



Leica Camera Aktiengesellschaft, Solms
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Interim report as of September 30, 2009*

1st half year fiscal year 2009/2010

Leica Camera AG lays the foundations for future sales and profit growth with innovative products and restructuring programme – Restrained outlook for results of the current fiscal year 2009/2010

With a product marketing offensive from its Photo and Sports optics product groups in the first half of fiscal year 2009/2010 Leica Camera AG has initiated a successful development of the Company.

The products presented on September 9, 2009, LEICA S2, M9 and X1, are developing into a genuine success story for the Company. Supported by the new products the orders on hand have developed very favourably. The Company succeeded in keeping the new products as a secret vis-à-vis the market for a long time: The internally used project codes P864 and Louisa concealed the LEICA M9 and the LEICA X1 during the time of their development (of two years and one year, respectively). On September 9, 2009 these products were presented at an international press conference in New York. The conference was broadcast on the Web. More than 20,000 Leica enthusiasts and prospective buyers worldwide, approximately 30 % more than expected, availed themselves of the possibility to witness the product launch on their screens. The Company's CEO, Rudolf Spiller welcomed singer – and Leica photographer – Seal, who had been testing the new LEICA M9 beforehand and talked about his passion for photography and his experience with the Leica M system.

* unaudited



LEICA M9 is the first rangefinder camera featuring a so-called full-frame sensor in 24 x 36 mm. The world's smallest full-frame system camera, M9 continues the legend of the Leica rangefinder system and combines the M system technology, continually improved over more than five decades, with state-of-the-art digital technology.

The LEICA S2 professional camera system, first presented to the public at the 2008 photokina, relies on the optimal combination of a high-resolution image sensor and the newly created S format: offering autofocus, high-speed Maestro image processor, durable design and optimal size and ease-of-use for the professional photographer. The S2 achieves a perfect synthesis, combining the highest image quality and flexible handling. It breaks new ground in every way ensuring that photographers will enjoy perfect results from a camera that is truly easy to handle.

With the LEICA X1 the Company presents a new generation of Leica digital cameras »Made in Germany«. The LEICA X1 is equipped with an APS-C size CMOS image sensor, as used in semi-professional SLR cameras. Combined with the universally usable lens LEICA ELMARIT 1:2.8/24, the sensor, exceptionally large for this camera class, offers high image quality that does not have to fear the competition of professional cameras. Market entry of the LEICA X1 is scheduled in time for this year's Christmas business.

Already at the beginning of the fiscal year Leica, a company with a long tradition, presented the LEICA D-LUX 4 »Safari«, a special edition within the D-LUX line, limited to 6,000 units. The LEICA D-LUX 4 »Safari« is the first Leica compact camera to sport the olive green outdoor look, building on the great success of the LEICA M8.2 »Safari« in the previous year.

With its existing portfolio of digital camera systems Leica now has an integrated modern customer offering, based on the well-known key competencies of the strong Leica brand.



In the Sports optics product group the Company also added trend-setting products to the portfolio, which met with positive response from the customers:

LEICA ER is a new line of rifle scopes presented by Leica Camera AG. Leica's outstanding optical quality was used for this proprietary creation, the first in the field of rifle scopes since the 1950's. The rifle scopes LEICA ER 2.5-10x42 and LEICA ER 3.5-14x42 mark the start of a new product line and, by virtue of their compact design, are suitable for various forms of hunting, as well as for sport shooting.

The LEICA RANGEMASTER CRF 800 and the LEICA PINMASTER complete Leica Camera AG's laser rangefinder line. As compared to the established LEICA RANGEMASTER CRF 1200 model, with its range of up to 1,100 metres, the new models have maximum ranges of 725 metres – which cover the most frequently needed ranges of operation in both hunting and golfing.

In August 2009 the Company presented the LEICA MONOVID 8x20 monocular. The eightfold magnification and the extremely compact size (105 x 35 mm), plus the high-quality manufacturing and classy design, make the LEICA MONOVID 8x20 the ideal companion for bird and insect watching, for hunting and other outdoor activities, as well as for cultural and sporting events.

