with a downward trend (2020; global figures for 2021 are not yet available; the downward trend is expected to continue).

COVID-19 prompted a substantial fall in mail volumes in most countries, especially in 2020 (US: -9.4%; France: -20%), far higher than the previously forecast trend for the next few years. The downturn was particularly pronounced in advertising mail. In 2021, the downturn weakened again, but catch-up effects are particularly evident in the area of advertising mail. This trend will continue in 2022, and in the medium term the downturn rates will return close to original rates again. In Germany, for example, addressed mail volumes are expected to decline by 3% to 4% per year.

By contrast, the parcel market is enjoying strong growth, which was again shored up by COVID-19. Globally, annual growth of over 15% is anticipated for the next 3-4 years. Global parcel volumes rose above 100 billion items for the first time in 2019, with a further increase to more than 130 billion items in 2020. Further growth to more than 150 billion items is expected for 2021. Further growth of 11% per year is forecast for the next few years. In Germany, the parcel volume in 2020 was 4.1 billion items, with growth of 7% forecast for the next few years. In 2020, growth rates were again significantly higher due to COVID-19, but here, too, a levelling off to the growth rates before the coronavirus can be seen.

3. Course of business

Comparison of actual/forecast Group business performance

The table below shows the financial and non-financial performance indicators of the FP Group.

COMPARISON OF ACTUAL/FORECAST BUSINESS PERFORMANCE

	2021 forecast*	IST 2021
Revenue in EUR million	*Increase in revenue to between EUR 198 million and EUR 201 million; on the basis of the preliminary and unaudited figures for the first nine months of fiscal 2021 and a careful analysis, on 15 November 2021, the Management Board again adjusted its forecast upward based on the half-year figures. Originally, revenue of between EUR 185 million and EUR 196 million was forecast for 2021.*	203.7
EBITDA in EUR million	*EBITDA ranging from EUR 17 million to EUR 18 million (forecast specified on 15 November 2021). EBITDA in a range of EUR 6 million to EUR 12 million had originally been forecast for 2021.*	18.5
EBITDA margin, in %	*EBITDA margin in a range of 8.5% to 9.1% (more specific forecast dated 15 November 2021). An EBITDA margin was originally forecast in a range of 3% to 6% for 2021.*	9.1
Quality indicator – Germany and International	*Slight improvement year-on-year (previous year: 45.1) due to lower service incidents abroad and the improvements made as part of the quality circles.*	39.8
Improvement indicator	*Slight improvement year-on-year (previous year 0.96) due to improvements in the quality circles and lower warranties.*	0.57

* Assuming constant exchange rates for foreign currencies.

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

The forecast for fiscal year 2021 envisaged a slight improvement in income from investments and earnings before taxes.

Fiscal year 2021 was influenced by the improvement in the performance of the operating subsidiaries and the savings achieved as part of FUTURE@FP.

In fiscal year 2021, FP Holding generated a strongly improved income from investments of EUR 16.7 million (previous year: EUR 5.9 million), thus exceeding the forecast. The sharp deviation is mainly due to higher profit transfers as a result of better operating performance compared to the previous year.

FP Holding thus achieved profit before tax of EUR 12.8 million in the reporting year (previous year – EUR 4.5 million). The significant improvement is mainly due to the improved investment result.

3.2 Course of business

The FP Group's business performance was better than expected in fiscal year 2021. In 2021, the company generated revenue of EUR 203.7 million, compared with EUR 195.9 million in the same period of the previous year. Overall, FP therefore recorded a 4.0% increase in revenue for fiscal 2021. The effects of the coronavirus pandemic continued to have a particularly strong impact at the beginning of the year. In the third and fourth quarter of fiscal year 2021 the negative effects on the business development decreased.

At the same time, FP worked continuously on the implementation of the transformation programme FUTURE@FP transformation programme. The first positive results are becoming apparent here, e.g. through closer integration of sales between the business units. In the Mailing, Shipping & Office Solutions business unit, revenue in 2021 was stable despite negative currency effects. Not including currency effects, revenue would have increased slightly. As a result of improved solution orientation and customer-centric sales activities, revenue in the Digital Business Solutions and Mail Services business units increased sharply.

EBITDA rose to EUR 18.5 million compared with EUR 8.7 million in the same period of the previous year, chiefly due to the good revenue performance and the restructuring measures introduced. Compared with the same period of the previous year, FP thus developed positively overall, demonstrating the robustness of the FP Group's business model. The company also enjoys sufficient liquidity and – thanks to the existing syndicated loan agreement – financial flexibility and reserves.

On 11 January 2021, Francotyp-Postalia announced changes in the Management Board. With effect as of 11 January 2021, the Supervisory Board appointed Martin Geisel as an additional member of the Management Board, who took on the role of Chief Financial Officer (CFO) at FP. With effect from 11 January 2021, Sven Meise voluntarily stepped down from the Management Board in a mutual agreement with the Supervisory Board. The Management Board contract with Patricius de Gruyter ending by the end of May 2021 was not renewed.

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	2021	2020	Change in %
Revenue	**203.7**	**195.9**	**4.0%**
Changes in inventory	3.1	-0.4	n/a
Own work capitalised	6.2	7.8	21.0%
Overall performance	**213.0**	**203.3**	**4.8%**
Other operating income	1.7	4.5	-61.4%
Cost of materials	103.3	93.9	10.0%
Employee benefit expenses	57.6	67.8	-15.1%
Expenses from impairment losses and income from reversals of impairment losses on trade receivables	1.5	1.2	26.7%
Other operating expenses	33.8	36.0	-6.2%
EBITDA	**18.5**	**8.7**	**111.2%**
Amortisation, depreciation and impairment	19.1	23.0	-16.7%
Net interest income	1.2	0.9	35.7%
Other financial result	1.6	-1.0	n/a
Shares in result of companies accounted for using the equity method	0.1	-0.6	n/a
Income taxes	-1.8	-0.4	n/a
Consolidated profit	**0.4**	**-15.3**	**118.2%**

4.1.1 Revenue development

The FP Group generated revenue of EUR 203.7 million in fiscal year 2021, compared to EUR 195.9 million in the previous year (EUR 205.1 million year on year adjusted for currency effects or an increase of 4.7 % compared to the previous year).

Fiscal year 2021 continued to be dominated by the coronavirus crisis. Despite this, FP performed well in a difficult market environment and posted increasing revenue, also through recurring sales. All business units achieved growth.

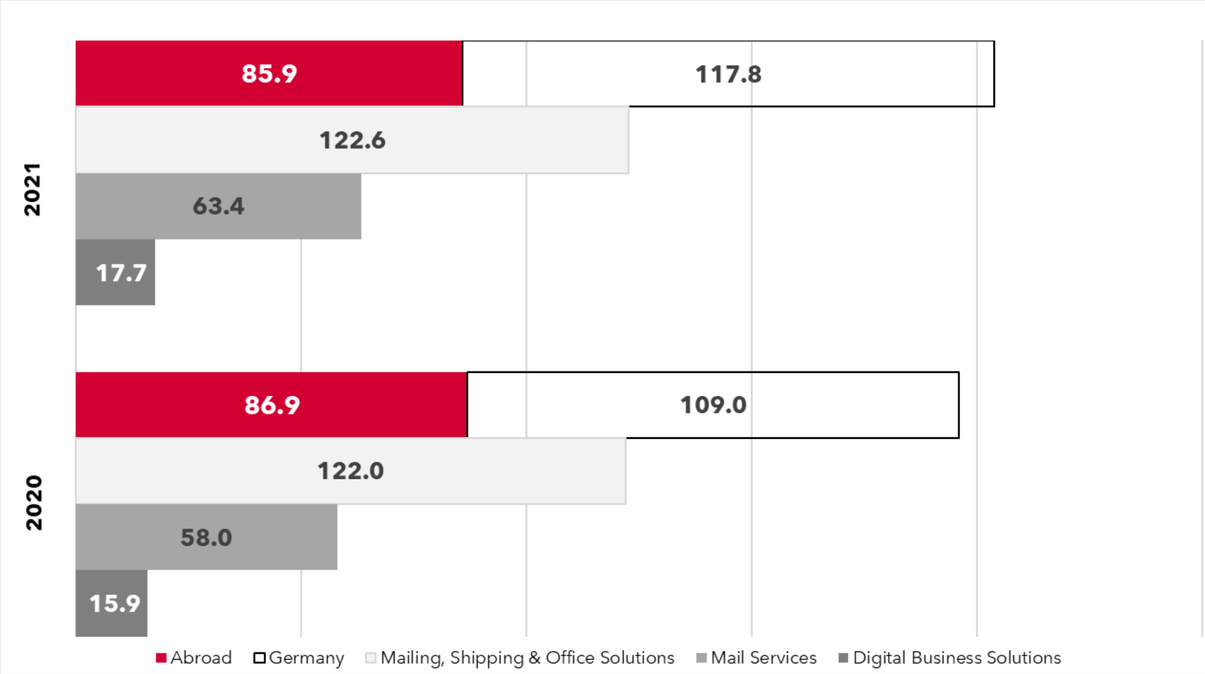
In fiscal year 2021, the Group realised revenue in its largest business unit of Mailing, Shipping & Office Solutions amounting to EUR 122.6 million, slightly up on the previous year's figure of EUR 122.0 million. This sound performance is based on the PostBase product family. Growth was achieved in the Mailing, Shipping & Solutions – North America (NAM) segment, while Mailing, Shipping & Solutions – Europe declined slightly. In NAM, we made positive use of the more stringent postal requirements in the US. Negative currency effects (USD, CAD, GBP and SEK) of around EUR 1.4 million were absorbed. HEFTER Systemform GmbH recorded a significantly increased revenue share of EUR 6.4 million compared to EUR 4.8 million in the previous year.

Business performance has still not returned to normal on account of the still strained coronavirus infection levels in key markets and the resulting restrictions. Nevertheless, given the existing product range, which is 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 is comparatively well positioned for the future. This is because, despite the global downturn in the franking machine market, the FP Group's revenue figures rose slightly in 2021.

Revenue in the Mail Services business unit increased by 9.4 % year on year. The Mail Services business regarding the collection, franking and consolidation of business mail was again positive following the successful reorganisation. Revenue increased to EUR 63.4 million in fiscal year 2021 after EUR 58.0 million in the previous year, mainly due to an increased franking volume and thus higher "postage share" in view of the postage increase. The effects of the coronavirus pandemic were still being felt in this business unit too, particularly at the beginning of the year. The volume of mail processed increased slightly compared to the previous year.

Revenue in the Digital Business Solutions business segment recorded a significant growth of more than 11 % in the reporting period compared to the previous year (EUR 15.9 million), despite remaining at a low level overall, at EUR 17.7 million.

The two segments – Digital Business Solutions IAB and Digital Business Solutions Mentana – contributed to this growth. In particular, business with input management, which was still impacted by the restrictions arising from the coronavirus pandemic at the beginning of the reporting year, developed positively. The signature solution FP Sign also recorded a continued positive business development. This innovative digital solution saw an improvement in the order pipeline due to the changed working conditions as a result of the pandemic. The partnership with DATEV eG entered into in April 2021 will be expanded further with the integration in the DATEV document management system in the fourth quarter of 2021.



New functions for enterprise customers in particular and the simplified onboarding process for customers represent an important milestone in the FUTURE@FP programme. The solutions for electronic legal communication and for DE-Mail also developed positively in the reporting year after a competitor announced that it would withdraw from the DE-Mail market. The Digital Business Solutions business unit is also undergoing validation focussing on business models with a clear value proposition for customers and significant scaling potential for FP.

The FP Group's largest foreign market remained the US in fiscal year 2021. There, revenue increased by 3.2% from EUR 48.4 million to EUR 50.0 million. A key driver here is the stricter postal requirements in the US. Adjusted for currency effects, revenue increased by 7.2% in the US in the reporting period. Despite the coronavirus pandemic and Brexit, revenue in the United Kingdom in fiscal year 2021 was on a par with the previous year. The exchange rate effects across all currencies were negative, totalling EUR 1.4 million in the year under review.

REVENUE BY PRODUCTS AND SERVICES

in EUR million	2021	2020	Change %
Product sales income (Franking and Inserting)	30.5	30.4	0.4
Service/customer service	19.5	21.8	-10.4
Consumables	23.9	23.9	0.2
Teleporto	7.7	8.0	-4.3
Mail Services	63.5	58.0	9.5
Software/Digital	19.3	16.4	17.5
Revenue in accordance with IFRS 15	**164.4**	**158.5**	**3.7**
Finance lease	9.7	9.7	0.4
Operating lease	29.8	28.0	6.5
Revenue in accordance with IFRS 16	**39.5**	**37.7**	**4.9**
Reduction in revenue due to currency effects from hedge accounting	-0.2	-0.3	-19.6
Revenue total	**203.7**	**195.9**	**4.0**
Non-recurring revenue	35%	38%	
Recurring revenue	65%	62%	

The slight increase in revenue from product sales in the core business in fiscal year 2021 was mainly due to an increase in revenue in NAM with a decrease in revenue in Europe. There was a decline of 10.4% in the service business and 4.3% in the teleporto business. The business with consumables proved relatively robust in the reporting period, despite considerable set-backs as a result of the pandemic. Revenue within the scope of IFRS 16 increased slightly by 4.9% in the fiscal year compared with the same period of the previous year. The declines in revenue from service and teleporto business were offset by the positive effect of the revenue increase in Software/Digital and Mail Services of 17.5% and 9.5%, respectively.

4.1.2 Own work capitalised

Own work capitalised saw a decline to EUR 6.2 million (down 21.0% year-on-year). The development costs reported in own work capitalised decreased significantly to EUR 0.6 million, down EUR 3.0 million on 2020. During the previous year, capitalised development costs related mainly to the development of new IoT products as well as further investments in PostBase Vision with Vision360. During the reporting year, capitalised development costs related mainly to the development of new IoT products and general product development. As an integral part of the core business in the Mailing, Shipping & Office Solutions business unit, the additions to leased products increased to EUR 5.4 million in the reporting year, compared with EUR 4.0 million in the previous year.

4.1.3 Other operating income

The decrease in other operating income in the reporting year of EUR 2.7 million is largely due to the EUR 2.4 million decrease in income from governmental coronavirus assistance in Germany, Rest of Europe, the US and Canada. Income from lapsed liabilities decreased by 43.9% to EUR 0.4 million (previous year: EUR 0.8 million).

4.1.4 Cost of materials

In fiscal year 2021, the FP Group's cost of materials increased by 10.0% to EUR 103.3 million, compared with EUR 93.9 million in the previous year. This was mainly as a result of the increased postage share, increased activities in the Mail Services business unit and the product mix in the reporting period. Expenses for raw materials, consumables and supplies thus increased to EUR 37.2 million in the year under review compared with EUR 33.0 million in the previous year. This increase is particularly due to the fact that inventories in the US were deliberately built up in response to limited overseas transport capacities as a result of the coronavirus pandemic. The cost of purchased services, which is mainly attributable to the Mail Services segment, was also up year-on-year, coming to EUR 66.1 million versus EUR 60.9 million in the previous year, while the cost of purchased postage of EUR 59.1 million significantly exceeded the previous year's level of EUR 52.6 million due to the increased activities/revenues from postage. In the year under review, the cost of materials ratio increased to 50.7% (previous year: 47.9%) as a result of the higher cost of materials and the significant increase in inventories of finished goods.

4.1.5 Employee benefit expenses

Employee benefit expenses decreased by 15.1% year on year to EUR 57.6 million in fiscal year 2021 (previous year: EUR 67.8 million). The decline is mainly attributable to personnel measures as a result of the implementation of the Group-wide restructuring strategy. In the previous year, restructuring expenses due to the changes in the Management Board and senior management as well as the necessary restructuring expenses for FUTURE@FP increased personnel expenses by a total of EUR 9.0 million, while costs had been relieved as a result of the increased measures introduced, including the use of short-time working and similar instruments. Savings of around EUR 5.5 million were achieved in the reporting year. On the other hand, we selectively increased the number of employees in growth areas and recognised around EUR 0.8 million in expenses for this.

The employee benefit expenses ratio fell to 28.3% in fiscal 2021, compared with 34.6% in the previous year.

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

The year-on-year increase in expenses from impairment losses to EUR 1.5 million is the result of both higher default rates (measurement of expected credit losses) and increased individual default risks. At the same time, income from the dissolution of impairment losses decreased compared with the previous year.

4.1.7 Other operating expenses

Other operating expenses fell by 6.2% in fiscal year 2021, down from EUR 36.0 million to EUR 33.8 million. On the one hand, legal and consulting costs decreased by EUR 1.9 million. Marketing costs decreased by EUR 0.6 million and travel expenses by EUR 0.4 million compared with the same period of the previous year. On the other hand, packaging and freight expenses increased by EUR 1.5 million due to higher freight rates and the build-up of inventories in NAM, and staff-related costs by EUR 0.5 million compared with the previous year. Other operating expenses include expenses from the disposal of the remaining share from the previous year in relation to the development project for the introduction of a new ERP/CRM system, which has not yet been completed but is no longer viable, as well as from the disposal of a development project that has been stopped, amounting to a total of 2.8 million euros.

4.1.8 EBITDA

The EBITDA of FP Group amounted to EUR 18.5 million in fiscal year 2021 compared to EUR 8.7 million in the previous year. The FP Group's EBITDA margin improved to 9.1% after 4.5% in the previous year. The increase in revenue and the savings achieved – especially in employee benefit expenses – had a positive impact as management structures were significantly trimmed. The positive effects were partially offset by lower capitalised development costs and higher material expenses in relation to revenue. In the previous year, one-off expenses for restructuring measures (FUTURE@FP) to adjust the cost base to the lower revenue level as well as disposals of intangible assets had a negative impact, which were significantly lower in the reporting year.

4.1.9 Amortisation, depreciation and impairment

Amortisation, depreciation and impairment declined by 16.7% year on year in fiscal year 2021, decreasing from EUR 23.0 million to EUR 19.1 million. In the previous year, impairment on intangible assets of EUR 3.0 million had a negative impact. This included impairment losses on the goodwill of the InovoLabs cash-generating unit amounting to EUR 0.7 million.

4.1.10 Net interest income

The increase in net interest income in fiscal year 2021 of EUR 0.3 million to EUR 1.2 million resulted primarily from the EUR 0.2 million rise in interest income from finance leases and the EUR 0.4 million decline in other interest expenses in connection with the conclusion of various tax audits in the previous year. The positive effects were partially offset by a EUR 0.3 million increase in interest expenses from liabilities to banks due to higher interest margins.

4.1.11 Other financial result

The FP Group posted a positive other financial result in fiscal year 2021 of EUR 1.6 million (previous year: negative result of EUR 1.0 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 our currency hedges.

4.1.12 Share of profit/loss of companies accounted for using the equity method

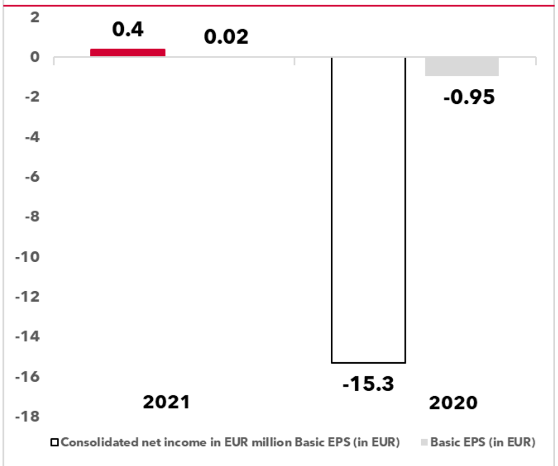
In the fiscal year 2021, the FP Group realised a share of profit of EUR 0.1 million (previous year: share of loss of EUR 0.6 million) from the shareholding in Juconn GmbH, which is included at equity in the consolidated financial statements. The profit resulted from the sale of the shares in Juconn GmbH in April 2021. In the previous year, the FP Group recognised an impairment loss of EUR 0.5 million.

4.1.13 Income taxes

Income taxes totalled EUR 1.8 million in the 2021 fiscal year (previous year: EUR 0.4 million). This corresponds to a tax rate of 83.1% (previous year 2.7%). The tax rate essentially results from unrecognised deferred taxes on temporary differences and tax loss carryforwards.

4.1.14 Consolidated profit

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



Consolidated profit improved to EUR 0.4 million in fiscal 2021. Mainly due to the increase in EBITDA and the decrease in depreciation, amortisation and impairments, the consolidated profit is positive, whereas it was still clearly negative in the previous year.

4.1.15 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

in EUR million	Revenue 2021	Revenue 2020	Revenue Change in %	EBITDA 2021	EBITDA 2020	EBITDA Change in %
Mailing, Shipping & Office Solutions – Europe	67.9	69.7	-2.5	11.3	10.3	9.7
Mailing, Shipping & Office Solutions – North America	55.3	53.2	3.9	17.3	20.1	-13.7
Mail Services	63.4	58.0	9.4	1.4	1.1	28.2
Digital Business Solutions – Mentana	2.3	1.3	75.1	-2.0	-1.7	14.1
Digital Business Solutions – IAB	14.9	14.1	6.3	0.7	0.9	-22.1
Other	0.0	0.0	0.0	-1.4	0.0	0.0
Not allocated to any segment	0.7	0.7	-5.3	-7.6	-22.8	-66.6
Group reconciliation	-0.8	-1.1	-22.2	-1.2	1.0	-220.6
Group	203.7	195.9	4.0	18.5	8.7	111.2

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

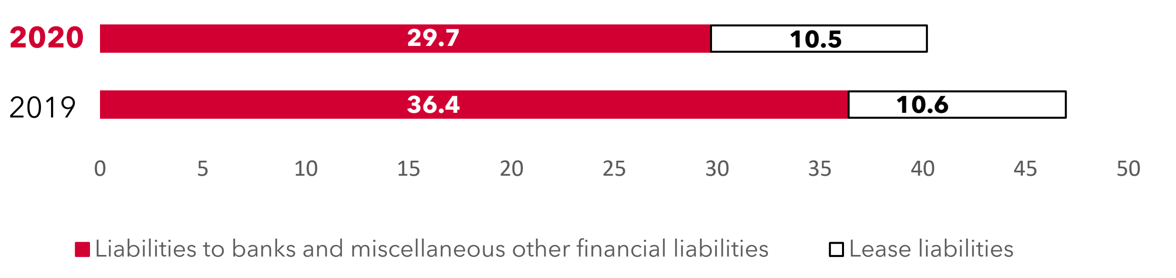
The main aim of financial management is to avoid financial risks and to ensure the financial flexibility of the FP Group. The Group achieves this objective by employing a variety of financial instruments. Various factors are taken into account when selecting the instrument, such as flexibility, loan 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. Given the coronavirus pandemic, FP is focusing on securing and expanding existing Group liquidity in order to secure the FP Group's strategic and operational goals in the long term. In view of the upcoming measures to secure sustainable profitability, no dividend distribution is planned.

FINANCIAL LIABILITIES (in EUR million)



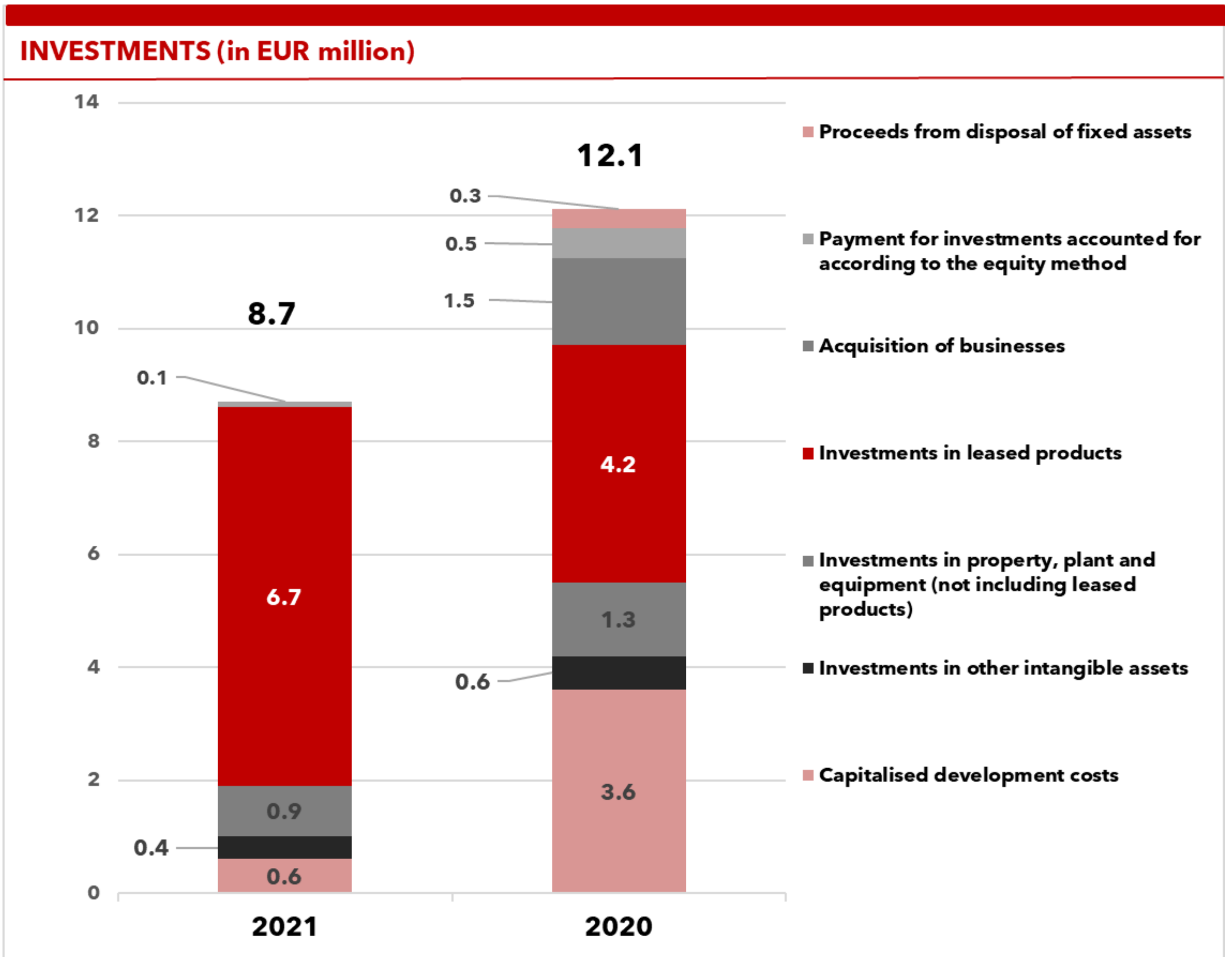
The syndicated loan agreement for a financing volume totalling EUR 150 million concluded with a strong syndicate of international banks in 2016 and renewed and extended early in fiscal year 2018 has a term to 28 September 2023. In fiscal year 2021, the existing syndicated loan agreement was adjusted. This means that the FP Group has up to EUR 90 million at its disposal, which can be used exclusively in EUR until further notice. The four banks – Commerzbank AG, Landesbank Baden-Württemberg, Postbank Luxemburg (a branch of DB Privat- und Firmenkundenbank AG) and UniCredit Bank AG – are each participating with EUR 22.5 million. The syndicated loan consists of a bullet credit term facility of EUR 30 million and a revolving facility of EUR 60 million.

