



**Zapf Creation AG,  
Roedental, Germany**

**Invitation to the Regular Annual Shareholders' Meeting**

**German Securities Identification Number 780 600  
(ISIN DE 000 780 600 2)**

We invite our Shareholders to the Company's

**10th Regular Annual Shareholders' Meeting**

which will take place  
**on Tuesday, December 15, 2009, at 10:00 a.m. (CET)**

at Ehemalige Orangerie, Schloss Rosenau  
Rosenau 1,  
**D – 96472 Roedental, Germany.**

## **I. Agenda**

**1. Submission of the adopted annual financial statements and the management report for the financial year from January 1 through December 31, 2008; the approved consolidated annual financial statements and the Group management report for the financial year from January 1 through December 31, 2008; the report of the Supervisory Board for the 2008 financial year; as well as the explanatory report of the Management Board regarding the disclosures pursuant to Section 289 para 4 and Section 315 para 4 German Commercial Code.**

**2. Resolution regarding the discharge of the members of the Management Board for the 2008 financial year.**

The Management Board and the Supervisory Board propose that the Annual Shareholders's meeting discharge all members of the Management Board for the 2008 financial year who were in office during that period.

**3. Resolution regarding the discharge of the members of the Supervisory Board for the 2008 financial year.**

The Management Board and the Supervisory Board propose that the Annual Shareholders's meeting discharge all members of the Supervisory Board for the 2008 financial year who were in office during that period.

**4. Resolution regarding the discharge of the members of the Supervisory Board for the 2006 financial year.**

The Management Board and the Supervisory Board propose that the vote on a resolution to discharge Mr. Thomas Eichhorn be postponed yet again, specifically, to the next regular Annual Shareholders' Meeting.

**5. Resolution regarding the discharge of the members of the Supervisory Board for the 2006 financial year.**

The Management Board and the Supervisory Board propose that the vote on a resolution to discharge Dr. Peter Klein be postponed yet again, specifically, to the next regular Annual Shareholders' Meeting.

**6. Resolution regarding the discharge of the members of the Management Board for the 2005 financial year.**

The Management Board and the Supervisory Board propose that the vote on a resolution to discharge the members of the Management Board who were in office during the 2005 financial year be postponed yet again, specifically, to the next regular Annual Shareholders' Meeting, with the exception of Ms. Angelika Marr, who was discharged at the 2007 regular Annual Shareholders' Meeting.

**7. Election of the auditor of the annual financial statements and the consolidated financial statements for the 2009 financial year as well as the auditor for auditing or reviewing the condensed financial statements and the interim management report in accordance with Section 37w para 5 and Section 37y no. 2 German Securities Trading Act in the 2010 financial year.**

a) The Supervisory Board proposes that the Annual Shareholders' Meeting appoint KPMG AG Wirtschaftsprüfungsgesellschaft, Maxtorgraben 13, 90409 Nuremberg, Germany, as the auditor for the 2009 financial year.

b) The Supervisory Board furthermore proposes that the Annual Shareholders' Meeting also appoint KPMG AG Wirtschaftsprüfungsgesellschaft, Maxtorgraben 13, 90409 Nuremberg, Germany, as the auditor for the purpose of conducting an audit or review of the condensed financial statements and the interim management report in accordance with Section 37w para 5 and Section 37y no. 2 German Securities Trading Act in the 2010 financial year.

**8. Resolution regarding the authorization to buy back and utilize treasury shares (also those purchased pursuant to prior authorizations), including the option to exclude shareholders' subscription right and restrict their right to tender their shares as well as the option to retire the shares so acquired without another resolution of the Annual Shareholders' Meeting, subject to reduction of the share capital.**

Because the authorization granted by last year's Annual Shareholders' Meeting on May 27, 2008, to buy back treasury shares will expire on November 26, 2009, a new authorization to buy back and utilize treasury shares is to be resolved.

The Management Board and the Supervisory Board thus propose that the Annual Shareholders' Meeting adopt the following resolution:

- "a) The Company is authorized to acquire treasury shares in accordance with the following provisions, subject to the approval of the Supervisory Board.
  
- b) The authorization is limited to the purchase of treasury shares having a pro rata share of 10% in the Company's share capital existing at the time at which the Annual Shareholders' Meeting adopts the resolution on December 15, 2009. The treasury shares so acquired — along with other treasury shares that are in the Company's possession or are allocable to it under Section 71a et seq. German Stock Corporation Act — may not, at any time, exceed 10% of the share capital. In addition, any such buyback shall be permitted only if, at the time of the purchase, the Company would be able to recognize reserves equivalent to the amount of the expenditure required for the buyback without reducing the share capital or any reserves that are required under the law or the Company's Articles of Incorporation and may not be used for payments to shareholders.

The authorization to acquire treasury shares shall remain in effect until December 14, 2014 (inclusive). The authorization adopted by the Company's Annual Shareholders' Meeting on May 27, 2008, to use the treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts its resolutions on May 27, 2008, expire at the time this new authorization takes effect. The authorizations regarding the utilization of shares bought back under the resolution dated May 27, 2008, shall apply to those treasury shares that the Company bought back pursuant to the treasury share buyback authorization dated May 27, 2008.

The buyback pursuant to this new authorization may also be executed by Group entities dependent on the Company within the meaning of Section 17 German Stock Corporation Act, or for the account of the Company or a Group entity dependent on it within the meaning of Section 17 German Stock Corporation Act.

- c) Such acquisition may be effected on the stock exchange or by means of a public tender offer to all of the Company's Shareholders.

- ca) If the shares are acquired via the stock exchange, the per-share price paid by the Company (excluding ancillary acquisition costs) may not be 5% above or below the opening auction price (in the alternative: the opening price) of the share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange on the respective trade date.
  
- cb) If the acquisition is effected by way of a public tender offer to all of the Company's Shareholders, then the per-share price tendered or the upper and lower end of the per-share offer spread (excluding ancillary acquisition costs) may not be 5% above or below the closing auction price (in the alternative: the closing price) of the share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange on the third trading day prior to publication of the offer. The volume of the offer may be limited. If full subscription of the issue exceeds its fixed volume, then the treasury shares must be purchased at the ratio of the number of shares tendered in each case. Any additional right on the part of shareholders to tender their shares is excluded. Provisions may be made for priority acceptance of small lots of up to 50 shares per Company shareholder in connection with the purchase of tendered shares. In this case, too, any further shareholder right to tender shares is excluded.
  
- d) The Management Board is authorized, subject to the approval of the Supervisory Board, to grant treasury shares purchased in accordance with the authorizations set forth in items a) through c) above to third parties as consideration in connection with business combinations or the acquisition of companies, business units, or stakes in companies. The price (excluding ancillary acquisition costs) at which no-par bearer shares of Zapf Creation AG are sold to third parties in accordance with the authorization set forth in this item may by no means be more than 5% less than the average (unweighted) closing auction price (in the alternative: the closing price) of the Company's no-par bearer share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange on the 30 trading days preceding the effective date of any binding agreement with such third parties.
  
- e) The Management Board is authorized, subject to the approval of the Supervisory Board, to offer treasury shares purchased in accordance with

the authorizations set forth in items a) through c) above in return for the transfer to the Company of loan and/or interest payables under loans granted to it.

