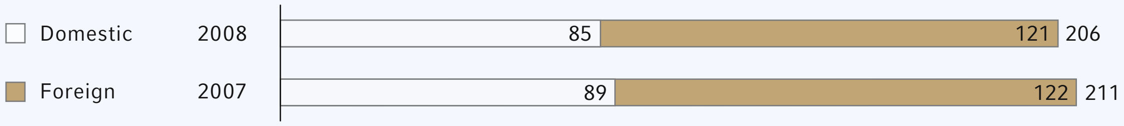
Quarterly financial report for the period ending 30 September 2008

Focus – Innovation – Speed

DEUTSCHE BÖRSE PRIME STANDARD

LEIFHEIT AKTIENGESELLSCHAFT

Consolidated turnover, January–September (€ m)



To our shareholders,

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

Key data (Group)

January–September		2008	2007
Turnover			
domestic	€ m	85	89
foreign	€ m	121	122
total	€ m	206	211
Foreign share		59 %	58 %
EBIT	€ m	1.2	1.4
EBT	€ m	-0.7	–
Net result for the period	€ m	-3.0	-2.3
Investment in tangible assets	€ m	3	5
Enployees (annual average)		1,519	1,399

EBIT, January–September (€ m)

Interim management report

Global economic downswing

Following the dramatic intensification of the international financial markets crisis, the global economy showed clear signs of weakening in the third quarter of 2008. Only the Asian and South American emerging nations and a few eastern European states still showed any significant expansion, although the rate of growth slowed there too. By contrast, the latest autumn forecasts by the eight leading German economic research institutes suggest that the USA in particular is on the brink of recession, along with Japan and a number of European industrialised nations. The forecasters believe that Germany could be one of the countries affected. The October monthly report of the Deutsche Bundesbank shows domestic output in the third quarter of 2008 marking time, following a decrease of 0.5 % in real GDP in the previous quarter. Besides the decrease in demand for German exports due to the global economic slowdown, one of the key factors in this stagnation was the decrease in domestic consumer spending in real terms, as the result of higher inflation. One indicator of this is that the figure for retail sales in August 2008 published by the Federal Statistical Office showed a 3.0 % decrease year-on-year in real terms.

LEIFHEIT grows turnover again in the third quarter

Despite the economic downturn and correspondingly gloomy consumer mood in Europe, LEIFHEIT further improved its performance in turnover and earnings in the third quarter of 2008, for the second quarter in a row. Consolidated turnover in the period July-September rose to € 69 million. This includes for the first time the income from the French drier manufacture HERBY, in which LEIFHEIT took a majority stake on 1 July 2008. In the same period in the previous year, turnover (excluding HERBY) was just under € 68 million.

Household Products division continues to grow

In the third quarter of 2008, the Household Products division showed the first signs of growth in some time. Turnover in this period rose 6 % to € 51 million (previous year: € 48 million). Even without HERBY, the division’s turnover was slightly up (0.2 %) on the previous year. This again reflected growth in eastern Europe, and also in France, LEIFHEIT’s second most biggest market. This was the result of the group’s strategy of focusing the Household Products division primarily on the core categories of laundry care, cleaning, kitchen and scales, and business in southern, eastern and central Europe.

A breather for Bathroom Furnishings

After a period of unbroken growth, the Bathroom Furnishings division took a short breather in the third quarter of 2008. Turnover in this period eased by around € 1.6 million to € 18 million. The main reasons for this were the postponement of a promotion campaign originally planned for August to December, and the sharp decline in sales of shower cabinets in the French market. Despite the lower income, the contribution to consolidated results rose 4 %.

Further ground made up in turnover

The growth in business in the past two quarters further decreased the shortfall in turnover at the start of the year due to logistical startup problems at the Zuzenhausen central distribution facility.

In the first nine months of 2008, LEIFHEIT consolidated turnover totalled € 206 million (previous year: € 211 million). The foreign share rose to 59 % (previous year: 58 %). The Household Products division contributed € 151 million to turnover (previous year: € 156 million). At the same time, the Bathroom Furnishings division stabilised turnover at € 55 million, slightly up on the previous year.

Results further improved in the third quarter

Thanks to the continuing growth in turnover, the LEIFHEIT group again slightly improved EBIT in the third quarter of 2008 on the previous year. For the period July-September, this rose to € +0.4 million (previous year: a loss of € 1.7 million).

In the first nine months of 2008, EBIT accordingly totalled € 1.2 million (previous year: € 1.4 million).

The result for the period accordingly totalled a loss of € 3.0 million (previous year: a loss of € 2.3 million).

Assets and debt

These balance sheet items are affected by the initial consolidation from 1 July 2008 of the two HERBY companies, HERBY Industrie S.A. und TUNIFIL S.A., and are accordingly only partly comparable with their levels at the balance sheet date on 31 December 2007.

