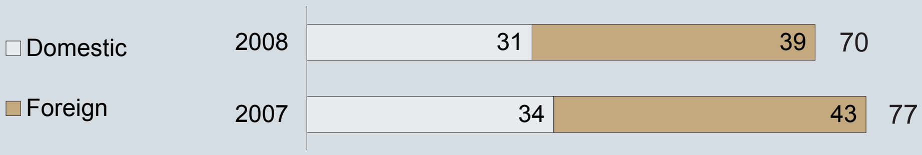
Quarterly financial report for the period ending 31 March 2008

Focus - Innovation - Speed

DEUTSCHE BÖRSE
PRIME STANDARD

LEIFHEIT
AKTIENGESELLSCHAFT

Consolidated turnover, January-March (€ m)



To our shareholders,

This report is to inform you of the course of business at LEIFHEIT in the first three months of the 2008 financial year.

Key data (Group)

January - March		2008	2007
Turnover			
domestic	€ m	31	34
foreign	€ m	39	43
total	€ m	70	77
Foreign share		56%	56%
EBIT	€ m	-	3.0
EBT	€ m	-0.6	2.6
Net loss/profit for the period	€ m	-1,1[1)]	1.6
Investment in tangible assets	€ m	1	1
Employees (annual average)		1,398	1,420

[1)] after minority interests

Interim management report

World economy losing impetus – German economy still robust

The global economy lost pace in the first quarter of 2008 as a result of the upheaval in international financial markets and the emerging recession in the USA. Additional factors slowing growth were the rising energy, raw materials and food prices and resulting hike in inflation. Despite these burdens, the global economy is still growing at an impressive pace, due to the continuing rapid growth in industrial production in the Asian and South American emerging nations, and the fact that the European economy has remained robust (especially in Germany). However, the domestic expansion which lasted into spring was driven entirely by export and rising company investment, with still virtually no stimulus from private consumption.

Logistics problems impact turnover

LEIFHEIT is reorganising the Household Products division strategically and structurally under the slogan “focus – innovation – speed”. The measures initiated to focus on growth in the core categories laundry care, cleaning, kitchen and scales and on expanding business in southern and central Europe, on strengthening innovative capability and cutting structural costs are proving successful. Besides establishing distribution organisations in eastern European countries, the takeover of the market leader in the French dryer market, HERBY Industrie S.A., La Loupe, is an important step on the road to new growth.

Even so, there were significant problems with logistics in the first quarter of 2008, involving unexpected startup difficulties at the Zuzenhausen location with the centralisation of distribution of household products. With generally satisfactory order books, these led to serious delivery bottlenecks. This was a major reason for the decrease in LEIFHEIT consolidated turnover in the first quarter of 2008 to € 70 million (previous year: € 77 million). This slide was entirely at the expense of the Household Products division, where income for January-March 2008 slipped to € 51 million (previous year: € 59 million).

Another factor impacting turnover in the Household Products division was the reduced number of sales days as a result of the Easter holidays in March. In addition, individual campaign orders were shifted to the following months. A positive factor was the welcome growth in turnover in central Europe.

Bathroom Furnishings division still on track for success

Despite the generally weak consumer demand in the non-food segment, the Bathroom Furnishings division again set its own pace in the first quarter of 2008, exploiting its position as an attractive niche supplier with high product quality and unmistakable design, further increasing turnover to € 19 million (previous year: € 18 million) and maintaining its good contribution to earnings. Sales of fashionable bathroom accessories and the new and attractive bedroom and bathroom textiles concepts were again extremely satisfying.

EBIT barely breaking even

The overall decline in LEIFHEIT's consolidated turnover in the first quarter of 2008 was fully reflected in earnings. As a result of the shortfall in net contributions, EBIT for the period fell from € 3.0 million in the previous year to barely break even. One factor was nonrecurring expenditure on a quick solution to the logistics problems.

Net profit for the period (after tax) accordingly was a loss of € 1.1 million (previous year: a profit of € 1.6 million).

Decrease in balance sheet total

The balance sheet total was reduced by € 1.9 million to € 205.0 million. Cash and cash equivalents fell in the period under review by € 6.3 million to € 3.8 million. Trade receivables rose by € 4.8 million to € 68.1 million as a result of seasonal influences.

Short-term debt fell € 2.0 million to € 57.4 million.

