

# HALF-YEARLY FINANCIAL REPORT 2009

Francotyp-Postalia Holding AG



**YOUR MAIL MANAGEMENT COMPANY**

## OVERVIEW FRANCO TYP-POSTALIA-GROUP

Figures in accordance with the consolidated financial statements	1 <sup>ST</sup> HALF 2009	1 <sup>ST</sup> HALF 2008
<b>Revenues (Mio. EUR)</b>	66.8	72.7
Increase in revenue (%)	-8.1	-3.2
<b>EBITDA (Mio. EUR)</b>	10.2	11.8
in percentage of revenues	15.3	16.2
<b>EBITA (Mio. EUR)</b>	<b>5.0</b>	<b>3.8</b>
in percentage of revenues	7.5	5.2
<b>EBIT (Mio. EUR)</b>	-3.2	-2.8
in percentage of revenues	-4.8	-3.9
<b>Net income for the year (Mio. EUR)</b>	-4.8	-4.7
in percentage of revenues	-7.2	-6.5
<b>Cashflow from operating activities (Mio. EUR)</b>	6.8	14.6
in percentage of revenues	10.2	20.1
<b>Earnings per share</b>	-0.13	-0.11
<b>Employees</b>	1,048	1,095

	1 <sup>ST</sup> HALF 2009	31 DEC. 2008
<b>Shareholders Equity (Mio. EUR)</b>	29.7	33.6
in percentage of balance sheet total	18.3	20.4
Return on equity (%)	-16.2	-14.0
<b>Debt capital (Mio. EUR)</b>	132.5	131.1
<b>Balance sheet total (Mio. EUR)</b>	162.3	164.6

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**Hans Szymanski**, CFO  
and CTO-Member of the  
Management Board of  
Francotyp-Postalia  
Holding AG responsible  
for Finance, Production, IT,  
Research and Development,  
Human Resources and Legal.



## LETTER FROM THE MANAGEMENT BOARD

**Dear Shareholders,**

The restructuring of our Company is beginning to bear first fruit. While sales in the first half of 2009 fell by 8 percent to 66.8 million euros compared to the previous year, the FP Group still achieved a positive EBITDA result of 9.5 million euros, nearly the same as the previous year. In the second quarter of 2009, we managed to increase EBITDA by 35 percent to 4.2 million euros. In the worst global recession of the post-War era, the FP Group achieved an EBITDA margin of 14 percent.

This stable level of profitability is due to three main factors. Firstly, the savings we have made in administration are paying off. Personnel expenses for the FP



**Andreas Drechsler, CSO**  
Member of the Management  
Board of Francotyp-Postalia  
Holding AG responsible for  
Sales, Marketing and Investor  
Relations.

Group are falling, despite an increased headcount in the Mailstream sector. Secondly, our research and development activities are far more focussed, resulting in expenses amounted to EUR 4.7 million in the first six month 2009 after EUR 6.0 million in the first half of 2008. And thirdly, strict cost control has led to lower other operating expenses and material procurement costs.

But these improvements are not enough if our Company is to remain healthy over the long term. That was the motivating force behind our decision at the beginning of August to start a comprehensive program to guarantee the viability of all our sites and operations. This is being carried out in close co-

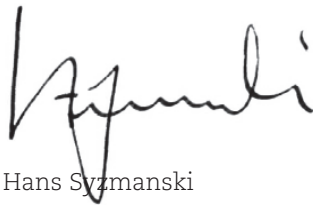
operation with our employee representatives and the trade union. Put simply, the FP Group will save up to a further 9 million euros over the next two years through cuts in pay and reduced working hours. Members of our staff working under collective agreements have accepted a 10 percent cut in wages, while senior managers have accepted pay-cuts of 15 percent and members of the Management Board are relinquishing 20 percent of their compensation. To match this, we are guaranteeing our employees their jobs for the next 24 months.

We are well aware that this package will mean sacrifices for all our employees. However, we are now in a position to implement those measures necessary to ensure competitive structures. We would therefore like to take this opportunity to thank all participants and employees for their readiness to compromise and to make this contribution to safeguard the success of our Company in future.

This great improvement in cost structures strengthens the FP Group's position in the market. That said, we must not lose sight of the fact that we are still operating in an environment dominated by a massive economic and financial crisis. This has led to a noticeable holding back of investment by commercial customers, and the recession has also placed additional pressure on prices for our standard products. At the same time, there are mounting signs that by mid-2009 the recession may be ending, and that the economy might even be on the road to recovery – something that seemed inconceivable just a few months ago. Should the upturn turn into reality, the FP Group is excellently positioned with its products and services – we can and will make a contribution to increasing the efficiency of the outbound mail operations of companies.

In the interim, our stable customer base is ensuring sustain income from consumables, the servicing of machines and from leasing agreements. Compared to the previous year, when the recession first started, we have even managed to slightly increase these sustainable sales in the first half of 2009 from 41.5 million euros to 41.8 million euros.

The high proportion of these sustainable sales, together with improved cost structures, are making a major contribution to stabilizing our business in this difficult economy. Looking at figures at the close of the first half of 2009, we can now make a forecast for the full financial year 2009. In this prognosis, we expect sales to reach between 133 to 136 million euros, with a positive EBITDA result before restructuring costs of 19 to 21 million euros. That means that despite the downturn in sales due to the recession, the FP Group can expect a positive EBITDA result reaching nearly the same level as the previous year.



