

INTERIM REPORT I/2012

MAIL COMMUNICATION OF THE FUTURE



KEY FIGURES FOR THE 1ST QUARTER 2012

Figures in accordance with consolidated financial statements in EUR million	1.1. – 31.3.2012	1.1. – 31.3.2011	Changes %
Revenue	41.8	41.8	0.0
Increase in revenue (%)	0.0	0.0	
Recurring Revenue	33.8	32.3	4.6
EBITDA	4.1	3.7	10.8
as percentage of revenue	9.8	8.9	
Operating income EBIT	1.8	0.1	n/a
as percentage of revenue	4.3	0.2	
Net income / lost	0.7	-0.9	179.8
as percentage of revenue	1.7	-2.2	
Free Cashflow	0.3	1.5	-80.0
as percentage of revenue	0.7	3.6	
Equity capital	16.2	14.7	
Shareholders equity	18.5	15.3	20.9
as percentage of revenues	13.3	11.5	
Return on equity (%)	3.9	-5.9	
Debt capital	119.7	117.2	2.1
Net debt	25.7	30.0	-24.3
Net indebtedness percent	133.9	196.1	-37.4
Balance sheet total	138.9	133.1	4.4
Shareprice as end of period in EUR	2.97	2.11	40.8
Earnings per share in EUR	0.04	-0.27	114.8
Employees (exact number)	1,157	1,127	2.7

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»FP intends to be a trend-setting global experts in physical and electronical mail communication by 2015.«

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and gentlemen,

The FP Group returned to profitability in the first quarter of 2012. While the company generated a small profit at EUR 0.7 million, the trend is decisive – and this is showing clearly in the direction of sustainable profitability. Evidence of this is the increase in EBITDA to EUR 4.1 million in the previous quarter, as well as the improvement in EBIT to EUR 1.8 million.

We laid the foundation for the return to profitability last year with the necessary restructuring of production and the systematic further development of our company into a multi-channel provider for mail communication. In the past quarter, we completed the establishment of a flexible production site in Wittenberge and at the same time discontinued production at the previous location in Birkenwerder. This parallel operation was a challenge. In addition, we had to master a number of start-up difficulties in the supply and process chain. A steady state has not yet been fully reached, but the progress to date gives us every confidence that we will achieve this within short term.

Our new product, PostBase, will be produced at the new manufacturing site. We presented this innovative franking system for the first time at CeBIT in March 2012 to a wider audience. And the response shows how right the decision was to create an intelligent combination of the analogue and digital worlds of mail communication with PostBase. Not only can PostBase be handled very easily and intuitively using a touchscreen, but the franking system can also be controlled directly via a PC. And thanks to the connection to an online platform, in future clients will be able to access any data relating to their mail communication and send hybrid mails or legally binding De-Mails, as well as utilise consolidation services.

The FP Group is setting new standards with PostBase. This is also shown by the prestigious accolade received by our innovation with the red dot award in the area of production design 2012. The red dot award is given by an international panel comprising 30 experts, and honours exceptional achievements by companies in the design, surface feel, functionality and environmental sustainability of new products.

The initial marketing of PostBase and the ongoing optimisation of production at the Wittenberge site give us optimism for the further course of 2012. We are therefore confirming the forecast for the FP Group to achieve revenue of at least EUR 161 million, EBITDA of EUR 25 million, and EBIT of EUR 12 million in the current year. From the second quarter of 2012, the new production line alone will lead to annual savings of around EUR 3 million.

As planning shows: the return to profitability in the first quarter of 2012 is only the beginning. The FP Group will further increase its profitability in the quarters ahead. Successful sales of PostBase and sustainable growing demand for De-Mail solutions will contribute to this. Our subsidiary mentana-claimsoft was the first company to receive accreditation at CeBIT from the Federal Office for Information Security (BSI) for this technology to enable the legally binding transmission of electronic mail. With our innovative De-Mail platform, we have recently been nominated for

the coveted World Mail Award 2012 in the security category. The award is a globally recognised distinction in the postal sector. We are very proud of the nomination; it shows that we have a product here with great potential. We expect to gain a 10% share of the De-Mail market within three to four years. This is equivalent to estimated revenue potential of around EUR 15 million to EUR 20 million. The development will primarily depend on how quickly the market accepts the new technology. We are focusing initially on companies and authorities in marketing De-Mail.

The strategic positioning in the digital and analogue worlds of mail communication is opening up new growth opportunities for the FP Group. By 2014, revenue is expected to rise to EUR 175 million. At the same time, we are aiming at a further strengthening of earnings power with an increase of EBITDA to EUR 30 million, EBIT to around EUR 16 million and consolidated net profit to around EUR 8 million. We are convinced that this increased earnings power will also contribute to a sustainable rise in the value of the company.

We would like to thank all our shareholders, customers and partners for their confidence in us.



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

MANAGEMENT BOARD

Andreas Drechsler (left)

Member of the Management Board, CSO

Born in 1968, banking and business graduate, responsible for Sales Germany and International, Business Development and Product Management, Internal Audit, Marketing and Corporate Communications.

Hans Szymanski (right)

Chairman of the Management Board, CEO and CFO

Born in 1963, economics graduate, responsible for Finance, Accounting, Controlling, Human Resources, Legal and Compliance, IT, Research and Development, Quality Management, Production, Purchasing, Logistics, and Strategic Business Development.



GROUP INTERIM REPORT FOR THE FIRST QUARTER OF 2012

BUSINESS AND GENERAL ENVIRONMENT

OPERATING ACTIVITIES

Francotyp-Postalia Holding AG (FP Group or the company), based in Birkenwerder near Berlin, is a complete service provider for mail communication. In view of the changing postal markets, the company has moved from being a producer of franking machines to being a multi-channel provider. The FP Group is therefore able to cover the entire letter post distribution chain – from franking and inserting physical letters to mail consolidation and even hybrid and fully electronic mail via De-Mail. Corporate clients of all sizes in particular represent the target group, which can obtain a complete package of products and services for easy and cost-efficient mail communication from Francotyp-Postalia.

The company divides its business into three product segments: Franking and Inserting, Mail Services, and Software Solutions.

In its Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines. The Group's most important revenue generator in the franking machine segment is its after-sales business with its recurring revenue. This includes the automatic electronic loading of postage into the franking machine, the sale of consumables, the creation of printing plates, services and software solutions for cost centre management.

The FP Group currently offers two types of innovative software solutions to customers: hybrid mail and a fully electronic solution via De-Mail. The specialist for hybrid mail is the FP subsidiary internet-access GmbH (iab), in which the FP Group acquired a majority stake at the end of 2006. The FP Group secured its entry into the sector of fully electronic communication in spring 2011 with the acquisition of a majority shareholding in mentana-claimsoft. In March 2012 at the CeBIT, mentana-claimsoft was the first company to receive De-Mail accreditation.

The Mail Services segment comprises the consolidation of business mail, which was made possible due to the liberalisation of the postal market. Following flotation, the company acquired freesort GmbH (freesort) in late 2006. With nine branches throughout Germany, freesort is one of the leading independent consolidators of outbound business mail on the German market. Their mail consolidation services include collecting letters from clients, sorting them by postcode and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor.

