Annual Financial Report 2008

Condensed Version

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Speed

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LEIFHEIT
Aktiengesellschaft

Group Data 2004 to 2008

			2004	2005 [1]	2006	2007	2008
Turnover	– Household Products	€ m	237	214	206	202	**204**
	– Bathroom Furnishings	€ m	80	71	71	74	**76**
	– Group	€ m	317	285	277	276	**280**
Change		%	-5	-10	-3	–	**1**
Foreign share		%	57	58	58	58	**60**
Key return figures							
Cash flow from operating activities		€ m	13.7	8.5	5.1	14.3	**1.7**
EBIT [2]		€ m	-15.0	5.1	4.9	2.4	**5.2**
EBIT margin [3]		%	-4.2	2.4	1.8	0.9	**1.9**
EBT [2]		€ m	-15.0	3.1	2.8	0.5	**2.6**
Net result for the period [2]		€ m	-7.3	-0.3	4.5	-3.2	**0.4**
Net return on sales [3]		%	-1.9	0.3	1.6	-1.2	**0.1**
Return on equity [2]		%	-6.5	-0.3	4.2	-3.1	**0.4**
Return on total capital [2]		%	-2.7	0.4	2.1	-1.6	**0.2**
Key figures per share							
Net result for the period [2]		€	-1.54	-0.07	0.95	-0.67	**0.09**
Cash flow [4]		€	2.87	1.79	1.08	3.00	**0.35**
Dividend per share		€	–	0.60	0.60	–	**0.60** [5]
Employees							
annual average			2,070	1,862	1,491	1,404	**1,521**
at year-end	– Household Products		1,363	1,225	1,120	1,093	**1,201**
	– Bathroom Furnishings		601	549	313	318	**329**
	– Group		1,964	1,774	1,433	1,411	**1,530**
Personnel expenditure per employee		€ 000	39	35	38	40	**37**
Investment in tangible assets		€ m	7	7	4	7	**5**
Investment ratio		%	3.0	3.0	2.3	4.5	**3.1**
Depreciation on tangible assets		€ m	18	8	7	7	**7**
Total assets, equity and liabilities		€ m	229	227	204	207	**221**
Equity [6]		€ m	112	115	107	99	**101**
Equity-balance sheet total ratio [6]		%	49	51	52	48	**45**

[1] turnover and result presentation for 2005 based on dividend of minority interests and stripped of sold Soehnle Industriewaagen business and after reclassification of pension obligation interest expenditure to the interest result
[2] after dividend to minority interests
[3] before dividend to minority interests
[4] excluding repurchased treasury shares
[5] proposal to General Meeting
[6] including minority interests

Group management report
for the financial year 2008

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Areas of business and organisational structure

ORGANISATIONAL AND LEGAL STRUCTURE

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

The Household Products division includes the brands Leifheit, Dr. Oetker Bakeware, Soehnle, Birambeau and Herby. The Bathroom Furnishings division includes the brands Kleine Wolke, Spirella and Meusch. The divisions are organised decentrally in order to ensure that the decision-making process remains close to market and customers. The divisions are largely responsible for their own commercial activities.

Leifheit AG as the parent company has been a plc under German law since 1984. Its seat and headquarters are at its place of foundation, Nassau/Lahn. Leifheit AG includes the group functions as well as parts of the operating business of the Household Products division. This mainly involves the Nassau and Zuzenhausen locations and a few branches abroad which are not legally independent. Leifheit AG also holds equity investments in the household products segment as well as all the investments in the bathroom furnishings segment shown in the Notes.

BUSINESS COMBINATIONS

The following section presents the information required by section 315 para. 4 of the German Commercial Code (HGB) on business combinations.

SUBSCRIBED CAPITAL, RESTRICTIONS ON VOTING RIGHTS AND SHARES WITH SPECIAL RIGHTS

As at 31 December 2008 the subscribed capital of Leifheit AG amounted to € 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 and there are no differing classes of shares. As at 31 December 2008 Leifheit AG held 240,154 treasury shares. Leifheit AG has no rights arising from its treasury shares. There are no restrictions on voting rights or the transfer of shares that the Board of Management is aware of, although these might arise out of agreements between shareholders. Moreover, the shares do not confer any special rights of control.

EQUITY INVESTMENTS AND CONTROL OF VOTING RIGHTS

Direct or indirect shareholdings exceeding 10% of the voting rights are the 47.34% stake held by Home Beteiligungen GmbH, Munich and the 10.03% stake of MKV Verwaltungs GmbH, Munich. The Board of Management is not aware of any other direct or indirect equity stakes in excess of 10% of the voting rights of the company, nor of control of voting rights in cases where employees hold shares in the company and do not exercise their voting 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 in accordance with section 84 of the German Stock Corporation Act (Aktiengesetz - AktG). Reappointment and extension of the term of office are both permitted. However, an extension of the term of office may not exceed five years. Extending the term of office requires a resolution of the Supervisory Board, which may not be passed more than one year before the end of the regular term. In urgent cases the Local Court can, on application from parties with a legitimate interest (e. g. the other members of the Board of Management), appoint a member of the board if there is a vacancy which needs to be filled (section 85 AktG). This appointment lapses as soon as the Supervisory Board appoints a member to fill the vacancy. A member of the Board of Management can only be removed for grave cause (section 84 para. 3 sentences 1 and 3 AktG). Grave causes include gross dereliction of duty, incapacity to perform one's duties properly and a vote of no confidence by the Annual General Meeting (AGM) (unless the vote of no confidence was for obviously extraneous reasons). Under art. 6 of the Leifheit AG articles of incorporation, the Supervisory Board determines the number of members of the Board of Management and can appoint the Chairman and deputy members. Leifheit AG currently has a Chairman of the Board of Management, but no deputy members.

AUTHORISATION OF THE BOARD OF MANAGEMENT TO ISSUE SHARES

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

"Until 1 May 2011, the Board of Management is authorised, subject to the approval of the Supervisory Board, to increase the company's registered share capital on one or more occasions by up to € 7,500,000 through the issue of new bearer shares against contributions in cash and/or in kind. The existing shareholders will be given a right to subscribe. However, with the consent of the Supervisory Board, the Board of Management is authorised to exclude shareholders' 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 market 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 applies to new shares not exceeding 10% of the registered share capital at the date of registration of the authorisation or, if lower, the registered share capital at the date of issue of the new shares.

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

This rule gives the Board of Management and Supervisory Board greater freedom of action and widens the range of financing options available to Leifheit AG. It enables capital increases to be carried out independently of the timing of the AGM. The provisions correspond with generally accepted practice. To date no new shares have been issued from authorised capital. This therefore remains at € 7,500,000.

AUTHORISATION OF THE BOARD OF MANAGEMENT TO BUY BACK SHARES

The Board of Management was authorised by a resolution of the AGM of 3 June 2008 to buy back shares amounting to up to 10% of the registered share capital by 2 December 2009 for any valid reason subject to the statutory restrictions.

This rule enhances Leifheit AG's freedom of action and widens the range of financing options on top of the authorised capital provisions set out above. The provisions correspond with generally accepted practice.

AMENDMENTS TO THE ARTICLES OF INCORPORATION

The AGM is responsible for amendments to the articles of incorporation (section 179 para. 1 sentence 1 AktG). The AGM has granted the authority to amend the wording of the articles of incorporation to the Supervisory Board under art. 18 para. 3 of the articles. In accordance with Section 179 para. 2 AktG, a resolution of the AGM to amend the articles of association requires a majority of three-quarters of the capital represented at the time the resolution is passed. The articles of association do not stipulate a higher majority.

MATERIAL AGREEMENTS IN THE EVENT OF A TAKEOVER BID

Leifheit AG has not entered into any material agreements conditional on 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 staff which will take effect in the event of a takeover bid.

BASIC FEATURES OF THE COMPENSATION SYSTEM

The information on the basic features of the compensation system as required under section 315 para. 2 no. 4 of the German Commercial Code are as follows:

■ Compensation of the Management Board

The members of the Board of Management currently receive compensation comprising fixed annual compensation, annual variable compensation and, in one case, long-term variable compensation.

The fixed annual compensation is paid monthly and is based on the responsibilities and individual contribution of the board member in question; it is reviewed at regular intervals to assess whether it is in line with the market and appropriate.

The annual variable compensation is based on the Leifheit Group's EBT and is paid following the approval of the annual financial statements. Two contracts with board members stipulate a limit for the annual variable compensation.

One employment contract with a member of the Board of Management includes long-term variable compensation in the form of a compensation component based on the share price. This involves payment in cash rather than shares. The amount of this payment component is linked to the performance of the Leifheit share price. The value of the bonus programme is assessed annually based on the Black-Scholes option price model. As at 31 December 2008, a provision of € 2,000 has been created. Provisions of € 10,000 were released in 2008.

Besides compensation for their work as members of the Board of Management of Leifheit AG, members also receive compensation in individual instances for their work as members of the management and supervisory boards of subsidiaries.

One member of the Board of Management has also received a performance-related pension commitment.

No fringe benefits are provided by the company beyond the use of company cars and reimbursement of travel expenses.

In the event of premature termination of employment, members of the Board of Management have no automatic right to a severance package. However, a severance package may be agreed individually as part of a termination agreement. Nor do the employment contracts of board members contain any "change of control" clauses.

The AGM of Leifheit AG resolved on 24 May 2006 to waive disclosure of the compensation of individual members of the Board of Management for a five-year period, starting with the 2006 financial year.

■ Compensation of the Supervisory Board

Compensation of the Supervisory Board is governed by the Leifheit AG articles of incorporation. In accordance with statutes and the German Corporate Governance Code, it is based on the responsibilities and activities of the members of the Supervisory Board and the company's performance. Besides fixed compensation, members of the Supervisory Board also receive variable compensation tied to the dividend.

Fixed compensation: In addition to reimbursement of expenses, including VAT on their remuneration, members of the Supervisory Board receive fixed compensation of € 10,000 for each financial year.

Variable compensation: In addition, members of the Supervisory Board receive variable compensation for each financial year of € 100 for each € 0.01 per share dividend distributed to shareholders for the prior financial year.

The Chairman receives twice the remuneration level and the Deputy Chairman 1.5 times. Members of the Supervisory Board receive an additional 25% of the fixed compensation for Supervisory Board members for membership of a committee of the Supervisory Board. The chairman of a committee receives twice this amount.

Members of the Supervisory Board whose membership of the Supervisory Board or a committee lasts for only part of a financial year receive pro-rated compensation for each month or part thereof. Fixed compensation is paid in December of each financial year, variable compensation on the day of the AGM which formally approves the actions of the members of the Supervisory Board for the previous financial year.

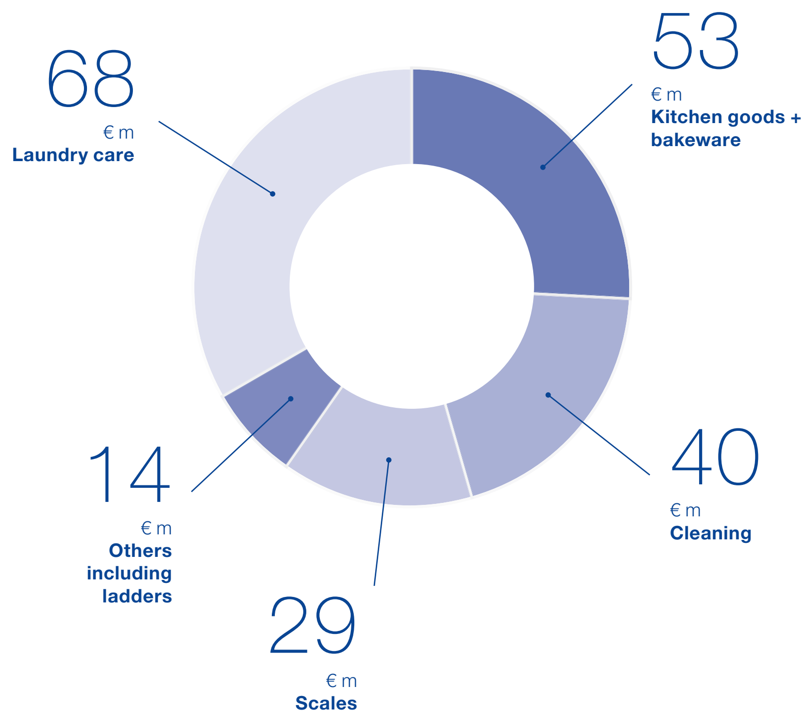
The economic situation

SLOWDOWN IN GROWTH TOWARDS THE END OF THE YEAR

The world economy began the year 2008 in robust shape in spite of the growing crisis on the financial markets. However, as the year progressed the global financial market crisis increasingly fed through to the real economy and the outlook began to deteriorate rapidly. At the time of writing, the world economy has fallen into a full-blown recession. In Germany GDP still managed to post a moderate rise of 1.3% over the year 2008 as a whole. But after a strong first three months, growth declined increasingly with each successive quarter. Consumer spending was unchanged in real terms compared with the previous year and this translated into a slight decline in German retail sales.