- f) The Management Board is authorized, subject to the approval of the Supervisory Board, to grant treasury shares purchased in accordance with the authorizations set forth in items a) through c) above to employees of the Company and to employees of entities affiliated with it under Section 15 et seq. German Stock Corporation Act or — if loans to purchase securities or loans of securities are used to buy employee shares — to use the treasury shares to fulfill the obligations arising from the loans to purchase securities or loans of securities that were obtained to acquire the employee shares.
- g) The Supervisory Board is authorized to issue shares in the Company that were bought back under the authorizations in items a) through c) above to members of the Management Board as part of their compensation.
- h) The Management Board is authorized, subject to the approval of the Supervisory Board, to use shares in the Company that were bought back under the authorizations in items a) through c) above to fulfill options issued under the authorization resolved by the Annual Shareholders' Meeting on December 15, 2009, pursuant to Agenda item 9 and to transfer them to the optionees in accordance with the conditions established by means of the aforementioned resolution of the Annual Shareholders' Meeting on December 15, 2009.
- i) The Management Board is authorized, subject to the approval of the Supervisory Board, to dispose of the treasury shares purchased in accordance with the authorizations set forth in items a) through c) above in ways other than on the stock exchange or by means of an offering to all shareholders in return for cash at a price that is not substantially lower than the exchange price of the Company's shares of the same class at the time of the disposal; this authorization is limited to the lesser of (1) a maximum of 10% of the Company's share capital extant at the time the relevant resolution is adopted by the Annual Shareholders' Meeting on December 15, 2009, or (2) a maximum of 10% of the Company's share capital extant at the time the shares are sold. The authorized volume is reduced by the pro rata interest in the share capital allocable to those shares that are issued or sold starting on December 15, 2009, subject to the exclusion of shareholders' subscription

right, in connection with the direct or analogous application of Section 186 para 3 sentence 4 German Stock Corporation Act.

- j) The Management Board is authorized, subject to the approval of the Supervisory Board, to retire treasury shares purchased in accordance with the authorizations set forth in items a) through c) above, and such retirement or its execution shall not require another resolution of the Annual Shareholders' Meeting. The retirement will reduce the share capital. The Supervisory Board is authorized, in each case, to modify the Articles of Incorporation, as amended, in accordance with the scope of the (respective) capital decrease.
- k) The authorizations set forth in items a) through j) above may be used in whole or in part, once or repeatedly subject to the aforementioned restrictions, and the authorizations set forth in items a) through c) above may be used for the one or several of the purposes specified in items d) through j) above. If it is impossible or no longer in the Company's interest to utilize the treasury shares for one or several of the purposes stated in items d) through j) above for which they were purchased, then such treasury shares may be used for any other purpose pursuant to the authorization proposed in items d) through j) above or sold on the stock exchange or by means of an offering to all shareholders. However, any purchase under items a) through c) above may also be effected without prior determination of a specific purpose; in this case, too, the shares may be disposed of via the stock exchange or an offering to all shareholders. The authorizations may not be used to trade treasury shares (Section 71 para 1 no. 8 clause 2 German Stock Corporation Act).
- l) Shareholders' subscription right to the treasury shares of Zapf Creation AG shall be excluded insofar as these shares are used in accordance with the authorizations set forth in items d) through i) above or are sold on the stock exchange in accordance with item k) above. The Management Board may exclude shareholders' subscription right to fractional shares, subject to the approval of the Supervisory Board, if the disposal is effected by means of an offering to all shareholders pursuant to item k).
- m) The Management Board is also authorized, subject to the approval of the Supervisory Board, to use the treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution

on December 15, 2009, for the purposes set forth in items d) through f) as well as h) and i) and in accordance with the provisions therein, to the extent that the scope of the authorization under item b) sentence 1 above has not yet been utilized in full, and the Supervisory Board is also authorized, subject to the approval of the Supervisory Board, to use the treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009, for the purpose set forth in item g) and in accordance with the provisions therein, to the extent that the scope of the authorization under item b) sentence 1 above has not yet been utilized in full. The scope of the authorization in item b) sentence 1 above is reduced by the number of treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting on December 15, 2009, adopts the resolution and that are being used for the purposes set forth in items d) through i) in accordance with the relevant provisions, unless the purpose is identical to the purpose for which the buyback was originally executed. If the treasury shares are utilized pursuant to item i), the 10% limit set forth therein must be complied with overall. The subscription right regarding the treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009, is excluded also insofar as the treasury shares are being utilized for the purposes set forth in items d) through i) in accordance with the relevant provisions."

**9. Resolution on the authorization to issue stock options, create contingent capital and amend § 5 of the Articles of Incorporation.**

The Management Board and the Supervisory Board propose adopting the following resolution:

- a) "The Management Board is authorized, subject to the approval of the Supervisory Board, to issue one or several stock option plans pursuant to which options with a term of up to 10 years on up to 500,000 no-par bearer shares ("shares") of Zapf Creation AG may be issued until December 14, 2014, once or repeatedly, to employees of Zapf Creation AG, as well as to executives and employees of affiliated companies, in accordance with the details set forth in item b). The Company's shareholders shall have no right to subscribe to the options.

b) The following shall apply to the design and execution of the stock option plans of Zapf Creation AG issued under this authorization:

ba) Group of optionees

Options may be issued solely to employees of Zapf Creation AG and to executives and employees in which Zapf Creation AG holds a majority interest or which are dependent affiliated companies of Zapf Creation AG ("affiliates"). The Management Board of Zapf Creation AG shall determine the exact pool of optionees and the scope of the options to be granted to them in each case.

Of the up to 500,000 options overall, up to 280,000 options may be issued to employees of Zapf Creation AG; up to 120,000 options to executives of affiliates; and up to 100,000 options to employees of affiliates. No options may be issued to members of the Management Board of Zapf Creation AG under this authorization.

bb) Purchasing periods

The options may be issued in one or several tranches until December 14, 2014. They cannot be issued until the contingent capital required to satisfy the options has been recorded in the Commercial Register.

In each case, the options may be issued to the optionees within two weeks of (i) an Annual Shareholders' Meeting of the Company or (ii) the publication of the figures for the preceding financial year, first half of the year or quarter (in the annual, half-yearly or quarterly report). The dates of the Annual Shareholders' Meeting and of the publication shall not be counted.

The "issue date" shall be the day on which an option is granted to an optionee.

Participation in the stock option plans of Zapf Creation AG is voluntary. Participants' employment contracts with Zapf Creation AG or an affiliate must not have been terminated at the time the options are issued under the stock option plan.

bc) Options

One option grants the optionee the right to purchase one new share of Zapf Creation AG, subject to the following provisions. The new shares shall participate in the Company's profits from the start of the financial year for which the Annual Shareholders' Meeting has not yet adopted any resolution regarding the appropriation of profit at the time options are exercised.

bd) Waiting period, exercise periods, holding periods

The options may have a term of up to 10 years from the issue date. An option may only be exercised effective at the end of its term.

Options may only be exercised for the first time upon expiration of a waiting period, which shall be four years from the respective issue date.

In addition, the options may only be exercised within a period of four weeks following (i) an Annual Shareholders' Meeting of the Company or (ii) the publication of the figures for the preceding financial year, first half of the year or quarter (in the annual, half-yearly or quarterly report). The dates of the Annual Shareholders' Meeting and of the publication shall not be counted.

Nor may the options be exercised during the following periods: During the period from the last day of registration prior to the Company's Annual Shareholders' Meeting until the first banking day following such Annual Shareholders' Meeting; for a period of two weeks prior to the close of the Company's financial year; for a period that runs from the date on which the Company announces an offering to its shareholders to purchase new shares or listed convertible bonds or bonds with warrants until the date on which the Company's new shares, convertible bonds, bonds with warrants or profit participation rights are listed on a stock exchange for the first time.

For the rest, all restrictions arising from general statutory requirements, for instance, the insider provisions under the German Securities Trading Act, must be complied with. The Management Board may exclude the exercise of options for additional periods in this connection.

be) Exercise price, performance target

The exercise price shall be the sum of (i) the reference price and (ii) a premium of 20% on this reference price (issue fee) as performance target. The reference price shall correspond to the average (unweighted) closing auction price of one Zapf Creation share in Xetra trading (or a functionally comparable successor system that has taken the place of the Xetra system) on the Frankfurt/Main Stock Exchange on the last ten trading days preceding the date on which the allotment is offered but, at a minimum, the closing auction price on the date the allotment offer is made. At a minimum, the exercise price shall correspond to the pro rata interest of one share in the Company's share capital (Section 9 para 1 German Stock Corporation Act). The exercise price shall also be considered the (economic) performance target.

bf) Adjustments

The exercise price shall be reduced by the ratio of the market value of the subscription right to the market value of the shares in the Company if the Company's share capital is increased during the term of the options, subject to shareholders' subscription right, by issuing new shares, or if treasury shares are issued, or if bonds entailing conversion rights or options on shares in the Company are floated. No adjustment shall be made if the optionees are granted a subscription right that corresponds to shareholders' subscription right.

