I trust in Leifheit

Financial report for the first half-year
ending 30 June 2013

LEIFHEIT
Aktiengesellschaft

At a glance

- Successful second quarter due to catch-up effects and product innovations
- Group turnover in the first half-year of 2013 rose to € 108.8 million
- At € 5.0 million, EBIT was slightly down on the previous year
- Strong free cash flow of € 9.8 million
- Turnover and earnings forecast confirmed for 2013

Group data as at 30 June

		2012	2012 adjusted[1]	**2013**	**2013 adjusted[1]**	Change
Turnover						
Group	€ million	110.5	107.9	110.3	108.8	0.9%[1]
Brand Business	€ million	90.0	87.4	90.2	88.7	1.5%[1]
Volume Business	€ million	20.5		20.1		-1.7%
Foreign share	%	55.2	55.2	54.4	55.0	-0.2 pps[1]
Profitability						
Gross margin	%	44.5		44.2		-0.3 pps
EBIT	€ million	5.1		5.0		-2.9%
EBIT margin	%	4.7		4.5		-0.2 pps
Earnings before taxes (EBT)	€ million	4.3		4.2		-1.5%
Net result for the period	€ million	3.5		3.3		-6.3%
Cash flow from operating activities	€ million	2.2		11.3		> 100%
Free cash flow[2]		-2.7		9.8		> 100%
Employees						
Group	persons	1,024		1,019		-0.5%
Investments in tangible assets	€ million	4.8		1.5		-68.8%

[1] Turnover adjusted for discontinued operations with Dr Oetker Bakeware
[2] Cash flow from operating activities + cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as from sales of divisions

Foreword

To our shareholders

The second quarter of 2013 was marked by a significant turnover growth of 8.2%, with which by the end of the first half-year we have more than offset the weather-related lower turnover in the first quarter.

The still unresolved euro and debt crisis continues to burden the Southern European sales regions in particular, but also affects demand in the key markets of Central Europe, such as the Netherlands and Belgium. To counter this development, we very successfully launched a series of product innovations that we presented earlier this year at international trade fairs.

Overall, in the first half of 2013 these effects resulted in a turnover increase of about 1% to € 108.8 million (previous year: € 107.9 million), adjusted for discontinued operations with Dr Oetker Bakeware. A positive development was Brand Business, vital for us. Here, turnover rose strongly by 1.5% to € 88.7 million (previous year: € 87.4 million). In our smaller segment, Volume Business, turnover declined by 1.7% to € 20.1 million (previous year: € 20.5 million).

EBIT of the Leifheit Group reached € 5.0 million in the first six months of this year, slightly below the previous year's figure of € 5.1 million. This was mainly due to clearance sales of obsolete stock of the Dr Oetker Bakeware brand, value adjustments and increased turnover reductions, as well as customer mix effects, which overall negatively affected the gross margin. In addition, there were extraordinary effects that affected provisions for severance payments, which were largely offset by positive effects from the valuation of foreign exchange forward transactions.

Measured against the goals we set ourselves we cannot be satisfied with the recent developments in the current financial year 2013. We have therefore resolved for the second half of the year to work more consistently on implementing our "Leifheit GO!" strategy and generating further growth for Leifheit.

Two measures should be mentioned at this point: first is the revision of our brand presence at the point of sale in Germany and the developed countries of Europe, under the term POS-excellence. At the Ambiente fair in Frankfurt we have already very successfully presented our intelligent solutions for retailers, which meet the increasing brand and quality awareness of consumers. Since the presentation in February, the number of locations for our shop-in-shop solutions within Germany has more than doubled on 2012. Our customers are actively seeking out the new appearance, not only domestically but also increasingly internationally – a good sign!

Secondly, in the coming months we will continue to further develop our e-commerce activities. This sales channel is developing at a high growth rate. Compared with the first half of 2012, we increased our turnover in the first six months of this year again by more than 20%. So our e-commerce activities actively contribute towards exploiting further international growth potential for Leifheit.

We will also significantly increase our capacity for innovation through organisational measures. In addition, we will implement our growth strategy in a highly concentrated manner in our focus countries in Central and Eastern Europe, and from 2014 in Turkey and expand our distribution there. So despite a difficult start to 2013 we are looking with cautious optimism towards the second half of the year and for the current financial year we are maintaining the forecast set out in the 2012 annual financial report.

In the medium term, our goal is to achieve sustainable and profitable turnover growth of 3 to 5% at Group level. At the same time we are aiming for a strong earnings upturn. By 2016, the EBIT margin should rise to 8% – a bold but realistic goal. The consistent focus on our "Leifheit GO!" strategy will help us achieve these ambitious growth and profitability goals.

Dr Claus-O. Zacharias

The Leifheit share

Good performance of the financial market in the first half of 2013

In the first half of 2013 the mood on the German stock markets was generally positive. Despite some political uncertainty, for example in connection with the bailout package for Cyprus, the expansionary monetary policy of the European Central Bank boosted the equity markets in particular. After a good first quarter and a consolidation phase in April, at the end of May the SDAX – the benchmark for the Leifheit share – reached a high of 6,110 points. The index closed at 5,795 points at the end of the period – an increase of 10.4% in the first six months. After the reporting period, the SDAX fell again but by 15 July had risen again to 5,916 points.

Continued consolidation affects Leifheit share in the second quarter

The Leifheit share began the new year well and ended the first quarter at € 33.22. This represents an increase of 15% within the first three months. By the beginning of April, the price rose to a level of around € 30 and on 8 April reached € 35.30, a record high.