Employees

As at 31 March 2012, the FP Group employed a total of 1,157 people worldwide, compared with 1,127 employees the previous year. This rise is due to a slight personnel increase in the German subsidiaries. Accordingly, as at 31 March 2012, 759 employees were attributable to the German companies (previous year: 723) and 398 to foreign subsidiaries (previous year: 404).

In Germany, a total of 508 employees belonged to the Franking and Inserting segment (previous year: 463) and 251 to the Software Solutions and Mail Services segments (previous year: 260). As at 31 March 2012, 165 people were employed at freesort, compared with 179 in the previous year. At iab, the number of employees remained almost unchanged at 57 compared with 58 in the previous year. As at 31 March 2012, mentana-claimsoft employed 29 people.

Research and development

In the first quarter of 2012, research and development expenses came to a total of EUR 2.3 million and were thus 9% under the previous year's figure of EUR 2.6 million. Of this figure, EUR 1.2 million was capitalised in accordance with IAS 38, compared with EUR 1.0 million in the previous year. A total of EUR 1.1 million was expensed, against EUR 1.6 million in the previous year. At 5.6% in the first quarter of 2012, the research and development ratio, measured against revenue, was under the previous year's level of 6.1%.

The main focus of research and development activities in recent quarters was the new development of the innovative franking system platform PostBase. In addition to a basic unit with four different speed variations, a modern internet-based infrastructure was developed in order to support PostBase in all markets on a standardised, secure and cost-efficient basis. Series production is set to begin in the second quarter of 2012.

The FP subsidiary mentana-claimsoft focuses its research and development on the De-Mail system, which comprises hardware, software and a security concept. mentana-claimsoft has developed the security concept and corresponding software and certified these in accordance with the De-Mail Act (De-MailG) and the technical guidelines of the Federal Office for Information Security. The production system was launched at CeBIT 2012.

Customers increasingly require their franking systems to be integrated into existing company networks. The FP Group is therefore developing new solutions. These include mail-Credit, a PC software package that configures a franking system to be able to load a new postage credit balance via an internet connection using a PC instead of via the built-in modem. Postal charges are usually prepaid in most countries and not billed at the end of the month. This serves to protect prepaid electronic postal charges from manipulation – an advantage of the FP systems.

In general, the issue of IT security is also playing a decisive role in 2012 – international authorities are paying close attention to compliance with high security requirements. The FP Group guarantees this through continuous improvement of its efficient, secure and globalised server infrastructure. State-of-the art, high-security server systems hosted by the FP Group are used. The company purposely does not use cloud technologies, as these do not currently meet the high security and postal requirements.

All of our product innovations are aimed at better supporting our customers' changing processes, which translates into an increase in productivity for the customer. As the Group continues to develop into a complete service provider, the integration of software and server concepts and the development of outsourcing interfaces become increasingly important.

GENERAL ENVIRONMENT

In 2012, economic growth is likely to weaken somewhat worldwide. The International Monetary Fund (IMF) currently forecasts global economic growth of 3.5%, after 3.9% in the previous year. The emerging and developing countries will once again represent the growth drivers, with growth of 5.7%. The IMF anticipates an increase in GDP of only 1.4% for the industrialised countries in 2012.

In the first quarter of 2012, economic output increased by 2.2% in the USA, the largest foreign market of the FP Group. However, GDP grew more slowly than expected. In the fourth quarter of 2011, the largest economy in the world increased by 3.0%. Experts even anticipate a slight decline in GDP in the euro countries in the first quarter of 2012. The countries in the south of Europe in particular are suffering the effects of the euro crisis. In contrast, the German economy developed more positively in the past quarter than was feared at the end of 2011/start of 2012. According to the calculations of the Federal Statistical Office, GDP in Germany, the domestic market of the FP Group, increased by 0.5% in the first three months of 2012. The International Monetary Fund anticipates growth of 0.6% for the full year. This is 0.3 percentage points more than was assumed in January.

The exchange rate between the euro and the US dollar is of paramount importance for the exports of the FP Group. As in the past year, this rate was marked by high volatility in the first three months of 2012. At the middle of January, the rate's low point was just under 1.27 US dollars, before it experienced an upturn in the following weeks. It hit its high of just over 1.34 US dollars at the end of February. As at the end of the first quarter of 2012, one euro was 1.33 US dollars, compared with an exchange rate of 1.41 one year previously.

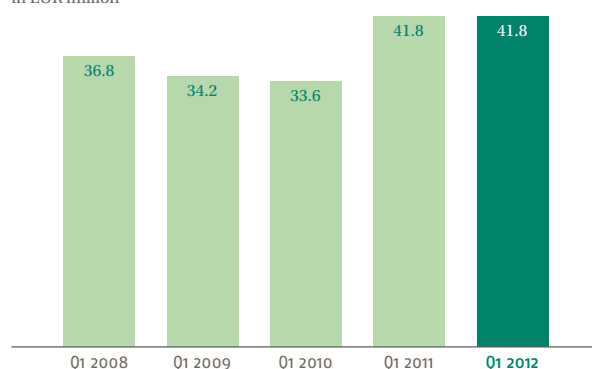
NET ASSETS, FINANCIAL AND EARNINGS POSITION

EARNINGS POSITION

Revenue

In the first quarter of 2012, the FP Group generated total revenue of EUR 41.8 million. Revenue also reached this level in the same period of the previous year. Revenue in Germany amounted to EUR 22.1 million after EUR 22.6 million in the first quarter of 2011. In contrast, international revenue increased slightly to EUR 19.3 million as against EUR 18.8 million in the previous year.

REVENUE
in EUR million



In Germany a positive development was shown in the Mail Services and Software Solutions segments. Both segments generated a significant increase in revenue to a total of EUR 12.8 million compared with EUR 11.4 million in the previous year.

Product sales remained slightly down on the previous year due to the weaker franking and inserting machine business. The main reason: In expectation of the launch of FP's new innovative franking system PostBase customers in Germany hesitate to invest in traditional franking machines. Revenue came to EUR 8.0 million in the first quarter of 2012, after EUR 9.5 million in the prior-year period.

At the same time, recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto and the sale of consumables for approximately 250,000 franking machines worldwide increased in the first three months of 2012 to EUR 33.8 million, compared to a figure of EUR 32.3 million in the first quarter of 2011.

REVENUE BY PRODUCT AND SERVICE *

EUR million	1st quarter 2012	1st quarter 2011
Recurring revenue	33.8	32.3
Leasing / rental	5.7	5.4
Services/customer service	7.0	7.2
Consumables	5.3	5.3
Teleporto	2.9	3.0
Mail services	9.8	8.8
Software	3.0	2.6
Income from product sales	8.0	9.5
Franking	5.9	7.4
Inserting	1.7	1.8
Other	0.4	0.3
Total	41.8	41.8
Recurring revenue	80.9%	77.2%
Non-recurring revenue	19.1%	22.8%
Total	41.8	41.8

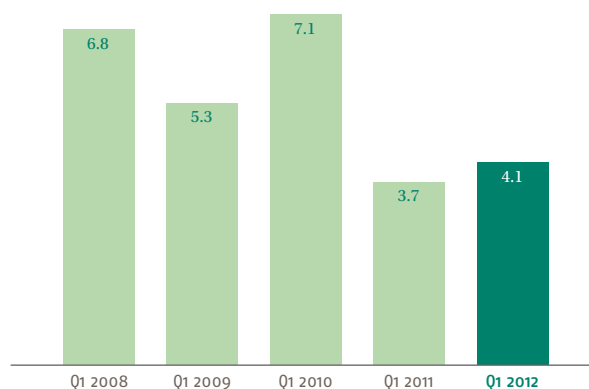
* Revenue in accordance with IFRS without inter-segment revenue

Earnings development

In the first quarter of the current year, the company completed the establishment of production in Wittenberge and the discontinuation of production in Birkenwerder as at 31 March 2012. Alongside the parallel operation of both sites, the company also had to master a number of challenges in the supply and production chain in this period. In the first quarter of 2012, the FP Group thus generated EBITDA (earnings before interest, tax, depreciation and amortisation) amounting to EUR 4.1 million. Operating earnings thereby exceeded the prior-year period's level of EUR 3.7 million.

