

INTERIM REPORT III / 2012

MAIL COMMUNICATION OF THE FUTURE



 PostBase

The image shows a close-up of a modern, grey and black machine, likely a mail sorting or processing unit. The machine has a large, dark, rectangular display area. The 'PostBase' logo and name are printed in white on the top left of the display area. The machine's design is sleek and industrial.

KEY FIGURES FOR THE FIRST 9 MONTHS OF 2012

Figures in accordance with consolidated financial statements in EUR millions	1.1. – 30.9.2012	1.1. – 30.9.2011	Changes in %	1.7. – 30.9.2012	1.7. – 30.9.2011	Changes in %
Revenues	123.9	118.9	4.3	41.2	38.0	8.6
Recurring Revenue	99.3	92.7	7.0	33.4	30.2	10.8
EBITDA	14.0	8.4	65.7	5.4	4.6	17.7
as percentage of revenue	11.3	7.1		13.0	12.1	
Operating income EBIT	6.9	-2.8	n/a	2.8	0.7	n/a
as percentage of revenue	5.5	n/a		6.9	n/a	
Net income / lost	3.5	-5.1	n/a	1.8	-0.9	n/a
as percentage of revenue	2.8	n/a		4.3	n/a	
Free Cashflow	-5.7	-0.3	n/a			
as percentage of revenue	n/a	0.6				
	30.9.2012	31.12.2011				
Equity capital	16.2	14.7				
Shareholders equity	23.0	15.9	44.8			
as percentage of revenue	16.3	11.9				
Return on equity (%)	15.2	-31.9				
Debt capital	118.1	117.2	0.8			
Net debt	32.4	32.0	8.0			
Net indebtedness percent	141	189	-25.4			
Balance sheet total	141.1	133.1	6.0			
Earning per share in EUR	0.23	-0.32	n/a			
Employees (exact number)	1,099	1,145	-4.0			

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

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and gentlemen,

a new production site, a new franking system, a new sales strategy: in the first half of 2012, the FP Group was faced with a number of challenges and, as reported, had to readjust on certain fronts. In the third quarter of 2012, however, the Company successfully overcame all of these temporary difficulties: production in Wittenberge has reached a steady state and sales of franking machines developed positively.

The upshot: compared with the second quarter of 2012, EBITDA in the past quarter improved by 20% to EUR 5.4 million, while Group profit rose by as much as 69% to EUR 1.8 million. After the first nine months of the year, EBITDA amounted to EUR 14.0 million, while Group profit totalled EUR 3.5 million; by contrast, the FP Group reported EBITDA of EUR 8.4 million and a Group loss of EUR 5.1 million in the first nine months of 2011.

This rising profitability is attributable to a large extent to the successful completion of the production restructuring. The new production site in Wittenberge is significantly more efficient than the old site in Birkenwerder. At present, the positive effects are partially covered by the strong revenue growth in the comparatively low-margin consolidation business. Irrespective of this, the EBITDA margin of the FP Group increased to 13.0% in the third quarter of 2012 after 10% and 11% in the first two quarters of the current year.

This improved efficiency is proving to be particularly valuable in the current economic environment. In the past quarter, there were increased signs of an economic downturn. The leading German economic research institutes are forecasting a reduction in investment of one percent in the current year, although the economy as a whole is set to continue to grow. For the FP Group, this lower propensity to invest is being reflected in particular in the sales of new franking machines in Germany. However, the impact on the FP Group's total revenue is limited, as almost 80% of this figure is attributable to recurring revenue.

Over the coming years, growing demand for the De-Mail solution is expected to be one of the drivers of recurring revenue. In September 2012, the Federal Cabinet adopted the German E-Government Act, which is likely to accelerate the use of legally binding De-Mail in communications with German authorities. According to the German Federal Ministry of the Interior, the legislation is scheduled to come into force in the first half of 2013. By contrast, the increase in postage in Germany will not lead to revenue growth – unlike in the USA, for example. In accordance with the existing agreements with Deutsche Post AG, changes in prices and tariffs are implemented free of charge for users of FRANKIT systems. However, revenue potential is expected to be generated from other changes, such as the increase in the consolidation rebate and the discontinuation of the Info-brief. This means that charitable organisations and smaller companies in particular are likely to increasingly consider using hybrid mail solutions or consolidation services.

The FP Group offers all of these services from a single source. In the past years, our Company has developed into a full-service provider for mail processing and achieves an innovative edge on the marketplace. We intend to build on these foundations and establish ourselves to an even greater extent as the contact partner for outbound mail for companies of all sizes, in Germany and abroad. We would be delighted if you would continue to accompany the FP Group on its path, and we would like to take this opportunity to thank you, our shareholders, as well as our customers and partners for your continued confidence in us.

Sincerely



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 MANAGEMENT REPORT

FOR THE FIRST NINE MONTHS 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 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. In addition to leasing/rental income, 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 iab GmbH, 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 GmbH. 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 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 post-code and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor.

Employees

As at 30 September 2012, the FP Group employed a total of 1,099 people worldwide compared with 1,140 employees in the previous year. Accordingly, as at 30 September 2012, 699 employees were attributable to the German companies (previous year: 733) and 400 to foreign subsidiaries (previous year: 407).

In Germany, a total of 437 employees belonged to the Franking and Inserting segment (previous year: 469) and 262 to the Software Solutions and Mail Services segments (previous year: 264). As at 30 September 2012, freesort employed 175 people compared with 186 employees in the previous year. At iab, the number of employees rose slightly from 55 to 57. As at 30 September 2012, 30 people were employed at Mentana-Claimsoft after 22 in the previous year. The increase in personnel in this segment underlines the increasing significance of the Software business for the Company.

Production at the Birkenwerder site was discontinued as scheduled at the end of March 2012. A total of 101 employees were affected by the closure, the majority of which were attributable to FP GmbH. Accordingly, the number of employees at FP GmbH declined from 214 (30 September 2011) to 113 (30 September 2012). The closure of the production site in Birkenwerder was accompanied by the establishment of a new site in Wittenberge. At the end of the third quarter of 2012, the new site had 52 employees.

Research and development

In the first three quarters of 2012, research and development expenses came to a total of EUR 6.8 million, down 4.6% on the prior-year figure of EUR 7.1 million. Of this figure, EUR 4.0 million was capitalised in accordance with IAS 38, compared with EUR 3.4 million in the previous year. A total of EUR 2.8 million was expensed, as against EUR 3.7 million in the previous year. Accordingly, the ratio of research and development expenses to revenue decreased to 5.5% in the first nine months of 2012 (previous year: 6.0%).