The value of the options shall not change if the share capital of Zapf Creation AG is increased using Company funds, shares are consolidated, the share capital of Zapf Creation AG is reduced or a stock split is executed. In all these cases, the options shall be adjusted as necessary or required by mandatory law — taking the scope of the contingent capital pursuant to item c) into account — by increasing or decreasing the respective option holder's right to purchase new shares by exercising their options and/or by raising or lowering the exercise price without undermining the share's value such that the value of the shares immediately after any such action takes effect corresponds to its value immediately before the respective action took effect.

No fractional shares shall be granted when an option is exercised.

In any case, the pro rata interest of one share in the Company's share capital shall be the lowest exercise price (Section 9 para 1 German Stock Corporation Act).

bg) Replacement authorization

Moreover, the Management Board may stipulate in the option conditions that Zapf Creation AG has the right, at the discretion of its Management Board, to grant treasury shares to the optionee instead of new shares or to pay in money the difference between the exercise price and the current share price on the day on which the Company receives the notice of exercise instead of delivering new or treasury shares at the time the options are exercised.

bh) Nontransferability

The options are not transferable and may not be resold or mortgaged. The Management Board may provide for special rules in the option conditions in the event of death.

bi) Forfeiture and retirement

Options shall be forfeited without compensation if the optionee's employment or director's contract with Zapf Creation AG or an affiliate of Zapf Creation AG ends prior to the expiration of the waiting period pursuant to item bd) and no new employment or director's contract is made with Zapf Creation AG or an affiliate of Zapf Creation AG. Current options that have not yet been exercised shall be forfeited without compensation one year from the end of the optionee's employment or director's contract if it ends after expiration of the waiting period pursuant to item bd) and no new employment or director's contract is made with Zapf Creation AG or an affiliate of Zapf Creation AG. The Management Board may stipulate in the option conditions that Zapf Creation AG may retire the options without compensation if an optionee fails to exercise their options during the first exercise period following the termination of their employment or director's contract but no later than six months after the termination of their employment or director's contract.

The Management Board may provide for special rules in the option conditions in the event of retirement or mutually agreed upon termination as well as in cases of hardship. The same shall apply in the event that Zapf Creation AG transfers equity investments in affiliates to third parties. In addition, the Management Board may stipulate in the option conditions that the options shall be forfeited or retired, particularly in cases where it is no longer possible for the Company to achieve the aims it was pursuing when it issued the options, or at least seems unlikely that it will.

bj) Authorization to fix other details

The Management Board is authorized, subject to the approval of the Supervisory Board, to determine all other details of the option conditions as well as of the issuance and features of the options.

c) Creation of corresponding contingent capital

The share capital of Zapf Creation AG shall be conditionally increased by up to EUR 500,000.00 by issuing up to 500,000 no-par bearer shares (Contingent Capital 2009). This Contingent Capital 2009 shall serve to hedge options on shares of Zapf Creation AG that Zapf Creation AG issues until December 14, 2014, under the authorization in items a) and b). This contingent capital increase shall be executed only insofar as stock options are issued, optionees exercise their subscription right and new shares must be issued under the option conditions.

The shares from contingent capital shall be issued in accordance with the issue price fixed in item b). The new shares shall participate in the Company's profits from the start of the financial year for which the Annual Shareholders' Meeting has not yet adopted any resolution regarding the appropriation of profit at the time options are exercised.

The Supervisory Board shall be authorized to amend the Articles of Incorporation analogously if conditions have been fulfilled.

Article 5 of the Articles of Incorporation shall be amended in that a new paragraph 3 shall be added to it following paragraph 2:

"The share capital of the Company shall be conditionally increased by up to EUR 500,000.00 by issuing up to 500,000 no-par bearer shares (Contingent Capital 2009). This contingent capital increase shall only be executed to the extent that holders of options issued until December 14, 2014, in accordance with the resolution of the Annual Shareholders' Meeting dated December 15, 2009, exercise their options and to the extent that new shares must be issued in accordance with the option conditions. The new shares in the Company resulting from the exercise of the options shall participate in the Company's profits from the start of the financial year for which the Annual Shareholders' Meeting has not yet adopted any resolution regarding the appropriation of profit at the time options are exercised."

What was formerly paragraph 3 of § 5 of the Articles of Incorporation shall now be paragraph 4."

#### **10. Follow-up election to the Supervisory Board.**

The Coburg District Court removed Mr. Gustavo Perez from the Supervisory Board by court order dated July 30, 2009. A new Supervisory Board member shall be elected in his stead for the remainder of the term of office for which Mr. Gustavo Perez was initially appointed.

The Supervisory Board proposes to elect Mr. Jaime Ferri Llorens (member of a board of directors), who is domiciled in Alicante, Spain, to the Supervisory Board, specifically, for a term of office that starts with the end of the Annual Shareholders' Meeting on December 15, 2009, and ends with the conclusion of the Annual Shareholders' Meeting tasked with discharging board members in regards to the 2009 financial year.

Pursuant to Section 96 para 1 (last option) and Section 101 para 1 German Stock Corporation Act, in conjunction with Article 11 para 1 of the Company's Articles of Incorporation, the Supervisory Board comprises six shareholder representatives. The Annual Shareholders' Meeting is not bound by election proposals.

Disclosures pursuant to Section 125 para 1 sentence 3 German Stock Corporation Act: Mr. Ferri Llorens is not a member of other supervisory boards to be constituted by statute. However, he does belong to the following comparable corporate boards, national or foreign: NEXT CAPITAL PARTNERS, Investment

Fund, Alicante, Spain (member of the board of directors, deputy chairman); TELEFONICA in Valencia S.A., Valencia, Spain (member of the board of directors).

**11. Amendment of § 21 para 4, as well as § 22 and § 23, of the Articles of Incorporation for the purpose of conforming them to the Act Implementing the German Shareholder Rights Legislation.**

The Act Implementing the German Shareholder Rights Legislation [Aktionärsrechterichtlinie-Umsetzungsgesetz (ARUG)] took effect on September 1, 2009. The Company's Articles of Incorporation shall be adjusted to reflect the new statutory requirements. § 21 para 4, as well as § 22 and § 23, of the Articles of Incorporation shall be amended to that end.

The Management Board and the Supervisory Board thus propose that the Annual Shareholders' Meeting adopt the following resolution:

"a) § 21 para 4 of the Articles of Incorporation shall be supplemented by the following sentence 2:

"Neither the date of the announcement nor the date by which the shareholders must register prior to the Annual Shareholders' Meeting shall be counted."

b) § 22 of the Articles of Incorporation shall be revised as follows:

"§ 22

Right to attend the Annual Shareholders' Meeting

1. Only those shareholders shall be entitled to attend the Annual Shareholders' Meeting and exercise their voting right who have registered prior to the Annual Shareholders' Meeting and have verified both their right to attend it and to exercise their voting right. The Company must receive the registration at least six days ahead of the Annual Shareholders' Meeting, at the address stated in the notice of meeting. The day of posting and the day of the Annual Shareholders' Meeting shall not be included in determining the notice period. The right to attend the Annual Shareholders' Meeting and to exercise the voting right shall be verified based on special proof of shareholdings that has

been prepared and issued in text form by the depository bank. Such proof must refer to the 21st day prior to the Annual Shareholders' Meeting and the Company must receive the registration at least six days ahead of the Annual Shareholders' Meeting, at the address stated in the notice of meeting. The day of receipt and the day of the Annual Shareholders' Meeting shall not be included in calculating the notice period. In relation to the Company, only those shareholders who have submitted the requisite proof shall be considered shareholders for purposes of attending the Annual Shareholders' Meeting and exercising their voting right.

2. The Management Board is authorized to permit audio-visual transmissions of the proceedings of the Annual Shareholders' Meeting.
3. Members of the Supervisory Board whose place of residence or business address is outside the Federal Republic of Germany or who are unable to attend because of a stay abroad may participate in the Company's Annual Shareholders' Meeting by way of audiovisual transmission. Members of the Supervisory Board who preside over the Annual Shareholders' Meeting pursuant to Section 24 of the Articles of Incorporation are excluded from this provision."

c) § 23 of the Articles of Incorporation shall be revised as follows:

"§ 23

Voting rights

1. Each no-par share grants one vote.
2. The right to vote may be exercised by proxy. The statutory requirements shall govern the form of the proxy appointment, its rescission and its verification vis-à-vis the Company."