From mid-April, increasing consolidation of the share began. On 23 May the major shareholders announced an end to talks on the sale of their shares. At the same time it was announced that Chairman of the Board of Management Georg Thaller would be leaving the company with effect from 31 May 2013. Afterwards, the share price dropped over the course of June, falling to € 26.00 – the lowest share price in the second quarter.

The share ended the first half of the year at € 26.95 – a drop of 7.1% from the end of 2012 and more than 13% below the SDAX. After the end of the reporting period, the Leifheit share stabilised at around € 27.

Compared to the first three months of 2013, the trading volume of the Leifheit share rose in the second quarter to an average of around 6,000 shares per trading day (first quarter 2013: 4,100 shares per day). The market capitalisation of Leifheit AG at the end of the second quarter 2013 stood at € 132 million, almost 7% lower than at the beginning of the year.

Minor changes in the shareholder structure

In the second quarter of 2013 and after the end of the reporting period, there were changes in the Leifheit shareholder structure due to acquisitions of Home Beteiligungen GmbH amounting to a total of 0.63%.

The following shareholders currently hold more than 5% of the shares in Leifheit AG:

Home Beteiligungen GmbH, Munich	50.27%
MKV Verwaltungs GmbH, Grünwald	10.03%
Joachim Loh, Haiger	6.62%
Leifheit AG, Nassau	5.01%
Free float	28.07%

Interim management report and selected explanatory notes

These unaudited condensed consolidated interim financial statements for the quarter and six-month period ending 30 June 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB), in particular in accordance with the provisions of IAS 34. The same accounting and valuation principles were applied as in the consolidated financial statements as at 31 December 2012 in addition to the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee (IFRIC and SIC) relevant to Leifheit that are mandatory from the financial year 2013.

On 1 January 2013 the revised standard IAS 19 – Employee Benefits (2011 revision) – was applied for the first time. The actuarial gains and losses for defined benefit plans are recognised in the period in which they are incurred in full in other comprehensive income, immediately adjusted into the other reserves, and not reclassified as profit or loss in subsequent periods. As a result of the adjustment recognised in equity, employee benefits obligations rose by € 13.3 million and deferred tax assets by € 3.7 million, while equity decreased by € 9.6 million as at 1 January 2013.

The application of all other standards and interpretations relevant to Leifheit and mandatory from the financial year 2013 had no material impact. Other new or revised, published but not yet effective standards and interpretations were not applied prematurely.

The condensed consolidated interim financial statements do not include all information and disclosures required for consolidated financial statements at the financial year end, and are therefore to be read in conjunction with the consolidated financial statements as at 31 December 2012. The accounting and valuation principles are described there in detail.

Cyclical and seasonal factors are described, where essential, in the section “Economic environment” and “Results of Operations”.

Group structure and business activities

The Leifheit Group is one of the leading European brand suppliers of household items. Our operating business is divided into two segments: Brand Business and Volume Business.

In Brand Business, we distribute our products under two well-known brands: Leifheit and Soehnle. The products of our Brand Business are characterised by high-quality workmanship in combination with a high degree of consumer benefit and are offered in the medium- to raised-price sector.

The Volume Business of the Leifheit Group includes the French subsidiaries Birambeau and Herby as well as the Project Business. Here we offer product assortments in the medium price range plus customer-specific product developments and their manufacture, as well as contract manufacturing for third parties.

Across both divisions, we focus on our core competences in the categories of cleaning, laundry care, kitchen goods and wellbeing.

Leifheit AG has been a stock corporation under German law since 1984. Its domicile and headquarters are still at its place of foundation, Nassau/Lahn, Germany.

Nassau (administration and production) and Zuzenhausen (logistics) are the most important sits of Leifheit AG in Germany. In addition, there are three foreign constituent branches with no legal status. Leifheit AG has 12 direct or indirect subsidiaries.

Scope of consolidation

On 29 May 2013 the outstanding 49% of shares in the already controlled and fully consolidated Leifheit Distribution S.R.L., Bucharest, Romania, were acquired from the minority shareholder. The impact on the interim financial statements is not material.

No other changes in the scope of consolidation took place during the reporting period.

Economic environment

Global economy stabilising at a low level

Since the beginning of the year, the global economy has somewhat stabilised. This was mainly due to the relatively robust economic growth in the USA and emerging economies, especially China. However, a cooling of the economy could also be observed at a high level in China in the first half of the year. In Europe in the first six months of 2013 the biggest challenge remained tackling the fight against unemployment not only in the crisis-ridden European countries of Greece and Spain, but also in France, in order to prevent a further deepening of the recession in the Eurozone.

Germany bucks the euro crisis

Despite the ongoing recession in the Eurozone, economic growth in Germany is still relatively stable compared with other European countries.

According to preliminary estimates by the German Institute for Economic Research (DIW) in Berlin, gross domestic product in Germany stood at 0.5% in the second quarter, an increase of 0.4pps on the first quarter.

The Ifo Business Climate Index also rose slightly again in June to 105.9 points. At the beginning of the second quarter, the index stood at 104.4 points. The retail sector was slightly less positive in terms of current business performance, but still looks to the future with optimism.

Consumers are the most important pillar of the economy

Recession and the euro crisis did not spoil Germans' appetite for consumption in the second quarter of 2013. Private consumption accounted for 60% of the gross domestic product (GDP) and thus proved to be the main stabiliser of the economy in Germany. Although according to the Association for Consumer Research (GfK) consumers' willingness to buy declined slightly in June, it remained on a very high level at 6.5 points. Thus GfK confirms the forecast that in 2013 consumer spending in real terms will rise by about 1% on last year. However, due to low interest rates, consumers are investing primarily in larger, high-quality and long-term purchases, such as property. A stable job market, good wage settlements and low inflation have also led to income expectations rising further in Germany.

