Half-year Report 2009

Consolidated key figures (IFRS)

in € million	Q2/2009	Q2/2008	H1/2009	H1/2008	H1 +/– in %	FY/2008
Adjusted earnings situation (without restructuring costs and one-off effects)						
Continuing operations						
EBITDA	−2.9	0.2	−6.8	−2.4	−190	4.8
EBIT	−3.8	−0.7	−8.7	−4.2	−107	0.8
EBIT margin (in %)	−41.9	−5.3	−44.4	−14.8	—	0.7
EBT	−4.7	−1.7	−10.7	−7.1	−50	−5.1
Result from continuing operations	−3.9	−1.1	−9.3	−5.3	−77	−6.0
Discontinued operations						
Result from discontinued operations	−0.3	−0.5	0.2	−0.6	—	0.0
Group						
Net profit or loss for the period	−4.2	−1.5	−9.1	−5.8	−58	−6.0
Earnings per share (in €) 1)	−0.22	−0.09	−0.49	−0.36	−34	−0.35
Earnings situation according to the income statement (including restructuring costs and one-off effects)						
Continuing operations						
Net sales	9.0	14.1	19.6	28.4	−31	104.4
Gross margin (in %)	28.4	38.9	29.1	39.7	—	38.7
EBITDA	−2.9	0.3	−6.8	−2.2	−211	4.9
EBIT	−3.8	−0.6	−8.7	−4.0	−115	0.9
EBIT margin (in %)	−41.9	−4.2	−44.4	−14.2	—	0.9
EBT	−4.7	−1.5	−10.7	−7.0	−53	−4.9
Result from continuing operations	−3.9	−0.9	−9.3	−5.1	−83	−5.9
Included restructuring costs and one-off effects	0.0	−0.2	0.0	−0.2	—	−0.2
Included depreciation and amortization	0.9	0.9	1.9	1.8	1	4.0
Discontinued operations						
Result from discontinued operations	−0.3	−0.5	0.2	−0.6	—	0.0
Included restructuring costs and one-off effects	0.0	0.0	0.0	0.0	—	0.0
Included depreciation and amortization	0.0	0.0	0.0	0.0	—	0.0
Group						
Net profit or loss for the period	−4.2	−1.4	−9.1	−5.6	−62	−5.8
Earnings per share (in €) 1)	−0.22	−0.08	−0.49	−0.35	−40	−0.34

The disclosures regarding the current 2009 financial year and the 2008 financial year are presented under the premise that the Company will continue as a going concern. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.
The key figures are based on rounded values in € million. The calculation of sums and ratios can therefore result in differences when compared to the interim consolidated financial statements.
1) undiluted = diluted

Consolidated key figures (IFRS)

in € million	Q2/2009	Q2/2008	H1/2009	H1/2008	H1 +/– in %	FY/2008
Balance sheet						
Total assets	—	—	66.6	88.8	−25	94.0
Non-current assets	—	—	21.6	21.0	3	21.9
Investments	0.4	1.2	0.7	1.4	−51	5.5
Current assets	—	—	44.9	67.8	−34	72.2
Equity	—	—	15.0	25.8	−42	23.0
Equity ratio (in %)	—	—	22.6	29.0	—	24.5
Liabilities to banks	—	—	31.8	35.2	−10	35.4
Net debt	—	—	21.8	13.1	66	28.0
Cash flow						
Cash flow from operating activities	1.7	−1.8	8.5	8.8	−3	1.1
Cash flow from operating activities per share (in €)	0.09	−0.10	0.45	0.55	−18	0.07
Net cash flow	−1.9	−8.9	2.5	− 1.2	—	−15.9
Employees						
Number as at the closing date [2)]	—	—	226	244	−7	242

2) excluding Management Board and trainees

Interim management report of the Group as of June 30, 2009

- **Business continues to develop in line with expectations**
- **Weak economy is impacting sales**
- **Ongoing reduction of key cost items**
- **Business is expected to revive in the year's second half**

1. Summary

The business of the Zapf Creation Group continued to develop as expected in the first six months of the 2009 financial year. Consolidated sales in the seasonally weaker first half of the year were € 19.6 million against a backdrop of a poor economic climate in important markets and negative currency translation effects. The previous year's figure (€ 28.4 million) had been pushed up by several one-time effects including additional sales stemming from the very early availability of products.

Earnings in the first six months of 2009 were affected by external factors over which we have no control. The cost of materials rose in tandem with the gains of the US dollar relative to the euro. Moreover, just as other toy manufacturers the Zapf Creation Group, too, managed to convince only some of its retail partners to pay full prices under market conditions that remain difficult. Both the continued decrease in selling and administrative expenses as a result of streamlined cost management and the improvement in the net income from financing activities (which was on target) had a positive effect on the development of earnings. Ultimately, however, these positive developments were unable to offset the consequences of declining sales and margins. The net loss for the first half of 2009 was € 9.1 million, up from a loss of € 5.6 million in the same period the previous year.

The Group further improved its working capital management in the first six months of 2009. Receivables were substantially reduced, and inventories were optimized through reductions. In turn, this generated a cash inflow of € 8.5 million from the Group's operating activities.

Given the industry's known seasonality, the Management Board expects the decline in sales during the year's first six months to slow down as the year progresses even though consolidated sales for the year on the whole are not expected to reach the previous year's level. Sales of innovative products that will be commercially available starting in the third quarter are expected to generate some momentum.

Nonetheless, the Management Board expects the market environment for toys, especially play and functional dolls, to remain difficult in the foreseeable future. Since the core markets of the Zapf Creation Group will revive only slowly, it still is almost impossible to reliably predict consumer demand for the Group's brands. Hence the Management Board will not communicate specific sales or earnings targets for the 2009 financial year.

2. Economic conditions

2.1. Business environment

The downward slide of the global economy, which was sparked by the international financial crisis, slowed down in the second quarter of the current year. While the sharp decline in industrial production and global trade continued in the first quarter of 2009, leading indicators pointed to a weakening of the worldwide recession in subsequent months. First signs that the economy was stabilizing made themselves felt in the euro zone as well. Experts have attributed this development to a slight improvement in consumers' and investors' mood in the second quarter, among other things. The Germany economy stabilized in the spring of 2009 albeit at a low level.

These positive signals notwithstanding, experts still believe that the global economy's return to a sustained growth trajectory will be hesitant at best. Lower demand for labor could dampen consumption. Moreover, the risk of inflation is being fueled by large public deficits in all key industrialized countries, as well as the central banks' expansive monetary policies. Only emerging countries such as China and India are expected to provide some impetus for growth in the current year. While the global economy overall is expected to contract by 1.4 % in 2009 according to the estimates of the International Monetary Fund (IMF), the economy in the euro zone is expected to shrink by 4.8 %. The IMF forecasts that Germany's gross domestic product will decline by about 6 % in 2009 owing to its largely export-driven economy.

