



## **Herlitz Aktiengesellschaft, Berlin**

Consolidated Interim Report  
for the first six months to 30 June 2009

in accordance with section 37w, WpHG [German  
securities trading act]

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**Herlitz Aktiengesellschaft, Berlin**  
**Consolidated balance sheet as of 30 June 2009 (IFRS)**

<b>Assets</b>	30 June 2009 EUR	31 December 2008 EUR
Long-term assets		
Intangible assets and tangible assets	21,681,502.13	23,218,356.76
Financial assets, financial instruments and deferred taxes	2,024,480.90	2,385,115.73
Loans to affiliated companies	<u>3,853,416.67</u>	<u>7,672,416.67</u>
	<b>27,559,399.70</b>	<b>33,275,889.16</b>
Short-term assets		
Inventories	40,472,829.25	38,619,651.35
Accounts receivable and other short-term assets	24,971,465.92	33,511,936.58
Liquid funds	<u>2,377,355.78</u>	<u>2,967,343.48</u>
	<b>67,821,650.95</b>	<b>75,098,931.41</b>
Assets of a class held for disposal	0.00	6,151,750.87
Total	<u><b>95,381,050.65</b></u>	<u><b>114,526,571.44</b></u>
 <b>Liabilities</b>	 30 June 2009 EUR	 31 December 2008 EUR
Equity		
Equity due to shareholders of the parent company	32,299,153.48	38,573,021.51
Minority interests	<u>572,021.57</u>	<u>1,183,241.00</u>
	<b>32,871,175.05</b>	<b>39,756,262.51</b>
Long-term debt		
Bank loans	793,022.03	4,847,035.00
Long-term shareholder loans	18,412,500.00	17,960,000.00
Other long-term liabilities	<u>95,349.64</u>	<u>109,555.35</u>
	<b>19,300,871.67</b>	<b>22,916,590.35</b>
Short-term debt		
Accounts payable	19,766,377.21	19,078,125.43
Other short-term liabilities	15,775,702.19	20,042,434.02
Overdraft facilities, bank loans	5,522,440.28	8,767,928.96
Short-term provisions	<u>2,144,484.25</u>	<u>148,196.65</u>
	<b>43,209,003.93</b>	<b>48,036,685.06</b>
Debt related to assets held for disposal	0.00	3,817,033.52
Total	<u><b>95,381,050.65</b></u>	<u><b>114,526,571.44</b></u>

**Herlitz Aktiengesellschaft, Berlin**  
**Consolidated income statement (IFRS)**  
**for the period 1 January to 30 June 2009**

	1 Jan. - 30 June 2009 EUR	1 Jan. - 30 June 2008 EUR
Sales revenues	120.818.628,00	138.648.900,48
Change in inventory	1.671.997,58	2.235.103,63
Other operating income	11.696.390,84	5.603.869,80
Cost of materials	-69.819.956,38	-75.729.791,88
Personnel expenses	-36.489.453,46	-38.490.711,94
Depreciation	-1.862.748,56	-2.309.119,75
Other operating expenses	<u>-29.822.966,76</u>	<u>-33.795.263,54</u>
<b>Earnings before interest and taxes</b>	<b>-3.808.108,74</b>	<b>-3.837.013,20</b>
Financial result	-1.182.420,59	-1.740.664,66
Taxes on income	-443.663,77	625.797,46
<b>Consolidated net loss for the year</b>	<b>-5.434.193,10</b>	<b>-4.951.880,40</b>
Of which attributable to shareholders of the parent company	-5.060.987,91	-4.687.064,75
Of which attributable to minority interests	-373.205,19	-264.815,65
Number of weighted no-par shares [in thousands]	10.900,00	10.900,00
Potential number of diluted no-par shares [in thousands]	-	-
Weighted average of all no-par shares [in thousands]	<u>10.900,00</u>	<u>10.900,00</u>
Undiluted earnings per no-par share [EUR per share]	-0,46	-0,43
Diluted earnings per no-par share [EUR per share]	-0,46	-0,43