## **12. Amendment of § 28 of the Articles of Incorporation for the purpose of conforming it to the German Accounting Modernization Act.**

The German Accounting Modernization Act (German acronym: BilMoG) took effect on May 29, 2009. The Company's Articles of Incorporation shall be

adjusted to reflect the new statutory requirements. Article 28 of the Articles of Incorporation shall be amended to this end.

The Management Board and the Supervisory Board thus propose that the Annual Shareholders' Meeting adopt the following resolution:

"§ 28 of the Articles of Incorporation shall be revised as follows:

"Once a year, the Management Board and the Supervisory Board shall declare that the Company has been and is in compliance with the recommendations of the Government Commission on the German Corporate Governance Code as published by the German Federal Department of Justice in the official section of the electronic Federal Gazette ("Bundesanzeiger"), and it shall state which recommendations it did not and does not apply, if any. This declaration shall be kept permanently available through publication on the Company's website."

## II.

### **Reports of the Management Board**

**Report of the Management Board in accordance with Section 71 para 1 no. 8 sentence 5 German Stock Corporation Act (in conjunction with Section 186 para 4 sentence 2 and para 3 sentence 4 German Stock Corporation Act) regarding the exclusion of shareholders' subscription right in connection with the utilization of treasury shares, as well as regarding restrictions on shareholders' right to tender their shares in connection with the purchase of treasury shares pursuant to Agenda item 8 (resolution regarding the authorization to buy back and utilize treasury shares):**

The Company wants to use the authorization proposed in Agenda item 8 to avail itself of the option — created by Section 71 para 1 no. 8 German Stock Corporation Act — to repurchase treasury shares and use repurchased treasury shares for specific purposes, even by excluding shareholders' subscription rights, taking the equal treatment provisions of Section 53a German Stock Corporation Act into account

According to the law, treasury shares may not be acquired for the purpose of trading treasury shares or maintaining the share price on an ongoing basis.

The authorization is to be limited to the purchase of treasury shares having a pro rata share of 10% in the Company's share capital existing at the time at which the Annual Shareholders' Meeting adopts the resolution on December 15, 2009. Under Section 71 para 2 German Stock Corporation Act, a Company's holdings of treasury shares may not exceed 10% of its share capital. Any treasury shares acquired under this authorization — together with other treasury shares that the Company has already acquired and still holds or that are attributable to it under Section 71a et seq. German Stock Corporation Act — may therefore not at any time exceed 10% of the Company's share capital. In addition, any such buyback shall be permitted only if, at the time of the purchase, the Company would be able to recognize reserves equivalent to the amount of the expenditure required for the buyback without reducing the share capital or any reserves that are required under the law or the Company's Articles of Incorporation and may not be used for payments to shareholders. This restriction follows from Section 71 para 2 sentence 2 German Stock Corporation Act and has been included in the proposed resolution for purposes of clarity.

The authorization to acquire treasury shares shall remain in effect until December 14, 2014 (inclusive). The Company will thus avail itself of the leeway granted under the Act Implementing the Shareholder Rights Legislation (ARUG) such that, in the future, it shall request authorizations pursuant to Section 71 para 1 no. 8 German Stock Corporation Act at longer intervals instead of annually, as has been the case to date. This gives the Company's management greater planning security.

The buyback may be executed not just by the Company itself but also by Group entities dependent on the Company within the meaning of Section 17 German Stock Corporation Act, or for the account of the Company or a Group entity dependent on it within the meaning of Section 17 German Stock Corporation Act.

Treasury shares may be acquired on the stock exchange or by way of a public tender offer at the prices that are set forth in the authorization and track current exchange prices. In a tender, any Company shareholder willing to sell may decide how many shares and, if a price range is established, at which price they want to sell such shares. The authorization shall provide for limiting the offer's volume. In such a case, the treasury shares must be purchased at the ratio of the number of shares tendered to the Company if the number of shares tendered at the fixed price exceeds the

quantity of shares the Company intends to buy back. Any additional right on the part of shareholders to tender their shares is to be excluded. In technical terms, the buyback procedure can only be executed in an economically reasonable framework if the treasury shares are acquired in accordance with tender quotas. The proposed authorization shall also provide for granting priority in this connection to small quantities of tendered shares (no more than 50 shares). In this case, too, any additional further shareholder right to tender their shares is to be excluded. Granting priority to the purchase of smaller quantities of shares would serve to avoid fractions at the time the quotas to be acquired are determined, as well as small residual amounts, and hence facilitate settlement of such transactions. At the same time, this option also serves to avoid residual shares that are not economical for small shareholders. For the rest, the fact that the buyback is to be executed by means of a public tender offer and on the stock exchange leads to the equal treatment of all shareholders.

The proposed resolution provides for a narrow range within which the Company may set the price it will pay per share: The per-share price to be paid for a no-par bearer share to be acquired may not 5% above or below the applicable exchange price (excluding ancillary acquisition costs). If the shares are acquired on the stock exchange, the applicable exchange price shall be the opening auction price or, in the alternative — i.e. if no opening auction price is determined for the Company's share — the opening price of the share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange on the respective trade date. If the shares are acquired by way of a public tender offer, the applicable exchange price shall be the closing auction price (in the alternative: the closing price) of the shares in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange on the third trading day prior to publication of the offer.

On the one hand, the option to retire treasury shares without having to obtain a new and thus expensive resolution of the Annual Shareholders' Meeting should be available. This would result in a reduction of the Company's share capital.

On the other hand, the proposed resolution provides for the option to utilize the treasury shares subject to the exclusion of shareholders' subscription right:

1. The proposed resolution provides for authorizing the Management Board to grant the treasury shares acquired (subject to the exclusion of shareholders' subscription right) to third parties as consideration in connection with business

combinations or the acquisition of companies, business units, or stakes in companies. Notwithstanding the foregoing, the Management Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 — the Company currently holds 572,678 treasury shares — for this purpose as well, subject to the exclusion of shareholders' subscription right.

The aim is to give the Company the possibility — also in the interest of its shareholders — of using treasury shares as consideration (i.e. acquisition currency) in connection with business combinations or the acquisition of companies, business units, or stakes in companies. The Company competes in both the national and the international sphere. Hence it must always be capable of acting rapidly and flexibly in national and international markets. This also includes the option of improving its competitive position by combining its operations with other companies or by acquiring companies, business units, or stakes in companies. In individual cases, optimal execution of this strategy in the interest of both the shareholders and the Company itself entails effecting business combinations or acquisitions of companies, business units, or stakes in companies by granting shares in the acquiring company to the seller. Granting extant treasury shares as consideration will permit the Company to carry out such transactions without impairing its liquidity.

Experience shows, moreover, that transactions on both international and national markets involving attractive acquisition properties frequently require the acquiring company to offer its shares as consideration. This is why the Company must be given the option of having treasury shares available as payment in connection with business combinations or the acquisition of companies, business units, or stakes in companies.

Excluding shareholders' subscription right does dilute their shareholdings and voting rights. However, granting a subscription right to the Company's shareholders would make it impossible for the Company to offer its treasury shares as consideration in connection with business combinations or the acquisition of companies, business units, or stakes in companies, and the resulting benefits for the Company and its shareholders alike would remain out of reach.

While the remaining Authorized Capital 2008 (§ 5 para 2 of the Articles of Incorporation) may be used to grant shares in connection with the acquisition of

companies, business units or stakes in companies, the aim is also to have the option to use treasury shares that have been bought back as acquisition currency. The proposed authorization serves to give the Company the leeway it needs to flexibly exploit opportunities that may arise in connection with business combinations and acquisitions of companies, business units or stakes in companies and issue shares as consideration therefor, in suitable cases, without having to execute a capital increase, which is more time consuming because it must be recorded in the Commercial Register.

