Quarterly financial report
for the period ending 30 September 2014

CLEVER

ACTIVE
IN >80
COUNTRIES

1,026 Employees

People
& Ideas

INNOVATION
AND QUALITY

innovative

high-
quality
branded
products

Turnover of € 219.5
million in 2013

POS EXCELLENCE

I TRUST IN
LEIFHEIT

E-COMMERCE

efficient

Focus on
brand and
margin

FOCUS
MARKETS

DISTRIBUTION
IN INTERNATIONAL
MARKETS

Consumer-
oriented
Product inno-
vations

QUALITY

LEIFHEIT Aktiengesellschaft

AT A GLANCE

- Group turnover remains stable at previous year's level
- Brand Business increases by 2.5% to € 133.7 million
- Gross margin rises to 47.1%
- EBIT improves to € 16.2 million, partly due to currency effects
- Turnover forecast remains the same; earnings forecast increased

KEY FIGURES FOR THE GROUP AS AT 30 SEPTEMBER

		2013	**2014**	Change
Turnover[1]				
Group	€ million	162.4	161.7	-0.4%
Brand Business	€ million	130.4	133.7	2.5%
Volume Business	€ million	32.0	28.0	-12.4%
Foreign share	%	56.7	55.6	-1.1 pps
Profitability				
Gross margin	%	43.9	47.1	3.2 pps
Cash flow from operating activities	€ million	23.1	22.7	-1.7%
Free cash flow	€ million	21.0	19.3	-8.0%
EBIT margin	%	4.0	10.0	6.0 pps
EBIT	€ million	6.6	16.2	>100%
EBIT adjusted[2]	€ million	7.6	11.8	55.2%
EBT	€ million	5.2	15.0	>100%
Net result for the period	€ million	4.1	10.6	>100%
Employees				
Group	persons	1,015	1,032	1.7%
Investments in tangible assets	€ million	2.0	3.2	59.7%

[1] 2013 turnover adjusted for residual sales in the amount of € 1.5 million arising out of the Dr Oetker Bakeware business discontinued at the end of 2012
[2] EBIT adjusted for foreign currency result

FOREWORD

To our shareholders

In the third quarter, the global economy continued to lose momentum. This was particularly the case for our major European core markets. The reasons were mainly the political crises, for example in Ukraine, and the developments in Syria and Iraq, which, in addition to the general consumer climate, continue to have a negative effect on business in Eastern Europe. However, in this situation we achieved a turnover of € 161.7 million in the first nine months of the current financial year, allowing us to remain firmly at the same level as the previous year. Hence, our strategic targets continued to have an effect in the third quarter: the largest and most important segment, the Brand Business, grew by 2.5% and achieved a turnover of € 133.7 million. The mild temperatures in the first half-year boosted sales of our rotary dryers and window vacuum cleaners. This continued to be offset by the market departure of an important client from the home improvement/DIY sector at the end of the previous year, an incident that we already reported on in the previous quarters. We are working intensively to compensate for this loss.

As opposed to this, a decline was observed in the Volume Business. Here, we generated a turnover of € 28.0 million in the first three quarters, which resulted in a decline of 12.4% as compared with the previous year. This is consistent with our unchanged goal of continuing to run this segment profitably, and in doing so foregoing turnover, if necessary. However, we continue to be concerned with the partial delisting at one of our French trade partners in the first half-year. We are carrying out intensive negotiations to compensate for this loss.

Our earnings continue to develop favourably, in particular due to currency effects. Over the first nine months, we achieved significant EBIT growth – from € 6.6 million to € 16.2 million. This represents an EBIT margin of 10.0% based on turnover. The profit included positive effects from the foreign currency result amounting to € 4.4 million (previous year: € -1.0 million). Similar to the development of our EBIT, our earnings before taxes (EBT) increased from € 5.2 million to € 15.0 million. The gross margin at 47.1% (previous year: 43.9%) was even higher than in the previous year's period, which reflects our new course for the business year and the slogan "Brands and Margins" and hence our systematic focus on high-profit products.

We have constantly pushed forward with our strategic measures in the first nine months. The continued development of our country strategies with the goal of being able to react faster and more flexibly to changing conditions and also to create synergies at the sales level has borne the first fruit: In the Brand Business, we saw considerable growth in former crisis regions such as Spain, Italy and Greece. The endeavours in the area of e-commerce also resulted in continued growth of almost 20%. We have expanded our team in this area. This also applies to the area of research and development, where we were able to find a capable person to fill the new position of department head in research and development. We are certain that this will take our innovation performance to the next level.

This autumn has been characterised by comprehensive marketing activities for our innovative, ultra-light Air ironing boards: In October, we launched our wide-ranging TV campaign that is being supported by POS activities, flyers, and online campaigns until the end of November. In addition, we are pleased to announce that we received the “Superbrand Germany” award twice, for our Leifheit and Soehnle brands.

In light of the national and international situation, we continue to hold to our overall turnover forecast for 2014. Current developments show that we are on the right path. The current economic environment is too fragile at the present time. Overall, for this year, we expect turnover at the Group level to be equivalent to the adjusted amount for the year 2013. Our intention is to continue to grow particularly in the Brand Business, where we are expecting a rise in turnover of 1 to 3%. Growth in this area is expected to come primarily from business activities associated with the Leifheit brand. We will continue to manage the Volume Business with an emphasis on profitability and anticipate that turnover will decrease over the course of the entire year.

However, we will be significantly increasing our overall earnings forecast for the entire year 2014. Contrary to our forecasts to date, we are expecting an overall EBIT increase to approximately € 18 million to € 19 million for the entire year 2014 under the premise that the exchange rate for the US dollar remains the same at the end of the year. The expected growth in earnings is primarily due to the increased foreign currency result, which, as an effect of the current development of the dollar, will experience a positive effect of € 4 million to € 5 million.

As you can see, we continue to invest in qualified employees with creative ideas, and hence also in the future of Leifheit. And since we mentioned the future: we are currently working on developing an ambitious vision and strategic guidelines for the Leifheit Group for the year 2020 which will lead us in the future and enable us to align all our strategic measures even more systematically to offer innovative products and meet our customers’ needs. Thus we are constantly on the move, and would be glad if you were to accompany us in this new stage on our path steeped in so much tradition.

Kind regards

Thomas Radke Dr Claus-O. Zacharias

THE LEIFHEIT SHARE

Financial markets show increasing uncertainty

After a positive sentiment that generally defined the financial market environment in the first half-year, the uncertainties related to the development of the political crises and future global growth increased in the third quarter. Hence, both the DAX (the German stock index) and the American Dow Jones Index fell significantly in July and August. The SDAX – the benchmark index for the Leifheit share – was also affected by the general downward trend. The index started at 7,405 points in the third quarter, and reached its lowest point at 6,751 points on 8 August 2014. The closing price of 6,853 points on 30 September marked a decline of 7.5% in the third quarter. At the end of the first nine months, the SDAX was practically at the same level as at the beginning of 2014.

Leifheit share

In contrast to its benchmark index, the SDAX, the price of the Leifheit share (ISIN DE0006464506) showed a more positive development in the current reporting year. After our share price rose significantly at the beginning of 2014, it reached a price of € 45.50 in mid-May after the publication of our quarterly figures, the highest price so far this year. The Leifheit share was also affected by the general market trend at the middle of the year, and fell to its lowest price (€ 35.50) in the third quarter of 2014 on 6 and 8 August 2014, respectively. However, its value increased considerably after that, reaching a third-quarter high of € 43.70 on 17 September. On 30 September 2014, our share closed at € 41.29. This development corresponds to a decline in price of 1.0% in the third quarter of 2014, and an increase of approximately 33% as compared to the beginning of 2014. Hence, the Leifheit share outperformed its benchmark index SDAX in the first nine months of 2014 by more than 30 percentage points.

