Annual Financial Report 2007

Condensed Version

Focus – Innovation – Speed

LEIFHEIT

AKTIENGESELLSCHAFT

Key data (group)

			2007	2006	Change %
Turnover	– Household Products	€ m	202	206	-1.9
	– Bathroom Furnishings	€ m	74	71	4.2
	– Group	€ m	276	277	-0.4
Foreign share		%	58	58	
EBIT without special items		€ m	4.6 [1]	4.9	-6.1
EBIT		€ m	2.4	4.9	-51.0
EBT		€ m	0.5	2.8	-82.1
Net loss/profit for the period		€ m	-3.2	4.5	
Net return on sales		%	-1.2	1.6	
EPS		€	-0.67	0.95	
Cash flow from operating activities		€ m	14.3	5.1	
Cash flow per share [2]		€	3.00	1.08	
Dividend per share		€	–	0.60	
Employees (annual average)			1,404	1,491	-5.8
Employees at year-end	– Household Products		1,093	1,120	-2.4
	– Bathroom Furnishings		318	313	1.6
	– Group		1,411	1,433	-1.5
Investment in tangible assets		€ m	7	4	75.0
Depreciation on tangible assets		€ m	7	7	
Total assets, equity and liabilities		€ m	207	204	1.5
Equity		€ m	99	107	-7.5
Equity-balance sheet total ratio		%	48	52	

[1] exc. expense on relocating shipping, changes in the Board of Management, and profit from the sale of real estate in 2007

[2] exc. redeemed treasury shares

Contents

Areas of business, organisational structure

Organisational and legal structure

The LEIFHEIT group is a European producer of branded products for selected household areas. The group has two divisions, Household Products and Bathroom Furnishings.

The Household Products division includes the brands LEIFHEIT, DR. OETKER BAKEWARE, SOEHNLE and BIRAMBEAU. The Bathroom Furnishings division includes the brands KLEINE WOLKE, SPIRELLA and MEUSCH.

The divisions are organised decentrally, in order to keep decision-making close to the market and customers. The divisions are largely directly responsible for all market-oriented activities.

LEIFHEIT AG as the parent company has been a plc under German law since 1984. Its seat and headquarters are its place of formation, Nassau/Lahn. LEIFHEIT AG consolidates the group functions and also parts of the operating business of the Household Products division. This relates primarily to the Nassau and Zuzenhausen locations and a few branches abroad which are not legally independent. LEIFHEIT AG has investments in the Household Products division and all the investments in the Bathroom Furnishings division which are shown in the Notes.

Business combinations

The following section presents the information required by section 315 para. 4 HGB on business combinations.

Subscribed capital, restrictions on voting rights and shares with special rights

As at 31 December 2007 the capital stock of LEIFHEIT AG totalled € 15,000,000, divided into 5,000,000 no-par bearer shares. Each share carries one vote under art. 16 para. 1 of the LEIFHEIT AG articles of incorporation. All shares have the same rights, there are no separate classes of shares. As at 31 December 2007 LEIFHEIT AG held 240,214 treasury shares. LEIFHEIT AG has no rights from its treasury shares. There are no further restrictions on voting rights or the transfer of shares, or the Board of Management is not aware of any, although these might arise out of agreements between shareholders. The shares further have no special rights which confer controlling power.

Equity investments and control of voting rights

Direct or indirect equity investments exceeding 10 % of the voting rights and related to the 47.02 % investment of HOME Beteiligungen GmbH, Munich. The Board of Management is not aware of any other direct or indirect equity investments exceeding 10 % of the voting rights. There is no known case of voting rights control in the event that employees share in the equity and do not exercise their control rights.

Appointment and removal of members of the Board of Management

The Board of Management of LEIFHEIT AG currently has three members, each appointed by the Supervisory Board under section 84 of the German Joint Stock Corporations Act (AktG). Reappointment is possible, as is extension of the term of office. However, such extension may not exceed the individual maximum term of five years. Extending the term of office requires a resolution of the Supervisory Board, which cannot be passed before one year before the end of the existing term. In urgent cases the Local Court can on application by anyone with a legitimate interest (e. g. the other members of the Board of Management) appoint a member of the Board of Management where there is a vacancy which must be filled (section 85 AktG). This appointment lapses as soon as the deficiency is made good, e. g. as soon as the Supervisory Board has appointed a member to fill the vacancy. A member of the Board of Management can only be removed for important reason (section 84 para. 3 sentences 1, 3 AktG). Important reasons include gross violations of duty, incapacity to manage business properly or a vote of no confidence by the General Meeting (unless the vote of no confidence was for obviously irrelevant reasons). Under art. 6 of the LEIFHEIT AG articles of incorporation, the Supervisory Board can appoint a Chairman and deputy members of the Board of Management. LEIFHEIT AG currently has a Chairman of the Board of Management, but no deputy members.

Authorisation for the Board of Management to issue shares

The powers of the Board of Management to issue shares are governed by art. 4 para. 3 of the articles of incorporation:

“The Board of Management is authorised with approval of the Supervisory Board to increase the capital stock one or more times until 1 May 2011 by up to € 7,500,000 through the issue of new bearer shares for contributions in cash and/or in kind. The shareholders will be given a right to subscribe. However, with approval of the Supervisory Board the Board of Management is authorised to exclude shareholder subscription rights in the following circumstances:

- to even out fractional amounts
- if the capital increase is for the purpose of acquiring enterprises, parts of enterprises or interests in enterprises by means of contributions in kind
- if the shares are issued at a price which is not materially lower than the stock exchange price of the company’s listed shares at the time the Board of Management sets the issue price and the exclusion of subscription rights only covers new shares not exceeding 10 % of the lower of the capital stock at the time of registration of the authorisation or 10 % of the company’s capital stock at the time of the issue of the new shares.

The Board of Management is authorised with approval of the Supervisory Board to determine the other details of the implementation of capital increases from approved capital.”

This rule expands the freedom of action of the Board of Management and Supervisory Board and completes the financing options available to LEIFHEIT AG. It creates the basis for being able to carry out capital increases independently of the timing of the General Meeting. It corresponds with general practice. To date no new shares have been issued from approved capital. This remains at € 7,500,000.

Authorisation for the Board of Management to buy back shares

The Board of Management is authorised by resolution of the General Meeting on 22 May 2007 to buy back treasury shares to up to 10 % of the capital stock until 21 November 2008 for any permissible purpose within the statutory restrictions.

This rule expands the freedom of action of LEIFHEIT AG and completes the financing options in addition to the approved capital described above. The provisions correspond with generally accepted practice.

Amendments to the articles of incorporation

The General Meeting is responsible for amendments to the articles of incorporation (section 179 para. 1 sentence 1 AktG). The General Meeting transferred authority to amend the wording of the articles of incorporation to the Supervisory Board under art. 18 para. 3 of the articles. A resolution of the General Meeting amending the articles of incorporation requires a simple majority of the votes cast (section 133 para. 1 AktG) and also a simple majority of the capital represented, unless statute or the articles of incorporation require otherwise.

Material agreements in the event of a takeover bid

LEIFHEIT AG has not entered into any agreements on the conditions of a change of control as a result of a takeover bid. There are currently no compensation agreements between LEIFHEIT AG and the members of the Board of Management or employees in the event of a takeover bid.

Basic features of the system of compensation

The information on the basic features of the system of compensation required under section 315 para. 2 (4) HGB is given in the corporate governance report.

The economic situation

Restrained growth at the end of the year

The global economy lost momentum in the second half of 2007, primarily as a result of the uncertainty caused by the international financial crisis originating in the USA. In contrast to Asia, where the economic boom continued virtually unchanged, both North America and the European economies showed initial signs of slowdown, some still psychologically based. In Germany, like the rest of Europe, gross domestic product (GDP) grew 2.5 % for 2007 as a whole, but domestic growth in the fourth quarter had fallen to only 0.3 % In contrast to most other European countries, private consumption was not a driver in economic growth in Germany. In line with this, German retailing saw turnover drop 1.5 % in real terms in 2007.

Business in the divisions

LEIFHEIT stops the decline in turnover

The LEIFHEIT group succeeded in 2007 in stopping the declining trend in annual sales that had lasted since 2001, holding consolidated turnover unchanged at the previous year's level of € 276 million. This lays the foundation for future growth. Despite successes in various areas and regions, however, business as a whole failed to match the initial and more optimistic expectations. The expansion of business in branded products which forms part of LEIFHEIT group strategy was implemented successfully, but ultimately fell short of the scale required by the planning. This was because the satisfactory course of business in the first half of the year was restrained by the drop in turnover in the USD zone and weakness in sales volume in Germany in the second half.

Household Products: successes in Europe, decline in the USD zone

The Household Products division, which accounts for 73 % of consolidated turnover with the brands LEIFHEIT, SOEHNLE, BIRAMBEAU and DR. OETKER BAKEWARE, grew turnover in its core product groups of laundry care and cleaning, while volume of other product groups (kitchen & baking, scales, ladders) decreased. Regional trends also varied widely. The Household Products division was very successful in the rest of Europe, both in the Eurozone and elsewhere. The group's household products brands increased turnover by € 5 million to a total € 105 million, representing growth of 5 %. This was sustained by high double-digit growth in various eastern European countries, such as Russia, the Czech Republic, Ukraine, Poland and Romania, supported by growing volume in many EMU member countries.

By contrast, business in the German market was muted, with Household Products division turnover slipping by around € 4 million to € 83 million. The main reasons for this was lower than expected growth in business in branded products, which failed to offset the decreases in the discount segment.

The Household Products division also saw turnover in the USA and other USD zone countries fall by € 5 million. Besides the well-known negative impact of the weak USD, there were also specific market policy and strategic reasons for this.

As a result of all these factors, turnover of the Household Products division decreased by just under 2 % to € 202 million in 2007 (previous year: € 206 million).

Bathroom Furnishings division: solid growth in turnover

The Bathroom Furnishings division with its well established brands SPIRELLA, KLEINE WOLKE and MEUSCH continued its success story in the 2007 financial year. Its solid and organic growth in turnover and significant contribution to earnings make the division a firm pillar for the LEIFHEIT group generally. In terms of figures, annual turnover of the Bathroom Furnishings division rose 4 % in 2007, from € 71 million to € 74 million. A particularly notable feature of this is growth of over 8 % in the German market. The accessories range of the SPIRELLA brand was very successful, increasing turnover by 32 %. The newly-launched collection of high-quality bed linen under the KLEINE WOLKE brand also exceeded all expectations right from the start. At the same time the established bathroom rug and shower curtain product groups expanded turnover by between 3 – 5 %.

Earnings, assets and financial situation

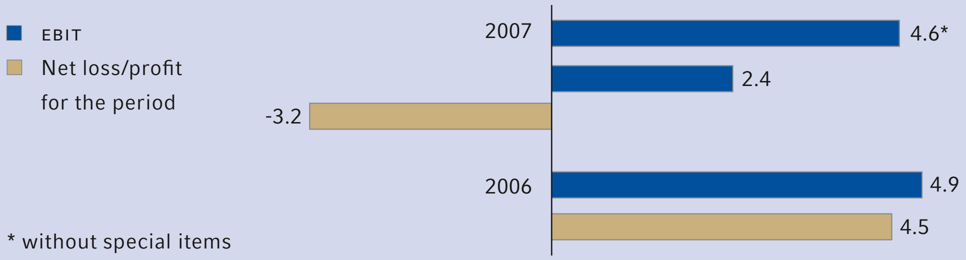
Gross return rises to 41.6 %

Gross margin rose in the year under review by 1.5 percentage points to 41.6 %. This ratio describes the internal earnings power of our business operations.

The gross margin benefited from increases in sales prices, favourable terms for purchasing in the Far East due to currency movements, and higher net contributions from growth in turnover of branded products. Negative factors were the decrease in net contributions from lower turnover due to the weak USD, price increases in the Chinese purchasing markets and increases in incoming freight.

Development costs rose € 0.7 million, helping to improve the company’s innovative capability. Distribution costs rose due to continuing investments in the brand and increased outgoing freight. Administrative costs fell € 0.9 million despite nonrecurring expense in connection with the changes in the Board of Management. Other operat-

Key figures from the income statement (€ m)



ing income includes the sale of real estate no longer needed for operations. Other operating expense includes the costs of relocating the shipping logistics from Nassau to Zuzenhausen. These nonrecurring items together represented a charge against consolidated earnings of € 2.2 million.