The main focus of research and development activities in recent months was the development of the innovative franking system platform PostBase. Pilot series production began in the second quarter of 2012. The national variant for Austria was also developed. PostBase was approved in Austria in September.

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.

GENERAL ENVIRONMENT

There was a slowdown in the global economy in the third quarter of 2012. According to estimates, the euro zone economy contracted over the past three months. According to their latest joint forecast, the Munich-based ifo Institut für Wirtschaftsforschung, the French statistics authority Insee and the Italian research institute Istat expect GDP to decline by 0.2% in the third quarter and by a further 0.1% in the fourth quarter.

Experts also expect the German economy to have seen a weak third quarter of 2012. The German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung) is forecasting GDP growth of 0.3% in Germany, the FP Group's domestic market. Sentiment in Germany has also continued to deteriorate, with the ifo business climate index, one of the most important indicators for the German economy, falling in September 2012 for the fifth month in a row.

In the USA, the FP Group's largest export market, the economy saw slightly stronger growth than expected in the third quarter of 2012. GDP growth calculated on an annual basis is 2.0%.

The exchange rate between the euro and the US dollar is of paramount importance for the exports of the FP Group. On the whole, the euro strengthened slightly in the third quarter. The exchange rate of USD 1.26 at the start of the quarter was followed by a low for the year to date of USD 1.21 in mid-July; following this, however, the euro recovered to USD 1.29 at the end of the quarter.

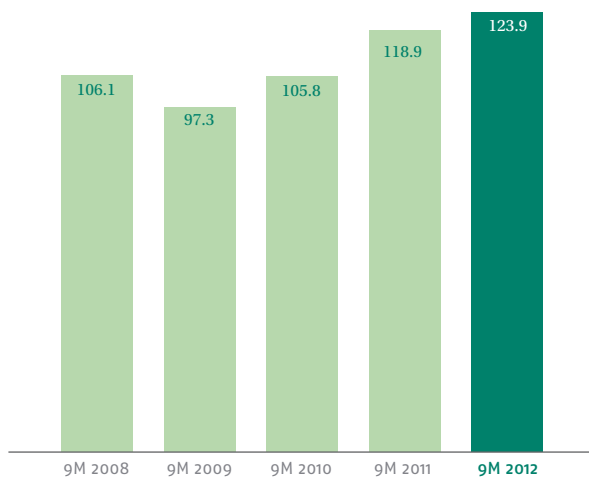
NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenue

In the third quarter of 2012, the FP Group increased its revenue to EUR 41.2 million after EUR 38.0 million in the same period of the previous year. In the first nine months of the year, revenue improved to EUR 123.9 million as against EUR 118.9 million in the previous year. Germany again constituted the biggest market of the FP Group: domestic revenue amounted to EUR 69.1 million after EUR 66.1 million in the first nine months of the previous year, while foreign revenue improved to EUR 57.1 million after EUR 52.4 million in the previous year.

REVENUE
in EUR million



In Germany, revenue in the Mail Services segment increased by 16.6% year-on-year to EUR 30.0 million in the first nine months of 2012. As reported, direct sales in Germany increasingly marketed the multi-channel services of the FP Group in the first half of the year. The consolidation services of freesort met with particularly high interest. In the third quarter of 2012, freesort increased its revenue to EUR 10.5 million after EUR 8.8 million in the same period of the previous year.

Recurring revenue from the Mail Services and Software business and from service agreements, leasing/rental, teleporto and the sale of consumables for approximately 250,000 franking machines worldwide increased to EUR 99.3 million in the first nine months of 2012 compared with EUR 92.7 million in the prior-year period.

On a nine-month basis, income from product sales was down from EUR 26.1 million in the previous year to EUR 24.7 million. However, revenue in the third quarter remained at the prior-year level of EUR 7.8 million. The challenges in the process and supply chain at the new production site in Wittenberge that were reported at the end of the first half of the year were resolved in the third quarter of 2012, meaning that the Group also overcame its supply problems. However, this was not sufficient to compensate for the losses recorded in the first two quarters.

REVENUE BY PRODUCT AND SERVICE*

in EUR million	1.1. – 30.9.2012	1.1. – 30.9.2011	Q3 2012	Q3 2011
Recurring revenue	99.3	92.7	33.4	30.2
Leasing/rental	17.9	15.9	6.3	5.3
Services/customer service	18.9	19.8	6.0	5.8
Consumables	15.0	15.0	4.8	4.7
Teleporto	9.0	9.0	3.0	3.0
Mail services	30.0	25.7	10.5	8.8
Software	8.5	7.3	2.8	2.5
Income from product sales	24.7	26.1	7.8	7.8
Franking	18.7	20.2	6.2	6.0
Inserting	4.8	5.1	1.3	1.4
Other	1.3	0.8	0.3	0.4
Total	123.9	118.9	41.2	38.0
Recurring revenue	80.1%	78.0%	81.1%	79.5%
Non-recurring revenue	19.9%	22.0%	18.9%	20.5%

* Revenue in accordance with IFRS without inter-segment revenue

Earnings development

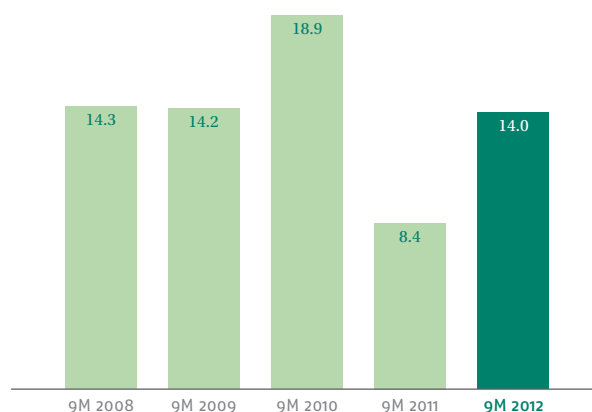
In the first quarter of the current year, the Company completed the establishment of production in Wittenberge and the discontinuation of production in Birkenwerder as at 31 March 2012. After the parallel operation of both sites was concluded, the Company was faced with challenges in the supply and process chain; these were resolved in the third quarter. Production in Wittenberge has been in a steady state since the summer.

