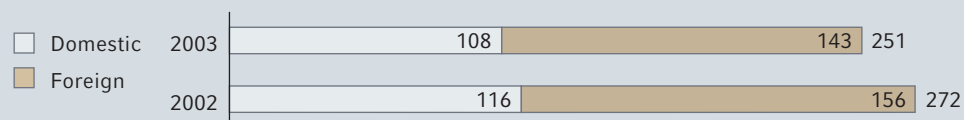


Interim report for the period ending 30 September 2003



Innovations move markets

Consolidated turnover, January–September (€ m)



To our shareholders,

This interim report is to inform you of the course of business at LEIFHEIT in the first nine months of the 2003 financial year.

The report was drawn up in accordance with the International Financial Reporting Standards (IFRS). The same accounting and valuation methods were used as in the consolidated financial statements for the year ending 31 December 2002. Comparable figures for the previous year were adjusted accordingly.

LEIFHEIT Group

January–September		2002	2003	Change in %
Turnover				
Domestic	€ m	116	108	-6.9
Foreign	€ m	156	143	-8.3
Total	€ m	272	251	-7.7
Foreign share		57%	57%	
EBIT	€ m	13.9	8.1	-41.7
EBT	€ m	13.5	8.2	-39.3
Investment in tangible assets	€ m	11	7	-36.4
Employees (annual average)		2,522	2,383	-5.5

Good performance in the face of an adverse consumer mood

The economic situation in LEIFHEIT's key markets remained difficult in the third quarter of the 2003 financial year. The extreme heat wave throughout Europe in the summer months – and specifically in our most important markets Germany, Switzerland, France



and the Netherlands – also contributed to extreme reticence on the part of consumers. In Germany, this trend was further strengthened by widespread uncertainty in the population engendered by the sharp political debate over pension, healthcare and tax reforms. In the USA LEIFHEIT faced not only the impact of the weaker dollar and flagging domestic demand, but also internal changes in one of our regular major customers.

Despite this generally adverse scenario, LEIFHEIT still performed relatively well within the consumer goods industry in the first nine months of the 2003 financial year. Consolidated turnover totalled € 251 million, 7.7 % down on the previous year. Excluding the USA, where turnover fell by almost half for the reasons described above, the decrease was only 4.6 %, a moderate decline given the overall economic situation. The domestic share in turnover was € 108 million or 43.0 % (previous year: € 116 million, also 43.0 %). Excluding the nonrecurring factors in the USA, foreign turnover was down 3.2 % to a total € 143 million (previous year: € 156 million).

Household Products: aggressive pricing in retail

The continuing reticence of consumers is prompting domestic retailers to recurrent price-driven offensives. In this context we succeeded in stabilising turnover from our classic activities at around the previous year's level. The only exception was our subsidiary SOEHNLE, where the decrease of 4.8 % to € 79 million in domestic turnover was due primarily to lower sales of personal and kitchen scales. However, SOEHNLE has made up ground since the launch of the new product range, and by the year-end we will have largely eliminated the shortfall in turnover.

Foreign turnover of the Household Products division fell to € 107 million (previous year: € 119 million). The US business alone accounted for € 8.4 million of this decrease. In our other foreign markets, turnover totalled € 96 million, 4.0 % less than in the previous year.

After nine months, turnover of the Household Products division totalled € 186 million.

Consolidated statement of income

€ 000	1 July – 30 Sept. 2002	1 July – 30 Sept. 2003	1 January – 30 Sept. 2002	1 January – 30 Sept. 2003
Income from sales	89,071	77,823	271,625	251,485
Cost of sales	-54,805	-48,358	-164,468	-154,672
Gross profit	34,266	29,465	107,157	96,813
Research and development costs	-1,496	-1,398	-4,198	-3,929
Selling expenses	-22,341	-21,511	-68,627	-67,438
Administrative costs	-6,399	-5,622	-19,638	-17,955
Other operating income	617	910	1,290	1,478
Other operating expenses	-421	-660	-1,197	-1,416
Results of operating activity	4,226	1,184	14,787	7,553
Investment income	-37	24	74	74
Net other financial income	73	210	-218	1,094
EBIT	4,262	1,418	14,643	8,721
Net interest income/expenses	-190	-25	-457	52
EBT	4,072	1,393	14,186	8,773
Income taxes ¹⁾	-1,122	-200	-5,080	-3,810
Profit after income taxes¹⁾	2,950	1,193	9,106	4,963
Minority interests	-566	-350	-722	-358
Net profit for the period	2,384	843	8,384	4,605
Earnings per share (undiluted = diluted)	0.50 €	0.18 €	1.76 €	0.97 €

¹⁾ Additional expense on corporation tax in 2003 as a result of the change in legislation € 860,000 (see page 5).

Bathroom Furnishings: SPIRELLA maintains good performance

Turnover of the Bathroom Furnishings division during the period under review totalled € 65 million, 7.1 % down on the previous year (€ 70 million).