Hans Szymanski  
Management Board



Andreas Drechsler  
Management Board

## HALF-YEARLY FINANCIAL REPORT OF THE FP GROUP

### 1. BUSINESS ACTIVITY

Francotyp-Postalia Holding AG (FP Group), based in Birkenwerder near Berlin, is a global service provider for the outbound mail market. As postal markets are increasingly deregulated, the FP Group has moved from being a producer of franking machines to becoming a mail management provider for outbound mail, although the manufacture and sale of franking and inserting machines remains the core business. With new services such as the consolidation of outbound mail and electronic hybrid mail solutions, the company has expanded its range of services and now covers the entire value chain in the outbound mail market. The FP Group can thus offer tailored mail management solutions to corporate clients of all sizes. The company divides its business into two segments: Mailroom and Mailstream.

### 2. GENERAL CONDITIONS

In the second quarter, there was a growing number of indications for a slow recovery in the global economy from the worst recession in post-war history. According to an initial forecast by the Federal Office of Statistics, the German economy grew by 0.3% on the first quarter in the second quarter of 2009 after steadily shrinking for a year. However, gross domestic product declined by 7.1% as against the previous year.

Economic indicators also brightened in the US – the FP Group's largest international market – in the second quarter. With a decline of only 1.0% according to initial estimates, gross domestic product improved on the first quarter.

After the recession, the dominant issue on the European postal market is deregulation. Following full deregulation of the German market in 2008, the German Federal Network Agency published a comprehensive study in May 2009 on demand for postal services among business clients under the new general conditions; these customers are responsible for 92% of all letters sent. The study shows that business clients are still not taking full advantage of the opportunities offered by a deregulated market. For outbound mail service providers such as the FP Group, this means that there is still considerable market potential in the years ahead.



### 3. DEVELOPMENT OF BUSINESS

#### Revenue

While recurring revenue rose slightly in the first half of 2009, the FP Group felt the effects of the deep recession in all key sales markets in new business product sales. In total, this led to a slide in revenue to EUR 66.8 million in the first half of 2009 after EUR 72.7 million in the same period of the previous year. In second quarter of the current financial year revenue amounted to EUR 32.6 million as against EUR 35.9 million in the same quarter of the previous year. Revenue in the rest of Europe in particular fell short of the previous year's table, as shown by the following overview of regions

#### Revenue according to regions

In Mio. Euro	First half 2009	First half 2008	Second quarter 2009	Second quarter 2008
Germany	29.9	31.1	14.6	15.5
Rest of Europe	17.5	22.3	8.4	10.7
USA/Canada	19.0	18.7	9.6	9.4
Rest of the world	0.5	0.6	0.1	0.3
<b>Revenue</b>	<b>66.8</b>	<b>72.7</b>	<b>32.6</b>	<b>35.9</b>

In Germany, the company's largest sales market, revenue for the first six months of 2009 amounted to EUR 29.9 million, only slightly down on the previous year's figure of EUR 31.1 million. Revenue in the Mailroom segment remained relatively stable in spite of the severe economic slump at EUR 22.0 million, after EUR 23.6 million in the first half of 2008. Revenue in the Mailstream segment even climbed in the first half of 2009 to EUR 7.9 million as against EUR 7.5 million in the same period of the previous year.

The FP Group also increased its revenue for the first half of the year in the US – its largest international market – to EUR 16.8 million compared to EUR 16.5 million in the previous year, whereas a positive currency effect became noticeable here.

However, the FP Group faced declines in revenue in the rest of Europe. In the UK revenue was down to EUR 6.0 million in the first half of the year after EUR 7.3 million in the same period of the previous year; revenue in the Nether-

lands fell to EUR 5.1 million after EUR 7.3 million in the previous year. In the first half of 2008 the company had posted revenue of EUR 1.5 million for large inserting systems. This business was discontinued as of 31 December 2008.

#### Revenue by products and services

In Mio. Euro	First half 2009	First half 2008	2nd quarter 2009	2nd quarter 2008
<b>Mailroom</b>				
Franking	12.9	17.1	5.9	7.9
Inserting	3.9	6.4	1.9	3.4
Other	0.4	0.2	0.2	0.3
<b>Income from product sales</b>	<b>17.2</b>	<b>23.7</b>	<b>7.8</b>	<b>11.6</b>
Rental	10.5	9.7	5.3	4.5
Teleporto	6.1	5.9	3.0	2.9
Services/customer service	14.2	13.9	7.6	7.4
Consumables	11.0	12.0	5.1	5.9
<b>Recurring revenue</b>	<b>41.8</b>	<b>41.5</b>	<b>21.0</b>	<b>20.7</b>
<b>Mailroom revenue</b>	<b>59.0</b>	<b>65.2</b>	<b>28.8</b>	<b>32.3</b>
Income from machine sales (in % of Mailroom revenue)	29.1	36.3	27.1	35.9
Recurring revenue (in % of Mailroom revenue)	70.9	63.7	72.9	64.1
Exchange rate effect of USD loan	0.0	0.0	0.0	0.0
<b>Total Mailroom revenue</b>	<b>59.0</b>	<b>65.2</b>	<b>28.8</b>	<b>32.3</b>
<b>Mailstream</b>				
<b>Mailstream revenue</b>	<b>7.9</b>	<b>7.5</b>	<b>3.8</b>	<b>3.6</b>
<b>Recurring income from Mailroom and Mailstream</b>	<b>49.7</b>	<b>49.0</b>	<b>24.8</b>	<b>24.3</b>
Recurring revenue (in % of revenue)	74.3	67.5	76.0	67.6
<b>Revenue</b>	<b>66.8</b>	<b>72.7</b>	<b>32.6</b>	<b>35.9</b>

The economic weakness decreased the general sales volume and increased the price pressure on franking and inserting machines in the first half of 2009. Revenue from product sales therefore totalled EUR 17.2 million in the first six months of the current year compared with EUR 23.7 million in the same period of the previous year. At EUR 41.8 million, however, the FP Group's recurring revenue was up slightly from EUR 41.5 million in the previous year. As a result, the share of sustainable recurring revenue in total revenue rose to 70.9%, compared with 63.7% in the same period of the previous year.

