FRANCOTYP-POSTALIA

Q3 2007

Francotyp-Postalia Holding AG

QUARTERLY FINANCIAL REPORT

FINANCIAL REPORT FOR Q3 2007

Q3 2007

// Overview

FRANCOTYP-POSTALIA GROUP	Jan. 1– Sept. 30, 2007	Jan. 1– Sept. 30, 2006	3rd QUARTER 2007	3rd QUARTER 2006
Figures in accordance with consolidated financial statements				
Revenues (million euros)	**108.9**	**107.1**	**33.9**	**35.7**
Increase in revenues (%)	1.7%	n/a	–5.1%	n/a
_ Germany	41.5	37.9	13.9	11.6
_ Outside Germany	67.4	69.2	19.9	24.1
EBITDA (million euros)	**22.3**	**24.9**	**5.9**	**7.1**
in percentage of revenues	20.5%	23.2%	17.3%	19.8%
EBITDA, adjusted (million euros) [1]	**21.7**	**25.1**	**5.9**	**7.1**
in percentage of revenues	19.9%	23.4%	17.3%	19.8%
EBIT (million euros)	**1.4**	**6.8**	**–0.8**	**1.5**
in percentage of revenues	1.3%	6.4%	–2.3%	4.3%
Net income for the period (million euros)	**0.2**	**1.4**	**–0.5**	**0.1**
in percentage of revenues	0.2%	1.3%	–1.5%	0.2%
Investments[3] (million euros)	**13.3**	**11.0**	**3.6**	**4.9**
Cash flow from operating activities (million euros)	**13.6**	**17.2**	**7.6**	**2.0**
in percentage of revenues	12.5%	16.1%	22.5%	5.6%
Adjusted figures[1]				
Revenues (million euros)	**108.3**	**107.3**	**33.9**	**35.7**
Increase in revenues (%)	1.0%	n/a	–5.1%	n/a
Total output (million euros)	**118.5**	**116.8**	**35.7**	**38.8**
Increase in total output (%)	1.5%	n/a	–8.1%	n/a
EBITDA (million euros)	**21.7**	**25.1**	**5.9**	**7.1**
in percentage of revenues	20.0%	23.4%	17.3%	19.8%
EBIT (million euros)	**14.5**	**18.8**	**3.7**	**5.6**
in percentage of revenues	13.3%	17.6%	11.0%	15.6%
Return on capital employed (ROCE) [2]	**24.1%**	**32.3%**	**17.6%**	**29.0%**
	September 30, 2007	**December 31, 2006**		
Equity capital (million euros)	**14.7**	**14.7**		
Shareholders' equity (million euros)	**59.9**	**60.9**		
in percentage of balance sheet total	29.2%	26.1%		
Debt capital (million euros)	**145.3**	**172.5**		
Balance sheet total (million euros)	**205.1**	**233.4**		
Earnings per share (euros)	**0.02**	**n/a**		
Employees	**1,098**	**939**		

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

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

3) Not including payments for company acquisitions.

// Francotyp-Postalia Holding AG, Birkenwerder

The quarterly report for Q3 2007 was published on November 15, 2007.

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// Letter to the shareholders

Dear Shareholders,

In the third quarter of 2007, Francotyp-Postalia Holding AG (FP) generated revenues of 33.9 million euros (Q3/2006: 35.7 million euros) and an EBITDA of 5.9 million euros (Q3/2006: 7.1 million euros). While it was not possible to repeat the results of the third quarter of 2006, the course of business shows every indication of a stronger fourth quarter. On a 9-month comparison basis, the corporate Group grew its revenues moderately to 108.9 million euros, as opposed to 107.1 million euros the year before. This increase is noteworthy as Francotyp-Postalia Holding AG, like all other franking machine manufacturers, has been noting a weaker mood in the US market since last summer.

Our customers' response to the launch of centor**mail** has been positive in our core markets of Germany, the United States and the United Kingdom, although unit sales are still lagging behind expectations due to longer sales and marketing ramp-up times in the third quarter. However, we do expect so see a significantly higher volume of unit sales in the fourth quarter.

Rental business, which is valued on the basis of newly rented machines, was expanded by some 28% year on year during the first nine months of this year. In the US market, in particular, which is of strategic importance for the FP Group, rentals of 9,275 machines during the first nine months surpassed the previous year's level by around 24%. And in the United Kingdom, too, the premiere European growth market, rentals were increased by 78%. While this success does limit future revenues and profitability in the near term by comparison with outright purchase business, it significantly strengthens the income stream and stabilizes future profitability. We therefore intend to continue to embrace this strategy.

In Germany, the revenues of Francotyp-Postalia Vertrieb und Service GmbH, in particular, rose by 4% year on year in the third quarter. Here, too, rental business numbers were up sharply year on year.

