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HALF-YEARLY FINANCIAL REPORT 2012

MAIL COMMUNICATION OF THE FUTURE

KEY FIGURES OF THE 1ST HALF OF 2012

Figures in accordance with consolidated financial statements in EUR millions	1.1. – 30.6.2012	1.1. – 30.6.2011	Changes %
Revenues	**82.7**	**80.9**	**2.22%**
Increase in revenue (%)	2.2%		
Recurring Revenue	**65.8**	**62.5**	**5.3%**
EBITDA	**8.6**	**3.9**	**120.5%**
as percentage of revenue	10.4%	4.8%	
Operating income EBIT	**4.0**	**-3.6**	**n/a**
as percentage of revenue	4.8%	n/a	
Net income / lost	**1.7**	**-4.2**	**n/a**
as percentage of revenue	2.1%	-5.2%	
Free Cashflow	**-6.0**	**0.7**	**n/a**
as percentage of revenue	-7.3%	0.9%	
Equity capital	16.2	14.7	9.9%
Shareholders equity	**21.6**	**15.9**	**36.1%**
as percentage of revenue	15.2	11.9	
Return on equity (%)	7.9%	-26.4%	
Debt capital	**120.5**	**117.2**	**2.8%**
Net debt	**32.3**	**30.0**	**7.7%**
Net indebtedness percent	150%	189%	-20.6%
Balance sheet total	**142.1**	**133.1**	**6.8%**
Earning per share in EUR	**0.11**	**-0.27**	**140.7%**
Employees (exact number)	**1,095**	**1,151**	**-4.9%**

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

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and Gentlemen,

The FP Group increased all key revenue and earnings figures in the first half of 2012, recording Group profit of EUR 1.7 million compared with a loss of EUR 4.2 million in the same period of the previous year. However, we did not quite reach the targets we set ourselves. This was mainly due to two time-limited reasons: we had unexpected delays in the process and supply chain in production on the one hand, and on the other hand German sales were affected by temporary difficulties with weaker franking machine business.

Since the beginning of April 2012, the FP Group has been producing its franking systems in Wittenberge. Production at the previous Birkenwerder site was discontinued at the end of March 2012. At the start of the current financial year, we were still extremely optimistic about our prospects of establishing the new production facilities in Wittenberge with minimal inefficiencies. Of course, we were always aware that the project we initiated involved a major, but necessary, challenge. However, the challenges in the process and supply chain at the old and new production sites have proved to be different to how we anticipated them to be in spring 2012. In the second quarter of 2012, the challenges in production delayed the elimination of the supply backlogs that had accumulated prior to the discontinuation of production in Birkenwerder. Training and the use of experienced employees were required before production in Wittenberge reached a steady state in summer 2012. The foreign subsidiaries were able to partially absorb the supply backlogs. In contrast, the bottlenecks directly impacted the FP Group in Germany – its biggest market, where customers are supplied directly from the factory – in the midst of a state of upheaval.

With the strategic orientation of the FP Group as a multi-channel provider, we converted the structure of the German sales organisation last autumn with the aim of ensuring that it meets the requirements of the market for a greater range of solutions for mail services. This involved incorporating direct sales into customer care and refocusing telesales on the marketing of franking systems. While direct sales has enjoyed success as part of customer care, with software and mail services revenue in particular increasing in the first half of 2012 – and consolidation revenue alone recording year-on-year growth of a good 15% – customers in Germany initially delivered a cautious response to telephone marketing.

As such, sales in Germany have refocused on personal contact since July and have seen rising sales figures ever since – a development that has also been driven by the elimination of supply backlogs. By contrast, dealer distribution, the second pillar of German sales, trailed its original targets in the first half of the year.

The downturn in high-margin franking machine business combined with the margin pressure on consolidation business meant that the German organisation's EBITDA was hit to a greater extent than forecast in the first half of 2012. Production has been in a steady state since summer 2012 and is being optimised further. We will not, however, be able to compensate for the losses from the second quarter of 2012, and we therefore adjusted our guidance for the year as a whole on 23 August 2012. Although the FP Group continues to forecast revenue of at least EUR 161 million for the 2012 financial year, its EBITDA and EBIT forecasts have now been downgraded to EUR 19–21 million and EUR 8–10 million respectively.

This adjustment is regrettable given that the FP Group is strategically on the right path. Following the conclusion of the restructuring, the company is profiting from considerable cost benefits and can now operate more efficiently on the market with a streamlined organisation. PostBase, the new innovative franking system, is enjoying a good reception on the market, and interest in the De-Mail solution is high. Our marketing activities for this technology for the legally binding transmission of electronic mail are initially focusing on companies and authorities. We have also integrated De-Mail into the EU-wide communication platform SPOCS (Simple Procedures Online for Cross-border Services) in our role as a project partner. The aim of the project is the secure exchange and receipt of electronic information and the development of a cross-border e-government offering for companies. This development offers potential for the future.

In light of these facts and the earnings growth compared with the same period of the previous year, we remain confident that the FP Group's earnings strength will see sustainable growth over the coming years. 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.

Kind regards

Hans Szymanski
CEO & CFO

Andreas Drechsler
CSO

MANAGEMENT BOARD

Andreas Drechsler (left)
Member of the Management Board, CSO

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

Hans Szymanski (right)
Chairman of the Management Board, CEO and CFO

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

GROUP INTERIM REPORT FOR THE FIRST HALF OF 2012

BUSINESS AND GENERAL ENVIRONMENT

OPERATING ACTIVITIES

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

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

In its Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines. The Group's most important revenue generator in the franking machine segment is its after-sales business with its recurring revenue. In addition to leasing 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, 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 postcode and delivering them in batches to a sorting office of Deutsche Post or an alternative postal distributor.

Employees

As at 30 June 2012, the FP Group employed a total of 1,095 people worldwide, compared with 1,151 employees the previous year. This decline is attributable to the discontinuation of production in Birkenwerder at the end of March 2012. Accordingly, as at 30 June 2012, 699 employees were attributable to the German companies (previous year: 749) and 396 to foreign subsidiaries (previous year: 402).

In Germany, a total of 443 employees belonged to the Franking and Inserting segment (previous year: 478) and 256 to the Software Solutions and Mail Services segments (previous year: 271). As at 30 June 2012, freesort employed 172 people compared with 195 employees the previous year. At iab, the number of employees rose slightly from 54 to 56. As at 30 June 2012, 28 people were employed at Mentana-Claimsoft compared with 22 in the previous year. The increase in personnel in this segment underlines the increasing significance of the Software business for the company.

