

Francotyp-Postalia Holding AG

Management Board Speech at the Annual General Meeting on 18 June 2008 in Berlin

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Good morning, ladies and gentlemen!

On behalf of Francotyp-Postalia Holding AG, I am very pleased to welcome you to our Annual General Meeting. We are delighted to have you here and are grateful for your interest.

Ladies and gentlemen,

Firstly, please allow me to introduce myself to those of you who do not yet know me. My name is Heinz-Dieter Sluma and I am the CEO of your company, Francotyp-Postalia Holding AG. I am very pleased to be able to inform you about the current position of your company over the next few minutes.

It is my job to report to you on the past financial year of 2007. While I am happy to do this, you could say that I am only reporting from second hand. As most of you will know, I took up my position as CEO at the start of 2008. This means that I will initially be talking about a time that I myself did not play an active role in. Nonetheless, I am of course fully familiar with the events. And I want to give you this account, above all because I know that you, ladies and gentlemen, are not satisfied with the developments of the past year. In addition to the unadulterated figures for financial year 2007, I will also try to give you the reasons for the unsatisfactory development. Then I will explain - and here I will be moving into my own personal terrain - how we have reacted to the challenges the company is facing and how we will continue to react. I will be happy to convince you that Francotyp-Postalia is a perfectly healthy company that has seen the signs of the times and will be a source of much joy to you as a shareholder again in the coming years.

Ladies and gentlemen,

I would like to say a few short words about myself so that you know who is in charge of your company today. I began my career as a trained scientist, but quickly gained extensive experience in all operational areas and spent a lot of years in sales, working all over the world. The companies I worked for were the international groups Drägerwerk AG and Schott AG. My particular interests and, if I may say so, my skills lie in the strategic orientation of a company, the optimisation of processes and the restructuring of business areas. And by restructuring I do not mean reorganisation – a mistake that is unfortunately often made. What I do mean by restructuring is adapting a business to changing market requirements, recognising and acting on new possibilities that arise on the market and of course implementing them as well. It is precisely this skill, that of gearing a company towards the future, that a CEO of Francotyp-Postalia needs at this time. This, I think, is how the Supervisory Board felt as well, and I am very pleased that it has placed its confidence in me for this exciting challenge.

Now, without any further hesitation, I will report to you on the financial year 2007. It was, to put it plainly, a certain disappointment. Disappointing for the entire Management Board as the body responsible for operating

business, but of course even more disappointing for you as shareholders. However, I would like to say that Francotyp-Postalia generated operating earnings that a lot of other listed companies would have been happy about. However, these earnings, and I wish to say this again quite clearly, not as good as we had expected internally and, unfortunately, also not as good as we had promised to you.

Ladies and gentlemen,

And now to the figures for the past year. Year-on-year comparisons are a little easier this year. Francotyp-Postalia is a company was bought out of the Röchling Group by the financial investor Quadriga Capital and the management, as a result of which there were only pro forma accounts for financial year 2005. We have not had this problem since 2006 so the figures can be compared directly. Nonetheless, as you will shortly see, the echoes of this acquisition can still be seen today, namely in the form of write-downs, as was described at the last Annual General Meeting.

(Slide 1: Income statement)

The figures for 2007: The Group's revenues in the past year amounted to €145.1 million, an increase of 1.5%. EBITDA, earnings before interest, depreciation and amortisation, was €26.3 million after €32 million in the previous year. Now, especially as this is coupled with a simultaneous rise

in revenues, this sounds like a massive slump in profitability. Please note, however, that an EBITDA margin of 18.1%, as was achieved last year, is still a figure the company can be enormously proud of. Naturally, however, we had expected more.

As a result, operating earnings or EBIT swung into negative territory at €1.9 million after a positive figure of €7 million in the previous year. The return on equity was minus 5%.

Ladies and gentlemen,

These figures may sound dramatic – losses and negative returns on equity will frighten any investor. Yet I assure you, Francotyp-Postalia is a healthy and quite profitable company.