The market capitalisation of Leifheit AG on 30 September 2014 was approximately € 206 million, which corresponds to a decrease of € 2 million as compared to the end of the second quarter of 2014 (approx. € 208 million on 30 June 2014).

Lower trading volume in third quarter

As compared to the average XETRA trading volume in the second quarter, the number of shares traded on the XETRA fell to an average of 1,291 shares per day in the third quarter (Q2 2014: 2,701).

Positive forecasts from analysts

In the third quarter of 2014, Bankhaus Lampe, Berenberg Bank and Close Brothers Seydler Research published studies on Leifheit's share. All three analysts gave a recommendation to buy with price targets between € 42.00 and € 50.00 for the next 12 months.

Shareholder structure unchanged

The current shareholder structure as of 30 September 2014 is as follows:

Home Beteiligungen GmbH, Munich	50.27%
MKV Verwaltungs GmbH, Grünwald	10.03%
Joachim Loh, Haiger	8.26%
Leifheit AG, Nassau	4.97%
Free float	26.47%

INTERIM MANAGEMENT REPORT

Foundations of the Group

The Leifheit Group is one of the leading European brand suppliers of household items. The company stands for high-quality and innovative products with great utility and pioneering designs. We are active at 15 locations in over 80 countries.

Our operating business is divided into two segments:

In the 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 as well as a high degree of consumer benefits, and are offered in the medium to upper price segment.

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 production 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.

We design our products using our own in-house development departments. This is particularly beneficial for the Brand Business, which is driven by innovation. Production takes place at our own production plants in Germany, the Czech Republic and France, as well as in the facilities of external suppliers located in various countries in Europe and Asia. Our products are distributed mostly in Germany and Europe, but also in the USA, the Middle East and the Far East. Distribution takes place in brick-and-mortar shops mainly through large retail chains and wholesalers. We also use more modern distribution channels such as home-shopping and e-commerce.

Leifheit AG has been a listed stock corporation under German law since 1984. The shares of Leifheit AG are listed on the Frankfurt Stock Exchange Prime Standard and are traded on all German stock exchanges (ISIN DE0006464506). As at 30 September 2014, the market capitalisation amounted to approximately € 206 million. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857, and its headquarters and administrative offices are still at their founding location in Nassau/Lahn.

The main locations of Leifheit AG in Germany are Nassau (administration and production) and Zuzenhausen (logistics). In addition, there are three foreign branches that are not independent in legal terms. Leifheit AG has 11 direct or indirect subsidiaries.

Personnel changes in Group organs

As at 1 January 2014, Thomas Radke was appointed the Chairman of the Board of Management. In addition to this function, he is responsible for the Marketing, Development and Sales divisions, as well as for Human Resources from 1 May 2014 onwards.

The ordinary Annual General Meeting reelected the previous members of the Supervisory Board on 22 May 2014:

a) Karsten Schmidt, Penzberg,
   Chairman of the Board of Management of Ravensburger AG, with headquarters based in Ravensburg, Germany
b) Dr Robert Schuler-Voith, Munich, Germany,
   Managing Director of Home Beteiligungen GmbH, with headquarters in Munich, Germany
c) Dr Friedrich M. Thomée, Ascona, Switzerland,
   Managing Partner of Thomée Vermögensverwaltung GmbH & Co. KG, with headquarters in Wolfsburg, Germany
d) Helmut Zahn, Starnberg, Germany,
   Managing Director of Home Beteiligungen GmbH, with headquarters in Munich, Germany

The employee representatives on the Supervisory Board were elected on 13 May 2014. These are Messrs Baldur Groß, Berg, energy electronics engineer at Leifheit AG, and Thomas Standke, Scheidt, toolmaker at Leifheit AG, who was also a member of the previous Supervisory Board. Mr Dieter Metz, Schweighausen, left the Supervisory Board upon the conclusion of the Annual General Meeting on 22 May 2014.

The Supervisory Board reelected Mr Helmut Zahn as its Chairman and Dr Robert Schuler-Voith as his Deputy Chairman.

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

Economic environment

Global economy develops unevenly

Overall, in the first nine months, the global economy was able to sustain the growth it had started the year with, but at a slower rate than expected. As a consequence of this, the International Monetary Fund (IMF) slightly reduced its projections for global economic growth in the current financial year to 3.3%. This applies both to emerging economies and to the Eurozone, although a number of the forecasts showed a greater reduction. The main causes for the development in Europe are due, on the one hand, to the tense geopolitical situation – including, in particular, the conflicts in Ukraine as well as in Iraq and Syria, and, on the other hand, the weak economic growth in the Eurozone and the reluctance to make investments despite persistently low interest rates. For Germany, the IMF's forecast was corrected downwards by 0.3 percentage points to 1.4%. Similar corrections were made for France and Italy. Russia continues to be in danger of entering a recession, in particular due to the current economic sanctions from Western industrial nations.

Consumer confidence in Germany is robust, industrial production declines

In September, the ifo Institute's economic climate index for the industrial sector in Germany fell to 104.7 points (previous month: 106.3 points). This is the lowest value since April 2013. The reasons for this include the sanctions against Russia, as well as the sluggish development of the global economy, which in part have led to a significant drop in industrial production. Even though companies assessed the business situation in autumn as having declined, it remains at a good level when viewed from a long-term perspective.

A similar development was evident for consumer confidence, which according to the German Association for Consumer Research (GfK) declined for the second time in a row in September. At the same time, the expectations for income and economic growth have declined by a similar amount, as has the propensity to buy. However, private consumption continues to play a significant role in Germany's economic growth. According to the GfK, the expenditures of private households rose by 1.5% in the first nine months of 2014. This was mainly due to a significant improvement in the real income situation due to the high employment rate, as well as the low inflation rate. Combined with the low interest rate, consumers tend to consume rather than save their money. Hence, the German Retail Association (HDE) confirms its forecast of moderate growth at a rate of 1.5% in the German retail sector. A significant driver of growth continues to be the e-commerce sector. Overall, it continues to reflect a robust consumer climate in Germany.

Currency developments

In the first four months of 2014, the EUR/USD exchange rate was volatile, but moved sideways overall. However, since May 2014, the value of the US dollar has risen considerably. On 30 September 2014, one euro was worth 1.26 US dollars.

Net assets, financial position and results of operations

Business performance

On 31 December 2012, we ended the license agreement for the use of the naming rights to the Dr Oetker Bakeware brand. In the first nine months of 2013, products were sold off in the amount of € 1.5 million as operations were wound down. The turnover figures for the previous year were adjusted to facilitate comparability in the following comments.

Group turnover remains stable at the previous year's level

In an economic environment that continues to be difficult, the turnover of the Leifheit Group in the first nine months of 2014 totalled € 161.7 million (previous year: € 162.4 million), remaining stable at the same level as the previous year. In the Brand Business, we noted positive momentum in turnover as part of our forecast, while the Volume Business showed an expected decline.

In our domestic market of Germany, the development of turnover continued to be favourable: Our turnover grew by 2.1% to € 71.8 million (previous year: € 70.2 million).

