



Zapp
creation®

AT A GLANCE

Zapf Creation AG

Consolidated Key Figures	Q3/2005	Q3/2004	Q1-Q3/2005	Q1-Q3/2004	Q1-Q3+/- in % ¹⁾
Income statement					
Net sales in K€	49,858	61,462	89,274	115,957	-23
EBITDA in K€	10,185	13,477	3,703	26,476	-86
EBIT in K€	8,461	11,524	-1,393	21,177	n/a
Net income (loss) in K€	5,218	7,644	-6,262	16,222	n/a
Earnings per share ²⁾ in €	0.70	1.03	-0.84	2.18	n/a
Balance sheet					
Total assets (as of September 30) in K€	151,160	188,820	151,160	188,820	-20
Investments in K€	401	5,074	1,781	8,383	-79
Cash flow					
Net cash flow per share in €	-2.17	-1.35	-2.77	-4.06	-32
Stock					
Stock price, high (Xetra) in €	9.93 (July 29)	19.37 (July 5)	18.03 (Feb. 1)	23.79 (Feb. 18)	-24
Stock price, low (Xetra) in €	8.50 (Feb. 13)	14.83 (Sep. 9)	8.50 (Sep. 13)	14.83 (Sep. 14)	-43
Stock price, end of period (Xetra) in €	9.70	16.00	9.70	16.00	-39
Stock price, average (Xetra) in €	9.30	16.71	11.36	19.12	-41
Average daily trading volume (Xetra, number of shares)	25,318	22,239	51,520	32,759	57
Market capitalization (Base: end of period) in € million	78	128	78	128	-39
Number of employees (as of September 30) ³⁾	428	487	428	487	-12

1) rounded

2) 2005: basic = diluted; 2004: diluted

3) not including Management Board and trainees

FINANCIAL STATEMENTS

Zapf Creation AG

Notes

Like the 2004 consolidated financial statements, the quarterly financial statements of the Zapf Creation Group have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). The quarterly financial statements (Q3/2005; Q1–Q3/2005) and all comparative figures (Q3/2004; Q1–Q3/2004) include all corrections that resulted from the special audit. All amounts are shown in euros (€).

In addition to Zapf Creation AG, the Group's parent company, all subsidiaries of the Group were included in the consolidated financial statements. All subsidiaries are wholly owned by the parent company. In the 2005 financial year, the subsidiary Zapf Creation (Australia) Pty. Ltd. was sold and deconsolidated effective July 1, 2005. The company is still included in the comparative figures for 2004.

Segment Reporting

Breakdown of Sales by Business Unit

	Q1–Q3/ 2005 K€	Q1–Q3/ 2004 K€	Q1–Q3 +/- % ¹⁾	Q1–Q3 +/- K€
Europe	77,008	92,444	-17	-15,436
Central Europe	29,092	45,054	-35	-15,962
Northern Europe	28,653	29,384	-2	-731
Southern Europe	13,206	13,616	-3	-410
Eastern Europe	6,057	4,390	38	1,667
The Americas	10,282	19,039	-46	-8,757
Asia/Australia	1,984	4,474	-56	-2,490
Net sales	89,274	115,957	-23	-26,683

1) rounded

Breakdown of Sales by Product Group

	Q1–Q3/ 2005 K€	Q1–Q3/ 2004 K€	Q1–Q3 +/- % ¹⁾	Q1–Q3 +/- K€
Play and functional dolls	84,635	108,730	-22	-24,095
BABY born®	38,393	45,659	-16	-7,266
Baby Annabell®	28,757	33,251	-14	-4,494
CHOU CHOU	15,404	26,157	-41	-10,753
Sonstige	2,081	3,663	-43	-1,584
Mini dolls	1,503	3,027	-50	-1,524
All others	3,136	4,200	-25	-1,064
Net sales	89,274	115,957	-23	-26,683

1) rounded

FINANCIAL STATEMENTS

Zapf Creation AG

Consolidated Income Statement	Q3/2005 K€	Q3/2004 K€	Q1-Q3/2005 K€	Q1-Q3/2004 K€	Q1-Q3+/- % ¹⁾
Net sales	49,858	61,462	89,274	115,957	- 23
Cost of goods sold	- 27,101	- 28,309	- 47,873	- 50,042	- 4
Gross profit	22,757	33,153	41,401	65,915	- 37
Selling and distribution expenses	- 4,656	- 6,897	- 11,722	- 13,060	- 10
Marketing expenses	- 6,279	- 9,644	- 11,658	- 16,835	- 31
Administrative expenses, net	- 3,361	- 5,088	- 13,414	- 14,843	- 10
Restructuring costs	0	0	- 6,000	0	n/a
EBIT – Operating profit before interest and taxes	8,461	11,524	- 1,393	21,177	n/a
Interest income	29	69	187	198	- 6
Interest expense	- 1,570	- 561	- 3,272	- 2,046	60
EBT – Profit before income tax expense	6,920	11,032	- 4,478	19,329	n/a
Income tax expense	- 1,702	- 3,388	- 1,784	- 3,107	- 43
Net income (loss)	5,218	7,644	- 6,262	16,222	n/a
Gross margin in %	45.6	53.9	46.4	56.8	- 18