Income statement (summary) € m	2007	2006
Turnover	276	277
EBIT without special items	**4.6**	**4.9**
EBIT	**2.4**	**4.9**
Net interest income	-1.9	-2.1
EBT	**0.5**	**2.8**
Income taxes	-3.7	1.7
Profit after income taxes	**-3.2**	**4.5**

EBIT without special items was € 4.6 million, slightly down on the previous year (€ 4.9 million).

Net interest income/expense primarily relates to interest expense from pension obligations. EBT totalled € 0.5 million (previous year: € 2.8 million).

Taxes include taxes on subsidiaries in France and Switzerland. Deferred taxes include the effects of revaluation due to the reduced tax load in Germany under the 2008 company tax reform. In the previous year taxes were reduced by the one-off capitalisation of the LEIFHEIT AG corporation tax credit of € 6.4 million.

The result for the period was a loss of € 3.2 million (previous year: a profit of € 4.5 million).

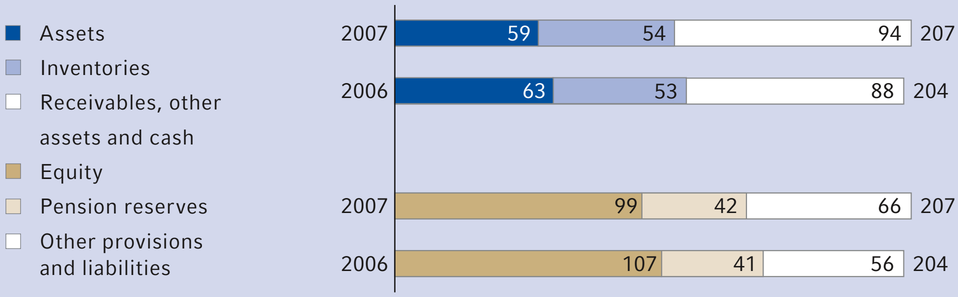
Stable balance sheet ratios

The balance sheet total increased on the previous year by € 2.5 million to € 206.9 million. This was primarily due to the increase in cash and cash equivalents (+ € 4.3 million).

While trade receivables fell € 0.5 million, inventories rose slightly due to the relocation of shipping at the end of the year, increasing by € 0.4 million to € 53.7 million. Current assets rose, almost entirely because of a residual receivable from the sale of a piece of real estate. Property, plant and equipment fell by € 3.5 million, primarily due to the sale of this real estate.

Trade payables rose € 3.8 million to € 38.4 million, mainly due to increased payables for outstanding bonuses and advertising cost subsidies to customers. Other current liabilities also rose by € 3.7 million to € 16.3 million. The reason for this are transfers to the ERA adjustment fund, outstanding wages and severance payments, particu-

Consolidated balance sheet structure (€ m)



larly due to the relocation of shipping, and measurement of foreign exchange futures contracts. Short-term provisions include the remaining provisions from the relocation of shipping. Pension provisions rose specifically because of the inclusion for the first time of the pension system of SPIRELLA S.A. in Switzerland.

Equity fell by € 8.1 million to € 98.5 million. The main factors in this are the dividend for the financial year 2006 of € 2.9 million, the inclusion for the first time of the pension obligations of SPIRELLA S.A. in accordance with IAS 19 due to the classification of the fully-insured BVG plans as direct benefit plans, which were netted out against equity as of 1 January 2007 in the amount of € 1.6 million, and the loss for the period of € 3.2 million. The equity-balance sheet ratio fell to 47.5 %.

Noncapitalised assets and off-balance-sheet financial instruments

Besides the assets shown in the consolidated balance sheet, the group also uses assets not eligible for recognition to a small extent. These relate primarily to leased items (operating lease). Off-balance-sheet financial instruments are not used.

Cash flow rises to € 14 million

Operating activities resulted in an inflow of funds in the 2007 financial year of € 14.3 million, compared with € 5.1 million in the previous year. This was the result particularly of the increase in payables of € 8.8 million.

Consolidated cash flow statement (summary) € m	2007	2006
Cash flow from operating activities	14.3	5.1
Cash flow from investment activities	-6.5	-1.4
Cash flow from financing activities	-2.8	-12.9
Effects of exchange rate differences	-0.7	-0.2
Current funds at year-end	10.1	5.8
Change in cash	4.3	-9.3

The outflow of funds from investment activities rose in the year under review to € 6.5 million (previous year: € 1.4 million). Two reasons for the lower outflow in the previous year were the lower level of investment and the sale of the industrial scales business. Investment in the year under review returned to a normal level of € 7.8 million (previous year: € 4.9 million).

Cash flow from financial activities in the year under review was € -2.8 million, and relates solely to dividends distributed to shareholders. In the previous year, it included not only dividends to shareholders and minority interests but also the acquisition of the remaining shares in the French subsidiaries.

Cash and cash equivalents rose by € 4.3 million.

Employees at year-end

Employees

The emphasis of our personnel work in the 2007 financial year was on supporting centralisation of distribution and logistics at the Zuzenhausen location and human resource development activities.

Slight decrease in employment

In the course of reorganising our distribution logistics, 34 new jobs were created at the Zuzenhausen location. At the same time, 48 jobs were cut at our Nassau facility, effective 31 December 2007.

At the close of 2007, there were 1,411 employees in the LEIFHEIT group, 22 fewer than the previous year. This represents a slight decrease of 1.5 % in employment. The Household Products division had 1,093 employees, Bathroom Furnishings had 318.

Locations	31.12.2007	31.12.2006
Germany	675	652
Czech Republic	387	430
France	138	148
Switzerland	152	145
Other countries	59	58
Group	**1,411**	**1,433**

Average employment in the group fell from 1,491 to 1,404. Personnel costs in 2007 totalled € 57 million (previous year: € 55 million), an increase of 4 %.

In the year under review, 69 employees celebrated their 40th, 30th, 25th or 10th year with the company. The large number of long-service employees is proof of the strong ties between our employees and the company, particularly in times of growing challenges from the increased international competition. Overall, LEIFHEIT benefits from a balanced mix of long-service and new employees.

Training awards

In 2007 LEIFHEIT was again recognised by the Koblenz Chamber of Industry and Commerce for the quality of its vocational training. Thanks to our well-organised training concept, the overwhelming majority of trainees again impressed in the past financial year, with mostly excellent results in the examinations.

The management trainee programme established in 2006 again proved its value in the past financial year. Additional management trainees were hired in the marketing and controlling departments.

Advanced training and qualification efforts for our employees were maintained in 2007. A particular priority was advanced training for our project management, which not only increased their methodological expertise but also strengthened the position of the project manager in the company, helping its organisational development.

Investment

Total additions to fixed assets in the LEIFHEIT group in 2007 amounted to € 7.8 million (previous year: € 4.9 million), of which € 7.4 million was for tangible assets. As a result the investment ratio was 4 % in terms of the historical of purchasing and manufacturing cost of plant and equipment. Investment was matched by depreciation on plant and equipment totalling € 6.6 million. Property, plant and equipment decreased on the previous year by € 3.5 million, particularly as a result of the sale of a piece of real estate.

We invested € 5 million in tangible assets in the Household Products division (previous year: € 3.3 million), mainly in tools for new products, logistical infrastructure and software.

Investment in the Bathroom Furnishings division totalled € 2.4 million (previous year: € 1 million).

Procurement and logistics

Further optimisation of the supply chain

In reorganising the supply chain processes running from our suppliers to our customers, the foundation was laid in 2007 for further optimisation.

Reorganisation of distribution logistics

After a feasibility study showed that it is possible and economically desirable to consolidate the entire LEIFHEIT distribution volume for the Household Products division at a single location, the LEIFHEIT Distribution Centre Zuzenhausen ("LDZ") project was initiated.

Within nine months, the internal and external material and informal flow procedures were revised and implemented. At the Zuzenhausen location, warehousing technology and inventory management systems were modified for the new requirements. The Nassau warehouse has acted since January 2008 simply as a backup warehouse for the LDZ.

Consolidation of the distribution logistics will enable LEIFHEIT in future to coordinate incoming and outgoing flows of goods better and more efficiently.

Analysis of the supply chain processes

The analysis of our supply chain processes in a supply chain audit identified the main process strengths and weaknesses in our physical and information supply chain. Interdisciplinary teams are formulating conceptual goals and successively implementing these.

The project is intended to boost the efficiency of the procedures sustainably in the coming years.

Expansion of the purchasing organisation in China

The LEIFHEIT purchasing organisation in Guangzhou in southern China made a very positive contribution to the further optimisation of our supply chain in 2007 by taking on additional areas of activity.

To improve further the proactive management of cooperation with our suppliers, we have further expanded our capacity in project engineering and quality assurance. In addition, operating purchasing and logistics functions were decentralised in the past year, and capacity relocated from Germany to China.

Strengthening the European supplier network

The conditions in the LEIFHEIT purchasing markets are changing constantly. The situation in the Chinese purchasing market is characterised by factors such as wage increases, steady appreciation of the Chinese currency against the USD, a tax policy which discriminates against exports (reduction in VAT refunds for exporters), punitive customs tariffs and a significant increase in sea freight charges.

We took this development in account in 2007 by expanding our purchasing volume in central and eastern Europe. We will expand these activities further in 2008.

Strategic partnerships with suppliers

Purchasing high-quality raw materials, unfinished and finished products on attractive terms is a decisive factor for our company's success. Due to our broad product range in the Household Products and Bathroom Furnishings divisions, we work with a large number of suppliers worldwide. Our goal in this is to establish strategic partnerships with major suppliers, and maintain close cooperation in a spirit of mutual confidence. A high level of speed of response, flexibility, quality and punctuality are essential for successful cooperation.

Changes in raw material prices

Raw material prices for metals and plastics continue high in 2007. Other projects on product optimisation implemented in teamwork by the purchasing, development and production departments together with the suppliers enabled us to achieve cost savings which partly offset the increases in materials prices.

Core competences further strengthened at the Blatná plant

To improve the competitiveness of the Czech plant at Blatná further, its core competences were strengthened and strategically expanded. This laid the foundation for inhouse production of articles at competitive costs and to the highest quality. Concentration on core product lines with optimal resource utilisation has made it possible to reduce unit costs.

Ironing board production in the laundry care core category was transferred from China to Blatná as a new product line. This step was a contribution to the further evolution of the ironing board family into a modular system. The newly constructed partly-automated production plant for ironing boards makes possible flexible and rapid response to customer wishes.

A development programme for all employees was launched as part of the further expansion of the plant. To complete integration in the eyes of the public, the company was renamed LEIFHEIT s. r. o.

Development and innovation

One of the key factors for success in boosting profitability and growth is a company's innovative capability. The goal is to satisfy consumer needs with new, functional and creative products. Customer acceptance depends not only on the availability of a solution, but rather on the implementation of the new function, the design of the product, its quality, and – not least – appropriate pricing.

These various requirements can only be satisfied by a team consisting of employees of the various technical and marketing departments. The basis for cooperation within such teams is a structured development process, which was first implemented in 2006. In 2007 we further refined the process, improving transparency for project procedures.

Optimised organisational structure

In 2007 we modified the organisational structure of the development department to meet market needs, and expanded the mechanical, electromechanical and product engineering departments to make optimal use of existing resources. This electromechanical and electronic competence directly benefits our household appliances. The organisational changes help LEIFHEIT bring the diverse innovation projects to market in the scheduled time.

In 2007 we laid the basis for modern knowledge management with the specification and selection of a document management system. Implementation is planned for 2008.

The LEIFHEIT group further expanded its patent portfolio by submitting over 100 domestic and foreign patent applications in 2007. In the group during the year under review 51 people were employed in patent and product management. The overwhelming majority of these are graduates in business administration and marketing, engineers and technicians, design engineers and designers. We spent a total of € 6.9 million on product management, research and development.

Environmental protection

Environmental protection and sustainable operation are important goals for LEIFHEIT AG. Their implementation is integrated into the processes at all LEIFHEIT AG locations. Improving the quality of our business processes logically leads to avoiding adverse impacts on the environment.

Risks and opportunities

In times when the economic environment and state of the industry are particularly dynamic, efficient risk management is very important. We regard efficient risk management as a strategic way of securing present and future potential success. With its global activities, LEIFHEIT is inevitably exposed to risks which help determine its commercial actions. The function of our risk management system is to identify and evaluate these risks in a timely manner, in order to take rapid countermeasures if necessary. It comprises the elements risk strategy, early warning system, risk identification, classification and management, controlling, and the monitoring and control system. In the course of medium term planning we analyse the development of the markets, consumer behaviour, our trade partners and competitors, and the procurement markets. The core of the risk management system is the risk inventory. In this, we use risk tables for regular documentation of the relevant risks in all areas of business, which we evaluate for their likelihood and impact on the company. The material risks are then reported and discussed at divisional, departmental, Board of Management and Supervisory Board meetings. Other elements of our risk management system are our planning processes, controlling and internal audit, which is handled throughout the group by external consultants.

