

Q1 2007

 Francotyp-Postalia Holding AG
QUARTERLY FINANCIAL REPORT

QUARTERLY FINANCIAL REPORT FIRST QUARTER 2007

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FRANCOTYP-POSTALIA HOLDING AG
 QUARTERLY FINANCIAL REPORT FIRST QUARTER 2007

Overview

FRANCOTYP-POSTALIA GROUP	1 ST QUARTER 2007	1 ST QUARTER 2006
Adjusted figures¹⁾		
Revenues (million euros)	37.7	37.7
Increase in revenues (%)	0.0%	n/a
Total output (million euros)	42.9	41.1
Increase in total output (%)	4.3%	n/a
EBITDA (million euros)	7.5	10.2
in percentage of revenues	19.8%	27.1%
EBIT (million euros)	5.0	8.0
in percentage of revenues	13.3%	21.2%
Return on capital employed ROCE²⁾ (%)	25.0%	39.9%
Figures in accordance with consolidated financial statements		
Revenues (million euros)	37.7	37.6
Increase in revenues (%)	0.1%	n/a
_ Germany	14.3	14.1
_ Outside Germany	23.4	23.5
EBITDA (million euros)	7.5	10.2
in percentage of revenues	19.8%	27.0%
EBIT (million euros)	0.4	4.0
in percentage of revenues	1.0%	10.7%
Net income for the period (million euros)	-0.3	1.6
in percentage of revenues	-0.7%	4.1%
Investments³⁾ (million euros)	4.4	3.2
Cash flow from operating activities (million euros)	3.3	12.2
in percentage of revenues	8.8%	32.5%
	MARCH 31, 2007	MARCH 31, 2006
Equity capital (million euros)	14.7	14.7
Shareholders' equity (million euros)	60.7	60.9
in percentage of balance sheet total	26.8%	26.1%
Debt capital (million euros)	165.5	172.5
Balance sheet total (million euros)	226.2	233.4
Earnings per share (euros)	-0.01	n/a
Employees	1,088	888

1) Adjusted by the follow-up costs of the initial consolidation of the FP Company in its current form which occurred in 2005.

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

3) Not including payments for company acquisitions.



Francotyp-Postalia Holding AG, Birkenwerder

The quarterly report for the first three months of 2007 was published on May 10, 2007.

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1. Interim management report for Francotyp-Postalia Holding AG

1.1 Operating activities

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

FP specializes almost exclusively in customers with low and medium mailing volumes. An important part of FP's product business is the after-sales business which consists primarily of the Teleporto business, the sale of consumables and the customer service, spare parts and customized slogans business.

The joint venture founded in January 2006 together with GPS Procurement PTE Ltd. Singapore (FP share 55%) shall make a contribution to future improvements in efficiency of production processes. FP/GPS PTE Ltd. operates the subassembly of components for franking machines.

With the new acquisition of freesort and iab by the end of 2006, we will now enter increasingly into new and growing services (mailstream). This allows us to offer new and additive services for existing customers and, at the same time, to win new customers.

1.2 Business development

In the first three months of the fiscal year, the FP Group generated revenues of 37.7 million euros. Of this amount, 36.4% was attributable to revenues from machine sales in the mailroom business segment and 63.6% to recurring revenues. The mailstream business segment contributed revenues of 2.0 million euros to the revenues of the FP Group.

Summary results by business unit

(million euros)	Sales, adjusted			EBITDA, adjusted		
	1 st quarter 2006	1 st quarter 2007	y/y change	1 st quarter 2006	1 st quarter 2007	y/y change
Mailroom	37.7	35.7	-2.0	10.2	7.3	-2.9
Mailstream	1.3 ¹⁾	2.0	0.7	n/a ²⁾	-0.2	n/a ²⁾
of which freesort	0.5 ¹⁾	1.0	0.5	n/a ²⁾	-0.3	n/a ²⁾
of which iab	0.8 ¹⁾	1.0	0.2	n/a ²⁾	0.1	n/a ²⁾
Group total	37.7	37.7	0.0	10.2	7.5	-2.7

1) These figures are not part of the consolidated accounts available as the mailstream business segment did not belong to the FP Group in the 1st quarter 2006.

2) These figures are not available as the mailstream business segment did not belong to the FP Group in the 1st quarter 2006.