(Slide 2: Cash flow)

You can see this by our cash flow from operating activities, which we even increased last year from €18 million to €19.4 million. In turn, the cash flow from financing activities went from a strong positive figure to a negative one. However, this is no cause for concern as it primarily reflects the proceeds from the IPO in 2006 and the repayment of a bank loan in 2007.

(Slide 3: Balance sheet ratios)

There is another figure that supports my thesis of a healthy company, one that receives particular attention in Germany and is often the subject of bitter complaint: the equity ratio. People like to use it as an indication of a company's strength. In the past year, we increased our equity ratio to almost 30%. That's a reassuring figure. How did we do it? We managed to reduce borrowing costs from €172.5 million to €130.5 million. We reduced one bank loan alone that was used to finance the acquisition previously mentioned by around €15 million, thereby reducing our non-current financial liabilities to €52.9 million. In short, there is no reason to worry about the stability of your company, of that you can be sure.

So now you are probably quite rightly asking: if the company is so healthy why is it posting negative operating earnings and a negative return on equity? I do not wish to keep the answer to this question from you. The reason is the acquisition of Francotyp-Postalia by the financial investor Quadriga Capital and the management in 2005. The purchase price was allocated as part of this transaction, which means that the purchase price paid was offset against the equity of the companies acquired. The resulting difference of €55 million was assigned to intangible and tangible assets. Most of this relates to customer lists. Overall, this amount will be written down over a period of three to five years. Admittedly, this is a very complex procedure but one that was motivated by tax considerations.

This is a very welcome effect, ladies and gentlemen. Taxes, as you all know, are charged on the result for the year. And I'm sure you'll all agree that we shouldn't report this result any higher than necessary. In 2007, write-downs amounted to around €18 million. These write-downs are the reason why we reported negative operating earnings. Naturally, they do not affect cash and do not threaten the company in any way.

The extraordinary effect of write-downs due to this transaction will become less in the coming years. While the acquisitions of our two subsidiaries freesort and iab in November 2006 generated new write-down requirements as a result of the capitalisation of customer lists and internally generated software, and other acquisitions such as those that we recently performed with the purchase of customer lists in the Mailstream division can also lead to further write-down requirements in future, we are generally assuming that write-downs will decline, as shown by this slide.

(Slide 4 Forecast development of transaction-related write-downs)

As you can see, write-downs were at their highest this year at €18.2 million. Write-down requirements are scheduled to drop rapidly in the coming years, reaching a level with a barely noticeable effect on earnings by 2011.

Why am I telling you all this? It's important to me, ladies and gentlemen, to bring one thing home to you: today and in the next few years, don't go straight to the net result for the year, look at the EBITDA, EBIT and cash

flow from operating activities. These are these figures that will tell you about the operating performance of your company.

Ladies and gentlemen,

I've spent some time explaining to you that Francotyp-Postalia's figures are in no way as poor as they may seem at first glance. Nonetheless, of course we did not meet your revenue or profit targets in the past year. And you quite rightly want to know from me why our earnings fell short of both expectations and our guidance. I will be happy to give you this explanation. There are six basic reasons for the company's underperformance, as it is so soberly termed on the stock market.

(Slide 5: Six reasons for weaker performance)

The first reason is a very simple one and it affected a lot of German companies. The dramatic slump by the US dollar caused problems for us as well. The euro rose by 11% against the dollar over the course of the year to 1.47 dollars by year-end. As you know, the dollar's weakness then continued and even prices of €1.60 no longer seem outlandish. Francotyp-Postalia has a secure footing in the United States of America, which is by far the most important market in the world with 60% of all franking machines made. And naturally, we would feel such a dramatic shift in the

value of a currency – it is reflected directly in our revenues and earnings. When we add the price losses of the Canadian dollar and the British pound as well, we lost €3.5 million in revenues as a result of exchange rate differences in the 2007 financial year. We are still feeling this currency shift in our consolidated net profit to the tune of a hefty €1.5 million. Naturally, we did not stumble blindly into currency risks: we initially hedged a portion of our business. In addition, a large amount of our liabilities to banks are denominated in US dollars which allows us financial hedging. And finally, we also have production facilities and thus a portion of our costs in the quasi-dollar area thanks to our location in Singapore. Nonetheless, we were unable to fully escape the effect of currencies.