**Herlitz Aktiengesellschaft, Berlin**  
**Consolidated statement of comprehensive**  
**income (IFRS)**  
**from 1 January to 30 June 2009**

	1 Jan. - 30 June 2009	1 Jan. - 30 June 2008
	EUR	EUR
<b>Consolidated net loss for the period</b>	<b><u>-5,434,193.10</u></b>	<b><u>-4,951,880.40</u></b>
Currency conversion of foreign operations	-1,246,844.62	1,505,577.89
<b>Comprehensive income after taxes</b>	<b><u>-6,681,037.72</u></b>	<b><u>-3,446,302.51</u></b>
Of which attributable to shareholders of the parent company	-6,273,868.03	-3,195,709.64
Of which attributable to minority interests	-407,169.69	-250,592.87

**Herlitz Aktiengesellschaft, Berlin**  
**Statement of changes in equity as of 30 June 2009 (IFRS)**

in EUR	Parent company				Equity	Minority interests	Group equity
	Subscribed capital	Capital reserve	Retained earnings	Other equity		Equity	
As of 1 Jan. 2009	46,466,951.10	27,493,597.46	-38,365,550.99	2,978,023.94	38,573,021.51	1,183,241.00	39,756,262.51
Sale of Herlitz Finland						-204,049.74	-204,049.74
Comprehensive income			-5,060,987.91	-1,212,880.12	-6,273,868.03	-407,169.69	-6,681,037.72
As of 30 June 2009	46,466,951.10	27,493,597.46	-43,426,538.90	1,765,143.82	32,299,153.48	572,021.57	32,871,175.05

in EUR	Parent company				Equity	Minority interests	Group equity
	Subscribed capital	Capital reserve	Retained earnings	Other equity		Equity	
As of 1 Jan. 2008	46,466,951.10	27,493,597.46	-37,266,072.97	4,088,899.55	40,783,375.14	1,325,775.52	42,109,150.66
Dividends paid						-98,805.22	-98,805.22
Comprehensive income			-4,687,064.75	1,491,355.11	-3,195,709.64	-250,592.87	-3,446,302.51
As of 30 June 2008	46,466,951.10	27,493,597.46	-41,953,137.72	5,580,254.66	37,587,665.50	976,377.43	38,564,042.93

**Herlitz Aktiengesellschaft, Berlin**  
**Cash flow statement as of 30 June 2009 (IFRS)**

	1 Jan. - 30 June 2009	1 Jan. - 30 June 2008
	EUR k	EUR k
<b>Cash flow from operating activities</b>		
Consolidated income before taxes	-4.991	-5.578
Adjustment by non-cash items and non-operating transactions	-3.151	3.643
Changes to working capital	7.369	-16.899
Other transactions	-1.208	-1.993
	<b>-1.981</b>	<b>-20.827</b>
<b>Cash flow from investing activities</b>		
Amounts paid out for investments	-905	-1.295
Amounts received from disposals	6.606	0
	<b>5.701</b>	<b>-1.295</b>
<b>Cash flow from financing activities</b>		
Amounts paid out for the repayment of loans granted by banks (prior year: amounts received from loans granted by banks)	-7.228	8.583
Amounts received from loans to affiliated companies	3.819	3.500
Other transactions	377	398
	<b>-3.032</b>	<b>12.481</b>
<b>Liquid funds at the end of the period</b>		
Change to liquidity	688	-9.641
Changes due to exchange rates, company group and valuation	-1.278	621
Liquid funds at the start of the period	2.967	12.651
	<b>2.377</b>	<b>3.631</b>

## **Herlitz Aktiengesellschaft, Berlin**

### **Notes to the condensed consolidated interim financial statements for the first six months to 30 June 2009**

#### **A. General information**

Herlitz Aktiengesellschaft ("Herlitz AG") is the parent company of the group and has its registered office in Berlin. Herlitz Group is one of the leading manufacturers of and dealers in stationery (PBS) and greeting card, napkin and gift wrap division (papeterie) in Europe. Herlitz AG is a limited liability company established in the Federal Republic of Germany and its shares are traded publicly.

