Annual report 2022

LEIFHEIT

Save money and protect the climate

with Leifheit's electricity savers.

Products for efficient laundry drying without electricity not only reduce CO_2, but are also good for the wallet. On average, 14%[1] of domestic electricity is used for washing and drying laundry – an additional and unnecessary burden on household budgets. **By avoiding the cost of using an electric dryer, a four-person household can save up to € 200 a year!**

Twenty million households in Germany alone could save 3 million tonnes of CO_2 annually by switching from electric tumble dryers to Leifheit's energy-saving Linomatic rotary dryers or Pegasus drying racks. That's equivalent to the CO_2 emissions of 2 million cars. It also protects fabrics by exposing fibres to less heat and friction, so that clothes and other items last longer.

Leifheit's patented Linomatic series of rotary dryers offers plenty of space for numerous items of clothing, and the lines are protected from the weather. The Pegasus range includes fold-out drying racks for almost all spaces and requirements. Durable, robust and functional, they can withstand wind and weather while saving energy and money – just like the rotary dryers.

[1] Source: co2online.de

Key figures of the Group

		2021	2022	Change
Turnover				
Group	m€	288.3	251.5	–12.8%
Household	m€	230.8	204.2	–11.5%
Wellbeing	m€	25.5	16.1	–36.8%
Private Label	m€	32.0	31.2	–2.7%
Profitability				
Gross margin	%	42.3	38.7	–3.6 pps
Cash flow from operating activities	m€	16.4	14.0	–14.7%
Free cash flow	m€	9.6	8.8	–8.2%
Foreign currency result	m€	1.2	2.9	> 100.0%
EBIT	m€	20.1	2.8	–86.2%
EBIT margin	%	7.0	1.1	–5.9 pps
Earnings before taxes (EBT)	m€	19.3	2.3	–88.1%
Net result for the period	m€	14.2	1.2	–91.5%
Net return on turnover	%	4.9	0.5	–4.4 pps
Return on equity	%	12.7	1.1	–11.6 pps
Return on total capital	%	5.9	0.6	–5.3 pps
ROCE	%	13.8	1.8	–12.0 pps
Share				
Net result for the period per share [1]	€	1.49	0.13	–91.3%
Free cash flow per share [1]	€	1.00	0.92	–8.0%
Dividend per share	€	1.05	0.70 [2]	–33.3%
Employees at the end of the year	People	1,080	1,063	–1.6%
Investments	m€	7.3	5.4	–25.9%
Depreciation and amortisation	m€	7.8	7.5	–4.0%
Balance sheet total	m€	238.8	216.1	–9.5%
Equity	m€	111.3	112.5	1.0%
Equity ratio	%	46.6	52.0	5.4 pps

[1] Not including repurchased treasury shares.
[2] Dividend proposal.

m€ 251.5
turnover 2022

m€ 2.8
EBIT 2022

m€ 8.8
free cash flow

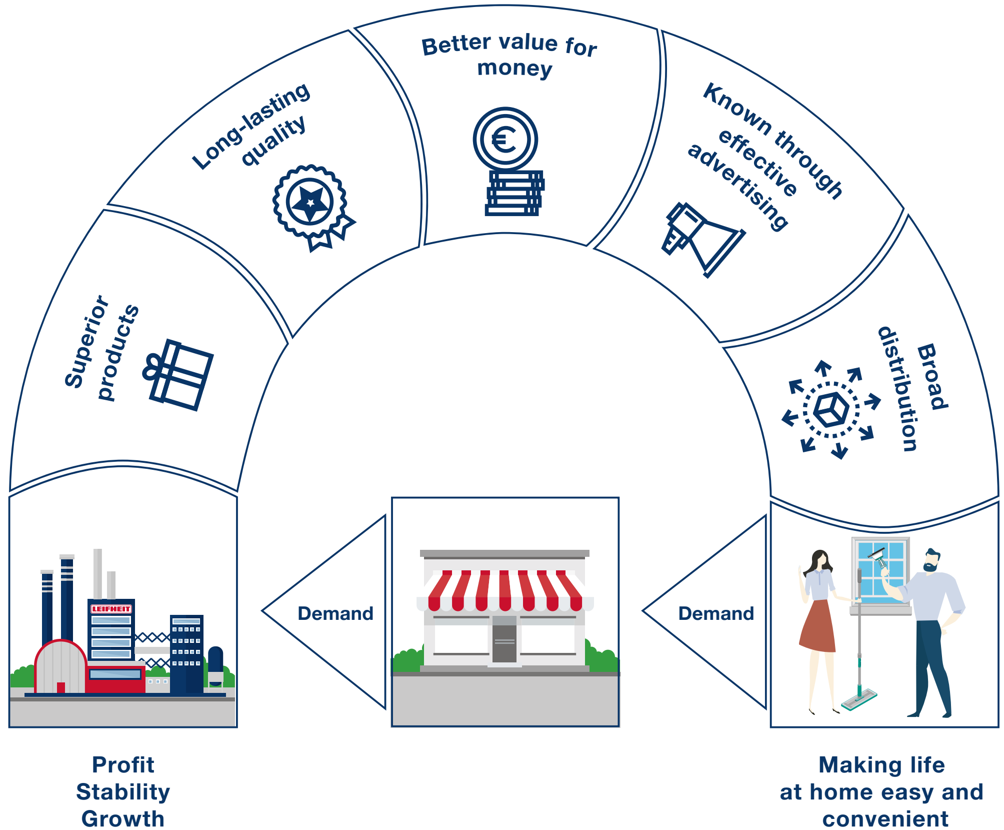
1,063
employees

Content

Our mission

We make your everyday life at home easier and more convenient.

Scaling up Success



4F Winning Culture

LEIFHEIT

Further developing our corporate culture into a “Winning Culture” is a key success factor in our Scaling up Success strategy. Our goal is to foster an agile culture that is fun, fast, friendly and fearless. Our vision is for our employees to tackle the challenges they face with a sense of fun and joy, and with speed and confidence. This will help us tap into the full potential of the Leifheit Group even better in the future.

Fun

Generate positive energy. Make a joke, smile, laugh. Don’t take yourself too seriously. Be optimistic. Visualise your goal. Concentrate more on opportunities than on issues. Find commonalities within the team and create a sense of cohesion. Be proactive and show initiative. Celebrate successes.

Fast

Time is our biggest bottleneck: focus on the essentials, not just on what seems to be most urgent. Bias for action. Focus on the future and the big picture. Don’t look for perfection. Test and scale up fast. Be laser-focused on the business. Don’t play politics.

Friendly

Be tough on the facts, but respectful and appreciative to people. Try to understand first, then be understood. Forget your ego. View things from the other person’s perspective. Give praise and be open to feedback. Don’t point fingers or engage in destructive criticism. Don’t bad-mouth others. Be friendly. Never raise your voice.

Fearless

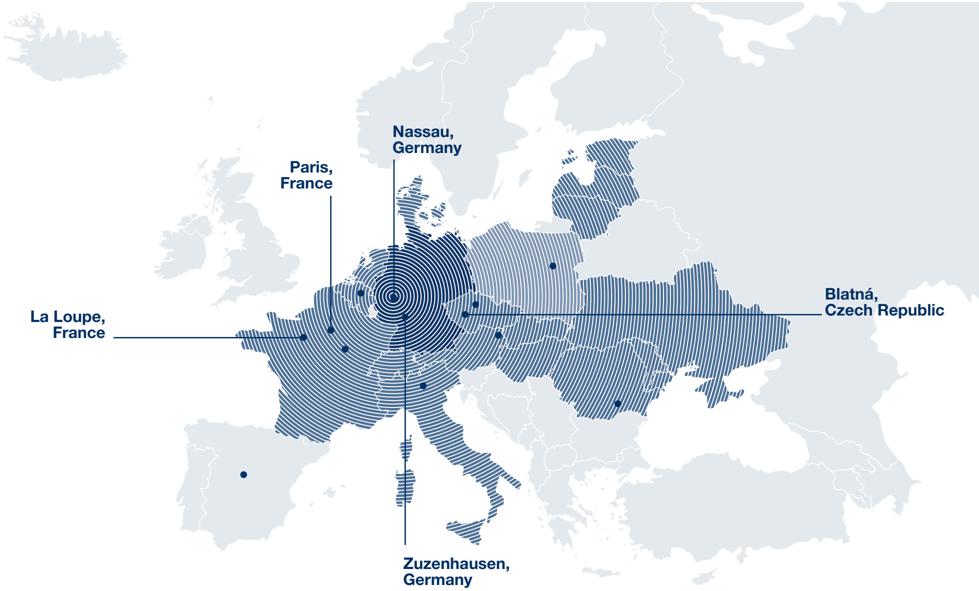
Don’t be afraid of bosses or committees. Take calculated risks. Take decisions based on facts and figures. Mistakes are okay – celebrate them. Leave your comfort zone and try out new things. Set big, inspiring goals for yourself. Stay hungry and always keep working to improve yourself and the company. The most important leadership quality for successful managers: create a fear-free organisation.

Group profile

For over 60 years, we have been one of the leading suppliers of household items in Europe. Through our innovative solutions, we are constantly helping to make everyday life at home easier and more convenient. Under the well-known Leifheit and Soehnle brands, we offer high-quality products with great practical utility and functional design. With our French subsidiaries Birambeau and Herby, we maintain a market presence in the service-oriented Private Label segment through a selected product range that is primarily sold under private-label brands.

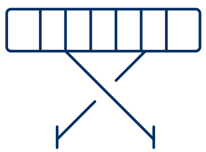
Our innovative strength and our core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing form the basis for successful business activities in each and every segment.

Locations

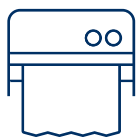


Household

Cleaning



Laundry care



Kitchen goods

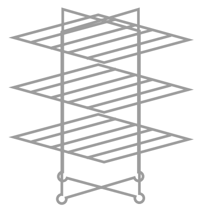
Wellbeing

Bathroom scales

Kitchen scales

Private Label

Kitchen goods



Laundry drying racks

Investment highlights

Excellent product quality	Strong brands: Leifheit and Soehnle	Financial structure	Shareholder-oriented dividend policy
Innovative products with great utility and functional design in the product categories cleaning, laundry care, kitchen goods and wellbeing	High awareness and consumer confidence	Efficient cost structure and solid financial position	Distribution of around 75% of free cash flow or net result for the period

Strong brands – excellent products

(selection)

LEIFHEIT

SOEHNLE

[1] Nemo window and bath vacuum cleaner
[2] CLEAN TWIST Ergo Disc mop system
[3] CLEAN TWIST M Ergo mop system

The Board of Management

Henner Rinsche

Chairman of the Board of Management, CEO

Henner Rinsche has been Chairman of the Board of Management and Chief Executive Officer (CEO) of Leifheit AG since 1 June 2019. He is responsible for Marketing, Sales, Human Resources and Legal/IP, as well as for the Private Label business of Birambeau and Herby.

Igor Iraeta Munduate

Member of the Board of Management, COO

Igor Iraeta Munduate has been a member of the Board of Management of Leifheit AG since 1 November 2018. As Chief Operations Officer (COO), he is responsible for Procurement, Production, Logistics, Development and Quality Management.

Marco Keul

Member of the Board of Management, CFO

Marco Keul has been a member of the Board of Management of Leifheit AG since 1 May 2021. As Chief Financial Officer (CFO), he is responsible for the Finance, Controlling, Business Processes / IT and Internal Sales.

Dear Ladies and Gentlemen, Dear Shareholders,

The Leifheit Group faced an extremely challenging market environment in financial year 2022. A historic downturn in the consumer climate defined the past year in our Group's core markets. Dramatic price increases in the food, energy and housing sectors, along with general uncertainty due to the Russia-Ukraine war, led to significant consumer restraint, especially in our domestic market of Germany.

Our products make us part of the non-food sector, which has suffered the brunt of these market developments. Nevertheless, the Leifheit Group generated turnover of m€ 251.5 in financial year 2022. This corresponds to a 12.8% decrease in turnover compared to the record value of m€ 288.3 in the previous year. Despite the challenges described above, turnover remained comparatively high and clearly outperformed the figure seen in the pre-coronavirus year of 2019 by around 7%.

» A historic downturn in the consumer climate defined 2022 in our Group's core markets. «

The extraordinary market situation in 2022 had a noticeable impact on earnings as well. At m€ 2.8, earnings before interest and taxes (EBIT) were positive in the reporting period, despite the extreme conditions. The decrease in earnings compared to the previous year of m€ 20.1 was mainly due to the lack of contribution margins from the decline in turnover as well as the drastic rise in material and energy prices. Against this background, we continue to focus on strict cost and resource management and are in continuous negotiation with our partners. Although we have raised our selling prices, we were only able to partially compensate for the tremendous increase in costs.

The financial position of Leifheit remains strong. On the reporting date, the Group had a solid liquidity base of m€ 36.3 without any liabilities to banks. The free cash flow reached m€ 8.8 for the year, mainly due to the improvement in working capital.

In light of ongoing bottlenecks in procurement markets, we continue working systematically to safeguard our ability to deliver through forward-looking inventory management, as well as flexible production management. Our goal is to streamline and improve the efficiency of the production processes using lean management. This helps us strengthen our competitiveness while also reducing the impact on the environment and shrinking our carbon footprint. Our measures in logistics are aimed at shortening the distance to our customers, among other things. For example, we are planning a new logistics hub for our Leifheit and Soehnle products at our logistics location in Chablis, France, which has so far been exclusively operated by our subsidiary Birambeau. We intend to use this hub to supply markets and end customers in Southern and Western Europe even more quickly and efficiently.

» Our 'Electricity Savers' campaign encourages consumers to switch to power-free laundry drying. «

A focal point of our advertising activities in 2022 was on highlighting the core qualities of our products even more effectively. At the Leifheit Group, we cater to the trend towards more sustainable, energy-saving product alternatives. Many of our products are energy-saving and durable, making them sustainable by their very nature. In the face of rising energy prices, many households are looking for ways to reduce their energy consumption and, with it, their electricity costs. Our "Electricity Savers" campaign encourages consumers to switch to power-free laundry drying – something that is striking a chord with many consumers. As a result, the demand for laundry care products grew in the reporting period. Power-free laundry drying can be an effective way for private households to save money while reducing CO_2 emissions, making a contribution to climate protection.

»
The Leifheit Group has set the goal of achieving climate neutrality for Scopes 1 and 2 emissions by 2030.
«

The Leifheit Group has set the goal of achieving climate neutrality for Scopes 1 and 2 emissions by 2030. We also continue to focus on our most durable products with outstanding consumer benefits in line with our Scaling up Success strategy. Our products once again earned eleven certificates and awards in 2022. This proves that our high quality standards pay off. We will continue to highlight the high quality and durability of our products as part of our consumer advertising campaigns in 2023.

A cautious improvement in consumer sentiment set in at the start of 2023. However, the consumer climate remains at a low level despite the slight improvement. Uncertainty is still high in view of the multiple crises. The environment in which our Group will operate in 2023 will therefore continue to be very challenging. We are prepared to take on the challenge and will continue taking steps to adapt processes and structures in order to address high procurement costs and the tense economic environment, as well as consumer behaviour that is heavily influenced by inflation concerns and reticence – all with the goal of leading the Leifheit Group back to a path of lasting success.

In the financial year 2023, we anticipate a slight year-on-year decline in Group turnover. We forecast noticeable declines in the Household and Wellbeing segments, while we expect slight growth in the Private Label segment.

We anticipate positive Group earnings before interest and taxes (EBIT) in the lower single-digit million-euro range. Free cash flow is also expected to be in the lower single-digit million-euro range.

The Board of Management and Supervisory Board will propose a dividend of € 0.70 per dividend-entitled share to the Annual General Meeting on 7 June 2023. Based on the company's good liquidity position and free cash flow of m€ 8.8 generated in 2022, we are thus continuing our shareholder-oriented dividend policy despite the challenging economic environment.

At this time, we would like to thank our shareholders for the trust they have placed in us and for the constructive dialogue over the past year. We would also like to once again thank our customers, partners and suppliers for their excellent cooperation in this again unparalleled financial year. And we would especially like to thank our employees. With their ongoing high level of commitment in these challenging times, they once again made a decisive contribution to the success of our company.

Even under these difficult conditions, we believe we are well positioned for the current financial year. We will continue pursuing the goal of lasting success as one of the leading brand suppliers of household products in Europe. We greatly appreciate your loyalty to the Leifheit Group on this ambitious journey.

»
The environment in which our Group will operate in 2023 will continue to be very challenging.
«

Nassau/Lahn, March 2023

The Board of Management

Henner Rinsche   Igor Iraeta Munduate   Marco Keul

Report of the Supervisory Board

Dear Ladies and Gentlemen,

Before I delve into the work of the Supervisory Board in financial year 2022, I would like to touch on the recent unprecedented course of global events, which have created a new normal for all of us practically overnight. I am referring in particular to the coronavirus lockdowns in China; the collapse of supply chains; war in Europe; energy, raw materials and component price shocks; ballooning inflation and the highest loss of purchasing power among private households in years. The global economy repositioned itself as a result, as did businesses. Flexibly adjusting structures, functions and processes to this increasingly apparent new normal was and remains the key challenge.

The Supervisory Board supported the Board of Management constructively, as well as with critical advice, and fulfilled all of its obligations under the law, the articles of incorporation and the rules of procedure. The Board of Management kept us informed of business developments, strategic measures, corporate planning, the risk situation and transactions requiring approval at all times, in writing and verbally, in a timely and detailed manner. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the company. The Supervisory Board made all decisions after thoroughly examining and verifying the plausibility of the corresponding resolutions proposed by the Board of Management. The members of the Supervisory Board had sufficient opportunity within the committees and in the plenary to thoroughly examine the reports and decisions proposed and put forward their own suggestions.

The Supervisory Board carefully and constantly monitored the management activities of the Board of Management and regularly advised it on its management of the company. We were always satisfied with the lawfulness, appropriateness and correctness of the

Dr Günter Blaschke

Chairman of the Supervisory Board

Board of Management's work. The Board of Management used the risk management system in operating, financial and legal matters and was supported in the process by the finance, controlling, legal affairs and auditing departments. We were regularly and comprehensively informed of risks and opportunities, compliance and cyber security. The remuneration system is the subject of regular discussion and review by the Supervisory Board in connection with concluding and extending Board of Management contracts.

The Supervisory Board held 16 meetings in financial year 2022, all of which took place via video conference or as hybrid meetings. The members of the Board of Management took part in Supervisory Board meetings, unless otherwise determined by the Chairman of the Supervisory Board. Seven Supervisory Board meetings took place without the Board of Management. In addition, the agenda on meeting days regularly included items in which only members of the Supervisory Board participated.

Furthermore, the Chairman of the Supervisory Board maintained regular personal and telephone contact with the Board of Management. He informed the other members of the Supervisory Board promptly about the results of these discussions. The self-evaluation of the Supervisory Board, which is to be performed regularly, was last conducted in early 2023. It revealed that all requirements for working efficiently have been met.

At the end of 2021, Supervisory Board member Georg Hesse informed the Chairman of the Supervisory Board that Leifheit AG had asked a company forming part of Thrasio's portfolio, among other things, to make a declaration of discontinuance due to an infringement of industrial property rights. Thrasio was Mr Hesse's employer from July 2021 to July 2022. The Chairman of the Supervisory Board and Mr Hesse reached the joint assessment that there is a potential conflict of interest here on the part of Mr Hesse. The Supervisory Board was not required to make a decision on this matter, and so Mr Hesse was not able to influence the decision-making process. In the reporting period, there was no indication of further conflicts of interest among the members of either the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board and reporting to the Annual General Meeting.

The Chairman of the Supervisory Board held discussions with a variety of investors on issues relating to the Supervisory Board, in accordance with the recommendation of the German corporate governance code (DCGK).

The company provides suitable assistance to members of the Supervisory Board with exercising their duties as well as in taking part in training and educational measures. In 2022, the Chair of the Audit Committee took part in several specialist events for supervisory boards.

Changes in Leifheit AG organs

There were no changes on the Board of Management or Supervisory Board in financial year 2022.

Joachim Barnert, employee representative on the Supervisory Board, sadly passed away at the end of February 2023. His successor as at 1 March 2023 until the end of the current Supervisory Board's term of office is Marcus Kreß. Mr Barnert had been a member of the Leifheit AG Supervisory Board since May 2019. Before that, he was also a member of the Supervisory Board between 2004 and 2009. The members of the Supervisory Board and the Board of Management held Mr Barnert, his wealth of experience and his personable nature in very high esteem. We will treasure our fond memories of him.

Karsten Schmidt is to step down as a member of the Leifheit AG Supervisory Board effective as at the end of the next Annual General Meeting on 7 June 2023 for personal reasons. The members of the Supervisory Board and the Board of Management would like to thank Mr Schmidt for his constructive and valuable contributions to the work of the Supervisory Board over the past years.

Supervisory Board meetings

The members of the Supervisory Board participated as follows in the meetings held in financial year 2022:

Member/meeting	Supervisory Board	Audit Committee	Personnel Committee	Sales/ Marketing Committee	Product Range/ Innovation Committee	Nominating Committee
Joachim Barnert	15/16	1 [1]/7	–	1/1	–	–
Dr Günter Blaschke	16/16	7/7	4/4	1/1	2/2	2/2
Georg Hesse	16/16	–	4/4	1/1	–	–
Karsten Schmidt	16/16	–	4/4	0/1	2/2	2/2
Thomas Standke	16/16	7/7	–	1 [1]/1	2/2	–
Dr Claus-O. Zacharias	15/16	6/7	1 [1]/4	1 [1]/1	–	2/2

[1] Guest.

Important topics discussed at meetings

All Supervisory Board meetings were held as video conferences or hybrid meetings. All committee meetings were also organised as video conferences.

The ordinary Supervisory Board meetings regularly covered the current business situation and earnings performance of the Group, as well as the segments, the financial position, the business situation of the main interests, the strategic focus of the company, the risk situation and cyber security. The Supervisory Board also addressed the following topics:

- In the meeting on 13 January 2022, the Supervisory Board discussed the extension of the Board of Management contracts with Mr Rinsche and Mr Iraeta Munduate.

- On 7 March 2022, scenarios for financial year 2022 were debated and a decision on the implementation of the Annual General Meeting 2022 was made. In addition, new targets for the composition of the Supervisory Board were defined.

- At the meeting on 25 March 2022, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual statements, the combined management report of Leifheit Aktiengesellschaft and the Leifheit Group, the non-financial Group report, the remuneration report, the resolution regarding the report of the Supervisory Board, the resolution regarding the appropriation of the balance sheet profit and the agenda for the 2022 Annual General Meeting. The Supervisory Board approved a resolution on the quota of women on the Board of Management and the Supervisory Board and amended the rules of procedure of the Supervisory Board. The budget for 2022 and the medium-term planning for 2023 to 2025 were also addressed. The members of the Supervisory Board discussed the results of the efficiency review.

- Targets for Board of Management remuneration for financial year 2022 were defined at the extraordinary meeting on 29 March 2022.

- The meeting on 2 May 2022 focused on business development in the first quarter and the quarterly statement for the period ending 31 March 2022.

- In the Supervisory Board meeting following the Annual General Meeting on 25 May 2022, standard topics were discussed along with the reports of the committee chairs of the meetings of the Sales/Marketing Committee and the Product Range/Innovation Committee. A decision was also made on the granding of prokurations.

- The extraordinary meetings on 14 and 29 July 2022 covered the efficiency of the work of the Supervisory Board and preparations for the strategy meeting.

- On 2 August 2022, the Supervisory Board discussed business development in the first half of the year and addressed the financial report for the first half-year, market development and preliminary scenarios for financial year 2023.

- In the meeting on 29 August 2022, the Supervisory Board addressed the principles for cooperation within the Supervisory Board and between the Supervisory Board and the Board of Management.

- The Supervisory Board analysed and discussed in detail the business strategy, pricing, cost-cutting potential, the advertising strategy and medium-term business scenarios in the strategy meetings on 27 and 28 September 2022.

- The Supervisory Board meeting on 27 October 2022 addressed the quarterly statement for the period ending 30 September 2022. Medium-term planning for 2023 to 2025 was also discussed alongside TV planning for the first quarter of 2023.

- The meeting on 2 December 2022 centred on business scenarios in 2023, the approval of investments, the status of sustainability targets and innovation targets for 2022 and the approval of the sustainability strategy. In addition, the Supervisory Board also addressed the corporate governance code and the declaration of conformity, the competency profile and targets for the composition of the Supervisory Board and the implementation of the Annual General Meeting 2023. In this meeting the Supervisory Board also prepared the next self-assessment for the effectiveness of the Supervisory Board. The Board of Management also reported on HR development and its succession planning.

- On 12 and 27 December 2022, the Supervisory Board discussed the definition of targets for the Board of Management remuneration system for financial year 2023.

Work of the committees

The Supervisory Board formed an Audit Committee, a Personnel Committee, a Nominating Committee, a Sales/Marketing Committee and a Product Range/Innovation Committee. The five committees are primarily tasked with preparing decisions and topics for plenary meetings. The committee chairs provided regular and detailed reports on the work of their committees to the Supervisory Board in financial year 2022.

A new member was appointed to the Audit Committee in March 2022, which now consists of three members. The Audit Committee met seven times in financial year 2022 to discuss the monitoring of accounting, the accounting process, the appropriateness and effectiveness of the accounting-related internal control system and the risk management system, the internal audit system, the audit of the annual financial statements, the audit of the non-financial Group report, the audit of the quality of the financial statements and compliance. The Audit Committee also presented a recommendation on the choice of auditor, monitored the auditor's independence, issued the audit engagement to the auditor, prepared certain focal points of the audit and agreed the auditor's fee. The internal control system and the risk management system were also examined, and the findings of the internal audits were presented and discussed.

The Audit Committee's work focused on the audit of the annual and consolidated financial statements, including the combined management report, the non-financial declaration, the corporate governance declaration and the auditor's reports, as well as the preparation of resolutions to be taken by the Supervisory Board on these subjects. The Audit Committee also extensively discussed the interim reports (quarterly reports and the half-yearly financial report) and prepared the focal points of the audit for the annual and consolidated financial statements.

The Board of Management and the Financial Director attended the Audit Committee meetings and gave an in-depth presentation of the annual financial statements as well as all reports to be published, explained them and answered the committee members' questions. The auditors were also present at two meetings and reported in detail on all aspects that arose during planning and performance of the audit which have a direct bearing on the work of the Supervisory Board.

The Personnel Committee examined all employment contracts for the members of the Board of Management, including remuneration and the remuneration system. The Personnel Committee met four times in financial year 2022 and dealt with concluding and extending contracts with members of the Board of Management, auditing the remuneration report, succession arrangements in the Board of Management, the remuneration system for the Board of Management, setting variable remuneration objectives for the Board of Management and determining the extent to which such objectives have been met. In financial year 2022, contracts with Board of Management members Henner Rinsche and Igor Iraeta Munduate were extended by three years. The Board of Management remuneration system was adjusted and approved by the Annual General Meeting on 25 May 2022.

The Sales/Marketing Committee met once in financial year 2022 and dealt primarily with the communication strategy, market development, pricing and the sustainability strategy.

The Product Range/Innovation Committee also met once in financial year 2022 and looked into the innovation strategy, the current innovation pipeline, the product range focus and sustainability aspects in product development.

The tasks of the Nominating Committee include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. Two Nominating Committee meetings were held in financial year 2022 for this purpose.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2022, which have been prepared in accordance with section 315e of the German commercial code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as well as the financial statements of Leifheit AG for financial year 2022, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, and have not led to any reservations in its audit opinion. The audit – as reflected in the audit reports – did not result in any grounds for objection.

The documents pertaining to the financial statements, as well as the audit reports and the Board of Management's proposal for the appropriation of the balance sheet profit, were handed out to all members of the Supervisory Board. The documents pertaining to the financial statements and the audit reports were discussed in depth at the Audit Committee meeting on 23 March 2023; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 24 March 2023, the Audit Committee and its chair presented an in-depth report to the members of the Supervisory Board.

The auditors took part in the meetings and reported on the key findings of their audit. They also reported their findings on the internal control and risk management systems, in relation to the accounting process. They determined that the Board of Management has set up an appropriate information and monitoring system suitable for identifying developments that could jeopardise the continued existence of the company at an early stage.

The audit opinions were discussed with the auditors. The most significant audit matters in the consolidated financial statements were the impairment testing of goodwill as well as the realisation of turnover and the turnover recognition cut-off. The auditor confirmed that the procedures, accounting and underlying assumptions and parameters were appropriate and in accordance with the applicable valuation principles in both key audit issues. The auditors were available for further questions and information.

Based on its own examination of the annual financial statements, the consolidated financial statements, the combined management report and the remuneration report, as well as the report and the recommendations of the Audit Committee, the Supervisory Board approved the findings of the audit as presented by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board approved both the financial statements and the consolidated financial statements on 24 March 2023. The financial statements are therefore adopted in accordance with section 172 of the German stock corporation act (AktG).

The Supervisory Board also reviewed and approved the separate non-financial report of the Group (sustainability report) and resolved on the declaration of corporate management and the remuneration report.

The Board of Management and the Supervisory Board resolved to propose a dividend of € 0.70 per dividend-entitled share to the Annual General Meeting on 7 June 2023.

The Supervisory Board would like to thank all of the employees, the management team, the Board of Management and the workforce representatives for their extremely dedicated commitment and their work in the past financial year. It would also like to thank the company's customers and shareholders for their trust and support.

Nassau/Buchloe, 24 March 2023

The Supervisory Board

Dr Günter Blaschke
Chairman

The Leifheit Share

Hopes of the global stock markets settling down as the pandemic eased off in many regions were dashed with the outbreak of the Russia-Ukraine war. Shares in consumer goods manufacturers, including Leifheit, came under pressure as the year progressed due to rising uncertainty and consumer restraint as the prices of raw materials and components rose. After extremely successful financial years 2020 and 2021 that propelled the Leifheit share to new record highs, the share price at the start of 2022 still remained above the performance of the benchmark index SDAX. However, the Leifheit share then lost considerable value over the remainder of the year. The Board of Management and the Supervisory Board propose a dividend of € 0.70 per dividend-entitled share for the financial year 2022 to the Annual General Meeting.

Stock markets

Major uncertainty was the main factor in the 2022 trading year, alongside the gradual easing of pandemic-related issues. General uncertainty, inflation concerns and rising raw materials and components prices caused indices to nosedive, fuelled by the Russia-Ukraine war. European stock markets were particularly hard hit by these trends. Some industries, such as tourism and services, were less affected by negative developments as restrictions on social contact were loosened in many countries, whereas consumer restraint when purchasing any goods not considered basic requirements saw the share prices of related companies decline significantly. In addition, many raw materials, but also semi-conductors and primary products, remained in short supply due to fragile production and supply chains. Inflation rates soared, particularly in the US and Europe, and benchmark interest rate hikes in these regions put a further dampener on the markets. Important indices, such as the US S&P 500 and Dow Jones and the European Euro Stoxx 50, lost ground over the course of the year, significantly in some cases.

The German benchmark index, the DAX, followed the global trend, declining by around 12.4% in financial year 2022. The DAX hit its high for the year of 16,272 points on 5 January 2022. In autumn, the DAX slipped to its lowest point in 2022 of 11,976 points on 29 September 2022 before recovering slightly by the end of 2022. It closed the year at 13,924 points on 30 December 2022.

The SDAX, which includes 70 smaller companies, serves as the relevant benchmark index for the Leifheit share. The DAX closed 2022 down by around 12.4%, while the SDAX underperformed significantly and ended the third year of the pandemic at over –27%. The latter peaked on 3 January 2022 at a closing price of 16,747 points and closed the year at 11,926 points on 30 December 2022.