Domestic turnover fell from € 33 million to € 29 million. After stabilising in the second quarter, turnover fell significantly behind the previous year's level in the third quarter, undoubtedly as a result of the extreme summer temperatures in July and August.

By contrast, we succeeded in holding foreign turnover at € 36 million despite sluggish demand in Switzerland, almost equalling the previous year's € 37 million. The French subsidiary of SPIRELLA, one of our bathroom furnishings companies, played a key role in this.

Consolidated statement of cash flow

€ 000	1 January – 30 Sept. 2002	1 January – 30 Sept. 2003
Net profit for the period	8,384	4,605
Adjustments for		
expense for the issue of employee shares	88	4
changes in minority interests unassociated with payments	345	-155
depreciation and amortisation	12,192	10,885
	21,009	15,339
Increase in provisions	1,514	770
Decrease in inventories, trade receivables and other assets not classified as investment or financial activities	-2,112	-6,279
Decrease/increase in trade payables and other liabilities not classified as investment or financial activities	-3,853	4,495
Cash flow from operating activities	16,558	14,325
Acquisition of tangible and intangible assets	-11,881	-10,567
Revenue from the disposal of assets, net	1,027	1,587
Cash flow from investment activities	-10,854	-8,980
Cash flow from financing activities	-16,591	-5,705
Effects of exchange rate differences	-302	-2,117
Net decrease in cash and cash equivalents	-11,189	-2,477
Current funds at the start of the period under review	20,189	16,000
Current funds at the end of the period under review	9,000	13,523

Profits hit by decline in turnover and extraordinary expenses

EBT for the first nine months of the 2003 financial year totalled € 8.2 million (previous year: € 13.5 million). Besides the decrease in turnover, this also reflects non-recurring expense of € 1.1 million. This was for consolidating production facilities and closing production at the Bremen plant. These reorganisation measures are leading to a permanent improvement in LEIFHEIT's competitiveness, and will generate cost savings of € 3–4 million in the coming financial year.

The amendment to the Corporation Tax Act passed on 11 April meant that existing corporation tax credits for dividends paid after 11 April 2003 and before 1 January 2006 cannot be realised. The corporation tax credit for the 2002 dividend totalling € 860,000 shown in the 2002 financial statements accordingly represents an additional tax expense in the current year.

Compared to the previous year, current funds rose from € 9 million to € 13.5 million.

Consolidated balance sheet as at 30 September 2003

€ 000	31 Dec. 2002	30 Sept. 2003
ASSETS		
Current assets		
Cash and cash equivalents	16,000	13,523
Financial assets, securities	23	19
Trade receivables	61,844	67,608
Inventories	54,205	52,403
Tax receivables	4,280	5,863
Other current assets	7,386	6,915
Total current assets	143,738	146,331
Noncurrent assets		
Financial assets	283	261
Tangible assets	76,917	72,199
Intangible assets	6,629	8,663
Deferred tax assets	4,201	5,380
Other noncurrent assets	657	687
Total noncurrent assets	88,687	87,190
Total ASSETS	232,425	233,521
EQUITY AND LIABILITIES		
Short-term debt		
Trade payables and other liabilities	52,405	56,594
Income tax liabilities	2,530	1,633
Provisions	4,057	3,580
Total short-term debt	58,992	61,807
Long-term debt		
Provisions	5,424	5,340
Employee benefit obligations	35,864	37,194
Deferred tax liabilities	5,899	7,111
Other long-term debt	502	493
Total long-term debt	47,689	50,138
Minority interests	5,365	5,210
Equity		
Capital stock	15,000	15,000
Capital surplus	16,934	16,934
Treasury shares	-7,801	-7,797
Translation reserve	2,882	-35
Appropriated surplus	93,364	92,264
Total equity	120,379	116,366
Total EQUITY AND LIABILITIES	232,425	233,521

Decrease in employment

In the first three quarters of the 2003 financial year, the average number of employees in the group fell 5.5 % to 2,383 (previous year: 2,522). This trend roughly matches the decrease in turnover, and will continue over the next few months. This reduction was divided between the Household Products (83) and Bathroom Furnishings (56) divisions. Due to its lasting cost advantage, our plant in Blatná (Czech Republic) is now our largest production facility with almost 600 employees.

Investment reduced

Investment was reduced as planned from the very high level of past years. Additions to tangible assets totalled € 7 million in the period under review (previous year: € 11 million). This investment was primarily for tools and assembly jigs in connection with new products, for rationalisation in production and for replacement purchases.

Treasury shares

LEIFHEIT did not acquire any treasury shares in the period under review. 170 shares were issued as long-service bonuses. Including the treasury shares bought in the previous years, this gives us a holding of 245,791 shares worth € 7,797,000, representing 4.9 % of the share capital. In all we have spent € 8.3 million on redeeming LEIFHEIT shares, an average of € 31.70 a share. There are no rights to purchase shares for members of group organs or employees under section 160 para. 1 nos 2, 5 of the German Stock Corporation Act.