Equity decreased by € 0.3 million to € 98.2 million. This was primarily a result of the after-tax loss. The equity-balance sheet ratio remains at a high level at 47.9 %.

Proposal for the appropriation of earnings

The LEIFHEIT AG dividend is based on the net profit shown in the LEIFHEIT AG financial statements drawn up in accordance with German commercial law.

LEIFHEIT AG earnings for the past 2007 financial year amount to € 10,000,000.00. The Board of Management and Supervisory Board will propose carrying these earnings forward at the Annual General Meeting on 3 June 2008.

Annual General Meeting

The General Meeting will be held on 3 June 2008 at the company's registered offices in Nassau/Lahn.

Employees

The average number of employees in the group fell 1.6 % to 1,398 (previous year: 1,420). As at 31 December 2007 there were 1,411 employees.

Investment

Additions to tangible assets totalled € 1.1 million in the period under review (previous year: € 1.2 million).

This investment was for tools and assembly jigs in connection with new products, for rationalisation in production and for replacement purchases.

Risks and opportunities

With regard to the risks and opportunities for LEIFHEIT, we refer to the consolidated management report for the year ending 31 December 2007, where they are described in detail. There have been no material changes in the period under review. There are no identifiable risks to the company’s existence.

Transactions with related parties

There were no transactions with related parties or changes in transactions with related parties during the period under review.

Outlook: Further cooling in the economy, but no recession in Europe

For the reasons described above, experts unanimously expect a continuing slowdown in the global economy over the rest of the year. The spring forecast by the leading German economic research institutes predicts global growth of only 2.7 % in 2008. However, the experts regard a spill over of the US recession to Europe as unlikely. For Germany they are forecasting a fall in growth from the previous year’s 2.5 % to only 1.7 % -1.8 %. Despite the financial crisis and rising inflation, however, there are initial indications that the domestic consumer mood is lifting slightly. A continuing easing in unemployment and higher collective bargaining agreements are steadily improving consumer purchasing power again.

Focus - innovation - speed: the goal is new growth in earnings

The logistics problems in the Household Products division in the first quarter have now been fully resolved. The distribution centre at Zuzenhausen is now operating smoothly, and the projects to enhance efficiency in the distribution chain and reduce structural costs are well on the way and playing an important role.

Through consistent implementation of its realigned group strategy under the slogan “focus – innovation – speed”, the Board of Management is giving effect to its goal of creating new growth in earnings for the company and achieving improved results in 2008. The announced takeover of the market leader in the French dryer market, HERBY Industrie S.A., La Loupe, is an important step on this road to new growth. With this acquisition the company is strengthening its core category of laundry care, and also expanding LEIFHEIT turnover and presence in France as a defined target country as the second most important sales market in Europe, with turnover of almost € 60 million. At the same time, the company is completing the next stage in European market leadership in the dryer segment. The product range of the two companies complements each other perfectly. While LEIFHEIT has traditionally operated in the high-end segment, HERBY primarily serves the extensive market for more economical products with high sales volume. The synergies resulting from the takeover of the efficiently-managed French company derive primarily from the additional potential sales volume which the well-established HERBY distribution channels offer to the extensive LEIFHEIT product range. For HERBY, the integration into a group which is active throughout Europe, opens up distribution channels outside France, offering additional growth potential.

In the first step, LEIFHEIT will take over 60 % of HERBY Industrie S.A. Acquisition of the remaining 40 % in two tranches over the next three years is agreed, conditional on acquisition of the 60 % majority. The parties signed an irrevocable offer in April, tied to an exclusivity agreement.

Events after the quarterly balance sheet date

Apart from the offer to take over the HERBY group, there were no other events after the period ending 31 March 2008 of particular importance for assessing the assets, financial situation and earnings of the LEIFHEIT group.

Interim financial statements (summary)

Report of the Board of Management

The Board of Management declares that to the best of its knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, earnings and financial position of the group, and the consolidated management report presents a true and fair view of the business and situation of the group, together with the principal opportunities and risks associated with the expected development of the group.