Trading volume

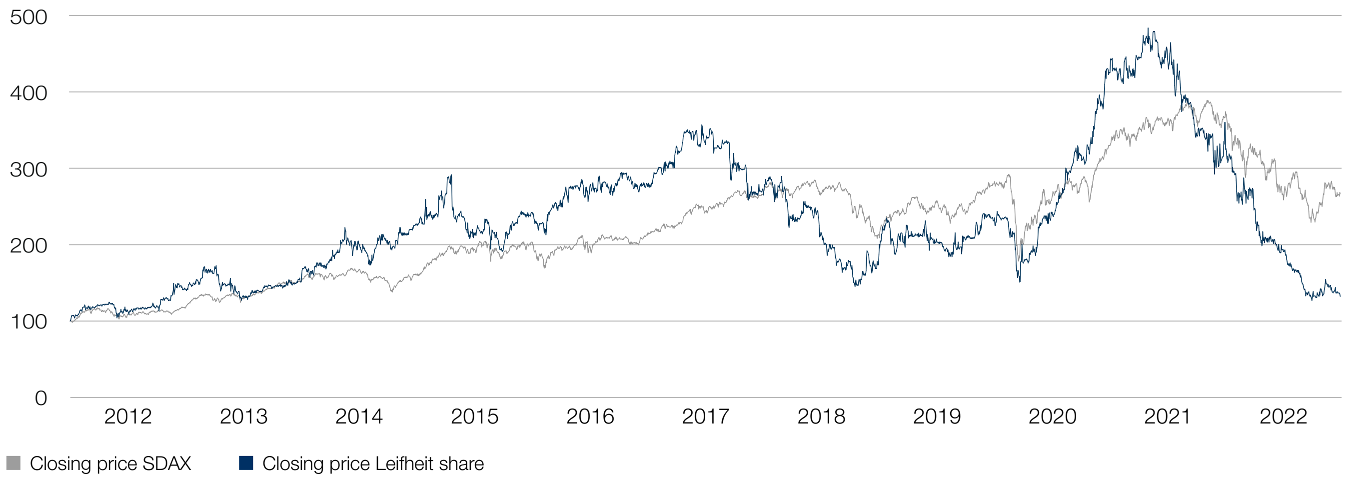
The Leifheit share was traded to a lesser extent in financial year 2022 than in the previous year in Xetra, Deutsche Börse’s electronic trading system. Whereas trading stood at an average of 6,117 shares a day in the previous year, that figure amounted to 4,537 shares on average in financial year 2022.

Key figures for the Leifheit share in €

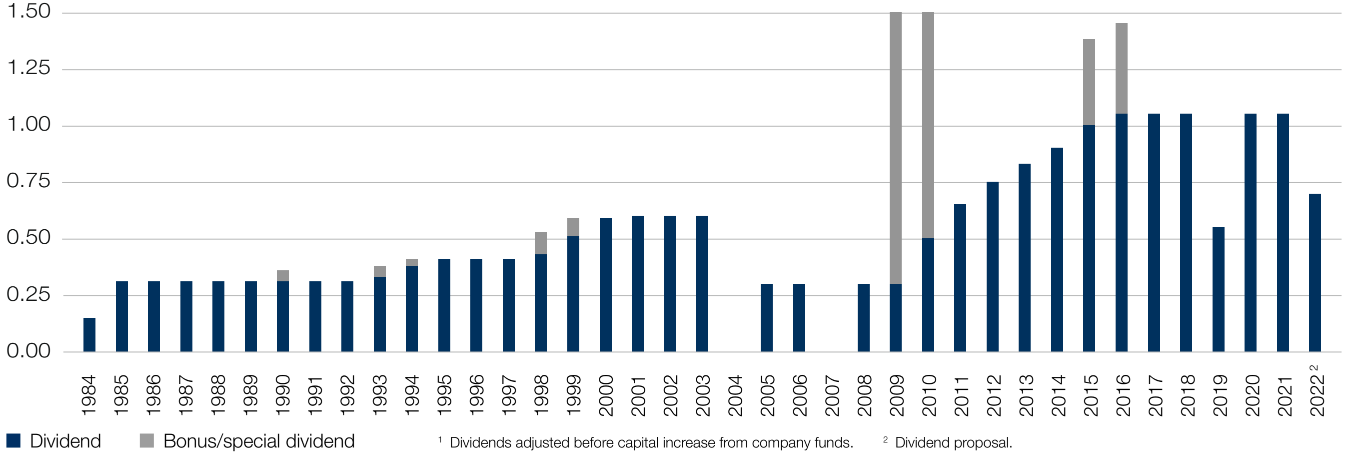
	2018	2019	2020	2021	2022
Net result for the period per share	0.88	0.61	1.32	1.49	0.13
Free cash flow per share	0.39	1.06	–0.57	1.00	0.92
Dividend per share	1.05	0.55	1.05	1.05	0.70[1]
Dividend yield (in %)[2]	5.9	2.3	2.4	2.9	5.2[1]
Equity per share[3]	9.66	9.07	10.56	11.70	11.82
High[4]	29.60	25.95	44.00	49.45	34.70
Low[4]	14.84	18.06	15.44	29.90	12.98
Year-end closing price[4]	17.76	23.65	43.50	36.80	13.52
Number of shares (in thousands)[5]	9,509	9,509	9,509	9,515	9,515
Year-end market capitalisation (in m€)[6]	178	236	435	368	135

[1] Dividend proposal.
[2] Based on the year-end closing prices of the respective financial year.
[3] Excluding the distribution of the proposed dividends and the share in the profits of the minority shareholders.
[4] Closing prices on Xetra, the electronic trading system of Deutsche Börse.
[5] Number of outstanding shares as at 31 December (excluding treasury shares).
[6] Based on all shares issued.

10-year performance of the Leifheit share
Compared to the SDAX in % (indexed to 100)



Historical dividend development[1]
Dividend per share in €



[1] Dividends adjusted before capital increase from company funds. [2] Dividend proposal.

Share price performance

After performing significantly better at times than the SDAX in 2021, the price of the Leifheit share (ISIN DE0006464506) was still slightly up on the benchmark index at the start of 2022. However, over the course of the year the share price was unable to match the general market trend. The share price peaked in 2022 at € 34.70 on 3 January 2022. It fell to its lowest point for the year on 3 October 2022 at € 12.98, before recovering slightly through to the end of the year. At the end of financial year 2022, the Leifheit share was trading at € 13.52. All in all, the share lost almost 60% in value over the course of the year. Leifheit AG's market capitalisation on the basis of all issued shares stood at around m€ 135 as at the end of financial year 2022 (31 December 2021: m€ 368). Adjusted for Leifheit AG's treasury shares, market capitalisation totalled around m€ 129 (31 December 2021: m€ 350).

Treasury shares

By resolution of 30 September 2020, the Annual General Meeting authorised the company to purchase and use treasury shares pursuant to section 71 para. 1 no. 8 AktG. The authorisation is valid until 29 September 2025.

No treasury shares were used in financial year 2022. As at the balance sheet date of 31 December 2022, Leifheit AG held 484,697 treasury shares, corresponding to 4.85% of the share capital. A total of k€ 7,350 was used to purchase the shares in previous financial years. Following the capital increase in financial year 2017 at a ratio of 1:1, and including the ancillary costs in connection with the purchase, this figure corresponds to an average purchase price of € 15.16 per share.

Shareholder structure

The percentage of shares in free float stood at 73.1% at the end of financial year 2022, roughly the same level as in the previous year (2021: 74.8%). According to the information and voting rights notifications available to Leifheit, the shareholder structure of Leifheit AG was as follows as at 31 December 2022:

Shareholder structure of Leifheit AG

Manuel Knapp-Voith, MKV Verwaltungs GmbH, Grünwald (DE)	10.03%
Ruthild Loh, Haiger (DE)	8.26%
Leifheit AG, Nassau (DE) – treasury shares	4.85%
Employee shares subject to a vesting period	0.06%
Free float	74.13%
Shares above the disclosure threshold of 3% contained therein:	
Alantra EQMC Asset Management, SGIIC, S.A., Madrid (ES)	15.42%
Teslin Capital Management BV/Gerlin NV, Maarsbergen (NL)	5.05%
MainFirst SICAV, Sennigerberg (LU)	5.02%
Morgan Stanley, Wilmington, Delaware (US)	3.67%
Douglas Smith, Blackmoor Investment Partners LLC	3.52%

An up-to-date overview of the shareholder structure is available on the Leifheit AG website at **leifheit-group.com**.

Shareholder-oriented dividend policy

The Board of Management and Supervisory Board of Leifheit AG aim to enable all shareholders to partake appropriately in the company's success. As a matter of principle, Leifheit AG's dividend policy therefore provides for distributing roughly 75% of the net result for the period or the free cash flow of a financial year to the shareholders as dividends. In years in which 75% of the net result for the period would not be sufficient for a stable dividend, the Board of Management and Supervisory Board may consider proposing a distribution of dividends which exceeds this value.

Dividend proposal for financial year 2022

The Board of Management and the Supervisory Board propose paying a dividend of 0.70 € per dividend-entitled share for financial year 2022, thus following on from the reliable dividend policy pursued in previous years. This corresponds to a total of m€ 6.7 to be distributed to the shareholders. Following approval by the Annual General Meeting, the dividend will start to be paid out to the shareholders on the third working day after the Annual General Meeting. This would result in a dividend yield of 5.2% based on the closing price at the end of financial year 2022.

For financial year 2021, Leifheit AG paid out to shareholders a dividend of € 1.05 per share entitled to dividends. The total distribution to shareholders therefore stood at m€ 10.0, which corresponded to a dividend yield of 2.9% based on the closing price at the end of 2021.

Dividend yield based on the closing price at the end of the year

2013	5.3%	2018	5.9%
2014	3.9%	2019	2.3%
2015	5.6%	2020	2.4%
2016	5.1%	2021	2.9%
2017	3.8%	2022	5.2% [1]

[1] Dividend proposal

Communication with the capital market and shareholders

Leifheit aims to provide continuous, prompt, comprehensive and transparent information about current developments within the company and to maintain an active dialogue with investors. The Leifheit share was evaluated by analysts at Berenberg Bank and Pareto Securities in 2022 (2021: three analysts).

Leifheit AG continued to engage in continuous dialogue with its shareholders and the capital market in financial year 2022. Leifheit regularly reported on the company's business development in virtual analyst conferences. As in the past two pandemic years, shareholders and their representatives were able to follow the Annual General Meeting, which was once again held as a virtual meeting, in May 2022 in a live stream and vote on the items on the agenda online. The Board of Management of Leifheit AG also regularly attends international capital market conferences, including the Equity Forum Spring Conference and the German Corporate Conference held by Berenberg and Goldman Sachs.

The latest information about the Leifheit Group and the Leifheit share is available to interested investors at the company and investors relations website of Leifheit AG at **leifheit-group.com**.

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Investor Relations:
PO Box 11 65, 56371 Nassau/Lahn, Germany
Telephone: +49 2604 977-218
email: ir@leifheit.com

Combined management report

Foundations of the Group

The Leifheit Group is one of the leading European brand suppliers of household products. The company offers high-quality and innovative products and solutions that make everyday life at home easier and more convenient.

As a listed company, Leifheit AG has drawn up its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) and the additional requirements of German commercial law according to section 315e para. 1 of the German commercial code (HGB). The management report of Leifheit AG and the consolidated management report were combined in accordance with section 315 para. 5 and section 298 para. 2 HGB. Unless noted otherwise, the following information relates equally to Leifheit AG and to the Leifheit Group. The particulars of Leifheit AG can be found in the section titled “Notes to the annual financial statements of Leifheit AG (HGB)”.

Activities and areas of business

A distinction is drawn between the following reportable segments:

- the Household segment, in which we market and sell the Leifheit brand and products from the cleaning, laundry care and kitchen goods categories;
- the Wellbeing segment, featuring the Soehnle brand and a range of scales, health products and room air treatment products; and
- the Private Label segment, featuring the French subsidiaries Birambeau S.A.S. and Herby S.A.S., which includes kitchen goods and laundry care products created especially for private-label brands.

The Household and Wellbeing segments comprise our strategic core business. In these segments, we focus on marketing and selling branded products that are characterised by high-quality workmanship in combination with a high degree of consumer benefit. We sell these products in the medium to upper price segment. They form the basis of our presence in international markets. We pursue a consistent brand management strategy in the Household and Wellbeing segments and continue to develop and advance our product range through systematic processes for innovation and market launch.

The Private Label segment comprises product ranges offered by the French subsidiaries Birambeau and Herby from the kitchen goods and laundry care categories that are primarily distributed as private-label brands in the mid-price category. The segment is strongly focused on individual markets and customers, with France as its most important market.

Reportable segments

Leifheit Group

Household | Wellbeing | Private Label

LEIFHEIT | SOEHNLE | BIRAMBEAU herby

Household and Wellbeing:
- High-quality brand products with a high degree of consumer benefit in the medium to upper price segment
- Consistent brand management
- Systematic processes for innovation and market launch
- Distribution in international markets

Private Label:
- Primarily private-label products in the medium price segment
- Focus on individual customers and markets
- Strong service components

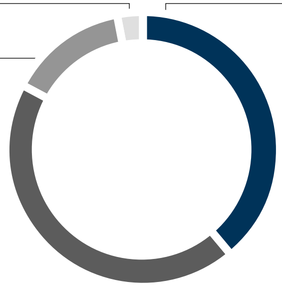
Cleaning, laundry care, kitchen goods and wellbeing

Markets and market position

The Leifheit Group sells its products in more than 80 countries around the world. The key sales markets are our domestic market of Germany, accounting for a share of around 39% of turnover, and the countries of Central Europe, with a share of approximately 44%. The sales and distribution region of Central Europe includes the Netherlands, France and Austria, for example. In the reporting period, we generated around 14% of our turnover in Eastern European core markets, such as the Czech Republic, Poland and Slovakia.

Sales markets

Proportion of turnover in % (previous year's figures)



We focus our sales and marketing activities on European target markets. In addition, we intensified our distribution activities in the Asia/Pacific region in the previous years. In other regions outside of Europe, such as in the US and the Middle East, we distribute our products mainly through distributors and conduct spot business when corresponding market opportunities present themselves. Non-European markets currently account for roughly 3% of Group turnover.

We sell our products where consumers want to buy them and have a presence in all the relevant bricks-and-mortar and online sales channels. Hypermarkets, which account for a share of around 26% of turnover, are the Leifheit Group's strongest sales channel. Modern home-shopping (e-commerce) accounts for a roughly 20% share of Group turnover. We generate about 15% of Group turnover at DIY stores, around 11% in traditional wholesale and retail, and around 10% at discounters.

Distribution channels

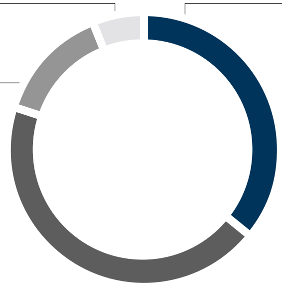
Proportion of turnover in % (previous year's figures)

We focus on core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing across all three business segments. Our biggest product categories are laundry care products, which account for around 44% of turnover, and cleaning products, at around 36%. In Germany and many European markets, Leifheit is among the leading providers of cleaning appliances, especially so-called flat mop systems. We generate around 14% of Group turnover with kitchen products.

The wellbeing category includes the Soehnle brand products and accounts for around 6% of turnover. With a market share of 27% and 37%, respectively, Soehnle is the market leader for bathroom and kitchen scales in Germany. Soehnle is also among the leading providers in other European countries.

Product categories

Proportion of turnover in % (previous year's figures)



Developments and the results of our business activities are also influenced by external factors, especially the development of the relevant foreign currencies against the euro, procurement prices and the weather conditions in seasonal business with rotary dryers.

For the most part, the areas of business in which the Leifheit Group operates tend to be part of the non-cyclical consumer goods sector. Macroeconomic developments, the economic conditions in our key markets and the consumer climate therefore have less of a pronounced influence on our business than on the cyclical consumer goods sector.

Change in Group structure

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

Major changes since the end of the reporting period

There were no events after the end of the financial year of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group or Leifheit AG.

Organisation, corporate structure and management responsibility

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). Under consideration of all issued shares, market capitalisation stood at roughly m€ 135 as at 31 December 2022. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857, and its registered office and management continue to be based at its founding location in Nassau/Lahn, Germany. The main locations of Leifheit AG in Germany are Nassau (distribution, administration and production) and Zuzenhausen (logistics). There are also foreign distribution offices which are not legally independent in Brescia, Italy (established in 1982), and in Aartselaar, Belgium (established in 1987).

Leifheit AG has 13 direct or indirect subsidiaries. Leifheit AG's main (partly indirect) holdings are Leifheit s.r.o. in the Czech Republic (production and logistics) and Leifheit-Birambeau S.A.S. in France (distribution).

The Board of Management consisted of three members as at the balance sheet date. The Board of Management defines the strategy of the Leifheit Group, is responsible for Group-wide central functions and steers the Group's business segments. Each member of the Board of Management is responsible for multiple functions within the Leifheit Group. The rules of procedure for the Board of Management regulate the responsibilities of individual board members. Their personal knowledge of products and markets, customer- and country-specific features and their expertise in central Group functions ensure the efficient and professional management of the Leifheit Group. The Leifheit AG Board of Management is supported by 14 sector directors and department heads.

Scaling up Success Group strategy

For over 60 years, we have been helping to make everyday life at home easier and more convenient by way of our products. That is our mission. Through it all, our focus is always on the needs of consumers.

At Leifheit, multiple factors form the foundation for the further implementation of our business strategy: We have long-lasting products that offer a high degree of consumer benefit and excellent quality, as reflected in excellent reviews. Many of our products regularly win top scores in tests by respected institutes. In 2022, Leifheit Group products again received 11 certificates and awards.

At the same time, we are already well positioned in many European markets thanks to our two high-profile brands, Leifheit and Soehnle. Another important factor for Leifheit is its employees. Their specific expertise and dedication help the company to achieve its goals and targets.

We aim to do a systematic and consistent job of building on our existing strengths – excellent products, strong brands and outstanding employees – to ensure sustained profitable growth going forward while also creating added value for consumers. For us, this means: Scaling up Success.

As part of this approach, we are addressing four strategic areas of action:

1. Exciting consumers
2. Expanding distribution
3. Increasing profitability
4. Shaping culture

Exciting consumers
Consumers are at the centre of all our activities. We offer them products of convincing, durable quality that make life at home easier and more convenient, along with best-in-class service and attractive value for money. To further strengthen awareness of our brands and products among consumers, we are making targeted investments in tested and scalable consumer advertising.

Expanding distribution
Our distribution activities focus on leveraging distribution potential within sales structures and attracting additional bricks-and-mortar and online retail partners, both nationally and internationally. Our investments in consumer advertising and our brands help us in this process. In addition, we are helping to increase turnover for our retail partners through joint marketing activities and POS campaigns.

Increasing profitability

We are focusing all of our activities on sustainable and profitable growth and are structuring our organisation accordingly. At the same time, we are reducing complexity and optimising our cost structures throughout the value chain. We are sharpening our focus on our higher-margin, European-made core products. Through a focused approach to innovation, we are also gearing our research and development processes towards this goal.

Shaping culture

Our employees are the basis for our success. They play a key role in the success of the company through their specific expertise and dedication. To further improve our attractiveness as an employer, we are investing in the personal and professional development of our employees. At the same time, we are creating a fun, fast, friendly and fearless corporate culture in which we pursue our goals with joy, kindness, speed and boldness, and align our efforts accordingly.

Financing strategy

The primary objective of our financing strategy is to maintain a healthy capital structure. Here, we place particular value on a sufficient equity ratio of at least 30% to ensure the confidence of investors, banks, suppliers, customers and our employees. We focus on maintaining a capital structure that allows coverage of our future potential financing requirements on reasonable terms in financial markets. We want to maintain a high level of independence, security and financial flexibility.

Control system principles

The Leifheit Group is managed centrally from a strategic point of view, but decentrally from an operative perspective. Having few units and hierarchical levels promotes fast and efficient cooperation within the Group. Our organisation is designed so that we provide optimal support to our customer and brand management teams to advance our Group’s strategy. To this end, we have divided our business into the Household, Wellbeing and Private Label segments. The organisational structure and the process organisation are structured so as to enable us to achieve our strategic business alignment targets in the best possible way.

We ensure that corporate management is focused on ongoing increases in company value. We therefore apply a value-oriented management system. The key performance indicators of the Group are turnover, the turnover of the segments, earnings before interest and taxes (EBIT) and free cash flow. A further performance indicator is return on capital employed (ROCE). 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 and, if applicable, from the acquisition and divestiture of divisions. ROCE is defined as the ratio of EBIT to capital employed – the average total amount of trade receivables, inventories and non-current assets less trade payables as at the quarterly financial statements date.

No changes were made to the control system in the reporting period.

Innovation and product development

Leifheit aims to develop long-lasting products and solutions that make consumers’ lives at home more easy and convenient. Consumer-relevant products and solutions play an important role in the further organic growth of the Group. Our Scaling up Success strategy focuses on the development of innovations with special consumer benefits and tremendous market potential.

The innovation and product development process to achieve the growth targets is characterised as follows:

- focusing innovation resources on a limited number of innovation projects
- intensifying consumer research in order to understand unsolved consumer problems and suitable and relevant potential benefits that are completely new for consumers
- upholding proven Leifheit strengths of excellent practicality and product durability combined with functional yet aesthetically appealing design
- focusing on modular and platform systems to cover customer requirements more extensively and ensure efficiency
- applying modern, agile working methods to do an even more targeted and efficient job of meeting consumers’ needs

In 2022, our systematic innovation process resulted in the market launch of two product upgrades with relevant, novel consumer benefits: the new Regulus Aqua PowerVac Pro 2.0 vacuum wiper and the new CleanTenso Power 2.0 steam cleaner. The Regulus Aqua PowerVac 2.0 is a vacuum wiper that cleans every nook and cranny, while the CleanTenso Power 2.0 is the first steam cleaner with a three-year manufacturer warranty and extremely high limescale resistance.

Besides developing innovative products, we also focused our activities in the 2022 reporting period on navigating the global crisis in the supply of material and components. Efforts to ensure our ability to supply products included certifying plastic materials from alternative suppliers, with related finished products being successfully re-tested in our comprehensive quality testing programme to ensure a consistent level of high quality.

The Leifheit Group spent m€ 6.0 on research and development activities in financial year 2022 (2021: m€ 6.1). The R&D ratio, which represents the ratio of research and development costs to Group turnover, amounted to 2.4% (2021: 2.1%). At the end of the year, 35 people (2021: 37 people) worked in the development and patents divisions.

Industrial property rights

To safeguard the economic value of our development efforts for the company, we register corresponding industrial property rights (patents or utility model applications) prior to announcing new products and solutions. By doing so, we protect our ideas and investments from unauthorised reproduction. Whether we secure our competitive advantage in a certain country by applying for industrial property rights depends on the economic value of the innovation. The turnover to be expected and the respective competitive environment are the decisive criteria. As a rule, we chiefly assess this in connection with our most important sales markets.

We are increasingly pursuing the prosecution of patent infringements by other providers' products. Following decisions by the high courts in Germany and Austria, we once again effectively pursued legal action in the reporting period, both in and out of court, against competitors in several countries who violated our rights.

Economic environment

The Russia-Ukraine war had a major impact on the global economy in 2022, slowing economic growth across all regions. The war drove up inflation and worsened shortages in various individual markets. Europe in particular suffered higher energy prices as a consequence of the sanctions against Russia. Lower growth rates in China caused a further slowdown in global economic development. Disruptions in global supply chains, which were already observed in previous years, continued because of the overall geopolitical situation and China's zero-COVID strategy. Rising input costs, especially for the manufacturing industry, were the result. In Europe, this was most noticeable in countries with high production capacities, slowing their overall economic development.

Macroeconomic situation

In its January 2023 economic guidance, the International Monetary Fund (IMF) predicted 3.4% growth of the global gross domestic product (GDP) for 2022.

Despite the unfavourable overall situation – especially on account of the Russia-Ukraine war, the resulting pace of inflation and rising infection numbers in China – global economic growth developed more positively than expected in many countries (including the US and the EU) from the third quarter of 2022 onward, according to the IMF. High investment activity is cited in this context, along with a slow easing of pressure on global supply chains. The energy markets were also able to absorb the effects of the Russia-Ukraine war better than expected.

Europe

According to the European Commission, the EU economy was able to avert the recession towards the end of the year that the Commission had originally forecast in autumn. Favourable developments included a broader positioning of the European energy supply and a significant decrease in gas consumption. As a result, gas reservoirs were fuller at the end of 2022 compared to the normal average of past years. At 6.1%, the unemployment rate also remained low until the end of 2022. According to the European Commission, the annual growth rate for 2022 was 3.5%. Despite seeing a turnaround in terms of improved consumer confidence, a rapid end to inflationary pressure is not expected for the time being. Further tightening of the interest rate policy by the European Central Bank could therefore put a damper on the economy and investments going forward.

In its 2023 winter forecast, the European Commission expects GDP in the Eurozone to grow by 0.9% in 2023, with overall economic growth of 0.8% for the EU. The European Commission views declining inflation rates since the autumn of 2022 as an indicator that the rise in prices has passed its peak. After climbing to an all-time high of 10.6% in October 2022, inflation still stood at 8.5% for the Eurozone in January 2023.

The Dutch GDP grew by 4.4% in 2022 (2021: 4.3%), according to the winter forecast. As a result, the Netherlands, together with the other Benelux countries, leads the middle of the field. Austria's economy also grew significantly, according to the EU Commission, by 4.8% (2021: 4.7%). Robust economic growth is expected in Italy (3.9%; 2021: 6.5%) and Spain (5.5%; 2021: 5.0%) for 2022. At 2.6%, the growth rate for France is considerably weaker (2021: 7.0%).

For the Eastern European countries, the EU Commission expects somewhat better development in 2022 compared to the large European economies, despite their geographic proximity and stronger economic ties to Ukraine and Russia. While the Czech Republic, with GDP growth of 2.5% (2021: 4.4%), is roughly on a par with France, Poland's growth rate is 4.9% (2021: 5.7%). The Baltic States, on the other hand, are severely affected by the impact of the Russia-Ukraine war and have posted only moderate growth. Estonia brings up the rear for the EU as a whole, with an expected 0.3% decrease in economic output for 2022 (2021: 7.5% economic growth).

Germany

Germany's economic growth was 1.8% in 2022 despite the Russia-Ukraine war. In addition to the overall easing of supply bottlenecks over the course of the year, this was mainly due to catch-up effects in private consumption and growing production after the pandemic-induced slump. Industrial activity coped relatively well with rising energy prices. However, the rise in prices still had a clear influence, especially in the most energy-intensive sectors. After a weak start to the fourth quarter, industrial production nevertheless stabilised overall towards the end of the year and helped brighten the general situation. Uncertain economic prospects and rising interest rates, meanwhile, made market participants more reluctant to invest. The building trade in particular was affected by considerably more costly financing terms. In part thanks to the passing of laws capping gas and electricity prices, business and consumer sentiment improved somewhat towards the end of the year. According to the Federal Statistical Office, Germany's gross domestic product grew by 1.8% year-on-year overall, adjusted for prices.

Foreign currencies

The Chinese currency, the yuan (renminbi), started increasing in value in September 2022. Like the euro, it too gained against the formerly strong US dollar. Movement and testing regulations were eased in several major Chinese cities in light of growing public resentment of the previously pursued zero-COVID strategy. This raised hopes of an economic recovery for China and considerably drove up the exchange rate. The yuan lost value against the euro for the year overall, closing at a euro reference rate of 7.36 yuan, compared to 7.20 yuan at the beginning of 2022.

With the start of the Russia-Ukraine war, the euro fell considerably against the US dollar in the first six months of 2022, at times even dropping below US dollar parity. A general worsening of prospects in the Eurozone, combined with fears of natural gas shortages due to Russia's supply restrictions, caused a clear downward trend for the European currency. This scenario put large European economies in particular, such as Germany and Italy, at risk of a significant recession, causing investor uncertainty. While the US Federal Reserve raised the prime rate by 225 basis points during the second quarter, the European Central Bank only followed suit with a moderate 50 basis points. This worsened the euro's negative market trend. The euro did, however, recover considerably at the end of the year. The closing rate of USD 1.07 for 2022 was only moderately below the prior-year level (2021: USD 1.13).

Industry development

Retail turnover and private consumer spending

Sharp consumer price increases, consumer restraint and subsiding positive demand effects from the slowing rate of new infections impacted the retail sector in 2022. According to the Statistical Office of the European Union Eurostat, in 2022 the price-adjusted volume of turnover and sales increased in wholesale and retail trade within the EU increased by 1.1% compared with the previous year.

Price-adjusted turnover in Germany's retail sector declined by 0.3% in 2022 compared to the previous year, according to preliminary figures from the Federal Statistical Office. By contrast, nominal turnover rose by 8.2% over 2021. This difference was due to significant price increases, especially in retail.

The Business Climate Index published by the ifo Institute, which records future expectations and the current situation of various industries, stood at 88.6 points at the end of 2022 following an increase of 2.2 points in December, indicating that German businesses were more optimistic about their situation than before. In the first six months of 2022, the business climate worsened rapidly against the background of the Russia-Ukraine war in conjunction with rising inflation and energy prices. The increase in the index over the previous month in December 2022 was the first after six successive decreases. Expectations also improved towards the end of the year. The business climate improved most noticeably in the manufacturing sector, but also in almost all branches of industry. While uncertainty decreased, expectations remained pessimistic due to the decline in orders on hand. With an increase of 6.9 points compared to November 2022, the retail sector was more confident about the future, but the level remained low overall at –20.0 points.

Consumer confidence

The Consumer Confidence Indicator, which is determined by the European Commission, measures European consumers' propensity to consume. It is considered the leading indicator for assessing the future development of consumer spending. In December 2022, it improved by 1.6 points in the EU and by 1.7 points in the Eurozone. At the end of the year, it stood at –23.6 points in the EU (2021: –9.6 points) and –22.1 points in the Eurozone (2021: –8.3 points).

For Germany, the GfK Consumer Climate Index, which takes expected economic development, income expectations and acquisitions into account, painted a similar picture. Economic and income expectations, as well as the propensity to buy, improved towards the end of 2022. As a result, the consumer climate continued its recovery for the time being. At –40.2 points, however, the index value remained at a significantly low level. The increase of 1.7 points had only a minimal positive effect on the extraordinary drop over the course of the year.

Regulatory environment

The regulatory environment for the Leifheit Group's business model and products remained largely unchanged in financial year 2022.

In the context of the COVID-19 pandemic, business continued to be impacted in the first half of 2022 by the politically enforced measures to contain the pandemic in the respective markets. Thanks to advancing vaccination campaigns and the easing of the pandemic, restrictions were relaxed and largely lifted in the retail sector during the reporting period.

Net assets, financial position and results of operations of the Group

Overall assessment of management in regard to the economic situation

The Leifheit Group faced an extremely challenging market environment in financial year 2022. Disruptions of global supply chains, raw material shortages and tremendous price increases for energy and materials continued against the background of the ongoing COVID-19 pandemic and the effects of the Russia-Ukraine conflict. The consumer climate also worsened noticeably in the Leifheit Group's core markets due to rising inflation. In view of these conditions, the Leifheit Group focused on the consistent implementation of cost reduction measures within the Group while conducting pinpointed advertising campaigns in selected target markets.

Overall, the Group generated turnover of m€ 251.5 in financial year 2022 after achieving a record value of m€ 288.3 in the previous year. Aside from the extraordinarily strong previous year, the m€ 36.8 decrease in turnover was mainly attributable to a historically poor consumer climate in key sales markets. We counteracted this trend with targeted advertising campaigns, such as our "Electricity Savers" promotion. Although turnover declined across all segments compared to the strong previous year's figures, it remained high compared to m€ 234.2 in the pre-coronavirus year of 2019. We generated turnover of m€ 204.2 in the Household segment, the largest by far. Turnover stood at m€ 16.1 in the Wellbeing segment and at m€ 31.2 in the Private Label segment.

The weak consumer climate defined the development in all sales regions in 2022. Especially in the domestic market of Germany, unusually pronounced consumer restraint against the background of general uncertainty had a significant negative impact on turnover. As a result, turnover declined by 21.8% in the reporting period, after double-digit growth rates in both 2020 and 2021. The difficult market conditions also made themselves felt abroad, culminating in a year-on-year decline in turnover in the remaining sales regions as well. In Central Europe, Spain and the Netherlands, however, performed positively and recorded significant growth. In Eastern Europe, the Baltic States and Slovakia defied the general negative trend.