In cooperation with national partners Leica Camera AG has opened further Leica stores. After Berlin, Tokyo and Paris, in June 2009 Moscow became the fourth metropolis where the Company's international store concept could be implemented. September saw the opening of a store in London and October the opening of second Leica stores in both Tokyo and Paris.



Development of business

In the first half of fiscal year 2009/2010 Leica Camera Group registered sales of € 59.5 million, an increase by € 7.5 million as compared to the prior year.

Due to the increase in the number of employees in the second half of the previous fiscal year, personnel expenses rose as compared to prior year period; other operating expenses increased. As a result the Group registered an operating loss in the amount of € 7.2 million, € 0.7 million above the operating loss in the comparable prior year period.

The market introduction of ten new products notwithstanding, other operating expenses could be kept approximately on the level of the previous year due to consistent implementation of a restructuring programme, except for the amount of € 1.0 million resulting primarily from special projects.

Research and development expenditure decreased by € 5.0 million on the previous year, mainly as a result of the capitalisation of proprietary development work in the amount of € 3.9 million (prior year period: € 0.5 million); such capitalisation is required by IFRS in the case important project objectives have been reached within the framework of development projects.

Leica Camera Group's total capital expenditure for research and development corresponds to the level of fiscal year 2008/2009, a period of large capital expenditure.

Due to the successful market launch of the new products the Company registers very high inflow of new orders, which will lead to a marked increase in sales in the second half of the current fiscal year.

The outlook for the global economic development remains uncertain for the rest of 2009. On the macroeconomic scale the economy seems to have left the bottom behind, nevertheless most experts currently only expect a stabilisation of the economic output on a low level.



Taking into account the global economic environment and its imponderabilities, a result forecast for fiscal year 2009/2010 is hardly possible. On the basis of the existing data, the Company's Board of Management expect slightly negative EBIT. The same applies for the single-entity financial statements of Leica Camera AG.

Economic environment

In the second quarter of 2009 the global economy left the bottom behind. The economic recovery is still led by Asia, by China in particular. In spite of a stabilising trend in sentiment indicators a sustained recovery of the global economy cannot to be expected. The conditions of corporate finance remain difficult. The process of deleveraging continues, and corporations continue to act with caution in respect new capital expenditure commitments.

The financial sector overall is likely to see further write-offs. Therefore, the economy will remain strongly influenced by the banks' cautious lending policy. The banks on their part remain preoccupied with the procurement of fresh capital.

The global economy still rests on the back of an expansionary monetary policy. In addition to historically low key rates the central banks employ unorthodox instruments to supply the markets with liquidity. This increases the danger of a future inflation. Currently, there is not enough economic strength for a self-sustained recovery.

Up to 2008 the digital camera market showed manifest growth – which slowed down in the course of the 2008 economic crisis. In 2008, global sales of digital cameras reached a volume of approximately 140 million units or € 26.7 billion. The system camera market accounted for 8 % of the volume, corresponding to 11.2 million units. For calendar year 2009 analysts expect the overall market to be stagnant as a result of the general economic conditions, forecasting a sales volume of 139.7 million digital cameras. Regional development shows a mixed picture, as the Asian market and the emerging economies register comparably high market growth.

Slight increases are expected to be seen again in 2010. However, the compact camera sector in particular will be stagnating for a longer period due to high market saturation. An unproportionately positive development is to be expected for the system camera business



overall. In 2007 and 2008 this segment has been growing at twice the pace of the compact camera segment.

Sales

For the first six months of the current fiscal year (up to September 30, 2009) the Group led by Leica Camera AG registered sales of € 59.6 million. This corresponds to an increase of 14.4 % as compared to the sales of the comparable prior year period. Sales of the Photo segment rose to € 36.6 million while sales of the Sports optics segment came to € 10.8 million. The sales increase is a result of sales achieved with the M system and with digital compact cameras. Other sales have increased due to sales income from external brands, i.e. from the brands of LCA Holding AG, Nidau, Switzerland, a company not included in the group of consolidated companies relevant in the comparable prior year period.