In addition, and this is a general factor, we were dealing with hesitant customers in the past year. Changes in the world's economic outlook were evident in various areas. And not just in the US, which most experts now agree is in a recession, albeit a mild one. The slowdown was also observed, and this is the second reason for our weaker performance, in Germany. It was observed to an extent that we could not have and did not anticipate.

The third specific point can be seen taking our new *centormail* franking machine as an example. It's an outstanding product, I can assure you. We also met with a high level of interest from customers in both Europe and in

the US. But we realised that it will take longer for interest to turn into revenues than has been the case for earlier generations of equipment.

The same is true, and this is my fourth point, of the hybrid mail solutions of our iab subsidiary in the Mailstream division. We offer a pioneering solution for outgoing mail for large companies, but orders are coming in more slowly than had initially been anticipated and hoped. We can see clear analogies here to conventional project business, which is also always time-critical.

Fifthly, we cannot deny that our consolidation business subsidiary, freesort GmbH, has needed a longer start-up time than planned. The company did not begin to hit its stride until the management changeover in April 2007.

While its growth of around 92% was significant, earnings are still in negative territory on account of the planned start-up costs.

Finally, and this is my last point, we suffered an 8% loss in our installed base in Canada following decertification in the middle of last year. This also came unexpectedly, leading to greater marketing and inventory costs.

Ladies and gentlemen,

You now know the reasons we have identified for your company's performance falling short of expectations. The stock market took our failure to meet our goals quite severely. Our share price, it must be said, crashed.

It was not a good year for small and mid-cap stocks overall, the SDAX dropped 9% over the year. However, it hit us much harder: as at the end of 2007, our share price dropped from almost €20 to €6.55. Unfortunately, the shares have since gone on to fall a significant amount once again. I know that many of you invested in our shares at a higher price and have since made losses. At the current time, it is my firm belief that Francotyp-Postalia shares have considerable upside potential – perhaps we can't expect it reach the level of the IPO in the near future, but it will certainly reach a level that will make all our shareholders happy.

Before I report to you on the strategic and operative lessons we have learned from the past year I would like to take this opportunity to go into two points that should be of relevance for many of you.

Firstly: we have learnt our lesson regarding communications with the capital market. We are seeking an open and transparent dialogue with investors. Last year we strengthened our investor relations team and I myself have been in close contact with a number of investors and analysts. My goal was to convince them of the potential of our shares. However, it is also my goal not to give rise to any expectations that could prove unattainable. Perhaps we were a little too optimistic in the past. This will not happen to us again as we have learned that there is nothing the stock market hates more than negative deviation.

Secondly, and this may be even more important to you: we had to decide what financial conclusion we could draw from the last financial year. And here, ladies and gentlemen, we are true to our word. When we went public, we presented the company as one that believes wholeheartedly in the distribution of dividends. We did not do so last year and I feel that this was the right decision at the time as Francotyp-Postalia had only been listed on the stock exchange for a few months in 2006. In 2007, however, we would like to begin implementing our distribution policy and are therefore proposing a distribution of €0.15 per share to all shareholders. Take this as a clear sign of our confidence in the future development of your company.

Ladies and gentlemen,

Over the next few minutes I would like to explain to you how we intend to get Francotyp-Postalia in shape for the future. I have already explained to you in detail that your company in no way requires reorganisation despite its more than unsatisfactory share price performance and the negative business development in the past year. Nonetheless, we must plot our course for the future and do some things differently than we have in the past. This does not mean a dramatic shift in strategy, but rather it means supplementing our business model. Also, this strategic expansion is not a direct result of the last financial year. Rather, it was initiated back in

November 2006 with the acquisitions of our two subsidiaries freesort and iab. My job now is to continue to systematically implement this strategy – a strategy that I incidentally consider to be absolutely the right one. And I would like you to accompany us on this path.