Sources:
Association of German Banks, Monthly Report, June 2009.
European Central Bank, Monthly Report, July 2009
International Monetary Fund, World Economic Outlook (Update) July 8, 2009

2.2. Industry environment in Europe

Impacted by the weak economy, the Zapf Creation Group's most important European toy markets developed unevenly in the first six months of 2009. While the market volume rose in both Germany (+4.0%) and France (+5.8%), relative to retail sales prices, the toy markets in Great Britain (–13.4%) and Spain (–3.8%) suffered substantial losses.

The play and functional doll segment, which constitutes the Zapf Creation Group's core activity, registered declines throughout Europe, some of which were substantial. In the first six months of 2009, the market volume fell by 2.7% year on year in Germany while it dropped by 13.2% in the United Kingdom.

Source:
NPD Retail Panel

3. Performance of the Zapf Creation Group

3.1. Preliminary remark

The consolidated financial statements of Zapf Creation AG as of December 31, 2008, had not yet been audited at the time this interim management report of the Group was prepared. This is due to the ongoing negotiations with the banking syndicate that funds the Company on adjusting the terms governing the Group's long-term financing. These negotiations were triggered by a breach of the Covenants stipulated with the consortium as a result of the development of business in the fourth quarter of 2008. The 2008 consolidated financial statements of Zapf Creation AG cannot be audited until these negotiations have been brought to a successful conclusion. The Management Board is of the opinion that the negotiations with the banking syndicate are constructive, and it is confident that they will yield a positive outcome.

The following disclosures on the performance indicators for the 2008 financial year – which were prepared on the assumption that the Company will remain a going concern – are published here with the proviso that they will be retroactively confirmed by the auditors.

3.2. Development of consolidated sales

Consolidated sales of the Zapf Creation Group in the year's first half (which is much weaker than the second half in the toy industry due to seasonal fluctuations) were € 19.6 million. This corresponds to a decline of 30.9% compared to the same period the previous year (H1/2008: € 28.4 million). The previous year's figure was boosted by one-time effects, among them sales that were posted by the Group in the second quarter instead of the third quarter of 2008 as a result of the improved availability of its products. Consolidated sales in the second quarter of 2008 had risen by 43.6% year on year as a result.

At € 9.0 million, in the second quarter of 2009 consolidated sales fell 35.9% below the previous year's figure of € 14.1 million.

3.3. Development of sales by region

In Europe, sales in the first six months of 2009 dropped to € 18.8 million in the Group's core markets due to the weak economy, down from € 27.3 million in the first six months of 2008.

Sales in the Central Europe sales region (Germany, Austria, Switzerland, The Netherlands, and Luxembourg) fell by € 1.6 million to € 8.3 million. In Northern Europe, which comprises the United Kingdom, Ireland, and Scandinavia, consolidated sales declined by € 2.2 million to € 3.9 million. At € 3.4 million, sales in the Southern Europe sales region (Spain, France, Italy, and Belgium) were almost at the previous year's level (€ 3.7 million). In Eastern Europe, consolidated sales dropped by € 4.4 million to € 3.1 million.

At € 0.8 million, consolidated sales in Asia/Australia fell by € 0.3 million in the reporting period compared to the same period the previous year.

Breakdown of sales (external sales) by region*

	H1/2009 K€	H1/2008 K€	+/– in %
Europe	**18,769**	**27,285**	**–31**
Central Europe	8,338	9,983	–16
Northern Europe	3,925	6,153	–36
Southern Europe	3,437	3,705	–7
Eastern Europe	3,069	7,444	–59
Asia/Australia	**849**	**1,114**	**–24**
Total sales	19,618	28,399	–31

* In accordance with IFRS 5

3.4. Development of sales by product line

The Zapf Creation Group posted sales of € 17.6 million from play and functional dolls, the Group's key product segment, in the first half of 2009 (H1/2008: € 24.6 million).

Sales from the BABY born® branded play concept dropped by € 6.0 million to € 11.3 million, due mainly to weak demand in the core markets, Germany, Spain, Great Britain, and Eastern Europe.

We posted € 3.9 million in sales from the Baby Annabell® series – a moderate decline by € 0.3 million. The market launch of the new Baby Annabell® Tender Kisses had a positive effect, especially in the British market, which is critical to this doll.

The CHOU CHOU branded concept generated sales of € 2.1 million in the first six months of the year, down € 0.9 million year on year.

Consolidated sales in the "Other Products" segment fell by € 1.7 million to € 2.1 million.

Breakdown of sales by product line*

	H1/2009 K€	H1/2008 K€	+/– in %
Play and functional dolls	**17,562**	**24,647**	**–29**
BABY born®	11,250	17,250	–35
Baby Annabell®	3,863	4,129	–6
CHOU CHOU	2,145	3,086	–30
Other play and functional dolls	304	182	67
Mini dolls	**0**	**0**	—
Other products	**2,056**	**3,752**	**–45**
Total sales	19,618	28,399	–31

* In accordance with IFRS 5

4. Development of earnings

The Group's gross profit margin in the first six months of 2009 was 29.1 %. The decline from the previous year (39.7 %) is essentially due to external factors over which the Group has no direct control. The cost of materials rose in tandem with the gains of the US dollar relative to the euro. In addition, the income from logistics services that the Zapf Creation Group provides for third parties also declined due to the weak economy and the resulting contraction in the volume of goods. Moreover, the Zapf Creation Group, just as other toy manufacturers, managed to convince only some of its retail partners to pay full prices under market conditions that remain difficult.

Costs developed along a positive trajectory in the year's first half. Important expense items fell yet again. At € 5.1 million, selling and distribution expenses were below the previous year's level (€ 6.6 million). Administrative expenses dropped to € 6.6 million, down from € 7.0 million in the first half of 2008.

Other operating expenses were € 1.2 million, up from € 0.1 million in the same period the previous year.

Overall, cost savings and efficiency gains only partly offset the consequences of declining sales and gross profits. As a result, the Zapf Creation Group posted earnings before interest and taxes (EBIT) of € –8.7 million for the first half of 2009. EBIT at the end of the first six months of 2008 was € –4.0 million. Consolidated EBIT for the second quarter of 2009 was € –3.8 million, up from € –0.6 million for the period from April to June 2008.

Finance costs fell to € 2.0 million during the year's first half. The previous year's comparative figure (€ 3.7 million) was mainly due to interest for the high-yield subordinated shareholder loans, which were fully converted into equity in the course of 2008.

Consolidated earnings before taxes from continuing operations in the first half of 2009 were € –10.7 million (H1/2008: € –7.0 million). At € 1.3 million – down from € 1.9 million the previous year – the income tax result is positive, essentially due to the recognition of deferred taxes and the use of loss carryforwards.

Consolidated net income from continuing operations after taxes was € –9.3 million, compared to € –5.1 million in the same period the previous year.

Consolidated earnings from discontinued operations were € 0.2 million (H1/2008: € –0.6 million); it reflects the closing-date measurement of a loan granted by Zapf Creation AG to its US subsidiary. The Zapf Creation Group is no longer active in the US market.

In the first half of 2009, the Zapf Creation Group posted a net loss of € 9.1 million, up from € 5.6 million the previous year. Earnings per share were € –0.49 (H1/2008: € –0.35). The second quarter of 2009 gave rise to a loss of € 4.2 million (Q2/2008: € –1.4 million). Quarterly earnings per share were € –0.22, compared to € –0.08 in the same period the previous year.

