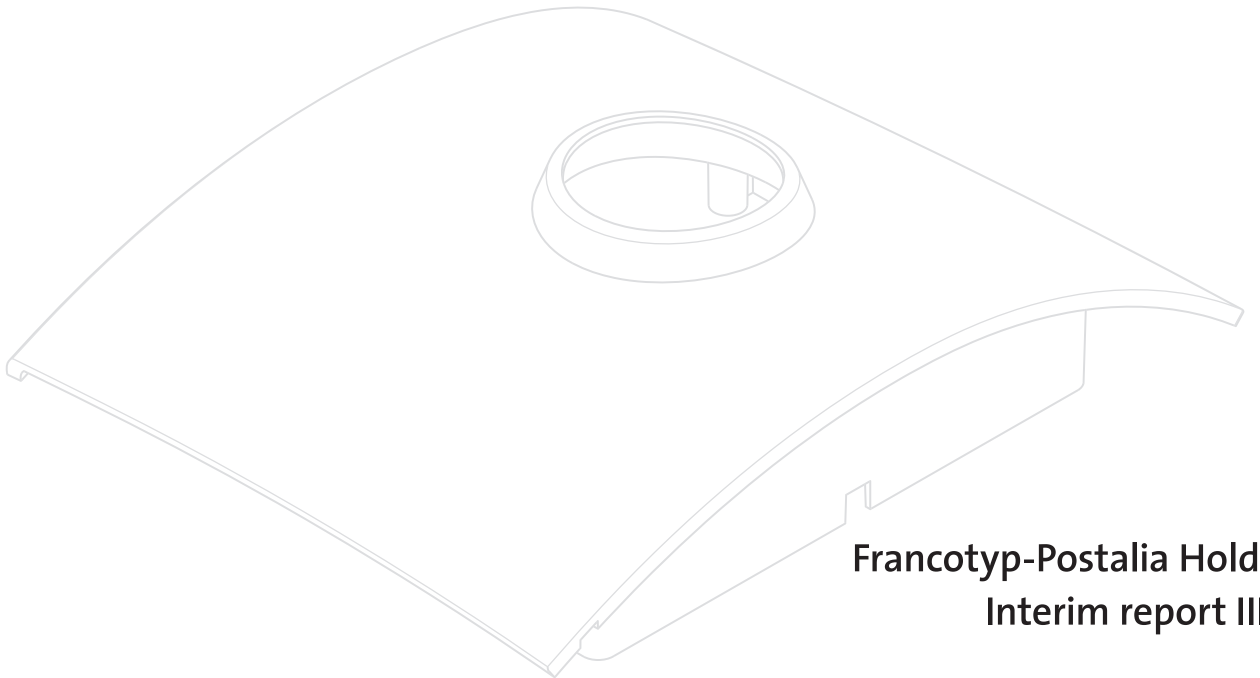
YOUR MAIL IS OUR BUSINESS



Francotyp-Postalia Holding AG
Interim report III / 2010

FRANKING
INSERTING
SOFTWARE SOLUTIONS
MAIL SERVICES
OUR EXPERTISE FOR YOUR MAIL

Key Figures to the 3rd quarter 2010

Figures in accordance with consolidated financial statements in EUR millions	1.1.– 30.9.2010	1.1.– 30.9.2009	Change in %	1.7.– 30.9.2010	1.7.– 30.9.2009	Change in %
Revenues	**105.8**	97.3	8.7	**39.8**	30.4	30.9
Revenue growth in %	8.7	-8.3			-9.0	
Recurring revenues	**79.5**	72.5	9.7	**30.8**	22.8	35.1
EBITDA	**18.9**	14.2	33.1	**6.1**	4.7	29.8
in percentage of revenues	17.9	14.6		15.3	15.5	
EBITA	**10.8**	5.7	89.5	**3.3**	1.8	83.3
in percentage of revenues	10.2	5.9		8.3	5.9	
EBIT	**5.0**	-3.6	n/a	**2.2**	-1.3	269.2
in percentage of revenues	4.7	-3.7		5.5	-4.3	
Net income	**0.8**	-6.5	112.3	**1.6**	-1.6	200.0
in percentage of revenues	0.8	-6.7		4.0	-5.3	
Free cash flow	**7.4**	5.5	34.5	**2.5**	2.2	13.6
in percentage of revenues	7.0	5.7		6.3	7.2	
Employees	**1,074**	1,041	3.2			

	1.1.–30.9.2010	31.12.2009	Change in %
Equity capital	**14.7**	14.7	
Shareholders' equity	**17.5**	15.3	14.4
in percentage of balance sheet total	12.9	11.4	
Return on equity (%)	4.6	-42.5	
Debt capital	**118.6**	119.0	-0.3
Balance sheet total	**136.1**	134.3	1.3
Net debt	**34.2**	41.0	-24.7
Net gearing (%)	195.4	268.0	
Earnings per share	**0.09**	-1.12	108.0
Share price to quarterly figures	**2.5**	1.71	46.2

Segments

SOFTWARE SOLUTIONS

The FP Group provides software solutions for digital mail processing. With hybrid mail products, the entire process can be outsourced and thus more efficiently executed.

FRANKING AND INSERTING

In the traditional Franking and Inserting segment, the FP Group concentrates on developing, manufacturing, selling and leasing franking and inserting machines.

SERVICES

Consolidation services include collecting mail from clients, sorting it by postcode and delivering it, in bundled form, to a mail centre. By availing themselves of this service, even small companies can benefit from postage discounts.

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Letter from the Management Board

Dear Shareholders, Ladies and Gentlemen,

when we initiated the process of restructuring the FP Group at the beginning of 2009, the Company was in the red. At the end of 2008, consolidated net loss stood at -14.5 million euros. Today, just two years later, the turnaround of the FP Group is beyond doubt. We have changed into a successful service provider, operating under strict cost management. In the third quarter of 2010, the Company showed a consolidated net income of 1.6 million euros, despite the fact that only last year we had to announce a consolidated net loss of -1.6 million euros.

This positive development in profits is proof that the Company's financial and earnings power has continued to improve during the current financial year. Sales are up by 9 percent to 105.8 million euros, partially due to a new ruling on revenues tax (VAT) relating to postal services in Germany. In the first nine months of 2010, EBITDA – the key matrix for operations growth – was up by 33 percent to 18.9 million euros. Consolidated net income improved to 0.8 million euros in 2010, compared to -6.5 million euros in the first nine months of the previous year. Free cash flow, the difference between cash inflow from operating activity and cash outflow from investment, improved over the same period by 40 percent to 7.4 million euros.

In view of this good business development, we are raising our guidance for the full year. Previously, we had forecast total revenue of between 130 to 135 million euros and an EBITDA of between 22 to 24 million euros. In 2010, the FP Group now expects to close with revenues in excess of 140 to 145 million euros and an EDITDA of between 24 and 26 million euros before restructuring cost.

Despite good business and visible success in the market, during the third quarter of 2010 we decided to make a provision of 1.3 million euros to cover restructuring. This provision allows for charges arising in connection the sustained continuation of the Birkenwerder site, about which we reported extensively during the summer months. Simply put, we plan to restructure our production facilities, involving partial closures in some areas. In order to launch new, competitive franking machines on the market, we need up-to-date, lean production processes that can take us into the future.

Currently, talks about the planned measures are in progress with employee representatives at the Birkenwerder site. We are very interested in achieving an equitable solution and want to retain the current production site. However, this does depend on being able to introduce long-term, competitive structures. The site continuation agreement concluded in the summer of 2009 with a currency for two years has improved our cost situation in Birkenwerder. This agreement expires in the coming year. In current talks, we want to set up a long-term solution for Birkenwerder, where we would like to start up production of our next generation of franking machines in 2011.