The balance sheet total rose € 11.7 million from 31 December 2007 to € 218.6 million, due primarily to this initial consolidation. The equity-balance sheet ratio was 45.7 %.

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 rose 8.6 % to 1,519 (previous year: 1,399).
As at 31 December 2007 there were 1,411 employees.

The increase is primarily due to the initial consolidation of the HERBY companies, which had 118 employees as at 30 September 2008.

Investment

Additions to tangible assets totalled € 3.2 million in the period under review (previous year: € 5.0 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:
Real economy poised between doubt and hope

The experts agree that the further development of the global real economy depends on whether and how quickly worldwide efforts to stabilise and restructure the international financial system succeed. For Germany, all the leading economic indicators suggest a further weakening in the last quarter. However, the economic research institutes still expect slight growth for 2008 as a whole.

LEIFHEIT: Getting in shape for the future

Regardless of the difficulty of assessing the future trend for the economy and consumer demand, the LEIFHEIT group is working hard on getting its structures in shape for the challenges of the future and turning the company around to ensure long-term earnings-oriented growth. If the consumer mood does slump as expected in the fourth quarter, the Board of Management still expects positive full-year EBIT in 2008, although probably slightly below the previous year's level.

Events after the end of the period under review

On 1 October 2008, a 51 % stake was taken over in LEIFHEIT CZ a. s., which distributes LEIFHEIT group products in the Czech Republic.

There were no other events after the period ending 30 September 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 July– 30 Sept. 2008	1 July– 30 Sept. 2007	1 January– 30 Sept. 2008	1 January– 30 Sept. 2007
Turnover	68,761	67,611	205,709	210,925
Cost of sales	-40,552	-41,030	-119,401	-125,500
Gross profit	**28,209**	**26,581**	**86,308**	**85,425**
Research and development costs	-1,873	-1,518	-5,515	-5,272
Distribution costs	-20,555	-21,000	-64,254	-63,016
Administrative costs	-4,764	-5,189	-13,387	-13,788
Other operating income	-56	241	999	1,883
Other operating expenses	-1,056	-248	-2,089	-3,242
Investment income	–	61	–	61
Net other financial income/expense	445	-602	-852	-658
EBIT	**350**	**-1,674**	**1,210**	**1,393**
Net interest income/expense	-723	-465	-1,902	-1,368
EBT	**-373**	**-2,139**	**-692**	**25**
Income taxes	-868	-1,494	-2,278	-2,304
Net result for the period	**-1,241**	**-3,633**	**-2,970**	**-2,279**
of which minority interests	18	–	6	–
of which parent company shareholders	-1,259	-3,633	-2,976	-2,279
Earnings per share (undiluted and diluted)	**-0.26 €**	**-0.76 €**	**-0.63 €**	**-0.48 €**

Consolidated balance sheet

€ 000	30.9.2008	31.12.2007
ASSETS		
Current assets		
Cash and cash equivalents	4,208	10,138
Trade receivables	67,042	63,301
Inventories	61,597	53,722
Tax receivables	1,767	1,683
Other current assets	7,750	7,409
Total current assets	**142,364**	**136,253**
Noncurrent assets		
Financial assets	599	606
Tangible assets	48,373	46,404
Intangible assets	17,238	11,837
Deferred tax assets	5,183	5,804
Other noncurrent assets	4,822	6,002
Total noncurrent assets	**76,215**	**70,653**
Total ASSETS	**218,579**	**206,906**
EQUITY AND LIABILITIES		
Short-term dept		
Trade accounts payable and other liabilities	62,811	53,852
Derivative financial instruments	126	888
Income tax liabilities	506	438
Provisions	3,523	4,193
Total short-term dept	**66,966**	**59,371**
Long-term dept		
Provisions	3,812	3,680
Employee benefit obligations	43,307	42,328
Deferred tax liabilities	4,046	2,505
Other long-term dept	533	488
Total long-term dept	**51,698**	**49,001**
Equity		
Share capital	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,618	-7,618
Appropriated surplus	69,601	72,577
Translation reserve	3,372	1,571
Minority interests	2,626	70
Total equity	**99,915**	**98,534**
Total EQUITY AND LIABILITIES	**218,579**	**206,906**

Changes in group equity

€ 000	Share capital	Capital surplus	Treasury shares	Appro-priated surplus	Trans-lation 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**
Dividends	–	–	–	-2,856	–	-2,856	–	-2,856
Issue of treasury shares	–	–	6	–	–	6	–	6
Net result for the period	–	–	–	-2,279	–	-2,279	–	-2,279
Differences from foreign currency translation	–	–	–	–	-1,526	-1,526	–	-1,526
As at 30.9.2007	**15,000**	**16,934**	**-7,617**	**75,089**	**569**	**99,975**	**–**	**99,975**
As at 1.1.2008	**15,000**	**16,934**	**-7,618**	**72,577**	**1,571**	**98,464**	**70**	**98,534**
Change in consolidation	–	–	–	–	–	–	2,550	2,550
Net result for the period	–	–	–	-2,976	–	-2,976	6	-2,970
Differences from foreign currency translation	–	–	–	–	1,801	1,801	–	1,801
As at 30.9.2008	**15,000**	**16,934**	**-7,618**	**69,601**	**3,372**	**97,289**	**2,626**	**99,915**

