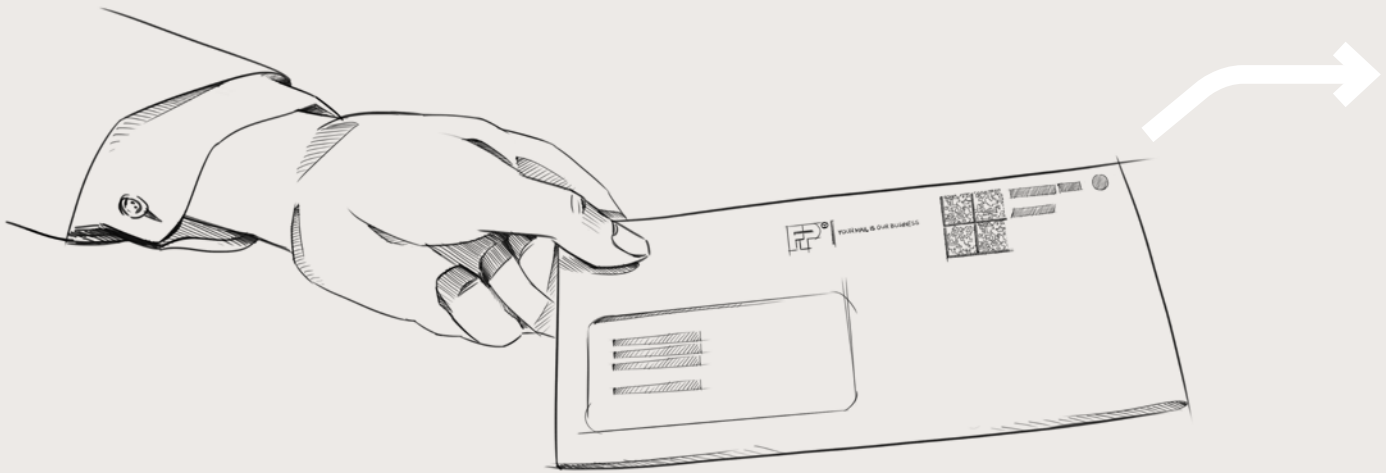




YOUR MAIL IS OUR BUSINESS



CLEAR DIRECTIONS – CLEAR OBJECTIVES

ALL MAIL COMMUNICATION PROCESSES FROM A SINGLE SOURCE

KEY FIGURES TO THE 1ST QUARTER 2011

Figures in accordance with consolidated financial statements in EUR millions	1 Jan.–31 Mar. 2011	1 Jan.–31 Mar. 2010	Changes in %
Revenues	41.8	33.6	24.4
Increase in revenues (%)	24.4	-1.8	
Recurring revenues	32.3	24.7	30.8
EBITDA	3.7	7.1	-47.2
in percentage of revenues	9.0	21.1	
EBITDA before restructuring	6.3	7.1	
in percentage of revenues	15.1	21.1	
EBITA	0.8	4.6	-83.3
in percentage of revenues	1.8	13.7	
EBIT	0.1	1.5	n/a
in percentage of revenues	0.2	4.5	
Net income	-0.9	-0.7	-28.6
in percentage of revenues	-2.2	-2.1	
Free cash flow	1.5	5.0	-70.0
in percentage of revenues	3.6	14.9	
	31 Mar. 2011	31 Mar. 2010	
Subscribed capital	14.7	14.7	
Shareholders Equity	17.8	19.6	-9.2
in percentage of balance sheet total	12.4	14.4	
Return on equity in percent	-5.1	-3.6	
Debt capital	125.3	116.3	7.7
Net debt	30.1	36.4	-17.3
Net gearing in percent	169.1	185.7	-8.9
Balance sheet total	143.1	135.9	5.3
Earnings per share in EUR	-0.05	-0.04	-25.0
Employees (exact number)	1,127	1,113	1.3
Share price end of the quarter in EUR	3.60	2.31	55.8

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FINANCIAL CALENDAR

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Ladies and gentlemen,

The FP Group is setting up a new production line in Wittenberge, Brandenburg. After lengthy negotiations with the employee representatives, we decided at the beginning of the year to develop a brand new site for production of the new Phoenix franking system. We will consolidate all production activities at the new site and will, in turn, close the production plants at our headquarters in Birkenwerder and in Singapore. In the first quarter, together with the employee representatives, we agreed on the conciliation proceedings and appointed a chairman with the aim of speeding up future negotiations.

In the coming years, the optimisation of the production processes will play a significant role in strengthening the financial and earnings power of the FP Group on a sustainable basis. However, this reorientation of production has resulted in some one-off expenses for 2011. In the first quarter of 2011, restructuring costs came to EUR 2.3 million. In addition, the company also made a provision of EUR 0.3 million for cost adjustments at its Dutch subsidiary. These two factors meant that EBITDA after restructuring costs amounted to EUR 3.7 million for the first quarter of 2011. Before restructuring costs, the company reported an EBITDA result of EUR 6.3 million, compared with EUR 7.1 million for the previous year. Consolidated net income for the first quarter of 2011 amounted to EUR -0.9 million, compared with EUR -0.7 million in the same quarter of the previous year, on account of the restructuring costs.

At EUR 1.5 million for the first quarter of 2011, free cash flow, one key indicator of the FP Group's financial power, was also down from the previous year's figure of EUR 5.0 million. The reason for this is twofold. The FP Group has on the one hand kept its trade payables down, compared with the same period of the previous year, and on the other has seen a significant temporary increase in its trade receivables as a result of accounting effects in the Netherlands and the USA. The FP Group expects to see increased cash flow from operating activities over the course of the year, with the company continuing to invest heavily in expanding its range of fully electronic products, accessing new markets and the new franking system.

