

Herlitz AG's Declaration of Compliance concerning the German Corporate Governance Code

Pursuant to section 161 of Germany's Stock Corporation Act the Management and Supervisory Boards of listed stock corporations are under the obligation to declare every year that the recommendations of the Government Commission of the German Corporate Governance Code, as published by the Ministry of Justice in the official part of the electronic Federal Gazette, have been complied with or which of the recommendations were or still are not applied. Deviations must be substantiated. The declaration is to be made permanently accessible to the shareholders.

The German Corporate Governance Code (Code) was published for the first time in the year 2002. It contains nationally and internationally acknowledged standards of good and responsible corporate governance. The Code includes recommendations, suggestions and provisions, the companies being required to observe the latter as governing law. The companies may deviate from the recommendations but are then obligated to disclose and explain such deviation. Deviations from suggestions are possible without disclosure.

In respect of Herlitz AG's Corporate Governance practices between 23 December 2009 and 25 May 2010 the declaration relates to the Code requirements amended on 18 June 2009, published in the electronic Federal Gazette on 5 August 2009. As regards the period from 26 Mai 2010 onward, the declaration relates to the amended Code version of 26 May 2010.

The Management Board and the Supervisory Board of Herlitz AG declare that the recommendations of the Government Commission of the German Corporate Governance Code have generally been complied with and that the Management Board and the Supervisory Board of Herlitz AG intend to comply with these recommendations in the future, too. Solely the following German Corporate Governance Code recommendations have not been complied with:

Deductible with D&O Insurance

3.8

The German Corporate Governance Code recommends that the deductible to be agreed in a D&O insurance contract for the Supervisory Board should at least be 10 per cent of the loss up to an amount equal to one and a half times the fixed annual remuneration.

Herlitz AG has hitherto proceeded from the assumption that the existence of a D&O deductible could neither improve the motivation nor the sense of responsibility of the Supervisory Board members. For this reason the present D&O insurance does not include a deductible for Supervisory Board members as yet. For the time being, it is not intended to agree on a deductible at the above rate for the Supervisory Board members in the future either.

Age limit for Management Board Members

5.1.2

The German Corporate Governance Code recommends that an age limit should be specified for members of the Management Board.

An age limit has not been fixed as yet, nor is it intended to fix one in the future, because the Supervisory Board does not wish to narrow down the choice of suitable persons, with sufficient expert knowledge, eligible for Management Board memberships by specifying and complying with such a limit.

Age limit for Supervisory Board Members

5.4.1

The German Corporate Governance Code recommends that the Supervisory Board should define concrete targets for its composition, taking into account – in the light of the specific situation of the company's business - the international activities of the company, potential conflicts of interest, an age limit to be specified for Supervisory Board members and diversity. These targets should, in particular, provide for an appropriate participation of women.

Concrete targets have hitherto not been defined. However, it is intended to define such targets for the next nominations concerning the composition of the Supervisory Board.

An age limit has not been fixed as yet, nor is it intended to fix one in the future, because the choice of persons eligible for Supervisory Board memberships, with sufficient expert knowledge, ability and experience ought not to be narrowed.

Remuneration of Supervisory Board Members

5.4.6

The German Corporate Governance Code recommends that in the context of the remuneration of Supervisory Board members account should be taken of functions such as the chair and deputy chair within the Supervisory Board, as well as the chair and membership in the committees.

Herlitz AG deviates from the recommendation in so far as no separate compensation is paid for committee chairmanships or memberships. This is due to the fact that Herlitz AG's Supervisory Board members who also work in Supervisory Board committees hold double mandates both for Herlitz AG and Herlitz PBS AG and remuneration for committee activities of the Supervisory Board members has already been provided for by Herlitz PBS AG. The committee meetings of Herlitz AG and Herlitz PBS AG are always conducted within one timeframe. Additional remuneration at Herlitz AG would, consequently, lead to double remuneration, which is neither necessary nor desired. For this reason it is also not intended to change this system.

5.4.6

The German Corporate Governance Code recommends that the members of the Supervisory Board should receive performance-related pay in addition to their fixed amounts of remuneration.

Hitherto the remuneration for the Supervisory Board members of Herlitz AG has not included a performance-related pay component. In order to introduce such a component the general meeting would have to resolve that the pay scale be either increased or the present fixed amount be reduced while maintaining the pay scale. In the light of the generally tight financial and economic situation at the moment, which also affects the financial and business situation of the company, it is not intended to propose a pay increase.

The Management Board

The Supervisory Board