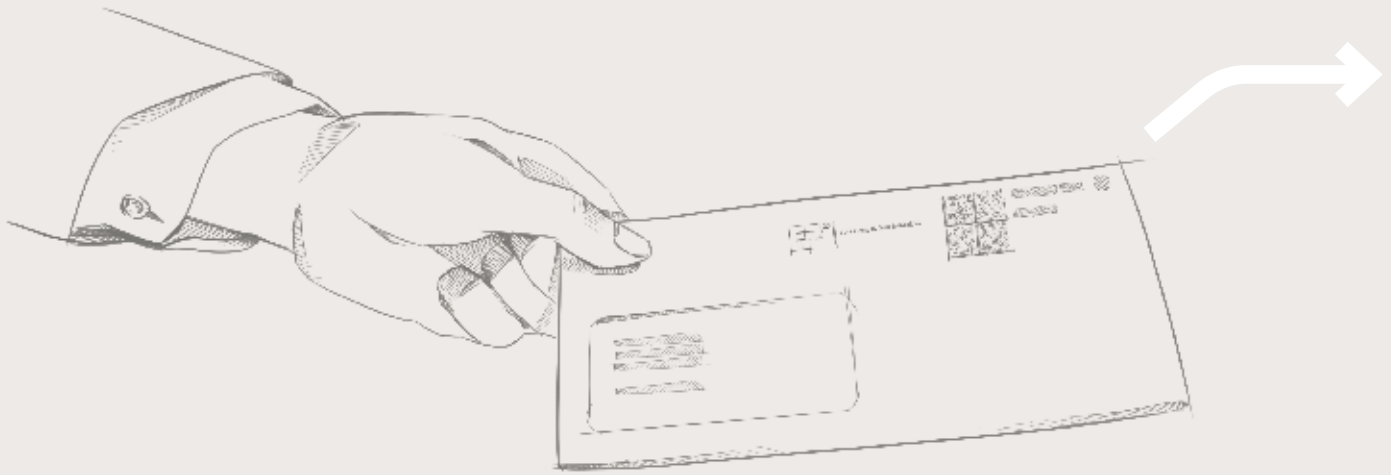




YOUR MAIL IS OUR BUSINESS



CLEAR DIRECTIONS – CLEAR OBJECTIVES

ALL MAIL COMMUNICATION PROCESSES FROM A SINGLE SOURCE

KEY FIGURES OF THE 1ST HALF OF 2011

Figures in accordance with consolidated financial statements in EUR millions	1st Half 2011	1st Half 2010	Change in %	Q2 / 2011	Q2 / 2010	Change in %
Revenues	80.9	66.0	22.6	39.1	32.4	20.7
Revenue growth in %	22.6	-18.3		16.8	-16.9	
Recurring revenues	62.5	48.7	28.3	30.3	24.0	26.3
EBITDA	3.9	12.8	-69.5	0.1	5.7	-98.2
in percentage of revenues	4.8	19.4		0.3	17.6	
EBITA	-2.1	7.5	-128.0	-2.9	2.9	-200.0
in percentage of revenues	n/a	11.4		n/a	9.0	
EBIT	-3.6	2.8	n/a	-3.6	1.4	n/a
in percentage of revenues	n/a	4.2		n/a	4.3	
Net income	-4.2	-0.8	n/a	-3.3	-0.1	n/a
in percentage of revenues	n/a	-1.2				
Free cash flow	0.8	4.9	-83.7			
in percentage of revenues	1.0	7.4				

Figures in accordance with consolidated financial statements in EUR millions	1st Half 2011	31.12.2010	Change in %
Equity capital	14.7	14.7	
Shareholders' equity	14.1	19.6	-28.1
in percentage of balance sheet total		10.9	14.4
Return on equity in %		-29.8	-4.1
Debt capital	115.2	116.3	-1.0
Net debt	30.6	37.1	-17.5
Net gearing in %		217.0	189.3
Balance sheet total	129.3	135.9	-4.9
Earning per share in EUR	-0.27	-0.03	n/a
Employees	1,151	1,064	8.2
Share price to quarterly figures in EUR	3.42	2.68	27.6

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LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and gentlemen,

The first half of 2011 was dominated by the ongoing restructuring of our production. At the beginning of the year we decided to discontinue all production activities at our headquarters in Birkenwerder and to manufacture the new Phoenix franking system at a new production site located in Wittenberge, Brandenburg. Furthermore, we made the decision to transfer pre-assembly work which had previously been based in Singapore back to Germany. Sub-areas such as mechanical component manufacturing will be assigned to external companies in future.

The realignment of production constitutes a key measure for our Group. At the new site in Wittenberge, we will focus on the pre-assembly work as well as the production of the Phoenix and the other franking machines. This will allow us to achieve a crucial long-term improvement in efficiency as regards our production.

As we expand our new production line, in accordance with the provisions of the Works Council Constitution Act, we are also involved in conciliation proceedings that were agreed to by all negotiating parties at the beginning of the year. These proceedings involve negotiations on a reconciliation of interests and a redundancy scheme for workers affected by the transfer of production, which are chaired by the head of the conciliation body. At the beginning of August, the parties declared that the negotiations on a reconciliation of interests had broken down. On 23 August 2011, the conciliation proceedings produced a decision about the redundancy scheme. Around 110 production employees at the Birkenwerder site will be affected by the pending terminations. The provisions will amount to a total of around EUR 7.5 million. EUR 7.0 million of this amount will be set aside for the redundancy scheme and EUR 0.5 million will be set aside for other operating expenses.

After completion of the measures by the end of the first quarter of 2012 at the latest and the completed restructuring of production in Wittenberge, these expenses will be offset by cost savings amounting to approximately EUR 3 million annually.

Meanwhile, we are taking huge steps forward in our preparation for the market launch of the new Phoenix franking system. As the new production site in Wittenberge is still not ready for use, we have set up a temporary solution in Weisen, in close proximity to Wittenberge, and are manufacturing the first of the Phoenix prototypes from there. We will start series production of the new franking machine from 2012. We will also produce mymail and centormail franking machines in Wittenberge in future.

Development of a new direction for production and the associated discontinuation of production at the Birkenwerder site have impacted our half-year result for 2011. This work will continue to affect our result over the course of the current financial year. From 2012 onwards, the new production line will play a significant role in strengthening the financial and earnings power of the entire Group on a sustainable basis.



Management Board: Andreas Drechsler (left) and Hans Szymanski (right)

On account of the planned restructuring costs and higher personnel costs, the EBITDA result for the first half of 2011 was below the previous year's level at EUR 3.9 million (2010: EUR 12.8 million). The new production line and impending closure of the production site in Birkenwerder resulted in restructuring costs of EUR 8.1 million in the first half of 2011. We also successfully completed reorganisation of our Dutch subsidiary and expended EUR 0.3 million on cost adjustments. Adjusted for restructuring costs, the company achieved an EBITDA result of EUR 12.3 million for the first six months of the current financial year. In light of the provisions, consolidated net income before non-controlling interests the first half of 2011 came to EUR -4.2 million, compared with EUR -0.8 million in the prior-year period.

In 2011, we are creating the conditions for the profitable production of our franking machines from 2012 onwards. However, franking machines are only a part of our range of services as a multi-channel provider for mail communication. In March, we acquired a majority stake in Mentana-Claimsoft AG, which specialises in electronic signatures. The company is one of the three members of the De-Mail project. The authorisation processes, which all companies must partake in if they want to become an official De-Mail provider, are currently taking place.


Unlike traditional e-mail, sending documents via De-Mail ensures legally binding, secure and rapid delivery of documents over the internet. With the new statutory conditions governing the sending of certain types of document, the customer can essentially combine the confidentiality and security of a letter with the rapidity and flexibility of an e-mail, as De-Mail is as easy to use as normal e-mail. The gateway technology of Mentana-Claimsoft works in the background and automatically selects the correct dispatch method.

