

Report of the Supervisory Board

Dear Shareholders,

In 2009 the Supervisory Board performed the duties required of it according to prevailing law, the Articles of Association and company standing orders, while taking the associated decisions as and when necessary. The Supervisory Board held a total of eight meetings, including two conference call meetings and three extraordinary meetings. The entire Board attended all meetings bar one, for which one member gave his apologies. The Management Board also attended four of the total number of Supervisory Board meetings convened.

Overview of the 2009 financial year – monitoring the Management Board

COMPOSITION OF THE MANAGEMENT BOARD

With effect from 1 January 2008 the Supervisory Board appointed Dr. Heinz-Dieter Sluma a member of the Management Board with individual signatory powers and declared him Chairman of the Management Board of Francotyp-Postalia Holding AG. The appointment of Dr. Sluma as CEO of the company was countermanded by the Supervisory Board for good cause on 13 February 2009, and his contract of employment as a member of the Management Board was terminated extraordinarily for good cause. The Annual General Meeting of the company resolved to strip Dr. Sluma of his powers on 23 June 2009.

In response Dr. Sluma has sued, firstly, for wrongful dismissal (Neuruppin Regional Court, 6 O 26/09) and for compensation (Neuruppin Regional Court, 6 O 27/09) and secondly for rescission (Neuruppin Regional Court, 6 O 73/09). With regard to the action for wrongful dismissal, the company assumes that it will be able to defend itself successfully. The company also considers that there is only a small risk of its being unable to avert the pending action for compensation. By contrast, there is a greater risk of its being unable to defend itself successfully in the case of the action for rescission. The proceedings had not been concluded by April 2010. Information on the current status of the proceedings is available on the Francotyp-Postalia Holding AG website.

After the dismissal of Dr. Sluma and termination of his contract, Andreas Drechsler was appointed as an additional member of the Management Board for one year. In October, the Supervisory Board extended this contract early for a total period of three years. Mr. Drechsler has been at Francotyp-Postalia since 1999 and worked as commercial managing director for Francotyp-Postalia, Inc. in the USA and managing director of FP Direkt GmbH in Germany until he became Senior Vice President for Sales and Investor Relations at the end of 2007. Mr. Drechsler took on Management Board responsibility for Sales, Marketing and Investor Relations.

COLLABORATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The FP Group felt the effects of the recession like many other companies, leading to a particularly difficult economic situation for Francotyp-Postalia at the beginning of the financial year. Consultations between the Management and Supervisory Boards thus focused on this topic. The Management Board reported to the Supervisory Board in writing and verbally at regular intervals exceeding the frequency prescribed by the Rules of Procedure.

The fall in sales and a consolidated net loss made immediate cost reduction and restructuring measures necessary for the entire Group. In addition to a significant reduction in staff in the international subsidiaries, the Management Board entered into negotiations regarding restructuring measures with IG Metall and employee representatives at the company's head office in Birkenwerder. In August 2009 the parties entered into a site continuation agreement, which was approved by the Supervisory Board. The competitiveness of the FP Group will remain a key topic for the Supervisory Board and Management Board in the current financial year, as it was in the last.

The consequences of the circumstances described in the 2008 Annual Report, which led to the extraordinary termination of Dr. Sluma's contract for good cause, impacted both the management of the company and the economic performance of the Group in the last financial year. Further explanatory information can be found in the *"Legal and tax risks"* section of the risk report in the Group management report.

cf. 3 Risk Report page 56 

Furthermore, the Management and Supervisory Boards discussed all business development planning matters relevant to the company, coordinated the strategic orientation of the FP Group and discussed the status of strategy implementation. With regard to these issues, the Supervisory Board also took an existing conflict of interest into account. The Supervisory Board was promptly notified by the Management Board of all other important events which could be significant in judging the company's current circumstances, direction and ongoing management, including the risk situation and risk management, as well as of any divergent business trends, and has been able to exhaustively discuss such matters on the basis of the written and verbal reports furnished by the Management Board. With respect to the compliance regulations, the Management and Supervisory Boards jointly resolved to update the existing regulations and also to introduce new regulations binding all FP Group companies.

CHANGES TO THE SUPERVISORY BOARD

Mr. George Marton resigned from his post on the company's Supervisory Board with effect from the end of the Annual General Meeting on 23 June 2009. The Supervisory Board would like to thank Mr. Marton for his constructive contribution.

A new Supervisory Board member had to be elected as a result of Mr. Marton's resignation. According to Sections 95 and 96 of the German Stock Corporation Act (Aktengesetz – AktG) and Section 10 paragraph 1 of the Articles of Association, the company Supervisory Board is composed of three members to be chosen by the Annual General Meeting. In the invitation to the Annual General Meeting held on 23 June 2009, it was proposed that Dr. Claus Gerckens, resident in Augsburg, be elected as a new member of the Supervisory Board of Francotyp-Postalia Holding AG. For formal reasons the Management and Supervisory Boards did not consider it practical to have the Annual General Meeting vote on the election of Dr. Claus Gerckens to the Supervisory Board. The resolution was thus set aside. In an order dated 12 August 2009, the court appointed Dr. Claus Gerckens to the Supervisory Board to serve until the next Annual General Meeting.