EBIT rose to EUR 1.8 million in the first quarter of 2012, compared to EUR 0.1 million in the previous year. The consolidated net result improved considerably to EUR 0.7 million, following EUR -0.9 million in the previous year.

EBITDA
in EUR million



CHANGES IN MATERIAL ITEMS IN THE GROUP STATEMENT OF COMPREHENSIVE INCOME

EUR million	1st quarter 2012	1st quarter 2011	Change
Disclosures re: the Group statement of comprehensive income			
Revenue	41.8	41.8	-0.1%
Inventory changes	-0.6	0.4	-275.4%
Other capitalised own work	2.4	2.0	20.7%
Overall performance	43.6	44.2	-1.3%
Other operating income	0.8	0.6	31.5%
Cost of materials	17.2	16.5	4.2%
Staff expenses	14.8	15.3	-3.3%
Depreciation, amortisation and impairment losses	2.4	3.7	-35.7%
Other operating expenses	8.3	9.3	10.2%
Operating income before special income and expenditure	1.8	0.1	n/a
Net interest income / expense	-0.6	-0.7	-21.0%
Other financial results	0.2	0.4	-58.4%
Tax result	-0.7	-0.7	0.1%
Consolidated net result	0.7	-0.9	-175.7%
EBIT	1.8	0.1	n/a
EBITDA	4.1	3.7	9.9%

Cost of materials

In the first quarter of 2012, the cost of materials rose to EUR 17.2 million, compared with EUR 16.5 million in the prior-year period. As a result, the cost of materials ratio also rose slightly to 41.1% (compared with 39.5% in the first quarter of the previous year).

Expenses for raw materials, consumables and supplies increased due to production of the new PostBase franking system to EUR 9.3 million compared with EUR 7.6 million in the first quarter of 2011.

Staff expenses

In the first quarter of 2012, staff expenses decreased to EUR 14.8 million, compared with EUR 15.3 million in the previous year. Although the number of employees in the Group increased, expenses declined. In the previous year, expenses were impacted by restructuring measures in Germany and the Netherlands. The personnel expenses ratio fell to 35.4% as against 36.6% in the prior-year period.

Other operating expenses

Other operating expenses increased in the first quarter of 2012 to EUR 8.3 million, compared with EUR 9.3 million in the same period last year. The restructuring of production in Wittenberge and the measures to close production in Birkenwerder led to high expenses in the previous year.

EBITDA

The FP Group is driving forward its realignment and is taking a range of measures to promote its development to become a multi-channel provider. In the first quarter of 2012, the FP Group generated EBITDA (earnings before interest, taxes, net financial income, depreciation and amortisation) of EUR 4.1 million, against EUR 3.7 million in the same period of the previous year.

Depreciation, amortisation and impairment losses

In the first quarter of 2012, depreciation, amortisation and impairment losses fell as planned to EUR 2.4 million, compared with EUR 3.7 million in the previous year. There was a noticeable effect here due to the lack of depreciation on assets capitalised as part of the acquisition of iab and freesort and which amounted to EUR 0.7 million in the comparable prior-year period.

Net interest income/expense

Net interest expense in the first quarter of the current year amounted to EUR -0.6 million as against EUR -0.7 million in the previous year. Interest income dipped to EUR 0.2 million in the first quarter of 2012 from EUR 0.3 million in the first quarter of 2011 on account of the reduced level of interest rates. This was met with a considerable drop in interest expenses to EUR 0.8 million compared with EUR 1.0 million a year ago. Lower expenses for the syndicated loan can be ascertained here as a result of the reduced volume.

Net financial expense/income

The FP Group generated a net financial expense of EUR 0.2 million in the first quarter of 2012, which was particularly the result of foreign currency translation. Financial income of EUR 0.4 million was reported in the previous year.

Tax result

Net taxes consist of tax income of EUR 0.7 million and tax expenses of EUR 1.4 million. Overall, net taxes come to EUR -0.7 million, whereas a tax expense of EUR -0.7 million was reported in the previous year.

Consolidated net income

The FP Group improved consolidated net income before non-controlling interests to EUR 0.7 million in the first quarter of 2012. In the previous year, the company recorded consolidated net income of EUR -0.9 million. Restructuring had a negative impact on net income in 2011. Earnings per share came to EUR 0.04 in the first quarter of 2012, compared with EUR -0.05 for the first three months of 2011.

COURSE OF BUSINESS BY SEGMENTS

The company is divided into four segments, namely Production, Domestic Sales, International Sales and Central Functions. This segmentation corresponds to the FP Group's internal reporting.

Since the segments report in accordance with the local financial reporting framework, both the adjusting entries in accordance with IFRS and the Group consolidation entries are included in the reconciliation with the consolidated financial statements. The Group consolidation entries comprise the consolidation of business relationships between the segments. Intra-Group transactions are effected at market prices. Since the figures from the separate financial statements must be aggregated to produce total segment earnings, the segment totals include both intra-segment figures and interim profits.

Revenue amounts reported in this section correspond to the section on revenue with external third parties in the segment report.

Sales Germany segment

The FP Group achieved overall revenue of EUR 22.1 million with third parties in its German domestic market, compared with EUR 22.6 million in the comparable prior-year period. In Germany, revenue in the Mail Services segment rose with the consolidation specialists freesort, as well as in Software with the subsidiaries iab and mentana-claimsoft.

In the Mail Services segment, revenue increased to EUR 9.8 million as against EUR 8.8 million in the previous year. Business performance at freesort went according to plan overall.

In Software Solutions, revenue also improved to EUR 3.0 million, compared with EUR 2.6 million in the first quarter of 2011. Here, the company profited from the new orders and the inclusion of mentana-claimsoft GmbH for a full quarter.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, achieved revenue of EUR 9.3 million after EUR 11.2 million the previous year. In terms of new business, VSG saw restraint amongst customers in Germany in view of the upcoming launch of PostBase.

The FP Group generated EBITDA of EUR 0.8 million in the Sales Germany segment in the first quarter of 2012, as against EUR 1.9 million in the same prior-year period.

The company also underlined its market leadership in Germany with a market share of 42.4% in the franking machine business. Participation in CeBIT in Hanover provided impetus for the product business in the first quarter. The FP Group exhibited both its franking and inserting machines and its innovative software solutions and mail services there.

Sales International segment

In its Sales International segment, in which all activities by the foreign subsidiaries are combined, the FP Group generated revenue of EUR 19.3 million with third parties in the first quarter of 2012, compared with EUR 18.8 million in the same period in the previous year. The slight revenue increase was supported by positive exchange rate effects amounting to EUR 0.5 million.