5. Assets

As of June 30, 2009, the Zapf Creation Group had total assets of € 66.6 million, down from € 94.0 million as of the close of the 2008 financial year and € 88.8 million as of June 30, 2008. The decline in total assets reflects the lower business volume overall resulting from the prevailing economic climate.

At € 21.6 million, non-current assets were almost unchanged (December 31, 2008: € 21.9 million) while current assets fell to € 44.9 million (December 31, 2008: € 72.2 million). Besides the declining business volume, this was also due to consistent working capital management. Trade receivables fell substantially by € 31.1 million to € 15.9 million compared to the close of the 2008 financial year (December 31, 2008: € 47.0 million; June 30, 2008: € 21.3 million). Inventories declined by € 1.0 million to € 11.4 million (December 31, 2008: € 12.4 million; June 30, 2008: € 17.4 million). The increase in other assets by € 2.3 million to € 7.1 million (December 31, 2008: € 4.8 million) resulted, among other things, from input VAT receivables as well as receivables of the Zapf Creation Group from MGA Entertainment, Inc. related to shared company resources.

6. Liabilities

Current liabilities dropped to € 51.5 million as of the reporting date, down from € 70.9 million as of December 31, 2008. Essentially, this is due to the decline in trade payables by € 12.6 million to € 16.3 million, especially as a result of the seasonality of our business (December 31, 2008; € 28.9 million; June 30, 2008: € 23.6 million). Current bank borrowings fell by € 3.7 million to € 31.8 million.

The Zapf Creation Group did not recognize any non-current liabilities toward banks as of June 30, 2009, once all non-current bank borrowings were reclassified as current liabilities in accordance with IFRS rules.

Net debt as of the reporting date was € 21.8 million. It was € 28.0 million as of the close of the 2008 financial year, and € 13.1 million as of June 30, 2008.

The Zapf Creation Group had equity of € 15.0 million as of June 30, 2009. The year-on-year decline (December 31, 2008: € 23.0 million; June 30, 2008: € 25.8 million) stems from the net loss for the first half of 2009. The equity ratio as of the balance sheet date was 22.6 %, down from 24.5 % at the end of December 2008 and thus adequate.

7. Liquidity

In the first half of 2009, the Zapf Creation Group generated € 8.5 million in cash from operating activities (H1/2008: € 8.8 million). This reflects the Group's improved working capital management, which reduced trade receivables by € 31.8 million during the reporting period. In contrast, there was an outflow of € 0.7 million in cash for investing activities. A total of € 5.6 million were used for payments on loans and notes, as well as interest payments.

Overall cash and cash equivalents rose by € 2.5 million at the end of the first six months of 2009. This compares to a decline in cash and cash equivalents of € 1.2 million in the same period the previous year.

8. Employees

As of the reporting date of June 30, 2009, the Zapf Creation Group had a total of 226 employees worldwide (excluding both the Management Board and trainees), compared to 244 employees at the prior-year reporting date. Given the weak economy, adjustments to personnel figures were unfortunately unavoidable in the second quarter. Overall, the Company continues to have staffing levels that are appropriate to its business volume.

9. Events after the close of the reporting period

The Coburg Local Court removed Mr. Gustavo Perez from the Supervisory Board of Zapf Creation AG on July 30, 2009.

10. Opportunities and risks

The Zapf Creation Group provided detailed information regarding opportunities and risks in the combined management report of Zapf Creation AG and the Group for the 2007 financial year. There has been no material change in the Group's opportunities and risk profile compared to the disclosures made in that report. Therefore, please see these disclosures for more information.

We do wish to address the following additional risks:
At the present time, the Company is negotiating with the banking syndicate on adjusting the terms governing the Group's long-term financing. This development was sparked by noncompliance with the Covenants due to business developments in the fourth quarter of 2008. Despite the constructive course of these negotiations, we cannot preclude that the participating banks will exer-

cise their right to call their credit lines in the event of a negative outcome. In this case, the solvency of both the Zapf Creation Group and Zapf Creation AG would be at risk in the short term, threatening the Company's existence as a going concern.

Furthermore, it is almost impossible at the present time to reliable forecast how demand for brand toys – particularly play dolls – will develop in the future. While experts assume that the global recession has bottomed out by now and that some signs are pointing to a recovery, slow as it may be, the decline in toy sales might continue in the long term, for instance, due to restrained consumption stemming from weak labor markets. This would have a negative effect on demand for the Zapf Creation Group's products and increase its sales risk, in turn hampering the profit or loss, financial position and cash flows of the Zapf Creation Group.

11. Outlook

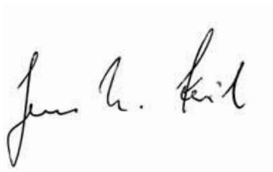
Given the industry's customary seasonal cycles, the Management Board expects consolidated sales in the second half of 2009 to surpass the level in the first six months of the year by a substantial margin. In addition, the Group's new products, which were presented to much acclaim in the first half of 2009 – for instance at the Nuremberg Toy Fair – will be available from retailers for the first time starting in the year's third quarter. It is for these reasons that the downturn in sales in the first six months of the year will slow down substantially during the remainder of the year. However, we must anticipate for the year as a whole that consolidated sales will fail to reach the previous year's level.

The Management Board does not expect market conditions to improve sustainably any time soon. General conditions in the most important markets are still being impacted by the global economic and financial crisis. Even if the economy were to stabilize in coming months, the development of consumer demand for the branded play concepts of the Zapf Creation Group cannot be estimated with sufficient certainty at this time. Hence the Management Board will not communicate specific sales or earnings targets for the 2009 financial year.

Roedental, Germany, August 14, 2009

The Management Board

Stephan F. Brune
Chairman of the Management Board



Jens U. Keil
Member of the Management Board

José Antonio Santana
Member of the Management Board

Interim consolidated financial statements as of June 30, 2009

Consolidated income statement	Q2/2009 K€	Q2/2008 K€	H1/2009 K€	H1/2008 K€	FY/2008 K€
Revenue	9,048	14,113	19,618	28,399	104,365
Cost of sales	−6,478	−8,617	−13,906	−17,118	−63,935
Gross profit	**2,570**	**5,496**	**5,712**	**11,281**	**40,430**
Selling and distribution expenses	−2,220	−3,203	−5,075	−6,590	−13,387
Marketing expenses	−1,287	−1,735	−2,685	− 3,014	−13,232
Administrative expenses	−3,114	−3,173	−6,567	−7,044	−15,285
Other income	681	646	1,085	1,368	3,590
Other expenses	−420	1,381	−1,173	−44	−1,197
Operating result	**−3,790**	**−588**	**−8,703**	**−4,043**	**919**
(Restructuring costs included therein	*0*	*160*	*0*	*160*	*159)*
(One-off costs, mainly consultancy, included therein	*0*	*0*	*0*	*0*	*0)*
(Adjusted operating result derived therefrom	***−3,790***	***−748***	***−8,703***	***−4,203***	***760)***
Finance income	29	574	50	772	591
Finance costs	−936	−1,509	−2,008	−3,700	−6,431
Result from continuing operations before income taxes	**−4,697**	**−1,523**	**−10,661**	**−6,971**	**−4,921**
Taxes on income	757	589	1,345	1,880	−962
Result from continuing operations	**−3,940**	**−934**	**−9,316**	**−5,091**	**−5,883**
Result from discontinued operations before income taxes	−268	−449	173	−545	21
Income taxes on discontinued operations	0	−5	0	−5	14
Net loss for the period	−4,208	−1,388	−9,143	−5,641	−5,848

Average number of shares outstanding (in thousands)	18,723	17,715	18,723	15,938	17,115
Earnings per share, continuing operations (in €)	−0.21	−0.05	−0.50	−0.32	−0.34
Earnings per share, discontinued operations (in €)	−0.01	−0.03	0.01	−0.03	0.00
Earnings per share (basic/diluted) (in €)	−0.22	−0.08	−0.49	−0.35	−0.34

The included notes are an integral part of the interim consolidated financial statements. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.