Consolidated income statement

€ 000	1 January- 31 March 2008	1 January- 31 March 2007
Turnover	69,931	77,175
Cost of sales	-40,854	-46,117
Gross profit	**29,077**	**31,058**
Research and development costs	-1,876	-1,919
Distribution costs	-21,666	-21,394
Administrative costs	-4,209	-4,289
Other operating income	409	145
Other operating expenses	-466	-613
Investment income	-	-
Net other financial income/expense	-1,230	41
EBIT	**39**	**3,029**
Net interest income/expense	-633	-462
EBT	**-594**	**2,567**
Income taxes	-484	-928
Net loss/profit for the period	**-1,078**	**1,639**
of which minority interests	-23	-
of which parent company shareholders	-1,055	1,639
Earnings per share (undiluted and diluted)	**-0.22 €**	**0.34 €**

Consolidated balance sheet

€ 000	31.3.2008	31.12.2007
ASSETS		
Current assets		
Cash and cash equivalents	3,829	10,138
Trade receivables	68,107	63,301
Inventories	53,485	53,722
Tax receivables	1,563	1,683
Other current assets	8,084	7,409
Total current assets	**135,068**	**136,253**
Noncurrent assets		
Financial assets	606	606
Tangible assets	46,325	46,404
Intangible assets	11,904	11,837
Deferred tax assets	5,048	5,804
Other noncurrent assets	6,033	6,002
Total noncurrent assets	**69,916**	**70,653**
Total ASSETS	**204,984**	**206,906**
EQUITY AND LIABILITIES		
Short-term debt		
Trade accounts payable and other liabilities	51,480	53,852
Derivative financial instruments	1,486	888
Income tax liabilities	645	438
Provisions	3,801	4,193
Total short-term debt	**57,412**	**59,371**
Long-term debt		
Provisions	3,680	3,680
Employee benefit obligations	42,745	42,328
Deferred tax liabilities	2,575	2,505
Other long-term debt	339	488
Total long-term debt	**49,339**	**49,001**
Equity		
Share capital	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,618	-7,618
Appropriated surplus	71,522	72,577
Translation reserve	2,348	1,571
Minority interests	47	70
Total equity	**98,233**	**98,534**
Total EQUITY AND LIABILITIES	**204,984**	**206,906**

Changes in group equity

€ 000	Share capital	Capital surplus	Treasury shares	Appropriated surplus	Translation reserve	Total	Minority interests	Total Equity
	Share in equity of parent company shareholders							
As at 1.1.2007	**15,000**	**16,934**	**-7,623**	**80,224**	**2,095**	**106,630**	**-**	**106,630**
Issue of treasury shares	-	-	1	-	-	1	-	1
Net profit for the period	-	-	-	1,639	-	1,639	-	1,639
Differences from foreign currency translation	-	-	-	-	-1,293	-1,293	-	-1,293
As at 31.3.2007	**15,000**	**16,934**	**-7.622**	**81.863**	**802**	**106.977**	**-**	**106.977**
As at 1.1.2008	**15,000**	**16,934**	**-7,618**	**72,577**	**1,571**	**98,464**	**70**	**98,534**
Net profit for the period	-	-	-	-1,055	-	-1,055	-23	-1,078
Differences from foreign currency translation	-	-	-	-	777	777	-	777
As at 31.3.2008	**15,000**	**16,934**	**-7,618**	**71,522**	**2,348**	**98,186**	**47**	**98,233**

Group segment reporting

		Household Products		Bathroom Furnishings		Non-allocatable		Total	
Key figures by division		**31.3.2008**	**31.3.2007**	**31.3.2008**	**31.3.2007**	**31.3.2008**	**31.3.2007**	**31.3.2008**	**31.3.2007**
Turnover	€ m	51	59	19	18	-	-	70	77
EBIT	€ m	-0.3	2.3	1.2	1.5	-0.9	-0.8	-	3.0
Depreciation and amortisation	€ m	1.5	1.8	0.4	0.4	-	-	1.9	2.2
Investment	€ m	0.8	0.8	0.3	0.4	-	-	1.1	1.2
Employees (annual average)		1,080	1,105	318	315	-	-	1,398	1,420