### Operating expenses

The cost of materials fell significantly in the first six months of 2009 to EUR 17.6 million as against EUR 23.7 million in the same period of the previous year. In addition to the declining revenue from product sales, this is also due to the lower level of own work capitalised and savings effects as a result of the restructuring launch in 2008. The cost of materials ratio therefore fell to 26.3% after 32.6% in the first half of 2008. The FP Group also lowered its staff costs to EUR 26.9 million in the first half of 2009 as against EUR 28.9 million in the same period of the previous year. This decline is due to the absence of the large non-recurring expenses for the restructuring programme of EUR 1.2 million incurred in 2008. In the first six months of 2009 these amounted to only EUR 0.2 million. The restructuring in the administrative area has also proved a success.

Other operating expenses fell slightly in the first half of 2009 to EUR 16.2 million as against EUR 17.2 million in the same period of the previous year on account of lower sales-based costs and cost adjustments. The restructuring expenses included in this figure declined from EUR 0.7 million in 2008 to EUR 0.5 million.

### EBITDA

In spite of the difficult general economic environment and the declining revenue this entailed, the FP Group's earnings before interest, tax, depreciation and amortisation (EBITDA) was virtually unchanged year-on-year in the first half of 2009: It amounted to EUR 9.5 million as against EUR 9.8 million in the first six months of 2008. Adjusted for the restructuring costs of EUR 0.7 million, EBITDA amounted to EUR 10.2 million.

In the second quarter of 2009, the FP Group even increased its EBITDA to EUR 4.2 million as against EUR 3.1 million in the same period of the previous year despite generating lower revenue. The company benefited from its improved cost structure and the launch of restructuring measures in 2008.

**Depreciation and amortisation**

As a result of the reduction in amortisation on intangible assets, depreciation and amortisation declined to EUR 11.9 million in the first half of 2009 after EUR 12.6 million in the same period of the previous year.

**Net financial income**

The FP Group generated a break-even financial result in the first six months of the current year after incurring a loss of EUR 1.5 million in the same period of the previous year. This was essentially due to the devaluation of receivables from the Canadian subsidiary as a result of exchange rate developments. The encouraging development highlights positive net financial income of EUR 0.5 million in the second quarter.

**Consolidated net income**

As did EBITDA, the consolidated net result before minority interests remained stable year-on-year in an extremely difficult economic environment: It amounted to EUR 4.8 million as against EUR 4.7 million in the first half of 2008. In second quarter of the current financial year the consolidated net loss amounted to EUR 2.8 million as against EUR 2.9 million in the same quarter of the previous year.

**4. BUSINESS DEVELOPMENT BY SEGMENTS****Mailroom segment**

The global financial and economic crisis hit product sales in traditional Mailroom business in two ways: Firstly, a lot of companies are postponing their investments in state-of-the-art franking and inserting machines; secondly, the recession is increasing price pressure on standard products, especially in Europe. As a result, revenue in Mailroom segment fell to EUR 59.0 million in the first half of 2009 as against EUR 65.2 million in the same period of the previous year. As described in more detail above, however, the recurring revenue in this segment, such as for renting equipment, teleporto and consumables, rose slightly.

Despite a significant fall in revenue, the FP Group's results in the Mailroom segment were on par with the previous year's level. Thanks to the substantially improved cost structure, EBITDA amounted to EUR 9.4 million (previous year: EUR 9.4 million). Comparing quarters, the company increased its EBITDA to EUR 4.3 million after EUR 3.1 million in the second quarter of 2008.

The FP Group drummed up fresh impetus for product business in the first half of the year by participating in major trade fairs such as CeBIT and KOMCOM in Hanover, Germany's biggest specialist fair for public administration. The company also launched its "FP on tour" with events throughout Germany to show customers and other interested persons the advantages of modern mail processing. Offers for enhancing efficiency in particular met with a great deal of interest.

### **Mailstream segment**

In the Mailstream segment, the FP Group increased its revenue from postal services such as consolidation and digital letter processing to EUR 7.9 million in the first half of 2009 as against EUR 7.5 million in the same period of the previous year; in the second quarter of 2009 revenue rose to EUR 3.8 million after EUR 3.6 million in the same quarter of the previous year.

The freesort subsidiary generated EUR 5.7 million of this revenue while the iab subsidiary contributed EUR 2.2 million. freesort in particular, however, observed a reluctance among customers to take out new contracts in light of the difficult economic situation. Nonetheless, the continuing high level of interest gives the company grounds to be optimistic that this is only a temporary phenomenon due to the recession. Another indication of this is the extremely stable business with existing customers. Therefore the opening of new sorting centre in Munich went ahead as planned in the first half of 2009. The slightly higher costs as a result of this meant that the Mailstream segment's EBITDA was below the previous year's level of EUR 0.4 million at EUR 0.1 million.