The increased efficiency of the new production site helped to increase EBITDA (earnings before interest, taxes, depreciation and amortisation) significantly to EUR 14.0 million in the first nine months of 2012 after EUR 8.4 million in the same period of the previous year. At EUR 5.4 million, EBITDA in the third quarter of the current financial year was also higher than in the previous quarter (EUR 4.5 million) and the same quarter of the previous year (EUR 4.6 million).

EBIT enjoyed similarly positive development, improving from EUR 0.7 million to EUR 2.8 million in the third quarter of 2012, and from EUR 2.8 million to EUR 6.9 million in the first nine months of 2012.

As in the first two quarters of 2012, the FP Group generated a profit in the third quarter: the consolidated net result amounted to EUR 1.8 million after EUR -0.9 million in the same period of the previous year, while the figure for the first nine months was EUR 3.5 million compared with EUR -5.1 million in the corresponding prior-year period.

EBITDA in EUR million



Cost of materials

In the third quarter of 2012, the cost of materials increased to EUR 18.5 million after EUR 15.0 in the same period of the previous year; this was primarily due to the higher revenue share attributable to consolidation business. As a result, the cost of materials ratio also rose to 45.0% after 39.5% in the third quarter of the previous year. In the first nine months of 2012, the cost of materials amounted to EUR 53.9 million after EUR 46.9 million in the previous year.

In the first nine months of 2012, expenses for raw materials, consumables and supplies increased to EUR 22.9 million compared with EUR 20.4 million in the same period of the previous year. Due to the increased revenue from consolidation business, the cost of purchased services rose to EUR 31.0 million as against EUR 26.5 million in the prior-year period. Of this figure, EUR 22.6 million was attributable to freesort alone. On a quarterly basis, the cost of purchased services at Group level amounted to EUR 10.9 million after EUR 9.1 million in the previous year.

CHANGES IN MATERIAL ITEMS IN THE GROUP STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1.1. – 30.9.2012	1.1. – 30.9.2011	Q3 2012	Q3 2011
Disclosures on the Group statement of comprehensive income				
Revenue	123.9	118.9	41.2	38.0
Inventory changes	-0.3	0.7	-0.2	-0.3
Other capitalised own work	8.7	6.2	3.2	2.0
Overall performance	132.3	125.7	44.2	39.8
Other operating income	2.2	4.2	0.6	1.6
Cost of materials	53.9	46.9	18.5	15.0
Staff expenses	41.2	47.3	12.8	13.0
Depreciation, amortisation and impairment losses	7.1	11.3	2.5	3.9
Other operating expenses	25.4	27.2	8.1	8.7
Operating income before special income and expenditure	6.9	-2.8	2.6	0.7
Net interest income/expense	-1.7	-2.0	-0.6	-0.6
Other financial result	-0.2	-0.2	0.4	-0.9
Tax result	-1.5	0.0	-0.9	-0.1
Consolidated net result	3.5	-5.1	1.8	-0.9
EBIT	6.9	-2.8	2.8	0.7
EBITDA	14.0	8.4	5.4	4.6

Staff expenses

Staff expenses decreased to EUR 41.2 million in the first three quarters of 2012 compared with EUR 47.3 million in the previous year. In the previous year, restructuring measures in Germany and the Netherlands resulted in one-off expenses. Accordingly, the staff expenses ratio fell to 32.9% as against 39.8% in the prior-year period. Staff expenses for the third quarter declined from EUR 13.0 million to EUR 12.8 million.

Other operating expenses

In the third quarter of 2012, other operating expenses declined to EUR 8.1 million after EUR 8.7 million in the previous year. The prior-year figure was impacted by restructuring costs of EUR 0.4 million. In the first nine months of 2012, other operating expenses fell to EUR 25.4 million as against EUR 27.2 million in the previous year. The prior-year figure contained restructuring expenses of EUR 2.6 million.

EBITDA

In the third quarter of 2012, the FP Group generated EBITDA (earnings before interest, taxes, depreciation and amortisation) of EUR 5.4 million compared with EUR 4.6 million in the same period of the previous year. This means that earnings also increased compared with the second quarter of 2012 (EUR 4.5 million). EBITDA for the first nine months amounted to EUR 14.0 million after EUR 8.4 million in the previous year.

Depreciation, amortisation and impairment losses

In line with planning, depreciation, amortisation, and impairment losses declined to EUR 2.5 million in the third quarter of 2012 compared with EUR 3.9 million in the previous year. This development was driven by the lack of depreciation on assets capitalised as part of the acquisition of iab and freesort, which amounted to EUR 0.7 million in the comparable prior-year period, as well as reversals of write-downs in the amount of EUR 0.5 million in connection with the acquisition of the FP Group in 2005. The overall effect of these items amounted to EUR 3.5 million in the first nine months of 2012. On a nine-month basis, depreciation, amortisation, and write-downs decreased significantly from EUR 11.3 million to EUR 7.1 million.

Net interest expense

Net interest expense in the third quarter of the current year amounted to EUR -0.6 million as against EUR -0.6 million in the previous year. Interest income increased slightly to EUR 0.4 million after EUR 0.3 million in the previous year; this was offset by an increase in interest expenses to EUR 1.0 million compared with EUR 0.9 million in the previous year. Net interest expense for the first nine months amounted to EUR -1.7 million as against EUR -2.0 million in the prior-year period.

Net financial expense/income

The FP Group generated net financial income of EUR 0.4 million in the third quarter of 2012, which was attributable in particular to the lower level of financial expenses. Net financial expense of EUR -0.9 million was reported in the same period of the previous year. On a nine-month basis, net finance expense was largely unchanged at EUR -0.2 million.

Tax result

The tax result in the third quarter of 2012 consisted of tax income of EUR 0.4 million and tax expenses of EUR 1.2 million. Overall, the tax result amounted to EUR -0.9 million compared with EUR -0.1 million in the same period of the previous year. The tax result for the first nine months was EUR -1.5 million compared with EUR 0.0 million in the prior-year period.

Consolidated net income

In the third quarter of 2012, the FP Group again improved its consolidated net income before minority interests to EUR 1.8 million. In the same period of the previous year, the Company reported consolidated net income of EUR -0.9 million due to the impact of the restructuring. On a nine-month basis, consolidated net income increased from EUR -5.1 million to EUR 3.5 million. Earnings per share for the first nine months of 2012 amounted to EUR 0.23 after EUR -0.32 in the first nine months of 2011.