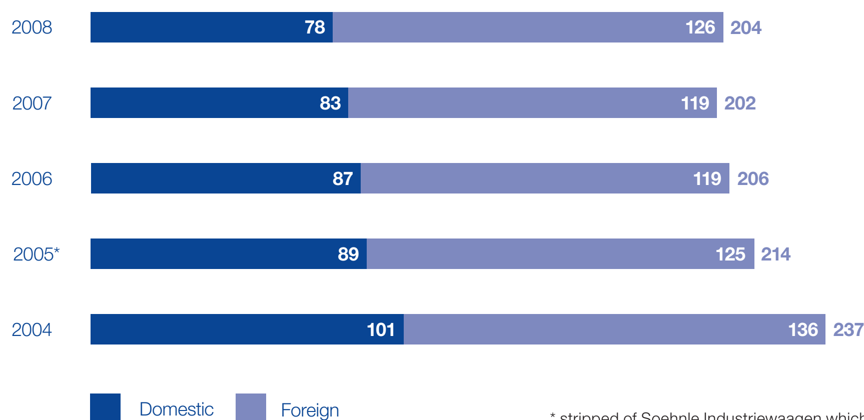
Household Products division

TURNOVER BY PRODUCT GROUP



* Laundry care incl. € 6 m from Herby

TURNOVER BY REGION IN € m



* stripped of Soehnle Industriewaagen which was sold

Business performance in the divisions

LEIFHEIT BOOSTS GROUP TURNOVER

In keeping with our slogan “Focus – Innovation – Speed” we have set ourselves the goal of further strengthening our core competences in household products and concentrating on the product categories of laundry care, cleaning, kitchen goods and scales. We drove this strategy forward in 2008 through our purchase of the leading French laundry dryer manufacturer Herby and by acquiring the ironing division of Hailo in exchange for the household ladders segment.

The new distribution company founded with a partner in Romania took up operations in 2008. We also acquired a majority stake in the distribution company of our Czech importer. These steps to bring competences together under one roof will increase Leifheit’s market impact and lay the basis for further growth and increased profitability.

In 2007 the Leifheit Group was able to bring the trend of an extended period of declining turnover to an end. In the 2008 financial year we increased turnover again slightly in spite of the difficult economic environment and achieved consolidated turnover of € 280 million, representing a 1.3% increase over the previous year’s level of € 276 million. This constitutes a solid foundation for further growth.

HOUSEHOLD PRODUCTS DIVISION: SUCCESSFUL FOCUS

The Household Products division contributes around 72% of Leifheit Group turnover with the brands Leifheit, Dr. Oetker Bakeware, Soehnle, Birambeau and Herby. Turnover increased by around 1% from € 202 million to € 204 million in 2008. This increase resulted predominantly from the success of the laundry care and cleaning segments, which saw substantial increases in turnover.

Trading conditions varied substantially between the different regions. Our focus on the European markets led to strong growth in Europe outside Germany. The household products’ brands generated additional turnover of € 7 million here and generated total turnover of € 112 million, an increase of 7%. This increase was driven by high double-digit growth rates in a number of Eastern European countries such as Russia, the Czech Republic and Poland as well as in France, the home market of Birambeau and Herby.

In other countries this growth was offset by one-off and currency effects. The loss of a major Italian customer and the follow-on effects of restructuring in Spain had an adverse impact on the Household Products division. The fall in the dollar in the first three quarters of 2008 severely hit the brand business in the USA and other countries in the dollar zone.

In Germany the Household Products division held up well in the face of the subdued consumer spending environment and posted only a modest decline in sales. Turnover declined by 6% overall to € 78 million (2007: € 83 million).

The past year has shown that the strategy of focusing the Household Products division on the core categories of cleaning, laundry care, kitchen goods and scales is bearing fruit and as a result the Household Products division of Leifheit AG is well prepared for the forthcoming challenges of a difficult economic environment.

BATHROOM FURNISHINGS DIVISION: SOLID GROWTH IN TURNOVER

The Bathroom Furnishings division was once again a growth driver, contributing € 76 million or 27% of Group turnover (2007: € 74 million). The strong market position of our three bathroom furnishing brands Kleine Wolke, Spirella and Meusch in major countries in Europe enabled us to generate growth in the second half of the year in spite of the turbulent economic conditions. Turnover in Germany rose by a very satisfactory 10% to € 33 million (2007: € 30 million).

The brands Kleine Wolke and Meusch were able to increase turnover in Germany by almost 9% as a result of the highly successful new product group of bed linen combined with an expansion of distribution channels in furniture and mail order retailing. Spirella also grew by 9% in Germany. By contrast the home textiles sector in Germany saw a decline in 2008. Kleine Wolke, Spirella and Meusch therefore grew against the market trend. Thus, the Bathroom Furnishings division managed to buck prevailing market conditions with its innovative products. There was also remarkable growth of around 25% in Eastern Europe.

Turnover outside Germany, which had grown steadily in recent years, fell by around 2%, due primarily to the fall in turnover for Spirella in France and the rise in the Swiss franc.

Earnings, assets and financial situation

EBIT AND NET PROFIT FOR THE PERIOD ABOVE EXPECTATIONS

Leifheit has performed solidly in an increasingly difficult market environment. Earnings before interest and tax (EBIT) were € 5.2 million, better than was expected as recently as the autumn. A cost optimisation programme and a strong fourth quarter made a significant contribution to this result.

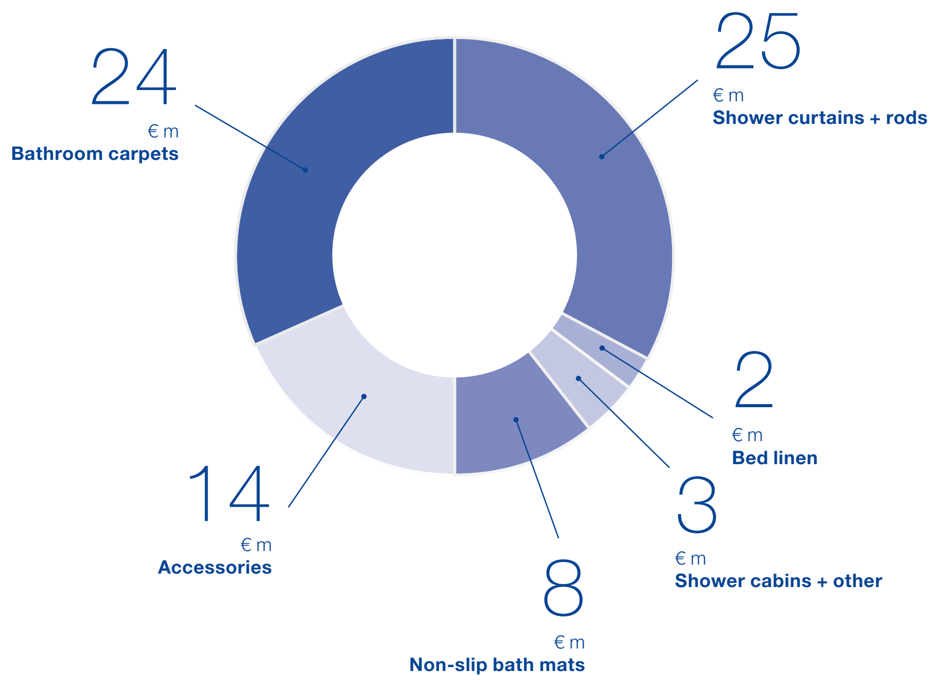
The internal financial control system is based on the two divisions of Household Products and Bathroom Furnishings. Turnover and EBIT are used as the key top-level performance indicators.

Turnover in the Household Products division rose by € 2 million compared with 2007. € 6.4 million of this increase was accounted for by the Herby Group which was acquired on 1 July 2008. The EBIT of the Household Products division improved from a € 0.7 million loss in 2007 to a profit of € 1.7 million in 2008.

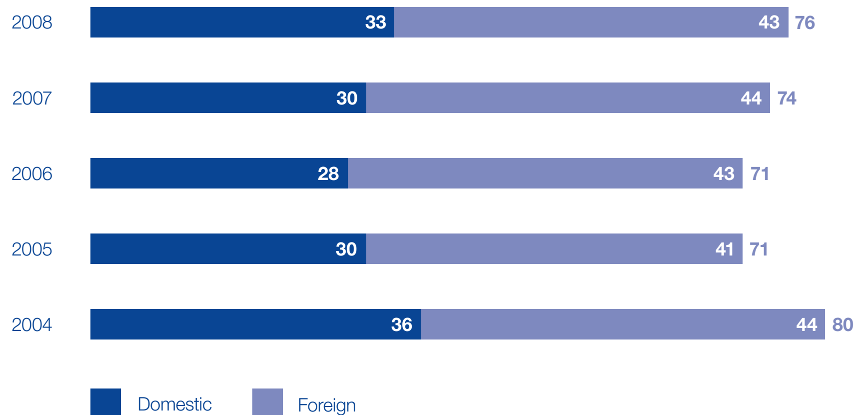
Turnover in the Bathroom Furnishings division also rose by € 2 million compared with 2007. The EBIT of the Bathroom Furnishings division rose from € 5.4 million in 2007 to € 6.0 million in 2008.

Bathroom Furnishings division

TURNOVER BY PRODUCT GROUP



TURNOVER BY REGION IN € m



Income statement (summary) € m	2008	2007
Turnover	280	276
EBIT	**5.2**	**2.4**
EBIT excluding one-off items	5.2	4.6
Net interest income	-2.6	-1.9
EBT	**2.6**	**0.5**
Income taxes	-2.2	-3.7
Net result	**0.4**	**-3.2**

The group's gross margin rose by € 0.8 million. The currency-related decline in turnover due to the weakness of the US dollar was compensated for by a corresponding reduction in purchasing prices in the Far East. The sharp rise in commodity prices over the course of 2008 had an adverse impact on margins.

Development costs rose by € 0.5 million and were invested in strengthening the company's innovation capabilities. Distribution costs increased as a result of further investments in the brand as well as increased allowences on of receivables. Administrative costs rose due to a rise in personnel costs in the subsidiaries. Other operating expenses in 2007 included expenses of € 2.2 million for the relocation of shipping facilities from Nassau to Zuzenhausen.

Earnings before interest and taxes increased by € 2.8 million from € 2.4 million in 2007 to € 5.2 million in 2008. The figure for 2007 was depressed by one-off items totalling a net € 2.2 million. Even stripping out these effects, EBIT in 2008 was € 0.6 million above the 2007 level.

The net interest expense consists mainly of the interest expense on pension obligations of € 2.3 million. Income taxes mainly comprise the income taxes payable by the subsidiaries in France and Switzerland. In 2007 deferred taxes were hit by the cut in corporation taxes in Germany.

Net profit for the period was € 0.4 million, after a loss of € 3.2 million in 2007.

STABLE BALANCE SHEET RATIOS

Total assets grew by € 14.5 million compared with 31 December 2007 to € 221.4 million. This increase derived largely from the incorporation of the Herby Group with assets of € 11.5 million.

Trade receivables rose by € 4.6 million due to the incorporation of Herby and significantly higher turnover in December 2008 compared with the previous year. Inventories, including Herby's inventories of € 1 million, rose by € 6.6 million, due primarily to the teething troubles experienced by the distribution centre in Zuzenhausen.

The other short-term assets in 2007 contained a receivable from the sale of a property, which was paid during the reporting period. The rise in intangible assets reflects goodwill on the acquisition of the stake in the Herby Group and the steam iron business.

Short-term debt rose mainly as a result of the utilisation of overdraft facilities of € 7.7 million.

Other long-term debt rose as a result of the liabilities for payment of the purchase price for the takeover of the remaining shares in the Herby Group.

Equity rose by € 2.0 million to € 100.5 million, reflecting the net profit for the year and the initial consolidation of the Herby Group. The equity to assets ratio fell to 45.4% due to the rise in total assets.

Cash flow statement (summary) € m	2008	2007
Cash flow from operating activities	1.7	14.3
Cash flow from investment activities	-13.6	-6.5
Cash flow from financing activities	7.0	-2.8
Effects of exchange rate differences	1.0	-0.7
Change in cash	-3.9	4.3
Current funds at year-end	6.2	10.1

OFF-BALANCE-SHEET ASSETS AND FINANCING INSTRUMENTS

In addition to the assets reported in the balance sheet, the group also uses off-balance-sheet assets to a limited degree. These consist primarily of leased or rented goods (operating leases). Off-balance-sheet financing instruments are not used.

POSITIVE CASH FLOW

Operating activities resulted in an inflow of funds of € 1.7 million in the financial year 2008. Working capital rose, particularly due to higher receivables and inventories as well as a decline in liabilities.

The outflow of funds from investment activities rose to € 13.6 million in the year under review. Investment in tangible and intangible assets declined by € 1.1 million to € 6.6 million. There was an outlay of € 7.6 million on acquisitions in 2008.

Cash flow from financing activities mainly relates to the utilisation of bank lines.

Cash declined by € 3.9 million in the group in the year under review.

Employees

The focus of our human resources work in the 2008 financial year was on recruitment and human resources management as well as the introduction of the collective framework agreement on wages and salaries in Nassau and Zuzenhausen.

INTRODUCTION OF THE REMUNERATION FRAMEWORK AGREEMENT

The collective framework agreement in the metalworking and electrical industry has introduced a new system for determining the remuneration of employees. The primary objective of the agreement is to abolish the former distinction between white- and blue-collar staff and to bring their pay into line in a comparable pay structure based on modern work categories.

We implemented the framework agreement in our Nassau and Zuzenhausen locations in 2008 in close co-operation with employee representatives. In doing so we have achieved increased transparency and contributed to greater pay equity.

STRENGTHENING OUR EMPLOYER “BRAND”

The creation of new jobs and the protection of existing ones as well as the rising demands on qualification profiles and staff flexibility are among the main challenges for human resources management. The impact of demographic change, which is expected to lead to a shortage of qualified staff in many areas, will also lead to increased competition for staff.

As a result we need to market our own strengths as an employer and position ourselves accordingly in the marketplace. Leifheit continued to address these challenges in 2008 with a variety of measures relating to further strengthening the company’s brand as an employer in the external labour market. Working in particular with the organisation AIESEC (an independent international student association), we have begun to build up a network to strengthen our recruitment on a long-term basis at both national and international level.

