fp-francotyp.com

FP-QUARTERLY REPORT

3/2016

Francotyp-Postalia grows and remains on course in 2016

149.4 EUR MILLION

Revenue up 5.7%

20.6 EUR MILLION

EBITDA increases by 1.4%

5.2 EUR MILLION

Positive free cash flow

Increase in franking business:

In the first nine months of 2016, the FP Group grew by 3.0% in the franking and inserting systems business despite the strong negative impact of currency effects.

Growth in Mail Services and Software:

The FP Group also grew in both the Mail Services and Software segments. Revenue in the consolidation business rose by 12.5% and software revenue increased by 3.9%.

Increase in profits:

As expected, the company saw an increase in EBITDA and EBIT. Consolidated net income also increased by 24.9% to EUR 5.3 million thanks to the implementation of announced measures to significantly improve the tax rate.

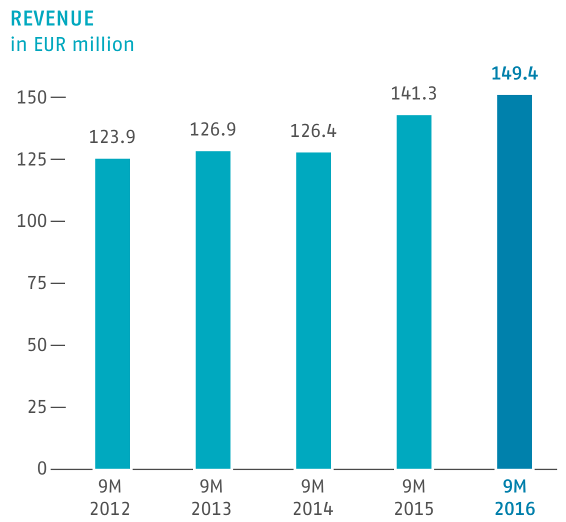
Forecast confirmed:

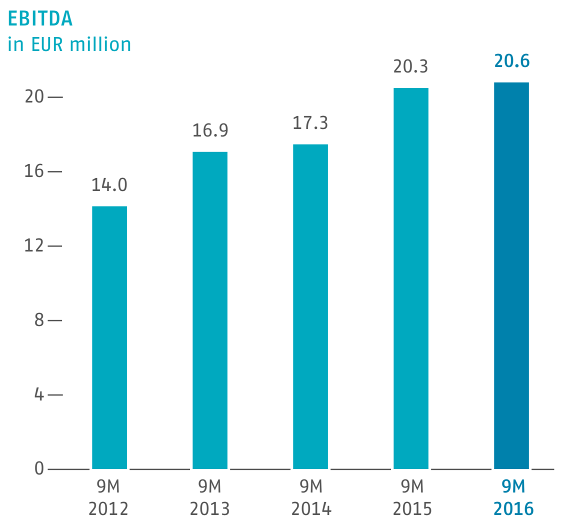
On the assumption that exchange rates remain unchanged, the Management Board continues to anticipate a slight year-on-year increase in revenue and EBITDA in addition to positive free cash flow for 2016 as a whole.

FP ACT Attack – Customer – Transformation:

With the new FP strategy, the company aspires to double revenue to around EUR 400 million and significantly increase the EBITDA margin to appr. 20%.

5-year development of revenue and EBITDA





Management Board anticipates accelerated GROWTH

RÜDIGER ANDREAS GÜNTHER
CEO & CFO

"We are taking a bold step forward. Our new ACT strategy stands for attack, customer and transformation. Things are really moving for us now. We see growth potential not only on new markets. Our core business with franking machines still offers great opportunities too. The FP Group has been successful so far in the 2016 fiscal year. Our company is on track, but we could still be a lot better. Based on our unique DNA made up of cryptography, actuator and sensor technology and connectivity, we will lead FP to a successful future. On this basis, we develop products, solutions and services that are perfectly tailored to the needs of our customers. Our customers know us and we know our customers. For us, this is the key to success. With our 100th anniversary in 2023, FP will become a new, innovative, attractive, successful and profitable company."

THOMAS GRETHE
CSO

"An increasing number of companies rely on franking systems for small and medium-sized mail volumes. The odds are in our favour. In the years to come, we intend to move forward here and accelerate growth. We have the most innovative product portfolio and will further expand our service range."

SVEN MEISE
CDO

"The digitalisation of corporate communication processes is still in its infancy. With our Mail Services and Software business areas, we already have a good position here. So far, both of them have developed positively in 2016. Over the coming years, we will accelerate our growth here. We will also expand our service range based on customer requirements and drive the transformation of our business."