Financial year 2022 was also defined by tremendous increases in the price of energy and materials. Although the sales price increases in the reporting period gradually started to have an effect, they were unable to fully compensate for continued rising costs in light of ongoing price increases in the procurement market. Accordingly, the Group's earnings before interest and taxes (EBIT) amounted to m€ 2.8 in 2022. EBIT was therefore in the lower single-digit million range, as most recently expected.

The tense situation in the procurement market, along with negative currency effects, led to a decrease in gross profit of m€ 24.8 to m€ 97.2 in the reporting period. Accordingly, the gross margin fell by 3.6 percentage points to 38.7%.

Notwithstanding the many challenges in the past reporting period, the financial position of the Leifheit Group remains solid. The Group has the freedom it needs to carry on its initiatives for the company's further development. As of the balance sheet date, the non-current liabilities continued to result mainly from pension obligations. At the reporting date, as in previous years, there were no liabilities to credit institutions. The equity ratio increased to 52.0%. Free cash flow reached m€ 8.8 in the reporting period, mainly due to the improved working capital. The Group's cash and cash equivalents and financial assets amounted to m€ 36.3 as at 31 December 2022.

Comparison of actual performance with projected business performance

The forecasts for the development of turnover, EBIT and free cash flow that the company announced in March 2022 for financial year 2022 were subject to constant review by the Board of Management over the course of the year and were adjusted in line with business performance.

In the spring of 2022, the Board of Management – in view of the anticipated rising costs for the company – expected Group EBIT in financial year 2022 to be considerably below the previous year's figure (2021: m€ 20.1). The Board of Management also expected free cash flow below the previous year's figure (2021: m€ 9.6) and a slight decrease in Group turnover year-on-year (2021: m€ 288.3).

Based on the preliminary business results for the first half of 2022 and the changed economic environment, the Board of Management revised its expectations for 2022 overall in mid-July 2022. After previously expecting a Group result (EBIT) well below the previous year's figure, the Board of Management now predicted EBIT to be in the lower single-digit millions for financial year 2022. The Board of Management also anticipated a sharp, but probably still single-digit percentage decrease in turnover for financial year 2022 compared to the previous year's figure.

In the second half of the year, the Leifheit Group was confronted with a considerably worsening economic environment in view of extremely high material and energy costs, as well as consumer behaviour defined by inflation concerns and consumer restraint.

Forecast-actual comparison	Actual 2021	Forecast 2022	Adjustment July/Aug 2022	Adjustment November 2022	Actual 2022
Group turnover	m€ 288.3	Slight decrease	Significant decrease, likely in the single-digit percentage range	Significant decrease, likely in the low double-digit percentage range	m€ 251.5 –12.8%
Household turnover	m€ 230.8	Slight decrease	Decrease in the upper single-digit percentage range	Decrease in the low double-digit percentage range	m€ 204.2 –11.5%
Wellbeing turnover	m€ 25.5	Slight decrease	Decrease in the significant double-digit percentage range		m€ 16.1 –36.8%
Private Label turnover	m€ 32.0	Slight decrease			m€ 31.2 –2.7%
Group EBIT	m€ 20.1	Down considerably year-on-year	In the low single-digit millions		m€ 2.8
Free cash flow	m€ 9.6	Down year-on-year		Positive free cash flow, lower year-on-year	m€ 8.8

Against this background, Leifheit AG's Board of Management announced upon publication of the nine-month figures in November 2022 that a pronounced decrease in turnover compared to the strong prior-year figure, likely in the low double-digit percentage range, was now expected for financial year 2022. Based on the state of affairs at the time, it continued to predict EBIT in the low single-digit millions and a positive free cash flow below the previous year's value.

Group turnover reached m€ 251.5 in the reporting period, a decrease of 12.8% that is in line with the forecast. In the Household segment, which is the largest, the Board of Management most recently expected a year-on-year decrease in turnover in the low double-digit percentage range in financial year 2022. This proved correct, with an actual turnover decrease of 11.5% to m€ 204.2. With turnover of m€ 16.1, the decrease in the Wellbeing segment was clearly within the double-digit percentage range, as expected (–36.8%). Turnover in the Private Label segment was m€ 31.2 and was therefore only slightly below the previous year's value, as predicted (–2.7%).

Turnover development is described in detail in the Business performance section below.

EBIT reached m€ 2.8 and was therefore in the single-digit millions, as predicted.

Free cash flow in the reporting period was m€ 8.8. As a result, free cash flow was positive and below the previous year's value, as expected.

Business performance

The Leifheit Group generated turnover of m€ 251.5 in financial year 2022, following a record value of m€ 288.3 in the previous year. The m€ 36.8 drop in turnover was – beside the unusually strong previous year – due to the extremely weak consumer sentiment in the Leifheit Group's core markets. Especially in the domestic market of Germany, dramatic price increases in the food, energy and housing sectors, along with general uncertainty due to the Russia-Ukraine war, led to significant consumer restraint. The non-food sector, which includes the products made by the Leifheit Group, was noticeably impacted by these developments and the resulting shift in consumer behaviour, which was now focused on products that meet basic needs. Alongside further strict cost and resource management, the Leifheit Group tackled the challenging market environment with targeted sales and marketing activities in selected markets.

Overall, turnover remained comparatively high. In 2022, the non-price-adjusted Group turnover was still up roughly 7% on the sales-value in the pre-corona-year 2019.

Nevertheless, the unusually weak consumer sentiment and the general decline in online and stationary sales volumes made themselves felt in all segments, with the current high stock levels being sold off and fewer follow-up orders for products being placed. Despite raising our selling prices, the increases were only partly able to compensate for the massive rise in procurement and production costs due to raw material costs, which have already been extremely high since 2021, and the continued rise in energy prices. Both in the Leifheit Group's domestic market of Germany and in the regions of Central Europe and Eastern Europe, the market conditions, which remained challenging, led in some cases to a significant decline in turnover compared to the extremely strong previous years.

Foreign turnover decreased by m€ 9.2 overall to m€ 152.7 in the 2022 reporting period (2021: m€ 161.9). Given the simultaneous drop in turnover in Germany, the share of Group turnover generated abroad therefore rose to 60.7% in 2022 (2021: 56.1%).

Group turnover by region

Germany

In financial year 2022, the Leifheit Group recorded a 21.8% year-on-year decline in turnover in its domestic market of Germany, where total turnover fell to m€ 98.8 (2021: m€ 126.4). Accordingly, the share of total Group turnover generated in Germany fell to 39.3% in the reporting period (2021: 43.9%).

Compared to other markets, the unusually marked consumer restraint in Germany on account of the general uncertainty had a significantly negative impact on turnover. By contrast, discounters and online retailers, who benefited especially strongly from the pandemic, had made a significant contribution to the turnover growth in Germany in the previous year.

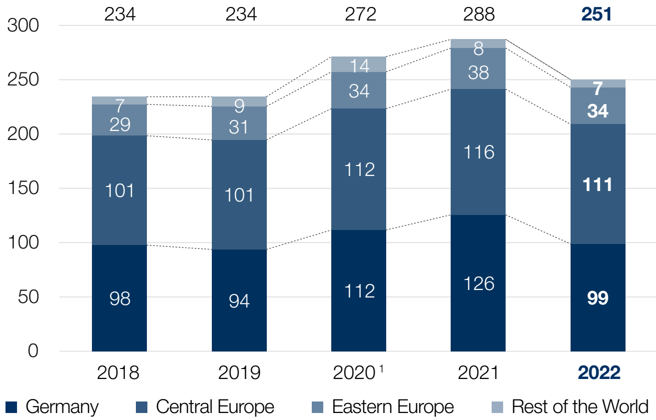
The steps taken by the Leifheit Group to counteract this development include the “Electricity Savers” campaign, which encourages consumers to switch to power-free laundry drying in light of the rising energy prices. Switching from electronic dryers to drying racks like the Leifheit Pegasus and rotary dryers like the Leifheit Linomatic not only helps consumers save electricity and money, but also reduces CO_2 emissions compared using an electric dryer.

Central Europe

In Central Europe, turnover fell by 4.5% to m€ 111.2 in 2022 (2021: m€ 116.4). Despite marketing activities and the successful expansion of distribution in France and Italy, for example, turnover in this region was below the previous year's level. The appetite for spending on consumer goods lessened significantly here as well due to price increases and uncertainty because of the Russia-Ukraine war.

In Spain, meanwhile, the Leifheit Group achieved a double-digit increase in turnover. Growth in the online business had a positive impact here. Sales of products distributed under the Leifheit brand also contributed to significant growth in the Netherlands. Here, the bricks-and-mortar business in particular saw significant gains in the course of unrestricted reopening in the reporting period after pandemic-induced closures in 2021. On the whole, however, these markets were unable to decisively compensate for the general negative trend in Central Europe.

Group turnover by region
in m€



[1] Regional distribution of turnover in 2020 adjusted for turnover with a major online retailer that had previously been allocated partly to Central Europe and has been attributed to Germany since 2021.

Eastern Europe

Turnover in Eastern Europe fell by 9.8%, from m€ 37.9 in the previous year to m€ 34.2 in 2022. As in Central Europe, the appetite for spending on consumer goods was considerably lessened overall in this region due to price increases and uncertainty because of the Russia-Ukraine war. The Leifheit Group therefore saw a noticeable year-on-year decline in consumer demand in the Czech Republic, which remains this region's highest-turnover market, and in other Eastern European markets. The Leifheit Group recorded double-digit growth in the Baltic States and Slovakia.

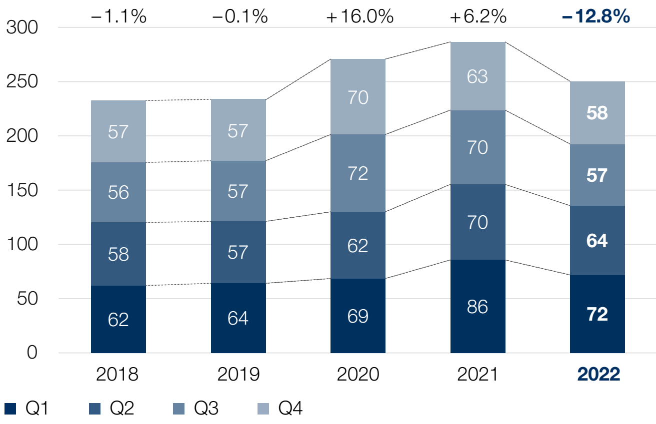
Rest of the World

In the opportunistically driven business outside Europe, the Leifheit Group recorded a slight turnover decline of 3.8% to m€ 7.3 in financial year 2022 (2021: m€ 7.6). While the Leifheit Group was able to record substantial turnover growth in both Asia and the Middle East, business in the US in particular was down noticeably year-on-year. There, the temporary closures of bricks-and-mortar stores in the wake of the COVID-19 pandemic had led to a short-term surge in turnover generated online that positively affected performance in the previous year. This effect disappeared during the reporting period.

Group turnover by quarter

Despite the difficult market environment, the Leifheit Group generated Group turnover of m€ 71.8 in the first quarter of 2022, which equated to the second highest quarterly turnover on a like-for-like basis in the past 15 years. This reflects the influence that extraordinary factors had on business in both the first quarter of 2021 and the first quarter of the 2022 reporting period. In the first quarter of 2021, intensified consumer advertising and changed consumer behaviour against the background of the COVID-19 pandemic, as well as an increase in the need for hygiene, had an extremely positive impact on business, resulting in growth of more than 25%. In spring 2022, however, concerns about inflation and the uncertainty caused by the Russia-Ukraine war started curbing the overall appetite for spending and reducing demand for consumer goods. These factors continued to exert a significant influence on the Leifheit Group's business development in the second quarter. While turnover accordingly fell short of the previous year's value by 7.7% in the second quarter, the company still achieved the second highest turnover in a second quarter on a like-for-like basis in the past 15 years.

Group turnover by quarter
in m€ / growth in %



Turnover lagged behind the corresponding quarters of the previous year in the third and final quarters of 2022 as well. Ongoing high inflationary pressure and uncertainty resulting from the Russia-Ukraine war had a sustained negative impact on consumer appetite in important core markets. Especially in Germany, consumer sentiment temporarily reached a new all-time low – a situation that weighed on demand in the non-food sector in particular, which is relevant for the Leifheit Group.

Group turnover development by quarter in m€	2021	2022	Change
Q1	85.9	71.8	−16.5%
Q2	69.9	64.4	−7.7%
Q3	69.5	57.0	−18.0%
Q4	63.0	58.3	−7.6%
	288.3	**251.5**	**−12.8%**

Group turnover by segment

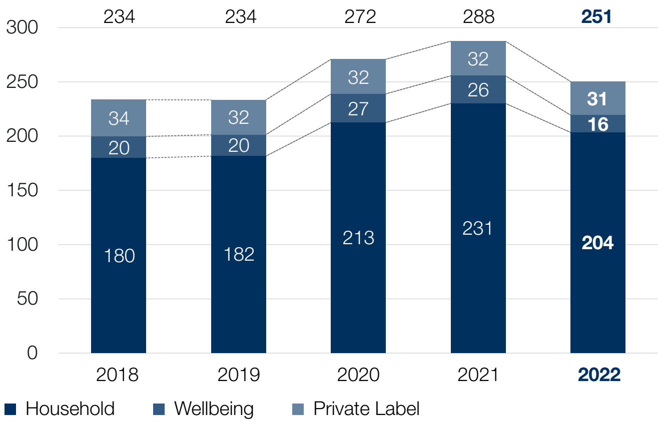
Household

The Household segment, which comprises the Leifheit brand and the cleaning, laundry care and kitchen goods categories, is the segment with the highest turnover in the Leifheit Group. In the reporting period, the Leifheit Group generated turnover of m€ 204.2 in this segment, compared to m€ 230.8 in the previous year. This corresponds to an 11.5% decrease in turnover. In financial year 2022, 81.2% of Group turnover was generated by the Household segment (2021: 80.0%).

Turnover in the kitchen goods category in particular was considerably below the same period of 2021. Having spent more time cooking and baking at home at the beginning of financial year 2021 as a result of pandemic-related restrictions and restaurant closures, many consumers changed their behaviour once again in 2022.

In the cleaning and laundry care categories, the Leifheit Group benefited from marketing campaigns. However, turnover from cleaning products also fell short of the exceptionally strong figures from the previous year due to the general reduction in private consumption. Laundry care products, on the other hand, exhibited slight growth over the previous year's value. The jump in demand for energy-saving laundry dryers such as the Leifheit Pegasus laundry drying rack or the Linomatic rotary dryer had an impact here.

Group turnover by segment
in m€



Wellbeing

The Wellbeing segment comprises the Soehnle brand, featuring a range of bathroom and kitchen scales, health products and room air treatment products. Along with the Household segment, it represents the core business of the Leifheit Group. However, with an 6.4% share of Group turnover (2021: 8.9%), it is significantly smaller than the Household segment. Germany is by far the largest market for the Wellbeing segment, followed by the Netherlands, Austria and Italy.

In financial year 2022, the Leifheit Group's turnover in the Wellbeing segment was m€ 16.1 (2021: m€ 25.5). This represents a significant drop of 36.8% compared to the previous year's value. In the previous year, the strong growth shown by Soehnle scales, which were advertised on TV for the first time, as well as greater demand for Soehnle air purifiers driven by the increased need for hygiene during the pandemic led to a considerable jump in turnover. The tense situation in this segment owing to the elimination of the previous year's positive effects was made worse by the impact of the Russia-Ukraine war. More challenging conditions and supply bottlenecks had a negative impact on business. At the same time, however, Soehnle remains the clear market leader for bathroom and kitchen scales in Germany.

Private Label

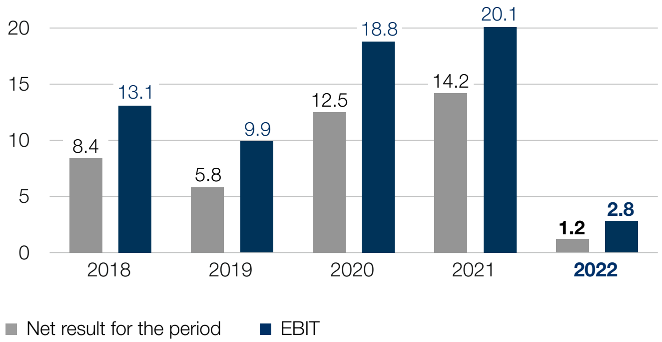
The Private Label segment comprises the French subsidiaries Birambeau and Herby, with kitchen goods and laundry care products specially produced for private-label brands. The segment is strongly focused on individual markets and customers, with France as the core market.

In 2022, turnover in the Private Label segment fell by 2.7% to m€ 31.2 (2021: m€ 32.0). The share of Group turnover attributable to this segment rose to 12.4% (2021: 11.1%). Even though the turnover figures fell short of the previous year's level overall, the demand for the Herby laundry care products in France was very favourable, with double-digit growth. Birambeau, on the other hand, experienced a slight decline in turnover.

Development of results of operations

2022 was considerably affected by the impact of the Russia-Ukraine war and the ongoing COVID-19 pandemic. As a result, disruptions of global supply chains, raw material shortages and tremendous price increases for energy, raw materials and purchased goods continued. The significant rise in inflation resulted in considerable consumer restraint, especially in Germany. Despite these extreme environmental factors, the Leifheit Group generated positive EBIT in the amount of m€ 2.8 in financial year 2022 (2021: m€ 20.1). The 86.2% decrease was mainly due to the lack of contribution margins from the decline in turnover and the drastic rise in material and energy prices. Accordingly, the EBIT margin was 1.1% in the reporting period (2021: 7.0%). It is calculated as the ratio of EBIT to turnover.

Group result
in m€



Earnings before taxes (EBT) decreased by m€ 17.0 to m€ 2.3 in financial year 2022 (2021: m€ 19.3). The interest and financial result included in this figure improved by m€ 0.3 to m€ –0.5 due to higher interest rates (2021: m€ –0.8). After deducting taxes of m€ 1.1 (2021: m€ 5.1), the Leifheit Group therefore achieved a net result for the period of m€ 1.2 (2021: m€ 14.2).

Comprehensive income after taxes amounted to m€ 11.1 in the reporting period (2021: m€ 20.7). It includes the net result for the period and other comprehensive income. The other comprehensive income also includes components that are recorded directly under equity as other reserves. This relates to the currency effects from the conversion of financial statements in foreign currencies, value changes from hedging transactions, currency effects of equity-replacing loans from Group companies and adjustment effects from pension obligations. Other comprehensive income rose to m€ 9.9 during the reporting period (2021: m€ 6.5). The m€ 3.4 increase was mainly due to adjustment effects of provisions for pensions, whereas changes in the value of forward exchange transactions and currency effects had the opposite effect.

Income statement (short version) in m€	2021	2022
Turnover	288.3	251.5
Cost of turnover	–166.2	–154.3
Gross profit	**122.1**	**97.2**
Research and development costs	–6.1	–6.0
Distribution costs	–84.0	–77.9
Administrative costs	–14.5	–14.6
Other operating income and expenses	1.4	1.2
Foreign currency result	1.2	2.9
EBIT	**20.1**	**2.8**
Interest and financial result	–0.8	–0.5
EBT	**19.3**	**2.3**
Income taxes	–5.1	–1.1
Net result for the period	**14.2**	**1.2**
Other comprehensive income	6.5	9.9
Comprehensive income after taxes	**20.7**	**11.1**

Gross profit

Gross profit fell by m€ 24.9 to m€ 97.2 (2021: m€ 122.1). Key reasons for this significant decrease were the missing contribution margins due to lower turnover as a result of consumer behaviour, and especially the dramatic price increases for raw materials, purchased goods and energy. Materials purchased in foreign currencies also became more expensive due to exchange rate effects. Sales price increases gradually started to have an effect in the 2022 reporting period, but were only partially able to compensate for the extremely high raw material and energy prices. This led to a 3.6 percentage point decrease in the gross margin to 38.7% in 2022 (2021: 42.3%). The gross margin is calculated as gross profit in relation to turnover.

Research and development costs

Research and development expenses fell slightly by m€ 0.1 to m€ 6.0 (2021: m€ 6.1). These costs mainly include personnel costs, costs for services and patent fees. The decrease pertains in particular to expenditures related to an ongoing patent dispute, which were mostly incurred in the previous year.

Distribution costs

Distribution costs fell by m€ 6.1 to m€ 77.9 in the reporting period (2021: m€ 84.0). In particular, they include advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external teams. The decrease is primarily attributable to advertising expenses, which decreased by m€ 7.7 to m€ 13.2.

Administrative costs

Administrative costs rose by m€ 0.1 to m€ 14.6 in financial year 2022 (2021: m€ 14.5) and were therefore roughly on par with the previous year. First and foremost, these costs include personnel costs and services to support our financial and administrative functions.

Other operating income and expenses

Other operating income amounted to m€ 1.6 and was therefore virtually on par with the previous year (2021: m€ 1.7). The position mainly includes income from compensation for damages, as well as commission income and licensing revenue. In 2021, we received a final payment of m€ 0.2 from a client insolvency from previous years.

Other operating expenses were up by m€ 0.1 to m€ 0.4 (2021: m€ 0.3).

Foreign currency result

The foreign currency result increased by m€ 1.7 to m€ 2.9 in the reporting period (2021: m€ 1.2). It includes changes in the fair values of forward foreign exchange transactions, foreign currency valuations and foreign currency gains and losses realised. The effects of realised currency gains increased by m€ 1.6. Those from changes in the fair values of forward foreign exchange transactions increased by m€ 1.1, whereas the effects of foreign currency valuations decreased by m€ 1.1. The foreign currency result included an amount of m€ 1.6 due to positive effects from forward foreign exchange transactions that were no longer included in hedge accounting and were therefore no longer reported in the gross margin. The positive foreign currency result from these forward exchange transactions was more than compensated for by the negative foreign currency result included in the gross margin due to material cost increases caused by foreign exchange effects.

Interest and financial result

The interest and financial result amounted to m€ –0.5 (2021: m€ –0.8). Interest income from financing instruments in the amount of m€ 0.2 was generated once again due to higher interest rates in the Eurozone. Interest expenses amounted to m€ 0.9 (2021: m€ 0.8). Of this amount, m€ 0.8 was attributable to interest accruals to pension obligations (2021: m€ 0.7).

Income taxes

In financial year 2022, income taxes totalled m€ 1.1 (2021: m€ 5.1). The tax rate rose to 47.3% (2021: 26.5%). This ratio is the relationship of taxes on income to EBT. The tax rate increase was mainly due to losses at a subsidiary that could not be deducted for tax purposes.

Development of the financial situation

Financial management

Leifheit maintains a centralised financial management for liquidity and currency management. An important goal of our financial management strategy is to ensure a minimum Group liquidity in order to meet our payment obligations at all times. To this end, most Group companies have been integrated by Leifheit into central cash management operations. Cash and cash equivalents are pooled throughout the Group, monitored and invested according to uniform principles. Sufficiently high levels of liquid assets improve our financial flexibility and secure our solvency and independence across the Group. Further lines of credit available at short notice enable us to draw on further liquidity reserves if necessary.

The Group liquidity and lines of credit available enable us to meet our payment obligations. There are no restrictions regarding the availability of cash.

We also manage our currency exchange risks on a Group-wide basis. We hedge them through selected derivatives. Derivatives are used exclusively for the purpose of hedging underlying transactions. They are not used for speculative purposes. We have clear rules in place in the area of financial risk management, which also cover the use of derivative financing instruments.

Liquidity management

Our operating activity is the primary source of building up and expanding cash, cash equivalents, other investments and short-term securities. In the past, cash and cash equivalents have been largely used for our business activities and the resulting investments, the acquisition of companies or parts of companies, the payment of dividends and the repurchase of our own shares. We aim to continue generating sufficient liquidity in the future to ensure the distribution of annual dividends in the context of a continuous dividend policy.

As at 31 December 2022, we held cash and cash equivalents mainly in euros, Czech korunas, US dollars, Chinese yuan and Polish zloty.

Management of capital structure

Our primary objective in managing the capital structure is maintaining a strong financial profile. As a result, we focus on maintaining sufficient levels of equity. This should also contribute to boosting the trust that investors, banks, customers, suppliers and employees have in our company. We focus the management of our capital structure on ensuring that we can meet our future potential financing requirements on reasonable terms in the capital market.

Capital structure

The equity ratio increased to 52.0% at the end of financial year 2022 (2021: 46.6%). It is calculated from the proportion of equity to the total of equity and liabilities. The debt-equity ratio, the relationship between current and non-current liabilities to the sum of equity and liabilities, amounted to 48.0% (2021: 53.4%). This decrease by 5.4 percentage points compared to the previous year is mainly due to lower trade payables and lower pension obligations.

At m€ 103.6 as at 31 December 2022 (2021: m€ 127.5), Group debt primarily consisted of pension obligations amounting to m€ 46.8 (2021: m€ 62.9), trade payables and other liabilities of m€ 44.5 (2021: m€ 50.7) and other provisions of m€ 8.6 (2021: m€ 10.2).

As in previous years, Leifheit had no liabilities to banks at the end of financial year 2022.

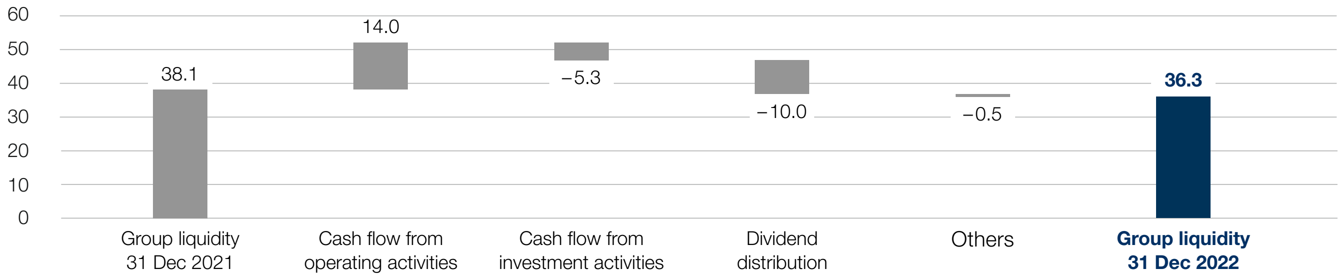
Equity and liabilities	31 Dec 2021		**31 Dec 2022**	
	m€	Share in %	**m€**	**Share in %**
Equity	111.3	46.6	112.5	52.0
Current liabilities	58.4		51.4	
Non-current liabilities	69.1		52.2	
Liabilities	127.5	53.4	103.6	48.0
	238.8	**100.0**	**216.1**	**100.0**

Analysis of Group liquidity

As at 31 December 2022, Group liquidity totalled m€ 36.3 (2021: m€ 38.1). It only included cash and cash equivalents.

As at the balance sheet date, bank balances consisted mainly of amounts in euros of m€ 15.4 (2021: m€ 26.5), Chinese yuan of m€ 12.8 (2021: m€ 1.2), US dollars of m€ 3.3 (2021: m€ 0.8), Czech korunas of m€ 2.6 (2021: m€ 1.2), Polish zloty of m€ 1.6 (2021: m€ 5.0) and Romanian leu of m€ 0.6 (2021: m€ 2.0).

Group liquidity
in m€



Analysis of Group statement of cash flow

m€	2021	2022	Change
Cash flow from operating activities	16.4	14.0	−2.4
Cash flow from investment activities	−6.9	−5.3	1.6
Cash flow from financing activities	−10.4	−10.6	−0.2

Cash inflow from operating activities in financial year 2022 totalled m€ 14.0 (2021: m€ 16.4). It was mainly comprised of the net result for the period adjusted for depreciation and amortisation in the amount of m€ 8.7 (2021: m€ 22.0) and the decrease in working capital by m€ 5.9 (2021: increase by m€ 2.4).

Working capital is the sum total of trade receivables, inventories and contractual assets less trade payables and other liabilities. The improvement in working capital resulted from the depletion of inventories by m€ 7.7 and the decrease in trade receivables and contractual assets by m€ 4.4. In addition, trade payables decreased by m€ 6.2.

Cash outflow from investment activities stood at m€ 5.3 in the reporting period (2021: m€ 6.9). Investments (payments for the purchase of intangible assets and tangible assets) amounted to m€ 5.4. Therefore, investments were m€ 1.9 lower than in the previous year (2021: m€ 7.3). The investment measures in financial year 2022 had been largely completed by the end of the year.

Cash outflow from financing activities amounted to m€ 10.6 (2021: m€ 10.4) and related largely to the payment of dividends totalling m€ 10.0 (2021: m€ 10.0) and payments for lease liabilities in the amount of m€ 0.6 (2021: m€ 0.6).

Lines of credit

Leifheit had lines of credit of m€ 25.2 as at 31 December 2022 (2021: m€ 25.2). Of this amount, m€ 0.2 was utilised through guarantees and credit cards (2021: m€ 0.4).

Free cash flow

Despite the m€ 2.4 decrease in cash flow from operating activities, free cash flow only fell slightly in the reporting period, by m€ 0.8 to m€ 8.8 (2021: m€ 9.6), due in part to the m€ 1.6 decline in investment activities compared to the previous year. As a key figure, free cash flow indicates how much liquidity was available for the repayment of debt financing and for the distribution of dividends to shareholders.

m€	2021	2022	Change
Cash flow from operating activities	16.4	14.0	−2.4
Cash flow from investment activities	−6.9	−5.3	1.6
Free cash flow	9.6	8.8	−0.8

Development of net assets

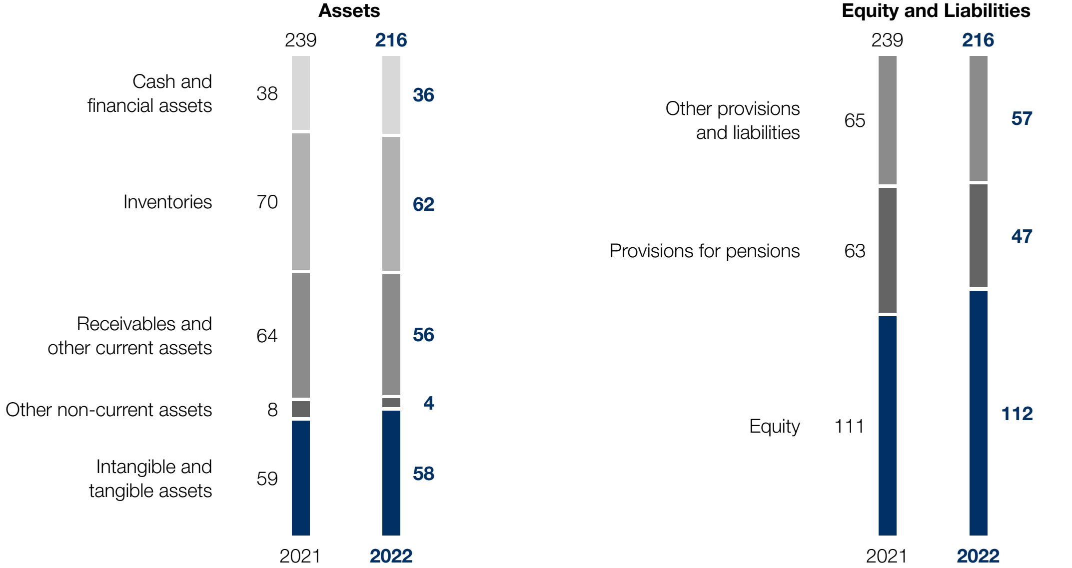
Balance sheet structure

The Leifheit Group's total assets decreased significantly by m€ 22.7 year-on-year to m€ 216.1 as at 31 December 2022 (2021: m€ 238.8). On the assets side, this decrease was mainly due to lower inventories, a reduction in trade receivables and lower deferred tax assets. On the liabilities side, pension obligations were reduced due to discounting, and trade payables were lower.