Where should this path lead us? To explain this, we should first look briefly at where we have come from. Francotyp-Postalia was founded in 1923. We traditionally produce franking machines and inserters and offer associated services. We manufacture our products at two locations, Birkenwerder near Berlin and Singapore. We produce around 40,000 pieces of machinery per year. All of our machines are certified by the respective national postal authorities to that letters can be processed smoothly and automatically.

Now, one could presume that in these times of faxes and e-mail that the traditional letter had outlived its usefulness. Indeed, people first thought this when we started getting electronic post in 1990s. But then people thought differently – for the better, in our opinion.

(Slide 6: mail value chain)

In reality, mail volumes are stable or even rising slightly, particularly for business mail: more than 1 billion letters are written, put in envelopes and franked, then sorted and consolidated, transported to their destination and delivered around the world every day.

Francotyp-Postalia traditionally only covers a few links in this value chain, which we refer to today as the mailroom – everything that happens at the customer's post office. The positioning in the mailroom was certainly the right one and these links in the chain still have their charm today. They primarily promise steady income.

(Slide 7: consistently recurring revenues for FY 2007)

As this slide shows, we don't just sell our machinery – we also lease it, which generates regular income. Incidentally, this is also a reason why sales performance was weaker than expected: the trend towards leasing machinery grew more strongly than we expected, which means that income has merely been shifted to a later date, it has not been lost. We also generate a considerable level of revenues in after sales. For example, our franking machines can only be operated with the specially licensed ink cartridges that we sell. We also handle maintenance, which is another solid revenue driver. Finally, only we can load the machines with postage, which you can see under "Teleporto", and this guarantees steady income. In UK, Austria and Canada, our customers pay money into one of our accounts and download the postage to the franking machines. To an extent, we hold this money in trust for our customers. So we not only receive income from fees for this charging service, we also get to keep the interest on these accounts.

So you can see, once we have placed a piece of machinery with the customer, further, secure revenues with highly respectable margins will follow for the next few years. Franking machine business is and remains the main pillar of our business and entails cooperation with national postal service providers who have to certify our equipment. Our most important German partner in this division is still Deutsche Post AG.

Ladies and gentlemen,

Please allow me to make a brief comment: the stock market was alarmed last July when we issued an ad hoc disclosure that Deutsche Post AG wished to negotiate a new cooperation agreement in our Mailroom division and that existing agreements would be terminated as at the end of 2007. There was and still is no cause for this alarm that, with hindsight, can also be seen as what started a long and protracted slide in the price of our shares. At the end of May of this year, we concluded a partner agreement with Deutsche Post that we are very pleased with. It is pervaded even more strongly by a true sense of partnership than the last agreement. We are now a privileged partner of Deutsche Post AG and, in my opinion, the new agreement structure offers significantly more potential than the old set of agreements with Deutsche Post AG that was cancelled.

This brief digression was inserted at my request – let me now return to my comments on our current core business. Franking machine business, and I hope I have made this clear, is as stable as it is profitable. However, it must be clearly stated, there is relatively little upside in it. While we are positioned in the right market segment, we are concentrating on smaller A segment companies with mail volumes of less than 200 letter per day.

Compared to other segments, the A market's growth is the strongest and this customer segment is the least likely to switch to private postal service providers, which would make customer franking machines obsolete.

However, the B segment, which has a mail volume of between 200 and 2,000 letters per day is also highly interesting for us as, on the one hand, they have a greater need for machinery and services and, on the other, this customer segment is excellently suited for our services in the Mailstream division, on which I will be reporting briefly.

However, one thing must said: growth on the market for franking machines is minor. In total, we have around 266,000 franking machines installed. We are the clear market leader in Germany and Austria with a market share of almost 50%. Internationally, we are ranked third with a market share of more than 9%. Our growth can only happen abroad. In the past we have focused strongly on what is by far the largest market, the US, and the UK. We still believe that this is where our greatest growth potential lies. A market share of 4.7% in the US leaves us a lot of room to grow, and we

feel we have excellent prospects on the world's largest market with the current process of decertification. In addition, we have had our eye on several, smaller markets in western Europe for some time.