Sales of the Leica Camera Group in Germany decreased by a total of 11.5 %. For the rest of Europe the Company registered a 67.8 % increase in sales. This sales increase is due to the sales of LCA Holding AG, Nidau, Switzerland, a company not included in the group of consolidated companies relevant in the comparable prior year period.

Sales in Asia and Australia were up 6.4 % on the previous year. Markets in the US, Canada and Mexico registered a sales downturn of 13.3 %.

Earnings

As expected, the net income/loss of the Group as compared to the prior year period fell by € 2.4 million to a Group net loss of € 9.6 million. The earnings position is primarily due to reduced profit margins as a result of sales promotion measures, higher personnel expenses as a result of the staff increase and of redundancy payments, an increase in other operating expenses especially resulting from special project expenditure, and the release of deferred tax assets. The Company was able to establish cost savings in other operating expenses, thereby counteracting this trend.



In the previous fiscal year, Leica Camera Group already reacted to the negative economic environment by focussing its working capital management accordingly and by implementing consistent cost saving measures within the framework of a restructuring programme encompassing all of the Company's divisions.

Due to the successful market launch of the new products the Company registers an increased inflow of new orders, which will lead to a marked increase in sales in the second half of the fiscal year.

As regards operations, Leica Camera AG expects further challenging situations in the months to come. Securing liquidity, managing the working capital consistently and optimising the cost structure are paramount. In preparing its medium-term business plan the Group evaluates possible strategic opportunities over the medium to long term.

Liquid funds and cash flows

As compared to the balance sheet date of March 31, 2009 liquid funds have decreased by € 8.8 million due to negative cash flows from investing activities and financing activities.

Cash flows from operating activities increased due to the successful working capital management.

Capital expenditure is in accordance with internal planning.

Leica Camera Group has been able to reduce its financial liabilities by € 3.0 million on balance.



Balance sheet

Total assets decreased by 5.9 % over the period under review as compared to the corresponding prior year period. On the assets side, this decrease is essentially due to the reduction of inventories and of trade receivables. The liabilities side mainly decreased as a result of the Group net loss and the reduction of trade payables. The equity ratio is 23.6 % (balance sheet date March 31, 2009: 22.8 %). The increase of the equity ratio results from a remission of debt.

The Company has entered into a general agreement, dated June 25, 2009, with ACM Projektentwicklung GmbH, Salzburg, on the remission of debt with a debtor warrant. According to the agreement, ACM Projektentwicklung GmbH in June 2009 in a first tranche waived bond claims against Leica Camera AG in the amount of € 8.0 million. Taking into account the equity portion of the liabilities from the convertible bonds, the Company's equity has increased and the convertible bonds liabilities have decreased correspondingly. The equity raising cost presented in the statement of changes in Group equity is due to the capital increase resolved on February 27, 2009.

Risk report

As concerns the risk estimate, readers are referred to the risk report in the Group management report as at March 31, 2009. In the period under review there have been no other essential risks in addition to those detailed in the abovementioned Group management report.

Employees

The number of employees in the Group has increased from 1,061, as of September 30, 2008, to 1,072, as of September 30, 2009.



Leica Camera Group

Key data 1st half year fiscal year 2009/2010 IFRS*

Key data from the Group Income Statement	1st half year	1st half year	
€ 000	2009/2010	2008/2009	Change
Net sales	59,508	52,044	7,464
Cost of materials	24,528	22,903	1,625
Personnel expenses	23,484	21,744	1,740
Amortisation/depreciation	3,666	3,701	-35
Other operating expenses	18,251	17,213	1,038
Operating result	-7,179	-6,436	-743
Earnings before income taxes	-8,358	-7,203	-1,155
Group net loss	-9,614	-7,171	-2,443
Thereof relating to the shareholders of Leica Camera AG	-9,541	-7,144	-2,397
Thereof relating to minority shareholders	-73	-27	-46
Earnings per share (€)			
Basic, Group net loss for the period	-0.58	-0.48	-0.10
Diluted, Group net loss for the period	-0.58	-0.42	-0.16
Research and development expenditure (€ 000)	3,990	8,982	-4,992

