



Francotyp-Postalia Holding AG

SUPPLEMENTARY REPORT 2007

by the Management Board in accordance with section
315 (4) of the HGB in conjunction with section 120 (3)
sentence 2 of the AktG



Supplementary report by the Management Board in accordance with section 315 (4) of the HGB in conjunction with section 120 (3) sentence 2 of the AktG

Following an amendment to the *Aktiengesetz* (AktG – German Stock Corporation Act) on 25 April 2007, the Supervisory Board is no longer required to discuss the disclosures contained in the Management Report in accordance with sections 289 (4) and 315 (4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) in the Report by the Supervisory Board. This obligation has been transferred to the Management Board of the Company. In accordance with section 120 (3) sentence 2 of the AktG, this report must be presented on an annual basis in future. The Management Board of Francotyp-Postalia Holding AG presented this report for the first time in its 2006 annual financial statements.

Disclosures in accordance with section 289 (4) no. 1, section 315 (4) no. 1 of the HGB (subscribed capital)

On 31 December 2007, the share capital of Francotyp-Postalia Holding AG amounted to €14,700,000.00, divided into 14,700,000 no-par value bearer shares. Up until now there has been no issue of shares due to use of the authorised or contingent capital.

Disclosures in accordance with section 289 (4) no. 2, section 315 (4) no. 2 of the HGB (restrictions affecting voting rights or the transfer of shares)

Each share grants the holder a voting right. There are no restrictions affecting voting rights or the transfer of voting rights. Francotyp-Postalia Holding AG is not aware of any restrictions resulting from agreements between shareholders.

Disclosures in accordance with section 289 (4) no. 3, section 315 (4) no. 3 of the HGB (direct or indirect interests in the Company's share capital exceeding 10% of the voting rights)

As of 31 December 2007, Quadriga Capital Private Equity Fund II L.P. and Quadriga Capital Limited held 22.84% and 5.46% of the share capital of Francotyp-Postalia Holding AG respectively, making for a combined interest in the Company's share capital of 28.3%. This corresponds to a total of 3,357,321 shares held by Quadriga Capital Private Equity Fund II L.P. and 803,326 shares held by Quadriga Capital Limited (combined shareholding: 4,160,647). As of 31 December 2007, J O Hambro Capital Management Umbrella Fund plc, with its headquarters in London, Great Britain, held 10.41%, or 1,530,435 voting rights, in the share capital of Francotyp-Postalia Holding AG. J O Hambro Capital Management Limited and J O Hambro Capital Management Group Limited, both with their headquarters in London, Great Britain, are allocated voting rights via J O Hambro Capital Umbrella Fund plc, with the result that their voting rights in Francotyp-Postalia Holding AG totalled 10.84% as of 31 December 2007, which equalled 1,593,452 voting rights.

Disclosures in accordance with section 289 (4) no. 4, section 315 (4) no. 4 of the HGB (preference shares)

Francotyp-Postalia Holding AG has not issued any preference shares.

Disclosures in accordance with section 289 (4) no. 5, section 315 (4) no. 5 of the HGB (control of voting rights in the case of shares held by employees)

None of the Company's shares are held by employees.

Disclosures in accordance with section 289 (4) no. 6, section 315 (4) no. 6 of the HGB (statutory provisions of the Articles of Association on the appointment and dismissal of members of the Management Board and amendments to the Articles of Association)

In accordance with Article 6 (2) of the Articles of Association of Francotyp-Postalia Holding AG, the Supervisory Board is responsible for determining the number of members of the Management Board and appointing and dismissing such members. In accordance with Article 6 (3) of the Articles of Association, the Supervisory Board may transfer the responsibility for the conclusion, amendment and termination of employment agreements with members of the Management Board to a Supervisory Board committee.

In accordance with Article 23 (1) of the Articles of Association, resolutions at the Annual General Meeting are passed by a simple majority of the votes cast and, unless the law requires a capital majority in addition to a simple majority, by a simple majority of the equity capital represented at the passing of the resolution, unless a larger majority is expressly required by law or in accordance with the Articles of Association. Abstentions are not counted towards the number of votes cast.

In accordance with Article 15 (2) of the Articles of Association, the Supervisory Board is authorised to make amendments to the Articles of Association that relate solely to their wording.