In the first quarter of 2011, revenue soared by EUR 8.2 million to EUR 41.8 million. As part of this, we recorded a positive revenue effect of EUR 6.7 million due to a change in the reporting logic as part of the new regulations for sales tax on postal services in Germany that came into effect on 1 July 2010. Independent of this, the FP Group also benefited from its success in becoming a complete service provider and managed to increase revenue in both postal services and the traditional franking machine business. The proportion of revenue generated by recurring income from service agreements, leasing, teleporto and the sale of consumables rose from EUR 20.1 million to EUR 20.9 million in the first quarter of 2011. Overall, the share of recurring revenue went from 73.6% of total revenue in the prior-year period to 77.2% in the first quarter of 2011.

The acquisition of a majority shareholding in Mentana-Claimsoft in the first quarter of 2011 plays a vital role in our ongoing development from a manufacturer of franking machines to a complete mail services provider, as this acquisition secures the FP Group's entry into the market of fully electronic mail communication. The Mentana-Claimsoft Group specialises in electronic signatures and offers an extensive range of products for securing electronic documents and legally binding communication. It is a member of the De-Mail project. De-Mail is a communication tool which should enable the legally binding and confidential exchange of electronic documents and electronic letter over the internet.

This acquisition makes the FP Group the first multi-channel provider for professional mail communication. This means that the FP Group can now cover the entire letter post distribution chain, from physical to hybrid through to fully electronic mail. With this strategic direction, the FP Group is on the right track and with the reorientation of production, we have chosen the right cost structure. Our company is therefore in an excellent position to achieve profitable growth in the years to come. We ask you, dear shareholders, to remain with us on this journey and thank you most sincerely for the trust you continue to place in us.

Sincerely



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

MANAGEMENT BOARD

Andreas Drechsler (left)

Member of the Management Board (CSO)

Born in 1968, Andreas Drechsler studied and graduated in banking and business studies, and is responsible for Sales, Product Management, International Service, Quality Management, Corporate Auditing, and Investor Relations

Hans Szymanski (right)

Chairman of the Management Board – (CEO & CFO)

Born in 1963 and an economics graduate, he is responsible for Finance, Controlling and Accounting, Strategic Business Development, Production, Logistics, Purchasing, Research and Development, IT, as well as Human Resources and Legal



CONSOLIDATED INTERIM REPORT

BUSINESS AND GENERAL ENVIRONMENT

Business activity

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

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

On 3 March 2011, the FP Group acquired a 51% stake in Mentana-Claimsoft AG and signed a corresponding purchase agreement with two major shareholders of the unlisted company. This acquisition aims to secure the Group's entry into the market of fully electronic mail communication. The Mentana-Claimsoft Group specialises in electronic signatures and offers an extensive range of products for securing electronic documents and legally binding communication. It is a member of the De-Mail project. De-Mail is a communication tool which should enable the legally binding and confidential exchange of electronic documents and electronic letter over the internet. The purchase price for the shareholding is made up of a fixed part and a performance-related part to be paid in 2015 and according to current estimates, amounts to a total of around EUR 1 million to EUR 2 million.

General environment

The global economy continues to recover, albeit at a different pace in different regions. Economic growth remains high in many emerging nations, while in the industrialised countries it is stronger than expected, but still only moderate.

In Germany, the domestic market of the FP Group, gross domestic product (GDP) was up 1.5% on the previous quarter in the first quarter of 2011, according to figures released by the Federal Statistical Office. The leading German research institutes are confident that Germany will experience an increase of 2.8% overall in 2011.

At the start of the year, the US economy continued its recovery at a reduced speed. Economic growth slowed down in the first quarter of 2011, increasing between January and March at a projected rate for the year of only 1.8%. In the previous quarter, the US economy had grown by 3.1%.

In contrast, the Asian economies continued to grow at almost double-digit rates. In the first quarter of 2011, the GDP of the Chinese economy increased by 9.7% year-on-year. In the first three months of 2011, the Singaporean economy climbed 8.5% compared with the previous year. The Indian economy grew strongly as well. For 2011, the International Monetary Fund expects India's GDP to increase by around 8%. This growth momentum in the Asia / Pacific area creates a good environment for the FP Group to press ahead with its growth strategy in these markets of the future.

Employees

As of 31 March 2011, the FP Group employed a total of 1,127 people worldwide, compared with 1,067 employees the previous year. This rise is a direct consequence of personnel increases in the foreign and German subsidiaries and relates specifically to the creation of a new Swedish subsidiary and the takeover of Mentana-Claimsoft. As at 31 March, 723 employees were attributable to the German companies (previous year: 693) and 404 to foreign subsidiaries (previous year: 374).

In Germany, a total of 463 employees belonged to the Franking and Inserting segment (previous year: 468) and 260 to the Software Solutions and Services segments (previous year: 225). As at 31 March 2011, 179 people were employed at freesort compared with 172 in the previous year. The number of employees at iab rose from 53 in the same period of the previous year to 58. As at 31 March, Mentana-Claimsoft employed 23 people. The increase in personnel in these segments underlines the increasing significance of the Software and Services business for the entire company.

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

Research and development

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

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

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

In the first three months of 2011, research and development expenses amounted to EUR 2.6 million compared to EUR 2.1 million in the first quarter of 2010; the R&D ratio therefore remained at 6.2% of revenue. Of this, the FP Group capitalised EUR 1 million in accordance with IFRS and recognised EUR 1.6 million in expenses.

NET ASSETS, FINANCIAL AND EARNINGS POSITION

Earnings position

REVENUE

In the first three months of the 2011 financial year, the FP Group generated revenue of EUR 41.8 million as against EUR 33.6 million in the same period of the previous year. The significant increase in revenue compared with the same quarter of the previous year partly resulted from a change in the reporting logic as part of the new regulations for sales tax on postal services in Germany as at 1 July 2010, and this is reflected in stable recurring revenue. The Group also benefitted from the recovery of the global economy and its success in becoming a complete service provider. Revenue generated by product sales rose by around 6.7% as a result.

In the first quarter of 2011, sustainable, recurring revenue came to EUR 32.3 million compared with EUR 24.7 million in the previous year. Its share of total revenue climbed to 77.2% after 73.6% in the prior-year period. Services, leasing, teleporto and consumables business developed in a stable manner. In the first quarter of 2011, revenue in this area came to EUR 20.9 million compared with EUR 20.1 million in the previous year. Revenue from product sales was EUR 9.5 million in the first three months of the current year after EUR 8.9 million in the prior-year period.