Both in the third quarter as well as in the first nine months of the fiscal year, EBITDA lagged behind expectations. As explained in connection with the presentation of the 2007 half-yearly report, the weak dollar will be impacting the profitability of the FP Group for the current fiscal year by approximately 2 million euros. In addition, to the weaker dollar weaker revenues in mailroom business and the start-up costs in mailstream business will also impact the company's profitability.

The adjusted consolidated EBITDA margin currently amounts to approximately 20%. Medium-term, though, we are striving for a margin of 25%. In order to achieve this goal we are taking additional action within the framework of the "25 plus" program.

One major element of this program is to streamline sales and marketing operations on our German home market. The acquisition of our strongest northern German sales and marketing partner, and thus our entry into direct sales in this region, is just the beginning. Various measures are being implemented in the United States to optimally utilize the market potential in the B segment that will open up in 2008 as a result of Phase 4 decertification. A program aimed at greater efficiency is presently being instituted in Canada, which will return the organization there to its former productivity. The measures aimed at improving the company's working capital position that have been initiated since midyear began to come to bear in the third quarter. Cash flow from regular operations improved from 5.9 million euros in the first half of 2007 to 7.6 million euros in the third quarter of 2007.

In our new Mailstream business, our freesort subsidiary opened a new consolidation location in Hanover during the third quarter, and acquired Consol D, a strong regional player in the Stuttgart area. iab, the second major acquisition in this forward-looking line of business, grew according to schedule during the past quarter, while simultaneously driving licensing business for its hybrid mail solution.

While the Mailstream business that was launched just at year-end 2006 will still, as planned, be making a negative contribution to profitability during the current 2007 fiscal year, its positive trend of development from quarter to quarter gives us every reason to be highly optimistic that FP will be able to begin generating attractive profitability in this forward-looking market by as early as 2008. We continue to anticipate double-digit growth rates for revenues and profitability.

In the third quarter of 2007, we again presented our business model, consisting of a combination of high-growth Mailstream business and traditional Mailroom business, to an increasing number of investors, analysts and financial media. Three analysts are now regularly following our shares, and leading financial media like "Börse Online" and "Capital" have reported on our shares. As a result, stock market trading volumes have risen significantly.

We will be continuing our increased investor relations work in the fourth quarter of 2007, thus garnering further interest in our shares. In spite of the weaker-than-anticipated third quarter, we are convinced that the FP Group continues to be successfully aligned and will be able to generate rising revenues and margins – with the "25 plus" program additionally coming to bear beginning in 2008. We would be pleased if you, our shareholders, would continue to accompany us critically as we travel the road toward becoming a high-margin company. And we would like to take this opportunity to express our sincere thanks for the trust you have shown in us.

Birkenwerder, November 2007

Management Board of Francotyp-Postalia Holding AG

HANS CHRISTIAN HIEMENZ HARTMUT NEUMANN MANFRED SCHWARZE

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

1.1 Operating activities

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

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

1.2 Business development

In the first three quarters of the fiscal year, the FP Group achieved revenues of 108.9 million euros. Of this amount, 102.9 million euros were attributable to revenues from the Mailroom business segment and 6.0 million euros to revenues from the Mailstream business segment.

In the third quarter of the fiscal year, revenues of the FP Group were 33.9 million euros. The Mailroom business segment contributed 31.7 million euros to this figure while the Mailstream business segment contributed 2.2 million euros.

Summary of results by business segment

	Revenues			EBITDA, adjusted		
(million euros)	**Jan. 1–Sept. 30, 2007**	**Jan. 1–Sept. 30, 2006**	**y/y change %**	**Jan. 1–Sept. 30, 2007**	**Jan. 1–Sept. 30, 2006**	**y/y change %**
Mailroom	102.9	107.1	–3.9	22.3	25.1	–11.2
Mailstream	6.0	3.7[1]	62.2	–0.6	n/a[2]	n/a[2]
of which freesort	3.3	1.6[1]	106.3	–0.9	n/a[2]	n/a[2]
of which iab	2.7	2.1[1]	28.6	0.2	n/a[2]	n/a[2]
Group total	**108.9**	**107.1**	1.7	**21.7**	**25.1**	–13.5

	Revenues			EBITDA, adjusted		
(million euros)	**3rd QUARTER 2007**	**3rd QUARTER 2006**	**y/y change %**	**3rd QUARTER 2007**	**3rd QUARTER 2006**	**y/y change %**
Mailroom	31.7	35.7	–11.2	6.1	7.1	–14.1
Mailstream	2.2	1.3[1]	69.2	–0.2	n/a[2]	n/a[2]
of which freesort	1.3	0.6[1]	116.0	–0.3	n/a[2]	n/a[2]
of which iab	0.9	0.7[1]	28.6	0.1	n/a[2]	n/a[2]
Group total	**33.9**	**35.7**	–5.0	**5.9**	**7.1**	–16.9

1) These figures are not part of the consolidated accounts as the Mailstream business segment did not belong to the FP Group in this period.
2) These figures are not available as the Mailstream division was not part of the FP Group in Q3 2006.