However, I won't be telling you anything new when I say that the action will mostly be going on in different parts of the world in future. Whilst proceeding with all due caution, we will be looking to take advantage of these opportunities. I myself have a lot of business experience in Asian countries from my earlier positions. I would be delighted to put this experience to good use for Francotyp-Postalia. There is also potential in the countries of eastern Europe. You don't need to worry that we will be frittering away our resources on attempts at globalisation: we are currently looking very carefully at which countries are best suited for further exposure on our part.

Ladies and gentlemen,

Winning over new customers in distant lands is a lofty ambition. And there are some very good reasons for pursuing this goal. As a sales expert though, there are two things I can tell you – firstly, it's much easier to attract new customers at home than far way. Secondly, it's much easier to increase business with current customers than to get new ones.

What am I saying here?

(Slide 8: as slide 6)

Please take another look at this slide that I showed you just a few moments ago. On it you can see the value chain for outgoing mail – from the sender to the recipient. If you look at the top pathway, you will see the mailroom area. This is what companies, our customers, traditionally do for themselves – folding letters after printing them off, putting them in envelopes, weighing them and franking them. We have been helping our customers do this work with our machinery and services for decades.

But now we go a step further in the value chain and handle the mailstream area as well. **Mailstream animation** This begins when the letter leaves the customer's mailroom. So we want to do more business with the customers we are already in business with for franking machines – customers who are practically on our doorstep – and this business is consolidation. All this means is collecting and pre-sorting mail before it is handed over to the postal service provider. This business offers respectable margins, for example, postal service providers in Germany give discounts of up to 26% for pre-sorted and franked mail – but only for volumes of 5,000 and upwards. So we need a service provider that collects mail from a lot of customers and pre-sorts the consolidated, total volume. This is what freesort does, the subsidiary that we acquired in autumn 2006. The

benefits for our customers are that they don't have to change their processes, don't have to worry about anything else and get an additional, significant price advantage on their postage as we share the discount with the customer. The average mail volume of our customers is 1,300 letters per day. These are our customers from the B segment that I mentioned just now – a highly important segment that we cover with franking machines. And I am allowed to tell you that we are currently working on logistics solutions that will allow us to profitably collect and sort significantly smaller mail volumes per day. If we one day manage to offer consolidation to an A segment customer, and I am quite confident that we will, there will be nothing to prevent us from cross-selling across the whole breadth of our customer base.

The profitability of consolidation business will naturally depend on the capacity utilisation of our sorting centres – we're dealing with classic economies of scale. Freesort is currently operating nine such sorting centres throughout Germany and capacity utilisation is rising every month. We processed 43 million letters in the first quarter of this year – that's more than half of the total volume processed last year in the first three months.

(Slide 9: Summary of earnings per business area)

This slide shows that we did not earn any money with consolidation last year – we reported EBITDA of minus €1.3 million. However, these were the planned start-up costs to establish the necessary infrastructure.

Now things are really starting to get going: we took a major step towards improved capacity utilisation at the sorting centres in January of this year. We took on more than 1,000 customers from DirektExpress Brief AG, a subsidiary of the PIN Group. This means around 4 million more letters per month in a single stroke. This is also one of the reasons that we will break through into positive territory this year – not the only reason but a reason nonetheless. I am also predicting double-digit growth rates for the coming years, which will be positively reflected in earnings thanks to the economies of scale already hinted at.

Ladies and gentlemen,

This slide shows that the second segment in the Mailstream division already earned money last year. However, I also already told you that hybrid mail has not lived up to our expectations in terms of attracting new customers. We are therefore assuming that this is only a matter of delays as the level of interest among potential customers is high. In actual fact, we are opening up a completely new mail channel for our customers with hybrid mail.

(Slide 10: as slide 6)

This slide, which you should be familiar with by now, shows that with hybrid mail letters do not even reach the traditional mailroom any more. We will have to get used to this idea and, especially as a manufacturer of franking machines, we must confront it. We should recognise the opportunities offered by new ways of transmitting mail and we should seize them. This is precisely what we are doing with our offering in the hybrid mail division.

