



Declaration on Corporate Governance and corporate governance report

The Management Board and Supervisory Board submit an annual corporate governance report on the corporate governance of the company. As with the Declaration of Compliance, this is also a component of the company's Declaration on Corporate Governance pursuant to Section 289a (1) of the German Commercial Code (Handelsgesetzbuch - HGB).

The purpose of the German Corporate Governance Code is to make the rules for the management and supervision of companies prevailing in Germany as transparent as possible for both domestic and international investors. The Code's provisions and rules cover the fields of shareholder interests, the Management Board and Supervisory Board, the transparency of company management, and the duties of the independent auditor. The Management Board and Supervisory Board of Francotyp-Postalia Holding AG are committed to the interests of shareholders and thus to the implementation of the recommendations and proposals of the German Corporate Governance Code (the Code). In line with the principles of the social market economy, the Management Board and Supervisory Board also safeguard the company's existence and ensure sustainable added value. The Management Board and Supervisory Board report on potential deviations from the recommendations of the Code in both the Declaration of Compliance and the following extensive disclosures with reference to the version of the Code dated 26 May 2010.

Declaration of Compliance with the Corporate Governance Code for 2011

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz - AktG), the Management Board and Supervisory Board of Francotyp-Postalia Holding AG hereby present its Declaration of Compliance, setting out which recommendations of the version of the German Corporate Governance Code dated 26 May 2010, as published by the Federal Ministry of Justice in the official section of the electronic version of the Federal Gazette, it has been and is complying with or which recommendations have not been or are not being applied.

- 2.3.1 As the company is not going to offer postal votes at its next Annual General Meeting, it will not publish the applicable forms on its website.
- 2.3.3 The company will not offer postal votes at its next Annual General Meeting. To date, the Articles of Association of Francotyp-Postalia Holding AG have not allowed for the possibility of postal voting. Moreover, this system has not yet been sufficiently tested and involves legal uncertainty.
- 5.2 While the Supervisory Board continues to consist of three persons, no committees will be formed in which the Supervisory Board Chairman or any other Supervisory Board member could occupy an additional chairmanship role, as the composition of the committees would be identical to that of the Supervisory Board.
- 5.3.1 For the same reason, no specialist committees will be formed.



- 5.3.2 While the Supervisory Board continues to be limited to three persons, the Board as a whole will assume the duties of an Audit Committee.
- 5.3.3 With regard to the formation of a nomination committee, the same circumstances apply as to the other committees.
- 5.4.6 The Articles of Association do not provide for performance-related remuneration for members of the Supervisory Board. A discussion on possible adjustments is planned.
- 7.1.2 As a consequence of the extensive consolidation work involved, the consolidated financial statements are drawn up within four months of the end of the financial year. Due to the large amount of consolidation work involved, the quarterly and half-yearly reports are also published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules (Börsenordnung) and the Transparency Guidelines Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz).

Birkenwerder, 6 April 2011

For the Supervisory Board

Prof. Michael J. A. Hoffmann
Chairman of the Supervisory Board

For the Management Board

Hans Szymanski

Andreas Drechsler

Basic information on the structure of company management and the underlying rules

Francotyp-Postalia Holding AG is domiciled in Birkenwerder and, as a German company, is subject to German stock corporation law. German stock corporations are required to have a dual management system composed of a management board and a supervisory board. In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG comprises three members elected by the Annual General Meeting. The Chairman and Deputy Chairman are elected from among the Supervisory Board's members. The Supervisory Board's Rules of Procedure, which the committee drew up for itself, govern its working method.



In accordance with the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG holds four meetings each calendar year, two of which are to take place every six calendar months. Extraordinary meetings are convened by the Supervisory Board Chairman if required and after due assessment of the circumstances.