Consolidated Statement of Total Result	1st half year	1st half year	
€ 000	2009/2010	2008/2009	Change
Accumulated loss of the Group	-9,614	-7,171	-2,443
Currency translation (not affecting income)	1,191	485	706
Total result	-8,423	-6,686	-1,737
Minority interests in the total result	-73	-27	-46
Total Group result after taxes and minority interests	-8,496	-6,713	-1,783

Sales by segments	1st half year	1st half year	
€ 000	2009/2010	2008/2009	Change
Photo	36,604	30,584	19.7%
Sports optics	10,806	13,237	-18.4%
Other	12,098	8,223	47.1%
Group sales	59,508	52,044	14.3%

Sales by regions	1st half year	1st half year	
€ 000	2009/2010	2008/2009	Change
Europe	26,239	18,804	39.5%
- Germany	5,928	6,699	-11.5%
- Rest of Europe	20,311	12,105	67.8%
Asia and Australia	19,746	18,563	6.4%
US, Canada and Mexico	11,872	13,699	-13.3%
Others	1,652	978	69.0%
Group sales	59,509	52,044	14.3%

*unaudited



Leica Camera Group

Key data 1st half year fiscal year 2009/2010 IFRS*

Operating result by segments	1st half year	1st half year	
€ 000	2009/2010	2008/2009	Change
Photo	-10,488	-11,291	7.1%
Sports optics	-2,481	-375	-561.6%
Other	5,790	5,228	10.7%
Operating result	-7,179	-6,438	11.5%

Key data from the Group Balance Sheet	as of	as of	as of	
€ 000	March 31,	September 30,	September 30,	Change
	2009	2009	2008	
Non-current assets	34,511	36,380	29,900	21.7%
- Intangible assets	7,566	10,946	5,634	94.3%
- Tangible assets	20,657	21,576	16,834	28.2%
- Financial assets	1,419	1,690	1,205	40.2%
- Deferred tax assets	4,869	2,168	6,227	-65.2%
Current assets	77,307	58,858	71,325	-17.5%
- Inventories	33,450	29,548	37,119	-20.4%
- Receivables	19,778	14,298	16,417	-12.9%
- Liquid funds	23,192	14,361	17,141	-16.2%
Total assets	111,818	95,238	101,225	-5.9%
Equity	25,498	23,143	15,917	45.4%
Long and medium-term liabilities	51,693	44,168	52,828	-16.4%
Short-term liabilities	34,627	27,927	32,480	-14.0%
- To banks	7,420	4,417	3,153	40.1%
Employees (number)	1,058	1,072	1,061	1.0%

Cash flows	as of	as of	as of	
€ 000	March 31,	September 30,	September 30,	Change
	2009	2009	2008	
Cash flows from operating activities	997	2,488	-1,911	4,399
Cash flows from investing activities	-19,750	-8,236	-9,436	1,200
Cash flows from financing activities	12,507	-3,083	-950	-2,133

* unaudited



Leica Camera Group

Statement of Changes in Group Equity

from April 1, 2009 until September 30, 2009*

€ 000	Subscribed capital	Capital reserves	Revenue reserves, accumulated loss of the Group	Currency translation	Minority interests	Group equity
Balance on March 31, 2007	15,000	12,327	-8,674	-132	1,196	19,717
Total result for the period			2,808	-1,333	234	1,709
Balance on March 31, 2008	15,000	12,327	-5,866	-1,465	1,430	21,426
Capital increase	1,498	8,002				9,500
Total result for the period			-4,877	-617	85	-5,409
Fair market valuation of financial instruments			-19			-19
Balance on March 31, 2009	16,498	20,329	-10,762	-2,082	1,515	25,498
Remission of convertible bonds		6,075				6,075
Equity raising cost		-7				-7
Total result for the period			-9,541	1,191	-73	-8,423
Balance on September 30, 2009	16,498	26,397	-20,303	-891	1,442	23,143

* unaudited



Other notes

The present report on the first half of the fiscal year has been prepared in abridged format according to IFRS rules.

