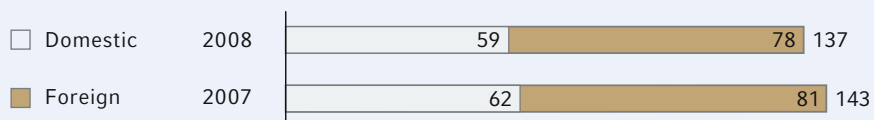


# Financial report for the first half year ending 30 June 2008



**Focus – Innovation – Speed**

**Consolidated turnover, January–June (€ m)****To our shareholders,**

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

**Key data (Group)**

January–June		2008	2007
Turnover			
domestic	€ m	59	62
foreign	€ m	78	81
total	€ m	137	143
Foreign share		57 %	57 %
EBIT	€ m	0.9	3.1
EBT	€ m	-0.3	2.2
Net loss/profit for the period	€ m	-1.7 <sup>1)</sup>	1.4
Investment in tangible assets	€ m	2	3
Employees (annual average)		1,393	1,403

<sup>1)</sup> after minority interests



## Interim management report

### European economy loses steam

The slowdown in the world economy resulting from the international financial markets crisis and soaring energy and raw materials prices finally impacted Europe in the second quarter of 2008. After the first three months of continuing growth in the Eurozone (0.7 %) and Germany (1.5 %), the second quarter slipped into stagnation, with the German domestic economy experiencing its first slight contraction in four years.

The main reason for the collapse was consumption. The drastic rise in food and energy prices, with the resulting highest inflation since the introduction of the Euro, not only cast a psychological pall over the consumer mood, but also significantly eroded consumers' real purchasing power. The Institut der deutschen Wirtschaft (Iw) estimates the current loss of purchasing power in Germany due to the energy price increase alone at € 20–30 billion.

### LEIFHEIT grows turnover in the second quarter

Despite the deterioration in the economic environment and a continuing unsettled consumer mood, LEIFHEIT succeeded in boosting its consolidated turnover in the second quarter of 2008 by € 1 million or 1.3 % to € 67 million, compared to the previous year. This figure does not include turnover of the French laundry dryer manufacturer HERBY Industrie S.A. (LEIFHEIT's acquisition of a majority stake became legally effective on 1 July 2008).

### Household Products division grows in Europe with its core categories

The growth driver in the Household Products division, which closed the second quarter with turnover of € 50 million slightly up on the previous year, was again Europe excluding Germany. In eastern Europe – and particularly Russia, Poland, Ukraine and Romania – shipments maintained their double-digit growth. Expansion was also maintained in Austria and France, where the latter is LEIFHEIT's second most important market after Germany. By contrast, domestic turnover lagged significantly behind the previous year. Generally, however, the reoriented group strategy for the Household Products division, with its concentration on the core categories laundry care, cleaning, kitchen and scales and priority for expansion in southern, eastern and central Europe, is beginning to be fully validated. This is shown by the fact that solid growth was concentrated in the European markets listed above.

**Bathroom Furnishings division continues expansion**

The Bathroom Furnishings division is continuing to expand. Thanks to its successful brands SPIRELLA, KLEINE WOLKE and MEUSCH, it grew turnover in the second quarter of 2008 by just under € 1 million or 5 % year-on-year to € 17 million. The strategy of operating as an innovative niche supplier with high product quality and unmistakable design to create its own momentum, independent of the general consumer mood, is proving extremely successful in each successive quarter. This success is driven by the fashionable bathroom accessories and attractive bedroom and bathroom textile collections.

**Turnover starting to make good first-quarter shortfalls**

The growth in business in the period April–June is starting to make good the turnover shortfalls in the first quarter of 2008 due to unexpected logistical startup problems at the Zuzenhausen central distribution facility.

In the first half of 2008, LEIFHEIT consolidated turnover totalled € 137 million (previous year: € 143 million). The foreign share was unchanged at 57 %. The Household Products division contributed € 100 million to turnover (previous year: € 108 million), while the Bathroom Furnishings division increased turnover to € 37 million (previous year: € 35 million).