Pursuant to the Articles of Association, the Supervisory Board may appoint one or more persons to the Management Board of the company. The Management Board of Francotyp-Postalia Holding AG currently comprises two members. The Management Board manages the company independently in line with the company's best interests with the aim of creating sustainable added value while taking into account the concerns of shareholders, its employees and other groups affiliated with the company. In accordance with the Rules of Procedure for the Management Board issued by the Supervisory Board, the Management Board manages the company's businesses in line with uniform plans and guidelines, with the Management Board bearing joint responsibility for the management of the entire company. As part of the overall responsibility for managing the company, the two members of the Management Board are required within the remit of tasks allocated to them to cooperate in a collegial and trustful manner for the benefit of the company.

The Management Board develops the strategic direction of the company and coordinates this with the Supervisory Board. In addition to complying with statutory provisions and internal company guidelines, the Management Board also ensures appropriate risk management and monitoring within the company and the Group companies. More detailed information can be found in the risk report contained in the Group management report. Management Board meetings are held at regular intervals, every two weeks if possible.

Committees of the Supervisory Board

Due to the size of the company and the number of members of the Supervisory Board prescribed by the Articles of Association, as a rule no other committees are formed. For this reason, the Supervisory Board as a whole decides on and monitors issues relating to the Management Board remuneration system, including the principal elements of contracts. Likewise, the Supervisory Board as a whole assumes the duties of an Audit Committee, with the Supervisory Board Chairman acting as Chairman of said committee. One member of the Supervisory Board possesses the requisite specialist knowledge in the area of accounting.

Cooperation between the Management Board and Supervisory Board

Achieving sustained increases in company value is the common goal of the collaboration between the Management Board and the Supervisory Board. The Management and Supervisory Boards meet at regular intervals to discuss the strategic direction of the company as jointly coordinated. The Management Board also provides the Supervisory Board with regular information on all issues relating to planning, business trends, risk, risk management, internal accounting and compliance. The Management Board reports any discrepancies between actual business performance and the plans and goals drawn up, and provides justification for these. The Supervisory Board has stipulated in the Rules of Procedure for the



Management Board how the Management Board must provide information and reports. These Management Board Rules of Procedure also stipulate that the Supervisory Board has the right of veto with respect to decisions or measures which could materially affect the company's assets, financial situation or earnings position, and also concerning transactions of major importance.

Francotyp-Postalia Holding AG has taken out D&O insurance, which includes an excess of 10% of the loss, for the members of the Supervisory and Management Boards in accordance with the provisions of the German Corporate Governance Code.

Remuneration of the Management Board and Supervisory Board

Francotyp-Postalia Holding AG adheres to the recommendations of the Code concerning disclosure of the remuneration of individual Management Board and Supervisory Board members. The basic features of the remuneration system and remuneration are presented in the remuneration report contained in the Group management report and the management report.

Conflicts of interest

When taking decisions and performing their duties, the Management Board and Supervisory Board are bound to act in the company's best interests and may neither pursue personal interests nor confer advantages on other persons or make personal use of business opportunities which are the purview of the company itself. All members of the Management Board must disclose any conflicts of interest to both the Supervisory Board and other members of the Management Board. Likewise, all members of the Supervisory Board must disclose any conflicts of interest to the Supervisory Board. Furthermore, in its report, the Supervisory Board must notify the Annual General Meeting of any conflicts of interest and how they were dealt with.

Diversity

With regard to its future composition, the Supervisory Board must bear in mind the composition of the Supervisory Board recommended by the Corporate Governance Code, with male and female members. At present, there are still no women on the company's Supervisory Board. For a Supervisory Board consisting of three members in total, it is considered to be adequate to have one female Supervisory Board member. In the Supervisory Board elections planned for the 2011 Annual General Meeting, no female candidates are to be put forward for election for the time being. This is in the interests of Francotyp-Postalia Holding AG, which is currently undergoing restructuring measures. It therefore seems crucial to maintain continuity in the work of the Supervisory Board for the moment. The Supervisory Board will take into account the issue of diversity when seeking suitably qualified candidates for Management Board positions that need to be filled.