Results of operations

At 31 December 2012 we ended the license agreement for the use of the naming rights to the brand Dr Oetker Bakeware. The turnover of Dr Oetker Bakeware amounted to € 2.6 million in the first half of 2012. In the first six months of the current financial year, as part of the final completion, sales totalling € 1.5 million were made. For better comparability, in the comments below turnover for this year and last year has been adjusted for the business with Dr Oetker Bakeware.

Catch-up effects in the second quarter revive Group turnover

In the second quarter of 2013, the Leifheit Group achieved turnover growth of 8.2% to € 52.4 million (previous year: € 48.4 million). Thus we were able to more than offset the weak first quarter of 2013, which was dominated by the unfavourable weather conditions for our business with an unusually long cold spell. In total, Group turnover for the first half of 2013 rose just under 1% to € 108.8 million (previous year: € 107.9 million).

Within Germany Leifheit achieved growth of 1.4% to € 49.0 million (previous year: € 48.3 million). The above-mentioned catch-up effects and the introduction of some attractive product innovations, such as our window vacuum cleaner, the Varioline laundry drying rack or the Linolift rotary dryer, are the reasons behind this increase in sales.

In other European countries, the turnover increased by 1.7% to € 54.3 million (previous year: € 53.4 million). A particularly positive contribution to this was provided by the region of Eastern Europe, which as part of our strategy once again booked growth of 8.1% to € 8.8 million (previous year: € 8.2 million). In Central Europe, the turnover remained more or less constant at € 45.4 million (previous year: € 45.2 million). As in the first quarter, demand in the Netherlands, one of our most important markets, declined sharply over the course of the first half of the year. There were also declines in turnover in Italy, Belgium and Switzerland.

Turnover in other regions of the world were weaker than in the same period in 2012 in total. Overall, turnover fell 9.3% to € 5.6 million (previous year: € 6.2 million).

Group turnover in the reporting period was divided as follows: Germany accounted for 45.0%, 41.8% was generated in the region of Central Europe, 8.1% in Eastern Europe and 5.1% of turnover was generated in other regions across the world. Thus at 55.0% the foreign share remained more or less constant compared with the first half of 2012 (previous year: 55.2%).

Growth for Brand Business

In the first six months of 2013, the Brand Business recorded growth of 1.5% compared to the same period of the previous year. This result is to be viewed against the background of the weak first quarter of 2013 where we saw a drop of 5.8%. From a half-yearly perspective, with our Leifheit and Soehnle brands we generated a turnover of € 88.7 million (previous year: € 87.4 million). The share of the Brand Business in Group turnover was thus almost unchanged at 81.5% (previous year: 81.1%).

Our domestic market of Germany rose again with a turnover increase of 3.0% to € 46.4 million (previous year: € 45.0 million). In contrast, the turnover in Central Europe declined during the reporting period by 2.6% to € 29.7 million (previous year: € 30.5 million). This was particularly due to subdued demand in the Netherlands, Italy, Belgium and Switzerland. In contrast, Austria, the Scandinavian countries and Spain posted good growth figures, including double-digits for some countries. In Spain, there was a stabilisation of turnover for the first time, after the region regularly posted declining turnover following the intensification of the financial and debt crisis.

In Eastern Europe, which we defined as a strategic growth region, turnover in the first half of 2013 rose again by 8.0% to € 8.8 million (previous year: € 8.2 million). The highest growth rates were achieved in the Czech Republic, Slovakia and Russia.

Overseas, especially with our business in the Far East, we booked a strong growth of 7.2%. In total, the overseas region generated turnover of € 3.8 million (previous year: € 3.7 million); an increase of 3.6% on the previous year.

Details of the performance of the four product categories of Brand Business are set out below:

The **cleaning** category profited in particular in the second quarter from the launch of our new window vacuum cleaner. This product innovation generated a particularly high demand, so there were even some supply shortages, which at times made air freight deliveries necessary. Turnover in the cleaning product category increased accordingly in the first half of 2013 to € 26.5 million (previous year: € 23.2 million). This corresponds to an above-average growth of 14.5%. Both within the German market as well as in other European countries, for example in the Czech Republic, France and the Baltic region, our cleaning products were increasingly in demand. Turnover declined only in Switzerland and Russia.

Also in the **laundry care** category catch-up effects in sales of rotary dryers and the launch of product innovations led to a clear turnover increase in the second quarter. While turnover in the first quarter still stood at minus 6.9%, this product category only booked a slight decline on a half-yearly basis of 1.1% to € 40.2 million (previous year: € 41.1 million). In the reporting period dryers were almost able to reach the previous year's turnover, while turnover in ironing and steam ironing products was slightly behind last year's figures. This was due to the lack of domestic demand, which could only be partly offset by stronger sales abroad. Overall, current weak consumption impacted the laundry care product category particularly in the Netherlands, while the Spanish market was able to set a positive course.

Our **kitchen goods** generated in the first six months turnover of € 8.4 million (previous year: € 9.6 million). The decrease of 11.9% on the previous year was mainly due to high levels of clearance sales of obsolete stocks in 2012. Also there were declining turnovers in nearly all domestic sales channels. In addition, elsewhere in Europe we suffered significant falls in turnover in France, Belgium and Switzerland.

In the **wellbeing** category with the Soehnle brand we increased turnover by around 1% to € 13.6 million in the first half of 2013 (previous year: € 13.5 million). Slight falls in turnover in kitchen and bathroom scales were offset by significant increases in the Relax range. We were particularly successful with our Soehnle products in France and Scandinavia, whereas we recorded lower sales in the Middle East, the Netherlands, Italy and Belgium.