Group segment reporting

Key figures by division		Household Products 30.9.2008	Household Products 30.9.2007	Bathroom Furnishings 30.9.2008	Bathroom Furnishings 30.9.2007	Non-allocatable 30.9.2008	Non-allocatable 30.9.2007	Total 30.9.2008	Total 30.9.2007
Turnover	€ m	151	156	55	55	–	–	206	211
EBIT	€ m	0.1	-0.4	3.7	3.7	-2.6	-1.9	1.2	1.4
Depreciation and amortisation	€ m	4.8	4.9	1.1	1.1	–	–	5.9	6.0
Investment	€ m	2.7	3.6	0.8	1.7	–	–	3.5	5.3
Employees (annual average)		1,195	1,085	324	314	–	–	1,519	1,399

Consolidated statement of cash flow

€ 000	1 January– 30 Sept. 2008	1 January– 30 Sept. 2007
Net result for the period	-2,970	-2,279
Adjustments for		
expense for the issue of employee shares	–	6
depreciation and amortisation	5,862	5,984
increase in provisions	441	1,821
gain on disposal of fixed assets	-10	-1,035
increase/decrease in inventories, trade receivables and other assets not classified as investment or financial activities	-10,240	1,256
decrease/increase in trade payables and other liabilities not classified as investment or financial activities	-994	1,057
Cash flow from operating activities	**-7,911**	**6,810**
Acquisition of consolidated companies less cash and cash equivalents taken over (inc. prepayments made)	-6,021	–
Acquisition of tangible and intangible assets	-3,425	-5,300
Investment in financial assets	–	-8
Proceeds from the disposal of fixed assets	129	4,618
Cash flow from investment activities	**-9,317**	**-690**
Cash flow from financing activities	**10,653**	**-2,856**
Effects of exchange rate differences	**645**	**-1,302**
Net change in cash and cash equivalents	**-5,930**	**1,962**
Current funds at the start of the period under review	**10,138**	**5,814**
Current funds at the end of the period under review	**4,208**	**7,776**

Notes (summary)

The quarterly financial report for the period ending 30 September 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

HERBY Industrie S.A. and TUNIFIL S.A. were included in the consolidation for the first time on 1 July 2008.

Notes to the income statement and balance sheet

Gross margin was improved to just under 42 %. Other operating income and expense in the previous year included nonrecurring effects from the relocation of the logistics function, the change in the Board of Management and the sale of real property.

Cash and cash equivalents fell in the period under review by € 5.9 million. Trade receivables rose € 3.7 million to € 67.0 million, due to seasonal factors and the initial consolidation of the HERBY companies. Inventories also rose, due to the initial consolidation and a higher level of inventory. The increase in intangible assets relates to goodwill for HERBY and the capitalised intangible assets from the HERBY purchase price allocation.

The increase in current debt is the result of the use of current account credit lines and the initial consolidation of HERBY.

Despite the net loss for the period, equity rose as a result of the added minority interests of the HERBY companies.

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 September 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 € 0.6 million. These obligations total c. € 2.3 million during the non-cancellable remaining terms up to 2012. As at 30 September 2008 there were purchase commitments totalling € 0.7 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 6.0 million (equivalent to € 4.4 million) with a fair value at the balance sheet date of € 4.2 million.

Changes in membership of group organs

On 30 September 2008 Frank Gutzeit left the Board of Management of LEIFHEIT AG. The Supervisory Board has named Dr Claus-O. Zacharias as new CFO of the company. He will take up his position on 1 January 2009 at the latest.

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.

Differences due to technical factors

Technical factors (e. g. conversion of electronic formats) may lead to differences 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 differences, the German version takes priority over the English translation.

Key dates

- **Press conference at the International Frankfurt Fair AMBIENTE**
  12 February 2009, Frankfurt/Main

- **Annual financial report 2008**
  22 April 2009

- **DVFA Analysts conference**
  22 April 2009, Frankfurt/Main

- **Quarterly financial report for the period ending 31 March 2009**
  15 May 2009

- **General Meeting**
  17 June 2009, 10.30 am, LEIFHEIT AG Customer and Administration Centre, Nassau/Lahn

- **Financial report for first half year ending 30 June 2009**
  14 August 2009

- **Quarterly financial report for the period ending 30 September 2009**
  13 November 2009

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