We are therefore proceeding on the assumption that our customers do not want to limit their mail communication to just one communication channel. Our customers will, as ever, want to send large volumes of mail both physically and via hybrid mail. We are thus offering our customers the possibility of choosing the right mail distribution channel to suit their individual needs. By expanding our portfolio with fully electronic products, we have taken a strategically important step in becoming a multi-channel mail provider; we are now able to cover the entire letter post distribution chain, whether physical, hybrid or fully electronic. Our franking machines fulfil the task of physically processing this mail. We will continue to produce even more efficient models in future, develop our range of services and pursue consolidation. For hybrid and fully electronic processes, Francotyp provides solutions such as FP webmail, FP businessmail, De-Mail and electronic signatures. Our aim is to offer every company a tailored solution ideally suited to its mail communication needs with our extensive range of services.

Growth in revenue indicates that we are on the right track with this strategy. In the first half of 2011, we increased our revenue by a total of 23% to EUR 80.9 million. Adjusted for the revenue effect generated by the change in the reporting logic (EUR 11.6 million), we achieved revenue growth of 4.8%. We are therefore optimistic that the company will achieve the revenue forecast announced in February 2011 of between EUR 160 and EUR 165 million. However, on account of higher personnel costs, we estimate that the EBITDA result before restructuring costs will be at the lower end of the forecast range of between EUR 25 and EUR 27 million.

2011 is a year of transformation for the FP Group. Over the course of this year, we will invest in this process, but with a new direction for production and a growing share of hybrid and fully electronic solutions making up total revenue, the FP Group will emerge stronger in 2012 – this is a decisive factor for us. We thank you, dear shareholders, most sincerely for the trust you continue to place in us and would be delighted if you remain with us during these critical stages of our journey.

Yours sincerely



Hans Syzmanski
CEO & CFO



Andreas Drechsler
CSO

MANAGEMENT BOARD

HANS SZYMANSKI

Member of the Management Board of Francotyp-Postalia Holding AG (CFO & CTO)

Born in 1963 and an economics graduate, he is responsible for Finance, Production, IT, Research and Development, Human Resources and Legal Affairs.

ANDREAS DRECHSLER

Member of the Management Board of Francotyp-Postalia Holding AG (CSO)

Born in 1968, Andreas Drechsler studied and graduated in banking and business studies, and is responsible for Sales, Marketing and Investor Relations.

CONSOLIDATED INTERIM REPORT AS OF 30 JUNE 2011

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BUSINESS AND GENERAL ENVIRONMENT

Business activity

Francotyp-Postalia Holding AG (FP Group), based in Birkenwerder near Berlin, is a complete service provider for mail communication. As postal markets have become increasingly liberalised, the FP Group has moved from being a producer of franking machines to being a multi-channel service provider. The company covers the entire letter post distribution chain – from franking and inserting physical letters to mail consolidation and even hybrid and fully electronic mail. The FP Group can thus offer corporate clients of all sizes a complete package of products and services for easy and cost-efficient mail communication.

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

In March 2011, the FP Group acquired a 51% stake in Mentana-Claimsoft AG and signed a corresponding purchase agreement with two major shareholders of the unlisted company. This acquisition aims to secure the Group's entry into the market of fully electronic mail communication. The Mentana-Claimsoft Group specialises in electronic signatures and offers an extensive range of products for securing electronic documents and legally binding communication. It is a member of the De-Mail project. De-Mail is a communication tool which should enable the legally binding and confidential exchange of electronic documents and electronic letter over the internet. The purchase price for the shareholding is made up of a fixed part and a performance-related part to be paid in 2015 and, according to current estimates, amounts to a total of between EUR 1 million to EUR 2 million.

General environment

Global economic recovery is occurring at a different pace in different regions. Economic growth remains high in the emerging nations of Asia and Latin America, while in the industrialised countries of Western Europe and North America growth is moderate.

The German economy lost considerable momentum in the second quarter of 2011. In the domestic market of the FP Group, from April to June gross domestic product (GDP) was up only 0.1% in comparison to the first quarter of 2011. Year-on-year economic output increased by 2.8% on a price-adjusted basis. Thus the second quarter was weaker than expected by the experts. What is more, growth in the first quarter was corrected slightly downwards – from 1.5% to 1.3%. For the whole year, economists are expecting economic growth of 3%.

By contrast, growth in the US economy was weaker than expected. In the second quarter, economic output for the year increased at a projected rate of 1.3%. Experts forecasted a rate of 1.8%. For the first quarter of 2011, the Department of Commerce revised the growth rate downwards from 1.9% to 0.4%.

In comparison, the Asian economies continued to grow at almost double-digit rates. In the second quarter of 2011, Chinese GDP increased by 9.5% year-on-year. The Indian economy grew strongly in 2011 as well. In the 2011/2012 financial year, which began on 1 April 2011, growth is expected to be 8.2%.

The Singaporean economy, however, did not grow in the second quarter of 2011. According to figures released by the Ministry of Trade and Industry, GDP for the period from April to June declined by 7.8% against the previous quarter. In the first quarter of 2011, growth was measured at 27.2%. Economists expect growth for the year as a whole of between 5% and 7%. This growth momentum in the Asia / Pacific area creates a good environment for the FP Group to press ahead with its growth strategy in these markets of the future.

Employees

As at 30 June 2011, the FP Group employed a total of 1,151 people worldwide, compared with 1,064 employees for the previous year. This rise is a direct consequence of personnel increases in the foreign and German subsidiaries and relates to the acquisition of a majority shareholding in Mentana-Claimsoft. As at 30 June 2011, 749 employees were attributable to the German companies (previous year: 688) and 402 to foreign subsidiaries (previous year: 376).

In Germany, a total of 478 employees belonged to the Franking and Inserting segment (previous year: 465) and 271 to the Software Solutions and Services segments (previous year: 223). As at 30 June 2011, 195 people were employed at freesort compared with 168 in the previous year. The number of employees at iab fell from 55 in the same period of the previous year to 54. As at 30 June 2011, Mentana-Claimsoft employed 22 people. The increase in personnel in these segments underlines the increasing significance of the Software and Services business for the entire company.

In January 2011, the Supervisory Board of Francotyp-Postalia Holding AG extended the existing Management Board contract with Chief Sales Officer Andreas Drechsler until 22 February 2015. Mr Drechsler has been Chief Sales Officer for the FP Group's global operating business since February 2009. Together with his colleague Hans Szymanski, he is the driving force behind the strategic development of the company into a complete service provider for mail communication.

Research and development

In its research and development, the FP Group concentrates on developing the franking system platform Phoenix. This comprises a basic unit, which comes in four different speed variations, automatic letter feeder and a filing system. This franking platform is distinguished by numerous innovations in mechatronics, software management and the distribution process. Series production is set to begin in the first quarter of 2012.

The research and development department also works on new solutions for networking franking systems and the further processing of data recorded by franking systems. It also advises many postal companies on ways to develop their security requirements further and implements these into the international server infrastructure of the FP Group.

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

In the months from April to June 2011, research and development expenses rose to EUR 2.3 million, compared with EUR 2.0 million in the second quarter of 2010. In the first half of the current financial year, research and development expenses amounted to EUR 4.9 million, compared to EUR 4.0 million in the first six months of 2010; the R&D ratio therefore remained unchanged at 6.0% of revenue. Of this, the FP Group capitalised EUR 2.3 million in accordance with IFRS and recognised EUR 2.6 million in expenses.

NET ASSETS, FINANCIAL AND EARNINGS POSITION

Earnings position

REVENUE

In the first six months of the 2011 financial year, the FP Group increased revenue to EUR 80.9 million, against EUR 66.0 million for the previous year. The significant 22.6% increase in revenue compared with the same quarter of the previous year partly resulted from a change in the reporting logic as part of the new regulations for sales tax on postal services in Germany as at 1 July 2010. The Group also benefitted from the recovery of the global economy and its success in becoming a complete service provider. Revenue generated by product sales rose by around 5.8% as a result, while recurring revenue climbed 28.5%. In the second quarter of 2011, the Group generated total revenue of EUR 39.1 million, compared with EUR 32.4 million in the same quarter of the previous year.

Revenue from product sales went up in the first six months of the current financial year to EUR 18.3 million, compared with EUR 17.3 million in the same period of the previous year. In the first half of 2011, sustainable, recurring revenue increased to EUR 62.5 million, against EUR 48.7 million in the previous year. Its share of total revenue climbed to 77.3% after 73.8% in the same period of the previous year. Recurring revenue derives from service agreements, rental, teleporto, the sale of consumables, mail services and software solutions.