Consolidated statement of comprehensive income	Q2/2009 K€	Q2/2008 K€	H1/2009 K€	H1/2008 K€	FY/2008 K€
Net loss for the period	**−4,208**	**−1,388**	**−9,143**	**−5,641**	**−5,848**
Adjustment from currency translation	1,287	−889	1,497	−524	−4,254
Deferred taxes	−326	0	−443	0	1,081
Derivative financial instruments	0	−131	0	0	0
Other comprehensive income/loss	**961**	**−1,020**	**1,054**	**−524**	**−3,173**
Comprehensive loss	−3,247	−2,408	−8,089	−6,165	−9,021

The included notes are an integral part of the interim consolidated financial statements. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.

Consolidated balance sheet	June 30, 2009 K€	Dec. 31, 2008 K€	June 30, 2008 K€
Assets			
Current assets	**44,937**	**72,160**	**67,784**
Cash	9,937	7,425	22,051
Trade receivables	15,926	47,024	21,281
Inventories	11,373	12,363	17,367
Income tax receivables	631	547	141
Other assets	7,070	4,801	6,944
Non-current assets	**21,637**	**21,861**	**20,985**
Property, plant and equipment	14,501	15,272	15,904
Intangible assets	5,103	5,517	2,973
Other assets	0	5	10
Deferred tax assets	2,033	1,067	2,098
Total assets	66,574	94,021	88,769

Equity and liabilities	June 30, 2009 K€	Dec. 31, 2008 K€	June 30, 2008 K€
Current liabilities	**51,494**	**70,941**	**31,391**
Liabilities to banks	31,766	35,430	3,620
Trade payables	16,298	28,868	23,568
Income tax liabilities	669	981	441
Other liabilities	1,955	2,540	2,029
Provisions	806	3,122	1,733
Non-current liabilities	**38**	**38**	**31,598**
Liabilities to banks	0	0	31,566
Deferred tax liabilities	38	38	32
Equity	**15,042**	**23,042**	**25,780**
Issued capital	19,296	19,296	19,296
Capital reserve	33,329	33,240	33,122
Net loss for the period and accumulated deficit brought forward	−24,848	−15,705	−15,498
Other recognized income and expense	−1,377	−2,431	218
Treasury shares	−11,358	−11,358	− 11,358
Total equity and liabilities	66,574	94,021	88,769

The included notes are an integral part of the interim consolidated financial statements. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.

Consolidated statement of changes in equity

	Shares outstanding (thsds.)	Issued capital K€	Capital reserves K€	Net loss for the period and accumulated deficit brought forward K€	Other recognized income and expense: Adjustment from currency translation K€	Other recognized income and expense: Derivative financial instruments K€	Treasury shares K€	Total equity K€
Balance at January 1, 2008:	**12,627**	**13,200**	**21,703**	**−9,857**	**742**	**0**	**−11,358**	**14,430**
Net loss for the period				−5,641				−5,641
Change in other recognized income and expense					−524	0		−524
Comprehensive income or loss				**−5,641**	**−524**	**0**		**−6,165**
Issuance of treasury shares	6,096	6,096	11,419					17,515
Balance at June 30, 2008:	**18,723**	**19,296**	**33,122**	**−15,498**	**218**	**0**	**−11,358**	**25,780**
Balance at January 1, 2009:	**18,723**	**19,296**	**33,240**	**−15,705**	**−2,431**	**0**	**−11,358**	**23,042**
Net loss for the period				−9,143				−9,143
Change in other recognized income and expense					1,054	0		1,054
Comprehensive income or loss				**−9,143**	**1,054**	**0**		**−8,089**
Share-based payment			89					89
Balance at June 30, 2009:	18,723	19,296	33,329	−24,848	−1,377	0	−11,358	15,042

The included notes are an integral part of the interim consolidated financial statements. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.

Consolidated cash flow statement	H1/2009 K€	H1/2008 K€
Cash flow from operating activities:		
Earnings before income taxes	−10,488	−7,516
Depreciation of non-current assets	1,867	1,844
Losses/gains from the disposal of non-current assets	0	−8
Finance costs/income	1,958	2,928
Share-based payment	89	0
Other non-cash income/expenses	0	0
Increase/decrease in assets and liabilities:		
Trade receivables	31,773	28,491
Inventories	962	−3,792
Other assets	−2,274	1,864
Liabilities and reserves	−14,940	−14,803
Income tax payments	−461	−218
Cash flow from operating activities	8,486	8,790
Cash flow from investing activities:		
Cash receipts from sales of property, plant and equipment and intangible assets	11	83
Cash payments for investments in property, plant and equipment and intangible assets	−685	−1,395
Cash flow from investing activities	−674	−1,312
Cash flow from financing activities:		
Cash receipts from non-current bank borrowings	0	0
Cash payments for non-current bank borrowings	−7	−1,035
Cash payments for the repayment of non-current bank borrowings	−2,000	−3,000
Change in liabilities due to current borrowings	−1,806	−989
Interest paid	−1,867	−2,837
Interest received	40	401
Cash payments for the issuance of treasury shares	0	−623
Cash flow from financing activities	−5,640	−8,083
Effects of exchange rate changes	340	−626
Net change in cash and cash equivalents	2,512	−1,231
Cash and cash equivalents at the beginning of the period	7,425	23,282
Cash and cash equivalents at the end of the period	9,937	22,051

The included notes are an integral part of the interim consolidated financial statements. At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. For more information, please see the management report and the notes.