Group of consolidated companies

The group of consolidated companies is unchanged compared to the last published Group financial statements. Readers of the present interim report should note that Leica Camera AG in September 2008 has taken over the share capital of LCA Holding AG, the parent company of Leica Camera AG, Nidau, Switzerland, and of Perrot Image SA. These companies were initially consolidated in the financial statements of Leica Camera Group as of September 24, 2008 on a provisional evaluation basis according to the regulations under IFRS 3. Accordingly, the income statement for the comparable prior year period does not include the business figures of LCA Holding AG, Nidau, Switzerland.

Accounting and valuation principles

In fiscal year 2009/2010 the following financial reporting standards or revised standards have to be applied for the first time:

- IFRS 8 Segment reporting (already adopted by the EU in November 2007) is applicable for the first time for fiscal year 2009/2010
- Amendment to IAS 1 relating to the presentation of financial statements (adopted by the EU in December 2008) is mandatorily applicable for the first time for fiscal year 2009/2010
- Amendment to IAS 23 Borrowing costs (adopted by the EU in December 2008) is mandatorily applicable for the first time for fiscal year 2009/2010
- IFRIC 15 Agreements for the construction of real estate, accounting for real estate sales (adopted by the EU in June 2009) is applicable for the first time for fiscal year 2009/2010
- IFRIC 16 Hedges of a net investment in a foreign operation (adopted by the EU in June 2009) is applicable for the first time for fiscal year 2009/2010



- IFRIC 17 Distribution of non-cash assets to owners is applicable for the first time for fiscal year 2009/2010
- Amendment to IFRS 7 Improving disclosures about financial instruments is mandatorily applicable for the first time for fiscal year 2009/2010
- Improvements to IFRSs (amendments to 20 IFRSs; adopted by the EU in January 2009) are applicable for the first time for fiscal years commencing 2009/2010

The first-time application of the provisions mentioned will have no material effect on the financial statements of the Group.

Supervisory Board and Board of Management

On July 23, 2009 Dr. Andreas Kaufmann was appointed member of the Supervisory Board by court decision. He took up the position previously held by Wulf Matthias, who resigned from his office as member of the Supervisory Board on June 5, 2009. On September 30, 2009 Dr. Andreas Kaufmann was elected Deputy Chairman of the Supervisory Board.

On September 14, 2009 Franz Jung was appointed member of the Supervisory Board by court decision. He took up the position previously held by Wolf Schumacher, who resigned from his office as member of the Supervisory Board on August 31, 2009. On September 30, 2009 Franz Jung was elected Chairman of the Supervisory Board.

On March 5, 2009 the Supervisory Board of Leica Camera AG appointed Rudolf Spiller new Chairman of the Board of Management effective April 1, 2009. Rudolf Spiller took up the position previously held by Dr. Andreas Kaufmann, who had been member and Chairman of the Board of Management on an interim basis until February 28, 2009.

Effective June 9, 2009 Stefan Trippe resigned from his office as member of the Board of Management.



No auditors' review

This half-year financial report has not been subject to an auditors' review.

Assurance of the legal representatives

To the best of our knowledge we hereby attest that the Group interim financial statements, in compliance with the applicable accounting rules for interim reporting, give a true and fair view of the financial position of the Group and of the results of its operations, and that the Group interim management report presents the development of business, including the business results and the situation of the Group, in such a way that it produces a true and fair view of the actual situation, and that the essential risks and opportunities associated with the expected development of the Group for the remainder of the current fiscal year are specified.

Solms, November 27, 2009

Rudolf Spiller

Dr. Martin Picherer

Andreas Lobejäger