The condensed consolidated interim financial statements for the period 1 January to 30 June 2009 have been released for publication on 28 August 2009 by a resolution of the executive board.

65.99% of the registered capital and voting rights of Herlitz AG entered in the commercial register are held by Stationery Products S.à.r.l., Luxembourg ("Stationery Products"). Stationery Products is indirectly owned by Advent International Corp. that has its registered office in Boston, USA, and is an internationally operating private equity company.

#### **B. Bases and accounting policies for the consolidated interim financial statements**

##### **1. Basis of preparation for the financial statements**

The interim financial statements as of 30 June 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as they are to be applied in the EU.

The condensed consolidated interim financial statements for the period 1 January to 30 June 2009 have been presented in accordance with IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements do not contain all the information and explanations stipulated for the consolidated annual financial statements and should be read in the context of the consolidated annual financial statements as of 31 December 2008.

## **2. Significant accounting and valuation principles**

The currency in which the condensed consolidated interim financial statements are prepared is the euro. The income statement has been prepared according to the total cost method.

The accounting and valuation principles applied for preparing the condensed consolidated interim financial statements – with the exception of the following IFRS standards and interpretations first applied effective 1 January 2009 – correspond to those used to prepare the consolidated annual financial statements dated 31 December 2008.

### *IFRS 7 Financial Instruments: Disclosures*

The amended standard outlines additional disclosure requirements for fair value measurement and liquidity risk. The amendment requires a quantitative analysis of fair value based on the three level hierarchy for each type of financial instrument. A reconciliation between the opening and closing balance is also required for level 3 fair value measurements. The disclosure of any material transfers between level 1 and 2 fair value measurements is also required. Furthermore, the disclosure requirements for liquidity risk are clarified by the amended standard. In regards to the group disclosures of liquidity risk, the amendments have no material impact.

### *IFRS 8 Operating Segments*

This standard requires the disclosure of information about the group's operating segments and replaces the obligation to provide primary (operating segments) and secondary (geographical segments) segment reporting formats for the group. The application of this standard had no impact on the assets, liabilities and financial position of the group. The group has determined that the operating segments correspond to the operating segments previously identified according to IAS 14 Segment Reporting.

### *IAS 1 Presentation of Financial Statements (revised)*

This revised standard separates shareholder and non-shareholder changes in equity. Therefore, the statement of changes in equity will only include details of transactions with shareholders, with all shareholder changes in equity presented individually. In addition, the standard introduces a statement of comprehensive income which presents all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two associated statements. The group decided to present the statement of comprehensive income in two statements.

### *IAS 38 Intangible Assets*

Expenses for advertising campaigns and promotional costs are charged to expenses incurred if the group has received the right to access the goods or services. This amendment has no impact on the group.

Amendments to the following standards and interpretations had no impact on the accounting and valuation principles or the assets, financial and profit position of the group:

*IFRS 2 Share-Based Payment*

*IFRS 5 Long-Term Assets Held for Sale*

*IFRIC 13 Customer Loyalty Programmes*

*IFRIC 9 Reassessment of Embedded Derivatives*

*IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

*IAS 8 Accounting Policies*

*IAS 10 Events After the Reporting Period*

*IAS 16 Property, Plant and Equipment*

*IAS 18 Revenues*

*IAS 19 Employee Benefits*

*IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*

*IAS 23 Borrowing Costs*

*IAS 27 Consolidated and Separate Financial Statements*

*IAS 28 Investments in Associates*

*IAS 31 Interests in Joint Ventures*

*IAS 32 Financial Instruments*

*IAS 34 Interim Financial Reporting*

*IAS 36 Impairment of Assets*

*IAS 39 Financial Instruments: Recognition and Measurement*

### **3. Consolidated entities**

Effective 13 January 2009, Herlitz PBS AG sold 100% of the shares in the subsidiary proOFFICE s.r.o. in Czech Republic to third parties. The purchase price of EUR 7,250 k was paid in cash. Income for the group of EUR 6,105 k resulting from the sale is reported under other operating income. This is partly offset by one-time other operating expenses of around EUR 1,200 k to conclude the transaction. The company was deconsolidated in January 2009.

