FRANCOTYP-POSTALIA

HY 2007

Francotyp-Postalia Holding AG

HALF-YEARLY FINANCIAL REPORT

HALF-YEARLY FINANCIAL REPORT 2007

HY2007

// Overview

FRANCOTYP-POSTALIA GROUP	HY 2007	HY 2006	2nd Quarter 2007	2nd Quarter 2006
Figures in accordance with consolidated financial statements				
Revenues (million euros)	**75.1**	**71.4**	**37.4**	**33.8**
Increase in revenues (%)	5.1%	n/a	10.7%	n/a
_ Germany	27.6	26.3	13.5	12.0
_ Outside Germany	47.5	45.1	24.0	21.8
EBITDA (million euros)	**16.4**	**17.8**	**9.0**	**7.7**
in percentage of revenues	21.9%	24.9%	23.9%	22.7%
EBITDA, adjusted (million euros) [1]	**15.8**	**18.0**	**8.4**	**7.8**
in percentage of revenues	21.1%	25.2%	22.3%	23.1%
EBIT (million euros)	**2.2**	**5.3**	**1.9**	**1.3**
in percentage of revenues	3.0%	7.4%	5.0%	3.7%
Net income for the period (million euros)	**0.7**	**1.3**	**1.0**	**–0.2**
in percentage of revenues	0.9%	1.9%	2.6%	–0.6%
Investments[4] (million euros)	**9.7**	**6.1**	**5.3**	**2.9**
Cash flow from operating activities (million euros)	**6.0**	**15.2**	**2.6**	**3.0**
in percentage of revenues	7.9%	21.3%	7.0%	8.9%
Adjusted figures[2]				
Revenues (million euros)	**74.5**	**71.6**	**36.8**	**33.9**
Increase in revenues (%)	4.0%	n/a	8.4%	n/a
Total output (million euros)	**82.9**	**77.9**	**40.0**	**36.8**
Increase in total output (%)	6.3%	n/a	8.5%	n/a
EBITDA (million euros)	**15.8**	**18.0**	**8.4**	**7.8**
in percentage of revenues	21.1%	25.2%	22.3%	23.1%
EBIT (million euros)	**10.8**	**13.3**	**5.7**	**5.3**
in percentage of revenues	14.3%	18.6%	15.3%	15.6%
Return on capital employed (ROCE)[3]	**26.0%**	**34.6%**	**27.0%**	**27.4%**
	June 30, 2007	**December 31, 2006**		
Equity capital (million euros)	**14.7**	**14.7**		
Shareholders' equity (million euros)	**61.2**	**60.9**		
in percentage of balance sheet total	28.9%	26.1%		
Debt capital (million euros)	**150.2**	**172.5**		
Balance sheet total (million euros)	**211.4**	**233.4**		
Earnings per share (euros)	**0.07**	**n/a**		
Employees	**1,098**	**939**		

1) Adjusted by currency exchange rate effects from the natural hedge.

2) Adjusted by currency exchange rate effects from the natural hedge and by the follow-up costs of the initial consolidation of the FP Company in its current form which occurred in 2005.

3) ROCE: EBITA, adjusted in % of the average capital employed (= net working capital + fixed assets adjusted by capitalizations in connection with company acquisitions).

4) Not including payments for company acquisitions.

// Francotyp-Postalia Holding AG, Birkenwerder

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// Letter of the shareholders

Dear Shareholders,

Francotyp-Postalia Holding AG (FP) saw its business develop on a positive note in the second quarter of 2007. Revenues rose by 10.7% to 37.4 million, with EBITDA increasing by 16.9% year on year to 9.0 million. On the heels of a weaker first quarter of 2007, we view this growth as a success, since we are continuing to feel the consequences of the weak U.S. dollar.

In spite of this, we have been able to expand our market position in traditional mailroom business in the United States in recent months. Unit sales of FP machines rose by 26% in comparison to the same quarter the year before. We were also able to make significant advances in the United Kingdom. Here and in other markets, FP is boosting unit sales of smaller franking machines in the so-called A segment in conformity with our strategy; our focus on business with small and medium franking machines is paying off. In this connection, we are succeeding, as planned, in renting a growing number of machines instead of selling them. During the first half of 2007, alone, the amount of closed rental contracts for franking machines increased by some 70 % over the first six months of 2006.

The FP Group is also well aligned in the new field of mailstream business, which holds the promise of future growth. Our subsidiary freesort opened its sixth branch office in May 2007, and a partnership in the field of consolidation was forged in June with Siemens IT Solutions & Services GmbH & Co. OHG (SIS) which means that freesort now has a network of nine letter sorting centers throughout Germany. With Hybridmail, our subsidiary iab is offering a software solution that is compatible with all popular standards and is meeting with growing interest in both Germany and other countries.

With this combination of traditional mailroom business and high-growth mailstream business, FP is well equipped for changes in its markets. While current statistics show that the market for large franking machines is contracting due to the advances being made by IT-based processes, we are seeing growth in unit sales of smaller machines, FP’s traditional domain.