Mailroom

The FP Company is the clear market leader in Germany in its market segment of franking machines. Worldwide, the FP Company is in third place behind Pitney Bowes Inc., USA, and the French company Neopost.

Revenues in the first three months of fiscal year 2007 of 35.6 million euros are slightly behind the comparable figures of the previous year (37.7 million euros). The main reasons for this deviation are special effects in Germany and in the USA (decertification of value card machines and rate changes) which highly influenced revenues of the first quarter 2006. These effects amounted to 2.1 million euros and caused a very strong quarter 2006. In addition, the weaker dollar had a negative impact of 0.8 million euros on revenues in the first three months of fiscal year 2007 compared with the same period of the previous year. Taking these effects into account, revenues in the first three months of fiscal year 2007 rose by approx. 3% compared with the first three months of fiscal year 2006 and are at the expected level.

Compared with the same period of the previous year, revenues in Germany were, as expected, lower due to the special effects in 2006 from decertification and the changes to the postage tables. Revenues in North America (USA and Canada) in both periods were USD 13.4 million. Compensation for revenues from rate changes in 2006 came in the form of revenue increases in 2007 in other areas such as ongoing decertification in Canada. Revenues in Europe (excluding Germany) rose in the first three months of fiscal year 2007 by 9.8% to 13.1 million euros compared with the same period of the previous year.

Mailstream

In the first three months of fiscal year 2007, the business segment of the acquired companies, freesort and iab, contributed revenues of 2.0 million euros. In the same period of the previous year, these companies were not yet included in the scope of consolidation. The two companies increased revenues by 55.8% from 1.3 million euros to 2.0 million euros.

Consolidated net profit for the year

Consolidated net profit for the year declined from 1.6 million euros in the first three months of fiscal year 2006 by 1.9 million euros to –0.3 million euros in 2007.

The performance of the Group becomes clearer if the non-operating factors are deducted and adjusted EBITDA and EBITA are considered. Adjusted EBITA declined by 37% from 8.0 million euros in the first three months of fiscal year 2006 to 5.0 million euros in the first three months of fiscal year 2007. Adjusted EBITDA was 10.2 million euros for the same period in 2006 and was thus 26.7% higher than adjusted EBITDA in the same period of the current fiscal year totaling 7.5 million euros.

Taking into account the above-mentioned influences, adjusted EBITDA remained without the effects of decertification (0.5 million euros) and the rate change (0.9 million euros) on the same level of 8.8 million euros in 2006 as well as in 2007 taking a currency effect totaling 1.0 million euros into account.

Development of consolidated net profit for the year is influenced by the changes in revenues. The high-margin revenues from the changes to the postage tables in the USA and Germany as well as revenues from decertification in Germany had a positive effect on consolidated net profit for the year in the first three months of fiscal year 2006. In the first three months of fiscal year 2007, the weak US dollar and the expenses for consolidation of the mailstream business segment had a negative impact on consolidated net profit for the year.

1.3 Revenues and results of operations

Revenues

Revenues by product group and region is as follows:

Revenues by products and services

(million euros)	1 ST QUARTER 2007	1 ST QUARTER 2006
Mailroom		
Franking	9.9	9.8
Inserting	2.8	3.2
Other	0.3	0.3
Revenues from product sales	13.0	13.3
Rental	6.3	6.6
Teleporto	3.1	3.1
Services/customer service	6.9	8.2
Consumables	6.3	6.5
Recurring revenues	22.7	24.4
Mailroom revenues	35.6	37.7
Revenues from product sales (% of mailroom revenues)	36.4%	35.3%
Revenue from product sales (% of mailroom revenues)	63.6%	64.7%
Mailstream		
Mailstream revenues	2.0	0.0
Currency exchange effects from US dollar-denominated loan	0.0	-0.1
Revenues	37.7	37.6

The distribution of franking machines did increase by 22% compared to the same period of the previous year.

Revenues from franking product sales increased slightly. A decline in Germany due to decertification of prepaid card machines in 2006 was compensated for by revenue increases in Europe and North America. In the area of inserter product sales, business in most countries was weaker than in the same period of the previous year, especially in Germany (-0.2 million euros).

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BUSINESS PERFORMANCE

Compared with the same period of the previous year, recurring income from rentals was negatively impacted to the tune of 0.4 million euros due to the weaker US dollar. Consolidation of the rental business in Great Britain and the Netherlands showed an increase of 0.4 million euros.