**Results improved in the second quarter**

Thanks to the growth in turnover, the LEIFHEIT group improved EBIT in the second quarter of 2008 to € 0.8 million. In both the 2007 reference period and previous quarter, EBIT had just broken even. The improvement shows that the logistical problems in the Household Products division which had impacted earnings in the first quarter are now fully corrected.

In the first half of 2008, EBIT accordingly totalled € 0.9 million (previous year: € 3.1 million). This encouraging improvement in results is due particularly to the improvement in gross margins. In the first six months, the gross margin as a percentage of turnover was increased from 41.1 % in the previous year to 42.4 %.

The result for the period accordingly was a loss of € 1.7 million (previous year: a profit of € 1.4 million).

**Assets and debt**

Compared to 31 December 2007, the balance sheet total was reduced by € 1.0 million to € 205.9 million. Cash and cash equivalents fell in the period under review by € 7.2 million to € 2.9 million. Trade receivables were reduced by € 1.9 million to € 61.4 million.

Short-term debt fell by € 1.2 million to € 58.2 million.

Equity decreased by € 0.4 million to € 98.1 million. This was primarily a result of the after-tax loss. The equity-balance sheet ratio remains at a high level at 47.6 %.

### **Dividend**

LEIFHEIT AG earnings for the past 2007 financial year amount to € 10,000,000.00. The Annual General Meeting resolved on 3 June 2008 to carry these earnings forward.

No dividend was distributed in the period under review.

### **Employees**

The average number of employees in the group fell 0.7 % to 1,393 (previous year: 1,403). As at 31 December 2007 there were 1,411 employees.

### **Investment**

Additions to tangible assets totalled € 1.9 million in the period under review (previous year: € 2.7 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: Downturn in the economy – gloomy outlook for consumption**

There is general agreement among economists that the global economy will continue to slow in the second half of 2008 as a result of the negative influences mentioned earlier. However, only a few forecasters are predicting that a recession in the USA could also spill over to Europe with full force. At the same time, growth is likely to slow significantly here as well. According to "Euro-Zone Economic Outlook", gross domestic product (GDP) for 2008 as a whole can only be expected to grow 1.6 % (previous year: 2.5 %). Current forecasts for Germany are supported solely by exports, and are on balance slightly lower. The outlook for the domestic economy – and particularly domestic consumer demand – looks correspondingly bleak. According to surveys, two-thirds of the population are concerned about a deterioration in their own economic circumstances. HDE, the national association of German retailers, estimates that this pessimistic fundamental mood will lead in 2008 to a 1 % decrease in turnover in this market sector in real terms (i. e. adjusted for inflation).

**Positive EBIT in 2008**

LEIFHEIT is seeking to replicate the Bathroom Furnishings division's recent successes at the Household Products division, largely decoupling turnover from economic fluctuations and outperforming the market. Besides concentrating on core business areas in the Household Products division and pushing expansion in selected European countries, the completed acquisition of a majority stake in the French laundry dryer manufacturer HERBY Industrie S.A. (initial consolidation is scheduled for the third quarter) is making an important contribution towards implementing the new growth strategy.

However, it will not be possible to pass on fully price increases for energy and raw materials, and this will impact results. On this basis the Board of Management expects EBIT to be positive in 2008, but probably lower than in the previous year.