Research and development

In the first quarter of 2012, research and development expenses came to a total of EUR 4.9 million and were thus exactly on a par with the previous year. Of this figure, EUR 2.6 million was capitalised in accordance with IAS 38, compared with EUR 2.3 million in the previous year. A total of EUR 2.3 million was expensed, against EUR 2.6 million in the previous year. At 5.9% in the second quarter of 2012, research and development expenses as a percentage of revenue were below the previous year's level of 6.0%.

The main focus of research and development activities in recent quarters was the development of the innovative franking system platform PostBase. Pilot series production began in the second quarter of 2012.

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

GENERAL ENVIRONMENT

In 2012, economic growth is weakening somewhat worldwide. The IMF is forecasting a 3.5% increase in economic activity for 2012. This corresponds to a decline of 0.3 percentage points compared with the previous year.

In the USA, the FP Group's largest foreign market, the economy grew noticeably more slowly in the second quarter. The increase in GDP currently amounts to around 1.5% calculated on an annual basis. In the first quarter, revised growth amounted to 2%.

The euro zone economy shrank in the past three months and is thereby by definition in recession. According to figures from the Eurostat Statistical Office, GDP fell by 0.2% compared to the start of the year. The European Central Bank also forecasts a further 0.5% contraction of the economy in the euro zone for the current year. GDP growth is not expected until 2013.

In Germany, GDP increased by 0.3% from April to June compared with the first quarter. However, according to the calculations of the Federal Statistical Office, the rate of economic growth decreased. The increase in GDP amounted to 0.5% in the first three months. The prospects for economic growth in Germany have also worsened. The ifo business climate index, one of the most important indicators for the German economy, fell in July 2012 for the third time in a row.

The exchange rate between the euro and the US dollar is of paramount importance for the exports of the FP Group. The euro weakened significantly overall in the second quarter. The high point of USD 1.33 at the beginning of the quarter was followed by a steady decline to the low of USD 1.24 at the start of June. The euro improved again slightly by the end of the month and closed the quarter at USD 1.27.

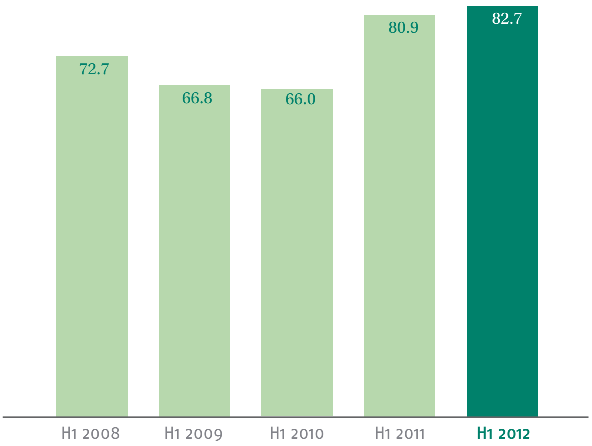
NET ASSETS, FINANCIAL AND EARNINGS POSITION

EARNINGS POSITION

Revenue

In the second quarter of 2012, the FP Group increased total revenue to EUR 40.9 million after EUR 39.1 million in the same period of the previous year. In the first half of the year, revenue improved to EUR 82.7 million as against EUR 80.9 million in the first six months of 2012. Germany again constituted the biggest market of the FP Group: Revenue in Germany rose to EUR 45.5 million after EUR 44.4 million in the first half of 2012, while international revenue also increased slightly to EUR 39,2 million after EUR 36,2 million in the prior-year period as a result of exchange rate effects.

REVENUE
in EUR million



In Germany, revenue rose primarily in the Mail Services segment by EUR 2.6 million to EUR 19.5 million. Direct sales in Germany increasingly marketed the multi-channel services of the FP Group, especially in the second quarter. The consolidation services of freesort met with particularly high interest.

In contrast, product sales trailed the previous year's level, due to the fact that the challenges in the process and supply chain at the new Wittenberge production site proved slower to solve than anticipated at the start of the year. As these supply problems impacted the German sales organisation in a state of upheaval, sales in Germany in particular fell short of expectations. Global revenue amounted to EUR 16.9 million in the first half of 2012 after EUR 18.3 million in the prior-year period.

At the same time, recurring revenue from the Mail Services and Software business and from service agreements, leasing, teleporto and the sale of consumables for approximately 250,000 franking machines worldwide increased significantly in the first half of 2012 to EUR 65.8 million, compared to a figure of EUR 62.5 million for the prior-year period.

REVENUE BY PRODUCT AND SERVICE*

EUR million	1st half 2012	1st half 2011	2nd quarter 2012	2nd quarter 2011
Recurring revenue	**65.8**	**62.5**	**32.0**	**30.2**
Leasing/rental	11.6	10.6	5.9	5.2
Services/customer service	12.9	14.0	5.8	6.8
Consumables	10.2	10.3	4.9	5.0
Teleporto	5.9	5.9	3.0	3.0
Mail services	19.5	16.9	9.7	8.1
Software	5.7	4.8	2.7	2.2
Income from product sales	**16.9**	**18.3**	**8.9**	**8.8**
Franking	12.5	14.2	6.6	6.8
Inserting	3.4	3.7	1.7	1.9
Other	1.0	0.4	0.6	0.1
Total	**82.7**	**80.9**	**40.9**	**39.1**
Recurring revenue	79.6%	77.3%	78.3%	77.5%
Non-recurring revenue	20.4%	22.7%	21.7%	22.5%

* Revenue in accordance with IFRS without inter-segment revenue

Earnings development

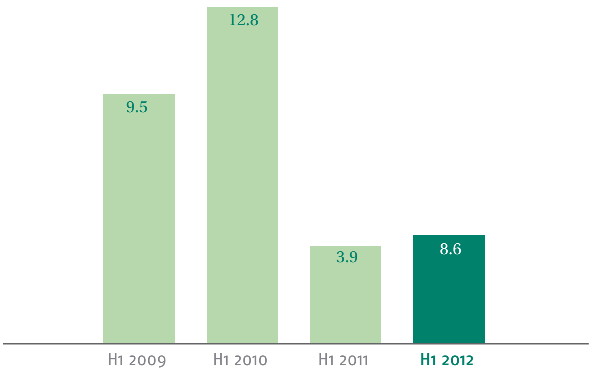
In the first quarter of the current year, the company completed the establishment of production in Wittenberge and the discontinuation of production in Birkenwerder as at 31 March 2012. After the parallel operation of both sites was concluded, the company had to master challenges in the supply and process chain; their solution took more time than originally anticipated. Training and the use of experienced employees were required before production reached a steady state in summer 2012.