In the second quarter of 2009 iab extended its existing general agreement with Deutsche Post Com GmbH. The new agreement regulates the cooperation in the area of digital mail solutions. The two companies have previously worked together on document management solutions and consulting services. In future, iab will also provide Deutsche Post Com with its Internet and software-based product solutions FP webmail and FP businessmail – solutions that allow letters to be sent digitally while guaranteeing the highest possible security standards. Under the agreement, the Deutsche Post subsidiary can market both FP product solutions under its own brand while iab guarantees business process management.

**Revenue and EBITDA**

In Mio. Euro	Revenue			EBITDA		
	First half 2009	First half 2008	Change %	First half 2009	First half 2008	Change %
Mailroom	58.9	65.2	-9.7	9.4	9.4	0.0
Mailstream	7.9	7.5	5.3	0.1	0.4	-75.0
freesort	5.7	5.6	1.8	-0.2	0.1	n/a
iab	2.2	1.9	15.8	0.3	0.3	0.0
FP Group	66.8	72.7	-8.1	9.5	9.8	-3.1

**Revenue and EBITDA**

In Mio. Euro	Revenue			EBITDA		
	Second quarter 2009	Second quarter 2008	Change %	Second quarter 2009	Second quarter 2008	Change %
Mailroom	28.8	32.3	-10.8	4.3	3.1	38.7
Mailstream	3.8	3.6	5.6	-0.1	0.0	n/a
freesort	2.8	2.7	3.7	-0.2	-0.1	100.0
iab	1.0	0.9	11.1	0.1	0.1	0.0
FP Group	32.6	35.9	-9.2	4.2	3.1	35.5

**5. FINANCIAL POSITION AND NET ASSETS****Financial position**

The cash flow from operating activities amounted to EUR 6.8 million in the first six months of 2009 after EUR 14.6 million in the same period of the previous year. The main difference is that the FP Group's trade payables increased significantly in 2009, while this figure declined slightly in 2008. In addition, fewer finance lease agreements were concluded in 2009, which meant both a slower rise in liabilities but also a lower level of investments. The cash flow from investing activities amounted to almost EUR 4.0 million in the first six months after EUR 7.5 million in the same period of the previous year.

**Capital expenditure**

In EUR million	1 Jan – 30 Jun 2009	1 Jan – 30 Jun 2008
Capitalised development costs	1.1	2.5
Investments in intangible assets	0.2	2.0
Investments in property, plant and equipment	0.8	1.3
Investments in leased products	1.4	1.7
Investments in financial investments	0.4	0.0
<b>Capital expenditure</b>	<b>4.0</b>	<b>7.5</b>

The decline in capital expenditure in the first half of 2009 is due firstly to the lower level of development costs capitalised of only EUR 1.1 million as against EUR 2.5 million in the same period of the previous year. This change is partly due to the structure of current development projects but also shows the success of the restructuring and the FP Group's focus on research and development in past quarters. Secondly, investments in intangible assets were down to EUR 0.2 million in the first half of 2009 as against EUR 2.0 million in the same period of the previous year when the assumption of the Direkt Express Brief AG customer base by freesort GmbH was capitalised. As reported above, fewer finance lease contracts were concluded at freesort as against the previous year, which led to lower investments in property, plant and equipment.

#### **Net asset situation**

In spite of the difficult general conditions, the restructuring of the FP Group and the stabilisation of the income situation have also led to a stabilisation in the net asset situation. As against 31 December 2008, total assets dipped slightly by EUR 2.4 million to EUR 162.3 million. The share of non-current assets declined from 59.4% to 55.7% as a result of depreciation and amortisation. At 44.3% of total assets, current assets covered current liabilities as of 30 June 2009 in spite of their surge of 116.8%. The share of non-current liabilities in total assets dropped by one percentage point to 43.7%; the equity ratio fell to 18.3% on account of the net consolidated loss.

On the assets side of the FP Group's balance sheet, intangible assets were reduced to EUR 54.2 million as of 30 June 2009 as against EUR 61.3 million on the balance sheet date 31 December 2008 as the company wrote off some assets capitalised in connection with company acquisitions. Depreciation also led to slight reduction in property, plant and equipment to EUR 21.3 million as of 30 June 2009.

Reported under current assets, the FP Group significantly increased its cash and cash equivalents in particular: As of 30 June 2009, these amounted to EUR 27.0 million after EUR 21.9 million at the end of 2008. Securities reported separately in the amount of EUR 0.7 million are used by freesort as a cash deposit for a guarantee to Deutsche Post AG.

On the equity and liabilities side, equity was down from EUR 33.6 million at 31 December 2008 to EUR 29.7 million as the FP Group generated a net consolidated loss in the first six months of 2009. At the same time, non-current liabilities were down to EUR 71.0 million after EUR 73.4 million as of 31 December 2008 due to lower deferred tax liabilities. Meanwhile, current liabilities rose to EUR 61.5 million on 30 June 2009 as against EUR 57.6 million at the end of 2008. A reduction in trade payables from EUR 7.5 million to EUR 5.9 million was offset by a rise in other liabilities from EUR 34.3 million to EUR 39.0 million. This increase was due to the deferred income from rental and service contracts invoiced in advance at the beginning of their term and a higher level of postage credit managed for customers.

## 6. RESEARCH AND DEVELOPMENT

The FP Group restructured its research and development activities in recent quarters, thereby substantially enhancing its efficiency. As a result, expenses for research and development amounted to only EUR 4.7 million in the first six months of 2009 after EUR 6.0 million in the first half of 2008; the R&D ratio fell to 7.0% of revenue as against 8.2% in the same period of the previous year. The FP Group capitalised EUR 1.1 million of this in line with IFRS and recognised EUR 3.6 million in expenses.