Mail Services increased its revenue from EUR 6.5 million to EUR 16.9 million in the first half of the current financial year. An increase in revenue from EUR 2.1 million to EUR 4.8 million was also reported by the Software segment in the first six months of the year. Primary reasons for this include changes to the reporting logic as part of the new regulations for sales tax and the acquisition of new customers.

Since 1 July 2010, iab and freesort no longer recognise postal charges solely in the balance sheet with no effect in the consolidated statement of comprehensive income, but instead report the sale of discounted postal charges in revenue and the cost of postal charges in costs of materials. This was a necessary change in line with the sales tax reform as part of the liberalisation of postal markets. As a result of the reform in the sales tax law, freesort no longer provides its services (“Consolidation” and “Consolidation Plus Franking Service”) as a third party, but on its own account and this is fully reflected in revenue. This effect is also being exhibited by iab. Overall, a revenue effect of EUR 11.6 million was incurred for the first six months of the year.

Sales tax payments not passed on to the customer have been reported as a loss in revenue since the reform and amounted in the first half of 2011 to EUR 0.9 million.

Revenue by product and service*

EUR million	1st half of 2011	1st half of 2010	2nd quarter of 2011	2nd quarter of 2010
Recurring revenue	62.5	48.7	30.3	24.0
Leasing / rental	10.6	10.9	5.2	5.8
Services / customer service	14.0	12.4	6.8	5.9
Consumables	10.3	10.6	5.0	5.2
Teleporto	5.9	6.1	3.0	3.0
Mail services	16.9	6.5	8.1	3.0
Software	4.8	2.1	2.2	1.0
Income from product sales	18.3	17.3	8.8	8.4
Franking	14.2	13.4	6.8	6.4
Inserting	3.7	3.5	1.9	1.8
Other	0.4	0.3	0.1	0.1
Total	80.9	66.0	39.1	32.4
Recurring revenue in %	77.3	73.8	77.5	73.9
Non-recurring revenue in %	22.7	26.2	22.5	26.1
Total	80.9	66.0	39.1	32.4

* Revenue in accordance with IFRS without inter-segment revenue

OPERATING EXPENSES

The cost of materials rose in the first six months of 2011 to EUR 31.9 million against EUR 17.0 million in the same period of the previous year. This rise is, in essence, due to the new reporting logic as part of the new regulations for sales tax, as the FP Group now recognises the purchase of postal charges in cost of materials. Accordingly, the cost of services purchased, also as a result of increased development services performed by third parties and logistics costs, soared to EUR 17.4 million, compared with EUR 4.0 million in the same period of the previous year. In the first six months of 2011, expenses for raw materials, consumables and supplies amounted to EUR 14.5 million, compared with EUR 13.0 million in the previous year. This increase can be explained by increased production of franking machines.

In the first half of 2011, staff costs rose to EUR 34.4 million compared with EUR 25.5 million in the same period of the previous year. The rise is primarily due to an increase in employee numbers in the USA and Sweden. It can also be explained by the restructuring costs of EUR 5.7 million set aside for Germany and EUR 0.3 million earmarked for the Netherlands. EUR 4.9 million was set aside for the redundancy scheme for the production employees at the Birkenwerder site. The measures being undertaken in the Netherlands predominantly affect employees in the Service segment. These measures were undertaken over the course of the second quarter. Staff costs also rose by around EUR 0.6 million on account of the site continuation agreement due to expire July this year.

Other operating expenses increased to EUR 18.4 million in the first six months of 2011 from EUR 15.6 million. This increase can also be explained by the upcoming restructuring of production and the associated closure of the production site at Birkenwerder. Since the production plant cannot presumably be leased out again straight away, provisions were made for onerous contracts of EUR 1.5 million. In addition, EUR 0.5 million was set aside in connection with the redundancy scheme.

EBITDA

In the first half of 2011, the FP Group generated EBITDA (earnings before interest, tax, net financial income, depreciation and amortisation) of EUR 3.9 million, against EUR 12.8 million in the same period of the previous year. This decrease can be explained by increased staff costs and the provisions for the restructuring measures in production in Germany and the subsidiary in the Netherlands.

In Germany, the provision totalled EUR 8.0 million in the first half of 2011. EBITDA adjusted for restructuring costs amounted to EUR 12.3 million.

In the second quarter of 2011, EBITDA stood at EUR 0.1 million, against EUR 5.7 million in the same period of the previous year.

DEPRECIATION AND AMORTISATION

Owing to a decline in amortisation on intangible assets, depreciation and amortisation fell significantly in the first six months of 2011 to EUR 7.4 million after EUR 10.0 million in the corresponding period of the previous year.

NET INTEREST INCOME/EXPENSE

In the first half of 2011, net interest income improved to EUR -1.4 million, against EUR -1.7 million in the previous year. Interest income remained at EUR 0.6 million because of the low level of interest rates. Interest expenses fell accordingly to EUR 2.0 million, compared with EUR 2.3 million in the previous year.

NET FINANCIAL INCOME

In the first six months of the current financial year, the FP Group improved its net financial income, mainly as a result of currency effects, to EUR 0.7 million, against EUR -1.4 million in the same period of the previous year. Financial income increased from EUR 0.5 million to EUR 0.9 million. Financial expenses declined to EUR 0.2 million, against EUR 1.9 million in the same period of the previous year.

NET TAXES

The tax result consists of tax income of EUR 2.8 million and tax expenses of EUR 2.7 million, giving an overall total of EUR 0.1 million for the first half of 2011. Net taxes for the previous year totalled EUR -0.4 million.

CONSOLIDATED NET INCOME

In light of the provisions, consolidated net income before non-controlling interests the first half of 2011 came to EUR -4.2 million, compared with EUR -0.8 million in the prior-year period. Earnings per share therefore came to EUR -0.27, compared with EUR -0.03 for the first half of 2010.

In the second quarter of 2011, the FP Group achieved an overall result of EUR -3.3 million, compared with EUR -0.1 million in the same period of the previous year.

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 and also takes account of the company's development into a complete service provider.

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

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

SALES GERMANY SEGMENT

In the first half of 2011, the FP Group achieved overall revenue of EUR 43.3 million in its German domestic market, compared with EUR 31.0 million in the previous year. In Germany, the company essentially benefited from a change in the reporting logic as part of the new regulations for sales tax on postal services. In the Services segment, revenue generated by the consolidation specialist freesort thus increased significantly to EUR 16.9 million, compared with EUR 6.5 million in the previous year. The positive effect on revenue generated by the change in the reporting logic therefore amounted to EUR 9.1 million. In the Software Solutions segment, revenue climbed to EUR 4.6 million in the first six months of 2011, compared with EUR 2.1 million in the first half of 2010. This segment also exhibited a positive revenue effect generated by the change in the reporting logic of EUR 2.5 million.

Francotyp-Postalia Vertrieb und Service together with its subsidiaries (VSG), which is responsible for franking and inserting, achieved revenue of EUR 21.6 million, compared with EUR 22.4 in the previous year. The slight drop in revenue in the first half of the year is attributable to weaker revenue generated by the service segment and the consumables business.

In the Sales Germany segment, the FP Group generated an EBITDA result of EUR 3.0 million in the first half of 2011, against EUR 4.8 million in the previous year.

In Germany, the company is market leadership in franking machine business with a market share of 42.8%. In the spring of 2011, the FP Group participated in major trade fairs such as the CeBIT in Hanover. At the fair, the company displayed both its franking and inserting machines and its innovative software solutions and postal services.

In the second quarter of 2011, the FP Group started with the advance reservation of De-Mail addresses. The authorisation processes of the individual providers are ongoing. Included in this process is also the FP subsidiary, Mentana-Claimsoft AG, through which the FP Group will offer its customers access to De-Mail.

The company freesort won a tender from the German government and, since April of this year, has been consolidating a large part of the mail from state institutions.

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 36.1 million with external third parties in the first half of 2011, compared with EUR 33.2 million in the same period in the previous year. The increase in revenue is essentially attributable to one-off effects in the USA and the acquisition of the Swedish franking machine business in 2010.