What exactly are we offering our customers in this area? Well, the principle is quite simple. We handle the work of the mailroom and consolidation from a single source. Using a software solution specially developed by our company iab, customers can send us their letters online. That's all they have to do. We print the letters, fold them, put them in envelopes and frank them. And naturally we can electronically sort mail by post code as well and benefit from postage discounts with our consolidation specialist freesort.

This applies to both a company's mass mail and its regular communications, which means recurring, standardised letters such as invoices and individual day-to-day mail. The work saving for customers is enormous: imagine a company with 1,000 employees in 50 branches. Each one writes five letters a day. Today, usually every employee prints out his or her letters on their own printer, sometimes there's a central printer, but only in the branches and not for the whole company. That's precisely what

we're offering. All 5,000 letters per day come to us, are printed out on the same printer, are franked at the same time and the customer has nothing more to do with the entire process. This saves a lot of time and a lot of money. Anyone can use this service today, even a private client. It naturally costs a little more than just the postage, but when the paper, envelope, printing costs and of course the time saving are factored in it becomes a highly attractive offer. We are aiming to achieve double-digit growth figures with this outsourcing service in the next few years. Like with the sorting centres, the potential here for economies of scale is enormous: a greater focus on outsourcing will increase the capacity utilisation at our printing centres, thereby driving up margins. With this basic business we are pursuing the goal of achieving profitable baseline utilisation and thereby reducing our dependence on project business.

But we can offer so much more than purely outsourcing in the hybrid mail area. This becomes clear if you consider the international dimension. Take a letter to the US: it needs a few days to get where it is going. It can be there digitally in a fraction of a second. Today, we have printing centres in Switzerland, UK and India and we are planning further locations. Why shouldn't we be able to send a letter straight from us to an American postal service provider one day, and at domestic US rates as well? Naturally, there will be some hurdles before we reach that goal, mainly in the area of data security. But, ladies and gentlemen, this is what Francotyp-Postalia

grew up on. A franking machine is basically a machine to print money. We are highly familiar with security requirements thanks to our work for the certification of our machinery. Why shouldn't we be able to do in the hybrid mail area what we've been doing for decades in the mailroom area?

(Slide 11: Group structure with acquisition of PIN customers)

This, ladies and gentlemen, brings me to my major message for the coming years. You see here on this slide our Group as it is structured today. Traditionally operating in the Mailroom division, in 2006 we added the consolidation and hybrid mail segments with our acquisitions of freesort and iab. You can see the new consolidation customers docked on to freesort. As I have tried to explain, this is a completely logical and systematic structure along the value chain, which allows us to offer customers comprehensive services and thereby to react to market changes and new technological opportunities as FP.

The complexity of the Group is still manageable. Nonetheless, there is an important task ahead of us: I want to be able to use the strengths of Francotyp-Postalia that we have in a particular segment of our business in all the other segments as well. Of course, this applies primarily to our customer base. Through our franking machines we have access to an immense number of customers. Some of these customers, as I have already explained, are already suited for our consolidation service. There

will be more of them in future. And hybrid mail is even suitable for private persons as well as for small to large companies. Thus, each of our existing customers is automatically a target customer for this segment. Now we just have to take advantage of these opportunities on the market. Now we can even focus on our large customers who haven't yet used our franking machines. This is because our software solutions not only sends outgoing mail but can handle digital and bespoke processing of incoming mail as well. One of our customers has already set up this system but we have not been able to market it properly yet. There are attractive opportunities here as well.

Further acquisitions are still feasible in order to leverage economies of scale, to round off our services portfolio or to offer our customers new technological solutions in a timely manner. We started on the path to being a full-service provider with acquisitions that we are still happy about today. But acquisitions have to be paid for. We therefore took advantage of the right we granted ourselves to buy back treasury shares on the market. By 15 April of this year, we bought back 370,444 shares, or around 2.5% of share capital. So, along with our cash and cash equivalents and our credit framework, we have sufficient financial flexibility to move fast when the opportunity arises. In order to increase this capacity further, we are hoping that you will authorise us to continue buying back shares, as you can see from item 7 on the Agenda.