ERNST & YOUNG AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft examined the LEIFHEIT group risk management system in the course of their audit of the annual financial statements and found no reason for objection.

In the following sections we summarise the material risks known to us at present which may affect the development of the LEIFHEIT group.

General economic risks

The general risks of importance to LEIFHEIT include particularly those arising out of economic trends in our markets and the political environment. The state of the domestic economy and possible consumer reticence may continue to affect our business in 2008. However, we do not expect any material impact on the planned course of business.

There are no material risks currently apparent on the legislative or tax fronts or in the predicted trends in the capital markets.

Industry risks

The ongoing concentration and globalisation in the distributive trades present both opportunities and risks for LEIFHEIT. Pressure on selling prices and terms are matched by opportunities to grow internationally and exploit synergies with our trade partners.

The greatest risk to volume is weak consumer demand and a slump in prices driven by direct imports from the Far East. Besides the strength of our brands, the decisive factor in our success is our innovative strength, development and quality. For this reason, we give high priority to further developing our quality standards and continuously developing products with high consumer utility.

Risks associated with operating activities

The risks associated with operating activities can be broken down into three individual risks:

Production and procurement risks

In production the likelihood of an outage of production facilities is minimised by ongoing maintenance, fire protection and other precautionary measures. Insurance policies have been taken out for the group for major damage and loss of production. The risk of supplier outages is covered by identification of alternative competent suppliers. There are no risks to the company's existence currently identifiable in procurement, production, marketing, development and environmental protection.

Risks from financing

There are no material risks from financing due to the above-average level of equity. Cash and foreign currency management and financing are handled centrally for the LEIFHEIT group. We manage foreign currency risks by using derivatives, and particularly foreign exchange futures contracts.

Legal risks

We limit product, liability and environmental risks through quality assurance, as defined in our quality management manual. We also use insurance policies to limit the financial consequences of possible loss, injury or damage.

To limit possible risks from antitrust, patent and tax legislation and other regulations and statutes, we base our decisions on advice from outside experts.

Beyond this, there are no material legal risks identifiable which are not covered by balance sheet provisions.

Other risks

There are no further material risks identifiable.

Forecast

Reduced growth prospects

Due to the wide range of current hazards to global economic growth, the EU Commission significantly reduced its economic expectations for 2008. It now expects growth of only 1.8 % for the Eurozone as a whole. Germany is even below this average, with forecast growth of 1.6 %. It remains to be seen how far collective bargaining agreements and any resulting growth in real income will improve the consumer mood among wide sections of the population despite relatively adverse global economic prospects.

Focus – innovation – speed

LEIFHEIT has set itself the 2008 goal of profitable growth through concentration on product innovation and further expansion of our presence on the sales front. Strengthening brands continues to be a priority, and good business relationships with all our customers are also very important. In the Household Products division we will continue to prioritise our activities under the slogan "focus – innovation – speed" on the core categories laundry care, cleaning, kitchen and scales, while at the same time concentrating on pushing ahead with expansion in the key European markets.

The projects already initiated to increase efficiency in the supply chain and reduce structural costs are further important stages in sustainably increasing our earnings power.

The establishment of autonomous distribution organisations in various eastern European countries will enable LEIFHEIT to participate even more than before in the growth potential of these dynamically expanding consumer goods markets. At the same time we will strengthen our innovative capability and accelerate the pace of market launch for the resulting products. Based on this further developed and fine-tuned corporate strategy, the Board of Management is optimistic to improve earnings in 2008 and 2009.

Report on events after the balance sheet date

Events after the end of the 2007 financial year

There were no events after the balance sheet date of the financial year 2007 of particular importance for assessing the assets, financial situation and earnings of the LEIFHEIT group.

Turnover down on the previous year

In the first two months of the 2008 financial year turnover of € 46 million were slightly down on the previous year (€ 48 million). This decrease was primarily due to startup problems at the LEIFHEIT Zuzenhausen distribution centre. As in the previous year, domestic business generated turnover of € 19 million in the first two months. With foreign turnover of € 27 million (previous year: € 29 million), the export ratio was 59 % (previous year: 60 %).

The Household Products division contributed € 32 million (previous year: € 36 million) to consolidated turnover. Of this, € 13 million represents domestic turnover (previous year: € 14 million).

The Bathroom Furnishings division reported turnover of € 14 million (previous year: € 12 million), of which € 6 million (previous year: € 5 million) was domestic.

Report of the Board of Management on the consolidated financial statements and consolidated management report

The Board of Management of LEIFHEIT AG is responsible for seeing that the consolidated financial statements present a true and fair view of the group's assets, earnings and financial situation and that the consolidated management report presents a true and fair view of the business and situation of the group. In drawing up the consolidated financial statements, the International Financial Reporting Standards (IFRS) were followed in accordance with Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002, and where necessary appropriate estimates were made. The consolidated management report includes an analysis of the group's assets, earnings and financial situation and other information required by the provisions of the German Commercial Code (HGB).

There is an effective internal management and control system to ensure the reliability of the data, both for drawing up the consolidated financial statements (including the consolidated management report) and for internal reporting. This includes uniform accounting guidelines for the group and risk management in compliance with the Control and Transparency in Companies Act (KonTraG). This enables the Board of Management to identify material risks in good time and take measures against them.

ERNST & YOUNG AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Eschborn/Frankfurt am Main, was appointed auditors for the 2007 financial year by the Supervisory Board in accordance with the resolution of the General Meeting of LEIFHEIT AG. It has audited the consolidated financial report and issued the audit report below.

The consolidated financial statements, consolidated management report, audit report, report of the Board of Management on the mandatory information under section 315 para. 4 HGB and the risk management were discussed in detail with the auditors by the Financial Statements Committee of the Supervisory Board and by the entire Supervisory Board at the financial statements meeting.

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.

Nassau/Lahn, 14 March 2008

LEIFHEIT Aktiengesellschaft

The Board of Management

Denis Schrey	Frank Gutzeit	Ernst Kraft

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the LEIFHEIT AG, Nassau, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, cash flow statement and statement of changes in equity, together with the group management report for the fiscal year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a para. 1 HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures.
The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 14 March 2008

ERNST & YOUNG AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(signed) Seckler	(signed) Schebo
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Consolidated income statement

€ 000	Notes	2007	2006
Turnover	1	276,122	276,551
Cost of sales		-161,125	-165,613
Gross profit		**114,997**	**110,938**
Research and development costs	5	-6,935	-6,259
Distribution costs	6	-85,927	-83,094
Administrative costs	7	-17,169	-18,058
Other operating income	8	2,578	2,652
Other operating expenses	9	-3,993	-820
Investment income		61	61
Net other financial income	10	-1,258	-505
EBIT		**2,354**	**4,915**
Net interest income or expense	11	-1,870	-2,095
EBT		**484**	**2,820**
Income taxes	12	-3,680	1,696
Net loss/profit for the period		**-3,196**	**4,516**
Of which minority interests	13	–	161
Of which parent company shareholders		-3,196	4,355
Earnings per share (undiluted and diluted)	14	**-0.67**	**0.95**

Consolidated balance sheet

€ 000	Notes	31.12.2007	31.12.2006
ASSETS			
Current assets			
Cash and cash equivalents	15	10,138	5,814
Trade receivables	16	63,301	63,802
Inventories	17	53,722	53,312
Tax receivables		1,683	1,494
Other current assets	18	7,409	4,119
Total current assets		**136,253**	**128,541**
Noncurrent assets			
Financial assets	19	606	584
Tangible assets	20	46,404	49,890
Intangible assets	21	11,837	12,595
Deferred tax assets	12	5,804	6,282
Other noncurrent assets	22	6,002	6,562
Total noncurrent assets		**70,653**	**75,913**
Total ASSETS		**206,906**	**204,454**
EQUITY AND LIABILITIES			
Short-term debt			
Trade accounts payable and other liabilities	23	53,852	46,990
Derivative financial instruments		888	221
Income tax liabilities		438	343
Provisions	24	4,193	3,712
Total short-term debt		**59,371**	**51,266**
Long-term debt			
Provisions	24	3,680	4,009
Employee benefit obligations	25	42,328	40,685
Deferred tax liabilities	12	2,505	1,493
Other long-term debt	26	488	371
Total long-term debt		**49,001**	**46,558**
Equity			
Share capital	27	15,000	15,000
Capital surplus	28	16,934	16,934
Treasury shares	39	-7,618	-7,623
Appropriated surplus		72,577	80,224
Translation reserve		1,571	2,095
Minority interests	29	70	–
Total equity		**98,534**	**106,630**
Total EQUITY AND LIABILITIES		**206,906**	**204,454**

Changes in group equity

€ 000	Share capital	Capital reserve	Treasury stock	Appropriated surplus	Translation reserve	Total	Minority interests	Total equity
	Share in equity of parent company shareholders							
As at 1.1.2006	**15,000**	**16,934**	**-7,629**	**82,324**	**1,922**	**108,551**	**6,269**	**114,820**
Dividends	–	–	–	-2,856	–	-2,856	-520	-3,376
Acquisition of minority interests	–	–	–	-3,599	–	-3,599	-5,910	-9,509
Issue of treasury shares	–	–	6	–	–	6	–	6
Net profit for the period	–	–	–	4,355	–	4,355	161	4,516
Differences from foreign currency translation	–	–	–	–	173	173	–	173
As at 31.12.2006	**15,000**	**16,934**	**-7,623**	**80,224**	**2,095**	**106,630**	**–**	**106,630**
Accounting changes Pension plans, Switzerland	–	–	–	-1,595	–	-1,595	–	-1,595
Dividends	–	–	–	-2,856	–	-2,856	–	-2,856
Minority interests from new formations	–	–	–	–	–	–	70	70
Issue of treasury shares	–	–	5	–	–	5	–	5
Net loss for the period	–	–	–	-3,196	–	-3,196	–	-3,196
Differences from foreign currency translation	–	–	–	–	-524	-524	–	-524
As at 31.12.2007	**15,000**	**16,934**	**-7,618**	**72,577**	**1,571**	**98,464**	**70**	**98,534**

Group segment reporting

Key figures by division		Household Products 2007	Household Products 2006	Bathroom Furnishings 2007	Bathroom Furnishings 2006	Non-allocatable 2007	Non-allocatable 2006	Eliminations 2007	Eliminations 2006	Total 2007	Total 2006
Turnover	€ m	202	206	74	71	–	–	–	–	276	277
EBIT before special items	€ m	1.5	3.6	5.4	4.4	-2.3	-3.1	–	–	4.6	4.9
EBIT	€ m	-0.7	3.6	5.4	4.4	-2.3	-3.1	–	–	2.4	4.9
Assets	€ m	154	157	49	44	15	14	-11	-11	207	204
Liabilities	€ m	103	94	41	31	2	1	-38	-29	108	97
Depreciation and amortisation	€ m	7	7	1	1			–	–	8	8
Investment	€ m	5	4	3	1			–	–	8	5
Employees (annual average)		1,088	1,178	316	313			–	–	1,404	1,491

Key figures by region € m	Domestic 2007	Domestic 2006	Europe (exc. Germany) 2007	Europe (exc. Germany) 2006	Rest of the world 2007	Rest of the world 2006	Non-allocatable 2007	Non-allocatable 2006	Eliminations 2007	Eliminations 2006	Total 2007	Total 2006
Turnover	114	115	148	142	14	20	–	–	–	–	276	277
Assets	121	121	80	75	3	3	15	14	-12	-9	207	204
Investment	5	3	3	2	–	–			–	–	8	5

Notes on segment reporting are shown in note 32.