Mail Services increased its revenue to EUR 8.8 million against EUR 3.5 million in the prior-year period. An increase in revenue of EUR 1.1 million was also reported by the Software segment in the first quarter of 2010, bringing total revenue to EUR 2.6 million for the first quarter of this year. Reasons for this include changes to the reporting logic as part of the new regulations for sales tax.

Since 1 July 2010, iab and freesort no longer recognise postal charges solely in the balance sheet with no effect in the consolidated statement of comprehensive income, but instead report the sale of discounted postal charges in revenue and the purchase of discounted postal charges in costs of materials. This was a necessary change in line with the sales tax reform as part of the liberalisation of postal markets. As a result of the reform in the sales tax law, freesort no longer provides its services ("Consolidation" and "Consolidation Plus Franking Service") as a third party, but on its own account and this is fully reflected in revenue. Postal charges at iab demonstrate similar effects. Overall, this has a revenue effect of EUR 6.7 million.

Revenue by product and service *

EUR million	1st quarter 2011	1st quarter 2010
Recurring revenue	32.3	24.7
Leasing	5.4	5.1
Services / customer service	7.2	6.5
Consumables	5.3	5.4
Teleporto	3.0	3.1
Mail services	8.8	3.5
Software	2.6	1.1
Income from product sales	9.5	8.9
Franking	7.4	7.0
Inserting	1.8	1.7
Other	0.3	0.2
Total	41.8	33.6
Recurring revenue in %	77.2	73.6
Non-recurring revenue in %	22.8	26.4
Natural hedges	0.0	0.0
Total	41.8	33.6

* Revenue in accordance with IFRS without inter-segment revenue

OPERATING EXPENSES

The cost of materials rose in the first three months of 2011 to EUR 16.5 million as against EUR 9.2 million in the same period of the previous year. This rise is, in essence, due to the new reporting logic as part of the new regulations for sales tax, as the FP Group now recognises the purchase of discounted postal charges in cost of materials. Accordingly, the cost of services purchased rose to EUR 8.9 million, compared with EUR 2.2 million in the same period in the previous year. In the first quarter of 2011, expenses for raw materials, consumables and supplies amounted to EUR 7.6 million, compared with EUR 7.0 million in the previous year. This minor jump can be explained by increased production of franking machines.

In the first quarter of 2011, staff costs rose to EUR 15.3 million compared with EUR 12.7 million in the prior-year period. The rise is primarily due to an increase in employee numbers in the USA and Sweden. It can also be explained, however, by the restructuring costs of around EUR 0.8 million set aside for Germany and around EUR 0.3 million earmarked for the Netherlands. Furthermore, on account of the site continuation agreement due to expire this year, provisions must again be made for Christmas bonuses and holiday pay in the amount of EUR 0.4 million.

Other operating expenses increased to EUR 9.3 million in the first three months of 2011 from EUR 7.9 million. This increase can also be explained by the upcoming restructuring of production and the associated closure of the production site at Birkenwerder. Since the production plant at Birkenwerder cannot presumably be leased out again straight away, provisions were made for onerous contracts of EUR 1.5 million.

EBITDA

In the first quarter of 2011, the FP Group generated EBITDA (earnings before interest, tax, net financial income, depreciation and amortisation) of EUR 3.7 million, against EUR 7.1 million in the same period of the previous year. This is due to increased staff costs as well as provisions for the restructuring measures in production and the subsidiary in the Netherlands. EBITDA adjusted for restructuring costs amounted to EUR 6.3 million.

DEPRECIATION AND AMORTISATION

Owing to a decline in amortisation on intangible assets, depreciation and amortisation fell significantly in the first three months of 2011 to EUR 3.7 million after EUR 5.6 million in the corresponding period of the previous year.

NET INTEREST INCOME / EXPENSE

In the first quarter of 2011, net interest income improved to EUR -0.7 million as against EUR -1.0 million in the previous year. Interest income remained at EUR 0.3 million because of the low level of interest rates. Interest expenses fell accordingly to EUR 1.0 million, compared with EUR 1.3 million in the previous year.

NET FINANCIAL INCOME / EXPENSE

In the first three months of the current year, the FP Group improved its net financial income to EUR 0.4 million as against EUR -0.5 million in the same period of the previous year.

NET TAXES

The tax result is made up of tax income of EUR 0.7 million and tax expenses of EUR 1.4 million, giving an overall total of EUR -0.7 million in the first quarter of 2011. This was EUR -0.6 million in the previous year.

CONSOLIDATED NET INCOME

In the first quarter of 2011, consolidated net income before non-controlling interests came to EUR -0.9 million, compared with EUR -0.7 million in the prior-year period. Earnings per share therefore came to EUR -0.05 compared with EUR -0.04 for the previous year.

Course of business by segments

The company is divided into four segments, namely Production, Domestic Sales, International Sales and head office functions. This segmentation corresponds to the FP Group's internal reporting and also takes account of the company's development into a complete service provider.

Since the segments report in accordance with the local financial reporting framework, both the adjusting entries in accordance with IFRS and the Group consolidation entries are included in the reconciliation with the consolidated financial statements. The Group consolidation entries comprise the consolidation of business relationships between the segments. Intra-Group transactions are effected at market prices. As the figures in the separate financial statements are added up to form total segment results, total segment amounts also include inter-segment figures and intra-group profits.

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

SALES GERMANY SEGMENT

In the first quarter of 2011, the FP Group achieved overall revenue of EUR 22.6 million in its German domestic market, compared with EUR 16.4 million in the previous year. In Germany, the company essentially benefited from a change in the reporting logic as part of the new regulations for sales tax on postal services, which translated into a positive revenue effect. In the Services segment, revenue generated by the consolidation specialist freesort thus increased significantly to EUR 8.8 million, compared with EUR 3.5 million in the previous year. The positive effect on revenue therefore amounted to EUR 4.8 million. As far as software solutions were concerned, revenue increased to EUR 2.6 million in the first three months, compared with EUR 1.1 million in the same period in the previous year. The positive effect on revenue amounted to EUR 1.9 million.