## 7. EMPLOYEES

As of 30 June 2009, the FP Group employed 1,048 people worldwide (previous year: 1,095). 357 of these are allocated to foreign subsidiaries (previous year: 405) and 691 to German companies (previous year: 690). 481 of the staff employed in Germany belong to the FP Holding company and to FP GmbH and its subsidiaries (previous year: 511). In particular, the German sales company VS GmbH has reduced its headcount. By contrast, the subsidiaries freesort and iab have recruited employees so that Mailstream segment now employs 210 people (previous year: 179).



## 8. SAFEGUARDING LOCATIONS

On 7 August the FP Group announced the conclusion of an agreement with its employee representatives and IG Metall on a far-reaching package of measures to safeguard its locations. According to current estimates, this extensive programme will allow the FP Group to generate savings of up to EUR 9 million in the next two years, in return guaranteeing employees' jobs for a duration of 24 months.

Among other conditions, the package includes the following regulations:

- the conclusion of a works agreement on the introduction of reduced working hours for a maximum period of two years starting on 1 August 2009
- a salary sacrifice of around 10% by wage scale employees by way of collective agreements to safeguard the companies Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH and FP Direkt Vertriebs GmbH
- a salary sacrifice of 15% by non-scale office employees
- a 20% reduction in Management Board remuneration
- no compulsory redundancies within the next 24 months
- in the event of insolvency the regulations of this programme will cease to apply effective immediately
- in the event of the disposal of one of the companies or parts of companies participating in this agreement, all special collective agreement regulations and salary sacrifice regulations for the Management Board, non-scale employees and executives will no longer apply effective going forward

## REPORT ON OPPORTUNITIES AND RISKS

The company presented a detailed report on opportunities and risks in the annual financial statements as of 31 December 2008.

On 31 March 2009 the former member of the Management Board Dr. Heinz-Dieter Sluma brought an action to establish his dismissal as the Chairman of the Management Board and the extraordinary termination of his service agreement for the Management Board as invalid. In addition, Dr. Heinz-Dieter Sluma brought an additional nullity action in accordance with section 246 (4) sentence 1, 249 (1) sentence 1 of the Aktiengesetz (AktG – German Stock Corporation Act) against the resolution passed by the Annual General Meeting on 23 June 2009 on item 3 of the agenda (resolution on the vote of no confidence in the former member Dr. Heinz-Dieter Sluma). The action has been brought to the Chamber for Commercial Matters of the Neuruppin Regional Court and filed under 6 O 26/09. In the proceedings the court had already set a date for oral proceedings on 2 September 2009, 9.00 am, Feldmannstrasse 1, Hall 7.

On 9 April 2009 mSE GmbH, Munich and PointOut GmbH, Munich filed an action for payment in relation to services supposedly rendered.

No other risks and opportunities are currently discernible.

## OUTLOOK

The significantly improved cost structures and stable recurring revenue have allowed the FP Group to issue an initial forecast for 2009 as a whole after the first six months: The company expects to generate revenue of between EUR 133 million and EUR 136 million and EBITDA before restructuring costs of EUR 19 million to EUR 21 million. Restructuring costs are expected to be just under EUR 2.0 million.

The FP Group has already considerably improved its cost structures in its traditional Mailroom business in recent quarters; in the second half of the year it will now focus on optimising costs in the Mailstream segment. Savings effects will also be generated by the safeguarding package concluded at the beginning of August. With this further improvement in its cost situation and stable recurring revenue, the FP Group is well prepared for even a slow economic recovery.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated income statement and other comprehensive income for the half-year from 1 January to 30 June 2009

EUR thousand	1.1. - 30.06.2009	1.4. - 30.06.2009	1.1. - 30.06.2008	1.4. - 30.6.2008
<b>Revenue</b>	<b>66.840</b>	<b>32.607</b>	<b>72.691</b>	<b>35.861</b>
Decrease in work in progress and finished goods	-794	-733	1.413	691
	<b>66.046</b>	<b>31.874</b>	<b>74.104</b>	<b>36.552</b>
Own work capitalized	2.732	1.665	4.232	2.104
Other operating income	1.380	815	1.270	501
<b>Cost of materials</b>				
a) Cost of raw materials, consumables and supplies	12.470	5.865	17.754	9.204
b) Cost of purchased services	5.080	2.871	5.927	3.000
	<b>17.550</b>	<b>8.736</b>	<b>23.681</b>	<b>12.204</b>
<b>Staff costs</b>				
a) Wages and salaries	22.710	11.283	24.743	12.493
b) Social security contributions	3.825	1.872	3.855	1.909
c) Expenses for pensions and other benefits	336	144	274	104
	<b>26.871</b>	<b>13.299</b>	<b>28.872</b>	<b>14.506</b>
<b>Depreciation and amortisation</b>	<b>11.904</b>	<b>5.845</b>	<b>12.599</b>	<b>6.267</b>
<b>Other operating expenses</b>	<b>16.193</b>	<b>8.039</b>	<b>17.237</b>	<b>9.393</b>
<b>Net interest income</b>				
a) Interest and similar income	808	371	1.224	695
b) Interest and similar expenses	2.687	1.237	2.520	1.312
	<b>-1.879</b>	<b>-866</b>	<b>-1.296</b>	<b>-617</b>
<b>Other net financial income</b>				
a) Other financial income	569	153	163	-382
b) Other financial expenses	572	-385	1.626	-419
	<b>-3</b>	<b>538</b>	<b>-1.463</b>	<b>37</b>
<b>Tax result</b>				
a) Tax income	2.294	912	4.075	3.112
b) Tax expenses	2.881	1.825	3.211	2.214
	<b>-587</b>	<b>-913</b>	<b>864</b>	<b>898</b>
<b>Consolidated net loss</b>	<b>-4.829</b>	<b>-2.806</b>	<b>-4.678</b>	<b>-2.895</b>
Minority interests	-303	-169	-369	-241
<b>Consolidated net loss after minority interests</b>	<b>-4.526</b>	<b>-2.637</b>	<b>-4.309</b>	<b>-2.654</b>
<b>Other comprehensive income</b>				
Exchange rate effects	933	-704	-1.174	-50
Natural hedge	35	448	575	0
Derivatives	158	61	17	407
Income tax expense	-150	-46	0	0
Other comprehensive income after tax	976	-241	-582	357
<b>Comprehensive income for the financial year</b>	<b>-3.550</b>	<b>-2.878</b>	<b>-4.891</b>	<b>-2.297</b>
Earnings per share:	-0,32	-0,18	-0,30	-0,19