Efficient, high-performance franking machines, produced at competitive costs, will remain the core element in our range of offerings over the coming years. However, our customers look not only at the price and performance data of our machines, increasingly they want to hear about innovative solutions which will help them optimize their mail processing. Our strategy of ongoing development as a service provider for the whole mail processing area is working. Alongside the production and distribution of franking and inserting machines, we are looking increasingly to the services of the future – mail consolidation and hybrid mail.

It only remains for us to thank you warmly for your loyalty and the continuing trust you place in our strategy and the Company. Your financial commitment is essential for the success of the FP Group, and is what drives us as we continue to strengthen your Company's position in the market.

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.

Group Interim Management Report

BUSINESS AND GENERAL ENVIRONMENT

Business activity

Francotyp-Postalia Holding AG (FP Group), based in Birkenwerder near Berlin, is a global service provider for professional mail management. As postal markets are increasingly deregulated, the company has moved away from being a producer of franking machines towards becoming a mail management provider specialising in letter post.

With the collection of business mail and innovative software solutions for outbound mail, such as hybrid mail, the company has expanded its traditional product portfolio of franking and inserting machines to include promising services for the future. Today, the FP Group covers the entire mail management processing chain and thus offers tailored mail management solutions to corporate clients of all sizes.

General environment

The global economy continued to recover in the third quarter of 2010. The emerging markets in Asia again proved particularly dynamic. In China, the economy grew by 9.5% between July and September. An increase of almost 9% is also forecast for the fourth quarter. The Indian economy grew strongly as well. The International Monetary Fund has raised its growth forecast for the year as a whole to 9.7%. For the FP Group, the momentum in the Asia/Pacific region is forming a good environment for pushing ahead with the expansion into these future markets in the medium and long term.

By contrast, the economic recovery in Europe progressed moderately and is already fading. Growth of 0.4% as against the previous quarter is forecast for the euro zone in the third quarter of 2010 after 1.0% in the second quarter. In Germany, the domestic market of the FP Group, the gross domestic product rose by 0.7% in the third quarter of 2010 , and thereby outperformed many other countries in Europe. However, momentum is now slowing following growth of 2.2% in the second quarter. Experts are forecasting a rise of 3.5% on the German economy for the year as a whole, compared to 1.7% in the euro zone.

In the US, growth has also slowed in the third quarter of the current year. In the months from July to September, the gross domestic product increased only at a projected rate for the year of 2.0%. Growth had been at 3.7% in the previous quarter.

Employees

As at 30 September 2010, the FP Group employed a total of 1,074 people worldwide, compared with 1,046 employees in the previous year. This increase comes as a result of the systematic expansion of international business. Accordingly, as at 30 September, the German companies accounted for 687 employees (previous year: 695) and foreign subsidiaries for 387 (previous year: 351).

In Germany, a total of 466 employees worked in the Franking and Inserting segment (previous year: 478) and 221 in the Software Solutions and Services segment (previous year: 217). As at 30 September 2010, 166 people were employed at freesort compared with 167 in the previous year. The number of employees at iab rose from 50 in the same period of the previous year to 55.

In light of the improving economic developments and the stable order situation to the end of the year, the FP Group has largely lifted reduced working hours at its main site in Birkenwerder. Reduced working hours will only remain in effect in the service area. The company had introduced reduced working hours in Birkenwerder for employees of the Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH subsidiaries in August 2009 as part of a package to safeguard the site.

Even after discontinuing reduced working hours, the company is continuing its efforts to safeguard the Birkenwerder site in the long term. In the third quarter of the 2010 financial year, information and negotiation proceedings in accordance with section 111 f of the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act) were initiated by way of a letter to the Works Council of the joint works of Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH. The subject of the proceedings are plans to develop a production line for the PHOENIX product at the Birkenwerder location and plans for a comprehensive restructuring of the business activities in the Production area and in the area of the central workshop of the FP Group to improve competitive capability, optimise business processes and to enhance earnings and liquidity.

The negotiations that have now begun between the respective employer and employee representatives continued until the time that these consolidated interim financial statements were approved; so far the negotiations have not resulted in any outcome. Nonetheless, the company is currently assuming an expense for the FP Group of around EUR 1.3 million resulting from the information and negotiation proceedings in accordance with section 111 f BetrVG. A corresponding provision was recognised as at 30 September 2010 (reported under non-current liabilities); this relates to the basic redundancy volume in the (draft) scheme presented by the management.

RESEARCH AND DEVELOPMENT

The FP Group has developed into a provider of mail management solutions. The integration of software and server concepts and the development of outsourcing interfaces are therefore becoming increasingly important in research and development. Expenses for research and development amounted to EUR 2.3 million in the third quarter of 2010 compared to EUR 1.8 million in the same period of the previous year. Thus, research and development expenses for the first nine months of 2010 are stable year-on-year at EUR 6.4 million. The R&D ratio declined to 6.0% after 6.6% in the same period of the previous year as a result of the rise in revenue for the first three quarters of 2010. The FP Group capitalised expenses of EUR 3.1 million (previous year: EUR 1.8 million) in accordance with IFRS and recognised EUR 3.3 million (previous year: EUR 4.6 million) in expenses.

NET ASSETS, FINANCIAL AND EARNINGS POSITION

Earnings position

REVENUES

In the first nine months of the 2010 financial year, the FP Group generated revenue of EUR 105.8 million as against EUR 97.3 million in the same period of the previous year. In addition to the recovery of the global economy and the successes in the Group's ongoing development as a service provider, this rise in revenue is due in particular to a change in the reporting logic for certain transactions as part of the new regulations for sales tax on postal services in Germany as at 1 July 2010. In the third quarter of 2010, the FP Group therefore generated revenue of EUR 39.8 million as against EUR 30.4 million in the third quarter of 2009.

The new sales tax regulations for postal services in Germany mainly relate to the FP subsidiary freesort, which performs consolidation and franking services for its customers. Accounting mapping has been changed to take the new regulations into account. For certain transactions, this has resulted in the consolidated statement of recognised income and expense showing both higher revenue and higher costs of materials.

In the third quarter of 2010, the positive effect on revenue as part of the new regulations on sales tax also made a key contribution to increasing recurring revenue to EUR 30.8 million after EUR 22.8 million in the same quarter of the previous year. In addition to postal services, recurring revenue also includes revenue from service agreements, leasing, teleporto, the sale of consumables and software solutions. This rose to EUR 79.5 million in the first nine months of the current financial year after EUR 72.5 million in the previous year. Its share of total revenue rose slightly to 75.2% after 74.7% in the prior-year period.

Revenue from product sales improved to EUR 26.2 million in the first nine months of the current year after EUR 24.5 million in the previous year. Franking business developed well in particular, with revenue rising to EUR 19.6 million as against EUR 18.0 million in the first nine months of 2009.

Revenues by product and service

EUR million	1st nine months of 2010	1st nine months of 2009	3rd quarter of 2010	3rd quarter of 2009
Recurring revenue	**79.5**	**72.5**	**30.8**	**22.8**
Rental	16.7	15.6	5.8	5.1
Services / Customer Service	18.6	20.2	6.2	6.0
Consumables	15.5	15.8	4.9	4.8
Teleporto	9.0	8.9	2.9	2.8
Mail Services	15.5	8.6	9.0	2.9
Software	4.2	3.3	2.1	1.2
Income from product sales	**26.2**	**24.5**	**8.9**	**7.4**
Franking	19.6	18.0	6.1	5.1
Inserting	6.0	5.8	2.4	1.9
Other	0.7	0.7	0.3	0.3
Total	**105.7**	**97.0**	**39.7**	**30.1**
Recurring revenue	75.2%	74.7%	77.6%	75.6%
Non-recurring revenue	24.8%	25.3%	22.4%	24.4%
Natural hedges	0,1	0.3	0.1	0.3
Total	**105.8**	**97.3**	**39.8**	**30.4**

OPERATING EXPENSES

The cost of materials rose in the first nine months of 2010 to EUR 32.5 million as against EUR 24.5 million in the same period of the previous year. The cost of purchased services climbed to EUR 12.3 million from EUR 7.5 million in the previous year. This is mainly due to the changes as part of the new regulations for sales tax on postal services as at 1 July 2010. As a result, the cost of purchased services rose to EUR 8.2 million in the third quarter alone after EUR 2.4 million in the same period of the previous year.