In the first half of 2011, revenue rose in the USA, the company's most important foreign market, to EUR 15.3 million, against EUR 14.5 million in the previous year. The rate changes introduced by the USPS based postal companies this year had a noticeably positive impact on revenue in this segment, totalling EUR 0.8 million. The consolidation of the new Swedish subsidiary also had a positive impact on the Sales International segment, contributing revenue of EUR 1.8 million. By contrast, revenue in the UK fell slightly to EUR 6.5 million, against EUR 6.7 million in the same period of the previous year. In the third major foreign market, the Netherlands, revenue declined in the first half of the year from EUR 4.8 million to EUR 4.5 million. Segment revenue is EUR 0.7 million lower than in the previous year on account of negative exchange rate effects.

Due to the persistent difficult market situation in the Netherlands, the decision was made in the first quarter to carry out relevant cost adjustments at the Dutch subsidiary. The measures mainly affected employees in the Service segment. The associated restructuring costs amount to EUR 0.3 million.

Despite an increase in revenue, the FP Group's EBITDA result in the Sales International segment declined to EUR 7.5 million, compared with EUR 8.7 million in the first half of 2010. The negative effect on income can be attributed to provisions made for the restructuring measures in the Netherlands, negative exchange rate effects and higher personnel costs in the USA and Sweden.

PRODUCTION SEGMENT

The FP Group combines its production activities in Germany and Singapore in the Production segment. In the first half of 2011, revenue in the Production segment came to EUR 2.6 million, against EUR 2.8 million in the same period of the previous year. The decline in revenue is solely attributable to the absorption of the Group's former Swedish dealer business by the Sales International segment.

While EBITDA of EUR 2.1 million was reported in the Production segment in the first half of 2010, EBITDA in the first half of the current financial year came to EUR -5.9 million. This effect resulted from the provisions of EUR 7.2 million made for the upcoming transfer of production and the provisions made for Christmas bonuses, which were not made in the previous year due to the wage waiver as part of the site continuation agreement.

In February 2011, the FP Group announced that, in the course of the year, it would be establishing a new production line in Wittenberge, Brandenburg for production of the new Phoenix franking system. On 10 March 2011, the company acquired a production plant in Wittenberge. The discontinuation of production at the Birkenwerder site is scheduled for the end of the first quarter of 2012 at the latest.

Summary of results per segment

EUR million	Revenue			EBITDA		
	2nd quarter of 2011	2nd quarter of 2010	Change	2nd quarter of 2011	2nd quarter of 2010	Change
Sales Germany	20.7	14.6	+41.6%	1.0	2.3	-56.5%
Sales International	17.3	16.8	+3.3%	3.0	3.8	-21.8%
Production	1.5	1.6	-3.0%	-3.8	1.3	n/a
FP Group*	39.1	32.4	+20.5%	0.1	5.7	-98.2%

EUR million	Revenue			EBITDA		
	1st half of 2011	1st half of 2010	Change	1st half of 2011	1st half of 2010	Change
Sales Germany	43.3	31.0	+39.6%	3.0	4.8	-37.5%
Sales International	36.1	33.2	+8.8%	7.5	8.7	-13.5%
Production	2.6	2.8	-10.3%	-5.9	2.1	n/a
FP Group*	80.9	66.0	+22.6%	3.9	12.8	-69.5%

* 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

INVESTMENT ANALYSIS

The FP Group is pursuing a focused investment strategy and concentrating particularly on investments that will facilitate the company's ongoing development into a complete service provider for mail communication.

Investments picked up slightly in the first half of 2011 to EUR 7.8 million, compared with EUR 7.6 million in the previous year. Capitalised development costs increased to EUR 2.3 million in the first six months of 2011 from EUR 1.8 million in the previous year. Investments in intangible assets remained at the same level. Investments in other property, plant and equipment increased to EUR 2.5 million from EUR 1.0 million in the first half of 2010 due to the reorientation of production. Investment in leased products also went up slightly. By contrast, investments in enterprise value decreased to EUR 1.0 million, compared with EUR 3.5 million in the previous year. In March 2011, the FP Group acquired a 51% stake in Mentana-Claimsoft AG, whereas in 2010 it took over the franking machine business of Ricoh in Sweden.

Total investment

EUR million	1 Jan. – 30 June 2011	1 Jan. – 30 June 2010
Capitalised development costs	2.3	1.8
Investment in other intangible assets	0.2	0.2
Investment in other property, plant and equipment	2.5	1.0
Investment in property, plant and equipment / leased products	1.8	1.2
Investment in enterprise value	1.0	3.5
Divestment (disposal of non-current assets)	0.0	-0.1
Total investment	7.8	7.6

LIQUIDITY ANALYSIS

In the first six months of 2011, cash flow from operating activities amounted to EUR 8.5 million, compared with EUR 12.5 million in the previous year. This decline is due to the negative consolidated net result as well as a significant decrease in liabilities not attributable to financing activities. Furthermore, year-on-year, the sum of non-cash expenses and income went from EUR 2.2 million to EUR -1.1 million.

In the first half of 2011, cash outflows from investing activities amounted to EUR 7.8 million, against EUR 7.6 million in the previous year. In the result, free cash flow, the sum of cash inflows from operating activities and cash outflows from investing activities, decreased to EUR 0.7 million from EUR 4.9 million in the same period in the previous year. In the first half of 2011, cash flow from financing activities raised significantly to EUR -7.9 million, against EUR -4.7 million in the previous year. This is essentially due to a special payment as part of early refinancing and a change to the payment structure, whereby payments are now made semi-annually.

In the first quarter of 2011, the FP Group concluded an early extension of Group financing for a further 3 to 5 years. The financing agreements were signed with a banking consortium headed by Commerzbank. The current financing agreement, originally due to run until the end of November 2011, with a current standing balance of EUR 38.9 million and USD 6.9 million was repaid prematurely and reduced by approximately EUR 5 million through a special payment. The total volume of the new syndicated loan is split into EUR 30.1 million and USD 12.0 million. The loan comes with partially improved conditions, compared to the previous loan agreement, which take account of the needs of operating businesses and offer a greater level of flexibility.

Cash and cash equivalents shown are produced from the balance sheet items “cash” and “securities” less “current liabilities from postage credit balances managed” (teleporto funds). At the end of the first half of 2011, cash and cash equivalents declined to EUR 6.1 million from EUR 12.9 million in the previous year.

Liquidity analysis

EUR million	1 Jan. – 30 June 2011	1 Jan. – 30 June 2010
1. Cash flow from operating activities		
Cash flow from operating activities	8.5	12.5
2. Cash flow from investing activities		
Cash flow from investing activities	-7.8	-7.6
Free cash flow	0.7	4.9
3. Cash flow from financing activities		
Cash flow from financing activities	-7.9	-4.7
Cash and cash equivalents		
Change in cash and cash equivalents	-7.2	0.2
Change in cash and cash equivalents due to currency translation	-0.1	0.3
Cash and cash equivalents at beginning of period	13.4	12.4
Cash and cash equivalents at end of period	6.1	12.9

Asset situation

The balance sheet as at 30 June 2011 is characterised by a reduction in current assets as well as current and non-current liabilities. Compared with 31 December 2010, total assets fell by EUR 6.6 million to EUR 129.3 million. The share of current assets dipped accordingly from 51.7% to 48.6%. The ratio of current assets to current liabilities was 95.9%. The share of non-current liabilities in total assets was reduced to 38.4%, against 38.7% at the end of 2010. Due to the negative consolidated net result, the equity ratio fell to 10.9% from the 31 December 2010 equity ratio of 14.4%.

On the assets side of the balance sheet, intangible assets increased to EUR 31.9 million, against EUR 31.3 million on the balance sheet date of 31 December 2010. Property, plant and equipment decreased slightly to EUR 18.2 million, compared with EUR 18.4 million at the end of 2010. Other non-current assets declined by EUR 0.8 million to EUR 2.2 million as at 30 June 2011. As at 30 June 2011, deferred tax assets amounted to EUR 14.2 million, compared with EUR 12.9 million as at 31 December 2010.

Within current assets, cash was reduced and this is reported under "cash and cash equivalents". At 30 June 2011, cash and cash equivalents totalled EUR 22.9 million, against EUR 31.4 million at the end of 2010 (see "Liquidity analysis").