There are no specific acquisition plans where this option would come into play. However, the Management Board will duly review — should opportunities arise for business combinations, or to acquire companies, business units, or stakes in companies in return for treasury shares — whether or not it should utilize the authorization for the purpose of business combinations, or for acquiring companies, business units, or stakes in companies in return for issuing treasury shares subject to the exclusion of shareholders' subscription right. The Management Board will follow this approach only if business combinations or the acquisition of companies, business units, or stakes in companies in return for issuing treasury shares is in its interest, properly understood.

In order to protect extant shareholders, however, the price at which treasury shares are to be offered to third parties may under no circumstances be more than 5% below the average (unweighted) closing auction price — in the alternative: the closing price — of the Company's no-par bearer shares in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main stock exchange during the 30 trading days preceding the effective date of the binding agreement with the relevant third party (excluding ancillary acquisition costs. The Management Board will duly review in each case whether using treasury shares is in the Company's interest, properly understood, and whether the value of the entities to be acquired and the value of the Company's treasury shares are reasonably proportionate to each other. To that end, the Management Board will avail itself of the expertise of external specialists, insofar as it deems such input appropriate in the given situation. Particularly an auditor's valuation of the company, business unit, or stake in a company to be acquired would be considered in this regard.

2. The proposed resolution also provides for authorizing the Management Board to use the acquired treasury shares (subject to the exclusion of shareholders' subscription right) in return for the transfer to the Company of loan or interest

payables under loans granted to it. Notwithstanding the foregoing, the Management Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 for this purpose as well, subject to the exclusion of shareholders' subscription right. These authorizations are related to the Company's restructuring and refinancing.

The intention is to allow the Company to discharge the relevant loans and the attendant interest owed without using cash. Transferring loan and interest payables to the Company would eliminate its debt(s) vis-à-vis the lenders under the relevant underlying loan contract in the amount of the respective claim (confusion). Excluding shareholders' subscription right does dilute the shareholdings and voting rights of shareholders not entitled to exercise their subscription right. If shareholders were permitted to exercise their subscription right, it would be impossible to acquire loan and/or interest payables under loans granted to the Company in return for the issuance of shares, and the resulting aforementioned benefits for the Company and its shareholders alike would remain out of reach. The Management Board will only transfer treasury shares to the claimants in return for reasonable consideration. The Management Board will duly review in each case whether using treasury shares in return for such transfer is in the Company's interest, properly understood, and whether the value of the respective payables and the value of the Company's treasury shares are reasonably proportionate to each other. To that end, the Management Board will avail itself of the expertise of external specialists, insofar as it deems such input appropriate in the given situation. Particularly an auditor's assessment of the claims against the Company would be considered in this regard.

While the remaining Authorized Capital 2008 (§ 5 para 2 of the Articles of Incorporation) may be used to grant shares in return for transferring claims against the Company for payment of principal and/or interest under the loan agreements to the Company, the aim is also to have the option to use treasury shares that have been bought back for this purpose. The proposed authorization serves to give the Company the necessary flexibility to use shares, in suitable cases, as currency for transferring claims against the Company for payment of principal and/or interest under the loan agreements to the Company without having to execute a capital increase, which is more time consuming because it must be recorded in the Commercial Register.

Currently existing claims for payment of principal and interest shall not be considered as consideration for treasury shares. But we cannot preclude that the Company might find itself in a situation yet again where (true or economic) equity is made available to it, subject to loan agreements that provide for the option to convert the lenders' claims to payment of principal and interest into share capital. The Company has already used this financial tool — so-called debt-to-equity swaps — in connection with the refinancing that it launched in 2007.

3. Furthermore, the proposed resolution provides for authorizing the Management Board to grant the acquired treasury shares (subject to the exclusion of shareholders' subscription right) to employees of the Company and to employees of entities affiliated with it under Section 15 et seq. German Stock Corporation Act for purchase as employee shares or — if loans to purchase securities or loans of securities are used to buy such employee shares — to use the treasury shares to fulfill the obligations arising from such loans to purchase securities or loans of securities. Notwithstanding the foregoing, the Management Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 for this purpose as well, subject to the exclusion of shareholders' subscription right. The Company is to be enabled to grant employee shares to its own employees and to the employees of its affiliates with the aim of enhancing their company loyalty and motivation. When shares are issued as employee shares, special conditions may be granted that conform to the provisions governing the tax exemptions under the Act Promoting Employee Stakes in Companies (Mitarbeiterkapitalbeteiligungsgesetz). In view of facilitating the granting of employee shares, the aim is also to enable the Company to obtain the shares needed to that end by acquiring treasury shares using loans obtained for that purpose or loans of securities, and subsequently to use treasury shares, if necessary, to satisfy the claims for restitution of the entities making such loans or lending such shares.

Issuing new shares as employee shares requires the exclusion of shareholders' subscription right. However, granting a subscription right would make it impossible for the Company to offer new shares as employee shares or to repay loans of securities utilized to purchase employee shares, and the resulting benefits for the Company and its shareholders alike would remain out of reach.

The proposed authorization notwithstanding, there is the option to buy back shares pursuant to Section 71 para 1 no. 2 German Stock Corporation Act

absent an authorization of the Annual Shareholders' Meeting and to offer the shares thus bought back to employees for subscription. However, a share buyback pursuant to Section 71 para 1 no. 2 German Stock Corporation Act is not subject to the safe harbor privilege that prohibits insider trading or a manipulation of the market by law in accordance with the provisions of Commission Regulation (EC) No. 2273/2003 dated December 22, 2003, implementing EU Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback programs and stabilization of financial instruments (Official Journal of the European Union No. L 336/33). An authorization by the Annual Shareholders' Meeting is required in order to purchase and grant employee stock using the aforementioned safe harbor privilege.

4. The proposed resolution also provides for authorizing the Supervisory Board to grant the treasury shares that have been bought back to members of the Management Board as components of their compensation. Notwithstanding the foregoing, the Supervisory Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 for this purpose as well, subject to the exclusion of shareholders' subscription right. Issuing shares to members of the Management Board serves to intensify their loyalty to the Company. This makes it possible, at the same time, to create variable components of compensation where the bonus is not paid in cash but in shares, subject to a waiting period (at least four years pursuant to Section 193 para 2 no. 4 German Stock Corporation Act) during which the respective Management Board member may not dispose of the respective shares. In turn, this reflects the aims of the German Law on the Adequacy of the Management Board's Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung) and of the amendment of item 4.2.3 of the German Corporate Governance Code, both of which require taking not just positive developments but also negative ones into account when fixing the compensation of the Management Board. Granting shares subject to a multi-year holding period provides not just a bonus but, in particular, a true penalty effect in the event of negative developments. This is a tool that can help to create a situation where Management Board members shoulder a greater share of economic accountability in the interest of both the Company and its shareholders. Under the proposed authorization, cash payments may also be replaced by granting shares. This makes it possible to adequately compensate the members of the Management Board as well as to establish positive incentives in the interest of the Company and its shareholders

that do not impair the Company's liquidity. The Supervisory Board believes for the aforementioned reasons that the proposed exclusion of shareholders' subscription right is justified. The Management Board agrees.

Specifically, the intention is to pay a portion of the bonus due any member of the Management Board not in cash but instead to issue a certain number of treasury shares to them, subject to a four-year holding period. This rule shall affect 100% of the bonus of the Chairman of the Management Board, Mr. Brune, and 60% of the bonuses of the Management Board members, Messrs. Keil and Santana. In that connection, the applicable number of treasury shares shall be determined by dividing the amount of the annual bonus payable in treasury shares by the price of one Zapf Creation share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main Stock Exchange at a fixed point in time. The intention is also to pay 25% of Mr. Brune's annual fixed compensation in treasury shares. In this case, too, the number of treasury shares shall be determined by dividing the amount of the annual fixed salary payable in treasury shares by the price of one Zapf Creation share in Xetra trading (or a functionally comparable successor system that has taken its place) on the Frankfurt/Main Stock Exchange at a fixed point in time.