EBITDA (earnings before interest, tax, depreciation and amortisation) therefore did not reach the level originally expected. Nonetheless, at EUR 4.5 million in the second quarter, it was up considerably on the previous year's level of EUR 0.1 million. At EUR 8.6 million in the first six months of the current financial year, it was twice as high as in the comparable prior-year period.

EBIT showed a similar development: in the second quarter of 2012, EBIT improved from EUR -3.6 million to EUR 2.3 million, totalling EUR 4.0 million after six months (previous year: EUR -3.5 million).

As in the first quarter of 2012, the FP Group generated a positive consolidated net result in the second quarter of 2012: it amounted to EUR 1.0 million after EUR -3.3 million in the same period of the previous year. After six months, Group profit totalled EUR 1.7 million compared with EUR -4.2 million in the corresponding prior-year period.

EBITDA
in EUR million



Cost of materials

In the second quarter of 2012, the cost of materials rose to EUR 18.2 million, compared with EUR 15.5 million in the prior-year period. As a result, the cost of materials ratio also rose to 44.5% after 39.6% in the second quarter of the previous year. In the first half of the year, the cost of materials was EUR 35.4 million compared with EUR 31.9 million in the previous year.

Expenses for raw materials, consumables and supplies decreased to EUR 6.0 million compared with EUR 6.9 million in the second quarter of 2011. In contrast, due to the increased revenue in the consolidation business, the cost of services purchased rose to EUR 12.2 million as against EUR 8.6 million in the prior-year period. The cost of services purchased was EUR 20.1 million in the first six months compared with EUR 17.4 million in the same period of the previous year.

CHANGES IN MATERIAL ITEMS IN THE GROUP STATEMENT OF COMPREHENSIVE INCOME

EUR million	1st half 2012	1st half 2011	2nd quarter 2012	2nd quarter 2011
Disclosures re: the Group statement of comprehensive income				
Revenue	**82.7**	**80.7**	**40.9**	**39.1**
Inventory changes	-0.1	1.0	0.5	0.6
Other capitalised own work	5.5	4.2	3.0	2.2
Overall performance	**88.1**	**86.0**	**44.5**	**41.8**
Other operating income	1.6	2.6	0.8	1.9
Cost of materials	35.4	31.9	18.2	15.5
Staff expenses	28.4	34.4	13.6	19.1
Depreciation, amortisation and impairment losses	4.6	7.4	2.2	3.7
Other operating expenses	17.5	18.4	9.0	9.1
Operating income before special income and expenditure	**4.0**	**-3.5**	**2.3**	**-3.6**
Net interest income/expense	-1.1	-1.4	-0.5	-0.7
Other financial result	-0.6	0.7	-0.8	0.2
Tax result	-0.6	0.1	0.1	0.8
Consolidated net result	**1.7**	**-4.2**	**1.0**	**-3.3**
EBIT	**4.0**	**-3.6**	**2.3**	**-3.6**
EBITDA	**8.6**	**3.9**	**4.5**	**0.1**

Staff expenses

Staff expenses decreased in the second quarter of 2012 to EUR 13.6 million compared with EUR 19.1 million in the previous year – a result of the savings following the discontinuation of production in Birkenwerder at the end of the first quarter of 2012. In the previous year, restructuring measures in Germany and the Netherlands resulted in one-off expenses. Accordingly, the staff expenses ratio fell to 33.2% as against 48.8% in the prior-year period. Staff expenses for the six-month period dropped from EUR 34.4 million to EUR 28.4 million.

Other operating expenses

Other operating expenses in the second quarter of 2012 remained almost unchanged at EUR 9.0 million. In the first six months of 2012, these expenses amounted to EUR 17.4 million as against EUR 18.4 million in the prior-year period, with expenses from restructuring measures still included in the figures for the previous year.

EBITDA

In the second quarter of 2012, the FP Group generated EBITDA (earnings before interest, taxes, net financial income, depreciation and amortisation) of EUR 4.5 million, against EUR 0.1 million in the same period of the previous year. EBITDA for the first six months amounted to EUR 8.6 million, following EUR 3.9 million in the previous year. The result thus rose significantly, but remained lower than originally planned. This is attributable to the challenges in the process and supply chain in the old and new production sites in Birkenwerder and Wittenberge, which proved slower to solve than anticipated; the resulting supply backlogs were not eliminated quickly enough and had a particularly negative impact on the German business. On the revenue side, these led to a temporary adjustment of the revenue structure in the direction of the high-growth but low-margin consolidation business.

Depreciation, amortisation and impairment losses

In the second quarter of 2012, depreciation, amortisation and impairment losses fell as planned to EUR 2.2 million, compared with EUR 3.7 million in the previous year. There was a noticeable effect here due to the lack of depreciation on assets capitalised as part of the acquisition of iab and freesort and which amounted to EUR 0.7 million in the comparable prior-year period. Depreciation, amortisation and impairment losses fell from EUR 7.4 million to EUR 4.6 million in the first six months.

Net interest income/expense

Net interest expense in the second quarter of the current year amounted to EUR -0.5 million as against EUR -0.7 million in the previous year. Interest income remained unchanged at EUR 0.3 million. This was met with a drop in interest expenses to EUR 0.8 million compared with EUR 1.0 million a year ago. Net interest expense for the first six months amounted to EUR -1.1 million as against EUR -1.4 million in the prior-year period.

Net financial expense/income

The FP Group generated a net financial expense of EUR -0.8 million in the second quarter of 2012, which was particularly attributable to increased financial expenses. Financial income of EUR 0.2 million was reported in the same period of the previous year. Net financial expense for the first six months amounted to EUR -0.6 million as against EUR 0.7 million in the prior-year period.

Tax result

Net taxes in the second quarter of 2012 consist of tax income of EUR 1.4 million and tax expenses of EUR -1.4 million. Overall, net taxes come to EUR 0.1 million compared with EUR 0.8 million in the same period of the previous year. The net tax result for the first six months amounted to EUR -0.6 million as against EUR 0.1 million in the prior-year period.