The reduction of the total credit facility from EUR 150 million to EUR 90 million was made for cost/benefit reasons. The financing documents on the basis of the British Loan Market Association (LMA) include an option to increase the loan by EUR 50 million.

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 FP Group's financial stability and flexibility.

Information on changes to equity of the Group in fiscal year 2021 can be found in Section 4.3.2 Equity.

4.2.3 Investment analysis



In fiscal year 2021, the FP Group also continued to make significant investments in future growth, including in product development, production and other core and supporting processes and in franking systems for lease markets.

In light of the pandemic situation, the Group has successfully focussed on cost control and liquidity management. At the same time, it sustainably pressed ahead with the transformation as part of FUTURE@FP. At EUR 8.7 million, investments in fiscal 2021 as a whole were below the previous year's level of

EUR 12.1 million. Investments in leased products increased to a total of EUR 6.7 million in fiscal 2021 (previous year: EUR 4.2 million). While investments in leased products in the Mailing, Shipping & Office Solutions – Europe segment remained at the level of the previous year, investments in leased products in the Mailing, Shipping & Office Solutions – North America segment increased by EUR 2.5 million. In connection with the implementation of FUTURE@FP, the FP Group invested EUR 0.4 million in the development of new products (previous year: EUR 3.6 million). In the previous year, the FP Group invested EUR 1.5 million in the acquisition of the business operations of HEFTER Systemform and thus further strengthened the Mailing, Shipping & Office Solutions – Europe segment and expanded its product portfolio.

4.2.4 Liquidity analysis

LIQUIDITY ANALYSIS (IN EUR MILLION)

	2021	2020
Cash flow from operating activities	15.1	23.4
Cash flow from investing activities	-8.5	-12.0
Free cash flow	***6.5***	***11.4***
Cash flow from financing activities	-10.9	-5.7
Change in cash	**-4.3**	**5.7**
Change in cash due to currency translation	0.9	-1.0
Cash at the beginning of the period	23.2	18.5
Cash at the end of the period	**19.7**	**23.2**

The FP Group again successfully focussed on cost control and liquidity management in fiscal year 2021 in light of the coronavirus pandemic. At EUR 15.1 million, operating cash flow in 2021 was down on the previous year's figure of EUR 23.4 million. The main factors contributing to the deterioration in operating cash flow were the increase in inventories and trade receivables by a total of EUR 6.8 million and payments made as part of FUTURE@FP of EUR 3.4 million. In the previous year, this figure also included proceeds from governmental coronavirus assistance of EUR 2.5 million, while the figure for the reporting year includes EUR 0.2 million.

Cash flow from investing activities experienced a downturn in fiscal year 2021. Driven by the coronavirus pandemic and changes in investment focus, cash flow from investing activities decreased to EUR -8.5 million in fiscal 2021 compared to EUR - 12.0 million in the previous year. Please see the section on Investment Analysis (Section 4.2.3) for more information about further changes. Due to the decline in cash flow from operating activities and the increase in capital expenditure, free cash flow decreased to EUR 6.5 million in fiscal year 2021 (previous year: EUR 11.4 million).

The change in cash flow from financing activities in the 2021 financial year is mainly due to payments for the redemption of liabilities to banks amounting to EUR 6.9 million (EUR 2.2 million in the previous year); payments for the redemption of lease liabilities in the amount of EUR 3.9 million (EUR 3.8 million in the previous year) remained comparatively constant.

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

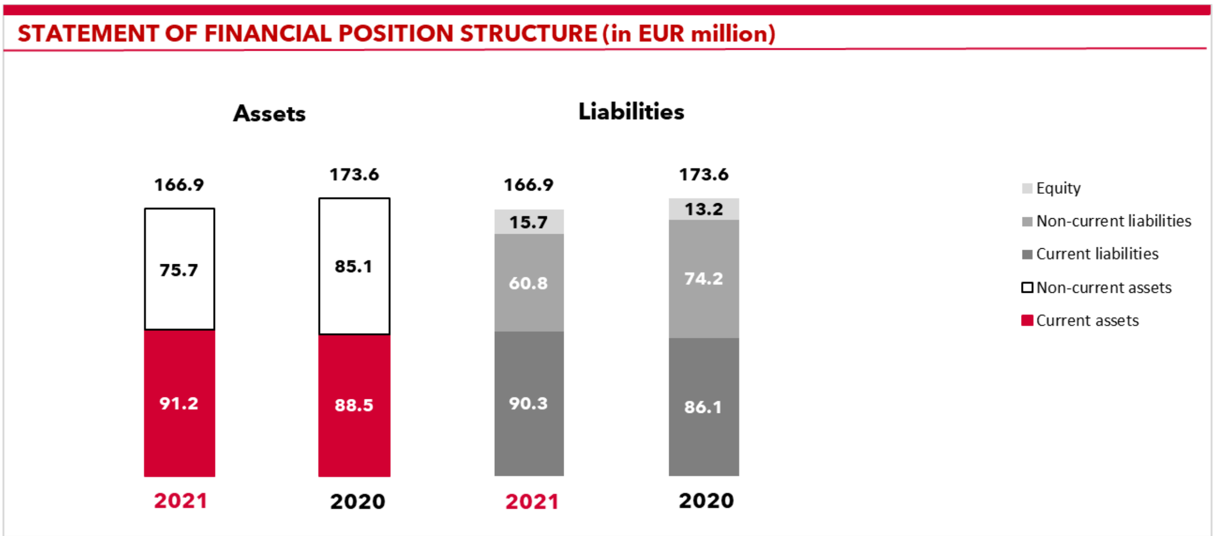
In accordance with the syndicated loan agreement, the FP Group has undertaken to comply with two defined financial covenants:

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

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

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 throughout the reporting year. In fiscal year 2021, the FP Group was able to meet its payment obligations at all times.

4.3 Asset position of the Group



The FP Group's statement of financial position as at 31 December 2021 was impacted by the implementation of FUTURE@FP and by operating business performance in fiscal year 2021 under the influence of the coronavirus pandemic.

4.3.1 Non-current and current assets

NON-CURRENT AND CURRENT ASSETS

in EUR million	2021	2020
Intangible assets	19.7	28.3
Property, plant and equipment	25.9	26.5
Right of use assets	10.4	10.3
Other financial assets	16.8	16.3
Other non-financial assets	1.8	2.2
Deferred tax assets	1.1	1.5
Non-current assets	**75.7**	**85.1**
Inventories	16.5	11.5
Trade receivables	19.5	17.7
Other financial assets	12.4	13.7
Other non-financial assets	9.5	9.5
Cash and cash equivalents	33.3	36.1
Current assets	**91.2**	**88.5**

Non-current assets declined by EUR 9.4 million from EUR 85.1 million to EUR 75.7 million.

The EUR 8.6 million decrease in intangible assets chiefly reflects the disposal of development projects that had not yet been completed but were no longer viable (EUR 2.1 million) and the disposal of a stopped development project (EUR 0.7 million), as well as the planned amortisation of internally generated (EUR 5.0 million) and purchased intangible assets (EUR 1.0 million). In the previous year, the amortisation of internally generated intangible assets came to EUR 1.7 million and the amortisation of purchased intangible assets and customer lists to EUR 0.6 million. Goodwill impairment was recognised at EUR 0.7 million in the previous year. This decline was partly offset by additions to internally generated intangible assets (EUR 0.6 million) and purchased intangible assets (EUR 0.4 million).

The EUR 0.6 million decrease in property, plant and equipment stemmed essentially from the decline in technical equipment and machinery of EUR 0.8 million and in other equipment, factory and office equipment of EUR 0.7 million. The increase in leased products by EUR 1.2 million compensated for the negative effect.

Current assets picked up by EUR 2.8 million from EUR 88.5 million to EUR 91.2 million. This was driven mainly by the EUR 5.0 million upturn in inventories and EUR 1.8 million in trade receivables. Declines in cash and cash equivalents of EUR 2.8 million had the opposite effect.

4.3.2 Equity

As at 31 December 2021, the share capital of Francotyp-Postalia Holding AG amounted to EUR 16.3 million, divided into 16,301,456 no-par value bearer shares (previous year: 16,301,456).

As at 31 December 2021, the company held 257,393 treasury shares (previous year: 257,393) or 1.6% of the share capital. The calculated value of treasury shares is openly deducted from equity. Since 2021, the difference of the purchase price has been offset against consolidated profit/loss in the annual financial statements of Francotyp-Postalia Holding AG. As in the previous year, treasury shares in equity are deducted from equity in the consolidated financial statements.

For additional information on own shares, see section IV (27) of the notes to the consolidated financial statements. 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 8 of the combined group management report.

Group equity increased by EUR 2.5 million from EUR 13.2 million to EUR 15.7 million. The increase is mainly due to the positive total comprehensive income.

4.3.3 Non-current and current liabilities

NON-CURRENT AND CURRENT LIABILITIES

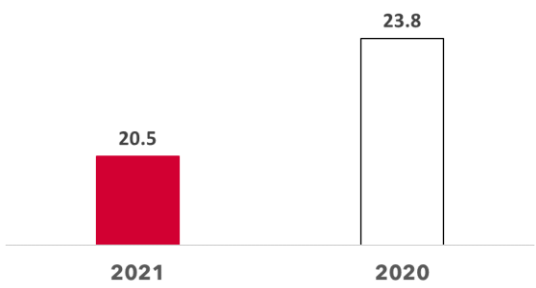
in EUR million	2021	2020
Provisions for pensions and similar obligations	19.0	20.5
Other provisions and deferred tax liabilities	4.1	8.0
Financing liabilities	36.7	43.3
Other financial liabilities	0.3	2.0
Other non-financial liabilities	0.8	0.5
Non-current liabilities	**60.8**	**74.2**
Tax liabilities	5.1	3.8
Other provisions	16.5	15.8
Financing liabilities	3.5	3.7
Trade payables	12.9	14.1
Other financial liabilities	35.4	32.8
Other non-financial liabilities	16.9	16.0
Current liabilities	**90.3**	**86.1**

Non-current liabilities decreased by EUR 12.7 million from EUR 74.2 million to EUR 60.8 million, due chiefly to a EUR 6.7 million reduction in liabilities to banks, a EUR 3.8 million decrease in provisions for restructuring and a drop in provisions for pensions of EUR 1.6 million.

Current liabilities picked up by EUR 3.3 million from EUR 86.1 million to EUR 90.3 million. This can be attributed mainly to an increase of EUR 6.1 million in current restructuring provisions, an increase of EUR 1.3 million in liabilities from teleporto funds, and an increase of EUR 1.1 million in current liabilities from derivatives, which was partially offset by a decrease of EUR 4.9 million in current personnel provisions and trade payables.

An additional indicator for the FP Group's capital structure is the net debt ratio, which represents net debt over equity and is constantly monitored.

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.

Because of the revenue growth achieved and the cost control and liquidity management measures initiated in the wake of the coronavirus pandemic, the FP Group's net debt decreased by 14% in fiscal year 2021. As at 31 December 2021, equity increased to EUR 15.7 million, an increase of EUR 2.5 million compared to the previous year (EUR 13.2 million).

4.3.4 Leasing

As a lessor, the FP Group offers both operating and finance leases. These business models are reflected in the Group's statement of financial position and income statement. As at 31 December 2021, the "products" item under non-current assets contained assets with a carrying amount of EUR 18.3 million (previous year: EUR 17.0 million), which are mostly leased to customers under operating leases. Finance leases with customers are reported in finance lease receivables; the non-current and current amounts totalled EUR 23.6 million as at the end of the reporting period (previous year: EUR 22.3 million).

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

Fiscal year 2021 was dominated by the FUTURE@FP transformation program and the pandemic. FP's new operating model is an important component of the simplification and digitalisation of internal as well as customer and partner-oriented processes. The FUTURE@FP transformation program is starting to show positive effects as the company brings its cost structures in line with the expected business volume. FP increased profitability with FUTURE@FP.

During the year, we raised our guidance for revenue, EBITDA and the EBITDA margin twice. Expectations for revenue were ultimately slightly exceeded. For EBITDA, the raised forecast was achieved at the upper end of the range. The Management Board judges the business performance in fiscal year 2021 to have been generally good.

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	2021	2020	Change %
Revenue	3.5	4.2	-17.0
Other operating income	2.2	0.5	372.1
Cost of materials	0.6	1.0	-37.1
Employee benefit expenses	6.2	10.9	-43.5
Other operating expenses and amortisation and depreciation	4.4	6.5	-31.9
Income from investments	16.7	5.9	184.0
Net interest income	1.6	1.3	21.5
Earnings before taxes	12.8	-6.4	n/a
Taxes on income and earnings (income (+), expense (-))	-1.0	2.0	n/a
Earnings after taxes	11.8	**-4.4**	n/a
Other taxes	-0.1	**-0.1**	0.0
Net profit/loss for the year	11.7	**-4.5**	**n/a**

5.1.1 Revenue

While FP Holding's service functions remained unchanged, the EUR 0.7 million decrease in FP Holding's revenue in fiscal year 2021 resulted from lower Group allocations for consulting services to domestic subsidiaries.

5.1.2 Other operating income

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

5.1.3 Cost of materials

The drop in the cost of materials from purchased services in the year under review resulted mainly from lower advertising costs passed on and other personnel expenses year on year.

5.1.4 Employee benefit expenses

Employee benefit expenses fell by EUR 4.7 million in fiscal year 2021, stemming primarily from the decrease in expenses from the recognition of provisions for severance payments, for paid terminations and for other personnel provisions. Furthermore, the number of Management Board members at the beginning of the fiscal year decreased from three to two. The average number of employees decreased to 40 (previous year: 42).

5.1.5 Other operating expenses and amortisation and depreciation

This includes legal and consulting costs and expenses for Group allocations. The EUR 2.1 million decrease in the reporting year was essentially due to the EUR 2.2 million drop in legal and consulting costs and the EUR 0.3 million increase in expenses from Group allocations.

5.1.6 Income from investments

The significant increase in income from investments from EUR 5.9 million in the previous year to EUR 16.7 million in fiscal year 2021 is mainly due to an increase of 11.2 million euros in profit transfers.

In the previous year, these were significantly lower due to the operational performance of the subsidiaries, which was strained by the Corona pandemic. On the other hand, the lower profit transfer resulted from one-off effects in the form of derecognition and impairment of internally generated intangible assets at a subsidiary in the previous year as well as the creation of restructuring provisions.

5.1.7 Net interest income

Interest expenses remained constant compared to the previous year at EUR 1.2 million; resulting primarily from increased margins from the interest charged on the bank loan as well as from declining interest rates, whereas a repayment of loans during the year was balanced on the one hand by an increase in the interest rate due to higher margins. Interest income is essentially generated from loans and short-term loans to affiliated companies. Higher net interest income in fiscal year 2021 is a result mainly by a total of EUR 0.3 million increase in interest income for loans and receivables to affiliated companies.

5.1.8 Taxes on income and earnings

Income tax expense on income and earnings of EUR 1.0 million resulted primarily from current taxes for the reporting year (previous year: income of EUR 2.0 million, mainly from the reversal of deferred tax liabilities).

5.1.9 Net income/loss for the year

FP Holding posted a net profit of EUR 11.7 million in fiscal year 2021 (previous year: net loss of EUR 4.5 million), chiefly due to the marked increase in income from investments and lower personnel expenses.

5.2 Financial position of the Group

LIQUIDITY ANALYSIS (IN EUR MILLION)

	2021	2020
Cash flow from operating activities	10.7	2.2
Cash flow from investing activities	0.0	0.0
Free cash flow	**10.7**	**2.2**
Cash flow from financing activities	-6.9	-1.9
Change in cash	**3.8**	**0.3**

Higher cash flow from operating activities in fiscal year 2021 is mainly attributable to net profit. The effects of the decrease in provisions and tax liabilities (EUR -3.1 million, previous year: EUR +8.1 million) had the opposite effect.

The rise in the cash outflow from financing activities in the reporting year was due to higher repayments of liabilities to banks amounting to EUR 6.9 million (previous year: EUR 2.2 million).

As of 31 December 2021, FP Holding had unused credit lines amounting to EUR 58.5 million (previous year: EUR 111.6 million). FP Holding was able to meet its payment obligations at all times in fiscal year 2021.

5.3 Asset position of the company

CONDENSED STATEMENT OF FINANCIAL POSITION OF FP HOLDING (IN EUR MILLION)

	31.12.2021	31.12.2020
Non-current assets	82.5	81.5
Current assets	41.1	37.9
Prepaid expenses	0.3	0.4
Assets	**124.0**	**119.8**
Equity	74.9	63.2
Provisions	10.6	14.6
Liabilities and deferred tax liabilities	38.5	42.0
Equity and liabilities	**124.0**	**119.8**

5.3.1 Non-current assets

Non-current assets increased in fiscal year 2021, primarily due to the rise in shares in affiliated companies in the amount of EUR 11.0 million. The decline in loans to affiliated companies in the amount of EUR 9.8 million had an offsetting effect.

5.3.2 Current assets

The EUR 3.2 million increase in current assets in the reporting year resulted particularly from the EUR 3.8 million rise in bank balances and the slight decrease of EUR 0.7 million in receivables from affiliated companies.

5.3.3 Equity

Equity increased in fiscal year 2021, primarily on account of the net profit for the year of EUR 11.7 million. FP Holding's equity ratio increased from 52.8 % to 60.4 % in the year under review.

5.3.4 Provisions

Overall, provisions decreased from EUR 14.6 million to EUR 10.6 million. The increase in provisions in fiscal year 2021 was attributable chiefly to the EUR 5.1 million decrease in other provisions from EUR 9.6 million to EUR 4.5 million. The drop was due mainly to higher provisions for personnel expenses, which were down by EUR 4.8 million.

Provisions for taxes and interest on taxes increased to EUR 5.0 million (previous year: EUR 4.0 million). The additions to provisions for tax payments and interest on taxes were made in light of the risk provisions for audits in previous years.

5.3.5 Liabilities

The decline in liabilities in the 2021 financial year of EUR 3.5 million to EUR 38.5 million is mainly due to a reduction in liabilities to banks of EUR 6.9 million due to redemption payments. Liabilities to affiliated companies, on the other hand, increased by increased by EUR 3.5 million.

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

Fiscal year 2021 was influenced by the improvement in the performance of the operating subsidiaries and the savings achieved as part of FUTURE@FP. The financial position essentially benefited from the operational improvement of the subsidiaries and the savings achieved as part of FUTURE@FP. This was offset by the repayment of bank loans.

The significant improvement in the FP Holding AG's two performance indicators matched the forecast for fiscal year 2021. The Management Board judges the business performance in fiscal year 2021 to have been generally satisfactory or favourable.

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.

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. A system for monitoring risks has been set up in line with section 91(2, 3) of the Aktiengesetz (AktG – German Stock Corporation Act). The risk and compliance situation is regularly analysed 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 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

The structures and processes of risk management are standardised across the Group. The risk assessment is carried out twice a year using defined risk categories, i.e. potential risks to which the FP-Group is exposed are identified and assessed. It is conducted locally and documented using standardised reporting formats. Within the risk categories, a number of risk types are considered and analysed by each reporting entity. Individual reports prepared on this basis are then validated in Governance, Risk & Compliance and consolidated into an overall risk position for the Group. The result of this structured process is used to prepare the risk report, a written communication to the Management Board and Supervisory Board. This information is then incorporated into regular business analyses by the Management Board, site managers and business area heads and is used to develop a course of action.

Risk management is supplemented by an Internal Control System (ICS) in order to actively limit relevant risks using suitable control measures and to regularly review the control activities established to check that they are appropriate and effective. The scope and effectiveness of the system are monitored on an ongoing basis and, where necessary, expanded to include new control measures such as policies or process instructions. The early risk detection system is evaluated by the auditor as part of the annual audit to assess that it is suitable for identifying, assessing and communicating any risks that may potentially endanger the going concern of the FP-Group with an adequate degree of probability and in a timely manner.

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. 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. Executives 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 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 in places 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 plan/actual variances during the year are detected in good time, to 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 and the UK. 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

Governance, Risk & Compliance 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 2021 are reported on here, the same process as for internal reporting.

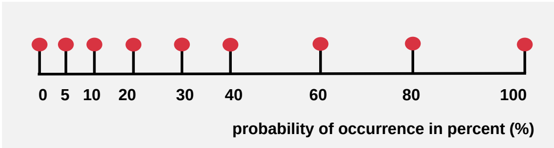
Risk matrix of the FP Group

Based on a "traffic light" system, red and orange risks attract particular focus in risk management.

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.

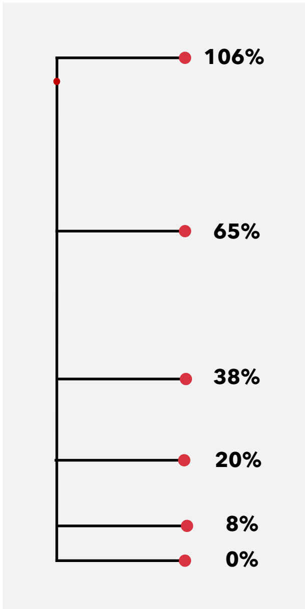
In order to more efficiently allocate the FP Group's prevention resources, risks in the lowest probability categories are considered in more detail and divided into the categories 0-5%, 5-10% and 10-20%. Risks are not further subdivided where the probability of occurrence is over 60%, as close attention 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



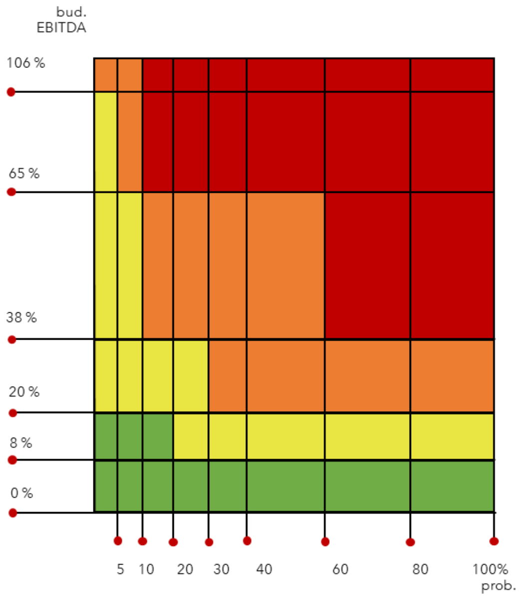
The assessment of loss potential is based on the impact a risk would have on forecast Group EBITDA if it were to occur. The loss classes are different sizes. The class limits show in detail whether the continued existence of the company is endangered if the risk materialises.

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 serious 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



Risks with a potential loss of EUR 24.1 million that could jeopardise the company's continued existence are therefore classified as "red" if there is a 10% probability of occurrence. The time reference for the probability of occurrence is generally one year.

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		Threatens continued existence
		Material risks
Immaterial risks		Medium risks
		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.

In fiscal year 2021, FP has modified the risk identification methods (the risk assessment) in order to establish an even greater focus on the Group's strategic success factors.

6.1 Risks faced by the FP Group

Reported risks

All risks with an estimated loss potential of 8% or higher of the EBITDA budget for 2022 of EUR 24.1 million at the time of reporting – regardless of their probability of occurrence – are reported below. Risks are assessed "net", i.e. taking account of any action already taken to reduce them. Only risks in the lowest loss class are not reported. The probability of occurrence covers a 12-month timeframe. If not explicitly stated, the risks apply to all of our business units and segments.

Market-related risks

Macroeconomic risks

The coronavirus pandemic has clearly shown that the FP Group is exposed to various risks regarding the macroeconomic environment. For example, general conditions affect customers, some of whom were faced with a decline in their business, cash flows and financing options. This caused customers to delay or cancel their planned investments. Suppliers were also in a similar situation, which meant that they were unable to meet orders or the standards of service and quality agreed. Although it is now easier to estimate the consequences of the pandemic, it cannot be ruled out that new waves of infection could lead to customers and/or employees being affected to a significant extent in the future. A continued deterioration in economic conditions in fiscal year 2022 – 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 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%	20-38%		

As a result of digitalisation, volumes of letter mail have been declining by between 3% and 5% 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 FUTURE@FP 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, therefore reducing this risk. In addition, the decline in mail volumes has not recently accelerated beyond an expected level. The loss potential has thus been reduced accordingly compared to the previous year.

6.1.1 Operational risks

Implementation of strategic and operational projects and measures

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

Processes are redefined and redesigned organisationally and technologically so that FP's structures reflect changes to the business model. These projects and measures may have an adverse effect on day-to-day business, they may fall behind schedule or be over budget, and targets associated with the changes may be missed despite careful planning and implementation. Specific examples of this include, in particular, the Group-wide rollout of a new, standardised ERP and CRM system.

The risk assessment has slightly reduced compared to the previous year. The decisions taken, both at the technical and personnel level, have helped to reduce the risk. Nevertheless, some complex projects have not yet been completed and the risks associated with them still exist.

Acquisitions/M&A/divestments

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

The management regularly assesses potential company acquisitions or technologies that have the potential to strengthen the market position and bolster future growth. Acquisitions of companies may result in goodwill that is recognised as an intangible asset. These transactions are subject to risks. If an acquired company does not achieve the expected results or cannot be successfully integrated into existing business, this may have a material and sustained negative impact on net assets, the financial position and results of operations.