Volume Business slightly below previous year

In our second segment, Volume Business, turnover decreased in the first six months by 1.7% to € 20.1 million (previous year: € 20.5 million). Correspondingly, the share of the Volume Business in Group turnover fell to 18.5% (previous year: 18.9%).

While in Central Europe – and mainly in France – it booked a strong increase of 7.2% to € 15.8 million (previous year: € 14.7 million), business in Germany and the USA fell sharply. Our domestic market generated turnover of € 2.6 million (previous year: € 3.3 million). The reason for this was that in Germany a successful sales campaign with a well-known retail chain could not be repeated in the current reporting period. In the USA, turnover fell to € 1.8 million (previous year: € 2.5 million) due to sales difficulties in the Project Business with a US customer.

Details of the performance of the product categories of Volume Business are set out below:

In line with planning, the **cleaning** category did not generate any significant turnover in the first six months of 2013.

The **laundry care** category contributes nearly 30% of turnover of the Volume Business. The product category in the first half of 2013 booked a turnover of € 5.9 million (previous year: € 6.0 million) – a fall of 1.5%. Our French subsidiary Herby was able to grow in this category to € 4.5 million (previous year: € 4.3 million). The higher volume of special offers at a known hypermarket and the new listing in a leading Dutch trading company had positive effects here. This was offset by lower sales on the German market.

At almost two-thirds, the product category **kitchen goods** still has the largest share of turnover in the Volume Business. However, turnover declined slightly by 4.4% to € 12.2 million in the first six months of 2013 (previous year: € 12.7 million).

Within the product category kitchen goods, our French subsidiary Birambeau booked a slight turnover increase of 1.3% to € 10.5 million (previous year: € 10.4 million). The biggest impact in this product category, however, was the weak Project Business in the USA, which burdened turnover with kitchen goods.

In the **wellbeing** category we generated a turnover of € 0.9 million in the first six months of 2013 (previous year: € 0.5 million) beyond our brand names. Here, a customer loyalty program in the Netherlands had a positive effect.

Contract manufacturing from the plant in Blatná/Czech Republic fell slightly compared with the previous year, booking a turnover of € 1.1 million (previous year: € 1.3 million). The share of Volume Business was therefore reduced to 5.5%.

Development of the Group's gross margin

In the first half of 2013, the Group's gross margin, at 44.2%, (previous year: 44.5%) was slightly down on the previous year. Clearance sales of obsolete stock of the Dr Oetker Bakeware brand, value adjustments and increased revenue reductions had a negative impact on the gross margin. This was partially offset by positive currency effects, so that the gross margin in the Brand Business segment at 46.5% remained at a high level (previous year: 46.7%). In contrast, the gross margin in the Volume Business declined from 35.1% in the first half of 2012 to 33.8% in the current reporting period due to customer mix effects.

Group EBIT

Group EBIT reached € 5.0 million in the first six months of the reporting year (previous year: € 5.1 million), a fall of 2.9% compared with the first half of 2012. The reason for this development was particularly the aforementioned decline in gross margin. Earnings were also impacted by negative extra ordinary effects of approximately € 1.2 million, relating to provisions for severance payments. However, these were largely offset by positive effects from the valuation of foreign exchange forward transactions.

The result in the Brand Business segment amounted to € 4.1 million (previous year: € 4.0 million). In the Volume Business, we achieved an EBIT of € 0.9 million (previous year: € 1.1 million).

Earnings before taxes (EBT) developed correspondingly at Group level. With a fall of 1.5% this reached € 4.2 million (previous year: € 4.3 million).

The tax rate increased from 18.6% to 22.6%. Net result for the period at € 3.3 million was slightly below the previous year.

Financial position and net assets

Liquidity

Cash flow from operating activities amounted to € 11.3 million (previous year: € 2.2 million). This was attributable to the net result for the period of € 3.3 million (previous year: € 3.5 million), depreciation and amortisation of € 3.4 million (previous year: € 3.2 million), the increase in receivables and other assets in the amount of € 9.1 million (previous year: increase of € 2.9 million). This was counteracted by the decrease in accounts payable and other liabilities of € 4.2 million (previous year: € 1.5 million).

Cash flow from investment activities fell to € 2.6 million (previous year: € 5.8 million). Payments for investments declined due to non-recurring expansion investments in the previous year by € 3.3 million to € 1.6 million. This was offset by proceeds from a claim for payment of the remainder of the purchase price from the sale of assets related to the abandonment of the license agreement with Dr Oetker Bakeware, totalling € 1.8 million. The changes in the financial assets of € 2.3 million had a positive effect (previous year: € 6.6 million).

Cash flow from financing activities mainly consisted of dividends paid and amounted to € -7.1 million (previous year: € -6.1 million).

Cash and cash equivalents increased accordingly compared to 31 December 2012 by € 7.2 million to € 40.9 million.

Free cash flow reflects how much liquidity remains for the shareholder or partner dividends or for repayment of external financing. Free cash flow is the total cash flow from operating activities and cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as from sales of divisions. In the first half of 2013, free cash flow amounted to € 9.8 million (previous year: € -2.7 million). The main factors were the decrease in trade receivables and other assets and lower capital expenditure compared to the same period last year.

Investments

The additions to tangible assets amounted to € 1.5 million (previous year: € 4.8 million) and related to tools for new products, machinery, rationalisation investments for production plants, display stands as well as tools and equipment. In the previous year expansions at the production plant in the Czech Republic as well as warehouse automation at the logistics centre in Zuzenhausen led to increased investments in tangible assets. During the reporting period, additions to intangible assets as in the previous year were € 0.1 million.