Mailroom

At 31.7 million euros, revenues in the third quarter of fiscal 2007 were less than the comparable figures of the previous year (35.7 million euros). In Q3, North America contributed revenues of USD 13.0 million (previous year: USD 13.7 million). In Germany, the revenue figure of 11.8 million euros remained slightly above the previous year's level (11.6 million euros). Compared with the same period of the previous year, revenues for the rest of Europe decreased by 24.1% in the third quarter of fiscal 2007 from 13.3 million euros to 10.1 million euros. The main reasons behind this were the high revenues generated in the comparative period by NetSet decertification in the Netherlands and the introduction of the PIP in Great Britain.

In terms of the nine months as a whole, revenues changed by 3.9% from 107.1 million euros in the comparative period of the previous year to 102.9 million euros. Compared with the same period of the previous year, revenues in Germany for the first three quarters were, as expected, lower, due to the special effects in 2006 from decertification and the changes of the postage tables. In comparison, North America recorded an increase in sales of 4.7% from USD 36.0 million to USD 37.7 million. In the rest of Europe, revenues declined slightly by 2.2% in the first three quarters from 35.8 million euros to 35.0 million euros. The negative effects of exchange rates in the first three quarters amounted to 2.3 million euros (US dollar, Canadian dollar, Pound sterling).

Mailstream

The Mailstream business segment with the Group subsidiaries freesort and iab contributed 2.2 million euros to revenues in the third quarter of fiscal 2007. In the same period of the previous year, these companies were not yet included in the scope of consolidation. The two companies increased revenues by 69.2% from 1.3 million euros to 2.2 million euros. In the first three quarters of the fiscal year, revenues amounted to 6.0 million euros.

Revenues of FP Group
by region

(million euros)	Jan. 1–Sept. 30, 2007	Jan. 1–Sept. 30, 2006	3rd QUARTER 2007	3rd QUARTER 2006
Germany	41.5	37.9	13.9	11.6
Other European countries	35.0	35.8	10.1	13.3
USA/Canada	31.5	32.7	9.4	10.7
Other countries	1.0	0.7	0.4	0.1
Revenues	**108.9**	**107.1**	**33.9**	**35.7**

Consolidated net profit for the period

Consolidated net profit for the period fell from 0.1 million euros in Q3 2006 to –0.5 million euros in the third quarter of fiscal 2007.

EBIT adjusted by the non-operating factors improved by 33.9% from 5.6 million euros in the third quarter of fiscal 2006 to 3.7 million euros in the third quarter of fiscal 2007. Adjusted EBITDA was 7.1 million euros for the same period in 2006 and decreased by 16.9% to adjusted EBITDA in the same period of the current fiscal year to 5.9 million euros.

Comparing the first nine months, the consolidated net profit for the year of 1.4 million euros in fiscal 2006 fell to 0.2 million euros in the current fiscal year.

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

Adjusted EBIT in the first three quarters of 2007 was 14.5 million euros compared with 18.8 million euros in the first three quarters of 2006; adjusted EBITDA in the first three quarters declined from 25.1 million euros in 2006 to 21.7 million euros in 2007.

The decline in EBITDA compared with the first three quarters of last year is primarily attributable to the effects of the decertification in Germany in the first quarter of 2006, the start-up costs in the Mailstream business segment, and a US dollar currency exchange effect in the amount of 1.7 million euros.

1.3 Revenues and results of operations

Revenues

Revenues by product group are as follows:

Revenues
by product and service

(million euros)	Jan. 1–Sept. 30, 2007	Jan. 1–Sept. 30, 2006	3rd QUARTER 2007	3rd QUARTER 2006
MAILROOM				
Franking	25.3	28.1	7.6	9.3
Inserting	10.7	10.1	3.6	3.7
Other	1.1	0.7	0.1	0.1
Revenues from product sales	**37.1**	**38.9**	**11.3**	**12.5**
Rental	18.5	20.1	6.0	7.1
Teleporto	9.2	9.4	3.0	3.2
Services/customer service	19.9	21.5	5.8	6.8
Consumables	17.6	17.4	5.5	5.5
Recurring revenues	**65.3**	**68.4**	**20.4**	**22.6**
Mailroom revenues	**102.3**	**107.3**	**31.7**	**35.7**
Revenues from machine sales (% of Mailroom revenues)	36.2%	36.3%	35.8%	36.7%
Recurring revenues (% of Mailroom revenues)	63.8%	63.7%	64.2%	63.3%
Currency exchange effects from US dollar-denominated loan	**0.6**	**–0.2**	**0.0**	**0.0**
Total Mailroom revenues	**102.9**	**107.1**	**31.7**	**35.7**
MAILSTREAM				
Mailstream revenues	**6.0**	**3.7**[1]	**2.2**	**1.1**[1]
Revenues	**108.9**	**107.1**	**33.9**	**35.7**

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

The before mentioned currency effect amounting to 2.3 million euros has a differential strong impact on products and services. In the third quarter, **revenues from product sales** decreased by 9.6% from 12.5 million euros to 11.3 million euros.