FP addresses this risk chiefly by carefully analysing the targets, their synergy potential and how well they can be integrated. Company acquisitions require the approval of the Supervisory Board. The Management Board is monitored by the Supervisory Board to ensure that growth targets that can be achieved only exogenously are not achieved at the cost of unreasonable purchase prices.

The risk is currently assessed at a lower level than previously, as the initial values were reduced due to accounting measures in the previous year.

Procurement and quality risks

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

FP procures components for the product range from third parties. Whereas in the previous year this risk was mainly reported as potential problems with the availability of key components, the assessment of this risk has since increased. This is mainly due to the general supply chain problem, which affects numerous sectors of the industry, such as in the area of semiconductors. In addition, the geopolitical situation is exacerbating bottlenecks in global logistics.

The risks currently result from uncertainties regarding price stability and available supply volumes. Supply chain disruptions in production or logistics are also possible in addition to the chip crisis. 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.

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%	20-38%		

Contractual penalties are included as standard in tender conditions in the highly competitive Mail Services market, in particular for public-sector customers. These penalties are generally far higher than the margins associated with the contracts. A loss that results in a contractual penalty would have correspondingly serious repercussions for results of operations. The risk assessment depicted shows a scenario where technical problems result in multiple contractual penalties simultaneously.

FP observed the beginning of consolidation in the Mail Services market during the past fiscal year. This may result in a reduction in the risk assessment in the future.

General Human Resources risks

Probability of occurrence	Loss potential	Current	Previous year
30-40%	20-38%		

The transformation of FP has changed the profile of the workforce required in various areas. It is proving difficult in some cases – also due to the pandemic – 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. The relocation of development activities to a near-shore centre, which has already begun, will counteract the possible shortage of suitable specialists in Germany. Nevertheless, it cannot be ruled out that employees will resist the company's planned development.

This risk is therefore serious and will remain so in the current fiscal year 2022.

Risks from regulation, law and compliance

Probability of occurrence	Loss potential	Current	Previous year
30-40%	8-20%		n/a.

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. The risk was therefore newly included in the risk assessment and, against the backdrop of increased uncertainty, initially assigned a probability of occurrence of 30% to 40%. As the evaluation of the related risks progresses, the probability of occurrence is expected to decrease over time.

6.1.2 Financial risks

Change of control risks

Probability of occurrence	Loss potential	Current	Previous year
<5%	8-20%		

The FP Group uses credit facilities for corporate financing, of which EUR 30 million had been utilised at the end of 2021. 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. Currently, one shareholder holds more than 28% of the shares and is represented by a representative on the Supervisory Board. Thanks to the regular exchange with the management as well as a constructive dialogue with the banks involved, it was possible ,once again to place it in a lower class.

Financial covenants risks

Probability of occurrence	Loss potential	Current	Previous year
<5%	8-20%		

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.

The situation regarding the agreed covenants at FP is stable. Based on improved profitability and targeted net debt management via receivables management, cash management, optimised liquidity planning and a constructive dialog, the valuation was significantly reduced compared with the previous year.

Defaults on receivables

Probability of occurrence	Loss potential	Current	Previous year
<5%	8-20%		

In principle, it must be assumed that a more difficult economic situation may lead to an increase in bad debts. FP's customer structure is dominated by many small and medium-sized companies. The inherent risk is also countered by targeted receivables management. At the time of reporting, the probability of occurrence was therefore estimated to be lower than in the previous year.

Tax risks

Probability of occurrence	Loss potential	Current	Previous year
20-30%	20-38%		n/a.

The operational realignment of the FP Group is associated with various tax risks, such as 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).

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 2022 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 liquidity and net debt trend. Please see section 32 of the consolidated notes ("Financial instruments") under section 4 Liquidity risks for an evaluation of the risk.

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 and GBP, interest rate risks from the utilisation of loans and 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.

All three risk types are already in the lowest possible loss class even without entering into hedging transactions and so they are not reported. Regarding currency risks, there is a net foreign currency cash flow of EUR 5 million to EUR 7 million. Currently, the expected cash flows in foreign currencies are not fully hedged. The resulting residual risks form the basis for risk assessment.

Risks arising from the recoverability of intangible assets

Due to the positive business development in fiscal 2021 and the impairment losses and derecognition of significant intangible assets recognised in fiscal 2020, the potential for losses has decreased significantly compared with the previous year.

6.1.3 Risks from the SARS-CoV-2 pandemic

The business activities of the FP Group, its suppliers, customers and supply chains can be adversely affected by natural disasters, including the impact of the coronavirus pandemic. The risks from the pandemic and the probable future endemic are now dealt with within the existing risk categories (see macroeconomic risks).

6.1.4 Risks in connection with geopolitical developments

At the time of reporting, the consequences of the Russian invasion of Ukraine and the subsequently imposed economic sanctions cannot yet be conclusively assessed. The proportion of FP's revenue that could be affected by the sanctions is in the mid six-figure range and would therefore not have a serious impact on the Group's development. It is currently not possible to estimate the severity of the consequences for the global economy and how the economy in the markets relevant to FP will be affected. Developments are being carefully monitored. 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 current situation.

6.1.5 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.

6.1.6 Overall statement on the Group's risk situation

The table below provides an overview of the FP Group's risk situation as of the reporting date and of changes in risks compared with the previous year. The following eleven risks constitute reportable risks for the FP Group as things stand:

OVERVIEW ON RISKS IN THE FP GROUP

Risk	Current probability of occurrence[1]	Current loss potential[2]	Current risk class	Risk class in previous year [3]
Changes in customer needs as a result of the digital transformation	10-20%	20-28%		
Implementation of strategic and operational projects and measures	20-30%	20-38%		
Acquisitions, M&A, divestments	10-20%	8-20%		
Procurement and quality risks	20-30%	20-38%		New
Contractual penalties	5-10%	20-38%		
General Human Resources risks	30-40%	20-38%		
Regulation, law and compliance	30-40%	8-20%		New
Change of Control	<5%	8-20%		
Financial covenants risks	<5%	>8-20%		
Defaults on receivables	<5%	8-20%		
Tax risks	20-30%	20-38%		New

[1] The probability of occurrence covers a 12-month timeframe.
[2] The loss potential is given as a percentage of Group EBITDA budget for 2022.

Overall statement on the Group's risk situation

Compared to the previous year, the strategic and operational risks have decline slightly overall. The change in customer requirements and the resulting decline in core business with franking machines and consumables may have a significant impact on FP's revenue performance in the medium or long term. The change in customer requirements is increasingly being met by a range of products and services that has been expanded to match this.

Procurement and HR 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 has already changed significantly as a result of the post-pandemic upturn. Skilled workers, not only in the IT sector, are in high demand, with the result that recruiting processes are sometimes noticeably delayed. Both could hinder the development of the digital business units and the associated planned improvement in the company's profitability.

Successfully achieving this transformation process is essential to FP's medium and long-term prospects.

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

6.2 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.

A key aspect of the growth strategy is the acquisition of companies or technologies to expand digital business areas. If suitable acquisition targets are identified and taken over more quickly than expected, the company may outperform planned business development.

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

Operating 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. In the Mailing, Shipping & Office Solutions business area, for example, Hefter solutions are increasingly being offered in the existing sales channels, just as Hefter customers are being offered a broader range of solutions.

In the Digital Business Solutions business area, the merger of FP Mentana Claimsoft and FP IAB Communications will allow us to make greater use of these leverage effects with customers by offering the entire range of solutions from a single source.

In addition, cross-selling potential can also be achieved between the business areas. Franking machine customers are increasingly being offered digital solutions such as FP Sign or TransActMail. Between the Digital Business Solutions and Mail Services business areas, not only is this cross-selling potential being exploited, but also cost synergies through the use of shared resources. Freesort locations and logistics structures are increasingly being used for the input management offering, for example.

If these leverage effects materialise significantly faster or more strongly than expected, additional revenue and earnings contributions may result.

As part of the transformation program, in addition to the introduction of a uniform ERP/CRM platform, the prerequisites for digital business models and software-as-a-service offerings are also being created. This includes simpler onboarding and automated billing systems (subscription and billing) for faster and more efficient processing and settlement. Should these changes be completed far more quickly than planned, corresponding revenue increases and cost savings could also be made earlier than expected.

As part of the transformation program, FP has increased its focus on digital solutions and products. For example, the Parcel Shipping product developed by FP allows customers to choose the best sender for their parcels and packages, thereby optimising their logistics. The numbers of parcels and packages being shipped is rising sharply, yet at present this product is offered mainly in the US. The accelerated roll-out to an increasing number of other markets on which FP operates could produce unexpected additional revenue. The FP Sign digital signature is also developing successfully. We believe “enterprise solutions” offer great potential here. These integrate the product into existing ERP, CRM or similar systems, making it available to employees at large companies for daily use quickly and straightforwardly. On the other hand, individual customers can register quickly and easily via the website and use FP Sign. If the company succeeds in developing additional large accounts in this area, or if the number of individual users develops at an above-average dynamic rate, the revenue expectations for this product could be exceeded. A platform has also been developed to offer customers in certain markets a true end-to-end offering for the digitalisation of building services equipment (such as heating systems), from data analysis to remote maintenance and control. Major companies operate in some of these markets, each of which – if convinced of the benefits of the FP solutions – has the potential to ensure revenue expectations are significantly exceeded.

The acquisition of Azolver in March 2022 could result in additional revenue and cost reduction potential. If the planned conversion of the franking machine solutions for Azolver's customers takes place more quickly than planned, additional potential may arise both in the sale of franking machines and in the after-sales business. With the site in Tallinn acquired through the acquisition, FP's initiated near-shore activities may be able to be implemented more quickly and accelerate the transformation process, which may lead to higher cost savings.

6.3 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 short-term successes.

6.4 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 investments and 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, which takes account of the SARS-CoV-2 pandemic, 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. Companies are more inclined to invest in a positive economic climate, which could have a positive impact on the franking and inserting business. In a robust economy, companies are more willing to innovate, which is favourable for the Software/Digital segment in particular.

Originally, a significant recovery of the global economy was expected for 2022. Since the Russian attack on Ukraine and the severe international sanctions against Russia, experts have reduced these expectations, in some cases very significantly. The International Monetary Fund (IMF) most recently lowered its forecast for global economic growth this year to 3.6 percent, down from 4.4 percent as recently as January. The effects of the war will also be felt in the euro zone, where the IMF expects growth of only 2.8 percent, down 1.1 points. For Germany, the IMF expects gross domestic product to grow by 2.1 percent, down from 3.8 percent recently.

At the same time, the IMF expects high inflation rates. After years of stability, the rise in energy prices as a result of the Ukraine war in particular is accelerating inflation. In the industrialized nations, it is expected to reach 5.7 percent this year, 5.3 percent in the euro zone and 5.5 percent in Germany. Monetary policy is therefore expected to be tightened in many countries. The IMF also emphasizes that the economic forecast is subject to an unusually high degree of uncertainty. For example, growth could slow even further, while inflation could still exceed forecasts if, for example, sanctions are extended to Russia's energy exports. The German Council of Economic Experts for 2022 also expects Germany's economic growth to be far lower than previously. At the end of March 2022, the panel revised its forecast for German GDP growth downward from 4.6 percent to just 1.8 percent. Also in March, the U.S. Federal Reserve raised interest rates by a quarter percentage point and lowered its GDP estimate for 2022. The Fed expects the U.S. economy to grow by only 2.8 percent in 2022. In December 2021, it had still forecast 4 percent.

In Germany, after almost two and a half years, Deutsche Post increased postage on 1 January 2022. The Federal Network Agency approved these changes. The price for a standard letter rose from 80 to 85 cents, and the price for a compact letter from 95 cents to EUR 1.

7.2 Expected business performance of the FP Group

Performance in fiscal year 2022 will be determined both by the general economic environment and by the measures taken to further improve business development and profitability. Unfortunately, it is not currently possible to precisely assess how the ongoing coronavirus pandemic and the effects of the war in Ukraine will develop and what effects these may have on economic development and the earnings, financial and net asset position of the FP Group.

The acquisition of the Azolver companies at the end of March 2022 is expected to result in a significant increase in revenue and EBITDA for the FP Group. The growth will have an impact on the Mailing, Shipping & Office Solutions – especially in the MS&O Europe segment – and Digital Business Solutions business units. Furthermore, we expect organic growth in all three business units, which will be lower than inorganic growth.

The FP Group has been seeing a decline in business volume in many European markets in the Mailing, Shipping & Office Solutions business unit for some time. This reflects the general fall in the mail volume combined with advances in digitalisation in many areas. Due to the acquisition of the Azolver companies, we expect a significant increase in revenue in Europe, a slight increase in EBITDA (due to integration costs) and a slight increase in the EBITDA margin in fiscal year 2022. In organic terms, the European segment will be positively impacted by tariff increases in Germany and the UK. The European market is expected to continue to decline slightly. To compensate for the downturn in the European market as best as possible, the product portfolio for customers is to be expanded. This includes products developed by the company itself such as FP Sign, a digital signature solution, and FP Parcel Shipping, a tool to select the best sender for parcels and packages. Furthermore, the range should be broadened to cover office supplies and products from third party suppliers. At present, it is difficult to assess whether and to what extent it will be possible to offset this general slump. The measures taken should ensure that this is successful at least in the medium term. In the North American market, we expect a slight increase in revenue, EBITDA, and EBITDA margin for fiscal year 2022 due to increased postal requirements.

In the Digital Business Solutions business unit, FP has created the conditions for successfully expanding this into a substantial area of the company through a new positioning. The acquisition of the Azolver companies at the end of March 2022 will also have a positive impact. A significant increase in revenue, EBITDA, and EBITDA margin is expected in fiscal year 2022.

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

We assume that the Mail Services business unit will continue to be affected by the general decline in mail volumes, but we also benefit from the increased postage in Germany. Overall, we expect a significant increase in revenue and a slight improvement in EBITDA for fiscal year 2022. The EBITDA margin will develop stably.

Economic developments and the further course of the coronavirus pandemic will have a material impact on business performance. Restrictions aimed at containing infections levels also affect operating business, sales activities and travel. Renewed drastic measures imposed by authorities in the remainder of this year may have a considerable impact on the Group’s net assets, financial position and results of operations. The possible consequences of the conflict between Russia and Ukraine are equally difficult to predict. The severe sanctions against Russia are also anticipated to have a significant impact on the Western economy and thus burden economic development. It cannot be ruled out that this may also have an impact on FP’s business performance.

7.3 Expected development of performance indicators

	2022 forecast
Revenue	EUR 229 million – EUR 237 million
EBITDA	EUR 24 million – EUR 28 million
EBITDA margin	10.5% – 11.8%
Quality indicator – Germany and International	Slight improvement
Improvement indicator	stable development

Business performance in 2022 will benefit from good general economic conditions. At the same time, there are currently major uncertainties regarding the further performance of the economy in key markets due to the war in Ukraine and the coronavirus pandemic and how these may influence business performance in the current fiscal year.

With the acquisition of the Azolver companies at the end of March 2022 and despite the risks described, we expect Group revenue to develop significantly positively in fiscal 2022. We expect this in the range of EUR 229 million to EUR 237 million, as against EUR 203.7 million in the previous year.

EBITDA reached EUR 18.5 million in fiscal year 2021, corresponding to an EBITDA margin of 9.1%. Measures to sustainably improve profitability will have a greater impact in fiscal 2022. Depending on how revenue performs, we therefore expect EBITDA to be between EUR 24 million and EUR 28 million, corresponding to an EBITDA margin of between 10.5% and 11.8%.

The anticipated development of financial performance indicators for the fiscal year 2022 is based on the assumption of constant exchange rates.

In terms of non-financial performance indicators, both the PQI - Germany and the PQI - international are expected to improve slightly as product quality continues to be enhanced by improvement projects resulting from the quality circles.

For the fiscal year 2022, a similar value of the nf IQ is expected, as the measures from the regular quality circles will take effect, but also warranty notifications from the previous year could arrive later.

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 2022 takes account of the latest developments in connection with the SARS-CoV-2 pandemic and developments in Russia's war against Ukraine. FP Holding is expecting a slight improvement in its income from investments and earnings before taxes in fiscal year 2022.

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

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.

Direct or indirect investments in capital exceeding 10% of the voting rights

As at 31 December 2021, the following direct and indirect shareholdings in the capital existed, which exceeded 10% of the voting rights:

Name/company	Direct/indirect holding of more than 10% of the voting rights
Mr Klaus Röhrig, Austria	Indirect
Mr Rolf Elgeti, Germany	Indirect
Obotritia Capital KGaA, Germany	Direct

The above information is based in particular on notifications of voting rights pursuant to the German Securities Trading Act (WpHG), which Francotyp-Postalia Holding AG received and published.

As communicated in writing on 10 March 2020, Obotritia Capital KGaA held a total of 28.01% of the company's voting rights. The shares of Obotritia Capital KGaA are allocated to the shareholder Mr Rolf Elgeti. The number of voting rights last reported could have changed within the threshold from 25.0% to 29.99% since this time.

Voting rights notifications published by Francotyp-Postalia Holding AG can be accessed on the Internet at: https://www.fp-francotyp.com/en/voting-rights-notification/34d7329ef8d9abe0[5].

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

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

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

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

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.

Powers of the Management Board with regard to the possibility to issue or buy back shares Authorisations for authorised and contingent capital

The authorised capital resolved at the Annual General Meeting on 11 June 2015 laid out in section 4 paragraph 3 of the company;s Articles of Association (Authorised Capital 2015/I) expired on the 10 June 2020. Contingent Capital 2015/I in accordance with section 4 paragraph 4 of the Articles of Association was rescinded.

To provide management with room for manoeuvre, a resolution on new authorised capital (Authorised Capital 2020/I) was adopted at the Annual General Meeting on 10 November 2020. Section 4 paragraph 3 of the company's Articles of Association was amended accordingly. With the approval of the Supervisory Board, the share capital of the company can then be increased on one or more occasions by up to a total of EUR 8,150,000 by issuing new bearer shares against cash and/or non-cash contributions up to 9 November 2025. 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.

On 10 November 2020, the Annual General Meeting also amended section 4 paragraph 4 of the company's Articles of Association to resolve to contingently increase the share capital of the company by an amount of 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). With the approval of the Supervisory Board, the Management Board is hereby authorised 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 contingent capital serves to grant shares to the holders or creditors of warrant or convertible bonds, profit participation certificates or participating bonds (or combinations of these instruments) that were issued by the company or one of its direct or indirect Group companies as defined by section 18 AktG by 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. 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.

Shareholders have subscription rights to the bonds. The bonds can also be purchased by one or more banks or a syndicate of banks, with the obligation to offer these to shareholders for subscription (indirect subscription right). The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights to bonds.

Contingent capital increase and stock option plan

For further explanation, please refer to the disclosures in the notes to the consolidated financial statements in section IV (27) Equity.

Authorisation to acquire treasury 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.

Significant agreements of the parent company subject to a change of control following a takeover offer and indemnification agreement of 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.

In the event of a change of control, there are agreements with the members of the Management Board whose comply with the recommendation in section G paragraph G.14 of the German Corporate Governance Code in the version dated 16 December 2019.

Berlin, 27 April 2022

The Management Board of Francotyp-Postalia Holding AG

Carsten Lind | Martin Geisel

CEO | 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[6] (sections 289b, 315b HGB), which is available online at https://www.fp-francotyp.com/non_financial_reports.

Berlin, 27 April 2022

The Management Board of Francotyp-Postalia Holding AG

Carsten Lind | Martin Geisel

CEO | CFO

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

REMUNERATION REPORT

of Francotyp-Postalia Holding AG

for the fiscal year 2021

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 new 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 2021. In order to promote understanding, the remuneration system for the Management Board and Supervisory Board adopted in the 2021 financial year is also outlined. It was subjected to an audit as required by section 162 para 3 AktG. The audit opinion is attached to this report.

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. The report will be presented for approval for the first time at the Annual General Meeting that resolves on the fiscal year 2021.

1. Remuneration system for the Management Board

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

The current system of remuneration for the members of the Management Board of Francotyp-Postalia Holding AG was resolved by the Supervisory Board – with the assistance of specialist external support – in accordance with sections 87 (1), 87a (1) AktG on 27 April 2021 and approved by the Annual General Meeting on 16 June 2021 with a majority of 97.42% of the share 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 16 December 2019.

Summary of key aspects of fiscal year 2021 from a remuneration perspective

From a remuneration perspective, fiscal year 2021 was operationally very successful. The good revenue and earnings development therefore had a direct impact on the Management Board's annual bonus.

As this business development has not yet had an impact on the performance of the FP share price, there has not yet been any benefit from the long-term incentives (LTI 1), which are linked to 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 environmenta, social and governance (ESG) criteria in corporate management.

Application of the Management Board remuneration system in fiscal year 2021

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 does not apply to the remuneration of the members of the Management Board 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 2021 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 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 2021 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. 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 fulfillment 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.

TOTAL OVERVIEW OF REMUNERATION COMPONENTS

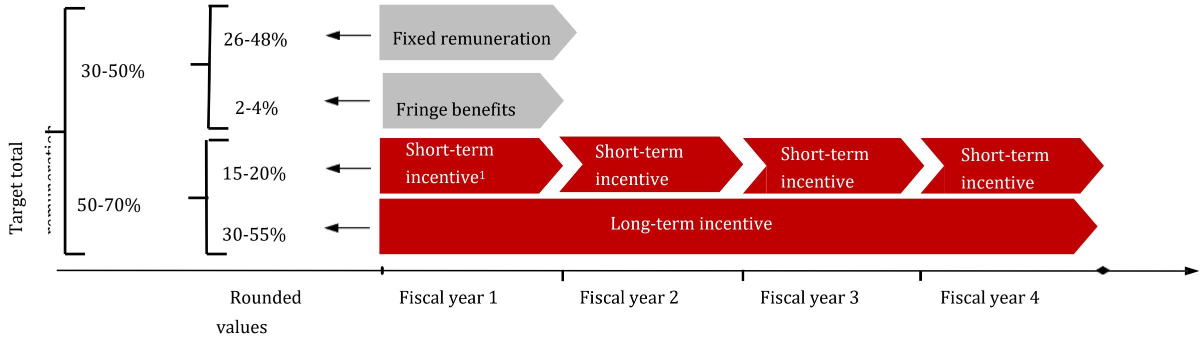
Remuneration component	Basis of assessment/parameters
Non-performance based remuneration	
Fixed remuneration	Fixed remuneration, paid monthly pro rata as salary
Fringe benefits	Company car, insurance premiums; further one-off or time-limited (transitional) benefits possible in the case of new appointments with express resolution of the Supervisory Board
Performance-based compensation	
Short-term incentive (STI)	• Annual bonus model: Basis for target achievement: a separate number of Key Performance Indicators ("KPIs") to be determined by the Supervisory Board each year, or already determined, for each Management Board member, each of which is to be given equal weighting (min. 2 KPIs, max. 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_2 emissions
	• 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

TARGET TOTAL REMUNERATION



[1] To be agreed separately for each fiscal year between the Supervisory Board and the respective member of the Management Board

Non-performance based remuneration accounts for approximately 30-50% of total target remuneration. Fixed remuneration for approximately 26-48% of target total remuneration, and regular fringe benefits normally account for approximately 2-4%.

Performance-based remuneration accounts for a total of approximately 50-70% of 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 2021 fiscal year and the respective share of the remuneration components in total remuneration:

	Carsten Lind CEO		Martin Geisel CFO *since 10 January 2021*	
Target remuneration for fiscal year 2021	**2021 in EUR thousand**	**2021 in %**	**2021 in EUR thousand**	**2021 in %**
Basic remuneration	400	65.8	375	65.2
+ Fringe benefits	28	4.6	28	4.8
+ Pension remuneration	-	-	22	3.9
= Total fixed remuneration	428	70.4	425	73.9
Variable remuneration				
+ Short-term variable remuneration for 2021	180	29.6	150	26.1
+ Long-term variable remuneration (LTI 1 2020-2024)	55.3	-55.3	-	-
+ Long-term variable remuneration (LTI 1 2021-2022)*	-	-	-	-
+ Long-term variable remuneration (LTI 2 2020-2024)	-	-	-	-
= Total variable remuneration	235.3	84.9	150	26.1
+ Other	-	-	-	-
= Total remuneration	663.3	155.3	575	100.0
Share of fixed remuneration in %.	64.5	45.3	73.9	73.9
Share of variable remuneration in %	35.5	54.7	26.1	-26.1

*) Target compensation for LTI 2 is not stated for 2021, as target achievement is calculated for the entire bonus period and no interim accounting is performed.

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. They receive partial subsidies for pension insurance (pension expense). An amount of EUR 1,956 thousand was accrued for pension obligations to former members of the Management Board. The last beneficiary left the company in 2008.

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 only for Mr Lind to acquire 8% of the allocated virtual share options as shares in the company and to hold them for 4 years from the date of acquisition (Share Ownership Guidelines).

SHARE OWNERSHIP OF THE MANAGEMENT BOARD MEMBERS

	as of 31 December 2021 – Number of shares	in % of share capital
Carsten Lind	37,000	0.23
Martin Geisel	23,000	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 2021.

Disclosures on deviations from the remuneration system in 2021

The company concluded employment contracts with the currently appointed members of the Management Board before the current remuneration system was adopted.

Consequently, the remuneration system does not apply in all respects to the existing contracts. For example, the Supervisory Board is able to offset effects on the long-term bonus from corporate actions carried out in the assessment period.

The employment contract with Chief Financial Officer Martin Geisel was concluded for a period of two years. The basis for calculating the long-term bonus is therefore based on the period during which the Management Board member is able to shape and influence the company’s performance.

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 the Management Board members currently appointed.