5. The proposed resolution also provides for authorizing the Management Board to use the treasury shares that were bought back to fulfill options issued under the authorization resolved by the Annual Shareholders' Meeting on December 15, 2009, pursuant to Agenda item 9, subject to the exclusion of shareholders' subscription right, and to transfer them to the optionees in accordance with the conditions established by means of the aforementioned resolution of the Annual Shareholders' Meeting on December 15, 2009. Notwithstanding the foregoing, the Management Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 for this purpose as well, subject to the exclusion of shareholders' subscription right. It might be expedient, from time to time, to use treasury shares, in whole or in part, to fulfill the subscription rights instead of executing a capital increase from contingent capital, the creation of which is being proposed to the Annual Shareholders' Meeting in Agenda item 9 along with the authorization to issue options. This is because treasury shares are suitable for counteracting any dilution of existing shareholders' interest in the Company's share capital and their voting right, as may occur to a certain extent if the subscription rights are fulfilled using new shares. However, in no event shall the dilution effect be greater than it would be if new shares were to be used for

fulfillment purposes. Indeed, it might be advisable to use treasury shares especially in connection with the exercise of small numbers of options and thus avoid a more expensive capital increase.

6. Finally, the proposed resolution provides for authorizing the Management Board to dispose of the acquired treasury shares (subject to the exclusion of shareholders' subscription right) other than on the stock exchange or by means of an offering to all shareholders in return for cash at a price that is not substantially lower than the exchange price of the Company's shares of the same class at the time of disposal (so-called simplified exclusion of subscription rights). Notwithstanding the foregoing, the Management Board shall also have the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009 for this purpose as well, subject to the exclusion of shareholders' subscription right, provided that the 10% limit is not exceeded overall.

The option to sell shares obtained through the treasury shares buyback in return for cash (subject to the exclusion of shareholders' subscription right) serves the Company's interest in obtaining the best possible price when disposing of the treasury shares. The option to exclude shareholders' subscription right pursuant to Section 71 para 1 no. 8 sentence 5 German Stock Corporation Act (in conjunction with Section 186 para 3 sentence 4 German Stock Corporation Act) permits the Company to exploit opportunities that may arise due to the prevailing climate on the stock market — rapidly, flexibly, and economically. The higher disposal proceeds resulting from pricing close to the market usually generate a greater inflow of funds per share than would be possible in connection with an offering that includes shareholders' subscription right and thus the greatest possible inflow of equity. In addition, being able to circumvent the time- and cost-intensive processing of shareholders' subscription right also helps the Company to cover equity requirements using short-term market opportunities and gain additional groups of shareholders both at home and abroad. While Section 186 para 2 sentence 2 German Stock Corporation Act does permit publishing the subscription price no later than three days prior to the expiration of the subscription period, given the volatility of the stock markets, even this entails a market risk — specifically, the risk that the share price might change — during several days which, in turn, could lead to risk allowances at the time the sales price is fixed and thus to terms that do not reflect market conditions. Moreover, granting shareholders' subscription right makes it impossible for the Company to

react quickly to beneficial market conditions due to the length of the subscription period and to cover short-term equity needs.

The proposed authorization is limited to a maximum of 10% of the Company's share capital, specifically, at the time the Annual Shareholders' Meeting adopts the resolution. If the share capital is reduced — for example, because repurchased treasury shares have been retired — then the amount of the share capital at the time the shares are sold shall govern. The authorized volume is to be reduced by the pro rata interest in the share capital allocable to those shares that are issued or sold starting on December 15, 2009 — i.e. the day of the Annual Shareholders' Meeting — subject to the exclusion of shareholders' subscription right, in connection with the direct or analogous application of Section 186 para 3 sentence 4 German Stock Corporation Act. This is designed to ensure compliance with the statutory 10% limit under Section 186 para 3 sentence 4 German Stock Corporation Act, taking all authorizations that include the option to exclude shareholders' subscription right in accordance with Section 186 para 3 sentence 4 German Stock Corporation Act into account. The resulting restrictions on the scope of the authorization, as well as the fact that the disposal price for treasury shares to be issued must be based on the exchange price, ensure that shareholders' interests relating to both their assets and their voting rights are reasonably protected in accordance with Section 71 para 1 no. 8 sentence 5 German Stock Corporation Act (in conjunction with Section 186 para 3 sentence 4 German Stock Corporation Act) in the event treasury shares are sold to third parties subject to the exclusion of shareholders' subscription right.

While a sale of repurchased treasury shares subject to the authorization to exclude shareholders' subscription right will dilute both the shareholdings and voting shares of those shareholders who have been excluded from exercising their subscription right, the dilution is limited by the restricted scope of the authorization. In addition, shareholders precluded from exercising their subscription right have the option to maintain their stake in the Company and hence the number of their voting shares by purchasing the requisite number of shares on the stock exchange. This will counter any dilution of the value of the shareholdings of shareholders excluded from the subscription right by ensuring that the sale price for the new shares must be based on the exchange price.

The remaining Authorized Capital 2008 also provides for the simplified exclusion of shareholders' subscription right in connection with the 10% threshold (§ 5 para 2 of the Articles of Incorporation). However, there shall also be the option to

dispose of treasury shares that have been bought back in this manner. The proposed authorization serves to give the Company the leeway that it needs in order to be able to exploit opportunities flexibly and without having to execute a more time consuming capital increase.

Having weighed all aforementioned circumstances, the Management Board believes that the option to exclude shareholders' subscription right in the aforementioned cases is justified on the merits and appropriate vis-à-vis shareholders on the stated grounds.

The buyback of treasury shares, as well as all of the options provided for in items d) through f) as well as h) and i) utilizing such treasury shares — in particular, the option to use the acquired treasury shares to the exclusion of shareholders' subscription right — are subject to the approval of the Supervisory Board. The Supervisory Board will consent thereto only if it believes that the relevant measure is in the interest of both the Company and its shareholders. In case of item g), the Supervisory Board shall exclusively be entitled to make the decision.

If it is impossible or no longer in the Company's interest to utilize the treasury shares purchased in accordance with the proposed authorization for the envisioned purpose(s), then such treasury shares may be used for any other purpose pursuant to the authorization proposed in items d) through j) or sold on the stock exchange or by means of an offering to all shareholders. However, it must also be possible to execute the buyback without first establishing a specific purpose. In this case, too, disposing of the shares via the stock exchange or through an offering to all shareholders must be possible instead of using them in accordance with items d) through j) of the proposed authorization. The Management Board shall have the option of excluding shareholders' subscription right to fractional shares, subject to the approval of the Supervisory Board, in the event of a disposal through an offering to all shareholders. It may be necessary in individual cases to exclude subscription rights in connection with fractional shares in order to be able to obtain a technically feasible subscription ratio. The shares excluded from shareholders' subscription right due to their fractional nature may be disposed of in the Company's best interest on the stock market or by other means. A dilution effect, if any, will be minor given the limitation to fractional amounts. Under the proposed resolution, excluding shareholders' subscription right to fractional shares requires the Supervisory Board's approval. It is the view of the Management Board that the option to exclude shareholders' subscription right to fractional shares is justified on the merits and appropriate vis-à-vis shareholders on the stated grounds.

The Management Board may only avail itself of the option to use treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting adopts the resolution on December 15, 2009, for the purposes set forth in the authorization and in accordance with the provisions stipulated therein to the extent that it can, in fact, buy back treasury shares based on the proposed authorization. The same shall apply analogously, to the extent that the Supervisory Board wants to avail itself of the option to dispose of treasury shares as provided for in item g). The scope of the authorization in item b) sentence 1 above is reduced by the number of treasury shares that the Company is already holding at the time the Annual Shareholders' Meeting on December 15, 2009, adopts the resolution and that are being used for the purposes set forth in items d) through i) in accordance with the relevant provisions, unless the purpose is identical to the purpose for which the buyback was originally executed. This serves to treat the establishment of a new purpose for the old shares as if the relevant shares had been bought back pursuant to the proposed new buyback authorization.

The Management Board of Zapf Creation AG will report to the Annual Shareholders' Meeting on its utilization of the authorizations.