Francotyp-Postalia Vertrieb und Service (VSG), which is responsible for franking and inserting, achieved revenue of EUR 11.2 million compared with EUR 11.8 the previous year. The slight fall in revenue in the first quarter of the year is attributable to weaker revenues generated by the Service segment and the consumables business.

In the Sales Germany segment, the FP Group generated an EBITDA result of EUR 1.9 million in the first quarter of 2011, against EUR 2.5 million in the previous year. The impending transfer of production and the provisions for Christmas bonuses and holiday pay were both influential factors here. The fall in revenue in the Francotyp-Postalia Vertrieb und Service (VSG) segment also negatively impacted the Sales Germany segment overall.

In Germany, the company also underlined its market leadership with a market share of 42.9% in franking machine business. In the first quarter of 2011, the FP Group participated in major trade fairs such as the CeBIT in Hanover. At the fair, the company displayed both its franking and inserting machines and its innovative software solutions and postal services.

SALES INTERNATIONAL SEGMENT

In its Sales International segment, in which all activities by the foreign subsidiaries are combined, the FP Group generated revenue of EUR 18.8 million with external third parties in the first quarter of 2011, compared with EUR 16.4 million in the same period in the previous year. The rise in sales revenue was primarily attributable to global economic recovery and an increased willingness to invest on behalf of companies.

In the first quarter of 2011, revenue rose in the USA, the company's most important foreign market, to EUR 7.8 million against EUR 7.1 million one year before. The rate changes introduced by the USPS based postal companies this year had a noticeably positive impact on revenue in the Sales International segment of EUR 0.4 million. Also, the new Swedish subsidiary made additional revenues of EUR 1.0 million. Revenue in the UK rose slightly to EUR 3.3 million after EUR 3.2 million in the same period of the previous year. In the third major foreign market, the Netherlands, revenue remained unchanged at EUR 2.7 million in the first quarter of the current year.

Due to the persistent difficult market situation in the Netherlands, the decision was made to carry out relevant cost adjustments at the Dutch subsidiary. The measures mainly affect employees in the Service segment. Relevant provisions of EUR 0.3 million were made accordingly.

Despite an increase in revenue, the company's EBITDA result in the Sales International segment declined to EUR 4.6 million compared with EUR 4.9 million in the first quarter of 2010. The negative effect on income is as a result of provisions made for the impending staff restructuring in the Netherlands and the higher personnel costs in the USA and Sweden.

PRODUCTION

The FP Group combines its production activities in Germany and Singapore in the Production segment. In the first quarter of 2011, revenue with external parties came to EUR 1.0 million after EUR 1.3 million in the same period in the previous year. This decline in revenues is solely attributable to the absorption of the Group's former Swedish dealer business by the Sales International segment.

While EBITDA of EUR 0.8 million was reported in Production in the first quarter of 2010, EBITDA in the first quarter of the current year was EUR -2.1 million. This effect was also as a result of the provisions made for the upcoming transfer of production to the tune of EUR 2.3 million and the provisions made for Christmas bonuses and holiday, which could not be made in the previous year due to the wage waiver.

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

Summary of results per segment

EUR million	Revenue			EBITDA		
	1st quarter 2011	1st quarter 2010	Change	1st quarter 2011	1st quarter 2010	Change
Sales Germany	22.6	16.4	+37.8%	1.9	2.5	-24.0%
Sales International	18.8	16.4	+14.6%	4.6	4.9	-6.1%
Production	1.0	1.3	-23.1%	-2.1	0.8	n/a
FP Group ¹	41.8	33.6	+24.4%	3.7	7.1	-47.9%

¹The segment "Head Office Functions" is also shown in the segment reporting. The segment achieves no revenue with external third parties. Revenue was generated from services for subsidiaries. Further information on this segment and on the Group reconciliation can be found in the notes to the consolidated financial statements.

Financial position

INVESTMENT ANALYSIS

The FP Group is pursuing a focused investment strategy and concentrating particularly on investments that will facilitate the company's ongoing development into a complete service provider for mail communication. Investments in the first quarter of 2011 remained unchanged at EUR 3.4 million. Investments in property, plant and equipment increased to EUR 1.4 million after EUR 0.5 million the previous year. By contrast, investments in enterprise value decreased to EUR 0.3 million, compared with EUR 1.5 million in the previous year.

Total investment

EUR million	1 Jan.–31 Mar. 2011	1 Jan.–31 Mar. 2010
Capitalised development costs	1.0	1.0
Investment in intangible assets	0.1	0.0
Investment in property, plant and equipment	1.4	0.5
Investment in leased products	0.6	0.4
Investment in enterprise value	0.3	1.5
Total investment	3.4	3.4

LIQUIDITY ANALYSIS

In the first three months of 2011, cash flow from operating activities amounted to EUR 4.9 million, compared with EUR 8.4 million in the previous year. The FP Group has on the one hand kept its trade payables down, compared with the same period of the previous year, and on the other has seen a significant temporary increase in its trade receivables as a result of accounting effects in the Netherlands and the USA.

Cash outflows from investing activities in the first quarter of 2011 remained unchanged at EUR 3.4 million. In the result, free cash flow, the sum of cash inflows from operating activities and cash outflows from investing activities, decreased to EUR 1.5 million, compared with EUR 5.0 million in the same period in the previous year. In the first quarter of 2011, cash flow from financing activities dropped slightly to EUR -0.2 million as against EUR -0.3 million in the previous year. This is due to cash outflows for the repayment of finance leases.

Cash and cash equivalents shown are produced from the balance sheet items “cash and cash equivalents” as well as “securities” less “current liabilities from postage credit balances managed”. At the end of the first quarter of 2011, cash and cash equivalents declined to EUR 14.6 million as against EUR 17.3 million in the previous year.