Consolidated statement of cash flow

€ 000	2007	2006
Net loss/profit for the period	-3,196	4,516
Adjustments for		
expense for the issue of employee shares	5	6
depreciation and amortisation	7,770	8,448
Increase/decrease in provisions	200	-2,526
Gain on disposal of fixed assets	-223	-921
Decrease in inventories, trade receivables and other assets not classified as investment or financial activities	970	3,230
Increase/decrease in trade payables and other liabilities not classified as investment or financial activities	8,752	-7,621
Cash flow from operating activities	**14,278**	**5,132**
Acquisition of tangible and intangible assets	-7,746	-4,885
Investment in financial assets	-33	–
Proceeds from the disposal of fixed assets	1,301	3,523
Cash flow from investment activities	**-6,478**	**-1,362**
Dividends paid to parent company shareholders	-2,856	-2,856
Dividends paid to minority interests	–	-520
Equity contributions by minority shareholders	70	–
Reduction in equity of minority shareholders	–	-9,509
Cash flow from financing activities	**-2,786**	**-12,885**
Effects of exchange rate differences	**-690**	**-204**
Net change in cash and cash equivalents	**4,324**	**-9,319**
Current funds at the start of the period under review	**5,814**	**15,133**
Current funds at the end of the period under review	**10,138**	**5,814**
Income taxes paid	-1,449	-4,536
Interest paid	-71	-179
Interest received	146	87

General principles of accounting and valuation

General

LEIFHEIT AG, with registered offices in Nassau, concentrates on developing and distributing high-quality branded products for selected areas of the home.

It drew up its consolidated financial statements for 2007 in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) as applicable in the EU, supplemented by the applicable provisions of section 315 a para. 1 of the German Commercial Code (HGB). All the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) – previously the Standing Interpretations Committee (SIC) – required to be applied in the 2007 financial year were followed. The previous year's figures were calculated on the same principles.

The financial statements expressed in Euro are a fair presentation of the assets, financial situation and earnings of the LEIFHEIT group. Unless otherwise stated, all figures are in thousands of Euro.

The income statement was drawn up in accordance with the internationally prevailing cost of sales method. To draw up the consolidated financial statements in accordance with the IFRS, assumptions must be made for several items which affect recognition in the consolidated balance sheet or consolidated income statement and the statement of contingent assets and liabilities.

The consolidated financial statements are prepared in accordance with IFRS under section 315a para. 1 of the German Commercial Code (HGB) in combination with Art. 4 of EC Regulation 1606/2002. The annual financial statements will be submitted to the Supervisory Board for approval at the beginning of April. They will then be published without further delay.

Consolidation principles

The consolidated financial statements include LEIFHEIT AG and the companies controlled by it. Control is present if the group directly or indirectly holds the majority of voting rights in a company and/or can govern the financial and operating policies of a company so as to obtain benefits from its activities. Minority interests and their share in net profit or loss for the period are shown separately in the balance sheet, equity and income statement as a use of the result (after tax).

The financial statements of subsidiaries are prepared using uniform accounting and valuation methods and the same balance sheet date as the financial statements of the parent company.

Acquisitions are accounted for using the purchase method in accordance with IFRS 3 (Business combinations). All identifiable assets and liabilities are measured at fair value at the time of acquisition. Minority interests are recognised at their share in the fair value of the assets and liabilities. If the acquisition cost of the interests exceed the group share in the equity of the company measured in this way, the resulting goodwill must be capitalised. Previously undisclosed reserves and charges are carried, amortised or reversed during subsequent consolidation, depending on the corresponding assets and liabilities. Goodwill is assessed at least annually for impairment at the level of cash generating units and written down to the recoverable value if needed. Badwill is taken to profit or loss.

In addition, under IAS 38 each intangible asset must be classified as having a finite or indefinite useful life. If an intangible asset has a finite useful life, it must be amortised over that life. The amortisation periods and methods for intangible assets with limited useful lives are reviewed at least annually and whenever there are indications of impairment. Intangible assets with indefinite useful lives are not amortised, as no time limit can be set for the period during which the asset generates economic benefits to the company. However, intangible assets with indefinite lives are reviewed annually to ensure that the carrying amount of an asset does not exceed its recoverable value. This is done whether or not there are signs of impairment.

Acquired enterprises are included in the consolidated financial statements from the time of acquisition.

Intragroup balances and transactions and resulting unrealised intragroup profits and losses are eliminated in full. Provision is made for deferred tax arising from temporary differences from consolidation as required in IAS 12. The same consolidation methods were used for the financial statements for 2007 and 2006.

Companies consolidated

The following companies were included in the consolidated financial statements, in addition to LEIFHEIT AG: LEIFHEIT AG directly or indirectly held the majority of voting rights in these companies as at 31 December 2007

Company name	Date of initial consolidation	Share in equity and voting rights, 2007 in %
BTF Textilwerke GmbH, Bremen (D)	1.1.1989	100.0
KLEINE WOLKE AG, Berikon (CH)	1.1.1989	100.0
KLEINE WOLKE Textilgesellschaft mbH & Co. KG, Bremen (D)	1.1.1989	100.0
LEIFHEIT España S.A., Madrid (E)	1.1.1989	100.0
LEIFHEIT International (UK) Ltd., London (GB)	1.1.1989	100.0
SPIRELLA S.A., Embrach (CH)	1.1.1989	100.0
SPIRELLA France s.a.r.l., Toulouse (F)	1.1.1989	100.0
SPIRELLA GmbH, Nassau (D)	1.1.1989	100.0
LEIFHEIT s.r.o., Blatná (CR)	1.1.1995	100.0
LEIFHEIT International U.S.A. Inc., Melville, NY (USA)	1.1.1997	100.0
MEUSCH-Wohnen-Bad und Freizeit GmbH, Bremen (D)	1.9.1999	100.0
BIRAMBEAU S.A.S., Paris (F)	1.1.2001	100.0
LEIFHEIT-BIRAMBEAU S.A.S., Paris (F)	1.1.2001	100.0
SOEHNLE Italia S.r.l. , Brescia (I)	1.1.2001	100.0
LEIFHEIT Distribution S.R.L., Bucharest (RO)	18.12.2007	51.0

SOEHNLE AG, Montlingen (CH) was liquidated and deconsolidated in the 2007 financial year. The Romanian subsidiary LEIFHEIT Distribution S.R.L., which is consolidated for the first time, was not yet operational in 2007. The outstanding minority interests in BIRAMBEAU S.A.S. (34 %) and LEIFHEIT-BIRAMBEAU S.A.S. (40 %) were taken over on 30 June 2006.

Foreign currency translation

Where individual financial statements of consolidated companies are drawn up in local currencies, monetary items in foreign currencies (cash and cash equivalents, receivables, payables) are valued at the balance sheet date and exchange rate differences recognised in the income statement. Exceptions to this are translation differences for monetary items which in substance are part of net investment (e.g. long-term loan which replaces equity) in an independent foreign entity.

Translation of financial statements of consolidated companies drawn up in foreign currencies is done on the basis of the functional currency concept using the modified closing rate method in compliance with IAS 21.

As our subsidiaries and branches operate independently in financial, economic and organisational terms, their functional currency is identical in principle with the local currency. For inclusion in the consolidated financial statements, the assets and liabilities of the subsidiaries and branches are translated at the exchange rate at the balance sheet date, and income and expenses are translated at annual average exchange rates. The exchange difference arising out of translation is recognised in a separate reserve in equity. Exchange differences from the previous year's translation are taken to this translation reserve.

The exchange rates used for translation are shown in the following table:

Exchange rate (€ 1)	Average rate on balance sheet date		Annual average rate	
	31.12.2007	31.12.2006	2007	2006
Pound sterling	0.73	0.67	0.73	0.67
Swiss franc	1.66	1.61	1.64	1.57
Czech krone	26.58	27.44	27.70	28.37
US dollar	1.47	1.32	1.34	1.24
Japanese yen	165.00	156.65	161.37	145.25
New Romanian lei	3.59	–	–	–

Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

Receivables are recognised at the time revenue is realised or consideration received at fair value or at fair value of the consideration received, and subsequently valued at amortised cost, taking into account any necessary allowances.

Hedging transactions

Foreign exchange futures contracts are used to hedge against future exchange rate fluctuations. When entering into these hedging transactions, specific foreign exchange derivatives contracts are allocated to specific fundamental transactions, i.e. either to hedge the risk of a change in the fair value of a recognised asset or debt or to hedge the risk of fluctuations in cash flows which can be allocated to a specific risk associated with a recognised asset or debt or the risk associated with a planned transaction. Within the hedging context, the hedging instruments are recognised at market value; mark-to-market adjustment is made in the income statement as the formal requirement of explicit designation for hedge accounting is not met.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is measured on the basis of the weighted average cost method.

Costs of manufacture include production-related full costs based on normal capacity utilisation. Costs of manufacture include direct costs directly attributable to products (e.g. material and labour) and fixed and variable production overheads (e.g. material and production overheads). Costs are specifically taken into account which are incurred by the specific cost centres. Borrowing costs are not capitalised as part of purchase or conversion costs but are expensed in the period in which they are incurred (IAS 23).

The risks in holding inventory due to reduced realisable value are taken into account through appropriate write-downs. The write-downs are calculated on the basis of the future production range or actual consumption. Depending on the individual inventory item, individual periods are applied which are reviewed and modified on the basis of objective evaluation criteria. In measurement, lower net realisable value on the balance sheet date is taken into account. If the circumstances which previously caused inventories to be written down no longer exist so that the net realisable value is increased, the resulting increase in value is recognised as a reduction in material cost.

Noncurrent financial assets

Noncurrent financial assets are recognised at fair value and include equity investments and other financial assets. If fair value cannot be measured reliably, the assets are carried at amortised cost.

Tangible assets

Tangible assets are recognised at cost less cumulated regular depreciation and impairment. If tangible assets are sold or scrapped, the associated costs and cumulated depreciation are derecognised; any realised profit or loss from the disposal is recognised in the income statement.

The purchase or manufacturing cost of a tangible asset comprises the purchase price including import duties and non refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and the location for its intended use. Subsequent expenses such as maintenance and repair costs incurred after the assets have been commissioned are recognised as expense in the period in which it is incurred.

	Years
Buildings	25–50
Other structures	10–20
Injection moulding machines	10
Plant and machinery	5–10
Injection moulding and diecasting tools	3–6
Vehicles	6
IT equipment	3–5
Software	4–8
Furniture and fixtures and office equipment	3–13
Display and POS stands	3

Depreciation uses the straight line method based on the likely useful life.

The useful life and method of depreciation for tangible assets are reviewed periodically to ensure that the method of depreciation and depreciation period comply with the expected useful life of tangible assets. Depreciation based solely on tax regulations is not taken.

Plant under construction is classified as unfinished assets and recognised at cost. Plant under construction is depreciated from the time at which the relevant asset is completed and used in operation.

Leasing

A lease is classified as an operating lease if substantially all risks and rewards incident to ownership remain with the lessor. As LEIFHEIT acts exclusively as a lessee under operating leases, the corresponding assets are not recognised in the balance sheet. Lease payments are recognised as expense on a straight line basis over the term of the lease.

Intangible assets

Patents, licences and software

Expense on patents and licences is capitalised and subsequently amortised over their likely useful life using the straight line method. The estimated useful life of patents and licences varies between five and fifteen years. The carrying amount of assets is regularly reviewed.

Costs of new software and implementation are capitalised and treated as an intangible asset, unless these costs are an integral part of the associated hardware. Software is amortised over a period of four to eight years using the straight line method.

Brand names

Consideration paid for brand names is carried as an asset. Brand names are recognised under IAS 38 as intangible assets with indefinite useful lives are not amortised, as no time limit can be set for the period during which the asset generates economic benefits to the company. Brand names are assessed annually for possible impairment in accordance with IAS 36 and written down if necessary to their fair value.

Goodwill

The excess of the cost of an acquisition over the interest acquired on the day of purchase in the fair value of identifiable assets and liabilities is known as goodwill and is recognised as an asset.

In accordance with IFRS 3 in combination with IAS 36 and 38, goodwill is assessed annually and written down if necessary to the recoverable amount.

For the impairment test, the value of the asset at the time of acquisition is allocated to the cash-generating units at the lowest level in the company at which the asset is monitored for internal management

Impairment of tangible and intangible assets

Tangible and intangible assets are assessed for impairment if there are material reasons or a change in circumstances indicating that the carrying amount of an asset may not be recoverable (IAS 36). As soon as the carrying value of an asset exceeds the recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of the asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is identified for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Research and development costs

Development costs for newly developed products are capitalised in accordance with IAS 38 if they are clearly attributable and both technical feasibility and marketing of the newly developed products are ensured. Development work must also generate probable future economic benefits. As not all these requirements are met in the LEIFHEIT group, development costs are not capitalised.

Research costs cannot be capitalised in accordance with IAS 38 and are accordingly recognised directly as an expense in the income statement.