The liberalization of postal markets and the elimination of the postal letter monopoly in Germany and Europe is an important issue for us. With our new mailstream business, we have assured that we are well aligned to take advantage of market opportunities in the increasingly dynamic postal markets, and it is here that we intend to significantly expand our revenues.

Medium-term, the combination of mailroom and mailstream will also convince capital markets, as our traditional business stands for sustaining and growing the value of the company, the mailstream operation for growth. However the current performance of our shares is by no means satisfactory. Following the successful initial public offering, our shares have been suffering from skepticism toward secondary issues with low trading volumes, as well as from their lack of familiarity. So one major objective has to be to increase the visibility of our shares and to increase their trading volume in order to open up new potential for them.

The foundation for share price appreciation is improved profitability. Because in spite of the good development of our business in the second quarter of 2007, our EBITDA margin of 22.5 % still lags behind our targets. Medium-term, we want to earn an EBITDA margin of 25% and increase this margin furthermore through economies of scale in our mailstream business. As we travel this road, during the coming months we will be optimizing processes and aligning our organization to reflect the challenges and opportunities of the market. We would be pleased if you, our shareholders, would continue to accompany us critically along this path. And we would like to take this opportunity to thank you for the trust that you have shown during the past months. You can rest assured: The development of Francotyp-Postalia Holding AG will be sustained in the coming quarters.

Birkenwerder, August 2007

Management Board of Francotyp-Postalia Holding AG

HANS CHRISTIAN HIEMENZ HARTMUT NEUMANN MANFRED SCHWARZE

1. Group interim management report for Francotyp-Postalia Holding AG

1.1 Operating activities

Francotyp-Postalia Holding AG (FP Group) is the parent company of the Francotyp-Postalia Company (FP Company or FP). Operating activities of the FP Company are focused on the development, manufacture, and distribution of franking machines, as well as the distribution of inserters **(mailroom)**.

In addition to the FP Company the FP Group can offer, with services of the **Mailstream business segment**, carried out by the subsidiaries freesort GmbH (freesort) and iab – internet access GmbH (iab), new and additional services in postprocessing to existing customers, while at the same time developing new customer segments.

1.2 Business development

In the first half of the fiscal year, the FP Group generated revenues of 75.1 million euros. Of this amount, 71.3 million euros were attributable to revenues from the Mailroom business segment and 3.8 million euros to revenues from the Mailstream business segment.

In the second quarter of the fiscal year, revenues of the FP Group were 37.4 million euros. The Mailroom business segment contributed 35.6 million euros to this figure while the Mailstream business segment contributed 1.8 million euros.

Summary results by business segment

	Revenues			EBITDA, adjusted		
(million euros)	**HY 2007**	**HY 2006**	**y/y change %**	**HY 2007**	**HY 2006**	**y/y change %**
Mailroom	71.3	71.4	–0.1	16.2	18.0	–10.0
Mailstream	3.8	2.4[1]	58.3	–0.4	n/a	n/a
of which freesort	2.0	1.0[1]	100.0	–0.5	n/a	n/a
of which iab	1.8	1.4[1]	28.6	0.1	n/a	n/a
Group total	**75.1**	**71.4**	5.1	**15.8**	**18.0**	–12.2

	Revenues			EBITDA, adjusted		
(million euros)	**2nd quarter 2007**	**2nd quarter 2006**	**y/y change %**	**2nd quarter 2007**	**2nd quarter 2006**	**y/y change %**
Mailroom	35.6	33.8	5.3	8.6	7.8	10.1
Mailstream	1.8	1.1[1]	63.6	–0.2	n/a	n/a
of which freesort	1.0	0.5[1]	113.3	–0.2	n/a	n/a
of which iab	0.8	0.7[1]	23.9	0.0	n/a	n/a
Group total	**37.4**	**33.8**	10.7	**8.4**	**7.8**	7.1

1) These figures are not part of the consolidated accounts as the Mailstream business segment did not belong to the FP Group in this period.

Mailroom

At 35.6 million euros, revenues in the second quarter of fiscal 2007 exceeded the comparable figures of the previous year (33.8 million euros). Thereof, North America's revenues contribution of USD 16.1 million was 17.9% above the figure for the same period of the previous year (USD 13.7). In Germany, the revenue figure of 11.6 million euros remained at the same level as the previous year (12.0 million euros). Compared with the same period of the previous year, revenues for the rest of Europe increased by 11.2% in the second quarter of fiscal 2007 from 10.6 million euros to 11.7 million euros.

In terms of the first six months as a whole, revenues changed by –0.1% from 71.4 million euros in the comparative period of the previous year to 71.3 million euros. Compared with the same period of the previous year, revenues in Germany were, as expected, lower, due to the special effects in 2006 from decertification and the changes of the postage tables. In comparison, North America recorded an increase in sales of 8.4% from USD 27.1 million to USD 29.4 million. In the rest of Europe, revenues increased in the first six months by 10.4% from 22.5 million euros to 24.9 million euros.

The negative effects of exchange rates in the first six months amounted to 1.7 million euros (US dollar, Canadian dollar, Pound sterling).