The investment ratio amounted to 0.9% of the historic cost of the acquisition and production of the assets. We invested € 1.4 million in Brand Business and € 0.2 million in Volume Business. Investments were offset by depreciation of tangible assets amounting to € 2.8 million and amortisation of intangible assets amounting to € 0.6 million.

Adjustment of the balance sheet structure as at 1 January 2013

The first-time application of the revised IAS 19 – Employee Benefits (2011 revision) – led on 1 January 2013 to a significant adjustment of the balance sheet structure of the Leifheit Group compared with the consolidated financial statements as at 31 December 2012.

Through the application, actuarial losses of € 13.3 million, not recorded at 31 December 2012, were recorded on 1 January 2013 in the employee benefits obligations (pension reserves), thus increasing the Group's obligations. The adjustment was made in consideration of deferred taxes recognised directly in equity in the amount of € 3.7 million. This resulted in a decrease in equity of € 9.6 million. The equity ratio as of 1 January 2013 thus amounted to 45.0%.

Balance sheet structure as at 30 June 2013

Total assets fell by € 5.0 million from € 202.2 million on 31 December 2012 to € 197.2 million.

Cash and cash equivalents increased by € 7.2 million to € 40.9 million. Trade receivables increased by € 6.1 million to € 45.4 million compared to 31 December 2012, and inventories fell by € 3.3 million to € 36.1 million. Due to closed forward foreign exchange contracts, current derivative financial instruments increased to € 1.3 million. Other current assets decreased by € 2.8 million to € 1.8 million. This decline was mainly due to a residual purchase price from the sale of assets related to the abandonment of the license with Dr Oetker Bakeware, the decline in VAT receivables and supplier bonuses. The deferred tax assets increased primarily due to the adjustment of the pension obligation by € 3.3 million to € 10.3 million.

Trade payables and other liabilities fell accordingly compared to 31 December 2012 by € 2.9 million to € 42.1 million. Employee benefit obligations increased by € 12.9 million to € 55.8 million, mainly due to the change in the accounting of pension reserves.

Equity decreased by € 13.2 million from € 102.4 million as at 31 December 2012 to € 89.2 million as at 30 June 2013. The majority of this was due to the already explained adjustment of the accounting of pension reserves of € 9.6 million and the payment of dividends of € 7.1 million. The net result for the first six months of 2013 amounted to € 3.3 million, which had a positive impact. The equity ratio stood at 45.2%.

Compared with the end of 2012, there were no material changes in non-balance-sheet assets (mainly leased and rented goods). In addition no new off-balance-sheet financing instruments were used. There were no company purchases or sales except for the acquisition of the minority interest in Leifheit Distribution S.R.L., Romania.

Treasury shares

Leifheit used no treasury shares in the first half of 2013. In the same period in the previous year 3,646 treasury shares, corresponding to 0.07% of the share capital, were issued in the form of employee shares. The corresponding interest in the share capital was k€ 11.

Neither in the current reporting period nor in the previous year were treasury shares purchased. Including the treasury shares purchased and issued in previous years Leifheit held on 30 June 2013 an amount of k€ 7,598, corresponding to 250,525 treasury shares (5.01% of the share capital). The corresponding interest in the share capital was k€ 752.

There are no subscription rights for members of Group organs and employees in accordance with section 160 para. 1 no. 5 of the German stock corporation act (AktG).

Commitments

The Group companies have not entered into any commitments.

Contingencies and other financial liabilities

There are rental and leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with an annual expense of € 4.0 million (previous year: € 4.5 million). The future minimum payments on basis of lease and rental agreements without cancellation option amount to € 1.4 million up to one year (previous year: € 1.4 million), € 2.6 million between one and five years (previous year: € 2.7 million) and € 0.0 million for more than five years (previous year: € 0.4 million). The leases constitute operating leases within the meaning of IAS 17.

As at 30 June 2013, purchase commitments totalled € 0.9 million (previous year: € 1.3 million). There are contractual obligations to acquire items of tangible assets in the amount of € 1.0 million relating to tools in particular. A contingent liability in the amount of € 1.4 million of Leifheit-Birambeau S.A.S. in France exists from a tax audit that is still pending.

Other financial assets and financial liabilities

Financial assets and liabilities measured at fair value as affecting net income

Financial assets and liabilities measured at fair value as affecting net income are those forward exchange contracts and currency swaps that do not qualify as hedges. These financial instruments are used to reduce the foreign currency risk for sales and purchases based on an assessment of the management with regard to the business development.

As at 30 June 2013, the following forward exchange contracts and currency swaps are not accounted as cash flow hedge instruments:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	€ 50.3 million	USD 67.1 million	€ 51.3 million
Buy HKD/€	€ 5.0 million	HKD 51.6 million	€ 5.0 million
Buy CZK/€	€ 1.4 million	CZK 36.0 million	€ 1.4 million
Sell USD/€	€ 3.6 million	USD 4.7 million	€ 3.6 million

Hedges – cash flow hedges

As at 30 June 2013, there were forward exchange contracts for future payment obligations in U.S. dollars, which can be attributed to a transaction that is highly probable to materialise in the future. It involved the expected and highly probable future purchases of goods in the months of July 2013 to December 2014 from suppliers in the Far East amounting to USD 22.5 million, classified as highly effective. An unrealised expense of k€ 374 on hedging instruments (of which k€ -145 is the effect from tax on income) was recognised in equity with no impact on net income as at 30 June 2013.

Hierarchy of fair values

All financial instruments recorded at fair value are classified into three categories defined as follows:

level 1: quoted market prices

level 2: assessment procedure (input parameters observed on the market)

level 3: assessment procedures (input parameters not observed on the market)

All financial assets and liabilities to be measured at fair value are assigned to level 2. In the period from 1 January 2013 to 30 June 2013 there were no transfers between levels.