The decline in income from services/customer service can be attributed to changes to the postage tables in the USA and Germany in 2006, for which there was no counterpart in the first three months of fiscal year 2007.

The lower income in the area of consumables is also the result of decertification in Germany in 2006, during which customized slogans had been implemented. There is no corresponding effect in 2007.

Revenues by region

(million euros)	1 ST QUARTER 2007	1 ST QUARTER 2006
Germany	14.1	14.3
Other European countries	13.1	12.0
USA/Canada	10.1	11.1
Other countries	0.3	0.2
Revenues	37.7	37.6

Cost of materials

The cost of materials increased from 10.0 million euros to 12.6 million euros. Of this increase, an amount of 0.7 million euros is attributable to the mailstream business segment. When adjustments are made for the effects from the mailstream area, the materials ratio based on total output changes from 24.3% to 29.1%. The reason for the lower value in the previous year is revenue shares for changes to the postage tables which involved an almost zero cost of materials. In addition, the stronger US dollar in 2006 meant higher revenues based on the euro which was also conducive to a lower cost of materials, whereas changes in the product mix mean a higher materials ratio in 2007.

Personnel expenses

Compared with last year, personnel expenses increased from 12.6 million euros to 14.3 million euros. Of this increase, an amount of 1.0 million euros is attributable to the mailstream business segment. The main reason for the change in personnel expenses is an increased number of employees. The number of employees increased from 888 (March 31, 2006) to 1,088 (March 31, 2007) as a result of the strategy of growth for North America and the UK as well as the development of the mailstream business segment. The average expense per employee and quarter fell from 14.2 thousand euros in the first three months of fiscal year 2006 to 13.8 thousand euros in the reported period.

Depreciation and amortization

In the first quarter of 2007 depreciation and amortization increased by 1,0 million euros to 7.1 million euros compared to the previous year. Of this increase, an amount of 0.1 million euros is attributable to the mailstream business segment and 0.7 million euros to depreciation and amortization based on customer lists and software, which had been capitalized at Group level in connection with the acquisition of freesort and iab. In addition, the development costs capitalized in previous periods led to higher depreciation and amortization.

Other operating expenses

Other operating expenses increased from 8.5 million euros to 10.2 million euros. Of this increase, an amount of 0.7 million euros is attributable to the mailstream business segment. Compared with the previous year, the mailroom business segment has been negatively impacted by the amount of 0.6 million euros due to currency effects. When adjustments are made for this effect, the mailroom business segment displays a change in the expense ratio based on total output from 20.7% to 21.8%.

Net interest income

The deficit within the net interest income could be minimized by 0.1 million euros to –0.7 million euros. The reason for this is higher interest income based on the cash inflow from the IPO.

Financial result

The financial result of 1.1 million euros, an improvement of 1.3 million euros over the same period of the previous year, was mainly the result of currency translation effects.

1.4 Assets and financial position

Assets

Intangible assets declined from 88.6 million euros as of December 31, 2006 to 85.2 million euros. This is mainly due to depreciation of intangible assets which had been capitalized in connection with company acquisitions, totaling 3.6 million euros.

Fixed assets of 23.7 million euros as of March 31, 2007 were virtually the same as on December 31, 2006, 23.3 million euros. Likewise, there was only a slight change in book value of other current assets and deferred tax claims.

Inventories increased by 2.8 million euros to 21.1 million euros, and trade receivables show an increase of 0.6 million to 20.9 million euros.

Cash and cash equivalents show a decline of 7.7 million euros from 60.7 million euros to 53.1 million euros compared to the previous year. The decline is mainly due to payments for company acquisitions (5.5 million euros) and payments connected with the IPO (1.0 million euros) as well as a decline of 1.6 million euros in Teleporto funds managed by the FP Company (restricted cash).

Other current assets increased by 0.2 million to 13.1 million.

Liabilities

Equity declined compared to December 31, 2006 slightly by 0.2 million euros to 60.7 million euros due to currency translation differences (–0.2 million euros), natural hedges based on the US dollar-denominated loan (0.3 million euros) and consolidated net profit for the year (–0.3 million euros).