Liquidity analysis

EUR million	1 Jan.–31 Mar. 2011	1 Jan.–31 Mar. 2010
1. Cash flow from operating activities		
Cash flow from operating activities	4.9	8.4
2. Cash flow from investing activities		
Cash flow from investing activities	-3.4	-3.4
Free cash flow	1.5	5.0
3. Cash flow from financing activities		
Cash flow from financing activities	-0.2	-0.3
Cash and cash equivalents		
Change in cash and cash equivalents	1.2	4.8
Change in cash and cash equivalents due to currency translation	-0.1	0.1
Cash and cash equivalents at beginning of period	13.4	12.4
Cash and cash equivalents at end of period	14.6	17.3

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

Asset situation

The balance sheet as of 31 March 2011 is characterised by an increase in non-current assets and current liabilities. Compared with 31 December 2010, total assets rose by EUR 7.2 million to EUR 143.1 million. The share of current assets increased from 51.7% to 53.4%. The ratio of current assets to current liabilities was 104.0%. The share of non-current liabilities in total assets was reduced to 36.2%. The equity ratio also declined to 12.5%

On the assets side of the balance sheet, intangible assets increased to EUR 32.7 million as against EUR 31.3 million on the balance sheet date of 31 December 2010. Property, plant and equipment remained almost unchanged at EUR 18.3 million. As at 31 March 2011, deferred tax assets rose slightly to EUR 13.1 million, compared with EUR 12.9 million as at 31 December 2010.

Among current assets, the FP Group increased its cash slightly. On 31 March 2011, these amounted to EUR 32.1 million after EUR 31.4 million at the end of 2010. Securities reported separately in the amount of EUR 0.7 million are used by freesort as a cash deposit for a guarantee with Deutsche Post AG. Inventories increased to EUR 12.1 million, compared to EUR 10.9 million at the end of 2010. Trade receivables also rose to EUR 17.4 million as at 31 March 2011, compared with EUR 14.9 million as of 31 December 2010.

On the equity and liabilities side, equity decreased from EUR 19.6 million to EUR 17.8 million as at 31 December 2010 due to negative consolidated net result in the first three months of 2011. Non-current liabilities declined to EUR 51.7 million compared to EUR 52.7 million as of 31 December 2010 due to lower other provisions. Current liabilities rose to EUR 73.5 million as at 31 March 2011 as against EUR 63.6 million at the end of 2010. Provisions and other liabilities increased in particular.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the interim reporting date (31 March 2011).

RISK AND OPPORTUNITY REPORT

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

The discontinuation of production at the Birkenwerder site is also scheduled for the end of the first quarter of 2012 at the latest. A transfer affects only production and the company's headquarters will remain in Birkenwerder. Over the course of the first quarter of 2011, the negotiating parties reached an agreement on the conciliation proceedings and the chairman. The outcome is still uncertain as the negotiations are ongoing. As a result, further increase of the provisions made as part of the restructuring cannot be ruled out.

FORECAST

The markets in which the FP Group operates will change further in the years to come, as the liberalisation of postal markets marches onwards and the digitalisation of processes continues. The company is therefore constantly moving forwards with its strategic alignment as a complete service provider for mail communication. In this respect, the FP Group is increasingly dovetailing its Franking and Inserting segments with its Software Solutions and Services segments to ensure that customers can obtain products and services from one source.

Over the next two years, the FP Group is likely to benefit from the positive development of overall and sector-specific economic conditions and therefore expects revenue to increase. Since the company will at the same time maintain its cost discipline, EBITDA before restructuring costs is also likely to improve again. By contrast, the expiry of the site continuation agreement will lead to a negative year-on-year impact on EBITDA of EUR 1.5 million to EUR 2.0 million in 2011.

Production restructuring is planned for the current financial year. Manufacturing will in future be concentrated at the new Wittenberge site, while production at company headquarters in Birkenwerder and in Singapore will be shut down. The company last year recognised provisions of EUR 1.3 million for the associated costs. Whether and to what extent further costs are incurred cannot be accurately forecast at the moment. Current estimates show an increase of approximately EUR 0.7 million in requirements for provisions for redundancy programmes alongside provisions for the anticipated vacancy of the production plant in Birkenwerder from the time at which relocation is complete to the point at which the rental contract ends. At the current estimate, this amount will be EUR 1.5 million. However, the FP Group expects that the planned course of business will enable it to reinforce its operating earnings and financial power in 2011 as well.

The FP Group confirmed its forecast for the 2011 financial year. The company expects revenue of EUR 160 to 165 million and an EBITDA of between EUR 25 and 27 million before restructuring costs. As well as the VAT legislation applicable in Germany since 1 July 2010, the FP Group is still likely to benefit from the ongoing development into a complete service provider for mail communication.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2011

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**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011**

EUR thousand	1 Jan.–31 Mar. 2011	1 Jan.–31 Mar. 2010
Revenue	41,807	33,574
Changes in inventories of finished goods and work in progress	354	977
	42,161	34,551
Other capitalised own work	2,005	1,868
Other income	642	392
Cost of materials		
a) Cost of raw materials, consumables and supplies	7,616	7,017
b) Cost of services purchased	8,857	2,180
	16,473	9,197
Staff expenses		
a) Wages and salaries	12,991	10,590
b) Social security contributions	2,063	1,829
c) Expenses for pensions and other benefits	247	237
	15,301	12,656
Depreciation, amortisation and impairment losses	3,676	5,594
Other expenses	9,285	7,867
Net interest income / expense		
a) Interest and similar income	295	317
b) Interest and similar expenses	1,023	1,311
	-728	-994
Other financial results		
a) Other financial income	525	126
b) Other financial expenses	88	673
	437	-547
Net taxes		
a) Tax income	729	1,320
b) Tax expense	1,411	1,962
	-682	-642
Consolidated net income	-900	-686
Other comprehensive income		
Translation of financial statements of foreign entities	-1,059	1,709
of which taxes	45	-293
of which reclassified to consolidated net result	175	0
Cash flow hedges	21	-246
of which taxes	0	-25
of which reclassified to consolidated net result	21	0
Other comprehensive income after taxes	-1,038	1,463
Comprehensive income	-1,938	777
Consolidated net income, of which:	-900	-686
– consolidated net profit attributable to shareholders of FP Holding	-776	-522
– consolidated net profit attributable to minority interests	-124	-164
Comprehensive income, of which:	-1,938	777
– comprehensive income attributable to shareholders of FP Holding	-1,814	941
– comprehensive income attributable to minority interests	-124	-164
Earnings per share (basic and diluted) in EUR	-0.05	-0.04