COURSE OF BUSINESS BY SEGMENTS

The Company is divided into four segments, namely Sales Germany, International Sales, Production, 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

In the first nine months of 2012, the FP Group generated revenue of EUR 66.1 million with third parties in its German domestic market, compared with EUR 64.3 million in the same period of the previous year.

In the Mail Services segment alone, which includes revenue from the consolidation specialist freesort, revenue rose to EUR 30.0 million compared with EUR 25.7 million in the previous year. Revenue in the Software Solutions segment improved to EUR 8.5 million, compared with EUR 7.3 million in the first nine months of 2011.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, reported revenue of EUR 27.6 million in the first nine months of 2012 after EUR 31.2 million in the previous year. In the second quarter, the Company was still faced with difficulties in the production process and supply chain. These impacted the FP Group mainly in Germany, its biggest market, where customers are supplied directly from the factory. In the third quarter,

the Company overcame these challenges and is now selling more franking machines, thereby generating revenue growth between the second quarter (EUR 9.0 million) and the third quarter 2012 (EUR 9.3 million). At EUR 9.3 million, however, VSG's revenue for the third quarter 2012 was still lower than the corresponding prior-year figure of EUR 9.6 million.

Among other things, the positive development in the third quarter of 2012 was driven by a change in the strategy for addressing new customers, after the use of telesales for the new franking system PostBase in the first half of 2012 failed to achieve the desired results. In contrast to the USA and the UK, the response among customers to telephone contact has remained restrained. Now that the German sales team is personally addressing potential customers to a greater extent, sales of franking machines are on the rise; however, the sales organisation in Germany is finding that the propensity to invest on the part of customers is falling.

The challenges in the first half of 2012 meant that segment EBITDA for the first nine months of the current year amounted to EUR 3.5 million compared with EUR 4.8 million in the previous year. At EUR 1.6 million, however, EBITDA for the third quarter of 2012 almost returned to the prior-year level of EUR 1.8 million.

Sales International segment

In its Sales International segment, in which all activities by foreign subsidiaries are combined, the FP Group generated revenue of EUR 55.6 million with third parties in the first nine months of 2012 after EUR 52.3 million in the same period of the previous year. This revenue shows a positive exchange rate effect in the amount of EUR 3.4 million.

At EUR 11.5 million, EBITDA in the Sales International segment was up slightly on the prior-year figure of EUR 11.0 million.

Production segment

The FP Group consolidates its production activities in Germany in the Production segment. Revenue with third parties in this segment amounted to EUR 3.4 million in the first nine months of 2012 after EUR 3.9 million in the same period of the previous year.

In summer 2012, the Company overcame the temporary difficulties resulting from the move of production to the new Wittenberge site. Accordingly, EBITDA in this

segment improved to EUR 1.4 million in the third quarter of 2012 after EUR -0.8 million in the same period of the previous year. Thanks to the third quarter, segment EBITDA after the first nine months of the year amounted to EUR 1.9 million compared with EUR -6.7 million in the corresponding prior-year period.

The previous year saw expenses for restructuring, while in the first half of 2012 the parallel operation of the two locations led to additional charges.

SUMMARY OF RESULTS PER SEGMENT

in EUR million	Revenue ¹⁾			EBITDA		
	Q3 2012	Q3 2011	Change in %	Q3 2012	Q3 2011	Change in %
Sales Germany	22.6	21.0	7.5	1.6	1.8	-11.1
Sales International	17.5	16.1	8.5	3.2	3.4	-5.9
Production	1.1	1.3	-16.1	1.4	-0.8	n/a
FP Group ²⁾	41.2	38.0	8.4	5.4	4.6	13.0
	1.1. – 30.9.2012	1.1. – 30.9.2011	Change in %	1.1. – 30.9.2012	1.1. – 30.9.2011	Change in %
Sales Germany	66.1	64.3	2.8	3.5	4.8	-26.7
Sales International	55.6	52.3	6.4	11.5	11.0	4.9
Production	3.4	3.9	-13.4	1.9	-6.7	n/a
FP Group ²⁾	123.9	118.9	4.2	14.0	8.4	64.3

1) Sales revenue with external third parties

2) The segment "Central Functions" is also shown in the segment reporting. The segment generates 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

Financing analysis

Financial liabilities increased to EUR 42.0 million at the end of the third quarter of 2012 compared with EUR 38.2 million as at 31 December 2011. Cash and cash equivalents rose to EUR 27.8 million at the reporting date 2012 after EUR 25.9 million as at 31 December 2011.

Liabilities include borrowings of EUR 39.0 million and finance lease liabilities of EUR 3.0 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 in the amount of EUR 20.7 million.

The resulting net debt ratio is monitored on an ongoing basis. As at the end of the first nine months of 2012, the figure was as follows:

CHANGES IN NET DEBT

in EUR million	30.9.2012	31.12.2011
Liabilities	42.0	38.2
Funds	-9.7	-8.2
Net debt	32.4	30.0
Shareholders' equity	23.0	15.9
Net debt ratio	141 %	189 %

Further to the syndicated loan agreement of 21 February 2011, a supplementary agreement was concluded on 14 March 2012 that serves financing 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 as at 31 March 2012. Above and beyond the loan volume previously agreed, FP will receive a further loan in the amount of EUR 4.1 million. 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 was deferred. This amount will also 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. 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 thereby 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 in particular on investments that will facilitate the Company's ongoing development into a multi-channel provider for mail communication. In the first nine months of 2012, investments amounted to EUR 10.2 million after EUR 11.4 million in the same period of the previous year. Capitalised development costs rose to EUR 4.0 million in the first three quarters of 2012 as against EUR 3.5 million in the prior-year period. This was due to two reasons: the FP Group increased its development costs for the Phoenix project, in which context the new and innovative PostBase franking system was developed, while also capitalising costs in connection with the development of De-Mail.

Investments in other intangible assets rose to EUR 0.5 million in the first nine months of 2012 compared with EUR 0.2 million in the previous year. Investments in property, plant and equipment excluding leased products decreased to EUR 1.5 million in the first nine months of 2012 after EUR 3.0 million in the same period of the previous year. Investments in leased products amounted to EUR 4.7 million after EUR 3.0 million in the previous year.