Provisions (both long-term and short-term) increased by 0.7 million euros from 25.5 million euros to 26.2 million euros. A substantial proportion of this increase was for increased provisions for holiday and flexitime claims.

Financial liabilities (both current and noncurrent) declined by 0.6 million euros from 74.3 million euros to 73.7 million euros, primarily due to currency translation.

Other liabilities (both current and noncurrent) declined by 4.5 million euros from 54.0 million euros to 49.5 million euros, mainly due to payments for a portion of the purchase price for freesort totaling 5.3 million euros and a decline in the Teleporto funds managed by the FP Company totaling 1.6 million euros. In contrast, there was an increase in liabilities from service agreements which were calculated in advance at the start of the term.

Deferred tax liabilities declined from 10.4 million euros as of December 31, 2006 to 8.9 million euros as of March 31, 2007, primarily due to deferred tax effects on depreciation and amortization as a result of capitalized customer lists and software at Group level.

Trade payables declined from 7.2 million euros to 5.8 million euros.

Investments

(million euros)	1 ST QUARTER 2007	1 ST QUARTER 2006
Capitalization of development costs	1.0	1.3
Investments in intangible assets	0.3	0.1
Investments in fixed assets	0.5	0.7
Investments in rented products	2.5	1.2
Investments in financial assets	0.0	0.0
Investments	4.4	3.2

Capitalization of development costs and investments in fixed assets are slightly below the level of the first three months of the previous year. The planned extension of the rental business and ongoing decertification in Canada is reflected in the increase in investments in rented products by 1.3 million euros from 1.2 million euros to 2.5 million euros.

1.5 Research and development

Research and development is focused essentially on the development of franking machines and related peripherals. These investments are made to keep our products at the forefront of technological standards at all times and to retain a technological edge. As a result, the FP Company can feature a project range updated annually with innovations. The most recent development is **centormail**, which we launched on the German market at the end of 2006 and on the American market at the start of April.

Overall, research and development encompasses in the mailroom business segment all mechatronic components, i.e., mechanics, electronics and control software, and the necessary postal accounting servers for operation of franking systems in a network system. When developing our machines, we attach a great deal of importance to user friendliness as well as to the development and constant improvement of the technology. And this approach bears fruit: **optimail 30** was nominated for the 2007 Designer Prize this year.

In the mailstream business segment, developments in the field of hybrid mail are to be particularly highlighted. In light of the software license business in Switzerland, the developed software was adapted to the specific requirements of the customer and then further developed as appropriate.

In the quarter under review, Francotyp-Postalia Holding AG spent 2.2 million euros (PY: 2.2 million euros) on research and development, which represents around 5.7% (PY: 5.9%) of revenues. The costs have thus remained approximately the same as last year, of which 1.0 million euros were capitalized and 1.2 million euros have been posted under expenses in accordance with IFRS.

1.6 Marketing and sales

Thanks to its subsidiary Francotyp-Postalia GmbH, Francotyp-Postalia Holding AG is active in the mailroom field in eight countries with its own subsidiaries and with a dealer network of almost 230 trading partners. In total, the company is represented in 44 countries.

Five additional employees were taken on in the USA and Canada to consolidate the sales department. In the mailstream business segment, the FP Group opened a further freesort GmbH office in February 2007 in Leipzig, as planned. In addition, the sales departments of the existing individual freesort offices were expanded. In this way, customers can be catered for more efficiently and systematically in the various regions.

After the first successful signed agreement with the Swiss company Media Post in 2006, iab is conducting further negotiations with major postal organizations.

1.7 Human resources

In the reporting period, Francotyp-Postalia Holding AG had an average global workforce of 1,088. Of these, 427 were employed at the Birkenwerder location as of March 31, 2007 out of the 660 employed across Germany, and 120 worked in the mailstream business segment.

2. Report on risks and opportunities

The company has already explained in detail the risks and opportunities in the annual financial statements to December 31, 2006. In addition, there are currently no further foreseeable risks or opportunities.

3. Outlook

Francotyp-Postalia Holding AG is pursuing a consistent growth strategy for the future as well. This should be reflected in a continuous increase in the EBITDA margin and in the payment of a dividend beginning with fiscal year 2007 with a pay out ratio of 60%.