INCREASE IN STAFF NUMBERS

Locations	31.12.2008	31.12.2007
Germany	607	675
Czech Republic	432	387
France	202	138
Switzerland	151	152
Other countries	138	59
Group	1,530	1,411

At the end of 2008 the Leifheit Group employed 1,530 staff, 119 more than the year before. This represented an 8% increase in staff numbers; the rise was largely due to the acquisition of Herby. 1,201 staff were employed in the Household Products division and 329 in the Bathroom Furnishings division.

Average staff numbers rose from 1,404 to 1,521 in the group. Personnel expenses were € 57 million in the 2008 financial year, unchanged from 2007.

In the year under review, 105 employees celebrated their 10th, 25th, 30th or 40th anniversaries with the company. The large number of long-service employees is proof of the strong ties between our staff and the company, particularly in an age of growing challenges from increased international competition. Overall, Leifheit benefits from a balanced mix of long-service and new employees.

FOCUS ON TRAINING

Our commitment to providing high-quality training for apprentices continues to bear fruit; in the past financial year most of our apprentices completed their apprenticeships with excellent examination results. We are happy to be able to offer employment, initially on a fixed-term basis, to all of our apprentices.

Our staff are the main foundation for the success of the Leifheit Group. We depend on the abilities, commitment, enthusiasm and performance of our staff. As a result we continued our systematic approach to training and qualification for our staff in all areas in 2008.

Investments

Excluding the effects of acquisitions, total additions to noncurrent assets in the Leifheit Group were € 6.6 million in 2008 (2007: € 7.8 million), of which € 5.0 million was accounted for by tangible assets. The investment ratio was therefore 3.1% in relation to the historic cost of the tangible assets. Depreciation of tangible assets amounted to € 6.5 million.

In the Household Products division we invested € 4.0 million in tangible assets (2007: € 5.0 million), mainly in tools for new products, logistical infrastructure and software.

Investment in Bathroom Furnishings totalled € 1.1 million (2007: € 2.4 million).

Procurement and logistics

CHANGES IN MATERIALS PRICES ON AN UNPRECEDENTED SCALE

In the past financial year, materials prices were characterised by unprecedented volatility. The cost of metal, plastics and freight once again rose sharply in the first half of 2008, only to undergo a drastic collapse in prices towards the end of the year.

INCREASED EFFICIENCY OF THE PURCHASING ORGANISATION IN CHINA

One of our primary objectives is to react quickly and flexibly to our customers' wishes. To this end, the organisation in Guangzhou in southern China implemented a number of procurement-related processes in the past year in an effort to further reduce the procurement times and increase warehouse turnover. This has increased the speed and flexibility of purchasing in China, which has led to a marked improvement in the reaction speed of customer service.

PROCESS IMPROVEMENTS THROUGH SUPPLY CHAIN OPTIMISATION

We carried out an audit of the supply chain processes running from our suppliers to our customers in 2007. In the light of the strengths and weaknesses we identified in our informational and physical supply chain, we developed and successfully implemented process optimisations in 2008 and were able to significantly raise the efficiency of our processes on both the purchasing and the distribution side.

EXPANSION OF OUR EUROPEAN SUPPLIER NETWORK

External conditions in Leifheit's procurement markets are constantly changing. The situation on the Chinese procurement market in 2008 was often characterised by wage increases, a rising Chinese currency against the US dollar, an anti-export tax policy with the reduction in the reimbursement of VAT for exporters, punitive duties and volatile sea freight rates. In order to reduce the impact of these uncertainties on our business, we had already begun to build up a European supplier network in recent years. In the course of 2008 we increasingly shifted our purchasing focus to Eastern Europe and Turkey as an alternative to the Far East.

STRATEGIC PARTNERSHIPS WITH SUPPLIERS

Purchasing high-quality raw materials, semi-finished and finished products on attractive terms is a decisive factor in 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 aim in this regard is to establish strategic partnerships with major suppliers and build up close and mutually beneficial co-operation. The key ingredients needed for successful co-operation are speed of response, flexibility, quality and punctuality.

MORE FLEXIBLE PRODUCTION IN THE BLATNÁ PLANT

Our approach in the Blatná production plant in the Czech Republic has paid off: By rigorously continuing the campaign we initiated in 2007 to improve profitability at the plant, we have been able to introduce a highly flexible manufacturing process and thus improve the operating result significantly. The focus in 2008 was on rationalisation measures and a variety of projects aimed at improving the efficiency of production. A broad-based training programme for all staff in Blatná has created solid foundations for continuing these positive changes, thereby ensuring the competitiveness of the plant for the future.

CONSOLIDATED DISTRIBUTION LOGISTICS

In 2007 we began to bring together the entire distribution system for the Household Products division in the Leifheit distribution centre in Zuzenhausen. We completed this process in 2008. After overcoming some logistical teething problems in the first quarter, we were able to optimise our processes and reduce costs significantly. Having a single logistical centre allows us to co-ordinate the incoming and outgoing goods flows more easily and more economically. The competitiveness of the distribution centre is ensured by identifying cost-cutting potential and ways to make the processes more efficient. On the basis of these positive developments we will be able to offer our clients a high degree of flexibility, excellent service and top-notch quality.

Development and innovation

One of the key factors for boosting profitability and growth is a company's capacity to innovate. Leifheit gives this issue a high priority. In order to increase our innovation capacity on a long-term basis, the company has created new working structures in Household Products which will encourage the creativity of individual employees while at the same time accelerating the process of moving from the idea to the product. The value of an innovation is measured in terms of how much better it is than competitor products.

SUCCESSFUL INNOVATION THROUGH OPTIMISED ORGANISATIONAL STRUCTURE

Innovation results primarily from creative teams. We have formed cross-divisional and cross-hierarchical innovation teams with staff drawn from marketing, technology and distribution. These teams will enable a quicker introduction of smart innovations to the market. In 2008 we realigned the organisational structure in quality management and restructured the application technology, product development and engineering departments in order to utilise the available resources better. In addition we are using external expertise to accelerate the build-up of competence and promote more focused project work. As a result of this we were able, for example, to develop competitive base electronics for a variety of scales. We further simplified our internal processes by introducing modern document management, so that our development work can now be processed more quickly.

In 2008 we once again introduced a large number of innovations. In Household Products this included two new kitchen helper series with modern designs and expanded functionalities. In the cleaning area we added the mop twister to the successful twister system. In addition we have developed an interchangeable handle which fits a number of different cleaning systems thanks to an intelligent click system. In the laundry care category we introduced the flexible and innovative Combifix and Linomotion clotheslines, the latter being the first rotary clothesline that can be used indoors. At Soehnle the focus was on the Style Collection, a new range of fashionable bathroom scales, in addition to body analysis scales in the middle price range and new kitchen scales.

Rugs, shower curtains, accessories and bed linen which we offer in the Bathroom Furnishings division help to make bathrooms and bedrooms feel like home. The designs and colours have to cater to consumers' tastes and also be priced attractively. We use integrated design groups to motivate consumers to make emotional purchase decisions in favour of our products.

The Leifheit Group further expanded its patent portfolio by submitting 134 new domestic and foreign patent applications in 2008. In 2008, 56 staff were employed within the group in development, patents and product management. These staff are predominantly graduates in business management and marketing, engineering and design. We spent a total of € 7.4 million on product management and development.

Environmental protection

Protecting the environment and operating sustainably are important objectives for Leifheit AG. Implementation of these objectives is integrated into the processes at all Leifheit AG locations. We put the protection of the environment into practice on a holistic and integrated basis. Environmental awareness is included at every stage, from the environmentally friendly product right through to production and "green" recycling/disposal as well as from development to distribution stages. Consequently, improving the quality of our processes means avoiding detrimental effects on the environment.

Risks and opportunities

Effective risk management is particularly important at times when the economic environment and the state of the industry are changing particularly rapidly. We regard efficient risk management as a way of protecting present and future potential success. With its global activities, Leifheit is inevitably exposed to risks which affect its commercial decisions.
The function of our risk management system is to identify and evaluate these risks in a timely manner, thereby enabling us to take prompt countermeasures if necessary. The risk management system comprises the elements of risk strategy, an early warning system, risk identification, classification and management, controlling and the monitoring and control system. As part of our medium-term planning, we analyse the outlook for the markets, consumer behaviour, our trade partners and competitors and the procurement markets. The core of the risk management system is the risk inventory. This involves drawing up risk tables for all divisions listing the relevant risks, the probability of their occurrence and their impact on the company. The main risks are then reported and discussed at departmental, divisional, 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's risk management system in the course of their audit of the annual financial statements and found no grounds for any reservations.

In the following sections we summarise the material risks known to us at present which may affect the business of the Leifheit Group.

GENERAL ECONOMIC RISKS

The general risks of importance to Leifheit are primarily those arising out of economic trends in our markets, the political environment and developments on the financial markets. The impact of the global financial crisis as well as the expected consumer recession may affect our business in 2009. There are currently no risks evident on the political and tax fronts.

INDUSTRY RISKS

The ongoing globalisation and concentration within the distributive trades represent both a risk and an opportunity for Leifheit. Pressure on prices and terms is matched by opportunities to grow internationally and exploit synergies with our trade partners.

On the demand side the greatest risk is weak consumer demand and a slump in prices driven by direct imports from the Far East. Besides the strength of our brands, the keys to maintaining our success will be our capacity to innovate, our product development and the quality we offer. For this reason we attach a high priority to enhancing our superior quality standards even further while continuously developing products with increased consumer utility.

RISKS ASSOCIATED WITH OPERATING ACTIVITIES

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

- Production and procurement risks
  The likelihood of an outage of production facilities has been minimised to the greatest possible extent by ongoing maintenance, fire protection and other precautionary measures. Insurance policies have been taken out across the group for major incidents and business interruption. The risk of supplier outages is covered by identifying alternative competent suppliers. There are no risks to the company as a going concern currently identifiable in procurement, production, development or environmental protection.

- Financial risks
  Credit (default) risk: Transactions in financial instruments are only carried out with counterparties with excellent credit ratings, applying appropriate credit limits. Claims and default risks are managed on a decentralised basis by each individual group company. In some cases these risks are also covered via credit insurance.

  The financial crisis and the ensuing recession will increase the rate of bankruptcies and with it the risk of default on receivables.

  Liquidity risk: We hold sufficient credit lines to maintain our financial flexibility and liquidity based on our budget assumptions.

  Market risk: We limit our exposure to fluctuations in the market value or future cash flows of derivative and non-derivative financial instruments due to market changes by entering into currency and commodity futures with banks and trading partners.

  Currency risk: Currency futures are used to limit the risks attaching to future cash flows in different currencies – particularly in US dollars.

  Interest rate risk: The financial debt and financial investments are subject to interest rate risk. We use interest rate analysis to manage this risk. The interest rate risk is not hedged via derivative instruments.

- Legal risks
  We limit product liability risks by means of our 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 currently identifiable which have not been provided for on the balance sheet.

OTHER RISKS

There are no other material risks currently identifiable.

OPPORTUNITIES

The strategy of focusing on core categories and regions and on innovation in products and processes will create opportunities to continue growing solidly and profitably once the economic downturn is behind us. We want to further strengthen our profitability by focusing on product quality and lowest cost solutions. We are exploiting the opportunities available to Leifheit with a wide range of measures at various levels of the group. These projects are focused on the development of new products, rationalisation projects, winning new customers and companies in core categories and regions, projects relating to working capital and the main project to raise profitability in the Household Products division, “Fit for the future”.

Forecast

WORLDWIDE RECESSION

The impact of the global financial crisis on the real economy has already reached dramatic proportions and experts expect the effects to continue to feed through in the course of the year. The IMF and EU Commission are forecasting the deepest recession since the Second World War for 2009; the EU Commission forecast for the Eurozone is for GDP to contract by 1.9 %. As an export nation, Germany is expected to be particularly badly affected, with GDP forecast to decline by 2.3 %. It remains to be seen to what extent the fiscal stimuli put in place by governments across the world will be able to cushion this decline. It also remains to be seen if rising real incomes for a significant proportion of the population in Germany as a result of higher wage agreements will act as a support to consumer spending. In the consumer area the recession may only begin to bite in the second half of the year.

GROWTH PLANS IN OUR ANNIVERSARY YEAR

Leifheit is celebrating its 50th anniversary in 2009 and we have set ourselves the goal of continuing our growth with a range of product innovations and sales promotions. The focus will remain on strengthening our brands in the Household Products and Bathroom Furnishings divisions; in Household Products we will continue to concentrate on the core categories of laundry care, cleaning, kitchen goods and scales, never losing sight of our slogan “Focus – Innovation – Speed”.

At the same time we will be taking further steps towards increasing the long-term profitability of our company with further projects aimed at streamlining costs, cutting structural costs and optimising margins.

We will be presenting ourselves as a modern and innovative company with an updated brand image, a variety of marketing campaigns, a major prize competition and an updated website which will in future include an internet shop. This will enable us to build on the strong relationship we have with our customers and create the best conditions for winning new customers. On the basis of these concerted measures and assuming that the propensity to consume remains stable, the Board of Management is optimistic that it can continue the positive trend and increase profitability in the years 2009 and 2010.