The consolidated profit contributions of proOFFICE s.r.o. for the prior year are mainly attributable to the following items in the consolidated income statement:

	1 Jan. - 30 June 2008
	<u>EUR k</u>
Sales revenues	475
Other operating income	122
Personnel expenses	-1.438
Depreciation	-269
Other operating expenses	-1.360
Financial result	-53
Taxes	46

proOFFICE s.r.o. mainly delivered to other companies in the group.

On 28 May 2009, the newly founded company Susy Card GmbH with its registered office in Falkensee was entered into the commercial register. All activities of Herlitz Group in the field of papeterie are to be pooled in this company. Herlitz PBS AG holds 100% of the shares in the company. Susy Card GmbH has been included in the consolidated entities of Herlitz Group since 28 May 2009.

The 51% share held by Herlitz PBS AG in the company Herlitz Oy, Finland was sold to the former minority shareholder effective 30 June 2009. Herlitz Oy was deconsolidated effective 30 June 2009 with no material impact on the assets, financial and profit position of the group.

Apart from Herlitz AG (parent company), 13 domestic and 10 foreign companies are now included in the Herlitz Group.

### **C. Seasonal effects on business operations**

Due to the seasonal nature of the stationery and papeterie business, the essential profit contributions are always generated in the second half of the year during back-to-school business and Christmas trade.

### **D. Segment revenues and results**

For the purpose of company management, the group is divided into the "product business" and "services" segments. These can be differentiated as follows:

The "product business" segment includes all production and sales activities.

The "services" segment includes all logistics and merchandising services.

To form these segments, the respective companies have been combined. The segments constitute important reporting units for group management and therefore provide information that is relevant for monitoring and control. The operating result, which is very important in assessing profitability and is used for taking decisions on allocating resources to each company, is the key performance figure.

Internal transfer prices between the operating segments are determined at standard market terms and conditions identical to those that would apply between external third parties.

The following segment revenues and results are presented after consolidation:

	Segment revenues EUR k	Segment results EUR k
1 Jan. - 30 June 2009		
Product business	97.148	-1.664
Service	23.671	-2.144
<u>Segments total</u>	<u>120.819</u>	<u>-3.808</u>
Other	-	-
Financial result	-	-1.182
Taxes	-	-444
<u>Herlitz Group</u>	<u>120.819</u>	<u>-5.434</u>
1 Jan. - 30 June 2008		
Product business	110.865	-3.545
Service	27.784	-292
<u>Segments total</u>	<u>138.649</u>	<u>-3.837</u>
Other	-	-
Financial result	-	-1.741
Taxes	-	626
<u>Herlitz Group</u>	<u>138.649</u>	<u>-4.952</u>

## **E. Other explanations**

### **1. Restructuring provision**

In February 2009, Herlitz Group established a restructuring provision in the amount of EUR 2,487 k relating to the dismissal of employees in the papeterie field. The restructuring measures mainly serve to secure the future of the stationery business and are part of the strategic realignment of the group.

### **2. Contingent liabilities and assets**

The liability situation of Herlitz AG in relation to Stationery Products S.à.r.l. regarding the liabilities of MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG explained in the notes to the consolidated financial statements as of 31 December 2008 has remained unchanged.

### **3. Other financial obligations**

Herlitz PBS AG has rented building spaces at the "Logistikzentrum Falkensee" property from MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Falkensee KG. Herlitz PBS AG and eCom Logistik GmbH & Co. KG have rented spaces in the warehouse and administration building in Berlin-Tegel from MOLKARI Vermietungsgesellschaft mbH & Co. Objekt Tegel KG. Other financial obligations for periods of up to one year currently amounting to EUR 624 k per month result from the tenancies specified above.

### **4. Financial liabilities**

Liabilities to banks decreased significantly mainly due to the sale of long-term assets and investments.