As at the balance sheet date, current assets totalled m€ 154.2 and were therefore m€ 17.3 lower than as at 31 December 2021. Cash decreased by m€ 1.8 to m€ 36.3 as at 31 December 2022 (2021: m€ 38.1). Trade receivables fell by m€ 4.1 to m€ 48.6 (2021: m€ 52.7) due to the lower turnover in the fourth quarter. Inventories built up in the previous year were reduced as planned in financial year 2022. Accordingly, inventories decreased by m€ 7.7 compared to 31 December 2021 (2021 year: increase of m€ 10.4). Other current assets also fell by m€ 1.5 to m€ 3.9, mainly because of lower VAT receivables as at the balance sheet date.

Current and non-current derivative assets fell considerably by a total of m€ 2.8 to m€ 0.8 (2021: m€ 3.6), whereas current and non-current derivative financial liabilities increased by a total of m€ 0.3 (2021: m€ 0.0). This change resulted primarily from the use of the forward exchange transactions concluded in previous years for financial year 2022, which had a high positive present value as at 31 December 2021, and from the change in the fair values of forward exchange transactions for the period from January 2023 to March 2024.

Balance sheet ratios
in m€



Non-current assets fell by m€ 5.4 to m€ 61.9 as at 31 December 2022 (2021: m€ 67.3). While intangible assets and tangible assets fell by m€ 1.1 to m€ 56.0 (2021: m€ 57.1) because amortisation and depreciation exceeded investments, deferred tax assets decreased by m€ 4.1 to m€ 4.2 (2021: m€ 8.3), mainly because of the adjustment of pension obligations due to interest rates.

Current liabilities with maturities less than one year decreased by m€ 7.0 to m€ 51.4 (2021: m€ 58.4). Trade payables and other liabilities fell by m€ 6.2 to m€ 44.5 (2021: m€ 50.7), mainly because of lower purchasing volumes in the course of inventory depletion.

Because earnings before taxes were lower, and due to advances paid, income tax liabilities fell by m€ 0.6 to m€ 0.0 (2021: m€ 0.6).

Non-current liabilities decreased by m€ 16.9 to m€ 52.2 as at the reporting date (2021: m€ 69.1). They chiefly include pension obligations in the amount of m€ 46.8 (2021: m€ 62.9). The m€ 16.1 decrease in pension obligations resulted mainly from discounting adjustment effects due to the sharp increase in the actuarial interest rate, as well as from payments to pensioners, which exceeded the net expense for active employees with pension entitlements by a large margin.

The Leifheit Group continues to have a solid equity base overall. At m€ 112.5, equity as at 31 December 2022 increased by m€ 1.2 compared to the previous year's reporting date (2021: m€ 111.3). The dividend distributed in the reporting period for financial year 2021 amounted to m€ 10.0, as in the previous year. Included in equity, the net result for the period of the financial year 2022 amounted to m€ 1.2 (2021: m€ 14.2), the other comprehensive income to m€ 9.9 (2021: m€ 6.5).

The equity ratio – the share of equity in relation to the balance sheet total – rose to 52.0% at the end of financial year 2022 (2021: 46.6%). This increase by 5.4 percentage points resulted from the slight equity increase in relation to the considerably lower balance sheet total caused by the pronounced decrease in pension obligations and trade payables.

Investments

In the reporting period, we invested a total of m€ 5.4 (2021: m€ 7.3).

Additions to tangible assets stood at m€ 5.1 in financial year 2022 (2021: m€ 6.9). These mainly involved tools for new products, machines, streamlining and replacement investments for production plants and operating and business equipment. In the previous year, we had invested m€ 1.8 more – mainly to expand production at our Czech production plant. The investment measures in financial year 2022 had been largely completed by the end of the year.

We also invested m€ 0.3 (2021: m€ 0.3) in intangible assets, which mainly concerned the acquisition of software.

The investment ratio, which gives information on additions to non-current assets in relation to historic procurement and production costs, stood at 2.9% without right of use assets from leases in financial year 2022 (2021: 3.9%).

As at 31 December 2022, there were contractual obligations to acquire items of non-current assets – mainly for equipment – in the amount of m€ 2.7 (2021: m€ 2.8). These will be financed by 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, Leifheit also used assets that cannot be recorded in the balance sheet to a limited extent. These mainly relate to the recognition exemptions under IFRS 16 for leases of up to 12 months, for leases for low-value assets with a value not exceeding k€ 5 and for licences. As in previous years, no other off-balance-sheet financing instruments were used in the reporting period.

Non-financial performance indicators

Employees

Highly trained and motivated employees are essential to our ability to achieve our ambitious operating and strategic targets. Demographic developments and the associated increased shortage of highly qualified workers, which is particularly but not only noticeable where technical professions are concerned, are a key challenge. Our strategic HR work allows us to rise to the challenges presented by the labour market. We invest in our workforce and provide opportunities for training and development.

One important success factor in our Scaling up Success strategy is further developing our corporate culture into a “winning culture”. Our goal is to foster an agile culture that is fun, fast, friendly and fearless. Our vision is for our employees to tackle the challenges they face with a sense of fun and joy, and with speed and confidence, to allow us to leverage our company’s potential even better in future. In the area of operations and at its intersections, we give responsibility to teams across different disciplines and hierarchies with the help of tools for agile working.

We are making a special effort to recruit and retain good staff in the long term. For example, we offer various opportunities for development, despite our relatively small company size and flat hierarchies. We aim to offer all our employees competitive remuneration and prize diversity among our staff. To ensure that all employees can perform to their full potential, we strive to create a safe and suitable working environment. To improve readability, male nouns and pronouns used in the following text to represent all members of our staff.

Number of employees at the Group

As at 31 December 2022, the Leifheit Group had 1,063 employees in total (2021: 1,080 employees), 80 of whom were in part-time employment (2021: 94). The number of employees therefore fell by 1.6%. We flexibly responded to changed capacity utilisation in production and logistics during the 2022 reporting period by utilising residual holidays and credit balances in working time accounts. The number of part-time employees was considerably reduced as well.

Employee structure of the Leifheit Group	31 Dec 2021	**31 Dec 2022**
Group	1,080	1,063
Household	907	903
Wellbeing	39	34
Private Label	134	126
Germany	412	403
Czech Republic	444	440
France	139	139
Other countries	85	81

The Household segment had 903 employees (2021: 907 employees), with the Wellbeing segment totalling 34 employees (2021: 39 employees). In the Private Label segment with our French subsidiaries Birambeau and Herby, we had 126 employees at the end of the reporting period (2021: 134 employees).

There were 403 employees in Germany on the balance sheet date (2021: 412 employees), accounting for 37.9% of the Group workforce (2021: 38.1%). We had 440 employees at the production and sales locations in the Czech Republic (2021: 444 employees), or 41.4% of the Group workforce (2021: 41.1%). In France, we had 139 employees (2021: 139 employees), accounting for 13.1% of the Group workforce (2021: 12.9%). The remaining 7.6% of the Group workforce were spread mainly among various European countries.

The average number of employees at the Leifheit Group was 1,080 people in financial year 2022 (2021: 1,099 people).

A total of 24 trainees were employed at Leifheit AG’s German locations at the end of 2022 (2021: 23 trainees).

Personnel costs at the Group rose by 4.7% to m€ 53.3 in the reporting period (2021: m€ 50.9).

Characteristics of the workforce of the Leifheit Group	2021	**2022**
Average length of service	11.6 years	11.7 years
Age structure of employees		
under 30 years	16%	16%
> 30 to 40 years	19%	19%
> 40 to 50 years	29%	29%
> 50 to 60 years	27%	27%
over 60 years	9%	9%
Average age	44 years	44 years
Percentage of women in the workforce	49%	48%
Percentage of women at the first management level [1]	29%	33%
Number of trainees	23	24
Part-time employees	94	80

[1] Below the Board of Management.

Diversity

At the Leifheit Group, we foster a working environment that welcomes diversity, so as to benefit from our employees’ different personal abilities, talents and experiences. In doing so, we do not tolerate any kind of discrimination, and we are committed to equal opportunity, regardless of age, gender, religion, ethnic origin or sexual orientation. Our diversity management focuses on three aspects of our workforce: gender, age structure and internationality.

Opportunities and risks report

The strategic management of opportunities and risks serves as the basis for the sustainable development of the Leifheit Group. Identifying opportunities and taking advantage of potential for success are essential to profitable growth. Comprehensive risk management and an internal control system help the Leifheit Group to deal responsibly with business risks.

Opportunities

An important part of corporate activity is identifying business opportunities early on and making consistent use of them. The opportunities presented here are not necessarily the only ones available to Leifheit. In addition, our assessment of individual opportunities may change because the business climate, markets, key trends and technologies are all in a state of constant development. As a result, new opportunities may arise, existing ones may lose their significance, or the significance of an individual opportunity may change.

The Leifheit Group takes business opportunities into account in its budget planning and tracks them in conjunction with periodic reporting. Opportunities may exceed our expectations in future and lead to a positive deviation from our forecast or the targets that we set for ourselves. The Board of Management and the management of the applicable areas of operation are responsible for the prompt identification, analysis and utilisation of opportunities that arise. We regularly consider detailed market and competition analyses, relevant cost parameters and critical success factors, which we then take into account in our strategy. Our overriding objective is to strike a healthy balance between opportunities and risks.

In our view, the general situation with regard to opportunities for our company did not change significantly in the reporting period.

Macroeconomic opportunities

For the most part, the areas of business in which the Leifheit Group operates tend to be part of the non-cyclical consumer goods sector. As a result, the Group is less strongly affected by the overall economic situation than the cyclical consumer goods sector. Nevertheless, general economic conditions may affect the Leifheit Group's business to a certain extent. Accordingly, our financial targets are based on the macroeconomic development estimates described in the forecast. If basic conditions and consumer sentiment, especially in our important markets in Europe, develop more positively than assumed in the forecast, there might be a chance that we would exceed our turnover and earnings expectations.

Industry-specific opportunities

As a European brand supplier of household products, we can benefit from trends and market developments in relation to these products. In order to actively meet market and customer demands, we put particular emphasis in our product portfolio on the design and development of durable products that make life at home more easy and convenient. In our view, the following trends will be of importance to our company in the coming years and harbour the potential to have a positive effect on our business development.

Sustainable consumption and energy-saving products trend
Besides price and functionality, factors such as quality and durability are increasing decisive for purchasing a product. At the same time, production conditions, as well as environmentally sound and socially compatible production, also play a growing role in buying decisions. In addition, the current energy crisis is making many people more aware of energy consumption and prompting them to save electricity.

Leifheit is a brand supplier of high-quality, durable products. Many Leifheit products use no electricity and can replace products with high energy demands in the household. They are manufactured at our own production facilities in Europe or by partners in accordance with the Leifheit Social Code of Conduct. In view of the described developments, we expect to further improve our market position and continue winning over future generations of consumers.

Digitalisation makes new processes and products possible
The ongoing digital transformation affects every aspect of a company's value chain. Digitalisation presents the Leifheit Group with numerous opportunities. Apart from increases in efficiency and productivity and further improvement of existing business processes through the expansion and optimisation of our ERP environment, for example, there are also opportunities for innovative business models.

Growing e-commerce market
Consumers are taking ever greater advantage of the internet, from the search for information to the purchase of goods from online shops and other similar services. For Leifheit, this results in numerous opportunities to tap into growth potential. The Leifheit and Soehnle

products are very well suited for online retail. While lower-priced items are predominantly sold at bricks-and-mortar shops, we offer many products in the medium-to-high price category for online retail. The expansion of our e-commerce capabilities and activities, paired with the improvement of our direct dialogue, is intended to strengthen consumers' brand loyalty. By cooperating with online distributors, and with the help of our own online shops, we also intend to increase our footprint in international markets that we have yet to fully tap into. These effects could impact turnover in e-commerce faster or more favourably than planned and, as a result, influence the operating result more positively than expected.

Customers are looking for easy and convenient solutions

Increased pressure and greater stress at work can be observed today across all generations. We see opportunities in this increasingly fast-paced world for our consumer-centric products that make life at home more easy and convenient.

Demographic development

According to forecasts, the percentage of older consumers – for whom brand quality has traditionally played an important role – is set to rise in Germany. At the same time, the number of households, especially single-person and two-person households, is also expected to increase slightly. This may lead to greater demand for household products. These developments could have a positive impact on the Leifheit Group in the future.

Strategic business opportunities

As a leading company for household products in Europe, the company enjoys strategic business opportunities with a focus on products that make life at home more easy and convenient. We rely on our own development department for this. The aim to create additional opportunities based on understanding consumers and customers is entrenched within our organisation and processes.

In addition, we see strategic business opportunities in targeted consumer advertising for our products, which we plan to use to make our range of brands and products better-known among consumers. Our main focus here is on TV advertising for our best-selling, European-made products. The associated strengthening of our brands also results in opportunities to improve our negotiating position in dealings with retailers. Furthermore, we see opportunities in the expansion of our market presence – both in traditional retail and in e-commerce. To seize the opportunities that arise as a result, we are focusing on an efficient link between online and offline sales channels.

Expanding distribution in existing markets and additional regional diversification also offer opportunities. Leifheit focuses its business activities above all on Europe. Country-specific sales programmes serve to consolidate or expand our position in the region.

We also take advantage of opportunities that arise outside of Europe. Partnering with distributors also makes it possible for us to benefit from the momentum of large, rapidly growing markets, especially in emerging economies. Unexpected positive developments in these markets therefore harbour the potential for us to surpass our targets.

Economic performance opportunities

There are economic performance opportunities for Leifheit that arise, in particular, with regard to business operations, cost management and greater efficiency. Our operating activities harbour significant opportunities of achieving additional success through a winning combination of targeted consumer advertising with a focus on high-volume, bestselling products.

Cost management and greater efficiency offer the opportunity to boost the long-term earning power of Leifheit. In addition to reducing non-value-added costs, we are focused on streamlining our product ranges and optimising processes along the entire value chain with the help of lean management and the 5S methodology.

Other opportunities

Our employees are a fundamental pillar of the Leifheit Group's successful growth in the long term. We regularly invest in their expertise. In this context, we also promote various measures to further boost the commitment and motivation of our employees.

We see opportunities resulting from the creation of a fun, fast, friendly and fearless corporate culture. Our vision is for our employees to tackle the challenges they face with a sense of fun and joy, and with speed and confidence, resulting in opportunities to better leverage our company's potential in future.

Risks

We define risks as a possible negative deviation from forecasts or other targets due to future events or developments. Risk management comprises all measures designed to handle risks systematically and transparently. We are exposed to various risks in the course of our business activities. The Group has therefore set up a risk management system that allows it to identify risks early on, analyse them and take suitable countermeasures. We use this system to identify potential incidents that could have significant adverse effects on our business situation, net assets, financial position and results of operations, as well as on our reputation, or which could even compromise the survival of the company. To ensure the effectiveness of risk management, allow the aggregation of risks and facilitate transparent reporting, we take a uniform, Group-wide approach for the management of business risks.

As a listed stock corporation with its registered office in Germany, the Board of Management has set up a monitoring system in accordance with section 91 para. 2 AktG. In addition, the Board of Management is responsible for the appropriateness and effectiveness of risk management and the internal control system.

Risk management system

The risk management manual governs the handling of risks within the Leifheit Group and defines a uniform methodology that applies across the Group to all company divisions. The risk management manual delineates responsibilities for the performance of risk management tasks as well as reporting structures. The effectiveness of the risk management system is reviewed by the internal audit team at regular intervals.

Our risk strategy is oriented towards securing the company's existence in the long term, which requires us to recognise, assess and manage risks in the best possible way. The company has determined its individual risk-bearing capacity as a basis for identifying risks that could jeopardise its existence. The risk-bearing capacity is updated on an ongoing basis and represents the maximum amount of risk that the company can bear without jeopardising its continued existence.

Our risk management organisation consists of a risk manager working across the Group and risk owners in the individual operational areas and/or companies. The risk manager is responsible for updating the risk management manual and the uniform implementation of the measures it contains, for risk aggregation and for standardised risk reporting to the various levels of the company. All segments are completely divided into risk areas. The respective risk owner is responsible for risk management within the risk areas. The risk owner's job is to identify and evaluate all risks continuously, notify the company about them and monitor the implementation of countermeasures. Risk management includes both financial and non-financial aspects. Opportunities are not recognised.

The central element of the risk management system is the systematic risk management process that is implemented every six months. It includes the phases of risk identification, assessment, aggregation, management, monitoring and reporting. This process begins with risk identification, during which all financial risks, sources of danger, causes of damage, potential disruptions and non-financial risks are systematically documented in uniform risk tables and then analysed every six months. If new risks arise that could have a material impact on the economic results or the further development of the company, the risk owner immediately notifies the responsible offices.

Identified risks are assessed and categorised according to their impact and probability of occurrence. In addition, individual risks are analysed for dependencies and merged into new risks, if necessary. The summary of all individual risk tables constitutes the risk inventory. Material risks are aggregated and the effects on the performance indicators of EBIT and free cash flow are presented within the risk-bearing capacity framework.

This is also represented graphically in a risk map and communicated to the Board of Management and the Supervisory Board at regular intervals. In the risk control phase, each risk owner defines, documents, actively implements and monitors measures to avoid, reduce or transfer risks in each case using the risk table. The status of each countermeasure is also documented in the risk table by the risk owner.

In risk monitoring, general warning indicators are defined, as well as case-by-case indicators for specific individual risks. All indicators are regularly monitored in order to better control risks and the effectiveness of countermeasures that have been initiated.

Internal control and risk management system in the accounting process

The objective of the internal control system is to ensure the security and efficiency of transactions, the reliability of financial reporting and the compliance of all activities with laws and guidelines. Leifheit's internal control system examines material business processes and goes beyond the controls in the accounting process.

Our internal control system manual defines the structure of the internal control and monitoring system for material business processes and describes the structural organisation. Our goal is the systematic creation and documentation of control measures in the processes in order to comply with laws, standards and directives, avoid financial loss and ensure the functional capability and profitability of business processes. Apart from directives and work instructions, risk control matrices are the central element in risk-related processes. They define the material risks in processes, the risk analysis and the required controls and responsibilities of the control officers. The principles of functional separation and dual control are followed.

With respect to the internal control and risk management system for accounting, our goal is to ensure and uniformly implement the statutory requirements, generally accepted accounting principles and rules of the International Financial Reporting Standards (IFRS) as they are to be applied within the EU. With respect to organisational, control and monitoring structures, we ensure that business matters are recorded, processed and analysed in accordance with the law and entered into the separate and consolidated financial statements.

In addition, our system includes guidelines, procedures and measures designed to ensure that our accounting complies with applicable laws and standards. To this end, we analyse new laws, accounting standards and other pronouncements where non-compliance would represent a material risk to the correctness of our accounting. The Group's accounting department presents uniform Group-wide accounting and evaluation methods in the Group's accounting manual in accordance with IFRS. These guidelines, in conjunction with the schedule for drawing up the annual financial statements, constitute the foundation of the annual financial statements preparation process. As part of this process, all Group companies and accounting areas must present their financial statements to the Group's accounting department with the consolidation software used throughout the Group. Subsidiaries and accounting areas are responsible for compliance with the accounting regulations applicable throughout the Group when preparing their financial statements and are supported and monitored by the Group's accounting department in this process. They carry out the adjustment of intragroup assets and liabilities, as well as supply and service relationships, according to Group guidelines.

Consolidation is carried out by the Group's accounting department in a stand-alone IT system. In addition, we use external service providers for the evaluation of provisions for pensions or long-term incentive pay, for example. Employees in charge of financial reporting are familiar with our internal guidelines and processes and undergo regular training. Our internal control system covers the process for drawing up the separate and consolidated financial statements. The risks and controls are defined in the corresponding risk control matrices. They include various monitoring measures such as IT-supported and manual controls and adjustments, the establishment of functional separation and the dual control principle, rules governing access to the IT systems and monitoring. We perform regular backups of relevant IT systems to avoid data loss and system failures as far as possible. The backup concept also includes customised authorisations and access restrictions.

The purpose of the internal control system for accounting and financial reporting is to ensure with reasonable assurance that financial reporting is reliable and that the annual financial statements, the consolidated financial statements and the combined management report of Leifheit AG and the Group are consistent, comply with German legal requirements, give a true and fair view of the net assets, financial position and results of operations, and suitably present the opportunities and risks of future development.

Internal auditing projects include both process- and function-related aspects of ICS.

Starting with financial year 2023, the internal control system and the risk management system will also include the sustainability-related targets within the scope of the CSR and sustainability strategy.

Based on the examination of the internal control and risk management system, as well as the reporting of the internal audit department, the Board of Management is not aware of any circumstances that speak against the appropriateness and effectiveness of these systems in all material respects.[1]

Risk assessment

Our goal is to determine what adverse effects risks could have on defined risk areas, such as the business situation, net assets, financial position and results of operations or our image, and what risks pose the greatest danger to Leifheit as a going concern. For this purpose, the individual risks are rated as critical, medium or low in terms of their estimated probability of occurrence and their effects on our business objectives. Effects both before and after the measures implemented to mitigate risk are presented, but are reported after the measures taken.

[1] The German corporate governance code requires information about the internal control and risk management system that goes beyond the legal requirements for the management report and is therefore exempt from the review of the management report's contents by the auditor. The information in this paragraph therefore constitutes disclosures going beyond the management report.

The scales for measuring these two indicators are shown in the tables below.

Probability of occurrence	Description
1% – 20%	Very low
21% – 40%	Low
41% – 60%	Moderate
61% – 80%	High
81% – 99%	Very high

According to this classification, we define a very low risk as one that occurs only under extraordinary circumstances and a very high risk as one whose occurrence is expected within a specific time period.

Extent of effect	Definition of effect
Very low	Low risks that do not have a noticeable effect on business activities, financial position and results of operations, cash flows, company objectives and image (<m€ 1)
Low	Medium risks that have a noticeable effect on business activities, financial position and results of operations, cash flows, company objectives and image (m€ 1–2)
Moderate	Significant risks that have a strong effect on business activities, financial position and results of operations, cash flows, company objectives and image (>m€ 2–5)
High	Serious risks that have a considerable effect on business activities, financial position and results of operations, cash flows, company objectives and image (>m€ 5–25)
Very high	Risks that jeopardise the company's continued existence (>m€ 25)

According to their probability of occurrence and the extent of their effect on our business activities, our financial position and results of operations, our cash flows and our image, we classify risks as critical, moderate or low in the form of a risk map.

Probability of occurrence/ extent of effect	Very low 1% – 20%	Low 21% – 40%	Moderate 41% – 60%	High 61% – 80%	Very high 81% – 99%
Very low	Low	Low	Low	Low	Low
Low	Low	Low	Low	Moderate	Moderate
Moderate	Low	Moderate	Moderate	Moderate	Critical
High	Moderate	Moderate	Critical	Critical	Critical
Very high	Critical	Critical	Critical	Critical	Critical

Risk factors

We describe below risk factors that we identify and track using our risk management system. They are aggregated more closely in the following description than they are used for internal control. The risk factors generally affect all segments: Household, Wellbeing and Private Label.

We have assigned the risks relevant to Leifheit to the following categories:

1. Risks from external framework conditions
2. Risks from operating activities
3. Financial risks
4. Legal and compliance risks

1. Risks from external framework conditions

Economic risks for our business arise when a positive impetus from the economy and consumer behaviour, and from the markets relevant for us, does not occur and when macroeconomic development lags behind the economic forecasts. Economic development and consumption forecasts are associated with extreme uncertainty because the further course of the war in Ukraine is not predicable, and because the geographical expansion of the conflict cannot be excluded and the economic consequences of the war are not known. Further supply restrictions for oil and gas; high electricity, material and commodity prices in an extremely volatile environment and associated fears of continued rising inflation rates with negative effects on the propensity to consume and invest, and ongoing or worsening supply bottlenecks for preliminary products harbour significant risks for future macroeconomic development.

The uncertainty regarding the further course of the COVID-19 pandemic, especially regarding new virus mutations and renewed lockdowns, could have a negative impact on our business activities and significantly impair the development of our key performance indicators. Numerous other geopolitical uncertainties exist as well. The development of existing trade policy conflicts and global crises going forward remains uncertain. An escalation of the China-Taiwan conflict harbours considerable uncertainty regarding trade relations between China, the European Union and the US. The same applies to a possible weakening of the Chinese economy, which could be pronounced in the medium term and sustained.

We are exposed to transitory and physical climate-related risks with a potential negative impact on the company's net assets, financial position and results of operations. Recurring floods or other natural disasters pose a risk to growth, as do political measures related to the transition to a low-carbon economy, which could lead to rising costs and higher investments. In light of the significantly rising debt levels in some European countries in recent years, general financial risks exist as well. The numerous government aid measures to alleviate the loss of buying power and the consequences of the pandemic, as well as uncertainties due to volatile exchange rates and further interest rate hikes, could accelerate this trend.

If the development of the economy and consumption are weaker than planned due to the risks described above, the individual risks should be considered critical for Leifheit at the current time due to the continued high uncertainty in an extremely volatile environment.

2. Risks from operating activities

2.1 Sales risks

Economic crises may limit our business prospects in some markets. Dependence on specific customers, products or even markets harbours sales risks. While we are represented in many countries around the world, we mainly focus on the European core markets. We maintain sound, long-term customer relationships and pursue active, strategic market and customer development. Our diversified product and customer structures help reduce sales risks.

The Leifheit and Soehnle brands are a material asset. We strengthen awareness of our brands and their image through a wide range of target-group-oriented communication and marketing measures, including TV advertising, that take changes in consumer behaviour, demographics and technical advancement into account. A decline in brand awareness would have a negative impact on our sales in the medium term.

We also need to develop new, innovative and sustainable products in order to be successful. Our product range and marketing activities have to account for changes in consumer demand.

In order to achieve our turnover and profitability targets, we must generate turnover growth, continue stepping up communication with consumers, promote sales at the point of sale and pay attention to product prices to ensure they are competitive. We also need to pass on the considerable increase in producer prices to our customers. Implementing price increases to the necessary extent is very difficult in the current, volatile environment.

We consider the effects of sales risks on our key performance indicators to be moderate.

2.2 Procurement market risks

We procure raw materials and other input materials and need energy to manufacture our products. The corresponding purchase prices increased significantly in the reporting period because of the war in Ukraine. They can fluctuate considerably depending on the market situation and may impact our cost structures significantly going forward. Changing climate conditions may lead to more extreme weather events, which could cause supply chain disruptions. The availability of certain energy carriers such as gas, as well as input materials or transport routes, may be restricted. We mainly procure purchased goods from the Far East. Suppliers may fail or transport capacities may not be available, which could put meeting our contractual obligations to our customers at risk.

In order to reduce risks and reliance on procurement regions with long delivery periods and transport routes, we set ourselves the target of further increasing our share of European suppliers in the medium term as part of our procurement strategy. This is intended to make our supply chain more resilient.

In light of the high procurement prices, which are already included in planning based on current availability and price risks, we continue to assess the procurement risks as moderate.

2.3 Production risks

Business interruptions and property damage may occur at our plants in the event of unfavourable circumstances and developments, such as fires, natural disasters or malicious acts. Aside from costs for repairing damage, the main risk is that business disruptions could lead to production losses, putting our ability to supply our customers at risk. We manufacture some of our core products on production equipment with special control systems that have been developed specifically for us. We are working on counteracting these risks through regular maintenance, as well as modernisation and investments in our machines and production plants. Beyond that, we obtain adequate insurance coverage. We continue to view the remaining financial risks arising from the production risks as moderate.

2.4 Personnel risks

To successfully implement our Scaling up Success strategy, we need committed and qualified employees and managers. There is a risk that we will not be able to find enough top performers to fill vacancies. Due to the pandemic, there may also be temporary staff shortages, although protecting the health of our employees is our top priority at all times. Other extreme events such as natural disasters, terrorist attacks or serious accidents could also lead to a loss of employees. We view the personnel risks as low overall.

Leifheit positions itself as an attractive employer and promotes long-term loyalty to the company. We invest in our employees and provide opportunities for training and development. At the same time, we are creating a corporate culture that is fun, fast, friendly and fearless.

2.5 Information security risks

Our IT-supported business processes are subject to various information security risks. Risks that jeopardise the confidentiality, availability and integrity of information can arise from human errors, organisational or technical procedures and/or security gaps in information processing, but also from external risks such as natural disasters, fire or malicious acts and cybercrime in particular. The sharp increase in cybercrime and the risk of becoming the target of a cyberattack amplify these risks and can also lead to business interruptions or even ransom demands. We continue to view the potential effects of information security risks as moderate.

In partnership with our service providers and outsourcing partners, we mitigate these risks by adopting organisational and technical precautions, and through professional project management. The IT security structure is verified regularly and improved, if necessary.

3. Financial risks

3.1 Default risks

Default risks occur if a customer or another counterparty of a financing instrument does not meet their contractual obligations. Default risks result from trade receivables and other contractual obligations of a counterparty, such as for deposits and financial investments. The effects of the COVID-19 pandemic and the Russia-Ukraine war may lead to increased insolvencies and bad debt losses among trading partners. We consider the possible effects of default risks on our business activities to be moderate.

We establish counterparty limits for our major business partners, such as financial institutions. According to our credit guidelines, new customers are reviewed for creditworthiness, and caps on receivables are set. Creditworthiness, caps on receivables and amounts overdue are constantly monitored. We transfer default risks to credit insurance to an appropriate extent.

3.2 Financing and liquidity risks

We maintain lines of credit as well as cash and cash equivalents based on our financial planning to ensure the Group’s solvency and financial flexibility at all times. We manage liquidity centrally across the Group and provide funds to subsidiaries as needed by means of cash pooling. Due to our current financing structure, we consider the potential impact of financing and liquidity risks to be low.

3.3 Currency risks

Leifheit is exposed to currency risks, as payment flows occur in various currencies. Risks are created in particular due to the fact that our products are procured and sold in different currencies in different amounts on different dates. A large part of our procurement costs, especially for purchased goods, are incurred in Chinese yuan and US dollars, while the majority of Group turnover is generated in euros. Based on exchange rate fluctuations, we consider the potential effects of currency risks on our performance indicators to be low.

We maintain a centralised system for managing currency risks. We hedge units of the planned currency requirements for 14 months in advance on a revolving basis.

3.4 Interest rate risks

Changes to market interest rates impact future interest payments for financial investments and for variable interest-bearing liabilities. Because the Leifheit Group does not have any bank loans or other interest-bearing liabilities with its current financing structure, changes in interest rates do not affect the profitability, liquidity or financial situation of the Group.

Changes to the actuarial interest for discounting provisions of pensions affect the other comprehensive income significantly. We therefore view the effects of interest rate changes on other comprehensive income as critical.

3.5 Intangible asset impairment risks
In accordance with IAS 36.10, the goodwill and brands reported in the consolidated financial statements under intangible assets must be subjected to at least annual impairment testing. The shares in affiliated companies reported under financial assets in the annual financial statements of Leifheit AG are also tested for expected permanent impairment.

In case of declining business development or rising discount rates, there is a risk that impairments may have to be recognised.

We view the effects of this risk on our financial position and results of operations as moderate.

4. Legal and compliance risks
4.1 Legal risks
As an international company, Leifheit is exposed to various legal risks. These include contractual risks, liability risks or the risk that third parties could assert claims or pursue legal action due to infringement of brands, patent or other rights. We rate the potential effects as moderate.

In order to reduce any such contractual infringements, we monitor compliance with our contractual obligations and consult internal and external legal advisers. We minimise the risk of an infringement of third-party industrial property rights by diligently reviewing constructions, designs and product names. Our Legal/IP department optimises our patent portfolio and reviews and analyses third-party patent rights. As of the balance sheet date, there was a significant pending patent dispute with a competitor. Appropriate risk provisioning has been made for this in the balance sheet.

4.2 Risks in the control environment
The failure to identify material risks, to take active steps against them and to introduce and maintain adequate internal control systems within the Group could result in inappropriate decisions, higher costs, breaches of compliance, fraud, corruption and damage to the Group's reputation. Furthermore, there is the danger that employees will breach internal guidelines, standards or statutory provisions. The potential effects of these risks could be moderate.

We mitigate the risks in the control environment by introducing directives and guidelines that are available to all employees on the intranet. In addition, we use a risk management system consisting of early detection, an internal control system and internal auditing. With guidelines such as the Leifheit Code of Conduct and the Leifheit Antitrust Code of Compliance, clear rules and principles for the conduct of our employees are in use in key areas within our compliance management system.