Furthermore, at least one member of the Supervisory Board is to fulfil criteria with regard to internationality. One member already meets these criteria.



Shareholders and Annual General Meeting

The Management Board convenes an Annual General meeting at least once a year. At the Annual General meeting, the shareholders receive the consolidated and annual financial statements and the related management reports and resolve on the use of the unappropriated surplus and on the approval of the actions of the members of the Supervisory and Management Boards in connection with this. Those present at the Annual General Meeting also re-elect the auditor each financial year.

At the Annual General Meeting, shareholders in Francotyp-Postalia Holding AG exercise their rights of control and their rights to have a say in the running of the company. They have the option of exercising their voting rights themselves or having them exercised through an authorised representative of their choice, including a shareholders' association. The company also makes it easier for shareholders to exercise their rights in person by providing a proxy who can also be reached during the Annual General Meeting.

The company publishes the documents required for the Annual General Meeting and the agenda on its website, where they can be accessed easily by shareholders. Moreover, the company offers all financial service providers in Germany and abroad, shareholders and shareholders' associations the option of receiving the invitation to the Annual General Meeting, together with the documents relating to the convening of the meeting, via electronic means, provided that Francotyp-Postalia has obtained approval for this. Naturally, it is in the interests of the company and of the shareholders to ensure that the Annual General Meeting is concluded quickly. In accordance with the Articles of Association, the chairman of the meeting has the option to impose appropriate limits on the time for which shareholders are permitted to ask questions and to speak. Owing to the high organisational costs involved, an internet broadcast of the entire Annual General Meeting is still not planned.

Transparency

For Francotyp-Postalia Holding AG, corporate governance means responsible and transparent leadership and control of the company. In particular, this includes equal treatment of shareholders when passing on information. We disclose all new facts and circumstances to shareholders, financial analysts and the like without delay. This involves disseminating the information in German and English both on the Francotyp-Postalia Holding AG website and through the use of systems which ensure the simultaneous publication of information both in Germany and abroad. All important regular publications and dates are published well in advance on the financial calendar.

In accordance with legal guidelines, Francotyp-Postalia Holding AG publishes the relevant information on its website if members of the Management and Supervisory Boards or related parties have purchased or sold FP shares or related derivatives. Pursuant to Section 15a of the Securities Trading Act, these persons are obliged to disclose transactions with a value that reaches or exceeds EUR 5,000 in one calendar year.



Accounting

The principal sources of information for shareholders and third parties are in the company's consolidated financial statements as well as, during the financial year, the quarterly and half-yearly reports. Contrary to the recommendations of the Code and due to the extensive consolidation work involved, the consolidated financial statements of Francotyp-Postalia Holding AG are drawn up within four months of the end of the financial year. Due to the large amount of consolidation work involved, the quarterly and half-yearly reports are also published, at the latest, within two months of the end of the reporting period, in compliance with the Stock Exchange Rules (Börsenordnung) and the Transparency Guidelines Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz).

The consolidated financial statements and interim reports are drawn up in accordance with International Financial Reporting Standards (IFRS). The individual financial statements required by law for tax and dividend payment purposes are drawn up in compliance with the German Commercial Code.

A list of relationships with shareholders qualifying as Related Parties, within the meaning of IAS 24, is published by the company in its consolidated financial statements.

Audit

In accordance with the 2010 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2010 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that he will inform the Chairman of the Supervisory Board immediately of any grounds for exclusion or bias which might arise during the audit, unless said grounds are eliminated without delay. The auditor is also required to immediately report any material findings or occurrences arising during the execution of the audit which may be relevant to the Supervisory Board's performance of its duties. The auditor is further required either to notify the Supervisory Board or make a corresponding note in its audit report should it discover circumstances indicating inaccuracies in the Declaration of Compliance with the Code given by the Management Board and Supervisory Board, pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz - AktG).