Revenues from **franking** declined by 18.3% from 9.3 million euros to 7.6 million euros. The main reasons for this are (1) the currency exchange effect, (2) the strengthened rental business, and (3) the change in the product mix with a proportionally higher sales volume for smaller franking machines and the positive effects in the previous year in the Netherlands and Great Britain.

Revenues from **inserting** declined by 2.7% from 3.7 million euros to 3.6 million euros.

Recurring revenues in the third quarter decreased by 10.5% from 22.6 million euros to 20.4 million euros.

Revenues from **rentals** fell by 15.5% compared with the same period of 2006 from 7.1 million euros to 6.0 million euros, being negatively impacted by the weaker US dollar to the tune of 1.1 million euros. Revenues from **services/customer service** decreased by 14.7% from 6.8 million euros to 5.8 million euros.

Revenues in the **consumables** division remained at 5.5 million euros.

Revenues from **Teleporto** declined by 6.3% from 3.2 million euros to 3.0 million euros.

Costs of materials

Compared with the same quarter of last year, the costs of materials decreased by 12.6% from 12.2 million euros to 10.6 million euros, whereas 0.7 million euros of this year' s costs were attributable to the Mailstream business segment. Despite the decline in the third quarter, the cost of materials for the first three quarters of 2007 amounts to 35.2 million euros, 9.8% higher than the cost of materials for the comparative period in 2006 (32.0 million euros).

In the Mailroom business segment, the increase was primarily attributable to the strengthened rental business segment[1)] and the changes in the product mix. A further factor to be mentioned here is project business in the Netherlands regarding major inserters from the company Kern, which has negatively impacted the material ratio of 32.0% to the tune of 0.7 of

a percentage point compared with the same period of last year (29.9%). Finally, the weaker US dollar in 2007 is causing the material ratio to increase, as the repercussion of the currency exchange rate has a greater effect on revenues than it does on the costs of materials.

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

Personnel expenses

Compared with last year, personnel expenses increased by 9.9% from 37.0 million euros to 40.7 million euros in the first three quarters of 2007. Of this increase, an amount of 2.7 million euros is attributable to the Mailstream business segment. The conclusion of a higher wage settlement compared with last year also had a negative effect on personnel expenses. The number of employees increased from 938 (September 30, 2006) to 1,098 (September 30, 2007).

Compared with the same quarter of last year, personnel expenses have increased by 3.8% from 12.3 million euros to 12.8 million euros, 0.9 million euros of the 2007 expenses being attributable to the Mailstream business segment.

Depreciation and amortization

In the first three quarters of 2007, depreciation and amortization increased by 15.3% compared with the same period of last year from 18.1 million euros to 20.8 million euros. Of this increase, an amount of 0.5 million euros was attributable to the Mailstream business segment and 2.1 million euros to depreciation and amortization based on customer lists and software, which had been capitalized at Group level in connection with the acquisition of freesort and iab.

Due to the above-mentioned effects, depreciation and amortization increased by 19.9% in comparison with the third quarter of 2006 from 5.5 million euros to 6.6 million euros.

Other operating expenses

Compared with first three quarters of 2006, other operating expenses increased by 2.4% from 24.9 million euros to 25.5 million euros. 2.1 million euros of the 2007 expenses being attributable to the Mailstream business segment. Compared with the same quarter of last year, other operating expenses fell by 8.2% from 8.2 million euros to 7.5 million euros.

Net interest income

The deficit in the net interest income was minimized by 44.2% from –2.9 million euros to –1.6 million euros. The reasons for this are a lower interest payment due to the pro rata reduction of a bank loan and to higher interest income based on the cash inflow from the IPO. In the third quarter of 2007, the net interest income improved by 64.9% from –1.3 million euros in the same period of last year to –0.5 million euros.

Financial result

The financial result of 1.8 million euros, an improvement of 1.3 million euros over the same period of the previous year, was mainly the result of currency translation effects. The financial result in the third quarter of 2007 of 0.2 million euros is slightly above the figure of 0.1 million euros for the same period of the previous year.

1.4 Assets and financial position

Assets

Intangible assets declined from 88.6 million euros as of December 31, 2006 to 79.4 million euros. This is mainly due to depreciation of intangible assets which had been capitalized at Group level in connection with company acquisitions, totaling 11.4 million euros.

Fixed assets of 24.3 million euros as of September 30, 2007 represented an increase on the figure as of December 31, 2006, 23.3 million euros. In particular, rented products increased from 11.4 million euros to 12.8 million euros.

The book value of **other current assets** increased from 2.8 million euros to 4.2 million euros, involving an increase of receivables from financial leasing of 1.2 million euros to 3.6 million euros. The **deferred tax assets** fell from 6.5 million euros to 5.8 million euros.