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

k€	Valuation category in accordance with IAS 39	Book value 30 June 2013	Book value 31 Dec 2012	Fair value 30 June 2013	Fair value 31 Dec 2012
Financial assets					
Cash and cash equivalents	a)	40,885	21,738	40,885	21,738
Structured money market instruments	d)	–	11,979	–	11,979
Trade receivables	a)	45,436	51,535	45,436	51,535
Derivative financial assets	c)	1,269	12	1,269	12
Other financial assets	a)	1,200	6,593	1,200	6,593
Financial liabilities					
Trade payables	b)	15,243	19,073	15,243	19,073
Derivative financial liabilities	c)	80	389	80	389
Other financial liabilities	b)	16,087	15,664	16,087	15,664

a) loans and receivables not quoted on an active market
b) financial liabilities carried at amortised cost
c) financial assets and liabilities measured at fair value without effects on net income
d) financial assets and liabilities measured at fair value with effects on net income

Overall statement

After a less than satisfactory first quarter of 2013, we were able to compensate for the turnover shortfall in the second quarter. From a half-year point of view, we were thus able to record a slight increase in turnover. A brighter market environment as well as belated purchases in the second quarter following the freezing spring temperatures had a significant positive effect. At the same time our product innovations have been well received on the market. However, we continue to struggle with declining demand in important sales regions such as the Netherlands, Italy and Belgium and could not achieve our ambitious growth targets in the first half-year. Also, our earnings have not yet developed in the first half-year in accordance with our expectations. With cash totalling € 40.9 million and an equity ratio of 45.2% we are nevertheless soundly positioned to meet the further challenges in 2013.

Employees

In the first six months, the Leifheit Group employed an average of 1,019 people (previous year: 1,024) , of which 735 employees were in Brand Business and 284 in Volume Business.

Employees by region

Locations	1 January to 30 June 2013	1 January to 30 June 2012
Germany	406	405
Czech Republic	372	378
France	175	176
Other countries	66	65
Group	**1,019**	**1,024**

At 39.8%, the largest portion of our employees work in Germany, followed by 36.5% in the Czech Republic and 17.2% in France. The remaining 6.5% of employees are located in different countries within Europe and the USA.

Personnel changes in Group organs

On 31 May 2013, former Chairman of the Board of Management Georg Thaller resigned from the company. Dr Claus-O. Zacharias is leading the company as sole Managing Director in the interim period.

There were no additional personnel changes in the organs of Leifheit AG in the reporting period.

Opportunities and risks

For information on the opportunities and risks at Leifheit, please see the detailed description in the consolidated management report as at 31 December 2012. There were no material changes in the reporting period. Furthermore, we do not expect any individual or aggregate risks which threaten the company as a going concern.

Related party transactions

There were no relations or transactions with related persons or companies outside the Group in the reporting period.

The parent company in whose consolidated financial statements Leifheit AG is included is Home Beteiligungen GmbH, Munich.

Events after the end of the reporting period

Since 30 June 2013 there have been no events of special significance that would have a material impact on the net assets, financial position and results of operations of the Leifheit Group.

Dividend paid

On 7 June 2013, a dividend of € 1.50 per no-par-value bearer share eligible to receive dividends was paid to the shareholders from the balance sheet profit of the company for the financial year 2012 – this is a total of € 7,124,212.50 due to 4,749,475 no-par-value bearer shares.

Forecast

Global economy cools

At the beginning of July, the International Monetary Fund (IMF) lowered its forecast for global economic output in 2013 by a further 0.2% compared to April. The IMF is currently forecasting growth of 3.1% for the year. Also with regard to emerging economies, the IMF reduced its forecast and now estimates an economic performance of 5.0%, 0.3% lower than in the spring. China will continue to grow the strongest with a forecast of 7.8%. For the United States, an increase in economic output of 1.7% is forecast. In the Eurozone, a decline in economic output of 0.6% is forecast due to the continuing difficult economic situation and political uncertainty. Germany is forecast to have the highest growth rate of 0.3%.

Consumers and retailers remain optimistic

The ongoing insecurity in Europe and the major flooding in Bavaria and Eastern Germany had little impact on the optimism of the Germans. The economic outlook, as measured by the Ifo Business Climate Index, remains positive. The same applies to German income expectations, supported by the stable domestic labour market. Only consumers' willingness to buy was down slightly of late, albeit still at a high level. This has been driven in recent months by declining propensity to save due to low interest rates. For the consumer climate a positive trend is still predicted. This is, however, under the assumption that the financial and debt crisis does not escalate further.

Strategic actions for the current financial year

In the second half of 2013, we will continue to place our goals consistently at the centre of our activities. The actions developed as part of the “Leifheit GO!” strategy will help us realise the desired growth potential.

In the second half of the year we will also advance the optimisation of our brand presence in retail sales (POS-excellence) in Germany and the developed markets of Central Europe, as well as promote the further expansion of the e-commerce sector internationally. As with our POS-excellence initiative, our e-commerce activities can already demonstrate tangible results. We are very confident we will again achieve significant growth rates here in the second half of the year.

Aside from these initiatives, we have initiated organisational measures to increase our capacity for innovation, thus returning to a sustainable growth path.

In addition, we will further expand our activities and increase our distribution in our defined growth regions in Central and Eastern Europe and from 2014 in Turkey – also to compensate for cyclical declines in Southern Europe.

Leifheit confirms forecast for 2013

After we were able to overcompensate for weather-related shifts in turnover from the first three months of 2013 in the second quarter and expecting significant sales success due to our innovative products, we are looking to the second half of 2013 with confidence. Nevertheless, we continue to face a number of challenges, such as the tense market situation in the Netherlands or Southern Europe.