Report on events after the balance sheet date

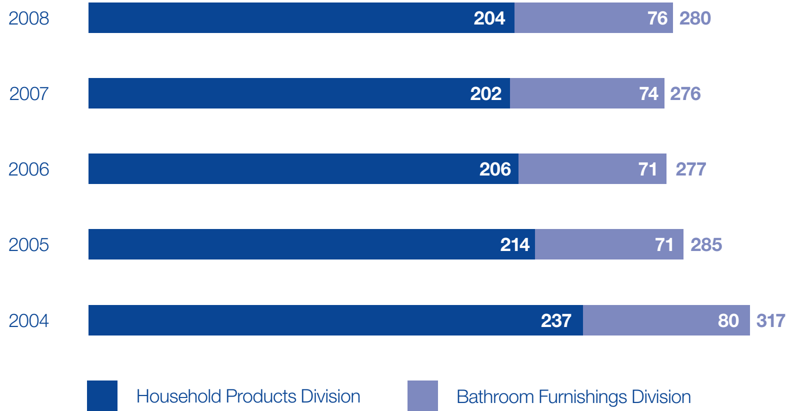
EVENTS AFTER THE END OF THE 2008 FINANCIAL YEAR

There were no events after the end of the 2008 financial year of particular importance for assessing the assets, financial situation and earnings of the Leifheit Group.

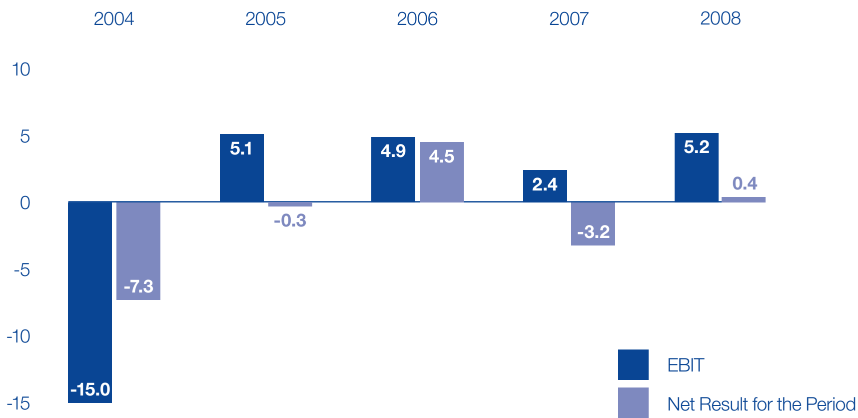
TURNOVER AT 2008 LEVEL

In the first two months of the new financial year 2009, group turnover was € 46 million, unchanged from the 2008 level. Turnover in Germany was € 20 million in the first two months (2008: € 19 million). With turnover of € 26 million outside Germany (2008: € 27 million), the export ratio was 57% (2008: 59%). The Household Products division contributed € 34 million (2008: € 32 million) to group turnover, with the German business accounting for € 15 million of this (2008: € 13 million). Turnover in Bathroom Furnishings was € 12 million (2008: € 14 million), of which € 5 million was in Germany (2008: € 6 million).

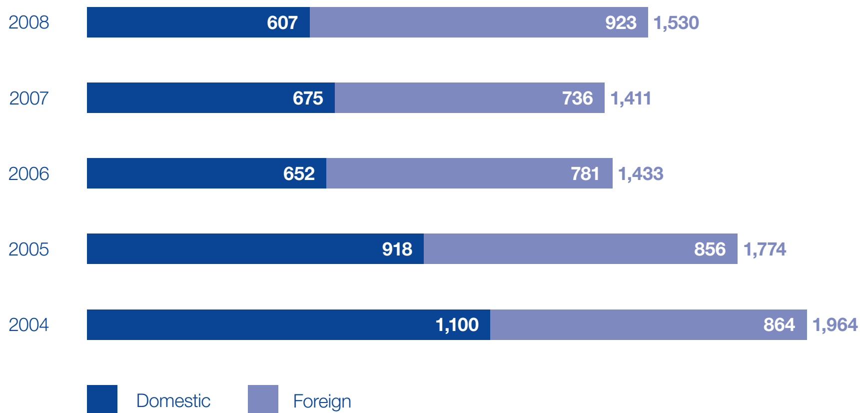
GROUP TURNOVER IN € m



EBIT AND NET RESULT FOR THE PERIOD IN € m



NUMBER OF EMPLOYEES AT THE END OF YEAR



Consolidated Income Statement

€ 000	Notes	2008	2007
Turnover	1	279,781	276,122
Cost of sales		-164,002	-161,125
Gross profit		**115,779**	**114,997**
Research and development costs	5	-7,414	-6,935
Distribution costs	6	-87,145	-85,927
Administrative costs	7	-17,628	-17,169
Other operating income	8	2,394	2,578
Other operating expenses	9	-744	-3,993
Foreign currency gains/losses	10	209	-1,258
Profit before result from joint ventures and investments		**5,451**	**2,293**
Result from joint ventures	20	-234	–
Investment income		–	61
EBIT		**5,217**	**2,354**
Net interest income or expense	11	-2,555	-1,870
EBT		**2,662**	**484**
Income taxes	12	-2,218	-3,680
Net result		**444**	**-3,196**
Of which minority interests	13	25	–
Of which parent company shareholders		**419**	**-3,196**
Earnings per share (diluted and undiluted)	14	**0.09**	**-0.67**

Consolidated balance sheet

€ 000	Notes	31.12.2008	31.12.2007
ASSETS			
Current assets			
Cash and cash equivalents	15	6,208	10,138
Trade receivables	16	70,077	63,301
Inventories	17	61,300	53,722
Tax receivables		760	1,683
Other current assets	18	3,373	7,409
Total current assets		**141,718**	**136,253**
Noncurrent assets			
Financial assets	19	599	606
Shares in joint ventures	20	908	–
Tangible assets	21	47,767	46,404
Intangible assets	22	20,026	11,837
Deferred tax assets	12	4,959	5,804
Other noncurrent assets	23	5,388	6,002
Total noncurrent assets		**79,647**	**70,653**
Total assets		**221,365**	**206,906**
EQUITY AND LIABILITIES			
Short-term debt			
Trade accounts payable and other liabilities	24	52,093	53,852
Derivative financial instruments		532	888
Income tax liabilities		777	438
Provisions	25	4,839	4,193
Short-term borrowing		7,672	–
Total short-term debt		**65,913**	**59,371**
Long-term debt			
Provisions	25	3,482	3,680
Employee benefit obligations	26	43,141	42,328
Deferred tax liabilities	12	3,113	2,505
Other long-term debt	27	5,166	488
Total long-term debt		**54,902**	**49,001**
Equity			
Subscribed capital	28	15,000	15,000
Capital surplus	29	16,934	16,934
Treasury shares	41	-7,686	-7,618
Appropriated surplus	30	72,996	72,577
Translation reserve	30	3,211	1,571
Minority interests	31	95	70
Total equity		**100,550**	**98,534**
Total equity and liabilities		**221,365**	**206,906**

Changes in group equity

The changes in equity attributable to the parent company shareholders were as follows:

€ 000	Subscribed capital	Capital surplus	Treasury shares	Appro-priated surplus	Translation reserve	Total
As at 1.1.2007	**15,000**	**16,934**	**-7,623**	**78,629**	**2,095**	**105,035**
Dividends	–	–	–	-2,856	–	-2,856
Minority interests from new formations	–	–	–	–	–	–
Purchase/issue of treasury shares	–	–	5	–	–	5
Net result	–	–	–	-3,196	–	-3,196
Differences from foreign currency translation	–	–	–	–	-524	-524
As at 31.12.2007	**15,000**	**16,934**	**-7,618**	**72,577**	**1,571**	**98,464**
Change in consolidated companies	–	–	–	–	–	–
Purchase/ issue of treasury shares	–	–	-68	–	–	-68
Net result	–	–	–	419	–	419
Differences from foreign currency translation	–	–	–	–	1,640	1,640
As at 31.12.2008	**15,000**	**16,934**	**-7,686**	**72,996**	**3,211**	**100,455**

The changes in Group equity were as follows:

€ 000	Parent company shareholders	Minority interests	Total equity
As at 1.1.2007	**105,035**	**–**	**105,035**
Dividends	-2,856	–	-2,856
Minority interests from new formations	–	70	70
Purchase/issue of treasury shares	5	–	5
Net result	-3,196	–	-3,196
Differences from foreign currency translation	-524	–	-524
As at 31.12.2007	**98,464**	**70**	**98,534**
Change in consolidated companies	–	–	–
Purchase/issue of treasury shares	-68	–	-68
Net result	419	25	444
Differences from foreign currency translation	1,640	–	1,640
As at 31.12.2008	**100,455**	**95**	**100,550**

Group segment reporting

The key figures by division in 2008 were as follows:

Key figures by division 2008		Household Products	Bathroom Furnishings	Non-allocable	Elimina-tions	Total
Turnover	€ m	204	76	–	–	280
EBIT	€ m	1.7	6.0	-2.5	–	5.2
Assets	€ m	178	55	12	-24	221
Liabilities	€ m	114	41	3	-38	120
Investments	€ m	17.3	1.1	–	–	18.4
Depreciation and amortisation	€ m	6.6	1.3	–	–	7.9
Result from joint ventures	€ m	-0.2	–	–	–	-0.2
Book value of joint venture investments	€ m	0.9	–	–	–	0.9
Employees (annual average)		1,195	326	–	–	1,521

The key figures by region in 2008 were as follows:

Key figures by region 2008 (€ m)	Germany	Europe (exc. Germany)	Rest of the world	Non-allocable	Elimina-tions	Total
Turnover	111	154	15	–	–	280
Assets	138	91	4	12	-24	221
Investments	4.4	13.5	0.5	–	–	18.4
Depreciation and amortisation	5.0	2.4	0.5	–	–	7.9
Result from joint ventures	–	-0.2	–	–	–	-0.2
Book value of joint venture investments	–	0.9	–	–	–	0.9

The comparable figures for 2007 were as follows:

Key figures by division 2007		Household Products	Bathroom Furnishings	Non-allocable	Elimina-tions	Total
Turnover	€ m	202	74	–	–	276
EBIT	€ m	-0.7	5.4	-2.3	–	2.4
Assets	€ m	154	49	15	-11	207
Liabilities	€ m	103	41	2	-38	108
Investments	€ m	5.2	2.5	–	–	7.7
Depreciation and amortisation	€ m	6.4	1.4	–	–	7.8
Employees (annual average)		1,088	316	–	–	1,404

Key figures by region 2007 (€ m)	Germany	Europe (exc. Germany)	Rest of the world	Non-allocable	Elimina-tions	Total
Turnover	114	148	14	–	–	276
Assets	121	80	3	15	-12	207
Investments	5.1	2.6	–	–	–	7.7
Depreciation and amortisation	5.3	2.5	–	–	–	7.8

Further information on the segment reporting is contained in Note 34.

Consolidated statement of cash flow

€ 000	2008	2007
Net result	444	-3,196
Adjustments for		
expense for the issue of employee shares	2	5
depreciation and amortisation	7,928	7,770
Increase in provisions	1,115	200
Loss/gain on disposal of noncurrent assets	17	-223
Increase/decrease in inventories, trade receivables and other assets not classified as investment or financial activities	-2,452	970
Increase/decrease in trade payables and other liabilities not classified as investment or financial activities	-5,397	8,752
Cash flow from operating activities	**1,657**	**14,278**
Acquisition of consolidated companies and divisions less cash and cash equivalents acquired	-6,511	–
Acquisition of joint ventures	-1,142	–
Acquisition of tangible and intangible assets	-6,646	-7,746
Investments in financial assets	–	-33
Proceeds from the disposal of noncurrent assets	648	1,301
Cash flow from investment activities	**-13,651**	**-6,478**
Dividends paid to parent company shareholders	–	-2,856
Equity contributions by minority shareholders	–	70
Bank borrowing	7,099	–
Purchase of treasury shares	-70	–
Cash flow from financing activities	**7,029**	**-2,786**
Effects of exchange rate differences	**1,035**	**-690**
Net change in cash and cash equivalents	**-3,930**	**4,324**
Current funds at the start of the period under review	**10,138**	**5,814**
Current funds at the end of the period under review	**6,208**	**10,138**
Income taxes paid	-1,798	-1,449
Interest paid	-457	-71
Interest received	187	146

The companies consolidated for the first time contributed as follows in the reporting year:

€ 000	Herby	Tunifil	Total
Cash flow from operating activities	911	28	939
Cash flow from investment activities	-8	–	-8
Cash flow from financing activities	-440	–	-440

Notes
General accounting and valuation principles

GENERAL

Leifheit AG, with registered offices in Nassau, is focused on the development and distribution of high-quality branded products for selected areas of the home.

It drew up its consolidated financial statements for 2008 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 315a para. 1 of the German Commercial Code. All the International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretation Committee – previously the Standing Interpretations Committee (SIC) – requiring application in the 2008 financial year were followed. The figures for 2007 were calculated on the same basis.

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

The income statement has been drawn up in accordance with the internationally standard cost of sales method.

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 in 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 exists if the group directly or indirectly holds the majority of voting rights in a company and/or can determine the financial and operating policies of a company so as to profit from its activities. Minority interests and their share in net profit or loss for the period are shown separately in the balance sheet under equity and in the income statement below the net profit line.

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 and the group.

Acquisitions are accounted for using the acquisition 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 an interest exceeds the group share in the equity of the company concerned, 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 tested at least annually for impairment at the level of the 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 2008 and 2007.

COMPANIES CONSOLIDATED

The following companies based both inside and outside Germany 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 2008.

Company name	Date of initial consolidation	Share in equity and voting rights, 2008 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 Espana 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 (CZ)	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
HERBY Industrie S.A., La Loupe (F)	1.7.2008	60.0
TUNIFIL S.A., Sousse (TUN)	1.7.2008	60.0

In the 2008 financial year, a 60% stake was acquired in Herby Industrie S.A. This company in turn holds 100% of the shares in Tunifil S.A.