Compansation granted and owed

The compensation granted and owed to the respective members of the Management Board of the Company is as follows for the individual components, with the compensation being attributed to the fiscal year in which the underlying activity was performed in full ("vesting-oriented view"):

REMUNERATION OF THE MANAGEMENT BOARD (GRANTED AND OWED)

	Carsten Lind		Martin Geisel		Patricius de Gruyter		Sven Meise		Rüdiger A. Günther	
	CEO since 1 June 2020		CFO since 10 January 2021		CSO until 31 May 2021		COO/CDO since 11 January 2021[1]		CEO/CFO since 11 November 2020	
Grants in EUR	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fixed remuneration	400,000	230,000	375,000	-	129,167	302,250	310,000	302,250	73,333	419,250
Fringe benefits	27,827	14,734	27,824	-	5,116	14,164	32,612	26,044	3,599	21,322
Pension cost	-	-	22,152	-	0	0	24,007	23,379	3,692	21,517
Total fixed remuneration	427,827	**244,734**	424,976	**-**	134,283	**316,414**	366,619	**351,673**	80,624	**462,089**
Long-term variable remuneration (LTI 1 2020-2024)	55,250	55,250	-	-	-	-	-	-	-	-
Long-term variable remuneration (LTI 1 2021-2022)	-	-	-	-	-	-	-	-	-	-
Long-term variable remuneration (LTI 2 2020-2024)	-	-	-	-	-	-	-	-	-	-
Short-term variable remuneration (bonus)	360,000	105,000	187,500	-	43,542	104,500	65,000	100,000	0	224,700
Virtual share options	-	-	-	-	20,543	19,781	-	19,781	-	39,252
2015 stock option plan	-	-	-	-	-	-	-	-	-	23,437
Long-term bonus	-	-	-	-	59,375	142,500	122,500	150,000	-	-
Total variable remuneration	360,000	**366,833**	187,500	**-**	123,460	**266,781**	187,500	**269,781**	0	**287,389**
Severence pay	-	-	-	-	-	-	-	-	654,700	-
Total remuneration	840,077	**611,567**	612,476	**-**	257,742	**583,194**	554,119	**621,454**	735,324	**749,478**
Share of fixed remuneration in %.	50.7	40.0	69.4	0.0	52.1	54.3	66.2	56.6	100.0	61.7
Share of variable remuneration in %	49.3	60.0	30.6	0.0	47.9	45.7	33.8	43.4	0.0	38.3

1) Of which pro rata temporis as current member of the Executive Board: fixed compensation EUR 8,493, fringe benefit EUR 893, pension expense EUR 658, short-term bonus EUR 1,780, long-term bonus EUR 3,356.

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. This maximum remuneration is only made possible if the share price of the company increases to such an extent that the maximum remuneration is generated from the virtual share options.

It is not yet possible to verify compliance with the maximum remuneration, as it still depends on the inflow of variable remuneration components in future years. Compliance with the maximum remuneration can and is therefore expected to be reported for the first time in the remuneration report for the fiscal year 2022.

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 2021, 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 “owed.” The bonus was calculated in accordance with the following presentation:

CALCULATION OF THE BONUS | CARSTEN LIND

KPI	Target	Weighting	Target achievement in %	Share bonus
Revenue	EUR 189.6 million	50%	>120%	€ 180,000
EBITDA	EUR 9.5 million	50%	>120%	€ 180,000
Total		100%	>120%	€ 360,000

For fiscal year 2020, in which Mr. Lind was appointed to the Management Board as at 1 June 2020, 100% target achievement was assumed and the amount of the annual bonus was measured on a pro rata basis.

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. A further 50,000 virtual share options were also granted; these are linked to the establishment of the digital business. 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. A provision of EUR 32 thousand was recognised in fiscal year 2020. 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 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 choice of suitable performance criteria provides 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. Martin Geisel, Chief Financial Officer

The Supervisory Board agreed an annual bonus with Mr. Geisel for fiscal year 2021. For fiscal year 2021, the minimum bonus was EUR 100,000. The prerequisite for the annual bonus in the following year is cumulative target achievement of more than 80% for various agreed KPIs. If the target is fully achieved, the annual bonus will be EUR 150,000. The cap (125% target achievement) is a bonus amount of EUR 187,500.

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 “owed.”

The bonus for fiscal year 2021 was calculated as shown below:

CALCULATION OF THE BONUS | MARTIN GEISEL

KPI	Target	Weighting	Target achievement in %	Share bonus
Revenue	EUR 189.6 million	25%	>125%	€ 46,875
EBITDA	EUR 9.5 million	30%	>125%	€ 56,250
Free cash flow	EUR -19.7 million	25%	>125%	€ 46,875
ESG criteria	ISO audits, reduction of CO_2	20%	>125%	€ 37,500
Total		100%	>125%	€ 187,500

Half of these ESG criteria relate to the successful re-certification of five ISO certifications and half to the reduction of CO_2 emissions.

Mr. Geisel was also promised an LTI with a two-year assessment period. This is based on the increase in the share price. A target of 100% is achieved if the share price increases by 25% during this period. The share price at the beginning of the assessment period (January 1, 2021) is calculated from the arithmetic mean of the Xetra daily closing prices of the last 30 trading days before the beginning of the assessment period, which corresponds to EUR 3.29. This would result in a bonus payment of EUR 350,000. The minimum target achievement is 80%, which corresponds to a bonus amount of EUR 280,000. The maximum amount (cap) is EUR 525,000 and corresponds to a target achievement of 150%. Depending on the development of the share price in the fiscal year, an advance payment would have been made on this LTI if the share price had increased by at least 20% in the course of the year. This advance payment would have had to be repaid at the end of the entire period if the share price had again fallen below the minimum target achievement level of 80%. Payment will be made in the month after the bonus period expires and achievement of the agreed targets can be determined, presumably in fiscal 2023.

For Mr. Geisel too, the Supervisory Board has linked remuneration to both the short-term and long-term development of the company so that it supports successful and sustainable corporate governance. By choosing suitable performance criteria, important incentives for the implementation of sustainability targets were set at the same time. Linking LTI to the development of the share price also ensures a high degree of alignment of interest with that of shareholders.

III. Explanation of disclosures relating to former members of the Management Board

The contract with Management Board member Sven Meise, which runs until 31 December 2021, was terminated prematurely on 11 January 2021. Under the termination agreement, he was entitled to remuneration until the end of the original contract term. In addition, payment of the bonuses (STI and LTI) was agreed for 2018 to 2021. He did not receive any severance payment. Advance payments were made on the bonuses, initially based on preliminary figures for fiscal 2020 and 2021. Further payments of bonuses amounting to EUR 188 thousand are to be made in April 2022. The long-term remuneration is linked to the Group targets "EBITDA" and "revenue" of the agreed budget and to the individual targets "development of digital products" and "revenue growth at freesort and IAB" with an assessment period of four years. The calculation was made on the basis of the actual key figures for the 2020 financial year, taking down-payments into account.

The Management Board contract with Patricius de Gruyter was concluded until 31 May 2021 and was not extended beyond this date. At the end of his service period it was also agreed to pay out bonuses (STI and LTI) for 2018 to 2020. Further payments of bonuses amounting to EUR 103 thousand are to be made in April 2022. The long-term compensation is linked to the Group targets and individual targets with an assessment period of four years. The calculation is based on the actual key figures for the 2020 financial year and pro rata temporis for 2021, taking down-payments into account.

Rüdiger Andreas Günther stepped down from the Management Board in 2020 and received his contractual remuneration up to and including February 2021. In fiscal year 2021, bonuses amounting to EUR 1,249 thousands (STI and LTI) were paid for 2018 to 2020 based on court and out-of-court settlements. In addition, Mr. Günther received a severance payment amounting to EUR 655 thousands for his early departure. The variable compensation for 2020 was based on a target agreement that contains both short-term and long-term elements. The Group's "revenue" and "EBITDA" targets, as well as compliance with the expected earnings developments from the Jump restructuring program were agreed upon.

All three former members of the Management Board also received long-term share-based compensation in the form of virtual shares or virtual stock options with a four-year vesting period, which additionally had to be backed on a pro rata basis by shares they had acquired themselves. The 2015 Stock Option Plan is explained in the Annual Report in Section IV, Note (26) Equity.

The payments in connection with the departure of the Management Board members were made in compliance with the caps applicable to their contracts. A post-contractual non-competition clause was not agreed in any case. No remuneration payments were made to other former Management Board members in fiscal year 2021.

Review of the appropriateness of Management Board remuneration

The Supervisory Board has reviewed the appropriateness of the remuneration of the Management Board for fiscal year 2021. The assessment of the customariness of the remuneration is carried out both in comparison with other companies (horizontal comparison) and within the Francotyp-Postalia Group based on the ratio of the remuneration of the Management Board to the remuneration of senior management and the workforce as a whole (vertical comparison). Due to the size of Francotyp-Postalia – measured by the size criteria of revenue, employees and market capitalisation –companies in the franking machine sector and also in the mail delivery sector are used for comparison. In this context, the company's direct competitors are considered in particular, insofar as their remuneration parameters can be determined. Overall, the difficulty always arises that the medium-sized competitors are not listed on the stock exchange and therefore the corresponding remuneration levels and structures are not always available in a comprehensible form. In addition, the Supervisory Board regularly takes into account how the economic situation of Francotyp-Postalia is developing in comparison with the companies listed on the SDAX. For the appropriateness test and assessment of the customariness of Management Board remuneration within the company (vertical comparison), the management levels below the Management Board of Francotyp-Postalia Holding AG are used as a basis for the senior management, and the average remuneration of the Group's full-time employees in Germany is used for the workforce as a whole. Both the current ratio and the change in the ratio over time are taken into account here. External and internal appropriateness are reviewed at regular intervals.

The Supervisory Board has come to the conclusion that the Management Board remuneration for fiscal year 2021 was appropriate.

Defined benefits from third parties

The members of the Management Board have not received any defined benefits from third parties, neither within or 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 respective Management Board member's final annual remuneration, comprising fixed salary and STI excluding LTI and 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 an 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 fiscal year 2022 from a remuneration perspective

No remuneration-related changes are planned for fiscal year 2022. The Supervisory Board has not resolved any adjustments to remuneration levels or changes to the remuneration system.

2. Remuneration system for the Supervisory Board

Resolution on the remuneration system for members of the Supervisory Board

The Annual General Meeting decides on the remuneration for the members of the Supervisory Board. The remuneration is set out in section 17 of the company's Articles of Association. The Management Board and Supervisory Board have reviewed the remuneration of the members of the Supervisory Board and have come to the conclusion that the remuneration for the members of the Supervisory Board applicable to date is appropriate for the company. The Management Board and Supervisory Board therefore proposed to the Annual General Meeting on 16 June 2021 that the remuneration system for the members of the Supervisory Board be adopted unchanged. This proposal was approved by a majority of 92.62% of the share 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 a fixed annual remuneration of EUR 30,000 for each full fiscal year in office. Furthermore, the Chairman of the Supervisory Board receives a supplement of EUR 15,000 and the Vice Chairman a supplement of EUR 7,500 on top of the basic remuneration. In accordance with recommendation G.17 of the GCGC, these supplements take into account the special responsibility associated with the exercise of these offices as well as the considerable additional organisational and administrative effort.

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 EUR 3,000 per 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 2021, the remuneration system for the Supervisory Board was applied in all aspects as regulated in section 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, nor were any contingent liabilities 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 compensation is attributed to the fiscal year in which the underlaying activity was fully performed ("vesting-oriented view"):

Grants in EUR		2021	2020
Dr. Alexander Granderath	Member since 10 November 2020, Chairman of the Supervisory Board	45,000	6,352
Lars Wittan	Member since 10 November 2020, Deputy Chairman	37,500	5,308
Klaus Röhrig	Chairman of the Supervisory Board until 10 November 2020, member of the Supervisory Board	30,000	38,619
Botho Oppermann	Until 10 November 2020	0	28,955
Dr. Mathias Schindl	Until 10 November 2020	0	23,164
Total remuneration		**112,500**	**102,398**

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 (exept 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 %	2021 to 2020
Current members of the Management Board	
Carsten Lind	37.9
Martin Geisel	n.a.
Patricius de Gruyter (until May 31, 2021)	-55.8
Current members of the Supervisory Board	
Dr. Alexander Granderath	608.4
Lars Wittan	606.5
Klaus Röhrig	-22.3
Previous members of the Management Board	
Rüdiger A. Günther	-1.9
Sven Meise	-10.8
Previous members of the Supervisory Board	
Botho Oppermann (until 10 November 2020)	-100.0
Dr. Mathias Schindl (until 10 November 2020)	-100.0
Development of the company	
Net profit of Francotyp-Postalia Holding AG (HGB)[1]	360.0
EBITDA of the FP Group (IFRS)	111.1
Average remuneration of employees	5.1

The information on the remuneration of the members of the Management Board is based on the remuneration granted and owed.
[1] The net profit of Francotyp-Postalia Holding AG amounted to EUR -4.5 million in 2020 and EUR 11.7 million in 2021.

Mr. Lind was appointed to the Management Board as at 1 June in fiscal year 2020. Mr. Geisel was not yet a member of FP's Management Board in 2020. The changes in the remuneration of Dr. Granderath and Mr. Wittan are based on their joining the board during 2020. Mr. Röhrig changed from Chairman of the Supervisory Board to a member of the Supervisory Board in 2020. Mr. Oppermann and Dr. Schindl resigned from the Supervisory Board in 2020.

Berlin, den 27. April 2022

Carsten Lind	Martin Geisel
Management Board	Management Board

Dr. Alexander Granderath	Lars Wittan	Klaus Röhrig
Chairman of the Supervisory board	Member of the Supervisory board	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 examined the remuneration report of Francotyp-Postalia Holding AG for the financial year from 1 January to 31 December 2021 to determine whether the disclosures pursuant to Section 162 (1) and (2) AktG have been made in the remuneration report. In

accordance with Section 162 (3) AktG, we have not examined the content of the remuneration report.

In our opinion, the accompanying remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG. Our opinion does not cover the content of the remuneration report.

We conducted our examination of the remuneration report in compliance with Section 162 (3) AktG taking into account the IDW assurance standard: Examination of the remuneration report pursuant to Section 162 (3) AktG (IDW AsS 870 (08.2021). Our responsibilities under this regulation and this standard are further described in the "Our Responsibilities" section of our assurance report. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1). We have complied with our professional duties pursuant to the German Public Accountants Act [WPO] and the Professional Charter for Auditors/Chartered Accountants [BS WP/vBP], including the independence requirements.

Responsibilities of the Management Board and the Supervisory Board

The management and the Supervisory Board of Francotyp-Postalia Holding AG are responsible for the preparation of the remuneration report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal control as they have determined necessary to enable the preparation of the remu-neration report that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our objectives are to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 (1) and (2) AktG, and to issue an assurance report that includes our opinion.

We planned and performed our examination to obtain evidence about 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 Section 162 (3) AktG, we have not examined whether the disclosures are correct or individual disclo-sures are complete or whether the remuneration report is fairly presented.

Handling Potential Misleading Presentations

In connection with our examination our responsibility is to read the remuneration report by taking into account the findings of the audit of the annual financial statements and, in doing so, remain alert for indications of misleading presentations in the remuneration report to determine whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

If, based on the work we have performed, we conclude that there is such misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Berlin, 27 April 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Waubke	Klein
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

CONSOLIDATED FINANCIAL STATEMENTS

of Francotyp-Postalia Holding AG

for the fiscal year 2021

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 from 1 January to 31 December 2021

in TEUR	Notes	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2020
			adjusted[1)]
Revenue	(10)	203,699	195,853
Changes in inventory		3,103	-439
Own work capitalised	(11)	6,155	7,795
Other operating income	(12)	1,725	4,466
Cost of materials	(13)	103,325	93,910
a) Expenses for raw materials, consumables and supplies		37,206	32,975
b) Cost of purchased services		66,120	60,935
Employee benefit expenses	(14)	57,595	67,800
a) Wages and salaries		49,012	58,627
b) Social security contributions		7,973	8,471
c) Expenses for pensions and other benefits		610	701
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	(15, 24)	1,497	1,181
Other operating expenses	(16)	33,813	36,042
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**18,452**	**8,742**
Amortisation, depreciation and impairment	(20, 21, 35)	19,115	22,953
Earnings before interest and taxes (EBIT)		**-663**	**-14,211**
Net interest income	(17)	1,188	875
a) Interest and similar income		2,583	2,450
b) Interest and similar expenses		1,395	1,575
Other financial result	(17)	1,572	-976
a) Other financial income		2,967	1,340
b) Other finance costs		1,395	2,316
Share of profit/loss of companies accounted for using the equity method		64	-611
Income taxes	(18)	-1,796	-387
Consolidated profit/loss		**365**	**-15,309**

1) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

in TEUR	Notes	1 Jan. - 31 Dec. 2021	1 Jan. - 31 Dec. 2020
			adjusted[1)]
Other comprehensive income			
Adjustment of provisions for pensions and early retirement in accordance with IAS 19 (rev. 2011)		**478**	-714
thereof taxes		**-232**	257
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**478**	**-714**
Foreign currency translation of financial statements of foreign entities		**1,915**	-3,356
Net investments in foreign operations		**41**	-38
thereof taxes		**-18**	16
Cash flow hedges – effective part of changes to fair value		**-334**	704
thereof taxes		**144**	-304
Cash flow hedges – hedging costs		**-103**	94
thereof taxes		**44**	-40
Cash flow hedges – reclassified to profit or loss		**158**	-197
thereof taxes		**-68**	85
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**1,678**	**-2,794**
Other comprehensive income after taxes		**2,155**	**-3,508**
Total comprehensive income/loss		**2,520**	**-18,817**
Consolidated profit/loss		**365**	-15,309
thereof attributable to the shareholders of FP Holding		**365**	-15,309
Total comprehensive income/loss		**2,520**	-18,817
thereof attributable to the shareholders of FP Holding		**2,520**	-18,817
Earnings per share (basic in EUR)	(19)	**0.02**	-0.95
Earnings per share (diluted in EUR)		**0.02**	-0.95

1) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

Consolidated statement of financial position as at 31 December 2021

ASSETS

in TEUR	Notes	31.12.2021	31.12.2020	01.01.2020
			adjusted[2)]	adjusted[2)]
NON-CURRENT ASSETS		**75,714**	**85,093**	**105,272**
Intangible assets	(20)	**19,729**	28,321	38,762
Internally generated intangible assets		**13,086**	18,040	19,372
Purchased intangible assets and customer lists		**2,497**	3,409	4,329
Goodwill		**3,929**	3,829	4,622
Development projects in progress and advance payments		**217**	3,043	10,438
Property, plant and equipment	(21)	**25,920**	26,490	31,271
Land, land rights and buildings		**2,341**	2,556	2,765
Technical equipment and machinery		**2,403**	3,252	4,137
Other equipment, operating and office equipment		**2,732**	3,471	3,878
Leased products		**18,294**	17,047	20,358
Advance payments and assets under construction		**150**	163	134
Right of use assets	(35)	**10,383**	10,345	11,182
Associates (at equity)	(4)	**0**	0	642
Non-current financial assets		**16,780**	16,317	17,420
Finance lease receivables	(22, 32)	**16,586**	15,674	17,256
Other non-current financial assets	(32)	**193**	643	164
Non-current non-financial assets		**1,774**	2,169	4,375
Income taxes receivable	(29)	**360**	831	2,821
Other non-current non-financial assets	(25)	**1,414**	1,338	1,554
Deferred tax assets	(29)	**1,130**	1,452	1,621
CURRENT ASSETS		**91,170**	**88,458**	**80,672**
Inventories	(23)	**16,530**	11,509	12,357
Raw materials, consumables and supplies		**5,983**	4,417	5,156
Work in progress		**210**	232	378
Finished goods and merchandise		**10,336**	6,861	6,823
Trade receivables	(24, 32)	**19,478**	17,689	18,142
Other current financial assets		**12,353**	13,661	14,138
Finance lease receivables	(22, 32)	**6,992**	6,679	6,875
Derivative financial instruments	(32)	**0**	566	0
Other financial assets	(25, 32)	**5,360**	6,417	7,264
Other current non-financial assets		**9,488**	9,489	5,526
Income taxes receivable	(29)	**5,509**	4,986	1,573
Other non-financial assets	(25)	**3,979**	4,504	3,954
Cash and cash equivalents[1)]	(26, 37)	**33,321**	36,109	30,508
Assets		**166,884**	**173,551**	**185,943**

1) Cash and cash equivalents includes postage credit managed by the FP Group of EUR 13,600 thousand (previous year: EUR 12,929 thousand).
2) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

EQUITY AND LIABILITIES

in TEUR	Notes	31.12.2021	31.12.2020	01.01.2020
			adjusted[2)]	adjusted[2)]
EQUITY	**(27)**	**15,741**	**13,221**	**31,665**
Share capital		**16,301**	16,301	16,301
Capital reserves		**34,296**	34,296	34,743
Stock option reserve		**1,544**	1,544	1,520
Treasury shares		**-1,066**	-1,066	-1,863
Loss carried forward		**-29,586**	-14,277	-15,654
Consolidated profit/loss after non-controlling interests		**365**	-15,309	1,377
Other comprehensive income		**-6,113**	-8,268	-4,759
NON-CURRENT LIABILITIES		**60,813**	**74,240**	**72,517**
Provisions for pensions and similar obligations	(28)	**18,959**	20,537	20,591
Other provisions	(30)	**1,358**	5,358	3,374
Financing liabilities	(31, 32)	**36,714**	43,288	46,157
Other financial liabilities	(31, 32)	**250**	1,992	0
Other non-financial liabilities	(31)	**819**	471	27
Deferred tax liabilities	(29)	**2,713**	2,595	2,367
CURRENT LIABILITIES		**90,330**	**86,090**	**81,762**
Tax liabilities	(29)	**5,128**	3,767	2,713
Other provisions	(30)	**16,471**	15,793	9,580
Financing liabilities	(31, 32)	**3,463**	3,675	4,092
Trade payables	(31, 32)	**12,904**	14,139	14,581
Other financial liabilities	(31, 32)	**35,425**	32,750	34,405
thereof telepostage		***27,824***	*26,525*	*27,119*
Other non-financial liabilities	(31)	**16,939**	15,966	16,391
Equity and liabilities		**166,884**	**173,551**	**185,943**

Consolidated cash flow statement for the period from 1 January to 31 December 2021

in TEUR	Notes	2021	2020
			adjusted[2]
1. Cash flow from operating activities			
Consolidated profit/loss		365	-15,309
Net income tax recognised in profit or loss	(18)	1,796	387
Net interest income recognised in profit or loss	(17)	-1,188	-875
Amortisation, depreciation and impairment on non-current assets	(20, 21)	19,115	22,953
Decrease (-)/increase (+) in provisions and tax liabilities	(29, 30)	-3,359	10,558
Loss (+)/gain (–) on the disposal of non-current assets		370	297
Decrease (+)/increase (-) in inventories, trade receivables and other assets	(23, 24, 25)	-4,806	-720
Decrease (+)/increase (-) in finance lease receivables	(22)	-1,233	1,774
Decrease (-)/increase (+) in trade payables and other liabilities	(31)	69	-991
Other non-cash expenses (+)/income (-)		3,337	4,568
Interest received	(17)	2,583	2,450
Interest paid	(17)	-1,312	-1,429
Income taxes received	(18)	1,505	987
Income taxes paid	(18)	-2,174	-1,221
Cash flow from operating activities		15,067	23,428
2. Cash flow from investing activities			
Payments for the capitalisation of development costs	(11, 20)	-589	-3,407
Payments for capitalised interest for development costs		-9	-191
Proceeds/payments from disposals of items of fixed assets	(20, 21)	21	-297
Payments for investments in intangible assets	(20)	-427	-633
Payments for investments in property, plant and equipment	(21)	-7,594	-5,489
Proceeds and payments for investments accounted for according to the equity method	(4)	64	-480
Payments for investments in the acquisition of operations	(4)	0	-1,547
Cash flow from investing activities		-8,534	-12,044
3. Cash flow from financing activities			
Bank loan repayments	(31, 32)	-6,918	-2,224
Repayment of lease liabilities	(31, 32, 35)	-3,934	-3,804
Proceeds from the sale of treasury shares	(27)	0	350
proceeds from the assumption of bank loans	(31, 32)	0	4
Cash flow from financing activities		-10,851	-5,674
Cash[1]			
Change in cash	(37)	-4,318	5,709
Change in cash due to currency translation		859	-1,047
Cash at the beginning of the period	(37)	23,180	18,518
Cash at the end of the period	**(37)**	**19,721**	**23,180**

1) Postage credit balances managed by the FP Group of EUR 13,600 thousand (previous year EUR 12,929 thousand) are deducted from cash and other liabilities.
2) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

Consolidated statement of changes in equity for the period from 1 January to 31 December 2021

in TEUR	Share capital	Capital reserves	Stock option reserve	Treasury shares	Consolidated profit/loss
As at 1 Jan. 2020 as previously reported	**16,301**	**34,743**	**1,520**	**-1,863**	**-13,951**
adjustment[1]					-326
Adjusted as at 1 Jan. 2020	**16,301**	**34,743**	**1,520**	**-1,863**	**-14,277**
Adjusted consolidated loss 1 Jan. – 31 Dec. 2020					**-15,309**
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 1 Jan. – 31 Dec. 2020	**0**	**0**	**0**	**0**	**0**
Adjusted total comprehensive income 1 Jan. – 31 Dec. 2020	**0**	**0**	**0**	**0**	**-15,309**
Stock option settlement	0	-447	24	797	0
Adjusted as at 31 Dec. 2020	**16,301**	**34,296**	**1,544**	**-1,066**	**-29,586**
Consolidated profit 1 Jan. – 31 Dec. 2021					**365**
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 1 Jan. – 31 Dec. 2021	**0**	**0**	**0**	**0**	**0**
Total comprehensive income 1 Jan. – 31 Dec. 2021	**0**	**0**	**0**	**0**	**365**
As at 31 Dec. 2021	**16,301**	**34,296**	**1,544**	**-1,066**	**-29,221**

[1] Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

	Other comprehensive income							
	Foreign currency translation	Net investments 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
	1,344	**18**	**-5,122**	**-439**	**-492**	**-69**	**31,991**	**31,991**
	1						-325	-325
	1,344	**18**	**-5,122**	**-439**	**-492**	**-69**	**31,665**	**31,665**
							-15,309	**-15,309**
	-3,356	-39	0	0	0	0	-3,396	-3,396
	0	0	-714	0	0	0	-714	-714
	0	0	0	0	508	93	601	601
	-3,356	**-39**	**-714**	**0**	**508**	**93**	**-3,508**	**-3,508**
	-3,356	**-39**	**-714**	**0**	**508**	**93**	**-18,817**	**-18,817**
	0	0	0	0	0	0	374	374
	-2,014	**-21**	**-5,836**	**-439**	**16**	**24**	**13,221**	**13,221**
							365	**365**
	1,915	41	0	0	0	0	1,957	**1,957**
	0	0	478	0	0	0	478	**478**
	0	0	0	0	-176	-103	-279	**-279**
	1,915	**41**	**478**	**0**	**-176**	**-103**	**2,155**	**2,155**
	1,915	**41**	**478**	**0**	**-176**	**-103**	**2,520**	**2,520**
	-99	**21**	**-5,358**	**-439**	**-160**	**-79**	**15,741**	**15,741**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2021

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 and, until April 2021, held indirect shares in an associate (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 27 April 2022. 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 2021 will be submitted to and published in the electronic Federal Gazette.