Consolidated net income

The FP Group improved consolidated net income before non-controlling interests to EUR 1.0 million in the second quarter of 2012. In the previous year, the company recorded consolidated net income of EUR -3.3 million due to the restructuring. Consolidated net income after the first half of the year rose from EUR -4.2 million to EUR 1.7 million. Earnings per share came to EUR 0.11 in the first six months of 2012, compared with EUR -0.27 in the first six months of 2011.

COURSE OF BUSINESS BY SEGMENTS

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

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

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

Sales Germany segment

The FP Group is the market leader in the franking machine business in Germany with a market share of 42.4%.

In the first half of 2012, the FP Group achieved overall revenue of EUR 43.5 million with third parties in its German domestic market, compared with EUR 43.3 million in the comparable prior-year period.

In the Mail Services segment alone, which includes revenue from the consolidation specialist freesort, revenue rose to EUR 19.5 million compared with EUR 16.9 million in the previous year. In Software Solutions, revenue improved to EUR 5.7 million, compared with EUR 4.6 million in the first half of 2011.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, achieved revenue of EUR 18.3 million after EUR 21.6 million the previous year. The problems in the process and supply chain in production directly impacted the FP Group in Germany, the biggest market, where the customers are supplied directly from the factory, in the midst of a state of upheaval. The company focused more strongly on telesales and dealer distribution with sales of franking systems. However, in contrast to the USA and the UK, the reaction among customers to telephone contact in Germany has remained restrained. The dealer channel did not achieve its original targets either.

The FP Group generated EBITDA of EUR 1.9 million in the Sales Germany segment in the first half of 2012, as against EUR 3.0 million in the same prior-year period.

Sales International segment

In its Sales International segment, in which all activities by the foreign subsidiaries are combined, the FP Group generated revenue of EUR 38.1 million with third parties in the first half of 2012, compared with EUR 36.1 million in the same period in the previous year. The revenue increase benefited from a positive exchange rate effect amounting to EUR 1.9 million.

In the Sales International segment, the FP Group generated an EBITDA result of EUR 8.3 million in the first half of 2012 compared to EUR 7.5 million in the previous year.

Production segment

The FP Group consolidates its production activities in Germany in the Production segment. Revenue in this segment came to EUR 2.2 million in the first half of 2012, after EUR 2.6 million in the prior-year period.

In 2011, the company developed a new production site at Wittenberge, Brandenburg. Since the beginning of April 2012, the FP Group has been producing its franking machines almost exclusively at the new site. However, it has taken longer than planned for the process and supply chain there to establish itself.

While EBITDA of EUR –5.9 million was generated in Production in the first half of 2011, the company reported EBITDA of EUR 0.5 million for this segment in the first half of 2012. The previous year saw expenses for restructuring, while in 2012 the parallel operation of the two locations led to additional charges.

SUMMARY OF RESULTS PER SEGMENT

EUR million	Revenue [1]			EBITDA		
	2nd quarter 2012	2nd quarter 2011	Change in %	2nd quarter 2012	2nd quarter 2011	Change in %
Sales Germany	21.4	20.7	3.4	1.1	1.0	6.2
Sales International	18.8	17.3	8.4	3.8	3.0	26.3
Production	1.3	1.5	-16.3	1.4	-3.8	-136.4
FP Group [2]	40.9	39.1	2.0	4.5	0.1	n/a
	1st half 2012	1st half 2011	Change in %	1st half 2012	1st half 2011	Change in %
Sales Germany	43.5	43.3	0.4	1.9	3.0	-34.7
Sales International	38.1	36.1	5.4	8.3	7.5	10.7
Production	2.2	2.6	-12.0	0.5	-5.9	n/a
FP Group [2]	82.7	80.9	2.3	8.6	3.9	122.4

1) Sales revenue with external third parties

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

FINANCIAL POSITION

Financing analysis

Financial liabilities increased to EUR 41.2 million as at the end of the first half of 2012 compared with EUR 38.2 million as at 31 December 2011. Cash and cash equivalents rose to EUR 27.6 million as at the first half of 2012, compared with EUR 25.9 million as at 31 December 2011.

The debt includes borrowing of EUR 40.0 million and liabilities from finance leases of EUR 1.2 million. Cash and cash equivalents include treasury shares of EUR 1.8 million and securities of EUR 0.7 million, and excludes postage credit balances managed by the FP Group of EUR 21.2 million.

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

CHANGES IN NET DEBT

EUR million	**30.6.2012**	31.12.2011
Liabilities	41.2	38.2
Funds	-8.9	-8.2
Net debt	**32.3**	**30.0**
FP Holding	21.6	15.9
Net indebtedness	**150%**	**189%**

Further to the syndicated loan agreement of 21 February 2011, an additional 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. To the extent that it is utilised, the loan must be paid back in ten monthly instalments starting from 31 March 2013.

In addition, a partial amount of EUR 0.3 million will be deferred from the repayment instalment due on 30 June 2012 for Loan A1 amounting to EUR 1.0 million. This amount will be paid back in ten equal monthly instalments starting from 31 March 2013. Furthermore, USD 0.6 million of the instalment for loan A2 in the amount of USD 1.9 million that is due for payment on 30 June 2012 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. The company therefore issued new bearer shares, each representing EUR 1.00 of share capital. 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 particularly on investments that will facilitate the company's ongoing development into a multi-channel provider for mail communication. In the first half of 2012, investments came to EUR 7.1 million after EUR 7.8 million in the same period for the previous year. Capitalised development costs rose in the first half of 2012 to EUR 2.6 million as against EUR 2.3 million in the prior-year period for two reasons: On the one hand, the FP Group increased its development costs for the Phoenix project, in which context the new and innovative PostBase franking system was developed, and on the other hand, the company capitalised costs as part of the development of De-Mail.

Investment in other intangible assets rose to EUR 0.5 million in the first half of 2012 compared with EUR 0.2 million in the previous year. Investment in property, plant and equipment excluding leased products decreased to EUR 1.2 million in the first half of 2012 after EUR 2.5 million in the first half of 2011. Investment in leased products amounted to EUR 3.0 million, compared to EUR 1.8 million in the previous year.