In light of the greater business volume in the first three quarters of 2010, expenses for raw materials, consumables and supplies also rose to EUR 20.2 million as against EUR 17.0 million in the previous year. The cost of materials ratio rose to 30.7% in the first nine months of 2010 after 25.2% in the same period of the previous year.

Owing to the provision recognised for the restructuring in Production, the FP Group's staff costs rose to EUR 39.4 million in the first nine months of 2010 as against EUR 37.7 million in the same period of the previous year. There was also a slight increase in employee numbers. The staff cost ratio declined as revenue rose to 37.3% after 38.7% in the first three quarters of 2009.

Other operating expenses decreased to EUR 22.5 million in the first nine months of 2010 as against EUR 24.4 million in the same period of the previous year.

EBITDA

In spite of the rise in cost of materials and the higher staff costs, the FP Group increased its profitability significantly in the first nine months of 2010. EBITDA improved to EUR 18.5 million as against EUR 14.2 million in the same period of the previous year. The EBITDA margin rose to 17.9% in this period as against 14.6%. As shown by a quarter-on-quarter comparison, the company benefited in particular from its improved cost structure and the restructuring measures implemented in the previous year: In the third quarter of 2010, EBITDA rose to EUR 6.1 million as against EUR 4.7 million in the same quarter of the previous year.

Adjusted for the provision for restructuring in the amount of EUR 1.3 million, the FP Group generated EBITDA of EUR 20.2 million in the first three quarters of 2010.

DEPRECIATION AND AMORTISATION

Owing to a decline in amortisation on intangible assets, depreciation and amortisation fell significantly in the first nine months of 2010 to EUR 13.9 million after EUR 17.9 million in the corresponding period of the previous year.

NET INTEREST INCOME

In the first three quarters of 2010, net interest income improved slightly to EUR 2.3 million as against EUR 2.7 million in the previous year. Interest income dipped from EUR 1.2 million the previous year to EUR 1.0 million as a result of the very low interest level. Interest expenses also declined to EUR 3.3 million compared to EUR 3.9 million in the first three quarters of 2009, as the FP Group is systematically leveraging its growing financial power to reduce its interest-bearing liabilities.

NET FINANCE COSTS

In the first nine months of the current year, the FP Group generated net finance costs of EUR 0.2 million. Net financial income in the same period of the previous year had amounted to EUR 0.6 million. The high net financial income of EUR 1.2 million in the third quarter of 2010 resulted largely from currency effects.

INCOME TAXES

The net income tax expense decreased to EUR -1.6 million in the first nine months of 2010 after EUR -0.8 million in the same period of the previous year. Tax income fell to EUR 2.8 million, while tax expenses rose to EUR 4.4 million.

CONSOLIDATED NET PROFIT

Higher revenue, an improved cost structure and the restructuring successes are significantly boosting earnings power in the current financial year. The consolidated net profit before minority interests improved to EUR 0.8 million in the first nine months after a consolidated net loss of EUR 6.5 million in the same period of the previous year. The positive trend of the previous quarters continued in the third quarter of 2010: After a break-even consolidated net profit in the second quarter of 2010, the FP Group generated a profit of EUR 1.6 million in the third quarter of 2010. The same quarter of the previous year had reported a consolidated net loss of EUR 1.6 million. Earnings per share for the first nine months of 2010 came to EUR 0.09 as against EUR 0.42 in the previous year.

Business performance by segment

Francotyp-Postalia divides its activities into the four segments of Production, Domestic Sales, International Sales and Head Office Functions. This segmentation corresponds to the FP Group's internal reporting system. As the segments report in line with local accounting provisions, both the adjusting entries for IFRS and the Group consolidation entries are included in the reconciliation to the interim 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 from the separate financial statements must be aggregated to produce total segment earnings, the segment totals include both intra-segment figures and interim profits.

DOMESTIC SALES

In the first nine months of 2010, the FP Group generated revenue of EUR 55.7 million in Domestic Sales. The company increased revenue with third parties to EUR 53.3 million in the first three quarters of 2010 as against EUR 45.1 million in the same period of the previous year. Revenue in the Services segment by the consolidation specialist freesort alone surged from EUR 8.5 million in the previous year to EUR 15.5 million, which is primarily due to the change in reporting logic as part of the new regulations for sales tax on postal services in Germany as at 1 July 2010.

The positive development in promising services was highlighted by the revenue increase in software solutions: Nine-month revenue amounted to EUR 4.2 million compared with EUR 3.3 million in the same period of the previous year. In July 2010, the FP Group gained WEB.DE, one of the leading German e-mail providers, as a partner for its online letter with products offered by its subsidiaries iab. As part of the cooperation, users of the Internet portal WEB.DE can use the hybrid mail solution FP webbrief by logging in to the online mail service directly via their e-mail inbox. Users send their documents to the FP iab print centre with the click of a mouse. Processing of the letter continues there: printing, franking, inserting and postage-optimised sending to a delivery agent. The cooperation offers attractive revenue and earnings prospects.

However, revenue in Franking and Inserting stagnated in the first nine months of the current financial year at EUR 33.6 million after EUR 33.3 million in the previous year. Furthermore, provisions for staff costs of EUR 0.3 million were incurred for the restructuring.

EBITDA in Domestic Sales grew to EUR 7.2 million in the first nine months of 2010 as against EUR 6.9 million a year earlier.

INTERNATIONAL SALES

The International Sales segment comprises the activities of the FP Group's international subsidiaries with the exception of Singapore. Internationally, the company generated total revenue of EUR 50.0 million in the first nine months of 2010. Revenue with third parties climbed slightly to EUR 49.8 million as against EUR 48.6 million in the same period of the previous year, with business in the Asia-Pacific region developing particularly well.

In the US, the FP Group's largest international market, the company generated revenue of EUR 22.1 million in the first nine months of 2010 in a difficult market environment as against EUR 23.4 million in the previous year. By contrast, revenue in the UK rose to EUR 9.9 million after EUR 9.2 million in the same period of the previous year. In the company's third key international market, the Netherlands, revenue amounted to EUR 6.8 million in the first three quarters of 2010 after EUR 7.2 million in the previous year.

In the International Sales segment, the company generated EBITDA of EUR 13.3 million in the first nine months of 2010 as against EUR 14.0 million in the same quarters of 2009. The decline in earnings despite the rise in revenue is due to the increase in intercompany prices.

The FP Group anticipates growth opportunities in Asia business in particular in the International Sales segment and is currently laying the foundations for expansion into this future market. At the start of the year, the company secured its entry on the Indian market with the registration of the ultimail franking machine. Its certification is the basis for profiting from the growth on the Indian market anticipated in the coming years.

PRODUCTION

The Production segment comprises the production companies of the FP Group in Germany and Singapore. In the first nine months of the current year, the FP Group generated total revenue of EUR 41.3 million in this segment. Revenue with third parties in the first three quarters of 2010 came to EUR 4.1 million after EUR 3.8 million in the same period of the previous year. In the third quarter of the current year, revenue with third parties improved to EUR 1.3 million as against EUR 0.9 million in the same quarter of the previous year.

While the FP Group reported EBITDA of EUR -5.7 million in Production in the first three quarters of 2009, the company generated positive EBITDA of EUR 1.6 million in the first nine months of the current year. The increase in intercompany prices in the Production segment had a positive impact here. Furthermore, provisions for staff costs of EUR 1.0 million were incurred for the restructuring in Production.

