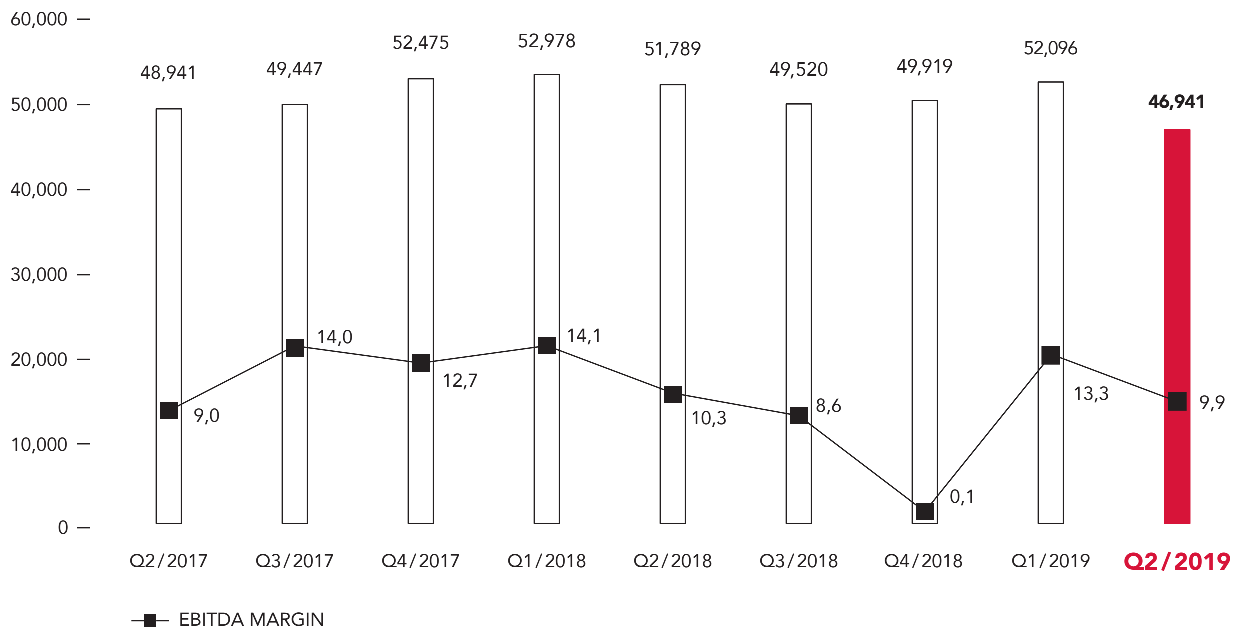
GERMAN MAILGENEERING

2019
Interim Financial Report

Key Figures

REVENUE BY QUARTER (in EUR thousand)



FIGURES IN ACCORDANCE WITH CONSOLIDATED FINANCIAL STATEMENTS (in EUR thousand)

	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	**Q2/2019**
Revenue	48,941	49,447	52,475	52,978	51,789	49,520	49,919	52,096	46,941
Per cent change to prior year quarter	–0.2%	0.8%	–2.1%	–4.5%	5.8%	0.1%	–4.9%	–1.7%	–9.4%
Revenue (excl. currency effects)								51,152	46,218
Per cent change to prior year quarter								–3.4%	–10.8%
EBITDA	4,403	6,919	6,688	7,447	5,324	4,245	53	6,947	4,636
as percentage of revenue	9.0%	14.0%	12.7%	14.1%	10.3%	8.6%	0.1%	13.3%	9.9%
EBITDA (adj.*)								7,410	5,644
as percentage of adjusted revenue								14.5%	12.2%
Consolidated net income	–70	1,252	1,269	2,196	954	81	–2,335	1,211	–641
as percentage of revenue	–0.1%	2.5%	2.4%	4.1%	1.8%	0.2%	NA	2.3%	NA
Adjusted free cash flow**	2,457	1,270	1,807	3,413	89	758	6,610	7,377	3,984
Shareholders equity	33,497	33,587	32,959	34,000	34,511	34,897	33,311	35,638	33,897
as percentage of balance sheet total	20.7%	20.2%	19.4%	20.2%	19.8%	20.0%	20.0%	19.8%	18.6%
Net debt***	18,632	18,778	19,460	17,342	21,372	24,066	18,129	27,905	33,185
Net debt ratio***	56%	56%	59%	51%	62%	69%	54%	78%	98%
Share price end of period (EUR)	**5.98**	**4.74**	**4.66**	**3.80**	**3.31**	**4.03**	**3.00**	**3.62**	**3.56**
Earnings per share (EUR)	**–0.01**	**0.08**	**0.08**	**0.14**	**0.06**	**0.01**	**–0.14**	**0.08**	**0.04**

* Adjusted for currency effects and JUMP expenses
** Key indicator since beginning of 2017. Additionally adjusted for JUMP payments since 2018/Q1.
*** Figures as of 2019/Q1 incl. lease liabilities acc. to IFRS 16

First half of 2019 dominated by ACT– full-year revenue forecast adjusted:

The first half of 2019 was dominated by the ongoing transformation process and the continued implementation of the ACT strategy and the associated JUMP project. In the first six months, in line with the overriding ACT strategy FP brought new products and services to market in nearly every area.

In the Franking segment, the new PostBase Vision franking system was launched on the US market in conjunction with the discoverFP customer portal in the reporting period. In the fast-growing Software/Digital segment, the international product range was augmented, among other things, with the electronic signature solution FP Sign and the sales strategy accordingly. The Mail Services segment continued – as in the first quarter of 2019 – to be influenced by an active results-driven management of the customer portfolio and a general decline in mail volume. In light of Deutsche Post AG's announcement that postage prices will increase on 1 July 2019, changes in sales and organisational structures were made in the Mail Services segment in order to participate in positive effects from the increase in postage prices.

In the second half of 2019, FP will resolutely continue to implement the ACT growth strategy. As the year progresses, the company expects additional stimuli from the new products and services and with the increase in postage prices.

Total revenue in the first half of 2019 came to EUR 99.0 million compared with EUR 104.8 million in the same period of the previous year.

At around EUR 64.0 million, revenue in the **core franking business** was slightly below the previous year's level of EUR 65.3 million. The announcement that the new PostBase Vision would be for sale from June 2019 is likely to lead to a partial postponement of revenue to the second half of the year here. Revenue includes positive currency effects of EUR 1.7 million.

Revenue in the **Software/Digital** business rose sharply by 20.6% to EUR 8.9 million, but is still falling short of expectations.

Revenue in the **Mail Services** business fell by EUR 5.9 million (–18.3%) year on year to EUR 26.2 million, due among other things to active, earnings-focused management of the customer portfolio and a decline in mail volume. The planned measures will not result in the revenue increase originally forecast in 2019 as a whole.

EBITDA adjusted for positive currency effects and expenses for the ACT project JUMP amounted to EUR 13.1 million as against EUR 13.7 million in the same period of the previous year.

Adjusted free cash flow amounted to EUR 4.0 million as against EUR 3.5 million in the same period of the previous year.

Revenue forecast adjusted on 22 August 2019: For fiscal 2019, the FP Group expects revenue to be slightly higher than in the previous year. At the same time, the company is confirming its forecast for EBITDA and adjusted free cash flow for the year as a whole.

Q2 2019
HIGHLIGHTS

MAY

Contract of Rüdiger Andreas Günther, CEO and CFO, extended to the end of 2022

At the end of May 2019, the Supervisory Board extended the contract of Rüdiger Andreas Günther as CEO and CFO of Francotyp-Postalia for another three years to the end of 2022. The Supervisory Board thus not only reaffirmed its confidence in Rüdiger Andreas Günther, but also showed its support for the strategic realignment of the FP Group initiated by Günther with the ACT strategy.

JUNE

FP IoT Gateways for the energy sector

FP is now supplying the energy company E.ON with IoT Gateways and is thus actively contributing to the energy transition and an efficient, sustainable and clean energy supply of tomorrow. The DAX company uses the intelligent and secure gateways for the networking and control of decentralised power generation systems such as solar power plants or wind farms in "virtual power stations". The energy service provider GETEC has already been relying on FP IoT Gateways for two years in order to control small and medium-sized heating systems, such as those found in apartment buildings and shopping centres. FP will supply 3,500 gateways in the next three years.

JUNE / JULY

Sales of PostBase Vision start in the USA

As planned, sales of the new PostBase Vision franking system started in the US in June. The PostBase Vision is the next-generation franking machine from FP's successful PostBase series and sets new standards in both design and functionality. For example, the PostBase Vision enables customers to manage their outgoing mail and cost accounting entirely online via the discoverFP customer portal and provides access to numerous other new digital products and services from FP. These include FP Parcel Shipping, which FP will launch in the US in the second half of 2019. Here, customers can manage their parcel shipping via the portal, compare different providers' delivery times and prices and book directly. Sales of the PostBase Vision started positively. For the second half of the year, FP is planning to commence sales in Germany, France and Great Britain.

AUGUST

New major customer for FP Sign

In August, FP acquired a new major customer with over 70,000 employees worldwide for its electronic signature solution FP Sign. For the second half of the year, FP plans to launch the innovative product on the US market as well. FP is initially looking to existing customers in the traditional franking business and will further expand sales of FP Sign from this base.

"Only 18 months since the launch of our IoT business, we can already develop tailor-made, end-to-end solutions for our customers. Our digital prowess convinced another renowned customer, E.ON, in the reporting period. We will continue to drive the double-digit growth in the Software/Digital segment by focusing on central and high-growth IoT segments ."
Sven Meise,
CDO / COO

"We are not satisfied with the first half of the year. We are sharpening our focus and will remain fully committed to the consistent implementation of our ACT strategy in the second half of 2019. In the coming months, we expect further impetus from new, innovative products and services. We will continue our profitable growth and establish ourselves as the relevant expert for secure digital communication."
Rüdiger Andreas Günther,
CEO / CFO

"Sales of our PostBase Vision started in June. It is strengthening our position as a technology leader and will allow us to gain additional market shares in our core markets. With its connection to our web-based digital products via the discoverFP portal, the PostBase Vision acts as a gateway to the new digital world of FP for our customers."
Patricius de Gruyter,
CSO

1st half year 2019

INTERIM GROUP MANAGEMENT REPORT

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

1. GROUP PRINCIPLES

1.1 Business Activity

Francotyp-Postalia Holding AG (FP Group, FP, Francotyp-Postalia or the company), head-quartered in Berlin and with a history spanning 96 years, is an expert in secure digital communication. The FP Group's business activities focus on products and services for efficient mail processing, the consolidation of business mail, and digital solutions and Internet of Things (IoT) applications for businesses and authorities. The company, which has subsidiaries in various industrialised countries and a dense network of dealers, divides its business activities into three product segments: Franking and Inserting, Mail Services and Software/Digital.