Overall, we still expect at Group level to achieve a turnover growth of 2 to 4% on the turnover for 2012 adjusted for business with the Dr Oetker Bakeware brand. However, we assume that the increase in sales will be at the lower end of the range. On the condition that the overall economic conditions in our key markets do not significantly worsen, we maintain that a turnover increase of 3 to 5% in Brand Business remains realistic. In Volume Business, we still expect turnover to increase on the previous year’s level.

On the basis of current analyst estimates, we are assuming an end of year dollar exchange rate of below the level of the end of June 2013, so that positive effects from the valuation of foreign exchange forward transactions will more than compensate the recurring expenses for severance payments year-on-year. Overall, we therefore expect a stable earnings development with EBIT at the level of adjusted earnings for 2012.

We will continue to pursue our goal of achieving sustainable and profitable turnover growth of 3 to 5% in the medium term at Group level. At the same time we are aiming for a strong earnings upturn. By 2016, the EBIT margin should rise to 8% – a bold but realistic goal. The strict focus on our “Leifheit GO!” strategy with the further expansion of our positioning within our focus markets enables us to secure our long-term growth and earnings targets.

Condensed interim consolidated financial statements (unaudited)
Statement of comprehensive income

k€	**1 April to 30 June 2013**	1 April to 30 June 2012	**1 January to 30 June 2013**	1 January to 30 June 2012
Turnover	53,863	51,048	110,292	110,465
Cost of turnover	-30,090	-28,329	-61,543	-61,255
Gross profit	**23,773**	**22,719**	**48,749**	**49,210**
Research and development costs	-978	-814	-1,854	-1,624
Distribution costs	-17,404	-16,591	-35,779	-35,538
Administrative costs	-3,653	-2,955	-7,570	-6,388
Other operating income	522	356	692	515
Other operating expenses	-24	-310	-255	-805
Foreign currency result	-7	-53	1,004	-232
Earnings before interest and taxes (EBIT)	**2,229**	**2,352**	**4,987**	**5,138**
Interest income	58	223	137	337
Interest expense	-503	-611	-1,004	-1,204
Net other financial result	49	–	89	–
Earnings before taxes (EBT)	**1,833**	**1,964**	**4,209**	**4,271**
Income taxes	-383	-264	-953	-795
Net result for the period	**1,450**	**1,700**	**3,256**	**3,476**
Components of comprehensive income after taxes taken directly to equity				
Amounts that are not reclassified in future periods in the statement of comprehensive income:				
Actuarial gains/losses on defined benefit pension plans of which effect on income taxes: k€ -187 (previous year: k€ 0)	–	–	481	–
Amounts that may be reclassified in future periods in the statement of comprehensive income:				
Currency translation of foreign operations	-51	-80	-143	70
Currency translation of net investments in foreign operations, of which effect on income taxes: k€ 130 (previous year: k€ -32)	-75	-238	-334	84
Net result of cash flow hedges, of which effect on income taxes: k€ -145 (previous year: k€ 0)	128	–	374	–
Comprehensive income after taxes	**1,452**	**1,382**	**3,634**	**3,630**
Net result for the period attributable to				
Minority interests	–	-13	–	-16
Shareholders of the parent company	1,450	1,713	3,256	3,492
Net result for the period	**1,450**	**1,700**	**3,256**	**3,476**
Comprehensive income attributable to				
Minority interests	–	-17	–	-18
Shareholders of the parent company	1,452	1,399	3,634	3,648
Comprehensive income after taxes	**1,452**	**1,382**	**3,634**	**3,630**
Earnings per share based on net result for the period (diluted and undiluted)	**€ 0.31**	**€ 0.36**	**€ 0.69**	**€ 0.73**
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	**€ 0.31**	**€ 0.29**	**€ 0.77**	**€ 0.76**

Balance sheet

k€	30 June 2013	31 Dec 2012
Current assets		
Cash and cash equivalents	40,885	33,717
Financial assets	1,001	3,334
Trade receivables	45,436	51,535
Inventories	36,111	39,386
Income tax receivables	1,316	1,255
Derivative financial instruments	1,269	12
Other current assets	1,830	4,638
Total current assets	**127,848**	**133,877**
Non-current assets		
Financial assets	5	5
Tangible assets	37,072	38,844
Intangible assets	18,960	19,489
Deferred tax assets	10,255	6,954
Income tax receivables	2,899	2,852
Other non-current assets	189	186
Total non-current assets	**69,380**	**68,330**
Total assets	**197,228**	**202,207**
Current liabilities		
Trade payables and other liabilities	42,082	44,949
Derivative financial instruments	80	389
Income tax liabilities	331	1,338
Provisions	5,253	5,639
Other current liabilities	–	–
Total current liabilities	**47,746**	**52,315**
Non-current liabilities		
Provisions	2,463	2,527
Employee benefit obligations	55,829	42,928
Deferred tax liabilities	1,902	1,976
Other non-current liabilities	90	88
Total non-current liabilities	**60,284**	**47,519**
Equity		
Subscribed capital	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,598	-7,598
Retained earnings	71,488	75,367
Other reserves	-6,626	2,603
Minority interests	–	67
Total equity	**89,198**	**102,373**
Total equity and liabilities	**197,228**	**202,207**