Summary of results per segment

	Revenue with third parties			EBITDA		
EUR million	3rd quarter of 2010	3rd quarter of 2009	Change	3rd quarter of 2010	3rd quarter of 2009	Change
Domestic Sales	22.3	15.1	+47.7%	2.5	3.1	-20.7%
International Sales	16.6	14.5	+14.5%	4.6	3.7	+24.3%
Production	1.3	0.9	+44.4%	-0.5	-2.0	n/a
FP-Group[1]	40.2	30.6	+31.4%	16.6	4.7	+37.5%

	Revenue with third parties			EBITDA		
EUR million	1st nine months of 2010	1st nine months of 2009	Change	1st nine months of 2010	1st nine months of 2009	Change
Domestic Sales	53.3	45.1	+18.2%	7.2	6.9	+4.3%
International Sales	49.8	48.6	+2.5%	13.3	14.0	-5.0%
Production	4.1	3.8	+7.9%	1.6	-5.7	n/a
FP-Group[1]	105.8	97.3	+10.1%	18.9	14.2	+46.4%

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

Financial position

INVESTMENT ANALYSIS

The FP Group is continuing to pursue a focused investment strategy and concentrating particularly on investments that will facilitate the company's ongoing development into a mail management provider and advance its internationalisation. In the first nine months of 2010, investments increased to EUR 10.4 million after EUR 5.9 million in the same period of the previous year. The capitalisation of development costs rose to EUR 3.1 million as against EUR 1.8 million in the previous year. Investments in enterprise value increased to EUR 3.5 million as against EUR 0.4 million in the previous year as a result of the acquisition of Ricoh's franking machinery business in Sweden in April.

Capital expenditure

EUR million	1st nine months of 2010	1st nine months of 2009
Capitalised development costs	3.1	1.8
Investment in intangible assets	0.4	0.5
Investment in property. plant and equipment	1.7	1.1
Investment in leased products	1.9	2.1
Investment in financial investments	0.0	0.0
Investment in enterprise value	3.5	0.4
Capital expenditure	**10.4**	**5.9**

LIQUIDITY ANALYSIS

The positive earnings development played a key part in the fact that cash flow from operating activities improved to EUR 17.8 million in the first nine months of 2010 after EUR 11.3 million in the previous year. This corresponds to an increase of 57%. Net cash used in investing activities amounted to EUR 10.4 million in the first three quarters of 2010 after EUR 5.9 million in the same period of the previous year.

As a result, the free cash flow, the net total of cash generated by operating activities and used in investing activities, increased to EUR 7.4 million compared with EUR 5.5 million in the same period in the previous year. Net cash used in financing activities amounted to EUR 8.7 million in the first nine months of 2010 after EUR 4.2 million in the previous year. The FP Group used EUR 7.9 million in the first three quarters of the year for scheduled and unscheduled repayments of bank loans.

The cash and cash equivalents shown are taken from the balance sheet items "Cash and cash equivalents" and "Securities" less "Teleporto funds". Cash and cash equivalents amounted to EUR 11.3 million as at 30 September 2010 compared to EUR 8.3 million as at the same date in the previous year.

Liquidity analysis

EUR million	1st nine months of 2010	1st nine months of 2009
1. Cash flow from operating activities		
Cash flow from operating activities	17.8	11.3
2. Cash flow from investing activities		
Cash flow from investing activities	-10.4	-5.9
Free cash flow	7.4	5.5
3. Cash flow from financing activities		
Cash flow from financing activities	-8.7	-4.2
Cash and cash equivalents		
Change in cash and cash equivalents	-1.3	1.3
Change in cash and cash equivalents due to currency translation	0.2	0.0
Cash and cash equivalents at beginning of period	12.4	7.0
Cash and cash equivalents at end of period	**11.3**	**8.3**

Net assets

The assets side of the balance sheet as at 30 September 2010 is dominated by a rise in current assets while the equity and liabilities side shows a surge in equity. As against 31 December 2009, total assets rose by EUR 1.8 million to EUR 136.1 million. The share of current assets increased slightly from 48.2% to 49.5%. The ratio of current assets to current liabilities was 114.2%. The equity ratio improved to 12.9% as against 11.4% at the end of 2009. The share of non-current liabilities in total assets was reduced from 49.0% to 43.8%.

On the assets side of the balance sheet, intangible assets decreased to EUR 32.4 million as at 30 September 2010 as against EUR 32.7 million at 31 December 2009 as a result of amortisation. The carrying amount of property, plant and equipment on the balance sheet was also down as a result of depreciation at EUR 18.6 million after EUR 19.7 million at the end of 2009.

Under current assets, inventories were up – primarily as a result of the increase in finished goods and goods for resale – at EUR 11.7 million as at 30 September 2010 as against EUR 11.0 million at the end of 2009. Trade receivables rose from EUR 13.9 million to EUR 15.5 million. 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. Other assets increased from EUR 9.6 million to EUR 10.8 million in the first nine months of 2010.

On the equity and liabilities side of the balance sheet, the consolidated net profit contributed to a rise in equity to EUR 17.5 million as against EUR 15.3 million as at 31 December 2009. As a result of the reduction in financial liabilities, non-current liabilities as at 30 September 2010 declined to EUR 59.5 million after EUR 65.9 million on 31 December 2009. Given the provisions recognised for staff costs for the restructuring in Production, other provisions climbed by EUR 1.3 million to EUR 2.5 million. By contrast, current liabilities rose to EUR 59.0 million as against EUR 53.1 million at the end of 2009.

RISK REPORT

The company discussed its opportunities and risks in detail in the consolidated financial statements for the year ended 31 December 2009.

No further risks and opportunities are currently discernible.

FORECAST

Given the good business performance in the third quarter of 2010 and the improved cost structures, the FP Group is raising its forecast for the year as a whole: The company is now anticipating revenue of EUR 140 million to EUR 145 million and an EBITDA between EUR 24 to EUR 26 million before restructuring. The previous forecast had been for revenue of EUR 130 million to EUR 135 million and EBITDA of between EUR 22 million and EUR 24 million.

In a challenging market environment, the FP Group will continue to focus on high-margin products and services with the goal of further improving its earnings power in the medium and long term. Regarding the need to further consolidate its earnings power, the company will also continue its planning to safeguard the Birkenwerder location – where an agreement will remain in place until summer 2011 – in the long term.

The strategy will focus on further expanding service and software business and increasingly networking these promising business areas with the traditional range of franking and inserting machinery. Thus, the FP Group can offer its customers integrated solutions for end-to-end mail management.