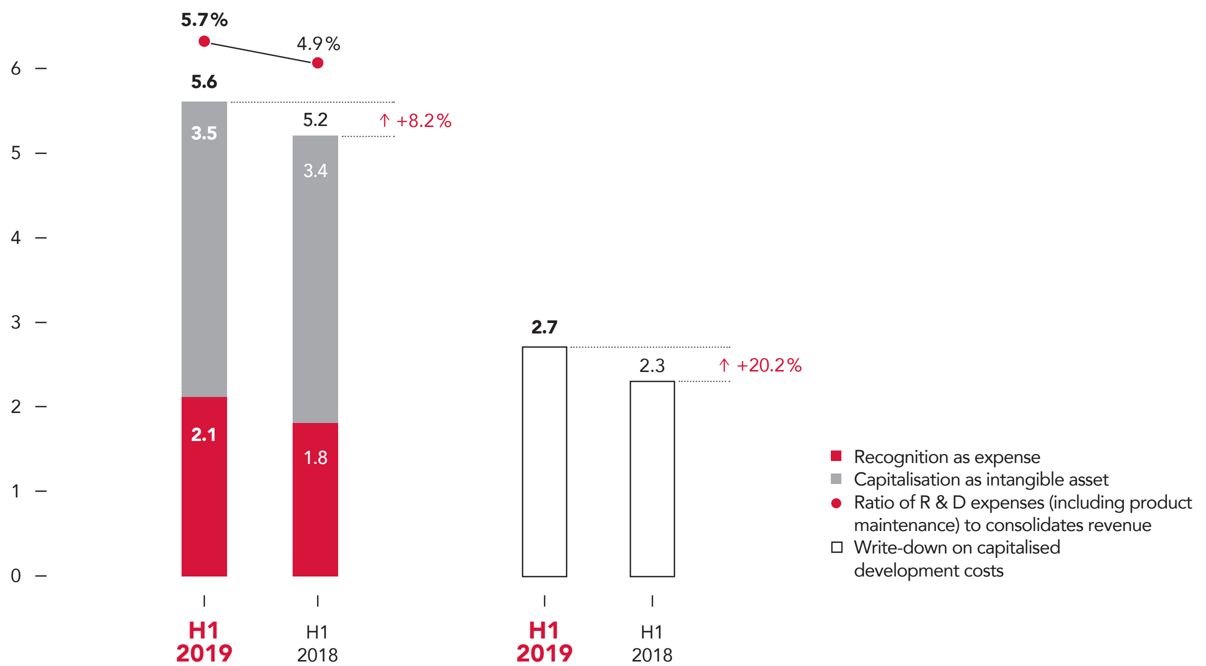
In the *Franking and Inserting* segment, the FP Group develops franking and inserting systems. FP sells and leases these systems and also offers customers a comprehensive service package. These customers can use franking systems to frank their mail quickly and automatically. This makes their everyday office life easier and saves postage costs. The main revenue generator is the aftersales business, which generates recurring revenue from the leasing of franking machines, the sale of consumables such as tape or ink cartridges, services, software solutions for cost centre management and the Teleporto service.

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 regional office of Deutsche Post AG or an alternative postal distributor. This business is operated by the FP Group, which is the leading independent consolidator of business mail on the German market with eight sorting centres throughout Germany.

The *Software/Digital* comprises 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 service. The FP Group's secure digital communication services primarily comprise products for longterm storage and protection of electronic documents using encryption and signature software, such as FP Sign, a cloud-based electronic signature solution for the legally binding digital signing and exchange of contracts and documents. The Software/Digital segment also includes the FP Group's range of products and solutions for the Internet of Things (IoT). High-security edge gateways, one of the key components of the Internet of Things, were developed on the basis of the tried and tested, decades-old franking machine technology. FP now offers its customers tailor-made, cloud-based end-to-end-solutions for the secure transfer, management and analysis of data in the Internet of Things.

1.2 Research and Development

RESEARCH AND DEVELOPMENT COSTS (in EUR million)



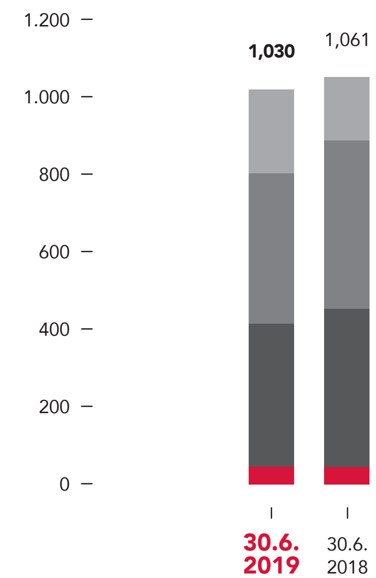
In the first half of 2019, research and development costs increased by 8.2 % year on year to EUR 5.6 million. The share of capitalised development costs in the period's total research and development costs (capitalisation rate) decreased slightly from 65.7 % to 62.8 % in the reporting period.

As planned, the development work in connection with implementing the ACT strategy in the first half of 2019 prioritised the development of PostBase Vision with the discoverFP customer portal and the further development of FP Sign.

1.3 Employees

The following provides a segment breakdown of employees as at 30 June 2019 and 2018:

NUMBER OF EMPLOYEES
by segment as at the reporting date



	30.6.2019	30.6.2018
Production	220	206
Sales Germany	391	400
International Sales	376	416
Central Functions	43	39

The increase in the number of employees in the Production segment in the first half of 2019 is primarily due to the expansion of the IoT business. The decline of employees in the Sales International segment in the first six months of 2019 was due essentially to the implementation of measures in the context of the ACT project JUMP.

2. Economic Conditions

The economic environment in the home market of Germany dimmed in the first half of 2019. Following growth in the German economy of 0.4 % in the first quarter of 2019, gross domestic product (GDP) fell by 0.1% quarter on quarter in the second quarter of 2019. The export-focused industry in particular is undergoing a downturn.

The US economy was also unable to repeat the growth rates of previous quarters and clearly lost momentum. According to preliminary figures, GDP in the FP Group's largest foreign market nevertheless increased by 2.1 % on an annualised basis in the second quarter of 2019. That said, the growth was thus around one percentage point lower than in the first quarter of 2019; in the second quarter of 2018, growth was over 4 % on an annualised basis.

Overall, the worldwide economic outlook continued to dim in the reporting period, and economic uncertainty increased accordingly.

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. The euro fell slightly against the US dollar in the first half of 2019; after a low at the end of May of USD 1.11, the euro was worth USD 1.14 on 30 June 2019, 1 cent or 0.6 % below the previous year's closing price of USD 1.15. On average in the first half of 2019, however, the euro traded against the US dollar at approximately 6.7 % below the level of the previous year. The development of pound sterling was very volatile in the first half of 2019 due to the continued lack of a resolution to the Brexit issue. As at the end of the first half of 2019, however, the rate of GBP 0.90 was almost unchanged at the level of the previous year's closing price. In comparison with the same period of the previous year, the euro depreciated slightly against pound sterling in the first half of 2019 (–1 %).

The microeconomic conditions in the core business remain challenging, but FP still sees good growth opportunities. Post office statistics report that over 300 billion letters continue to be sent worldwide every year – mostly in Europe and North America. Nevertheless, the overall market is declining worldwide, with significant regional differences in development. FP is concentrating on markets in which the mail business is stable or declining only slightly. At the same time, FP's franking business already focuses on the A and B segments for small and medium letter volumes; FP is therefore also benefiting the ongoing trend towards smaller franking systems.

3. Results of Operations

3.1 Changes in material items in the consolidated statement of comprehensive income

in EUR million	**H1 2019**	H1 2018	Q2 2019	Q2 2018
Revenue	99.0	104.8	46.9	51.8
Change in inventories	1.7	0.6	1.3	0.5
Other own work capitalised	8.2	6.8	4.4	3.4
Overall performance	108.9	112.2	52.6	55.7
Other income	0.9	1.7	0.3	0.4
Cost of materials	48.9	52.3	23.6	25.6
Staff costs	30.7	31.0	14.9	16.1
Expenses from impairment losses and income from reversals of impairment losses from trade accounts receivable	–0.1	0	0	0
Other expenses	18.7	17.7	9.8	9.1
EBITDA	11.6	12.8	4.6	5.3
Amortisation. depreciation and write-downs	10.9	8.6	5.3	4.3
EBIT	0.7	4.2	–0.7	1.0
Net interest income	0.4	0.3	0.2	0.1
Other financial result	–0.1	0.3	–0.4	0.3
Shares in profit and loss of companies accounted for according to the equity method	–0	0	–0	0
Income taxes	–0.3	–1.7	0.3	–0.5
Consolidated net income	**0.6**	**3.1**	**–0.6**	**1.0**

First-time application of IFRS 16 Leases

The FP Group has applied the new standard IFRS 16 Leases since 1 January 2019. As a result, individual items of the opening consolidated statement of financial position as at 1 January 2019 have been adjusted in relation to the consolidated financial statements as at 31 December 2018. In the opening consolidated statement of financial position adjusted as at 1 January 2019, the first-time application of IFRS 16 resulted in an increase in assets and financial liabilities of EUR 12.0 million.