Dr. Gerckens was Chairman of the Management Board of BÖWE SYSTEC AG until 31 January 2009 and is managing director of GVG Industrieverwaltungs GmbH in Augsburg. He has held or holds the following supervisory board seats or comparable board seats in German or foreign companies:

- Waltershof Peute Hafen Betriebs G.m.b.H., Hamburg (Deputy Chairman of the Administrative Board)
- EUROKAI KGaA, Hamburg (member of the Supervisory Board)
- Lasermax Roll Systems AB, Ljungby, Sweden (Chairman of the Administrative Board until 16 April 2009)

Other than those listed above, Dr. Gerckens does not hold any further posts on executive bodies.

As an independent member of the Supervisory Board and a former auditor and tax consultant, Dr. Gerckens meets the personal requirements of Supervisory Board members set out in Section 100 paragraph 5 AktG.

COMMITTEES

Due to the corporate size of Francotyp-Postalia Holding AG and the fact that the Articles of Association prescribe that the Supervisory Board must have three members and no more, no other committees were formed. While the Supervisory Board continues to be limited to three persons, the Board as a whole assumes the duties of an Audit Committee.

In this capacity the Supervisory Board examines and monitors the financial reporting process as well as the effectiveness of the internal monitoring system, risk management system and internal audit system. Examination and monitoring is based on the regular reports of the Management Board.

IN-DEPTH DISCUSSIONS OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board has the task of examining the annual financial statements, management report, consolidated financial statements and Group management report prepared by the Management Board. The same applies to the report and conclusions reached by the independent auditor and independent auditor for the Group. KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, has audited the annual financial statements and management report of Francotyp-Postalia Holding AG to 31 December 2009 as well as the consolidated financial statements and Group management report to 31 December 2009, and in each case has issued an unqualified opinion thereof. In accordance with Section 315a German Commercial Code (HGB – Handelsgesetzbuch), the Group management report and consolidated financial statements were drawn up according to International Financial Reporting Standards (IFRS). The independent auditor conducted his audit in accordance with the generally accepted standards for the audit of financial statements promulgated by the IDW Institute of Public Auditors in Germany. As the Supervisory Board did not form its own audit committee, the Supervisory Board as a whole conducted the audit of the documents specified. The Management Board submitted these documents, together with the audit reports by KPMG AG, to the Supervisory Board in good time.

During the balance sheet meeting held by the Supervisory Board on 25 March 2010, in the presence of the independent auditor, who reported on his main audit findings, the 2009 annual financial statements, 2009 consolidated financial statements and associated management reports and audit reports were subjected to detailed scrutiny.

The Supervisory Board concurs with the Management Board's presentation of the state of the company in its reports and annual financial statements as well as with the results of the audit reports. Accordingly the Supervisory Board raises no objections thereto. The Supervisory Board has approved the financial statements drawn up by the Management Board which are therefore duly adopted in accordance with Section 172 AktG.

CORPORATE GOVERNANCE

The Management Board and Supervisory Board issued a Declaration of Compliance with the German Corporate Governance Code (the Code) pursuant to Section 161 AktG, which now forms part of the Declaration on Corporate Governance pursuant to Section 289a HGB, and will make this declaration permanently available to shareholders on the Francotyp-Postalia Holding AG website. The Management Board and Supervisory Board broadly comply with the proposals and recommendations of the Code. The Declaration on Corporate Governance, which also forms part of the 2009 Annual Report, and the Declaration of Compliance give detailed explanations of points where the Management Board and Supervisory Board depart from the Code's proposals and recommendations.

The Supervisory Board conducted an efficiency audit for the first time in the financial year just ended. This will be repeated at regular intervals.

NOTE OF THANKS

Due to the necessity of making a change to the Management Board and the difficult global economic situation, the FP Group was faced with major challenges at the beginning of the 2009 financial year. Despite the still tense economic situation, FP Group can look optimistically towards the future again. The Supervisory Board would like to thank the Management Board as well as the employees and Works Council for this development. Our thanks are also due to the shareholders, who maintained their confidence in the company over the last year.

April 2010

The Supervisory Board
Francotyp-Postalia Holding AG



Prof. Dr. Michael J. A. Hoffmann



Members of the Supervisory Board

Prof. Michael Hoffmann (left)

Born in 1944, Dr. rer. pol. Dipl.-Ing.

Chairman of the Supervisory Board of Francotyp-Postalia Holding AG

Christoph Weise, born in 1953 (no picture)

Diplom-Kaufmann (business graduate)

Deputy Chairman of the Supervisory Board of

Francotyp-Postalia Holding AG

Dr. Claus Gerckens (no picture)

Born in 1950, Dr. rer. soc.

Member of the Supervisory Board of Francotyp-Postalia Holding AG