**Consolidated balance sheet as of 30 June 2009 – Assets**

EUR thousand	30 June 2009	31 December 2008
<b>A. NON-CURRENT ASSETS</b>		
<b>I. Intangible assets</b>		
Intangible assets including customer lists	26.241	34.208
Goodwill	23.534	23.534
Development projects in progress and advance payments	4.437	3.514
	<b>54.212</b>	<b>61.256</b>
<b>II. Property, plant and equipment</b>		
Land, land rights and buildings	38	33
Technical equipment and machinery	1.578	1.650
Other equipment, operating and office equipment	4.089	4.149
Leased products	10.982	11.445
Advance payments and assets under construction	0	24
Assets under finance leases	4.612	4.827
	<b>21.299</b>	<b>22.128</b>
<b>III. Other assets</b>		
Equity investments	318	318
Loans to third parties	0	0
Finance lease receivables	4.347	4.048
Other non-current assets	274	255
	<b>4.939</b>	<b>4.621</b>
<b>Deferred tax assets</b>	<b>9.953</b>	<b>9.733</b>
	<b>90.403</b>	<b>97.738</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
Raw materials, consumables and supplies	5.082	5.475
Work in progress	2.257	2.059
Finished goods and goods for resale	7.724	8.506
Advance payments	146	93
	<b>15.209</b>	<b>16.133</b>
<b>II. Trade receivables</b>	<b>17.809</b>	<b>18.656</b>
<b>III. Securities</b>	<b>670</b>	<b>666</b>
<b>IV. Cash and cash equivalents</b>	<b>26.958</b>	<b>21.946</b>
<b>V. Other assets</b>		
Finance lease receivables	2.352	2.078
Receivables from related parties	6	14
Derivative financial instruments	3	17
Other current assets	8.840	7.381
	<b>11.201</b>	<b>9.490</b>
	<b>71.847</b>	<b>66.891</b>
	<b>162.250</b>	<b>164.629</b>

**Consolidated balance sheet as of 30 June 2009 – Equity and liabilities**

EUR thousand	30 June 2009	31 December 2008
<b>EQUITY</b>		
<b>I. Equity attributable to shareholders of the parent company</b>		
1. Issued capital	14.700	14.700
2. Capital reserves	45.708	45.708
3. Treasury shares	-1.829	-1.829
4. Loss carried forward	-27.176	-13.393
5. Consolidated net loss after minority interests	-4.526	-13.783
6. Total other equity	-2.051	-3.027
	<b>24.826</b>	<b>28.376</b>
<b>II. Minority interests</b>	<b>4.887</b>	<b>5.190</b>
	<b>29.713</b>	<b>33.566</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>I. Provisions for pensions and similar obligations</b>	<b>12.263</b>	<b>12.228</b>
<b>II. Other provisions</b>	<b>1.354</b>	<b>1.514</b>
<b>III. Financial liabilities</b>	<b>55.498</b>	<b>56.030</b>
<b>IV. Other liabilities</b>	<b>77</b>	<b>42</b>
<b>V. Deferred tax liabilities</b>	<b>1.846</b>	<b>3.600</b>
	<b>71.038</b>	<b>73.414</b>
<b>CURRENT LIABILITIES</b>		
<b>I. Current income tax liabilities</b>	<b>2.332</b>	<b>1.389</b>
<b>II. Other provisions</b>	<b>10.156</b>	<b>10.297</b>
<b>III. Financial liabilities</b>	<b>4.065</b>	<b>4.172</b>
<b>IV. Trade payables</b>	<b>5.899</b>	<b>7.471</b>
<b>V. Advance payments received on orders</b>	<b>2</b>	<b>2</b>
<b>VI. Other liabilities</b>	<b>39.045</b>	<b>34.318</b>
	<b>61.499</b>	<b>57.649</b>
	<b>162.250</b>	<b>164.629</b>