Overview
OF THE FIRST NINE MONTHS OF 2016

OVERALL STATEMENT: FP GROUP ON GROWTH COURSE

The FP Group remains on a profitable growth course in 2016. In the first nine months of 2016, the company increased revenue by 5.7% to EUR 149.4 million and increased EBITDA by 1.4% to EUR 20.6 million as against the same period of the previous year.

BUSINESS PERFORMANCE: FRANKING MACHINE BUSINESS IS GROWING

In the first nine months of 2016, revenue in the traditional franking machine business rose by 3.0% to EUR 94.3 million despite negative currency effects of EUR 1.7 million. At a time of unfavourable exchange rate developments – the value of the British pound further declined significantly, especially after Brexit – the FP Group continued to show strength in its core business. This success was primarily the result of the ongoing strong demand for the PostBase franking system.

In the current year, the FP Group launched two further models of the PostBase family on large markets such as Germany, the USA and the United Kingdom: PostBase One and PostBase 100. With these new franking systems, FP has completed its innovative product family in the upper product segment.

On a regional basis, business developed positively, especially on the largest foreign market, the USA. Even after the end of the decertification process at the end of 2015 and the replacement of older machines as required by the US Postal Service, Francotyp-Postalia managed to convince new and existing customers to use PostBase here. The installed base is also growing steadily in France. In the United Kingdom, Brexit did not affect demand, although the weakness of the pound had a negative impact on revenue.

BUSINESS PERFORMANCE: RISE IN REVENUE IN MAIL SERVICES AND SOFTWARE

In the Mail Services and Software business areas, the FP Group also increased revenue in the first nine months of 2016. In the Mail Services segment, revenue rose by 12.5% to EUR 44.7 million in the first nine months of the year. In this context, the growth rate slowed down slightly in the third quarter. Software revenue increased by 3.9% to EUR 10.3 million in the first nine months of 2016. In this segment, the company promoted the expansion of the service range.

RESULTS OF OPERATIONS: OPERATING RESULT ABOVE THE LEVEL OF THE PREVIOUS YEAR

With increasing revenues, the cost of materials also grew by 5.0% to EUR 71.5 million in the first nine months of 2016, primarily as a result of the expansion of the Mail Services business. At EUR 42.9 million, staff costs virtually remained at the previous year's level. In the first nine months of the previous year, one-time expenses of EUR 0.6 million were incurred for the realignment of customer service in Germany.

In the first nine months of 2016, the FP Group increased EBITDA by 1.4% to EUR 20.6 million, which was also due to a decline in other expenses. The EBITDA margin was thus 13.8%. An even stronger increase in earnings was prevented by unfavourable exchange rate changes and initial expenses for the preparation and implementation of the strategy. Negative currency effects amounted to EUR 0.7 million in the first nine months of 2016.

As anticipated, amortisation and depreciation saw a slight increase from EUR 12.4 million in the first nine months of the previous year to EUR 12.5 million in the period under review. EBIT increased by 2.9% to EUR 8.1 million compared with EUR 7.9 million in the same period of the previous year.

Net interest income improved significantly from minus EUR 1.0 million in the previous year to minus EUR 0.1 million in the first nine months of 2016. This was mainly due to higher interest income from finance leases and non-recurring effects. The other financial result of the FP Group was EUR 0.1 million as against EUR 0.2 million in the same period of the previous year.

In the first nine months of 2016, income taxes amounted to minus EUR 2.8 million and were thus at the level of the previous year. The tax rate fell to 35.1% after 40.1% in the previous year. As announced, the FP Group implemented measures to optimize the tax rate over the course of 2016. The company therefore expects the tax rate for 2016 as a whole to be considerably lower than in the 2015 fiscal year.

Consolidated net income benefited from these measures and good operating performance, increasing substantially to EUR 5.3 million in the first nine months of 2016 as against EUR 4.2 million in the previous year. Earnings per share improved to 31 cents compared with 25 cents in the same period of the previous year.

FINANCIAL POSITION AND NET ASSETS: POSITIVE FREE CASH FLOW

The FP Group pursues a focused investment strategy and concentrates in particular on investments that serve the company's further development. As anticipated, investments declined from EUR 13.6 million in the first nine months of the previous year to EUR 11.9 million in the period under review. EUR 5.1 million of this amount was attributable to leased inventories; in the previous year, this still amounted to EUR 8.1 million. In the first nine months of 2016, the company also capitalised development costs of EUR 3.7 million and invested a total of EUR 1.8 million in property, plant and equipment (excluding leased products).

