



EXPLANATORY REPORT BY THE MANAGEMENT BOARD IN ACCORDANCE WITH SECTION 289 PARAGRAPH 4 respectively SECTION 315 PARAGRAPH 4 HGB TOGETHER WITH SECTION 120 PARAGRAPH 3 SENTENCE 2 AKTG SECTION

The FP Group makes the following mandatory disclosures in accordance with Section 315 paragraph 4 HGB. These are all terms in common use at publicly listed companies and are not intended to hinder an attempted takeover.

Disclosures in accordance with Section 289 paragraph 4 No. 1/ Section 315 paragraph 4 No. 1 HGB (Subscribed capital)

On 31 December 2008 the share capital of Francotyp-Postalia Holding AG came to €14,700,000. It is divided into 14,700,000 shares. As of 31 December 2008 370,444 of these shares had been bought back.

Disclosures in accordance with Section 289 paragraph 4 No. 2/ Section 315 paragraph 4 No. 2 HGB (Restrictions relating to voting rights or the transfer of shares)

Each share entitles the bearer to one vote. There are no restrictions relating to voting rights or the transfer of voting rights. The Management Board of Francotyp-Postalia Holding AG is not aware of any restrictions which may result from agreements between shareholders.

Disclosures in accordance with Section 289 paragraph 4 No. 3/ Section 315 paragraph 4 No. 3 HGB (Direct or indirect interests in share capital exceeding 10 per cent of voting rights)

As of 31 December 2008 Quadriga Capital Private Equity Fund II L.P., which had invested before the public flotation, held 22.4% and Quadriga Capital Limited, which had also invested prior to the flotation held 3.9%, so that together the two companies held 26.3% of the share capital of Francotyp-Postalia Holding AG. This corresponds to 3,292,333 shares for Quadriga Capital Private Equity Fund II L.P. and 573,253 shares for Quadriga Capital Limited (in total 3,865,586). Amiral Gestion based in Paris, France, held 11.3% as of 31 December 2008. This corresponds to 1,660,679 voting rights in the shares capital of Francotyp-Postalia Holding AG.

Disclosures in accordance with Section 289 paragraph 4 No. 4/ Section 315 paragraph 4 No. 4 HGB (Shares with special rights)

Francotyp-Postalia Holding AG has issued no shares with special rights.

Disclosures in accordance with Section 289 paragraph 4 No. 5/Section 315 paragraph 4 No. 5 HGB (Control of voting rights of employee shareholders)

No employees hold shares in the company.

Disclosures in accordance with Section 289 paragraph 4 No. 6/Section 315 paragraph 4 No. 6 HGB (Statutory regulation in the Articles of Association on appointing and

dismissing Management Board members and amending the Articles of Association)

In accordance with Section 6 paragraph 2 of the Articles of Association of Francotyp-Postalia Holding AG the Supervisory Board is responsible for determining the number of Management Board members, appointing them and revoking their appointment. In accordance with Section 6 paragraph 3 of the Articles of Association the Supervisory Board can appoint a Supervisory Board committee to sign, amend and terminate employment contracts with Management Board members.

Article 23, paragraph 1 of the Articles of Association stipulates that unless statutes or the Articles of Association require a larger majority the Annual General Meeting passes resolutions by simple majority of votes cast and where statutes require a majority of capital in addition to a majority of votes by simple majority of capital represented when voting takes place. Abstentions count as votes not cast.

Furthermore, in accordance with Article 15 paragraph 2 of the Articles of Association the Supervisory Board can make amendments to the Articles which only relate to wording.

Disclosures in accordance with Section 289 paragraph 4 No. 7/ Section 315 paragraph 4 No. 7 HGB (Powers of the Management Board to issue or buy back shares)

Authorised capital

By resolution dated 16 October 2006 the Annual General Meeting authorised the Management Board subject to the approval of the Supervisory Board to increase the share capital of the company on one or more occasions until 15 October 2011 by issuing up to 6,000,000 new bearer shares for subscription in cash or in kind by up to a total of €6,000,000 (authorised capital). The new shares are generally to be offered for subscription to shareholders. The Management Board has nevertheless been authorised to exempt fractional amounts from the shareholders' subscription rights and also to rule out shareholders' subscription rights subject to the approval of the Supervisory Board,

- provided that new shares are issued for subscription in kind in order to acquire companies or equity interests in companies and the acquisition or the equity interest are in the best interests of the company;
- for a share of authorised capital of up to a total of €1,200,000 to the extent that (i) the new shares are issued for subscription in cash at an issue price not significantly less than the stock market price and (ii) the cumulative pro rata percentage of share capital attributable to the number of shares issued from authorised capital together with other shares issued or sold in accordance with Section 186 paragraph 3 sentence 4 AktG does not exceed a total of 10% of the company's share capital at the time the Annual General Meeting adopts a resolution on this authorisation or at the time this authorisation is exercised – whichever is the lower;
- for a share of authorised capital up to a total of €1,200,000 in order to issue the new shares to employees of the company or employees of a directly or indirectly consolidated company within the meaning of Section 18 AktG, whereby employee shares may be issued at a preferential price.

Contingent capital

On 16 October 2006 the Annual General Meeting passed a resolution to increase the company's share capital contingently by an amount of up to €6,000,000 by issuing new bearer shares each representing €1 of share capital (contingent capital). The contingent capital serves to grant rights to holders of option or conversion rights and/or to those obliged



to exchange or convert rights under option and convertible bonds issued or guaranteed until 15 October 2011 (inclusive) by Francotyp-Postalia Holding AG or a direct or indirect consolidated company of Francotyp-Postalia Holding AG within the meaning of Section 18 AktG in accordance with the aforementioned authorisation of the Management Board by the Annual General Meeting, to the extent that other means of settling the obligation are not employed. Shares are to be issued at an option or conversion price to be determined by resolution. The contingent capital increase is only implemented in the event that option and/or convertible bonds are issued and only to the extent that the ensuing option or conversion rights are exercised or the exchange or conversion obligations are met.