The interest rate swaps to hedge general interest rate risks mentioned in the consolidated financial statements dated 31 December 2008 remain in place in the first half of 2009. As of 30 June 2009, the fair value of these financial instruments was EUR -172 k and is assigned to level 2 according to IFRS 7. There were no transfers between levels 1-3 in the period from 1 January to 30 June 2009. The amount is reported under short-term liabilities. Since 31 December 2008, the fair value has fallen by EUR 70 k. This change is reflected in the financial result through profit or loss.

## 5. Income taxes

The main components of taxes on income reported in the consolidated income statement break down as follows:

	1 Jan. - 30 June 2009	1 Jan. - 30 June 2009
	<u>EUR</u>	<u>EUR</u>
<b>Actual income taxes</b>		
Actual income tax expense	-166,660.37	-11,876.51
<b>Deferred income taxes</b>		
New and reversal of existing temporary differences	-277,003.40	637,673.97
<b>Income tax expense (prior year income)</b>	<u><b>-443,663.77</b></u>	<u><b>625,797.46</b></u>

## 6. Workforce

The average number of employees (excluding trainees) has dropped by 343 to 1,975 compared to the first half of 2008.

The decrease in the number of employees is mainly due to the sale of proOFFICE s.r.o. and the sale of Herlitz Kuvert GmbH realised in October 2008.

## 7. Information on relationships with affiliated companies and persons

The total amounts resulting from transactions with affiliated companies and persons for the period 1 January to 30 June 2009 or as of the reference date 30 June 2009, respectively, are shown below. For explanations on the individual circumstances see the consolidated annual financial statements as of 31 December 2008.

	1 Jan. - 30 June 2009	1 Jan. - 30 June 2008
	<u>EUR k</u>	<u>EUR k</u>
Transactions with affiliated companies		
Transactions from accounts receivable		
Income from cost transfers to MOLKARI Falkensee (FS)	903	958
Expenses for rent to MOLKARI Falkensee	3.378	3.514
Transactions from loans granted		
Amounts received from MOLKARI FS from repayment	3.000	3.000
Amounts received from MOLKARI FS from interest	1.000	500
Income from MOLKARI Falkensee from interest receivable	181	273

## **Herlitz Aktiengesellschaft, Berlin**

### **Interim group management report as of 30 June 2009**

#### **1. General conditions**

The international financial and economic crisis also had a significant impact on the economic environment of the stationery industry in the first half of the financial year 2009. In particular, weak demand combined with unfavourable exchange rates for Herlitz Group in Eastern Europe led to significant decreases in sales. In Western Europe, the crisis has mainly affected sales of commercial office supplies.

#### **2. Business development**

Sales revenues within Herlitz Group in the period January to June 2009 were lower than the comparative values of the previous year. This development is mainly due to the economic crisis. In addition, for strategic reasons, sales of private label items in the papeterie field and in the envelopes product range following the disposal of Herlitz Kuvert GmbH in 2008 were given up. Compared to the previous year, other operating income was considerably higher because of the disposal of proOFFICE s.r.o. The sale had a positive impact on other operating expenses as a result of the low depth of added value. The formation of a restructuring provision, which mainly serves to improve profitability in the papeterie field, had a negative impact on personnel expenses. Earnings before interest and taxes (EBIT) remained at the same level as last year.

#### **3. Assets, financial and profit position**

As far as the assets position is concerned, inventories are higher compared to 31 December 2008 due to the usual seasonal advance production for the back-to-school business. However, there has been a significant reduction compared to the same time last year.

In the context of the financial instruments outside the balance sheet, there are tenancy obligations for the buildings in Berlin-Tegel and Falkensee totalling EUR 8,701 k for the respective residual terms.

The financial position compared to the end of the previous financial year is also characterised by the seasonal effect resulting from the pre-financing of the back-to-school business, as is the case every year. However compared to 30 June 2008, total debt is at a much lower level. Bank loans and factoring proceeds as well as one-time proceeds from the disposal of investments were used as sources of financing.