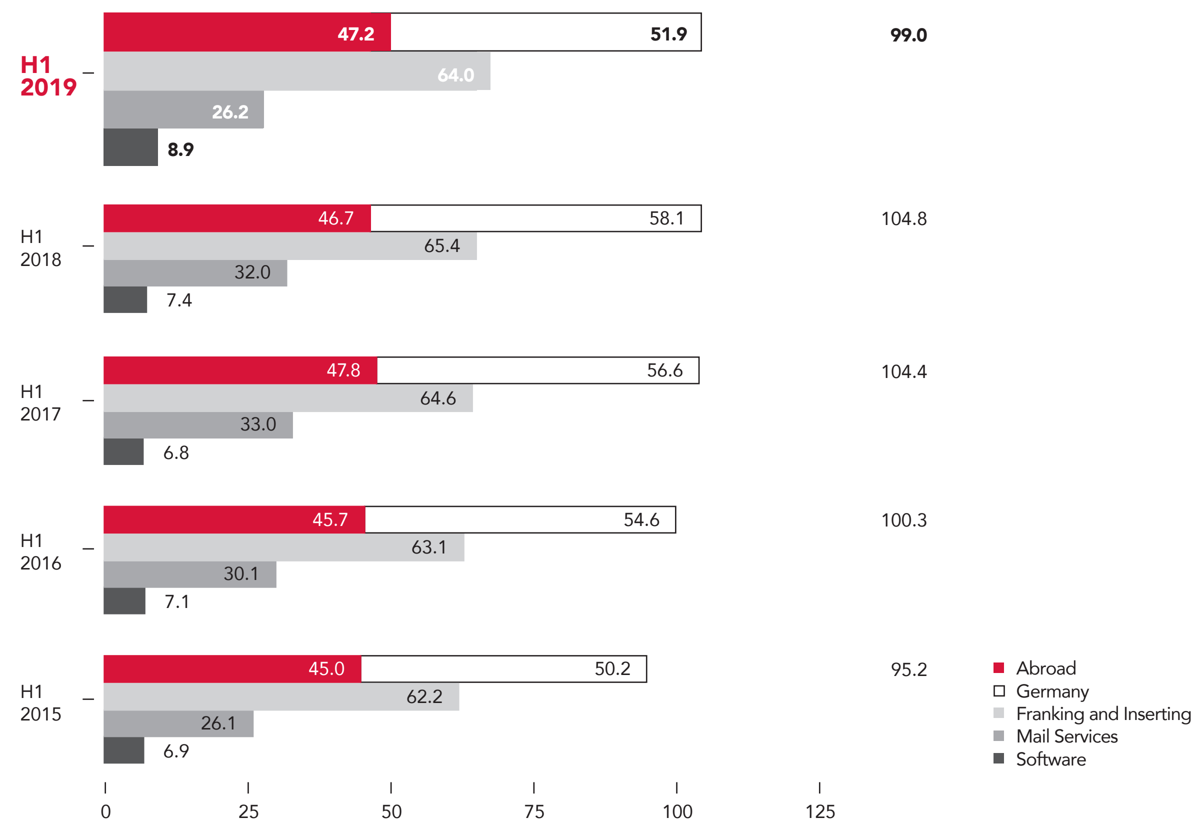
The FP Group applied IFRS 16 for the first time using the modified retrospective method. For this reason, the cumulative effect from the application of IFRS 16 was recognised as an ad-justment of the opening amounts as at 1 January 2019. Comparative information is not restated.

The FP Group used the convenience option to retain the definition of a lease when making the transition. This means that the FP Group applies IFRS 16 to all contracts concluded before 1 January 2019 and which are identified as leases in accordance with IAS 17 and IFRIC 4.

Further information can be found in the notes to the consolidated financial statements in Section I.

3.1.1 Revenue development

CONSOLIDATED REVENUE (in EUR million)



In the first half of 2019, the FP Group generated revenue of EUR 99.0 million compared with EUR 104.8 million in the same period of the previous year. The first six months were dominated by the ongoing transformation process and the continued implementation of the ACT strategy and the associated JUMP project.

Revenue in the traditional franking and inserting business came to EUR 64.0 million in the first half of 2019 after EUR 65.4 million in the same period of the previous year (2.1 %). This included positive currency effects of EUR 1.7 million. Adjusted for currency effects, revenue in the core business fell by 4.7 % year on year. Besides a deterioration in global economic prospects, this development is due among other things to a partial postponement of revenue to the second half of 2019 in light of the start of sales of the new PostBase Vision franking system pre-announced for the middle of 2019 and therefore customers' reluctance to buy in the first half of 2019. Despite the decline in revenue, FP again gained market shares against the competition in a difficult market environment in the reporting period. FP's global market share increased slightly to 11.8%.

In the German domestic market, revenue decreased by 10.7 % year on year to EUR 51.9 million in the first half of 2019. In the Franking and Inserting segment, the company generated revenue totalling EUR 17.1 million in Germany, down 8.5 % on the unusually strong period of the previous year. Revenue in the Mail Services segment decreased by 18.3 % year on year to EUR 26.2 million. Besides a general decline in the mail volume, the further active restructuring of the segment with a more earnings-focused management of the customer portfolio had a negative effect on revenue development here. FP expects positive revenue and earnings contributions in the Mail Services segment in the second half of 2019 due to Deutsche Post AG's increase in postage prices on 1 July 2019 and strategic changes by the new management. In the first six months of 2019, the FP Group significantly increased its revenue by another 20.6 % to EUR 8.9 million in the Software/Digital segment. FP has continuously expanded the range of services in this business area as part of the ACT strategy and is now benefiting from this. This positive development has been driven both by hybrid mail services and by the solutions relating to secure, fully digital communication and for the Internet of Things (IoT). FP is thus continuing to pursue its transformation from a franking machine manufacturer into a provider of secure digital communication, although revenue in fiscal 2019 still fell short of expectations.

Outside Germany, the FP Group slightly increased its revenue year on year to EUR 47.2 million (+1.0 %) in the first half of 2019. As a result, FP further increased the number of existing franking systems in the strategically significant markets of the US and France. Adjusted for currency effects, revenue outside Germany fell by 2.5 %. In the largest foreign market, the US, FP increased revenue by 3.0 % in the reporting period when adjusted for currency effects. However, it was not only in this market that the company saw a slight degree of restraint among customers in the first half of 2019, because some of them are likely to have postponed their investment decision in light of the introduction of the new Post-Base Vision. Sales of the PostBase Vision began on the US market as scheduled in June 2019 and will be expanded to the core markets of Germany, France and Great Britain as the year goes on.

REVENUE by product and service

in EUR million	H1 2019	H1 2018	Change in %	Q2 2019	Q2 2018
Revenue from product sales and other	17,2	19,0	–9.6	8,4	9,2
Service/customer service	10,1	11,2	–9.5	4,4	6,0
Consumables	12,1	11,6	4.3	5,9	5,5
Teleporto	4,4	4,7	–6.9	2,2	2,3
Mail Services	26,2	32,0	–18.3	11,8	15,0
Software/Digital	8,9	7,4	20.6	4,2	3,5
Revenue acc. to IFRS 15	**78,8**	**85,9**	**–8.2**	**36,9**	**42,2**
Finance lease	3,5	3,4	1.5	1,3	1,7
Operate Lease	16,8	15,5	8.3	8,8	8,0
Revenue acc. to IFRS 16	**20,2**	**18,9**	**7.1**	**10,1**	**9,6**
Revenue total	**99,0**	**104,8**	**–5.5**	**46,9**	**51,8**
Non-recurring revenue	21.4 %	21.5 %		21.1 %	22.2 %
Recurring revenue	78.6 %	78.5 %		78.9 %	77.8 %

The significant drop in revenue according to IFRS 15 in the first half of 2019 resulted primarily from declining revenue in the Mail Services segment. In the core business, the comparatively weak demand ahead of the market launch of the new PostBase Vision franking system led to a significant decline in revenue from product sales. In the service business, the company also generated higher revenue in the previous-year period with fee-based software updates in connection with postage changes in Sweden and Austria in particular. The business with consumables developed positively in the reporting period. The increase in revenue according to IFRS 16 is primarily based on sales success in the US lease market.

3.1.2 Other own work capitalised

The sharp increase in own work capitalised in the first half of 2019 (+ 19.8 % year on year) is due primarily to the planned investment in new products and in the global introduction of a uniform ERP/CRM landscape. The development costs reported in own work capitalised significantly increased by EUR 2.3 million to EUR 5.7 million compared to the first half of 2018 – primarily due to the investments in ERP/CRM and in the development of the new PostBase Vision with the discoverFP customer portal. The additions to leased products reported therein fell to EUR 2.5 million in the first six months of 2019 compared with EUR 3.4 million in the same period of the previous year.

3.1.3 Other income

The decline in other income in the reporting period of EUR 0.8 million is largely due to lower prior-period income than in the same period of the previous year. At EUR 0.4 million, income from statute-barred liabilities remained on a par with the previous year.

3.1.4 Cost of materials

Due in particular to the revenue decline in the Mail Services segment, the FP Group's cost of materials fell to EUR 48.9 million in the first half of 2019 as against EUR 52.3 million in the same period of the previous year. At 49.4 %, the cost of materials ratio was slightly below the previous year's level.

3.1.5 Staff costs

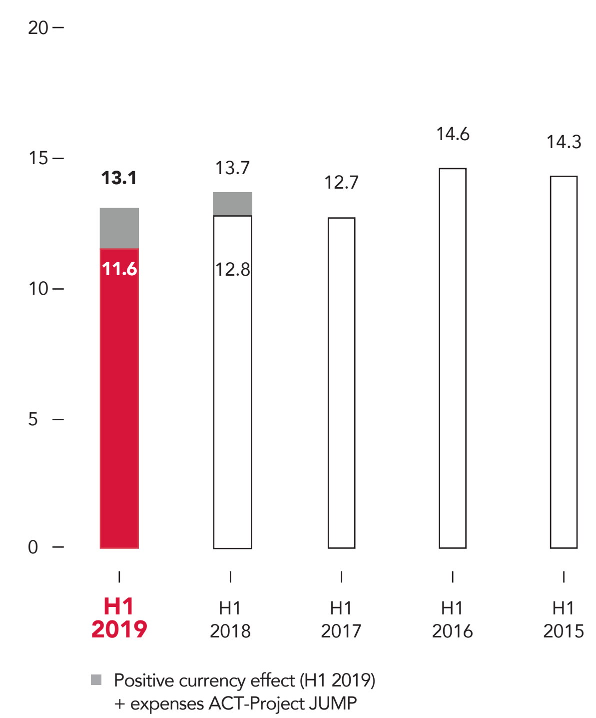
Various factors influenced staff costs in the first half of 2019, leading to a slight decrease of EUR 0.3 million year on year. Besides the increase in staff as part of the ACT strategy, staff expenses were also influenced by negative currency effects of EUR 0.3 million. Savings in connection with the implementation of the ACT project JUMP of EUR 0.5 million and the reversal of personnel provisions of EUR 0.6 million had a positive effect on staff expenses in the first six months of 2019. The staff cost ratio increased slightly to 31.0 %, compared with 29.6 % in the previous year.

3.1.6 Other expenses

Other expenses increased by 5.7 % year on year to EUR 18.7 million in the first half of 2019. This was primarily due to increased expenses for consulting services in the ACT project JUMP of EUR 2.1 million (H1 2018: EUR 0.4 million), higher purchased IT services of EUR 1.3 million (H1 2018: EUR 0.4 million), including consulting services in connection with the global introduction of a uniform ERP/CRM landscape of EUR 0.3 million, and increased expenses for repairs and maintenance of EUR 1.6 million (H1 2018: EUR 1.2 million). Due to the changed recognition of lease expenses in accordance with IFRS 16, other expenses in the first six months of 2019 fell by EUR 1.8 million compared with the same period of the previous year.

