



Declaration of Compliance by Zapf Creation AG for 2004

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 21.05.2003.

The amended "German Corporate Governance Code" of 21 May 2003 was published in the official section of the electronic Federal Gazette on 4 July 2003.

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 21 May 2003 published on 4 July 2003 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 *"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 2, fourth sentence

"For extraordinary, unforeseen developments a possibility of limitation (Cap) shall be agreed for by the Supervisory Board."

4.2.4 Second sentence

"The figures shall be individualized."

5.2 Clause 2, first sentence

"The Chairman of the Supervisory Board shall also chair the committees that handle contracts with members of the Management Board and prepare the Supervisory Board meetings."

5.3.1 *"Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise."*

Only the German text is authentic!

5.3.2 *"The Supervisory Board shall set up an Audit Committee which, in particular, handles issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. The Chairman of the Audit Committee should not be a former member of the Management Board of the company."*

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 of 21 May 2003 were met with the exception of the stated paragraphs 3.8, 4.2.3 clause 2 fourth sentence, 4.2.4 second clause, 5.2 first sentence, 5.3.1 and 5.3.2.

The previous limitations in terms of 4.2.3 clauses three and four and 7.2.1 ceased to exist as a result of the completion of the Annual General Meeting of 11 May 2004.

II. Reasons for deviations

3.8

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.

4.2.3, clause 2, fourth sentence

A Cap is not necessary for the stock market area of Zapf Creation because of the industry characteristics and taking into account the forecasted share price development in the upcoming year

4.2.3, clause 3 and 4

Conformity can only be achieved after changes to the respective procedures in the course of the financial year 2004.

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4.2.4, second sentence

The Company has decided to refrain from providing individualized details of salaries for the Management Board in the attachment to the Group Report in order to protect the privacy of the members of the Management Board as well as their families.

5.2, clause 2, first sentence, 5.3.1 und 5.3.2

The Supervisory Board of Zapf Creation AG consists of six members. In the light of this size, the Supervisory Board does not consider it to be appropriate to transfer duties to committees which would consist of only three persons. Therefore, it has been decided by the Supervisory Board to deviate from the recommendations of the German Corporate Governance Code. Having regard to the size of the Company, the composition of the Supervisory Board and its size guarantee that matters can be dealt with by the Supervisory Board as a whole with the expertise envisaged by the authors of the German Corporate Governance Code.

Zapf Creation AG
Roedental, 12 May 2004

Management Board

Supervisory Board

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

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