In the Sales International segment, the FP Group generated EBITDA of EUR 4.6 million, as in the previous year.

Production segment

The FP Group consolidates its production activities in Germany in the Production segment. Revenue in this segment was EUR 1.0 million in the first quarter of 2012, as in the comparable prior-year period.

In 2011, the FP Group developed a new production site at Wittenberge, Brandenburg. In the second quarter of 2012, production will commence of the first machines of the new PostBase franking system. The discontinuation of production at the Birkenwerder site was completed by the end of the first quarter of 2012. There were no provisions for restructuring in the first quarter of 2012.

While EBITDA of EUR -2.1 million was generated in Production in the first quarter of 2011, the company reported EBITDA of EUR -0.9 million for this segment in the first quarter of 2012. The previous year saw expenses for restructuring, while in 2012 the parallel operation of the two locations led to additional burdens.

SUMMARY OF RESULTS PER SEGMENT

EUR million	Revenue ¹⁾			EBITDA		
	1st quarter 2012	1st quarter 2011	Change in %	1st quarter 2012	1st quarter 2011	Change in %
Sales Germany	22.1	22.6	-2.2	0.8	1.9	-57.9
Sales International	19.3	18.8	2.7	4.6	4.6	0
Production	1.0	1.0	0	-0.9	-2.1	n/a
FP Group ²⁾	41.8	41.8	0	4.1	3.7	9.9

1) Sales revenue with external third parties

2) The segment "Central Functions" is also shown in the segment reporting. The segment achieves no revenue with external third parties. Revenue was generated from services for subsidiaries. Further information on this segment and on the Group reconciliation can be found in the notes to the consolidated financial statements.

FINANCIAL POSITION

Principles and objectives of financial management

The central goal of financial management is to avoid financial risks and ensure the financial flexibility of the FP Group. The company achieves this goal through the use of various financial instruments. These are chosen on the basis of flexibility, types of covenants, the existing maturity profile and financing costs.

Financing analysis

In the first quarter of 2012, the FP Group maintained the level of its financial power. To finance its business, it primarily used cash flow from operating activities as well as existing borrowing arrangements with banks. These liabilities increased as at the end of the first quarter of 2012 to EUR 39.6 million as against EUR 38.2 million as at 31 December 2011. Cash and cash equivalents rose to EUR 31.2 million as at the first quarter of 2012, compared with EUR 25.9 million as at 31 December 2011.

The debt includes borrowing of EUR 38.1 million and liabilities from finance leases of EUR 1.5 million. Cash and cash equivalents include treasury shares of EUR 1.8 million and securities of EUR 0.7 million, and excludes postage credit balances managed by the FP Group of EUR 19.9 million.

The resulting net indebtedness is monitored on an ongoing basis. As at the end of the first quarter of 2012, the figure was as follows:

CHANGES IN NET DEBT

EUR million	31.3.2012	31.12.2011
Liabilities	39.6	38.2
Funds	-13.9	-8.2
Net debt	25.7	30.0
Equity	19.2	15.9
Net indebtedness	134%	189%

Further to the syndicated loan agreement of 21 February 2011, an additional agreement was concluded on 14 March 2012 that serves the financing of claims by (former) employees from the redundancy scheme in place for the measures implemented in connection with the discontinuation of production at the Birkenwerder location.

Above and beyond the loan volume previously agreed, FP will receive a further loan in the amount of EUR 4.1 million. To the extent that it is utilised, the loan must be paid back in ten monthly instalments starting from 31 March 2013.

In addition, a partial amount of EUR 0.3 million will be deferred from the repayment instalment due on 30 June 2012 for Loan A1 amounting to EUR 1.0 million. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

Furthermore, USD 0.6 million of the instalment for loan A2 in the amount of USD 1.9 million that is due for payment on 30 June 2012 has been deferred. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

In March 2012, the Management Board of Francotyp-Postalia Holding AG resolved, with the approval of the Supervisory Board, to increase the company's share capital by EUR 1.46 million. The company therefore issued new bearer shares, each representing EUR 1.00 of share capital. The company's share capital now amounts to EUR 16.16 million. The new shares were taken up immediately following approval by the Supervisory Board in the context of a private placement. The capital increase was thus placed successfully.

Investment analysis

The FP Group is pursuing a focused investment strategy and concentrating particularly on investments that will facilitate the company's ongoing development into a complete service provider for mail communication. In the first quarter of 2012, investments came to EUR 3.3 million after EUR 3.4 million in the same period for the previous year. Capitalised development costs increased to EUR 1.4 million in the first three months of 2012, compared with EUR 1.0 million in the same period last year, as the FP Group stepped up development of the Phoenix project to create the new and innovative PostBase franking system; there was also additional capitalisation as part of the development of De-Mail.

Investment in other intangible assets rose to EUR 0.3 million in the first quarter of 2012 compared to EUR 0.1 million in the previous year. Investment in property, plant and equipment excluding leased products increased to EUR 0.6 million in the first quarter of 2012 compared to EUR 1.4 million in

the first quarter of 2011 as a result of the purchase of new tools for the new PostBase product line in 2011 and the establishment of the new production site in Wittenberge. Investment in leased products amounted to EUR 1.1 million, compared to EUR 0.6 million in the previous year. No investment was made in company acquisitions in the first quarter of 2012. Due to the acquisition of a majority shareholding in mentana-claimsoft GmbH, investment in company acquisitions stood at EUR 0.3 million in the same period last year.

INVESTMENT

EUR million	1.1.–31.3.2012	1.1.–31.3.2011
Capitalised development costs	1.4	1.0
Investment in other intangible assets	0.3	0.1
Investment in property, plant and equipment (excluding leased products)	0.6	1.4
Investment in leased products	1.1	0.6
Investment in company acquisitions	0.0	0.3
Proceeds from the disposal of non-current assets	0.1	0.0
Investment	3.3	3.4

Liquidity analysis

In the first quarter of 2012, cash flow from operating activities fell to EUR 3.6 million, compared with EUR 4.9 million in the previous year. Net working capital, i.e. inventory plus trade receivables less trade payables, stood at EUR 19.2 million following EUR 23.3 million in the previous year. The main causes for the decrease in cash flow from operating activities include the preparation measures regarding the launch of PostBase and De-Mail.

The cash outflow from investing activities came to EUR 3.3 million in the first three months of 2012, compared with EUR 3.4 million in the same period last year.

As a result, free cash flow, the sum of cash inflows from operating activities and cash outflows from investing activities, totalled EUR 0.3 million, compared with EUR 1.5 million in the same period in the previous year.

Cash flow from financing activities amounted to EUR 5.5 million in the first quarter of 2012, after EUR –0.2 million in the previous year. This is due to proceeds from the capital increase amounting to EUR 3.5 million and raising bank loans in the amount of EUR 2.4 million.

Cash and cash equivalents shown are produced from the balance sheet items "cash and cash equivalents" as well as "securities" less "teleporto funds".