3.1.7 EBITDA

EBITDA (in EUR million)



In the first half of 2019, the FP Group generated EBITDA of EUR 11.6 million (–9.3 % year on year). The FP Group's EBITDA margin decreased to 11.7 % after 12.2 % in the previous year. As expected, earnings were adversely affected by the ACT project JUMP in the first six months of 2019. EBITDA includes extraordinary expenses for the project totalling EUR 2.2 million (same period of the previous year: EUR 0.9 million). In connection with the further implementation, recurring savings of EUR 0.5 million were achieved in the first half of 2019. There were positive effects in the reporting period from the first-time application of the new standard IFRS 16 Leases amounting to EUR 1.8 million and from currency effects, especially from the performance of the euro against the US dollar, totalling EUR 0.8 million.

Adjusted for exchange rate effects and the expenses for the ACT project JUMP, EBITDA amounted to EUR 13.1 million in the first half of 2019, around 4.6% down on the EBITDA adjusted for JUMP expenses in the same period of the previous year (corresponding to a 13.4% EBITDA margin, after 13.1% in the same period of the previous year).

3.1.8 Amortisation, depreciation and write-downs

In the first half of 2019, amortisation, depreciation and write-downs increased by 27.4 % year on year to EUR 10.9 million. This was due primarily to the first-time application of the new standard IFRS 16 (EUR +1.8 million). In addition, amortisation of intangible assets rose by EUR 1.0 million to EUR 3.7 million, while depreciation on leased products fell by EUR 0.3 million to EUR 3.8 million.

3.1.9 EBIT

The FP Group's EBIT for the first half of 2019 declined significantly compared to the same period of the previous year (EUR 4.2 million) to EUR 0.7 million due to the weaker EBITDA and higher depreciation and amortisation.

3.1.10 Net interest income

The increase in net interest income in the first half of 2019 resulted primarily from non-recurring effects of tax-related interest expenses in the same period of the previous year (interest expenses of EUR 0.1 million as a result of tax audits). In connection with the first-time application of the new standard IFRS 16, net interest income was influenced in the reporting period by interest expenses of EUR 0.1 million.

3.1.11 Other financial result

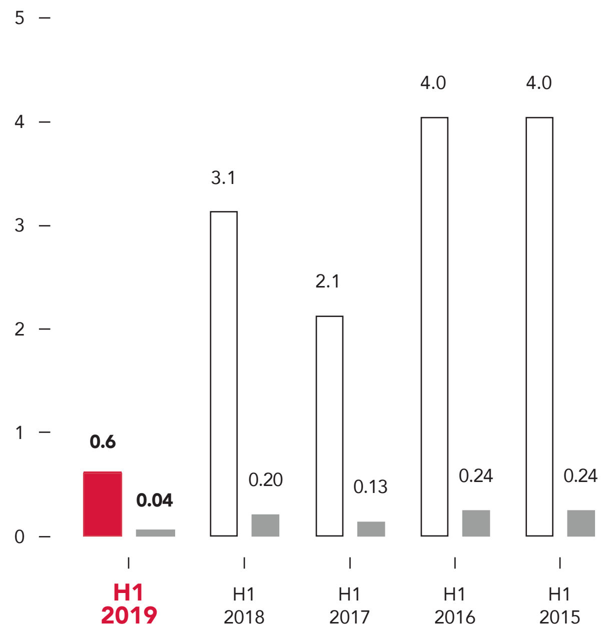
The FP Group posted a slightly negative other financial result of EUR –0.1 million in the first half of 2019 compared with a positive result of EUR 0.3 million in the same period of the previous year. This development is due primarily to exchange rate effects affecting the measurement of statement of financial position items at the reporting date.

3.1.12 Income taxes

Income taxes amounted to EUR –0.3 million in the first half of 2019 after EUR –1.7 million in the same period of the previous year. This corresponds to a tax rate of 33.4 % (previous year: 34.5 %).

3.1.13 Consolidated net income

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



In the first half of 2019, consolidated net income declined as a result of lower earnings before tax, partially compensated for by income taxes being lower year on year. As a result, earnings per share (EPS) decreased to EUR 0.04 (basic/diluted) in the first six months of 2019 after EUR 0.20 (basic/diluted) in the same period of the previous year.

3.1.14 Summary of results per segment

SUMMARY OF RESULTS PER SEGMENT

	Revenue [1]			EBITDA		
in EUR million	**H1 2019**	H1 2018	Change in %	**H1 2019**	H1 2018	Change in %
Production	2.6	2.1	24.3	5.0	5.7	–12.4
Sales Germany	51.2	57.7	–11.3	2.8	3.5	–20.0
International Sales	45.3	45.0	0.6	10.7	13.3	–19.7
Central Functions	–	–	–	–5.5	–5.0	–
Group [2]	99.0	104.8	–5.5	11.6	12.8	–9.3

	Revenue [1]			EBITDA		
in EUR million	**Q2 2019**	Q2 2018	Change in %	**Q2 2019**	Q2 2018	Change in %
Production	1.1	1.1	8.0	2.5	2.3	10.4
Sales Germany	24.0	26.8	–10.5	1.3	1.1	15.8
International Sales	21.8	23.6	–7.7	4.6	6.1	–23.8
Central Functions	–	–	–	–2.6	–3.0	–
Group [2]	46.9	51.8	–9.4	4.6	5.3	–12.9

1) Revenue with third parties.
2) Further information on the Group reconciliation can be found in the notes to the consolidated financial statements.

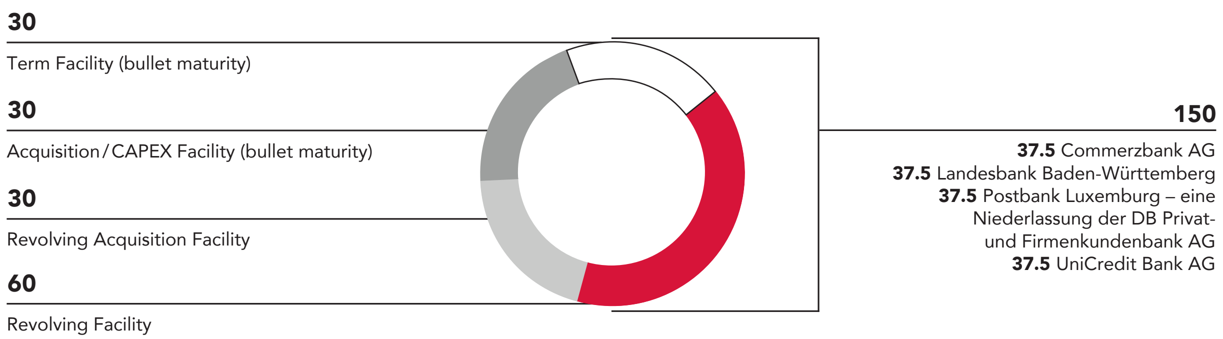
4. Financial Position

4.1 Financing Analysis

FINANCIAL LIABILITIES (in EUR million)

To finance itself, the FP Group uses primarily cash flow from operating activities, along with existing or adjusted loan agreements with financial institutions and leases of less than one year.

SYNDICATED LOANS (in EUR million)



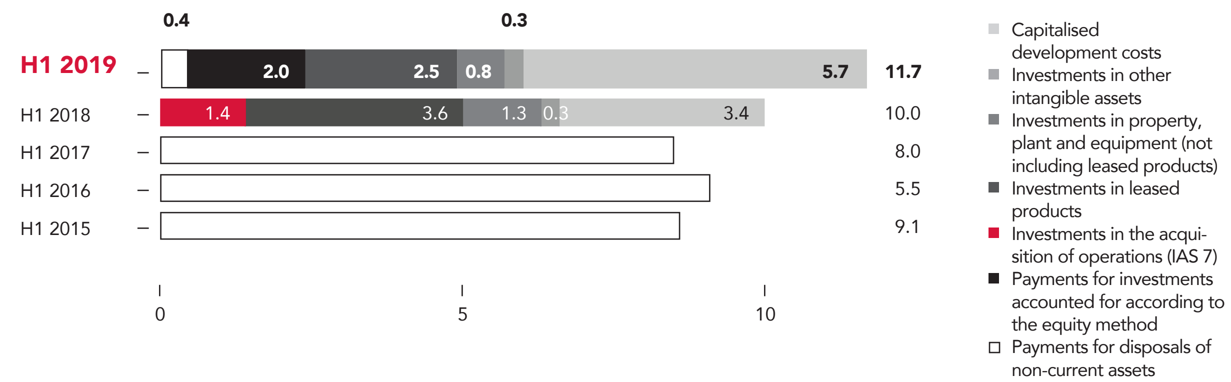
The syndicated loan agreement for a financing volume totalling EUR 150 million concluded with a strong syndicate of international banks in 2016 and prematurely renewed and extended in fiscal 2018 has a duration to 28 September 2023. The financing documents on the basis of the British Loan Market Association (LMA) include an option to increase the loan by EUR 50 million.

Other key conditions of the syndicated loan agreement include the option to utilise part of the loan facility in foreign currencies. 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 company equity in the first half of 2019 can be found in section 5.2 EQUITY.

4.2 Investment Analysis

INVESTMENT (in EUR million)



In the first half of 2019, the FP Group also continued to make significant investments in future growth on the basis of the ACT strategy, especially in product development, production and other core and supporting processes and in franking systems for lease markets.

At EUR 11.7 million, investment in the first six months of 2019 was significantly above the level of the first half of 2018 (EUR 10.0 million). In connection with the implementation of the ACT strategy, the FP Group again invested in the development of new products (EUR 3.5 million as against EUR 3.4 million in the same period of the previous year). Investments in the capitalisation of development costs totalling EUR 5.7 million also include investments of EUR 2.1 million in the global introduction of a uniform ERP/CRM landscape. The FP Group also invested EUR 2.0 million in the acquisition of 15% of the shares in Juconn GmbH in the first half of 2019 and thus further expanded its offering in the IoT sector.

In the first half of 2019, the investment in leased products mainly in the US, Great Britain, Canada and France decreased by EUR 1.1 million to EUR 2.5 million.