Breakdown of personnel expenses²⁾	Q3/2005 T€	Q3/2004 T€	Q1-Q3/2005 T€	Q1-Q3/2004 T€	Q1-Q3+/- % ¹⁾
Sales and distribution department	2,005	3,435	6,304	7,342	- 14
Marketing department	581	758	1,736	2,285	- 24
Administration department	2,186	2,313	6,612	7,422	- 11
Total	4,772	6,506	14,652	17,049	- 14

1) rounded

2) already included in operating expenses

FINANCIAL STATEMENTS

Zapf Creation AG

Consolidated Balance Sheet	Sep. 30, 2005 K€	Dec. 31, 2004 K€	Sep. 30, 2004 K€
Assets			
Cash and cash equivalents	7,495	17,041	11,339
Accounts receivable	61,300	44,036	76,201
Inventories	32,039	28,676	46,363
Prepaid expenses	2,897	1,806	3,930
Other currents assets	9,892	9,126	8,790
Deferred tax assets (short-term)	880	798	8,061
Total current assets	114,503	101,483	154,684
Property, plant, equipment and software, net	23,798	26,853	27,720
Intangible assets, net	4,758	5,314	5,732
Deferred tax assets (long-term)	4,893	4,357	634
Other long-term receivables	3,208	1,389	50
Total long-lived assets	36,657	37,913	34,136
	151,160	139,396	188,820
Liabilities and stockholders' equity			
Current portion of long-term debt and short-term borrowings	62,394	62,689	85,396
Accounts payable	16,328	13,263	20,289
Accrued liabilities	14,990	9,815	10,041
Income taxes payable	1,225	2,598	5,996
Deferred tax liabilities (short-term)	1,387	1,387	499
Total current liabilities	96,324	89,752	122,221
Long-term debt	22,660	10,604	11,190
Other long-term liabilities	0	0	41
Deferred tax liabilities (long-term)	483	460	585
Total long-term liabilities	23,143	11,064	11,816
Common stock	8,000	8,000	8,000
Additional paid-in capital	8,052	8,052	8,052
Treasury stock	- 11,358	- 11,358	- 11,358
Accumulated other comprehensive income (loss)	- 3,740	- 3,115	- 3,414
Retained earnings	30,739	37,001	53,503
Total stockholders' equity	31,693	38,580	54,783
	151,160	139,396	188,820

FINANCIAL STATEMENTS

Zapf Creation AG

Consolidated Statement of Cash Flows	Q1-Q3/2005	Q1-Q3/2004
	K€	K€
Cash flow from operating activities:		
Net income (loss)	- 6,262	16,222
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Depreciation and amortization	5,096	5,293
Loss on sale of property, plant, equipment and software	- 19	- 59
Increase (decrease) from changes in assets and liabilities:		
Accounts receivable	- 17,987	- 39,752
Inventories	- 3,275	- 17,242
Prepaid expenses and other assets	- 3,775	- 2,127
Accounts payable, accrued liabilities and other liabilities	7,390	9,296
Income taxes payable	- 1,163	4,532
Deferred taxes	- 595	- 6,351
Net cash flow from operating activities	- 20,590	- 30,188
Cash flow from investing activities:		
Proceeds from sale of property, plant, equipment and software	583	667
Capital expenditures	- 1,781	- 8,383
Net cash flow from investing activities	- 1,198	- 7,716
Cash flow from financing activities:		
Net borrowings under short- and long-term debt agreements	11,761	41,274
Payment of dividends	0	- 7,427
Net cash flow from financing activities	11,761	33,847
Effects of foreign exchange rate changes	481	54
Net change in cash	- 9,546	- 4,003
Cash at beginning of period	17,041	15,342
Cash at end of period	7,495	11,339

FINANCIAL STATEMENTS

Zapf Creation AG

Consolidated Statement of Stockholders' Equity

	Shares outstanding number (thsd.)	Common stock K€	Additional paid-in capital K€	Treasury stock K€	Retained earnings K€	Accumulated other comprehensive income (loss)		Total equity K€
						Adjustments to currency translation K€	Derivative financial instruments K€	
Balance at Dec. 31, 2003:	7,427	8,000	8,052	- 11,358	44,708	- 3,024	- 134	46,244
Net income (loss)					16,222			16,222
Other comprehensive income (loss)						- 90	- 166	- 256
Total comprehensive income (loss)					16,222	- 90	- 166	15,966
Dividend payments					- 7,427			- 7,427
Balance at Sept. 30, 2004:	7,427	8,000	8,052	- 11,358	53,503	- 3,114	- 300	54,783
Net income (loss)					- 16,502			- 16,502
Other comprehensive income (loss)						167	132	299
Total comprehensive income (loss)					- 16,502	167	132	- 16,203
Balance at Dec. 31, 2004:	7,427	8,000	8,052	- 11,358	37,001	- 2,947	- 168	38,58
Net income (loss)					- 6,262			- 6,262
Other comprehensive income (loss)						- 527	- 98	- 625
Total comprehensive income (loss)					- 6,262	- 527	- 98	- 6,887
Balance at Sept. 30, 2005:	7,427	8,000	8,052	- 11,358	30,739	- 3,474	- 266	31,693



Zapf Creation AG

Moenchroedener Strasse 13

96472 Roedental, Germany

Phone: +49 (0) 9563/72 51 - 0

Fax: +49 (0) 9563/72 51 - 100

E-mail: info@zapf-creation.de

Internet: www.zapf-creation.com