Deferred taxes

Deferred taxes are accounted for using the balance sheet liability method for all temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated balance sheet (temporary concept). In addition, deferred tax assets from loss carryforwards must be recognised.

The carrying amount of deferrals is the probable tax liability or asset in the following financial year based on the tax rate prevailing at the time of realisation.

Deferred tax assets whose realisation is or becomes improbable are not recognised or are impaired.

Deferred taxes are recognised in separate items in the balance sheet.

Liabilities

Current liabilities are recognised at repayment or settlement amount. Noncurrent liabilities are carried at amortised cost. Differences between historic cost and settlement amount are taken into account using the effective interest rate method.

Provisions

Under IAS 37 provisions are recognised where there is a current obligation to third parties as a result of a past event which will probably lead to an outflow of resources and can be reliably estimated.

Provisions for warranty claims are recognised under IAS 37 on the basis of the previous or estimated future outflows for the warranty obligations on the products sold.

Other provisions are recognised under IAS 37 for all identifiable risks and uncertain obligations for the amount probably required to settle them and not offset against reimbursement claims.

Provisions which do not lead to an outflow of resources in the following year are recognised at the discounted amount required to settle the obligations at the balance sheet date. The discount is subject to market interest rates.

Employee benefit obligations, pension reserves

The actuarial valuation of the defined benefit obligation is based on the projected unit credit method required by IAS 19 for post/employment benefit obligations. Under this method the post-employment benefits and vested benefits are taken into account together with expected future increases in salaries and pensions. Actuarial gains and losses are recognised in the income statement if the balance of cumulated unrecognised actuarial gains and losses for each individual plan at the end of the preceding reporting period exceeds the higher of 10 % of the defined benefit obligation or 10 % of the fair value of the plan assets. These gains and losses are realised over the expected average remaining service of the employees covered by the plan.

With regard to the fully-insured company pension plans in Switzerland which were previously reported as direct contribution plans under IAS 19, there was a change in the year under review in the prevailing opinion in Switzerland, which now calls for classification as direct benefit plans. The pension plans of Swiss SPIRELLA S.A. were accordingly recognised as direct benefit plans in accordance with IAS 19 from 1 January 2007.

Equity

Treasury shares reduce the equity recognised in the balance sheet. Acquisition of treasury shares is shown as a change in equity. No gain or loss is recognised in the income statement for the sale, issue or cancellation of treasury shares. Consideration received is recognised in the financial statements as a change in equity.

Provisions for currency translation are recognised for currency translation differences arising out of the consolidation of the financial statements of independent foreign subsidiaries or branches.

Currency translation differences from a monetary item which is essentially part of net investment by the company in an independent foreign entity. e. g. a long term loan, are recognised in equity in the consolidated financial statements up to the point of disposal or repayment. If the corresponding assets are sold the total revaluation or provision for currency translation is recognised as income or expense in the same period in which the gain or loss on the disposal is recognised.

Recognition of income and expense

Revenue from turnover and other operating income is only recognised when the service has been provided or the goods or products delivered, i.e. transfer of risk to the customer has taken place.

Income from assets for which there is a buy-back agreement with a subsidiary is only recognised when the assets have finally left the group. Up to this point it is recognised in inventories.

The cost of sales includes costs incurred to make sales and the purchase cost of merchandise purchased and held for resale. This heading also includes the cost of transfers to provisions for warranty obligations.

Distribution costs include labour and material costs and depreciation and amortisation for marketing, shipment, freight, advertising, sales promotion, market research and customer service costs.

General administrative costs include labour and material costs and the depreciation and amortisation attributable to administration.

Taxes like land tax and vehicle tax are attributed to production, sales or administrative costs on their assessment basis.

Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are shown in the notes unless the probability of an outflow of resources embodying economic benefits is very low. Contingent assets are not recognised in the financial statements. However, they are shown in the notes if the inflow of economic benefits is probable.

Events after the balance sheet date

Events after the balance sheet date which provide additional information on conditions that existed at the balance sheet date (adjusting events after the balance sheet date) are taken into account in the financial statements. Non-adjusting events after the balance sheet date are shown in the notes, if they are material.

Material exercises of discretion, estimates and assumptions

In certain individual instances, preparing the annual financial statements requires exercises of discretion and estimates and assumptions about the amounts of receivables, liabilities and provisions, deferred taxes, statement of contingent liabilities, impairment tests and recognised income and expenses. The actual results may be different. The most important assumptions and estimates in connection with review for possible impairment of assets are stated in note 21, the assumptions and estimates in connection with recognising pension liabilities in note 25, and the assumptions and estimates in connection with recognising deferred taxes in note 12.

New accounting standards required to be applied from 2007

The International Accounting Standard Board (IASB) has published several changes to existing IFRS as well as new IFRS and Interpretations of the International Financial Reporting Interpretation Committee (IFRIC) which companies are required to apply to all financial years starting on or after 1 January 2007.

On 18 August 2005 the IASB published IFRS 7 "Financial instruments: Disclosures". This replaces the existing IAS 39 and incorporates all the provisions of IAS 32 regarding disclosure. The standard results in a thorough reorganisation of the disclosure requirements for financial instruments. Essentially, disclosure is required of the resulting risks together with management's objectives, methods, risks, collateral and processes. Changes and additions were also made to the capital disclosure requirements in IAS 1.

The International Financial Reporting Interpretations Committee (IFRIC) published Interpretation IFRIC 10 "Interim Financial Reporting and Impairment" on 20 July 2006. The Interpretation responds to questions about additional depreciation and amortisation in connection with IAS 34 "Interim Financial Reporting", IAS 36 "Impairment of Assets" respectively IAS 39 "Financial Instruments: Recognition and Measurement". Impairment to goodwill and specific financial instruments may not be reversed in later periods under IAS 36 or IAS 39. Under IAS 34 interim financial reporting must follow the same accounting and valuation methods as are used for annual or consolidated financial statements. However, the frequency of interim reporting should not have any influence on the annual or consolidated financial statements. IFRIC 10 aims to resolve the conflict over whether additional amortisation on goodwill and certain financial instruments in interim reports must be reversed in the annual or consolidated financial statements if there is no loss or a smaller loss at the balance sheet date than at the reporting date for the interim report. IFRIC 10 now states clearly that impairment of goodwill and certain financial instruments which may not be revalued under IAS 39 may not be reversed in subsequent periods.

New accounting standards whose application will be mandatory in future

The IASB also published further IFRS and IFRIC, although companies are not required to apply these until later. The following section lists the standards and interpretations and their likely relevance for the LEIFHEIT group. Early application of these standards is allowed. However, LEIFHEIT is not making any use yet of this election.

On 30 November 2006 the IASB published IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 "Segment Reporting", which previously applied to segment reporting. With the exception of minor terminological changes, IFRS 8 adopts the entire wording of the corresponding US standard SFAS 131 "Disclosures about Segments of an Enterprise and Related Information". IFRS 8 requires segment reporting following the "Management Approach", where the segment information reported corresponds to the company's internal reporting as used by management to take decisions. The disclosure provisions of IFRS 8 apply to reporting periods starting on or after 1 January 2009, but earlier application is recommended. Application of IFRS 8 is not expected to lead to any changes in valuation in future in the LEIFHEIT group, and so is not expected to affect assets, income and the financial situation. In addition, no changes are expected to segment reporting, as this is already aligned with internal reporting.

In March 2007 the IASB issued the revised standard IAS 23 "Borrowing Costs". Under this, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised. The current option of recognising borrowing costs immediately in profit or loss is being abolished. The revised standard must be applied to financial years beginning on or after 1 January 2009. The change will not have any effect on the consolidated financial statements.

IFRIC Interpretation 11 was published in November 2006 and is applicable to financial years beginning on or after 1 March 2007. Under this interpretation, arrangements under which employees are granted rights to equity instruments of a company must be accounted for as share-based payment arrangements involving the company's equity instruments if the company buys the instruments from another party or the shareholders provide the equity instruments needed. As the companies included in the consolidated financial statements do not grant any share-based payments within the scope of this interpretation, this interpretation has no effect on the consolidated financial statements.

IFRIC Interpretation 12 was published in November 2006 and is applicable to financial years beginning on or after 1 January 2008. The interpretation covers accounting for obligations under service concession arrangements and acquired rights in the operator's financial statements. The companies included in the consolidation are not operators within the meaning of IFRIC 12. This interpretation will accordingly not have any effect on the group.

IFRIC Interpretation 13 was published in June 2007 and is applicable to financial years beginning on or after 1 July 2008. Bonuses granted to customers must be accounted for as turnover separately from the transaction in connection with which they were granted. Part of the fair value of the consideration received is accordingly attributed to the customer bonus granted and deferred in equity. Turnover is realised in the periods in which the customer bonuses granted are exercised or lapse. As the group currently does not have any customer bonus programme, this interpretation is not expected to have any effect on the consolidated financial statements.

In July 2007 the IFRIC published IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The interpretation indicates how the limit is to be set under IAS 19 "Employee Benefits" for a surplus to be recognised as an asset. It further explains the effects on measurement of assets and provisions under direct benefits plans result in payment of minimum amounts based on a statutory or contractual obligation. This ensures that companies account consistently for surplus plan assets as assets. IFRIC 14 must be applied to financial years beginning on or after 1 January 2008, but can be applied earlier. As none of the group's direct benefit pension plans are showing surplus plan assets, this interpretation is not expected to have any effects on the group's assets, financial situation and earnings.

In September 2007 the IASB published a revised version of IAS 1 "Presentation of Financial Statements", which is intended to facilitate analysis and comparison of financial statements by users of financial statements. Under the revised IAS 1 the presentation of group equity only shows changes in equity resulting from transactions with owners in their capacity as owners. All other changes in equity recognised in profit or loss or otherwise are presented in a new element in the financial statements. This can either be presented in a single statement of comprehensive income or a separate income statement. The revised standard must be applied to financial years beginning on or after 1 January 2009, but can be applied earlier. The new standard will affect the presentation of the group's financial information, but not the recognition and measurement of assets and liabilities in the consolidated financial statements.

Notes on the consolidated income statement

1 Turnover

Turnover by region, € 000	2007	2006
Domestic	113,775	114,822
Europe (exc. Germany)	147,680	142,014
Rest of the world	14,667	19,715
	276,122	**276,551**

In the segment reporting, consolidated turnover is broken down between the Household Products and Bathroom Furnishings divisions.

2 Cost of materials

€ 000	2007	2006
Cost of raw materials, consumables and goods for resale	122,989	128,831
Cost of purchased services	9,791	8,808
	132,780	**137,639**

3 Depreciation and amortisation

€ 000	2007	2006
Tangible assets		
Cost of sales	3,475	3,918
Research and development costs	174	132
Distribution costs	2,416	2,388
Administrative costs	547	850
	6,612	**7,288**
Intangible assets		
Cost of sales	143	135
Research and development costs	68	65
Distribution costs	724	736
Administrative costs	223	224
	1,158	**1,160**
Total depreciation and amortisation	**7,770**	**8,448**

4 Personnel costs, employment

€ 000	2007	2006
Wages and salaries	45,635	42,676
Social security contributions and employee benefits	10,176	10,375
Expense on post-employment benefits	963	1,925
	56,774	**54,976**

Wages and salaries in the year under review include nonrecurring expense such as severance payments and collective bargaining increases. The previous year's figure was adjusted for reclassification.

Employees (annual average)	2007	2006
Industrial workers	794	875
Salaried employees	561	561
Trainees	49	55
	1,404	**1,491**

The decrease in average employment in the group is around 6 % and primarily applies to LEIFHEIT s.r.o in Blatná.

5 Research and development costs

€ 000	2007	2006
Labour costs	3,986	3,348
Cost of materials	250	282
Depreciation and amortisation	242	197
Other research and development costs	2,457	2,432
	6,935	**6,259**

To enhance innovative capability and accelerate development projects, more staff were hired, particularly in the Household Products division.