Assuming revenues of around 36 million euros in the first quarter in the mailroom business segment and additional revenue potential in the remaining months of fiscal year 2007, organic growth of around 5% for the mailroom business segment for 2007 is expected as well. In particular, the additional growth potential includes the rate change in the USA announced for May 14, 2007, which will be very extensive due to the introduction of "Shape-Based Pricing", and could involve at least 3 million euros. Against the backdrop of this change and decertification of franking machines in the lower B segment, we expect dynamic development of revenues for the US market due to the market launch of our new **centormail** product in this product range.

The positive growth trend will also continue in Europe. In addition to very good development in Great Britain, the major order in the Netherlands for several "core sorting machines" will result in additional revenues of around 3 million euros. In addition, the company is predicting that franking machines with a new electronic method of calculation will be launched on the Italian market in 2007, and this will lead to a noticeable increase in demand for franking machines.

Overall, the volume increase will further improve the results of operations due to economies of scale.

With the acquisition of iab internet access GmbH and freesort GmbH, the FP Group can now offer services in the new mailstream business segment to its customers who are looking for more service and who want to lower their postage costs in view of the imminent liberalization of the German markets for postal services. To be able to open up the market potential, initial steps towards aligning the sales structures to market requirements were made in 2007. With this in mind, for example, preparations are being made to open a further five branches for freesort GmbH in Germany and to sign strategic alliances for iab GmbH outside Germany as well. In addition, the integration of the new iab and freesort subsidiaries has to be completed, and benefits will also come from the resulting synergistic effects.

A loss was recorded in the first quarter due to the start-up costs of new locations of freesort. Management is expecting that results of operations will stabilize as early as the end of 2007. In this steady state, we expect this business segment to make a lasting contribution to the profitability of the FP Group.

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FINANCIAL STATEMENTS

4. Consolidated balance sheet as of March 31, 2007

	March 31, 2007	March 31, 2006
ASSETS (thousand euros)		
A. LONG-TERM ASSETS		
I. Intangible assets		
1. Intangible assets including customer lists	57,878	61,927
2. Goodwill	26,060	26,034
3. Development projects in progress and advance payments	1,288	666
	85,226	88,627
II. Property, plant and equipment		
1. Fixed assets land, land rights and buildings	24	24
2. Technical equipment and machinery	1,463	1,580
3. Other equipment, operating and office equipment	6,906	7,673
4. Leased products	12,543	11,430
5. Advance payments and assets under construction	738	672
6. Assets under finance leasing	2,001	1,948
	23,675	23,327
III. Other assets		
1. Participations	228	206
2. Non-internal loans	23	23
3. Finance leasing receivables	2,427	2,375
4. Other long-term assets	175	152
	2,853	2,756
IV. Deferred tax assets	6,308	6,523
	118,062	121,233
B. SHORT-TERM ASSETS		
I. Inventories		
1. Raw materials and supplies	8,045	7,428
2. Work/services in progress	1,927	1,668
3. Finished products and goods	11,000	9,062
4. Advance payments	98	104
	21,070	18,262
II. Trade receivables	20,880	20,313
III. Cash and cash equivalents	53,060	60,726
IV. Other assets		
1. Finance leasing receivables	861	919
2. Receivables from related parties	6	0
3. Derivative financial instruments	548	897
4. Other short-term assets	11,665	11,022
	13,080	12,838
	108,090	112,139
	226,152	233,372

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	March 31, 2007	March 31, 2006
LIABILITIES (thousand euros)		
A. EQUITY		
I. Shareholders' equity attributable to subsidiaries of the parent company		
1. Subscribed capital	14,700	14,700
2. Capital reserves	45,768	45,768
3. Loss carryforward	-8,314	-7,942
4. Consolidated net profit for the period	-153	-372
5. Accumulated other equity	1,448	1,377
	53,449	53,531
II. Minority interests	7,231	7,354
	60,680	60,885
B. LONG-TERM DEBT		
I. Accruals for pensions and similar obligations	11,924	11,901
II. Other accruals	2,736	2,321
III. Financial debt	71,058	68,601
IV. Other liabilities	203	227
V. Deferred tax liabilities	8,873	10,377
	94,794	93,427
C. SHORT-TERM DEBT		
I. Current income tax liabilities	1,443	1,169
II. Other accruals	11,516	11,249
III. Financial debt	2,629	5,671
IV. Trade payables	5,816	7,204
V. Other liabilities	49,274	53,767
	70,678	79,060
	226,152	233,372