CAPITAL EXPENDITURE

in EUR million	1.1. – 30.9.2012	1.1. – 30.9.2011
Capitalised development costs	4.0	3.5
Investments in other intangible assets	0.5	0.2
Investments in property, plant and equipment (excluding leased products)	1.5	3.7
Investments in leased products	4.7	3.0
Investments in company acquisitions	0.0	1.0
Proceeds from the disposal of non-current assets	-0.5	-0.1
Capital expenditure	10.2	11.4

Liquidity analysis

In the first nine months of 2012, cash flow from operating activities fell to EUR 4.5 million after EUR 11.1 million in the previous year. This is mainly due to the severance payment for (former) employees in connection with the discontinuation of production at the Birkenwerder location. In the third quarter of 2012, however, cash flow from operating activities increased to EUR 3.4 million compared with EUR 2.6 million one year previously. Net working capital, i. e. inventories plus trade receivables less trade payables, increased to EUR 23.3 million following EUR 17.4 million at year-end 2011.

The cash outflow from investing activities amounted to EUR 10.2 million in the first nine months of 2012 compared with EUR 11.4 million in the same period of the previous year.

As a result, free cash flow – the balance of cash inflows from operating activities and cash outflows from investing activities – totalled EUR -5.7 million after EUR -0.3 million in the same period in the previous year. Here, too, a comparison of the quarterly figures illustrates the progress made by the FP Group: the Company generated free cash flow of EUR 0.4 million in the third quarter of 2012 compared with EUR -1.0 million in the same period of the previous year.

In the first nine months of 2012, cash flow from financing activities amounted to EUR 7.2 million compared with EUR -8.2 million in the previous year. This was primarily due to the proceeds from the capital increase in the amount of EUR 3.7 million and bank loans in the amount of EUR 4.1 million.

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

LIQUIDITY ANALYSIS

in EUR million	1.1. – 30.9.2012	1.1. – 30.9.2011
1. Cash flow from operating activities		
Cash flow from operating activities	4.5	11.1
2. Cash flow from investing activities		
Cash flow from investing activities	-10.2	-11.4
3. Cash flow from financing activities		
Cash flow from financing activities	7.2	-8.2
Cash and cash equivalents		
Change in cash and cash equivalents	1.4	-8.5
Change in cash and cash equivalents due to currency translation	0.1	0.0
Cash and cash equivalents at beginning of period	6.3	13.4
Cash and cash equivalents at end of period	7.9	5.0

NET ASSETS

Compared with 31 December 2011, total assets increased by EUR 8.1 million to EUR 141.1 million. The ratio of non-current assets to total assets rose from 46.8% to 47.6%. As at 30 September 2012, the ratio of current assets to current liabilities was 105.1%, compared with 99.8% as at 31 December 2011.

Within non-current assets, intangible assets increased from EUR 31.3 million to EUR 33.7 million. This includes goodwill, intangible assets including customer lists, and development projects in progress.

Property, plant, and equipment increased from EUR 19.7 million as at the end of 2011 to EUR 21.0 million as at 30 September 2012. This was due to the increase in land and buildings and other equipment, as well as leased products. Deferred tax assets increased slightly from EUR 9.3 million to EUR 10.3 million.

Within current assets, inventories increased from EUR 11.0 million to EUR 13.5 million; compared with 30 June 2012 (EUR 14.5 million), however, current assets declined as planned due to the reduction in raw materials, consumables, and supplies and work in progress. Trade receivables remained essentially unchanged year-on-year at EUR 16.5 million after EUR 16.6 million at year-end 2011. Securities in the amount of EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee issued to Deutsche Post AG. Cash and cash equivalents increased from EUR 25.9 million to EUR 27.8 million.

As a result of the increase in subscribed capital as well as the positive consolidated net income and higher capital reserves, shareholders' equity improved significantly to EUR 23.0 million as at 30 September 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, as a result of the successful private placement. No shares have been issued with special rights. As at 30 September 2012, the Company held as in the last year a total of 370,444 own shares, corresponding to 2.29% of the share capital.

As at 30 September 2012, current liabilities decreased slightly to EUR 70.4 million after EUR 70.9 million at the end of 2011. Within current liabilities, current financial liabilities increased from EUR 7.8 million at year-end 2011 to EUR 10.8 million at the reporting date. Current provisions declined due to the payment of severance payments for (former) employees in connection with the discontinuation of the production site in Birkenwerder from EUR 11.0 million to EUR 5.1 million, while trade payables fell from EUR 10.2 million to EUR 6.7 million. In contrast, other current liabilities increased from EUR 40.4 million to EUR 45.1 million.

Non-current liabilities increased slightly from EUR 46.3 million to EUR 47.7 million. The largest item was non-current financial liabilities, which amounted to EUR 31.3 million as of 30 September 2012.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the interim reporting date (30 September 2012).

RISK AND OPPORTUNITY REPORT

The Company discussed its opportunities and risks in detail in the consolidated financial statements dated 31 December 2011. No further risks and opportunities are currently discernible.

FORECAST

The Company is confirming the revised guidance it issued at the end of the first half of 2012. For the year as a whole, the FP Group is continuing to forecast revenue of at least EUR 161 million, EBITDA of EUR 19–21 million and EBIT of EUR 8–10 million.

The FP Group is strategically on the right track: PostBase, the new innovative franking system, is being very well received on the market, and interest in the De-Mail solution is high. Following the conclusion of the restructuring, the Company is also enjoying considerable cost benefits and can now operate more efficiently on the market with a streamlined organisation. The Company is confident of a sustainable strengthening of its earnings power in the coming years, not least thanks to the earnings growth in the first nine months of 2012, and views the problems that arose in the first half of the year as merely temporary challenges.

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 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.

The statements above are based on current knowledge at the end of the third quarter of 2012. Please note that the planning data presented here may differ from the actual amounts recorded.