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2011

ASSETS

EUR thousand	31 Mar. 2011	31 Dec. 2010
Non-current assets		
Intangible assets		
Intangible assets including customer lists	15,167	16,465
Goodwill	10,132	8,494
Development projects in progress	7,359	6,369
	32,658	31,328
Property, plant and equipment		
Land, land rights and buildings	602	160
Technical equipment and machinery	1,244	1,321
Other equipment, operating and office equipment	3,107	2,972
Leased products	8,674	9,673
Advance payments and assets under development	563	109
Assets under finance leases	4,068	4,175
	18,258	18,410
Other assets		
Associates	94	69
Other equity investments	163	163
Finance lease receivables	2,070	2,408
Other non-current assets	308	318
	2,635	2,958
Deferred tax assets	13,098	12,894
	66,649	65,590
Current assets		
Inventories		
Raw materials, consumables and supplies	4,487	4,304
Work / services in progress	1,529	1,130
Finished products and merchandise	6,051	5,509
	12,067	10,943
Trade receivables	17,355	14,895
Other assets		
Finance lease receivables	1,927	2,010
Income tax assets	962	1,071
Derivative financial instruments	0	128
Other current assets	11,388	9,226
	14,277	12,435
Securities	673	672
Cash	32,046	31,377
	76,418	70,322
	143,067	135,912

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011

EUR thousand	1 Jan.–31 Mar. 2011	1 Jan.–31 Mar. 2010
Cash flow from operating activities		
Consolidated net income	-900	-686
Income tax result recognised in profit or loss	683	642
Net interest income recognised in income	729	994
Depreciation and amortisation of non-current assets	3,676	5,594
Changes in provisions	3,729	753
Losses on the disposal of non-current assets	-43	80
Changes in inventories, trade receivables and other assets not attributable to investing or financing activities	-4,679	-3,305
Changes in trade payables and other liabilities* not attributable to investing or financing activities	3,450	5,604
Other non-cash expenses and income	-612	797
Government grants not yet received	-266	0
Interest received	295	317
Interest paid	-798	-1,087
Income tax paid	-358	-1,286
Cash flow from operating activities	4,906	8,417
Cash flow from investing activities		
Cash paid for internally generated intangible assets	-10	-16
Cash payments for the capitalisation of development costs	-1,006	-1,001
Proceeds from the disposal of non-current assets	36	64
Cash paid for investments in intangible assets	-109	-28
Cash paid for investments in property, plant and equipment	-1,985	-894
Cash paid for financial investments	-25	0
Cash payments for business combinations	-333	-1,500
Cash flow from investing activities	-3,432	-3,375
Cash flow from financing activities		
Cash paid to shareholders to buy back treasury shares in the company	0	0
Dividend payments to shareholders	0	0
Cash paid to repay bank loans	0	0
Cash payments to repay finance leases	-236	-259
Proceeds of bank loans	0	0
Cash flow from financing activities	-236	-259
Cash and cash equivalents*		
Change in cash and cash equivalents	1,238	4,783
Change in cash and cash equivalents due to currency translation	-109	110
Cash and cash equivalents at beginning of period	13,423	12,377
Cash and cash equivalents at end of period	14,552	17,270

* Cash and cash equivalents and other liabilities exclude the postage credit balances managed by the FP Group (EUR 18,167 thousand; EUR 16,928 thousand in Q1 / 2010). The current asset securities amounting to EUR 673 thousand (in Q1/2010 EUR 671 thousand) are included in cash and cash equivalents.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011

EUR thousand	Subscribed capital	Capital reserves	Stock option reserve	Treasury shares	Un-appropriated surplus	Total other shareholders' equity	Equity attributable to FP Holding	Minority interests	Total
Balance on 1 January 2010	14,700	45,708	0	-1,829	-43,200	-2,174	13,205	2,081	15,286
Consolidated net income 1 January to 31 March 2010	0	0	0	0	-522	0	-522	-164	-686
Translation of financial statements of foreign entities	0	0	0	0	0	1,709	1,709	0	1,709
Cash flow hedges	0	0	0	0	0	-246	-246	0	-246
Other earnings 1 January to 31 March 2010	0	0	0	0	0	1,463	1,463	0	1,463
Comprehensive income 1 January to 31 March 2010	0	0	0	0	-522	1,463	941	-164	777
Balance on 31 March 2010	14,700	45,708	0	-1,829	-43,722	-711	14,146	1,917	16,063
Balance on 1 January 2011	14,700	45,708	89	-1,829	-39,860	-654	18,154	1,431	19,585
Consolidated net income 1 January to 31 March 2011	0	0	0	0	-776	0	-776	-124	-900
Translation of financial statements of foreign entities	0	0	0	0	0	-1,059	-1,059	0	-1,059
Cash flow hedges	0	0	0	0	0	21	21	0	21
Other earnings 1 January to 31 March 2011	0	0	0	0	0	-1,038	-1,038	0	-1,038
Comprehensive income 1 January to 31 March 2011	0	0	0	0	-776	-1,038	-1,814	-124	-1,938
Capital increase from stock options	0	0	67	0	0	0	67	0	67
Changes in the group of consolidated companies	0	0	0	0	0	0	0	129	129
Balance on 31 March 2011	14,700	45,708	156	-1,829	-40,636	-1,692	16,407	1,436	17,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period from 1 January to 31 March 2011

I. GENERAL PRINCIPLES

GENERAL INFORMATION

Francotyp-Postalia Holding AG, Birkenwerder (also referred to hereafter as FP Holding), is a German stock corporation (Aktiengesellschaft) registered under HRB 7649 of the Commercial Register at Neuruppin District Court. The company's registered office is at Triftweg 21-26, 16547 Birkenwerder, Germany. The interim consolidated financial statements for FP Holding for the reporting period ending on 31 March 2011 include FP Holding and its subsidiaries (also referred to hereafter as the FP Group).