**Statement of changes in equity**

EUR thousand	Issued capital	Capital reserves	Treasury shares	Net income/loss	Total other equity	Minority interests share-	Total
<b>As of 1 January 2008</b>	<b>14,700</b>	<b>45,708</b>	<b>-552</b>	<b>-10,892</b>	<b>-712</b>	<b>7,148</b>	<b>55,400</b>
Acquisition of treasury shares	0	0	-1,277	0	0	0	-1,277
Exchange rate differences	0	0	0	0	-1,171	-3	-1,174
Natural hedge	0	0	0	0	575	0	575
Derivatives	0	0	0	0	17	0	17
Dividend	0	0	0	-2,150	0	0	-2,150
<b>Net result 1.1.-30.6.2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,309</b>	<b>0</b>	<b>-369</b>	<b>-4,678</b>
<b>As of 1 January 2009</b>	<b>14,700</b>	<b>45,708</b>	<b>-1,829</b>	<b>-27,176</b>	<b>-3,027</b>	<b>5,190</b>	<b>33,566</b>
Acquisition of treasury shares	0	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	783	0	783
Natural hedge	0	0	0	0	35	0	35
Derivatives	0	0	0	0	158	0	158
<b>Net result 1.1.-30.6.2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,526</b>	<b>0</b>	<b>-303</b>	<b>-4,829</b>
<b>As of 30 June 2009</b>	<b>14,700</b>	<b>45,708</b>	<b>-1,829</b>	<b>-31,702</b>	<b>-2,051</b>	<b>4,887</b>	<b>29,713</b>

**Consolidated cash flow statement for the period 1 January to 30 June 2009**

EUR thousand	1 Jan–30 Jun 2009	1 Jan–30 Jun 2008
<b>1. Cash flow from operating activities</b>		
Consolidated net loss	-4.829	-4.678
Income tax expense recognised in income (previous year: income)	587	-864
Net interest income recognised in income	1.879	1.296
Depreciation and amortisation of non-current assets	11.904	12.599
Increase (+)/decrease (-) in provisions	-322	5.530
Losses on the disposal of non-current assets	297	225
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investment or financing activities	-658	-6.658
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	1.505	8.853
Other non-cash expenses and income	-489	1.917
Interest paid	-1.411	-1.697
Income tax paid	-1.630	-1.943
<b>Cash flow from operating activities</b>	<b>6.833</b>	<b>14.580</b>
<b>2. Cash flow from investing activities</b>		
Cash paid for development costs	-1.144	-2.451
Proceeds from the disposal of non-current assets	39	25
Cash paid for investments in intangible assets	-248	-1.994
Cash paid for investments in property, plant and equipment	-2.242	-3.042
Cash paid for financial investments	0	0
Cash paid for company acquisitions	-400	0
<b>Cash flow from investment activities</b>	<b>-3.995</b>	<b>-7.462</b>
<b>3. Cash flow from financing activities</b>		
Cash paid to shareholders to buy back treasury shares	0	-1.277
Dividend payments to shareholders	0	-2.150
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-3.427</b>
<b>Cash and cash equivalents*</b>		
Change in cash and cash equivalents	2.838	3.691
Change in cash and cash equivalents due to currency translation	93	-1.362
Cash and cash equivalents at beginning of period	6.998	7.284
<b>Cash and cash equivalents at end of period</b>	<b>9.929</b>	<b>9.613</b>

\* The postage credit balances managed by the FP Group (EUR 17,699 thousand; previous year: EUR 17,590 thousand) have been deducted from cash and cash equivalents and other liabilities. The figures for the previous year have been restated accordingly. Cash and cash equivalents include current financial instruments of EUR 670 thousand (previous year EUR 2,610 thousand)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL INFORMATION

#### 1. General information on the company

Francotyp-Postalia Holding AG, Birkenwerder (hereafter also referred to as “FP Holding”) is a German stock corporation (Aktiengesellschaft). The company’s registered office is at Triftweg 21–26, Birkenwerder, Germany. The interim financial statements of FP Holding for the period ended on 30 June 2009 include FP Holding and its subsidiaries (also referred to here as the “FP Group”).

Francotyp-Postalia is an international company in the outbound mail processing sector with a heritage going back over 80 years. Its activities focus on the traditional product business, which consists of developing, manufacturing and selling franking machines in particular plus inserting machines and conducting after-sales business. Francotyp-Postalia Group also offers its customers in Germany sorting and consolidation services and hybrid mail products via its subsidiary freesort and its majority shareholding in iab.

The consolidated financial statements for the previous year were approved for publication by the Management Board within the meaning of IAS 10.17 on 28 April 2009.

#### 2. Accounting principles

##### 2.1 Principles for preparing the financial statements

The interim financial statements of FP Holding as of 30 June 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU on the reporting date and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These are condensed financial statements in accordance with IAS 34 for the interim period from 1 January to 30 June 2009.



The requirements of all standards applicable by 30 June 2009 were met without exception and provide a true and fair view of the net assets, financial position and results of operations of the Group. The interim financial statements as of 30 June 2009 use the same accounting principles as the consolidated financial statements for the 2008 financial year. The consolidated income statement was supplemented by a statement of comprehensive income (statement of recognised income and expense) in accordance with IAS 1.81. As the interim financial statements do not contain all the notes and information required for the annual financial statements, they should be read in conjunction with the consolidated financial statements as of 31 December 2008. The interim financial statements and the interim management report have not been audited or reviewed in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code).

The interim financial statements have been prepared in euro. For greater clarity and to facilitate comparison, all amounts are in thousands of euro (EUR thousand) unless otherwise stated. Rounding of individual items and percentages may result in minor arithmetic differences.

## 2.2. Currency translation

Currencies have been translated at the following rates

### Currency translation

1 Euro =	Closing rate			Average rate	
	31 Mar 2009	31 Dec 2008	30 Jun 2008	H1/2009	H1/2008
US dollar (USD)	1.4048	1.3977	1.5799	1.33517	1.53055
Pound sterling (GBP)	0.8506	0.9600	0.7921	0.89548	0.77508
Canadian dollar (USD)	1.6240	1.7160	1.5974	1.60749	1.54209
Singapore dollar (SGD)	2.0431	2.0176	2.1541	1.99104	2.12386

## 2.3. Management estimates and assessments

No significant changes were made to estimated amounts presented in the consolidated financial statements as of 31 December 2008.

