



## PRESS RELEASE

### **Zapf Creation: Shareholder loans to be converted to further reinforce equity base**

- **Share capital to rise by € 4.8 million to € 18.0 million**

**Roedental, February 28, 2008** - The management board of Zapf Creation AG, Europe's leading producer of play and functional dolls, passed a resolution on February 22, 2008 with the supervisory board's approval of February 27, 2008 to convert subordinate shareholder loans of € 12.9 million into equity as part of a non-cash equity issue as planned and announced. For this purpose, full use of the Company's authorized capital is to be made to issue 4.8 million new shares. A fractional amount of € 2.69 from the shareholder loans will be allocated to each new share.

As a result of this non-cash equity issue, Zapf Creation AG's share capital will increase by € 4.8 million from € 13.2 million to € 18.0 million. The equity issue is expected to be entered in the commercial register on March 19, 2008.

The subordinated shareholder loans were granted to the company by the principal shareholders (MGA Entertainment, Inc. and its affiliated companies as well as Mr. Nicolas Mathys) as part of long-term follow-up finance in the second half of 2007.

As of December 31, 2007, they were valued at € 16.9 million including accrued interest. Of this, an amount of € 12.9 million is now being converted to equity.

Thanks to this measure, the Group will be able to significantly reduce its interest expense in the future.

#### **Further information:**

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**Zapf Creation AG** is Europe's leading manufacturer of play and functional dolls with accessories. Among Zapf Creation's best known brands are Germany's best-selling functional doll BABY born®, 15 million of which have been sold worldwide since 1991, plus Baby Annabell® and CHOU CHOU. All these branded toys have in common the highest standards of design, quality, safety and play value. Headquartered in Roedental, Germany, Zapf Creation was founded by Max Zapf in 1932 and went public in April 1999 (ISIN 0007806002). For further information, please visit: [www.zapf-creation.com](http://www.zapf-creation.com).