Cash outflows for investments of EUR 11.9 million were offset by cash inflows of EUR 17.1 million from cash flow from operating activities in the first nine months of 2016. Free cash flow then reached EUR 5.2 million, compared with minus EUR 4.0 million in the same period of the previous year.

Positive cash flow from operating activities is an important funding source for the FP Group in addition to finance leases and existing loan agreements with banks. Financial liabilities from the last two items totalled EUR 34.3 million as at 30 September 2016, compared with EUR 36.3 million as at 31 December 2015. In contrast, funds totalled EUR 16.3 million (31 December 2015: EUR 15.9 million). These also include securities of EUR 0.7 million in addition to cash and cash equivalents of EUR 23.9 million; postage credit balances of EUR 8.3 million that are managed by the FP Group are excluded. This resulted in net debt of EUR 18.0 million as at 30 September 2016 as against EUR 20.4 million at the end of 2015.

FORECAST: FP GROUP ANTICIPATES SLIGHT INCREASE IN REVENUE AND EBITDA

The FP Group is focusing on strengthening its earning power, continuously developing its traditional business with franking machines and expanding its new business areas in the 2016 fiscal year. The company is also implementing measures to increase efficiency in all areas.

Based on the expected good business performance in the first nine months of 2016, the FP Group confirms its forecast for 2016 as a whole. The company anticipates a slight increase in revenue year-on-year, a similar slight increase in EBITDA and positive free cash flow. This is based on the assumption that exchange rates for foreign currencies will remain constant.

All of these disclosures are based on the information available at the end of the third quarter of 2016. The FP Group wishes to point out that the planning data as stated may differ from the actual figures subsequently recorded.

Consolidated FINANCIAL STATEMENTS

FOR THE FIRST NINE MONTHS 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

in thousand euro	1.1.–30.9.2016	1.1.–30.9.2015	3rd quarter 2016 1.7.–30.9.2016	3rd quarter 2015 1.7.–30.9.2015
Revenue	149,376	141,294	49,059	46,107
Increase / decrease in inventories of finished goods and work in progress	438	1,981	651	1,819
	149,814	**143,275**	**49,710**	**47,926**
Other own work capitalised	8,920	11,147	2,431	3,662
Other income	2,210	2,676	648	683
Cost of materials				
a) Expenses for raw materials, consumables and supplies	28,019	27,524	9,477	10,063
b) Cost of purchased services	43,429	40,534	14,203	13,585
	71,448	**68,058**	**23,680**	**23,648**
Staff costs				
a) Wages and salaries	36,530	36,211	12,232	12,301
b) Social security contributions	5,631	5,888	1,718	1,838
c) Expenses for pensions and other benefits	772	709	251	247
	42,933	**42,808**	**14,201**	**14,386**
Amortisation, depreciation and write-downs	12,502	12,439	4,180	4,267
Other expenses	25,963	25,926	8,953	8,215
Net interest income				
a) Interest and similar income	975	460	319	190
b) Interest and similar expenses	1,099	1,492	152	589
	–124	**–1,032**	**167**	**–399**
Other financial result				
a) Other financial income	4,441	3,498	782	–522
b) Other finance costs	4,304	3,292	787	–132
	137	**206**	**–5**	**–390**
Income taxes	–2,845	–2,826	–679	–750
Consolidated net income	**5,266**	**4,215**	**1,258**	**216**
Other comprehensive income				
Foreign currency translation of financial statements of foreign entities	–2,341	2,176	–467	–215
of which taxes	19	46	21	63
of which reclassified to consolidated net income	63	151	56	95
Adjustment of provisions for pensions and partial retirement obligations in accordance with IAS 19	0	0	0	–3
of which taxes	0	0	0	0
of which reclassified to consolidated net income	0	0	0	0
Other comprehensive income after taxes	**–2,341**	**2,176**	**–467**	**–218**
Total comprehensive income	**2,925**	**6,391**	**791**	**–2**
Consolidated net income, of which:	5,266	4,215	1,258	216
attributable to the shareholders of FP Holding	4,924	4,048	1.149	226
attributable to non-controlling interests	342	167	109	–10
Total comprehensive income, of which:	2,925	6,391	791	–2
attributable to the shareholders of FP Holding	2,583	6,224	682	8
attributable to non-controlling interests	342	167	109	–10
Earnings per share (basic, in EUR)	**0.31**	**0.25**	**0.07**	**0.02**
Earnings per share (diluted, in EUR)	**0.30**	**0.25**	**0.07**	**0.02**