Securities reported separately in the amount of EUR 0.7 million are used by freesort as a cash deposit for a guarantee with Deutsche Post AG. Inventories increased to EUR 12.3 million, compared with EUR 10.9 million at the end of 2010. Trade receivables remained almost unchanged at EUR 14.6 million as at 30 June 2011, against EUR 14.9 million as at 31 December 2010. Other current assets also remained on virtually the same level at EUR 12.3 million, compared with EUR 12.4 million at the end of 2010.

On the equity and liabilities side, equity decreased from EUR 19.6 million as at 31 December 2010 to EUR 14.1 million. Owing to reduced financial liabilities, non-current liabilities declined substantially to EUR 49.7 million, compared with EUR 52.7 million as at 31 December 2010. In contrast, current liabilities rose to EUR 65.5 million on 30 June 2011 from the 2010 year-end figure of EUR 63.6 million. This was the result of the significant increase in provisions, while financial liabilities declined considerably.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the interim reporting date (30 June 2011).

The negotiations ended on 23 August 2011 with a decision from the conciliation proceedings. The redundancy scheme will total around EUR 7.5 million. 7EUR 0.0 million of this amount will be set aside for the redundancy scheme and EUR 0.5 million will be set aside for other operating expenses. In the fourth quarter of 2010 and in the first quarter of 2011, provisions in the amount of EUR 3.6 million had been formed, of which EUR 2.1 million for the redundancy scheme and EUR 1.5 million for onerous contracts. Additionally, the difference of EUR 5.4 million will be set aside in the second quarter of 2011.

RISK AND OPPORTUNITY REPORT

The company discussed its opportunities and risks in detail in the consolidated financial statements dated 31 December 2010. No further risks and opportunities are currently discernible.

The discontinuation of production at the Birkenwerder site is scheduled for the end of the first quarter of 2012 at the latest. A transfer solely affects production and the company's headquarters will remain in Birkenwerder. Over the course of the first half of 2011, the negotiating parties reached an agreement on the conciliation method and the chairman of the conciliation body.

FORECAST

Overall and sector-specific economic conditions have clouded over slightly. Fears over the future economic situation in key industrialised nations could lead to a slowdown in business. If the economic situation deteriorates dramatically in the second half of 2011, this could have an impact on customers' investment propensity. At this point in time, the company expects to achieve its revenue forecast for 2011 as a whole of between EUR 160 million and EUR 165 million.

Production restructuring is planned for the current financial year. In future, manufacturing will be concentrated at the new Wittenberge site. Events such as the completed transfer of production from Singapore to Weisen and the upcoming closure of production in Birkenwerder are happening alongside development of a new direction for production. After the decision of the conciliation proceedings regarding the redundancy scheme for a total amount of around EUR 7.5 million, it was necessary to increase the provisions formed in the fourth quarter of 2010 and the first quarter of 2011, which totalled EUR 3.6 million, by EUR 5.4 million. Of this amount, EUR 7.0 million was set aside for the redundancy scheme, EUR 1.5 million for onerous contracts, and EUR 0.5 million for provisions for other operating expenses.

The company expects EBITDA before restructuring costs of EUR 25 million to EUR 27 million. Due to higher personnel costs, however, the FP Group estimates that the EBITDA result before restructuring costs will be at the lower end of the forecast range of between EUR 25 and EUR 27 million. However, the expiry of the site continuation agreement will lead to a negative year-on-year impact on EBITDA in 2011 in the amount of EUR 1.5 million to EUR 2.0 million.

In a challenging international market environment, the FP Group will continue to focus its energies on high-margin products and services in order to strengthen its earnings power in the medium and long term. Aside from the sales tax legislation applicable in Germany since 1 July 2010, the FP Group is still likely to benefit from its ongoing development into a complete service provider for mail communication.

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 the digitalisation of processes continues. The company is therefore constantly moving 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 Services segments to ensure that customers can obtain products and services from one source.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2011

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CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

EUR thousand	1 Jan.– 30 June 2011	1 Jan.– 30 June 2010	1 Apr.– 30 June 2011	1 Apr.– 30 June 2010
Revenue	80,863	65,974	39,056	32,400
Changes in inventories of finished goods and work in progress	968	551	614	-426
	81,831	66,525	39,670	31,974
Other capitalised own work	4,158	2,997	2,153	1,129
Other income	2,586	1,336	1,944	944
Cost of materials				
a) Cost of raw materials, consumables and supplies	14,506	12,965	6,890	5,948
b) Cost of services purchased	17,421	4,032	8,564	1,852
	31,927	16,997	15,454	7,800
Staff expenses				
a) Wages and salaries	29,628	21,267	16,637	10,677
b) Social security contributions	4,084	3,732	2,021	1,903
c) Expenses for pensions and other benefits	655	483	408	246
	34,367	25,482	19,066	12,826
Depreciation, amortisation and impairment losses	7,423	9,958	3,747	4,364
Other expenses	18,414	15,593	9,129	7,726
Net interest income/expense				
a) Interest and similar income	624	589	329	272
b) Interest and similar expenses	2,032	2,328	1,009	1,017
	-1,408	-1,739	-680	-745
Other financial results				
a) Other financial income	892	466	367	340
b) Other financial expenses	225	1,909	137	1,236
	667	-1,443	230	-896
Net taxes				
a) Tax income	2,769	2,707	2,040	1,387
b) Tax expenses	2,679	3,136	1,268	1,174
	90	-429	772	213
Consolidated net income	-4,207	-783	-3,307	-97
Other comprehensive income				
Translation of financial statements of foreign entities	-1,554	4,115	-495	2,406
of which taxes	101	-508	56	-215
of which reformatted in the consolidated net income	0	0	0	0
Cash flow hedges	21	-803	0	-557
of which taxes	0	-16	0	9
of which reformatted in the consolidated net income	21	0	0	0
Other comprehensive income after taxes	-1,533	3,312	-495	1,849
Comprehensive income	-5,740	2,529	-3,802	1,752
Consolidated net income, of which:	-4,207	-783	-3,307	-97
– consolidated net profit attributable to shareholders of FP Holding	-3,886	-476	-3,110	46
– consolidated net profit attributable to minority interests	-321	-307	-197	-143
Comprehensive income, of which:	-5,740	2,529	-3,802	1,752
– comprehensive income attributable to shareholders of FP Holding	-5,419	2,836	-3,605	1,895
– comprehensive income attributable to minority interests	-321	-307	-197	-143
Earnings per share (basic and diluted) in EUR:	-0.27	-0.03	-0.22	0.00

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

ASSETS

EUR thousand	30 June 2011	31 Dec. 2010
Non-current assets		
Intangible assets		
Intangible assets	13,085	16,465
Goodwill	10,132	8,494
Development projects in progress	8,696	6,369
	31,913	31,328
Property, plant and equipment		
Land, land rights and buildings	602	160
Technical equipment and machinery	1,240	1,321
Other equipment, operating and office equipment	3,010	2,972
Leased products	8,085	9,673
Advance payments and assets under construction	1,278	109
Assets under finance leases	3,962	4,175
	18,177	18,410
Other assets		
Associated companies	59	69
Other equity investments	163	163
Finance lease receivables	1,864	2,408
Other non-current assets	163	318
	2,249	2,958
Deferred tax assets	14,166	12,894
	66,505	65,590
Current assets		
Inventory		
Raw materials, consumables and supplies	4,403	4,304
Work in progress	1,501	1,130
Finished products and merchandise	6,428	5,509
	12,332	10,943
Trade receivables	14,556	14,895
Other assets		
Finance lease receivables	1,894	2,010
Income tax assets	193	1,071
Derivative financial instruments	18	128
Other current assets	10,237	9,226
	12,342	12,435
Securities	674	672
Cash	22,927	31,377
	62,831	70,322
	129,336	135,912