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5. Consolidated income statement for the period from January 1 through March 31, 2007

(thousand euros)	Jan. 1 – March 31, 2007	Jan. 1 – March 31, 2006
1. Revenues	37,652	37,603
2. Changes in inventory	1,781	844
	39,433	38,447
3. Other own work capitalized	3,447	2,615
4. Other operating income	541	311
5. Costs of materials		
a) Costs of raw materials and supplies	10,307	7,812
b) Costs of purchased services	2,281	2,153
	12,588	9,965
6. Personnel expenses		
a) Salary and wages	12,059	10,490
b) Social security contributions	1,971	1,784
c) Pensions and other benefits	281	305
	14,311	12,579
7. Depreciation and amortization	7,100	6,133
8. Other operating expenses	10,174	8,520
9. Net interest income		
a) Interest and similar income	642	439
b) Interest and similar expenses	1,347	1,244
	-705	-805
10. Other financial results		
a) Other financial income	1,301	8
b) Other financial expenses	190	166
	1,111	-158
11. Tax results		
a) Tax income	2,210	919
b) Tax expenses	2,140	2,574
	70	-1,655
12. Consolidated net loss for the period	-276	1,558
13. Minority interests	-123	0
14. Consolidated net loss for the period after minority interests	-153	1,558
EARNINGS per share:	euro -0.01	

6. Statement of change in equity

	Subscribed capital	Capital reserves	Net profit	Total other shareholders' equity	Minority interests	Total
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Balance on January 1, 2006	4,000	6,700	-6,642	-788	0	3,270
Currency translation differences	0	0	0	-236	0	-236
Natural hedges	0	0	0	926	0	926
Derivatives	0	0	0	239	0	239
Result Jan. 1–Dec. 31, 2006	0	0	1,994	0	0	1,994
Balance on March 31, 2006	4,000	6,700	-4,648	141	0	6,193
Balance on January 1, 2007	14,700	45,768	-8,314	1,377	7,354	60,885
Currency translation differences	0	0	0	-213	0	-213
Natural hedges	0	0	0	278	0	278
Derivatives	0	0	0	6	0	6
Result Jan. 1–March 31, 2007	0	0	-153	0	-123	-276
Balance on March 31, 2007	14,700	45,768	-8,467	1,448	7,231	60,680

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7. Consolidated cash flow statement for the period from January 1 through March 31, 2007

(Euro thousand)	Jan. 1 – March 31, 2007	Jan. 1 – March 31, 2006
1. Cash flows from operating activities		
Net profit for the period	-153	1,744
Depreciation of fixed assets	7,100	6,133
Increase (+)/decrease (-) in accruals and deferred taxes	436	4,486
Losses on the disposal of fixed assets	173	63
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investment or financing activities	-3,477	-522
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	-484	-283
Other non-cash expenses and income	-267	609
Cash flow from operating activities	3,328	12,230
2. Cash flows from investing activities		
Capitalization of development costs	-975	-1,268
Cash received from disposal of fixed assets	1	0
Cash paid for investments in intangible assets	-323	-69
Cash paid for investments in fixed assets	-3,035	-1,858
Cash paid for investments in financial assets	-22	0
Cash paid for corporate acquisitions	-5,544	-28
Cash flow from investing activities	-9,898	-3,223
3. Cash flows from financing activities		
Cash paid associated with IPO	-961	0
Cash paid from the repayment of bank loans	0	-2,517
Cash flow from financing activities	-961	-2,517
Cash and cash equivalents		
Change in cash and cash equivalents	-7,531	6,490
Change in cash and cash equivalents due to currency translation	-135	-201
Cash and cash equivalents at start of period	60,726	19,363
Cash and cash equivalents at end of period*	53,060	25,652

* Including restricted cash of 27,162 thousand euros (year prior 16,020 thousand euros).

8. Notes to the consolidated financial statements for the period

from January 1 through March 31, 2007

8.1 General information

8.1.1 General information on the company

Francotyp-Postalia Holding AG, Birkenwerder, (hereinafter also referred to as "FP Group") is organized as a stock corporation. The headquarters of the corporation are located in Birkenwerder at Triftweg 21–26. FP Group interim financial statements for the quarter ended March 31, 2007 include FP Group and its subsidiaries (hereinafter also referred to as the FP Company).