Disclosures in accordance with section 289 (4) no. 7, section 315 (4) no. 7 of the HGB (authorisation of the Management Board to issue or buy back shares)

Authorised capital

By resolution of October 16, 2006, the shareholders' meeting authorised the Management Board, with the consent of the Supervisory Board, to increase the Company's share capital on or prior to October 15, 2011, through the issuance of up to 6,000,000 new ordinary bearer shares with no par value against cash or in-kind contribution, in one or more transactions, by up to an aggregate amount of €6,000,000 (authorised capital). The New Shares are essentially required to be offered to the shareholders. The Management Board, however, has been authorised, subject to the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription rights and, in addition, to exclude the subscription rights

- if the New Shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies, and if the acquisition of the company or the interest is in the well understood interest of the Company;
- with respect to a portion of the authorised capital in the aggregate amount of up to €1,200,000, if (i) the New Shares are issued against cash contribution at an offer price

that is not materially below the market price, and (ii) the aggregate amount of the share capital attributable to the number of shares to be issued from authorised capital, together with other issued or sold shares pursuant to or in accordance with section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), do not exceed a total of 10% of the existing share capital of the Company as of the time of the adoption by the shareholders' meeting of the resolution with respect to such authorisation or—if a lower amount—the share capital of the Company existing at the time of the exercise of the aforementioned authorisation;

- with respect to a share of the authorised capital in the amount of up to €1,200,000 for the purpose of issuing New Shares to employees of the Company or employees of one of its direct or indirect affiliates within the meaning of section 18 of the German Stock Corporation Act (*Aktiengesetz*), whereby the issuance of the employee shares can also be effectuated at a preferential price.

Contingent capital

On October 16, 2006, the shareholders' meeting resolved to increase the share capital of the Company by up to €6,000,000 by issuing new ordinary bearer shares with no par value, each such share with a notional par value of €1.00 per share (contingent capital). The contingent capital is intended to be used to grant rights to holders of option or conversion rights or, as the case may be, the persons obliged to exchange or convert by October 15, 2011 (inclusive) pursuant to option bonds or convertible bonds, that are issued or guaranteed by Francotyp-Postalia Holding AG or a direct or indirect affiliate of Francotyp-Postalia Holding AG within the meaning of section 18 of the German Stock Corporation Act (*Aktiengesetz*) in accordance with the aforementioned authorisation conferred by the shareholders' meeting on the Management Board and to the extent other forms of satisfying such rights are not used. The issuance of the shares will be effectuated at the strike price or conversion price fixed in each case by resolution. The contingent capital increase will be effectuated only in the event of the issuance of option bonds and/or convertible bonds and only to the extent that the related option or conversion rights or exchange or conversion obligations are exercised. The New Shares will have full dividend rights for the entire fiscal year of the Company in which they were created through the exercise of the option or conversion rights or through exchange or conversion obligations. The Management Board has been authorised, with the consent of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase. An application for the contingent capital was submitted for registration in the Commercial Register and is expected to be registered on November 15, 2006.

Conversion rights and options

The Annual General Meeting on 16 October 2006 authorised the Management Board, with the approval of the Supervisory Board, to issue option and/or convertible bonds (hereinafter also collectively referred to as "bonds") with a total volume of up to €2,000,000,000 and a maximum term of 30 years on one or more occasions until 15 October 2011, and to grant options to the holders of option bonds and conversion rights to the holders of convertible bonds for the no-par value shares of the Company with a total notional interest in the share

capital of up to €6,000,000 in accordance with the more detailed terms and conditions of the bonds.

Authorisation to Acquire and Sell Treasury Shares

By resolution of the shareholders' meeting on October 16, 2006, the Company was authorised, pursuant to section 71 paragraph 1 no. 8 of the German Stock Corporation Act (*Aktiengesetz*), to acquire shares representing up to 10% of the share capital of the Company by April 15, 2008 (inclusive) in the stock market or by means of a public offering directed to all shareholders of the Company, though not for the purpose of trading in its own shares and subject to the limitations of section 71 paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*).

If the shares are purchased in the stock market, the price per share paid by the Company (net of commissions) may not exceed or fall short of, by more than 10%, the price determined in the opening auction on the respective trading day in Xetra trading (or in trading on a functionally equivalent successor system taking the place of the Xetra system) of the Frankfurt Stock Exchange.