Mailstream

The Mailstream business segment with the Group subsidiaries freesort and iab contributed 1.8 million euros to revenues in the second quarter of fiscal 2007. In the same period of the previous year, these companies were not yet included in the scope of consolidation. The two companies increased revenues by 63.6% from 1.1 million euros to 1.8 million euros. Revenues in the first half of the year amounted to 3.8 million euros. Seasonally the second quarter was weaker than the first quarter as had been the case last year.

FP Group revenues
by region

(million euros)	HY 2007	HY 2006	2ND QUARTER 2007	2ND QUARTER 2006
Germany	27.6	26.3	13.5	12.0
Other European countries	24.9	22.5	11.7	10.6
USA/Canada	22.1	22.0	12.0	10.9
Other countries	0.6	0.6	0.3	0.4
Revenues	**75.1**	**71.4**	**37.4**	**33.8**

Consolidated net profit for the period

The consolidated net profit for the period improved from –0.2 million euros in the second quarter of fiscal 2006 to 1.0 million euros in 2007.

The performance of the Group becomes clearer if the non-operating factors are deducted and adjusted EBITDA and EBIT are considered. Adjusted EBIT improved by 8.3% from 5.3 million euros in the second quarter of fiscal 2006 to 5.7 million euros in the second quarter of fiscal 2007. Adjusted EBITDA was 7.8 million euros for the same period in 2006 and increased by 7.1% to adjusted EBITDA in the same period of the current fiscal year to 8.4 million euros.

Comparing the first half-year, the consolidated net profit for the year of 1.3 million euros in fiscal 2006 fell to 0.7 million euros in the current fiscal year.

Development of consolidated net profit for the year is influenced by the changes in revenues. The high-margin revenues from decertification in Germany had a positive influence on consolidated net profit for the first six months of fiscal 2006. In the first half of fiscal 2007, the weak US dollar and the start-up costs of the Mailstream business segment had a negative impact on consolidated net profit for the period.

Adjusted EBIT in the first half of 2007 was 10.8 million euros compared with 13.3 million euros in 2006; adjusted EBITDA declined from 18.0 million euros in 2006 to 15.8 million euros in 2007.

The decline in EBITDA compared with the first six months of last year is primarily attributable to the effects of the decertification in Germany in the first quarter of 2006, the start-up costs in the Mailstream business segment, and a US dollar currency exchange effect in the amount of 1.3 million euros.

1.3 Revenues and results of operations

Revenues

Revenues by product group are as follows:

Revenues by products and services

(million euros)	HY 2007	HY 2006	2ND QUARTER 2007	2ND QUARTER 2006
MAILROOM				
Franking	17.7	18.8	7.8	9.0
Inserting	7.1	6.4	4.3	3.2
Other	0.9	0.6	0.7	0.3
Revenues from product sales	**25.7**	**25.8**	**12.7**	**12.5**
Rental	12.5	13.0	6.2	6.5
Teleporto	6.2	6.2	3.1	3.1
Services/customer service	14.1	14.7	7.2	6.5
Consumables	12.1	11.9	5.8	5.4
Recurring revenues	**44.9**	**45.8**	**22.2**	**21.4**
Mailroom revenues	**70.6**	**71.6**	**35.0**	**34.0**
Revenues from product sales (% of mailroom revenues)	36.4%	36.1%	36.4%	36.8%
Recurring revenues (% of mailroom revenues)	63.6%	63.9%	63.6%	63.2%
Currency exchange effects from US dollar-denominated loan	**0.6**	**–0.2**	**0.6**	**–0.1**
Total Mailroom revenues	**71.3**	**71.4**	**35.6**	**33.8**
MAILSTREAM				
Mailstream revenues	**3.8**	**2.4[1)]**	**1.8**	**1.1[1)]**
Revenues	**75.1**	**71.4**	**37.4**	**33.8**

1) These figures are not part of the consolidated accounts as the Mailstream business segment did not belong to the FP Group in this period.

In the second quarter, **revenues from product sales** increased by 2.0% from 12.5 million euros to 12.7 million euros.

Revenues from **franking** declined by 13.3% from 9.0 million euros to 7.8 million euros. The main reasons for this are (1) the currency exchange effect, (2) the strengthened rental business, and (3) the change in the product mix with a proportionally higher sales volume for smaller franking machines. The distribution of franking machines increased by 26%. Revenues from **inserting** increased by 34.0% from 3.2 million euros to 4.3 million euros. In the Netherlands, the first part of a project business major inserters from the company Kern was settled in the second quarter.

Recurring revenues in the second quarter increased by 3.8% from 21.4 million euros to 22.2 million euros.

Revenues from **rentals** fell by 4.7% compared with the same period of 2006 from 6.5 million euros to 6.2 million euros, being negatively impacted by the weaker US dollar to the tune of 0.4 million euros. Revenues from **services/customer service** increased by 11.1% from 6.5 million euros to 7.2 million euros, which can be attributed mainly to changes of the postage tables in the USA in the second quarter of fiscal 2007.

Revenues from **consumables** also improved, by 8.1% from 5.4 million euros to 5.8 million euros.

Revenues from **teleporto** were 3.1 million euros.