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CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2012

in EUR thousand	1.1. – 30.9.2012	1.1. – 30.9.2011	1.7. – 30.9.2012	1.7. – 30.9.2011
Revenue	123,941	118,853	41,239	37,990
Changes in inventories of finished goods and work in progress	-333	658	-242	-310
	123,608	119,511	40,997	37,680
Other capitalised own work	8,698	6,191	3,239	2,033
Other income	2,204	4,161	561	1,575
Cost of materials				
a) Cost of raw materials, consumables, and supplies	22,929	20,440	7,663	5,934
b) Cost of services purchased	30,981	26,485	10,875	9,064
	53,910	46,925	18,538	14,998
Staff expenses				
a) Wages and salaries	34,520	40,387	10,681	10,759
b) Social security contributions	6,014	6,198	1,813	2,114
c) Expenses for pensions and other benefits	677	762	328	107
	41,211	47,347	12,822	12,980
Depreciation, amortisation, and impairment losses	7,119	11,277	2,532	3,854
Other expenses	25,413	27,156	8,061	8,742
Net interest income/expense				
a) Interest and similar income	958	938	371	314
b) Interest and similar expenses	2,645	2,927	989	895
	-1,687	-1,989	-618	-581
Other financial result				
a) Other financial income	1,047	976	55	84
b) Other financial expenses	1,214	1,176	-370	951
	-167	-200	425	-867
Tax result				
a) Tax income	2,473	3,982	358	1,213
b) Tax expense	3,986	4,016	1,246	1,337
	-1,513	-34	-888	-124
Consolidated net income	3,490	-5,065	1,763	-858
Other comprehensive income				
Translation of financial statements of foreign entities	-237	-176	-444	1,378
of which taxes	85	140	132	39
of which reformatted in the consolidated net income	-303	-55	-470	-55
Cash flow hedges	0	21	0	0
of which taxes	0	0	0	0
of which reformatted in the consolidated net income	0	21	0	0
Other comprehensive income after taxes	-237	-155	-444	1,378
Comprehensive income	3,253	-5,220	1,319	520
Consolidated net income for the year	3,490	-5,065	1,763	-858
– of which attributable to the shareholders of FP Group	3,492	-4,525	1,808	-639
– consolidated net profit attributable to minority interests	-2	-540	-45	-219
Comprehensive income	3,253	-5,220	1,319	520
– of which attributable to the shareholders of FP Group	3,255	-4,680	1,364	739
– of which attributable to minority interests	-2	-540	-45	-219
Earnings per share (basic and diluted):	0.23	-0.32	0.13	-0.04

CONSOLIDATED BALANCE SHEET OF 30 SEPTEMBER 2012

ASSETS

in EUR thousand	30.9.2012	31.12.2011
Non-current assets		
Intangible assets		
Intangible assets including customer lists	17,315	10,419
Goodwill	10,016	10,016
Development projects in progress	6,384	10,882
	33,715	31,317
Property, plant, and equipment		
Land, land rights, and buildings	2,203	1,058
Technical equipment and machinery	1,032	1,145
Other equipment, operating and office equipment	4,396	2,562
Leased products	9,769	8,525
Advance payments and assets under construction	163	2,706
Assets under finance leases	3,445	3,753
	21,008	19,749
Other assets		
Associated companies	59	59
Other equity investments	163	163
Finance lease receivables	1,748	1,585
Other non-current assets	197	160
	2,167	1,967
Deferred tax assets	10,258	9,270
	67,148	62,303
Current assets		
Inventories		
Raw materials, consumables, and supplies	6,877	4,021
Work in progress	964	996
Finished products and merchandise	5,688	5,988
	13,529	11,005
Trade receivables	16,513	16,627
Other assets		
Finance lease receivables	1,456	1,762
Income tax assets	5,522	5,587
Derivative financial instruments	8	59
Other current assets	8,460	9,169
	15,446	16,577
Securities	679	678
Cash	27,832	25,867
	73,999	70,754
	141,147	133,057

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2012

in EUR thousand	1.1. – 30.9.2012	1.1. – 30.9.2011
Cash flow from operating activities		
Consolidated net income	3,490	-5,065
Income tax result recognised in profit or loss	1,512	34
Net interest income recognised in profit or loss	1,687	1,989
Depreciation and amortisation of non-current assets	7,119	11,277
Decrease (-)/increase (+) in provisions and tax liabilities	-5,538	5,514
Changes in deferred taxes	-552	0
Loss (+)/gain (-) on the disposal of non-current assets	-342	1,034
Decrease (+) / increase (-) in inventory, trade receivables, and other assets not attributable to investing or financing activities	-904	1,222
Increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	738	-982
Other non-cash expenses and income	172	243
Government assistance not yet received	-1,091	-980
Interest received	958	938
Interest paid	-1,903	-1,981
Income tax paid	-881	-2,130
Cash flow from operating activities	4,465	11,113
Cash flow from investing activities		
Cash paid for internally generated intangible assets	0	-73
Cash payments for the capitalisation of development costs	-3,964	-3,443
Proceeds from the disposal of non-current assets	478	105
Cash paid for investments in intangible assets	-501	-222
Cash paid for investments in property, plant, and equipment	-6,204	-6,714
Cash paid for financial investments	0	-28
Cash paid for company acquisitions	0	-999
Cash flow from investing activities	-10,191	-11,374
Cash flow from financing activities		
Cash outflows from reverse repo transactions	267	0
Cash paid to repay bank loans	-2,168	-7,464
Cash payments to repay liabilities from finance leases	1,319	-723
Cash inflows as a result of issuing shares	3,655	0
Cash inflows from taking out bank loans	4,107	0
Cash flow from financing activities	7,180	-8,187
Cash and cash equivalents*		
Change in cash and cash equivalents	1,454	-8,448
Change in cash and cash equivalents due to currency translation	91	-22
Cash and cash equivalents at beginning of period	6,307	13,423
Cash and cash equivalents at end of period	7,852	4,953

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 20,659 thousand; in Q3/2011: EUR 18,963 thousand).
Cash and cash equivalents include current securities in the amount of EUR 679 thousand (in Q3/2011: EUR 676 thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2012