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 2021 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 2021.

(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 2021, for the first time in fiscal year 2021:

- Amendments to IFRS 4: Insurance Contracts - deferral of IFRS 9
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16: Leases – COVID-19-Related Rent Concessions beyond 30 June 2021 (early application, mandatory for fiscal years beginning on or after 1 April 2021)

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 3	Business Combinations - Amendments regarding Reference to the Conceptual Framework	1 January 2022	Yes
Amendments to IAS 16	Property, Plant and Equipment – Proceeds Before Intended Use	1 January 2022	Yes
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	Yes
Various	Annual Improvements 2018 - 2020	1 January 2022	Yes
IFRS 17	Insurance Contracts	1 January 2023	Yes
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023	No
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	Yes
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	Yes
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	No
Amendments to IFRS 17	Insurance Contracts - First time application IFRS 17 and IFRS 9 - comparative information	1 January 2023	No
Amendments to IFRS 10 and IAS 28	The sale or contribution of assets between an investor and an associate or joint venture	Undefined	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.

There were the following changes to the consolidated group in fiscal years 2021 and 2020:

The Group company FP NeoMonitor GmbH, Berlin, was founded as part of the FP transformation programme FUTURE@FP in April 2021. FP NeoMonitor GmbH is a wholly owned subsidiary of Francotyp-Postalia Holding AG and is intended to establish the new software-as-a-service business in the field of IoT.

In May 2021, FP Finance B.V., Zoetermeer, Netherlands, was liquidated and thus left the Group.

In September 2021, the Group company, FP Technology & Services OÜ, Tallinn, Estonia, was founded. FP Technology & Services OÜ is a wholly owned subsidiary of Francotyp-Postalia GmbH, Berlin.

At the beginning of November 2021, the subsidiary IAB Communications GmbH, Berlin, was merged with the subsidiary FP Digital Business Solutions GmbH (previously Mentana-Claimsoft GmbH), Fürstenwalde/Spree, and the subsidiary FP Direkt Vertriebs GmbH, Berlin, was merged with the subsidiary Francotyp-Postalia GmbH, Berlin, in each case with economic effect from 1 January 2021.

The shares held in the associated company Juconn GmbH, Unterföhring, were sold in April 2021.

Francotyp-Postalia GmbH included HEFTER Systemform GmbH in the consolidated group in fiscal year 2020. More information on this can be found under "Change in the consolidated group in fiscal year 2020".

In addition to Francotyp-Postalia Holding AG, the 2021 consolidated financial statements include eleven (previous year: twelve) German and ten (previous year: ten) foreign subsidiaries (see following table).

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

No.	Name and registered office of the company	31.12.2021 Interest in %[2)]	Via No.
1	Francotyp-Postalia FP Holding, Berlin		
	Fully consolidated subsidiaries		
2	FP Digital Business Solutions GmbH (previously Mentana-Claimsoft GmbH), Fürstenwalde/Spree	100	1
3	FP InovoLabs GmbH, Berlin	100	1
4	FP NeoMonitor GmbH, Berlin	100	1
5	FP Produktionsgesellschaft mbH & Co. KG, Wittenberge	100	11
6	FP Produktionsverwaltung GmbH, Wittenberge	100	11
7	FP Shared Service Europe GmbH, Hennigsdorf	100	11
8	FP Technology & Services OÜ, Tallinn, Estonia	100	11
9	Francotyp-Postalia Canada Inc., Concord, Canada	100	13
10	Francotyp-Postalia France SAS, Nanterre, France	100	11
11	Francotyp-Postalia GmbH, Berlin	100	1
12	Francotyp-Postalia GmbH, Schwechat, Austria	100	11
13	Francotyp-Postalia Inc., Addison, Illinois, USA	100	11
14	Francotyp-Postalia Ltd., Dartford, UK	100	11
15	Francotyp-Postalia N.V./S.A., Antwerp, Belgium	99.97	11
16	Francotyp-Postalia Sverige AB, Bromma, Sweden	100	11
17	Francotyp-Postalia Unterstützungseinrichtung GmbH, Berlin	100	11
18	Francotyp-Postalia Vertrieb und Service GmbH, Berlin	100	2
19	freesort GmbH, Langenfeld	100	1
20	Hefter Systemform GmbH, Prien a. Chiemsee	100	11
21	Italiana Audion s. r. l, Milan, Italy	100	11
22	Ruys Handelsvereniging B.V., Zoetermeer, Netherlands	100	11
	Other subsidiaries[3)]		
23	FP Direct Ltd., Dartford, UK	100	14
24	FP Leasing (UK) Ltd., Dartford, UK	100	14
25	FP Systems India Private Limited, Mumbai, India	99.998	1, 2

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 and Hefter Systemform GmbH, it was decided to make full use of the exemptions provided by section 264 (3) HGB in conjunction with section 325 HGB. FP Produktionsgesellschaft mbH & Co. KG likewise made use of the exemptions provided by section 264b HGB in conjunction with section 325 HGB. These companies are also exempt from the obligation to prepare a 2021 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.

Change in the consolidated group in fiscal year 2020

On 29 January 2020, Francotyp-Postalia GmbH acquired 100% of the shares in Kurfürst 1675 GmbH, Berlin and renamed it FP Service Süd GmbH. By purchase agreement dated 5 February 2020, FP Service Süd GmbH acquired non-current and current assets, customer and supplier contracts and 28 employees from HEFTER Systemform GmbH, Prien a. Chiemsee, in liquidation, as part of an asset deal. On 14 February 2020, FP Service Süd GmbH was renamed Hefter Systemform GmbH, and its registered office was relocated to Prien am Chiemsee. The entry into the Traunstein commercial register B was made on 25 February 2020. The company has a share capital of EUR 25 thousand.

With this acquisition, FP intends to expand the traditional sales business in the segment of competitors' customers. HEFTER has been selling mail processing machines such as inserting and folding machines for around 50 years. The company is known in the sector for its high level of quality and service. FP has acquired the tradition-steeped brand name. FP expects significant synergy effects in the expansion of the product range, the optimisation of services and the enhancement and optimisation of the acquisition of new customers and competitors' customers.

The consideration for the acquisition under the asset deal amounted to EUR 1,248 thousand. The net assets acquired were also measured at EUR 1,248 thousand. They consist of property, plant and equipment of EUR 10 thousand and inventories of EUR 1,238 thousand.

Associates

In April 2021, the Group sold its shares in Juconn GmbH, Unterföhring, which it acquired in fiscal year 2019.

The FP Group accounted for its shares in Juconn GmbH using the equity method. In fiscal year 2021, the Group generated a pro rata profit of EUR 64 thousand (previous year: pro rata loss of EUR 84 thousand). The profit resulted from the disposal of the participation in Juconn GmbH. In the previous year, due to delays in business development impairment losses of EUR 526 thousand were recognised.

The table below shows summarised financial information for Juconn GmbH as at 31 December 2020:

FINANCIAL INFORMATION FOR JUCONN GMBH

in TEUR	**2020**
Non-current assets	98
Current assets	247
Non-current liabilities	100
Current liabilities	70
Net assets	**175**
Revenue	110
Loss from continuing operations	-563
Post-tax profit or loss from discontinued operations	0
Other comprehensive income	0
Total comprehensive income/loss	**-563**

(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 =	**31.12.2021**	**31.12.2020**	**2021**	**2020**
USD	**1.13185**	1.22735	**1.1825**	1.1423
GBP	**0.83990**	0.89925	**0.85969**	0.8897
CAD	**1.44165**	1.56275	**1.48265**	1.5300
SEK	**10.25575**	10.02525	**10.14663**	10.4837

(7) Accounting policies

In preparing the 2021 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 – Europe, Mailing, Shipping & Office Solutions – North America, Digital Business Solutions – Mentana and Digital Business Solutions – IAB as well as 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 Teleporto 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 or individual service is a distinct 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.

Government grants

Government grants as defined by IAS 20.7 are recognised when the underlying conditions for it have been met and it is reasonably assured that the grant will be received. IAS 20 distinguishes between property-related grants for non-current assets and grants related to income.

Grants for non-current assets are deducted from the carrying amount of the asset and recognised in profit or loss over the term of the depreciable asset at a reduced depreciation amount. If they are grants for internally generated assets, the grants reduce own work capitalised and the carrying amount by the same amount.

Grants that compensate the Group for expenses incurred are recognised in other income in the periods in which the expenses are recognised and not offset against the corresponding expenses.

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 annually 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. 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	2 to 19 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, they also include derivative financial instruments used to hedge the risks of changes in exchange 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 way 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 2021 and 2020. 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 recognition of expected credit losses uses a third-stage model to allocate impairment:

Level 1: expected credit losses within the next twelve months

Level 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.

Level 2: expected lifetime 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 Level 2. Impairment is recognised as the expected credit losses anticipated over the lifetime of the financial asset.

Level 3: expected lifetime credit losses – credit-impaired

If a financial asset is credit-impaired or in default, it is assigned to Level 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.

A financial asset is transferred to Level 2 if the credit risk has increased significantly in comparison to the time of the initial recognition. The credit risk is assessed on the basis of the default probability.

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.

For trade receivables the simplified approach is used, where these receivables are allocated to Level 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 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 recognised in the reserve for cash flow hedges as part of equity. The profit or loss relating to the ineffective part is recognised 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, the ineffectiveness is recognised in the “Financial result” item or in “Cash flow hedges – hedging costs” under other comprehensive income.

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 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 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 evidently 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 leases franking and inserting machines in the segments Mailing, Shipping & Office Solutions – Europa and Mailing, Shipping & Office Solutions – North America. The leases generally have fixed terms of between two and six years. If the customers do not cancel on time, the leases roll over automatically. In addition to the transfer of the right of use, the leases can also contain service components.

Right-of-use assets contained in the leases are accounted for 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.

Under IFRS 16, leases are to be classified as finance leases or operating leases. A lease is classified as a finance lease if substantially all the 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 are recognised at contract inception in the amount of the present value of the minimum lease payments. 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 can 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.

Government grants

There is discretion with a potentially significant impact on the consolidated financial statements in the accounting treatment of grants as regards the estimated probabilities of future benefits in connection with compliance with grant conditions.

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax loss carryforwards to the extent that it is likely that there will be future taxable profit available against which the losses can actually be used. 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.

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

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 notes 32.

(9) Correction of errors in accordance with IAS 8

In the consolidated financial statements as at 31 December 2021, the Group has retrospectively adjusted the accounting for commissions paid to dealers for the brokerage of leases (lessor side).

Previously, these payments were capitalised uniformly under other current non-financial assets and recognised in other operating expenses over the term of the underlying contracts.

The adjustment in accordance with IAS 8.41 et seq. takes into account the fact that 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 now 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 now 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.

The allocation is based on the ratio of the individual selling prices of the respective services in the underlying contract.

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

1. Consolidated opening balance sheet as at 1 January 2020

In EUR thousand	As previously reported	Adjustments	Adjusted
Leased products	18,307	2,051	20,358
Other non-current non-financial assets	27	1,526	1,554
Deferred tax assets, non-current	1,503	118	1,621
Other current non-financial assets	7,974	-4,021	3,954
Other assets	158,458	0	158,458
Total assets	**186,269**	**-325**	**185,943**
Consolidated profit/loss after non-controlling interests	1,703	-326	1,377
Other comprehensive income	-4,760	1	-4,759
Other equity	35,048	0	35,048
Equity	**31,991**	**-325**	**31,665**
Total liabilities	**154,278**	**0**	**154,278**

2. Consolidated statement of financial position as at 31 December 2020

In EUR thousand	As previously reported	Adjustments	Adjusted
Leased products	15,455	1,592	17,047
Other non-current non-financial assets	153	1,185	1,338
Deferred tax assets, non-current	1,289	163	1,452
Other current non-financial assets	7,891	-3,388	4,504
Other assets	149,210	0	149,210
Total assets	**174,000**	**-449**	**173,551**
Loss carried forward	-13,951	-326	-14,277
Consolidated profit/loss after non-controlling interests	-15,147	-162	-15,309
Other comprehensive income	-8,308	40	-8,268
Other equity	51,075	0	51,075
Equity	**13,670**	**-449**	**13,221**
Total liabilities	**160,330**	**0**	**160,330**

3. Consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020

In EUR thousand	As previously reported	Adjustments	Adjusted
Other operating expenses	36,834	-792	36,042
Amortisation, depreciation and impairment	21,940	1,013	22,953
Income taxes	-446	59	-387
Remaining income and expenses	44,073	0	44,073
Consolidated loss	**-15,147**	**-162**	**-15,309**
			0
Foreign currency translation of financial statements of foreign entities	-3,396	40	-3,356
Remaining other comprehensive loss	-151	0	-151
Other comprehensive loss/income	**-3,547**	**40**	**-3,508**
			0
Total comprehensive loss	**-18,694**	**-122**	**-18,817**

The impact on earnings per share (diluted and basic) for 2020 is as follows:

In EUR	As previously reported	Adjustments	Adjusted
Earnings per share (basic in EUR)	-0.94	-0.01	-0.95
Earnings per share (diluted in EUR)	-0.94	-0.01	-0.95

4. Consolidated cash flow statement for the period from 1 January 2020 to 31 December 2020

In EUR thousand	As previously reported	Adjustments	Adjusted
Consolidated loss	-15,147	-162	-15,309
Net income tax recognised in profit or loss	446	-59	387
Amortisation, depreciation and impairment on non-current assets	21,940	1,013	22,953
Decrease (+) / increase (-) in inventories, trade receivables and other assets not attributable to investing or financing activities (excluding finance leases)	-442	-277	-720
Other non-cash expenses (+)/income (-)	4,424	144	4,568
Other items in cash flow from operating activities	11,549	0	11,549
Cash flow from operating activities	**22,770**	**658**	**23,428**
			0
Payments for investments in property, plant and equipment	-4,831	-658	-5,489
Other items in cash flows from investing activities	-6,555	0	-6,555
Cash flow from investing activities	**-11,386**	**-658**	**-12,044**

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

II. Segment reporting

The structure and organisation of the global FP Group was changed and optimised according to a new target operating model in fiscal year 2021. This resulted in a change to the segment structure. In the past, the FP Group organised its operating activities into four segments: Production, Sales Germany, International Sales, and Central Functions. In fiscal year 2021 the combination of the following factors was used to identify the reportable segments of the FP Group: organisational structure, differences between products and services and geographic regions. Based on the break-down for purposes of internal management, the Group is divided into the five segments: Mailing, Shipping & Office Solutions – Europe, Mailing, Shipping & Office Solutions – North America, Mail Services, Digital Business Solutions– Mentana and Digital Business Solutions – IAB.

The products FP offers to customers in the Mailing, Shipping & Office Solutions segments in Europe and North America are not limited to franking machines and related hardware – it also extends to other office supplies and solutions from the digital product spectrum. Parcel Shipping and Vision360 marked the first steps in this direction. The aim is to offer customers a comprehensive solution for their office. These offer significant potential in Europe and the US. These segments account for a high share of recurring revenue.

The solutions in the Digital Business Solutions – IAB segment ensure efficient communication and automated process workflows for customers. Products include Hybrid Mail, transACTmail, back office and front office automation and third-party products. FP uses this segment to address the fast-growing market of process automation.

Solutions in the Digital Business Solutions – Mentana segment also ensure efficient communication and automated process workflows for customers. Key products include DE-Mail, FP Sign and Parcel Shipping, as well as third-party products. FP uses this segment to address the fast-growing markets of process automation and digital signatures.

The Mail Services segment specialises in consolidating large letter volumes. Collection, postage-optimised sorting and delivery to postal service providers take the pressure off companies with a high volume of letters and helps reduce the costs that this entails.

The segments report in line with respective local accounting regulations of the Group companies belonging to the segment. The segment information for fiscal year 2020 was adjusted accordingly to ensure comparability. While revenue and costs of materials of the Francotyp-Postalia GmbH subsidiary are allocated to the Mailing, Shipping & Office Solutions – Europe segment, other income and expense of this company are not allocated to any segment. Any intragroup adjustments to transfer prices are not taken into account in the segment reporting.

SEGMENT INFORMATION 2021

in TEUR	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Total
Revenue with external third parties	67,900	55,282	63,389	2,339	14,944	10	203,864
Intersegment revenue	0	0	-3,563	87	3,740	0	264
Segment revenue	**67,900**	**55,282**	**59,827**	**2,426**	**18,684**	**10**	**204,128**
Other operating income	3,852	475	295	74	157	2	4,855
Cost of materials	26,929	18,127	51,492	1,225	12,975	494	111,243
Employee benefit expenses	18,229	9,997	4,010	2,101	3,083	403	37,822
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	552	638	-10	2	3	0	1,185
Other operating expenses	14,793	9,715	3,277	1,151	2,080	552	31,568
Segment EBITDA	**11,234**	**17,328**	**1,352**	**-1,978**	**700**	**-1,438**	**27,199**

SEGMENT INFORMATION 2020

in TEUR	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Total
Revenue with external third parties	69,666	53,186	57,963	1,336	14,065	0	196,216
Intersegment revenue	0	27	-3,446	69	3,622	0	271
Segment revenue	**69,666**	**53,213**	**54,517**	**1,405**	**17,687**	**0**	**196,488**
Own work capitalised	0	0	0	607	615	0	1,222
Other operating income	6,308	2,610	220	223	75	0	9,437
Cost of materials	27,288	16,067	45,977	1,321	12,670	0	103,323
Employee benefit expenses	21,213	10,035	4,098	1,449	3,023	0	39,818
Expenses from impairment losses less income from reversals of impairment losses on trade receivables	846	91	39	25	14	0	1,015
Other operating expenses	16,096	9,543	3,568	1,174	1,770	0	32,151
Segment EBITDA	**10,255**	**20,089**	**1,054**	**-1,734**	**899**	**0**	**30,563**

RECONCILIATION OF REVENUE

in TEUR	2021	2020
Segment revenue	204,128	196,488
Revenue of other Group companies	106,870	98,242
Effects from the adjustment of IFRS 15 and IFRS 16	-599	-779
Effect from other revenue corrections	-226	-282
Effects from consolidation	-106,473	-97,816
Group revenue	**203,699**	**195,853**

RECONCILIATION OF SEGMENT EBITDA TO GROUP EBITDA

in TEUR	2021	2020
Segment EBITDA	27,199	30,563
Result not allocated to a segment	-7,601	-22,776
Effects of IFRS remeasurement		
Lessee valuation in accordance with IFRS 16	4,558	3,981
Effects of the adjustment of revenue from IFRS 15/16	-599	-779
Effects from the adjustment of cost of materials in accordance with IFRS 15/16	-1,298	-1,421
Other IFRS entries	338	553
Effects at consolidation level (including consolidation of expenses and income, elimination of intercompany profits)	-4,145	-1,379
Group EBITDA	**18,452**	**8,742**

REVENUE BY REGION

in TEUR	2021	2020
Germany	117,762	109,012
Abroad	85,937	86,840
thereof		
United States	49,998	48,437
UK	11,006	11,022
Other countries	24,933	27,382
Group revenue	**203,699**	**195,853**

NON-CURRENT ASSETS[1] BY REGION

in TEUR	31.12.2021	31.12.2020
Germany	29,722	41,149
Abroad	28,083	26,175
thereof		
United States	18,042	15,053
UK	3,267	3,024
Other countries	6,774	8,098
Total	**57,805**	**67,325**

[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.

2021								IFRS revenue
in TEUR	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Not allocated to any segment	Total
Product sales income (Franking and Inserting)	17,779	12,524	0	0	0	0	236	30,539
Service/customer service	16,885	2,613	0	0	0	0	0	19,497
Consumables	13,662	10,265	0	0	0	0	0	23,927
Teleporto	6,816	838	0	0	0	0	0	7,654
Mail Services	70	0	63,389	0	0	0	0	63,460
Software/Digital	656	938	0	2,339	14,944	10	425	19,312
Revenue in accordance with IFRS 15	**55,868**	**27,178**	**63,389**	**2,339**	**14,944**	**10**	**661**	**164,389**
Finance lease	6,900	2,813	0	0	0	0	0	9,713
Operating lease	4,029	25,795	0	0	0	0	0	29,824
Revenue in accordance with IFRS 16	**10,928**	**28,608**	**0**	**0**	**0**	**0**	**0**	**39,536**
Reduction in sales due to currency effects from hedge accounting	-83	-144	0	0	0	0	0	-226
Revenue total	**66,714**	**55,642**	**63,389**	**2,339**	**14,944**	**10**	**661**	**203,699**

Reconciliation to segment revenue				Segment revenue						
Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Not allocated to any segment	Total	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solution – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Total
199	0	-236	-37	17,978	12,524	0	0	0	0	30,502
-319	-1,068	0	-1,388	16,565	1,544	0	0	0	0	18,110
-409	-119	0	-528	13,252	10,146	0	0	0	0	23,398
-3	-211	0	-214	6,813	627	0	0	0	0	7,440
0	0	0	0	70	0	63,389	0	0	0	63,460
0	-20	-425	-444	657	918	0	2,339	14,944	10	18,868
-532	**-1,418**	**-661**	**-2,611**	**55,336**	**25,760**	**63,389**	**2,339**	**14,944**	**10**	**161,778**
418	-2,762	0	-2,344	7,318	51	0	0	0	0	7,369
1,218	3,676	0	4,894	5,246	29,471	0	0	0	0	34,717
1,636	**914**	**0**	**2,550**	**12,564**	**29,522**	**0**	**0**	**0**	**0**	**42,086**
83	144	0	226	0	0	0	0	0	0	0
1,186	**-360**	**-661**	**165**	**67,900**	**55,282**	**63,389**	**2,339**	**14,944**	**10**	**203,864**

The revenues of the Mail Services and Digital Business Solutions – IAB segments mainly include passed on postage charges.

The reconciliation from IFRS revenue to segment revenue shows an increase in segment revenue of EUR 165 thousand (previous year: increase of EUR 364 thousand). This effect primarily relates to revenue from lease and service agreements under IFRS in the amount of EUR 599 thousand (previous year EUR 779 thousand) and currency effects from hedge accounting of EUR 226 thousand (previous year: EUR 282 thousand). Revenue of EUR 661 thousand (previous year: EUR 697 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.

2020	IFRS revenue							
in TEUR	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Not allocated to any segment	Total
Product sales income (Franking and Inserting)	18,576	11,650	0	0	0	0	179	30,406
Service/customer service	16,946	4,821	0	0	0	0	0	21,768
Consumables	13,713	10,175	0	0	0	0	0	23,888
Teleporto	7,211	789	0	0	0	0	0	8,001
Mail Services	0	0	57,963	0	0	0	0	57,963
Software/Digital	516	1	0	1,336	14,065	0	518	16,437
Revenue in accordance with IFRS 15	**56,964**	**27,437**	**57,963**	**1,336**	**14,065**	**0**	**697**	**158,462**
Finance lease	7,094	2,576	0	0	0	0	0	9,670
Operating lease	3,918	24,085	0	0	0	0	0	28,002
Revenue in accordance with IFRS 16	**11,011**	**26,661**	**0**	**0**	**0**	**0**	**0**	**37,672**
Reduction in sales due to currency effects from hedge accounting	-4	-277	0	0	0	0	0	-282
Revenue total	**67,971**	**53,820**	**57,963**	**1,336**	**14,065**	**0**	**697**	**195,853**

Reconciliation to segment revenue				Segment revenue						
Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Not allocated to any segment	Total	Mailing, Shipping & Office Solutions – Europe	Mailing, Shipping & Office Solutions – North America	Mail Services	Digital Business Solutions – Mentana	Digital Business Solutions – IAB	Other	Total
145	0	-179	-34	18,722	11,650	0	0	0	0	30,372
-18	-3,483	0	-3,501	16,929	1,338	0	0	0	0	18,267
-328	-39	0	-367	13,385	10,136	0	0	0	0	23,522
23	-385	0	-362	7,235	404	0	0	0	0	7,639
0	0	0	0	0	0	57,963	0	0	0	57,963
-1	-1	-518	-520	515	0	0	1,336	14,065	0	15,916
-178	**-3,907**	**-697**	**-4,783**	**56,785**	**23,529**	**57,963**	**1,336**	**14,065**	**0**	**153,679**
428	-2,507	0	-2,079	7,522	69	0	0	0	0	7,591
1,441	5,503	0	6,944	5,358	29,588	0	0	0	0	34,946
1,869	**2,996**	**0**	**4,865**	**12,880**	**29,657**	**0**	**0**	**0**	**0**	**42,537**
4	277	0	282	0	0	0	0	0	0	0
1,695	**-634**	**-697**	**364**	**69,666**	**53,186**	**57,963**	**1,336**	**14,065**	**0**	**196,216**

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 TEUR	31.12.2021	31.12.2020
Contract assets	349	259
thereof non-current	265	117
thereof current	84	142
Contract liabilities	8,522	7,849
thereof non-current	819	471
thereof current	7,703	7,379

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 2021 reporting year.

(11) Own work capitalised

in TEUR	2021	2020
Capitalised development costs	598	3,598
Rental machinery	5,448	3,974
Other	109	224
Total	**6,155**	**7,795**

Capitalised development costs mainly comprise the development of new IoT products (EUR 386 thousand, previous year: EUR 1,106 thousand). In the previous year, this item included investments in PostBase Vision with discoverFP (EUR 995 thousand) and in the Group's new ERP/CRM landscape (EUR 228 thousand).

Own work capitalised for rental machinery relates to internally generated leased products. The finance lease assets are refinanced.

The "Other" item contains EUR 109 thousand (previous year: EUR 203 thousand) for franking machines, which are used for operations in a Group company.