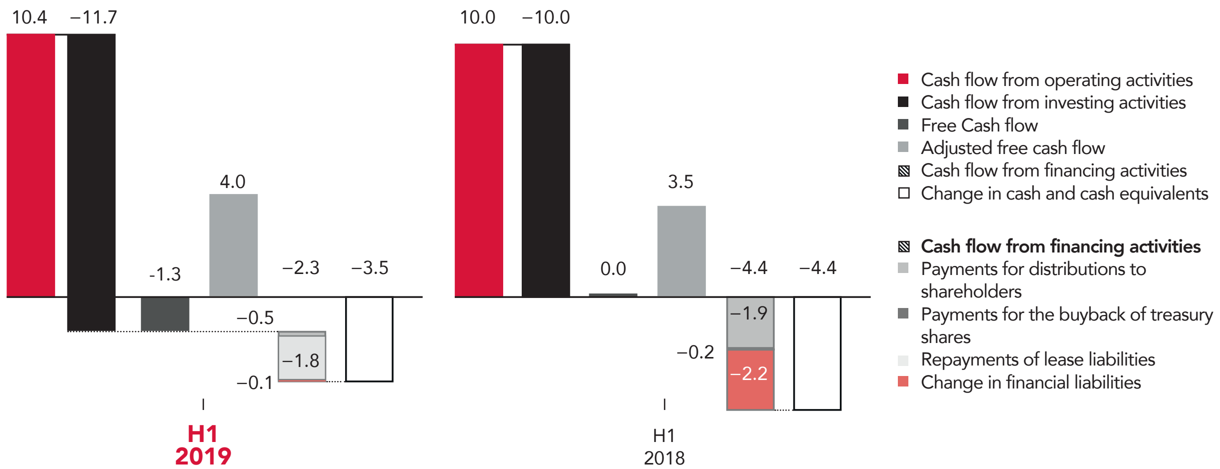
4.3 Liquidity analysis

LIQUIDITY ANALYSIS

in EUR million	**01.01.–30.6.2019**	01.01.–30.6.2018
Cash flow from operating activities	10.4	10.0
Cash flow from investing activities	–11.7	–10.0
Free cash flow	–1.3	0.0
Adjusted free cash flow*	4.0	3.5
Cash flow from financing activities	–2.3	–4.4
Change in cash and cash equivalents	–3.5	–4.4
Change in cash due to currency translation	0.0	0.2
Cash at beginning of period	21.2	24.1
Cash at end of period	**17.6**	**19.9**

* Adjusted for investments in finance lease assets and M&A and payments for the ACT project JUMP.

LIQUIDITY ANALYSIS (in EUR million)



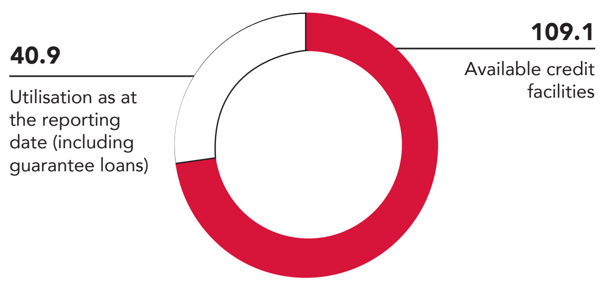
Various factors influenced cash flow from operating activities in the first half of 2019. It was reduced by the lower EBITDA, a slight increase in working capital during the year and the payments for the ACT project JUMP of EUR 3.3 million. Cash flow from operating activities was positively influenced by effects of the first-time application of the new standard IFRS 16 Leases. In accordance with IFRS 16, the repayment portion of the lease payments of EUR 1.8 million is treated as cash flow from financing activities.

In the first half of 2019, the negative cash flow from investing activities increased primarily due to the investment in the global introduction of a uniform ERP/CRM landscape. Please see the investment analysis for more information about further changes.

In light of the high investments and payments for the ACT project Jump, free cash flow amounted to EUR −1.3 million in the first six months of 2019 as against EUR 0.0 million in the same period of the previous year. Adjusted for investments in finance lease assets of EUR 0.9 million (previous year: EUR 1.8 million), payments for M&A of EUR 1.0 million (previous year: EUR 1.4 million) and payments for the ACT project JUMP of EUR 3.3 million, the FP Group generated adjusted free cash flow of EUR 4.0 million (previous year: EUR 3.5 million).

In the first half of 2019, the change in cash flow from financing activities is attributable primarily to repayments of lease liabilities of EUR 1.8 million and payments for distributions to shareholders of EUR 0.5 million (previous year: EUR −1.9 million)

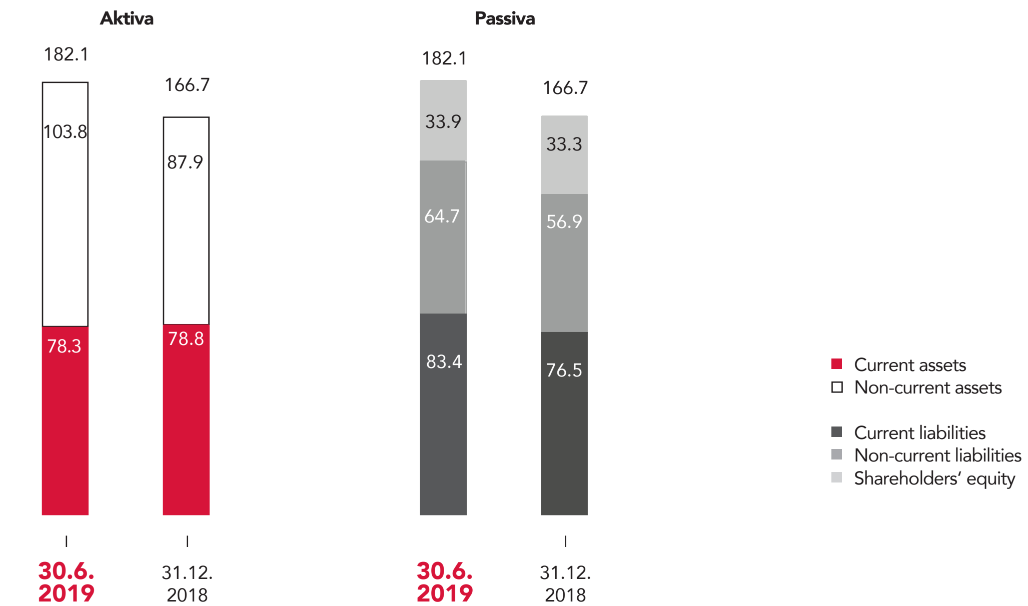
COMMITTED, BUT NOT FULLY UTILISED CREDIT FACILITIES (in EUR million)



With the syndicated loan agreement, the FP Group has to comply with two defined financial covenants. The credit conditions were complied with consistently throughout the reporting period. The FP Group was able to meet its payment obligations at all times in the first half of 2019.

5. Net Assets

STATEMENT OF FINANCIAL POSITION STRUCTURE (in EUR million)



The ACT growth strategy and the development in operating business in the first half of 2019 also shaped the FP Group's statement of financial position as at 30 June 2019. The company's statement of financial position was also influenced by the new standard IFRS 16 Leases. In the opening consolidated statement of financial position adjusted as at 1 January 2019, the first-time application of IFRS 16 resulted in an increase in assets and financial liabilities of EUR 12.0 million.

5.1 Non-Current and Current Assets

NON-CURRENT AND CURRENT ASSETS

in EUR million	**30.06. 2019**	31.12. 2018	Explanation of material changes
Intangible assets	42.6	40.8	Increase due to investment in new products and a new ERP/CRM system (EUR 2.6 million)
Property, plant and equipment	27.6	29.9	Decline in leased products due to depreciation (EUR –1.6 million; adjusted for currency effects EUR –1.8 million)
Right-of-use assets	11.9	0	Increase in right-of-use assets as a result of first-time application of IFRS 16
Other assets	15.8	13.4	Increase due to acquisition of shares in companies accounted for according to the equity method (EUR 2.0 million)
Tax assets	5.8	3.8	Increase in deferred tax as-sets
Non-current assets	**103.8**	**87.9**	
Inventories	13.3	11.2	Intra-year increase in raw materials, consumables and supplies and finished goods and merchandise
Trade receivables	18.4	19.0	Slight decrease as part of working capital management
Other assets	18.8	17.8	Slight increase in finance lease receivables (EUR 0.4 million), slight increase in other current assets (EUR 0.4 million)
Securities and cash	27.8	30.9	Decrease in cash and cash equivalents (EUR –3.1 million) and increase in postage credit managed by the FP Group (EUR 0.4 million)
Current assets	**78.3**	**78.8**	

5.2 Equity

As at 30 June 2019, the share capital of Francotyp-Postalia Holding AG amounted to EUR 16.3 million, divided into 16,301,456 no-par value bearer shares (31 December 2018: 16,301,456).

The resolution of the 2018 Annual General Meeting of 28 May 2019 on the dividend for fiscal 2018 was implemented at the beginning of June 2019, and a dividend of EUR 0.5 million was paid to the company's shareholders.

During the period from 13 October 2017 to 12 January 2018, the company carried out a share buyback programme that had been resolved upon by the Management and Supervisory Boards. As at 30 June 2019, the company held 398,493 treasury shares or 2.4 % of the share capital (31 December 2018: 398,493 shares or 2.4 % of the share capital). The calculated value of treasury shares is openly deducted from equity. The difference of the purchase price is offset against capital reserves. Further information about authorised and contingent capital and conversion and option rights can be found in the 2018 annual report.

5.3 Non-Current and Current Liabilities

NON-CURRENT AND CURRENT LIABILITIES

in EUR million	**30.6. 2019**	31.12. 2018	Explanation of material changes
Provisions for pensions and similar obligations	16.1	16.2	
Other provisions, deferred tax liabilities and other liabilities	1.4	1.6	
Financial liabilities	47.2	39.1	Increase as a result of lease liabilities in accordance with IFRS 16 recognised for the first time
Non-current liabilities	**64.7**	**56.9**	
Tax liabilities	3.7	3.3	
Provisions	10.6	11.9	Decrease as a result of reversal of provisions for which the reason had ceased to exist (EUR –0.8 million)
Financial liabilities	3.6	0.2	Increase as a result of lease liabilities in accordance with IFRS 16 recognised for the first time
Trade payables	14.5	14.0	
Other liabilities (incl. hedging derivatives)	51.1	47.1	Intra-year increase in deferred income (EUR 1.5 million) and increase in Teleporto liabilities (EUR 0.6 million)
Current liabilities	**83.4**	**76.5**	

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.