Costs of materials

The costs of materials increased by 23.5% in the first half of the year from 19.9 million euros to 24.5 million euros. Of this increase, an amount of 1.4 million euros is attributable to the Mailstream business segment. In the Mailroom business segment, the increase is primarily attributable to the strengthened rental business segment[1] and the changes in the product mix. One factor to be mentioned here is project business in the Netherlands regarding major inserters from the company Kern, which has negatively impacted the material ratio of 32.7% to the tune of 0.9 of a percentage point compared with the same period of last year (27.8%). Finally, the weaker US dollar in 2007 is causing the material ratio to increase, as the repercussions of the currency exchange rate has a greater effect on revenues than it does on the costs of materials.

Compared with the same quarter of last year, the costs of materials increased by 20.7% from 9.9 million euros to 12.0 million euros, whereas 0.7 million euros of this increase was attributable to the Mailstream business segment. The abovementioned project business in the Netherlands will effect the second quarter of fiscal 2007.

Personnel expenses

Compared with last year, personnel expenses increased by 13.0% from 24.7 million euros to 27.9 million euros. Of this increase, an amount of 1.8 million euros is attributable to the Mailstream business segment. The conclusion of a higher wage settlement compared with last year also had a negative effect on personnel expenses. Due to the inclusion of the Mailstream business segment, the number of employees increased from 907 (June 30, 2006) to 1,098 (June 30, 2007).

Compared with the same quarter of last year, personnel expenses have increased by 12.1% from 12.1 million euros to 13.6 million euros, 0.8 million euros of this increase being attributable to the Mailstream business segment.

Depreciation and amortization

In the first half of 2007, depreciation and amortization increased by 13.3% compared with the same period of last year from 12.5 million euros to 14.2 million euros. Of this increase, an amount of 0.4 million euros was attributable to the Mailstream business segment and 1.4 million euros to depreciation and amortization based on customer lists and software, which had been capitalized at Group level in connection with the acquisition of freesort and iab.

Due to the abovementioned effects, depreciation and amortization increased by 10.8% in comparison with the second quarter of 2006 from 6.4 million euros to 7.1 million euros.

Other operating expenses

Compared with the first half of 2006, other operating expenses increased by 7.6% from 16.7 million euros to 18.0 million euros. Of this increase, an amount of 1.4 million euros is attributable to the Mailstream business segment.

1 The reason for the increased expenditure ratio is the higher costs of materials for own work capitalized (primarily rental equipment) which, due to the cost of production method used in the reporting period, cannot be offset against sales business equivalent revenues, but against "own work capitalized" with a correspondingly higher costs of materials ratio.

Compared with the same quarter of last year, other operating expenses fell by 4.7% from 8.2 million euros to 7.8 million euros.

Net interest income

The deficit in the net interest income was minimized by 27.5% from –1.6 million euros to –1.2 million euros. The reasons for this are a lower interest payment due to the pro rata reduction of a bank loan and to higher interest income based on the cash inflow from the IPO. In the second quarter of 2007, the net interest income improved by 42.2% from –0.8 million euros in the same period of last year to –0.5 million euros.

Financial result

The financial result of 1.6 million euros, an improvement of 1.2 million euros over the same period of the previous year, was mainly the result of currency translation effects. The financial result in the second quarter of 2007 of 0.5 million euros is a slightly below the same period of the previous year.

1.4 Assets and financial position

Assets

Intangible assets declined from 88.6 million euros as of December 31, 2006, to 82.6 million euros. This is mainly due to depreciation of intangible assets which had been capitalized at Group level in connection with company acquisitions, totaling 7.6 million euros.

Fixed assets of 24.8 million euros as of June 30, 2007, represented an increase on the figure as of December 31, 2006, 23.3 million euros. In particular, rented products increased from 11.4 million euros to 13.6 million euros.

There was a slight change in book value of **other current assets** and **deferred tax** assets, involving an increase of receivables from financial leasing of 0.5 million euros to 2.9 million euros.

Inventories increased by 5.0 million euros to 23.3 million euros. Trade receivables increased from 20.3 million euros to 22.7 million euros, primarily due to the increased revenues in the second quarter of 2007.

Cash and cash equivalents show a decline of 25.8 million euros, from 60.7 million euros to 35.0 million euros compared to the previous year. The decline is mainly due to an early repayment of a US-dollar-denominated loan in the amount of USD 20.5 million, payments for company acquisitions (5.5 million euros), and payments connected with the IPO (1.6 million euros), as well as a decline of 0.9 million euros in Teleporto funds managed by the FP Company (restricted cash).

Other current assets declined in the reporting period by 0.4 million euros to 12.4 million euros.

Liabilities

Equity increased slightly compared to December 31, 2006, by 0.3 million euros to 61.2 million euros.

Provisions (both long-term and short-term) declined by 1.2 million euros from 25.5 million euros to 24.3 million euros.

Financial liabilities (both long-term and short-term) declined by 15.3 million euros from 74.3 million euros to 59.0 million euros primarily as a result of the early repayment of a US-dollar-denominated loan (USD 20.5 million).