Consolidated Interim Financial Statements as of 30 September 2010

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2010

in EUR thousand	1 Jan – 30 Sept 2010	1 Jan – 30 Sept 2009	1 Jul – 30 Sept 2010	1 Jul – 30 Sept 2009
Revenue	**105,783**	**97,285**	**39,809**	**30,445**
Changes in inventories of finished goods and work in progress	672	-2,226	121	-1,432
	106,455	**95,059**	**39,930**	**29,013**
Other work capitalised	5,330	4,181	2,333	1,449
Other income	1,465	1,587	129	207
Cost of materials				
a) Cost of raw materials, consumables and supplies	20,222	17,037	7,257	4,567
b) Cost of purchased services	12,256	7,470	8,224	2,390
	32,478	**24,507**	**15,481**	**6,957**
Staff costs				
a) Wages and salaries	33,262	31,850	11,995	9,140
b) Social security contributions	5,451	5,306	1,719	1,481
c) Expenses for pensions and other benefits	730	550	247	214
	39,443	**37,706**	**13,961**	**10,835**
Amortisation and depreciation expense	13,940	17,863	3,982	5,959
Other expenses	22,474	24,378	6,881	8,185
Net interest income				
a) Interest and similar income	964	1,216	375	408
b) Interest and similar expenses	3,260	3,876	932	1,189
	-2,296	**-2,660**	**-557**	**-781**
Net other finance costs				
a) Other financial income	1,030	1,165	564	596
b) Other financial expenses	1,232	579	-677	7
	-202	**586**	**1,241**	**589**
Taxes on income				
a) Tax income	2,755	3,240	48	946
b) Tax expense	4,370	3,994	1,234	1,113
	-1,615	**-754**	**-1,186**	**-167**
Consolidated net profit	**802**	**-6,455**	**1,585**	**-1,626**
Other earnings				
Translation of financial statements of foreign entities	1,513	-239	-2,602	-1,022
Cash flow hedges	-117	348	686	155
Other earnings after taxes	1,396	109	-1,916	-867
Comprehensive income	**2,198**	**-6,346**	**-331**	**-2,493**
Consolidated net profit, of which:	802	-6,455	1,585	-1,626
– consolidated net profit attributable to shareholders of FP Holding	1,279	-6,027	1,755	-1,501
– consolidated net profit attributable to minority interests	-477	-428	-170	-125
Comprehensive income, of which:	2,198	-6,346	-331	-2,493
– comprehensive income attributable to shareholders of FP Holding	2,675	-5,918	-161	-2,368
– comprehensive income attributable to minority interests	-477	-428	-170	-125
Earnings per share (basic and diluted):	**0.09**	**-0.42**	**0.12**	**-0.10**

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2010

ASSETS

EUR thousand	30 Sept 2010	31 Dec 2009
Non-current assets		
Intangible assets		
Intangible assets including customer lists	16,961	19,104
Goodwill	8,494	8,494
Development projects in progress	6,899	5,069
	32,354	**32,667**
Property, plant and equipment		
Land, land rights and buildings	44	34
Technical equipment and machinery	1,279	1,473
Other equipment, operating and office equipment	3,622	3,485
Leased products	9,252	10,316
Advance payments and assets under development	44	0
Finance lease assets	4,281	4,406
	18,522	**19,714**
Other assets		
Equity investments	209	318
Finance lease receivables	2,804	3,748
Other non-current assets	322	295
	3,335	**4,361**
Deferred tax assets	**14,449**	**12,815**
	68,660	**69,557**
Current assets		
Inventories		
Raw materials, consumables and supplies	4,155	4,733
Work in progress	1,527	1,392
Finished goods and goods for resale	6,063	4,907
	11,745	**11,032**
Trade receivables	**15,520**	**13,883**
Securities	**671**	**670**
Cash and cash equivalents	**28,693**	**29,587**
Other assets		
Finance lease receivables	2,040	2,085
Income tax assets	206	617
Derivative financial instruments	353	9
Other current assets	8,184	6,874
	10,783	**9,585**
	67,412	**64,757**
	136,072	**134,314**

EQUITY AND LIABILITIES

EUR thousand	30 Sept 2010	31 Dec 2009
Equity		
Equity attributable to shareholders of the parent company		
Issued capital	14,700	14,700
Capital reserves	45,708	45,708
Stock option reserve	21	0
Treasury shares	-1,829	-1,829
Loss carried forward	-43,200	-27,176
Consolidated net profit after minority interests	1,279	-16,024
Other comprehensive income	-778	-2,174
	15,901	**13,205**
Minority interests	**1,604**	**2,081**
	17,505	**15,286**
Non-current liabilities		
Provisions for pensions and similar obligations	12,285	12,265
Other provisions	2,510	1,152
Financial liabilities	42,500	51,256
Other liabilities	0	41
Deferred tax liabilities	2,245	1,165
	59,540	**65,879**
Current liabilities		
Tax liabilities	1,454	881
Provisions	9,605	8,479
Financial liabilities	4,819	3,935
Trade payables	5,459	4,829
Other liabilities	37,690	35,025
	59,027	**53,149**
	136,072	**134,314**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2010

EUR thousand	1 Jan – 30 Sept 2010	1 Jan – 30 Sept 2009
Cash flow from operating activities		
Consolidated net profit	802	-6,455
Income tax result recognised in profit or loss	1,809	754
Net interest income recognised in profit or loss	2,295	2,660
Depreciation and amortisation of non-current assets	13,940	17,863
Changes in provisions	1,438	-970
Losses on the disposal of non-current assets	232	359
Changes in inventories, trade receivables and other assets not attributable to investing or financing activities	-2,353	5,003
Changes in trade payables and other liabilities* not attributable to investing or financing activities	2,857	-1,489
Other non-cash expenses and income	1,114	-1,177
Government assistance	-273	-70
Interest received	965	1,216
Interest paid	-2,587	-3,175
Income tax paid	-2,453	-3,197
Cash flow from operating activities	***17,786***	***11,322***
Cash flow from investing activities		
Cash paid for internally generated intangible assets	-114	-92
Cash payments for the capitalisation of development costs	-3,096	-1,814
Proceeds from the disposal of non-current assets	**257**	**78**
Cash payments for investments in intangible assets	-358	-448
Cash payments for investments in property, plant and equipment	-3,575	-3,196
Cash payments for business combinations	-3,500	-400
Cash flow from investing activities	***-10,386***	***-5,872***
Cash flow from financing activities		
Cash payments to repay bank loans	**-7,900**	**-3,570**
Cash payments to repay finance leases	**-777**	**-609**
Cash flow from financing activities	***-8,677***	***-4,179***
Cash and cash equivalents*		
Change in cash and cash equivalents	-1,277	1,271
Change in cash and cash equivalents due to currency translation	178	33
Cash and cash equivalents at beginning of period	12,377	6,998
Cash and cash equivalents at end of period	**11,278**	**8,302**

* The current asset securities amounting to EUR 671 thousand (in Q3 / 2009 EUR 670) are included in the cash and cash equivalent.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2010

in TEUR	Issued capital	Capital reserves	Stock option reserve	Treasury shares	Unappro-priated surplus	Other compre-hensive equity	Equity attribut-able to FP Holding	Minority interests	Total
Balance on 1 January 2009	**14,700**	**45,708**	**0**	**-1,829**	**-27,176**	**-3,027**	**28,376**	**2,650**	**31,026**
Consolidated net profit 1.1.–30.9.2009	**0**	**0**	**0**	**0**	**-6,027**	**0**	**-6,027**	**-429**	**-6,456**
Translation of financial statements of foreign entites	0	0	0	0	0	-239	-239	0	-239
Cash flow hedges	0	0	0	0	0	348	348	0	348
Other earnings 1.1.–30.9.2009	**0**	**0**	**0**	**0**	**0**	**109**	**109**	**0**	**109**
Comprehensive income 1.1.–30.9.2009	**0**	**0**	**0**	**0**	**-6,027**	**109**	**-5,918**	**-429**	**-6,347**
Balance on 30 September 2009	**14,700**	**45,708**	**0**	**-1,829**	**-33,203**	**-2,918**	**22,458**	**2,221**	**24,679**
Balance on 1 January 2010	**14,700**	**45,708**	**0**	**-1,829**	**-43,200**	**-2,174**	**13,205**	**2,081**	**15,286**
Consolidated net profit 1.1.–30.9.2010	**0**	**0**	**0**	**0**	**1.279**	**0**	**2,735**	**-477**	**802**
Translation of financial statements of foreign entities	0	0	0	0	0	1,513	1,513	0	1,513
Cash flow hedges	0	0	0	0	0	-117	-117	0	-117
Other earnings 1.1.–30.9.2010	**0**	**0**	**0**	**0**	**0**	**1,396**	**1,396**	**0**	**1,396**
Comprehensive income 1.1.–30.9.2010	**0**	**0**	**0**	**0**	**1.279**	**1,396**	**2.675**	**-477**	**2.198**
Capital increase from stock options	**0**	**0**	**21**	**0**	**0**	**0**	**21**	**0**	**21**
Balance on 30 September 2010	**14,700**	**45,708**	**21**	**-1,829**	**-41.921**	**-778**	**15.901**	**1,604**	**17.505**

Notes to the consolidated interim financial statements

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 30 September 2010 include FP Holding and its subsidiaries (also referred to hereafter as the FP Group).