LIABILITIES

EUR thousand	30 June 2011	31 Dec. 2010
Equity		
Equity attributable to shareholders of the parent company		
Subscribed capital	14,700	14,700
Capital reserves	45,708	45,708
Stock option reserve	222	89
Treasury shares	-1,829	-1,829
Loss carried forward	-39,860	-43,200
Consolidated net income after minority interests	-3,886	3,340
Other comprehensive income	-2,187	-654
	12,868	18,154
Minority interests	1,239	1,431
	14,107	19,585
Non-current liabilities		
Provisions for pensions and similar obligations	12,116	12,088
Other provisions	2,337	2,196
Financial liabilities	32,880	36,292
Other liabilities	791	19
Deferred tax liabilities	1,570	2,095
	49,694	52,690
Current liabilities		
Tax liabilities	987	810
Provisions	15,019	8,791
Financial liabilities	5,670	10,724
Trade payables	5,805	6,365
Other liabilities	38,054	36,947
	65,535	63,637
	129,336	135,912

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

EUR thousand	1 Jan.–30 June 2011	1 Jan.–30 June 2010
Cash flow from operating activities		
Consolidated net income	-4,207	-783
Income tax result recognised in profit or loss	-90	429
Net interest income recognised in profit or loss	1,408	1,739
Depreciation and amortisation of non-current assets	7,423	9,958
Changes in provisions	6,076	-694
Losses on the disposal of non-current assets	591	237
Changes in inventory, trade receivables and other assets not attributable to investing or financing activities	24	-1,588
Changes in trade payables and other liabilities* not attributable to investing or financing activities	1,189	4,399
Other non-cash expenses and income	-1,144	2,236
Government assistance not yet received	-550	-273
Interest received	625	589
Interest paid	-1,241	-1,969
Income tax paid	-1,594	-1,782
Cash flow from operating activities	8,510	12,498
Cash flow from investing activities		
Cash paid for internally generated intangible assets	-73	-27
Cash payments for the capitalisation of development costs	-2,344	-1,834
Proceeds from the disposal of non-current assets	76	125
Cash paid for investments in intangible assets	-158	-164
Cash paid for investments in property, plant and equipment	-4,262	-2,223
Cash paid for financial investments	-28	0
Cash payments for business combinations	-999	-3,500
Cash flow from investing activities	-7,788	-7,623
Cash flow from financing activities		
Cash paid to repay bank loans	-7,464	-4,149
Cash payments to repay finance leases	-485	-518
Cash flow from financing activities	-7,949	-4,667
Cash and cash equivalents*		
Change in cash and cash equivalents	-7,227	208
Change in cash and cash equivalents due to currency translation	-99	332
Cash and cash equivalents at beginning of period	13,423	12,377
Cash and cash equivalents at end of period	6,097	12,917

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 17,504 thousand; EUR 18,639 thousand in Q2/2010). Cash and cash equivalents include current securities in the amount of EUR 674 thousands (in Q2 / 2011: EUR 671 thousands).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

EUR thousand	Subscribed capital	Capital reserves	Stock option reserve	Treasury shares	Unappropriated surplus	Total other shareholders' equity	Equity attributable to FP Holding	Minority interests	Total
Balance at 1 January 2010	14,700	45,708	0	-1,829	-43,200	-2,174	13,205	2,081	15,286
Consolidated net income 1 January to 30 June 2010	0	0	0	0	-476	0	-476	-307	-783
Translation of financial statements of foreign entities	0	0	0	0	0	4,115	4,115	0	4,115
Cash flow hedges	0	0	0	0	0	-803	-803	0	-803
Other earnings 1 January to 30 June 2010	0	0	0	0	0	3,312	3,312	0	3,312
Comprehensive income 1 January to 30 June 2010	0	0	0	0	-476	3,312	2,836	-307	2,529
Balance at 30 June 2010	14,700	45,708	0	-1,829	-43,676	1,138	16,041	1,774	17,815
Balance at 1 January 2011	14,700	45,708	89	-1,829	-39,860	-654	18,154	1,431	19,585
Consolidated net income 1 January to 30 June 2011	0	0	0	0	-3,886	0	-3,886	-321	-4,207
Translation of financial statements of foreign entities	0	0	0	0	0	-1,554	-1,554	0	-1,554
Cash flow hedges	0	0	0	0	0	21	21	0	21
Other earnings 1 January to 30 June 2011	0	0	0	0	0	-1,533	-1,533	0	-1,533
Comprehensive income 1 January to 30 June 2011	0	0	0	0	-3,886	-1,533	-5,419	-321	-5,740
Capital increase from stock options	0	0	133	0	0	0	133	0	133
Changes in the group of consolidated companies	0	0	0	0	0	0	0	129	129
Balance at 30 June 2011	14,700	45,708	222	-1,829	-43,746	-2,187	12,868	1,239	14,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011

I. GENERAL PRINCIPLES

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Birkenwerder (also referred to hereafter as FP Holding), is a German stock corporation (Aktien-gesellschaft) registered under HRB 7649 of the Commercial Register at Neuruppin District Court. 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 2011 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 heritage going back over 85 years. The focus of its activities is the traditional product business, which consists of developing, manufacturing and selling franking machines in particular, but also inserting machines and conducting after-sales business. The FP Group also offers its customers in Germany sorting and consolidation services as well as hybrid mail and fully electronic mail communication products via its subsidiary freesort GmbH and its majority shareholdings in iab GmbH and Mentana-Claimsoft AG.

The Management Board of Francotyp-Postalia Holding AG drew up the 2010 consolidated financial statements on 7 April 2011 and submitted them to the Supervisory Board. The Supervisory Board examined the consolidated financial statements and Group management report and adopted them on 13 April 2011. The 2010 consolidated financial statements and Group management report of Francotyp-Postalia Holding AG were published on 28 April 2011.

The half-yearly consolidated financial statements were approved by the Management Board of FP Holding for publication on 25 August 2011.

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 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and binding in the EU on the reporting date and the interpretations

issued by the International Financial Reporting Interpretations Committee (IFRIC). 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 2011. The same accounting methods were applied in preparing these interim financial statements as in the preparation of the 2010 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.

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 2011 and the interpretations by IFRIC 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 companies

Francotyp-Postalia Holding AG acts as the parent company for the Group, under which FP Group companies are consolidated. The interim consolidated financial statements for FP Holding include all companies where the opportunity exists to govern the financial and operating policies in such a way that companies in the FP Group derive benefits from the activities of these companies (subsidiaries).

Subsidiaries are included in the interim consolidated financial statements from the time FP Holding gains the power of control. Subsidiaries are consolidated from the time FP Holding gains the power of control.

The following transactions resulted in a change in the consolidated companies in the reporting period:

As of 18 January 2011, Franco Frankerings Intressenter AB, Stockholm, Sweden was merged with Francotyp-Postalia Sverige AB, Stockholm, Sweden.

FP Produktionsgesellschaft mbH was founded in February 2011. The company's headquarters are in Weisen; there are plans to relocate the headquarters to Wittenberge in the near future. In accordance with the company's Articles of Association (as at February 2011), the purpose of the company is the development, manufacture and assembly of electronic devices, their individual components and modules and advising third parties with engineering services. All shares in the new company are held by Francotyp-Postalia Holding AG.

On 3 March 2011, FP Holding acquired 51% of shares in Mentana-Claimsoft AG, headquartered in Hartmannsdorf, with effect from 1 January 2011. This acquisition allows the company to press ahead with short-term entry to the De-Mail market, created by the law adopted by the Bundesrat (upper house of the German Federal Parliament) on 18 March 2011 regarding the regulation of De-Mail services.

FP Holding also has a long-term pre-emption right for the remaining 49% of shares in Mentana-Claimsoft AG. This right can be exercised in the period from 1 March 2015 to 1 March 2017. The purchase price is based on the proportionate amount of five times the adjusted EBITDA attributable to the option shares in relation to the share capital plus all consolidated results of the Mentana-Claimsoft Group recorded or carried forward between 1 January 2011 and 31 December of the financial year before the options were exercised.

The purchase price for the 51% of shares in Mentana-Claimsoft AG already acquired comprises fixed and variable components. The fixed portion amounts to EUR 1,000 thousand and was paid in cash as of 3 May 2011. The variable component of the purchase price consists of half the amount of the proportionate balance in relation to the entire share capital of the consolidated results of the Mentana-Claimsoft Group carried forward or recorded in the period from 1 January 2011 to 31 December 2014. It also comprises the proportionate amount of five times the consolidated and adjusted EBITDA for the financial year ending on 31 December 2014, whereby this proportionate fivefold amount is restricted to EUR 1,000 thousand. The variable component of the purchase price is also to be paid in cash. The purchase price to be paid may be between EUR 1,000 thousand and EUR 2,000 thousand; no upper limit is defined due to the dependency on the consolidated results.