NET DEBT

in Mio. Euro	**30.6.2019**	31.12.2018
Financial liabilities*	50.8	39.3
Cash and cash equivalents	17.6	21.2
Net debt	**33.2**	**18.1**
Equity	33.9	33.3
Net debt ratio in %	**98**	**54**

* In 2019 including first-time application of the new standard IFRS 16 Leases

With high investments and payments for the ACT project JUMP and especially including the effects of the first-time application of the new standard IFRS 16 Leases, the FP Group's net debt increased considerably in the first half of 2019. As at 30 June 2019, equity increased slightly by 1.8 % year on year. The company's net debt ratio came to 98 % at the end of the reporting period (31 December 2018: 54 %).

5.4 Leasing

The FP Group offers both operating and finance leases. These business models are reflected in the company's statement of financial position. As at 30 June 2019, the "leased products" item under non-current assets contained assets with a carrying amount of EUR 16.4 million (as at 31 December 2018: EUR 17.6 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 19.1 million as at the end of the reporting period (as at 31 December 2018: EUR 18.2 million). Without these business models, total assets would be EUR 146.5 million instead of EUR 182.1 million.

6. Risk and Opportunity Report

The FP Group's risks and opportunities are discussed in detail in the consolidated financial statements for the year ended 31 December 2018. There were no material changes in the reporting period compared with the opportunities and risks described in the consolidated financial statements for the 2018 financial year.

7. Forecast

In light of the economic downturn, the considerable revenue decline in the narrow-margin Mail Services segment, a partial revenue postponement in the core franking business and positive yet lower-than-expected revenue development in the Software/Digital segment, the FP Group has adjusted its revenue forecast for fiscal 2019. Accordingly, the company expects revenue for fiscal 2019 to be slightly higher than the previous year's level.

A strong increase in revenue was originally forecast for 2019. At the same time, the FP Group is confirming its EBITDA forecast and continues to expect a strong increase when adjusted for expenses for the JUMP project over 2019 as a whole.

In addition, the company is confirming the forecast for adjusted free cash flow. In light of further investments in ACT and in new products and services, FP continues to anticipate positive adjusted free cash flow significantly below the previous year's level in 2019 as a whole.

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

The company wishes to point 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.

1st half year 2019

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income for the Period from 1 January to 30 June 2019

in EUR thousand	H1 2019 1.1.–30.6.2019	H1 2018 1.1.–30.6.2018	Q2 2019 1.4.–30.6.2019	Q2 2018 1.4.–30.6.2018
Revenue	99,037	104,767	46,941	51,789
Increase / decrease in inventories of finished goods and work in progress	1,674	575	1,317	521
	100,711	105,342	48,257	52,310
Other own work capitalised	8,193	6,838	4,391	3,390
Other income	892	1,650	325	404
Cost of materials				
a) Expenses for raw materials, consumables and supplies	18,680	18,347	9,104	9,370
b) Cost of purchased services	30,213	33,979	14,488	16,249
	48,892	52,325	23,592	25,619
Staff costs				
a) Wages and salaries	25,838	26,383	12,539	13,752
b) Social security contributions	4,207	4,075	2,068	2,095
c) Expenses for pensions and other benefits	618	547	326	255
	30,664	31,005	14,933	16,102
Amortisation, depreciation and write-downs	10,916	8,566	5,314	4,282
Expenses from impairment losses and income from reversals of impairment losses from trade accounts receivable	–76	0	–6	0
Other expenses	18,734	17,730	9,819	9,059
Net interest income				
a) Interest and similar income	1,015	1,012	495	535
b) Interest and similar expenses	659	755	323	403
	356	257	173	133
Other financial result				
a) Other financial income	306	965	–660	381
b) Other finance costs	439	619	–237	99
	–133	345	–423	281
Shares in profit and loss of companies accounted for according to the equity method	–34	0	–34	0
Income taxes	–286	–1,659	321	–502
Consolidated net income	**571**	**3,149**	**–641**	**954**

in EUR thousand	H1 2019 1.1.–30.6.2019	H1 2018 1.1.–30.6.2018	Q2 2019 1.4.–30.6.2019	Q2 2018 1.4.–30.6.2018
Other comprehensive income				
Foreign currency translation of financial statements of foreign entities	356	596	–877	1,632
of which taxes	23	61	22	–28
Provisions for pensions and partial retirement obligations in accordance with IAS 19 (rev. 2011)	6	0	0	0
of which taxes	6	0	0	0
Cash flow hedges – effective part of changes in fair value	322	–85	379	–56
of which reserve for hedging costs	13	0	39	0
of which taxes	–17	26	–68	13
Cash flow hedges – Reclassification to profit or loss	–267	–80	–155	–142
of which taxes	155	–35	107	–8
Other comprehensive income after taxes	417	431	–653	1,434
Total comprehensive income	**988**	**3,580**	**–1,294**	**2,388**
Consolidated net income	571	3,149	–641	954
of which attributable to the shareholders of FP Holding	571	3,149	–641	954
Total comprehensive income	988	3,580	–1,294	2,388
of which attributable to the shareholders of FP Holding	988	3,580	–1,294	2,388
Earnings per share (basic in EUR)	0.04	0.20	–0.04	0.06
Earnings per share (diluted in EUR)	0.04	0.20	–0.04	0.06

Consolidated Statement of Financial Position as at 30 June 2019

ASSETS

EUR thousand	30.6.2019	31.12.2018
NON-CURRENT ASSETS		
Intangible assets		
Intangible assets including customer lists	22,701	20,283
Goodwill	10,456	10,448
Development projects in progress and advance payments	9,479	10,057
	42,635	40,788
Property, plant and equipment		
Land, land rights and buildings	2,701	2,806
Technical equipment and machinery	4,438	4,900
Other equipment, operating and office equipment	3,779	3,906
Leased products	16,428	17,585
Finance lease assets	0	450
Advance payments and assets under construction	288	263
	27,634	29,910
right of use	**11,890**	**0**
Other assets		
Investments accounted for using the equity method	1,967	36
Other equity investments	36	0
Finance lease receivables1	13,555	13,073
Other non-current assets	245	246
	15,803	13,355
Tax assets		
Deferred tax assets	3,367	1,382
Current tax assets	2,446	2,446
	5,814	3,828
	103,775	**87,881**
CURRENT ASSETS		
Inventories		
Raw materials, consumables and supplies	4,723	4,560
Work in progress	1,314	769
Finished goods and merchandise	7,225	5,864
	13,262	11,194
Trade receivables	**18,420**	**18,951**
Other assets		
Finance lease receivables1	5,558	5,114
Income taxes receivable	352	157
Derivative financial instruments	0	19
Other current assets1	12,876	12,500
	18,787	17,790
Securities	**674**	**671**
Cash and cash equivalents	**27,136**	**30,235**
	78,279	78,842
	182,054	**166,723**

LIABILITIES

in EUR thousand	30,6,2019	31,12,2018
EQUITY		
Issued capital	16,301	16,301
Capital reserves	34,743	34,743
Stock option reserve	1,488	1,428
Treasury shares	–1,863	–1,863
Loss carried forward1	–13,674	–14,107
Consolidated net income	571	896
Total other equity	–3,669	–4,087
	33,897	33,311
NON-CURRENT LIABILITIES		
Provisions for pensions and similar obligations	16,130	16,225
other Provisions	1,116	1,369
Financial liabilities	47,222	39,089
Other liabilities	28	28
Deferred tax liabilities1	214	223
	64,711	56,934
CURRENT LIABILITIES		
Tax liabilities	3,724	3,261
Provisions	10,579	11,937
Financial liabilities	3,595	193
Trade payables	14,467	13,969
Other liabilities1	51,081	47,118
of which telepostage EUR 24,695 thousand (previous year: EUR 24,081 thousand)		
	83,446	76,478
	182,054	**166,723**

Consolidated Cash Flow Statement for the Period from 1 January to 30 June 2019

EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
1. Cash flow from operating activities		
Consolidated net income	571	3,149
Net income tax recognised in profit or loss	23	1,659
Net interest income recognised in profit or loss	–356	–257
Amortisation, depreciation and write-downs on non-current assets	10,916	8,566
Decrease in provisions and tax liabilities	–1.616	–314
Loss on the disposal of non-current assets	429	64
Increase in inventories, trade receivables and other assets not attributable to investing or financing activities (without finance lease)	–1,875	–3,132
Increase in receivables from finance lease	–908	–1,792
Increase in trade payables and other liabilities1 not attributable to investing or financing activities	4,094	3,005
Other non-cash income	659	95
Interest received	1,015	1,012
Interest paid	–552	–637
Income taxes received	0	205
Income taxes paid	–1,963	–1,615
Cash flow from operating activities	10,437	10,007
2. Cash flow from investing activities		
Payments for the capitalisation of development costs	–5,593	–3,366
Payments for capitalised interest for development costs	–78	–41
Proceeds from/payments for disposals of non-current assets	–435	35
Payments for investments in intangible assets	–301	–342
Payments for investments in property, plant and equipment	–3,297	–4,896
Payments for investments accounted for according to the equity method	–2,000	0
Payments for investments in the acquisition of operations (IAS 7)	0	–1,383
Cash flow from investing activities	**–11,705**	–9,993

EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
3, Cash flow from financing activities		
Payments for distribution to shareholders	–477	–1,908
Bank loan repayments	–9	–2,151
Repayments of finance lease liabilities	–1,831	–133
Proceeds for the purchase of treasury shares	0	–241
Proceeds from the assumption of bank loans	63	42
Cash flow from financing activities	–2,254	–4,391
Cash and cash equivalents [1]		
Change in cash and cash equivalents	–3,521	–4,376
Change in cash due to currency translation	1	221
Cash at beginning of period	21,153	24,090
Cash at end of period	**17,633**	**19,935**

1) Postage credit balances managed by the FP Group of EUR 10,177 thousand (previous year: EUR 10,459 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 674 thousand (previous year: EUR 675 thousand),

Consolidated Statement of Changes in Equity for the Period from 1 January to 30 June 2019