**Report of the Management Board on the authorization to issue stock options pursuant to Agenda item 9 (resolution on the authorization to issue stock options, create contingent capital and amend § 5 of the Articles of Incorporation):**

The resolution proposed under Agenda item 9 authorizes the Management Board, subject to the approval of the Supervisory Board, to issue one or several stock option plans pursuant to which options with a term of up to ten years on up to 500,000 no-par bearer shares ("shares") of Zapf Creation AG may be issued until December 14, 2014 (inclusive), once or repeatedly, to employees of Zapf Creation AG, as well as to executives and employees of companies in which Zapf Creation AG holds a majority interest or which are dependent affiliated companies of Zapf Creation AG (hereinafter referred to as "affiliates"). The Company's shareholders shall have no right to subscribe to the options. Nor shall the shareholders have a right to subscribe to the new shares issued under the contingent capital that is to be resolved along with the authorization to issue options.

Zapf Creation AG intends to maintain its existing business policies that are geared toward shareholders' interests. A modern compensation system that includes a stock

option plan is an important component of this business policy. The Management Board thus plans to issue up to 400,000 options to individuals belonging to any one of three management tiers within the Company and its affiliates between 2009 and 2011. There shall also be the option, furthermore, of issuing options to employees of Zapf Creation AG and to both executives and employees of affiliates.

Zapf Creation AG and its controlled affiliates compete for suitable executives, both nationally and internationally. Real or phantom stock option plans are thus a customary element of compensation, again both nationally and internationally. Zapf Creation AG shall have leeway to issue options on shares as a component of compensation in order to be able to offer its executives conditions that are as attractive as those offered by its competitors. In contrast to phantom stock options, the possibility proposed here of granting subscription rights to shares — i.e. real options — preserves the Company's liquidity and also enables executives to acquire a stake in the Company's share capital when they exercise their options. Granting options thus serves to provide executives with the incentive to work toward the Company's goals. It is designed to motivate the respective employees of the Company and the Group, as well as the executives of Group companies, to work toward enhancing the Company's value, consistently and in the long term. Granting options creates special incentives for the respective executives and employees to perform in ways measured by and reflected in the price of Zapf Creation's share and the Company's rising enterprise value. Granting options on shares of Zapf Creation AG thus aligns the interests of the participating employees and executives with the interests of the Company's shareholders, benefiting the shareholders as well as the employees and executives. In addition, granting options serves to promote the Company's development in the long term and thus prevent short-term thinking.

Details of the options' features:

1. The proposed resolutions stipulates that options may be issued solely to employees of Zapf Creation AG and to executives and employees in which Zapf Creation AG holds a majority interest or which are dependent affiliates of Zapf Creation AG. The Management Board of Zapf Creation AG shall determine the exact pool of optionees and the scope of the options to be granted to them in each case.

Of the up to 500,000 options overall, up to 280,000 options may be issued to employees of Zapf Creation AG; up to 120,000 options to executives of affiliates; and up to 100,000 options to employees of affiliates. According to the proposed

authorization, no options may be issued to members of the Management Board of Zapf Creation AG.

The Management Board currently plans to issue up to 400,000 options overall to individuals belonging to any one of three management tiers within the Company as well as controlled affiliates between 2009 and 2011 under the appropriate resolution of the Annual Shareholders' Meeting. The participants shall include members of management tier 1 (specifically, executive vice presidents, vice presidents and general managers); management tier 2 (specifically, directors and country managers); and management tier 3 (specifically, key employees).

2. According to the proposed resolution, the options may be issued in one or several tranches until December 14, 2014. They cannot be issued until the contingent capital required to satisfy the options has been recorded in the Commercial Register. The proposed resolution provides for specific issuing windows geared largely to insider trading laws. According to the resolution, the options may in each case be issued to the optionees within two weeks of (i) an Annual Shareholders' Meeting of the Company or (ii) the publication of the figures for the preceding financial year, first half of the year or quarter (in the annual, half-yearly or quarterly report).

Participation in the stock option plans of Zapf Creation AG is voluntary under the proposed resolution. Participants' employment contracts with Zapf Creation AG or an affiliate must not have been terminated at the time the options are issued under the stock option plan.

The Management Board currently intends to issue 400,000 options in at least two but no more than three annual tranches — i.e. one each in 2009 and 2010, as well as possibly one in 2011 — with the proviso that no tranche may comprise more than 50% of the total volume.

3. According to the proposed resolution, one option basically grants the optionee the right to purchase one new share of Zapf Creation AG. The new shares shall participate in the Company's profits from the start of the financial year for which the Annual Shareholders' Meeting has not yet adopted any resolution regarding the appropriation of profit at the time options are exercised.

4. The proposed resolution further provides for the possibility of issuing the options with terms of up to ten years from the issue date and ensuring that they can only be exercised effective at the end of the respective term.

The options may only be exercised for the first time upon expiration of a waiting period of four years from the respective issue date. This complies with Section 193 para 2 no. 4 German Stock Corporation Act as amended by the German Law on the Adequacy of the Management Board's Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung).

The proposed resolution also provides for exercise windows geared largely to insider trading laws. According to the proposed resolution, the options may only be exercised within a period of four weeks following (i) an Annual Shareholders' Meeting of the Company or (ii) the publication of the figures for the preceding financial year, first half of the year or quarter (in the annual, half-yearly or quarterly report). Nor may the options be exercised during the following periods: During the period from the last day of registration prior to the Company's Annual Shareholders' Meeting until the first banking day following such Annual Shareholders' Meeting; for a period of two weeks prior to the close of the Company's financial year; for a period that runs from the date on which the Company announces an offering to its shareholders to purchase new shares or listed convertible bonds or bonds with warrants until the date on which the Company's new shares, convertible bonds, bonds with warrants or profit participation rights are listed on a stock exchange for the first time.

For the rest, all restrictions arising from general statutory requirements, for instance, the insider provisions under the German Securities Trading Act, must be complied with. The proposed resolution authorizes the Management Board to exclude the exercise of options for additional periods in this connection.

5. According to the proposed resolution, the exercise price shall be the sum of (i) the reference price and (ii) a premium of 20% on this reference price (issue fee) as performance target. The reference price shall correspond to the average (unweighted) closing auction price of one Zapf Creation share in Xetra trading (or a functionally comparable successor system that has taken the place of the Xetra system) on the Frankfurt/Main Stock Exchange on the last ten trading days preceding the date on which the allotment is offered but, at a minimum, the closing auction price on the date the allotment offer is made. At a minimum, the exercise price shall correspond to the pro rata interest of one share in the

Company's share capital (Section 9 para 1 German Stock Corporation Act), which is currently EUR 1.00.

The premium of 20% payable on the reference price is designed to ensure that it makes sense, economically speaking, to exercise the options only when the price of Zapf Creation's share has risen by at least 20% over the level that is material to fixing the reference price. This is because the optionees shall pay the exercise price (reference price plus premium of 20% on the reference price) when exercising their options. The optionees would have to contend with an economic loss while the Company would benefit in full from the exercise price if options were to be exercised at share prices that are lower than the exercise price. Hence the proposed resolution takes the statutory requirement of providing a performance target into account. The optionees have an interest in seeing to it that the price of Zapf Creation's share surpasses a level of 120% of the base price, thus making it economically feasible to exercise the options. If options are issued at a time when the price of Zapf Creation's share is so low as to yield an exercise price of less than the pro rata interest of one share in the Company's share capital — currently EUR 1.00 — then the exercise price would correspond, at a minimum, to the pro rata interest of one share in the Company's share capital. In this case, the economic performance target would be even higher, relatively speaking.

The proposed resolution provides for adjusting the options in ways that could result in an adjustment of the exercise price in connection with certain capital measures. This is designed to prevent the value of the options from changing merely by virtue of the actions specified in the proposed resolution. In any case, however, the pro rata interest of one share in the Company's share capital shall be the lowest exercise price (Section 9 para 1 German Stock Corporation Act).

6. The proposed resolution also includes provisions regarding the transferability, forfeiture and retirement of the options and authorizes the Management Board, subject to the approval of the Supervisory Board, to determine all other details of the option conditions as well as of the issuance and features of the options.
7. To safeguard the options, the share capital of the Company shall be conditionally increased by up to EUR 500,000.00 by issuing up to 500,000 no-par bearer shares (Contingent Capital 2009). Moreover, the Management Board shall be authorized to stipulate in the option conditions that Zapf Creation AG has the right, at the discretion of its Management Board, to grant treasury shares to the

optionee instead of new shares or to pay in money the difference between the exercise price and the current share price on the day on which the Company receives the notice of exercise instead of delivering new or treasury shares at the time the options are exercised. This makes it possible to counteract any dilution of existing shareholders' interest in the Company's share capital and their voting right, as may occur to a certain extent if the subscription rights are fulfilled using new shares.