Inventories increased by 4.6 million euros to 22.8 million euros compared to December 31, 2006 but fell by 0.4 million euros compared to the previous quarter. **Trade receivables** fell from 20.3 million euros to 19.2 million euros.

Cash and cash equivalents show a decline of 22.3 million euros, from 60.7 million euros to 38.4 million euros compared to the end of the previous year. The decline is mainly due to an early repayment of a US dollar-denominated loan in the amount of USD 20.5 million, payments for company acquisitions (5.5 million euros), and payments connected with the IPO (1.6 million euros), as well as a decline of 0.9 million euros in Teleporto funds managed by the FP Company (restricted cash).

Other assets (current) declined in the reporting period by 1.8 million euros to 11.0 million euros.

Liabilities

Equity fell by 1.0 million euros to 59.9 million euros compared to December 31, 2006.

Provisions (both long-term and short-term) declined by 1.6 million euros from 25.5 million euros to 23.9 million euros.

Financial liabilities (both long-term and short-term) declined by 15.7 million euros from 74.3 million euros to 58.6 million euros primarily as a result of the early repayment of a US dollar-denominated loan (USD 20.5 million).

Other liabilities (both long-term and short-term) declined by 6.0 million euros from 54.0 million euros to 48.0 million euros, mainly due to payments for a portion of the purchase price for freesort totaling 5.3 million euros.

Deferred tax liabilities declined from 10.4 million euros as of December 31, 2006 to 6.5 million euros as of September 30, 2007, primarily due to deferred tax effects on depreciation and amortization as a result of capitalized customer lists and software at Group level.

Trade payables declined from 7.2 million euros to 6.5 million euros.

Investments

Investments (million euros)	Jan. 1–Sept. 30, 2007	Jan. 1–Sept. 30, 2006	3rd QUARTER 2007	3rd QUARTER 2006
Capitalization of development costs	4.1	3.2	1.4	0.9
Investments in intangible assets	0.9	1.8	0.2	1.4
Investments in fixed assets	2.9	1.8	1.3	1.1
Investments in rented products	5.3	4.2	0.7	1.5
Investments in financial assets	0.1	0.0	0.1	0.0
Investments	**13.3**	**11.0**	**3.6**	**4.9**

Capitalization of **development costs** and **investments in fixed assets** are above the level of the first three quarters of the previous year. The planned extension of the rental business and decertification in Canada is reflected in the increase in investments in rented products by 1.1 million euros, from 4.2 million euros to 5.3 million euros. **Investments in fixed assets** are higher by 1.3 million euros than in the same period of the previous year, mainly due to assets under finance leasing with freesort.

1.5 Research and development

In the nine months under review, Francotyp-Postalia Holding AG spent 6.5 million euros on research and development (previous year: 7.2 million euros), which represents around 5.9% (previous year: 6.6%) of revenues. Costs have thus remained below the level of previous years.

1.6 Marketing and sales

Mailroom business segment

Since September, the centor**mail** which has already been approved for the German and US market is being sold in Great Britain and is being well received by the market. By contrast, sales of the centor**mail** in the USA are progressing more slowly, contrary to experience with the introduction of other products.

Mailstream business segment

freesort GmbH continued to perform positively, as planned, even though less post was consolidated during the Summer months, as is usually the case at this time of year. In early September, a further freesort GmbH site was opened in Hanover. freesort also took over the consolidation business of Consol D, headquartered near Stuttgart. All in all, the quantity of mail sent per month in the third quarter grew to an average of 7.4 million letters.

1.7 Employees

The number of employees in the FP Group worldwide remained in comparison to constant at a total of 1,098. However, a more detailed inspection reveals major changes in employee distribution. As announced at HY1 2007, the number of employees in Canada notably decreased from 56 to 44. The number of employees in Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH also fell, by a total of 6. At the same time, the takeover of the northern

German marketing division required additional employees so that the number of employees at FP Hanse GmbH increased by 14. The number of employees in the Mailstream division also increased, from 129 to 133. Throughout Germany, the FP Group employed 678 people as of September 30, 2007, representing an increase of 137 compared to September 30, 2006.

2. Report on risks and opportunities

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

3. Outlook

With revenues of 33.9 million euros and adjusted EBITDA of 5.9 million euros, Q3 was weaker than expected. Francotyp-Postalia Inc. did not remain unaffected by the general discernible market downturn in the USA. In addition, the currency effect arising from the fact that the dollar is likely to continue losing ground against the euro will negatively impact on revenues and results for USA business in 2007 as a whole. However, the company is expecting stronger sales in the fourth quarter thanks to the progress made with the launch of centor**mail**. centor**mail** is also set to increase sales in Great Britain in the fourth quarter as the market launch of the new franking machine did not occur until the end of Q3. In light of all the currency effects, Francotyp-Postalia Holding AG expects revenues for 2007 as a whole to be weaker than forecast in in the first half-year, and results to be slightly below the previous year's level.