						Total other equity							
in EUR thousand	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	Difference amount from acquisition of shares of other shareholders	Reserve from cash flow hedges	Reserve from hedging transactions	Equity attributable to FP Holding	**Total**
As at 1.1.2018 (adjusted)	**16,301**	**34,746**	**1,318**	**–1,625**	**–12,199**	**–1,303**	**96**	**–3,318**	**–439**	**77**	**0**	**33,654**	**33,654**
Consolidated net incom 1.1.–30.06.2018	0	0	0	0	3,149	0	0	0	0	0	0	3,149	3,149
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	763	–166	0	0	0	0	597	597
Cash flow hedges	0	0	0	0	0	0	0	0	0	–166	0	–166	–166
Other comprehensive income 1.1.–30.6.2018	0	0	0	0	0	763	–166	0	0	–166	0	431	431
Total comprehensive income 1.1.–30.6.2018	0	0	0	0	3,149	763	–166	0	0	–166	0	3,580	3,580
Stock option settlement	0	–3	49	5	0	0	0	0	0	0	0	51	51
Distributions	0	0	0	0	–1,908	0	0	0	0	0	0	–1,908	–1,908
Acquisition of own shares	0	0	0	–243	0	0	0	0	0	0	0	–243	–243
As at 30.06.2018	**16,301**	**34,743**	**1,367**	**–1,863**	**–10,958**	**–540**	**–70**	**–3,318**	**–439**	**–89**	**0**	**35,134**	**35,134**

in EUR thousand	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	Difference amount from acquisition of shares of other shareholders	Reserve from cash flow hedges	Reserve from hedging transactions	Equity attributable to FP Holding	**Total**
As at 31.12.2018	**16,301**	**34,743**	**1,428**	**–1,863**	**–13,211**	**–130**	**11**	**–3,333**	**–439**	**–70**	**–126**	**33,311**	**33,311**
Changes in accounting and valuation methods: First-time adoption of IFRS 16	0	0	0	0	14	0	0	0	0	0	0	14	14
As at 1.1.2019 (adjusted)	**16,301**	**34,743**	**1,428**	**–1,863**	**–13,197**	**–130**	**11**	**–3,333**	**–439**	**–70**	**–126**	**33,325**	**33,325**
Consolidated net income 1.1.–30.06.2019	0	0	0	0	571	0	0	0	0	0	0	571	571
Foreign currency translation of financial statements of foreign entities	0	0	0	0	0	372	–16	0	0	0	0	356	356
Adjustment of provisions pensions and early retirement according to IAS 19	0	0	0	0	0	0	0	6	0	0	0	6	6
Cash flow hedges	0	0	0	0	0	0	0	0	0	–44	100	56	56
Other comprehensive income 1.1.–30.06.2019	0	0	0	0	0	372	–16	6	0	–44	100	418	418
Total comprehensive income 1.1.– 30.06.2019	0	0	0	0	571	372	–16	6	0	–44	100	989	989
Stock option settlement	0	0	0	0	–477	0	0	0	0	0	0	–477	–477
Distributions	0	0	60	0	0	0	0	0	0	0	0	60	60
Acquisition of own shares	0	0	0	0	0	0	0	0	0	0	0	0	0
As at 30.06.2019	**16,301**	**34,743**	**1,488**	**–1,863**	**–13,103**	**242**	**–5**	**–3,327**	**–439**	**–114**	**–26**	**33,897**	**33,897**

NOTES

I. General Information

1. General information on the Company

Francotyp-Postalia Holding AG, headquartered in Berlin (hereinafter also referred to as “FP Holding”), is entered in the commercial register of the Charlottenburg Local Court under HRB 169096 B. The interim financial statements of FP Holding for the reporting period ended 30 June 2019 comprise FP Holding and its subsidiaries (hereinafter also referred to as the “FP Group”, “FP”, or “Francotyp”).

The FP Group is an expert for secure mailing business and secure digital communication processes. As market leader in Germany and Austria, the FP Group offers products and services in the areas “Franking and Folding / Inserting”, “Mail Services” and “Software/Digital” for the efficient processing of mail, consolidation of business mail, and digital solutions for companies and authorities. Francotyp-Postalia has subsidiaries based in ten different countries and is represented by its own trading network in an additional 40 countries. With a company history spanning 96 years, FP possesses a unique DNA in the areas of actuating elements, sensor systems, cryptography and connectivity. FP’s global market share for franking systems is more than eleven percent.

The Management Board of FP Holding approved the 2018 consolidated financial statements and combined Group management report for submission to the Supervisory Board on 22 March 2019. The Supervisory Board examined the consolidated financial statements and the combined Group management report and approved them on 28 March 2019. The 2018 consolidated financial statements and combined Group management report of Francotyp-Postalia Holding AG were published on the same day.

These interim financial statements are prepared as condensed financial statements in accordance with IAS 34 for the period from 1 January to 30 June 2019. They do not contain all the disclosures required of full financial statements in accordance with IAS 1. The financial statements were approved for publication by the Management Board of FP Holding on 29 August 2019.

2. Accounting principles

2.1 Basis of preparation of the financial statements

The interim financial statements – consisting of the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and selected explanatory notes – of FP Holding for the period from 1 January to 30 June 2019 are submitted to the German electronic Federal Gazette and published. The interim financial statements are condensed financial statements in accordance with IAS 34 (Interim Financial Reporting) for the interim reporting period from 1 January to 30 June 2019. As a matter of principle, the interim financial statements were prepared using the same accounting policies as the consolidated financial statements for the 2018 fiscal year. The interim financial statements should be read in conjunction with the audited 2018 financial statements.

The interim financial statements have been prepared in euro (EUR). 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.

In accordance with IAS 1, the consolidated statement of financial position is structured by maturity. Its items are therefore divided into current and non-current assets and liabilities. Assets and liabilities are classified as current if they have a remaining term of less than one year or are turned over within one year in the ordinary course of business. Accordingly, assets and liabilities are classified as non-current if they remain in the company for longer than one year.

The consolidated statement of comprehensive income has been prepared in line with the nature of expense method.

2.2 Adjustments to accounting policies and new standards and interpretations

Apart from the exceptions described below, the accounting policies applied are unchanged compared with the reporting date 31 December 2018.

The effects of the first-time application of IFRS 16 on the FP Group’s interim financial statements and the new accounting principles applied from 1 January 2019, if they differ from those previously applied, are explained below.

All other IFRS amendments and new regulations that must be applied as at 30 June 2019 have no material impact on the FP Group’s reporting.

Comparability of disclosures: Application of IFRS 16 "Leases"
The FP Group has applied IFRS 16 "Leases" since 1 January 2019. As a result, individual items of the opening consolidated statement of financial position as at 1 January 2019 have been adjusted in relation to FP's consolidated financial statements as at 31 December 2018.
In the opening consolidated statement of financial position adjusted as at 1 January 2019, the first-time application of IFRS 16 resulted essentially in an increase (+) or decrease (-) in EUR thousand in the following items of the statement of financial position:

ADJUSTMENT EFFECT IFRS 16	
Right-of-use assets	+12,463
Financial liabilities	+12,013
Equity	+15

i. Leases in which the Group is the lessee

In application of IFRS 16, the Group now recognises new assets and liabilities for its former operating leases. This also changes the presentation of expenses, as the Group now recognises impairments for right-of-use assets and interest expenses from the lease liability.

Previously the Group recognised lease payments under an operating lease on a straight-line basis over the term of the lease and assets and liabilities only at the level at which there is a time difference between the actual lease payments and the expenses recognised.

Overall, there was no material impact on the consolidated statement of comprehensive income.

ii. Leases in which the Group is the lessor
No significant changes materialised for leases in which the Group is the lessor.

iii. Transition
The Group applied IFRS 16 using the modified retrospective method for the first time as at 1 January 2019. For this reason, the cumulative effect from the application of IFRS 16 was recognised as an adjustment of the opening amounts of retained earnings as at 1 January 2019. Comparative information from previous periods was not restated.

The Group used the convenience option to retain the definition of a lease when making the transition. This means that the Group applies IFRS 16 to all contracts concluded before 1 January 2019 and which are identified as leases in accordance with IAS 17 and IFRIC 4.

The option not to apply the new standard to leases that had a remaining term of less than 12 months as at 1 January 2019 was not used (IFRS 16.5 a).

The incremental borrowing rates for discounting to present value were calculated country by country in accordance with IFRS 16.26 and range between 0.83 % and 3.95 %.

Contract costs for existing contracts were neglected for reasons of simplification.

An extension option is considered when its use is sufficiently likely and certain.

a) Right-of-use assets
Right-of-use assets are initially recognised at cost and subsequently written down to reflect depreciation and any impairment. The cost is calculated as the value of the lease liability on initial recognition or the present value of future lease payments. Depreciation is recognised over the term of the lease. The right-of-use assets are recog-nised in the statement of financial position in the "right-of-use assets" item under "non-current assets".

DEVELOPMENT Rights-of-Use Assets (RoU) IN THE FIRST HALF OF 2019	
01.01.2019	12,463
Additions (+)	3,898
Disposals (-)	2,567
Depreciation and write-downs (-)	1,906
Currency differences (+)	2
30.06.2019	11,890

b) Financial liability (lessee's lease liability)
The financial liabilities are initially recognised at the present value of the lease payments and subsequently increased by the incremental borrowing rate less the repayment amounts. The interest expenses are shown in the "net interest income" item of the consolidated statement of comprehensive income.

The recognised right-of-use assets developed as follows from 1 January to 30 June 2019 (in EUR thousand):

The interim financial statements and the interim Group management report have not been reviewed or audited in accordance with section 317 of the German Commercial Code (HGB).

2.3 Consolidated group
Francotyp-Postalia Holding AG acts as the parent company under which the FP Group is consolidated. The consolidated financial statements of FP Holding include all companies whose financial and operating policies can be controlled by FP (subsidiaries). Subsidiaries are included in the consolidated financial statements from the date on which FP Holding obtains control. If control ends, the respective companies are deconsolidated.

The following changes were made to the consolidated group compared with the consolidated financial statements for the year ended 31 December 2018:

The FP Group acquired a stake of 15 % in Juconn GmbH via a subsidiary in the first quarter of 2019. The company is included in the consolidated financial statements pro rata (at equity) from the acquisition date. See section III for information according to IFRS 3.59.

2.4 Currency translation
Currency translation is based on the following exchange rates:

	Closing rate			Average rate	
1 Euro =	30.06.2019	31.12.2018	30.06.2018	1st half year 2019	1st half year 2018
US dollar (USD)	1.13825	1.14510	1.16405	1.12999	1.21090
Pound sterling (GBP)	0.89710	0.89685	0.88590	0.87360	0.87982
Canadian dollar (CAD)	1.49010	1.55960	1.54260	1.50699	1.54628
Swedish krona (SEK)	10.55175	10.25125	10.44300	10.51534	10.14870

2.5 Management estimates and discretion
When preparing the interim 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. Estimates and assumptions are based on premises that reflect the most recent information. In particular, the circumstances at the time of preparing the interim financial statements and realistic assumptions of the future development of the global and industry environment were used as the basis for determining expected future business developments. The actual amounts may deviate from the original estimates due to developments that differ from the assumptions made and that are beyond management control. If the actual developments differ from those forecast, the premises and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

II. Developments in the Reporting Period

As a matter of principle, the FP Group's business activities are not affected by seasonal factors.