(12) Other operating income

in TEUR	2021	2020
Derecognition of liabilities	472	841
Prior-period income	398	259
Usage fees	282	317
Cost subsidies and grants	251	2,600
Other income	323	448
Total	**1,725**	**4,466**

The derecognition of liabilities relates essentially to lapsed teleport liabilities of EUR 451 thousand (previous year: EUR 631 thousand) and the derecognition of the earnout liability for Juconn GmbH in the amount of EUR 190 thousand in the previous year. Income relating to other periods resulted primarily from credit notes. Cost subsidies and grants in the reporting year primarily comprise governmental coronavirus assistance in Canada and the rest of Europe (in the previous year, Germany, the rest of Europe, the US and Canada).

(13) Cost of materials

in TEUR	2021	2020
Expenses for raw materials, consumables and supplies	37,206	32,975
Cost of purchased services	66,120	60,935
thereof postage fees	59,095	52,621
Total	**103,325**	**93,910**

(14) Employee benefit expenses

in TEUR	2021	2020
Wages and salaries	49,012	58,627
Social security contributions	7,973	8,471
Expenses for pensions and other benefits	610	701
thereof defined contribution plans	510	570
thereof defined benefit plans	100	126
Total	**57,595**	**67,800**

The EUR 10,205 thousand decrease in employee benefit expenses in the reporting year is mainly due to the Group-wide decrease in the average number of employees from 1,019 in fiscal year 2020 to 936 in the reporting year as part of the implementation of the comprehensive restructuring (FUTURE @FP project).

In the previous year, restructuring expenses due to the changes in the Executive Board and senior management as well as the necessary restructuring expenses for FUTURE@FP had increased personnel expenses by a total of 9.0 million euros.

(15) Expenses from impairment losses less income from reversals of impairment losses on trade receivables

in TEUR	2021	2020
Expenses from recognition of impairment	912	1,116
Derecognition of receivables	634	422
Income from dissolution of impairment losses	-278	-309
Expense (+) from expected losses on receivables, income (-) from reversals of impairment on receivables	241	-24
Payments received on derecognised receivables	-12	-24
Total	**1,497**	**1,181**

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

(16) Other operating expenses

in TEUR	2021	2020
		adjusted[1]
Legal and consulting costs	4,932	6,772
Packaging and freight	4,224	2,757
Purchased IT services	3,393	3,029
Repairs and maintenance	3,090	2,990
Marketing	2,987	3,605
Expenses from disposal of non-current assets	2,924	4,152
Sales commission	2,523	2,710
Staff-related costs	1,639	1,116
Rents/leases	1,492	1,484
Messaging and postage	1,431	1,409
Other taxes	671	643
Insurance	644	640
Payment transaction costs	576	512
Travel expenses	511	889
Motor vehicle costs (fuel, operating overheads) excluding lease costs	467	474
Office supplies	247	320
Licence costs	120	337
Other	1,941	2,203
Total	**33,813**	**36,042**

[1] Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

Legal and consulting costs relate mainly to legal counselling and management consulting. Expenses from the disposal of non-current assets mainly result from the disposal of the development project to introduce a new ERP/CRM system that had not been completed but was no longer viable, and from the disposal of the internally generated intangible asset in connection with the stopped Secure Connector project (in the previous year, disposal of the development project to introduce a new ERP/CRM system that had not been completed but was no longer viable).

(17) Net interest income and other financial result

in TEUR	2021	2020
Other interest receivable and similar income	2,583	2,450
thereof from finance leases	2,557	2,374
thereof from bank balances	15	23
thereof from third parties	10	53
Interest and similar expenses	1,395	1,575
thereof from bank liabilities	1,175	912
thereof interest on the net liability for pension obligations	84	152
thereof from lease liabilities	41	45
Other	95	466
Net interest income	1,188	875
Other financial income	2,967	1,340
Other finance costs	1,395	2,316
Total	**2,760**	**-100**

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 80 thousand from the fair value measurement of foreign exchange swaps (previous year: EUR 48 thousand) and expenses of EUR 157 thousand from single derivatives (previous year: EUR 100 thousand).

(18) Income taxes

in TEUR	2021	2020
		adjusted[1]
Current tax expense (+), income (-)	**1,964**	**-371**
thereof prior-period	-149	-1,227
Deferred tax expenses	**-168**	**758**
thereof occurrence and reversal of temporary differences	169	842
thereof utilisation of loss and interest carryforwards and capitalisation of deferred taxes on new loss carryforwards	-342	-83
thereof due to change in tax rates	5	-1
Income taxes	**1,796**	**387**

[1] Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors 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 27.13% and 30.31% (previous year: 27.14% to 30.34%).

Country-specific tax rates of 15.00% 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 TEUR	2021	2020
		adjusted[1]
Consolidated profit/loss before taxes	**2,161**	-14,922
Forecast tax expense (30.18%)	652	-4,504
Tax rate difference	-487	-472
Tax effect of non-deductible expenses and tax-free income	328	91
Tax effect from outside basis differences	486	58
Current and deferred income tax for previous years	-1,245	-1,258
Change in recognition/non-recognition of deferred taxes assets on loss carry-forwards and deductible temporary differences	2,130	6,442
Other deviations	-68	30
Income taxes	**1,796**	**387**
Tax expense in %	83.1%	2.7%

Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

(19) Earnings per share

As at 31 December 2021, the Group held 257,393 treasury shares (previous year: 257,393). This translates into 1.6% (previous year: 1.6%) of the share capital.

	2021	2020
		adjusted[1]
Ordinary shares outstanding as at 1 January	16,044,063	16,044,063
Weighted average ordinary shares (basic) as at 31 December	**16,044,063**	**16,044,063**
Effect of issued stock options	4,762	41,682
Weighted average ordinary shares (diluted) as at 31 December	**16,048,825**	**16,085,745**
Consolidated profit/loss (in EUR thousand)	**365**	**-15,309**
Basic result (in EUR/share)	**0.02**	**-0.95**
Diluted result (in EUR/share)	**0.02**	**-0.95**

[1] Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors 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 2021

in TEUR	Internally generated intangible assets	Purchased intangible assets and customer lists	Goodwill	Development projects in progress and advance payments	Total
Cost or cost of manufacture					
As at 1 Jan. 2021	**76,106**	**88,752**	**24,765**	**3,104**	**192,727**
Currency differences	1	63	147	0	211
Additions	593	427	0	6	1,025
Disposals	-1,354	-98	0	-2,103	-3,555
Reclassifications	666	63	0	-729	0
As at 31 Dec. 2021	**76,012**	**89,207**	**24,912**	**278**	**190,409**
Amortisation, depreciation and impairment					
As at 1 Jan. 2021	**58,066**	**85,343**	**20,936**	**61**	**164,406**
Currency differences	1	32	47	0	80
Additions	5,599	1,409	0	0	7,008
Disposals	-739	-75	0	0	-814
Reclassifications	0	0	0	0	0
As at 31 Dec. 2021	**62,926**	**86,710**	**20,983**	**61**	**170,680**
Carrying amount as at 1 January 2021	**18,040**	**3,409**	**3,829**	**3,043**	**28,321**
Carrying amount as at 31 Dec. 2021	**13,086**	**2,497**	**3,929**	**217**	**19,729**

DEVELOPMENT OF INTANGIBLE ASSETS 2020

in TEUR	Internally generated intangible assets	Purchased intangible assets and customer lists	Goodwill	Development projects in progress and advance payments	Total
Cost or cost of manufacture					
As at 1 Jan. 2020	**68,970**	**90,492**	**24,893**	**11,782**	**196,136**
Currency differences	-1	-168	-127	0	-296
Additions	2,827	892	0	811	4,530
Disposals	-698	-2,860	0	-4,085	-7,643
Reclassifications	5,008	396	0	-5,404	0
As at 31 Dec. 2020	**76,106**	**88,752**	**24,765**	**3,104**	**192,727**
Amortisation, depreciation and impairment					
As at 1 Jan. 2020	**49,598**	**86,163**	**20,271**	**1,344**	**157,374**
Currency differences	-1	-152	-17	0	-170
Additions	7,885	2,155	683	0	10,722
Disposals	-698	-2,822	0	0	-3,520
Reclassifications	1,283	0	0	-1,283	0
As at 31 Dec. 2020	**58,066**	**85,343**	**20,936**	**61**	**164,406**
Carrying amount as at 1 January 2020	19,372	4,329	4,622	10,438	38,762
Carrying amount as at 31 Dec. 2020	18,040	3,409	3,829	3,043	28,321

Additions to internally generated intangible assets and development projects in progress and advance payments totalled EUR 599 thousand (previous year: EUR 3,638 thousand). In the reporting year, the development project for the introduction of a new ERP/CRM system that had not been completed but was no longer viable was disposed of in the amount of EUR 2,103 thousand (previous year: EUR 4,085 thousand) and the internally generated intangible asset in connection with the discontinued Secure Connector project were disposed of in the amount of EUR 733 thousand (previous year: EUR 0 thousand). In the previous year, impairment losses of EUR 1,673 thousand were recognised on intangible assets under development.

Additions to purchased intangible assets and customer lists totalling EUR 427 thousand (previous year: EUR 892 thousand) include the software and licence purchases of EUR 153 thousand (previous year: EUR 523 thousand) and customer lists of EUR 274 thousand (previous year: EUR 299 thousand). In the previous year, impairment losses were recognised on licenses in the amount of EUR 344 thousand, on customer lists in the amount of EUR 156 thousand and on software in the amount of EUR 143 thousand.

Goodwill

Goodwill of EUR 3,929 thousand (previous year: EUR 3,829 thousand) breaks down into EUR 2,643 thousand (previous year: EUR 2,643 thousand) for the IAB cash-generating unit (Digital Business Solutions – IAB segment) and EUR 1,286 thousand (previous year: EUR 1,186 thousand) for PostageInk.com LLC (the cash-generating unit of Francotyp-Postalia Inc. in the Mailing, Shipping & Office Solutions – North America segment).

In the previous year, impairment losses of EUR 683 thousand were recognised for the cash-generating unit FP Inovolabs.

The following tables show the results and assumptions of the impairment tests on the goodwill in the associated cash-generating units:

2021

in TEUR	Francotyp-Postalia Inc.	IAB
Recoverable amount CGU (value in use)	144,584	30,065
Carrying amount	40,274	6,761
Difference	104,311	23,304
Impairment	0	0
Threshold figure EBIT 1)	97.9%	45.5%
EBITDA margin trend	Constant	Increasing
Growth rate perpetual maturity	1.0%	1.0%
Basic assumptions		
Revenue growth range	0.6% - 6.8%	0.6% - 6.4%
Gross profit margin 2)	32.1% - 32.9%	21.2% - 23.7%
Discount rate (WACC)	6.14%	6.79%
Discount rate before taxes	6.70%	9.13%

1) Recoverable amount equal to the carrying amount of the cash-generating unit
2) EBITDA in % of revenue

2020

in TEUR	FP Inovo-Labs	Francotyp-Postalia Inc.	IAB
Recoverable amount CGU (value in use)	5,070	113,553	26,523
Carrying amount	6,312	28,871	6,287
Difference	-1,242	84,682	20,236
Impairment	-1,242	0	0
Threshold figure EBIT 1)	117.1%	96.4%	44.8%
EBITDA margin trend	Increasing	Constant	Increasing
Growth rate perpetual maturity	1.0%	1.0%	1.0%
Basic assumptions			
Revenue growth range	1% - 62.4%	1% - 5.5%	0% - 13.5%
Gross profit margins 2)	-2.2% - 15.1%	27.3% - 27.8%	12.7% - 14.6%
Discount rate (WACC)	5.66%	6.37%	5.65%
Discount rate before taxes	7.56%	7.31%	7.57%

1) Recoverable amount equal to the carrying amount of the cash-generating unit
2) EBITDA in % of revenue

The impairment test for goodwill is based on a number of discretionary assumptions, including expected business performance and the regulatory environment.

Development costs

in TEUR	2021	2020
Development costs	7,629	8,731
thereof total expenditure	7,031	5,444
thereof product development expenses	4,251	3,101
thereof product maintenance expenses	2,781	2,343
thereof capitalised	598	3,287

In the reporting year, EUR 9 thousand (previous year: EUR 191 thousand) borrowing costs were capitalised. An average capitalisation rate of 2.56% (previous year: 2.49%) was applied.

(21) Property, plant and equipment

The tables below present the development of property, plant and equipment.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2021

in TEUR	Land, land rights and buildings	Technical equipment and machinery	Other plant and operating and office machinery	Leased products	Advance payments and assets under construction	Total
Cost or cost of manufacture						
Adjusted as at 1 Jan. 2021[1)]	**4,593**	**11,565**	**28,645**	**65,512**	**163**	**110,479**
Currency differences	32	6	490	4,848	0	5,375
Additions	33	117	750	6,692	2	7,594
Disposals	0	-25	-225	-3,370	0	-3,620
Reclassifications	14	24	-22	0	-16	0
As at 31 Dec. 2021	4,672	11,686	29,638	73,682	150	119,828
Amortisation, depreciation and impairment						
Adjusted as at 1 Jan. 2021[1)]	**2,037**	**8,313**	**25,175**	**48,465**	**0**	**83,989**
Currency differences	31	5	456	4,408	0	4,899
Additions	263	971	1,490	5,551	0	8,276
Disposals	0	-19	-201	-3,036	0	-3,256
Reclassifications	0	13	-13	0	0	0
As at 31 Dec. 2021	2,331	9,283	26,906	55,388	0	93,908
Carrying amount adjusted as at 1 Jan. 2021[1)]	2,556	3,252	3,471	17,047	163	26,490
Carrying amount as at 31 Dec. 2021	**2,341**	**2,403**	**2,732**	**18,294**	**150**	**25,920**

1) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT 2020

in TEUR	Land, land rights and buildings	Technical equipment and machinery	Other plant and operating and office machinery	Leased products	Advance payments and assets under construction	Total
Cost or cost of manufacture						
Adjusted as at 1 Jan. 2020[1)]	**4,615**	**11,533**	**28,902**	**74,402**	**134**	**119,585**
Currency differences	-26	-10	-447	-7,774	0	-8,257
Additions	37	107	1,117	4,197	41	5,499
Disposals	-44	-65	-927	-5,312	0	-6,348
Reclassifications	11	0	0	0	-11	0
Adjusted as at 31 Dec. 2020[1)]	4,593	11,565	28,645	65,512	163	110,479
Amortisation, depreciation and impairment						
Adjusted as at 1 Jan. 2020[1)]	**1,850**	**7,396**	**25,025**	**54,044**	**0**	**88,314**
Currency differences	-26	-9	-426	-6,101	0	-6,562
Additions	255	982	1,496	5,594	0	8,328
Disposals	-42	-56	-921	-5,072	0	-6,091
Reclassifications	0	0	0	0	0	0
Adjusted as at 31 Dec. 2020[1)]	2,037	8,313	25,175	48,465	0	83,989
Carrying amount adjusted as at 1 Jan. 2020[1)]	2,765	4,137	3,877	20,358	134	31,271
Carrying amount adjusted as at 31 Dec. 2020[1)]	**2,556**	**3,252**	**3,471**	**17,047**	**163**	**26,490**

1) Explanations of the adjustments for the comparative period from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

The recognised additions to leased products totalling EUR 6,692 thousand (previous year: EUR 4,197 thousand) include leased franking machines and capitalised contract acquisition costs and relate mainly to the Mailing, Shipping & Office Solutions – North America and Mailing, Shipping & Office Solutions – Europe segments.

Own work capitalised of EUR 6,155 thousand (previous year: EUR 7,795 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 23,579 thousand as at 31 December 2021 (previous year: EUR 22,353 thousand). The change of EUR 1,225 thousand breaks down as follows:

CHANGE IN NET INVESTMENTS IN LEASES

in TEUR	2021	2020
United States	1,807	1,011
Canada	286	108
United Kingdom	-140	-1,800
Other	-728	-1,096
Total	**1,225**	**-1,777**

The overall increase in finance lease receivables is attributable primarily to the volume-related increase in receivables from finance leases in the US. For the United Kingdom, there are signs of a recovery in the decline caused by the coronavirus pandemic in fiscal year 2020.

The selling profit from finance leases in the reporting year was EUR 6,020 thousand (previous year: EUR 5,586 thousand).

The interest income from the interest on the finance lease receivables amounted to EUR 2,557 thousand in the reporting year (previous year: EUR 2,374 thousand).

The following table provides an overview of the maturities of the payments from the finance leases as at 31 December 2021 and 31 December 2020 with FP as lessor. It shows the contractually agreed payments that are allocable to lease components.

in TEUR	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
31.12.2021							
Nominal payments	**29,896**	9,883	7,941	5,760	3,485	2,074	752
Non-guaranteed residual value	**873**						
Future interest income	**-7,191**						
Net leasing investment	**23,579**						
31.12.2020							
Nominal payments	**27,198**	8,733	7,049	5,414	3,572	1,722	707
Non-guaranteed residual value	**436**						
Future interest income	**-5,281**						
Net leasing investment	**22,353**						

The following table shows the maturities of the payments from the operating leases as at 31 December 2021 and 31 December 2020 with FP as lessor. It shows the contractually agreed payments without separating any shares for non-lease components. The lease and non-lease components are separated in the respective period of revenue recognition.

in TEUR	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Nominal payments as at 31 Dec. 2021	**42,658**	23,158	9,928	5,412	2,697	998	464
Nominal payments as at 31 Dec. 2020	**42,238**	23,669	10,934	5,069	1,920	516	131

(23) Inventories

in TEUR	31.12.2021	31.12.2020
Raw materials, consumables and supplies	**5,983**	4,417
Work in progress	**210**	232
Finished goods and goods for resale	**10,336**	6,861
Total	**16,530**	**11,509**

Impairment losses on inventories amounted to EUR 1,870 thousand (previous year: EUR 1,930 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 37,206 thousand (previous year: EUR 32,975 thousand) in the consolidated statement of comprehensive income.

(24) Trade receivables

in TEUR	31.12.2021	31.12.2020
Trade receivables - Germany	9,869	7,713
Trade receivables - abroad	11,470	12,199
Trade receivables - gross	**21,339**	**19,912**
Impairment on trade receivables	-1,861	-2,223
Trade receivables - net	**19,478**	**17,689**

IMPAIRMENT LOSSES

in TEUR	
As at 1 January 2020	**1,793**
Foreign currency effects	-31
Addition	917
Utilised	-146
Unused amounts reversed	-309
As at 31 December 2020	**2,223**
Foreign currency effects	72
Addition	1,164
Utilised	-1,304
Unused amounts reversed	-294
As at 31 December 2021	**1,861**

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 leased machinery is returned to the FP Group if finance lease receivables are defaulted. 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 three 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 2021 and 31 December 2020 is calculated as follows:

31 December 2021		Due	Due	Due	Due	Due
in TEUR	**Total**	**Immediately**	**< 30 days**	**30–60 days**	**61–90 days**	**> 90 days**
Gross carrying amount – trade receivables	**21,339**	3,657	16,021	1,442	106	114
Impairment – not credit-impaired	**-310**	-5	-269	-1	0	-33
Impairment – credit-impaired	**-1,551**	-71	-1,464	-2	-3	-11
31 December 2020						
Gross carrying amount – trade receivables	**19,912**	5,651	9,508	2,975	926	852
Impairment – not credit-impaired	**-63**	-16	-35	-6	-1	-5
Impairment – credit-impaired	**-2,160**	-750	-437	-248	-176	-548

(25) Other assets

in TEUR	31.12.2021	31.12.2020
		adjusted[1]
Contract assets (non-current)	265	117
Costs to obtain contracts	1,113	1,185
Remaining non-current non-financial assets	36	36
Other non-current non-financial assets	**1,414**	**1,338**
Creditors with debit balances	3,807	5,060
Miscellaneous financial assets	1,553	1,356
Other current financial assets	**5,360**	**6,417**
Receivables from other taxes	1,397	1,689
Deferred payments	2,240	2,435
Contract assets (current)	84	142
Other current non-financial assets	259	238
Other current non-financial assets	**3,979**	**4,504**

[1] Explanations of the adjustments from 1 January 2020 to 31 December 2020 are provided in section (9) Correction of errors in accordance with IAS 8.

Costs to obtain contracts include commissions paid to FP Group dealers for 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 2021, EUR 720 thousand was amortised on costs to obtain contracts (previous year: EUR 754 thousand).

Receivables from other taxes mainly relate to VAT refund claims in Germany amounting to EUR 1,298 thousand (previous year EUR 1,653 thousand).

Miscellaneous current financial assets include deposits of EUR 500 thousand (previous year: EUR 487 thousand).

(26) Cash and cash equivalents

in TEUR	31.12.2021	31.12.2020
Bank balances	33,253	36,016
Checks and cash on hand	68	93
Total	33,321	36,109

EUR 13,600 thousand (previous year: EUR 12,929 thousand) of bank balances are restricted. This relates to telepostage received from customers that can be accessed by customers at any time. A corresponding amount is included under other liabilities.

(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.

As at 31 December 2021, Francotyp-Postalia Holding AG held 257,393 treasury shares (previous year: 257,393). This translates into 1.6% (previous year: 1.6%) of the share capital.

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. 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.

The capital reserves developed as follows in fiscal years 2021 and 2020.

DEVELOPMENT OF CAPITAL RESERVES

in TEUR		
As at 1 January 2020		**34,743**
2020	Share subscription from the 2010 stock option plan	-447
As at 31 Dec. 2020		**34,296**
2021	n/a	0
As at 31 Dec. 2021		**34,296**

AUTHORISATIONS FOR AUTHORISED AND CONTINGENT CAPITAL

in TEUR	
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 Articles of Association on Contingent Capital 2010 was amended as follows: "The share capital of the company is contingently increased by up to EUR 656,500 through the issue of up to 656,500 new bearer shares.“

Authorised Capital 2015/I

With the approval of the Supervisory Board, by way of resolution of the Annual General Meeting on 11 June 2015, the share capital of the company could be increased on one or more occasions by up to a total of EUR 8,080,000 by issuing new bearer shares against cash or non-cash contributions by 10 June 2020. This option was not applied.

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
27.04.2012	30,000	10 years	No	None
06.12.2013	27,500	10 years	No	None
31.08.2015	285,000	10 years	No	None
25.11.2015	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
		01.09.2010	27.04.2012	07.09.2012	06.12.2013	11.06.2014	31.08.2015	25.11.2015	31.08.2016
31.12.2021									
One option	in EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	in TEUR	0	39	0	51	0	305	43	0
31.12.2020									
One option	in EUR	1.37	1.31	1.17	1.85	1.82	1.07	1.07	1.07
All options	in TEUR	0	39	0	51	0	326	43	193
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		31.08.2015	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 FP Holding. 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.

	SOP 2010		SOP 2015	
Options	**Number**	**Average exercise price in EUR**	**Number**	**Average exercise price in EUR**
As at 1 Jan. 2020	302,000	2.63	540,000	4.29
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	-15,000	4.48
Exercised in fiscal year	-140,000	2.50	0	n/a
Expired in fiscal year	-104,500	2.50	0	n/a
As at 31 Dec. 2020	57,500	3.21	525,000	4.28
Range of exercise price		2.50 - 3.86		3.90 - 4.48
Average remaining term as at 31 Dec. 2020		26 months		60 months
Exercisable as at 31 Dec. 2020	57,500	3.21	525,000	4.28
As at 1 Jan. 2021	57,500	3.21	525,000	4.28
Granted in fiscal year	0	n/a	0	n/a
Forfeited in fiscal year	0	n/a	-200,000	3.96
Exercised in fiscal year	0	n/a	0	n/a
Expired in fiscal year	0	n/a	0	n/a
As at 31 Dec. 2021	57,500	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. 2021		14 months		44 months
Exercisable as at 31 Dec. 2021	57,500	3.21	325,000	4.48

In the previous year, EUR 23 thousand was recognised as personnel expenses resulting from the 2015 stock option plans. The offsetting entry was made directly in equity (stock option reserve).

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 1,915 thousand (previous year: EUR -3,356 thousand).

Net investments in foreign operations

In line with the liquidity planning at Francotyp-Postalia Canada Inc. (Canada), a repayment of the recognised liability to FP GmbH is not expected in the foreseeable future. For this reason, FP GmbH recognises this monetary position as a net investment in a (Canadian) business. The currency difference resulting from translation after deferred taxes of (net) EUR 41 thousand (previous year: EUR -39 thousand) is recognised in other comprehensive income in accordance with IAS 21.32 et seq.

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 478 thousand in the reporting year (previous year: EUR -714 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 -239 thousand as at 31 December 2021 (previous year: EUR 40 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 -79 thousand as at 31 December 2021 (previous year: EUR 0 thousand).

Distribution of a dividend
No dividends were distributed in the 2021 and 2020 reporting years.

(28) Provisions for pensions and similar obligations

There are defined benefit pension plans in some cases for employees' occupational pensions in Germany, Austria, France, the Netherlands and Italy.

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.

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	31.12.2021	31.12.2020
Interest rate	0.88 - 1.10	0.43 - 0.72
Salary trend	1.92 - 3.00	1.62 - 3.00
Pension trend	1.92 - 2.00	1.62 - 2.00

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. For the defined benefit pension plan in the Netherlands, the Dutch Actuarial Society's mortality tables (AG 2020) are used.

DEFINED BENEFIT OBLIGATION

in TEUR	2021	2020
As at 1 Jan. of the reporting period	**20,537**	**20,591**
In profit or loss		
Current service cost	100	126
Interest expense (+)/income (−)	84	152
In other comprehensive income		
Remeasurement		
Actuarial gains and losses	0	0
from changes in biometric assumptions	-1	-108
from changes in financial assumptions	-827	1,000
due to experience adjustments	118	79
Income from plan assets (not including above interest income)	0	0
Other		
Employer contributions to pension plan	-387	-420
Payments from pension plan	-664	-883
As at 31 Dec. of the reporting period	**18,959**	**20,537**

DEFINED BENEFIT OBLIGATION

in percent	31.12.2021	31.12.2020
Active beneficiaries	13.6	14.1
Beneficiaries who have left the company	30.0	31.1
Retired employees	56.5	54.7

All pension commitments are vested.

The weighted average term of pension commitments is 14.1 years as at 31 December 2021 (previous year: 14.9 years).

