

# Letter from the Management Board

*Dear Shareholders, Ladies and gentlemen,*

In the first quarter of 2010, both the earnings power and the financial strength of the FP Group continued to improve. While sales declined by EUR 0.6 million to EUR 33.6 million, both EBITDA – the decisive figure reflecting the profitability of operations – and free cash flow improved. EBITDA improved by EUR 1.8 million to EUR 7.1 million, while free cash flow rose by EUR 2.9 million to EUR 5.0 million.

But we cannot and must not let this success serve as an excuse to rest. The environment in which we operate remains challenging. The economies of the industrial countries are only recovering slowly from the recession. This is causing businesses to hold back on investment, something being felt in all sectors of the economy. So while we are receiving numerous enquiries about our products, showing that companies want to professionalize their mail processes, that interest has not yet materialized into increasing sales, as our figures for the first quarter show. However, the advantages of the FP Group's business model have proved themselves once again - around three-quarters of our business is based on recurring sales which are largely independent of the state of the economy.

In our traditional franking machines segment, we are still feeling pressure on prices. In view of this, we want to continue optimizing cost structures in 2010 and beyond to maintain and increase the Group's competitive ability. This way, we are sure that we will return to bottom line profit in the future: in the first quarter of 2010, consolidated net income improved to EUR -0.7 million, compared to EUR -2.0 million in the same period of the previous year.

With attention now directed at our Mail Management business, the FP Group is on the right track. Given appropriate cost structures, we can now participate in growth opportunities as they present themselves in the coming years. This is particularly true for the gradual professionalization of outbound mail processes taking place in the emerging economies. Our franking machines received certification for India at the beginning of the year, so we have achieved an early entry into a market with strong potential for the future. We also see growth potential in other Asian countries, such as Malaysia and Indonesia.

*"We also see considerable growth potential in other Asian countries, such as Malaysia and Indonesia."*

Currently, we are directing our software solutions mainly at the markets of the industrialized countries, where increasing parts of the outbound mail process are being digitalized. Online-Brief – our online mail service – enables the customer to send a document to our server center at the click of a mouse. We then take over the process of printing, inserting, franking and transferring the letter to a delivery service. Following its successful introduction in Germany, we will be offering this service in Great Britain as from June this year. This will be followed rapidly by its introduction in other European countries, but also in the USA. This move will secure our position in the future market for online mail, which is gaining ground worldwide as postal markets become more and more liberalized.

This potential, together with our high percentage of recurring revenues business and improved costs structures, means that we can now make an initial forecast for the current year: For the full financial year 2010, we expect total revenues to reach between EUR 130 to EUR 135 million, with EBITDA between EUR 22 to EUR 24 million. In other words, we expect to increase both our sales and EBITDA results.

This shows that the FP Group is making progress towards further improving the Company's earnings power and financial strength, both in the medium and long term. It now only remains for us to thank you for the trust you have placed in the FP Group.



Hans Szymanski  
(CFO & CTO)



Andreas Drechsler  
(CSO)



#### Management Board

**Andreas Drechsler (left)**

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

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

**Hans Szymanski (right)**

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

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