Segment reporting

H1/	Central Europe 2009 K€	Central Europe 2008 K€	Northern Europe 2009 K€	Northern Europe 2008 K€	Southern Europe 2009 K€	Southern Europe 2008 K€	Eastern Europe 2009 K€	Eastern Europe 2008 K€	The Americas 2009 K€	The Americas 2008 K€	Asia/Australia 2009 K€	Asia/Australia 2008 K€
External sales	8,338	9,983	3,925	6,153	3,437	3,705	3,069	7,444	14	−7	849	1,114
Internal sales	992	1,769	270	283	747	599	42	329	0	0	0	0
Segment sales, total	9,330	11,752	4,195	6,436	4,184	4,304	3,111	7,773	14	−7	849	1,114
Earnings before interest, taxes, depreciation and amortization (EBITDA)	− 3,559	4,042	− 2,226	− 4,111	− 774	− 317	− 225	− 725	173	− 545	− 52	−1,088

H1/	Other 2009 K€	Other 2008 K€	Consolidation 2009 K€	Consolidation 2008 K€	Group total 2009 K€	Group total 2008 K€	Discontinued operations 2009 K€	Discontinued operations 2008 K€	Continuing operations 2009 K€	Continuing operations 2008 K€
External sales	0	0	0	0	19,632	28,392	14	−7	19,618	28,399
Internal sales	0	0	− 2,051	− 2,980	0	0	0	0	0	0
Segment sales, total	0	0	− 2,051	− 2,980	19,632	28,392	14	−7	19,618	28,399
Earnings before interest, taxes, depreciation and amortization (EBITDA)	0	0	0	0	− 6,663	− 2,744	173	− 545	− 6,836	− 2,199

The segment reporting is part of the notes.

Notes to the
interim consolidated financial statements as of June 30, 2009

Notes to the interim consolidated financial statements as of June 30, 2009

1. General information

1.1. Information on the Company

Zapf Creation AG – hereinafter also referred to as "the Company" or "Zapf Creation" – is Europe's leading brand manufacturer of play and functional dolls including accessories.

The Company markets branded play concepts that consist of a doll and a world of matching accessories that are developed to a high standard of quality, design, safety and play value. The Company's most popular brands include BABY born®, Baby Annabell® and CHOU CHOU. These globally successful play concepts have been conceived particularly for the Company's core target group – girls between three and eight years of age.

Zapf Creation AG, as the Company is currently known, was originally established in 1932 by Max Zapf and his wife Rosa as "Max Zapf Puppen- und Spielwarenfabrik." The Company went public on April 26, 1999. Zapf Creation AG is listed on the Official Market of the Frankfurt Stock Exchange. Its shares are traded in the Prime Standard segment.

Zapf Creation AG is headquartered in Moenchroedener Strasse 13, 96472 Roedental, Germany.

1.2. Principles of preparation

The interim consolidated financial statements of Zapf Creation AG as of June 30, 2009 were prepared on the basis of IAS 34 ("Interim Financial Reporting"). They were not reviewed or audited in accordance with Section 317 German Commercial Code.

The interim consolidated financial statements do not include all notes and disclosures required for consolidated financial statements and must thus be read in connection with the consolidated financial statements as of December 31, 2008, which were prepared in accordance with Section 315a German Commercial Code ("Consolidated Financial Statements According to International Accounting Principles") and in compliance with both the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – all of them as applicable within the European Union under Article 4 of EC Directive 1606/2002 dated July 19, 2002, of the European Parliament and the European Council. The provisions of Section 315a para 1 German Commercial Code were also observed in preparing the consolidated financial statements. All IFRS, as well as all attendant Interpretations, applicable to the financial year were used in the preparation of the consolidated financial statements of Zapf Creation AG as of December 31, 2008, inasmuch as they were adopted by the EU.

At this time, the consolidated financial statements of Zapf Creation AG as of December 31, 2008, are available only in preliminary form and have not yet been published. Therefore, events within the meaning of IAS 10 ("Events after the Balance Sheet Date") could occur which could affect the consolidated financial statements as of December 31, 2008. Any such changes would require adjustments to be made to the opening balances on which the interim consolidated financial statements as of June 30, 2009, are based.

1.3. Consolidation

The interim consolidated financial statements as of June 30, 2009 follow the same consolidation methods as the preliminary, as yet unpublished consolidated financial statements as of December 31, 2008. Reference is also made to the existing consolidated financial statements as of December 31, 2007, which also used the same consolidation methods.

In addition to Zapf Creation AG, the Group's parent company, all direct and indirect subsidiaries of the Group are included in the basis of consolidation. The were no changes in the group of consolidated companies in the first six months of the 2009 financial year.

1.4. Accounting methods

The interim consolidated financial statements as of June 30, 2009 follow the same accounting methods as the preliminary, as yet unpublished consolidated financial statements as of December 31, 2008. Reference is also made to the existing consolidated financial statements as of December 31, 2007, which also used the same accounting methods.

In addition to reporting its operating income, the Zapf Creation Group therefore also reports "adjusted operating income" in its consolidated income statement in the interim consolidated financial statements as of June 30, 2009. The adjusted operating income is based on the Group's internal key performance indicators and adjusts the Group's operating income by the restructuring costs and one-off items shown in the income statement. Showing this item in the presentation of the consolidated income statement serves to increase transparency with regard to the sustainability of the earnings generated by the company through its ongoing operating process. Any expenses incurred from the restructuring of the Zapf Creation Group, as well as other extraordinary one-off expenses, are shown in the income statement under the operational areas giving rise to such expenses. No restructuring costs and one-off items were recognized in the first six months of the 2009 financial year (previous year: income of K€ 160).

The accounting and measurement in the preliminary, as yet unpublished 2008 consolidated financial statements and the interim consolidated financial statements as of June 30, 2009, was based on the assumption that the Zapf Creation Group will continue as a going concern. The Management Board assumes that the going concern requirement is met at this time.

1.5. Use of estimates

The preparation of interim consolidated financial statements requires management to make assumptions and perform estimates, which might affect the application of accounting standards in the Group, as well as both the amount and the disclosure of recognized assets, liabilities, income, expenses, and contingent liabilities.

The Company's management regularly reviews both the estimates and the underlying assumptions. Although the estimates are made to the best of management's knowledge based on current events and measures, actual amounts may deviate from these estimates. Adjustments related to the estimates relevant to the accounting are considered in the period in which the adjustment was made if it concerns only the period in question. If an adjustment concerns both the reporting period and later periods, then it is accounted for in both.

2. Explanations of items in the consolidated financial statements

2.1. General

The presentation of items in the interim consolidated financial statements as of June 30, 2009 follows the same structure as the preliminary, as yet unpublished consolidated financial statements as of December 31, 2008. Reference is also made to the existing consolidated financial statements as of December 31, 2007.

The development of the individual items of the interim consolidated financial statements in the first six months of the 2009 financial year, specifically revenue, is characterized by the typical, seasonal nature of the Company's business. In this context, we also refer to the interim management report of the Group as of the end of the second quarter of 2009.

The segment report is attached to these notes as Appendix.

2.2. Discontinued operations

As in the previous year, income and expenses that are attributable to the Group subsidiary Zapf Creation (U.S.) Inc. are reported separately under the result from discontinued operations in accordance with IFRS 5 ("Non-current Assets Held for Sale and Discontinued Operations").

The income and expenses attributable to discontinued operations are as follows:

	H1/2009 K€	H1/2008 K€
Revenue	14	−7
Selling and distribution expenses	0	−162
Administrative expenses	−10	4
Other income	169	0
Other expenses	0	−380
Income taxes on discontinued operations	0	−5
Result from discontinued operations	173	− 550

The result from discontinued operations in the first six months of the 2009 financial year essentially resulted from exchange rate effects. In the same period of the previous year, the result from discontinued operations essentially comprised exchange rate effects as well as allowances for trade receivables.