### **III.**

#### **Availability of documents / publication on the Internet**

The adopted annual financial statements and the management report for the financial year from January 1 through December 31, 2008; the approved consolidated annual financial statements and the Group management report for the financial year from January 1 through December 31, 2008; as well as the report of the Supervisory Board for the 2008 financial year; the explanatory report regarding the disclosures pursuant to Section 289 para 4 and Section 315 para 4 German Commercial Code; and the Management Board's reports in regards to Agenda item 8 (resolution regarding the authorization to buy back and utilize treasury shares, including those purchased under prior authorizations) and Agenda item 9 (resolution on the authorization to issue stock options, create contingent capital and amend § 5 of the Articles of Incorporation) will be available to the shareholders for inspection in the offices of Zapf Creation AG, Moenchroedener Strasse 13, 96472 Roedental, Germany from the date on which the Annual Shareholders' Meeting is convened. The aforementioned documents will also be available at the Annual Shareholders' Meeting itself. Upon request, copies of the aforementioned documents will be sent or handed to any shareholder, immediately and at no cost to them.

The Agenda, as well as the aforementioned documents, are also available on the Internet at [www.zapfcreation.com](http://www.zapfcreation.com) (under "Investor Relations/Shareholders' Meeting").

### **IV.**

#### **Information on participating in and exercising voting rights at the Annual Shareholders' Meeting**

Solely shareholders who have registered prior to the Annual Shareholders' Meeting — in writing, via fax, or in any other text form — may participate in the Annual Shareholders' Meeting and exercise their voting right pursuant to § 22 para 1 of the Articles of Incorporation. In addition, shareholders must prove to the Company in accordance with § 22 para 1 of the Articles of Incorporation that they are entitled to participate in the Annual Shareholders' Meeting and exercise their voting right. Evidence of possession of shares shall be in writing by fax or in text form. Confirmation of the institute at which the shares are deposited shall be sufficient proof. Proof must be presented in German or English. Such proof must refer to the respective shareholder's shareholdings as of 12:00 a.m. Central European Time on the twenty-first day prior to the Annual Shareholders' Meeting, i.e. Tuesday, November 24, 2009. Both the registration and the proof of shareholding must be sent to the following address, i.e. such that the Company receives the documents no later than by midnight on the seventh day prior to the Annual Shareholders' Meeting, i.e. by midnight on December 8, 2009:

Zapf Creation AG  
c/o C-HV GmbH  
Gewerbepark 10  
D – 92289 Ursensollen, Germany  
Fax: +49 (0) 9628 / 9299 871  
E-mail: [info@c-hv.com](mailto:info@c-hv.com) .

In accordance with Section 123 para 3 German Stock Corporation Act, in relation to the Company only those shareholders who have submitted the requisite proof of shareholdings shall be considered shareholders for purposes of attending the Annual Shareholders' Meeting or exercising their voting right.

Tickets to the Annual Shareholders' Meeting, which will facilitate the Meeting's organization, will be issued once the registration and proof of shareholding has been received at the address given above.

All shareholders may also exercise their voting right at the Annual Shareholders' Meeting by means of a proxy, for example, the custodian bank, a shareholder association, or any other person. In this case, too, the foregoing prerequisites for participating in the Annual Shareholders' Meeting and exercising the right to vote (registration and verification) must be satisfied. In accordance with Article 23 para 2 of the Articles of Incorporation and subject to statutory provisions, such proxy authorization may be granted in writing by postal mail, by fax (using any media), or in other comparable forms. If the appointment of a proxy is subject to Section 135

German Stock Corporation Act — taking Section 20 of the Introductory Act to the German Stock Corporation Act (Einführungsgesetz zum Aktiengesetz; German acronym: EGAktG) into account, as amended by means of the Shareholder Rights Legislation — then neither the statutory written form requirement pursuant to Section 134 para 3 German Stock Corporation Act in conjunction with Section 20 EGAktG as amended by ARUG shall apply, nor is § 23 para 2 of the Articles of Incorporation deemed to have an effect limiting possible formal aspects of the appointment.

As a special service to our shareholders, we also offer them the option of authorizing proxies appointed by the Company for this Annual Shareholders' Meeting prior to the latter under the provisions of this paragraph; these proxies are bound by instructions. Shareholders wanting to authorize and instruct proxies appointed by the Company need a ticket to the Annual Shareholders' Meeting to do so. In order to ensure that tickets are received in due time, shareholders should register and provide proof of their shareholding as early as possible. All proxies and related instructions shall be sent in writing via postal mail or by fax (using any media) to the proxies appointed by the Company. Shareholders, who authorize proxies appointed by the Company, must also issue instructions related to the exercise of their voting right. No proxies will be exercised without these instructions. The proxies appointed by the Company have the obligation to vote in accordance with the instructions. All relevant details also follow from the information contained on the ticket mailed to shareholders. Proxy appointments and instructions will be accepted only if the relevant shareholder appoints a proxy and issues instructions using the form that is preprinted on the ticket and sends the completed and signed form to Zapf Creation AG, Investor Relations, Moenchroedener Strasse 13, 96472 Roedental, Germany (fax: + 49 (0) 9563 / 7251 107) by postal mail or fax (using any media) no later than by midnight on December 14, 2009; the proxies appointed by the Company may exercise their powers only if the foregoing requirements have been met.

Pursuant to, respectively, Section 126 para 1 and Section 127 German Stock Corporation Act, all counterproposals to a proposal of the Management Board and/or the Supervisory Board in regards to a particular Agenda item and all election proposals including an explanation of the grounds therefor (not necessary in connection with election proposals under Section 127 German Stock Corporation Act) as well as any statement by the Management Board shall be published online at [www.zapfcreation.com](http://www.zapfcreation.com) (Investor Relations/Shareholders' Meeting) if the Company receives them no later than two weeks ahead of the date of the Annual Shareholders' Meeting at the following address:

Zapf Creation AG  
Investor Relations  
Moenchroedener Strasse 13  
D – 96472 Roedental, Germany  
Fax: +49 (0) 9563 / 7251 107.

Please address any questions you may have in regards to the Annual Shareholders' Meeting — but not counterproposals or election proposals — in writing, by telephone, by fax or by e-mail to Zapf Creation AG, Investor Relations, Moenchroedener Strasse 13, 96472 Roedental, Germany (phone: + 49 (0) 9563 / 7251 513; fax: + 49 (0) 9563 / 7251 107); or via e-mail to [investor.relations@zapf-creation.de](mailto:investor.relations@zapf-creation.de).

The complete wording of the Agenda, including the proposals of the Management Board and the Supervisory Board regarding the resolutions, as well as all participation requirements, is published in the electronic Federal Gazette at [www.ebundesanzeiger.de](http://www.ebundesanzeiger.de) on Friday, October 30, 2009.

The complete wording of the Agenda, including the proposals of the Management Board and the Supervisory Board regarding the resolutions, and all participation requirements, is also available free of charge from the central registration office — C-HV GmbH, Gewerbepark 10, 92289 Ursensollen, Germany; fax: + 49 (0) 9628 / 9299 871 — as well as from Zapf Creation AG, Investor Relations, Moenchroedener Strasse 13, 96472 Roedental, Germany; phone: +49 (0) 9563 / 7251–513; fax: +49 (0) 9563 / 7251 107.

## V.

### **Disclosure of the total number of shares and voting rights pursuant to Section 30b para 1 no. 1 German Securities Trading Act.**

At the time the Annual Shareholders' Meeting is convened, a total of 19,295,853 shares are outstanding, each of which representing one vote.

Note, too, that the Company is holding 572,678 treasury shares — which do not entitle the Company to exercise any voting rights in the Annual Shareholders' Meeting — at the time the Annual Shareholders' Meeting is convened and probably on the date of the Annual Shareholders' Meeting itself.

Roedental, October 2009

Zapf Creation AG  
The Management Board