



Declaration of Compliance by Zapf Creation AG for 2006

I. Declaration of Compliance by the Management Board and the Supervisory Board of Zapf Creation AG pursuant to § 161 Joint Stock Corporation Act (AktG) in relation to the German Corporate Governance Code of 12.06.2006.

The amended "German Corporate Governance Code" of 12 June 2006 was published in the official section of the electronic Federal Gazette on 24 July 2006.

The Management Board and the Supervisory Board of Zapf Creation AG declare pursuant to § 161 of the Joint Stock Corporation Act (AktG) that the recommendations of the "Government Commission of the German Corporate Governance Code" of 12 June 2006 published on 24 July 2006 by the Federal Ministry of Justice in the official section of the electronic Federal Gazette are met, with the exception of the following:

3.8 Clause 2

"If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed."

4.2.3 Clause 1 and Clause 2, first sentence

"The total compensation of management board members comprises the monetary compensation elements, pension awards, other awards, especially in the event of termination of activity, fringe benefits of all kinds and benefits by third parties which were promised or granted in the fiscal year with regard to management board work.

The monetary compensation elements shall comprise fixed and variable elements."

4.2.4 The total compensation of each member of the Management Board is to be disclosed by name, divided into non-performance-related, performance-

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related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority.

4.2.5 *Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable way.*

The presentation of the concrete form of a stock option plan or comparable schemes for components with a long-term incentive effect and risk character shall include the value thereof. In the case of pension plans, the allocation to accrued pension liabilities or pension funds shall be stated each year.

The substantive content of severance awards for Management Board members shall be disclosed if in legal terms the awards differ not insignificantly from the awards granted to employees. The compensation report shall also include information on the nature of the fringe benefits provided by the company.”

5.4.7 *Clause 3, second sentence*

“Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall be listed separately in the Corporate Governance Report.”

After providing the declaration of compliance for last year pursuant to § 161 of the Joint Stock Corporation Act (AktG) and § 15 Introduction Law of the Joint Stock Corporation Act (EgAktG), the recommendations of the Government Commission of the German Corporate Governance Code as amended on 12 June 2006 and published in the official section of the electronic Federal Gazette on 24 July 2006 were met with the exception of the stated paragraphs 3.8 clause two, 4.2.3 clause one and clause two, first sentence, 4.2.4, 4.2.5 and 5.4.7 clause 3, second sentence.

II. Reasons for Deviations

3.8 Clause 2

The D&O insurance of Zapf Creation AG does not foresee any deductible for members of company bodies. The insurance is a group insurance for numerous managers in Germany and foreign countries in which any differentiation between members of company bodies and other managers does not appear appropriate. Considering the fact that insurance covers only negligent acts, a deductible is generally not suitable as a means for avoiding cases of damage and is therefore only taken into account by the insurance industry in terms of the calculation of premiums.

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4.2.3 Clause 1 and Clause 2, first sentence, 4.2.4 Clause 2, 4.2.5 and 5.4.7 Clause 3, second sentence

Due to the lack of concrete legal provisions the requirements thereto could not be met with regard to the past business year 2005. Whilst the Compensation Disclosure Law (VorstOG) meanwhile has been released it will be assured that they will be met with regard to the running business year 2006.

Zapf Creation AG
Roedental, 12 December 2006

Management Board

Supervisory Board

Further details concerning Corporate Governance practice at Zapf Creation AG can be found under www.zapf.creation.com/de/investorrelations/index.htm

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