



ER 2006



Francotyp-Postalia Holding AG

## **EXPLANATORY** REPORT

of the Management Board in accordance with Article 289, Paragraph 4, and Article 315, Paragraph 4, of the German Commercial Code in connection with Article 120, Paragraph 3, Clause 2, of the German Stock Corporation Act

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Due to the amendment to the German Stock Corporation Act dated April 25, 2007 there is no longer the obligation for the Supervisory Board to explain in the Supervisory Board report the information contained in the Management Board report in accordance with Articles 289, Paragraph 4, and Article 315, Paragraph 4, of the German Commercial Code. This is now the obligation of the company's Management Board. In future, this report shall be submitted annually in accordance with Article 120, Paragraph 3, Clause 2, of the German Stock Corporation Act. The Management Board of Francotyp-Postalia Holding AG is submitting this report for the first time with annual financial statements for 2006.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 1, and Article 315, Paragraph 4, Subparagraph 1, of the German Commercial Code (subscribed capital)**

On December 31, 2006, the share capital of Francotyp-Postalia Holding AG amounted to 14,700 thousand euros, consisting of 14,700,000 no par value shares.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 2 and Article 315, Paragraph 4, Subparagraph 2, of the German Commercial Code (restrictions which concern the voting rights or transfer of the shares)**

Each share is accorded one voting right. There are no restrictions which concern the voting rights or the transfer of voting rights. The Management Board of Francotyp-Postalia Holding AG is not aware of any restrictions which could arise from agreements between companies.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 3, and Article 315, Paragraph 4, Subparagraph 3 of the German Commercial Code (direct or indirect participations in capital which exceed 10% of the voting rights)**

As at December 31, 2006, the Quadriga Capital Private Equity Fund II L.P. holds 22.84% and Quadriga Capital Limited 5.46%, meaning that both companies together hold 28.3% of the share capital of Francotyp-Postalia Holding AG. This corresponds to 3,357,321 shares for the Quadriga Capital Private Equity Fund II L.P. and 803,326 shares for Quadriga Capital Limited, a total of 4,160,647.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 4, and Article 315, Paragraph 4, Subparagraph 4 of the German Commercial Code (privilege shares)**

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

**Information in accordance with Article 289, Paragraph 4, Subparagraph 5, and Article 315, Paragraph 4, Subparagraph 5 of the German Commercial Code (voting right monitoring in the case of employee participation)**

There are no employees with participations in the capital.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 6, and Article 315, Paragraph 4, Subparagraph 6 of the German Commercial Code (statutory determination of the Articles of Association regarding the appointment and dismissal of members of the Management Board and regarding amending the Articles Of Association)**

In accordance with Clause 6, Paragraph 2, of the Articles of Association of Francotyp-Postalia Holding AG, the Supervisory Board determines the number of Management Board members, their appointment and the revokement of their appointment. In accordance with Clause 6, Paragraph 3, of the Articles of Association, the Supervisory Board can transfer to a Supervisory Board committee the conclusion, amendment and termination of employment contracts.

The Articles of Association specify in Clause 23, Paragraph 1 that the resolutions at the Annual General Meeting are passed with a simple majority of the votes cast and, unless the law requires a capital majority in addition to the simple majority, the simple majority of the share capital represented at the passing of the resolution, unless the law or the Articles of Association expressly require a larger majority. Abstentions are regarded as votes not cast.

In addition, the Supervisory Board is authorised in accordance with Clause 15, Paragraph 2 to make changes to the Articles of Association which only effect the wording.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 7, and Article 315, Paragraph 4, Subparagraph 7, of the German Commercial Code (authority of the Management Board regarding the option of issuing and buying back shares)**

Authorised capital

By resolution of October 16, 2006, the Annual General Meeting authorised the Management Board, with consent of the Supervisory Board, to increase the company's share capital on or prior to October 15, 2011 (inclusive) through the issuance of new ordinary bearer shares against cash or in-kind contribution, by one or more transactions, by an aggregate amount of 6,000,000 euros (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.

Conversion and option rights

By resolution of the Annual General Meeting of October 16, 2006, the Management Board was authorised, with the consent of the Supervisory Board, to issue cum-warrant bonds and/or convertible bonds by October 15, 2011 (inclusive), once or more times, in a single amount or in partial amounts (such cum-warrant bonds and convertible bonds are subsequently also collectively referred to as "partial debentures") in the total nominal amount of 200,000,000 euros with a duration no longer than thirty years, and to grant the holders of cum-warrant bonds option rights or, as the case may be, the holders of convertible bonds conversion rights, for the company's ordinary bearer shares with no par value with a notional par value in the total amount of up to 6,000,000 euros in accordance with the more detailed provisions of the debenture terms.

Contingent capital

To secure the aforementioned option and conversion rights and conversion obligations, the Annual General Meeting resolved on October 16, 2006 to increase the share capital of the company by up to 6,000,000 euros by issuing new ordinary bearer shares with no par value, each such share with a notional par value of 1.00 euro (contingent capital).

**Information in accordance with Article 289, Paragraph 4, Subparagraph 8, and Article 315, Paragraph 4, Subparagraph 8 of the German Commercial Code (important agreements of the parent company which are subject to a control change due a company acquisition)**

There are no such agreements as of December 31, 2006.

**Information in accordance with Article 289, Paragraph 4, Subparagraph 9, and Article 315, Paragraph 4, Subparagraph 9 of the German Commercial Code (compensation agreement of the parent company in the event of a company acquisition)**

There is no such agreement as of December 31, 2006.

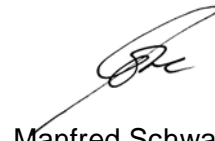
Birkenwerder, May 2007



Hans Christian Hiemenz



Hartmut Neumann



Manfred Schwarze