6 Distribution costs

€ 000	2007	2006
Labour costs	26,779	25,879
Outgoing freight	16,841	16,308
Advertising costs	14,275	13,983
Commissions	8,016	8,109
Fees and bought-in services	3,449	3,120
Depreciation and amortisation	3,140	3,124
Costs of cars, travel and entertainment	2,866	2,859
Rent	2,462	2,732
Office and other overheads	1,710	1,445
Maintenance	1,135	1,062
Allowances on receivables	881	153
Post and telephone costs	565	591
Insurance	507	527
General operating and administrative costs	441	427
Royalties	395	428
Payments to customers	384	274
Other distribution costs	2,081	2,073
	85,927	**83,094**

7 Administrative costs

€ 000	2007	2006
Labour costs	9,765	10,119
Fees and bought-in services	2,575	2,614
Depreciation and amortisation	770	1,074
Maintenance	484	515
Costs of cars, travel and entertainment	461	509
Post and telephone costs	430	416
Rent	331	476
Office and other overheads	304	338
General operating and administrative costs	186	180
Insurance	132	223
Other administrative costs	1,731	1,594
	17,169	**18,058**

8 Other operating income

€ 000	2007	2006
Income from disposal of assets	1,354	1,066
Royalties	248	205
Commission income	88	144
Rent income	8	212
Other operating income (less than € 100,000)	880	1,025
	2,578	**2,652**

Income from the disposal of assets in the year under review included profit from the sale of a piece of real estate, while in the previous year they included the sale of the SOEHNLE industrial scales business.

9 Other operating expenses

€ 000	2007	2006
Expense for relocation of shipment	2,205	–
Losses on disposal of assets	1,131	144
Costs of payments transactions	248	187
Other operating expense (less than € 100,000)	409	489
	3,993	**820**

Losses from the disposal of assets related primarily to the disposal of technical plant and tools no longer needed.

10 Net other financial income

€ 000	2007	2006
Foreign currency losses/gains	**-1,258**	**-505**

The increase in net other financial income is due to unrealised exchange rate gains and losses from the measurement of foreign currency futures transactions, valuation of receivables and liabilities in foreign currencies and realised exchange rate gains and losses arising out of exchange rate changes between the recording and settlement of receivables and liabilities in foreign currencies.

11 Net interest income or expense

Interest income € 000	2007	2006
Interest income from interest on receivables	254	–
Interest income on financial instruments	114	128
	368	**128**

Interest expense € 000	2007	2006
Interest expense on interest on pension obligations	-2,073	-1,913
Interest expense on financial instruments	-165	-310
	-2,238	**-2,223**

Net interest income from financial instruments relates to interest income on deposits with credit institutions, and interest expense on financial instruments from interest expense on current account loans.

12 Income taxes

€ 000	2007	2006
Corporation tax (Germany)	-107	6,406
Foreign income tax	-2,106	-2,421
Deferred tax on income	-1,467	-2,289
	-3,680	**1,696**

As a result of the amendment to section 37 of the Corporation Tax Act in the "Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften" SEStEG (Act on Tax Measures accompanying the Introduction of the European Company and amending other Tax Regulations) LEIFHEIT AG's corporation tax credit of € 8.1 million will be paid out (€ 807,000 p.a.) unrelated to dividend payments until 2017, starting in 2008. This receivable was recognised at present value at 31 December 2006 (€ 6.4 million) and results in nonrecurring tax income.

The tax rate for LEIFHEIT AG for corporation tax and municipal trade tax in Germany was unchanged from the previous year at 37.3 %.

Derivation of the theoretical income tax liability that would result from applying the prevailing tax rate in the parent company's domicile is shown below:

€ 000	2007	2006
EBT	484	2,820
Taxes assuming the tax rate applying to the parent company	**-180**	**-1,052**
Reversal of impairment of deferred tax assets from tax allowable losses	1,277	608
Taxes in earlier years	8	-103
Tax reduction due to corporation tax credit	–	6,353
Different foreign tax rates	-160	501
Adjustment of rate for deferred tax assets from earlier years	-535	-3,441
Losses by group companies with no tax effect	-540	-975
Revaluation of deferred taxes due to changes in tax rate	-1,606	–
Reduction in tax allowable losses due to a write-up affecting taxes	-1,685	–
Other	-259	-195
Tax load	**-3,680**	**1,696**

€ 000	2007	2006
Actual income tax for other periods	8	-21
Reduction in actual tax due to tax credits	–	6,353
Deferred taxes due to differences in timing and tax allowable losses	-920	124
Actual tax expense	-2,221	-2,347
Other valuations for deferred tax	-547	-2,413
Tax load	**-3,680**	**1,696**

The transitional item "Revaluation of deferred taxes due to changes in tax rates" is due to the 2008 corporate tax reform and the reduction in corporation tax rate from 25 % to 15 % and the municipal trade tax assessment rate from 5.0 % to 3.5 % in Germany. The combined tax rate applicable to German companies from 2008 is 28 %. As the 2008 corporate tax reform had already been adopted at the balance sheet date of 31 December 2007, this combined tax rate was used to measure deferred tax for these companies at the balance sheet date 31 December 2007.

Deferred taxes are recognised for all material temporary differences between the tax base and carrying amount. The deferred taxes have the following breakdown:

€ 000	31.12.2007		31.12.2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Fixed assets	100	3,297	105	3,540
Inventories	323	489	465	434
Balance sheet date exchange rate, receivables	354	785	91	753
Pensions	2,658	–	3,769	–
Provisions for part-time working by older employees	181	–	276	–
Other provisions	339	120	263	174
Balance sheet date exchange rate, liabilities	144	9	253	65
Other timing differences	106	–	–	–
Tax loss carryforwards	2,708	–	3,096	–
Gross value	**6,913**	**4,700**	**8,318**	**4,966**
Offset	-2,279	-2,279	-3,026	-3,026
Consolidation	1,170	84	990	-447
Balance sheet amounts	**5,804**	**2,505**	**6,282**	**1,493**

Deferred tax assets are only recognised if their realisation is expected within a five-year period. Deferred tax assets amounting to € 7,553,000 from tax-allowable losses were not recognised or impaired (previous year: € 11,109,000) because it is assumed that it is extremely unlikely that LEIFHEIT will be able to make use of these over the next five years.

13 Minority interests

Minority interests in the previous year related to minority interests in BIRAMBEAU S.A.S. and LEIFHEIT-BIRAMBEAU S.A.S. until 30 June 2006.

As LEIFHEIT Distribution S.R.L. in Romania had not begun operations in 2007, no minority interests arose.

14 Earnings per share

Earnings per share are calculated by dividing the share in net profit or loss of the shareholders of LEIFHEIT AG by the weighted average number of shares in circulation during the financial year. No financial or compensation instruments were used which lead to a dilution of the earnings per share.

		2007	2006
Shares issued	000 shares	5,000	5,000
Weighted average number of treasury shares	000 shares	240	241
Weighted average number of shares	**000 shares**	**4,760**	**4,759**

		2007	2006
Net loss/profit for the period	€ 000	-3,196	4,516
Weighted average number of shares	000 shares	4,760	4,759
Earnings per share (undiluted and diluted)	**€**	**-0.67**	**0.95**

Notes on the consolidated balance sheet

15 Cash and cash equivalents

€ 000	31.12.2007	31.12.2006
Balances with banks, cash on hand	5,438	4,069
Payables to banks due at any time	4,700	1,745
	10,138	**5,814**

The carrying value represents fair value.

16 Trade receivables

€ 000	31.12.2007	31.12.2006
Trade accounts receivable	56,750	57,511
Notes receivable from trade	6,551	6,291
	63,301	**63,802**

As at 31 December 2007 trade receivables with a nominal value of € 3,576,000 (previous year: € 2,434,000) were impaired. The changes in impairment are shown below:

€ 000	
Balance at 1.1.2006	**2,679**
Write-ups affecting expense	1,834
Use	1,937
Release	142
Balance at 31.12.2006	**2,434**
Write-ups affecting expense	2,861
Use	1,628
Release	91
Balance at 31.12.2007	**3,576**

Changes in the allowance account for trade receivables as at 31 December 2007:

	Total in € 000	Neither overdue nor impaired	Overdue but not impaired				
			1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	over 120 days
31.12.2007	56,750	47,393	7,139	1,009	591	177	441
31.12.2006	57,511	45,019	7,607	3,156	744	509	476

17 Inventories

€ 000	31.12.2007	31.12.2006
Raw materials, consumables and supplies	8,177	7,801
Unfinished products and services	2,188	1,949
Finished products and goods purchased and held for resale	42,281	42,659
Payments on account	1,076	903
	53,722	**53,312**

€ 000	31.12.2007	31.12.2006
Raw materials, consumables and supplies measured at fair value	635	794
Raw materials, consumables and supplies not written down	7,542	7,007
Total, raw materials, consumables and supplies	**8,177**	**7,801**
Work in progress measured at fair value	155	215
Work in progress not written down	2,033	1,734
Total work in progress	**2,188**	**1,949**
Finished products measured at fair value	8,270	8,225
Finished products not written down	34,011	34,434
Total finished products and merchandise	**42,281**	42,659

18 Other current assets

€ 000	31.12.2007	31.12.2006
Receivables from the disposal of fixed assets	3,320	–
VAT receivables	2,065	1,781
Current prepayments and accrued income	890	1,075
Balances in our favour with creditors	298	417
Receivables from royalties	130	130
Ancillary purchasing costs of projects	127	–
Receivables from supplier discounts passed on	115	248
Receivables from costs passed on	97	71
Receivables for other taxes	65	19
Receivables from employees	34	126
Available-for-sale securities	–	10
Other current assets (less than € 100,000)	268	242
	7,409	**4,119**

Impairment test of goodwill and intangible assets with unlimited useful life and other intangible assets

Goodwill and brand names acquired in a business combination were attributed to the following two cash-generating units for the purposes of impairment tests:

- "Management Division BIRAMBEAU" and
- "Brand SOEHNLE"

The cash-generating units are based on internal management reporting.

The recoverable amount for each cash-generating unit is determined on the basis of calculating a value in use based on cash flow forecasts for a five year horizon. Internal assumptions are made for future trends in turnover and costs and compared with external information. For BIRAMBEAU a constant pattern of turnover and costs was assumed. The SOEHNLE brand was valued using the license analogy method. The assumptions used are in line with normal agreements in the industry. If material assumptions differ from the actual values, this could lead to impairment in future which would have to be recognised in the income statement. As at 31 December 2007 the values in use calculated in this way exceeded the associated carrying amounts. At BIRAMBEAU no reasonably possible change in the assumptions would prevent the recoverable amount from exceeding the carrying amount. For the SOEHNLE brand, this would require a reduction of 23 % in brand turnover. The pre-tax discount rate used for the cash flow forecasts is based on the average capital costs of 8.5 %, assuming a risk-free interest rate of 4.5 %, a market risk premium of 5 % and a beta factor of 0.8. There was no effect due to borrowing costs due to the absence of interest-bearing debt. No growth was assumed after the end of the planning horizon.

Carrying amount at the balance sheet date

€ 000	Goodwill		Brand rights	
	2007	2006	2007	2006
Management Division BIRAMBEAU	3,299	3,299	–	–
Brand SOEHNLE	–	–	4,803	4,803

The impairment test at the balance sheet date for BIRAMBEAU, the SOEHNLE brand and other tangible and intangible assets of the group showed no need for any write down.

2007		Cost of purchase or production					
	€ 000	1.1.2007	Foreign currency differences	Additions	Disposals	Reclassi-fications	31.12.2007
19	**Financial assets**						
	Participations	1,249	–	–	–	–	1,249
	Other financial assets	441	–	33	43	–	431
		1,690	**–**	**33**	**43**	**–**	**1,680**
20	**Tangible assets**						
	Land and buildings	69,128	21	1,521	8,087	271	62,854
	Plant and machinery	52,591	142	94	7,445	697	46,079
	Other fixtures and fittings, tools and equipment	60,030	-180	3,356	10,231	652	53,627
	Payments on account and assets under construction	476	2	2,401	–	-1,653	1,226
		182,225	**-15**	**7,372**	**25,763**	**-33**	**163,786**
21	**Intangible assets**						
	Brands	7,210	–	–	–	–	7,210
	Goodwill	3,299	–	–	–	–	3,299
	Other intangible assets	15,231	-42	374	1,226	33	14,370
		25,740	**-42**	**374**	**1,226**	**33**	**24,879**

2006		Cost of purchase or production					
	€ 000	1.1.2006	Foreign currency differences	Additions	Disposals	Reclassi-fications	31.12.2006
19	**Financial assets**						
	Participations	1,249	–	–	–	–	1,249
	Other financial assets	441	–	–	–	–	441
		1,690	**–**	**–**	**–**	**–**	**1,690**
20	**Tangible assets**						
	Land and buildings	67,636	240	636	41	657	69,128
	Plant and machinery	62,257	207	408	3,938	-6,343	52,591
	Other fixtures and fittings, tools and equipment	57,344	-53	2,319	6,804	7,224	60,030
	Payments on account and assets under construction	1,351	7	905	119	-1,668	476
		188,588	**401**	**4,268**	**10,902**	**-130**	**182,225**
21	**Intangible assets**						
	Brands	7,210	–	–	–	–	7,210
	Goodwill	3,299	–	–	–	–	3,299
	Other intangible assets	15,032	-11	617	537	130	15,231
		25,541	**-11**	**617**	**537**	**130**	**25,740**

Additions in the year under review to land and buildings relate primarily to the renovation of one piece of real estate and the sale of another.