The cash flow from operating, investing and financing activities attributable to discontinued operations is as follows:

	H1/2009 K€	H1/2008 K€
Cash flow from operating activities	−19	−174
Cash flow from investing activities	0	0
Cash flow from financing activities	0	0
Effects of exchange rate changes	1	−10
Cash flow from discontinued operations	−18	−184

2.3. Other disclosures regarding the income statement

Staff costs included in the operating expenses of the Zapf Creation Group in the first six months of 2009 totaled K€ 6,162 (previous year: K€ 7,237).

Staff costs by functional areas are comprised as follows:

	H1/2009 K€	H1/2008 K€
Selling and disposition	2,893	4,217
Marketing	512	533
Other administration	2,757	2,487
Staff costs	6,162	7,237

2.4. Equity

Capital measures

No capital measures were carried out in the first six months of the 2009 financial year.

In the comparative prior-year period, Zapf Creation AG had announced on February 28, 2008, that the Management Board had resolved on February 22, 2008, with the approval of the Supervisory Board on February 27, 2008, to convert € 12.9 million of the subordinated shareholder loans including accrued interest into equity by means of a non-cash capital increase, as planned and previously announced. The Company issued 4.8 million new shares to this end, fully utilizing the authorized capital existing at that time. For more details, please see the consolidated financial statements as of December 31, 2007. The amount in shareholder loans contributed per new share was € 2.69. This non-cash capital increase further enhanced the Company's equity base. As a result, the share capital of Zapf Creation AG rose from € 13.2 million by € 4.8 million to € 18.0 million; it was recorded in the commercial register on March 19, 2008.

On June 5, 2008, Zapf Creation AG announced that its Management Board, as planned and previously announced, resolved to convert into equity all outstanding subordinate shareholder loans, including accrued interest, amounting to € 5.0 million by way of a capital increase against in-kind contributions. The Management Board's decision was made on May 29, 2008, and approved by the Supervisory Board on June 5, 2008. For this purpose, a total of 1,295,853 new shares were issued by utilizing part of the new authorized capital (Authorized Capital 2008) created at the Annual Shareholders' Meeting on May 27, 2008). Reference is also made to the existing interim consolidated financial statements as of September 30, 2008. The amount in shareholder loans contributed per new share was € 3.86. The non-cash capital increase lifted the share capital of Zapf Creation AG by € 1,295,853, from € 18.0 million to approximately € 19.3 million. The capital increase was recorded in the commercial register on June 11, 2008. The amendment of Article 5 of the Articles of Incorporation (Amount and breakdown of share capital) became effective through the resolution of the Supervisory Board on June 10, 2008. The full conversion of the shareholder loans into equity completed the implementation of the Group's long-term financing concept that was agreed between Zapf Creation, its major shareholders and an international consortium of banks on July 20, 2007. This measure significantly reduces the Group's future interest expense. After partial utilization, the remaining authorized capital from May 27, 2008 (Authorized Capital 2008) is € 7,704,147.00.

As a result of the conversion, the percentage of the share capital held by the Group's major shareholders MGA Entertainment, Inc. or its shareholders ("Trusts") and Mr. Nicolas Mathys increased to 44.44 % and 19.45 %, respectively. As a result of additional share purchases made in 2008, their share has increased to 44.66 % and 20.50 %, respectively, by June 30, 2009.

Treasury shares

In the comparative prior-year period, the Company was authorized by resolution of the Annual Shareholders' Meeting dated May 27, 2008 to purchase treasury shares. Regarding the details of the authorization, please also see the interim consolidated financial statements as of September 30, 2008. As of June 30, 2009, the new authorization granted by the Annual Shareholders' Meeting on May 27, 2008, to acquire treasury shares had not been exercised.

3. Related party relationships

Disclosures of relationships and business transactions with related parties are made in accordance with IAS 24 ("Related Party Disclosures"), taking into account IAS 34 ("Interim Financial Reporting").

IAS 24 defines a related party as a person capable of controlling or significantly influencing another person, either alone or together with a third party, or as a person on whom such control or significant influence can be exercised. This definition of related parties covers companies and natural persons. In our case, the Company's Management Board and Supervisory Board and the companies of the MGA Group that are related parties of the Company have been identified as related parties.

All transactions involving deliveries and services from and to related parties that occur in the ordinary course of Zapf Creation's business are executed at market rates.

3.1. The Management Board

The following change with regard to the composition of the Management Board occurred during the period under review:

Effective March 1, 2009, the Supervisory Board of Zapf Creation AG appointed Mr. José Antonio Santana to the Company's Management Board, announcing that he would be responsible for marketing, design and product development as well as quality management. His term of office ends on February 28, 2011. Mr. Santana's employment contract will be extended until February 28, 2013 unless he or the Company until December 1, 2010 announces that the contract will not be extended. Mr. Santana took over the responsibilities stated above from the CEO, Mr. Stephan F. Brune, who had managed them on an interim basis. As previously, the Management Board of Zapf Creation AG also consists of Stephan F. Brune, Chief Executive Officer, and Jens U. Keil, Chief Financial Officer.

The total compensation of K€ 482 (previous year: K€ 267) paid to the Management Board comprises all cash compensation due, as well as all monetary benefits from in-kind compensation. It includes both fixed and variable components but excludes one-time consideration paid to former members of the Management Board.

In addition to the monetary base compensation, the fixed compensation granted to the members of the Company's Management Board also comprises benefits such as the use of company cars and allowances for accident insurance, individual pension plan, and other insurance policies. Mr. Stephan F. Brune will be reimbursed for flights home, in the scope stipulated; additionally, the Company will also reimburse Mr. Brune on the basis of documented costs for relocation expenses, broker fees as well as matriculation fees. The Company has promised Mr. Brune that it will purchase life and accident insurance for him. It will also assume the cost of a German teacher for Mr. Santana, subject to conditions yet to be fixed.

The compensation system based on phantom shares that was launched in 2006 for the members of the Company's Management Board remained in place in the first six months of the 2009 financial year. Regarding details, please also see the consolidated financial statements as of December 31, 2007. Under this plan, 27,000 phantom stock options at a base price of € 0.81 were allocated to Mr. José Antonio Santana and 10,000 phantom stock options at a base price of € 0.87 were allocated to Mr. Jens U. Keil in 2009; the exercise of these options is not linked to achievement of specific performance targets. In the comparative prior-year period, 10,000 phantom stock options at a base price of € 3.59 were granted to Mr. Keil. At the time they exercise their phantom stock options, beneficiaries are paid the difference per exercised option between the closing price of the share on its issue date and on the date on which the phantom stock options are exercised. A total of K€ 11 (previous year: K€ 13) were expensed for provisions related to obligations under this phantom-share-based compensation system in the first six months of the 2009 financial year for the newly granted phantom stock options; due to the performance of the Company's shares, K€ 11 of these provisions (previous year: K€ 13) were reversed to profit and loss during the first six months of 2009. A total of K€ 18 (previous year: K€ 65) in provisions for liabilities under the aforementioned phantom stock options were recognized as of June 30, 2009. The phantom stock options granted to the former Management Board member, Dr. Georg Kellinghusen, lapsed on February 15, 2009.