Francotyp-Postalia 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 via its subsidiary freesort and its majority shareholding in iab.

The Management Board of Francotyp-Postalia Holding AG approved the 2009 consolidated financial statements for forwarding to the Supervisory Board on 17 March 2010. The responsibility of the Supervisory Board is to examine the consolidated financial statements and declare whether it adopts them. The 2009 consolidated financial statements of Francotyp-Postalia Holding AG were published on 29 April 2010.

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 30 September 2010 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 30 September 2010. The same accounting methods were applied in preparing these interim financial statements as in the preparation of the 2009 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 30 September 2010 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.

The interim consolidated financial statements were approved by the Management Board of FP Holding for publication on 18 November 2010.

Group of 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. The companies are deconsolidated if this power no longer exists.

In February 2010, Francotyp-Postalia GmbH acquired all shares in Aktiebolag Grundstenen 122257, Stockholm / Sweden, a company with virtually no assets. Immediately after the acquisition, this company was renamed "Francotyp-Postalia Sverige AB". On 31 March 2010, this new subsidiary acquired all shares in Franco Frankerings Intressenter AB (formerly Carl Lamm Personal AB), Stockholm / Sweden, from Ricoh Sverige AB, Stockholm / Sweden. The reason for both acquisitions was the FP Group's involvement in the Swedish market. In connection with this, immediately before the acquisition of the shares in Franco Frankerings Intressenter AB, Ricoh Sverige AB had transferred its existing customer relationships in the franking business in Sweden to Franco Frankerings Intressenter AB, together with certain assets and liabilities. With the acquisition of Franco Frankerings Intressenter AB, the FP Group has therefore taken over Ricoh's franking machine business in Sweden.

The identifiable assets and liabilities of Franco Frankerings Intressenter AB as at the time of acquisition are immaterial, apart from the identifiable customer relationships. The customer relationships have been assigned a fair value (at the time of acquisition) of EUR 4,751 thousand (carrying amount immediately before the business combination: EUR 0 thousand). The carrying amounts of the identifiable assets and liabilities otherwise corresponded to their fair values.

The equity investments acquired during the interim period lead in each case to immediate control by Francotyp-Postalia GmbH or by Francotyp-Postalia Sverige AB. In both cases, all voting rights were acquired. Both new companies were included in the group of consolidated companies of the FP Group for the first time on 31 March 2010.

The purchase price allocation in accordance with IFRS 3 required in connection with the acquisition of the shares in Franco Frankerings Intressenter AB has not yet been completed on the basis of the available information, particularly with regard to the valuation of customer relationships. According to current calculations, the acquisition of the shares results in a gain as defined by IFRS 3.34 that is immaterial in terms of its amount; this is reported in the statement of recognised income and expense under the item 'Other income'.

The purchase price for the shares in Franco Frankerings Intressenter AB amounted to EUR 3.5 million (= fair value of the entire consideration transferred that was identified at the time of acquisition) and, in accordance with the contract, was payable in full in cash by 1 July 2010. The purchase price was paid in full on 30 June 2010. Accordingly, EUR 3,500 thousand is shown in the consolidated cash flow statement as cash outflows for business combinations and investing activities.

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

There were no other significant changes in the group of consolidated companies or business combinations in the first nine months of the 2010 financial year.

Currency translation
Currencies have been translated at the following rates:

EUR 1 =	Spot rate			Average rate	
	30 Sept 2010	31 Dec 2009	30 Sept 2009	1 Jan 2010 to 30 Sept 2010	1 Jan 2009 to 30 Sept 2009
US dollar (USD)	1.3652	1.4333	1.4592	1.31620	1.36685
Pound sterling (GBP)	0.8581	0.9000	0.9166	0.85780	0.88723
Canadian dollar (CAD)	1.4072	1.5041	1.5848	1.36300	1.59533
Swedish krona (SEK)	9.1460	10.3165	10.2160	9.50280*	10.60037*
Singapore dollar (SGD)	1.7943	2.0144	2.0697	1.82020	2.01316

* This is the average rate for the period from 1 April to 30 September of the relevant year.

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 differ from the estimates originally expected as a result of changes in these underlying conditions which diverge from the assumptions and are beyond the influence of management. If actual performance differs from that expected, the premises and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly.

No significant changes were made to the estimated amounts presented in the consolidated financial statements as at 31 December 2009.

II. DEVELOPMENTS IN THE REPORTING PERIOD

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

Efforts to safeguard the Birkenwerder location
In the third quarter of the 2010 financial year, information and negotiation proceedings in accordance with section 111 f of the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act) were initiated by way of a letter to the Works Council of the joint works of Francotyp-Postalia GmbH and Francotyp-Postalia Vertrieb und Service GmbH. The subject of the proceedings are plans to develop a production line for the PHOENIX product at the Birkenwerder location and plans for a comprehensive restructuring of the business activities in the Production area and in the area of the central workshop of the FP Group to improve competitive capability, optimise business processes and to enhance earnings and liquidity.

The negotiations that have now begun between the respective employer and employee representatives continued until the time that these consolidated interim financial statements were approved; so far the negotiations have not resulted in any outcome. Nonetheless, we are currently assuming an expense for the FP Group of around EUR 1,300 thousand resulting from the information and negotiation proceedings in accordance with section 111 f BetrVG. A corresponding provision was recognised as at 30 September 2010 (reported under non-current liabilities); this relates to the basic redundancy volume in the (draft) scheme presented by the management.

Contingent capital increase and stock option plan 2010

The Annual General Meeting of Francotyp-Postalia Holding AG resolved on 1 July 2010 (i) to contingently increase the share capital of the company in the amount of up to EUR 1,045,000.00 by issuing up to 1,045,000 no-par-value bearer shares and (ii) to issue pre-emption rights to members of the Management Board of Francotyp-Postalia Holding AG, members of management of affiliated companies within the meaning of section 15 of the Aktiengesetz (AktG – German Stock Corporation Act) and executives of the FP Group and to authorise the bearers to subscribe to a maximum of 1,045,000 shares against payment of the exercise price (stock option plan).

The stock option plan is intended solely to settle equity instruments, primarily by using treasury shares and subordinately by way of a contingent capital increase.

The purpose of the stock option plan is to lastingly combine the interests of the management and executives with those of the shareholders in a long-term increase in enterprise value.

A total of 900,000 stock options were allocated as at 1 September 2010, with each option having a term of ten years from the date of allocation. The options are not securitised. The options were allocated without additional payment. Of the 900,000 stock options allocated, 180,000 each relate to the two members of the Management Board of Francotyp-Postalia Holding AG.

Each individual stock option grants the bearer the right to acquire one share in Francotyp-Postalia Holding AG. All the following requirements must be met to exercise the options:

a) Performance target

The performance target must be met. The performance target for the issued options is met if EBITDA as reported in the 2010 consolidated financial statements exceeds EBITDA as reported in the 2009 consolidated financial statements by 10%. If the performance target is not met, the options are forfeited. This performance target is a non-market-based performance condition.

b) Vesting period

Unless expressly stated otherwise in the terms and conditions of the stock option plan, the vesting period must have expired and the options cannot be exercised within defined blocking periods. The vesting period for the options is four years. This is a service condition.

c) Personal exercise requirements

The option bearer must be employed by either Francotyp-Postalia Holding AG or a German or foreign company of the FP Group at the time of exercise.