**Events after the end of the period under review**

On 1 July 2008, a 60 % stake in HERBY Industrie S.A. was acquired. There were no other events after the period ending 30 June 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 April– 30 June 2008	1 April– 30 June 2007	1 January– 30 June 2008	1 January– 30 June 2007
Turnover	67,017	66,139	136,948	143,314
Cost of sales	-37,995	-38,353	-78,849	-84,470
<b>Gross profit</b>	<b>29,022</b>	<b>27,786</b>	<b>58,099</b>	<b>58,844</b>
Research and development costs	-1,766	-1,835	-3,642	-3,754
Distribution costs	-22,033	-20,622	-43,699	-42,016
Administrative costs	-4,414	-4,310	-8,623	-8,599
Other operating income	646	1,497	1,055	1,642
Other operating expenses	-567	-2,381	-1,033	-2,994
Investment income	–	–	–	–
Net other financial income/expense	-67	-97	-1,297	-56
<b>EBIT</b>	<b>821</b>	<b>38</b>	<b>860</b>	<b>3,067</b>
Net interest income/expense	-546	-441	-1,179	-903
<b>EBT</b>	<b>275</b>	<b>-403</b>	<b>-319</b>	<b>2,164</b>
Income taxes	-926	118	-1,410	-810
<b>Net loss/profit for the period</b>	<b>-651</b>	<b>-285</b>	<b>-1,729</b>	<b>1,354</b>
of which minority interests	11	–	-12	–
of which parent company shareholders	-662	-285	-1,717	1,354
<b>Earnings per share (undiluted and diluted)</b>	<b>-0.14 €</b>	<b>-0.06 €</b>	<b>-0.36 €</b>	<b>0.28 €</b>

## Consolidated balance sheet

€ 000	30.6.2008	31.12.2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,854	10,138
Trade receivables	61,432	63,301
Inventories	62,536	53,722
Tax receivables	1,708	1,683
Other current assets	8,079	7,409
<b>Total current assets</b>	<b>136,609</b>	<b>136,253</b>
<b>Noncurrent assets</b>		
Financial assets	599	606
Tangible assets	46,044	46,404
Intangible assets	11,880	11,837
Deferred tax assets	4,670	5,804
Other noncurrent assets	6,062	6,002
<b>Total noncurrent assets</b>	<b>69,255</b>	<b>70,653</b>
<b>Total ASSETS</b>	<b>205,864</b>	<b>206,906</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Short-term dept</b>		
Trade accounts payable and other liabilities	53,063	53,852
Derivative financial instruments	1,033	888
Income tax liabilities	508	438
Provisions	3,613	4,193
<b>Total short-term dept</b>	<b>58,217</b>	<b>59,371</b>
<b>Long-term dept</b>		
Provisions	3,673	3,680
Employee benefit obligations	42,993	42,328
Deferred tax liabilities	2,567	2,505
Other long-term dept	339	488
<b>Total long-term dept</b>	<b>49,572</b>	<b>49,001</b>
<b>Equity</b>		
Share capital	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,618	-7,618
Appropriated surplus	70,860	72,577
Translation reserve	2,841	1,571
Minority interests	58	70
<b>Total equity</b>	<b>98,075</b>	<b>98,534</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>205,864</b>	<b>206,906</b>



## Changes in group equity

€ 000	Share in equity of parent company shareholders						Minority interests	Total equity
	Share capital	Capital surplus	Treasury shares	Appropriated surplus	Translation reserve	Total		
<b>As at 1.1.2007</b>	<b>15,000</b>	<b>16,934</b>	<b>-7,623</b>	<b>80,224</b>	<b>2,095</b>	<b>106,630</b>	<b>-</b>	<b>106,630</b>
Dividends	-	-	-	-2,856	-	-2,856	-	-2,856
Issue of treasury shares	-	-	3	-	-	3	-	3
Net profit for the period	-	-	-	1,354	-	1,354	-	1,354
Differences from foreign currency translation	-	-	-	-	-1,988	-1,988	-	-1,988
<b>As at 30.6.2007</b>	<b>15,000</b>	<b>16,934</b>	<b>-7,620</b>	<b>78,722</b>	<b>107</b>	<b>103,143</b>	<b>-</b>	<b>103,143</b>
<b>As at 1.1.2008</b>	<b>15,000</b>	<b>16,934</b>	<b>-7,618</b>	<b>72,577</b>	<b>1,571</b>	<b>98,464</b>	<b>70</b>	<b>98,534</b>
Net loss for the period	-	-	-	-1,717	-	-1,717	-12	-1,729
Differences from foreign currency translation	-	-	-	-	1,270	1,270	-	1,270
<b>As at 30.6.2008</b>	<b>15,000</b>	<b>16,934</b>	<b>-7,618</b>	<b>70,860</b>	<b>2,841</b>	<b>98,017</b>	<b>58</b>	<b>98,075</b>