Overall assessment of opportunities and risks

From today's perspective, and supported by the risk-bearing capacity analysis, there continues to be no risks that jeopardise the continued existence of the company. We continue to be confident that our earning power and balance sheet structure provide a sound basis for future business development and contain the necessary resources to leverage potential opportunities.

Group forecast

The Leifheit Group has been operating for a long time in a very difficult environment defined by high volatility and a range of global supply chain challenges. Even though the consumer climate most recently brightened somewhat again, we expect the conditions we face to remain difficult in the current financial year, 2023. The following statements regarding the outlook for financial year 2023 are based on assessments we consider realistic according to the information available to us at the time of preparing the 2022 consolidated financial statements.

Economic development

In its most recent forecast from January 2023, the International Monetary Fund (IMF) expects growth of 2.9% for the global economy in the current year. According to the IMF, the weighing of global economic risks continues to indicate a continued downward trend, even though it has weakened since October. On the positive side, a stronger impetus is possible due to pent-up demand in some national economies. However, there is a risk that pandemic-induced effects on China's economy and a further escalation of the Russia-Ukraine war could slow the recovery. In addition, rising financing costs could worsen the general debt situation.

According to the IMF, the risk of rising inflation also bears a risk of revaluations by the international financial markets, which could impede economic progress. In view of the sharply rising cost of living, attaining sustained disinflation is a priority for most national economies. The resulting, increasingly restrictive monetary policy, in conjunction with low economic growth, could endanger financial and debt stability. An acceleration of COVID-19 vaccinations in China, on the other hand, could safeguard the economic recovery and prevent transmission effects.

The December forecast of the economists of the Kiel Institute for the World Economy (IfW) is more pessimistic. They point to the economic momentum, which slowed noticeably at the end of 2022, and expect growth of the global GDP at just 2.2% for 2023, unchanged from their autumn 2022 forecast.

Europe

The IfW believes the Eurozone is on the threshold of a recession at the beginning of 2023. Even though the economy of the monetary union grew perceptibly into the third quarter of 2022, despite the consequences of the Russia-Ukraine war, it most recently lost speed. As a result, the economy is expected to weaken in view of rising interest rates, continued high inflation and negative effects of the overall global economic climate. Accordingly, the IfW predicts low economic growth of 0.6% in the Eurozone for 2023. Early indicators to measure the confidence of businesses and consumers indicate stabilisation at a low level.

In its winter forecast for 2023, the EU Commission predicts GDP growth of 0.9% in the Eurozone and 0.8% in the EU. Compared to its autumn 2022 forecast, the EU Commission has therefore raised its growth expectations by 0.6 percentage points for the Eurozone and by 0.5 percentage points for the EU. Favourable developments, such as a more diversified energy supply and better than expected gas reservoir levels, make the growth outlook more optimistic. However, headwind in the form of high energy costs for consumers and businesses remains strong. Core inflation, which increased in January, is also expected to dampen economic performance through more restrictive monetary policy.

For France, the EU's economic experts project economic growth to increase by 0.6% in 2023. The growth expectation for the Netherlands, at 0.9%, is considerably weaker compared to growth of 4.4% in the previous year. For Austria, the EU expects an even weaker increase in GDP of 0.5% for 2023. After significant growth in the previous year (3.9%), Italy's economy is only expected to grow by 0.8%. The outlook for the Eastern European countries is negative for 2023. Growth of just 0.1% for the Czech Republic and 0.4% for Poland is expected. On the other hand, growth of 1.4% and 2.5% is predicted for Bulgaria and Romania.

Germany

According to the IfW, high energy prices significantly reduced the purchasing power of private households in Germany during the 2022/2023 winter months. In view of a weak economic environment, and therefore a lack of external driving forces, Germany's economy is undergoing a phase of weakness. At the same time, the economic outlook is brightening, in part thanks to lower wholesale prices for gas and electricity, for example. Based on these assumptions, the IfW expects total GDP growth of just 0.3% for 2023 overall. The EU Commission expects growth at a similar level, according to its winter forecast, which predicts that Germany's GDP will increase by 0.2% in 2023.

Consumer climate

Europe

In February 2023, the European Commission's Consumer Confidence Indicator stood at –20.6 points in the EU and –19.0 points in the Eurozone. While the indicator was above the January 2023 value (–22.1 and –20.7 points, respectively), it remains at very low level after the historic lows in 2022.

Germany

After bottoming out in October 2022, the Consumer Confidence Indicator in Germany was only moderately lower in January 2023 compared to the previous month. As illustrated by a GfK survey, consumer sentiment in Germany continued to recover in January, but remained at a very low level. For March 2023, the GfK forecasts improvement in the consumer climate to a value of –30.5 points compared to the previous month, which corresponds to an increase of 3.3 points compared to the February 2023 value. According to the GfK, the consumer climate has therefore improved again over the previous month, despite the ongoing crises. Overall, the indicator remains at a low level, leading to the expectation that private consumption will not be able to significantly boost economic development in 2023.

The mood amongst managers in Germany improved in the first few months of 2023. After 90.1 points in January 2023, the ifo Business Climate Index, which reflects the assessment of the business situation as well as the business expectations of top managers in the German economy, climbed moderately to 91.1 points in February 2023. While more positive business expectations are perceptible, the current situation for companies continues to be viewed as less favourable. In the previous year, before the start of the Russia-Ukraine war, the Business Climate Index stood at 98.6 points. The retail index is climbing due to less sceptical expectations.

At the time this report was published, the ECB was expected to raise interest rates again to combat high inflation. Experts therefore expect the benchmark to increase to a greater extent than in other economies, such as the US. In December 2022, the ECB raised the prospect of several interest rate hikes of about 0.5%.

Foreign currencies

The Chinese currency, yuan (renminbi), lost value against the euro in 2022, closing at a euro reference rate of 7.36 yuan, compared to 7.10 yuan at the beginning of 2022. At the start of 2023, the yuan appeared to gather strength. According to experts, it is likely to continue doing so on account of the Chinese government's altered COVID-19 strategy and the associated improvement in sentiment on financial markets.

After losing considerable ground against the US dollar in the first six months of 2022 against the background of the Russia-Ukraine war, at times even dropping below US dollar parity, the euro recovered significantly during the remainder of the year, closing at an exchange rate of USD 1.07 on 30 December 2022.

While the interest rate hike cycle of the US Federal Reserve is slowing and could end in the spring of 2023, according to experts, additional large interest rate increases are expected from the ECB to combat inflation. The ECB is striving for a 2% inflation rate for the Eurozone in the medium term. Experts believe that the US dollar was propped up at the beginning of 2023 by expected interest rate hikes in the US. Robust economic and employment market data, as well as assessments by central banks, make further prime rate hikes by the US Federal Reserve appear likely.

Group strategy

In 2022, we continued advancing our initiatives under our Scaling up Success strategy in a difficult market environment, focusing on establishing a foundation for sustainable turnover growth and improved profitability within the Leifheit Group.

We will be pressing ahead with our strategy in 2023 and will make targeted investments in consumer advertising for our Leifheit and Soehnle brands in selected markets. We will continue to place the strategic focus on our award-winning bestsellers, emphasising the high quality and durability of our products to consumers. With the price of living going up, many households are looking for ways to reduce their energy consumption and, with it, their electricity costs. At the Leifheit Group, we cater to the trend towards more sustainable, energy-saving product alternatives. We continue to pursue the goals of gaining additional trading partners in both stationary and online trading, and of achieving better conditions in trade through a strengthened basis for negotiation.

Thanks to our European production and logistics footprint, we successfully managed to continue supplying our customers reliably in the reporting period in spite of disruptions in the global supply chain. In light of ongoing bottlenecks in the procurement markets, we continue working to safeguard our ability to deliver through forward-looking inventory management, as well as flexible production management. We are also reducing the distance to our customers in logistics.

In 2023, we will also place special emphasis on the cost-effective positioning of the Group. To this end, we will adapt processes and structures in order to address high procurement costs, the tense economic environment and consumer behaviour defined by inflation concerns and reticence.

Another important component of our strategy continues to be our corporate culture, which plays a key role in achieving our goals under the principles of “fun, fast, friendly and fearless”.

With these various initiatives, we will keep working towards returning the Leifheit Group to sustainable success. Our medium-term strategic goals continue to be sustainable organic turnover growth, a high level of efficiency throughout the value chain, and continuous improvement in operating results.

Group forecast and overall statement of prospective development

The Leifheit Group continues to face extremely challenging market environment in financial year 2023. The consequences of the Russia-Ukraine war and ongoing inflation concerns are expected to continue dampening economic development. Sustained high inflation, or a further increase in inflation, could have a noticeable impact on consumer demand.

In addition, the tense situation in the global procurement market and tremendous increases in the price of energy and raw materials pose a challenge that is expected to exert pressure on the development of our Group’s earnings despite the countermeasures that have been initiated.

Against this backdrop, the Board of Management anticipates a slight year-on-year decline in Group turnover in financial year 2023. Noticeable declines are expected in the Household and Wellbeing segments, while slight growth is anticipated in the Private Label segment.

Furthermore, the Board of Management anticipates positive consolidated EBIT in the low single-digit million-euro range (2022: m€ 2.8). On this basis, free cash flow is also expected to be in the lower single-digit million-euro range (2022: m€ 8.8).

This forecast contains forward-looking statements that are based on current estimates with regard to future developments. Actual developments may deviate from this forecast.

Legal information

Information under takeover law and explanatory report

The information under takeover law required under sections 289a and 315a German commercial code (HGB) as at 31 December 2022 is presented below. Criteria that do not apply to Leifheit are not included.

As at 31 December 2022, the subscribed capital (share capital) of Leifheit AG amounted to k€ 30,000 and was divided into 10,000,000 no-par-value bearer shares. This corresponds to a theoretical value per no-par-value bearer share of € 3.00. Each share grants the same rights and entitles the holder to one vote at the Annual General Meeting.

There are no restrictions on voting rights or the transfer of shares that the Board of Management is aware of. However, the statutory voting rights limitations according to section 44 sentence 1 of the German securities trading act (WpHG) (violation of voting rights information duties), section 71b of the German stock corporation act (AktG) (no rights from own shares) and section 136 para. 1 AktG (exclusion of voting rights in the presence of certain conflicts of interest) apply.

There are parties that hold direct and indirect equity interests exceeding 10% of the voting rights in the capital of Leifheit AG. Voting rights notifications are listed in note 42 of the consolidated financial statements.

There are no shares in Leifheit AG with special rights. There are also no employee participation schemes with voting rights.

Members of the Board of Management of Leifheit AG are appointed and dismissed according to the stipulations of section 84 and section 85 AktG. In addition, art. 6 para. 1 of the articles of incorporation stipulates that the Board of Management consists of one or several members, and art. 6 para. 2 stipulates that the Supervisory Board appoints the members of the Board of Management, determines their number, appoints deputy Board of Management members and may appoint a member of the Board of Management as chairperson of the Board of Management.

Changes to the articles of incorporation are resolved by the Annual General Meeting according to section 179 AktG. Resolutions are passed by a simple majority of votes cast according to art. 18 para. 1 of the articles of incorporation and, if a majority of equity is required, by a simple majority of equity unless other mandatory requirements apply in accordance with the law or the articles of incorporation. According to art. 18 para. 3 of the articles of incorporation, the Supervisory Board is authorised to make amendments to the articles of incorporation, provided these amendments relate solely to the wording of the articles of incorporation.

By resolution of the Annual General Meeting 2022, the Board of Management is authorised, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of up to k€ 6,000 until 24 May 2027 by issuing up to 2,000,000 new no-par-value bearer shares in exchange for cash and/or non-cash contributions (authorised capital 2022). The company is also authorised by resolution of the Annual General Meeting 2020 to buy back and appropriate shares amounting to up to 10% of the share capital until 29 September 2025. The terms of both resolutions can be found in the respective agendas of the Annual General Meeting on the website.

There are no material agreements which take effect upon a change of control. A loan agreement for a line of credit merely contains an agreement that, in the event of a change of control, the parties shall conclude a satisfactory agreement with regard to the continuation of the loan agreement.

No agreements with members of the Board of Management or employees that take effect upon a change of control existed at the balance sheet date.

Treasury shares

For the statement on treasury shares in accordance with section 160 para. 1 no. 2 AktG, please see the notes to the balance sheet.

Declaration of corporate management

On the website at **corporate-governance.leifheit-group.com**, the declaration of corporate management according to section 289f / 315d HGB can be found. It includes the declaration of conformity regarding the German corporate governance code (DCGK), information about our relevant corporate management practices and a description of the work methods of the Board of Management and the Supervisory Board, as well as the composition and work methods of their committees, information on the defined targets according to the German law on the equal participation of women and men in management positions, the description of the diversity concept and the internet addresses at which the remuneration report is available. In the declaration of corporate management, the Board of Management and the Supervisory Board also report on corporate governance at Leifheit.

Sustainability report

On the website at **financial-reports.leifheit-group.com**, the separate non-financial group report (sustainability report) in accordance with section 315b HGB in conjunction with section 289c et seq. HGB is available to the public.

Remuneration report

The remuneration report pursuant to section 162 AktG is publicly available on the website at **financial-reports.leifheit-group.com**.

Notes to the annual financial statements of Leifheit AG (HGB)

Foundations and economic environment

Leifheit AG is the parent company of the Leifheit Group and has its registered office in Nassau (Leifheitstraße 1, 56377 Nassau, Germany). The business activities of Leifheit AG primarily comprise development, production and procurement; the distribution of Leifheit and Soehnle brand products; and the management of the Leifheit Group.

Administration and the production of selected products of the categories cleaning, laundry care and kitchen goods, such as floor wipers, rotary dryers and insulating jugs, are located in Nassau. The logistics centre is located in Zuzenhausen. In addition, Leifheit AG has distribution offices that are not legally independent at locations in Brescia (Italy) and Aartselaar (Belgium).

Leifheit AG prepares its annual financial statements in accordance with the provisions of the German commercial code (HGB) and the German stock corporation act (AktG). It is by far the most important part of the Leifheit Group. The statements regarding the foundations of the Leifheit Group and the conditions in the economic report therefore also apply largely to Leifheit AG.

Leifheit AG has been integrated into the control system of the Leifheit Group. Therefore, the Household (Leifheit brand) and Wellbeing (Soehnle brand) segments correspond substantially to Leifheit AG. The most important performance indicators are turnover and the operating result.

The organisation, the company structure, the management responsibility, the strategy and the financing strategy correspond to the Group.

Major changes

No major changes were made to the organisation, the company structure, the management structure or the financing strategy in financial year 2022.

Business performance

The business performance of Leifheit AG largely corresponds to the performance of the Household and Wellbeing segments of the Leifheit Group, which is presented in the section “Net assets, financial position and results of operations of the Group”.

Comparison of actual performance with projected business performance

We faced an extremely challenging market environment in financial year 2022. Disruptions of global supply chains, raw material shortages and tremendous price increases for energy and materials continued against the background of the ongoing COVID-19 pandemic and the effects of the Russia-Ukraine conflict. The consumer climate also worsened significantly in the core markets due to rising inflation.

Forecast-actual comparison	Actual 2021	Forecast 2022	**Actual 2022**
Turnover	m€ 274.4	Slight decrease	m€ 242.3 –11.7%
Operating result	m€ 15.2	Considerably below previous year	m€ –7.0

Turnover at Leifheit AG fell by 11.7%. However, we had only forecast a slight decline in turnover. The decline in turnover was limited to the sale of household products. Sales of production material increased by 1.4%. The decline in turnover stood at 21.0% in Germany due to extreme consumer restraint, and at 3.7% abroad.

The operating result of Leifheit AG stood at m€ –7.0. We had expected an operating result considerably below the previous year’s figure.

Results of operations

The decrease in the operating result to m€ –7.0 in the 2022 reporting period (2021: m€ 15.2) is mainly due to the lower gross profit. Gross profit fell by m€ 25.8 to m€ 60.7. Missing contribution margins due to the decline in turnover and the dramatic price increase for raw materials, purchased goods and energy had a considerable impact here. Currency effects significantly decreased the gross profit as well. The cost of post-employment benefits, which is mainly reported under general administrative costs, increased by m€ 6.3 year-on-year, mostly due to necessary adjustments related to the significant increase in the pension and salary trend.

The net loss of Leifheit AG amounted m€ 2.2 (2021: net income of m€ 4.3). While income from shareholdings increased by m€ 0.8 to m€ 3.5 and the net interest result and income from loans rose by m€ 4.8 to m€ 1.3, income taxes fell by m€ 3.9, resulting in tax income in the amount of m€ 0.1.

Income statement (short version) in m€	2021	2022
Turnover	274.4	242.3
Cost of turnover	–187.9	–181.6
Gross profit from turnover	**86.5**	**60.7**
Distribution costs	–62.3	–56.8
General administrative costs	–8.5	–14.3
Other operating income	8.3	14.5
Other operating expenses	–8.8	–11.1
Operating result	**15.2**	**–7.0**
Income from shareholdings	2.7	3.5
Amortisation of financial assets	–6.2	–
Net interest result	–3.5	1.3
Income taxes	–3.8	0.1
Earnings after taxes	**4.4**	**–2.1**
Other taxes	–0.1	–0.1
Net income/net loss	**4.3**	**–2.2**

Turnover and gross profit

Leifheit AG's turnover fell by m€ 32.1 to m€ 242.3 (2021: m€ 274.4), corresponding to an 11.7% decrease. In the previous year, turnover rose by m€ 15.7 to a record value. Turnover from the sale of the Leifheit and Soehnle brand products fell by 14.2% to m€ 199.8 (2021: m€ 232.7). Drastic price increases in the food, energy and housing segments, along with general uncertainty due to the Russia-Ukraine war, led to considerable consumer restraint and a general decline in online and bricks-and-mortar retail sales volumes, with high stock levels being sold off first and fewer follow-up orders being placed. Price increases were implemented, but their effects took time to be felt in 2022 and were unable to compensate for the extremely high raw material and energy prices. On the other hand, the sale of production materials to our subsidiary increased slightly by 1.4% to m€ 41.1 (2021: m€ 40.5). For the most part, the production materials for our manufacturing subsidiary Leifheit s.r.o in the Czech Republic are purchased centrally through Leifheit AG.

In the cleaning and laundry care categories, the Leifheit Group benefited from marketing campaigns. However, turnover from cleaning products also fell short of the exceptionally strong figures from the previous year due to the general reduction in private consumption. Laundry care products, on the other hand, exhibited slight growth over the previous year's value. The jump in demand for energy-saving laundry dryers such as the Leifheit Pegasus laundry drying rack or the Linomatic rotary dryer had an impact here. By contrast, turnover involving Soehnle-brand Wellbeing products declined significantly year-on-year. The tense situation in the Wellbeing segment owing to the elimination of the previous year's positive effects was made worse by the impact of the Russia-Ukraine war.

Gross profit decreased by m€ 25.8 to m€ 60.7 (2021: m€ 86.5), a 29.7% drop. Key reasons for this dramatic decrease were the missing contribution margins due to lower turnover as a result of consumer behaviour, and especially the enormous price increases for raw materials, purchased goods and energy. Materials purchased in foreign currencies also became more expensive due to exchange rate effects. The gross margin therefore declined by 6.4 percentage points to 25.1% (2021: 31.5%).

Distribution costs

The distribution costs of Leifheit AG amounted to m€ 56.8 in the reporting period (2021: m€ 62.3) and were therefore m€ 5.5 lower. In particular, distribution costs include advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external sales forces. The decrease is primarily attributable to advertising expenses, which decreased by m€ 6.6 to m€ 9.0.

General administrative costs

General administrative costs rose during the reporting year by m€ 5.8 to m€ 14.3 (2021: m€ 8.5). First and foremost, administrative costs include personnel costs and costs for general services to support our financial and administrative functions. Expenses for post-employment benefits amounted to m€ 5.0 (2021: m€ 0). The pronounced rise was mainly due to the increase in pension provisions because of the significant uptick in pension and salary trends.

Other operating income

Leifheit AG's other operating income climbed by m€ 6.2 to m€ 14.5 (2021: m€ 8.3). Other operating income mainly included income from currency translation of m€ 11.6 (2021: m€ 5.5), income from the reversal of provisions of m€ 2.3 (2021: m€ 1.9) and income from claims for damages amounting to m€ 0.6 (2021: m€ 0.5). The increase in income from currency translation resulted in particular from exchange rate gains on forward exchange transactions as well as receivables and liabilities. In financial year 2022, income from the reversal of provisions included the reversal of long-term bonuses for the Board of Management in the amount of m€ 1.0. In the previous year, the same item included reversals of pension provisions of m€ 0.8. Income from damages included payments from a competitor for patent infringements.

Other operating expenses

Other operating expenses were up by m€ 2.3 to m€ 11.1 (2021: m€ 8.8). They largely comprised development costs of m€ 5.5 (2021: m€ 5.6) and exchange rate losses of m€ 5.4 (2021: m€ 3.1). Exchange rate losses rose by m€ 2.4, mainly from cash and cash equivalents as well as receivables and liabilities.

Income from shareholdings

Dividends totalling m€ 3.5 were distributed to Leifheit AG by the holding companies in Poland, the US and Austria in financial year 2022. A dividend of m€ 2.7 was received from the French holding company Leifheit France S.A.S. in 2021. All other net income of the subsidiaries was carried forward to new account.

Amortisation of financial assets

There were no impairments of financial assets in financial year 2022. An impairment of m€ 6.2 on the investment in the French holding company Leifheit France S.A.S. was recognised in the previous year.

Net interest result

Income from loans of financial assets of Leifheit AG rose by m€ 1.9 to m€ 3.0 (2021: m€ 1.1). This concerned interest income from loans to holding companies. Interest income of m€ 0.2 was earned on short-term deposits (2021: m€ 0).

At m€ 1.9, interest expenses were below the previous year by m€ 2.7 (2021: m€ 4.6). This includes the interest expense from the compounding of pension obligations, which fell by m€ 2.6 to m€ 1.8 due to the decrease in the interest rate for the discounting of provisions for pensions.

Income taxes

Income taxes amounted to m€ –0.1 (2021: m€ 3.8). Since earnings before taxes were negative in financial year 2022, a receivable of m€ 0.1 was recognised due to the corporate tax loss carry-back. The trade tax loss was carried forward.

Financial situation

The liquidity of Leifheit AG stood at m€ 31.2 as at the balance sheet date (2021: m€ 30.9). As at 31 December 2022, it comprised solely cash and cash equivalents and included demand deposits and cash in hand.

m€	2021	2022	Change
Cash flow from operating activities	5.2	9.2	4.0
Cash flow from investment activities	3.6	1.0	–2.6
Cash flow from financing activities	–10.0	–10.0	–

At m€ 9.2, cash flow from operating activities was higher in 2022 than in the previous year (2021: m€ 5.2). This was chiefly due to the decreased working capital. Trade receivables fell by m€ 5.1 and inventories by m€ 12.7, while liabilities only decreased by m€ 6.1.

Cash inflow from investment activities in financial year 2022 came to m€ 1.0 (2021: m€ 3.6). Payments for the purchase of intangible assets and tangible assets totalled m€ 0.6 (2021: m€ 1.4), payments for financial assets and the cash pool were m€ 2.0 (2021: proceeds of m€ 1.9), and proceeds from investment income were m€ 3.5 (2021: m€ 2.7).

Cash outflow from financing activities amounted to m€ 10.0 (2021: m€ 10.0) and, as in the previous year, related solely to the payment of dividends.

As at 31 December 2022, the debt level of Leifheit AG rose by 2.7 percentage points to 58.3% (2021: 55.6%). This key figure is calculated as a ratio of the sum of provisions and liabilities (= debts) to the total of equity and liabilities (= balance sheet total).

As at 31 December 2022, the liabilities mainly comprised provisions for pension obligations totalling m€ 61.3 (2021: m€ 56.6), other provisions totalling m€ 24.7 (2021: m€ 26.9) and liabilities totalling m€ 20.7 (2021: m€ 26.8). As in the previous years, Leifheit AG did not have any liabilities to banks.

Short-term revolving credit lines of credit in the amount of m€ 25.2 (2021: m€ 25.2) were available in financial year 2022, m€ 0.2 of which was utilised in the form of guarantees as at 31 December 2022 (2021: m€ 0.4).

Net assets

The balance sheet total of Leifheit AG fell by m€ 16.2 year-on-year to m€ 183.0 as at 31 December 2022 (2021: m€ 199.2).

Non-current assets increased by m€ 0.9 to m€ 77.0 (2021: m€ 76.1). This change mainly resulted from the decrease in tangible assets by m€ 1.5 and the increase in financial assets by m€ 2.7, especially due to higher loans to affiliated companies. Inventories fell by m€ 12.7 to m€ 33.0 (2021: m€ 45.7). Inventories accumulated in financial year 2021 to safeguard the ability to deliver were reduced as planned in the reporting period. Receivables and other assets decreased by m€ 4.6 to m€ 41.7 (2021: m€ 46.3), primarily because of the decrease in turnover in the fourth quarter. Cash and cash equivalents increased by m€ 0.3 to m€ 31.2 (2021: m€ 30.9).

Leifheit AG's equity decreased by m€ 12.2 to m€ 76.3 (2021: m€ 88.5). This decrease was due to the payment of the dividend of m€ 10.0 and the net loss for the year of m€ 2.2. The equity ratio fell by 2.7 percentage points to 41.7% (2021: 44.4%). Provisions for pensions and similar obligations rose by m€ 4.7 to m€ 61.3 (2021: m€ 56.6), in particular because of adjustments to pension and salary trends. Other provisions declined by m€ 2.2 to m€ 24.7 (2021: m€ 26.9). Liabilities decreased by m€ 6.1 to m€ 20.7 (2021: m€ 26.8). The decline resulted mainly from trade payables, especially due to lower purchasing volumes in connection with the depletion of inventories.

Balance sheet (short version) in m€	31 Dec 2021	31 Dec 2022
Intangible assets	1.0	0.7
Tangible assets	14.5	13.0
Financial assets	60.6	63.3
A. Non-current assets	**76.1**	**77.0**
Inventories	45.7	33.0
Receivables and other assets	46.3	41.7
Cash and cash equivalents	30.9	31.2
B. Current assets	**122.9**	**105.9**
C. Accrued expenses	**0.2**	**0.1**
Total assets	**199.2**	**183.0**
A. Equity	**88.5**	**76.3**
Provisions for pensions and similar obligations	56.6	61.3
Tax provisions	0.4	–
Other provisions	26.9	24.7
B. Provisions	**83.9**	**86.0**
C. Liabilities	**26.8**	**20.7**
Total equity and liabilities	**199.2**	**183.0**

In financial year 2022, Leifheit AG invested m€ 0.6 (2021: m€ 1.4). Of this amount, m€ 0.2 was attributable to intangible assets (2021: m€ 0.2), mainly software, as in the previous year; m€ 0.4 was attributable to tangible assets (2021: m€ 1.2), mainly for operating and office equipment. There were no considerable disposals of assets in reporting year 2022. All investments in financial year 2022 have been largely completed.

As at 31 December 2022, there were contractual obligations to acquire items of non-current assets – mainly for equipment – in the amount of m€ 0.6 (2021: m€ 0.7). These will be financed by cash and cash equivalents. In addition, there were obligations for marketing measures amounting to m€ 1.5 (2021: m€ 8.3) and from other contracts amounting to m€ 1.9 (2021: m€ 1.4).

Alongside the assets reported in the balance sheet, we also used – to a small extent – assets which were not recorded in the balance sheet. This largely concerned leased and rented goods, such as printers, copiers, software licences and leased premises.

Non-financial performance indicators/ employees

Leifheit AG's non-financial performance indicators are largely concurrent with those of the Leifheit Group, which are described in the section entitled "Non-financial performance indicators".

Leifheit AG employed a total of 422 persons as at 31 December 2022 (2021: 430 persons). The average number of employees in financial year 2022 was 428 persons (2021: 428 persons).

Opportunities and risks

Leifheit AG is essentially subject to the same opportunities and risks as the Leifheit Group. As the parent company of the Leifheit Group, Leifheit AG is included in the Group-wide internal control and risk management system. Please consult the opportunities and risks report for explanations and quantitative statements.

Forecast

The anticipated business development of Leifheit AG is, for the most part, subject to the same influences as that of the Group. Please consult the section entitled "Forecast for the Group" for explanations and quantitative statements.

For the 2023 financial year, we currently anticipate a decline in turnover for Leifheit AG to a level slightly below the previous year and an operating result in the lower single-digit million-euro range.

Nassau/Lahn, 24 March 2023

Leifheit AG

The Board of Management

Henner Rinsche   Igor Iraeta Munduate   Marco Keul

Consolidated financial statements

Statement of comprehensive income

k€	Notes	2021	2022
Turnover	1	288,317	251,515
Cost of turnover	2	–166,296	–154,271
Gross profit		**122,021**	**97,244**
Research and development costs	3	–6,120	–6,043
Distribution costs	6	–84,005	–77,896
Administrative costs	7	–14,470	–14,681
Other operating income	8	1,731	1,599
Other operating expenses	9	–328	–379
Foreign currency result	10	1,242	2,930
EBIT		**20,071**	**2,774**
Interest income	11	27	432
Interest expenses	12	–817	–915
EBT		**19,281**	**2,291**
Income taxes	13	–5,105	–1,083
Net result for the period		**14,176**	**1,208**
Contributions that are not reclassified in future periods in the statement of profit or loss			
Actuarial gains/losses on defined benefit pension plans	26	3,888	14,788
Income taxes from actuarial gains/losses on defined benefit pension plans		–1,140	–4,280
Contributions that may be reclassified in future periods in the statement of profit or loss			
Currency translation of foreign operations		880	644
Currency translation of net investments in foreign operations		844	585
Income taxes from currency translation of net investments in foreign operations		–247	–190
Net result of cash flow hedges		3,181	–2,333
Income taxes from cash flow hedges		–914	683
Other comprehensive income		**6,492**	**9,897**
Comprehensive income after taxes		**20,668**	**11,105**
Earnings per share based on net result for the period (diluted and undiluted)	14	**€ 1.49**	**€ 0.13**

Balance sheet

k€	Notes	31 Dec 2021	31 Dec 2022
Current assets			
Cash and cash equivalents		38,090	36,319
Trade receivables	15	52,732	48,629
Inventories	16	70,140	62,452
Income tax receivables		293	1,106
Contractual assets	17	1,346	1,013
Derivative financial instruments	18	3,529	797
Other current assets	19	5,347	3,895
Total current assets		**171,477**	**154,211**
Non-current assets			
Intangible assets	20	18,312	17,771
Tangible assets	21	38,746	38,200
Right of use assets from leases	22	1,720	1,644
Deferred tax assets	13	8,267	4,162
Derivative financial instruments	18	113	–
Other non-current assets		154	83
Total non-current assets		**67,312**	**61,860**
Total assets		**238,789**	**216,071**
Current liabilities			
Trade payables and other liabilities	23	50,670	44,473
Income tax liabilities		593	29
Other provisions	24	6,544	6,270
Derivative financial instruments	18	10	193
Lease liabilities	25	568	436
Total current liabilities		**58,385**	**51,401**
Non-current liabilities			
Provisions for pensions and similar obligations	26	62,852	46,812
Other provisions	24	3,619	2,353
Deferred tax liabilities	13	1,403	1,736
Derivative financial instruments	18	–	67
Lease liabilities	25	1,192	1,250
Total non-current liabilities		**69,066**	**52,218**
Equity			
Subscribed capital	27	30,000	30,000
Capital surplus	28	17,164	17,164
Treasury shares	29	–7,350	–7,350
Retained earnings	30	82,259	73,476
Other reserves	31	–10,735	–838
Total equity		**111,338**	**112,452**
Total equity and liabilities		**238,789**	**216,071**

Statement of changes in equity

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	Total
As at 1 Jan 2021	**30,000**	**17,026**	**–7,445**	**78,072**	**–17,227**	**100,426**
Change in treasury shares	–	138	95	–	–	233
Dividends – note 30	–	–	–	–9,988	–	–9,988
Comprehensive income after taxes	–	–	–	14,176	6,492	20,668
of which net result for the period	–	–	–	14,176	–	14,176
of which actuarial gains/losses on defined benefit pension plans – note 31	–	–	–	–	2,748	2,748
of which currency translation of foreign operations – note 31	–	–	–	–	880	880
of which currency translation of net investments in foreign operations – note 31	–	–	–	–	597	597
of which from cash flow hedges – note 31	–	–	–	–	2,267	2,267
As at 31 Dec 2021	**30,000**	**17,164**	**–7,350**	**82,259**	**–10,735**	**111,338**
Dividends – note 30	–	–	–	–9,991	–	–9,991
Comprehensive income after taxes	–	–	–	1,208	9,897	11,105
of which net result for the period	–	–	–	1,208	–	1,208
of which actuarial gains/losses on defined benefit pension plans – note 31	–	–	–	–	10,508	10,508
of which currency translation of foreign operations – note 31	–	–	–	–	644	644
of which currency translation of net investments in foreign operations – note 31	–	–	–	–	395	395
of which from cash flow hedges – note 31	–	–	–	–	–1,650	–1,650
As at 31 Dec 2022	**30,000**	**17,164**	**–7,350**	**73,476**	**–838**	**112,452**

Statement of cash flow

k€	Notes	2021	2022
Net result for the period		14,176	1,208
Depreciation and amortisation	4	7,822	7,507
Change in provisions		73	–2,809
Result from disposal of fixed assets and other non-current assets		–79	–18
Change in inventories, trade receivables and other assets not classified as investment or financing activities		–5,973	13,673
Change in trade payables and other liabilities not classified as investment or financing activities		735	–6,950
Other non-cash expenses and income		–311	1,410
Cash flow from operating activities		**16,443**	**14,021**
Investments from the sale of fixed assets and other non-current assets		378	130
Payments for the purchase of tangible and intangible assets	20, 21	–7,262	–5,380
Cash flow from investment activities		**–6,884**	**–5,250**
Change in treasury shares	29	233	–
Payments for lease liabilities	25	–602	–575
Dividends paid to the shareholders of the parent company	30	–9,988	–9,991
Cash flow from financing activities		**–10,357**	**–10,566**
Change in cash and cash equivalents		–798	–1,795
Change in cash and cash equivalents due to exchange rates		63	24
Cash and cash equivalents at the start of the reporting period		38,825	38,090
Cash and cash equivalents at the end of the reporting period		**38,090**	**36,319**
Income taxes paid [1]		–7,563	–1,945
Income taxes received [1]		27	126
Interest paid [1, 2]		–135	–86
Interest received [1]		–	181

[1] Included in cash flow from operating activities.
[2] Mainly from safekeeping fees for credit balances at banks.