Consolidated statement of cash flow

€ 000	1 January- 31 March 2008	1 January- 31 March 2007
Net profit for the period	-1,078	1,639
Adjustments for		
expense for the issue of employee shares	-	1
depreciation and amortisation	1,891	2,176
increase/decrease in provisions	25	-121
loss on disposal of fixed assets	8	29
increase in inventories, trade receivables and other assets not classified as investment or financial activities	-4,399	-5,449
decrease/increase in trade payables and other liabilities not classified as investment orfinancial activities	-3,141	1,428
Cash flow from operating activities	**-6,694**	**-297**
Acquisition of tangible and intangible assets	-1,040	-1,128
Investment in financial assets	-	-
Proceeds from the disposal of fixed assets	44	52
Cash flow from investment activities	**-996**	**-1,076**
Cash flow from financing activities	**1,495**	**3,500**
Effects of exchange rate differences	**-114**	**-1,027**
Net change in cash and cash equivalents	**-6,309**	**1,100**
Current funds at the start of the period under review	**10,138**	**5,814**
Current funds at the end of the period under review	**3,829**	**6,914**

Notes (summary)

The quarterly financial report for the period ending 31 March 2008 was drawn up in accordance with the International Financial Reporting Standards (IFRS). The same accounting and valuation methods were used as in the consolidated financial statements for the year ending 31 December 2007.

This quarterly financial report was not audited.

Change in consolidation

There were no changes in consolidation in the first quarter of 2008.

Notes to the income statement and balance sheet

Gross margin was further increased by 1.4 % to 41.6 %. However, as a result of decreased volume, gross return fell by € 2.0 million.

Research and development costs, administrative costs and other operating expense overall were € 0.3 million below the previous year's level.

Results of other financial activities, comprising exclusively foreign currency effects such as realised and unrealised foreign exchange gains and losses, fell € 1.3 million on the previous year.

Compared to the balance sheet date, current assets decreased by € 1.2 million to € 135.1 million. This was primarily due to the decrease of € 6.3 million in cash and cash equivalents.

A contrary effect was the rise of € 4.8 million in trade receivables due to higher volume. Inventories totalled € 53.5 million, € 0.2 million up on their level at the balance sheet date by end-december 2007. Short-term debt fell € 2.0 million to € 57.4 million as a result of lower trade payables.

Treasury shares

LEIFHEIT did not acquire or use any treasury shares in the period under review. Including the treasury shares bought and issued in the previous years, this gives us a holding as at 31 March 2008 of 240,214 shares worth € 7,618,000, representing 4.8 % of the share capital. There are no rights to purchase shares for members of group organs or employees under section 160 para. 1 nos 2 and 5 of the German Stock Corporation Act (AktG).

Contingent liabilities

Group companies did not enter into any contingent liabilities.

Other financial obligations

There are leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with a residual expense for 2008 of around € 1.9 million. These obligations total c. € 3.6 million during the non-cancellable remaining terms up to 2012. As at 31 March 2008 there were purchase commitments totalling € 0.6 million. The leasing agreements represent operating leases within the meaning of IAS 17.

There are also liabilities from foreign exchange futures transactions to hedge against exchange rate movements totalling USD 17.7 million (equivalent to € 12.8 million) with a fair value at the balance sheet date of € 11.3 million.

Changes in membership of group organs

There were no changes in membership of group organs in the first quarter of 2008.

Disclaimer

Future oriented statements

This quarterly financial report contains future oriented statements which are based on management's current estimates regarding future developments. Such statements are subject to risks and uncertainties which are beyond LEIFHEIT's ability to control or estimate precisely, such as the future market environment and economic conditions, the behaviour of other market participants and government measures. If one of these uncertain or unforeseeable factors occurs or the assumptions on which these statements are based prove inaccurate, actual events could differ materially from the explicit or implicit results in these statements. LEIFHEIT neither intends nor accepts any separate obligation to update future oriented statements to adapt them to events or developments after the date of this report.

Discrepancies due to technical factors

Technical factors (e.g. conversion of electronic formats) may lead to discrepancies between the accounts in this quarterly financial report and those submitted to the electronic Federal Gazette. In this case the version submitted to the electronic Federal Gazette is binding. In the event of discrepancies, the German version takes priority over the English translation.

Key dates

- **Annual General Meeting**
  03 June 2008, 10.30 am, LEIFHEIT AG Customer and Administration Centre, Nassau/Lahn

- **Financial report for first half year ending 30 June 2008**
  14 August 2008

- **Quarterly financial report for the period ending 30 September 2008**
  12 November 2008

- **Investors´ Conference**
  12 November 2008, German Equity Forum, Frankfurt/Main

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