Other liabilities (both current and noncurrent) declined by 4.1 million euros from 54.0 million euros to 49.9 million euros, mainly due to payments for a portion of the purchase price for freesort totaling 5.3 million euros and a decline in the Teleporto funds managed by the FP Company totaling 0.9 million euros. In contrast, there was an increase in liabilities from service agreements which were invoiced in advance at the start of the term.

Deferred tax liabilities declined from 10.4 million euros as of December 31, 2006, to 9.7 million euros as of June 30, 2007, primarily due to deferred tax effects on depreciation and amortization as a result of capitalized customer lists and software at Group level.

Trade payables declined from 7.2 million euros to 6.3 million euros.

Investments

Investments (million euros)	HY 2007	HY 2006	2ND QUARTER 2007	2ND QUARTER 2006
Capitalization of development costs	2.7	2.3	1.8	1.0
Investments in intangible assets	0.7	0.4	0.4	0.4
Investments in fixed assets	1.6	0.7	1.1	0.1
Investments in rented products	4.5	2.7	2.0	1.5
Investments in financial assets	0.1	0.0	0.1	0.0
Investments	**9.7**	**6.1**	**5.3**	**2.9**

Capitalization of **development costs** and **investments in fixed assets** are slightly above the level of the first half of the previous year. The planned extension of the rental business and ongoing decertification in Canada is reflected in the increase in investments in rented products by 1.8 million euros, from 2.7 million euros to 4.5 million euros. **Investments in fixed assets** are higher by 0.9 million euros than in the same period of the previous year, mainly due to assets under finance leasing with freesort.

1.5 Research and development

In the six months under review, Francotyp-Postalia Holding AG spent 4.5 million euros on research and development (PY: 4.6 million euros), which represents around 6% (PY: 6.5%) of revenues. The costs have thus remained approximately the same as last year. With the development of centor**mail**, which was completed at the end of 2006 for the German market and at the start of the second quarter for the US market, the product range of the FP Company was expanded by a new franking machine for the lower B segment.

1.6 Marketing and sales

Mailroom business segment

centor**mail** was introduced in the USA at the start of the second quarter.

Overall, the distribution of franking machines increased by 32% in the first half of 2007. The proportion of A-segment machines sold increased to 83% compared with 75% last year.

Mailstream business segment

In the Mailstream business segment, the FP Group opened a further freesort office in Stuttgart, as planned. In addition, a cooperation agreement was signed with Siemens IT Solutions & Services GmbH & Co. oHG (SIS). This cooperation agreement provides for shared use of the sorting centers of SIS in Berlin, Fürth, and Cologne. With the additional locations, freesort is now represented across Germany. iab increased its revenues in the first half of the year by 28.6% from 1.4 million euros to 1.8 million euros.

1.7 Employees

In the reporting period, the global workforce of the FP Group increased by a total of 191, from 907 as of June 30, 2006, to 1,098 as of June 30, 2007. Of these, 664 were employed throughout Germany as of June 30, 2007, of which 129 were accounted for by the Mailstream business segment.

2. Report on risks and opportunities

The important risks for our net assets, finances, and earnings are contained in the annual financial statements to December 31, 2006. In addition, there are currently no further foreseeable risks or opportunities.

3. Outlook

For fiscal 2007, Francotyp-Postalia Holding AG is anticipating organic growth of 5% in revenues in the Mailroom business segment and a double-digit growth in revenues in the Mailstream business segment; the adjusted EBITDA result for 2007 overall will be on the same level as the previous year. For the Mailroom business segment, the FP Group is aiming to achieve in the medium term a sustainable EBITDA margin of 25%.

With the approach of the third and fourth quarters, the Mailstream business segment is nearing the months in which revenues are highest. With its newly expanded marketing and locations across Germany for freesort, the FP Group expects additional dynamic development of revenues. For the second half of the year, a good orders position is also anticipated for outsourcing and hybrid mail, with a further positive effects for the earnings of the Mailstream business segment.

The FP Group plans a first dividend for the current fiscal year with a pay-out ratio of 60%.

4. Consolidated balance sheet as of June 30, 2007

ASSETS (thousand euros)	June 30, 2007	December 31, 2006
A. LONG-TERM ASSETS		
I. Intangible assets		
1. Intangible assets including customer lists	54,445	61,927
2. Goodwill	26,060	26,034
3. Development projects in progress and advance payments	2,061	666
	82,566	**88,627**
II. Property, plant, and equipment		
1. Fixed assets land, land rights, and buildings	38	24
2. Technical equipment and machinery	1,397	1,580
3. Other equipment, operating, and office equipment	6,669	7,673
4. Leased products	13,601	11,430
5. Advance payments and assets under construction	99	672
6. Assets under finance leasing	2,946	1,948
	24,750	**23,327**
III. Other assets		
1. Participations	337	206
2. Non-internal loans	28	23
3. Finance leasing receivables	2,873	2,375
4. Other long-term assets	191	152
	3,429	**2,756**
IV. Deferred tax assets	**7,301**	**6,523**
	118,046	**121,233**
B. SHORT-TERM ASSETS		
I. Inventories		
1. Raw materials and supplies	10,062	7,428
2. Work/services in progress	1,487	1,668
3. Finished products and goods	11,623	9,062
4. Advance payments	95	104
	23,267	**18,262**
II. Trade receivables	**22,682**	**20,313**
III. Cash and cash equivalents	**34,968**	**60,726**
IV. Other assets		
1. Finance leasing receivables	1,139	919
2. Receivables from related parties	11	0
3. Derivative financial instruments	1,012	897
4. Other short-term assets	10,286	11,022
	12,448	**12,838**
	93,365	**112,139**
	211,411	**233,372**