In contrast, turnover in the countries of Central Europe (excluding Germany) declined by 1.8% to € 69.7 million (previous year: € 71.0 million). The significant decline in turnover in the Volume Business, particularly in France, could not entirely be compensated for by positive growth in countries such as Italy, Spain and Scandinavia.

In Eastern Europe, turnover once again increased by 3.1% to € 12.9 million (previous year: € 12.5 million). Nonetheless, this region continues to be heavily influenced by the unstable political situation in Ukraine. Furthermore, this also impacts our sales and expansion efforts, particularly in the metropolitan regions of Russia. Accordingly, we reported the largest decline in turnover in Russia and Ukraine. However, this was compensated for by the positive development in the Czech Republic and in Poland.

In the other regions of the world, we achieved a turnover of € 7.3 million (previous year: € 8.7 million).

The distribution of the Group turnover by region is as follows: 44.4% was in Germany, 43.1% in Central Europe, 8.0% in Eastern Europe and 4.5% in the other regions of the world. At 55.6%, the foreign share was slightly below the level of the previous year's period (56.7%).

In the third quarter, we achieved a Group turnover of € 53.5 million, as in the previous year.

Brand Business

In the first nine months, the Brand Business continued to perform well. We achieved a turnover of € 133.7 million in this segment (previous year: € 130.4 million). This corresponds to growth of 2.5% as compared to the same period in 2013. We were able to successfully compensate for the lack of turnover due to the market exit of one of our most important customers in the home improvement/DIY sector through other sales channels. The growth achieved in this context was mainly due to our increased activities with regard to the product categories of cleaning and laundry care.

The turnover share of the Brand Business increased significantly, and was at 82.7% during the reporting period (previous year: 80.3%). We intend to continue increasing this ratio as part of our strategic plans. These plans call for a focus on the Brand Business and profitability in the current year under the slogan "Brands and Margins". Therefore, we will continue developing the business with innovative branded products from our Leifheit and Soehnle brands.

The turnover in Germany grew by 4.1% to reach € 69.2 million in the first nine months (previous year: € 66.4 million). We continue to benefit from stable domestic demand in our home market.

The turnover from Central Europe also continued to be favourable. It grew by 3.1% to € 47.3 million (previous year: € 45.9 million). Particularly in Spain, Scandinavia and the Netherlands, we achieved significant turnover growth.

We also reported positive developments in Eastern Europe over the first nine months. The turnover increased by 2.9% to € 12.9 million (previous year: € 12.5 million). The reason for this was the significant growth in the Czech Republic and in Poland. The ongoing political unrest in Ukraine impeded higher growth rates. Accordingly, we suffered a decline in Russia and Ukraine as compared to the previous year.

In the other regions of the world, the cumulative turnover in our Brand Business amounted to € 4.3 million (previous year: € 5.6 million). In the United States, we have been working with a new distributor since 2014. As a result of this, we expect positive stimulus for the entire year.

Details on the performance of our four product categories in the Brand Business segment are set out below:

The category **cleaning** experienced continued strong growth of 9.5%, reaching € 45.8 million, in the first nine months (previous year: € 41.8 million). On the one hand, this growth was the result of the ongoing favourable weather conditions, and on the other hand, it resulted from the constantly high demand for our window vacuum cleaner, a product innovation launched in the second quarter of 2013. We generated approximately one-third of the increase in turnover in our domestic market, Germany. Here, our intensive sales efforts at the point of sale, particularly in the home improvement/DIY sales channel, proved effective and resulted in a gratifying rise in demand. At the same time, we saw growth in the sales channels of discounters and Internet retail. Outside Germany, the Netherlands, the Scandinavian markets and the Czech republic contributed the most to the turnover growth.

With a turnover growth of 3.5% to € 58.5 million (previous year: € 56.4 million), our product category **laundry care** continued to be the greatest contributor to Group turnover. In particular, we achieved this growth through constantly high sales of rotary dryers, which we were extremely successful at selling within Germany in the sales channels of cash and carry, discounters and Internet retail. Our ironing products also met with increasing popularity in the third quarter. We were very successful at launching our new Air ironing boards equipped with the high-quality and extremely light special plastic EPP. At the beginning of the fourth quarter of 2014, we launched a comprehensive communications campaign, thanks to which we are expecting further positive turnover effects in this category.

In the first nine months of 2014, our **kitchen goods** product category reported an increase in turnover of 1.8%, reaching € 12.6 million (previous year: € 12.4 million). This growth was primarily due to greater demand from Germany, Spain and France. Outside Europe, as well as in the current crisis regions, turnover mainly declined. The sales growth of our kitchen products was particularly strong in the e-commerce channel, specialist retail stores, as well as in hypermarket distribution.

The product category **wellbeing** consists of the turnover with our Soehnle brand. In the first nine months of the current financial year, this turnover totalled € 16.8 million (previous year: € 19.8 million). The decline in turnover was mainly due to the general reluctance to purchase bathroom and kitchen scales. These areas reported lower turnover, both domestically and overseas. Especially in Central Europe, this is due to more intense competition. Outside Europe, the lack of high-volume contracts with individual products, i.e. promotional and one-off campaigns, is making itself felt. In the product category of wellbeing, our relax product line achieved the same level as the previous year.

Volume Business continues to decline

The development of the Volume Business in the first nine months of 2014 was mainly influenced by two factors: firstly, our strategic focus on the stronger development of the Brand Business, and secondly the partial de-listing of our products by a major French client. Accordingly, the turnover in the Volume Business in the reporting period was lower than that reported for the previous year, as expected. The turnover amounted to € 28.0 million (previous year: € 32.0 million), which meant that it was 12.4% lower than in the first three quarters of 2013. The share of total turnover represented by the Volume Business decreased to 17.3% (previous year: 19.7%).

In Germany, we reported a turnover of € 2.6 million in the first nine months of 2014 (previous year: € 3.8 million). A major home improvement/DIY customer's departure from the market and the resultant lack of sales volume influenced mainly the laundry care product category.

Turnover in Central Europe amounted to € 22.4 million (previous year: € 25.1 million). In overseas markets, turnover remained stable at € 3.0 million (previous year: € 3.1 million). Our activities in Eastern Europe do not currently comprise products from this segment.

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

There was no notable turnover in the **cleaning** category during the first three quarters of 2014, as in the same period of the previous year.

The turnover in our **laundry care** product category amounted to € 9.3 million in the first nine months of the year (previous year: € 9.9 million). The decline is firstly due to a significant customer in the home improvement/DIY sector exiting the market and secondly due to a lack of volume in contract manufacturing. Our turnover in this product category is primarily generated by our French subsidiary Herby. It achieved growth of 1.8% during the reporting period, among other things due to a new listing at a well-known Dutch retail chain.

Our **kitchen goods** product category remained below the previous year's level with a turnover of € 17.0 million (previous year: € 19.6 million). In this product category, we generated approximately two-thirds of our turnover in the Volume Business, primarily with our French subsidiary Birambeau. During the reporting period, Birambeau experienced a decline in turnover of approx. 15%. This is mainly due to partial phasing-out in the case of a French retail customer, for which, to date, we have been unable to compensate.

In the **wellbeing** category, in line with expectations, we did not generate any notable turnover with regard to bathroom and kitchen scales in the first nine months of 2014, due to the non-renewal of a sales campaign implemented in the Netherlands in the previous year (previous year: € 0.9 million).