Additions in the year under review to other plant, equipment and property relate primarily to current investment in tools and products and furniture, fixtures and office equipment.

Cumulated depreciation and amortisation						Net book value	
1.1.2007	Foreign currency differences	Increases	Disposals	Reclassi-fications	31.12.2007	31.12.2007	31.12.2006
1,074	–	–	–	–	1,074	175	175
32	–	–	32	–	–	431	409
1,106	**–**	**–**	**32**	**–**	**1,074**	**606**	**584**
34,814	-83	1,877	5,190	131	31,549	31,305	34,314
46,012	46	1,324	6,550	-138	40,694	5,385	6,579
51,481	-151	3,409	9,639	7	45,107	8,520	8,549
28	1	3	–	–	32	1,194	448
132,335	**-187**	**6,613**	**21,379**	**–**	**117,382**	**46,404**	**49,890**
2,407	–	–	–	–	2,407	4,803	4,803
–	–	–	–	–	–	3,299	3,299
10,738	-37	1,157	1,223	–	10,635	3,735	4,493
13,145	**-37**	**1,157**	**1,223**	**–**	**13,042**	**11,837**	**12,595**

Cumulated depreciation and amortisation						Net book value	
1.1.2006	Foreign currency differences	Increases	Disposals	Reclassi-fications	31.12.2006	31.12.2006	31.12.2005
1,074	–	–	–	–	1,074	175	175
32	–	–	–	–	32	409	409
1,106	**–**	**–**	**–**	**–**	**1,106**	**584**	**584**
32,958	3	1,881	28	–	34,814	34,314	34,678
53,975	39	1,902	3,543	-6,361	46,012	6,579	8,282
47,921	-26	3,489	6,302	6,399	51,481	8,549	9,423
130	–	16	118	–	28	448	1,221
134,984	**16**	**7,288**	**9,991**	**38**	**132,335**	**49,890**	**53,604**
2,407	–	–	–	–	2,407	4,803	4,803
–	–	–	–	–	–	3,299	3,299
10,114	-5	1,160	493	-38	10,738	4,493	4,918
12,521	**-5**	**1,160**	**493**	**-38**	**13,145**	**12,595**	**13,020**

Additions in the year under review to and disposals of intangible assets are primarily due to software.

Additions to intangible assets in the previous year were primarily due to software.

22 Other noncurrent assets

Other noncurrent assets include the noncurrent part of a LEIFHEIT AG corporation tax credit.

As a result of the amendment to section 37 of the Corporation Tax Act in the “Gesetz über steuerliche Begleitmassnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften” SEStEG (Act on Tax Measures accompanying the Introduction of the European Company and amending other Tax Regulations), the corporation tax credit was capitalised in 2006. This credit relates to retained earnings which were subject to taxes on retained earnings for the years before 2001 under the old corporation tax system, and which have been subject since 2001 to corporation tax at the prevailing rate of 25 % or the alternative dividend tax for old retained earnings at the old rate of 30 %. This credit will be paid out by the tax authorities between 2008 – 2017 in event instalments and regardless of the dividend (€ 807,000 a year). The present value of the credit at 31 December 2007 was € 6,607,000 (of which € 807,000 current and € 5,800,000 noncurrent).

23 Trade accounts payable and other liabilities

Remaining term up to 1 year, € 000	31.12.2007	31.12.2006
Trade payables	17,505	17,847
Employees	10,164	6,562
Customer discounts	8,460	7,067
Advertising cost subsidies	6,017	3,569
Outstanding invoices	2,465	1,815
Other taxes (but not income taxes)	1,683	1,744
Amounts owed to debtors	1,159	1,872
Social security contributions	1,096	839
Customer payment discounts	1,048	1,030
Commission due	428	474
External annual financial statement costs	368	387
Commitments to purchase	359	247
Severance payments to sales representatives	171	128
Other payables (less than € 100,000)	2,929	3,409
	53,852	**46,990**

Payables to employees relate specifically to December wages paid in January and bonuses and severance payments.

24 Provisions

€ 000	31.12.2007			31.12.2006		
	Total	of which current	of which noncurrent	Total	of which current	of which noncurrent
Warranties	3,553	2,784	769	3,657	2,920	737
Long-service recognition	803	–	803	798	–	798
Part-time work by older employees	1,764	–	1,764	1,985	–	1,985
Threatening losses	238	157	81	417	220	197
Litigation and legal costs	40	40	–	9	9	–
Other provisions	1,475	1,212	263	855	563	292
	7,873	**4,193**	**3,680**	**7,721**	**3,712**	**4,009**

Other provisions relate primarily to provisions for relocation of shipping at LEIFHEIT AG.

€ 000	1.1. 2007	Foreign currency differences	Use	Release	Additions	31.12. 2007
Current provisions						
Warranties	2,920	-3	2,917	–	2,784	2,784
Threatening losses	220	–	150	70	157	157
Litigation and legal costs	9	–	9	–	40	40
Other current provisions	563	-1	498	64	1,212	1,212
	3,712	**-4**	**3,574**	**134**	**4,193**	**4,193**
Noncurrent provisions						
Warranties	737	–	–	–	32	769
Long-service recognition	798	–	77	3	85	803
Part-time work by older employees	1,985	–	529	–	308	1,764
Threatening losses	197	–	118	–	2	81
Other noncurrent provisions	292	–	1	28	–	263
	4,009	**–**	**725**	**31**	**427**	**3,680**

Use of noncurrent provisions relates to the reclassification in current provisions.

25 Employee benefit obligations

There are various defined benefit pension plans in the LEIFHEIT group. Provisions have been recognised for retirement and survivor benefits to be paid.

In line with normal practice in Germany, the pension plans at LEIFHEIT AG and KLEINE WOLKE Textilgesellschaft mbH & Co. KG are not secured by pension funds or financed from plan assets, with the exception of the deferred compensation plans. The pension plans at the Swiss SPIRELLA S.A. are entirely financed by plan assets.

The obligations under defined benefit pension plans are measured using the projected unit credit method. Gains and losses not yet recognised from changes in actuarial assumptions are recognised as income (expense) over the entire expected remaining service of active employees.

The following table shows the changes in pension obligations in the relevant reporting periods:

€ 000	31.12.2007	31.12.2006
Present value of defined benefit obligations (DBO) not funded by plan assets	55,421	47,395
Plan assets at fair value	-12,164	-815
Actuarial losses not yet recognised	-1,451	-6,635
Recognised net debt from pension obligations in Germany and Switzerland	**41,806**	**39,945**
Pension obligations, France	522	740
Employee benefit obligations	**42,328**	**40,685**

Expense on post-employment benefits in Germany and Switzerland shows the following breakdown:

€ 000	31.12.2007	31.12.2006
Current service expense	1,402	814
Interest expense on the obligation	2,461	1,913
Recognised actuarial net loss	228	371
Expected income from plan assets	-388	–
Employee contributions	-420	–
Past service costs	-674	–
Total expense on post-employment benefits	**2,609**	**3,098**

There were the following changes in the net pension liability in Germany and Switzerland recognised in the balance sheet:

€ 000	2007	2006
Net debt at start of year	39,945	39,169
Changes in accounting for pension plans in Switzerland	1,595	–
Disposal of a business	–	-531
Net expense recognised in the income statement	2,609	3,098
Contributions	-641	-134
Payments to beneficiaries	-1,702	-1,657
Net debt at end of year	**41,806**	**39,945**

The present value of defined benefit obligations (DBO) not funded by plan assets changed as follows:

€ 000	2007	2006
DBO at start of year	47,395	48,182
Changes in accounting for pension plans in Switzerland	11,764	–
Current service expense	1,402	814
Interest expense	2,461	1,913
Benefit payments	-2,879	-1,687
Actuarial losses	-4,976	-1,669
Disposal of a business	–	-691
Adjustment for past costs	-674	–
Other contributions	928	–
Other	–	533
DBO at end of year	**55,421**	**47,395**

The fair value of plan assets changed as follows:

€ 000	2007	2006
Present value of plan assets at start of year	815	815
Changes in accounting for pension plans in Switzerland	10,169	–
Expected income on plan assets	388	–
Gains or losses from plan assets	-1	–
Transfers to plan assets	58	–
Employee contributions	420	–
Employer contributions	583	–
Other contributions	927	–
Benefits paid	-1,176	–
Actuarial losses	-19	–
Present value of plan assets at end of year	**12,164**	**815**

Over the past five years the present value of defined benefit obligations (DBO) and the fair value of income from the plan have changed as follows:

€ 000	2007	2006	2005	2004	2003
DBO at balance sheet date	55,421	47,395	48,182	41,168	37,681
Plan assets at balance sheet date	12,164	815	815	–	–
Deficit in the plan	43,257	46,580	47,367	41,168	37,681
Experience-based adjustment to plan liabilities	482	-406	5,182	2,129	-1,894
Experience-based adjustment to plan assets	-14	–	–	–	–

The actuarial assumptions used as the basis for measuring obligations under post-employment benefit plans at 31 December were as follows:

% German companies	2007	2006
Discount rate	5.4	4.4
Future trend in incomes	2.5	2.0
Future trend in pensions	1.5	1.5
Rate of staff turnover	3.0	3.0
Basis for calculation: “Richttafeln Prof. K. Heubeck” actuarial tables	2005 G	2005 G
Arithmetical final age	RVAGAnpG 2007	RRG 99

% Swiss companies	2007	2006
Discount rate	3.5	–
Future trend in incomes	2.0	–
Future trend in pensions	0.0	–
Rate of staff turnover	as per BVG 2000	–

26 Other long-term debt

Other long-term debt include liabilities from payments received for purchase and delivery commitments. Of this, € 349,000 can probably be recognised to profit or loss within the next one to five years, and the remaining € 139,000 within five to ten years.

27 Share capital

The capital stock of LEIFHEIT AG totals € 15,000,000 (previous year: € 15,000,000) denominated in Euro and divided into 5,000,000 no-par bearer shares.

The shares are evidenced as follows:

220,000	single share certificates for	1	share
63,000	collective share certificates for	10	shares
83,000	collective share certificates for	50	shares

By resolution of the General Meeting on 24 May 2006 the Board of Management was authorised until 1 May 2011 to increase the capital stock by a total of up to € 7,500,000 through one or more issues of new bearer shares for cash and/or assets brought in.

28 Capital surplus

The capital surplus of € 16,934,000 (previous year: € 16,934,000) represents the premium on the capital increase in autumn 1989.

Under art. 4 para. 3 of the articles of incorporation of LEIFHEIT AG the Board of Management is authorised with the approval of the Supervisory Board to increase the capital stock by a total of up to € 7,500,000 until 1 May 2011 by issuing new bearer shares.

29 Minority interests

The outstanding minority interests comprise 49 % of the equity of LEIFHEIT Distribution S.R.L., Romania.

30 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 propose carrying these earnings forward.

31 Financial instruments, goals and methods of financial risk management

The material financial liabilities in the group – with the exception of derivatives – comprise credits on current account and trade payables. Except for derivatives at fair value through profit or loss, all other financial instruments are categorised as other liabilities at amortised cost. The group has various financial assets, primarily trade receivables, other receivables, and cash and cash equivalents and deposits repayable at short notice. All financial assets are classified as loans and advances at amortised cost.

Due to the short maturities, the fair value of trade payables and receivables corresponds to their carrying amounts.

The material risks to the group arising out of the financial instruments are credit, liquidity and foreign currency risks. Management determines strategies and methods for managing the individual types of risk, which are described below.

Foreign currency risk

The group is exposed to foreign currency risks from purchases and sales in a currency other than the functional currency of the relevant group operating unit.

Around 15 % of consolidated turnover are in currencies other than the functional currency of the operating unit generating the turnover, while 73 % of costs are incurred in the functional currency of the operating unit.

The following table shows the sensitivity of consolidated net income and equity before tax (due to the change in fair value of monetary assets and liabilities) to reasonably possible changes in the exchange rate of the USD, the CZK and of the Swiss franc. All other variables are kept constant.