MATURITY OF THE UNDISCOUNTED PENSION OBLIGATIONS

in TEUR	31.12.2021	31.12.2020
Up to 1 year	939	663
1 – 5 years	2,954	3,062
6 – 10 years	3,697	4,018
More than 10 years	13,968	15,205
Total	**21,558**	**22,947**

The table below shows the effect of the change in actuarial assumptions on defined benefit obligations as at 31 December 2021:

SENSITIVITY ANALYSIS AS AT 31 DEC. 2021

in TEUR	Increase	Decrease
Interest rate (change of 1.0%)	-2,520	3,182
Salary trend (change of 0.5%)	1,042	902
Pension trend (change of 0.25%)	968	-921
Life expectancies (change of 1 year)	937	-898

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 2021 separately.

(29) Tax assets and liabilities

Deferred tax assets and liabilities are recognised as follows in relation to measurement differences on individual items of the statement of financial position and tax loss carryforwards:

in TEUR	Net as at 31 Dec. 2020	Recognised in profit/loss	Recognised directly in equity	Other	Net as at 31 Dec. 2021	Deferred tax assets	Deferred tax liabilities
	adjusted[1]						
Intangible assets	-6,897	824	0	4	-6,069	3,254	-9,324
Property, plant and equipment	-4,069	-622	0	-483	-5,174	662	-5,837
Receivables and other assets	-532	1,207	102	-25	753	1,957	-1,204
Outside basis differences	-259	-486	0	0	-745	0	-745
Provisions	3,698	1,978	-231	-33	5,412	7,377	-1,965
Liabilities	5,384	-261	0	75	5,198	6,052	-854
Tax loss carryforwards	10,472	-342	0	5	10,135	10,135	0
Unrecognised deferred tax assets	-8,940	-2,130	0	-21	-11,091	-11,091	0
Total	**-1,143**	**168**	**-129**	**-478**	**-1,582**	**18,346**	**-19,929**
Tax offset						-17,216	17,216
Group carrying amount						**1,130**	**-2,713**

[1] Explanations of the adjustments for the comparative period as at 31 December 2020 are provided in section (9) Correction of errors 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 33,101 thousand (previous year: EUR 17,083 thousand). No deferred taxes were recognised for temporary differences of EUR 4,880 thousand (previous year: EUR 14,077 thousand). These relate to the German companies and, in particular, to subsidiaries in France and Italy.

In total, the Group has corporate tax loss carryforwards of EUR 29,866 thousand (previous year: EUR 28,409 thousand), trade tax loss carryforwards of EUR 29,582 thousand (previous year: EUR 30,138 thousand) and foreign tax losses of EUR 6,494 thousand (previous year: EUR 6,733 thousand).

At the end of the reporting period, there were deferred tax liabilities of EUR 148 thousand (previous year: EUR 811 thousand) from outside basis differences, which were not recognised separately because the requirements of IAS 12.39 were met.

There were audit findings from the German Group tax audit for the years 2013–2015 that started in 2018, which are accounted for in provisions for income taxes.

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 and the Netherlands 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 refunds at Francotyp-Postalia Inc. In January 2022, the German Federal Central Tax Office confirmed that a mutual agreement solution had also been found for the mutual agreement procedure with the Netherlands. This is essentially in line with the application. Expected reimbursements from international mutual agreements in Germany and abroad and from overpayments of current taxes in the current year resulted in non-current tax receivables of EUR 360 thousand (previous year: EUR 831 thousand) and current tax receivables of EUR 5.509 thousand (previous year: EUR 4,986 thousand). 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 TEUR	As at 1 January 2021	Currency differences	Utilisation	Unused amounts reversed	Addition	As at 31 Dec. 2021
Personnel	10,937	69	-7,100	-2,050	3,925	5,778
Restructuring	7,251	0	-1,117	-423	4,018	9,728
Warranties	194	2	-23	0	18	191
Invention royalties	159	0	-94	-66	111	111
Litigation costs	772	3	-78	-296	19	421
Licence costs	135	0	0	-135	0	0
Discounts and rebates	23	0	-23	0	46	46
Onerous contracts	1	0	-1	0	1	1
Miscellaneous provisions	1,679	1	-263	-19	155	1,551
Other provisions	**21,150**	**75**	**-8,699**	**-2,989**	**8,292**	**17,828**

Provisions for personnel essentially include provisions for severance payments, anniversary provisions, obligations under early retirement plans and bonuses.

Of the restructuring provisions of EUR 7,251 thousand recognised for restructuring the FP Group in the context of the Future@FP project in the 2020 consolidated financial statements, EUR 1,117 thousand (previous year: EUR 1,918 thousand) was utilised in the reporting year and EUR 423 thousand (previous year: EUR 257 thousand) reversed to profit or loss in connection with the review as at the end of the reporting period. In the reporting year, there was also an addition of EUR 4,018 thousand (previous year: EUR 5,200 thousand). 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 has been started in the fiscal year 2021 and will be continued in the fiscal year 2022. 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.

Miscellaneous provisions include risks for other taxes and interest from tax audits in the amount of EUR 1,356 thousand (previous year: EUR 1,365 thousand).

The obligations under early retirement plans of EUR 101 thousand (previous year: EUR 153 thousand) are based on the following key actuarial assumptions:

in % per year	31.12.2021	31.12.2020
Interest rate	-0.22	-0.34
Salary trend	3.00	3.00

The anniversary provisions of EUR 196 thousand (previous year: EUR 190 thousand) are based on the following key actuarial assumptions:

in % per year	31.12.2021	31.12.2020
Interest rate	0.07 - 0.88	-0.16 to 0.43
Salary trend	3.00	3.00
Social security trend	2.00 - 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 were recognised for products sold on the basis of past experience.

Income from the reversal of provisions amounting to EUR 2,989 thousand (previous year: EUR 694 thousand) relates primarily to provisions for personnel (including bonuses, premiums and severance payments) of EUR 2,050 thousand (previous year: EUR 321 thousand), provisions for restructuring measures amounting to EUR 423 thousand (previous year: EUR 257 thousand) and provisions for litigation costs of EUR 296 thousand (previous year: EUR 2 thousand).

The remaining terms of the other provisions are shown in the following table.

			31.12.2021			31.12.2020
in TEUR	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Total	Remaining term < 1 year	Remaining term > 1 year < 5 years
Personnel	5,779	4,466	1,313	10,937	9,392	1,545
Restructuring	9,728	9,728	0	7,251	3,479	3,772
Warranties	191	191	0	194	194	0
Invention royalties	111	111	0	159	159	0
Litigation costs	420	420	0	772	772	0
Licence costs	0	0	0	135	135	0
Discounts and rebates	46	46	0	23	23	0
Onerous contracts	1	1	0	1	1	0
Miscellaneous provisions	1,551	1,506	45	1,679	1,638	41
Other provisions	**17,829**	**16,471**	**1,358**	**21,150**	**15,793**	**5,358**

(31) Liabilities

	31.12.2021				31.12.2020			
	Remaining term				Remaining term			
	Total	< 1 year	> 1 year ≤ 5 years	> 5 years	Total	< 1 year	> 1 year ≤ 5 years	> 5 years
Liabilities to banks	29,708	9	29,699	0	36,402	11	36,391	0
Lease liabilities	10,468	3,453	5,996	1,019	10,560	3,663	6,505	392
Liabilities to non-consolidated affiliates	1	1	0	0	1	1	0	0
Financing liabilities	**40,177**	**3,463**	**35,695**	**1,019**	**46,963**	**3,675**	**42,896**	**392**
Trade payables	**12,904**	**12,904**	**0**	**0**	**14,139**	**14,139**	**0**	**0**
Liabilities from teleporto	27,824	27,824	0	0	26,525	26,525	0	0
Liabilities from derivatives	1,725	1,725	0	0	2,363	621	1,742	0
Miscellaneous financial liabilities	6,126	5,876	250	0	5,855	5,605	250	0
Other financial liabilities	**35,675**	**35,425**	**250**	**0**	**34,742**	**32,750**	**1,992**	**0**
Income tax liabilities	15	15	0	0	11	11	0	0
Liabilities from other taxes	1,438	1,438	0	0	958	958	0	0
Liabilities to employees	1,300	1,300	0	0	1,512	1,512	0	0
Liabilities for social security contributions	482	482	0	0	378	378	0	0
Contract liabilities	8,522	7,703	819	0	7,850	7,379	471	0
Deferred payments	5,922	5,922	0	0	5,637	5,637	0	0
Miscellaneous non-financial liabilities	79	79	0	0	92	92	0	0
Other non-financial liabilities	**17,758**	**16,939**	**819**	**0**	**16,438**	**15,967**	**471**	**0**
Total	**106,514**	**68,731**	**36,764**	**1,019**	**112,282**	**66,531**	**45,359**	**392**

The amount of EUR 29,699 thousand (previous year EUR 36,391 thousand) of the total liabilities to banks amounting to EUR 29,708 thousand (previous year EUR 36,402 thousand) is due to an international banking consortium. For further details, see note 32 4. Liquidity risks.

In accordance with the syndicated loan agreement in place on 31 December 2021, an interest rate pegged to EURIBOR has been determined for the individual loans. Due to the current negative interest rates for 3-month EURIBOR and 6-month EURIBOR, interest rate hedging was not sensible as at the reporting date.

The financing agreements concluded in previous years do not result in any contractual payment obligations in 2021. Accordingly, the liabilities are reported with a remaining term of more than one year.

Teleporto 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 TEUR		Carrying amount	
Item in statement of financial position	Measured at [1]	**2021**	2020
Finance lease receivables (non-current)	n/a [2]	16,586	15,674
Derivative financial instruments without a hedging relationship	FV	0	474
Other non-current financial assets	AC	193	169
Non-current financial assets		**16,780**	**16,317**
Trade receivables	**AC**	**19,478**	**17,689**
Finance lease receivables (current)	n/a [2]	6,992	6,679
Derivative financial instruments with a hedging relationship	FV	0	311
Derivative financial instruments without a hedging relationship	FV	0	254
Other financial assets (current)	AC	5,360	6,417
Other current financial assets		**12,353**	**13,660**
Cash and cash equivalents	**AC**	**33,321**	**36,109**
Liabilities to banks (non-current)	AC	29,699	36,391
Lease liabilities (non-current)	n/a [2]	7,015	6,897
Non-current financing liabilities		**36,714**	**43,288**
Derivative financial instruments without a hedging relationship	FV	0	1,742
Other financial liabilities (non-current)	AC	250	250
Other non-current financial liabilities		**250**	**1,992**
Liabilities to banks (current)	AC	9	11
Lease liabilities (current)	n/a [2]	3,453	3,663
Other financing liabilities (current)	AC	1	1
Current financing liabilities		**3,463**	**3,675**
Trade payables	**AC**	**12,904**	**14,139**
Derivative financial instruments with a hedging relationship	FV	178	7
Derivative financial instruments without a hedging relationship	FV	1,548	614
Other financial liabilities (current)	AC	33,700	32,130
Other current financial liabilities		**35,425**	**32,750**
Thereof, as per IFRS 9 measurement categories			
Financial assets measured at amortised cost (FAAC)		58,353	60,384
Financial assets at fair value through profit or loss (FVTPL)		0	728
Derivative financial assets in a hedging relationship		0	311
Financial liabilities measured at amortised cost (FLAC)		76,563	82,921
Financial liabilities measured at fair value through profit or loss (FLFV)		1,548	2,356
Derivative financial liabilities in a hedging relationship		178	7

1) AC - amortised cost, FV - fair value
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	**31.12.2021**	**31.12.2020**			**Hierarchy**
Financial assets measured at fair value					
Derivative financial instruments with positive fair values	0	1,039	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	1,725	2,363	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 2021 and 2020.

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. In particular, market risks relate 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 2,909 thousand (previous year: EUR 1,340 thousand) and expenses of EUR 1,389 thousand (previous year: EUR 2,316 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 TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
GBP	+5%	95	-120
	-5%	-137	108
2020			
GBP	+5%	82	-76
	-5%	-131	68

DERIVATIVE FINANCIAL INSTRUMENTS IN USD

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
USD	+5%	0	-618
	-5%	0	34
2020			
USD	+5%	0	-418
	-5%	0	393

DERIVATIVE FINANCIAL INSTRUMENTS IN CAD

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
CAD	+5%	0	0
	-5%	0	0
2020			
CAD	+5%	0	-33
	-5%	0	30

NET RISK POSITION IN GBP

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
GBP	+5%	143	0
	-5%	-129	0
2020			
GBP	+5%	152	0
	-5%	-138	0

NET RISK POSITION IN USD

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
USD	+5%	949	0
	-5%	-858	0
2020			
USD	+5%	618	0
	-5%	-559	0

NET RISK POSITION IN CAD

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
CAD	+5%	151	0
	-5%	-136	0
2020			
CAD	+5%	88	0
	-5%	-79	0

NET RISK POSITION IN SEK

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
SEK	+5%	87	0
	-5%	-79	0
2020			
SEK	+5%	89	0
	-5%	-81	0

NET INVESTMENTS IN CAD

in TEUR	Change in foreign currency in percentage points	Effect on consolidated profit/loss before taxes	Effect on other comprehensive income
2021			
CAD	+5%	0	40
	-5%	0	-36
2020			
CAD	+5%	0	37
	-5%	0	-33

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.

To minimise earnings fluctuations, hedging transactions together with the underlying transactions were transferred to a new hedging unit as at 31 December 2021, taking account of the provisions of IFRS 9.

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2021

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency (31 Dec. 2021)	Average hedged price	Type of hedge	Carrying amount as at 31 Dec. 2021	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/loss	Reserve from hedging transactions
USD	36,000,000	15,600,000	1.1933 EUR/USD	FX collar/cash flow hedge	-132,324	-28,592	0	-103,733
GBP	4,200,000	1,920,000	0.8581 EUR/GBP	Currency forward/cash flow hedge	-45,313	-36,182	0	-9,131
CAD	4,128,000	-			0	0	0	0

OVERVIEW OF HEDGE ACCOUNTING RELATIONSHIPS AS AT 31 DECEMBER 2020

Currency	Total expected cash flow in foreign currency	Hedged volume in foreign currency (31 Dec. 2020)	Average hedged price	Type of hedge	Carrying amount as at 31 Dec. 2020	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/loss	Reserve from hedging transactions
USD	26,400,000	12,000,000	1.1933 EUR/USD	Currency forward/cash flow hedge	149,620	180,988	0	-31,368
			1.2066 EUR/USD	FX collar/cash flow hedge	155,014	83,101	0	71,914
GBP	3,900,000	1,300,000	0.9064 EUR/GBP	Currency forward/cash flow hedge	-7,167	-2,801	0	-4,366
CAD	3,600,000	1,000,000	1.5507 EUR/ CAD	Currency forward/cash flow hedge	6,851	8,512	0	-1,662

The FP Group is anticipating cash flows in US dollars of USD 36,000 thousand in 2022 (previous year: USD 26,400 thousand) from the operating activities of its US subsidiary. As at the end of December 2021, currency forwards and foreign currency options with a fixed maturity in the amount of USD 15,600 thousand were concluded (previous year: USD 12,000 thousand).

The FP Group is anticipating cash flows in GBP of GBP 4,200 thousand in 2022 (previous year: GBP 3,900 thousand) from the operating activities of its subsidiary in the United Kingdom. As at the end of December 2021, currency forwards with a fixed maturity in the amount of GBP 1,920 thousand (previous year: GBP 1,300 thousand) were concluded.

The FP Group expects cash flows in CAD from the operating activities of the subsidiary in Canada in 2022 in the amount of CAD 4,128 thousand (previous year: CAD 3,600 thousand). As at the end of December 2021, no forward exchange contracts with a fixed maturity had been concluded (previous year: CAD 1,000 thousand).

Taking account of the currency hedges in place at the reporting date, the following net risk positions result:

NET RISK POSITION AS AT 31 DEC. 2021

In thousand

Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	4,200	1,920	2,280
USD	36,000	15,600	20,400
CAD	4,128	0	4,128
SEK	17,000	0	17,000

NET RISK POSITION AS AT 31 DEC. 2020

In thousand

Currency	Expected cash flows (inflows) in foreign currency	Hedged in a cash flow hedge	Net risk in foreign currency
GBP	3,900	1,300	2,600
USD	26,400	12,000	14,400
CAD	3,600	1,000	2,600
SEK	17,000	0	17,000

Additional protection for currency risks was concluded as individual derivative transactions. According to IFRS 9 these are not defined as hedges required for hedge accounting. This relates to the transactions presented in the table below.

In thousand				
Currency	**Nominal volume in foreign currency**	**Type of hedge**	**Market value as at 31 Dec. 2021**	**Market value as at 31 Dec. 2020**
GBP	12,000	Currency swap	**-1,422**	-2,356
GBP	10,000	Currency swap	**-126**	728

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.

No interest hedges were concluded in fiscal years 2021 and 2020.

The FP Group has analysed the potential effects of the IBOR reform. The company finances itself mainly based on EURIBOR. The Group assumes that EURIBOR will remain the reference interest rate. For this reason, no significant effects are expected from the reform of the reference interest rates.

The loan agreement concluded in June 2016 and modified in September 2018 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 ongoing low interest rate environment (negative interest rate for 3-month EURIBOR and 6-month EURIBOR), at the present moment in time an interest hedge would mean unnecessary hedging costs.

However, all interest and currency risks are being monitored on an ongoing basis, and hedging can be concluded promptly if it becomes necessary.

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 for the year was used as the benchmark for sensitivity.

in TEUR	**Change in percentage points**	**Effect on consolidated profit/loss before taxes**	**Effect on total other equity before taxes**
2021	+1%	-152	0
	-1%	0	0
2020	+1%	-180	0
	-1%	0	0

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:

31.12.2021

in TEUR	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	0	0	0
Derivative financial instruments with negative fair values	1,725	0	1,725

31.12.2020

in TEUR	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	1,039	992	47
Derivative financial instruments with negative fair values	2,363	992	1,371

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. As at 31 December 2021, the FP Group had unutilised credit facilities of EUR 58,520 thousand (previous year: EUR 111,617 thousand). The agreement has a duration of five years to 27 September 2023, plus two one-year extension options.

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 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 29,699 thousand (previous year: EUR 36,391 thousand), there were other liabilities to banks of EUR 9 thousand (previous year: EUR 11 thousand).

FINANCIAL LIABILITIES AS AT 31 DEC. 2021

in TEUR	Carrying amount	Cash outflows		
		< 1 year	1 – 5 years	> 5 years
Liabilities to banks	29,708	-493	-30,375	0
Lease liabilities	10,469	-3,453	-5,996	-1,019
Other financing liabilities	1	-1	0	0
Trade payables	12,904	-12,904	0	0
Other financial liabilities (excluding derivatives)	33,950	-33,700	-250	0
Incoming payments from derivatives transactions		41,909	0	0
Outgoing payments from derivatives transactions		-43,532	0	0

FINANCIAL LIABILITIES AS AT 31 DEC. 2020

in TEUR	Carrying amount	Cash outflows		
		< 1 year	1 – 5 years	> 5 years
Liabilities to banks	36,401	-725	-39,600	0
Lease liabilities	10,560	-3,663	-6,505	-392
Other financing liabilities	1	-1	0	0
Trade payables	14,139	-14,139	0	0
Other financial liabilities (excluding derivatives)	32,381	-32,131	-250	0
Incoming payments from derivatives transactions		5,271	9,508	0
Outgoing payments from derivatives transactions		-5,896	-11,107	0

Net gains and losses on financial instruments by measurement category

IFRS 9 NET RESULT

in TEUR	2021	2020
Financial instruments measured at fair value through profit or loss [1]	-76	-622
Financial liabilities at amortised cost [2]	-1,510	451
Financial liabilities at amortised cost [3]	-670	-111
Total	**-2,256**	**-282**

[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 TEUR	31.12.2021	31.12.2020
Liabilities to banks	29,708	36,401
Lease liabilities	10,469	10,560
Other financing liabilities	1	1
Liabilities	**40,177**	**46,962**
Cash and cash equivalents	-33,321	-36,109
Postage credit balances managed by the FP Group	13,600	12,929
Cash (cash and cash equivalents less restricted funds)	**-19,721**	**-23,180**
Net debt	**20,457**	**23,783**
Equity	15,741	13,221
Net debt ratio	**130%**	**180%**

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 repaying liabilities to banks of EUR 6.9 million and increasing equity by 19%, the FP Group was able to significantly reduce its net debt ratio.

In the 2021 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 and free cash flow.

(33) Collateral

in TEUR	31.12.2021	31.12.2020
Guarantee obligations	637	648
Total	**637**	**648**

The guarantee obligations include rent guarantees for machinery and postage and any refunds of subsidies.

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 31,480 thousand as at 31 December 2021 (previous year: EUR 38,383 thousand). This amount also includes sureties.

Collateral received has a fair value of EUR 2,014 thousand (previous year: EUR 1,938 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 DEC. 2021

in TEUR	Total	< 1 year	1-5 years	> 5 years
Other financial obligations	24,555	22,625	1,575	355
thereof from rental agreements/leases (not recognised)	2,701	1,125	1,222	355
thereof from purchase commitments	20,393	20,393	0	0
thereof from other contractual obligations	1,460	1,107	353	0

NOMINAL VALUES OF OTHER FINANCIAL OBLIGATIONS AS AT 31 DEC. 2020

in TEUR	Total	< 1 year	1-5 years	> 5 years
Other financial obligations	23,301	17,297	5,990	14
thereof from rental agreements/leases (not recognised)	1,896	903	992	0
thereof from purchase commitments	19,279	14,655	4,623	0
thereof from other contractual obligations	2,128	1,739	375	14

The obligations from rental agreements and leases as at 31 December 2021 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 contract components with service character. 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 TEUR	Land and buildings	Machinery	Motor vehicles and other operating and office equipment	Total
As at 1 Jan. 2020	**9,678**	**300**	**1,204**	**11,182**
Additions to right-of-use assets	2,328	0	1,014	3,343
Disposals of right-of-use assets	-158	0	-86	-244
Depreciation in the fiscal year	-2,918	-193	-792	-3,903
Currency differences	-29	0	-3	-32
As at 31 Dec. 2020	**8,903**	**106**	**1,336**	**10,345**
Additions to right-of-use assets	4,113	61	443	4,617
Disposals of right-of-use assets	-695	0	-94	-789
Depreciation in the fiscal year	-2,980	-161	-690	-3,831
Currency differences	39	0	2	41
As at 31 Dec. 2021	**9,381**	**6**	**996**	**10,383**

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 TEUR	31.12.2021	31.12.2020
Up to one year	3,453	3,663
More than one and less than five years	5,996	6,505
More than five years	1,019	392
Total	**10,469**	**10,560**

Expenses and income from leases

The following amounts from leases are recognised in the consolidated income statement:

EXPENSES AND INCOME FROM LEASES

in TEUR	2021	2020
Depreciation of right-of-use assets	3,831	3,903
Interest expenses for lease liabilities	41	45
Expenses from short-term leases	100	132
Expenses from low-value leases	70	78
Expenses from variable lease payments	27	29
Interest income from subleases	0	0

Payments from leases

Payments for leases totalling EUR 4,164 thousand (previous year: EUR 4,080 thousand) were made in fiscal year 2021.

(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 2022 or its medium-term goals.

V. 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 TEUR	31.12.2021	31.12.2020
Cash and cash equivalents	33,321	36,109
less restricted cash and cash equivalents ("postage credit held")	-13,600	-12,929
Cash (cash and cash equivalents less restricted funds)	**19,721**	**23,180**

The debt from financing activities developed as follows:

in TEUR	01.01.2021	Cash		Non-cash				31.12.2021
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects	
Liabilities to banks	36,401	0	-6,918	224	0	0	0	29,708
Lease liabilities	10,560	0	-3,934	41	-860	4,601	61	10,469
Cash flow from financing activities	**46,961**	**0**	**-10,852**	**265**	**-860**	**4,601**	**61**	**40,177**

in TEUR	01.01.2020	Cash		Non-cash				31.12.2020
		Payments received	Repayment	Effects of effective interest rate	Effects of contract termination	Addition	Exchange rate effects	
Liabilities to banks	38,398	4	-2,224	224	0	0	0	36,401
Lease liabilities	11,245	0	-3,804	0	-250	3,339	29	10,560
Cash flow from financing activities	**49,643**	**4**	**-6,028**	**224**	**-250**	**3,339**	**29**	**46,961**

(38) Employees

AVERAGE NUMBER OF EMPLOYEES BY COUNTRY

	2021	2020
Germany	643	692
United States	125	123
UK	66	77
The Netherlands	15	22
Canada	31	37
Italy	10	13
Sweden	10	14
Austria	16	17
France	18	21
Belgium	2	3
Total	**936**	**1,019**

AVERAGE NUMBER OF EMPLOYEES BY SEGMENT

	2021	2020
Mailing, Shipping & Office Solutions – Europe	307	348
Mailing, Shipping & Office Solutions – North America	156	161
Mail Services	145	160
Digital Business Solutions – Mentana	28	23
Digital Business Solutions – IAB	66	65
Other	234	262
Total	**936**	**1,019**

AVERAGE NUMBER OF EMPLOYEES BY GENDER

	2021	2020
Male	579	608
Female	357	411
Total	**936**	**1,019**

AVERAGE NUMBER OF EMPLOYEES BY GROUPS

	2021	2020
Executives	74	92
Employees	862	927
Total	**936**	**1,019**

(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 FP Holding, 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)	from 11 January 2021: Company Strategy including M&A/Communication (Public Relations, Corporate Communication)/Human Resources/Internal Audit/Franking Business Unit, Software & BPA, IoT and freesort
		until 11 January 2021: Legal/Strategy & Corporate Development/Corporate Communication/Human Resources Center of Excellence/Product Management/Business Development (New)/Investor Relations/M&A/Treasury/Controlling/Governance, Risk And Compliance/QM/Accounting inc. Tax/Internal Audit
Martin Geisel	CFO (since 11 January 2021)	from 11 January 2021: Finance/Accounting/Controlling/Tax/Treasury/Legal and Compliance/Risk Management/Investor Relations/Purchasing and Procurement/Internal IT
Patricius de Gruyter	CSO (until 31 May 2021)	until 22 February 2021 [1]: Sales Strategy & Governance/Sales Transformation/Sales - Middle Europe Region, North America Region, Central Europe Region/Digital Business/Hybrid Business/Service Center of Excellence/Marketing Center of Excellence/Internal Audit
Sven Meise	COO/CDO (until 11 January 2021)	until 11 January 2021: Information Technology/Research & Development (Traditional & Digital & IoT)/Production (Traditional & Hybrid & IoT)/Purchasing/Logistics/Facility Management/Shared Service Center - North America & Europe

[1] Patricius de Gruyter has not been responsible for any business areas since 23 February 2021. By mutual agreement, Patricius de Gruyter's membership on the Management Board and his employment contract with Francotyp-Postalia Holding AG was not renewed after the contractual term expired on 31 May 2021.