At our Czech plant in Blatná, we are carrying out **contract manufacturing**. The turnover from this reached € 1.3 million in the reporting period (previous year: € 1.5 million).

Development of results of operation

Reclassifications between distribution costs and cost of turnover with regard to customs duties and licensing fees, and between the interest result and net other financial result have been made in the statement of profit or loss. We have adjusted the values for the period of the previous year in accordance with these changes.

Earnings significantly influenced by foreign currency result

In the first nine months of 2014, we achieved earnings before interest and taxes (EBIT) of € 16.2 million (previous year: € 6.6 million). These earnings were significantly influenced by the foreign currency result amounting to € 4.4 million, which, compared to the same period from the previous year, increased by € 5.4 million. In the third quarter, the foreign currency result amounted to € 4.0 million, and compared to the third quarter of 2013, increased by € 6.0 million.

The reason for this large difference was the revaluation of the US dollar by 8% in the third quarter of 2014, from 1.37 USD/EUR (30 June 2014) to 1.26 USD/EUR (30 September 2014), whereas the value of the US dollar decreased by 4% in the third quarter of 2013. This led to a significant increase in the fair value of US dollar foreign exchange forwards and US dollar cash reserves.

Adjusted for the foreign currency result, EBIT amounted to € 11.8 million (previous year: € 7.6 million). The main reason for the increase of € 4.2 million was the higher gross profit.

The EBIT margin increased from 4.0% in the previous year's period to 10.0% in the first nine months of 2014. It is defined as earnings before interest and taxes in relation to turnover. Adjusted by the foreign currency result, the EBIT margin increased from 4.6% to 7.3%.

In the first nine months of 2014, we achieved earnings before taxes (EBT) of € 15.0 million (previous year: € 5.2 million). The increase as compared to the previous year was primarily attributable to the improvement in EBIT. After deducting taxes, this resulted in a net result for the period of € 10.6 million (previous year: € 4.1 million).

Gross profit

The gross profit rose by € 4.3 million to € 76.2 million in the first nine months of 2014 (previous year: € 71.9 million). The gross profit is calculated from the turnover less cost of turnover.

The gross margin grew again from 43.9% to 47.1%. This is defined as the gross profit in relation to turnover. This increase was the result, in particular, of rationalisation measures, a focus on high-margin business and currency-related improvements in purchase prices for goods denominated in US dollars.

Research and development costs

Our research and development costs mainly include personnel costs, costs for services and patent fees. They amounted to € 2.7 million, € 0.3 million below the amount for the previous year. The decrease affected the expenditures for services.

Distribution costs

The distribution costs, which also include advertising and marketing costs, as well as freight out and shipping charges, amounted to € 50.2 million for the reporting period (previous year: € 50.5 million). This corresponds to a decline of € 0.3 million as compared to the same period of the previous year and, among other things, is due to lower personnel costs, depreciation and amortisation, and allowances for receivables, while the advertising costs increased.

Administrative costs

Our administrative costs increased by € 0.4 million to € 11.6 million in the first nine months of the year (previous year: € 11.2 million). Higher personnel costs were compensated for by lower expenditures for services. In addition to the personnel costs and costs for services, administrative costs also include the expenditures for supporting our financial and administrative functions.

Other operating income and expenses

Other operating income decreased by € 0.2 million to € 0.8 million in the reporting period (previous year: € 1.0 million). This primarily comprises commission and licensing income. Other operating expenses rose by € 0.2 million to € 0.7 million in the reporting period (previous year: € 0.5 million).

Foreign currency result

Our foreign currency result rose by € 5.4 million to reach € 4.4 million in the first nine months of 2014 (previous year: € -1.0 million). This result includes income from changes in the fair value of currency forwards of € 3.4 million (previous year: € -1.0 million), income from foreign currency valuations of € 1.3 million (previous year: € -0.1 million) and realised losses of € 0.3 million (previous year: € -0.1 million).

Interest result

As in the previous year, the interest result amounted to € -1.2 million and consisted primarily of interest expenses from the compounding of pension obligations of € 1.4 million (previous year: € 1.4 million) and interest income from financial instruments and the compounding of receivables of € 0.3 million (previous year: € 0.2 million).

Taxes

In the first nine months of 2014, income taxes amounted to € 4.4 million (previous year: € 1.2 million). The tax rate increased from 22.4% in the previous year to 29.4%. The figure reflects the relationship between income taxes and earnings before taxes. For the last time, the figures for the previous year included adjustments to the recognition of deferred tax assets from tax loss carry-forwards of Leifheit AG.

Segment results

In the Brand Business, we achieved an EBIT of € 13.3 million in the first nine months of 2014 (previous year: € 4.7 million), a significantly higher figure than in the previous year. Adjusted for the foreign currency result, EBIT amounted to € 9.4 million (previous year: € 5.6 million). Gross margin rose by 3.3 percentage points from 46.3% in the previous year to 49.6%. Gross profit amounted to € 66.3 million, representing an increase of € 5.3 million. This was due to rationalisation measures, our focus on high-margin business and favourable US dollar exchange rates. The contribution margin thus amounted to € 55.7 million (previous year: € 50.3 million). This is defined as gross profit less commissions and freight out. The increase in adjusted EBIT in the Brand Business was largely due to the increase in gross profit.

In the Volume Business, EBIT amounted to € 2.9 million (previous year: € 1.9 million). EBIT after adjusting for the foreign currency result amounted to € 2.4 million (previous year: € 2.0 million). A lack of contribution margins as a result of the fall in turnover was more than offset by the relative increase in the gross margin, cost savings and lower depreciation and amortization. Gross margin rose by 1.2 percentage points from 33.9% in the previous year to 35.1%. Currency effects and shifts in the product mix contributed to this increase. However, gross profit fell in absolute terms by € 1.0 million to € 9.8 million as a result of a lack of contribution margins due to the fall in turnover. The contribution margin amounted to € 8.8 million (previous year: € 9.8 million). The distribution and administrative costs, as well as other expenditures, decreased by € 1.2 million as compared to the same period of the previous year.

Development of the financial situation

Capital structure

As at 30 September 2014, our liabilities ratio was 56.9%, which was 3.4 percentage points higher as compared to 31 December 2013. This key figure is calculated on the basis of liabilities as a percentage of equity and liabilities. The distribution of dividends in the amount of € 7.8 million and the increase in pension obligations in the amount of € 8.2 million contributed significantly to this.

Our liabilities largely consisted of pension obligations amounting to € 64.5 million, trade payables and other liabilities amounting to € 46.6 million and provisions with a value of € 8.1 million as at 30 September 2014. As in the previous year, we had no liabilities to banks.

The equity ratio, i.e. the equity as a percentage of total assets, amounted to 43.1% (31 December 2013: 46.5%).

Development of the liquidity position

In the first nine months of 2014, the liquidity of the Group rose by € 11.6 million, and totalled € 63.6 million as at 30 September 2014. It includes cash and cash equivalents in the form of bank balances and financial assets in the form of short-term securities.

We had bank balances in the amount of € 59.6 million as at 30 September 2014. This comprised demand deposits and fixed deposits which may be terminated within three months. The short-term assets comprised an investment in the form of a promissory note valued at € 4.0 million.

Group liquidity increased by € 11.6 million to € 63.6 million from 31 December 2013 to 30 September 2014, which is primarily attributable to the cash flow from operating activities in the amount of € 22.7 million in the reporting period, the payments for investments in the amount of € 3.6 million and for dividends in the amount of € 7.8 million.