## Group segment reporting

		Household Products		Bathroom Furnishings		Non-allocatable		Total	
Key figures by division		30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Turnover	€ m	100	108	37	35	-	-	137	143
EBIT	€ m	0.5	0.9	2.3	2.4	-1.9	-0.2	0.9	3.1
Depreciation and amortisation	€ m	3.1	3.4	0.7	0.7	-	-	3.8	4.1
Investment	€ m	1.7	1.9	0.5	1.0	-	-	2.2	2.9
Employees (annual average)		1,070	1,091	323	312	-	-	1,393	1,403

## Consolidated statement of cash flow

€ 000	1 January– 30 June 2008	1 January– 30 June 2007
Net loss/profit for the period	-1,729	1,354
Adjustments for		
expense for the issue of employee shares	–	3
depreciation and amortisation	3,815	4,093
increase in provisions	77	2,260
loss/gain on disposal of fixed assets	15	-963
increase in inventories, trade receivables and other assets not classified as investment or financial activities	-6,566	-1,778
decrease in trade payables and other liabilities not classified as investment or financial activities	-4,160	-3,914
<b>Cash flow from operating activities</b>	<b>-8,548</b>	<b>1,055</b>
Acquisition of tangible and intangible assets	-2,176	-2,868
Investment in financial assets	–	-8
Proceeds from the disposal of fixed assets	72	4,500
<b>Cash flow from investment activities</b>	<b>-2,104</b>	<b>1,624</b>
<b>Cash flow from financing activities</b>	<b>3,495</b>	<b>-2,856</b>
Effects of exchange rate differences	-127	-1,323
<b>Net change in cash and cash equivalents</b>	<b>-7,284</b>	<b>-1,500</b>
<b>Current funds at the start of the period under review</b>	<b>10,138</b>	<b>5,814</b>
<b>Current funds at the end of the period under review</b>	<b>2,854</b>	<b>4,314</b>

## Notes (summary)

The financial report for the half year ending 30 June 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.

The financial report for the first half year was not audited.

### Change in consolidation

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

### **Notes to the income statement and balance sheet**

Gross margin was increased by 1,3 % to 42.4 %. However, as a result of decreased volume, gross return fell by € 0.7 million.

Research and development costs, administrative costs and other operating expense overall were € 2.0 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 € 1.2 million on the previous year.

Compared to the balance sheet date, current assets rose by € 0.3 million to € 136.6 million. This change was primarily due to an increase of € 8.8 million in inventories (reflecting increased sales volume), a reduction in cash and cash equivalents of € 7.2 million and a reduction in trade receivables, which totalled € 61.4 million, down € 1.9 million on the level as at 31 December 2007.

Short-term debt fell € 1.2 million to € 58.2 million, primarily 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 30 June 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 € 1.3 million. These obligations total c. € 2.9 million during the non-cancellable remaining terms up to 2012. As at 30 June 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 12.6 million (equivalent to € 9.1 million) with a fair value at the balance sheet date of € 8.0 million.

### **Changes in membership of group organs**

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

## Disclaimer

### Future oriented statements

This financial report for the first half year 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.

### Differences due to technical factors

Technical factors (e.g. conversion of electronic formats) may lead to differences between the accounts in this financial report for the first half year 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 differences, the German version takes priority over the English translation.



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## Key dates

### ■ Quarterly financial report for the period ending 30 September 2008

12 November 2008

### ■ Investors and Analysts Conference

12 November 2008

German Equity Forum, Frankfurt/Main