INVESTMENT

EUR million	1.1.–30.6.2012	1.1.–30.6.2011
Capitalised development costs	2.6	2.3
Investment in other intangible assets	0.5	0.2
Investment in property, plant and equipment (excluding leased products)	1.2	2.5
Investment in leased products	3.0	1.8
Investment in company acquisitions	0.0	1.0
Proceeds from the disposal of non-current assets	0.2	0.1
Capital expenditure	**7.1**	**7.8**

Liquidity analysis

In the first half of 2012, cash flow from operating activities fell to EUR 1.1 million, compared with EUR 8.5 million in the previous year. The main causes for the decline are the lower EBITDA of EUR -3.7 million adjusted for restructuring costs, the payment for the utilisation of a restructuring provision in the amount of EUR 3.9 million, and the increase in inventories of EUR -2.1 million. Net working capital, i.e. inventory plus trade receivables less trade payables, rose to EUR 21.9 million following EUR 17.4 million in the previous year.

The cash outflow from investing activities came to EUR 7.1 million in the first half of 2012, compared with EUR 7.8 million in the same period of the previous year.

As a result, free cash flow, the sum of cash inflows from operating activities and cash outflows from investing activities, totalled EUR -6.0 million, compared with EUR 0.8 million in the same period in the previous year.

Cash flow from financing activities amounted to EUR 6.7 million in the first half of 2012, after EUR -7.9 million in the previous year. This is due to proceeds from the capital increase amounting to EUR 3.7 million and raising bank loans in the amount of EUR 4.6 million.

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

LIQUIDITY ANALYSIS

EUR million	1.1.–30.6.2012	1.1.–30.6.2011
1. Cash flow from operating activities		
Cash flow from operating activities	1.1	8.5
2. Cash flow from investing activities		
Cash flow from investing activities	-7.1	-7.8
3. Cash flow from financing activities		
Cash flow from financing activities	6.7	-7.9
Cash and cash equivalents		
Change in cash and cash equivalents	0.7	-7.2
Change in cash and cash equivalents due to currency translation	0.1	-0.1
Cash and cash equivalents at beginning of period	6.3	13.4
Cash and cash equivalents at end of period	**7.1**	**6.1**

ASSET SITUATION

Compared with 31 December 2011, total assets increased by EUR 9.1 million to EUR 142.1 million. The ratio of non-current assets to total assets fell from 46.8 % to 46.1%. As at 30 June 2012, the ratio of current assets to current liabilities was 103.3% compared with 99.8% as at 31 December 2011.

Within non-current assets, intangible assets increased from EUR 31.3 million to EUR 33.1 million. Items included here are goodwill, intangible assets including customer lists and development projects in progress.

Property, plant and equipment increased from EUR 19.8 million as at the end of 2011 to EUR 20.6 million as at 30 June 2012. This is attributable to the increase in land, land rights and buildings, other equipment, operating and office equipment, and leased products. In contrast, advance payments and assets under construction decreased. Deferred tax assets increased slightly from EUR 9.3 million to EUR 10.0 million.

In current assets, inventories rose considerably from EUR 11.0 million to EUR 14.5 million. Trade receivables increased slightly to EUR 16.8 million compared with EUR 16.6 million in the previous year. Securities held at EUR 0.7 million are used by freesort GmbH as a cash deposit for a guarantee towards Deutsche Post AG. Cash and cash equivalents climbed from EUR 25.9 million to EUR 27.6 million.

As a result of the increase in subscribed capital as well as the positive consolidated net income and higher capital reserves, equity improved significantly to EUR 21.6 million as at 30 June 2012 compared with EUR 15.9 million at the end of 2011.

Compared with 31 December 2011, Francotyp-Postalia Holding AG's share capital increased from EUR 14.7 million to EUR 16.16 million, divided into 16,160,000 non-par value bearer shares. No shares have been issued with special rights. As at 30 June 2012, the company held a total of 370,444 own shares, corresponding to 2.29% of capital stock.

As at 30 June 2012, current liabilities increased to EUR 74.2 million, compared with EUR 70.9 million at the end of 2011. Current liabilities declined to EUR 10.7 million as against EUR 7.8 million at the end of 2011. Provisions fell from EUR 11.0 million to EUR 6.6 million, while trade payables also dropped from EUR 10.2 million to EUR 9.5 million. In contrast, other current liabilities increased from EUR 40.4 million to EUR 45.4 million.

Non-current liabilities remained essentially unchanged at EUR 46.4 million as at 30 June 2012 compared with the end of 2011.

EVENTS AFTER THE BALANCE SHEET DATE

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

RISK AND OPPORTUNITY REPORT

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

FORECAST

The FP Group increased all key figures in the first half of 2012. However, the increase in the consolidation business during a period of growing price competition and the concurrent production and sales difficulties in the high-margin franking machine business impacted EBITDA more strongly than expected in the first half of the year.

In this context, the company is adjusting its forecast for the year as a whole. The FP Group continues to expect revenue of at least EUR 161 million for 2012 as a whole, but is reducing the earnings forecast. The company is forecasting EBITDA of EUR 19–21 million instead of at least EUR 25 million as previously anticipated, and expects to generate EBIT of EUR 8–10 million after at least EUR 12 million previously.

Production reached a steady state in summer 2012. The German sales organisation is also reporting increasing sales figures again, with the dealer channel yet to reach its targets. The FP Group will not, however, be able to compensate for the losses from the second quarter of 2012.

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 profiting from considerable cost benefits and can now operate more efficiently on the market with 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 half of 2012, and views the problems that have arisen 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 are based on current knowledge at the end of the second quarter of 2012. We note that the planning data presented here may differ from the actual values achieved.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEARLY FINANCAL REPORT 2012