As a result of the nature of the agreement for the acquisition of the remaining shares, the acquisition was accounted for in accordance with IFRS 3 as if Leifheit AG had already acquired a 100% stake at the date of the acquisition.

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, commercial and organisational terms, their functional currency is usually 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 compared with 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 (per euro)	Mid-rate on balance sheet date		Annual average rate	
	31.12.2008	31.12.2007	2008	2007
Pound sterling	0.96	0.73	0.96	0.73
Swiss franc	1.49	1.66	1.58	1.64
Czech koruna	26.59	26.58	25.01	27.70
US dollar	1.40	1.47	1.48	1.34
Japanese yen	126.40	165.00	153.76	161.37
New Romanian lei	4.00	3.59	3.66	–
Tunisian dinar	1.84	–	1.81	–

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into a given amount of cash at any time and are subject to an insignificant risk of changes in value.

RECEIVABLES

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

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. In the context of hedging, the hedging instru-

ments 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 of self-produced products 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 production 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 sales plan 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 the 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 apply 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 accumulated 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 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 into working condition and to the location for its intended use. Subsequent expenses such as maintenance and repair costs incurred after the assets have been commissioned are recognised as an expense in the period in which they are incurred.

Depreciation uses the straight line method based on the expected useful life:

	Years
Buildings	25–50
Other structures	10–20
Injection moulding machines	10
Plant and machinery	5–10
Injection moulding and stamping 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

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 the tangible assets.

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

In the case of finance leases, where substantially all the risks and rewards of ownership of an asset are transferred to Leifheit, the leased asset is recognised in the balance sheet at the date the lease is arranged. The asset is recognised at the lower of its fair value and the present value of the minimum lease payments. Leasing payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability over the lease term. Financing expenses are recognised immediately through profit or loss.

If it is not reasonably certain that Leifheit will obtain ownership of the asset at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease payments are recognised as an 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 and 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 in the fair value of identifiable assets and liabilities acquired on the day of purchase is known as goodwill and is recognised as an asset. In accordance with IFRS 3 in combination with IAS 36 and IAS 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 purposes.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are assessed for impairment if there is a change in circumstances or material grounds for believing 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 cost 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. 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 written down. Deferred taxes are reported separately in the balance sheet.

LIABILITIES

On initial recognition, liabilities are recognised at fair value of the consideration received, less transaction costs relating to any borrowing to fund the liability. After initial recognition, interest-bearing loans are subsequently valued at amortised cost using the effective interest rate method. For short-term liabilities, amortised cost is usually equal to the nominal amount.

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 AND 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 known at the balance sheet date 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.

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.

RECOGNITION OF INCOME AND EXPENSES

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 achieve sales and the 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 such as land tax and vehicle tax are attributed to production, research and development, sales or administrative costs in accordance with the source of the costs.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognised in the financial statements. They are shown in the notes except when 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 included 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 instances, preparing the annual financial statements requires exercises of discretion and estimates and assumptions about the amounts of receivables, liabilities and provisions, deferred taxes, contingent liabilities, impairment tests and recognised income and expenses.
These estimates may differ from the ultimate outturn. The most important assumptions and estimates in connection with the impairment test for goodwill are stated in Note 22, the assumptions and estimates in connection with recognising pension liabilities in Note 26, and the assumptions and estimates in connection with recognising deferred taxes in Note 12.

NEW MANDATORY ACCOUNTING STANDARDS APPLICABLE FROM 2008

The International Accounting Standard Board (IASB) has published several changes to existing IFRSs as well as new IFRSs 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 2008.

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. As the companies included in the consolidated financial statements do not grant any share-based payments within the meaning of this interpretation, it 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 group are not operators within the meaning of IFRIC 12. This interpretation accordingly has no effect on the group.

In July 2007 the IFRIC published IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This 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 defined benefits plans resulting from 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 is mandatory for financial years beginning on or after 1 January 2008. As none of the group's defined benefit pension plans show surplus plan assets, this interpretation is not expected to have any impact on the group's assets, financial situation or earnings.

NEW ACCOUNTING STANDARDS APPLIED VOLUNTARILY FROM 2008

The IASB has also published other IFRSs and IFRICs which Leifheit has elected to apply from 2008, even though they are only mandatory from a later date.

The IASB published IFRS 8 "Operating Segments" on 30 November 2006. IFRS 8 replaces IAS 14 "Segment Reporting", which previously applied to segment reporting. With the exception of minor terminological changes, IFRS 8 adopts the wording of the corresponding US standard SFAS 131 "Disclosures about Segments of an Enterprise and Related Information" in full. IFRS 8 requires segment reporting to follow the "Management Approach", where the segment information reported corresponds to the company's internal reporting as used by management to take decisions. This standard has been applied since 1 January 2008 and has not had any effect on the group.

NEW ACCOUNTING STANDARDS WHOSE APPLICATION WILL BE MANDATORY IN FUTURE

The IASB also published further IFRSs and IFRICs, although companies are not required to apply these until a later date. The following section lists the standards and interpretations and their likely relevance for the Leifheit Group. Early application of these standards is permitted. However, Leifheit has not so far made use of this option.

IFRIC Interpretation 13 was published in June 2007 and is applicable to financial years beginning on or after 1 July 2008. Customer loyalty awards 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 allocated to the award credits and the recognition of revenue is deferred. Turnover is recognised in the periods in which the customer awards are exercised or lapse. As the group currently does not have any customer loyalty or bonus programmes, this interpretation is not expected to have any effect on the consolidated financial statements.

In January 2008 the IASB published an amendment to IFRS 2 which provides a more precise definition of vesting conditions and specifies the accounting treatment when a grant of equity instruments is cancelled. This amendment enters into force on 1 January 2009. It is not currently expected to have any impact on the group's assets, financial situation or earnings.

In March 2007 the IASB issued the revised standard IAS 23 “Borrowing Costs”. This stipulated that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are to 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. This change will only impact on any future acquisitions of assets.

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 non-owner 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 in two statements (a separate income statement and a statement of comprehensive income). 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.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements: These revised standards were published in January 2008 and are applicable to financial years beginning on or after 1 July 2009. IFRS 3R introduces changes in the treatment of business combinations after this date which will impact the recognition of goodwill, profit for the period in which the combination took place as well as future profits. IAS 27R stipulates that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for within equity.

Therefore a transaction of this kind will give rise neither to goodwill nor to a gain or loss. The standard also changes the rules applying to the allocation of losses to parent companies and minority interests and the treatment of transactions which lead to a loss of control. The revisions also amended IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. The amendments to IFRS 3 and IAS 27 will impact future acquisitions and losses of control and transactions with minority interests.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation. These amendments to IAS 32 and IAS 1 were published in February 2008 and are applicable to financial years beginning on or after 1 January 2009. The revisions permit some limited exceptions whereby puttable financial instruments can be classified as equity, provided they meet certain criteria. The revisions to these standards will not impact the group's assets, financial position or earnings, as the group has not issued any such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Qualifying Instruments: These amendments to IAS 39 were published in July 2008 and are applicable to financial years beginning on or after 1 July 2009. The amendment provides additional guidance on how the principles contained in IAS 39 on the designation of hedged items apply to the designation of a one-sided risk in a hedged item and the designation of inflation in a financial hedged item. The amendment clarifies that it is permissible to designate only part of the changes in fair value or fluctuations in cash flow of a financial instrument as a hedged item. This amendment will not impact the group's assets, financial position or earnings, as the group has not entered into any such transactions.

IAS 27 Consolidated and Separate Financial Statements: The amended IAS 27 was published in January 2008 and is applicable to reporting periods beginning on or after 1 July 2009. The amendments relate primarily to accounting for non-controlling interests (i.e. minority interests), which will in future share in any losses incurred by the group in full, and transactions which lead to a loss of control in a subsidiary, which will in future be recognised through profit or loss. By contrast the impact of the disposal of a shareholding which does not lead to a loss of control is accounted for as an equity transaction. The transitional arrangements do not stipulate retrospective application of the amendments. Therefore there will be no change for assets and liabilities deriving from such transactions before the first-time application of the new standard.

IAS 40 Investment Property: Property under construction or development for future use as an investment will be classified in future as an "investment property" and brought within the scope of IAS 40. If the fair value cannot be measured reliably, the property under construction is measured at cost until such time as the fair value can be determined or the construction is completed. The conditions for a voluntary change in the accounting and valuation methods are now the same as those in IAS 8. The amendment clarifies that the carrying amount of an investment property is equal to the fair value plus any related liabilities.

IFRIC Interpretation 16 was published in July 2008 and is applicable to financial years beginning on or after 1 October 2008. The interpretation is not to be applied retrospectively. IFRIC 16 issues guidance on hedges of a net investment in a foreign operation. The interpretation provides guidelines on the hedging of foreign currency risks arising from a net investment in a foreign operation, which entities within a group can hold the instruments hedging the net investment and how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The group is currently assessing which reclassification method should be used in the event of the sale of a net investment.

IMPROVEMENTS TO IFRS 2008

The 2008 improvements to the International Financial Reporting Standards were published in May 2008 and with the exception of IFRS 5, which applies from 1 July 2009, are applicable to reporting periods beginning on or after 1 January 2009. These changes published as part of the improvement project include a large number both of material changes, whichaffect the accounting treatment, as well as purely editorial changes. The latter involves, for example, editing certain definitions and wordings to make them more consistent with other IFRSs. The group has not yet applied the following changes:

- IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations: The amendment clarifies that assets and liabilities of a subsidiary must be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.
- IAS 1 Presentation of Financial Statements: Clarification that financial instruments classified as held for trading are not always required to be presented as current assets/liabilities. Classification as “current” must be based solely on the definitions contained in IAS 1.
- IAS 10 Events After the Balance Sheet Date: Clarification that dividends declared after the reporting date but before approval of the financial statements do not represent a liability at the reporting date and are therefore not recognised as a liability in the financial statements.
- IAS 16 Property, Plant and Equipment: Proceeds from the sale of assets held for rental which are routinely sold after their rental terms must be recognised as revenue.
- IAS 19 Employee Benefits: As well as revising a large number of definitions, the amendment provides clarification that plan changes that result in a reduction in benefits for future service should be accounted for as a curtailment of the plan, while a reduction in benefits for past service is a negative past service cost.
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: In future it will be mandatory to calculate the interest rate benefit from low-interest or interest-free loans. The difference between the amount received and the discounted amount must be accounted for as a government grant.
- IAS 23 Borrowing Costs: The definition of borrowing costs was revised to the extent of adopting the guidelines in IAS 39 on the effective interest rate.

- IAS 27 Consolidated and Separate Financial Statements: The amendment clarifies that a subsidiary accounted for at fair value in accordance with IAS 39 in the parent's separate financial statements should continue to be measured in accordance with IAS 39 when classified as held for sale.
- IAS 28 Investments in Associates: As the goodwill contained within the carrying amount of an investment in an associate is not reported separately, it is not tested separately for impairment. Instead the entire book value of the investment is subject to the impairment test as a single asset and an impairment loss is recognised if necessary. The amendment clarifies that the reversal of an impairment loss to an investment in an associate recognised in earlier periods should be recorded as an overall increase in this investment and not allocated to any goodwill included in the investment. A further change relates to the disclosure requirements for investments in associates which are measured at fair value in accordance with IAS 39. In future these investments will be subject solely to the requirements of IAS 28, which stipulates that the nature and scale of significant restrictions in the ability of the associate to transfer funds to the company in the form of cash or loan redemptions must be disclosed.
- IAS 34 Interim Financial Reporting: Clarification that the diluted and undiluted earnings per share only need to be reported in the interim report if the company is subject to the provisions of IAS 33 Earnings per Share.
- IAS 36 Impairment of Assets: The amendment standardises the disclosures required when determining value in use and when discounted cash flows are used to estimate fair value less costs to sell.
- IAS 39 Financial Instruments: Recognition and Measurement: Derivatives can in future be designated into or out of the fair value through profit or loss category after initial recognition in the event of certain changes in circumstances that are not considered to be reclassifications for the purposes of IAS 39. In addition, references to the designation of hedging instruments at the segment level were removed. The amendment also clarifies that the revised effective interest rate calculated on cessation of fair value hedge accounting should be used for the re-measurement of the hedged item.

The Group believes that the amendments from the improvement project will not have any significant impact on the financial statements.

COMPANY ACQUISITIONS

■ Herby and steam ironing segment

On 1 July 2008 Leifheit AG acquired 60% of the voting shares in the unlisted Herby Industrie S.A. based in La Loupe, France, which specializes in the manufacture and distribution of non-electric laundry dryers, mainly in France. Herby Industrie S.A. has a wholly-owned subsidiary, Tunifil S.A. based in Sousse, Tunisia. Due to the nature of the agreement with the vendor for the purchase of the remaining shares in Herby Industrie S.A., the purchase was accounted for in accordance with IFRS 3 as if 100% of the shares had been acquired on the purchase date of 1 July 2008.

In addition Leifheit AG took over the steam ironing business of Hailo in exchange for Leifheit's household ladders segment with effect from 31 December 2008. The steam ironing business consists mainly of the procurement and distribution of steam ironing boards and steam ironing stations.