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2016

ASSETS

in thousand euro	30.9.2016	31.12.2015
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets including customer lists	11,703	13,821
Goodwill	8,494	8,494
Development projects in progress and advance payments	14,404	10,715
	34,601	**33,030**
Property, plant and equipment		
Land, land rights and buildings	3,100	3,285
Technical equipment and machinery	4,449	4,944
Other equipment, operating and office equipment	3,775	3,764
Leased products	23,003	24,602
Finance lease assets	3,419	5,299
Advance payments and assets under construction	523	96
	38,269	**41,990**
Other assets		
Associates	36	36
Other equity investments	163	163
Finance lease receivables	8,533	5,567
Other non-current assets	272	251
	9,004	**6,017**
Tax assets		
Deferred tax assets	1,421	1,901
Current tax assets	4,997	6,689
	6,418	**8,590**
	88,292	**89,627**
CURRENT ASSETS		
Inventories		
Raw materials, consumables and supplies	4,440	5,956
Work in progress	729	710
Finished goods and merchandise	6,168	5,025
	11,337	**11,691**
Trade receivables	17,090	16,937
Other assets		
Finance lease receivables	2,810	2,829
Income taxes receivable	1,271	1,914
Derivative financial instruments	265	992
Other current assets	14,982	13,287
	19,328	**19,022**
Securities	688	681
Cash and cash equivalents	23,924	18,214
	72,367	**66,545**
	160,659	**156,172**

LIABILITIES

in thousand euro	30.9.2016	31.12.2015
EQUITY		
Equity attributable to shareholders of the parent company		
Issued capital	16,160	16,160
Capital reserves	34,678	34,937
Stock option reserve	1,140	1,046
Treasury shares	–286	–810
Loss carried forward	–20,794	–22,414
Consolidated net income after minority interests	4,924	3,543
Total other equity	–1,090	1,251
	34,732	**33,713**
Non-controlling interests	1,861	1,519
	36,593	**35,232**
NON-CURRENT LIABILITIES		
Provisions for pensions and similar obligations	15,411	15,454
Other provisions	818	911
Financial liabilities	33,213	31,698
Other liabilities	0	0
Deferred tax liabilities	1,738	687
	51,180	**48,750**
CURRENT LIABILITIES		
Tax liabilities	3,457	3,899
Provisions	5,093	5,899
Financial liabilities	1,130	4,631
Trade payables	11,351	9,850
Other liabilities	51,855	47,911
	72,886	**72,190**
	160,659	**156,172**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

in thousand euro	1.1.–30.9.2016	1.1.–30.9.2015
1. Cash flow from operating activities		
Consolidated net income	5,266	4,215
Net income tax recognised in profit or loss	2,845	2,826
Net interest income recognised in profit or loss	124	1,032
Amortisation, depreciation and write-downs on non-current assets	12,502	12,439
Decrease (–)/increase (+) in provisions and tax liabilities	–1,454	–1,032
Loss (+)/gain (–) on the disposal of non-current assets	122	381
Decrease (+)/increase (–) in inventories, trade receivables and other assets not attributable to investing or financing activities	–938	–9,988
Decrease (–)/increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	145	3,316
Other non-cash income	340	–752
Public grants not yet received	–1,012	–1,092
Interest received	975	460
Interest paid	–927	–1,273
Income taxes paid	–866	–941
Cash flow from operating activities	**17,122**	**9,591**
2. Cash flow from investing activities		
Payments for the capitalisation of development costs	–3,565	–2,887
Payments for capitalised interest for development costs**	–122	–91
Payments for investments in intangible assets	–1,227	–312
Payments for investments in property, plant and equipment	–6,962	–10,313
Cash flow from investing activities	**–11,876**	**–13,603**
3. Cash flow from financing activities		
Dividend payments to minority interests	0	–37
Payments for distributions to shareholders	–1,923	–2,559
Bank loan repayments	–33,126	–1,492
Repayments of finance lease liabilities	–1,305	–1,774
Proceeds from the assumption of finance lease liabilities	0	172
Proceeds from the sale of treasury shares	265	97
Proceeds from the assumption of bank loans	32,336	10,378
Cash flow from financing activities	**–3,754**	**4,785**
Cash and cash equivalents*		
Change in cash and cash equivalents	1,492	773
Change in cash and cash equivalents due to currency translation	–1,076	358
Cash and cash equivalents at beginning of period	15,928	14,396
Cash and cash equivalents at end of period	**16,345**	**15,527**