LIABILITIES (thousand euros)	June 30, 2007	December 31, 2006
A. EQUITY		
I. Shareholders' equity attributable to subsidiaries of the parent company		
1. Subscribed capital	14,700	14,700
2. Capital reserves	45,768	45,768
3. Loss carryforward	–8,314	–7,942
4. Consolidated net profit for the period	1,005	–372
5. Accumulated other equity	957	1,377
	54,116	**53,531**
II. Minority interests	**7,055**	**7,354**
	61,171	**60,885**
B. LONG-TERM DEBT		
I. Accruals for pensions and similar obligations	11,974	11,901
II. Other accruals	2,276	2,321
III. Financial debt	56,218	68,601
IV. Other liabilities	192	227
V. Deferred tax liabilities	9,674	10,377
	80,334	**93,427**
C. SHORT-TERM DEBT		
I. Current income tax liabilities	1,133	1,169
II. Other accruals	10,002	11,249
III. Financial debt	2,737	5,671
IV. Trade payables	6,326	7,204
V. Other liabilities	49,708	53,767
	69,906	**79,060**
	211,411	**233,372**

5. Consolidated income statement for the period
from January 1 through June 30, 2007

(thousand euros)	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2006	April 1 – June 30, 2007	April 1 – June 30, 2006
1. Revenues	75,067	71,413	37,415	33,810
2. Changes in inventory	1,553	1,760	–228	916
	76,620	**73,173**	**37,187**	**34,726**
3. Other own work capitalized	6,837	4,580	3,390	1,965
4. Other operating income	1,839	975	1,298	664
5. Costs of materials				
a) Costs of raw materials and supplies	19,479	14,795	9,172	6,983
b) Costs of purchased services	5,059	5,072	2,778	2,919
	24,538	**19,867**	**11,950**	**9,902**
6. Personnel expenses				
a) Salary and wages	23,024	20,653	10,965	10,163
b) Social security contributions	3,885	3,527	1,914	1,743
c) Pensions and other benefits	1,009	536	728	231
	27,918	**24,716**	**13,607**	**12,137**
7. Depreciation and amortization	14,202	12,540	7,102	6,407
8. Other operating expenses	17,991	16,724	7,817	8,204
9. Net interest income				
a) Interest and similar income	1,301	886	659	447
b) Interest and similar expenses	2,485	2,520	1,138	1,276
	–1,184	**–1,634**	**–479**	**–829**
10. Other financial results				
a) Other financial income	1,994	570	693	562
b) Other financial expenses	424	176	234	10
	1,570	**394**	**459**	**552**
11. Tax results				
a) Tax income	3,549	1,941	1,339	1,022
b) Tax expenses	3,876	4,239	1,736	1,665
	–327	**–2,298**	**–397**	**–643**
12. Consolidated net profit for the period	706	1,343	982	–215
13. Minority interests	–299	–8	–176	–8
14. Consolidated net profit for the period after minority interests	**1,005**	**1,351**	**1,158**	**–207**
EARNINGS per share:	euro **0.07**		euro **0.08**	

6. Statement of change in equity

	Subscribed capital	Capital reserves	Net profit	Total other shareholders' equity	Minority interests	Total
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Balance on January 1, 2006	**4,000**	**6,700**	**–6,642**	**–788**	**0**	**3,270**
Currency translation differences	0	0	0	–820	0	–820
Natural hedges	0	0	0	2,191	0	2,191
Derivatives	0	0	0	488	0	488
Result Jan. 1 – June 30, 2006	0	0	1,351	0	14	1,365
Balance on June 30, 2006	**4,000**	**6,700**	**–5,291**	**1,071**	**14**	**6,494**
Balance on January 1, 2007	**14,700**	**45,768**	**–8,314**	**1,377**	**7,354**	**60,885**
Currency translation differences	0	0	0	–243	0	–243
Natural hedges	0	0	0	–289	0	–289
Derivatives	0	0	0	112	0	112
Result Jan. 1 – June 30, 2007	0	0	1,005	0	–299	706
Balance on June 30, 2007	**14,700**	**45,768**	**–7,309**	**957**	**7,055**	**61,171**