The FP Group is an international company in the outbound mail processing sector, with a heritage going back over 85 years. The focus of its activities is the traditional product business, which consists of developing, manufacturing and selling franking machines in particular, but also inserting machines and conducting after-sales business. The FP Group also offers its customers in Germany sorting and consolidation services and hybrid mail products as well as fully electronic mail via its subsidiary freesort and its majority shareholdings in iab and Mentana-Claimssoft.

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

The interim consolidated financial statements were approved by the Management Board of FP Holding for publication on 26 May 2011.

ACCOUNTING PRINCIPLES

Principles for the preparation of the financial statements

The interim consolidated financial statements – comprising the balance sheet, statement of recognised income and expense, cash flow statement, statement of changes in equity and selected explanatory notes – of FP Holding for the period from 1 January to 31 March 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and binding in the EU on the reporting date and the interpretations issued by the International Financial Reporting

Interpretations Committee (IFRIC). These are condensed interim consolidated financial statements in accordance with IAS 34 (interim financial reporting) for the interim period from 1 January to 31 March 2011. The same accounting methods were applied in preparing these interim financial statements as in the preparation of the 2010 consolidated financial statements. The interim financial statements should be read together with these audited financial statements.

The interim consolidated financial statements have been prepared in euro. For greater clarity and to facilitate comparison, all amounts are presented in thousands of euro (EUR thousand) unless otherwise stated. The rounding of figures may result in minor arithmetical differences.

The interim consolidated financial statements and the Group interim management report have not been audited or reviewed in accordance with section 317 of the German Commercial Code (HGB).

The requirements of all IFRSs applicable as at 31 March 2011 and the interpretations by IFRIC were complied with without exception and give a true and fair view of the net assets, financial position and results of operations of the Group.

Consolidated companies

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

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

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

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

FP Produktionsgesellschaft mbH was founded in February 2011. The company's headquarters are currently in Weisen, but there are plans to relocate the headquarters to Wittenberge in the near future. In accordance with the company's Articles of Association (as at February 2011), the purpose of the company is the development, manufacture and assembly of electronic devices, their individual components and modules and advising third parties with engineering services. All shares in the new company are held by Francotyp-Postalia Holding AG. The company has not yet begun

operating; the company is not material to these interim consolidated financial statements. The company is included in these financial statements at cost.

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

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

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

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

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

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

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

The amounts from the Mentana-Claimsoft Group included in the consolidated revenue and net income for the reporting period are EUR 44 thousand (revenue) and EUR 6 thousand (income). Incidental costs of acquisition amounted to EUR 51 thousand and are treated as expenses for the reporting period.

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

Currency translation

Currencies have been translated at the following rates:

1 euro =	Rate on the reporting date			Average rate	
	31 Mar. 2011	31 Dec. 2010	31 Dec. 2010	Q1/2011	Q1/2010
US dollar (USD)	1.4203	1.3386	1.3455	1.36830	1.38559
Pound sterling (GBP)	0.8829	0.8618	0.8930	0.85390	0.88791
Canadian dollar (CAD)	1.3767	1.3360	1.3714	1.34830	1.44309
Swedish krona (SEK)	8.9260	8.9800	9.7703	8.86600	9.96730
Singapore dollar (SGD)	1.7898	1.7165	1.8826	1.74720	1.94435

Management estimates and discretions

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

One significant change was made to the estimation of amounts presented in the consolidated financial statements as at 31 December 2010. The amount of restructuring expenses in connection with the transfer of production from Birkenwerder to Wittenberge was adjusted to EUR 3.6 million.

II. DEVELOPMENTS IN THE REPORTING PERIOD

As a matter of principle, the activities of the FP Group are not affected by seasonal influences.

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

NEW FINANCING ARRANGEMENTS

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

SETUP OF NEW PRODUCTION SITE

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

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

In a letter dated 25 February 2011, the Works Council of the joint works of Francotyp-Postalia GmbH, Francotyp-Postalia Vertrieb und Service GmbH and FP Direkt Vertriebs GmbH was informed of the plans of management to discontinue production activities in Birkenwerder and the associated closure of the production site in Birkenwerder, and was invited to consultations regarding this. The necessary proceedings relating to a redundancy scheme and reconciliation of interests were thus officially commenced. The proceedings have not yet been concluded and no results are available as yet. The negotiating parties were agreed rapidly upon the conciliation proceedings themselves and a relevant chairman.

The discontinuation of production at the Birkenwerder site is also scheduled for the end of the first quarter of 2012 at the latest. In March 2011, FP Holding acquired a property in Wittenberge / Prignitz, Brandenburg, for a purchase price of EUR 410 thousand. The property comprises land and a production plant. From autumn 2011, this site is to replace the production site in Birkenwerder. The company's headquarters will remain in Birkenwerder.

In connection with the complete transfer of production from Birkenwerder to Wittenberge, a further EUR 2,200 thousand (current estimate) for redundancy measures and for the expected vacancy of the production plant in Birkenwerder from the time of the transfer to the end of the lease agreement were added to the provisions for restructuring of EUR 1,300 thousand as at 31 December 2010.

RESTRUCTURING MEASURES AT DUTCH SUBSIDIARY

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

OTHER DEVELOPMENTS

Please see the comments in the interim Group management report for information on other developments at the FP Group.

III. EXPLANATORY NOTES

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement of the FP Group shows cash inflows and outflows from ongoing operating, investing and financing activities.

The cash and cash equivalents were calculated as follows:

EUR thousand	31 Mar. 2011	31 Mar. 2010
Cash	32,046	33,527
Plus securities	673	671
Current liabilities from postage credit balances managed	-18,167	-16,928
Cash and cash equivalents	14,552	17,270

Postage credit balances are deducted when cash and cash equivalents are calculated because the funds in question can be drawn down by customers at any time. The corresponding offsetting item is included in other current liabilities.