In order to improve results further, initial measures which form part of the program "25 plus" announced at the half-year are beginning to have an effect. A major element in this program is the streamlining of marketing in our domestic market, Germany. Our takeover of the strongest marketing partner in northern Germany opened the road for direct marketing in this region for us, and this is only the beginning. In the USA, various measures are being taken in order to make optimal use of the market potential which will open in 2008 in our B Segment thanks to Phase 4 decertification. However, it is to be expected that the significance of revenues generated in the USA in 2008 for consolidated net profit will be weakened by the weakness of the dollar against the euro. In Canada, an efficiency enhancement program is currently underway which will restore the organization to its former productivity level. The measures aimed at improving working capital which have been initiated since the middle of the year showed initial effects in Q3. Cash flow from operating activities improved from 5.9 million euros (H1 2007) to 7.6 million euros in Q3 2007.

For the current fiscal year, the FP Group is sticking to its plan to pay for the first time a dividend with a pay-out ratio of 60%.

4. Consolidated balance sheet as of September 30, 2007

ASSETS (thousand euros)	September 30, 2007	December 31, 2006
A. LONG-TERM ASSETS		
I. Intangible assets		
1. Intangible assets including customer lists	51,583	61,927
2. Goodwill	26,060	26,034
3. Development projects in progress and advance payments	1,707	666
	79,350	**88,627**
II. Property, plant, and equipment		
1. Fixed assets land, land rights, and buildings	49	24
2. Technical equipment and machinery	1,376	1,580
3. Other equipment, operating, and office equipment	6,609	7,673
4. Leased products	12,796	11,430
5. Advance payments and assets under construction	114	672
6. Assets under finance leasing	3,366	1,948
	24,310	**23,327**
III. Other assets		
1. Participations	337	206
2. Non-internal loans	28	23
3. Finance leasing receivables	3,586	2,375
4. Other long-term assets	211	152
	4,162	**2,756**
IV. Deferred tax assets	**5,810**	**6,523**
	113,632	**121,233**
B. SHORT-TERM ASSETS		
I. Inventories		
1. Raw materials and supplies	9,404	7,428
2. Work/services in progress	2,145	1,668
3. Finished products and goods	11,201	9,062
4. Advance payments	95	104
	22,845	**18,262**
II. Trade receivables	**19,225**	**20,313**
III. Cash and cash equivalents	**38,406**	**60,726**
IV. Other assets		
1. Finance leasing receivables	1,046	919
2. Receivables from related parties	15	0
3. Derivative financial instruments	566	897
4. Other short-term assets	9,397	11,022
	11,024	**12,838**
	91,500	**112,139**
	205,132	**233,372**

LIABILITIES (thousand euros)	**September 30, 2007**	**December 31, 2006**
A. EQUITY		
I. Shareholders' equity attributable to subsidiaries of the parent company		
1. Subscribed capital	14,700	14,700
2. Capital reserves	45,768	45,768
3. Loss carryforward	–8,314	–7,942
4. Consolidated net profit for the period	247	–372
5. Accumulated other equity	174	1,377
	52,575	**53,531**
II. Minority interests	**7,295**	**7,354**
	59,870	**60,885**
B. LONG-TERM DEBT		
I. Accruals for pensions and similar obligations	12,025	11,901
II. Other accruals	2,234	2,321
III. Financial debt	52,290	68,601
IV. Other liabilities	50	227
V. Deferred tax liabilities	6,537	10,377
	73,136	**93,427**
C. SHORT-TERM DEBT		
I. Current income tax liabilities	1,710	1,169
II. Other accruals	9,611	11,249
III. Financial debt	6,310	5,671
IV. Trade payables	6,533	7,204
V. Other liabilities	47,962	53,767
	72,126	**79,060**
	205,132	**233,372**

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

(thousand euros)	Jan. 1 – Sept. 30, 2007	Jan. 1 – Sept. 30, 2006	July 1 – Sept. 30, 2007	July 1 – Sept. 30, 2006
1. Revenues	108,928	107,092	33,861	35,679
2. Changes in inventory	898	2,314	–655	554
	109,826	**109,406**	**33,206**	**36,233**
3. Other own work capitalized	9,321	7,184	2,484	2,604
4. Other operating income	2,697	1,780	858	805
5. Costs of materials				
a) Costs of raw materials and supplies	28,003	25,217	8,524	10,422
b) Costs of purchased services	7,156	6,806	2,097	1,734
	35,159	**32,023**	**10,621**	**12,156**
6. Personnel expenses				
a) Salary and wages	33,921	31,027	10,897	10,374
b) Social security contributions	5,611	5,175	1,726	1,648
c) Pensions and other benefits	1,137	797	128	261
	40,669	**36,999**	**12,751**	**12,283**
7. Depreciation and amortization	20,849	18,084	6,647	5,544
8. Other operating expenses	25,535	24,945	7,544	8,221
9. Net interest income				
a) Interest and similar income	1,916	1,271	615	385
b) Interest and similar expenses	3,559	4,213	1,074	1,693
	–1,643	**–2,942**	**–459**	**–1,308**
10. Other financial results				
a) Other financial income	2,864	718	870	148
b) Other financial expenses	1,054	227	630	51
	1,810	**491**	**240**	**97**
11. Tax results				
a) Tax income	7,915	3,410	4,366	1,469
b) Tax expenses	7,526	5,854	3,650	1,615
	389	**–2,444**	**716**	**–146**
12. Consolidated net profit for the period	188	1,424	–518	81
13. Minority interests	–59	5	240	13
14. Consolidated net profit for the period after minority interests	**247**	**1,419**	**–758**	**68**
EARNINGS per share:	euro **0.02**		euro **–0.05**	