The fair value of a stock option has been calculated as EUR 1.37, the fair value of all option rights has been calculated as EUR 1,014,087. They were measured using a Black-Scholes option pricing model as there is no public trading of options to Francotyp-Postalia shares with the same characteristics.

The measurement assumed the following:

- The price of a Francotyp-Postalia share on 1 September 2010 was EUR 2.55.
- Under the stock option plan, the exercise price of the stock options allocated as at 1 September 2010 is the average market price (closing rate) of no-par-value bearer shares in Francotyp-Postalia Holding AG in electronic Xetra trading at Deutsche Börse AG in Frankfurt / Main or a comparable successor system on the last 90 calendar days before 1 September 2010 in euro, or at least the amount of share capital attributable to one share. EUR 2.50 was calculated for the exercise price per share; this value exceeds the amount of share capital attributable to one share.
- It is estimated that the options will be exercised after five years on average (forecast average holding period). The forecast exercise date is therefore 31 August 2015.
- Annual employee fluctuation was estimated at 3.5%.
- The probability of an EBITDA increase of over 10% was estimated at 95%.
- According to calculations, the forecast number of options that can be exercised is 741,439.
- Expected volatility is 74.48%. This was determined by reference to the price volatility of Francotyp-Postalia shares in the period 30 November 2006 to 27 August 2010.
- The annual dividend yield was set at 2%. This yield estimate took into account past distributions by the FP Group.
- The matched-maturity, risk-free interest rate was set at 1.32%. This interest rate for the forecast option term of five years is based on yield curve data from 31 August 2010, whereby hypothetical zero bonds were derived from the flat yields on coupon bonds of the Federal Republic of Germany.

On exercise, the amount of EUR 2.50 per share must be paid by the respective option bearer. For members of the Management Board of Francotyp-Postalia Holding AG there is a cap. If the benefits in kind would thereby exceed the amount of EUR 500,000 (= cap) in one calendar year, the members of the Management Board can only exercise stock options in the respective calendar year until the cap is reached. Stock options that are not exercised on account of the cap are not forfeited and can be exercised in subsequent years until the end of their term in line with the cap.

No stock option rights had been forfeited or lapsed as at 30 September 2010.

As at 30 September 2010, EUR 21 thousand – resulting from the stock option plan – had been recognised as staff costs with a counter entry directly in equity (stock option reserve).

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	30 Sept 2010	30 Sept 2009
Cash and cash equivalents	28,693	24,572
Current financial instruments	671	670
Less postage credit balances managed	-18,086	-16,940
Total	**11,279**	**8,302**

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

	30 Sept 2010	30 Sept 2009
Germany	687	695
US	109	106
United Kingdom	85	79
Netherlands	63	65
Canada	35	32
Belgium	24	18
Austria	22	19
Singapore	19	19
Italy	15	13
Sweden	15	0
Total	**1,074**	**1,046**

Functional distribution

	30 Sept 2010	30 Sept 2009
Production	259	267
Domestic Sales	439	440
International Sales	368	332
Head Office Functions	8	7
Total	**1,074**	**1,046**

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date of 30 September 2010 other than those shown in the financial statements for the interim period.

IV. SEGMENT INFORMATION

The reporting format for segment information has been adapted to the reporting format presented in the consolidated financial statements for 2009. The adjustment also relates to segment information as at 30 September 2009, for the first nine months of the 2009 financial year and for the third quarter of the 2009 financial year.

EUR thousand	Segment A		Segment B		Segment C	
	Production		Domestic Sales		International Sales	
	1.1.– 30.9.2010	1.1.– 30.9.2009	1.1.– 30.9.2010	1.1.– 30.9.2009	1.1.– 30.9.2010	1.1.– 30.9.2009
Revenue	41,347	28,584	55,676	47,543	50,041	48,737
– with third parties	4,145	3,834	53,336	45,132	49,831	48,581
– intersegment revenue	37,202	24,750	2,340	2,411	210	156
EBITDA	**1,563**	**-5,696**	**7,236**	**6,867**	**13,300**	**13,976**
Depreciation and amortisation	2,196	2,321	2,759	2,801	5,983	5,500
Net interest income	-3,673	-3,805	461	-55	100	92
– of which interest expense	4,519	4,449	798	991	495	554
– of which interest income	846	643	1,259	936	594	647
Net other financial income	965	1,539	-109	0	81	12
Taxes on income	-133	73	-75	-1,622	-2,592	-3,280
Net income	-3,474	-10,210	4,754	2,388	4,900	5,301
Segment assets (30 Sept.)	115,961	107,894	67,308	55,525	85,381	79,496
Capital expenditure	425	642	940	1,268	4,187	3,531
Segment liabilities (30 Sept.)	118,356	116,996	55,580	45,046	59,904	50,846

EUR thousand	Segment D					
	Head Office Functions		Reconciliation to Group		FP Group	
	1.1.– 30.9.2010	1.1.– 30.9.2009	1.1.– 30.9.2010	1.1.– 30.9.2009	1.1.– 30.9.2010	1.1.– 30.9.2009
Revenue	1,531	640	-42,812	-28,218	105,783	97,285
– with third parties	1	0	-1,530	-261	105,783	97,285
– intersegment revenue	1,530	640	-41,282	-27,957	0	0
EBITDA	**-926**	**-1,984**	**-2,319**	**1,073**	**18,853**	**14,236**
Depreciation and amortisation	22	0	2,980	7,240	13,940	17,863
Net interest income	676	893	140	216	-2,296	-2,660
– of which interest expense	275	116	-2,826	-2,235	3,260	3,876
– of which interest income	949	1,009	-2,685	-2,018	964	1,216
Net other financial income	-67	0	-1,072	-966	-202	586
Taxes on income	-72	1,513	1,257	2,562	-1,615	-754
Net income	-411	421	-4,967	-4,356	802	-6,455
Segment assets (30 Sept.)	68,785	77,745	-201,362	-170,803	136,072	149,857
Capital expenditure	19	0	6,343	109	11,913	5,550
Segment liabilities (30 Sept.)	21,398	18,304	-136,922	-108,554	117,215	122,637

EUR thousand	Segment A		Segment B		Segment C	
	Production		Domestic Sales		International Sales	
	1.7.–30.9.2010	1.7.–30.9.2009	1.7.–30.9.2010	1.7.–30.9.2009	1.7.–30.9.2010	1.7.–30.9.2009
Revenue	14,034	7,324	23,069	15,923	16,633	14,655
– with third parties	1,300	938	22,325	15,145	16,623	14,521
– intersegment revenue	12,734	6,386	744	778	10	134
EBITDA	**-511**	**-1,984**	**2,452**	**3,093**	**4,587**	**3,729**
Depreciation and amortisation	730	789	904	929	2,081	1,826
Net interest income	-1,002	-1,214	194	32	55	50
– of which interest expense	1,292	1,459	256	328	187	157
– of which interest income	290	245	450	360	242	207
Net other financial income	91	1,009	0	0	11	2
Income taxes	-36	-10	-14	-724	-814	-728
Net income	-2,188	-2,989	1,729	1,473	1,754	1,226

EUR thousand	Segment D					
	Head Office		Reconciliation to Group		FP Group	
	1.7.–30.9.2010	1.7.–30.9.2009	1.7.–30.9.2010	1.7.–30.9.2009	1.7.–30.9.2010	1.7.–30.9.2009
Revenue	697	209	-14,624	-7,666	39,809	30,445
– with third parties	1	0	-440	-159	39,809	30,445
– intersegment revenue	696	209	-14,184	-7,507	0	0
EBITDA	**-451**	**-471**	**-8**	**325**	**6,069**	**4,692**
Depreciation and amortisation	7	0	259	2,415	3,982	5,959
Net interest income	225	246	-29	106	-557	-781
– of which interest expense	92	71	-895	-826	932	1,189
– of which interest income	317	317	-924	-720	375	408
Net other financial income	-67	0	1,206	-422	1,241	589
Income taxes	76	652	-398	643	-1,186	-167
Net income	-225	426	418	-1,762	1,585	-1,626