in EUR thousand	Sub- scribed capital	Capital reserves	Stock option reserve	Trea- sury shares	Net income/ loss	Other comprehensive income					Total
						Difference from currency translation	Net invest- ments in foreign operations	Derivative financial instru- ments	Equity attribut- able to FP Hold- ing	Minority interests	
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. – 30.9.2011	0	0	0	0	-4,525	0	0	0	-4,525	-540	-5,065
Translation of financial state- ments of foreign entities	0	0	0	0	0	811	-987	0	-176	0	-176
Cash flow hedges	0	0	0	0	0	0	0	21	21	0	21
Other comprehensive income 1.1. – 30.9.2011	0	0	0	0	0	811	-987	21	-155	0	-155
Comprehensive income 1.1. – 30.9.2011	0	0	0	0	-4,525	811	-987	21	-4,680	-540	-5,220
Capital increase from stock options	0	0	200	0	0	0	0	0	200	0	200
Changes in the group of consoli- dated companies	0	0	0	0	0	0	0	0	0	129	129
Balance at 30 September 2011	14,700	45,708	289	-1,829	-44,385	-495	-314	0	13,674	1,020	14,694
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. – 30.9.2012	0	0	0	0	3,492	0	0	0	3,492	-2	3,490
Translation of financial state- ments of foreign entities	0	0	0	0	0	-455	218	0	-237	0	-237
Other comprehensive income 1.1. – 30.9.2012	0	0	0	0	0	-455	218	0	-237	0	-237
Comprehensive income 1.1. – 30.9.2012	0	0	0	0	3,492	-455	218	0	3,255	-2	3,253
Capital increase	1,460	2,195	0	0	0	0	0	0	3,655	0	3,655
Capital increase from stock options	0	0	217	0	0	0	0	0	217	0	217
Balance at 30 September 2012	16,160	35,376	563	-1,829	-27,679	-1,062	851	0	22,380	632	23,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 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 30 September 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 aftersales 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 GmbH and its majority shareholdings in iab GmbH and Mentana-Claimsoft GmbH.

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 12 November 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 30 September 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 30 September 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 30 September 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:

EUR 1 =	Rate on the reporting date			Average rate	
	30.9.2012	31.12.2011	30.9.2011	1.1.2012 – 30.9.2012	1.1.2011 – 30.9.2011
US dollar (USD)	1.2922	1.2937	1.3497	1.2811	1.4072
Pound sterling (GBP)	0.7982	0.8369	0.8658	0.8122	0.8715
Canadian dollar (CAD)	1.2677	1.3197	1.4100	1.2841	1.3754
Swedish krona (SEK)	8.4385	8.9210	9.2610	8.7320	9.0098
Singapore dollar (SGD)	1.5847	1.6816	1.7550	1.6121	1.7545

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.

RESTRUCTURING/DEVELOPMENT 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 that the company produced here was the MyMail franking machine. The following weeks saw the start of production for the first machines of the new PostBase franking system; pilot series production was ramped up in the second quarter of 2012. The discontinuation of production at the Birkenwerder site was completed at 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 were eliminated. With the exception of one case, all labour law issues have been settled as of 30 September 2012. Court settlements were generally agreed here.

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.

FP received a further loan C amounting to EUR 4,107 thousand in addition to the previously agreed lending volume. The utilisation of the loan will be repaid in ten monthly instalments each of EUR 411 thousand beginning on 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 partial amount will be repaid in ten equal monthly instalments beginning on 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.

The new shares were taken up immediately following approval by the Supervisory Board in the context of a private placement by 3R Investments Ltd., Cyprus. The capital increase was thus placed successfully. The issue price was EUR 2.66 per share; the company received gross proceeds of EUR 3.9 million from the issue.

APPROVAL OF 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. Thanks to numerous innovations in the area of mechatronics and navigation software, PostBase connects the analogue and digital worlds of mail. A touch-screen 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 RECEIVES 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 inflows and outflows from ongoing operating, investing and financing activities.

The cash and cash equivalents were calculated as follows:

EUR thousand	30.9.2012	30.9.2011
Cash	27,832	23,240
plus securities	679	676
Current liabilities from postage credit balances managed	-20,659	-18,963
Cash and cash equivalents	7,852	4,953

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

	30.9.2012	30.9.2011
Germany	699	733
USA	119	120
United Kingdom	93	94
Netherlands	54	55
Canada	39	38
Belgium	23	29
Austria	21	21
Italy	21	20
Sweden	17	20
Singapore	9	8
France	4	2
Total	1,099	1,140

Functional distribution

	30.9.2012	30.9.2011
Sales Germany	498	479
Sales International	391	399
Production	194	251
Central Functions	16	11
Total	1,099	1,140

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 and increasingly trademark violations, form the subject of these disputes. These proceedings are geared towards the discontinuation of anticompetitive behaviour and the unauthorised use of trademarks and are not economically significant. If defeat occurs in a case, Francotyp-Postalia can employ alternative advertising measures.

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 30 September 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 intrasegment figures and intragroup profits. Consolidation takes place in the reconciliation column.

1.1. – 30.9.2012	A	B	C	D	Reconciliation to Group	Total
EUR thousand	Production	Sales Germany	Sales International	Central Functions		
Revenue	47,931	69,110	57,142	2,599	-52,841	123,941
- with third parties	3,377	66,058	55,610	0	-1,104	123,941
- intersegment	44,554	3,052	1,532	2,599	-51,737	0
EBITDA	1,927	3,509	11,514	-2,161	-811	13,977
Depreciation, amortisation, and impairment losses	854	2,092	6,055	68	-1,950	7,119
Net interest result	-735	-295	-186	-851	380	-1,687
- of which interest expense	1,881	742	571	2,316	-2,865	2,645
- of which interest income	1,146	447	385	1,465	-2,486	958
Other financial result	-63	0	14	-50	-68	-167
Tax result	79	26	-2,064	572	-125	-1,513
Net income	353	1,148	3,222	-2,558	1,326	3,492
Segment assets (at 30 September)	127,006	84,784	86,135	120,405	-277,183	141,147
Capital expenditure	1,274	625	7,579	49	1,321	10,848
Segment liabilities (at 30 September)	126,047	75,290	62,140	62,049	-207,392	118,134

1.1. – 30.9.2011	A	B	C	D	Reconciliation to Group	Total
EUR thousand	Production	Sales Germany	Sales International	Central Functions		
Revenue	40,564	66,064	52,369	2,674	-42,818	118,853
- with third parties	3,899	64,283	52,283	0	-1,612	118,853
- intersegment	36,665	1,781	86	2,674	-41,206	0
EBITDA	-6,736	4,786	10,972	-1,246	659	8,435
Depreciation, amortisation, and impairment losses	707	2,577	6,376	25	1,591	11,277
Net interest result	-2,758	943	-196	-391	412	-1,989
- of which interest expense	4,251	777	810	1,341	-4,251	2,927
- of which interest income	1,493	1,720	614	950	-3,839	938
Other financial result	-146	1	0	-321	266	-200
Tax result	-61	-153	-2,375	2,679	-124	-34
Net income	-10,409	2,999	2,025	697	-377	-5,065
Segment assets (at 30 September)	119,109	77,675	80,467	115,684	-264,002	128,934
Capital expenditure	2,959	1,025	4,952	477	3,447	12,859
Segment liabilities (at 30 September)	128,692	65,866	56,813	50,759	-187,891	114,239

EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
1.1. – 30.9.2012						
Provisions for restructuring	-4,499	-1,110	0	0	0	-5,609
Income from the reversal of provisions	479	84	0	0	0	563
1.1. – 30.9.2011						
Provisions for restructuring	6,996	825	0	0	0	7,821
Income from the reversal of provisions	149	65	0	23	0	237

RECONCILIATION IN EUR THOUSAND

Revenue	1.1. – 30.9.	
	2012	2011
Revenue of segments A–C	174,182	158,998
Revenue of Central Functions segment	2,599	2,674
Effects of finance lease adjustment	-1,104	-1,612
	175,677	160,059
Less intersegment revenue	51,737	41,206
Revenue according to financial statements	123,941	118,853
EBITDA	1.1. – 30.9.	
	2012	2011
EBITDA of segments A–C	16,949	9,023
EBITDA of Central Functions segment	-2,161	-1,246
	14,788	7,777
Measurement effects of reconciliation (IFRS)	2,395	1,469
Effects at consolidation level	-3,208	-812
Consolidated EBITDA	13,977	8,435
Depreciation, amortisation, and impairment losses	-7,119	-11,277
Net interest income/expense	-1,687	-1,989
Other financial result	-167	-200
Consolidated net profit before taxes	5,005	-5,031
Tax result	-1,513	-34
Consolidated net income	3,492	-5,065

Assets	30.9.2012	30.9.2011
Assets of segments A–C	297,925	277,253
Assets of Central Functions segment	120,405	115,684
	418,330	392,937
Capitalisation of development costs under IFRS	16,679	13,674
Effects of goodwill remeasurement	5,874	5,039
Effects of customer list amortisation	123	-1,387
Effects of amortisation of internally generated software	-15	-1,476
Other IFRS reconciliation	4,694	-26
	445,684	408,761
Effects at consolidation level (incl. elimination of intragroup balances)	-304,537	-279,828
Assets according to financial statements	141,147	129,934
Assets by region	30.9.2012	30.9.2011
Germany	332,196	300,758
USA and Canada	41,393	35,844
Europe (excl. Germany)	42,677	44,623
Other regions	2,063	11,710
	418,330	392,937
Effects of IFRS remeasurement	27,245	18,687
Effects of customer list amortisation	123	-1,387
Effects of amortisation of internally generated software	-15	-1,476
	445,684	408,761
Effects at consolidation level (incl. elimination of intragroup balances)	-304,537	-279,828
Assets according to financial statements	141,147	128,934

1.7. – 30.9.2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	18,386	23,680	17,941	742	-19,511	41,239
- with third parties	1,128	22,573	17,521	0	17	41,239
- intersegment	17,258	1,107	420	742	-19,527	0
EBITDA	1,454	1,565	3,168	-738	-72	5,377
Depreciation, amortisation, and impairment losses	299	679	1,904	42	-393	2,532
Net interest result	-192	-131	7	-462	158	-620
- of which interest expense	499	246	128	865	-748	989
- of which interest income	307	115	134	403	-590	369
Other financial result	279	0	-29	200	-23	427
Tax result	118	-4	-755	-112	-135	-887
Net income	1,360	752	487	-1,154	320	1,765
Segment assets (at 30 September)	127,006	84,784	86,135	120,405	-277,183	141,147
Capital expenditure	127	175	2,621	13	445	3,381
Segment liabilities (at 30 September)	126,047	75,290	62,140	62,049	-207,392	118,134
1.7. – 30.9.2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	12,371	21,683	16,187	974	-13,225	37,990
- with third parties	1,344	20,990	16,147	0	-491	37,990
- intersegment	11,027	693	40	974	-12,734	0
EBITDA	-822	1,809	3,433	-315	464	4,568
Depreciation, amortisation, and impairment losses	233	830	2,014	9	768	3,854
Net interest result	-547	349	-60	-501	177	-581
- of which interest expense	1,068	258	257	818	-1,505	895
- of which interest income	521	607	197	317	-1,328	314
Other financial result	-843	0	0	-281	257	-867
Tax result	-38	-82	-494	848	-357	-124
Net income	-2,481	1,246	864	-259	-230	-859
Segment assets (at 30 September)	119,109	77,675	2,782	115,684	-264,002	51,248
Capital expenditure	1,173	-38	1,756	24	700	3,615
Segment liabilities (at 30 September)	128,692	65,866	56,813	50,759	-187,891	114,239

RECONCILIATION IN EUR THOUSAND

Revenue	1.7. – 30.9.	
	2012	2011
Revenue of segments A–C	60,007	50,240
Revenue of Central Functions segment	742	974
Effects of finance lease adjustment	17	-491
	60,766	50,724
Less intersegment revenue	19,527	12,734
Revenue according to financial statements	41,239	37,990

EBITDA	1.7. – 30.9.	
	2012	2011
EBITDA of segments A–C	6,187	4,420
EBITDA of Central Functions segment	-738	-315
	5,449	4,104
Measurement effects of reconciliation (IFRS)	1,023	547
Effects at consolidation level	-1,095	-84
Consolidated EBITDA	5,377	4,567
Depreciation, amortisation, and impairment losses	-2,532	-3,854
Net interest income/expense	-620	-581
Other financial result	427	-867
Consolidated net profit before taxes	2,653	-734
Tax result	-887	-124
Consolidated net income	1,765	-859

The goodwill of EUR 10,016 thousand (previous year: EUR 10,016 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 statements 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, together 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, 12 November 2012

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

FINANCIAL CALENDAR / IMPRINT

Presentation 3rd Quarter Results 2012	12 November 2012
Presentation Preliminary Results 2012	28 February 2013
Presentation Consolidated Financial Statements 2012	25 April 2013
Presentation 1st Quarter Results 2013	23 May 2013
Annual Shareholder Meeting	27 June 2013
Presentation Half-year Results 2013	28 August 2013
Presentation 3rd Quarter Results 2013	November 2013

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TRANSLATION

EVS Translations GmbH, Offenbach
www.evs-translations.com

STATEMENT RELATING TO THE FUTURE

This interim financial 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 financial 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 financial 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>.