Conversion and option rights

The Management Board was authorised by resolution of the Annual General Meeting on 16 October 2006, subject to approval by the Supervisory Board, up to 15 October 2011 inclusive to issue option and/or convertible bonds (hereinafter also known collectively as bonds), on one or more occasions, in total or for separate amounts, up to a nominal total of €200,000,000 with a maturity of up to thirty years, and to grant option rights to the holders of option bonds and conversion rights to the holders of convertible bonds for bearer shares in the company representing a proportion of share capital of up to a total of €6,000,000 subject to the detailed terms of the bonds. Hitherto no shares have been issued making use of authorised or contingent capital.

Authorisation to buy and sell treasury shares

By resolution of the Annual General Meeting on 16 October 2006 the company was authorised under Section 71 paragraph 1 No. 8 AktG up to 15 April 2008 inclusive to acquire shares in the company of up to 10% of the company's share capital via the stock exchange or by means of a public purchase offer made to all company shareholders. Trading in treasury shares is not permitted and the restrictions of Section 71 paragraph 2 AktG apply.

On 20 November 2007 and the basis of this authorisation the Management Board of Francotyp-Postalia Holding AG passed a resolution to carry out a share buy-back programme.

For the purposes of carrying out the buy-back Francotyp-Postalia Holding AG had appointed an investment bank to carry out the buy-back in accordance with the rules mentioned in particular in Article 5 of Commission Regulation (EC) No. 2273/2003 dated 22 December 2003 (EC-REG).

Up to 15 April 2008 a total of 370,444 company shares were acquired via the stock exchange under the authorisation from the Annual General Meeting dated 16 October 2006. This corresponds to 2.52% of the company's share capital.

The authorisation given by the Annual General Meeting on 16 October 2008 to acquire treasury shares expired on 15 April 2008. The authorisation to use the treasury shares already acquired given by the Annual General Meeting on 16 October 2006 was replaced by an authorisation given by the Annual General Meeting on 18 June 2008.

Under the new authorisation the purchase of treasury shares can either take place via the stock exchange or by means of a public purchase offer.

To the extent that the number of shares tendered in response to a public purchase offer exceeds the number intended for purchase, shares can be purchased in proportion to the number of shares tendered and excluding shareholders' right to tender their shares, in order to simplify the process. This simplification also serves to give preference to smaller amounts of shares of up to 100 shares tendered per shareholder.

The authorisation stipulates that the treasury shares purchased can be sold again via the stock exchange or by means of an offer to all shareholders. In addition the Management board is also to be authorised, subject to the approval of the Supervisory Board,

- to withdraw shares without further resolution by the Annual General Meeting.
- to offer and to transfer shares as consideration in the course of company mergers or as consideration for the acquisition of companies or equity interests in them. The proposed authorisation is intended to strengthen the company in competing for interesting acquisition targets and allow it to respond rapidly, flexibly and in a cash-conserving manner to opportunities to acquire companies or equity interests in them. The proposed exclusion of shareholders' subscription rights serves this purpose. The decision in any given case whether to use treasury shares or shares from authorised capital is made by the Management Board in the sole interests of the shareholders and the company. In determining the relative valuations the Management Board will ensure that the interests of shareholders are reasonably safeguarded. To do so the Management Board will take the quoted share price into account; however, a systematic link to the quoted price is not planned, particularly so that the results of negotiations are not called into question by fluctuations in the listed share price. There are no concrete plans to make use of this authorisation.
- to issue treasury shares subject to the approval of the Supervisory Board in order to float company shares on a foreign stock exchange on which they were not previously listed. This is intended to give the company the flexibility of a secondary listing on foreign exchanges if this is deemed necessary to secure better long-term equity funding.
- to sell treasury shares to third parties for cash excluding subscription rights, e.g. to institutional investors or to access new investor groups. The condition for such a sale is that the price obtained (without ancillary purchase costs) is not significantly below the price for a share on the trading date as determined by the opening auction in XETRA trading (or a comparable successor system) at Deutsche Börse AG. Orienting the sales price to the quoted price offers some protection against dilution and provides reasonable protection of shareholders' pecuniary and voting interests. When setting the final sales price management will endeavour to keep any discount from the quoted price to a minimum – taking current market circumstances into account. Shareholders have the option of maintaining the level of their stake by purchasing shares via the stock exchange, and it is in the interests of shareholders that the company benefits from additional room for manoeuvre to exploit favourable stock exchange conditions at short notice. There are no concrete plans to make use of this authorisation.
- to offer for purchase and to grant treasury shares to persons in the company's employment or that of subsidiary-affiliated companies (employee shares). The financial success of the company and its consolidated companies depends to a large extent on its staff. Issuing employee shares on preferential terms strengthens staff loyalty towards the company and its consolidated companies and therefore also promotes the company's success over the long term. Using existing treasury shares instead of a capital increase or a cash payment can make economic sense and the authorisation is intended to increase flexibility in this regard.

The Management Board will notify the next Annual General Meeting when use is made of the authorisation.

Disclosures in accordance with Section 289 paragraph 4 No. 8/Section 315 paragraph 4 No. 8 HGB (Significant agreements of the parent company subject to a change of control following a takeover offer)

No such agreements were in place as of 31 December 2008.



Disclosures in accordance with Section 289 paragraph 4 No. 9/Section 315 paragraph 4 No. 9 HGB (Compensation agreements of the parent company in the event of a change of control)

No such agreements were in place as of 31 December 2008.