As the two acquisitions are regarded individually as non-material, the following information is provided on a combined basis. The fair values of the identifiable assets and liabilities at the acquisition date and the corresponding fair values immediately before the acquisition date were as follows:

€ 000	Fair value at acquisition date	Previous book value
Cash	217	217
Receivables and other assets	3,444	3,444
Inventories	1,434	1,341
Tangible assets	6,042	1,575
	11,137	**6,577**
Liabilities	-2,783	-2,783
Deferred taxes	-1,520	–
Provisions	-146	-146
	-4,449	**-2,929**
Net assets	**6,688**	**3,648**
Goodwill	6,162	
Acquisition cost	**12,850**	

€ 788,000 of the acquisition costs were attributable to incidental costs. The outlay of cash for the acquisitions in the reporting year was € 6.5 million. Equity instruments were not used to pay for the acquisitions.

The Herby Group generated turnover of € 10.5 million and EBIT of € 415,000 over the full year 2008. EBIT in the post-acquisition period was € 453,000. The full-year turnover for the steam ironing business was approximately € 7 million. EBIT figures on an IFRS basis are not available.

The goodwill of € 6.2 million represents the expected synergies from the company acquisitions.

SHARES IN A JOINT VENTURE

On 1 October 2008 Leifheit AG acquired 51% of the shares in the unlisted company Leifheit CZ a.s., based in Prague in the Czech Republic, which distributes Leifheit products in the Czech Republic and Slovakia. Due to the consent arrangements which have been agreed individually with the minority shareholder, Leifheit cannot determine the company's financial and operating policies on its own. Neither of the parties can exercise a controlling interest. The joint venture was accounted for using the equity method.

Notes on the consolidated income statement

1 TURNOVER

Turnover by region, € 000	2008	2007
Germany	111,306	113,775
Europe (exc. Germany)	153,182	147,680
Rest of the world	15,293	14,667
	279,781	**276,122**

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

2 COST OF MATERIALS

€ 000	2008	2007
Cost of raw materials, consumables and goods for resale	121,990	122,989
Cost of purchased services	10,147	9,791
	132,137	**132,780**

3 DEPRECIATION AND AMORTISATION

€ 000	2008	2007
Tangible assets		
Cost of sales	3,898	3,476
Research and development costs	171	174
Distribution costs	1,938	2,416
Administrative costs	476	547
	6,483	**6,613**
Intangible assets		
Cost of sales	200	142
Research and development costs	72	68
Distribution costs	922	724
Administrative costs	251	223
	1,445	**1,157**
Total depreciation and amortisation	**7,928**	**7,770**

PERSONNEL COSTS, EMPLOYEES

4

€ 000	2008	2007
Wages and salaries	45,918	45,635
Social security contributions and employee benefits	10,298	10,176
Expense on post-employment benefits	991	963
	57,207	**56,774**

Wages and salaries in the year under review include non-recurring expenses such as severance payments and collective bargaining increases.

Employees (annual average)	2008	2007
Germany	618	651
Czech Republic	424	404
France	202	142
Switzerland	152	148
Other countries	125	59
	1,521	**1,404**

The growth in the average numbers employed in the group in 2008 reflected the first-time inclusion of 116 employees of the Herby Group and of 10 employees at our Romanian subsidiary, which began operations in 2008.

RESEARCH AND DEVELOPMENT COSTS

5

€ 000	2008	2007
Labour costs	4,279	3,986
Cost of materials	248	250
Depreciation and amortisation	243	242
Other research and development costs	2,644	2,457
	7,414	**6,935**

To enhance our innovation capacity and accelerate development projects, more staff were hired, particularly in the Household Products division.

6 DISTRIBUTION COSTS

€ 000	2008	2007
Labour costs	25,391	26,779
Advertising costs	16,930	14,275
Outgoing freight	16,143	16,841
Commissions	7,589	8,016
Fees and bought-in services	4,199	3,449
Depreciation and amortisation	2,860	3,140
Cost of cars, travel and entertainment	2,764	2,866
Rent	2,498	2,462
Office and other overheads	1,966	1,710
Allowances on receivables	1,333	881
Maintenance	754	1,135
Payments to customers	662	384
General operating and administrative costs	649	441
Post and telephone costs	530	565
Insurance	434	507
Royalties	340	395
Other distribution costs	2,103	2,081
	87,145	**85,927**

7 ADMINISTRATIVE COSTS

€ 000	2008	2007
Labour costs	10,334	9,765
Fees and bought-in services	2,670	2,575
Depreciation and amortisation	727	770
Cost of cars, travel and entertainment	570	461
Rent	563	331
Maintenance	454	484
Post and telephone costs	392	430
Office and other overheads	246	304
Insurance	158	132
General operating and administrative costs	133	186
Other administrative costs	1,381	1,731
	17,628	**17,169**

OTHER OPERATING INCOME

8

€ 000	2008	2007
Income from disposal of assets	531	1,354
Dissolution of Spirella S.A. provident fund	303	–
Customs refund	221	–
Royalties	213	248
Other operating income (less than € 100,000)	1,126	976
	2,394	**2,578**

OTHER OPERATING EXPENSES

9

€ 000	2008	2007
Spirella S.A. anniversary celebrations	203	–
Costs of payment transactions	171	248
Losses on disposals of assets	115	1,131
Expenses for relocation of shipment	-270	2,205
Other operating income (less than € 100,000)	525	409
	744	**3,993**

FOREIGN CURRENCY GAINS / LOSSES

10

€ 000	2008	2007
Changes in the fair value of forward foreign exchange transactions	81	-458
Upward revaluation due to foreign currency valuation	801	469
Downward revaluation due to foreign currency valuation	-677	-520
Realised exchange rate gains	4,449	1,624
Realised exchange rate losses	-4,445	-2,373
	209	**-1,258**

11 NET INTEREST INCOME OR EXPENSE

Interest income € 000	2008	2007
Interest income from interest on receivables	125	254
Interest income on financial instruments	556	114
	681	**368**

Interest expense € 000	2008	2007
Interest expense on interest on pension obligations	-2,254	-2,073
Interest expense on financial instruments	-982	-165
	-3,236	**-2,238**

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	2008	2007
Corporation tax (Germany)	7	-107
Municipal trade tax (Germany)	55	–
Foreign income taxes	-2,429	-2,106
Deferred tax on income	149	-1,467
	-2,218	**-3,680**

The tax rate for Leifheit AG for corporation tax and municipal trade tax in Germany was 28.0% in the year under review (2007: 37.3%).

The theoretical income tax liability that would result from applying the tax rate applicable in the parent company's domicile is as follows:

€ 000	2008	2007
EBT	2,662	484
Taxes assuming the tax rate applicable to the parent company	**-745**	**-180**
Reversal of impairment of deferred tax assets from loss carryforwards	–	1,277
Taxes in earlier years	99	8
Different foreign tax rates	-32	-160
Adjustment of rate for deferred tax assets from earlier years	-441	-535
Non tax-deductible losses of group companies	-1,274	-540
Revaluation of deferred taxes due to changes in tax rate	259	-1,606
Reduction in tax loss carryforwards due to a write-up for tax purposes	–	-1,685
Others	-84	-259
Tax liability	**-2,218**	**-3,680**

€ 000	2008	2007
Income tax for other periods	99	8
Deferred taxes due to differences in timing and tax loss carryforwards	149	-920
Current tax expense	-2,466	-2,221
Other valuations for deferred tax	–	-547
Tax liability	**-2,218**	**-3,680**

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

€ 000	31.12.2008		31.12.2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods of noncurrent assets	129	3,305	100	3,297
Valuation of inventories	413	1,822	323	489
Valuation of foreign currency receivables	124	819	354	785
Valuation of pensions	2,838	–	2,658	–
Valuation of provisions for part-time working by older employees	157	–	181	–
Different recognition rules for other provisions	334	–	339	120
Valuation of foreign currency liabilities	434	–	144	9
Other timing differences	131	118	106	–
Tax loss carryforwards	1,938	–	2,708	–
Gross value	**6,498**	**6,064**	**6,913**	**4,700**
Offset	-2,312	-2,312	-2,279	-2,279
Consolidation	773	-639	1,170	84
Balance sheet amounts	**4,959**	**3,113**	**5,804**	**2,505**

Deferred tax assets are only recognised if their realisation is expected within a five-year period. No deferred tax assets were recognised on corporation tax loss carryforwards of € 29.2 million (2007: € 23.1 million) and on municipal trade tax loss carryforwards of € 32.1 million (2007: € 26.4 million), because it is not sufficiently probable that Leifheit will be able to make use of these loss carryforwards over the next five years.

13 MINORITY INTERESTS

Minority interests relate to the interests held in Leifheit Distribution S.R.L. by a minority shareholder in the financial year 2008. There were no minority interests in 2007.

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 would lead to a dilution of the earnings per share.

		2008	2007
Shares issued	Shares 000	5,000	5,000
Weighted average number of treasury shares	Shares 000	240	240
Weighted average number of shares	**Shares 000**	**4,760**	**4,760**

		2008	2007
Net result attributable to parent company shareholders	€ 000	419	-3,196
Weighted average number of shares	Shares 000	4,760	4,760
Earnings per share (diluted and undiluted)	**€**	**0.09**	**-0.67**

Notes on the consolidated balance sheet

CASH AND CASH EQUIVALENTS

15

€ 000	31.12.2008	31.12.2007
Balances with banks, cash on hand	6,208	5,438
Payables to banks due at any time	–	4,700
	6,208	**10,138**

The carrying value represents fair value.

TRADE RECEIVABLES

16

€ 000	31.12.2008	31.12.2007
Trade accounts receivable	65,717	56,750
Trade bills	4,360	6,551
	70,077	**63,301**

At the balance sheet date € 27.9 million of the receivables were insured via credit insurance or export credit guarantees from the German federal government.

As at 31 December 2008 trade receivables with a nominal value of € 4.5 million (2007: € 3.6 million) were impaired.

The changes in impairment are shown below:

€ 000	
Balance as at 1.1.2007	**2,434**
Exchange rate differences	-6
Additions	2,861
Use	1,628
Release	91
Balance as at 31.12.2007	**3,570**
Exchange rate differences	12
Additions	3,108
Use	1,750
Release	426
Balance as at 31.12.2008	**4,514**

The additions relate partly to unexplained deductions from invoices, which reduce the group’s turnover.

The maturity breakdown of trade receivables as at 31 December 2008 is as follows:

€ 000	
Neither overdue nor impaired	53,944
Overdue, but not impaired	
1 to 30 days	7,139
31 to 60 days	1,009
61 to 90 days	591
91 to 120 days	177
Over 120 days	441
Balance as at 31.12.2007	**63,301**
Neither overdue nor impaired	59,972
Overdue, but not impaired	
1 to 30 days	7,287
31 to 60 days	1,542
61 to 90 days	395
91 to 120 days	271
Over 120 days	610
Balance as at 31.12.2008	**70,077**

In contrast to the 2007 annual financial report the trade receivables neither overdue nor impaired include trade bills. The figures for 2007 have been restated accordingly.

INVENTORIES

17

€ 000	31.12.2008	31.12.2007
Raw materials, consumables and supplies	8,322	8,177
Unfinished products and services	2,381	2,188
Finished products and goods purchased and held for resale	48,766	42,281
Payments on account	1,831	1,076
	61,300	**53,722**

€ 000	31.12.2008	31.12.2007
Raw materials, consumables and supplies measured at fair value	543	635
Raw materials, consumables and supplies not written down	7,779	7,542
Total raw materials, consumables and supplies	**8,322**	**8,177**
Work in progress measured at fair value	345	155
Work in progress not written down	2,036	2,033
Total work in progress	**2,381**	**2,188**
Finished products measured at fair value	9,855	8,270
Finished products not written down	38,911	34,011
Total finished products and merchandise	**48,766**	**42,281**

OTHER CURRENT ASSETS

18

€ 000	31.12.2008	31.12.2007
VAT receivables	1,557	2,065
Current prepayments and accrued income	667	890
Balances in favour with our creditors	546	298
Receivables from costs passed on	188	97
Receivables from royalties	15	130
Receivables from the disposal of fixed assets	–	3,320
Ancillary purchasing costs of projects	–	127
Receivables from supplier discounts passed on	–	115
Other current assets (less than € 100,000)	400	367
	3,373	**7,409**

19 FINANCIAL ASSETS

€ 000	Investments	Other financial assets	Total
Cost as at 1.1 2007	1,249	441	1,690
Additions	–	33	33
Disposals	–	43	43
Balance as at 31.12.2007	**1,249**	**431**	**1,680**
Additions	–	–	–
Additions from initial consolidation	–	–	–
Disposals	–	7	7
Balance as at 31.12.2008	**1,249**	**424**	**1,673**
Cumulative depreciation as at 1.1.2007	1,074	32	1,106
Additions	–	–	–
Disposals	–	32	32
Balance as at 31.12.2007	**1,074**	–	**1,074**
Additions	–	–	–
Additions from initial consolidation	–	–	–
Disposals	–	–	–
Balance as at 31.12.2008	**1,074**	**–**	**1,074**

€ 000	Investments	Other financial assets	Total
Net book value 31.12.2007	175	431	606
Net book value 31.12.2008	175	424	599

20 SHARES IN JOINT VENTURES

€ 000	Total
Cost as at 1.10.2008	–
Additions	1,142
Disposals	234
Balance as at 31.12.2008	**908**

With total assets of € 5,068,000, of which € 1,258,000 were noncurrent assets, and total liabilities of € 4,307,000, of which € 4,046,000 were noncurrent, the net assets of Leifheit CZ a.s. were € 761,000.

