

Declaration on Corporate Governance

DECLARATION ON CORPORATE GOVERNANCE – CORPORATE GOVERNANCE REPORT

The Management Board and Supervisory Board submit an annual corporate governance report on the corporate governance of the company. Similar to 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 implementation of the recommendations and proposals of the Corporate Governance Code (Code), in particular where they concern shareholder interests. 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 in the following extensive disclosures with reference to the version of the Code dated 18 June 2009.

2010 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Management Board and Supervisory Board of Francotyp-Postalia Holding AG hereby presents its 2010 Declaration of Compliance, setting out which recommendations of the version of the German Corporate Governance Code dated 18 June 2009, 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.

- 3.8 The company has taken out D&O insurance for the Management Board and Supervisory Board. This does not currently include any excess for the Management Board and Supervisory Board. In accordance with statutory transitional provisions, with effect from 1 July 2010 the insurance will be modified to include an excess of 10% of the loss for both the Supervisory Board and the Management Board, limited to one-and-a-half times the annual remuneration in each case.
- 4.2.1 In accordance with the Articles of Association, the Management Board of Francotyp-Postalia Holding AG comprises one person or several persons. The Supervisory Board may appoint a Management Board member as Chairman of the Management Board. The Supervisory Board has not utilised this option, as the Management Board of Francotyp-Postalia Holding AG currently only consists of two persons who are jointly responsible for the management of the entire company.

- 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.
- 5.4.2 One Supervisory Board member is the economic owner of shares in the company. Nevertheless, in the view of the Supervisory Board this does not compromise the Supervisory Board's independence.
- 5.4.3 Pursuant to Section 10 paragraph 1 of the company's Articles of Association, the Chairman and Deputy Chairman of the Supervisory Board are elected from among the Supervisory Board's members at its constitutive meeting, which takes place after the Annual General Meeting of Francotyp-Postalia Holding AG at which the Supervisory Board members are chosen by said Annual General Meeting. Accordingly, the company cannot follow the recommendation that the candidate nominations for the Supervisory Board chairmanship be disclosed to the shareholders.
- 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. Likewise, and again due to the large amount of consolidation work involved, the quarterly and half-yearly reports are 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).

BASIC INFORMATION ON THE STRUCTURE OF AND UNDERLYING RULES FOR CORPORATE MANAGEMENT

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. Accordingly, the company is unable to apply the recommendation of subsection 5.4.3 of the Code concerning the disclosure to shareholders of candidate nominations for election as Supervisory Board Chairman. 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, each Management Board member is required within the remit of tasks allocated to him to cooperate with the other Management Board members 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.

SUPERVISORY BOARD COMMITTEES

Due to the corporate size of the company and the fact that the Articles of Association prescribe that the Supervisory Board must have three members and no more, 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. At least one member of the Supervisory Board possesses the requisite specialist knowledge in the area of accounting.

COLLABORATION 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 two Boards meet at regular intervals to discuss the strategic direction of the company as jointly coordinated by the Management Board and the Supervisory Board. The Management Board also provides the Supervisory Board with regular information on all issues relating to planning, business trends, risk, risk management, the internal monitoring system and compliance. In its reporting the Management Board discusses and gives reasons for any discrepancies between the actual course of business and the company's plans and targets. The Supervisory Board has drawn up Rules of Procedure setting out the details of the Management Board's disclosure and reporting duties. 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.

To date, Francotyp-Postalia Holding AG has taken out D&O insurance with no excess for members of either the Management Board and the Supervisory Board. In accordance with statutory transitional provisions, with effect from 1 July 2010 the D&O insurance taken out for the executive bodies of Francotyp-Postalia Holding AG will be modified to include an excess of 10% of the loss, limited to one-and-a-half times the annual remuneration in each case.

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 notes to the consolidated financial statements.

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.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The Management Board convenes an Annual General Meeting at least once a year. The purpose of the Annual General Meeting is to resolve on the acceptance of the adopted consolidated and annual financial statements and associated management reports, to resolve on the appropriation of the net profit and to formally approve the actions of members of the Supervisory Board and Management Board. The ordinary Annual General Meeting is also responsible each year for choosing the independent auditor. At the Annual General Meeting, the shareholders of Francotyp-Postalia Holding AG have the opportunity to exercise their rights to participate in the administration and control of the company. They have the option of either exercising their voting rights personally or nominating a proxy/authorised representative of their choice, which may also be an association of shareholders, to exercise those rights on their behalf. To make it easier for shareholders to exercise their rights, the company also offers the services of a proxy who is available before and during the General Meeting.

The documents required for the Annual General Meeting, including the Agenda/Invitation, are readily available to shareholders on the company's website. Wherever the corresponding authorisation has been granted, Francotyp-Postalia is glad to provide all domestic and foreign financial service providers, shareholders and shareholders' associations with the Invitation to the Annual General Meeting plus associated documents in electronic form. It is of course in both the company's and the shareholders' interests to conduct the business of the Annual General Meeting as swiftly as possible, and accordingly the Articles of Association allow the person chairing the Annual General Meeting to place reasonable limits on the time allotted to shareholders to pose questions and exercise their right to speak. On cost grounds, and also due to the high degree of organisational effort involved, full Internet transmission of the Annual General Meeting is not planned.

TRANSPARENCY

For Francotyp-Postalia Holding AG, corporate governance means responsible and transparent leadership and control of the company. In particular, this entails treating shareholders equally when it comes to the provision of information and its content. 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.

ACCOUNTING PRACTICE

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, Francotyp-Postalia's 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 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 2009 Annual General Meeting resolution on the matter, the Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to conduct the audit of the 2009 annual financial statements and consolidated financial statements. In compliance with the recommendations of the Code, it was agreed with the auditor that the Chairman of the Supervisory Board is to be informed 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 report immediately 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).