During the 2008 financial year, Mr. Stephan F. Brune was also granted additional share-based compensation above and beyond the compensation system entailing phantom stock options. Mr. Brune is granted Zapf Creation AG shares as part of both his fixed and his variable compensation; the variable component of his compensation is contingent on the achievement of specific performance targets. While Mr. José Antonio Santana was granted similar share-based compensation in the 2009 reporting period, it is solely designed to be his variable compensation, the amount of which is contingent on the achievement of specific performance targets. In the first six months of 2009, both components (fixed and variable) gave rise to expenses of K€ 89 (previous year: 0) from share-based compensation).

Regarding further information on the programs, please also see the consolidated financial statements as of December 31, 2007.

As in the same period the previous year, no one-off compensation was paid to former Board members in the first six months of the 2009 financial year.

One former member of the Management Board was granted a variable credit line in the maximum amount of K€ 625 until December 31, 2007, which was fully used as of December 31, 2007. The agreed interest rate was 4.25 %. It was fixed until December 31, 2007, the loan's due date. Under a settlement reached in the 2008 financial year, Zapf Creation AG waived repayment of a loan in the amount of K€ 175 provided certain conditions are met; the Company will be responsible for any tax expense arising from non-cash advantages. The interest rate has been 5 % per annum effective January 1, 2008; the parties agreed to a payment plan regarding the remaining residual liabilities including interest thereon. A payment of K€ 100 (previous year: 0) on this liability was made in the 2008 financial year; as in the previous year, no new loans were made in 2008. In 2008, the Company received K€ 49 in full payment of both K€ 46 in interest receivables outstanding as of December 31, 2007, and K€ 3 in interest on arrears that had been billed; the total of K€ 23 in interest for the 2008 interest period were also paid in full. The Company's overall claim as of the June 30, 2009, reporting date has been reduced to K€ 354 (previous year: K€ 685) due to the waiver of its claim, the interest and loan payments received in the 2008 financial year, interest payment made in the first quarter of 2009, and taking into account the interest receivables for the second quarter of 2009. However, the loan granted remains secured by a land charge in the amount of K€ 200 (previous year: K€ 200); the remaining liability has been written down in full, analogous to the previous year.

3.2. The Supervisory Board

There was no change with regard to the composition of the Supervisory Board occurred during the period under review.

In the comparative prior-year period, Mr. Francesc Robert, who had been vice chairman of the Supervisory Board since July 28, 2006, and a member of the Supervisory Board since May 11, 2005, resigned from the Supervisory Board effective at the end of the Company's Annual Shareholders' Meeting on May 27, 2008. For the remainder of Mr. Robert's term of office, Mr. Nicolas Mathys, Baar, Switzerland, was elected to the Supervisory Board. Mr. Mathys has also been serving as vice chairman of the Supervisory Board since May 27, 2008.

The compensation of the Supervisory Board is determined by the Annual Shareholders' Meeting, on recommendation of the Management Board and the Supervisory Board. It is regulated by Article 20 of the Articles of Incorporation of Zapf Creation AG. The cash compensation includes a fixed and a dividend-based component, as well as compensation linked to the long-term success of the Company.

According to the Articles of Incorporation, the fixed compensation component for the full financial year is K€ 35 net for the chairman of the Supervisory Board, K€ 26.25 net for the vice chairman of the Supervisory Board, and K€ 17.50 net each for all other members of the Supervisory Board. The compensation paid to Supervisory Board members who were not in office for a full financial year is pro rated in accordance with the duration of their membership on the Supervisory Board. As in the previous year, the addition to the provision for the fixed component of the Supervisory Board compensation as of June 30, 2009 was made pro rata temporis.

Also as in the previous year, in the financial year just ended no provisions for the variable component of the compensation were recognized because no payment obligation arises from the Company's performance. Regarding the details of the variable compensation component, please also see the consolidated financial statements as of December 31, 2007.

As in the previous year, there were no loans to members of the Supervisory Board as of the balance sheet date. The subordinate shareholder loans included in the Company's financing concept, including pro rated interest owed, were fully converted into equity upon entry in the commercial register on March 19, 2008 and June 11, 2008; insofar please also see Section 2.4.

3.3. Related companies of the MGA Group

The inclusion of MGA Group companies into the group of related parties of Zapf Creation AG is due to the close partnership that has been implemented on an operational level in several areas since the beginning of the 2007 financial year. The details of this partnership are as follows:

Since the beginning of 2007, MGA Entertainment, Inc., Van Nuys, California, USA, has been solely responsible as a licensee for selling Zapf Creation's products in the Americas (North, Central and South); MGA guarantees that the sales volume exceeds the revenue generated by Zapf Creation's own subsidiaries in this region by more than 50 % (Agreement 1: "Distribution Agreement"). In return, the parties agreed that the Zapf Creation Group will sell MGA products in particular European markets in exchange for payment of a distribution fee (Agreement 2: "Consignment and Services Agreement"). Zapf Creation Logistics GmbH & Co. KG provides logistics services for the MGA Group (Agreement 3: "Logistics Service Agreement"). Furthermore, in 2007 MGA took over the entire process of selecting and monitoring the Asian suppliers of Zapf Creation products, the coordination and handling of merchandise shipments to the sales units, and technical product development (Agreement 4: "Hong Kong/China Services Agreement"). Also, Zapf Creation AG granted MGA Entertainment Inc., Van Nuys, California, USA, against payment of a license fee, the exclusive right and the exclusive license to utilize and exploit both the products and the intellectual property of Zapf Creation AG, including the right to grant sublicenses (Agreement 5: "Merchandising License Agreement"). Effective April 1, 2008, the partnership was extended through another agreement (Agreement 6: "UK Services Agreement"). Since this date, MGA Entertainment UK Ltd. has been providing full sales services for Zapf Creation (U.K.) Ltd. in that company's sales areas for an appropriate fee. In return, Zapf Creation (UK) Ltd. provides administrative services to MGA Entertainment UK Ltd. for an appropriate fee.

The following income and expenses resulted from this partnership in the first six months of the 2009 financial year:

Cooperation agreements	**H1/2009 K€**	**H1/2008 K€**
Agreement 1: "Distribution Agreement" Income from Agreement 1	169	399
Agreement 2: "Consignment and Services Agreement" Income from Agreement 2	336	619
Agreement 3: "Logistics Service Agreement" Income from Agreement 3	271	916
Agreement 4: "Hong Kong/China Services Agreement" Expenses from Agreement 4	750	1.010
Agreement 5: "Merchandising License Agreement" Income from Agreement 5	32	0
Agreement 6: "UK Services Agreement" Income from Agreement 6	144	231
Expenses from Agreement 6	32	44

In addition to the business transactions resulting from the cooperation agreements mentioned above (in the narrow sense), the following services were provided between the companies of the Zapf Creation Group and the related parties belonging to the MGA Group:

Cross charges	**H1/2009 K€**	**H1/2008 K€**
Income from cross charges	777	1.060
Expenses from cross charges	1,027	1,629

Cross charges are charges between the companies of the Zapf Creation Group and the related companies belonging to the MGA Group that arise from the mutual provision of services – above and beyond the cooperation agreements mentioned above (in the narrow sense); this essentially concerns income and expenses from shared company resources (staff, offices etc.).