6. Statement of change in equity

	Subscribed capital	Capital reserves	Net profit	Total other shareholders' equity	Minority interests	Total
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Balance on January 1, 2006	**4,000**	**6,700**	**–6,642**	**–788**	**0**	**3,270**
Capital increase	8,000	–6,700	–1,300			
Currency translation differences	0	0	0	–1,052	0	–1,052
Change in the scope of consolidation					22	22
Natural hedges	0	0	0	2,524	0	2,524
Derivatives	0	0	0	88	0	88
Result Jan. 1 – Sept. 30, 2006	0	0	1,419	0	5	1,424
Balance on September 30, 2006	**12,000**	**0**	**–6,523**	**722**	**27**	**6,276**
Balance on January 1, 2006	**14,700**	**45,768**	**–8,314**	**1,377**	**7,354**	**60,885**
Currency translation differences	0	0	0	–1,390	0	–1,390
Natural hedges	0	0	0	324	0	324
Derivatives	0	0	0	–137	0	–137
Result Jan. 1 – Sept. 30, 2007	0	0	247	0	–59	188
Balance on September 30, 2007	**14,700**	**45,768**	**–8,067**	**174**	**7,295**	**59,870**

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

(thousand euros)	Jan. 1 – Sept. 30, 2007	Jan. 1 – Sept. 30, 2006
1. Cash flows from operating activities		
Net profit for the period	247	1,419
Depreciation of fixed assets	20,849	18,084
Increase (+)/decrease (–) in accruals and deferred taxes	–3,315	1,938
Losses on the disposal of fixed assets	243	1,122
Increase (–)/decrease (+) in inventories, trade receivables, and other assets not attributable to investment or financing activities	–2,243	–7,014
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	–1,168	2,162
Other non-cash expenses and income	–1,030	–472
Cash flow from operating activities	**13,582**	**17,239**
2. Cash flows from investment activities		
Capitalization of development costs	–4,122	–3,177
Cash received from disposal of fixed assets	108	229
Cash paid for investments in intangible assets	–881	–1,769
Cash paid for investments in fixed assets	–8,144	–6,013
Cash paid for investments in financial assets	–131	0
Cash paid for corporate acquisitions	–5,544	–28
Cash flow from investment activities	**–18,714**	**–10,758**
3. Cash flows from financing activities		
Cash paid associated with IPO	–1,585	0
Cash paid for the repayment of bank loans	–15,072	–6,455
Cash flow from financing activities	**–16,657**	**–6,455**
Cash and cash equivalents		
Change in cash and cash equivalents	–21,788	26
Change in cash and cash equivalents due to currency translation	–532	139
Cash and cash equivalents at start of period	60,726	19,363
Cash and cash equivalents at end of period[1)]	**38,406**	**19,528**

1) Including restricted cash of 28,778 thousand euros (prior year 17,175 thousand euros).

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

8.1 General information

8.1.1 General information on the company

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

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

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

8.1.2 Accounting standards

Standards for preparing the financial statements

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

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

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

Currency translation

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

1 EURO =		STATEMENT DATE		AVERAGE EXCHANGE RATE	
	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006	Q3/2007	Q3/2006
US dollar (USD)	1.4272	1.3203	1.2688	1.34454	1.24498
British pound (GBP)	0.6974	0.6743	0.6777	0.67678	0.68498
Canadian dollar (CAD)	1.4171	1.5399	1.4136	1.48570	1.41020
Singapore dollar (SGD)	2.1204	2.0260	2.0132	2.05008	1.99051

Management estimates and assessments

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

8.2 Development in the reporting

8.2.1 Seasonal influences

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

8.2.2 Economic statements

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

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

8.3 Explanatory information

8.3.1 Notes on the cash flow statement

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

In the first three quarters of 2007, purchase price obligations amounting to 5,421 thousand euros were paid for freesort GmbH and ancillary acquisition costs of 123 thousand euros for iab. There were also further purchase price obligations on the statement date from the purchase of freesort in the amount of 8,996 thousand euros and 2,500 thousand euros from the purchase of iab.