Analysis of the Group statement of cash flow

The cash flow from operating activities amounted to € 22.7 million in the reporting period (previous year: € 23.1 million). This is largely due to the net result for the period in the amount of € 10.6 million, the depreciation of € 4.4 million, the decrease in trade receivables of € 0.1 million and the increase in inventories of € 1.9 million, the fall in value added tax receivables of € 2.0 million and the increase in liabilities of € 7.3 million.

Cash flow from investment activities in 2014 amounted to € 6.4 million (previous year: € -1.8 million). It included outgoing payments resulting from changes to short-term securities in the amount of € 3.0 million and outgoing payments for the purchase of fixed assets of € 3.6 million. The figures for the previous year included the payment for the remaining purchase price arising out of the termination of the Dr Oetker Bakeware licensing agreement.

Free cash flow

In the first nine months of 2014, the free cash flow amounted to € 19.3 million (previous year: € 21.0 million). This key figure indicates how much liquidity is available for the repayment of debt financing or for the distribution of dividends to the shareholders. Free cash flow is the total of cash flow from operating activities and cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as from the divestiture of business divisions. The reason for the decline was mainly the reduction in cash flow from operating activities as well as higher investments as compared to the equivalent period of the previous year.

Development of net assets

Balance sheet structure as at 30 September 2014

Our total assets increased from 31 December 2013 by € 11.2 million to € 215.0 million (31 December 2013: € 203.8 million).

The short-term financial assets amounted to € 150.1 million as at 30 September 2014 (31 December 2013: € 137.2 million). The decline of € 2.0 million in value added tax receivables contrasted with the increase in inventories of € 1.9 million, Group liquidity of € 11.6 million, and derivative financial instruments of € 1.9 million.

As at the end of September, our long-term financial assets at € 64.9 million were € 1.6 million below the value as at 31 December 2013. This is due to the decline in assets.

Current liabilities include trade payables and other liabilities, derivative financial instruments, income tax liabilities and provisions. As compared to 31 December 2013, they had increased by € 5.6 million to € 54.1 million as at 30 September 2014. The trade payables increased by € 2.5 million, the payables from bonuses and advertising allowances rose by € 4.2 million, while derivative financial instruments declined by € 1.8 million.

On the reporting date, the non-current liabilities increased by € 7.6 million to € 68.1 million as compared to 31 December 2013. Pension obligations increased by € 8.2 million to € 64.5 million, particularly because of the further decline of 0.95 percentage points in the discount rate to 2.55%.

As compared to 31 December 2013, equity decreased by € 2.0 million to € 92.7 million as at 30 September 2014. The positive net result for the period in the amount of € 10.6 million was counterbalanced by negative other comprehensive income of € 4.8 million, primarily due to actuarial losses in the amount of € 5.7 million (after taxes) arising out of pension obligations on account of the fall in the discount rate from 3.5% to 2.55%. The payment of the dividends resulted in a reduction in equity by € 7.8 million. The equity ratio, i.e. the equity as a percentage of total assets, fell to 43.1% (31 December 2013: 46.5%).

Investments

In the first nine months of 2014, investments amounted to € 3.6 million (previous year: € 2.1 million) and largely related to tools for new products, machinery, streamlining investments for production plants, and factory and office equipment. No significant disposals of assets occurred during the reporting period.

The investment ratio – additions to assets with respect to the historic procurement and production costs – amounted to 2.1%. We invested € 3.1 million in the Brand Business and € 0.5 million in the Volume Business. Investments were offset by depreciation and amortisation in the amount of € 4.4 million (previous year: € 5.0 million).

As at 30 September 2014, there were contractual obligations to purchase assets amounting to € 2.3 million that will be financed from cash and cash equivalents.

Off-balance sheet assets and off-balance sheet financing instruments

In addition to the assets reported in the consolidated balance sheet, we also use assets not capable of being reported on the balance sheet to a lesser extent. This largely concerns leased and rented goods. As in previous years, no off-balance sheet financing instruments were used.

Overall assessment of management in regard to the economic situation

The overall economic situation took a turn for the worse in the third quarter. Major factors were, in particular, the developments in Russia and Ukraine as a consequence of the political conflict, but also the disputes in the Middle East and the epidemic spreading in West Africa. The uncertainties linked to this were increasingly influencing the fragile economic situation in Europe. In light of this, the Leifheit Group performed in accordance with our expectations in the first three quarters. With a turnover of € 161.7 million, we are at the same level as the previous year. Growth of 2.5% in the Brand Business means: our largest and most important segment is developing as forecast. The Volume Business – our significantly smaller segment – reported a further fall in turnover. This has happened, on the one hand, due to our increased focus on the Brand Business, and, on the other, due to a partial delisting by an important trading partner in France.

Our EBIT continued to develop favourably. During the reporting period, we achieved a significant increase of € 16.2 million, partly due to positive currency effects (previous year: € 6.6 million). This represents an EBIT margin of 10.0% based on Group turnover. In spite of the payment of dividends and investment-related expenditure, our Group liquidity increased to a total of € 63.6 million as at 30 September 2014 (31 December 2013: € 52.0 million).

Non-financial performance indicators

Employees

In the first nine months of 2014, the Leifheit Group employed an average of 1,032 people (previous year: 1,015), of which 756 employees were in the Brand Business and 276 in the Volume Business.

Employees by region

Locations	**1 Jan to 30 Sep 2014**	1 Jan to 30 Sep 2013
Germany	397	406
Czech Republic	402	373
France	171	173
Other countries	62	63
Group	**1,032**	**1,015**

Since the beginning of the second quarter of 2014, we have produced our entire range of ironing boards in-house at our plant in Blatná, Czech Republic. The number of employees in the Czech Republic thus rose to a total of 395 as at the reporting date, 30 September 2014.

Of our total workforce, 38.4% of our employees are located in Germany, 39.0% in the Czech Republic and 16.6% in France. The remaining 6.0% of employees are located in different countries within Europe and the USA.

Development and innovation

Innovation is of central importance for our market position and for achieving our growth and earnings targets. We see expenditures in research and development as investments in the potential for success at our company. Leifheit invested € 2.7 million during the reporting period (previous year: € 3.0 million) in research and development activities. Thus, the R&D ratio, i.e. development expenses as a percentage of Group turnover, was 1.7% and has remained at the level of the previous year.

During the 2014 reporting period, Leifheit had 24 employees in the areas of development and patents. These were mainly engineers, technicians, designers and lawyers.

Opportunities and risks report

For information on the opportunities and risks at Leifheit, please see the detailed description on pages 40 to 47 of the consolidated management report as at 31 December 2013. No material changes to our significant opportunities and risks with respect to the remaining months of the financial year occurred in the reporting period, neither with regard to the probable materialisation of such opportunities or risks nor with regard to any possible positive or negative effects therefrom. Furthermore, we do not expect any individual or aggregate risks that threaten the company as a going concern.

Report on events after the balance sheet date

Since 30 September 2014, there were no events of special significance that would have a material impact on the net assets, financial position and results of operation of the Leifheit Group.

Forecast

Strategic focus of the Group

After a successful focusing and restructuring phase, we have created the foundation for long-term profitable growth. Our "Leifheit Go!" strategy, which has been designed to run from 2008 to 2014, resulted in a catalogue of medium-term strategic measures. In the current year, we are focusing especially on "Brands and Margins". In particular, this involves the continuous expansion of our Brand Business with the two popular brands Leifheit and Soehnle. Our intention here is to boost margins over the long term and to concentrate on strategic core markets in Europe in order to generate organic growth. We are rising to the challenge of catering to changing purchasing habits with our additional activities in the area of e-commerce, and increasing our innovative capability through focused research and development activities, as well as continuing to develop our brand communication. Furthermore, we regularly consider possibilities for inorganic growth and seek out economically viable opportunities. We are currently working on revising and further developing our future strategy for Leifheit.