	Currency performance as at 31.12.2007	Effects on EBT in € 000	Effects on equity in € 000
US dollar	+/- 5 %	+/- 578	+/- 578
Swiss franc	+/- 5 %	–	+/- 318
Czech krone	+/- 5 %	+/- 5	+/- 472

Cash flow hedges
The group also has derivatives. These include primarily foreign exchange futures contracts. The goal of these derivatives is to hedge against currency risk arising out of the group's operations.

In line with internal guidelines, there was no dealing in derivatives in 2007 and 2006, nor will there be in future.

As at 31 December 2007 there were foreign exchange futures contracts totalling USD 21.9 million.

Liquidity risk
The group constantly monitors the risk of any short-term liquidity bottlenecks using a liquidity planning instrument. This takes into account the maturities of the financial assets (e.g. receivables, other financial assets) and the maturities of the financial liabilities and expected cash flows from operations.

The group's goal is to strike a balance between continuous cover for the finance needed and ensuring flexibility by using deposits and current account credits.

Interest rate risk
The interest rate risk to the LEIFHEIT group is essentially restricted to changes in the interest rates used to discount pension obligations and similar liabilities.

The group uses exclusively short-term current account lines. There are no long-term interest-bearing bank loans or similar financial interest-bearing liabilities.

Default risk/credit risk
The group does business exclusively with creditworthy parties. Credit enquiries are made for all major customers wanting to do business with LEIFHEIT. Balances of receivables are continuously monitored. Credit insurance has been taken out for selected customers. Financial assets and liabilities are exposed to the typical risk for the industry. There is no significant concentration of risks.

For other financial assets, such as cash and cash equivalents, the maximum credit risk from counterparty default is the carrying amount of the instruments.

32 Segment reporting
The breakdown by division corresponds to the internal reporting structure and covers the two divisions Household Products and Bathroom Furnishings The Household Products division develops, produces and markets non-electrical household appliances under the LEIFHEIT, DR. OETKER BACKGERÄTE and BIRAMBEAU brands and scales under the SOEHNLE brand. The Bathroom Furnishings division brings together the activities under the SPIRELLA, KLEINE WOLKE and MEUSCH brands (bathroom mats, textiles and accessories).

Segment data is calculated as follows:

- The geographical regions relevant for LEIFHEIT are Germany, Europe (excluding Germany) and the rest of the world.
- The nonallocatable area includes the EBIT of group functions. The previous year was adjusted accordingly. Assets and liabilities of this area include tax assets and liabilities and deferred tax assets and liabilities of the Household Products and Bathroom Furnishings segments.
  The segment assets are the basis for calculating total assets of participating interests and income tax receivables. Receivables and interest-bearing loans within the segments are eliminated.
- Debt includes provisions, liabilities and deferred and accrued items; intra-segment liabilities and income tax payables are netted out.
- Depreciation, amortisation and investments relate to intangible and tangible assets. Acquisitions are not included.
- Employment figures are annual averages.

33 Contingent liabilities

Group companies did not enter into any contingent liabilities.

34 Other financial obligations

There are leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with annual expense of around € 2.6 million. These obligations total c. € 4.2 million during the non-cancellable remaining terms until 2012. As at 31 December 2007 there were purchase commitments totalling € 0.8 million. The leasing agreements represent operating leases within the meaning of IAS 17.

There are obligations under agreements for the purchase of tangible assets totalling € 0.9 million (previous year: € 0.5 million) for tools and vehicles.

In addition there are payment obligations from foreign exchange futures contracts for foreign exchange hedging totalling € 15.8 million, compared with contractual payment receivables of USD 21.9 million (nominal value, corresponds to € 14.9 million on the balance sheet date).

35 Remuneration of the Board of Management and Supervisory Boards in accordance with section 314 para. 1 no. 6a HGB and IFRS 2

Remuneration of the Board of Management for activities in subsidiaries amounted to € 248,000 (previous year: € 178,000).

Remuneration of the Board of Management totalled € 875,000 (previous year: € 1,493,000), of which variable compensation represented € 73,000 (previous year: € 110,000). Transfers to pension reserves (DBO under IFRS) for members of the Board of Management amounted to € 49,000 (previous year: € 155,000). Remuneration of the Supervisory Board totalled € 140,000 (previous year: € 183,000).

The company granted one of the members of its Board of Management a share based payment component from September 2007. This is an instrument which provides for payment in cash rather than shares. Bonus payments are conditional on the LEIFHEIT AG share price reaching at least € 25.00.

If all conditions are met and the option is exercised by the beneficiary, a payment of € 500.00 will be made for each of the 1,000 bonus units granted. The amount per bonus unit increases by € 100.00 for each full Euro by which the stock exchange price exceeds the reference price by more than € 25.00. Half the bonus units can be exercised after a waiting period of two years, the second half after a three-year-waiting period, until a final date of 17 November 2010. The value of the bonus programme is limited to € 2,500,000.

Provision is made for the obligation under this agreement prorated over the relevant qualifying period. The value of the bonus programme is calculated annually using a Black-Scholes option price model. The expense on share based compensation and the provision recognised in the 2007 financial year as at 31 December 2007 is € 12,000. The provision as at 31 December 2006 for the share-based compensation component of a former member of the Board of Management was reversed in the year under review.

36 Total remuneration and pension reserves for former members of the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6b HGB

In the year under review total remuneration for former members of the Board of Management was € 433,000 (previous year: € 385,000). Pension reserves for current pensions (DBO under IFRS) totalled € 5,827,000 in the 2007 financial year (previous year: € 6,218,000).

37 Advances and loans to the Board of Management and Supervisory Boards in accordance with section 314 para. 1 no. 6c HGB

At the balance sheet date there were no advances or loans to members of the Board of Management or Supervisory Boards.

38 Related party transactions

In the year under review there were no related party transactions.

39 Statement on treasury shares in accordance with section 160 para. 1 no. 2 AktG

The General Meeting on 22 May 2007 cancelled the existing authorisation and newly authorised the Board of Management to acquire treasury shares up to 10 % of the current capital stock of € 15 million. The treasury shares acquired can be used for all legally permissible purposes. This enables the company to offer treasury shares directly or indirectly as consideration in company mergers or in connection with the acquisition of enterprises, parts of enterprises or equity investments in enterprises. International competition and globalisation of the economy frequently requires consideration in the form of shares in such transactions. The authorisation gives the company the necessary freedom of action to take advantage quickly and flexibly of opportunities to acquire enterprises, parts of enterprises or equity investments in enterprises in both national and international markets.

LEIFHEIT did not acquire any treasury shares in the period under review. 170 shares (€ 5,000) were issued as long-service bonuses. Including the treasury shares bought in previous years, this gives LEIFHEIT a holding as at 31 December 2007 of € 7,618,000 representing 240,214 shares or 4.8 % of the share capital.

LEIFHEIT did not acquire any treasury shares in the previous year. A total of 180 shares (€ 6,000) were issued in the previous year as long-service and employee shares.

40 Existence of a participating interest in accordance with section 160 para. 1 no. 8 AktG

At the balance sheet date, shareholders to be disclosed under the Securities Trading Act (WpHG) – i. e. having an interest of more than 5 % in the capital stock – were HOME Beteiligungen GmbH, Munich (47.02 %) and MKV Verwaltungs GmbH, Munich (9.40 %) and Mr Joachim Loh, Haiger (6.62 %).

LEIFHEIT AG made the following voluntary announcement on 10 October 2007 under section 41 para. 3 WpHG: “Mr Joachim Loh, Haiger, notified us on 2 October 2007 under section 41 para. 2 WpHG that as at 1 April 2002 he directly held more than 5 % of the voting rights in our company, namely 331,051 shares corresponding to a share of 6.62 % in the voting rights.”

41 Declaration in accordance with section 161 AktG (German Corporate Governance Code)

On 18 December 2007 the Board of Management and Supervisory Board issued the declaration required under section 161 AktG that LEIFHEIT is in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Federal Justice Ministry, with the exception of recommendations not currently adopted. The declaration is permanently available on the company's web site.

42 Events after the balance sheet date

There were no events after the balance sheet date of particular importance for assessing the assets, financial situation and earnings of the LEIFHEIT group.

43 Exemption of domestic companies from specific accounting requirements under section 264 para. 3 no. 3 HGB or section 264b no. 3 HGB

As a result of inclusion in the consolidated financial statements the following fully-consolidated associated German companies are exempt from the audit and disclosure obligations for annual financial statements under section 264b HGB or section 264 para. 3 HGB:

- KLEINE WOLKE Textilgesellschaft mbH & Co. KG, Bremen
- BTF Textilwerke GmbH, Bremen
- SPIRELLA GmbH, Nassau

44 Remuneration of the auditors in accordance with section 314 para. 1 no. 9 HGB

The expense on the fees of the group auditors ERNST & YOUNG recognised in 2007 amounted to € 291,000 (previous year: € 292,000), on tax advice to € 161,000 (previous year: € 184,000) and on other services to € 62,000 (previous year: € 91,000).

45 Estimates and exercise of discretion in accounting

Preparation of the consolidated financial statements requires the use of estimates and assumptions by management, affecting the amounts reported and the associated data in the notes. All estimates and assumptions are made to the best of knowledge and belief in order to present a true and fair view of the assets, earnings and financial situation of the group.

Organs of LEIFHEIT AG

Members of the Supervisory Board

Chairman since 24. 1. 2007	■ **Helmut Zahn**	Managing Director of Schuler-Beteiligungen GmbH
Deputy Chairman	■ **Dr. jur. Robert Schuler-Voith**	Chairman of the Supervisory Board of Schuler AG
	■ **Joachim Barnert***	Toolmaker
since 15. 1. 2007	■ **Karsten Schmidt**	Speaker of the Managing Board of Ravensburger AG
	■ **Thomas Standke***	Toolmaker
	■ **Dr. rer. pol. Friedrich M. Thomée**	Managing partner of Thomée Vermögensverwaltung GmbH & Co. KG

* Employee representative

Members of the Board of Management

Chairman since 17. 9. 2007	■ **Denis Schrey**
Chairman since 5. 9. 2007	■ **Dr. rer. nat. Hans-Georg Franke**
	■ **Frank Gutzeit**
	■ **Ernst Kraft**

The following members of the Board of Management and Supervisory Board hold individual controlling functions in subsidiaries together with the following offices in Supervisory Boards and comparable controlling organs in companies.

Dr. Hans-Georg Franke	
Gardena AG, Ulm	Chairman of the Supervisory Board (until 19.3.2007)
Wolfcraft GmbH, Kempenich	Advisory Board Chairman
Dr. Robert Schuler-Voith	
Schuler AG, Göppingen	Chairman of the Supervisory Board
Karsten Schmidt	
Ravensburger Spieleland AG, Ravensburg	Chairman of the Supervisory Board
Kreissparkasse Ravensburg, Ravensburg	Member of the Economic Advisory Board
Helmut Zahn	
Schuler AG, Göppingen	Member of the Supervisory Board
Flossbach & von Storch Vermögensmanagement AG, Köln	Member of the Supervisory Board
Müller Weingarten AG, Weingarten	Member of the Supervisory Board (since 16.5.2007) Chairman of the Supervisory Board (since 16.6.2007)

Individual financial statements of LEIFHEIT AG

The individual financial statements of LEIFHEIT AG, audited by ERNST & YOUNG AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Eschborn/Frankfurt am Main, and given an unqualified auditor's report, were drawn up in accordance with German commercial law and the provisions of the German Stock Corporation Act. They are published on the company's web site (www.leifheit.com) and in the electronic Federal Gazette. They can also be requested from LEIFHEIT AG, Investor Relations, P. O. Box 1165, D-56371 Nassau/Lahn (ir@leifheit.com).

Disclaimer

Future oriented statements

This 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 financial statements in this 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.

We will be happy to send you additional information on the LEIFHEIT group without charge.

LEIFHEIT AG, Investor Relations, P. O. Box 1165, D-56371 Nassau/Lahn (ir@leifheit.com).

Contacts, key dates

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Key dates

- **17 April 2008**
  Financial statements press conference,
  presentation of the Annual Financial Report 2007,
  analysts conference in Frankfurt/Main

- **15 May 2008**
  Quarterly financial report for the period ending 31 March 2008

- **3 June 2008**
  General meeting 10.30 am,
  at LEIFHEIT AG Customer and Administrative Centre,
  Leifheitstrasse, Nassau/Lahn

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

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

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