At the time these interim consolidated financial statements were prepared, the Mentana-Claimsoft Group's financial assets, debts and contingent liabilities acquired had not been identified precisely for accounting purposes and the associated fair values had not been determined. For this reason, accounting for the company acquisition is based on provisional values only. The following provisional values were used for the initial consolidation of the Mentana-Claimsoft Group on 3 March 2011 in accordance with IFRS 3: provisional purchase price established (EUR 1,772 thousand), provisional net assets and equity identified and remeasured (EUR 264 thousand; of which EUR 129 thousand is attributable to minority interests) as well as the value of goodwill (EUR 1,638 thousand). The minority interests in the company were valued for the corresponding portion of the identified and remeasured net assets.

EUR thousand	Carrying amount at time of acquisition	Remeasurement*	Fair value at time of acquisition
Assets			
Intangible assets	711	0	711
Property, plant and equipment	59	0	59
Inventory	1	0	1
Receivables	222	0	222
Cash	1	0	1
	994	0	994
Liabilities			
Other provisions	103	0	103
Financial liabilities	342	0	342
Trade payables	52	0	52
Other liabilities	233	0	233
	730	0	730
Net assets			264
of which share of the FP Group (51%)			134
Goodwill			1,638
Purchase price of the company acquisition			1,772
Less existing purchase price liabilities			-772
Less cash acquired			-1
Net cash flow from company acquisition			999

* The measurement of the fair values and the determination of the disclosures in accordance with IFRS 3.B64 (h) are not yet complete.

The information required in accordance with IFRS 3.B64 (q) (ii) cannot be provided as the data is not available.

The amounts from the Mentana-Claimsoft Group included in the consolidated revenue and net income for the reporting period are EUR 255 thousand (revenue) and EUR 11 thousand (income). Incidental costs of acquisition amounted to EUR 51 thousand and are treated as expenses for the reporting period.

Francotyp-Postalia France SARL was established as at 1 May 2011 and has since been included in the consolidated companies.

Frankierversand UG, Maintal, which was only recognised at cost in the 2010 consolidated financial statements, was fully consolidated for the first time in these interim consolidated financial statements.

No further changes took place in the consolidated companies or business combinations in the first half of the 2011 financial year.

Currency translation

Currencies have been translated at the following rates:

1 EUR =	Rate on the reporting date			Average rate	
	30 June 2011	31 Dec. 2010	30 June 2010	H1 / 2011	H1 / 2010
US dollar (USD)	1.4477	1.3386	1.2287	1.4041	1.3292
British pound (GBP)	0.9040	0.8618	0.8175	0.8684	0.8710
Canadian dollar (CAD)	1.4000	1.3360	1.2884	1.3707	1.3743
Swedish krona (SEK)	9.1650	8.9800	9.5210	8.9408	9.6356*
Singapore dollar (SGD)	1.7786	1.7165	1.7137	1.7664	1.8570

* This is the average rate for the period from 1 April 2011 to 30 June 2011.

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.

One significant change was made to the estimation of amounts presented in the consolidated financial statements as at 31 December 2010. The restructuring provision in connection with the transfer of production from Birkenwerder to Wittenberge was adjusted to EUR 9,049 thousand.

II. DEVELOPMENTS IN THE REPORTING PERIOD

As a matter of principle, the activities of the FP Group are 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.

NEW FINANCING ARRANGEMENTS

A syndicated loan agreement dated 21 February 2011 for EUR 30,149,665 and USD 12,000,000 was concluded between Francotyp-Postalia Holding AG as the borrower and a banking consortium as the lender. The loan consists of loan A 1 (amortising loan of up to EUR 6,000,000), loan A 2 (amortising loan of USD 12,000,000), loan A 3 (maturity loan of EUR 2,832,332.89) and loan B (loan of up to EUR 21,317,332.11 on a revolving basis). According to the loan agreement, loans A 1, A 2 and A 3 are to be used to refund the existing syndicated loan; loan B will initially be used to refund the existing syndicated loan and then for the financing of general working capital.

THE SETTING UP OF A NEW PRODUCTION SITE

FP Produktionsgesellschaft mbH was founded in February 2011. The company's headquarters are currently in Weisen. There are plans to relocate the headquarters to Wittenberge in the near future. The purpose of the company is "the development, manufacture and assembly of electronic devices, their individual components and modules and advising third parties with engineering services". All shares in the new company are held by Francotyp-Postalia Holding AG.

Contrary to the company's expectations, the negotiations commenced in 2010 by Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH with the Works Council regarding the preservation of the production site in Birkenwerder have not been successfully concluded in 2010. On 5 January 2011, the company representatives decided to withdraw the offers that had been put forward and to end negotiations without a result.

In a letter dated 25 February 2011, the Works Council of the joint works of Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH and FP Direkt Vertriebs GmbH was informed of management's plans to discontinue production activities in Birkenwerder and the associated closure of the production site in Birkenwerder, and was invited to consultations regarding this. The necessary proceedings relating to a redundancy scheme and reconciliation of interests were thereby officially commenced. The proceedings have not yet been concluded. The negotiating parties agreed upon the procedure for the conciliation proceedings and a chairman. In the meeting of the conciliation committee on 10 August 2011, it was established that the negotiations on a reconciliation of interests had broken down. In the meeting on 23 August 2011, the redundancy scheme was fixed with the agreement of the employee representatives and an announcement was made by the head of the conciliation body, thus bringing the conciliation proceedings to a close.

The total volume of provisions for the fixed redundancy scheme amounts to around EUR 7,500 thousand. Of this amount, EUR 7,000 relates to the redundancy scheme and EUR 500 thousand to other operating expenses. Provisions for personnel costs amounting to EUR 2,062 thousand were already made in the fourth quarter of 2010 and the first quarter of 2011, and in the second quarter of 2011, an additional provision of EUR 5,438 thousand was added to the amount.

A total of EUR 9,049 thousand has been set aside overall in connection with the discontinuation of production in Birkenwerder. This amount also includes a provision for onerous contracts of EUR 1,549 thousand.

The discontinuation of production at the Birkenwerder site is scheduled for the end of the first quarter of 2012 at the latest. In March 2011, Francotyp-Postalia Holding AG acquired a property in Wittenberge/Prignitz, Brandenburg, for a purchase price of EUR 410 thousand. The property comprises land and a production plant. From autumn 2011, this site is to replace the production

site in Birkenwerder. The company's headquarters will remain in Birkenwerder.

RESTRUCTURING MEASURES AT THE DUTCH SUBSIDIARY

Restructuring measures at the Dutch subsidiary were agreed in March 2011 and employees were informed. The forthcoming measures affected mainly employees in the service division. Expenses of EUR 345 thousand are expected to arise from this and were recognised in profit and loss in the reporting period.

CLOSURE OF THE PRODUCTION SITE IN SINGAPORE

The production site in Singapore was closed on 28 April 2011. Sales activities at the site are not affected by the closure. The closure is not expected to incur any costs that are not recognised on the balance sheet already.

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 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 June 2011	30 June 2010
Cash	22,927	30,885
Plus securities	674	671
Current liabilities from postage credit balances managed	-17,504	-18,639
Cash and cash equivalents	6,097	12,917

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 June 2011	30 June 2010
Germany	749	688
USA	120	108
UK	95	84
Netherlands	55	62
Canada	37	33
Belgium	27	26
Austria	21	20
Italy	20	14
Sweden	16	11
Singapore	9	18
France	2	0
Total	1,151	1,064

Functional distribution

	30 June 2011	30 June 2010
Production	255	261
Sales Germany	493	437
Sales International	393	358
Central Functions	10	8
Total	1,151	1,064

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING DATE

On 10 August 2011, another round of negotiations took place between management and the Works Council of Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH within the conciliation proceedings. In this meeting, it was established that the negotiations on a reconciliation of interests had broken down.