Tentative forecast

Compared to the forecasts in the first half-year, the economic situation has taken a turn for the worse. Accordingly, the IMF has slightly revised down its forecast for global economic growth. The IMF is now expecting growth of 3.3% for the current financial year. Of the large global economies, only the USA is expected to defy this projection. Economists expect the US economy to expand by 2.2% in 2014, enjoying even higher growth than reported in the middle of the year. According to the IMF, the Chinese economy is expected to continue to grow by 7.4%. The projections for Europe – the most important economic zone for Leifheit – were again corrected downwards in the autumn report. Here, growth of just 0.8% is expected in the current year. The reasons for this include the ongoing unrest in Ukraine and the related sanctions against Russia. Furthermore, the forecasts for Germany were also significantly reduced in the third quarter: growth of only 0.8% is expected for Germany in 2014.

A damper on the consumer climate

In a study at the beginning of the year, the German Association for Consumer Research (GfK) predicted an increase of 0.5 to 1.0% in expenditures by private households in Europe in the current year. For Germany, the institute predicted a real increase of 1.5%. Private consumption will therefore continue to drive domestic demand to a considerable extent. However, this forecast has to be reassessed in light of current developments, since the propensity to buy as well as the consumer climate deteriorated in the third quarter. Both are driven by the consumers' uncertainty due to the international crises. However, the consumer climate is expected to remain on a favourable level for the year as a whole.

For 2014, the GfK projects growth of 0.6% in the retail sector in the EU-28 countries. The winners are expected to be Romania and the Baltic countries. At the same time, the Nuremberg opinion analysts are seeing initial signs that the retail situation in Southern Europe is stabilising. For Germany, a 1% decline in turnover is expected in the brick-and-mortar retail sector. This contrasts with increasing turnover in Internet retail, which will result in slight projected growth of 1.2% for the retail sector as a whole by the end of 2014. The food and travel sectors will probably be the main winners of the increase in private expenditures in retail. According to the GfK, the rest of retail will only experience moderate growth. As a result, the institute has forecast only slight growth of 0.6% for non-food retail.

Earnings forecast increased

Despite the sub-par economic momentum for 2014, we continue to follow the conservative goal of stable development of the Leifheit Group. We are expecting turnover to be at the same adjusted level as 2013. Through our focus on the Brand Business, we anticipate growth in turnover to be between 1% and 3% in this area. We will manage the Volume Business with a particular emphasis on profitability and continue to anticipate that turnover will decrease.

Contrary to our forecasts to date, we are expecting a significant overall EBIT increase to approximately € 18 million to € 19 million for the entire year 2014 under the premise that the exchange rate for the US dollar remains the same at the end of the year. The expected growth in earnings is primarily due to the increased foreign currency result, which, as a result of the current development of the dollar, will experience a positive effect of € 4 million to € 5 million. Our previous projections forecast earnings at the level of 2013 (€ 14.9 million).

Overall statement on prospective development

Despite the tense economic situation, the performance of the Leifheit Group will be stable in 2014. The target turnover growth of € 250 million in 2016 seems extremely ambitious in light of the worsening economic prospects in the third quarter and a development in the Volume Business that was below our expectations.

We anticipate annual growth of 2% to 4% at the Group level over the medium term. In the Brand Business we are pursuing the goal of sustainable and profitable turnover growth in the range of 3% to 5%. We continue to plan for a strong earnings upturn, as we see the effects of the measures we have initiated for earnings. Accordingly, we continue to assume that Leifheit will achieve its goal of having an EBIT margin of 8% in 2016. As part of our current strategy, we are developing a vision and strategic guidelines for the Leifheit Group that will serve as a benchmark for us in all other strategic steps. We are therefore looking towards the future with optimism overall.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Statement of profit or loss and statement of comprehensive income

k€	**1 Jul to 30 Sep 2014**	1 Jul to 30 Sep 2013	**1 Jan to 30 Sep 2014**	1 Jan to 30 Sep 2013
Turnover	53,462	53,559	161,713	163,851
Cost of turnover	-28,630	-29,776	-85,529	-91,992
Gross profit	**24,832**	**23,783**	**76,184**	**71,859**
Research and development costs	-942	-1,130	-2,698	-2,984
Distribution costs	-15,911	-15,417	-50,222	-50,523
Administrative costs	-3,599	-3,654	-11,564	-11,224
Other operating income	275	276	778	968
Other operating expenses	-536	-264	-721	-519
Foreign currency result	3,964	-2,007	4,442	-1,003
Earnings before interest and taxes (EBIT)	**8,083**	**1,587**	**16,199**	**6,574**
Interest income	63	127	284	365
Interest expense	-502	-514	-1,506	-1,550
Net other financial result	–	-180	19	-160
Earnings before taxes (EBT)	**7,644**	**1,020**	**14,996**	**5,229**
Income taxes	-2,232	-219	-4,408	-1,172
Net result for the period	**5,412**	**801**	**10,588**	**4,057**
Contributions that are not reclassified in future periods in the statement of profit or loss				
Actuarial gains/losses on defined benefit pension plans	-3,332	–	-7,915	668
Effect from income taxes	933	–	2,216	-187
Contributions that may be reclassified in future periods in the statement of profit or loss				
Currency translation of foreign operations	84	3	82	-140
Currency translation of net investments in foreign operations	-21	293	-74	-171
Net result of cash flow hedges	970	-512	1,149	7
Effect from income taxes	-264	-64	-301	-79
Other comprehensive income	**-1,630**	**-280**	**-4,843**	**98**
Comprehensive income after taxes	**3,782**	**521**	**5,745**	**4,155**
Net result for the period attributable to				
Minority interests	–	–	–	-32
Shareholders of the parent company	5,412	801	10,588	4,089
Net result for the period	**5,412**	**801**	**10,588**	**4,057**
Comprehensive income after taxes attributable to				
Minority interests	–	–	–	-32
Shareholders of the parent company	3,782	521	5,745	4,187
Comprehensive income after taxes	**3,782**	**521**	**5,745**	**4,155**
Earnings per share based on net result for the period (diluted and undiluted)	**€ 1.14**	**€ 0.17**	**€ 2.23**	**€ 0.85**
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	**€ 0.80**	**€ 0.11**	**€ 1.21**	**€ 0.87**

Balance sheet

k€	30 Sep 2014	31 Dec 2013
Current assets		
Cash and cash equivalents	59,555	50,953
Financial assets	4,000	1,001
Trade receivables	46,570	46,685
Inventories	35,541	33,630
Income tax receivables	1,124	894
Derivative financial instruments	2,286	403
Other current assets	1,001	3,668
Total current assets	**150,077**	**137,234**
Non-current assets		
Tangible assets	34,573	35,421
Intangible assets	18,218	18,458
Deferred tax assets	10,022	10,310
Income tax receivables	1,431	2,159
Derivative financial instruments	505	–
Other non-current assets	151	169
Total non-current assets	**64,900**	**66,517**
Total assets	**214,977**	**203,751**
Current liabilities		
Trade payables and other liabilities	46,578	39,290
Derivative financial instruments	142	1,920
Income tax liabilities	1,212	818
Provisions	6,197	6,452
Total current liabilities	**54,129**	**48,480**
Non-current liabilities		
Provisions	1,895	1,896
Employee benefit obligations	64,539	56,385
Deferred tax liabilities	1,599	1,630
Derivative financial instruments	12	547
Other non-current liabilities	97	93
Total non-current liabilities	**68,142**	**60,551**
Equity		
Subscribed capital	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,542	-7,598
Retained earnings	81,252	78,479
Other reserves	-12,938	-8,095
Total equity	**92,706**	**94,720**
Total equity and liabilities	**214,977**	**203,751**