EMPLOYEES

The employees of the FP Group are distributed as follows across regions and functions:

Regional distribution

	31 Mar. 2011	31 Mar. 2010
Germany	723	693
USA	119	109
United Kingdom	90	80
The Netherlands	63	64
Canada	35	34
Belgium	23	28
Austria	22	19
Singapore	18	18
Sweden	18	9
Italy	16	13
Total	1,127	1,067

Functional distribution

	31 Mar. 2011	31 Mar. 2010
Sales Germany	475	445
Sales International	386	356
Production	257	257
Central functions	9	9
Total	1,127	1,067

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

No significant events occurred after the balance sheet date of 31 March 2011 other than those shown in the financial statements for the interim period.

IV. SEGMENT INFORMATION

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

SEGMENT INFORMATION

Q1 2011	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central functions	Reconciliation to Group	Total
Revenue	13,631	22,886	18,841	816	-14,368	41,807
– with external third parties	1,012	22,595	18,809	0	-610	41,807
– inter-segment revenue	12,619	291	32	816	-13,758	0
EBITDA	-2,097	1,944	4,569	-375	-292	3,794
Depreciation, amortisation and impairment	256	879	2,214	7	319	3,676
Net interest income / expense	-1,260	293	-70	212	96	-728
– of which interest expense	1,629	256	279	105	-1,245	1,024
– of which interest income	369	549	209	317	-1,149	296
Other financial results	590	1	0	0	-154	437
Net taxes	-12	-40	-1,104	105	368	-682
Net income	-3,034	1,319	1,179	-66	-298	-900

Q1 2010	A	B	C	D		
EUR thousand	Production	Sales Germany	Sales International	Central functions	Reconciliation to Group	Total
Revenue	12,638	17,181	16,571	285	-13,101	33,574
– with external third parties	1,255	16,393	16,429	0	-503	33,574
– inter-segment revenue	11,383	788	142	285	-12,598	0
EBITDA	782	2,457	4,917	-231	-833	7,091
Depreciation, amortisation and impairment	734	928	1,890	7	2,034	5,594
Net interest income / expense	-1,366	133	16	195	28	-994
– of which interest expense	1,653	280	201	122	-946	1,311
– of which interest income	287	413	218	317	-918	317
Other financial results	982	0	17	0	-1,546	-547
Net taxes	-47	-26	-1,014	-58	502	-642
Net income	-384	1,636	2,046	-102	-3,883	-686

RECONCILIATION IN EUR THOUSAND

Revenue	1 Jan. – 31 Mar.	
	2011	2010
Revenue of segments A–C	55,359	46,390
Revenue of “Head Office Functions” segment	816	285
Effects of finance lease adjustment	-610	-503
	55,565	46,171
Less inter-segment revenue	13,758	12,598
Revenue according to financial statements	41,807	33,574

EBITDA	1 Jan. – 31 Mar.	
	2011	2010
EBITDA of segments A–C	4,415	8,155
EBITDA of “Head Office Functions” segment	-375	-231
	4,041	7,924
Effects at consolidation level	-626	-969
Measurement effects of reconciliation (IFRS)	333	136
Consolidated EBITDA	3,749	7,091
Depreciation, amortisation and impairment losses	-3,676	-5,594
Net interest income / expense	-728	-994
Other financial results	437	-547
Consolidated net profit before taxes	-218	-43
Net taxes	-682	-642
Consolidated net income	-900	-686

Assets	31 Mar. 2011	31 Mar. 2010
	Assets of segments A–C	275,270
Assets of “Head Office Functions” segment	82,077	64,664
Capitalisation of development costs under IFRS	12,844	12,608
Effects of goodwill remeasurement	4,621	3,787
Effects of customer list amortisation	-467	-2,140
Effects of amortisation of internally generated software	-492	-492
Other IFRS reconciliation	122	5,966
	373,976	341,918
Effects at consolidation level (incl. elimination of intra-group balances)	-230,909	-197,085
Assets according to financial statements	143,067	144,833

Assets by region	31 Mar. 2011	31 Mar. 2010
Germany	266,082	234,604
USA and Canada	35,039	37,865
Europe (except Germany)	45,960	43,765
Other regions	10,266	5,955
	357,347	322,189
Effects of IFRS remeasurement	17,587	22,361
Effects of customer list amortisation	-467	-2,140
Effects of amortisation of internally generated software	-492	-492
Effects at consolidation level (incl. elimination of intra-group balances)	-230,909	-197,085
Assets according to financial statements	143,067	144,833

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

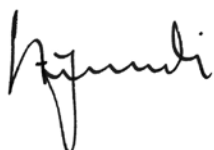
The accounting provisions modified through BilMoG (German Accounting Law Modernization Act), a German omnibus bill for reforming accounting law, mainly concern the recognition of two items at level I. In accordance with the regulations of the current version of the German Commercial Code, the treasury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

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for interim consolidated financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Birkenwerder, 26 May 2011

Management Board of Francotyp-Postalia Holding AG



Hans Szymanski
(CEO & CFO)



Andreas Drechsler
(CSO)

FINANCIAL CALENDAR

Annual General Meeting	30 June 2011
Presentation Half-year Report 2011	25 August 2011
Presentation 3rd Quarter Results 2011	November 2011
Equity Forum 2011 Frankfurt	21–23 November 2011

IMPRINT

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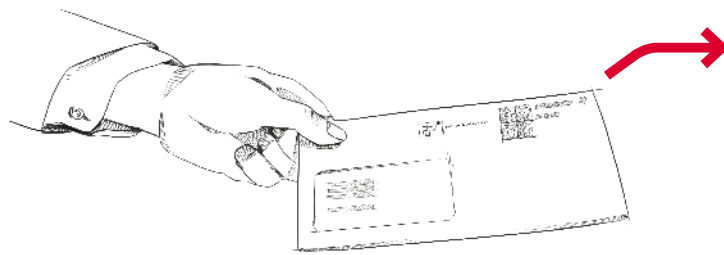
TRANSLATION

EVS Translations GmbH, Offenbach,
www.evs-translations.com

STATEMENTS RELATING TO THE FUTURE

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

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



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