LIQUIDITY ANALYSIS

EUR million	1.1.–31.3.2012	1.1.–31.3.2011
1. Cash flow from operating activities		
Cash flow from operating activities	3.6	4.9
2. Cash flow from investing activities		
Cash flow from investing activities	-3.3	-3.4
3. Cash flow from financing activities		
Cash flow from financing activities	5.5	-0.2
Cash and cash equivalents		
Change in cash and cash equivalents	5.7	1.2
Change in cash and cash equivalents due to currency translation	0.0	-0.1
Cash and cash equivalents at beginning of period	6.3	13.4
Cash and cash equivalents at end of period	12.0	14.6

ASSET SITUATION

The balance sheet as at 31 March 2012 is characterised by an increase in current assets and non-current liabilities, and by a slight increase in non-current liabilities.

Compared with 31 December 2011, total assets rose by EUR 5.9 million to EUR 138.9 million. The proportion of non-current assets in total assets shrank from 46.8% to 45.1%. As at 31 March 2012, the ratio of current assets to current liabilities was 107.3%, compared with 99.8% as at 31 December 2011.

Within non-current assets, intangible assets increased from EUR 31.3 million to EUR 32.3 million. Items included here are goodwill, intangible assets including customer lists and development projects in progress.

Property, plant and equipment declined from EUR 19.7 million as at the end of 2011 to EUR 19.2 million as at 31 March 2012. This is attributable to the decline in leased products from EUR 8.5 million to EUR 7.8 million.

Deferred tax assets increased slightly from EUR 9.3 million to EUR 9.5 million.

Among current assets, inventory increased slightly from EUR 11.0 million to EUR 11.8 million. Trade receivables dropped from EUR 16.6 million in the previous year to EUR 5.5 million. Securities held at EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee towards Deutsche Post AG. Cash and cash equivalents increased from EUR 25.9 million to EUR 31.2 million. Other current assets increased marginally from EUR 16.6 million to EUR 17.0 million.

As a result of the increase in subscribed capital and the positive consolidated net income, equity improved significantly to EUR 18.9 million as at 31 March 2012 compared with EUR 15.9 million at the end of 2011.

Compared with 31 December 2011, Francotyp-Postalia Holding AG's share capital increased from EUR 14.7 million to EUR 16.16 million, divided into 16,160,000 non-par value bearer shares. No shares have been issued with special rights. As at 31 March 2012, the company held a total of 370,444 own shares, corresponding to 2.29% of capital stock.

As at 31 March 2012, current liabilities increased to EUR 71.1 million, compared with EUR 70.9 million at the end of 2011. In particular, current financial liabilities declined to EUR 6.8 million compared with EUR 7.8 million at the end of 2011. Provisions fell from EUR 11.0 million to EUR 9.6 million, while trade payables also dropped from EUR 10.2 million to EUR 7.9 million. In contrast, other current liabilities increased from EUR 40.4 million to EUR 45.0 million.

Non-current liabilities rose from EUR 46.3 million to EUR 48.7 million as at 31 March 2012, due primarily to the considerable increase in financial liabilities from EUR 30.4 million to EUR 32.8 million.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the interim reporting date (31 March 2012).

RISK AND OPPORTUNITY REPORT

The company discussed its opportunities and risks in detail in the consolidated financial statements dated 31 December 2011. Moreover, no further risks and opportunities are currently discernible.

FORECAST

The markets in which the FP Group operates will change further in the years to come, as the liberalisation of postal markets marches onwards and technological progress continues. The company has constantly moved forwards with its strategic alignment as a complete service provider for mail communication. In this respect, the FP Group is increasingly dovetailing its Franking and Inserting segments with its Software Solutions and Mail Services segments to ensure that customers can obtain products and services from one source.

Over the next two years, the FP Group is likely to benefit from the development of overall and sector-specific economic conditions and therefore expects revenue to increase. Since the company will at the same time maintain its cost discipline, EBITDA is likely to improve. The restructuring of production alone is expected to lead to savings of around EUR 3 million annually from the second quarter of 2012. Over the next few years, the restructuring of production will make an important contribution to increasing earnings power. Therefore, the FP Group expects that the planned course of business will enable it to reinforce its operating earnings and financial power in 2012. In financial year 2012, the FP Group is likely to employ the same amount of employees as in 2011.

The strong position in the traditional franking machine market and the opportunities for growth in the two business areas Mail Services and Software offer good conditions for further growth and continuing consolidation of the FP Group's operating financial and earnings power. The company forecasts revenue of at least EUR 161 million, EBITDA of at least EUR 25 million and EBIT of EUR 12 million for 2012.

The FP Group anticipates continued growth in financial year 2013. Here, the company expects to be able to achieve revenue of at least EUR 168 million and EBITDA of at least EUR 27 million.

Over the next two years, the company is expected to benefit from its development to become a complete service provider for mail communication. The company expects stable development in the traditional markets for the Franking and Inserting segments and positive growth momentum in the new markets.

In the medium and long term, the company sees great potential in the field of digital communication. The FP Group is one of the trailblazers in this area and already offers corresponding software solutions. It expects to gain a 10% share of the De-Mail market within three to four years. This is equivalent to revenue potential of around EUR 15 million to EUR 20 million.

The statements are based on current knowledge at the end of the first quarter of 2012. We note that the planning data presented here may differ from the actual values achieved.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST QUARTER 2012

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CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY BIS 31 MARCH 2012

in EUR thousand	1.1. – 31.3.2012	1.1. – 31.3.2011
Revenue	41,770	41,807
Changes in inventories of finished goods and work in progress	-621	354
	41,149	42,161
Other capitalised own work	2,421	2,005
Other income	844	642
Cost of materials		
a) Cost of raw materials, consumables and supplies	9,269	7,616
b) Cost of services purchased	7,889	8,857
	17,158	16,473
Staff expenses		
a) Wages and salaries	12,419	12,991
b) Social security contributions	2,196	2,063
c) Expenses for pensions and other benefits	186	247
	14,801	15,301
Depreciation, amortisation and impairment losses	2,364	3,676
Other expenses	8,334	9,285
Net interest income / expense		
a) Interest and similar income	247	295
b) Interest and similar expenses	822	1,023
	-575	-728
Other financial results		
a) Other financial income	641	525
b) Other financial expenses	459	88
	182	437
Tax result		
a) Tax income	672	729
b) Tax expense	1,355	1,411
	-683	-682
Consolidated net income	681	-900
Other comprehensive income		
Translation of financial statements of foreign entities	-889	-1,059
of which taxes	-20	45
of which reformatted in the consolidated net income	0	0
Cash flow hedges	0	21
of which taxes	0	0
of which reformatted in the consolidated net income	0	21
Other comprehensive income after taxes	-889	-1,038
Comprehensive income	-208	-1,938
Consolidated net income for the year	681	-900
– of which attributable to the shareholders of FP Group	628	-776
– consolidated net profit attributable to minority interests	53	-124
Comprehensive income	-208	-1,938
– of which attributable to the shareholders of FP Group	-261	-1,814
– of which attributable to minority interests	53	-124
Earnings per share (m EUR; basic and diluted):	0.04	-0.05