Statement of cash flow

k€	**1 Jan to 30 Sep 2014**	1 Jan to 30 Sep 2013
Net result for the period	10,588	4,057
Adjustments for depreciation and amortisation	4,414	4,989
Change in provisions	-19	-465
Result from disposal of fixed assets and other non-current assets	12	3
Change in inventories, trade receivables and other assets not classified as investment or financing activities	1,457	12,538
Change in trade payables and other liabilities not classified as investment or financing activities	7,638	510
Other non-cash income/expenses	-1,395	1,459
Cash flow from operating activities	**22,695**	**23,091**
Aquisition of minority interests	–	-78
Aquisition of tangible and intangible assets	-3,567	-2,100
Change in financial assets	-2,999	2,334
Proceeds from the sale of tangible assets and other non-current assets	183	1,676
Cash flow from investment activities	**-6,383**	**1,832**
Changes in treasury shares	78	–
Dividends paid to the shareholders of the parent company	-7,837	-7,124
Cash flow from financing activities	**-7,759**	**-7,124**
Effects of exchange rate differences	**49**	**401**
Net change in cash and cash equivalents	8,602	18,200
Cash and cash equivalents at the start of the reporting period	50,953	33,717
Cash and cash equivalents at the end of the reporting period	**59,555**	**51,917**

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 2013	15,000	16,934	-7,598	75,367	-7,004	92,699
Dividends	–	–	–	-7,124	–	-7,124
Aquisition of minority interests	–	–	–	-43	–	-43
Comprehensive income after taxes	–	–	–	4,089	98	4,187
of which net result for the period	–	–	–	4,089	–	4,089
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	481	481
of which currency translation of foreign operations	–	–	–	–	-140	-140
of which currency translation of net investments in foreign operations	–	–	–	–	-248	-248
of which net result of cash flow hedges	–	–	–	–	5	5
As at 30 September 2013	**15,000**	**16,934**	**-7,598**	**72,289**	**-6,906**	**89,719**
As at 1 January 2014	15,000	16,934	-7,598	78,479	-8,095	94,720
Issue of treasury shares	–	–	56	22	–	78
Dividends	–	–	–	-7,837	–	-7,837
Comprehensive income after taxes	–	–	–	10,588	-4,843	5,745
of which net result for the period	–	–	–	10,588	–	10,588
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	-5,699	-5,699
of which currency translation of foreign operations	–	–	–	–	82	82
of which currency translation of net investments in foreign operations	–	–	–	–	-53	-53
of which net result of cash flow hedges	–	–	–	–	827	827
As at 30 September 2014	**15,000**	**16,934**	**-7,542**	**81,252**	**-12,938**	**92,706**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent company	Minority interests	**Total equity**
As at 1 January 2013	92,699	67	92,766
Dividends	-7,124	–	-7,124
Aquisition of minority interests	-43	-35	-78
Comprehensive income after taxes	4,187	-32	4,155
of which net result for the period	4,089	-32	4,057
of which actuarial gains/losses on defined benefit pension plans	481	–	481
of which currency translation of foreign operations	-140	–	-140
of which currency translation of net investments in foreign operations	-248	–	-248
of which net result of cash flow hedges	5	–	5
As at 30 September 2013	**89,719**	**–**	**89,719**
As at 1 January 2014	94,720	–	94,720
Issue of treasury shares	78	–	78
Dividends	-7,837	–	-7,837
Comprehensive income after taxes	5,745	–	5,745
of which net result for the period	10,588	–	10,588
of which actuarial gains/losses on defined benefit pension plans	-5,699	–	-5,699
of which currency translation of foreign operations	82	–	82
of which currency translation of net investments in foreign operations	-53	–	-53
of which net result of cash flow hedges	827	–	827
As at 30 September 2014	**92,706**	**–**	**92,706**

Selected explanatory notes

Information on the company

Leifheit AG is a publicly listed stock corporation with registered offices in Nassau/Lahn, Germany. These condensed interim consolidated financial statements of Leifheit AG and its subsidiaries relate to the period from 1 January 2014 to 30 September 2014.

Reporting principles

These condensed interim consolidated financial statements have been prepared for interim reporting purposes according to section 37x para. 3 of the German securities trading act (WpHG) and in line with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as these are applicable in the European Union. These financial statements forming part of the interim financial report therefore do not contain all of the information and notes to be included in accordance with IFRS in consolidated financial statements prepared at the end of a financial year.

These condensed interim consolidated financial statements have been neither audited nor subjected to review by an auditor. In the view of the Board of Management, the financial statements include any necessary adjustments to ensure that they provide an accurate depiction of the actual results of operation on an interim basis. No conclusions as to future results can necessarily be drawn on the basis of the results for the reporting period ended on 30 September 2014.

The Board of Management is required, in the context of the preparation of consolidated interim financial statements in line with IAS 34, to make assessments and estimates and also to adopt assumptions, which could affect the application of accounting principles in the Group and the reporting of assets and liabilities or income and expenses. The actual amounts of such items may diverge from these estimates.

The accounting and valuation principles applied in the condensed interim consolidated financial statements are, with the exception of those accounting standards being applied for the first time, in line with those applied in the most recent consolidated financial statements as at the end of the financial year. A detailed description of the accounting principles is published in the notes to the consolidated financial statements included in our 2013 annual financial report.

Leifheit applied the following standards, interpretations and amendments to existing standards for the first time in the 2014 financial year:

- IFRS 10 – Consolidated Financial Statements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 28 – Investments in Associates and Joint Ventures (revised 2011)
- Amendment of IAS 32 and IFRS 7 – Offsetting of Financial Assets and Liabilities
- Amendment to IAS 36 – Disclosures regarding the Recoverable Amount of Non-Financial Assets

The application of these standards, interpretations and amendments does not have any effect on the scope of consolidation or on the accounting methods used by the Group. However, it does entail further annotation obligations and disclosure requirements.

The Group does not apply new accounting standards published by the IASB and already incorporated into EU law within the scope of the committee procedure which will be mandatory in the future.

In the consolidated interim financial statements, income taxes are recognised on the basis of the best estimate of the income tax rate expected for the entire financial year.

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

Reclassifications between distribution costs and cost of turnover and between interest result and net other financial result were made. Values for the previous year were adjusted accordingly. Customs duties and licensing fees in the amount of k€ 940 (previous year: k€ 1,072) were shifted from distribution costs to cost of turnover. k€ 99 from net other financial result (previous year: k€ 150) were reclassified as interest income and k€ 7 (previous year: k€ 45) as interest expenses.

Scope of consolidation

There were no changes in the scope of consolidation or major changes in the organisational structure or the business model in the reporting period.