Statement of cash flow

k€	**1 January to 30 June 2013**	1 January to 30 June 2012
Net result for the period	3,256	3,476
Adjustments for depreciation and amortisation	3,366	3,215
Change in provisions	-218	-163
Result from disposal of fixed assets and other non-current assets	–	-9
Change in inventories, trade receivables and other assets not classified as investment or financing activities	9,118	-2,862
Change in trade payables and other liabilities not classified as investment or financing activities	-4,240	-1,507
Cash flow from operating activities	**11,282**	**2,150**
Proceeds from the sale of a division	–	4,000
Acquisition of minority interests	-78	–
Acquisition of tangible and intangible assets	-1,584	-4,847
Change in financial assets	2,334	6,622
Proceeds from the sale of tangible assets and other non-current assets	1,908	30
Cash flow from investment activities	**2,580**	**5,805**
Change in treasury shares	–	63
Dividends paid to the shareholders of the parent company	-7,124	-6,170
Cash flow from financing activities	**-7,124**	**-6,107**
Effects of exchange rate differences	**430**	**-70**
Net change in cash and cash equivalents	7,168	1,778
Cash and cash equivalents at the start of the reporting period	33,717	29,511
Cash and cash equivalents at the end of the reporting period	**40,885**	**31,289**

Statement of changes in equity

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

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	**Total**
As at 1 January 2012	15,000	16,934	-7,813	72,212	2,521	98,854
Issue of treasury shares	–	–	63	–	–	63
Dividends	–	–	–	-6,170	–	-6,170
Comprehensive income	–	–	–	3,492	156	3,648
of which net result for the period	–	–	–	3,492	–	3,492
of which currency translation of foreign operations	–	–	–	–	72	72
of which currency translation of net investments in foreign operations	–	–	–	–	84	84
As at 30 June 2012	**15,000**	**16,934**	**-7,750**	**69,534**	**2,677**	**96,395**
As at 31 December 2012	15,000	16,934	-7,598	75,367	2,603	102,306
Change in accounting principles in accordance with IAS 19	–	–	–	–	-9,607	-9,607
As at 1 January 2013 (adjusted)	15,000	16,934	-7,598	75,367	-7,004	92,699
Dividends	–	–	–	-7,124	–	-7,124
Acquisition of minority interests	–	–	–	-11	–	-11
Comprehensive income	–	–	–	3,256	378	3,634
of which net result for the period	–	–	–	3,256	–	3,256
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	-143	-143
of which currency translation of foreign operations	–	–	–	–	-334	-334
of which currency translation of net investments in foreign operations	–	–	–	–	374	374
of which net result of cash flow hedges	–	–	–	–	481	481
As at 30 June 2013	**15,000**	**16,934**	**-7,598**	**71,488**	**-6,626**	**89,198**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent company	Minority interests	**Total equity**
As at 1 January 2012	98,854	87	98,941
Issue of treasury shares	63	–	63
Dividends	-6,170	–	-6,170
Comprehensive income	3,648	-18	3,630
of which net result for the period	3,492	-16	3,476
of which currency translation of foreign operations	72	-2	70
of which currency translation of net investments in foreign operations	84	–	84
As at 30 June 2012	**96,395**	**69**	**96,464**
As at 31 December 2012	102,306	67	102,373
Change in accounting principles in accordance with IAS 19	-9,607	–	-9,607
As at 1 January 2013 (adjusted)	92,699	67	92,766
Dividends	-7,124	–	-7,124
Acquisition of minority interests	-11	-67	-78
Comprehensive income	3,634	–	3,634
of which net result for the period	3,256	–	3,256
of which actuarial gains/losses on defined benefit pension plans	-143	–	-143
of which currency translation of foreign operations	-334	–	-334
of which currency translation of net investments in foreign operations	374	–	374
of which net result of cash flow hedges	481	–	481
As at 30 June 2013	**89,198**	**–**	**89,198**

Segment reporting

Key figures by divisions as at 30 June 2013		Brand Business	Volume Business	**Total**
Turnover	€ million	90.2	20.1	110.3
Turnover adjusted*	€ million	88.7	20.1	108.8
Gross profit	€ million	41.9	6.8	48.7
Contribution margin	€ million	33.9	6.0	39.9
Segment result (EBIT)	€ million	4.1	0.9	5.0
Depreciation and amortisation	€ million	2.9	0.5	3.4
Employees on annual average	persons	735	284	1,019

* adjusted for discontinued operations with Dr Oetker Bakeware

Key figures by divisions as at 30 June 2012		Brand Business	Volume Business	**Total**
Turnover	€ million	90.0	20.5	110.5
Turnover adjusted*	€ million	87.4	20.5	107.9
Gross profit	€ million	42.0	7.2	49.2
Contribution margin	€ million	34.1	6.4	40.5
Segment result (EBIT)	€ million	4.0	1.1	5.1
Depreciation and amortisation	€ million	2.5	0.7	3.2
Employees on annual average	persons	725	299	1,024

* adjusted for discontinued operations with Dr Oetker Bakeware

Report of the Board of Management

The Board of Management declares that, to the best of its knowledge and in accordance with the applicable reporting principles for interim reporting, the interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report presents a true and fair view of the business and situation of the Group, together with the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Nassau/Lahn, August 2013

Leifheit Aktiengesellschaft
The Board of Management

Dr Claus-O. Zacharias

Disclaimer

Forward-looking statements

This half-year financial report contains forward-looking statements which are based on the management's current estimates with regard to 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 does it accept any specific obligation to, update forward-looking statements to reflect 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 contained in this half-year financial report and those submitted to the Federal Gazette (Bundesanzeiger). In this case, the version submitted to the Federal Gazette is binding.

In the event of any discrepancies between this English translation of the half-year financial report and the German version, the German version shall take precedence.

Key dates

11 November 2013
Quarterly financial report for the period ending 30 September 2013

11–13 November 2013
Presentation at the German Equity Forum
Frankfurt/Main, Germany

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