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

Cash and cash equivalents of 38,406 thousand euros (as of September 30, 2006 19,528 thousand euros) include postage credit balances managed by the FP Company of 19,782 thousand euros (17,175 thousand euros as of September 30, 2006). The corresponding offsetting position is shown under other liabilities. As of September 30, 2007, cash and cash equivalents also include 8,996 thousand euros pledged in cash with BNP Paribas for the remaining purchase price payment for freesort.

8.3.2 Employees

		September 30, 2007[1]	September 30, 2006
of which in	Germany	678	541
	the Netherlands	110	115
	USA	112	104
	Great Britain	87	72
	Austria	23	23
	Canada	44	49
	Belgium	16	13
	Italy	15	13
	Singapore	13	8
	Total	**1,098**	**938**

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

8.3.3 Repayment of loans

On April 28, 2007, the FP Company repaid 15,072 thousand euros (USD 20,500 thousand) of a bank loan denominated in US dollars. The ineffective part of a swap to hedge the interest rate of the repaid loan has thus been disposed of as a result. The effects of this transaction on the balance sheet were included in the half-yearly report on June 30, 2007.

8.3.4 Effects of the 2008 Corporate Tax Reform Act

Pursuant to IAS 12.48, actual and deferred tax assets and accrued taxes are generally to be evaluated on the basis of the tax rates and tax regulations currently in force. In tax legislations in which the announcement of new tax rates and tax regulations by the government has the effect of bringing said rates and regulations into force, the new tax rates and tax regulations are to be used to evaluate the actual and deferred tax assets and accrued taxes from the time of the announcement onwards. In Germany, such an announcement occurs in accordance with IAS 12.48 if the Bundesrat has passed a resolution in favor.

Even though the German Bundestag passed the 2008 Corporate Tax Reform Act on May 25, 2007, the Bundesrat did not approve it until July 6, 2007. The new tax rates were therefore used for the first time in the interim financial statements for the quarter ended September 30, 2007. The group tax rate fell from 37.34% to 28.08% when the 2008 Corporate Tax Reform came into force. As a result, deferred taxes in the amount of 1,678 thousand euros which had accrued

in the past were liquidated in the third quarter of 2007 in such a way that they affected the current result.

8.3.5 Events after the statement date

There were no major events after the statement date.

8.4 Segment information

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

PERIOD JAN. 1 – SEPT. 30, 2007

(thousand euros)	GERMANY	USA/CANADA	EUROPE (EX. GERMANY)	OTHER REGIONS	GROUP
Revenues					
External revenues	41,510	31,472	34,955	991	108,928
Intercompany revenues	20,552	14,791	12,606	3,368	51,317
Total revenues	**62,062**	**46,263**	**47,561**	**4,359**	**160,245**
Reconciliation					
Total consolidated sales					160,245
./. Intersegment sales					51,317
Revenues according to profit and loss statement					**108,928**
Operating result					
Operating result by segments	**2,648**	**4,534**	**2,970**	**56**	**10,208**
Reconciliation					
Consolidated operating result					10,208
./. Intersegment result					10,576
Operating result					**–368**
./. Financial result					1,810
./. Net interest income					–1,643
./. Tax result					389
Consolidated net profit according to profit and loss statement					**188**

PERIOD JAN. 1 – SEPT. 30, 2006

(thousand euros)	GERMANY	USA/CANADA	EUROPE (EX. GERMANY)[1]	OTHER REGIONS[1]	GROUP
Revenues					
External revenues	37,886	32,726	35,781	699	107,092
Intercompany revenues	16,908	13,756	10,765	534	41,963
Total revenues	**54,794**	**46,482**	**46,546**	**1,233**	**149,055**
Reconciliation					
Total consolidated sales					149,055
./. Intersegment sales					41,963
Revenues according to profit and loss statement					**107,092**
Operating result					
Operating result by segments	**6,957**	**6,044**	**4,038**	**11**	**17,050**
Reconciliation					
Consolidated operating result					17,050
./. Intersegment result					10,731
Operating result					**6,319**
./. Financial result					491
./. Net interest income					–2,942
./. Tax result					–2,444
Consolidated net profit according to profit and loss statement[2]					**1,424**

1) Previous year values adjusted.

2) Shown as result after minority interests in the previous year`s quarterly report.

8.5 Declaration of the Management Board

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

Birkenwerder, November 10, 2007

Management Board of Francotyp-Postalia Holding AG

HANS CHRISTIAN HIEMENZ   HARTMUT NEUMANN   MANFRED SCHWARZE

9. Financial calendar

EVENT	DATE
Q1 2008 Results	May 29, 2008
H1 2008 Results	August 28, 2008
Q3 2008 Results	November 27, 2008
FY 2008 Results	April 23, 2009

10. Credits/contact

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