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2012

ASSETS

in EUR thousand	31.3.2012	31.12.2011
Non-current assets		
Intangible assets		
Intangible assets including customer lists	10,049	10,419
Goodwill	10,016	10,016
Development projects in progress	12,283	10,882
	32,348	31,317
Property, plant and equipment		
Land, land rights and buildings	1,092	1,058
Technical equipment and machinery	1,001	1,145
Other equipment, operating and office equipment	2,511	2,562
Leased products	7,801	8,525
Advance payments and assets under construction	2,964	2,706
Assets under finance leases	3,847	3,753
	19,216	19,749
Other assets		
Associated companies	59	59
Other equity investments	163	163
Finance lease receivables	1,291	1,585
Other non-current assets	173	160
	1,686	1,967
Deferred tax assets	9,465	9,270
	62,715	62,303
Current assets		
Inventory		
Raw materials, consumables and supplies	5,803	4,021
Work in progress	968	996
Finished products and merchandise	4,993	5,988
	11,764	11,005
Trade receivables	15,534	16,627
Other assets		
Finance lease receivables	1,620	1,762
Income tax assets	5,582	5,587
Derivative financial instruments	21	59
Other current assets	9,795	9,169
	17,018	16,577
Securities	678	678
Cash	31,237	25,867
	76,231	70,754
	138,946	133,057

[illegible]

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2012

in EUR thousand	1.1. – 31.3.2012	1.1. – 31.3.2011
Cash flow from operating activities		
Consolidated net income	680	-900
Income tax result recognised in profit or loss	554	683
Net interest income recognised in profit or loss	575	729
Depreciation and amortisation of non-current assets	2,364	3,676
Decrease (-)/increase (+) in provisions and tax liabilities	-1,328	4,192
Changes in deferred taxes	-149	-463
Loss (+)/gain (-) on the disposal of non-current assets	2	-43
Decrease (-)/increase (+) in inventory, trade receivables and other assets not attributable to investing or financing activities	148	-4,679
Increase (+) in trade payables and other liabilities * not attributable to investing or financing activities	2,550	3,450
Other non-cash expenses and income	-767	-612
Government assistance not yet received	-690	-266
Interest received	247	295
Interest paid	-140	-798
Income tax paid	-435	-358
Cash flow from operating activities	3,611	4,906
Cash flow from investing activities		
Cash paid for internally generated intangible assets	0	-10
Cash payments for the capitalisation of development costs	-1,404	-1,006
Proceeds from the disposal of non-current assets	100	36
Cash paid for investments in intangible assets	-275	-109
Cash paid for investments in property, plant and equipment	-1,745	-1,985
Cash paid for financial investments	0	-25
Cash paid for company acquisitions	0	-333
Cash flow from investing activities	-3,324	-3,432
Cash flow from financing activities		
Cash outflows from reverse repo transactions	-137	0
Cash paid to repay bank loans	-137	0
Cash payments to repay finance leases	-160	-236
Cash inflows as a result of issuing shares	3,467	0
Cash inflows from taking out bank loans	2,428	0
Cash flow from financing activities	5,461	-236
Cash and cash equivalents*		
Change in cash and cash equivalents	5,748	1,238
Change in cash and cash equivalents due to currency translation	-18	-109
Cash and cash equivalents at beginning of period	6,307	13,423
Cash and cash equivalents at end of period	12,037	14,552

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 19,877 thousand; in Q1/2011: EUR 18,167 thousand).
Cash and cash equivalents include current securities in the amount of EUR 678 thousand (in Q1/2011: EUR 673 thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2012

in EUR thousand	Sub-scribed capital	Capital reserves	Stock option reserve	Treasury shares	Net income / loss	Other comprehensive income			Equity attributable to FP Holding	Minority interests	Total
						Difference from currency translation	Net investments in foreign operations	Derivative financial instruments			
Balance at 1 January 2011	14,700	45,708	89	-1,829	-39,860	-1,306	673	-21	18,154	1,431	19,585
Consolidated net income 1.1. – 31.3.2011	0	0	0	0	-776	0	0	0	-776	-124	-900
Translation of financial statements of foreign entities	0	0	0	0	0	-917	-142	0	-1,059	0	-1,059
Cash flow hedges	0	0	0	0	0	0	0	21	21	0	21
Other earnings 1.1. – 31.3.2011	0	0	0	0	0	-917	-142	21	-1,038	0	-1,038
Comprehensive income 1.1. – 31.3.2011	0	0	0	0	-776	-917	-142	21	-1,814	-124	-1,938
Capital increase from stock options	0	0	67	0	0	0	0	0	67	0	67
Changes in the group of consolidated companies	0	0	0	0	0	0	0	0	0	129	129
Balance at 31 March 2011	14,700	45,708	156	-1,829	-40,636	-2,223	531	0	16,407	1,436	17,843
Balance at 1 January 2012	14,700	33,181	346	-1,829	-31,171	-607	633	0	15,253	634	15,887
Consolidated net income 1.1. – 31.3.2012	0	0	0	0	628	0	0	0	628	53	681
Translation of financial statements of foreign entities	0	0	0	0	0	-890	1	0	-889	0	-889
Other earnings 1.1. – 31.3.2012	0	0	0	0	0	-890	1	0	-889	0	-889
Comprehensive income 1.1. – 31.3.2012	0	0	0	0	628	-890	1	0	-261	53	-208
Capital increase	1,460	2,007	0	0	0	0	0	0	3,467	0	3,467
Capital increase from stock options	0	0	65	0	0	0	0	0	65	0	65
Balance at 31 March 2012	16,160	35,188	411	-1,829	-30,543	-1,497	634	0	18,524	687	19,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST QUARTER 2012

I. GENERAL PRINCIPLES

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Birkenwerder (also referred to hereafter as FP Holding), is a German stock corporation (Aktiengesellschaft) registered in the Commercial Register of Neuruppin District Court under HRB 7649. The company's registered office is at Triftweg 21–26, 16547 Birkenwerder, Germany. The interim consolidated financial statements for FP Holding for the reporting period ending on 31 March 2012 include FP Holding and its subsidiaries (also referred to hereafter as the FP Group).

The FP Group is an international company in the outbound mail processing sector with a history dating back more than 85 years. The focus of its activities is the traditional product business, which consists of developing, manufacturing and selling franking machines in particular, but also inserting machines and conducting after-sales business. The FP Group also offers its customers in Germany sorting and consolidation services as well as hybrid mail and fully electronic mail communication products via its subsidiary freesort and its majority shareholdings in iab and mentana-claimsoft.

The Management Board of Francotyp-Postalia Holding AG drew up the 2011 consolidated financial statements and Group management report on 30 March 2012 and submitted them to the Supervisory Board. The Supervisory Board examined the consolidated financial statements and Group management report and adopted them on 30 March 2012. The 2011 consolidated financial statements and Group management report of Francotyp-Postalia Holding AG were published on 19 April 2012.

The interim consolidated financial statements were approved by the Management Board of FP Holding for publication on 24 May 2012.

ACCOUNTING PRINCIPLES

Principles for the preparation of the financial statements

The interim consolidated financial statements – comprising the balance sheet, statement of recognised income and expense, cash flow statement, statement of changes in equity and selected explanatory notes – of FP Holding for the period from 1 January to 31 March 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and binding in the EU on the reporting date. These are condensed interim consolidated financial statements in accordance with IAS 34 (interim financial reporting) for the interim period from 1 January to 31 March 2012. The same accounting methods were applied in preparing these interim financial statements as in the preparation of the 2011 consolidated financial statements. The interim financial statements should be read together with these audited financial statements.

The interim consolidated financial statements have been prepared in euro. For greater clarity and to facilitate comparison, all amounts are presented in thousands of euro (EUR thousand) unless otherwise stated. The rounding of figures may result in minor arithmetical differences.