7. Consolidated cash flow statement for the period
from January 1 through June 30, 2007

(thousand euros)	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2006
1. Cash flows from operating activities		
Net profit for the period	1,005	1,351
Depreciation of fixed assets	14,202	12,540
Increase (+)/decrease (–) in accruals and deferred taxes	–373	1,172
Losses on the disposal of fixed assets	273	940
Increase (–)/decrease (+) in inventories, trade receivables, and other assets not attributable to investment or financing activities	–8,304	–2,063
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	273	1,052
Other non-cash expenses and income	–1,121	243
Cash flow from operating activities	**5,954**	**15,235**
2. Cash flows from investment activities		
Capitalization of development costs	–2,730	–2,275
Cash received from disposal of fixed assets	3	153
Cash paid for investments in intangible assets	–708	–428
Cash paid for investments in fixed assets	–6,088	–3,411
Cash paid for investments in financial assets	–131	0
Cash paid for corporate acquisitions	–5,544	–28
Cash flow from investment activities	**–15,198**	**–5,989**
3. Cash flows from financing activities		
Cash paid associated with IPO	–1,585	0
Cash paid for the repayment of bank loans	–15,072	–6,444
Cash flow from financing activities	**–16,657**	**–6,444**
Cash and cash equivalents		
Change in cash and cash equivalents	–25,900	2,802
Change in cash and cash equivalents due to currency translation	142	–148
Cash and cash equivalents at start of period	60,726	19,363
Cash and cash equivalents at end of period*	**34,968**	**22,017**

* Including restricted cash of 18,808 thousand euros (prior year 16,670 thousand euros).

8. Notes to the consolidated financial statements for the period from January 1 through June 30, 2007

8.1 General information

8.1.1 General information on the company

Francotyp-Postalia Holding AG, Birkenwerder, the parent company of the Francotyp-Postalia Group (hereinafter also referred to as "FP Group") is organized as a stock corporation. The headquarters of the corporation are located in Birkenwerder at Triftweg 21–26. FP Group interim financial statements for the six months ended June 30, 2007, include Francotyp-Postalia Holding AG and its subsidiaries (hereinafter also referred to as the FP Company).

Francotyp-Postalia has an eighty-year history as an organization operating internationally in the field of outgoing postprocessing. The corporation operates a traditional product business involving primarily the development, production, and distribution of franking machines and inserters in combination with after-sales business. The subsidiary freesort and majority stake in iab, both acquired last November, now give the Francotyp-Postalia Group the capability to offer customers in Germany sorting and consolidation services as well as hybrid mail products.

The Management Board approved last year's consolidated financial statements for release on April 26, 2007, in accordance with IAS 10.17.

8.1.2 Accounting standards

Standards for preparing the financial statements

FP Group produced its interim financial statements dated June 30, 2007, in accordance with the International Financial Reporting Standards (IFRS) and relevant interpretations released by the International Financial Reporting Interpretations Committee (IFRIC). They involve abbreviated financial statements in agreement with IAS 34 for the interim reporting period from January 1 to June 30, 2007.

The requirements pursuant to standards effective through June 30, 2007, have been fulfilled without exception, thus conveying a true and fair view of the net assets, finances, and earnings of the company. The interim financial statements to June 30, 2007, apply the same accounting policies as in the consolidated financial statements for fiscal 2006. As the interim financial statements do not contain all the mandatory explanations and information for the financial statements of a fiscal year, they should be read in association with the consolidated financial statements dated December 31, 2006.

The interim financial statements are produced in euros. All amounts are quoted in thousands of euros unless specified otherwise to afford better clarity and comparability. Minor differences may result from rounding of figures for individual positions and percentages.

Currency translation

The exchange rates listed below have been applied for currency translation:

1 EURO =	STATEMENT DATE			AVERAGE EXCHANGE RATE	
	June 30, 2007	December 31, 2006	June 30, 2006	HY/2007	HY/2006
US dollar (USD)	1.3475	1.3203	1.2551	1.32948	1.22966
British pound (GBP)	0.6726	0.6743	0.6911	0.67508	0.68732
Canadian dollar (CAD)	1.4274	1.5399	1.4058	1.50959	1.40031
Singapore dollar (SGD)	2.0646	2.0260	2.0051	2.03206	1.97844

Management estimates and assessments

There were no amendments to estimates of amounts contained in the consolidated financial statements dated December 31, 2006.

8.2 Development in the reporting

8.2.1 Seasonal influences

The business operations of the FP company are in principle unaffected by seasonal influences.

8.2.2 Economic statements

The business of Francotyp-Postalia is characterized by a high proportion of recurring revenues, which constitute more than 60% of consolidated revenues. The main driver for this revenue stability is the installed base (i.e., the number of units installed on customer premises) of over 260,000 franking machines worldwide, connected with stable after-sales business. In addition, the traditional renting of franking machines, especially in the USA, contributes to recurring revenues.

Furthermore, stable business is achieved by focusing on the growing market segment of customers with low to medium mail volume. The negative effects of the increase in private delivery services, alternative franking methods (e.g., IT franking) and innovative mailing systems (e.g., hybrid mail) are expected to be limited to the market segment for franking machines for high mail volume.

8.3 Explanatory information

8.3.1 Notes on the cash flow statement

The FP Company cash flow statement reports cash flow changes broken down by cash received and cash paid from operating, investment, and financing activities.

In the first half of 2007, purchase price obligations amounting to 5,277 thousand euros plus 144 thousand euros ancillary acquisition costs were paid for freesort GmbH and ancillary acquisition costs of 123 thousand euros for iab. There were also further purchase price obligations on the statement date from the purchase of freesort in the amount of 8,996 thousand euros and 2,500 thousand euros from the purchase of iab.