If the shares are purchased through a public offering made to all shareholders of the Company, the price or the price range per share offered by the Company (in each case net of commissions) may not exceed or fall short of, by more than 10%, the price determined in the final auction in Xetra trading (or in trading on a functionally equivalent successor system taking the place of the Xetra system) of the Frankfurt Stock Exchange on the trading day preceding the announcement of the intention to make a public offering. The size of the offering can be limited. To the extent that the total subscriptions exceed the size of the offering, the acceptance must occur pro rata in relation to the shares offered. The offer terms can provide for preferential acceptance of small blocks of up to 100 tendered shares per shareholder. The authorisation for the acquisition can be exercised in whole or in partial amounts, once or more than once, for one or more purposes, within the scope of the aforementioned limitations. The Management Board was authorised with regard to the acquired treasury shares not only on the stock exchange or through a public offering to all shareholders, but also, with the consent of the Supervisory Board, to the exclusion of the shareholders' subscription rights, also

- to issue them against in-kind contributions for the purpose of acquiring companies or interests in companies, to the extent that the acquisition of the company or the interest in the company is in the well-understood interest of the Company and to the extent that the consideration to be paid per treasury share by third parties is not unreasonably low (by analogy to section 255 paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*));
- to issue the shares against cash contributions for the purpose of introducing the shares of the Company to a foreign stock exchange on which the shares of the Company have not previously been admitted to trading; or
- to sell the shares at a price that does not exceed or fall short of, by more than 10%, the average price (arithmetic mean) of the final auction price in Xetra trading (or in trading on a functionally equivalent successor system taking the place of the Xetra system) of the

Frankfurt Stock Exchange on the five trading days preceding the sale of the shares, provided that this authorisation to exclude subscription rights, taking into consideration the current and future authorisation in the Articles of Association of the Company, is limited to a maximum of 10% of the share capital of the Company. This limit of 10% of the share capital will include shares that are issued to the exclusion of shareholder subscription rights after this authorisation takes effect, pursuant to an authorisation in effect at the time this authorisation takes effect or an authorisation in place thereof, to issue New Shares from authorised capital pursuant to section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Shares issued or required to be issued for the satisfaction of convertible bonds or option bonds will also be included within the limit, to the extent that the convertible bonds or option bonds were issued to the exclusion of shareholder subscription rights after this authorisation takes effect, pursuant to an authorisation in effect at the time this authorisation takes effect or an authorisation in place thereof, in analogous application of section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*); or

- to assign such shares to authorised subscribers in satisfaction of subscription rights to shares of the Company in the scope of convertible bond or option bond programmes of the Company. The authorisation to sell, even outside of the stock exchange, can be exercised in whole or in part, once or more than once, individually or separately. The Company's Management Board was also authorised to retire the acquired treasury shares without the need for a further resolution by the shareholders' meeting. The rights to acquire treasury shares pursuant to section 71 paragraph 1 subparagraphs 1 to 6 of the German Stock Corporation Act (*Aktiengesetz*) remain unaffected.

In exercise of the authorisation granted by the shareholders' meeting dated October 16, 2006, the Management Board approved on November 20, 2007a programme for the Company to buy back its own shares.

In accordance with the authorisation granted by the shareholders' meeting dated October 16, 2006 an amount of up to 500,000 shares of the company shall be purchased by the Company in the stock market. This equals a share of up to 3.40 percent of the Company's share capital. The price per share paid by the Company (net of commissions) may not exceed, or fall short of, by more than 10 percent, the price determined in the opening auction on the respective trading day in Xetra trading of the Frankfurt Stock Exchange. The share buy-back programme may run until April 15, 2008 (including). The Management Board reserves the right to suspend or discontinue the share buy-back programme at any time and to acquire a total of less than 500,000 shares of the Company.

The buy-back programme will be administered by an investment bank, which will execute the buy-back pursuant to in particular Article 5 of the Regulation (EC) no. 2273/2003 of the Commission dated December 22, 2003.

By 31 December 2007 Francotyp-Postalia Holding AG had acquired 102,132 own shares.

Disclosures in accordance with section 289 (4) no. 8, section 315 (4) no. 8 of the HGB (material agreements of the parent company that are subject to the condition of a change of control resulting from a takeover bid)



No such agreements were in place as of 31 December 2007.



Disclosures in accordance with section 289 (4) no. 9, section 315 (4) no. 9 of the HGB (compensation agreements of the parent company in the event of a takeover bid)

No such agreements were in place as of 31 December 2007.

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