In accordance with IAS 1, the consolidated balance sheet follows the principle of current / non-current presentation. The balance sheet therefore presents non-current and current assets and liabilities separately. Assets and liabilities are classified as current if their remaining term to maturity or useful life is less than one year, or they are turned over in less than one year in the course of normal operations. Assets and liabilities are classified as non-current if they remain in the company for more than one year.

The consolidated statement of recognised income and expense is drawn up using the nature of expense method.

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

The requirements of all IFRSs applicable as at 31 March 2012 were complied with without exception and give a true and fair view of the net assets, financial position and results of operations of the Group.

Consolidated group

Francotyp-Postalia Holding AG acts as the parent company for the Group, under which FP Group companies are consolidated. The interim consolidated financial statements of FP Holding include all companies where the opportunity exists to govern the financial and operating policies (subsidiaries). Subsidiaries are included in the consolidated financial statements from the time FP Holding gains the power of control. If this possibility ends, the corresponding companies are removed from the companies included in the consolidated financial statements.

Compared with the consolidated financial statements as at 31 December 2011, the reporting period saw no changes to the consolidated group.

Currency translation

Currencies have been translated at the following rates:

1 EURO =	Rate on the reporting date			Average rate	
	31.3.2012	31.12.2011	31.3.2011	Q1/2012	Q1/2011
US dollar (USD)	1.3333	1.2937	1.4203	1.3109	1.3683
Pound sterling (GBP)	0.8329	0.8369	0.8829	0.8345	0.8539
Canadian dollar (CAD)	1.3291	1.3197	1.3767	1.3129	1.3483
Swedish krona (SEK)	8.8370	8.9210	8.9260	8.8513	8.8660
Singapore dollar (SGD)	1.6745	1.6816	1.7898	1.6568	1.7472

Q1 signifies the period from 1 January to 31 March of the respective year.

Management estimates and discretions

Preparing the interim consolidated financial statements requires a certain number of assumptions and estimates to be made which affect the amount and the recognition of assets and liabilities in the balance sheet as well as income and expenses for the reporting period. The assumptions and estimates are based on premises which rely on current knowledge. The expected future business performance in particular is based on the conditions present at the time the interim consolidated financial statements were prepared and the future development of the global and sectoral environment considered to be realistic. The actual amounts may vary from the estimates originally expected as a result of changes in these underlying conditions which diverge from the assumptions and are beyond the control of management. If actual performance varies from the expected performance, the premises and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly.

II. DEVELOPMENTS IN THE REPORTING PERIOD

The activities of the FP Group are generally not affected by seasonal influences.

Please see the comments in the interim Group management report for information on economic cycles significant to the activities of the FP Group in the interim reporting period.

STATUS OF RESTRUCTURING / ESTABLISHMENT OF PRODUCTION AT THE WITTENBERGE LOCATION

In 2011, the FP Group established a new production location in Wittenberge, Germany. FP Produktionsgesellschaft mbH commenced production at the new site in October 2011. The first product was the mymail franking machine. The following weeks saw the start of production for the first machines of the new PostBase franking system; series production was ramped up in the second quarter of 2012. The discontinuation of production at the Birkenwerder site will take place by the end of the first quarter of 2012.

In connection with the restructuring measures conducted in the year under review, 120 production jobs in Birkenwerder will be eliminated. Permanent solutions under labour law have been found for 86 holders of these positions; this generally involved settlement in court.

ADDITIONAL CREDIT FACILITY

Further to the syndicated loan agreement of 21 February 2011, an additional agreement was concluded on 14 March 2012 that serves the financing of claims by (former) employees from the redundancy scheme in place for the measures implemented in connection with the discontinuation of production at the Birkenwerder location.

Above and beyond the loan volume previously agreed, FP will receive a further loan C in the amount of EUR 4,107 thousand. To the extent that it is utilised, the loan must be paid back in ten monthly instalments of EUR 411 thousand starting from 31 March 2013.

In addition, a partial amount of EUR 308 thousand will be deferred from the repayment instalment due on 30 June 2012 for Loan A1 amounting to EUR 1,000 thousand. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

Furthermore, USD 578 thousand of the instalment for loan A2 in the amount of USD 1,875 thousand that is due for payment on 30 June 2012 has been deferred. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013.

In connection with the change in the loan volume and the amended repayment conditions, FP Holding AG has provided a first land charge on the production building in Wittenberge in the amount of EUR 1,000 thousand as additional collateral. FP Produktionsgesellschaft mbH has also assigned its current and non-current assets as collateral, pledged all of its bank balances and assigned all of its receivables from customers.

CAPITAL INCREASE

On 23 March 2012, the Management Board of Francotyp-Postalia Holding AG resolved, with the approval of the Supervisory Board, to increase the company's share capital by EUR 1.46 million. To this end, the company has issued new no-par value bearer shares each with a notional interest in the share capital of EUR 1.00. The company's share capital now amounts to EUR 16.16 million.

3R Investments Ltd., Cyprus, subscribed for the new shares as part of a private placement immediately after approval was granted by the Supervisory Board, meaning that the capital increase has been successfully placed. The issue price was EUR 2.66 per share; the company received gross proceeds of EUR 3.9 million from the issue.

APPROVAL FOR THE NEW POSTBASE FRANKING SYSTEM

The new PostBase franking system was presented for the first time at the CeBIT in March 2012. The introduction of the system on the German market began at the end of the first quarter of 2012. PostBase combines the analogue and digital worlds of mail through a wide range of innovations in the areas of mechatronics and software control. A touchscreen allows users to operate PostBase extremely easily and intuitively. FP Navigator – a software solution used to operate the franking system – means that PostBase can also be controlled directly from a PC. FP Navigator also provides users with additional functions, such as setting up and controlling cost centres.

In future, the FP Group will also connect PostBase to the FP Portal – an online platform that clients can use to access any data relating to their mail communication and to utilise further services. For example, they will be able to use the portal to commission consolidation services directly and to send hybrid mails or De-Mails.

MENTANA-CLAIMSOFT GMBH OBTAINS DE-MAIL ACCREDITATION

On 6 March 2012, mentana-claimsoft GmbH became the first De-Mail provider to be accredited by the German Federal Office for Information Security (BSI). The German De-Mail Act defines the security requirements, thus establishing the legal basis to ensure that the De-Mail has the same legal effect as a standard letter. Following an examination of mentana-claimsoft's internal workflows and technical infrastructure, De-Mail has now been launched on the market.

OTHER DEVELOPMENTS

Please see the comments in the interim Group management report for information on other developments at the FP Group.

III. EXPLANATORY NOTES

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement of the FP Group shows cash in-flows and outflows from on-going operating, investing and financing activities.

The cash and cash equivalents were calculated as follows:

EUR thousand	31.3.2012	31.3.2011
Cash	31,237	32,046
plus securities	678	673
Current liabilities from postage credit balances managed	-19,877	-18,167
Cash and cash equivalents	12,038	14,552

Postage credit balances are deducted when cash and cash equivalents are calculated because the funds in question can be drawn down by customers at any time. The corresponding offsetting item is included in other current liabilities.