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

in EUR thousand	1.1. – 30.6.2012	1.1. – 30.6.2011	1.4. – 30.6.2012	1.4. – 30.6.2011
Revenue	82,702	80,863	40.932	39.056
Changes in inventories of finished goods and work in progress	-91	968	530	614
	82,611	**81,831**	**41.462**	**39.670**
Other capitalised own work	5.459	4,158	3.038	2.153
Other income	1,643	2,586	799	1.944
Cost of materials				
a) Cost of raw materials, consumables and supplies	15,266	14,506	5.997	6.890
b) Cost of services purchased	20,106	17,421	12.217	8.564
	35,372	**31,927**	**18.214**	**15.454**
Staff expenses				
a) Wages and salaries	23,839	29,628	11.420	16.637
b) Social security contributions	4,201	4,084	2.005	2.021
c) Expenses for pensions and other benefits	349	655	163	408
	28,389	**34,367**	**13.588**	**19.066**
Depreciation, amortisation and impairment losses	4.587	7,423	2.223	3.747
Other expenses	17,352	18,414	9.018	9.129
Net interest income/expense				
a) Interest and similar income	587	624	340	329
b) Interest and similar expenses	1,656	2,032	834	1.009
	-1,069	**-1,408**	**-494**	**-680**
Other financial result				
a) Other financial income	992	892	351	367
b) Other financial expenses	1,584	225	1.125	137
	-592	**667**	**-774**	**230**
Tax result				
a) Tax income	2,115	2,769	1.443	2.040
b) Tax expense	2,740	2,679	1.385	1.268
	-625	**90**	**58**	**772**
Consolidated net income	**1,727**	**-4,207**	**1.046**	**-3.307**
Other comprehensive income				
Translation of financial statements of foreign entities	207	-1,554	1.096	-495
of which taxes	-47	101	-27	56
of which reformatted in the consolidated net income	167	0	167	0
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	**207**	**-1,533**	**1.096**	**-495**
Comprehensive income	**1,934**	**-5,740**	**2.142**	**-3.802**
Consolidated net income for the year	1,727	-4,207	1.046	-3.307
– of which attributable to the shareholders of FP Group	1.684	-3.886	1.056	-3.110
– consolidated net profit attributable to minority interests	43	-321	-10	-197
Comprehensive income	1,934	-5,740	2.142	-3.802
– of which attributable to the shareholders of FP Group	1.891	-5.419	2.152	-3.605
– of which attributable to minority interests	43	-321	-10	-197
Earnings per share (basic and diluted):	**0,12**	**-0,27**	**0,07**	**-0,22**

CONSOLIDATED BALANCE SHEET OF 30 JUNE 2012

ASSETS

in EUR thousand	30.6.2012	31.12.2011
Non-Current assets		
Intangible assets		
Intangible assets including customer lists	17,600	10,419
Goodwill	9,980	10,016
Development projects in progress	5,553	10,882
	33,133	**31,317**
Property, plant and equipment		
Land, land rights and buildings	2,208	1,058
Technical equipment and machinery	972	1,145
Other equipment, operating and office equipment	4,568	2,562
Leased products	9,154	8,525
Advance payments and assets under construction	190	2,706
Assets under finance leases	3,547	3,753
	20,639	**19,749**
Other assets		
Associated companies	59	59
Other equity investments	163	163
Finance lease receivables	1,353	1,585
Other non-current assets	193	160
	1,768	**1,967**
Deferred tax assets	9,982	9,270
	65,522	**62,303**
Current assets		
Inventory		
Raw materials, consumables and supplies	7,598	4,021
Work in progress	1,232	996
Finished products and merchandise	5,662	5,988
	14,492	**11,005**
Trade receivables	**16.840**	**16,627**
Other assets		
Finance lease receivables	1,591	1,762
Income tax assets	5,550	5,587
Derivative financial instruments	16	59
Other current assets	9,845	9,169
	17,001	**16,577**
Securities	679	678
Cash	**27,590**	**25,867**
	76,602	**70,754**
	142,124	**133,057**

LIABILITIES

in EUR thousand	30.6.2012	31.12.2011
Shareholders' equity		
Equity attributable to shareholders of the parent company		
Subscribed capital	16,160	14,700
Capital reserves	35,384	33,181
Stock option reserve	476	346
Treasury shares	-1,829	-1,829
Loss carried forward	-31,171	-27,333
Consolidated net income after minority interests	1,684	-3,838
Other comprehensive income	237	26
	20,941	**15,253**
Minority interests	**677**	**634**
	21,618	**15,887**
Non-Current liabilities		
Provisions for pensions and similar obligations	12.202	12,146
Other provisions	2.131	2,188
Financial liabilities	30.561	30,410
Other liabilities	441	441
Deferred tax liabilities	1.014	1,097
	46.349	**46,282**
Current liabilities		
Tax liabilities	1.987	1,459
Provisions	6.617	11,040
Financial liabilities	10.699	7,753
Trade payables	9.452	10,226
Other liabilities	45.402	40,410
	74.157	**70,888**
	142,124	**133,057**

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

in EUR thousand	1.1. – 30.6.2012	1.1. – 30.6.2011
Cash flow from operating activities		
Consolidated net income	1,727	-4,207
Income tax result recognised in profit or loss	476	-90
Net interest income recognised in profit or loss	1,069	1,408
Depreciation and amortisation of non-current assets	4,587	7,423
Decrease (–) / increase (+) in provisions and tax liabilities	-3,764	6,076
Changes in deferred taxes	-795	0
Loss (+) / gain (–) on the disposal of non-current assets	-17	591
Decrease (–) / increase (+) in inventory, trade receivables and other assets not attributable to investing or financing activities	-3,783	24
Increase (+) in trade payables and other liabilities* not attributable to investing or financing activities	3,304	1,189
Other non-cash expenses and income	323	-1,144
Government assistance not yet received	-814	-550
Interest received	587	625
Interest paid	-946	-1,241
Income tax paid	-878	-1,594
Cash flow from operating activities	**1,076**	**8,510**
Cash flow from investing activities		
Cash paid for internally generated intangible assets	0	-73
Cash payments for the capitalisation of development costs	-2,566	-2,344
Proceeds from the disposal of non-current assets	175	76
Cash paid for investments in intangible assets	-453	-158
Cash paid for investments in property, plant and equipment	-4,215	-4,262
Cash paid for financial investments	0	-28
Cash paid for company acquisitions	0	-999
Cash flow from investing activities	**-7,059**	**-7,788**
Cash flow from financing activities		
Cash outflows from reverse repo transactions	109	0
Cash paid to repay bank loans	-1,176	-7,464
Cash payments to repay liabilities from finance leases	-486	-485
Cash inflows as a result of issuing shares	3,663	0
Cash inflows from taking out bank loans	4,629	0
Cash flow from financing activities	**6,739**	**-7,949**
Cash and cash equivalents*		
Change in cash and cash equivalents	756	-7,227
Change in cash and cash equivalents due to currency translation	54	-99
Cash and cash equivalents at beginning of period	6,307	13,423
Cash and cash equivalents at end of period	**7,117**	**6,097**

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 21,152 thousand; in Q2/2011: EUR 17,504 thousand). Cash and cash equivalents include current securities in the amount of EUR 679 thousand (in Q2/2011: EUR 674 thousand).