Segment reporting

Key figures by divisions as at 30 September 2014		Brand Business	Volume Business	**Total**
Turnover	€ million	133.7	28.0	161.7
Gross margin	%	49.6	35.1	47.1
Contribution margin	€ million	55.7	8.8	64.5
Segment result (EBIT)	€ million	13.3	2.9	16.2
Segment result (EBIT) adjusted[1]	€ million	9.4	2.4	11.8
Depreciation and amortisation	€ million	3.8	0.6	4.4
Employees on annual average	persons	756	276	1,032

[1] adjusted for foreign currency result

Key figures by divisions as at 30 September 2013		Brand Business	Volume Business	**Total**
Turnover	€ million	131.9	32.0	163.9
Turnover adjusted[1]	€ million	130.4	32.0	162.4
Gross margin	%	46.3	33.9	43.9
Contribution margin	€ million	50.3	9.8	60.1
Segment result (EBIT)	€ million	4.7	1.9	6.6
Segment result (EBIT) adjusted[2]	€ million	5.6	2.0	7.6
Depreciation and amortisation	€ million	4.2	0.8	5.0
Employees on annual average	persons	734	281	1,015

[1] adjusted for discontinued operations with Dr Oetker Bakeware
[2] adjusted for foreign currency result

Further information on the segments and the management thereof can be found on page 71 of our 2013 annual financial report.

Treasury shares

Neither in the current reporting period nor in the previous year were treasury shares purchased. In the third quarter of 2014, we used 1,853 treasury shares in the form of the distribution of employee shares. This corresponded to 0.04% of the share capital. The corresponding interest in the share capital was k€ 6. In the previous year, no treasury shares were used.

Including the treasury shares purchased and issued in previous years, Leifheit held 248,672 treasury shares on 30 September 2014. This corresponds to 4.97% of the share capital. The corresponding interest in the share capital was k€ 746. An amount of k€ 7,542 was expended for this.

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).

Dividend paid

On 23 May 2014, a dividend of € 1.65 per no-par-value bearer share eligible to receive dividends was paid to the shareholders from the balance sheet profit of the company for financial year 2013 – this is a total of € 7,836,633.75 due to 4,749,475 no-par-value bearer shares.

Commitments

The Group companies have not entered into any commitments.

Financial instruments

A detailed overview of the other financing instruments, the financial risk factors and the management of financial risks is provided under note 37 on pages 84 to 86 of our 2013 annual financial report. No material changes in our financial risk profile have occurred since 31 December 2013.

Derivative financial instruments include forward foreign exchange contracts, measured at fair value, for buying and selling US dollars and Hong Kong dollars for the financial years 2014, 2015 and 2016.

The following liabilities from forward foreign exchange transactions were recorded on the balance sheet as at 30 September 2014:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	k€ 53,568	kUSD 71,400	k€ 56,147
of which hedge accounting	k€ 21,549	kUSD 28,500	k€ 22,407
Sell USD/€	k€ 2,238	kUSD 3,000	k€ 2,374
Buy HKD/€	k€ 3,304	kHKD 34,120	k€ 3,479
Sell HKD/€	k€ 2,565	kHKD 27,825	k€ 2,590
Buy CZK/€	k€ 660	kCZK 18,000	k€ 655

The book values of the derivative financial assets and financial liabilities correspond to their fair values. The other book values all correspond to amortised costs.

Derivative financial assets in the amount of k€ 2,791 and derivative financial liabilities in the amount of k€ 154 were valued at their fair values on the balance sheet as at 30 September 2014.

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 procedure (input parameters not observed on the market)

All financial assets and liabilities to be measured at fair value are assigned to level 2. There was no reclassification among the levels in the reporting period.

As at 30 September 2014, short-term revolving lines of credit in the amount of k€ 11,500 (previous year: k€ 11,500) were available. Of this amount, k€ 1,162 were used in the form of guarantees as at the balance sheet date (previous year: k€ 1,383). The revolving lines of credit not drawn down thus amounted to k€ 10,338 (previous year: k€ 10,117).

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

		Book value		Fair value	
k€	Valuation category according to IAS 39	**30 Sep 2014**	31 Dec 2013	**30 Sep 2014**	31 Dec 2013
Financial assets					
Cash and cash equivalents	a)	59,555	43,609	59,555	43,609
Structured money market instruments	d)	–	7,344	–	7,344
Trade receivables	a)	46,570	46,685	46,570	46,685
Derivative financial assets (not designated as hedging transactions)	d)	1,921	403	1,921	403
Derivative financial assets (designated as hedging transactions)	c)	870	–	870	–
Other financial assets	a)	4,268	1,846	4,268	1,846
Financial liabilities					
Trade payables	b)	15,976	13,476	15,976	13,476
Derivative financial liabilities (not designated as hedging transactions)	d)	142	2,071	142	2,071
Derivative financial liabilities (designated as hedging transactions)	c)	12	396	12	396
Other financial liabilities	b)	18,599	14,829	18,599	14,829

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 result for the period
d) financial assets and liabilities measured at fair value with effects on net result for the period

In the case of the current assets and liabilities, the book value represents an appropriate approximate value for the fair value. No allocation to levels 1 to 3 in accordance with IFRS 7 was therefore carried out.

Contingencies and other financial liabilities

There were rental and leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements in the amount of € 0.8 million (previous year: € 1.0 million). The future minimum payments on the basis of lease and rental agreements without a cancellation option amount to € 0.6 million for up to one year (previous year: € 0.7 million) and € 0.2 million for between one and five years (previous year: € 0.3 million). As in the previous year, there were no corresponding payment obligations for more than five years. The leases constitute operating leases in terms of IAS 17.

As at 30 September 2014, purchase commitments totalled € 0.8 million (previous year: € 1.4 million).

There were contractual obligations to acquire items of tangible assets in the amount of € 2.3 million (previous year: € 0.9 million), relating to tools in particular. Moreover, there were contractual obligations arising out of contracts relating to marketing measures in the amount of € 0.7 million (previous year: € 0.6 million) and other agreements in the amount of € 0.4 million (previous year: € 0.2 million).

Related party transactions

There were no transactions with related parties outside the Group in the reporting period.

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

Nassau/Lahn, Germany, November 2014

Leifheit Aktiengesellschaft
The Board of Management

Thomas Radke Dr Claus-O. Zacharias

RESPONSIBILITY STATEMENT

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 consolidated financial statements give a true and fair view of the net assets, financial position and results of operation of the Group, in compliance with generally accepted accounting principles, and the interim consolidated management report presents a true and fair view of the business and situation of the Group, together with the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Nassau/Lahn, Germany, November 2014

Leifheit Aktiengesellschaft
The Board of Management

Thomas Radke   Dr Claus-O. Zacharias

DISCLAIMER

Forward-looking statements

This quarterly 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 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 quarterly 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 quarterly financial report and the German version, the German version shall take precedence.

FINANCIAL CALENDAR

24–26 November 2014	Presentation at the German Equity Forum, Frankfurt/Main, Germany
12 February 2015	Press conference at the Ambiente International Frankfurt trade fair, Frankfurt/Main, Germany
26 March 2015	Annual financial report 2014
26 March 2015	Analysts' conference, Frankfurt/Main, Germany
12 May 2015	Quarterly financial report for the period ending 31 March 2015
21 May 2015	Annual General Meeting, 10.30 a.m. (CEST), Leifheit AG Customer and Administrative Centre, Nassau/Lahn, Germany
12 August 2015	Financial report for the first half-year ending 30 June 2015
11 November 2015	Quarterly financial report for the period ending 30 September 2015

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