## DEVELOPMENTS IN THE REPORTING PERIOD

### 1. Seasonal influences

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

### 2. Report on the economy

The traditional activities of Francotyp-Postalia are characterised by a high share of recurring revenue, which accounts for around 60% of consolidated revenue. The main factor in this revenue stability is the installed base (i.e. the units installed with customers) of over 265,000 franking machines worldwide. This also generates stable after-sales business. The rental of franking machines, which is particularly common in the US, also contributes to recurring revenue.

However, this is precisely where the recession on the US market is affecting the revenue and earnings situation of the FP Group. The fact that Germany, FP's biggest market, and all other important sales markets for FP have now also entered a recession has also had an impact. Nevertheless, Francotyp-Postalia sees major opportunities in the complete deregulation of the letter market in Germany as of 1 January 2008 and the repositioning of the FP Group as a service provider in the outbound mail market.

**EXPLANATORY NOTES****1. Notes to the cash flow statement**

The cash flow statement for the FP Group shows positive and negative changes in cash flows from operating, investing and financing activities. Postage credit managed by the FP Group (restricted cash) is deducted from cash and cash equivalents. The corresponding contra item is included in other liabilities. Cash and cash equivalents therefore break down as follows:

**Cash and cash equivalents**

EUR thousand	30 June 2009	30 June 2008
Cash and cash equivalents	26,958	24,568
Current financial instruments	670	2,635
Less postage credit managed	-17,699	-17,590
<b>Total</b>	<b>9,929</b>	<b>9,613</b>

**2. Employees****Employees**

	30 June 2009	30 June 2008
<b>of which in</b>		
Germany	691	690
USA	105	118
UK	78	84
Netherlands	68	102
Canada	35	34
Austria	19	22
Belgium	16	16
Italy	15	15
Singapore	21	14
<b>Total</b>	<b>1,048</b>	<b>1,095</b>

### 3. Events after the balance sheet date

On 7 August the FP Group announced the conclusion of an agreement with its employee representatives and IG Metall on a far-reaching package of measures to safeguard its locations. According to current estimates, this extensive programme will allow the FP Group to generate savings of up to EUR 9 million in the next two years, in return guaranteeing employees' jobs for a duration of 24 months.

Among other conditions, the package includes the following regulations:

- the conclusion of a works agreement on the introduction of reduced working hours for a maximum period of two years starting on 1 August 2009
- a salary sacrifice of around 10% by wage scale employees by way of collective agreements to safeguard the companies Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH and FP Direkt Vertriebs GmbH
- a salary sacrifice of 15% by non-scale office employees
- a 20% reduction in Management Board remuneration
- no compulsory redundancies within the next 24 months
- in the event of insolvency the regulations of this programme will cease to apply effective immediately
- in the event of the disposal of one of the companies or parts of companies participating in this agreement, all special collective agreement regulations and salary sacrifice regulations for the Management Board, non-scale employees and executives will no longer apply effective going forward

### SEGMENT INFORMATION

The FP Group is divided into the segments of Germany, the US, Canada and the rest of the world, in accordance with the regional locations of its assets. The figures for the previous year have been restated in line with the form of presentation in the reporting year.

**period from 1 Jan – 30 Jun 2009**

	Germany	USA/ Canada	Europe (except Germany)	Other regions	Group
<b>EUR thousand</b>					
<b>Revenue</b>					
External revenue	29,886	19,005	17,479	470	66,840
Internal revenue	11,904	2,603	4,939	573	20,019
Total revenue	41,790	21,608	22,418	1,043	86,859
Reconciliation					
Total consolidated revenue					86,859
./. intersegment earnings					20,019
Revenue according to income statement					66,840
<b>Operating earnings</b>					
Segment earnings	-4,355	4,733	1,854	6	2,238
Reconciliation					
Consolidated operating earnings					2,238
./. intersegment earnings					4,598
Operating earnings					-2,360
Net financial income					-3
Net interest income					-1,879
Tax result					-587
Earnings according to income statement					-4,829

**period from 1 Jan – 30 June 2008**

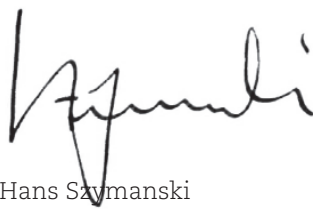
	Germany	USA/ Canada	Europe (except Germany)	Other regions	Group
<b>EUR thousand</b>					
<b>Revenue</b>					
External revenue	31,113	18,725	22,298	555	72,691
Internal revenue	13,793	6,222	6,706	267	26,988
Total revenue	44,906	24,947	29,004	822	99,679
Reconciliation					
Total group revenue					99,679
./. intersegment revenue					26,988
Revenue according to profit and loss					72,691
<b>Operating earnings</b>					
Segment earnings	-4,403	3,228	2,328	-80	1,073
Reconciliation					
Group operating earnings					1,073
./. intersegment earnings					3,857
Operating earnings					-2,784
Net financial income/expense					1,462
Net interest income/expense					-1,296
Net taxes					864
Revenue according to profit and loss					-4,678

### RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, 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, 27 August 2009

The Management Board of Francotyp-Postalia Holding AG



Hans Szymanski  
Management Board



Andreas Drechsler  
Management Board

**Financial calendar**

H1 Results 2009	27 August 2009
Q3 Results 2009	November 2009
FY 2009	April 2010

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