EMPLOYEES

The employees of the FP Group are distributed as follows across regions and functions:

Regional distribution

	31.3.2012	31.3.2011
Germany	759	723
USA	113	119
United Kingdom	96	90
Netherlands	53	63
Canada	38	35
Sweden	23	18
Belgium	22	23
Austria	21	22
Italy	21	16
Singapore	8	18
France	3	0
Total	1,157	1,127

Functional distribution

	31.3.2012	31.3.2011
Production	263	275
Sales Germany	488	475
Sales International	390	386
Central Functions	16	9
Total	1,157	1,127

CONTINGENT LIABILITIES

By its nature as a market participant on a contested market, Francotyp-Postalia is involved in a range of legal disputes. Francotyp-Postalia Vertrieb und Service GmbH is particularly affected by this, which is involved in a number of in-court and out-of-court competition disputes with rival companies, both as a claimant and a defendant. Methods of customer advertising and market positioning form the subject of these disputes. These proceedings are geared towards the discontinuation of anti-competitive behaviour and are not economically significant. If defeat occurs in a case, alternative advertising measures can be employed.

However, the lawsuit of SBW Vermögensverwaltungs GmbH of 9 March 2011, in which claims are asserted against Francotyp-Postalia Holding AG, could prove significant. The alleged claims are the result of the purchase agreement concluded by Francotyp-Postalia Holding AG regarding shares in the iab Group. The amount claimed is EUR 1,518,750.00. The amount claimed is based on claims to the increased purchase price arising from the company purchase agreement and the alleged unreliability of the partial payment with shares on the part of the defendant. The Group considers the risk presented by the proceedings to be low.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the balance sheet date of 31 March 2012 other than those shown in the financial statements for the interim period.

IV. SEGMENT INFORMATION

Since the segments report in accordance with the local financial reporting framework (level I financial statements), both the adjusting entries in accordance with IFRS and the interim Group consolidation entries are included in the reconciliation with the consolidated financial statements. The Group consolidation entries relate to business relationships between the segments. As the figures in the level I financial statements are added up to form total segment results, total segment amounts also include intra-segment figures and intragroup profits. Consolidation takes place in the reconciliation column.

1.1. – 31.3.2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	11,180	22,927	19,761	779	-12,877	41,770
– with third parties	957	22,076	19,301	0	-564	41,770
– intersegment	10,223	851	460	779	-12,313	0
EBITDA	-1,368	846	4,593	-683	285	3,672
Depreciation, amortisation and impairment	314	749	2,093	13	-804	2,364
Net interest result	-483	-57	-125	-3	92	-575
– of which interest expense	909	249	223	731	-1,290	822
– of which interest income	425	193	98	729	-1,198	247
Other financial result	463	1	-57	0	-226	180
Tax result	-39	32	-759	-2	214	-555
Net income	-1,743	72	1,559	-700	1,170	358
Segment assets (at 31 March)	117,577	80,769	87,744	120,000	-267,144	138,946
Capital expenditure	599	263	1,945	35	752	3,592
Segment liabilities (at 31 March)	118,714	72,353	67,226	59,786	-198,019	120,059

1.1. – 31.3.2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	13,631	22,886	18,841	816	-14,368	41,807
– with third parties	1,012	22,595	18,809	0	-610	41,807
– intersegment	12,619	291	32	816	-13,758	0
EBITDA	-2,097	1,944	4,569	-375	-292	3,794
Depreciation, amortisation and impairment	256	879	2,214	7	319	3,676
Net interest result	-1,260	293	-70	212	96	-728
– of which interest expense	1,629	256	279	105	-1,245	1,024
– of which interest income	369	549	209	317	-1,149	296
Other financial result	590	1	0	0	-154	437
Tax result	-12	-40	-1,104	105	368	-682
Net income	-3,034	1,319	1,179	-66	-298	-900
Segment assets (at 31 March)	121,251	73,020	81,000	82,077	-214,280	143,067
Capital expenditure	841	2,461	1,449	472	295	5,517
Segment liabilities (at 31 March)	123,482	62,902	59,541	17,913	-136,614	127,224

EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
1.1. – 31.3.2012						
Provisions for restructuring	-1,590	-324	0	0	0	-1,914
Reversals of impairment on portfolio basis	0	0	0	0	0	0
Income from the reversal of provisions	16	5	0	0	0	21
1.1. – 31.3.2011						
Provisions for restructuring	2,351	21	344	0	0	2,716
Reversals of impairment on portfolio basis	0	0	0	0	0	0
Income from the reversal of provisions	0	6	5	0	0	11

RECONCILIATION IN EUR THOUSAND

Revenue	1.1. – 31.3.	
	2012	2011
Revenue of segments A–C	53,869	55,359
Revenue of Central Functions segment	779	816
Effects of finance lease adjustment	-564	-610
	54,083	55,565
Less intersegment revenue	12,313	13,758
Revenue according to financial statements	41,770	41,807
EBITDA	1.1. – 31.3.	
	2012	2011
EBITDA of segments A–C	4,070	4,415
EBITDA of Central Functions segment	-683	-375
	3,387	4,041
Measurement effects of reconciliation (IFRS)	978	333
Effects at consolidation level	-694	-626
Consolidated EBITDA	3,671	3,749
Depreciation, amortisation and impairment losses	-2,364	-3,676
Net interest income / expense	-575	-728
Other financial result	180	437
Consolidated net profit before taxes	913	-218
Tax result	-555	-682
Consolidated net income	359	-900

Assets	31.3.2012	31.3.2011
Assets of segments A–C	286,090	275,270
Assets of Central Functions segment	120,000	82,077
	406,090	357,347
Capitalisation of development costs under IFRS	15,310	12,844
Effects of goodwill remeasurement	5,456	4,621
Effects of customer list amortisation	123	-467
Effects of amortisation of internally generated software	-15	-492
Other IFRS reconciliation	4,597	122
	431,561	373,976
Effects at consolidation level (incl. elimination of intragroup balances)	-292,616	-230,909
Assets according to financial statements	138,946	143,067
Assets by region	31.3.2012	31.3.2011
Germany	318,348	266,082
USA and Canada	33,785	35,039
Europe (excl. Germany)	41,640	45,960
Other regions	12,319	10,266
	406,091	357,347
Effects of IFRS remeasurement	25,364	17,587
Effects of customer list amortisation	123	-467
Effects of amortisation of internally generated software	-15	-492
	431,563	373,976
Effects at consolidation level (incl. elimination of intragroup balances)	-292,616	-230,909
Assets according to financial statements	138,946	143,067

The goodwill of EUR 10,016 thousand (previous year: EUR 10,132 thousand) shown on the consolidated balance sheet is assigned solely to the Sales Germany segment.

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for interim consolidated financial reporting, the interim consolidated financial state-ments give a true and fair view of the net assets, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, to-gether with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Birkenwerder, 24 May 2012

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

FINANCIAL CALENDAR / IMPRINT

Presentation Financial Report 1st Quarter 2012	24. May 2012
Annual General Meeting 2012	27. June 2012
Presentation Half-year Report 2012	30. August 2012
Presentation 3rd Quarter Results 2012 / Equity Forum 2012 Frankfurt	12. – 14. November 2012

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STATEMENT RELATING TO THE FUTURE

This interim report contains statements that relate to the future and are based on assumptions and estimates made by the management of Francotyp-Postalia Holding AG. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. Francotyp-Postalia Holding AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this interim report. It is neither the intention of Francotyp-Postalia Holding AG nor does Francotyp-Postalia Holding AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The interim report is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at <http://www.francotyp.com>.