On 23 August 2011, the redundancy scheme was fixed with the agreement of the employee representatives and an announcement was made by the head of the conciliation body, thus bringing the conciliation proceedings to a close.

The total volume of provisions for the fixed redundancy scheme amounts to around EUR 7,500 thousand. Of this amount, EUR 7,000 relates to the redundancy scheme and EUR 500 thousand to other operating expenses. As at 30 June 2011, the provisions previously made for personnel costs totalling EUR 2,062 thousand were increased by a further EUR 5,438 thousand, bringing the total provisions set aside in connection with the discontinuation of production in Birkenwerder to EUR 9,049 thousand. This amount also includes a provision for onerous contracts of EUR 1,549 thousand.

IV. SEGMENT INFORMATION

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

SEGMENT INFORMATION

H1 / 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 external third parties	2,554	43,293	36,137	0	-1,121	80,863
– inter-segment revenue	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 income / expense	-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 results	697	1	0	-40	10	667
Net taxes	-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
Total investment	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
H1 / 2010	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	27,314	32,607	33,408	834	-28,189	65,974
– with external third parties	2,846	31,011	33,208	0	-1,091	65,974
– inter-segment revenue	24,468	1,596	200	834	-27,098	0
EBITDA	2,075	4,784	8,713	-475	-2,311	12,786
Depreciation, amortisation and impairment	1,466	1,855	3,902	14	2,721	9,958
Net interest income / expense	-2,671	265	44	451	170	-1,739
– of which interest expense	3,227	542	308	182	-1,931	2,328
– of which interest income	556	807	352	633	-1,761	589
Other financial results	874	-109	69	0	-2,277	-1,443
Net taxes	-97	-60	-1,779	-148	1,655	-429
Net income	-1,286	3,025	3,146	-186	-5,482	-783
Segment assets (at 30 June)	117,881	60,539	89,496	66,675	-193,867	140,724
Total investment	307	581	2,366	18	5,746	9,018
Segment liabilities (at 30 June)	118,101	50,840	63,207	19,017	128,257	122,909

RECONCILIATION IN EUR THOUSAND

Revenue	1 Jan.–30 June	
	2011	2010
Revenue of segments A – C	108,756	93,329
Revenue of “Central Functions” segment	1,700	834
Effects of finance lease adjustment	-1,121	-1,091
	109,335	93,072
Less inter-segment revenue	28,472	27,098
Revenue according to financial statements	80,863	65,974
EBITDA	1 Jan.–30 June	
	2011	2010
EBITDA of segments A – C	4,603	15,572
EBITDA of “Central Functions” segment	-931	-475
	3,670	15,097
Effects at consolidation level	-728	-2,630
Measurement effects of reconciliation (IFRS)	922	319
Consolidated EBITDA	3,867	12,786
Depreciation, amortisation and impairment losses	-7,423	-9,958
Net interest income / expense	-1,408	-1,739
Other financial results	667	-1,443
Consolidated net profit before taxes	-4,298	-354
Net taxes	90	-429
Consolidated net income	-4,207	-783

Assets	30 June 2011	30 June 2010
Assets of segments A – C	269,128	267,916
Assets of “Central Functions” segment	115,282	66,675
Capitalisation of development costs under IFRS	13,265	12,667
Effects of goodwill remeasurement	4,830	3,995
Effects of customer list amortisation	-928	-2,991
Effects of amortisation of internally generated software	-984	-984
Other IFRS reconciliation	33	6,045
	400,626	353,323
Effects at consolidation level (incl. elimination of intra-group balances)	-271,290	-212,599
Assets according to financial statements	129,336	140,724
Assets by region	30 June 2011	30 June 2010
Germany	296,059	237,125
USA and Canada	33,637	43,065
Europe (except Germany)	44,048	46,431
Other regions	10,665	7,970
	384,410	334,591
Effects of IFRS remeasurement	18,128	22,707
Effects of customer list amortisation	-928	-2,991
Effects of amortisation of internally generated software	-984	-984
Effects at consolidation level (incl. elimination of intra-group balances)	-271,290	-212,599
Assets according to financial statements	129,336	140,724

Q2 / 2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	14,561	21,495	17,342	884	-15,225	39,056
– with external third parties	1,542	20,698	17,328	0	-511	39,056
– inter-segment revenue	13,019	797	14	884	-14,714	0
EBITDA	828	1,825	2,971	-556	487	118
Depreciation, amortisation and impairment	217	869	2,148	8	505	3,747
Net interest income / expense	-953	299	-65	-100	139	-680
– of which interest expense	1,557	262	274	417	-1,501	1,009
– of which interest income	604	563	208	317	-1,362	329
Other financial results	106	0	0	-40	164	230
Net taxes	-12	-30	-776	1,725	-135	772
Net income	-4,893	434	-18	1,020	149	-3,307
Q2 / 2010	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central Functions	Reconciliation to Group	Total
Revenue	14,675	15,427	16,837	549	-15,088	32,400
– with external third parties	1,590	14,619	16,779	0	-588	32,400
– inter-segment revenue	13,085	808	58	549	-14,500	0
EBITDA	1,293	2,327	3,797	-244	-1,478	5,695
Depreciation, amortisation and impairment	731	927	2,012	7	686	4,364
Net interest income / expense	-1,304	132	28	256	143	-745
– of which interest expense	1,574	262	106	60	-985	1,017
– of which interest income	270	394	134	316	-842	272
Other financial results	-108	-109	52	0	-731	-896
Net taxes	-50	-34	-765	-90	1,152	213
Net income	-902	1,388	1,100	-84	-1,600	-97

RECONCILIATION IN EUR THOUSAND

Revenue	1 Apr. – 30 June	
	2011	2010
Revenue of segments A – C	53,398	46,939
Revenue of “Central Functions” segment	884	549
Effects of finance lease adjustment	-511	-588
	53,770	46,900
Less inter-segment revenue	14,714	14,500
Revenue according to financial statements	39,056	32,400

EBITDA	1 Apr. – 30 June	
	2011	2010
EBITDA of segments A – C	187	7,417
EBITDA of “Central Functions” segment	-556	-244
	-369	7,173
Effects at consolidation level	-101	-1,662
Measurement effects of reconciliation (IFRS)	589	184
Consolidated EBITDA	118	5,695
Depreciation, amortisation and impairment losses	-3,747	-4,364
Net interest income / expense	-680	-745
Other financial results	230	-896
Consolidated net profit before taxes	-4,079	-310
Net taxes	772	213
Consolidated net income	-3,307	-97

The goodwill of EUR 10,132 thousand (previous year: EUR 8,494 thousand) shown on the consolidated balance sheet is assigned solely to the “Sales Germany” segment.


The accounting provisions modified through BilMoG (German Accounting Law Modernization Act), a German omnibus bill for reforming accounting law, mainly concern the recognition of two items at level I. In accordance with the regulations of the current version of the German Commercial Code, the treasury shares were adjusted to the respective market price and reported as current assets. This reversal or write-down is omitted in BilMoG. The treasury shares reacquired are deducted from equity. This change in accounting is reflected in the recognition of the “Central Functions” segment. It also impacts the net tax result and the way that deferred taxes are recognised in the balance sheet. Tax-related increased / decreased capital was changed and the loss and interest carryforwards are being adjusted in the level I financial statements. This change in presentation affects the “Central Functions” and “Domestic Sales” segments.

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, 25 August 2011

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

FINANCIAL CALENDAR

Equity Forum 2011 Frankfurt

21–23 November 2011

Presentation 3rd Quarter Results 2011

November 2011

IMPRINT

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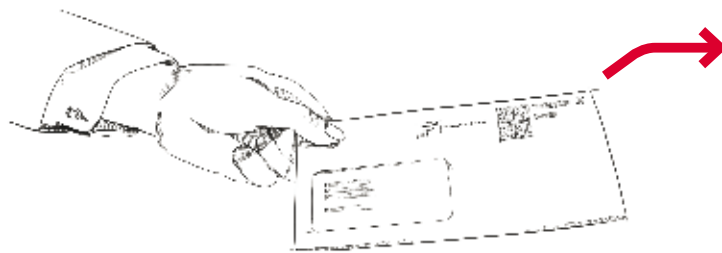
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STATEMENTS RELATING TO THE FUTURE

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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