Paid dividends

As stated in our interim report for the period ending 30 June 2003, the General Meeting on 27 May 2003 approved payment of a dividend of € 1.20 per share entitled to dividend. The dividend was paid from 28 May 2003.

Changes in membership of group organs

There were no changes in membership of group organs during the period under review.

Contingent liabilities and other financial commitments

Group companies did not enter into any contingent liabilities. There are leasing agreements for business premises, EDP and telephone equipment, vehicles and similar assets and licensing agreements with a residual expense for 2003 of around € 0.6 million. These obligations total c. € 5.6 million during the non-cancellable remaining terms up to 2007. As at 30 September 2003 there were no significant purchasing commitments exceeding the group's normal purchasing levels.

Events after the quarterly balance sheet date

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

No sign of an early turnaround

“Consumer mood matches autumn chill” – the headline to the GfK October 2003 consumer mood study. The tax cuts announced in July had prompted a temporary improvement in expectations for the domestic economy. Meanwhile, however, the acrimonious debate about advancing tax reforms has soured the mood again. Even if a political agreement is reached, no boost to consumption can be expected before the new year. The autumn forecasts by the leading economic research institutes accordingly predict zero growth for the German economy in the current year, with retail sales declining again.

In the rest of Europe business is likely to continue at its current level, i.e. slightly down on the previous year. This situation primarily reflects lower consumer demand in France, Switzerland and the Netherlands.

Outside Europe, the USA is easily LEIFHEIT’s most important export market. Here, the worst is clearly past, although the decline in turnover is continuing at our largest customer for the present.

To strengthen our competitive position we are currently consolidating our production facilities. Production at smaller facilities – Montlingen (Switzerland) and Düren (Germany), each with around 60 employees – is being closed down and transferred to larger LEIFHEIT plants. After years of declining demand, production of machine-made bathroom carpets has become unprofitable and is accordingly being shut down. In future, these carpets will be bought in. These measures, which will be completed by the end of the first quarter of 2004, involve nonrecurring expenses totalling € 2 million for social plans and relocation which affect profits in the current year. We do, however, expect these to generate savings of € 3–4 million a year.

As a result of the weak third quarter and the disappointed hopes for an early economic upturn, we are slightly reducing our expectations for full-year turnover in 2003. Turnover for the current year is likely to be 3–4 % down on the previous year.

The combination of lower turnover, adverse exchange rate effects and the nonrecurring expenses described above will also mean that profits will be significantly lower than last year. However, we have successfully charted our course for 2004, and the associated reorganisation expenses have already been charged against the 2003 results.

Nassau, November 2003

LEIFHEIT AG

The Board of Management

Changes in equity

€ 000	Capital stock	Capital surplus	Treasury shares	Translation reserve	Appropriated surplus	Total
As at 1. 1. 2002	15,000	16,934	-7,811	2,469	85,992	112,584
Dividends	-	-	-	-	-5,712	-5,712
Net profit for the period	-	-	-	-	8,384	8,384
Differences from foreign currency translation	-	-	-	497	-	497
As at 30. 9. 2002	15,000	16,934	-7,811	2,966	88,664	115,753
As at 1. 1. 2003	15,000	16,934	-7,801	2,882	93,364	120,379
Dividends	-	-	-	-	-5,705	-5,705
Issue of treasury shares	-	-	4	-	-	4
Net profit for the period	-	-	-	-	4,605	4,605
Differences from foreign currency translation	-	-	-	-2,917	-	-2,917
As at 30. 9. 2003	15,000	16,934	-7,797	-35	92,264	116,366

Segment reporting

Key figures by division		Household Products		Bathroom Furnishings	
		30. 9. 2002	30. 9. 2003	30. 9. 2002	30. 9. 2003
Income from sales	€ m	202	186	70	65
EBIT	€ m	15.5	10.0	-1.6	-1.9 ¹⁾
Depreciation and amortisation	€ m	8	8	3	2
Investment	€ m	10	6	1	1
Employees (annual average)		1,697	1,614	825	769

¹⁾ including nonrecurring expenses of € 1.1 million

Key dates, 2004

- **2003 annual report**
31 March 2004
- **Interim report** for the period ending 31 March
17 May 2004
- **Interim report** for the period ending 30 June
16 August 2004
- **Interim report** for the period ending 30 September
15 November 2004

- **Press conference at the International Frankfurter Messe AMBIENTE,
Frankfurt/Main**
19 February 2004, 1 pm
- **Press conference to present the 2003 annual report**
Frankfurt/Main
7 April 2004, 10 am
- **DVFA Analysts Conference**
Frankfurt/Main
7 April 2004, 1 pm
- **General Meeting**
LEIFHEIT AG Customer and Administration Centre, Nassau/Lahn
27 May 2004, 10.30 am



AKTIENGESELLSCHAFT

P.O. Box 1165

D-56371 Nassau/Lahn

Phone: ++49-2604-977-0

Fax: ++49-2604-977-300

Internet: www.leifheit.com

e-mail: ir@leifheit.com