* Postage credit balances managed by the FP Group (EUR 8,267 thousand; previous year: EUR 2,566 thousand) are deducted from cash and other liabilities. Securities held as current assets are included in cash and cash equivalents in the amount of EUR 688 thousand (previous year: EUR 680 thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

						Total other equity					
in thousand euro	Issued capital	Capital reserves	Stock option reserve	Treasury shares	Consolidated net income	Currency translation adjustment	Net investments in foreign operations	Adjustment due to IAS 19	Equity attributable to FP Holding	Non-controlling interests	**Total**
As at 1.1.2015	16,160	35,032	977	−1,002	−19,855	628	254	−3,508	28,686	1,365	30,051
Consolidated net income 1.1.–30.9.2015	**0**	**0**	**0**	**0**	**4,048**	**0**	**0**	**0**	**4,048**	**167**	**4,215**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	2,176	−105		2,071	0	2,071
Adjustment of provisions for pensions	0	0	0	0	0			3	3	0	3
Other comprehensive income 1.1.–30.9.2015	**0**	**0**	**0**	**0**	**0**	**2,176**	**−105**	**3**	**2,074**	**0**	**2,074**
Total comprehensive income 1.1.–30.9.2015	**0**	**0**	**0**	**0**	**4,048**	**2,176**	**−105**	**3**	**6,122**	**167**	**6,289**
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Stock option settlement	0	−95	33	192	0	0	0	0	130	0	130
Dividend	0	0	0	0	−2,559	0	0	0	−2,559	−36	−2,595
Other changes	0	0	0	0	0	0	0	0	0	0	0
As at 30.9.2015	**16,160**	**34,937**	**1,010**	**−810**	**−18,366**	**2,804**	**149**	**−3,505**	**32,379**	**1,496**	**33,875**
As at am 1.1.2016	**16,160**	**34,937**	**1,046**	**−810**	**−18,871**	**3,425**	**178**	**−2,352**	**33,713**	**1,519**	**35,232**
Consolidated net income 1.1.–30.9.2016	**0**	**0**	**0**	**0**	**4,924**	**0**	**0**	**0**	**4,924**	**342**	**5,266**
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	−2,298	−43		−2,341	0	−2,341
Other comprehensive income 1.1.–30.9.2016	**0**	**0**	**0**	**0**	**0**	**−2,298**	**−43**	**0**	**−2,341**	**0**	**−2,341**
Total comprehensive income 1.1.–30.9.2016	**0**	**0**	**0**	**0**	**4,924**	**−2,298**	**−43**	**0**	**2,583**	**342**	**2,925**
Dividend	0	0	0	0	−1,923	0	0	0	−1,923		−1,923
Other changes	0	0	0	0	0	0	0	0	0		0
Stock option settlement	0	−259	94	524	0	0	0	0	359	0	359
As at 30.9.2016	**16,160**	**34,678**	**1,140**	**−286**	**−15,870**	**1,127**	**135**	**−2,352**	**34,732**	**1,861**	**36,593**

More INFORMATIONEN

INFORMATION ABOUT THIS QUARTERLY REPORT

This document complies with new guidelines for quarterly reporting in accordance with section 51 a of the Regulations of the Frankfurt Stock Exchange. As a result of amendments to European law, the legal obligation for listed companies to issue quarterly financial reports was revoked in Germany in 2015. In future, companies will have the possibility to publish a condensed quarterly report in this way for the first and third quarters of a fiscal year.

INFORMATION ABOUT THE COMPANY

The FP Group, which has its headquarters in Berlin, is a Digital Mailroom provider. This global company offers all products and solutions for communication and document processes and thus focuses on business and private customers. In addition to traditional machinery for franking and inserting mail, the company's range comprises services such as the collection of business mail and innovative software solutions such as De-Mail. The FP Group now has its own branches in many developed countries and has a global market share of more than 10% in the area of franking machines. Having existed for over 90 years, the FP Group now benefits – on all markets – from the willingness of companies to digitise business processes and outsource their business mail to a professional service provider. In the 2015 fiscal year, the company generated EUR 191.1 million in revenue. The FP Group employs over 1,000 people worldwide.

Imprint

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