Ladies and gentlemen,

I have now given you an outlook for the strategy and way forward of your company. Let us now focus again on what is happening now. We learnt from last year that we would rather come across as a little restrained to then deliver a positive surprise. We must first do our homework. And we have already started doing this very deliberately. We launched a restructuring programme entitled MOVE. You will see that we are living up to this name and are already moving in the right direction. The aim of MOVE is to streamline processes and make them more efficient, particularly in the Mailroom division.

So how exactly do we intend to do this?

(Slide 12 MOVE project)

In supply chain management, we will be introducing a global, IT-based order settlement process. This will reduce both inventories and warehouse capacity, in turn reducing process costs by a total of 20%. In concrete terms, we will save between around €2 million and €5 million in 2009 and 2010.

We have also taken a close look at research and development. New structures have been created and processes have been optimised with the

aim of being able to react more quickly and efficiently to market requirements. Here, too, we are projecting savings of around 20% or a reduction in costs of around €1 million in 2008 and of around €2 million in the two subsequent years.

Measures to optimise structures and processes will also be introduced in administration, which will mainly lead to cost reductions of around €2 million in 2009 and 2010.

To summarise, owing to the expenses for restructuring, we do not expect this package of measures to result in any significant savings in the current year 2008. Next year, however, we expect to see savings of between €3 and €5 million, which would be an acceptable lever for our earnings improvement.

Above all, however, and this is what we will be paying the closest attention to in future, we want to make Francotyp-Postalia into a company that sees itself as an integrated full-service provider for outgoing mail. This will also entail changes in our sales structure. It is more difficult to sell a comprehensive outgoing mail solution packages than a franking machine. We are aware of this challenge and are working hard at what we have to do. The synergies that could arise from the business segments must be leveraged by hand. This includes such simple tasks as preparing customer lists. And of course we have to get customers hooked on new ideas. We

have already begun this and the response has been encouraging: almost 20% of the customers we have spoken to are interested in a package solution. Showing interest isn't the same as signing a contract, but the response has given me confidence.

Above all, there is one thing that I can promise you at this time: we will be doing everything we can to make the idea of an integrated full-service provide a reality. Even if the individual business segments can already operate profitably on their own, it is the sum of the individual parts that makes up the complete works.

Ladies and gentlemen,

The deregulation of the postal market, which was often thought to be a threat to manufacturers of franking machines such as ourselves, is being extremely helpful to us in the implementation of our strategy. Naturally, deregulation can cause demand for franking machines to shrink in the medium term. However, this also opens up enormous possibilities.

Whoever provides the franking machines has a certain influence on which carrier the customer uses. In hybrid mail, the customer may not even ask which service provider will complete their delivery any more. If you are positioned as a major consolidator on the market, you have market power

over carriers, you can independently negotiate good prices on a truly deregulated market. And if you can offer all three services from a single source, you can offer optimal and favourable solutions for your customers. And this is exactly what we intend to do and we will seize the opportunity as the postal markets continue to open.

Ladies and gentlemen,

As you can see, I am optimistic. And I believe that I have provided good reasons for my optimism. But I also promised you that we will be more conservative in our forecasts. So let me just say this: we are standing by our forecasts for this year and are anticipating revenues of between €150 and €160 million and EBITDA of between €22 and €26 million.

(Slide 13: 2008 outlook)

The year has gone well so far, but we would rather surprise you positively at the end of it than announce something today that we have to take back later. Nobody knows, for example, how the dollar will develop. And there are question marks hanging over the world economy as well, particularly in our key markets of Germany and the US.

Please take it as my message and my promise that we have seen the signs of the times and are preparing ourselves for the future. Since I took office,

we have honed Francotyp-Postalia's strategy and prepared the ground with a number of operating measures. If the figures show that our strategy is working and the operative measures are taking effect then our share price will start moving in the right direction again soon, of this much I am certain.

I hope that you, our shareholders, will remain faithful to the company and am already looking forward to standing here again next year and telling you how we moved Francotyp-Postalia further forward. Because next year I want you to compare our achievements with what I have said here today.

Ladies and gentlemen,

This brings my comments on the company's situation to a close and I would now welcome your questions.