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

						Other comprehensive income					
in EUR thousand	Subscribed capital	Capital reserves	Stock option reserve	Treasury shares	Net income / loss	Difference from currency translation	Net investments in foreign operations	Derivative financial instruments	Equity attributable to FP Holding	Minority interests	Total
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. – 30.6.2011	**0**	**0**	**0**	**0**	**-3,886**	**0**	**0**	**0**	**-3,886**	**-321**	**-4,207**
Translation of financial statements of foreign entities	0	0	0	0	0	-1,285	-269	0	-1,554	0	-1,554
Cash flow hedges	0	0	0	0	0	0	0	21	21	0	21
Other earnings 1.1. – 30.6.2011	**0**	**0**	**0**	**0**	**0**	**-1,285**	**-269**	**21**	**-1,533**	**0**	**-1,533**
Comprehensive income 1.1. – 30.6.2011	**0**	**0**	**0**	**0**	**-3,886**	**-1,285**	**-269**	**21**	**-5,419**	**-321**	**-5,740**
Capital increase from stock options	0	0	133	0	0	0	0	0	133	0	133
Changes in the group of consolidated companies	0	0	0	0	0	0	0	0	0	129	129
Balance at 30 June 2011	**14,700**	**45,708**	**222**	**-1,829**	**-43,746**	**-2,591**	**404**	**0**	**12,868**	**1,239**	**14,107**
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. – 30.6.2012	**0**	**0**	**0**	**0**	**1,684**	**0**	**0**	**0**	**1,684**	**43**	**1,727**
Translation of financial statements of foreign entities	0	0	0	0	0	91	120	0	211	0	211
Other earnings 1.1. – 30.6.2012	**0**	**0**	**0**	**0**	**0**	**91**	**120**	**0**	**211**	**0**	**211**
Comprehensive income 1.1. – 30.6.2012	**0**	**0**	**0**	**0**	**1,684**	**91**	**120**	**0**	**1,895**	**43**	**1,938**
Capital increase	1,460	2,203	0	0	0	0	0	0	3,663	0	3,663
Capital increase from stock options	0	0	130	0	0	0	0	0	130	0	130
Balance at 30 June 2012	**16,160**	**35,384**	**476**	**-1,829**	**-29,487**	**-516**	**753**	**0**	**20,941**	**677**	**21,618**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 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 June 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 consolidated half-year financial statements were approved by the Management Board of FP Holding for publication on 30 August 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 June 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 June 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 June 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:

	Rate on the reporting date			Average rate	
1 EURO =	30.6.2012	31.12.2011	30.6.2011	H1/2012	H1/2011
US dollar (USD)	1.2579	1.2937	1.4477	1.2966	1.4041
Pound sterling (GBP)	0.8063	0.8369	0.9040	0.8226	0.8684
Canadian dollar (CAD)	1.2876	1.3197	1.4000	1.3042	1.3707
Swedish krona (SEK)	8.7740	8.9210	9.1650	8.8823	8.9408
Singapore dollar (SGD)	1.5960	1.6816	1.7786	1.6388	1.7664

H1 signifies the period from 1 January to 30 June of the respective year.

Management estimates and discretions

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

II. DEVELOPMENTS IN THE REPORTING PERIOD

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

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

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; the 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 will be eliminated. With the exception of four cases, all labour law issues have been settled as of 30 June 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 nopar 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 touchscreen allows users to operate PostBase extremely easily and intuitively. Thanks to FP Navigator – a software solution used to operate the franking system – 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

The Federal Office for Information Security (BSI) accredited Mentana-Claimsoft GmbH on 6 March 2012 as the first De-Mail provider. 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	30.6.2012	30.6.2011
Cash	27,590	22,927
plus securities	679	674
Current liabilities from postage credit balances managed	-21,152	-17,504
Cash and cash equivalents	**7,117**	**6,097**

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

	30.6.2012	30.6.2011
Germany	699	749
USA	114	120
United Kingdom	94	95
Netherlands	53	55
Canada	37	37
Belgium	23	27
Italy	23	20
Sweden	20	16
Austria	20	21
Singapore	8	9
France	4	2
Total	**1,095**	**1,151**

Funktionale Verteilung

	30.6.2012	30.6.2011
Production	198	255
Sales Germany	493	493
Sales International	388	393
Central Functions	16	10
Total	**1,095**	**1,151**

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 incourt and out-of-court competition disputes with rival companies, both as a claimant and a defendant. Methods of customer advertising and market positioning form the subject of these disputes. These proceedings are geared towards the discontinuation of anticompetitive behaviour and are not economically significant. If defeat occurs in a case, alternative advertising measures can be employed.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events occurred after the balance sheet date of 30 June 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. – 30.6.2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	**Total**
Revenue	29,544	45,430	39,201	1,857	-33,330	**82,702**
– with third parties	2,248	43,485	38,089	0	-1,120	**82,702**
– intersegment	27,296	1,945	1,112	1,857	-32,210	**0**
EBITDA	**473**	**1,943**	**8,346**	**-1,423**	**-739**	**8,600**
Depreciation, amortisation and impairment	555	1,413	4,151	26	-1,557	**4,587**
Net interest result	-544	-164	-193	-389	222	**-1,067**
– of which interest expense	1,383	496	443	1,452	-2,117	**1,656**
– of which interest income	839	332	250	1,062	-1,895	**588**
Other financial result	-342	0	43	-249	-45	**-594**
Tax result	-39	30	-1,309	683	10	**-625**
Net income	-1,007	396	2,735	-1,404	1,005	**1,726**
Segment assets (at 30 June)	140,724	81,962	83,771	128,984	-293,317	**142,124**
Capital expenditure	1,147	449	4,959	35	876	**7,467**
Segment liabilities (at 30 June)	141,125	73,220	59,601	69,474	-222,914	**120,506**

1.1. – 30.6.2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	28,192	44,381	36,183	1,700	-29,593	80,863
– with third parties	2,554	43,293	36,137	0	-1,121	80,863
– intersegment	25,638	1,088	46	1,700	-28,472	0
EBITDA	**-5,914**	**2,977**	**7,540**	**-931**	**195**	**3,867**
Depreciation, amortisation and impairment	474	1,747	4,362	16	824	7,423
Net interest result	-2,213	594	-135	111	235	-1,408
– of which interest expense	3,185	518	553	522	-2,746	2,032
– of which interest income	972	1,113	417	633	-2,511	624
Other financial result	697	1	0	-40	10	667
Tax result	-23	-70	-1,880	1,831	233	90
Net income	-7,927	1,753	1,161	955	-148	-4,207
Segment assets (at 30 June)	117,624	73,817	77,685	115,282	-255,073	129,336
Capital expenditure	1,786	1,063	3,196	453	2,747	9,245
Segment liabilities (at 30 June)	124,723	63,253	56,643	50,098	-179,489	115,229

EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
1.1. – 30.6.2012						
Provisions for restructuring	-3,309	-635	0	0	0	-3,944
Income from the reversal of provisions	319	37	0	0	0	356
1.1. – 30.6.2011						
Provisions for restructuring	6,997	814	-28	0	0	7,783
Income from the reversal of provisions	0	48	0	0	0	48

RECONCILIATION IN EUR THOUSAND

Revenue	1.1. – 30.6. 2012	1.1. – 30.6. 2011
Revenue of segments A–C	114,164	108,756
Revenue of Central Functions segment	1,857	1,700
Effects of finance lease adjustment	-1,120	-1,121
	114,913	**109,335**
Less intersegment revenue	32,210	28,472
Revenue according to financial statements	**82,702**	**80,863**

EBITDA	1.1. – 30.6. 2012	1.1. – 30.6. 2011
EBITDA of segments A–C	10,762	4,604
EBITDA of Central Functions segment	-1,423	-931
	9,339	**3,673**
Measurement effects of reconciliation (IFRS)	-2,112	-728
Effects at consolidation level	1,374	922
Consolidated EBITDA	**8,600**	**3,867**
Depreciation, amortisation and impairment losses	-4,587	-7,423
Net interest income/expense	-1,067	-1,408
Other financial result	-594	667
Consolidated net profit before taxes	2,352	-4,297
Tax result	-625	90
Consolidated net income	**1,727**	**-4,207**

Assets	30.6.2012	30.6.2011
Assets of segments A–C	306,457	269,128
Assets of Central Functions segment	128,984	115,282
	435,441	**384,410**
Capitalisation of development costs under IFRS	16,099	13,265
Effects of goodwill remeasurement	5,665	4,830
Effects of customer list amortisation	123	-928
Effects of amortisation of internally generated software	-15	-984
Other IFRS reconciliation	4,691	33
	461,004	**400,626**
Effects at consolidation level (incl. elimination of intragroup balances)	-319,880	-271,290
Assets according to financial statements	**142,124**	**129,336**

Assets by region	30.6.2012	30.6.2011
Germany	351,671	296,059
USA and Canada	38,016	33,637
Europe (excl. Germany)	44,006	44,048
Other regions	1,748	10,666
	435,441	**384,410**
Effects of IFRS remeasurement	26,455	18,128
Effects of customer list amortisation	123	-928
Effects of amortisation of internally generated software	-15	-984
	461,004	**400,626**
Effects at consolidation level (incl. elimination of intragroup balances)	-319,880	-271,290
Assets according to financial statements	**142,124**	**129,336**

1.4. – 30.6.2012	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales Interna-tional	Central Functions	Reconciliation to Group	Total
Revenue	18,364	22,503	19,441	1,078	-20,453	40,932
– with third parties	1,291	21,409	18,789	0	-556	40,932
– intersegment	17,073	1,094	652	1,078	-19,897	0
EBITDA	**1,391**	**1,098**	**3,753**	**-740**	**-1,022**	**4,479**
Depreciation, amortisation and impairment	241	664	2,058	13	-752	2,224
Net interest result	-60	-107	-68	-387	129	-492
– of which interest expense	473	247	220	721	-827	833
– of which interest income	414	139	152	334	-698	341
Other financial result	-804	0	100	-249	179	-775
Tax result	128	-2	-550	685	-203	58
Net income	414	325	1,176	-704	-165	1,046
Segment assets (at 30 June)	140,724	81,771	83,771	128,984	-293,317	124,124
Capital expenditure	548	186	3,014	1	126	3,875
Segment liabilities (at 30 June)	141,125	73,220	59,601	69,474	-222,914	120,506

1.4. – 30.6.2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales Interna-tional	Central Functions	Reconciliation to Group	Total
Revenue	14,561	21,495	17,342	884	-15,225	39,056
– with third parties	1,542	20,698	17,328	0	-511	39,056
– intersegment	13,019	797	14	884	-14,714	0
EBITDA	**-3,817**	**1,033**	**2,971**	**-556**	**487**	**118**
Depreciation, amortisation and impairment	217	869	2,148	8	505	3,748
Net interest result	-953	299	-65	-100	139	-680
– of which interest expense	1,557	262	274	417	-1,501	1,009
– of which interest income	604	564	208	317	-1,362	329
Other financial result	106	0	0	-40	164	230
Tax result	-12	-30	-776	1,725	-135	772
Net income	-4,893	434	-18	1,020	149	-3,307
Segment assets (at 30 June)	117,624	73,817	77,685	115,282	-255,073	129,336
Capital expenditure	945	-1,398	1,747	-19	2,452	3,728
Segment liabilities (at 30 June)	124,723	63,253	56,643	50,098	-179,489	115,229

RECONCILIATION IN EUR THOUSAND

Revenue	1.4. – 30.6.	
	2012	2011
Revenue of segments A–C	60,308	53,398
Revenue of Central Functions segment	1,078	884
Effects of finance lease adjustment	-556	-511
	60,830	**53,771**
Less intersegment revenue	19,897	14,714
Revenue according to financial statements	**40,932**	**39,056**

EBITDA	1.4. – 30.6.	
	2012	2011
EBITDA of segments A–C	6,241	187
EBITDA of Central Functions segment	-740	-556
	5,501	**-369**
Measurement effects of reconciliation (IFRS)	369	589
Effects at consolidation level	1,418	-101
Consolidated EBITDA	**4,479**	**118**
Depreciation, amortisation and impairment losses	-2,224	-3,747
Net interest income/expense	-492	-680
Other financial result	-775	230
Consolidated net profit before taxes	998	-4,079
Tax result	58	772
Consolidated net income	**1,046**	**-3,307**

The goodwill of EUR 9,980 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, 30 August 2012

Management Board of Francotyp-Postalia Holding AG

Hans Szymanski (CEO & CFO)	Andreas Drechsler (CSO)

FINANCIAL CALENDAR / IMPRINT

Presentation Half-year Report 2012	30 August 2012
Presentation 3rd Quarter Results 2012/ Equity Forum 2012 Frankfurt	13 November 2012

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STATEMENT RELATING TO THE FUTURE

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

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

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