TANGIBLE ASSETS

21

€ 000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost as at 01.01.07	69,128	52,591	60,030	476	182,225
Foreign currency differences	21	142	-180	2	-15
Additions	1,521	94	3,356	2,401	7,372
Disposals	8,087	7,445	10,231	–	25,763
Reclassification	271	697	652	-1,653	-33
Balance as at 31.12.2007	**62,854**	**46,079**	**53,627**	**1,226**	**163,786**
Foreign currency differences	974	533	524	–	2,031
Additions	232	378	2,667	1,757	5,034
Additions from initial consolidation	2,958	2,814	166	4	5,942
Disposals	17	4,979	4,072	52	9,120
Reclassification	321	491	616	-1,744	-316
Balance as at 31.12.2008	**67,322**	**45,316**	**53,528**	**1,191**	**167,357**
Cumulative depreciation as at 1.1.2007	34,814	46,012	51,481	28	132,335
Foreign currency differences	-83	46	-151	1	-187
Additions	1,877	1,324	3,409	3	6,613
Disposals	5,190	6,550	9,639	–	21,379
Reclassification	131	-138	7	–	–
Balance as at 31.12.2007	**31,549**	**40,694**	**45,107**	**32**	**117,382**
Foreign currency differences	514	471	389	–	1,374
Additions	1,734	1,572	3,197	-20	6,483
Additions from initial consolidation	855	2,066	127	–	3,048
Disposals	17	4,879	3,789	12	8,697
Reclassification	–	–	–	–	–
Balance as at 31.12.2008	**34,635**	**39,924**	**45,031**	**–**	**119,590**

€ 000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Net book value 31.12.2007	31,305	5,385	8,520	1,194	46,404
Net book value 31.12.2008	32,687	5,392	8,497	1,191	47,767

22 INTANGIBLE ASSETS

€ 000	Brands	Goodwill	Other intangible assets	Total
Cost as at 01.01.2007	7,210	3,299	15,231	25,740
Foreign currency differences	–	–	-42	-42
Additions	–	–	374	374
Disposals	–	–	1,226	1,226
Reclassification	–	–	33	33
Balance as at 31.12.2007	**7,210**	**3,299**	**14,370**	**24,879**
Foreign currency differences	–	–	105	105
Additions	–	1,209	403	1,612
Additions from initial consolidation	41	4,953	2,839	7,833
Disposals	–	–	792	792
Reclassification	–	–	316	316
Balance as at 31.12.2008	**7,251**	**9,461**	**17,241**	**33,953**
Cumulative depreciation as at 1.1.2007	2,407	–	10,738	13,145
Foreign currency differences	–	–	-37	-37
Additions	–	–	1,157	1,157
Disposals	–	–	1,223	1,223
Reclassification	–	–	–	–
Balance as at 31.12.2007	**2,407**	**–**	**10,635**	**13,042**
Foreign currency differences	–	–	89	89
Additions	1	–	1,444	1,445
Additions from initial consolidation	34	–	108	142
Disposals	–	–	791	791
Reclassification	–	–	–	–
Balance as at 31.12.2008	**2,442**	**–**	**11,485**	**13,927**

€ 000	Brands	Goodwill	Other intangible assets	Total
Net book value 31.12.2007	4,803	3,299	3,735	11,837
Net book value 31.12.2008	4,809	9,461	5,756	20,026

The additions to goodwill relate to the takeover of the Herby Group on 1 July 2008 and the takeover of the steam ironing business on 31 December 2008.

IMPAIRMENT TEST OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

- "Birambeau"
- "Herby"
- "Leifheit/Oetker/Soehnle"

The cash-generating units are based on internal management reporting. The Soehnle brand is capitalised within the cash-generating unit "Leifheit/Oetker/Soehnle" and was acquired as part of the acquisition of the Soehnle group in 2001. The goodwill of the steam ironing segment was determined at 31 December 2008 and so was not subject to an impairment test.

The recoverable amount for each cash-generating unit is determined on the basis of the higher of value in use and fair value less cost to sell based on cash flow forecasts. Assumptions are made for future trends in turnover and costs on the basis of the 2009 budget, which is forecast for five years, and compared with external information. For Birambeau and Herby, a constant pattern of turnover and costs was assumed. The discount rates used for the cash flow forecasts to determine the value in use and the fair value less costs to sell vary due to the differing capital structure and tax position of each segment. They are based on average capital costs of 6.8% (2007: 8.5%) at the date of the impairment test, a risk-free interest rate of 4.8%, a market risk premium of 5.0% and a beta factor of 1.0, borrowing costs of 4.1% and a discount rate of 6.0% for the pension obligations. A growth rate of 1% was assumed.

As at 30 September 2008 the recoverable amounts calculated in this way were greater than the book values. The impairment tests therefore did not indicate a need to recognise impairment losses.

Book value at reporting date	Goodwill 2008	Goodwill 2007	Brand rights 2008	Brand rights 2007
Birambeau	3,299	3,299	–	–
Herby	4,953	–	–	–
Leifheit/Oetker/Soehnle	–	–	4,803	4,803

IMPAIRMENT TEST OF THE OTHER TANGIBLE AND INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

In accordance with IAS 36.12 (d) an impairment test for assets must be carried out if the book value of the net assets is greater than the market capitalisation. As a result, the intangible assets with finite useful lives and the tangible assets have undergone an impairment test. The assets were allocated to following cash-generating units:

- "Leifheit/Oetker/Soehnle"
- "Birambeau"
- "Herby"
- "Spirella"
- "Kleine Wolke/Meusch"

The assumptions for turnover and costs, the growth rate and the discount rates are the same as for the impairment test for goodwill and intangible assets with indefinite useful lives.

As at 30 September 2008 the recoverable amounts calculated in this way were greater than the book values. The impairment tests therefore did not indicate a need to recognise impairment losses.

23 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 Societas Europaea 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 and 2017 in equal instalments irrespective of the dividend (€ 792,000 annually). The present value of the credit at 31 December 2008 was € 5,940,000 (of which € 792,000 current and € 5,148,000 noncurrent)

TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

24

Remaining term up to 1 year, € 000	31.12.2008	31.12.2007
Trade payables	17,264	17,505
Employees	10,023	10,164
Customer discounts	8,372	8,460
Advertising cost subsidies	4,215	6,017
Outstanding invoices	2,214	2,465
Other taxes (excluding income taxes)	1,851	1,683
Social security contributions	1,151	1,096
Amounts owed to debtors	1,052	1,159
Customer payment discounts	962	1,048
Commission due	458	428
External annual financial statement costs	366	368
Commitments to purchase	350	359
Severance payments to sales representatives	300	171
Tax advice	179	167
Insurance premia	175	137
Other payables (less than € 100,000)	3,161	2,625
	52,093	**53,852**

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

PROVISIONS

25

€ 000	31.12.2008			31.12.2007		
	Total	of which current	of which noncurrent	Total	of which current	of which noncurrent
Warranties	4,060	3,139	921	3,553	2,784	769
Personnel-related	2,417	–	2,417	2,686	–	2,686
Threatening losses	413	413	–	238	157	81
Other provisions	1,431	1,287	144	1,396	1,252	144
	8,321	**4,839**	**3,482**	**7,873**	**4,193**	**3,680**

€ 000	1.1.2008	Ex-change rate differ-ences	Use	Release	Additions	Additions from initial consoli-dation	31.12.2008
Current provisions							
Warranties	2,784	12	2,547	5	2,895	–	3,139
Threatening losses	157	–	48	–	304	–	413
Other current provisions	1,252	1	762	326	1,122	–	1,287
	4,193	**13**	**3,357**	**331**	**4,321**	**–**	**4,839**
Noncurrent provisions							
Warranties	769	–	25	–	31	146	921
Personnel-related	2,686	–	584	–	315	–	2,417
Threatening losses	81	–	81	–	–	–	–
Other noncurrent provisions	144	–	12	–	12	–	144
	3,680	**–**	**702**	**–**	**358**	**146**	**3,482**

Provisions for warranties are formed for future repair work, supplies of replacement products and compensation payments deriving from legal or statutory warranties.
Personnel-related provisions are formed for long-service bonuses, obligations relating to part-time working for older employees and for statutory obligations to staff in Austria. Provisions for threatening losses relate primarily to purchase commitments.
Other provisions mainly contain liabilities for legal fees as well as other liabilities relating to the disposal of tangible assets.

26 EMPLOYEE BENEFIT OBLIGATIONS

There are various defined benefit pension plans in the Leifheit Group. Provisions for pension obligations have been recognised for future obligations to pay retirement and survivor benefits.

In line with normal practice in Germany, the pension plans at Leifheit AG and Kleine Wolke Textilgesellschaft mbH & Co. KG are not backed by pension funds or financed from plan assets, with the exception of the deferred compensation plans. The pension plans at Spirella s.a. in Switzerland are entirely financed by plan assets.

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

€ 000	31.12.2008	31.12.2007
Present value of defined benefit obligations (DBO)	57,564	55,421
Plan assets at fair value	-14,353	-12,164
Actuarial losses not yet recognised	-557	-1,451
Recognised net debt from pension obligations in Germany and Switzerland	**42,654**	**41,806**
Pension obligations, France	487	522
Employee benefit obligations	**43,141**	**42,328**

The expense for post-employment benefits in Germany and Switzerland shows the following breakdown:

€ 000	31.12.2008	31.12.2007
Current service expense	1,539	1,402
Interest expense on the obligation	2,727	2,461
Recognised actuarial net gains/losses	-3	228
Expected income from plan assets	-473	-388
Employee contributions	-495	-420
Past service costs	–	-674
Total expense of post-employment benefits	**3,295**	**2,609**

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

€ 000	2008	2007
Net debt at start of year	41,806	41,540
Currency effects	152	–
Net expense recognised in the income statement	3,295	2,609
Contributions	-788	-641
Payments to benefit recipients	-1,811	-1,702
Net debt at end of year	**42,654**	**41,806**

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

€ 000	2008	2007
DBO at start of year	55,421	59,159
Currency effects	1,432	–
Current service expense	1,539	1,402
Interest expense	2,727	2,461
Benefit payments	-2,983	-2,879
Actuarial losses	-887	-4,976
Adjustment for past costs	–	-674
Other contributions	315	928
DBO at end of year	**57,564**	**55,421**

The fair value of plan assets changed as follows:

€ 000	2008	2007
Present value of plan assets at start of year	12,164	10,984
Currency effects	1,280	–
Expected income on plan assets	473	388
Losses or gains from plan assets	213	-1
Transfers to plan assets	63	58
Employee contributions	495	420
Employer contributions	725	583
Other contributions	315	927
Benefits paid	-1,172	-1,176
Actuarial losses	-203	-19
Present value of plan assets at end of year	**14,353**	**12,164**

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	2008	2007	2006	2005	2004
DBO at balance sheet date	57,564	55,421	47,395	48,182	41,168
Plan assets at balance sheet date	14,353	12,164	815	815	–
Deficit in the plan	43,211	43,257	46,580	47,367	41,168
Experience-based adjustment to plan liabilities	-1,026	482	-406	5,182	2,129
Experience-based adjustment to plan assets	-418	-14	–	–	–

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

% rate, German companies	2008	2007
Discount rate	6.0	5.4
Expected income from plan assets	4.0	4.0
Future trend in incomes	2.5	2.5
Future trend in pensions	2.0	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	RVAGAnpG 2007

% rate, Swiss companies	2008	2007
Discount rate	4.0	3.5
Long-term interest rate on plan assets	3.5	3.0
Future trend in incomes	2.0	2.0
Future trend in pensions	0.5	–
Rate of staff turnover	BVG 2005	BVG 2000

OTHER LONG-TERM DEBT

27

Other long-term debt includes the liability for payment of the purchase price to acquire the remaining shares of the Herby Group of € 4.6 million (due within one to five years), a loan of € 161,000 (due within one to five years) and liabilities from payments received for purchase and delivery commitments. € 267,000 of this is expected to be recognised through profit or loss within the next one to five years and the remaining € 169,000 within five to ten years.

SUBSCRIBED CAPITAL

28

The subscribed capital of Leifheit AG totals € 15,000,000 (2007: € 15,000,000) denominated in euro and divided into 5,000,000 no-par bearer shares. The shares are documented 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 AGM on 24 May 2006, the Board of Management was authorised to increase the registered share capital with the consent of the Supervisory Board by a total of up to € 7,500,000 by 1 May 2011 through one or more issues of new no-par bearer shares for cash and/or in-kind contributions.

CAPITAL SURPLUS

29

The capital surplus of € 16,934,000 (2007: € 16,934,000) represents the premium on the capital increase in autumn 1989.

APPROPRIATED SURPLUS / TRANSLATION RESERVE

30

The appropriated surplus includes the statutory reserve of € 1,036,000, other appropriated surplus of € 72,913,000 and the net profit for the year attributable to parent company shareholders of € 419,000. The other appropriated surplus contains the portion of consolidated profit earned in past years which was not distributed to shareholders. The translation reserve contains the exchange differences arising from the consolidation of equity as well as exchange differences from the conversion on the balance sheet date of financial statements not in the group's reporting currency included in the consolidated financial statements.

31 MINORITY INTERESTS

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

32 PROPOSAL FOR THE APPROPRIATION OF EARNINGS

The Leifheit AG dividend (ISIN DE 0006464506) is based on the net profit shown in the Leifheit AG financial statements drawn up in accordance with German GAAP.

The Leifheit AG net profit for the 2008 financial year amounts to € 13,000,000. Leifheit AG holds 250,154 treasury shares, which are not eligible to receive dividends. The number of shares eligible to receive dividends may change by the time of the AGM. In the event of a change in the number of shares, the distribution of € 0.60 per share eligible to receive dividends will be maintained and a proposal to adjust the appropriation of earnings accordingly will be put before the AGM.

The Board of Management and Supervisory Board propose the following resolution:
A dividend of € 0.60 per no-par-value share eligible to receive dividends, a total of 4,749,845 no-par-value shares, representing a total distribution of € 2,849,907.60 will be distributed to shareholders out of the net profit for the 2008 financial year of € 13,000,000. The remaining amount of € 10,150,092.40 will be carried forward to the new account.