Information on the significant economic factors affecting the FP Group's business activities in the interim reporting period can be found in the interim Group management report.

The Annual General Meeting on 28 May 2019 resolved a dividend payment of EUR 0.03 per share for the 2018 fiscal year. The total amount distributed for dividend-bearing shares was EUR 477 thousand, which was paid in the second quarter of 2019. The remaining net retained profits were carried forward to new account. The FP Group paid a dividend of EUR 1,908 thousand in the previous year.

In the first half of 2019, the FP Group's income tax expenses amounted to EUR 286 thousand. The planned tax rate is 33.4 % and is therefore close to the previous year's level.

Other developments

Information on other developments at the FP Group can be found in Section IV. Contingent liabilities and assets as well as in the interim Group management report.

III. Segment Information

Segment reporting is based on the single-entity financial statements prepared in accordance with the respective local GAAP. The figures from the individual single-entity financial statements are aggregated to produce segment totals and also include intra-segment figures and interim profits. Consolidation and reconciliation to the interim financial statements is performed using the reconciliation column, which also contains adjusting entries under IFRS.

01.01.–30.06.2019	A	B	C	D		
in EUR thousand	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	**Total**
Revenue	48,652	52,417	45,469	1,979	–49,480	99,037
with third parties	2,551	51,189	45,296	0	0	99,036
inter-segment revenue	46,101	1,042	89	1,979	–49,211	0
EBITDA	4,990	2,816	10,669	–5,491	–1,401	11,583
Amortisation, depreciation and write-downs	1,597	1,399	6,867	191	862	10,916
Net interest income	–752	-163	830	367	74	356
of which interest expense	872	168	149	425	–955	659
of which interest income	120	5	979	792	–881	1,015
Other financial result	7,792	0	–5	–167	–7,752	–132
Shares in profit and loss of companies accounted for according to the equity method	–34	0	0	0	0	–34
Consolidated earnings before taxes and profit transfer	10,399	1,254	4,627	–5,482	–9,941	857
Net tax income	-352	-1,148	-1,499	1,599	1,114	–286
Profit transfer	166	0			–166	0
Income from reversal of provisions for restructuring	44	338	32	630	–1,045	0
Net income	10,213	107	3,128	–3,883	–8,994	571
Segment assets (as at 30 Jun.)	129,119	67,412	115,623	110,756	–240,856	182,054
Segment assets	5,218	1,007	4,332	82	–1,368	9,270
Segment liabilities (as at 30 Jun.)	107,739	40,718	65,767	56,363	–122,430	148,157

01.01.–30.06.2018	A	B	C	D		
in EUR thousand	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	**Total**
Revenue	49,437	59,202	44,839	1,081	–49,792	104,767
with third parties	2,053	57,689	45,025	0	0	104,767
inter-segment revenues	47,385	1,146	56	1,081	–49,668	0
EBITDA	5,697	3,522	13,290	–4,950	–4,789	12,771
Amortisation, depreciation and write-downs	786	1,125	7,131	164	–640	8,566
Net interest income	–709	–194	766	237	158	257
of which interest expense	902	205	162	587	–1,101	755
of which interest income	193	11	928	824	–943	1,012
Other financial result	2,128	0	1	6	–1,789	346
Income taxes	–80	–548	–1,846	127	688	–1,659
Net income	6,250	1,655	5,080	–4,744	–5,092	3,149
Segment assets (as at 30.6.)	128,073	72,438	114,975	118,518	–259,884	174,121
Investment	4,214	1,617	5,885	220	–2,169	9,767
Segment liabilities (as at 30.6.)	117,666	43,846	68,664	60,716	–151,196	139,696

Intragroup transfer prices will be reviewed between Francotyp-Postalia GmbH (Production segment) and the sales companies by the end of the year at the latest. Adjustments to the transfer prices affect the reported segment revenue and segment EBITDA/net income between the segments. Based on the current earnings margins of the sales companies, revenue and EBITDA for the Production segment would increase by EUR 3,003 thousand for the reporting period from 1 January 2019 to 30 June 2019 (previous year: EUR 2,761 thousand). EBITDA would decrease by EUR –1,467 thousand (previous year EUR –1,829 thousand) for the Sales Germany segment and decrease by EUR –1,536 thousand (previous year EUR –932 thousand) for the Sales International segment.

	A	B	C	D		
Income from the reversal of provisions in EUR thousand	Production	Sales Germany	International Sales	Central Functions	Group reconciliation	**Total**
01.01.–30.06.2019	44	338	32	630	–1,045	0
01.01.–30.06.2018	1	166	0	22	–189	0

Reconciliation in EUR thousand

REVENUE		
	01.01.–30.06.	
in EUR thousand	**2019**	2018
Revenue from segments A-C	146,538	153,487
Revenue from Central Functions segment	1,979	1,081
Effects of finance lease adjustment	–269	–124
	148,248	**154,434**
Less inter-segment revenue	49,211	49,667
Revenue according to financial statements	**99,037**	**104,767**

EBITDA		
	01.01.–30.06.	
in EUR thousand	**2019**	2018
EBITDA from segments A-C	18,475	22,509
EBITDA from Central Functions segment	–5,491	–4,950
	12,984	17,559
Effects at consolidation level	–2,319	–1,869
Measurement effects of IFRS reconciliation	917	–2,919
Consolidated EBITDA	**11,583**	**12,771**
Amortisation, depreciation and write-downs	–10,916	–8,566
Net interest income	356	257
Other financial result	–133	346
Shares in profit and loss of companies accounted for according to the equity method	–34	0
Consolidated earnings before taxes	856	4,808
Income taxes	–286	–1,659
Consolidated net income	**571**	**3,149**

ASSETS		
in EUR thousand	**30.06.2019**	30.06.2018
Assets of segments A-C	312,154	315,487
Assets of Central Functions segment	110,756	118,518
	422,910	**434,005**
Capitalised development costs in accordance with IFRS	10,257	13,771
Effects of remeasurement of goodwill	11,315	10,472
Effects of write-downs on customer lists	–110	–114
Effect from IFRS 16 remeasurement	13,959	0
Other reconciliation adjustments to IFRS	7,076	8,052
	465,408	**466,185**
Effects at consolidation level (including elimination of intragroup balances)	–283,354	–292,065
Assets according to financial statements	**182,054**	**174,121**

ASSETS BY REGION		
in EUR thousand	**30.06.2019**	30.06.2018
Germany	307,287	319,029
USA and Canada	51,754	49,944
Europe (not including Germany)	63,869	65,032
Other regions	0	0
	422,910	**434,005**
Effects of IFRS remeasurement	28,648	32,295
Effects of write-downs on customer lists	–110	–114
Effect from IFRS 16 remeasurement	13,959	0
	465,408	**466,185**
Effects at consolidation level (including elimination of intragroup bal-ances)	–283,354	–292,065
Assets according to financial statements	**182,054**	**174,121**

In order to offer the customers the complete IoT value chain, FP InovoLabs GmbH acquired a 15 % stake in Juconn GmbH by way of a capital increase at a purchase price of TEUR 1,000 in January 2019 , which was entered in the commercial register on 17 January 2019.

A further premium of EUR 1,000 thousand is linked to attaining specifically agreed targets. This was recognised for the first time in fiscal year 2019 in line with the equity method in accordance with IAS 28.

At the acquisition date, Juconn had no hidden reserves or liabilities in its asset or liability items, so for the auxiliary calculation InovoLabs' additional payment to the capital reserves is almost entirely attributable to goodwill. The financial result for the first half of 2019 includes a pro rata loss of EUR –34 thousand.

IV. EXPLANATORY NOTES

1. Notes to the cash flow statement

The cash flow statement of the FP Group shows the development of cash inflows and outflows from current operating, investing and financing activities.

Cash and cash equivalents are broken down as follows:

EUR thousand	**30.06.2019**	30.06.2018
Cash and cash equivalents	27,136	29,719
plus securities	674	675
less restricted funds (postage credit held)	–10,177	–10,459
Cash and cash equivalents	**17,633**	**19,935**

The first-time adoption of IFRS 16 had no significant impact during the period.

2. Contingent assets and contingent liabilities

For disclosures regarding contingent assets and liabilities, please refer to the information in the 2018 annual report.

3. Significant events after the end of the reporting period

With an ad hoc notification on 22 August 2019 pursuant to Article 17 of the Market Abuse Regulation, Francotyp-Postalia Holding AG released its preliminary figures for the first half of 2019 and adjusted the revenue forecast for 2019 as a whole. At the same time, FP confirmed the EBITDA forecast and the guidance for adjusted free cash flow. There were no other significant events after the end of the interim reporting period (30 June 2019) that would have had a notable effect on the net assets, financial position and results of operations of the FP Group.

Responsibility Statement

To the best of our knowledge and in accordance with the applicable principles for inter-im consolidated financial reporting, the interim financial statements give a true and fair view of the net assets, financial position and results of operations of the FP Group, and the interim Group management report presents a true and fair view of the development and performance of the business and the position of the FP Group and describes the principal opportunities and risks associated with the expected development of the FP Group for the remaining months of the fiscal year.

Berlin, 29 August 2019

The Management Board of Francotyp-Postalia Holding AG

Rüdiger Andreas Günther
CEO

Patricius de Gruyter

Sven Meise

Further information

Information about the Company

The listed and globally operating FP Group with headquarters in Berlin, Germany, is an expert for secure mailing business and secure digital communication processes. As market leader in Germany and Austria, the FP Group offers products and services in the areas “Franking and Folding / Inserting”, “Mail Services” and “Software/Digital” for the efficient processing of mail, consolidation of business mail, and digital solutions for companies and authorities. The Group achieved revenues of more than 200 million euros in 2018. Francotyp-Postalia has subsidiaries based in ten different countries and is represented by its own trading network in an additional 40 countries. With a company history spanning 96 years, FP possesses a unique DNA in the areas of actuating elements, sensor systems, cryptography and connectivity. FP’s global market share for franking systems is more than eleven percent.

Further information can be found at www.fp-francotyp.com.

Imprint

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Concept, design and production

Groothuis. Gesellschaft der Ideen und Passionen mbH für Kommunikation und Medien, Marketing und Gestaltung

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The Management Board was photographed by Romanus Fuhrmann, Hamburg, at Tempelhofer Feld in Berlin

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