Sven Meise was Chairman of the Supervisory Board of Juconn GmbH, Unterföhring, until 11 January 2021.

The following table shows the members of the Supervisory Board of Francotyp-Postalia FP Holding 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 (Chairman)	• Managing Director, Dr Granderath, Rat and Vermögen GmbH, Willich • Managing Director, StreamParty GmbH, Willich	• Chairman of the Supervisory Board, Vita 34 AG, Leipzig (since December 2021) • Chairman of the Supervisory Board, VTG AG, Hamburg (since February 2022)
Lars Wittan (Deputy Chairman)	• Chief Investment Officer, Obotritia Capital KGaA, Potsdam	• Chairman of the Supervisory Board, Quarterback Immobilien AG, Leipzig • Vice Chairman of the Management Board of Obotritia Hotel SE, Potsdam
Klaus Röhrig (member)	• 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

(40) Shareholder structure (additional disclosures in accordance with German Commercial Code (HGB))

In fiscal year 2021, Francotyp-Postalia FP Holding received the following notifications from its shareholders 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	01.09.2021	31.08.2021
Reason of notification	Discontinuation of the attribution of subsidiaries on the basis of a statement of independence in accordance with section 35 WpHG	1. Purchase / sale of shares with voting rights 2. Other reason: Correction of a notification from Universal-Investment-GmbH
Shareholder/reporter	Montagu Private Equity LLP	Montagu Private Equity LLP
Date threshold reached	19.08.2021	10.11.2020
Total share of voting rights		
Old	0.00%	n/a
New	3.19%	3.19%
Voting rights (sections 33, 34 WpHG)	520,000	520,000

There are also the following important voting rights:

Publication date	12.11.2020	10.03.2020	25.02.2020
Reason of notification	Share purchase	Share purchase	Share purchase
Shareholder/reporter	Universal-Investment-Gesellschaft mit beschränkter Haftung	Obotritia Capital KGaA	Axel Sven Springer/Saltarax GmbH
Date threshold reached	11.11.2020	06.03.2020	19.02.2020
Total share of voting rights	3.19%	28.01%	5.00%
Voting rights (sections 33, 34 WpHG)	520,000	4,566,594	815,100

Publication date	22.05.2018	29.05.2013	29.05.2013
Reason of notification	Share purchase	Share purchase	Share purchase
Shareholder/reporter	Magallanes Value Investors S.A. SGIIC	Ludic GmbH, Bad Oldesloe, Germany	Tom Hiss
Date threshold reached	16.05.2018	24.05.2013	24.05.2013
Total share of voting rights	3.26%	3.51%	3.51%
Voting rights (sections 33, 34 WpHG)	531,456	566,882	566,882

In fiscal year 2021, Francotyp-Postalia FP Holding received and published the following notifications from its shareholders in accordance with section 19 (1) Market Abuse Regulation with reference to the share ISIN DE000FPH9000:

Publication date	15.01.2021		25.02.2021		26.02.2021	
Information on persons exercising management tasks	Patricius de Gruyter		Martin Eckhardt Geisel		Carsten von Lavergne-Peguilhen Lind	
Reason for notification/position	Member of the Management Board (CSO)		Member of the Management Board (CFO)		Chief Executive Officer (CEO)	
Transaction type	Share purchase		Share purchase		Share purchase	
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	3.20	569.60	3.17	53,794.90	3.12	6,240.00
	3.20	2,432.00	3.07	3,100.70		
	3.20	710.40	3.07	3,100.70		
	3.18	318.00	3.07	3,100.70		
	3.20	112.00				
	3.20	2,972.80				
	3.20	995.20				
	3.20	3,088.00				
Aggregate price/volume EUR	3.1994	11,198.00	3.15	63,097.00	3.12	6,240.00
Date of transaction	15.01.2021		25.02.2021		24.02.201	
Place of transaction	XETR		TGAT		XDUS	

Publication date	21.05.2021		21.05.2021		28.05.2021	
Information on persons exercising management tasks	Carsten von Lavergne-Peguilhen Lind		Carsten von Lavergne-Peguilhen Lind		Martin Eckhardt Geisel	
Reason for notification/position	Chief Executive Officer (CEO)		Chief Executive Officer (CEO)		Member of the Management Board (CFO)	
Transaction type	Share purchase		Share purchase		Share purchase	
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	2.76	5,520.00	2.70	2,700.00	2.95	7,670.00
					2.89	1,156.00
Aggregate price/volume EUR	2.76	5,520.00	2.70	2,700.00	2.9420	8,826.00
Date of transaction	19.05.2021		20.05.2021		27.05.2021	
Place of transaction	XDUS		XDUS		TGAT	

Publication date		21.06.2021		21.07.2021		22.07.2021
Information on persons exercising management tasks		Dr. Granderath, Rat und Vermögen GmbH via Dr. Hans Alexander Granderath		Carsten von Lavergne-Peguilhen Lind		Carsten von Lavergne-Peguilhen Lind
Reason for notification/position		Chairman of the Supervisory Board		Chief Executive Officer (CEO)		Chief Executive Officer (CEO)
Transaction type		Share purchase		Share purchase		Share purchase
Price/volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR	Price in EUR	Volume in EUR
	3.10	39,565.30	3.01	6,020.00	3.07	6,140.00
	3.10	25,633.90				
	3.10	176.70				
	3.06	6,120.00				
	3.09	16,355.37				
	3.10	5,015.80				
Aggregate price/volume EUR	3.0956	92,867.07	3.01	6,020.00	3.07	6,140.00
Date of transaction		18.06.2021		20.07.2021		22.07.2021
Place of transaction		XETR		XMUN		XDUS

In the fiscal years 2020 and 2021, Francotyp-Postalia Holding AG did not publish any notifications on changes in voting rights in accordance with section 41 WpHG. In previous years, there were the following changes:

Publication date	04.01.2017	Notification of correction dated 04.01.2017	30.01.2017	28.02.2017	31.03.2017	30.06.2017
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	28.02.2017	31.03.2017	30.06.2017
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, the associate, 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

Obotritia Capital KGaA, Potsdam, Germany, is the shareholder with significant influence. As at 31 December 2021, it held 28.5% of voting rights in FP Holding.

Please see the information in section 8 of the combined management report (Investments in capital exceeding 10% of voting rights).

The acquisition of shares by Obotritia Capital KGaA in fiscal year 2020 is explained in note 40 Shareholder structure.

No other transactions were conducted with Obotritia Capital KGaA in fiscal years 2021 or 2020.

Transactions with key management personnel

The acquisition of shares in fiscal years 2020 and 2021 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 TEUR	2021	2020
Short-term benefits	1,503	2,206
Post-employment benefits	26	45
Other long-term benefits	269	367
Termination benefits (expense (+), income (-))	-1,314	2,578
Share-based payment transactions	174	49
Total	**658**	**5,245**

Provisions to members of the Management Board from cash-settled share-based payment transactions and similar liabilities came to EUR 252 thousand (previous year: EUR 78 thousand) at the end of the reporting period.

The total remuneration for the members of the Management Board pursuant to section 314(1) No.6 HGB amounted to EUR 1,692 thousand in the reporting year. In fiscal year 2021, advance payments on long-term variable remuneration amounting to EUR 40 thousand were made to members of the Management Board. The provisions for the termination of employment of members of the Management Board of EUR 2,578 thousand recognised in fiscal year 2020 were reversed to income in the amount of EUR 1,314 thousand and utilised in the amount of EUR 1,100 thousand in fiscal year 2021.

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 113 thousand (previous year: EUR 102 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).

The total compensation granted to former members of the Board of Management amounts to EUR 546 thousand.

EUR 1,127 thousand was set aside for pension obligations to former Management Board members of Francotyp-Postalia Holding AG as at 31 December 2021 (previous year: EUR 1,442 thousand). EUR 8 thousand (previous year: EUR 11 thousand) was added to provisions in the 2021 reporting year, thereof EUR 2 thousand for service cost and EUR 6 thousand for interest cost.

Virtual shares and stock options

In the context of individual Management Board commitments, in the reporting year Management Board members were each granted a total of 80,000 virtual shares in Francotyp-Postalia Holding AG. When they are exercised, the option rights are satisfied on the basis of a cash settlement. Own investment is the condition for the full allocation. The Management Board members must buy Francotyp-Postalia Holding AG shares amounting to at least 15% of the number of virtual shares granted and to hold them for a period of four years after the respective acquisition. The Management Board members may exercise the virtual shares any time after the end of the vesting period 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 basis 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.

Grant date	Virtual options	Virtual options	Virtual options	Virtual options
	01.03.2019	01.01.2020	01.03.2020	01.06.2020
31.12.2021				
One option in EUR	0.00	0.65	0.66	0.63
All options in EUR thousand	0	39	40	221
31.12.2020				
One option in EUR	0.56	0.00	0.00	0.00
All options in EUR thousand	34	0	0	0
Price per FP share	3.52	0	0	0
Exercise price	3.87	0	0	0
Expected exercise date	01.03.2022	01.03.2023	01.01.2024	01.06.2024
Forecast average holding period in years	4	4	4	4
Expected volatility	29.65%	29.57%	29.58%	33.07%
Annual dividend yield	3%	1.5%	1.5%	1.5%
Matched-term, risk-free interest rate	-0.27%	-0.47%	-0.70%	-0.59%
Expected number of exercisable stock options at award date	60,000	60,000	60,000	350,000
Estimated annual employee turnover	0%	0%	0%	0%

	2021		2020	
Virtual shares and stock options	Number	Average exercise price in EUR	Number	Average exercise price in EUR
As at 1 Jan.	**560,000**	**4.09**	**90,000**	**4.24**
Granted in fiscal year	**80,000**	**3.59**	470,000	3.68
Forfeited in fiscal year	**0**	**n/a**	0	n/a
Exercised in fiscal year	**0**	**n/a**	0	n/a
Expired in fiscal year	**0**	**n/a**	0	n/a
As at 31 Dec.	**640,000**		**560,000**	
Range of exercise price in EUR		**3.56 - 3.97**		3.60 - 3.97
Average remaining term in months as at 31 Dec.		**21.0**		27.5
Exercisable as at 31 Dec.	**0**	**n/a**	0	n/a

As at 31 December 2021, EUR 174 thousand (previous year: EUR 62 thousand) was recognised in employee benefit expenses with an offsetting entry in provisions.

Transactions with associates and unconsolidated subsidiaries

Relates 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 the FP Group's associate or unconsolidated subsidiaries in fiscal years 2021 and 2020.

(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 2021. The total fee charged for services by the auditor in the fiscal year is shown in the table below:

in TEUR	2021
Audits of financial statements	528
Tax advisory services	73
Other services	21
Total	**621**

Of the fees charged for auditing services in the reporting year 2021, EUR 100 thousand are attributable to the previous year, as well as EUR 8 thousand for tax consulting services.

Tax consultancy services mainly relate to services in connection with the preparation of business tax returns and support in connection with the handling of tax agreement procedures.

Other services mainly relate to agreed-upon investigations regarding compliance with debt covenants.

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

On 23 March 2022, FP acquired all shares and voting rights in the following companies of the Azolver Group:

- Azolver Denmark Aps, Herlev, Denmark,
- Azolver Sweden AS, Sollentuna, Sweden,
- Azolver Logistics AB, Sollentuna, Sweden,
- Azolver Norway AS, Oslo, Norway,
- Azolver Finland OY, Helsinki, Finland,
- Azolver Switzerland AG, Winterthur, Switzerland,
- Azolver Italy S.r.l., Milan, Italy,
- Azolver Belgium SA, Brussels, Belgium,
- Azolver Eesti OÜ, Tallinn, Estonia.

Azolver mainly sells hardware for mail processing (franking machines) and also offers software for asset tracking and parcel shipping in Norway, Sweden, Finland, Denmark, Switzerland and Italy. FP also acquires a fully integrated technology and service centre in Estonia and logistics facilities in Belgium and Sweden. This acquisition strengthens FP’s position in the Mailing, Shipping & Office Solutions market in Europe. FP will benefit by realising synergies in a consolidated market. Azolver’s technology and service centre with finance, customer support, software development and IT will support the transformation of the entire FP Group.

The purchase price of EUR 12,200 thousand was paid entirely in cash.

Due to the short period between the acquisition and the date on which the financial statements were authorised for publication, the acquisition could not yet be accounted for. Cash and cash equivalents with a carrying amount and (preliminary) fair value of EUR 8,490 thousand were acquired. In particular, the fair values of the other assets and liabilities could not yet be determined. It is also not yet possible to provide detailed information on each class of receivables acquired and on the contingent liabilities of the acquired companies. In this respect, the corresponding disclosures in the notes pursuant to IFRS 3.B66 have not been made.

Costs associated with the business combination for legal counselling and due diligence were incurred in the amount of EUR 418 thousand. These costs are recognised in the income statement under other operating expenses.

The possible consequences of the military conflict between Russia and Ukraine are difficult to assess. The severe sanctions against Russia are also expected to have a considerable impact on the Western economy and thus impair economic development. It cannot be ruled out that this could also have an impact on FP's business development.

There were no further significant events after the end of fiscal year 2021 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[7]).

Berlin, 27 April 2022

The Management Board of Francotyp-Postalia Holding AG

Carsten Lind | Martin Geisel

CEO | CFO

[7] 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 2021

VI. 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.[8]

Berlin, 27 April 2022

The Management Board of Francotyp-Postalia Holding AG

Carsten Lind — CEO

Martin Geisel — CFO

[8] The responsibility statement is not part of the audit 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 2021, and the consolidated statement of comprehensive income9, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, 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 December2021.

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 the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code]

and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and

the 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.

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.

[9] As appropriate, this is to be aligned, ref. IAS 1.10 b) in connection with 1.81A.

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 2021. 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.

RECOGNITION OF DEVELOPMENT COSTS, IN PARTICULAR IN CONNECTION WITH THE INTRODUCTION OF A NEW ERP/CRM SYSTEM

Please refer to Section I in the notes to the consolidated financial statements for information on the accounting policies applied.

The Financial Statement Risk

In the consolidated financial statements of Francotyp-Postalia Holding AG, internally generated assets of EUR 13.1 million and internally generated assets in development of EUR 0.2 million are shown under "Intangible assets" as at 31 December 2021. The internally generated assets account for a total of 8.0 % of total assets and thus have a material influence on the group's net assets. In the reporting year, EUR 2.1 million was derecognized in connection with the introduction of a new ERP/CRM system Development costs for new products, including internally generated software, are capitalised as internally generated intangible assets when the conditions of IAS 38 are met.

Alongside technical feasibility, these include the generation of probable future economic benefits from the asset, the availability of technical and financial resources for the completion of the development and the ability to reliably measure the attributable expenditures. The capitalised development costs include direct costs and overheads. The capitalisation of development costs is based to a significant degree on assumptions and estimates by the legal representatives with regard to the fulfilment of the recognition criteria in accordance with IAS 38. There is a risk for the consolidated financial statements that the capitalised development costs in the statement of financial position were recognised incorrectly in substance.

Our Audit Approach

We analysed the Francotyp-Postalia Holding AG accounting instructions with reference to completeness and conformity to the recognition regulations pursuant IAS 38. We assessed the appropriateness, establishment and effectiveness of controls for the “Development” process which FP Holding established to secure complete and correct recognition of development costs. We assessed the legal representatives' assumptions regarding the fulfilment of the recognition criteria by inspecting a selected sample of the relevant documents. For the selected sample, on the basis of a discussion with the legal representatives and inspection of the contractual documentation, we assessed the existence of control on the future economic benefits from the asset.

Our Observations

Francotyp-Postalia Holding AG has established a proper process for recognizing development costs in accordance with IAS 38. The recognition of development costs, in particular in connection with the introduction of a new ERP/CRM system is appropriate.

RECOGNITION OF LEASES AS LESSOR PURSUANT TO IFRS 16

Please refer to Section I in the notes to the consolidated financial statements for information on the accounting policies applied.

RISK FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In the consolidated financial statements of Francotyp-Postalia Holding AG as at 31 December 2021, leased products of EUR 18.3 million, receivables from finance leases of EUR 23.6 million and other non-current assets of EUR 1.1 million from costs to obtain contracts attributable to period-related performance obligations as defined by IFRS 15 are recognized in the consolidated statement of financial position. This accounts for 25.8 % of total assets and thus has a material influence on the Group's net assets. The consolidated statement of comprehensive income for the period from 1 January to 31 December 2021 includes lease revenue of EUR 39.5 million pursuant to IFRS 16 and revenue from services related to leases pursuant to IFRS 15.

Thus this share in total revenue has a material impact on the Group’s earnings position. In addition, specific notes are required in respect to revenue breakdown and to receivables from finance leases. In fiscal year 2021, accounting for commissions paid to dealers for the brokerage of leases was retrospectively adjusted. Due to the high volume of leases and the resulting transactions, the Company established processes and controls for the complete and correct recognition of leases. Accounting for leases is generally complex and requires judgements and estimates. These relate primarily to classification as operating or finance lease. In this connection, an assessment is required as to whether the term of the lease covers the major part of the asset's economic life or whether the present value of the future minimum lease payments amounts to at least substantially all the fair value of the leased asset. There is a risk for the consolidated financial statements that the leases in substance and amount are not recognised appropriately in the statement of financial position and in the statement of comprehensive income and the relevant notes are incorrect.

OUR AUDIT APPROACH

In an initial step, we gained an understanding on the process Francotyp-Postalia Holding AG uses to record leases. We then analysed the specialist concept and the group accounting guidelines for compliance with IFRS 16. We assessed the appropriateness, establishment and effectiveness of controls which Francotyp-Postalia Holding AG has established to secure the complete and correct calculation of data on accounting for leases. For a representative selection of leases, we examined whether the relevant data were correctly and completely determined. In respect to judgements on the classification of leases we examined whether the underlying assumptions were verifiable and consistent with the other assumptions made in the financial statements. For the leases in the above representative sample, we verified the calculations of the amounts determined by Francotyp-Postalia Holding AG on leased products, lease receivables and revenue. We evaluated the impact resulting from the retrospective accounting changes on the individual items of the previous-year financial statements and the necessary disclosures in the notes to the consolidated financial statements.

OUR OBSERVATIONS

The process established by Francotyp-Postalia Holding AG to account for leases is appropriate. The assumptions and data underlying lease accounting are appropriate overall. The notes to the financial statements are appropriate.

Other Information

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 objectives are 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 group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group 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 arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group 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 group 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- 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 group 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 also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

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

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „529900RE3JI3SZCF9R79-2021-12-31-de_2704.zip" (SHA256-Hashwert: ec809c6fa5dc64a5acdb83c16798a514858efcd6701e007ae84770d32b14f1af) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021contained in the " Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10.2021)) . Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

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 objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL)

enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 June 2021. We were engaged by the supervisory board on 16 November 2021. 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).

Other matter – Use of the Auditor's Report

Our auditor´s report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible Public Auditor

The German Public Auditor responsible for the engagement is Patrick Waubke.

Berlin, 28 April 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Waubke	Klein
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Glossary

A

Agile methods
Agile methods are principle-based approaches for higher efficiency in software development.

API
Application programming interface.

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

Bluetooth
Standard for the wireless transfer of data between different electronic devices over a distance of around ten metres. Bluetooth has superseded infra-red technology in this segment.

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

Dashboard
Method to clearly present information on a monitor using small programs that are designed to look like traditional dashboard gauges.

Design sprint
A time-limited, five-step process of design thinking with the aim of reducing the risk for the market launch of a new product or service.

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

Edge computing
Decentralised data processing at the edge of the network via intelligent devices. Model for IoT.

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 e- mail, for example, and that the message has not been changed. Legally binding by dint of European directive and German Digital Signature Act in the form of the qualified electronic signature.

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.

End-to-end solution
End to-end solution means that FP as a provider of an application program, software and a system meets all of the customer's software and hardware requirements, so no other provider is involved in

meeting the requirements. Everything from a single source, covering the entire value chain.

ERP
Enterprise resource planning. ERP systems support the planning of enterprise resources such as finance, human resources, merchandise, etc. ERP combines various back-office systems such as production, finance, HR, 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 [IAS 17.4 and 8].

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 Digital Office
Umbrella term for FP's digital products intended as an office solution for small and medium-sized companies, e.g. FP Sign, Parcel Shipping etc.

FP Input
FP Input takes on structured incoming mail processing of all incoming mail including digital storage of scanned documents.

FP Output
FP Output takes over the customer's data flows. 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.

TransACTmail
Online letter service for private customers. Users transmit their text via a browser-based app to FP, which prints, inserts and sends the letter. The service is available starting with a single 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

Industry 4.0
Term from the German federal government's High-Tech Strategy 2020, which postulates the fourth industrial revolution. Following mechanisation (Industry 1.0), mass production (2.0) and automation (3.0), production in Industry 4.0 is governed by the Internet of Things.

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.

Inserter release
A new option to combine inserting and franking.

Intellectual property
A category of property that includes intangible creations of the human intellect.

IoT
Internet of Things. The Internet of Things in industrial application, synonymous with Industry 4.0.

Iteration
The process of repeating the same or similar actions multiple times to approximate a solution or a certain target.

J

Juconn GmbH
Since January 2019, FP has held a 15% interest in Juconn GmbH in order to offer customers the entire IoT value chain.

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 segment comprises the franking service – collecting unfranked outbound post and providing the franking – and the consolidation service – sorting the post by postcode and delivering it in batches to a sorting office of Deutsche Post AG or an alternative postal distributor (Secure mail business).

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 [IAS 17.4 and 8].

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
PostBase Vision is the consistent further development of the PostBase "Classic" system, which was introduced in 2012. The colour touch display that adapts to the user automatically has increased in size by 40% and swivels automatically. It now allows users to control functions with swiping gestures and enter text and QR codes on the PostBase Vision directly.

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 lease back
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.

Signature (digital, electronic)
See e-signature, FP Sign.

Social media
Blanket term for online services such as Facebook or Twitter, which allow users to communicate with each other in groups and to share content.

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
A part-performance discount is granted under part-performance contracts with Deutsche Post when letters are delivered, processed and consolidated at a 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
Developing new, digital business areas.

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
Our portal that gives customers an overview of the relevant system data for the franking systems. 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 2021	28 April 2022
Results for the first quarter 2022	25 May 2022
Annual General Meeting, Berlin	15 June 2022
Results for the half year 2022	1 September 2022
Results for the third quarter 2022	24 November 2022

We cannot exclude the possibility of postponements, please check the current status at http://www.fp-francotyp.com.

Imprint

Editor and contact

Francotyp-Postalia Holding AG
Investor Relations
Anna Lehmann
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

Fifth 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 comprehensive sustainability report (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[10].

Forward looking statement

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.fp-francotyp.com[1]). If there are variances, the German version has priority over the English translation.

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

Multi-year overview

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)

	2021	2020[1]	2019	2018	2017
Revenue	**203.7**	195.9	209.1	204.2	206.3
Recurring revenue	**131.7**	127.1	161.2	160.6	162.6
EBITDA	**18.5**	8.7	33.3	17.3	26.3
as percentage of revenue	**9.1**	4.4	15.9	8.5	12.8
EBIT	**-0.7**	-14.2	5.9	n.a.	7.3
as percentage of revenue	**-0.3**	-7.2	2.8	n.a.	3.5
Consolidated profit	**0.4**	-15.3	1.7	0.9	4.6
as percentage of revenue	**0.2**	-7.8	0.8	0.4	2.3
Free cash flow	**6.5**	11.4	1.7	3.0	5.8
Share capital	**16.3**	16.3	16.3	16.3	16.3
Equity	**15.7**	13.2	32.0	31.3	33.0
as percentage of balance sheet total	**9.4**	7.6	17.2	18.7	19.4
Return on equity (%)	**2.5**	-115.9	5.3	2.9	14.1
Debt capital	**151.1**	160.3	154.3	136.0	136.8
Net debt	**20.5**	23.8	31.7	18.1	19.5
as percentage of balance sheet total	**130**	180	99	58	59
Balance sheet total	**166.9**	173.6	186.3	167.2	169.8
Share price end of year (EUR)	**3.10**	3.20	3.45	3.00	4.66
Earnings per share (basic in EUR)	**–**	-0.95	0.11	0.06	0.29
Earnings per share (diluted in EUR)	**–**	-0.95	0.11	0.06	0.28
Employees (end of period)	**899**	**1,003**	**1,012**	**1,055**	**1,067**

[1] Comparative period 2020 adjusted.

Key figures

FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (IN EUR MILLION)	2021	2020[1)]	Change in %
Revenue	**203.7**	195.9	4.0
Recurring revenue	**131.7**	127.1	3.6
EBITDA	**18.5**	8.7	112.6
as percentage of revenue	**9.1**	4.4	
EBIT	**-0.7**	-14.2	n.a.
as percentage of revenue	**-0.3**	-7.2	
Consolidated profit	**0.4**	-15.3	n.a.
as percentage of revenue	**0.2**	-7.8	
Free cash flow	**6.5**	12.4	n.a.
Share capital	**16.3**	16.3	0.0
Equity	**15.7**	13.2	n.a.
as percentage of balance sheet total	**9.4**	7.6	
Return on equity (%)	**2.5**	-115.9	
Debt capital	**151.1**	160.3	-5.7
Net debt	**20.5**	23.8	-13.9
as percentage of balance sheet total	**131**	180	
Balance sheet total	**166.9**	173.6	-3.9
Share price end of year (EUR)	**3.07**	3.20	-4.1
Earnings per share (basic in EUR)	**0.02**	-0.95	n.a.
Earnings per share (diluted in EUR)	**0.02**	-0.95	n.a.
Employees (end of period)	**899**	**1,003**	**-10.4**

1) Comparative period 2020 was adjusted.

Francotyp-Postalia Holding AG
Prenzlauer Promenade 28, 13089 Berlin
Tel: +49 (0) 30 220 660 410 · Mail: ir@francotyp.com