Merchandise procurement	**H1/2009 K€**	**H1/2008 K€**
Merchandise procurement in the reporting period	8,541	13,217

Merchandise procurement in the reporting period results from the purchase of goods at MGA Entertainment (HK) Ltd. made by the sales subsidiaries of the Zapf Creation Group.

Just as in the same period of the previous year, no other services were received directly from or delivered directly to the related companies of the MGA Group.

There were no other business transactions in the first six months of the 2009 financial year. In the comparative prior-year period, the subordinate shareholder loans included in the Company's financing concept, including pro rated interest owed, were fully converted into equity upon entry in the commercial register on March 19, 2008 and June 11, 2008; insofar please also see Section 2.4.

The receivables and liabilities of the Zapf Creation Group that result from the partnership with related parties of the MGA Group as of June 30, 2009 are as follows:

Balances as of the balance sheet date	June 30, 2009 K€	June 30, 2008 K€
Receivables from related parties	4,380	3,825
Liabilities to related parties	6,474	8,820

4. Events after the close of the reporting period

For information regarding significant events after the close of the reporting period, with the exception of the changes to the Supervisory Board and the directors' dealings disclosed below, please see the disclosures in the interim management report of the Group as of the end of the second quarter of 2009.

5. Changes to the Supervisory Board

The Coburg Local Court removed Mr. Gustavo Perez from the Supervisory Board of Zapf Creation AG on July 30, 2009.

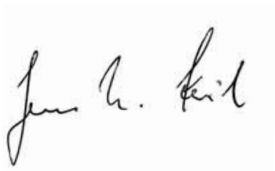
6. Directors' dealings

During the period from January 1 to August 14, 2009, the officers and directors of the Company did not report any securities dealings that require disclosure under Section 15a of the German Securities Trading Act (WpHG).

All members of the Management Board and the Supervisory Board were informed in detail of the obligation to disclose reportable transactions made by members of the Management Board or the Supervisory Board, their spouses or immediate relatives.

Roedental, Germany, August 14, 2009

Stephan F. Brune
Chairman of the Management Board



Jens U. Keil
Member of the Management Board

José Antonio Santana
Member of the Management Board

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Zapf Creation Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Roedental, Germany, August 14, 2009

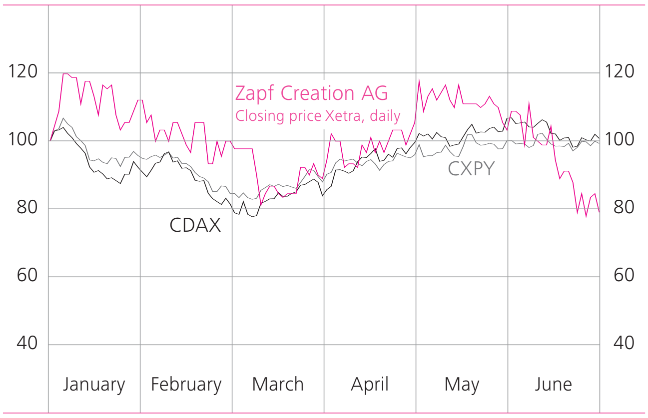
Stephan F. Brune
Chairman of the Management Board

Jens U. Keil
Member of the Management Board

José Antonio Santana
Member of the Management Board

The share

Indexed share price performance, December 30, 2008 = 100



After starting the year at a price of € 0.85 per share in XETRA trading, the share of Zapf Creation AG rose to € 1.03 per share on January 6, 2009, its high for the first half of 2009. The share price hovered around € 1.00 for the rest of January, closing at € 0.96 as of January 31, 2009 – a gain of almost 13 % – and thus substantially outperforming the two performance indices, CDAX and CXPY. In early February 2009, the share price slid back down to the opening price of € 0.85, where it remained more or less until the end of February 2009. As of February 27, 2009, the CDAX had already fallen by close to 20 % compared to the beginning of the year and the CXPY had also lost more than 16 %. Given the share's ongoing low liquidity, the sale of only a few thousand shares caused the price to drop again in March 2009. It fell to just € 0.68 as of March 10, 2009, but climbed back continually to € 0.80 as of the end of the first quarter. As of March 31, 2009, the share price was thus down about 5.8 % from the opening price at the start of the year.

Until the middle of June, the share price followed a volatile yet relatively stable trend that ended abruptly at the end of the second quarter of 2009. It came under massive pressure and fell repeatedly below € 0.70 per share in the last week of June.

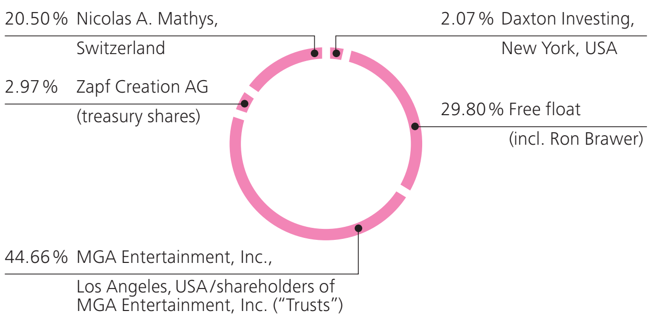
In April 2009, the share price had largely been paralleling the two performance indices, although subject to relatively high volatility, closing at € 0.90 in XETRA trading on April 30, 2009. It then rose to € 1.01 right at the start of May 2009, the highest level for the second quarter. The share price remained above € 0.90 in May 2009, thus clearly outperforming the performance indices. Starting on June 16, 2009, numerous sell orders put such pressure on the share price that it dropped significantly, reaching € 0.65 on June 25, 2009, its lowest level for the year's first half. The pressure to sell continued, keeping the share price at € 0.66 as of June 30, 2009, forcing it to close with a loss of 22.4 %. In the view of Zapf Creation AG, the price of its share as of the end of the second quarter does not appropriately reflect the Company's intrinsic value, as well as its performance, and thus does not provide a true and fair picture of the enterprise value.

Financial calendar

Date	Event	Place
Aug. 14, 2009	Publication of the Q2/half-year results 2009	Roedental
According to notice	10th Annual Shareholders' Meeting	Roedental
Nov. 06, 2009	Publication of the Q3/nine-month results 2009	Roedental
Nov. 09–11, 2009	German Equity Forum 2009	Frankfurt/Main

Shareholder structure*

Share capital (no-par shares): 19,295,853



* The figures are primarily based on the notifications under Sections 15a and 21 German Securities Trading Act received by Zapf Creation AG until July 1, 2009.

Directors' dealings

During the period from April 1 to June 30, 2009, the officers and directors of the Company did not report any securities dealings that require disclosure under Section 15a of the German Securities Trading Act (WpHG).

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