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

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

8.1.2 Accounting standards

Standards for preparing the financial statements

FP Group produced its interim financial statements dated March 31, 2007 in accordance with the International Financial Reporting Standards (IFRS) and relevant interpretations released by the International Financial Reporting Interpretations Committee (IFRIC). They involve abbreviated financial statements in agreement with IAS 34 for the interim reporting period from January 1 to March 31, 2007.

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

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

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Currency translation

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

1 EURO =	STATEMENT DATE			AVERAGE EXCHANGE RATE	
	March 31, 2007	December 31, 2006	March 31, 2006	Q1/2007	Q2/2006
US dollar (USD)	1.3335	1.3203	1.2076	1.31044	1.20256
British pound (GBP)	0.6796	0.6743	0.6942	0.67075	0.68638
Canadian dollar (CAD)	1.5414	1.5399	1.4100	1.53586	1.38908
Singapore dollar (SGD)	2.0236	2.0260	2.0051	2.00787	1.97844

Management estimates and assessments

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

8.2 Development in the reporting

8.2.1 Seasonal effects

The business operations of the FP company are fundamentally unaffected by seasonal influences.

8.2.2 Economic statements

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

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

8.3 Explanatory information

8.3.1 Notes on the cash flow statement

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

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

Payments for expenses in connection with the IPO in 2006 in the amount of 961 thousand euros were made in the first quarter 2007.

Cash and cash equivalents of 53,060 thousand euros (as at March 31, 2006 25,652 thousand euros) includes postage credit balances managed by the FP Company of 18,166 thousand euros (16,020 thousand euros as at March 31, 2006). The corresponding offsetting position is shown under other liabilities. As at March 31, 2007, cash and cash equivalents also including 8,996 thousand euros are pledged in cash with BNP Paribas for the remaining purchase price payment for freesort.

8.3.2 Employees

	MARCH 31, 2007*	MARCH 31, 31.3.2006
Germany	660	522
Netherlands	113	117
USA	109	93
Great Britain	82	65
Austria	24	25
Canada	56	41
Belgium	14	12
Italy	15	13
Singapore	15	0
Total	1,088	888

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

8.3.3 Events after the statement date

On April 30, 2007, the FP Company paid back early a US dollar loan with BNP Paribas S.A., Frankfurt am Main, in the amount of 20,500 thousand US dollars.

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8.4 Segment information

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

(thousand euros)	GERMANY	USA/CANADA	EUROPE (EX. GERMANY)	OTHER REGIONS	GROUP
Revenues					
External revenues	14,125	10,094	13,127	305	37,651
Intercompany revenues	7,486	5,960	5,642	1,201	20,289
Total revenues	21,611	16,054	18,769	1,506	57,940
Reconciliation					
Total consolidated sales					57,940
./ Intersegment sales					20,289
Revenues according to profit and loss statement					37,651
Operating result					
Segment result	1,815	1,097	1,551	-25	4,438
Reconciliation					
Consolidated operating result					4,438
./ Intersegment result					5,191
Operating result					-753
./ Financial result					1,111
./ Net interest income					-705
./ Tax result					70
Result according to profit and loss statement					-276

8.5 Declaration of the Management Board

The Management Board of Francotyp-Postalia Holding AG is responsible for the preparation, completeness and accuracy of the interim financial statements as well as for the other information in the quarterly financial report. The International Financial Reporting Standards (IFRS) were observed in the preparation of the interim financial statements and, if necessary, appropriate estimates were made.

In order to secure the reliability of the data for both the preparation of the consolidated financial statements and the internal reporting, there is an effective internal management and control system. The Management Board is thus in a position to detect risks at an early stage and to institute countermeasures.

Birkenwerder, May 10, 2007

Management Board of Francotyp-Postalia Holding AG

Hans Christian Hiemenz

Hartmut Neumann

Manfred Schwarze

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FURTHER INFORMATION

9. Financial calendar

EVENT	DATE
2007 Annual General Meeting	June 13, 2007
Q2 2007 Earnings	August 30, 2007
Q3 2007 Earnings	November 15, 2007
FY 2007 Financial Press Conference 2007	April 24, 2008
FY 2007 Analysts' Conference	April 24, 2008

10. Credits/contact

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