Notes:
General information as well as accounting and valuation principles

General information

Leifheit Aktiengesellschaft (Leifheit AG), whose registered office is at Leifheitstraße 1, Nassau/Lahn, Germany, focuses on the development and distribution of high-quality brand products for selected areas around the house. The company is entered in the Commercial Register of Montabaur Local Court under HRB 2857. The shares of Leifheit AG are traded in the Prime Standard trading segment in the Xetra, Frankfurt/Main, Berlin, Düsseldorf, Hamburg, Hanover and Stuttgart stock markets under ISIN DE0006464506.

In accordance with section 315e para. 1 of the German commercial code (HGB), the consolidated financial statements for 2022 have been prepared according to the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) as applicable in the EU. All of the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretation Committee (IFRIC and SIC) requiring application in financial year 2022 were applied. The figures for the previous year were calculated on the same basis.

The financial statements were drawn up in euros. The financial statements provide a true and fair view of the net assets, financial position and results of operations of the Leifheit Group. Unless stated otherwise, all figures are shown in thousands of euros (k€). Minor differences may occur when using rounded amounts and percentages due to commercial rounding.

The statement of profit or loss was prepared according to the cost of turnover method.

Leifheit AG, Nassau/Lahn, is the company that prepares the consolidated financial statements for the largest and smallest group of consolidated companies. The consolidated financial statements will be published in the company register and can be accessed online at **leifheit-group.com**.

The Board of Management of Leifheit AG prepared the consolidated financial statements and approved them for publication on 24 March 2023. The period in which adjusting events would be accounted for expired as at this date.

Consolidation principles

The consolidated financial statements include Leifheit AG and the companies controlled by it. The Group controls a holding company specifically when it possesses all of the following attributes:

- full control over the holding company (i.e. based on its current rights, the Group is entitled to control those activities of the investee which have a significant influence on its returns),
- risk exposure or entitlements to fluctuating returns through its interests in the holding company and
- the ability to use its control over the holding company in such a way that influences the returns of the holding company.

If the Group does not hold the majority of voting rights or similar rights in a holding company, the Group must consider all facts and circumstances when assessing whether it has full control over the holding company.

These include:
- a contractual agreement with the other persons entitled to vote,
- rights resulting from other contractual agreements,
- voting rights and potential voting rights of the Group.

The financial statements of the subsidiaries are prepared using uniform accounting and valuation principles and as at the same balance sheet date as the financial statements of the parent company and the Group.

Acquired companies are included in the consolidated financial statements starting when control is obtained (acquisition date). Companies are deconsolidated at the point at which control is lost. Intragroup balances and transactions and resulting unrealised intragroup profits and losses as well as dividends are fully eliminated. Deferred taxes are recognised for temporary differences from consolidation as required by IAS 12.

The same consolidation methods were used for the financial statements for 2022 and 2021.

Business combinations before 1 January 2010

The acquisition method according to IFRS 3 rev. 2004 (Business combinations) is applied for companies acquired before 1 January 2010. All identifiable assets and liabilities were valued in their attributable fair value at the time of acquisition. Non-controlling interests (minority interests) were therefore carried at their share in the fair value of the assets and liabilities. If the acquisition cost of an interest exceeded the Group's share in the net assets of the company concerned as determined by this method, the resulting goodwill had to be capitalised. Previously undisclosed reserves and liabilities are carried, written down or dissolved during subsequent consolidation, depending on the corresponding assets and liabilities. Goodwill is tested at least annually for impairment at the level of the cash-generating units and written down to the recoverable amount as necessary. Once recognised, goodwill impairments are not reversed. Negative goodwill was recognised in profit or loss. Transaction costs directly allocable to the acquisition of the company were a part of cost.

Business combinations from 1 January 2010

The acquisition method according to IFRS 3 rev. 2008 (Business Combinations) is applied for companies acquired on or after 1 January 2010. All identifiable assets and liabilities were valued in their attributable fair value at the time of acquisition. Cost is measured as the total of the consideration transferred (valued at the fair value at the date of acquisition) and the value of the shares without controlling interest. Non-controlling interests continued to be carried at their share in the fair value of the identifiable assets and liabilities. If the cost of an interest exceeds the Group's share in the net assets of the company concerned as determined by this method, the resulting goodwill must be capitalised. Previously undisclosed reserves and liabilities are carried, written down or dissolved during subsequent consolidation, depending on the corresponding assets and liabilities. Goodwill is tested at least annually for impairment at the level of the cash-generating units and written down to the recoverable amount as necessary. Once recognised, goodwill impairments are not reversed. Negative goodwill was recognised in profit or loss. Transaction costs incurred during the company acquisition are reported as administrative costs through profit or loss.

In step acquisitions, the share of equity that is already held is assessed again at the date of acquisition and the amount exceeding the book value is recognised in profit or loss. Contingent purchase price liabilities from business combinations that took or take place from 1 January 2010 are recognised at fair value on the balance sheet date. The adjustments of these liabilities are recognised as affecting net income in the statement of profit or loss.

Scope of consolidation

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

The following companies based both inside and outside Germany were included in the consolidated financial statements in addition to Leifheit AG. Leifheit AG directly or indirectly held the majority of the voting rights in these companies as at 31 December 2022.

	Date of initial consolidation	Interest in capital and voting rights in 2022 in %
Unterstützungseinrichtung Günter Leifheit e. V., Nassau (DE)	1.1.1984	–
Leifheit España S.A., Madrid (ES)	1.1.1989	100.0
Leifheit s.r.o., Blatná (CZ)	1.1.1995	100.0
Leifheit International U.S.A. Inc., Hauppauge, NY (US)	1.1.1997	100.0
Birambeau S.A.S., Paris (FR) [1]	1.1.2001	100.0
Leifheit-Birambeau S.A.S., Paris (FR) [1]	1.1.2001	100.0
Leifheit Distribution S.R.L., Bucharest (RO)	18.12.2007	100.0
Herby Industrie S.A.S., La Loupe (FR) [1]	1.7.2008	100.0
Leifheit France S.A.S., Paris (FR)	23.11.2009	100.0
Leifheit CZ a.s., Hostivice (CZ)	1.12.2011	100.0
Leifheit Polska Sp. z o.o., Warsaw (PL)	11.10.2012	100.0
Soehnle GmbH, Nassau (DE)	25.6.2015	100.0
Leifheit Österreich GmbH, Wiener Neudorf (AT)	6.6.2016	100.0
Guangzhou Leifheit Trading Co., Ltd, Guangzhou (CN)	4.6.2018	100.0

[1] Indirect shareholding via Leifheit France S.A.S.

Foreign currency translation

Where individual financial statements of consolidated companies are prepared in local currencies, monetary items in foreign currencies (cash and cash equivalents, receivables, liabilities) are measured at the exchange rate as at the balance sheet date, with any differences recognised in profit or loss. Exceptions to this include translation differences for monetary items which substantially form part of the net investment in an independent foreign entity (e. g. non-current loans replacing equity). Currency translation of the financial statements of consolidated companies prepared in foreign currencies is performed on the basis of the functional currency concept using the modified closing rate method in accordance with IAS 21.

As our subsidiaries and branches operate independently in financial, commercial and organisational terms, their functional currency is the local currency. For inclusion in the consolidated financial statements, the assets and liabilities of the subsidiaries and branches are translated at the exchange rate as at the balance sheet date, and income and expenses are translated at annual average exchange rates. The cumulative difference arising from currency translation is recognised in other reserves in equity. Exchange rate differences that arise as against the previous year's translation are taken to this translation reserve without affecting net income.

The exchange rates applied to the translation of the relevant currencies are shown in the following table:

	Mid-market rate as at balance sheet date		Annual average rate	
Basis: € 1	31 Dec 2021	31 Dec 2022	2021	2022
CZK	24.86	24.12	25.64	24.56
USD	1.14	1.07	1.18	1.05
PLN	4.58	4.68	4.57	4.69
HKD	8.87	8.33	9.19	8.25
CNY	7.25	7.42	7.63	7.09

Assessment of fair value

The fair value is the price which would be received for the sale of an asset or paid for the transfer of a liability in the context of an orderly business transaction between market participants on the valuation date. The assessment of the fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in either the primary market for the asset or liability in question or, where no primary market exists, the most advantageous market for the asset or liability in question. The Group must have access to the primary or most advantageous market.

The fair value of an asset or a liability is determined by reference to the assumptions on which the market participants would base their pricing of the asset or liability. In this regard, it is assumed that the market participants would thereby be acting in their own best economic interests. The assessment of the fair value of a non-financial asset takes account of the market participant's capability to generate economic benefits by opting to use the asset to the greatest and best degree or to sell it to another market participant able to use it to the greatest and best degree. The Group applies valuation techniques which are appropriate in the individual circumstances and for which sufficient data is available to carry out an assessment of the fair value. In this context, relevant and observable input factors are to be applied to the greatest possible extent and the application of non-observable input factors is to be kept to a minimum.

All assets and liabilities for which the fair value is determined or reported in the financial statements are classified in accordance with the following fair value hierarchy, based on the input parameter at the lowest level which is of overall significance for the valuation at fair value.

- Level 1: (Unadjusted) prices quoted in active markets for identical assets or liabilities
- Level 2: Assessment procedures pursuant to which the input parameter at the lowest level which is of overall significance for the valuation at fair value can be observed either directly or indirectly in the market
- Level 3: Assessment procedures pursuant to which the input parameter at the lowest level which is of overall significance for the valuation at fair value cannot be observed in the market

In the case of assets or liabilities which are recognised in the financial statements on a recurring basis, the Group will decide whether the levels within the hierarchy have changed by carrying out a review of the classification (on the basis of the input parameter at the lowest level which is of overall significance for the valuation at fair value) at the end of each reporting period.

Cash and cash equivalents

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

Cash and cash equivalents are measured at amortised cost (nominal value). Their remaining term – calculated from the acquisition date – is not more than three months.

Inventories

Inventories are recognised at the lower of acquisition and manufacturing cost or net realisable value. Cost is measured on the basis of the weighted average cost method.

The cost of internally manufactured products includes the full production cost based on normal capacity utilisation. In detail, cost includes the direct costs directly attributable to products (e.g. material and labour) and fixed and variable production overheads (e.g. material and production overheads, depreciation and amortisation). In particular, costs incurred by the specific cost centres are taken into account.

The risks in holding inventories due to reduced realisable value are taken into account through appropriate write-downs, which are recognised as cost of turnover. These write-downs are calculated on the basis of the future sales plan or actual consumption. Depending on the respective inventory item, individual periods are applied and subsequently reviewed and modified using objective evaluation criteria. The lower net realisable value at the balance sheet date is taken into account in valuation. Expected total costs have been included in the calculation of lower net realisable value since financial year 2022. If the circumstances which previously caused inventories to be written down no longer apply such that the net realisable value is increased, the resulting increase in value is recognised as a reduction in the cost of turnover.

In the case of contracts that grant a customer the right to return an item, turnover is recognised to the extent that it is highly likely that there will be no material correction to the cumulative turnover amount. As a result, the amount of recognised turnover is adjusted for the expected returns estimated on the basis of historical data for the individual customer. In these cases, a reimbursement obligation and an asset are recognised for the right to return the products.

The asset for the right to return the products is measured at the previous book value of the product less anticipated return costs. If the product is taken back, it is capitalised at its former book value. Any difference is recognised in profit and loss.

The reimbursement obligation is included in other liabilities (note 23), and the right to return the products is included in inventories (note 16). The Group reviews its estimates of expected returns on each reporting date and updates the amounts of assets and obligations accordingly.

Intangible assets

Patents, licences and software

Expenses for patents and licences are capitalised and subsequently amortised over their expected useful life on a straight-line basis. The estimated useful life of patents and licences varies between three and fifteen years. Assets are regularly tested for indications of an impairment.

The cost of new software and implementation costs are capitalised and treated as an intangible asset unless these costs are not an integral part of the associated hardware. The economic useful life is three to eight years.

Brands

Consideration paid for brands is capitalised. Brands are recognised as intangible assets with indefinite useful lives, if no time limit can be set for the period during which the asset generates economic benefits for the company. Brands are not amortised, and instead are tested at least annually for possible impairment in accordance with IAS 36 and written down to their recoverable amount as necessary.

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the identifiable assets and liabilities acquired on the acquisition date is known as goodwill and is recognised as an asset. In accordance with IFRS 3 in conjunction with IAS 36, goodwill is not amortised and instead is tested for impairment at least annually and written down to the recoverable amount as necessary.

For the impairment test, the value of the asset at the acquisition date is allocated to the cash-generating units at the lowest level of the company at which the asset is monitored for internal management purposes.

Tangible assets

Tangible assets are measured at cost less depreciation. If there is an indication of an impairment, an impairment test is performed and, where necessary, an impairment recognised. If the reasons for the impairment no longer apply, it is reversed to amortised cost.

If items of tangible assets are sold or scrapped, the corresponding acquisition costs and accumulated depreciation are derecognised. A realised profit or loss on sale is recognised in the statement of profit or loss.

The cost of an item of tangible assets comprises the purchase price including import duties and non-refundable purchase taxes, and any directly attributable costs incurred for bringing the asset into working condition and to the location for its intended use. Subsequent expenses, such as maintenance and repair costs, which arise after the non-current assets are put into operation, are recorded as expenses in the period in which they are incurred.

The useful lives and depreciation methods for tangible assets are reviewed periodically to ensure that the method of depreciation and the depreciation period comply with the expected useful life of the items of tangible assets. If a useful life must be changed, this is done prospectively as at the date of reassessment.

Assets under construction are classified as unfinished tangible assets and are carried at cost. Assets under construction are depreciated from the time at which the respective asset is completed and used in operation.

Depreciation is performed on a straight-line basis using the expected useful life:

	Years
Buildings	25–50
Other structures	10–20
Injection-moulding machines	10
Vehicles	6
Technical equipment and other machinery	5–10
Operating and office equipment	3–13
Injection-moulding and stamping tools	3–6
Display and POS stands	3

Impairment of tangible and intangible assets

Tangible assets and intangible assets are tested for impairment if there is a change in circumstances or there are material grounds for believing that the book value of an asset may not be recoverable (IAS 36). As soon as the book value of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of the asset’s net selling price and its value in use.

The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction (fair value) less the cost of disposal.

Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is identified for each asset individually or, if this is not possible, for the cash generating unit to which the asset belongs

Right of use assets from leases

Leases are to be recognised on the balance sheet of the lessee in accordance with IFRS 16. A lessee reports a right of use asset, which constitutes a right to use the underlying asset, and a liability from the lease, which describes its lease payment obligations. Lessors categorise leases as finance leases or operating leases.

The Group only has leases in which the Group is the lessee. Assets and liabilities were recognised for leases relating to leased office space and leased vehicles. Some leases contain extension and termination options in the lessee’s favour. Here, assumptions were made regarding the exercise of contractually agreed extension options beyond the non-cancellable basic lease term, providing the exercise of the extension options is sufficiently certain.

The Group made use of the simplification rule for leasing agreements for low-value assets. Leased assets with a value of no more than k€ 5 are defined as low-value assets. In accordance with IFRS 16.4, the option is used not to apply IFRS 16 to leases of intangible assets.

On the date of provision or when a contract containing a lease component is amended, the Group allocates the contractually agreed remuneration on the basis of the relative individual selling prices. In the case of property leases, the Group has decided to consider leasing and non-leasing components separately.

On the date of provision, the Group recognises an asset for the right of use granted and a lease liability. The right of use is initially measured at cost, which is equal to the initial measurement of the lease liability, adjusted for payments made on or before the date of provision, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or of restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right to use the asset is then depreciated on a straight-line basis from the date of provision to the end of the lease term unless ownership of the underlying asset is transferred to the Group at the end of the lease term or the cost of the right to use the asset includes an element indicating that the Group will exercise a purchase option. In this case, the right of use is amortised over the useful life of the underlying asset, which is determined in accordance with the rules for tangible assets. In addition, the right of use is continuously adjusted for impairment where necessary and adjusted for certain revaluations of the lease liability.

Initially the lease liability is recognised at the present value of the lease payments receivable on the date of provision, discounted at the interest rate implicit in the lease or, if this interest cannot be readily determined, at the Group’s incremental borrowing rate. The Group normally uses its incremental borrowing rate as the discount rate. To determine its incremental borrowing rate, the Group obtains interest rates from various external financial sources and makes certain adjustments taking into account the lease terms and the nature of the asset.

The lease liability is measured at amortised book value using the effective interest method. It is remeasured if the future lease payments change due to a change in index or interest rate, if the Group adjusts its estimate of the expected payments under a residual value guarantee, if the Group changes its assessment regarding the exercise of a purchase, renewal or termination option or if a de facto fixed lease payment changes.

Such a remeasurement of the lease liability results in a corresponding adjustment to the book value of the right of use or, if the book value of the right of use has decreased to zero, an adjustment is made to the book value of the right of use in the statement of profit or loss.

Leases that do not fall under IFRS 16 or for which an option not to apply IFRS 16 is exercised are recognised as expenses in the statement of profit or loss on a straight-line basis over the term of the lease.

Research and development costs

Research costs cannot be capitalised in accordance with IAS 38 and are therefore recognised directly as an expense in the statement of profit or loss.

Development costs are capitalised in accordance with IAS 38 if they can be clearly allocated and both the technical feasibility and marketing of the newly developed products are ensured. Furthermore, there must be sufficient probability that the development work will generate future economic benefits. Leifheit has smaller research and development projects involving further development of existing products and/or components. They are not recorded in terms of development cost to be capitalised for reasons of negligibility. For larger research and development projects, the point at which it is clear whether future benefits will be generated from the potential product is extremely late in the overall project phase, so that the costs allocated to development are immaterial and recognised in profit or loss like the research costs.

Deferred taxes

Deferred taxes are recognised using the balance sheet liability method for all temporary differences between the tax base of an asset or liability and its amount in the consolidated balance sheet (temporary concept). A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences insofar as it is likely that future taxable income will be available for which they can be used. Future taxable profits are calculated on the basis of reversing taxable temporary differences. If the amount is not sufficient to fully capitalise deferred tax assets, the future taxable profits – considering the reversal of temporary differences – are calculated on the basis of the subsidiaries' business plans. Deferred tax assets are reviewed on each reporting date and reduced insofar as it is no longer likely that the associated tax benefit will be realised. Write-ups are recognised if the probability of future taxable income increases. In addition, deferred tax assets from loss carry-forwards are recognised if or insofar as it can be assumed that it is highly probable that Leifheit will be able to utilise these tax loss carry-forwards over the next five years.

Deferrals are the probable tax liability or relief in the following financial years based on the prevailing tax rate at the realisation date.

Deferred tax assets whose realisation is or becomes improbable are not recognised or adjusted.

Deferred taxes are reported separately within the non-current items on the balance sheet.

Other provisions

Under IAS 37, other provisions are recognised where there is a current obligation to third parties as a result of a past event which will probably lead to an outflow of resources and which can be reliably estimated.

Provisions for warranty claims mainly relate to products that have been sold in the last 18 months and are based on estimates due to historical warranties of similar products. These are warranty promises which assure the customer that the product complies with the contractually agreed specifications. There are therefore no separate performance obligations. These provisions are recognised at the time of the sale of the underlying products to the customer.

The remaining other provisions are recognised under IAS 37 for all identifiable risks and uncertain obligations in the amount that is likely to be required to settle them and are not offset against reimbursement claims.

Provisions for impending losses are recognised at the cost of fulfilment, which includes the costs directly attributable to the loss-making contract and the costs that would not be incurred without the existence of the contract.

Other provisions which do not lead to an outflow of resources in the following year are recognised at the discounted amount required to settle the obligations at the balance sheet date. The discount rate is based on market interest rates.

Share-based payment

The obligations of share-based payment, which provide for a settlement in cash, are calculated during the vesting period on the basis of analyses using Monte Carlo simulations. The obligations are accumulated on a pro rata temporis basis over the respective vesting period.

Provisions for pensions and similar obligations

The actuarial valuation of the defined benefit obligation arising out of the defined benefit plans is based on the projected unit credit method. Revaluations, including actuarial gains and losses, are directly recorded on the balance sheet and included in other reserves via other comprehensive income in the period in which they accrue. Revaluations may not be reclassified as profit or loss in subsequent periods. Any adjustments to the pension plans are recognised in profit or loss.

Under this method, the post-employment benefits and vested benefits known at the balance sheet date are taken into account along with the expected future increases in salaries and pensions.

Equity

Treasury shares reduce the equity reported in the balance sheet under a separate item. The acquisition of treasury shares is shown as a change in equity. Any sale, issue or cancellation of treasury shares is recognised without affecting net income. Consideration received is recognised in the financial statements as a change in equity.

Provisions for currency translation are recognised in other reserves for exchange rate differences arising from the consolidation of the financial statements of independent foreign subsidiaries or branches.

Exchange rate differences for monetary items which become a part of the company’s net investment in an independent foreign entity, such as long-term loans, are recognised in equity in the consolidated financial statements without affecting net income until disposal or repayment. When the relevant assets are sold, the currency translation reserves are recognised in other reserves as income or expenses in the same period as the profit or loss from the sale is recognised.

Revaluations, including actuarial gains and losses arising out of the valuation of pension obligations, are recorded in other reserves.

Profits and losses from effective hedging transactions are likewise recorded as not affecting net income in the reserve for hedging cash flows in other reserves, to the extent effectiveness can be proven.

Financial instruments

Recognition and initial measurement

Trade receivables are recognised from the point at which they arise. All other financial assets and liabilities are initially recognised on the trade date if the company becomes a contractual party under the terms and conditions of the instrument.

Financial assets (with the exception of trade receivables without any material financing components) and financial liabilities are initially measured at fair value. In the case of items not measured at fair value through profit or loss, transaction costs directly attributable to acquisition or issuing are added. Trade receivables without any material financing components are initially measured at the transaction price.

Financial assets – categorisation, subsequent measurement and impairment

Financial assets are categorised and measured as follows at initial measurement:

- At amortised cost,
- FVOCI debt instruments measured at fair value through other comprehensive income,
- FVOCI equity instruments measured at fair value through other comprehensive income,
- FVTPL fair value through profit or loss.

Financial assets are not recategorised following initial recognition unless the Group changes the business model with which it manages the financial assets. If the business model is changed, all affected financial assets are reclassified on the first day of the reporting period following the date on which the business model is changed.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated for measurement at fair value through profit or loss:

- It is held within a business model in which the objective is to hold the financial asset to collect the contractual cash flow, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated at fair value through other comprehensive income if both of the following conditions are met and it has not been designated for measurement at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If an equity investment is not held for trading, the Group can make an irrevocable decision at initial recognition to measure subsequent changes at fair value through other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. Even if an instrument meets the requirements to be measured at amortised cost or at fair value through other comprehensive income, the Group can make an irrevocable decision at initial recognition to designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (known as an accounting mismatch).

Assessment of the business model
The Group makes an assessment regarding the objectives of the business model in which the financial asset is held at portfolio level, as this provides the best reflection of the manner in which business is conducted and information is supplied to the management.

Information to be taken into consideration includes:

- the stated guidelines and objectives applying to the portfolio and the practical implementation of these guidelines; this includes whether the management's strategy is geared towards collecting contractual interest income, maintaining a certain interest rate profile, coordinating the term of a financial asset with the term of an associated liability or expected cash outflows, or realising cash flows by selling the asset,
- how the results of the portfolio are assessed and the Group management is informed,
- the risks that affect the results of the business model (and the financial assets held under this business model) and how these risks are managed,
- how the management is remunerated – e.g. whether remuneration is based on the fair value of assets under management or on collected contractual cash flows,
- frequency, the extent and timing of sales of financial assets in previous periods and expectations regarding future sales activities.

Transfers of financial assets to third parties that do not result in derecognition are consistent with the fact that the Group continues to balance the assets but does not recognise any sales for this purpose.

Financial assets that are held for trading or managed, whose value development is assessed on the basis of their fair value, are measured at fair value through profit or loss.

Assessment whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding

For the purpose of this assessment, the principal amount is defined as the fair value of the financial asset at initial recognition. Interest is defined as the remuneration for the fair value of the moneys and for the risk of default associated with the principal amount outstanding over a certain period of time, as well as for other fundamental credit risks, costs (such as liquidity risk and administrative costs) and a profit mark-up.

The Group takes the instrument's contractual terms and conditions into account when assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. This includes an assessment as to whether the financial asset includes a contractual agreement that could change the timing or amount of the contractual cash flows so that they no longer meet these requirements.

In this assessment, the Group takes into account the following:

- certain events that would change the amount or timing of the cash flows,
- terms and conditions that would change the interest rate, including variable interest rates,
- options for early repayment and extensions,
- terms and conditions that limit the Group's claims to cash flows from a particular asset (e.g. no entitlement to recourse).

An option for early repayment is consistent with the criterion that payments are solely payments of principal and interest on the principal amount outstanding if the amount of the early repayment primarily comprises unpaid interest and principal on the principal amount outstanding, although this can include appropriate remuneration for the early termination of the contract.

In addition, a condition applying to a financial asset acquired at a premium or a discount compared to the nominal contractual value that allows or requires early repayment at an amount that largely equates to the nominal contractual value plus accrued (but not paid) contractually agreed interest (which can include appropriate remuneration for the early termination of the contract) is regarded as being consistent with the criterion, provided the fair value of the early repayment option is not significant in the first place.

Subsequent measurement and gains and losses

Financial assets measured at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including all interest and dividend income, is recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. Amortised costs are lowered by impairments. Interest income, currency translation gains and losses, and impairments are all recognised in profit or loss. Gains and losses from derecognition are recognised in profit or loss.
Debt instruments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, currency translation gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. At derecognition, cumulative other comprehensive income is reclassified to profit or loss.
Equity investments measured at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the clear purpose of the dividends is to cover part of the costs of the investment. Other net gains or losses are recognised in other comprehensive income and never reclassified to profit or loss.

Impairment

The Group assesses at each balance sheet date whether financial assets at amortised cost or debt instruments measured at fair value through profit or loss are credit-impaired. A financial asset's credit rating is impaired if one or more events occur with an adverse effect on the expected future cash flows of the financial asset.

Indicators that a financial asset is impaired include the following observable data:

- significant financial difficulties of the debtor,
- a breach of contract, such as a default or a delay of more than 120 days,
- probability that the debtor will go into insolvency or other reorganisation proceedings.

According to IFRS 9, impairments for expected credit losses are recognised for financial assets classified for measurement at amortised cost. The model includes the use of forward-looking information and estimations. No separate disclosures are made regarding impairments recognised in the statement of profit or loss in the reporting period in accordance with IAS 1.82 (ba).

Expected credit losses are recognised on the basis of a general three-level model for impairment allocation:

Level 1: Expected credit losses within the next 12 months
Level 1 includes all contracts that have not had a significant increase in credit risk since initial recognition. Expected credit losses attributable to possible default events within the next 12 months are recognised.

Level 2: Lifetime expected credit losses – not credit-impaired
Financial assets are allocated to level 2 if there has been a significant increase in credit risk since initial recognition of the financial asset, but they are not credit-impaired. Expected losses attributable to default events throughout the entire lifetime of the financial asset are recognised as impairments.

Level 3: Lifetime expected credit losses – credit-impaired
Financial assets are allocated to level 3 if they are credit-impaired or they were defaulted on. Expected losses throughout the entire lifetime of the financial asset are recognised as impairments.

The assessment of probability of default takes both external information and resulting probabilities of default and internal information concerning the quality of the financial asset into account.

When it comes to trade receivables and contractual assets without significant financing components pursuant to IFRS 15, Leifheit applies the simplified approach according to IFRS 9. Under this approach, the impairment from initial recognition of the receivable is calculated for the life of the receivable. The default history for the past financial year and the two previous financial years is used as the basis. The external information drawn on in this context includes individual and continuously updated data regarding the counterparties and forward-looking information (country risks).

The gross book value of a financial asset is written down if the Group does not believe, based on reasonable estimates, that all or part of the financial asset is realisable. In the case of business customers, the Group makes an individual assessment of the timing and amount of the write-down based on whether there is a reasonable expectation of recovery. The Group does not expect any significant recovery of the amount depreciated. Depreciated financial assets may nevertheless be subject to enforcement action to collect overdue receivables in order to comply with the Group's policy.

The Group does not apply the three-level expected credit loss model to financial assets that only have a low risk of default at the point of addition (investment grade – Standard & Poor's AAA–BBB). Instead, these assets are always attributed to level 1 of the expected credit loss model and an impairment is recognised on 12-month expected credit losses. Such assets include bank deposits in particular, as funds are deposited on a short-term basis at banks with high credit ratings that are part of a deposit guarantee scheme.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured either at amortised cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated as such at initial recognition.

Financial liabilities measured at fair value through profit or loss are measured at fair value and gains and losses, including interest expenses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and currency translation differences are measured in profit or loss. Gains and losses from derecognition are also recognised in profit or loss.

Derecognition

The Group derecognises a financial asset if contractual rights to cash flows from the financial asset expire or if it transfers rights to receive cash flows within a transaction in which all material risks and opportunities associated with ownership of the financial asset are also transferred.

A financial asset is also derecognised if the Group neither transfers nor retains all risks and opportunities associated with ownership and does not retain control over the transferred asset.

The Group conducts transactions in which it transfers the recognised asset but retains either all or all material risks and opportunities resulting from the transferred asset. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability if the contractual obligations are met or suspended or if they lapse. The Group also derecognises a financial liability if its contractual terms and conditions are changed and the cash flows from the adjusted liability change significantly. In this case, a new financial liability is recognised at fair value based on the adjusted terms and conditions.