The profit position has improved slightly compared to the same period of the previous year. Sales revenues have fallen by almost 13% mainly as a result of the financial crisis. Changes to the product range in favour of a higher percentage of sales under the "Herlitz" brand helped improve the gross profit margin compared to the corresponding values of the previous year. The sale of proOFFICE s.r.o. resulted in the conversion from in-house production to external procurement for its products, which means a less favourable gross profit margin. Proceeds from the sale of proOFFICE s.r.o. resulted in higher other operating income compared to the previous year. Other operating expenses were considerably lower compared to the previous year's period. In addition to the elimination of corresponding costs incurred by proOFFICE s.r.o., other successful cost-reduction measures are the main reason for this development. Additional costs were incurred to establish the restructuring provision, for consulting services related to the disposal transactions mentioned above and for increased marketing activities. Although EBIT within Herlitz Group was negative due to seasonal factors in the first half of 2009, it has remained at a similar level as the same period of the previous year. The improved debt position had a positive effect on the financial result. Tax expenses mainly resulted from deferred tax assets that have arisen from temporary differences. As a result, there was no improvement in the deficit compared to the values for the previous year.

In the stationery industry, clearly positive profit contributions are usually achieved in the second half of the year during back-to-school business and Christmas trade.

#### **4. Risk and opportunity report**

The international business of Herlitz Group, especially in Eastern Europe, was severely affected by the consequences of the international financial crisis in the first half of 2009. Specific effects include the devaluation of local currencies compared to the euro, weak local consumer demand and reduced hedging opportunities for direct export transactions from Germany. In Western Europe and domestically, sales of commercial office supplies in particular are currently suffering from reduced demand as a result of the crisis.

The announced restructuring measures to increasingly focus on the brand business and internationalisation are being consistently pursued. In doing so, particular attention is being paid to the implications regarding the financing situation. Implementing further related measures may also lead to extraordinary effects on results in the current financial year.

Apart from that, the explanations regarding the opportunities and risks of Herlitz Group's anticipated development given in the group management report as of 31 December 2008 still apply to the remaining months of 2009 with regard to the essential issues.

## **5. Forecast report**

The progression of the financial crisis, which cannot be predicted at this time, is of major significance to the short to medium-term development of Herlitz Group. In particular, the main focus in Eastern Europe including Russia is on the future of private consumption, the exchange rate ratio to the euro and the financial options of local distributors. The possibility that the market situation may become even worse over the next few months cannot be ruled out. This may lead to a corresponding impairment of results compared to the previous year. The upcoming back-to-school business will provide a major indication of the development of results in the second half of 2009.

Herlitz Group has increased its efforts to respond to negative effects, which result from changes in general economic conditions, in a timely manner. Positive effects on profitability are expected from the individual strategic measures such as innovative new products and the focus on brand-name products in the school and office fields.

As far as raw material prices are concerned, Herlitz Group does not expect any significant changes until the end of 2009. This forecast is supported by longer-term contracts with some suppliers.

The credit agreement with its terms and conditions is valid until the middle of 2010 and, in combination with the more favourable debt position compared to the previous year, represents a sufficient financing base for Herlitz Group.

With its strategic realignment, Herlitz Group is establishing its position to weather the crisis and to emerge from it in a better competitive position with sustained higher profitability.

With regard to the other key statements made in the group management report for the financial year 2008, there is no new knowledge for the current financial year that would considerably change the forecast.

## **6. Events of special importance after the balance sheet date**

There have been no events of special importance after the balance sheet date 30 June 2009.

**Herlitz Aktiengesellschaft, Berlin**

**Affirmation of the legal representatives  
for the first six months to 30 June 2009**

To the best of our knowledge and in accordance with the applicable interim reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities and financial position of the group, and the interim group management report includes a fair reflection 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 in the remaining period of the financial year.

Berlin, 28 August 2009

Jan von Schuckmann

Thomas Hübner

Markus Oestmann

Herlitz Aktiengesellschaft