33 FINANCIAL INSTRUMENTS, GOALS AND METHODS OF FINANCIAL RISK MANAGEMENT

The material financial liabilities in the group – with the exception of derivatives – comprise current account credits and trade payables. The group has various financial assets, primarily trade receivables, other receivables, cash and cash equivalents and deposits repayable at short notice.

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.

- Currency risks

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 24% of consolidated turnover and 36% of costs are in foreign currencies.
The following table shows the sensitivity of consolidated earnings before tax and equity to possible changes in the exchange rate of the US dollar, Swiss franc and Czech koruna based on reasonable assumptions. All other variables are assumed to be unchanged.

	Currency performance as at 31.12.2008	Effects on EBT in € 000	Effects on equity in € 000
USD	+ 5%	-839	-839
	- 5%	927	927
	+ 10%	-1,601	-1,601
	- 10%	1,957	1,957
CHF	+ 5%	4	-316
	- 5%	-5	349
	+ 10%	8	-604
	- 10%	-10	738
CZK	+ 5%	73	-429
	- 5%	-80	475
	+ 10%	139	-820
	- 10%	-170	1,002

■ Cash flow hedges

The group also holds derivatives. These consist primarily of forward foreign exchange 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 trading in derivatives in 2008 and 2007, nor will there be in future. As at 31 December 2008 there were forward foreign exchange futures contracts with a nominal value of USD 26.0 million and CHF 0.3 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 consists primarily of changes in the interest rates used to discount pension obligations and similar liabilities as well as the short-term money market interest rates for current account credits. The group only uses short-term current account lines. There are no long-term interest-bearing bank loans or similar interest-bearing financial liabilities.

■ Default/credit risk

The group does business exclusively with creditworthy parties. Credit enquiries are made for all major customers wishing to do business with Leifheit. Balances of receivables are continuously monitored. Credit insurance has been taken out for selected customers.

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

Financial assets and liabilities

The following table shows the book values and fair values of the main financial instruments in the consolidated financial statements:

€ 000	IAS 39 category	Book value		Fair value	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
Financial assets					
Cash and cash equivalents	a)	6,208	10,138	6,208	10,138
Trade receivables	a)	70,077	63,301	70,077	63,301
Other financial assets	a)	1,149	4,327	1,149	4,327
Financial liabilities					
Current account credits	b)	7,672	–	7,672	–
Trade payables	b)	17,264	17,505	17,264	17,505
Derivative financial liabilities	c)	532	888	532	888
Other financial liabilities	b)	22,270	23,743	22,270	23,743

a) Loans and receivables
b) Financial liabilities measured at amortised cost
c) Financial liabilities held for trading

The book values of the derivative financial liabilities are equal to their fair values. The other book values are all equal to amortised cost.

SEGMENT REPORTING

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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 household goods and appliances under the Leifheit, Dr. Oetker Bakeware, Birambeau and Herby brands as well as 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 non-allocable portion includes the EBIT of group functions. The assets and liabilities of this area include current tax assets and liabilities as well as the deferred tax assets and liabilities of the Household Products and Bathroom Furnishings segments.
- All participating interests and tax assets are deducted from the assets of the segments. Receivables and interest-bearing loans between 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 including acquisitions.
- Employment figures are annual averages.

CONTINGENT LIABILITIES

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Group companies did not enter into any contingent liabilities.

OTHER FINANCIAL LIABILITIES

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There are leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with annual expense of around € 3.0 million. These obligations total approximately € 4.7 million during the non-cancellable remaining terms until 2013. As at 31 December 2008 there were purchase commitments totalling € 0.8 million. The leasing agreements constitute operating leases within the meaning of IAS 17.
There are obligations under agreements for the purchase of tangible assets totalling € 1.1 million (2007: € 0.9 million) for tools and vehicles.

In addition, there are payment obligations from forward foreign exchange contracts for currency hedging totalling € 19.1 million, compared with contractual payment receivables of USD 26.0 million (nominal value, corresponds to €18.6 million on the balance sheet date), as well as forward foreign exchange contracts for currency hedging of € 0.2 million (equivalent to CHF 0.3 million), whose fair value at the balance sheet date is CHF 0.3 million.

37 REMUNERATION OF THE BOARD OF MANAGEMENT AND THE 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 in the reporting year amounted to € 331,000 (2007: € 248,000).

Remuneration of the Board of Management totalled € 1,233,000 (2007: € 875,000), of which variable compensation represented € 251,000 (2007: € 73,000). Transfers to pension reserves (DBO under IFRS) for members of the Board of Management amounted to € 218,000 (2007: € 344,000). Remuneration of the Supervisory Board totalled € 140,000 (2007: € 140,000)

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 will be made for each of the 1,000 bonus units granted. The amount per bonus unit increases by € 100 for each full euro by which the share price exceeds € 25.00. Half the bonus units can be exercised after a vesting period of two years, the second half after a three-year vesting period, up to a final date of 17 November 2010. The value of the bonus programme is limited to € 2.5 million. Provision is made for the obligation under this agreement prorated over the relevant qualifying period. The value of the bonus programme is assessed annually based on the Black-Scholes option price model. The provision recognised in the 2008 financial year as at 31 December 2007 was € 2,000. Provisions of €10,000 were released in 2008.

38 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 € 818,000 (2007: € 433,000). Pension reserves for current pensions (DBO under IFRS) totalled € 5,498,000 in the 2008 financial year (2007: € 5,827,000)

39 ADVANCES AND LOANS TO THE BOARD OF MANAGEMENT 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.

40 RELATED PARTY TRANSACTIONS

Turnover of € 1,747,000 was generated with the joint venture Leifheit CZ a.s. in the financial year 2008. Receivables due from this company at 31 December 2008 were € 1,792,000.

There were no other transactions with related persons or companies outside the group in the year under review.

STATEMENT ON TREASURY SHARES IN ACCORDANCE WITH SECTION 160 PARA. 1 NO. 2 STOCK CORPORATION ACT 41

The AGM on 3 June 2008 re-authorised the Board of Management, while cancelling the existing authorisation, to acquire treasury shares of up to 10% of the current registered share capital of € 15,000,000. 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 have led to a situation arising whereby shares are frequently required as payment 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.

In the fourth quarter of 2008 Leifheit acquired 10,000 treasury shares in order to be able to offer these shares to third parties together with the treasury shares acquired in previous years in the event of appropriate opportunities arising in future for the acquisition of companies, parts of companies or shareholdings in companies or as consideration for incoming investments in the form of companies, parts of companies and shareholdings in companies, including an increase in a shareholding in Leifheit, as well as in the event of mergers of companies. The treasury shares acquired are equivalent to 0.2% of the registered share capital, representing an amount of € 30,000 of the registered share capital.

60 shares were issued to staff as long-service bonuses in the year under review. This is equivalent to 0.0012% of the registered share capital, representing an amount of € 180 of the registered share capital. Including the treasury shares acquired and issued in previous years, Leifheit therefore holds 250,154 treasury shares as at 31 December 2008. This is equivalent to 5.003% of the company's registered share capital, representing an amount of € 750,000 of the registered share capital. There was an outlay of € 7,686,000 on acquiring these treasury shares. Leifheit did not acquire any treasury shares in the previous year. A total of 170 shares (€ 5,000) were issued in the previous year as long-service and employee shares.

There are no subscription rights for members of the executive bodies and employees in accordance with section 160 para. 1 no. 2 AktG.

EXISTENCE OF A PARTICIPATING INTEREST IN ACCORDANCE WITH SECTION 160 PARA. 1 NO. 8 AKTG 42

At the balance sheet date, shareholders to be disclosed under the Securities Trading Act (WpHG) – i.e. those holding a stake of more than 5 % of the voting shares – were Home Beteiligungen GmbH, Munich (47.34%), MKV Verwaltungs GmbH, Munich (10.03%) and Joachim Loh, Haiger (6.62%).

43 DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG (GERMAN CORPORATE GOVERNANCE CODE)

On 17 December 2008 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 and stating which recommendations are not currently being adopted. The declaration is permanently available on the company's web site.

44 EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the end of the financial year 2008 of particular importance for assessing the assets, financial situation and earnings of the Leifheit Group.

45 INFORMATION ON TAKEOVERS IN ACCORDANCE WITH SECTION 315 PARA. 4 HGB

Please refer to the management report for information on takeovers in accordance with section 315 para. 4 HGB.

46 EXEMPTION OF GERMAN 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

47 REMUNERATION OF THE AUDITORS IN ACCORDANCE WITH SECTION 314 PARA. 1 NO. 9 HGB

The expense in 2008 for the fees of the group auditors Ernst & Young Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Eschborn/Frankfurt am Main amounted to € 288,000 (2007: € 291,000) for the audit of the financial statements, € 140,000 (2007: € 161,000) for tax advice and € 66,000 (2007: € 62,000) for other services.

Organs

MEMBERS OF THE BOARD OF MANAGEMENT

Chairman	**Denis Schrey**
	Ernst Kraft
	Dr. Claus-O. Zacharias (since 1 December 2008)
	Frank Gutzeit (to 30 September 2008)

MEMBERS OF THE SUPERVISORY BOARD

Chairman	**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
	Karsten Schmidt	Chairman of the Board of Management of Ravensburger AG
	Thomas Standke*	Toolmaker
	Dr. rer. pol. Friedrich M. Thomée	Managing partner of Thomée Vermögens-verwaltung GmbH & Co. KG

*) Employee representatives

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee	**Dr. jur. Robert Schuler-Voith**	Chairman
	Dr. rer. pol. Friedrich M. Thomée	
	Helmut Zahn	
Personnel Committee	**Helmut Zahn**	Chairman
	Karsten Schmidt	
	Dr. jur. Robert Schuler-Voith	

In addition to supervisory functions at affiliated companies, the members of the Board of Management and Supervisory Board listed below hold the following positions in supervisory boards and similar supervisory bodies in other commercial companies:

Karsten Schmidt	Ravensburger Spieleland AG, Ravensburg	Chairman of the Supervisory Board
Dr. jur. Robert Schuler-Voith	Schuler AG, Göppingen	Chairman of the Supervisory Board
Helmut Zahn	Schuler AG, Göppingen	Member of the Supervisory Board
	Flossbach & von Storch Vermögensmanagement AG, Cologne	Member of the Supervisory Board
	Müller Weingarten AG, Weingarten	Chairman of the Supervisory Board

Nassau/Lahn, 20 March 2009

Leifheit Aktiengesellschafft
The Board of Management

Denis Schrey

Ernst Kraft

Dr. Claus-O. Zacharias

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

The Board of Management of Leifheit AG is responsible for ensuring that the consolidated financial statements present a true and fair view of the group's assets, earnings and financial situation and that the group 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 appropriate estimates were made where necessary. The group 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 group 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, were appointed auditors for the 2008 financial year by the Supervisory Board in accordance with the resolution of the AGM of Leifheit AG.. They have audited the consolidated financial statements and issued the audit opinion below.

The consolidated financial statements, group 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 its 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 group management report presents a true and fair view of the business and situation of the group, together with the principal risks and opportunities associated with the expected development of the group.

Nassau/Lahn, 20 April 2009

Leifheit Aktiengesellschaft
The Board of Management

Denis Schrey

Ernst Kraft

Dr. Claus-O. Zacharias

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 Leifheit AG, Nassau, comprising the balance sheet, the income statement, the notes on the consolidated financial statements, cash flow statement and statement of changes in equity, together with the group management report for the financial year from 1 January 2008 to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German GAAP pursuant to section 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. We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that it is reasonably certain 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 will be detected. The business activities and the economic and legal environment of the group and expectations as to possible errors are taken into account in the determination of audit procedures. During the audit, 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 verified primarily on a sampling basis. The audit includes an assessment of 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 an evaluation of the overall presentation of the consolidated financial statements and the group management report. We are of the opinion that our audit provides a reasonable basis for our opinion.

We did not express any reservations on the basis of our audit.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German GAAP pursuant to section 315a para. 1 HGB and provide 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 provides an accurate overall picture of the group's position and accurately sets out the risks and opportunities for the future."

Eschborn/Frankfurt am Main, 20 March 2009
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Signed) Seckler	(Signed) von Seidel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Individual financial statement of Leifheit AG

The individual financial statement of Leifheit AG, audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Eschborn/Frankfurt am Main, and given an unqualified audit opinion, was drawn up in accordance with German GAAP and the provisions of the German Stock Corporation Act. It is published on the company's web site (www.leifheit.com) and in the electronic Bundesanzeiger (Federal Gazette). It can also be obtained from Leifheit AG, Investor Relations, P. O. Box 1165, D-56371 Nassau/Lahn, Germany (ir@leifheit.com).

Disclaimer

FORWARD-LOOKING STATEMENTS

This financial report contains forward-looking 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 statements on 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 results could differ materially from the results cited explicitly or contained implicitly in these statements. Leifheit neither intends to nor accepts any specific obligation to update forward-looking statements in line with 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 any discrepancies between this English translation of the financial report and the German version, the German version shall take precedence.

Contacts, key dates

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http://www.leifheit.com
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KEY DATES

- 21 April 2009

Analyst conference
Frankfurt

- 15 May 2009

Quarterly financial report for the period ending 31 March 2009

- 17 June 2009

General meeting 10.30 am,
at Leifheit AG Customer and Administrative Centre, Nassau/Lahn

- 14 August 2009

Financial report for the first half year ending 30 June 2009

- 13 November 2009

Quarterly financial report for the period ending 30 September 2009

Aktiengesellschaft

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