When a financial liability is derecognised, the difference between the book value of the redeemed liability and the remuneration paid (including non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and liabilities are netted and recorded as net amounts on the balance sheet if the Group has a present and enforceable legal entitlement to offset amounts and the intention is to either offset the net amounts or replace the associated liability at the same time as liquidating the asset concerned.

Derivative financial instruments and hedge accounting

The Group maintains derivative financial instruments to hedge against currency risks. In certain circumstances, embedded derivatives are separated from the underlying contract and recognised separately.

Derivatives are measured at fair value at initial recognition. At subsequent measurement, derivatives are measured at fair value. Any resulting changes are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments in order to hedge fluctuations in cash flows that are associated with highly probable transactions that originate from changes in exchange rates.

At the beginning of the hedge, the Group documents the risk management objectives and strategies it is pursuing with regard to the hedge. The Group also documents the economic relationship between the hedged transaction and the hedging instrument and whether it is anticipated that changes in cash flows from the hedged transaction and the hedging instrument will balance each other out.

Cash flow hedges

When a derivative is designated as a cash flow hedge instrument, the effective portion of changes to the fair value is recognised in other comprehensive income and cumulated in the hedging reserve. The effective portion of the changes to the fair value, which is recognised in other comprehensive income, is limited to the cumulative change in fair value of the hedged transaction (calculated on the basis of the present value) since the beginning of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss.

The Group only recognises changes in fair value of the spot element of forward foreign exchange transactions as a hedging instrument in the hedging of cash flows. Changes in the fair value of the forward element of forward foreign exchange transactions (forward points) are recognised separately as costs associated with the hedge and added to a reserve for hedging costs in equity.

If a hedged expected transaction subsequently leads to the recognition of a non-financial item, such as inventories, the cumulative amount from the hedge reserve and the reserve for hedging costs is directly included in the cost of the non-financial item when this item is recognised.

In the case of all other hedged expected transactions, the cumulative amount that has been added to the hedge reserve and the reserve for hedging costs is reclassified into profit or loss in the period or periods in which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the hedge accounting criteria or if the hedging instrument is sold, expires, is terminated or is exercised, the hedge is ended. If a cash flow hedge ends, the amount added to the hedge reserve remains in equity until, in the case of a hedge that results in the recognition of a non-financial item, this amount is included in the acquisition cost of the non-financial item at initial recognition or, in the case of other cash flow hedges, this amount is reclassified into profit or loss in the period or periods in which the hedged expected future cash flows affect profit or loss.

If it is no longer expected that hedged future cash flows will materialise, amounts added to the hedge reserve and the reserve for hedging costs are immediately reclassified into profit or loss.

Recognition of income and expenses

The company recognises turnover from the sale of products when it fulfils a performance obligation through the transfer of a promised asset (product) to a customer. An asset is considered transferred at the time when the customer obtains control of that asset.

When it comes to contracts with customers, the sale of products is generally expected to be the sole performance obligation. Under IFRS 15, turnover is recognised as soon as a customer obtains control of the goods. Leifheit takes the following aspects into account in application.

In line with the transfer of control, turnover is to be recognised either at a point in time or over time in the amount to which the Group expects to be entitled. Leifheit has determined based on the following indicators that the performance obligation is fulfilled at the time the products are transferred to the customer, and thus that turnover is recognised at a point in time at which:

- Leifheit has a current entitlement to receive payment for the asset,
- the customer has legal title to the asset,
- Leifheit has transferred physical possession of the asset,
- the significant risks and rewards of ownership of the asset have been transferred to the customer,
- the customer has accepted the asset.

The Group’s key markets are in Germany and Central Europe. For supplies of products, Group entities reach agreements with customers that define the date of the performance obligation.

The consignment stock agreements with our customers are structured so that customers obtain the power of disposal over the products when the products are delivered to the consignment warehouses. This means that, according to IFRS 15, the turnover is already reported at the time of delivery to the consignment warehouse and not at the time of removal from the consignment warehouse.

If a contract with a customer includes the right to return the products within a certain time frame, turnover for these contracts is reported, provided it is highly likely that no considerable correction of the reported turnover will take place.

The cost of turnover includes costs incurred to generate turnover and the cost of merchandise purchased and held for resale. This item also includes the cost of additions to provisions for warranty obligations.

Distribution costs include labour and materials costs and the depreciation and amortisation attributable to distribution activities, as well as shipment, advertising, sales promotion, market research and customer service costs, and freight out.

Administrative costs include labour and materials costs and the depreciation and amortisation attributable to administration.

Taxes such as real estate tax and vehicle tax are attributed to production, research and development, distribution or administrative costs in accordance with the respective source.

Interest income and interest expenses are recognised on a pro rata basis. For all financial instruments measured at amortised cost, interest income and expenses are recognised using the effective interest rate. This involves the calculatory interest rate, by which the estimated future incoming and outgoing payments are discounted over the expected term of the financial instrument, or, if applicable, over a shorter period, precisely to the net book value of the financial asset or financial liability.

Borrowing costs

All borrowing costs are recognised as an expense affecting net income in the period in which they are incurred.

Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are shown in the notes, except when the probability of an outflow of resources embodying economic benefits is extremely low. Contingent assets are also not recognised in the financial statements. However, they are disclosed in the notes if it is likely that an inflow of economic benefits will arise.

Events after the balance sheet date

Events after the balance sheet date that provide additional information on the company's situation at the balance sheet date (recognisable adjusting events) are included in the balance sheet of the financial statements. Non-adjusting events after the balance sheet date that do not have to be recognised are shown in the notes if they are material.

Material exercises of discretion, estimates and assumptions

In certain instances, preparing the consolidated financial statement requires exercises of discretion and estimates and assumptions about the amounts or fair values of receivables, liabilities and other provisions (note 24), depreciation and amortisation periods, deferred taxes, contingent liabilities, impairment tests and recognised income and expenses. The actual figures may differ from these estimates. The most important assumptions and estimates in connection with impairment testing of intangible assets and tangible assets are stated in note 20, the assumptions and estimates in connection with the recognition of pension liabilities in note 26, and the assumptions and estimates in connection with the recognition of deferred tax assets in note 13.

Leifheit has analysed any possible impact connected with ESG issues when preparing the annual and consolidated financial statements. Based on this analysis, the company does not expect any material impact on the company's operations that would result in a change in accounting judgements based on the current legal framework.

Changes in accounting and valuation principles

New accounting standards applied for the first time

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
Amendments to IFRS 3	Reference to the conceptual framework	1.1.2022	Yes
Amendments to IFRS 16	COVID-19-related rent concessions after 30 June 2021	1.4.2021	Yes
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use	1.1.2022	Yes
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	1.1.2022	Yes
Improvements to IFRS (2018 – 2020)	Amendments to IFRS 1, IFRS 3, IFRS 9, IFRS 16, IAS 37 and IAS 41	1.1.2022	Yes

Leifheit applied the aforementioned standards and amendments published by the IASB for the first time in financial year 2022. The initial application of this standard did not have any material impact on the consolidated financial statements.

New accounting standards applicable in future

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
IFRS 17	Insurance contracts	1.1.2023	Yes
Amendment to IAS 1	Presentation of the financial statements: Description of accounting policies	1.1.2023	Yes
Amendment to IAS 8	Accounting process, changes in accounting estimates and errors: Definition of accounting estimates	1.1.2023	Yes
Amendment to IAS 12	Income taxes: Deferred taxes in connection with assets and liabilities from a single transaction	1.1.2023	Yes

Leifheit did not elect early application of the standards and amendments that have been adopted into the law of the European Union (endorsed) but for which application has not yet become mandatory.

The future application of the aforementioned standards and interpretations is not expected to have a material impact on the consolidated financial statements.

New accounting standards not yet endorsed by the EU

The IASB has published the standards and interpretations listed below that were not yet to be mandatorily applied in financial year 2022. These standards and interpretations have not been endorsed by the EU to date and are not applied by the Group.

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
Amendment to IAS 1	Classification of liabilities as current or non-current	1.1.2024	No
Amendment to IAS 1	Non-current liabilities with covenants	1.1.2024	No
Amendment to IFRS 16	Lease liabilities in sale and lease back transactions	1.1.2024	No
Amendment to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associate or joint venture	Postponed indefinitely by the IASB	No

At the time of writing, the recognition of these new regulations is not expected to have a material impact on the consolidated financial statements.

Segment reporting

For corporate management purposes, the Leifheit Group is divided into business segments and presented in the reportable segments Household, Wellbeing and Private Label.

Segmentation is based on regular internal reporting and includes the reportable segments.

Household segment: The Leifheit brand and products from the laundry care, cleaning and kitchen goods categories are developed, produced and distributed here. The Household segment also includes production operations at the Czech location in Blatná.

Wellbeing segment: The Soehnle brand and a range of scales, healthcare products and air treatment units are developed and distributed here.

Private Label segment: Products from the laundry care and kitchen goods categories are developed, produced and distributed with the French subsidiaries Birambeau S.A.S. and Herby S.A.S. and primarily marketed as private-label brands. The Birambeau and Herby business segments are reported separately in the regular internal reports. However, the segments are aggregated in the segment reporting on account of their current and anticipated future comparable gross margins and comparable economic characteristics.

There are no unconsolidated transactions between the segments subject to reporting requirements.

The Board of Management monitors the result generated by the business segments for the purposes of deciding upon the allocation of resources and ascertaining the profitability of the units. The performance of the business segments is assessed on the basis of the result generated and evaluated in line with the result as reported in the consolidated financial statements. The financing of the Group (including financial expenses and income) and any income taxes are managed on a uniform Group-wide basis and are not attributed to the individual segments.

The regular internal reporting for the business segments covers turnover, gross profit and EBIT. These are based on IAS/IFRS valuations.

Key figures by reportable segments in 2022		Household	Wellbeing	Private Label	**Total**
Turnover	m€	204.2	16.1	31.2	251.5
Gross profit	m€	84.6	5.7	6.9	97.2
Segment result (EBIT)	m€	2.1	– 1.1	1.8	2.8
Employees on annual average	people	916	36	128	1,080

Key figures by reportable segments in 2021		Household	Wellbeing	Private Label	Total
Turnover	m€	230.8	25.5	32.0	288.3
Gross profit	m€	105.3	10.1	6.6	122.0
Segment result (EBIT)	m€	18.2 [1]	0.5	1.4	20.1
Employees on annual average	people	929	41	129	1,099

[1] Includes impairment losses on technical equipment and machinery in the amount of m€ 0.1.

Notes to statement of comprehensive income

(1) Turnover

Turnover by region in m€	2022 Household	Wellbeing	Private Label	Total
Germany	92.1	6.7	–	98.8
Central Europe [1]	72.4	8.4	30.4	111.2
Eastern Europe	32.9	0.6	0.7	34.2
Rest of the World	6.8	0.4	0.1	7.3
	204.2	**16.1**	**31.2**	**251.5**

[1] Excluding Germany.

Turnover by product categories in m€	2022 Household	Wellbeing	Private Label	Total
Cleaning	89.6	–	–	89.6
Laundry care	100.4	–	11.5	111.9
Kitchen goods	14.2	–	19.7	33.9
Wellbeing	–	16.1	–	16.1
	204.2	**16.1**	**31.2**	**251.5**

Turnover by region in m€	2021 Household	Wellbeing	Private Label	Total
Germany	113.5	12.9	–	126.4
Central Europe [1]	74.2	11.1	31.1	116.4
Eastern Europe	36.1	0.9	0.9	37.9
Rest of the World	7.0	0.6	–	7.6
	230.8	**25.5**	**32.0**	**288.3**

[1] Excluding Germany.

Turnover by product categories in m€	2021 Household	Wellbeing	Private Label	Total
Cleaning	114.0	–	–	114.0
Laundry care	98.1	–	10.2	108.3
Kitchen goods	18.7	–	21.8	40.5
Wellbeing	–	25.5	–	25.5
	230.8	**25.5**	**32.0**	**288.3**

Turnover at the Leifheit Group resulted almost exclusively from the sale of household goods. It is presented for each geographic region, as well as for each product category. The location of the customer's registered offices is fundamentally decisive for the regional attribution of the turnover.

The distribution of allocations was amended in the reporting period. The previous-year values for specific cost types within the cost of turnover, research and development costs, distribution costs and administrative costs items were adjusted accordingly to ensure comparability with the current financial year. The total costs of each operational area have not changed as a result.

(2) Cost of turnover

k€	2021	2022
Cost of materials	117,924	108,435
Personnel costs	15,529	15,921
Purchased services	9,492	8,035
Depreciation and amortisation	4,448	4,415
Services	7,517	3,848
Energy costs	1,846	3,845
Maintenance	1,778	1,616
Consumables and supplies	1,423	1,601
Impairment of inventories (net change)	1,202	1,558
Customs costs	1,832	1,306
Rent	549	830
Licensing fees	916	245
Other cost of turnover	1,840	2,616
	166,296	**154,271**

In the financial year 2022, the Leifheit Group received government energy cost subsidies of k€ 392 in the Czech Republic (2021: k€ 0). These were recognized as a reduction in expenses under energy costs.

Depreciation and amortisation in the reporting period did not include any impairment losses on technical equipment and machinery (2021: k€ 130).

(3) Research and development costs

k€	2021	2022
Personnel costs	3,529	3,677
Services	1,071	916
Fees	387	412
Maintenance	182	170
Energy costs	108	169
Depreciation and amortisation	170	150
Cost of materials	139	149
Other research and development costs	534	400
	6,120	**6,043**

(4) Depreciation and amortisation

k€	2021	2022
Intangible assets		
Cost of turnover	54	95
Research and development costs	1	47
Distribution costs	471	288
Administrative costs	279	326
IT costs and other allocations	8	–
	813	**756**
Tangible assets		
Cost of turnover	4,331	4,277
Research and development costs	79	103
Distribution costs	1,613	1,505
Administrative costs	266	285
IT costs and other allocations	85	–
	6,374	**6,170**
Right of use assets		
Cost of turnover	63	43
Distribution costs	268	266
Administrative costs	304	272
	635	**581**
Total depreciation and amortisation	**7,822**	**7,507**

(5) Personnel costs/employees

k€	2021	2022
Wages and salaries	40,764	42,781
Social security contributions	9,640	10,074
Cost of employment benefits	530	482
	50,934	**53,337**

Employees on annual average	2021	2022
Germany	410	407
Czech Republic	464	440
France	142	142
Other countries	83	91
	1,099	**1,080**

(6) Distribution costs

k€	2021	2022
Personnel costs	22,703	23,934
Freight out	16,269	15,910
Advertising costs	20,904	13,241
Commissions	4,259	5,277
Advertising cost subsidies	4,893	4,171
Services	3,813	3,435
Depreciation and amortisation	2,352	2,059
Packaging materials	1,401	1,885
Maintenance	1,331	1,287
Energy costs	707	1,256
Cost of cars, travel and entertainment	787	1,136
Rent	724	517
IT costs and other allocations	458	479
Insurance	465	372
General operation and administrative costs	336	291
Office and other overhead costs	215	222
Post and telephone costs	155	145
Other distribution costs (less than k€ 100)	2,233	2,279
	84,005	**77,896**

(7) Administrative costs

k€	2021	2022
Personnel costs	9,493	9,918
Services	1,589	1,399
Depreciation and amortisation	849	883
Costs of financial statements	567	512
Supervisory Board remuneration	614	493
Maintenance	274	289
Insurance	186	218
Energy costs	114	151
Rent	3	120
Cost of cars, travel and entertainment	75	117
Other administrative costs (less than k€ 100)	706	581
	14,470	**14,681**

(8) Other operating income

k€	2021	2022
Income from claims for damages	472	626
Commission income	456	437
Licensing revenue	230	167
Other operating income (less than k€100)	573	369
	1,731	**1,599**

(9) Other operating expenses

k€	2021	2022
Other operating expenses (less than k€ 100)	328	379
	328	**379**

(10) Foreign currency result

k€	2021	2022
Effects of foreign currency valuations	872	–230
Realised foreign currency gains/losses	193	1,838
Result from changes in the fair value of forward foreign exchange transactions	177	1,322
	1,242	**2,930**

(11) Interest income

k€	2021	2022
Interest income from financial instruments	27	171
Interest income from compounding	–	251
Interest income from taxes	–	10
	27	**432**

Interest income from financial instruments related to interest income from credit balances at banks.

(12) Interest expenses

k€	2021	2022
Interest expenses from compounding on pension obligations	655	784
Interest expenses from compounding on other provisions, leasing and taxes	70	63
Interest expenses from financial instruments[1]	92	68
	817	**915**

[1] Mainly from safekeeping fees for credit balances at banks and facility fees for lines of credit.

(13) Income taxes

k€	2021	2022
Corporation tax (Germany)	2,007	–98
Trade tax (Germany)	1,614	–2
Foreign income taxes	940	532
Deferred income taxes	544	651
	5,105	**1,083**

The combined tax rate for Leifheit AG for corporation tax and trade tax in Germany was 29.8% (2021: 29.3%).

k€	2021	2022
Actual income tax on income from other periods	14	–16
Deferred taxes due to temporary differences	544	651
Actual tax expense	4,547	448
Tax liability	**5,105**	**1,083**

Income tax can be reconciled with the theoretical amount applicable in line with the tax rate valid for the country where the company has its registered office, as shown in the following table.

k€	2021	2022
Earnings before taxes	19,281	2,291
Tax expense based on the tax rate applicable to the parent company	**5,649**	**683**
Actual income tax on income from other periods	14	–16
Different foreign tax rates	–564	–52
Non tax-deductible losses of Group companies	–	329
Non tax-deductible expenses/income of Group companies	204	218
Adjustment of the deferred tax rate	–139	21
Tax reductions	–59	–100
Tax liability	**5,105**	**1,083**

Deferred taxes are recognised for all material temporary differences between the tax base and the consolidated balance sheet. Deferred taxes in the statement of profit or loss were broken down as follows:

k€	2021	2022
Different depreciation or amortisation periods for non-current assets	315	–532
Measurement of inventories	84	1,219
Measurement of receivables and assets	745	–1,118
Measurement of contractual assets	78	–92
Measurement of derivative financial instruments	–759	686
Measurement of pensions	142	525
Different recognition rules for other provisions	163	–188
Measurement of liabilities	–189	214
Tax loss carry-forwards	–56	–39
Other temporary differences	21	–24
Deferred income taxes	**544**	**651**

No deferred tax assets (2021: k€ 56) were recognised for income tax loss carry-forwards at a foreign subsidiary of k€ 1,218 because it is assumed that the tax loss carry-forwards cannot be utilised with a high degree of probability within the next five years. No further loss carry-forwards existed on the balance sheet date.

The temporary differences in connection with shares in subsidiaries amounted to k€ 78 (2021: k€ 85). Deferred taxes of k€ 23 (2021: k€ 25) were formed for this purpose, since dividend payments are expected in the future. No deferred taxes were recognised on temporary differences of k€ 634 (2021: k€ 674), as no dividend payments are expected in the future.

Deferred taxes on the balance sheet were broken down as follows:

	31 Dec 2022	
k€	**Deferred tax assets**	**Deferred tax liabilities**
Different depreciation or amortisation periods for non-current assets	412	2,906
Measurement of inventories	552	1,140
Measurement of receivables and assets	14	395
Measurement of derivative financial instruments	64	70
Measurement of pensions	4,933	–
Different recognition rules for other provisions	766	140
Measurement of liabilities	204	–
Other temporary differences	132	–
Gross amount	**7,077**	**4,651**
Offsetting	–2,915	–2,915
Balance sheet amount	**4,162**	**1,736**

	31 Dec 2021	
k€	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	395	3,422
Measurement of inventories	648	17
Measurement of receivables and assets	18	1,419
Measurement of derivative financial instruments	31	34
Measurement of pensions	9,738	–
Different recognition rules for other provisions	574	136
Measurement of liabilities	418	–
Other temporary differences	70	–
Gross amount	**11,892**	**5,028**
Offsetting	–3,625	–3,625
Balance sheet amount	**8,267**	**1,403**

(14) Earnings per share

Earnings per share are calculated by dividing the portion of the net result attributable to the shareholders of Leifheit AG by the weighted average number of shares outstanding during the financial year. No financing or remuneration instruments were employed which would lead to a dilution of earnings per share.

		2021	**2022**
Shares issued	thousands	10,000	10,000
Weighted average number of treasury shares	thousands	487	485
Weighted average number of no-par-value bearer shares	thousands	**9,513**	**9,515**

		2021	**2022**
Net result for the period allocated to the shareholders of the parent company	k€	14,176	1,208
Weighted average number of no-par-value bearer shares	thousands	9,513	9,515
Earnings per share based on net result for the period (diluted and undiluted)	€	**1.49**	**0.13**

Notes to the balance sheet

(15) Trade receivables

k€	31 Dec 2021	31 Dec 2022
Trade receivables	52,151	48,100
Bill receivables	581	529
	52,732	**48,629**

As at 31 December 2022, k€ 47,057 were secured by credit on goods insurance policies (2021: k€ 51,313). The deductible is normally between 0% and 10%.

Reference is made to note 34 (default/credit risk) with respect to the default/credit risk in relation to trade receivables.

Development of the allowance account for trade receivables:

k€	2021	2022
As at 1 Jan	615	681
Additions recognised in profit or loss	363	264
Utilisation	83	19
Reversal	214	151
As at 31 Dec	**681**	**775**

Maturity analysis of trade receivables as at 31 December:

k€	2021	2022
Not overdue	**49,658**	**43,037**
Overdue		
1 to 30 days	3,253	6,226
31 to 60 days	–250	312
61 to 90 days	292	102
91 to 120 days	2	157
Over 120 days	–581	–1,309
Overdue in total	**2,716**	**5,488**
Specific allowances on doubtful accounts (gross)	**1,039**	**879**
Impairment	**–681**	**–775**
Trade receivables (net)	**52,732**	**48,629**

Trade receivables that are not overdue also contain bill receivables. Insofar as a credit on goods insurance policy is present, overdue receivables are only adjusted by the amount of the deductible.

(16) Inventories

k€	31 Dec 2021	31 Dec 2022
Raw materials, consumables and supplies	16,570	18,699
Unfinished products	3,638	4,739
Finished products and goods purchased and held for resale	49,248	38,589
Rights to return products	684	425
	70,140	**62,452**

k€	31 Dec 2021	31 Dec 2022
Raw materials, consumables and supplies measured at fair value	1,583	1,573
Unadjusted raw materials, consumables and supplies	14,987	17,126
Total raw materials, consumables and supplies	**16,570**	**18,699**
Unfinished products measured at fair value	135	786
Unadjusted unfinished products	3,503	3,953
Total unfinished products	**3,638**	**4,739**
Finished products and goods purchased and held for resale measured at fair value	5,359	12,772
Unadjusted finished products and goods purchased and held for resale	43,889	25,817
Total finished products and goods purchased and held for resale	**49,248**	**38,589**
Rights to return products measured at fair value	–	–
Unadjusted rights to return products	684	425
Total rights to return products	**684**	**425**

Some of the inventories for which no payments have been made owing to their maturity are subject to retention of title by suppliers.

(17) Contractual assets

The contractual assets in the amount of k€ 1,013 (2021: k€ 1,346) resulted from consignment stock deliveries to customers. They are reclassified as receivables as soon as products are withdrawn from consignment stock by the customer and an invoice is issued.

(18) Derivative financial instruments

Derivative financial instruments included forward foreign exchange transactions measured at fair value, for buying US dollars and CNH from January 2023 to March 2024.

Obligations from forward foreign exchange transactions as at 31 Dec 2022	Value of liability	Foreign currency
Buy USD/€	m€ 9.5	mUSD 10.9
of which hedge accounting	m€ 9.4	mUSD 10.8
Buy CNH/€	m€ 23.4	mCNH 172.6
of which hedge accounting	m€ 18.7	mCNH 137.5

Obligations from forward foreign exchange transactions as at 31 Dec 2021	Value of liability	Foreign currency
Buy USD/€	m€ 11.6	mUSD 14.1
of which hedge accounting	m€ 11.6	mUSD 14.1
Buy CNH/€	m€ 34.1	mCNH 271.2
of which hedge accounting	m€ 34.1	mCNH 271.2

Maturity of the forward foreign exchange transactions as at 31 Dec 2022	Within 12 months	More than 1 year
Buy USD/€	mUSD 9.5	mUSD 1.4
Buy CNH/€	mCNH 141.8	mCNH 30.8

Maturity of the forward foreign exchange transactions as at 31 Dec 2021	Within 12 months	More than 1 year
Buy USD/€	mUSD 12.7	mUSD 1.4
Buy CNH/€	mCNH 237.3	mCNH 33.9

Average rates of forward foreign exchange transactions	31 Dec 2021	31 Dec 2022
Buy USD/€	1.21	1.15
of which hedge accounting	1.21	1.15
Buy CNH/€	7.95	7.37
of which hedge accounting	7.95	7.36

It is not possible to net financial instruments on the balance sheet. It is possible to net derivatives. This option is provided by the 2017 master agreements for financial futures that Leifheit concludes with commercial banks. Leifheit does not net financial assets and financial liabilities on the balance sheet.

The following table shows the potential netting amounts for the reported derivative assets and liabilities as at the balance sheet date:

	31 Dec 2022		
k€	Gross amounts of financial instruments on the balance sheet	Potential netting amounts	Net amount
Derivative financial assets	797	185	612
Derivative financial liabilities	260	185	75

	31 Dec 2021		
k€	Gross amounts of financial instruments on the balance sheet	Potential netting amounts	Net amount
Derivative financial assets	3,642	–	3,642
Derivative financial liabilities	10	–	10

Adjustments for own credit risk (debt value adjustment) amounting to k€ 1 (2021: k€ 0) are taken into account. An adjustment for counterparty credit risks (credit value adjustment) in the amount of k€ 2 (2021: k€ 8) was recognised.

Other comprehensive income includes expenses for changes in the value for hedging cash flows in the amount of k€ 2,333 (2021: income of k€ 3,181), recorded as not affecting net income. The negative change in the fair values of the forward foreign exchange transactions measured at the balance sheet date amounted to k€ 3,095 (2021: positive k€ 4,048).

In order to hedge expected transactions, the Group had accounted for hedging relationships in hedge accounting. The hedging relationships became ineffective in the reporting period due to the expected loss of the underlying transactions. This related to forward foreign exchange transactions in the amount of mCNH 113.1 and mUSD 2.1. Income of k€ 1,576 was realised for this in the foreign currency result. No hedging relationships became ineffective in the previous year.

(19) Other current assets

k€	31 Dec 2021	31 Dec 2022
VAT receivables	3,659	1,935
Current prepayments and accrued income	316	197
Other current assets (less than k€ 100)	1,372	1,763
	5,347	**3,895**

(20) Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advances paid	Total
Acquisition and manufacturing costs as at 1 Jan 2021	7,224	11,821	21,358	228	40,631
Foreign currency differences	–	–	91	2	93
Additions	–	–	169	168	337
Disposals	–	–	6,911	–	6,911
Reclassifications	–	–	187	–187	–
As at 31 Dec 2021	**7,224**	**11,821**	**14,894**	**211**	**34,150**
Foreign currency differences	–	–	58	–	58
Additions	–	–	133	158	291
Disposals	–	–	419	–	419
Reclassifications	–	–	90	–178	–88
As at 31 Dec 2022	**7,224**	**11,821**	**14,756**	**191**	**33,992**
Cumulative depreciation as at 1 Jan 2021	2,420	162	19,294	–	21,876
Foreign currency differences	–	–	60	–	60
Additions	–	–	813	–	813
Disposals	–	–	6,911	–	6,911
As at 31 Dec 2021	**2,420**	**162**	**13,256**	**–**	**15,838**
Foreign currency differences	–	–	46	–	46
Additions	–	–	756	–	756
Disposals	–	–	419	–	419
As at 31 Dec 2022	**2,420**	**162**	**13,639**	**–**	**16,221**
Net book values					
As at 1 Jan 2021	4,804	11,659	2,064	228	18,755
As at 31 Dec 2021	4,804	11,659	1,638	211	18,312
As at 31 Dec 2022	**4,804**	**11,659**	**1,117**	**191**	**17,771**

The amortisation of brands of k€ 2,420 recognised up to 31 December 2022 was the result of amortisation of brands up to the introduction of IAS 36 in 2004.

Of the intangible assets as at the balance sheet date of k€ 17,771 (2021: k€ 18,312), k€ 6,672 were located in Germany (2021: k€ 6,953), k€ 1,074 in the Czech Republic (2021: k€ 1,345), k€ 9,978 in France (2021: k€ 9,961) and k€ 47 in other countries (2021: k€ 53).

Material other intangible assets include the ERP software at the Czech plant amounting to k€ 312 with a remaining term of 12 months, software for master data management to k€ 96 with a remaining term of 41 months, software for data exchange with customers amounting to k€ 90 with a remaining term of 28 months, software for the web shop to k€ 86 with a remaining term of 12 months and customs software amounting to k€ 52 with a remaining term of 18 months.

Impairment testing of intangible assets

Intangible assets were attributed to the cash-generating units (CGU) Leifheit, Soehnle, Birambeau and Herby. The CGU are based directly on internal management reporting.

As at the balance sheet date, the book values of goodwill and brands were as follows:

	Goodwill		Brands	
k€	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022
Leifheit	1,919	1,919	–	–
Soehnle	–	–	4,804	4,804
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
	11,659	**11,659**	**4,804**	**4,804**

In accordance with IAS 36.10, the goodwill and brands with indefinite useful lives reported under intangible assets must be subjected to annual impairment testing.

In accordance with IAS 36, the book values of the CGU, including the goodwill attributable to them, are compared with the higher of the asset's fair value less costs of disposal and value in use (known as the recoverable amount). If a write-down is necessary, the impairment loss for a CGU is first attributed to the goodwill. Any remaining impairment loss is subsequently recognised for the remaining assets of the CGU, which are subject to the area of application of IAS 36. However, write-downs are only made up to the recoverable amount of the individually identifiable asset. Revaluations to goodwill are not made.

In order to determine the recoverable amount of the CGU in question, the value in use is determined using cash flow forecasts. Assumptions about the future development of turnover and costs were made on the basis of a four-year plan and were compared with external information.

	Assumptions to determine the value in use			
CGU	Leifheit	Soehnle	Birambeau	Herby
Turnover planning 2023	–10%	+6%	+5%	+2%
Turnover planning 2024	+5%	+3%	+6%	+13%
Turnover planning 2025	+6%	+4%	+1%	+1%
Turnover planning 2026	+6%	at growth rate level	at growth rate level	at growth rate level
Earnings planning 2023	decreasing	increasing	increasing	increasing
Earnings planning 2024	increasing	stable	increasing	increasing
Earnings planning 2025	increasing	stable	increasing	increasing
Earnings planning 2026	increasing	at growth rate level	at growth rate level	at growth rate level
Gross margin	decreasing	increasing	increasing	increasing
Turnover planning – subsequent years	at growth rate level	at growth rate level	at growth rate level	at growth rate level
Earnings planning – subsequent years	at growth rate level	at growth rate level	at growth rate level	at growth rate level

Impairment tests were conducted in April, July and October 2022 due to rising discounting rates.

Following the three mid-year impairment tests and as at 31 December 2022, the calculated recoverable amounts of the Leifheit, Birambeau and Herby CGU exceeded the respective book values. The impairment tests did not identify any need for impairment losses.

As at 30 September 2022 and 31 December 2022, the value in use of the Soehnle CGU fell below the book value. However, no impairment was recognised, as the fair values less costs to sell exceeded the book values. The fair value less cost of disposal of the brands of k€ 4,804 also exceeded the book value. The fair value less cost of disposal was based on a license price analogy procedure (level 3 assessment). This is based on an assumed licence rate of 2.0% and the expected future turnover to be generated with this rate. Turnover planning accounts for growth of 6% for financial year 2023, growth of 3% for 2024, growth of 4% for 2025 and at growth rate level for 2026. Additionally, the contractual fixed licence rates were also taken into consideration on the basis of financial year 2022. A sustained failure to achieve the turnover target from approximately 41% or an increase in the interest rate from approximately 2.4 percentage points would directly lead to the need for an impairment of the brand to be recognised. For the other assets within the scope of IAS 36, it was assumed that the book value was a reliable approximation of the asset's fair value.