Payments for expenses in connection with the IPO in 2006 in the amount of 1,585 thousand euros were made in the first half of 2007, and thus these have been paid in full.

Cash and cash equivalents of 34,968 thousand euros (as of June 30, 2006, 22,017 thousand euros) includes postage credit balances managed by the FP Company of 18,808 thousand euros (16,670 thousand euros as of June 30, 2006). The corresponding offsetting position is shown under other liabilities. As of June 30, 2007, cash and cash equivalents also include 8,996 thousand euros pledged in cash with BNP Paribas for the remaining purchase price payment for freesort.

8.3.2 Employees

		JUNE 30, 2007*	JUNE 30, 2006
of which in	Germany	664	533
	the Netherlands	114	110
	USA	115	100
	Great Britain	80	66
	Austria	24	23
	Canada	56	46
	Belgium	14	12
	Italy	15	13
	Singapore	16	4
	Total	**1,098**	**907**

* Including the iab, iabV, and freesort subsidiaries which have been part of the FP Company since November 2006.

8.3.3 Repayment of loans

On April 28, 2007, the FP Company repaid 15,072 thousand euros (USD 20,500 thousand) of a bank loan denominated in US dollars. The ineffective part of a swap to hedge the interest rate of the repaid loan has thus been disposed of as a result.

8.3.4 Events after the statement date

On May 25, 2007, the Bundestag passed the Company Tax Reform Act 2008. The Bundesrat gave its approval on July 6, 2007. The approval of the Bundesrat is not to be regarded as having a post-balance-sheet effect to June 30, 2007. The previous tax rates have been used in this respect in the interim financial statements to June 30, 2007.

8.4 Segment information

The FP Group breaks down its assets by regional locations into the following segments: Germany, USA/Canada, Europe (excluding Germany) and Other Regions.

PERIOD JAN. 1 – JUNE 30, 2007

(thousand euros)	GERMANY	USA/CANADA	EUROPE (EX. GERMANY)	OTHER REGIONS	GROUP
Revenues					
External revenues	27,576	22,067	24,854	570	75,067
Intercompany revenues	14,000	12,043	9,854	2,645	38,541
Total revenues	**41,576**	**34,110**	**34,708**	**3,215**	**113,608**
Reconciliation					
Total consolidated sales					113,608
./. Intersegment sales					38,541
Revenues according to profit and loss statement					**75,067**
Operating result					
Operating result by segments	**3,719**	**3,565**	**2,117**	**–27**	**9,374**
Reconciliation					
./. Intersegment result					8,727
Consolidated operating result					**647**
./. Financial result					1,570
./. Net interest income					–1,184
./. Tax result					–327
Consolidated net profit according to profit and loss statement					**706**

PERIOD JAN. 1–JUNE 30, 2006

(thousand euros)	GERMANY	USA/CANADA	EUROPE (EX. GERMANY)	OTHER REGIONS	GROUP
Revenues					
External revenues	26,279	22,023	22,510	602	71,413
Intercompany revenues	12,094	7,874	7,715	0	27,683
Total revenues	**38,374**	**29,897**	**30,225**	**602**	**99,097**
Reconciliation					
Total consolidated sales					99,097
./. Intersegment sales					27,683
Revenues according to profit and loss statement					**71,413**
Operating result					
Operating result by segments	**3,632**	**4,467**	**2,501**	**–19**	**10,581**
Reconciliation					
./. Intersegment result					5,700
Consolidated operating result					**4,881**
./. Financial result					394
./. Net interest income					–1,634
./. Tax result					–2,298
Consolidated net profit according to profit and loss statement					**1,343**

8.5 Declaration of the Management Board

To the best of our knowledge, we affirm that in accordance with the accounting standards to be used for the interim reporting of the consolidated interim financial statements, a true and fair view of the net assets, finances, and earnings of the company is conveyed and in the consolidated interim management report, the development of business including the position of the company is portrayed in such a way that a true and fair view is conveyed, and the important opportunities and risks for the expected development of the company for the remainder of the fiscal year are described.

Birkenwerder, August 30, 2007

Management Board of Francotyp-Postalia Holding AG

HANS CHRISTIAN HIEMENZ　　HARTMUT NEUMANN　　MANFRED SCHWARZE

9. Financial calendar

EVENT	DATE
Q3 2007 Earnings	November 15, 2007
FY 2007 Financial Press Conference	April 24, 2008
FY 2007 Analysts' Conference	April 24, 2008

10. Credits/contact

Francotyp-Postalia Holding AG
Triftweg 21–26
16547 Birkenwerder
Germany

Telephone: +49 (0)3303 525-410
Fax: +49 (0)3303 53 70 74 10
E-mail: s.prueser@francotyp.com
www.francotyp.com

Editor:
Sabina Prüser,
Investor Relations

FRANCOTYP-POSTALIA

Francotyp-Postalia Holding AG
Triftweg 21–26
16547 Birkenwerder
Germany

Telephone: +49 (0)3303 525-777
Fax: +49 (0)3303 53 70 77 77
E-mail: ir@francotyp.com
www.francotyp.com