RECONCILLIATIONS

EUR thousand	1.1.–30.9.2010	1.1.–30.9.2009
Revenue		
Revenue of segments A–C	147,065	124,863
Revenue of "Head Office Functions" segment	1,531	640
Effects of finance lease adjustment	-1,585	-663
Effects on cash flow hedge due to loan repayment	111	302
Other IFRS adjustments	-57	100
	147,065	**125,242**
Less intersegment revenue	41,282	27,957
Revenue according to financial statements	**105,783**	**97,285**
EBITDA		
EBITDA of segments A–C	22,100	15,147
EBITDA of "Head Office Functions" segment	-926	-1,984
	21,174	**13,163**
Effects at consolidation level	-3,570	-412
Measurement effects of reconciliation (IFRS)	1,251	1,485
Consolidated EBITDA	**18,855**	**14,236**
Depreciation and amortisation	-13,940	-17,863
Net interest income	-2,296	-2,660
Net other financial income	-202	586
Consolidated net profit before taxes	**2,417**	**-5,701**
Income taxes	-1,615	-754
Consolidated net profit	**802**	**-6,455**
Assets		
Assets of segments A–C	268,649	242,915
Assets of "Head Office Functions" segment	68,785	77,745
Capitalisation of development costs under IFRSs	13,231	12,274
Effects of goodwill remeasurement	4,204	3,369
Effects of amortisation on customer lists	-3,433	-6,419
Effects of amortisation on internally generated software	-1,476	-1,476
Other IFRS reconciliation	6,897	5,356
	356,857	**333,764**
Effects at consolidation level (incl. elimination of intragroup balances)	-220,785	-183,907
Assets according to financial statements	**136,072**	**149,857**

EUR thousand	1.1.–30.9.2010	1.1.–30.9.2009
Assets by region		
Germany	243,402	236,845
US and Canada	39,354	38,868
Europe (except Germany)	46,027	40,627
Other regions	8,651	4,319
	337,434	**320,660**
Effects of IFRS remeasurement	24,332	20,999
Effects of amortisation on customer lists	-3,433	-6,419
Effects of amortisation on internally generated software	-1,476	-1,476
Effects at consolidation level (incl. elimination of intragroup balances)	-220,785	-183,907
Assets according to financial statements	**136,072**	**149,857**

EUR thousand	1.7.–30.9.2010	1.7.–30.9.2009
Revenue		
Revenue of segments A–C	53,736	37,902
Revenue of “Head Office Functions” segment	697	209
Effects of finance lease adjustment	-494	-461
Effects on cash flow hedge due to loan repayment	111	302
Other adjustments to IFRSs	-57	0
	53,993	**37,952**
Less intersegment revenue	14,184	7,507
Revenue according to financial statements	**39,809**	**30,445**
EBITDA		
EBITDA of segments A–C	6,528	4,838
EBITDA of “Head Office Functions” segment	-451	-471
	6,077	**4,367**
Effects at consolidation level	-939	-97
Measurement effects of reconciliation (IFRS)	931	422
Consolidated EBITDA	**6,069**	**4,692**
Depreciation and amortisation	-3,982	-5,959
Net interest income	-557	-781
Net other financial income	1,241	589
Consolidated net profit before taxes	2,771	-1,459
Income taxes	-1,186	-167
Consolidated net profit	**1,585**	**-1,626**

V. 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, 18 November 2010

Management Board of Francotyp-Postalia Holding AG

Hans Szymanski
Member of the Management Board

Andreas Drechsler
Member of the Management Board

Financial Calendar

3rd Quarter Results 2010	18 November 2010
Consolidated financial statments 2010	April 2011

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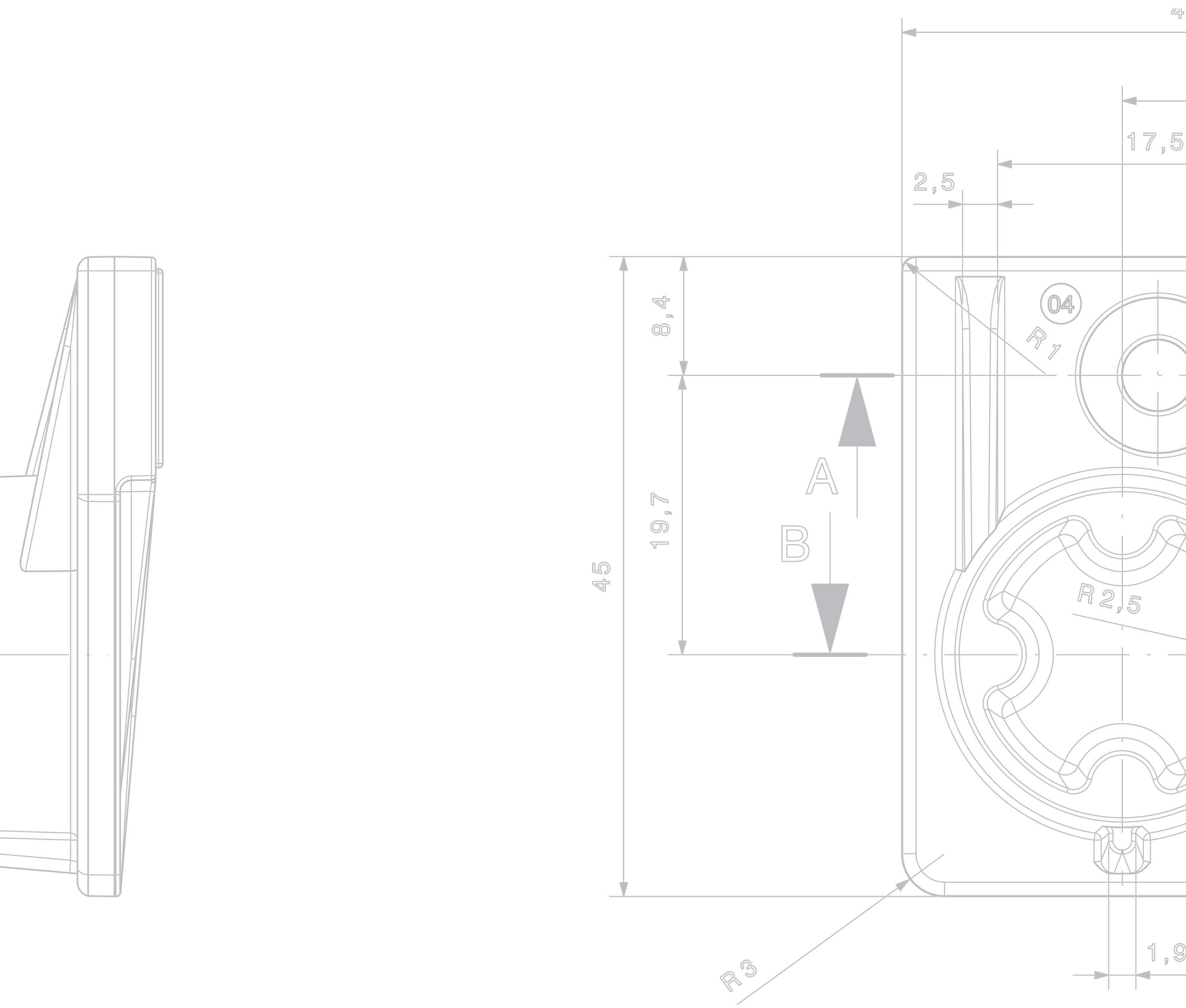

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