At the Leifheit CGU, failure to achieve planned turnover from approximately 1.3% or a rise in interest rates from approximately 0.5 percentage points would result in a need for impairment losses to be recognised.

At the Birambeau CGU, failure to achieve planned turnover from approximately 2.8% or a rise in interest rates from approximately 0.5 percentage points would result in a need for impairment losses to be recognised.

At the Herby CGU, failure to achieve planned turnover from approximately 8.0% or a rise in interest rates from approximately 1.2 percentage points would result in a need for impairment losses to be recognised.

The parameters were as follows:

CGU	31 Dec 2022 Leifheit	Soehnle	Birambeau	Herby
Discount rate after tax	7.79%	7.94%	8.17%	8.17%
Risk-free interest rate	2.0%	2.0%	2.0%	2.0%
Market risk premium	7.50%	7.50%	7.50%	7.50%
Country risk premium	0.0%	0.0%	0.4%	0.4%
Borrowing costs	5.63%	5.63%	6.53%	6.53%
Tax rate	29.8%	29.8%	25.0%	25.0%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	10.32%	7.82%	10.71%	8.17%

CGU	31 Dec 2021 Leifheit	Soehnle	Birambeau	Herby
Discount rate after tax	6.59%	6.82%	7.06%	7.06%
Risk-free interest rate	0.1%	0.1%	0.1%	0.1%
Market risk premium	7.75%	7.75%	7.75%	7.75%
Country risk premium	0.0%	0.0%	0.4%	0.4%
Borrowing costs	2.80%	2.80%	3.20%	3.20%
Tax rate	29.3%	29.3%	25.0%	25.0%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	9.01%	9.23%	9.06%	9.14%

(21) Tangible assets

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advances paid and assets under construction	Total
Acquisition and manufacturing costs as at 1 Jan 2021	55,927	49,746	38,907	2,730	147,310
Foreign currency differences	837	1,571	189	128	2,725
Additions	161	2,627	1,506	2,631	6,925
Disposals	10	1,405	2,357	–	3,772
Reclassifications	254	1,260	1,018	–2,532	–
As at 31 Dec 2021	**57,169**	**53,799**	**39,263**	**2,957**	**153,188**
Foreign currency differences	490	998	147	69	1,704
Additions	193	2,458	812	1,626	5,089
Disposals	–	1,482	1,548	–	3,030
Reclassifications	328	2,210	479	–2,930	87
As at 31 Dec 2022	**58,180**	**57,983**	**39,153**	**1,722**	**157,038**
Cumulative depreciation as at 1 Jan 2021	39,161	38,933	31,619	–	109,713
Foreign currency differences	536	1,139	133	–	1,808
Additions	1,192	2,677	2,375	–	6,244
Additions due to impairment	–	130	–	–	130
Disposals	10	1,228	2,215	–	3,453
As at 31 Dec 2021	**40,879**	**41,651**	**31,912**	**–**	**114,442**
Foreign currency differences	329	720	96	–	1,145
Additions	1,111	2,823	2,236	–	6,170
Disposals	–	1,413	1,506	–	2,919
As at 31 Dec 2022	**42,319**	**43,781**	**32,738**	**–**	**118,838**
Net book values					
As at 1 Jan 2021	16,766	10,813	7,288	2,730	37,597
As at 31 Dec 2021	16,290	12,148	7,351	2,957	38,746
As at 31 Dec 2022	**15,861**	**14,202**	**6,415**	**1,722**	**38,200**

Of the tangible assets as at the balance sheet date of k€ 38,200 (2021: k€ 38,746), k€ 12,323 were located in Germany (2021: k€ 13,775), k€ 21,718 in the Czech Republic (2021: k€ 20,338), k€ 3,601 in France (2021: k€ 3,867) and k€ 558 in other countries (2021: k€ 766).

(22) Right of use assets from leases

k€	Buildings	Operating and office equipment	Total
Acquisition and manufacturing costs as at 1 Jan 2021	2,169	291	2,460
Foreign currency differences	31	–	31
Additions	1,337	54	1,391
Disposals	391	83	474
As at 31 Dec 2021	**3,146**	**262**	**3,408**
Foreign currency differences	–3	1	–2
Additions	453	50	503
Disposals	1,094	69	1,163
As at 31 Dec 2022	**2,502**	**244**	**2,746**
Cumulative depreciation as at 1 Jan 2021	1,309	140	1,449
Foreign currency differences	21	–	21
Additions	608	27	635
Disposals	391	27	418
As at 31 Dec 2021	**1,547**	**140**	**1,687**
Foreign currency differences	–3	–	–3
Additions	500	81	581
Disposals	1,094	69	1,163
As at 31 Dec 2022	**950**	**152**	**1,102**
Net book values			
As at 1 Jan 2021	860	151	1,011
As at 31 Dec 2021	1,599	122	1,720
As at 31 Dec 2022	**1,552**	**92**	**1,644**

Of the right of use assets as at the balance sheet date of k€ 1,644 (2021: k€ 1,720), k€ 19 were located in Germany (2021: k€ 33), k€ 70 in the Czech Republic (2021: k€ 26), k€ 787 in France (2021: k€ 1,054) and k€ 768 in other countries (2021: k€ 607).

(23) Trade payables and other liabilities

k€	31 Dec 2021	31 Dec 2022
Trade payables	23,252	17,310
Employees	6,715	8,014
Customer bonuses	8,237	7,507
Advertising cost subsidies	4,166	4,253
Other taxes (excluding income taxes)	1,305	1,492
Outstanding invoices	1,167	1,075
Reimbursement obligations	1,384	803
Debtors with credit balances	1,048	596
Social security contributions	632	589
Supervisory Board remuneration	524	516
Annual financial statement costs	474	474
Energy costs	280	336
Tax advice	262	276
Purchase commitments	195	257
Insurance premium liabilities	157	122
Commission obligations	85	113
Other liabilities (less than k€ 100)	787	740
	50,670	**44,473**

As in the previous year, the trade payables and other liabilities had a remaining term of up to one year.

Liabilities to employees related in particular to residual holiday and overtime entitlements, as well as severance payments and bonuses.

(24) Other provisions

Provisions for warranties were recognised for future repair work, supplies of replacement products and compensation payments deriving from statutory or contractual warranties.

The provisions for warranties, compensation payments and litigation costs totalling k€ 5,359 (2021: k€ 5,411) reflected uncertainties regarding the amount and/or maturity of outflows. The uncertainty for warranty provisions resulted from the possible future change in warranty claims. The uncertainty for provisions for compensation payments and litigation costs was due to the unknown outcome of pending proceedings.

Personnel-related provisions were mainly recognised for bonuses, long-service bonuses and severance pay.

Provisions for onerous contracts primarily related to severance payments to sales representatives.

The remaining other provisions mainly included internal annual financial statement costs and costs for record-keeping obligations.

The interest income in non-current provisions amounted to k€ 251 in the reporting period (2021: interest expenses of k€ 43).

The breakdown and the development are shown in the following tables:

	31 Dec 2022		
k€	Total	of which current	of which non-current
Warranties	3,753	3,021	732
Litigation costs and compensation payments	1,606	1,606	–
Personnel	1,695	80	1,615
Onerous contracts	205	205	–
Remaining other provisions	1,364	1,358	6
Balance sheet amount	**8,623**	**6,270**	**2,353**

	31 Dec 2021		
k€	Total	of which current	of which non-current
Warranties	4,277	3,545	732
Litigation costs and compensation payments	1,134	1,134	–
Personnel	2,996	114	2,882
Onerous contracts	157	157	–
Remaining other provisions	1,599	1,594	5
Balance sheet amount	**10,163**	**6,544**	**3,619**

	Current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other current provisions
As at 1 Jan 2022	3,545	1,134	114	157	1,594
Foreign currency differences	1	–1	–	–	15
Utilisation	3,524	97	108	102	679
Reversal		41	6	–	1
Addition	2,999	611	80	150	429
As at 31 Dec 2022	**3,021**	**1,606**	**80**	**205**	**1,358**

	Non-current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other non-current provisions
As at 1 Jan 2022	732	–	2,882	–	5
Foreign currency differences	–	–	–	–	–
Utilisation	–	–	1,083	–	–
Reversal	–	–	1,077	–	–
Addition	–	–	893	–	1
As at 31 Dec 2022	**732**	**–**	**1,615**	**–**	**6**

(25) Lease liabilities

Leifheit primarily rents or leases office premises, shops and vehicles. Some leases contain extension and termination options.

k€	2021	2022
Depreciation expense for the rights of use	635	581
Interest expense from lease liabilities	10	14
Expenses for short-term leases according to IFRS 16.6	148	563
Expenses for low-value asset leases according to IFRS 16.6	115	154
Total amount recognised as an expense affecting net income	**908**	**1,312**

The cash outflow for leases amounted to k€ 1,292 (2021: k€ 865), of which k€ 563 pertained to short-term leases (2021: k€ 148) and k€ 154 to low-value leases (2021: k€ 115).

k€	2021	2022
Short- and long-term lease liabilities as at 1 Jan	**1,014**	**1,760**
Payment for lease liabilities	–602	–575
Exchange rate effects	14	–2
Newly concluded leases	1,276	458
Other changes	68	59
Interest expense	–10	–14
Short- and long-term lease liabilities as at 31 Dec	**1,760**	**1,686**
of which due within 12 months	568	436
1 to 5 years	1,046	1,250
More than 5 years	146	–

As at the balance sheet date, the value of the unrecognised lease extension option amounted to k€ 1,359 (2021: k€ 477).

(26) Provisions for pensions and similar obligations

The provisions for pensions within the Leifheit Group in Germany comprised defined post-employment benefit commitments and included both obligations from current pensions and vested benefits in pensions to be paid in the future. They included direct commitments of Leifheit AG as well as obligations of support organisation Günter Leifheit e. V. The commitments included retirement, disability and survivor benefits. The defined pension obligations were based on post-employment provisions with benefit commitments related to length of service and final salary. In addition, there were post-employment provisions in the form of reinsured direct commitments for management staff under deferred compensation schemes. The entitlement to benefits arose out of an insurance contract in the amount of a one-time payment made upon the commencement of the post-employment benefit commitment.

The provisions for pensions in France were commensurate with the relevant national statutory provisions.

The provisions for pensions were subject to risks relating to changes in inflation rates, interest rates and the life expectancy of the persons entitled to a pension. The plan assets consisted of reinsurance policies which were subject to interest rate risks.

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

k€	31 Dec 2021	31 Dec 2022
Present value of defined benefit obligations (DBO)	63,816	47,699
Fair value of plan assets	–964	–887
Provisions for pensions and similar obligations	**62,852**	**46,812**

The cost of post-employment benefits recorded with effects on net result can be broken down as follows:

k€	2021	2022
Current service cost	502	430
Interest expense on the obligation	655	783
Total cost of post-employment benefits	**1,157**	**1,213**

The expenses (–) and income (+) recorded in other comprehensive income without affecting net income amounted to:

k€	2021	2022
Actuarial gains/losses due to adjustment of the obligation to reflect historical data	–1,261	686
Actuarial gains/losses due to changes in actuarial assumptions	–2,627	–15,474
Adjustment effects recognised in other comprehensive income	**–3,888**	**–14,788**

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

k€	2021	2022
Net liability at start of year	68,004	62,852
Net expense recognised in net result for the period	1,157	1,213
Adjustment effects recognised in other comprehensive income	–3,888	–14,788
Other plan assets amounts	–4	155
Payments to beneficiaries	–2,417	–2,620
Recognised net liability at end of year	**62,852**	**46,812**

Of the provisions for pensions and similar obligations, k€ 45,990 were attributable to Germany and k€ 822 to France.

In addition, contributions of k€ 4,230 were paid to government pension providers (2021: k€ 4,013).

The present value of defined benefit obligations (DBO) developed as follows:

k€	2021	2022
DBO at start of year	68,946	63,816
Current service cost	502	430
Interest expense	655	783
Benefit payments	–2,417	–2,620
Adjustment to reflect historical data	–1,261	686
Actuarial gains/losses	–2,627	–15,474
Other amounts	18	78
DBO at end of year	**63,816**	**47,699**

The fair value of plan assets changed as follows:

k€	2021	2022
Fair value of plan assets at start of year	942	964
Other amounts	22	–77
Fair value of plan assets at end of year	**964**	**887**

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

	Germany		France	
	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022
Discount rate	1.3%	4.2%	1.3%	3.8%
Future income trend	2.5%	3.0%	2.0%	3.0%
Future pension trend	1.7%	2.3%	–	–
Mortality tables	Prof. Dr K. Heubeck 2018 G	Prof. Dr K. Heubeck 2018 G	TF00-002	TF00-002
Arithmetical final age	RVAG AnpG 2007	RVAG AnpG 2007	65	65

In Germany, plan assets cover reinsurance policies with German insurance companies, while in France they cover certain bank benefit balances.

The following amounts are likely to be paid out in the context of these obligations in the next few years:

k€	2021	2022
Within the next 12 months (following financial year)	2,698	2,735
Between 2 and 5 years	10,854	11,475
Between 6 and 10 years	14,889	15,046

The following overview shows how the present value of all defined contractual obligations would have been affected by changes in the material actuarial assumptions. Sensitivities were determined by varying each parameter while keeping the other valuation assumptions constant.

k€	Basic value	Sensitivity	Effect on the DBO
Discount rate	4.2/3.8%	–0.25 PP	1,350
Discount rate	4.2/3.8%	+0.25 PP	–1,289
Inflation rate/ pension trend	2.3%	–0.5 PP	–2,299
Inflation rate/ pension trend	2.3%	+0.5 PP	2,488
Future salary increase	3.0%	–0.5 PP	–171
Future salary increase	3.0%	+0.5 PP	166
Life expectancy		+1 year	1,913

The payment-weighted duration of the defined post-employment benefit obligations in Germany amounted to 13.8 years (2021: 14.1 years).

(27) Subscribed capital

The subscribed capital of Leifheit AG of k€ 30,000 (2021: k€ 30,000) is denominated in euros and is divided into 10,000,000 no-par-value bearer shares. This corresponds to a theoretical value per no-par-value bearer share of € 3.00. All shares accord the same rights. Shareholders receive dividends as resolved and have one vote for each share at the Annual General Meeting.

The no-par-value bearer shares are deposited in a permanent global certificate at Clearstream Banking AG, Frankfurt/Main, Germany.

The Annual General Meeting of Leifheit AG on 25 May 2022 authorised the Board of Management to increase the share capital on one or more occasions by a total of up to k€ 6,000 until 24 May 2027 by issuing up to 2,000,000 new no-par-value bearer shares – also excluding subscription rights – in exchange for cash and/or non-cash contributions with the approval of the Supervisory Board (2022 authorised capital). The full text of the resolution can be found in item 8 of the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on 11 April 2022.

(28) Capital surplus

The capital surplus in the amount of k€ 17,164 (2021: k€ 17,164) concerns the premium on the capital increase in the autumn of 1989 amounting to k€ 16,934 and the issuance of employee shares amounting to k€ 230.

(29) Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit AG held 484,697 treasury shares on 31 December 2022. This corresponds to 4.85% of the share capital. The corresponding interest in the share capital is k€ 1,454. An amount of k€ 7,350 was expended for this.

No treasury shares were utilised in the reporting year. In the previous year, Leifheit utilised 6,273 of its treasury shares to issue employee shares. This corresponded to 0.06% of the share capital. The corresponding interest in the share capital was k€ 19. Furthermore, no treasury shares were acquired either in the reporting year or in the previous year.

There are no subscription rights for members of Group organs and employees in accordance with section 160 para. 1 no. 5 AktG.

(30) Retained earnings

k€	2021	2022
Statutory reserve	1,023	1,023
Other retained earnings	67,060	71,245
Net result for the period allocated to the shareholders	14,176	1,208
	82,259	**73,476**

The other retained earnings include the part of consolidated net result earned in past years which was not distributed to shareholders. The dividend for financial year 2021 of k€ 9,991 (2021: k€ 9,988) was distributed in the reporting period. As in the previous year, this corresponded to a dividend of € 1.05 per eligible share.

(31) Other reserves

k€	2021	2022
Actuarial gains/losses on defined benefit pension plans	–23,505	–8,718
Deferred taxes	6,891	2,612
Currency translation of foreign operations	1,682	2,326
Currency translation of net investments in foreign operations	3,137	3,722
Deferred taxes	–920	–1,110
Net result of cash flow hedges	2,781	448
Deferred taxes	–801	–118
	–10,735	**–838**

In the reporting period, with regard to the hedging of cash flows against exchange rate risks, k€ 3,347 was initially reclassified from other reserves before deferred taxes to inventories and subsequently allocated to profit or loss for the period via the cost of materials (2021: k€ –383).

Other notes

(32) Proposal for the appropriation of the balance sheet profit

After withdrawing k€ 8,907 from retained earnings, Leifheit AG has a balance sheet profit of € 6,700,000.00 from the financial year 2022. The Board of Management proposes to the next Annual General Meeting that the balance sheet profit be appropriated as follows:

Payment of a dividend of € 0.70 per eligible no-par-value bearer share	€ 6,660,712.10
Retained earnings	€ 39,287.90

(33) Capital management

The primary aim of capital management is to achieve an equity ratio of at least 30%. Leifheit manages its capital structure and makes adjustments to reflect changes in macroeconomic conditions. Maintaining or adjusting the capital structure may lead to changes in dividend payments to shareholders. As at 31 December 2022, the equity ratio stood at 52.0% (31 December 2021: 46.6%).

(34) Financial instruments

The financial liabilities in the Group – with the exception of derivatives – mainly comprise trade payables, customer bonuses and advertising cost subsidies as well as short and long-term lease liabilities. The Group has various financial assets, primarily trade receivables, other receivables, cash and cash equivalents and deposits repayable at short notice.

The material risks to the Group arising from these financial instruments are credit, liquidity, interest and foreign currency risks; these are described in detail in the combined management report in the section entitled “Opportunities and risks”. Management is responsible for determining strategies and methods for managing the individual types of risk, which are described below.

Currency risk

The Group is exposed to transaction-based foreign currency risks to the extent that the exchange rates of currencies in which sales and purchase transactions, receivables and loan-related transactions are conducted do not equate to that of the functional currency of the Group companies. The primary functional currencies of the Group companies are the euro and the Czech koruna. The aforementioned transactions are predominantly carried out on the basis of euros, US dollars, Czech korunas, Polish zloty, Chinese yuan and Romanian leu.

Group guidelines state that 60% of estimated foreign currency risks from expected sale and purchase transactions in the material currencies over the next 14 months must be hedged on a rolling basis. Forward foreign exchange transactions are used to hedge foreign currency risk, most of which with a term of 14 months or less. These contracts are generally defined as cash flow hedges.

The Group designates the spot component of forward foreign currency transactions as cash flow hedges and applies hedging ratios of 1:1. The forward elements of forward foreign exchange transactions are excluded from the designation of the hedging instrument and are accounted for separately as hedging costs and reported in equity in a reserve for hedging costs. The Group’s guidelines also stipulate that the critical terms and conditions of a forward foreign exchange transaction must correspond to those of the hedged transaction.

The Group defines the existence of an economic relationship between the hedging instrument and the hedged transaction on the basis of the currency, volume and date of the respective cash flows. The Group evaluates, with the help of the hypothetical derivative method, whether the derivative designated in each hedge is likely to be effective and was effective in terms of offsetting changes in cash flows from the hedged transaction.

In such hedges, the primary causes of ineffectiveness are as follows:

- the effects of the credit risk of the counterparties and the Group on the fair value of the forward foreign exchange transactions that do not reflect the change in fair value of the hedged cash flows and that are attributable to the change in exchange rates
- change in timing of the hedged transactions

Some 11% (2021: 11%) of Group turnover was generated in foreign currencies; 37% (2021: 42%) of costs were incurred in foreign currencies.

The following tables show the sensitivity of consolidated earnings before taxes and Group equity regarding the foreign currency valuation on the balance sheet date alongside a change in the exchange rate of the major foreign currencies deemed generally possible based on reasonable assumptions. All other respective variables are assumed to be unchanged.

The effects on the earnings before income taxes and Group equity are as follows:

k€	Currency performance €/foreign currency	Effects as at 31 Dec 2021	**Effects as at 31 Dec 2022**
US dollar	+5%	–11	–122
	–5%	12	135
	+10%	–20	–233
	–10%	25	285
Czech koruna	+5%	–99	–54
	–5%	105	59
	+10%	–188	–103
	–10%	225	125
Polish zloty	+5%	–235	–105
	–5%	260	116
	+10%	–448	–201
	–10%	548	245
Chinese yuan	+5%	–53	–774
	–5%	59	855
	+10%	–102	–1,477
	–10%	124	1,805
Romanian leu	+5%	–120	–49
	–5%	137	55
	+10%	–231	–94
	–10%	286	115

In addition to the effects listed in the table before, the following changes to equity not affecting net income would result from potential changes:

k€	Currency performance €/foreign currency	Effects as at 31 Dec 2021	**Effects as at 31 Dec 2022**
US dollar	+5%	–587	–474
	–5%	649	524
	+10%	–1,121	–906
	–10%	1,370	1,107
Czech koruna	+5%	–761	–1,180
	–5%	842	1,304
	+10%	–1,454	–2,252
	–10%	1,777	2,753
Chinese yuan	+5%	–1,757	–889
	–5%	1,941	982
	+10%	–3,355	–1,696
	–10%	4,100	2,073

Cash flow hedges

The Group held derivative financial instruments. These included in particular forward foreign exchange contracts as described in more detail under note 18. The aim of these derivatives is to hedge against changes in exchange rates arising from the Group's business activities.

As at 31 December 2022, there were forward foreign exchange contracts for future payment obligations in US dollars and Chinese yuan, which can be partly attributed to a transaction that is highly likely to materialise in the future. These contracts pertained to the expected and highly probable future purchases of goods in the months of January 2023 to February 2024 from suppliers in the Far East amounting to kUSD 10,763 and kCNH 137,465. Forward foreign exchange contracts not attributable to any transactions that are highly likely to materialise in the future were also recognised as at 31 December 2022 in the amounts of kUSD 116 and kCNH 35,119.

An amount of k€ –266 was added directly to acquisition costs for cash flow hedges pursuant to IFRS 9 as at 31 December 2022 in relation to foreign currency risk associated with the anticipated purchase of non-financial assets (2021: k€ –362).

The following table shows the periods in which cash flows are expected to occur, as well as the book values of the corresponding hedging instruments:

	2022			
	Expected cash flows			**Book value**
k€	**Within 12 months**	**More than 1 year**	**Total**	
Assets	–18,975	–	–18,975	797
Liabilities	8,331	5,584	13,915	260

	2021			
	Expected cash flows			Book value
k€	Within 12 months	More than 1 year	Total	
Assets	–40,147	–5,627	–45,774	3,642
Liabilities	–	–	–	10

The expected cash flows are offset by corresponding payments in foreign currency.

The following table shows the periods in which cash flows are expected to impact profit or loss.

k€	2022 Within 12 months	2022 More than 1 year	2022 Total
Assets	100	–	100
Liabilities	127	–	127

k€	2021 Within 12 months	2021 More than 1 year	2021 Total
Assets	188	–	188
Liabilities	10	–	10

The following table shows the periods in which cash flows are expected to impact other comprehensive income.

k€	2022 Within 12 months	2022 More than 1 year	2022 Total
Assets	697	–	697
Liabilities	66	67	133

k€	2021 Within 12 months	2021 More than 1 year	2021 Total
Assets	3,341	113	3,454
Liabilities	–	–	–

Liquidity risk

Liquidity risk is the risk that the Group may not be in a position to meet its financial obligations contractually by supplying cash or cash equivalents or other financial assets. The Group's liquidity management is aimed at ensuring that, if possible, sufficient cash and cash equivalents are always available under normal circumstances and in stress scenarios to meet payment obligations when due, without suffering intolerable losses or damaging the reputation of the Group.

The Group constantly monitors the risk of any short-term liquidity bottlenecks using a liquidity planning tool. This takes into account the maturities of the financial assets (e.g. receivables, other financial assets) and the financial liabilities and expected cash flows from business activities.

The Group's aim is to strike a balance between continuous cover for its financing requirements and ensuring flexibility through the use of deposits and bank overdrafts.

The Group's cash and cash equivalents as at 31 December 2022 in the amount of k€ 36,319 and unused lines of credit of k€ 24,915 cover current liabilities as at the balance sheet date of k€ 51,401.

Interest rate change risk

An interest rate change risk relates to changes in the short-term money market rates. As in previous years, there were no long-term interest-bearing bank loans or similar interest-bearing financial liabilities for the Leifheit Group in financial year 2022.

There is, however, an interest rate change risk for the Leifheit Group, mainly relating to the change of actuarial interest rate, which is used for the determination of pension obligations. A decline of 0.25 percentage points would have resulted in a reduction of other comprehensive income of k€ 1,350 on the balance sheet date (2021: k€ 2,265).

Default risk

Default risk is the risk of financial losses if a customer or a contractual party in a financial instrument does not meet its contractual obligations. Default risk originates in particular from the Group's trade receivables, contractual assets and bank deposits.

The book values of the financial assets and contractual assets equate to the maximum default risk. Financial assets are derecognised if there are no longer any justified expectations that legal recovery measures will be successful.

Impairments on financial assets were recognised in the amount of k€ 113 in profit or loss (2021: k€ 149).

The Group's risk of default for trade receivables and for contractual assets is primarily influenced by the individual characteristics of the customers.

Receivables management analyses new customer, individually initially with regard to their credit rating before the Group offers its standard terms and conditions of delivery and payment. This analysis includes external ratings, if available, and annual financial statements, information provided by credit agencies, sector information and, in some cases, information provided by banks. Sales limits are set for each customer and regularly reviewed. All turnover above and beyond this limit goes through a standardised approval process.

The Group limits its risk of default in relation to trade receivables through goods insurance policies or central claims settling agents bearing del credere risk with comparable collateral. All receivables are to be tendered in line with defined processes. Goods insurance policies include deductibles of between 0% and 10%. If the sales limits in the goods insurance policy are not sufficient to cover the business volume of a customer, higher internal limits can also be set up in some cases in accordance with standardised approval processes.

Customers are grouped into countries with regard to their credit rating in order to monitor default risk. The macroeconomic conditions of the regions are monitored. Corresponding measures are taken to mitigate against risks from customers from countries with unusually volatile economic development. In isolated cases, the Group requires collateral for trade receivables and other receivables in the form of bank guarantees.

Impairment losses are only recognised for the deductible of trade credit insured receivables and for receivables not covered by other collateral.

The following table shows the hedging of trade receivables and contractual assets:

k€	31 Dec 2021	**31 Dec 2022**
Trade receivables	52,732	48,629
Contractual assets	1,346	1,013
	54,078	**49,642**
Goods insured	51,313	47,057
Not insured	2,765	2,585
	54,078	**49,642**

The following table contains information on the default risk and expected credit losses for trade receivables on the balance sheet date:

k€	**31 Dec 2022**	**Loss rate [1]**	**Impairment**
Not overdue	46,431	0.13%	52
Overdue			
1 to 30 days	5,322	1.12%	83
31 to 60 days	1,217	4.89%	63
61 to 90 days	288	20.65%	30
91 to 120 days	165	13.02%	15
Over 120 days	292	13.02%	59
			302

[1] Weighted average.

k€	31 Dec 2021	Loss rate [1]	Impairment
Not overdue	48,295	0.09%	45
Overdue			
1 to 30 days	3,915	1.15%	46
31 to 60 days	1,099	4.11	50
61 to 90 days	343	13.17%	68
91 to 120 days	192	12.94%	18
Over 120 days	157	12.94%	43
			270

[1] Weighted average.

Financial assets and liabilities

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

Assets in the form of forward foreign currency transactions and embedded derivative in the amount of k€ 797 (2021: k€ 3,642) and liabilities in the form of forward foreign currency transactions in the amount of k€ 260 (2021: k€ 10) were measured at fair value on the balance sheet as at 31 December 2022.

The fair value is calculated on the basis of quoted forward rates as at the reporting date and net present value calculations based on yield curves with high credit ratings in the corresponding currencies and therefore on the basis of observable market input parameters (level 2, see also page 61). There was no reclassification among the levels in the reporting period.

For current financial assets and liabilities, the book value is always assumed to be a reasonable approximation of the fair value.

Short-term lines of credit in the amount of k€ 25,155 were available on the balance sheet date (2021: k€ 25,155). Of this amount, k€ 240 (2021: k€ 384) were used for bills of guarantee and credit cards as at the balance sheet date. Unused lines of credit were k€ 24,915 (2021: k€ 24,771).

The following table shows the book values of financial assets and financial liabilities pursuant to IFRS 9 as at the balance sheet date 2022. The book values correspond to fair values, which were all allocated to level 2 of the fair value hierarchy.

k€	Fair value through profit or loss	Hedging instrument held for hedge accounting	At amortised cost	31 Dec 2022
Financial assets measured at fair value				
Embedded derivatives from purchase contracts	–	–	–	–
Forward foreign exchange transactions (designated as hedging transactions) – note 18	–	697	–	697
Forward foreign exchange transactions (not designated as hedging transactions) – note 18	100	–	–	100
Financial assets not measured at fair value				
Trade receivables and other receivables – note 15, 19	–	–	50,475	50,475
Cash and cash equivalents	–	–	36,319	36,319
Financial liabilities measured at fair value				
Embedded derivatives from purchase contracts	75	–	–	75
Forward foreign exchange transactions (designated as hedging transactions) – note 18	–	133	–	133
Forward foreign exchange transactions (not designated as hedging transactions) – note 18	52	–	–	52
Financial liabilities not measured at fair value				
Trade payables and other liabilities – note 23	–	–	34,380	34,380

The net gains and losses on financial instruments by measurement category (excluding amounts recognised in other comprehensive income) were as follows in the reporting period:

k€	Net interest result	Currency translation	Impairment	Adjustments of fair value	2022
Fair value through profit or loss	–	356	–	1,322	1,678
At amortised cost	103	1,251	–113	–	1,241

The following table shows the corresponding figures as at the balance sheet date 2021.

k€	Fair value through profit or loss	Hedging instrument held for hedge accounting	At amortised cost	31 Dec 2021
Financial assets measured at fair value				
Embedded derivatives from purchase contracts	188	–	–	188
Forward foreign exchange transactions (designated as hedging transactions) – note 18	–	3,454	–	3,454
Forward foreign exchange transactions (not designated as hedging transactions)	–	–	–	–
Financial assets not measured at fair value				
Trade receivables and other receivables – note 15, 19	–	–	54,259	54,259
Cash and cash equivalents	–	–	38,090	38,090
Financial liabilities measured at fair value				
Embedded derivatives from purchase contracts	10	–	–	10
Forward foreign exchange transactions (designated as hedging transactions)	–	–	–	–
Forward foreign exchange transactions (not designated as hedging transactions)	–	–	–	–
Financial liabilities not measured at fair value				
Trade payables and other liabilities – note 23	–	–	42,017	42,017

The net gains and losses on financial instruments by measurement category (excluding amounts recognised in other comprehensive income) were as follows in the previous year:

k€	Net interest result	Currency translation	Impairment	Adjustments of fair value	2021
Fair value through profit or loss	–	333	–	177	510
At amortised cost	–64	732	–149	–	519

(35) Commitments

As in the previous year, the Group companies did not enter into any commitments.

(36) Other financial liabilities

As at 31 December 2022, there were contractual obligations arising out of contracts without cancellation options, e.g. maintenance, service and insurance agreements, in the amount of k€ 3,787 (2021: k€ 3,783). The future minimum payments on the basis of these contracts without a cancellation option amount to k€ 3,253 up to a term of one year (2021: k€ 2,890), k€ 534 between one and five years (2021: k€ 889), and k€ 0 for more than five years (2021: k€ 4).

As at 31 December 2022, purchase commitments from aluminium and zinc contracts totalled k€ 347 (2021: k€ 1,354).

There were contractual obligations to purchase items of non-current assets in the amount of k€ 2,700 (2021: k€ 2,818), relating to facilities in particular. In addition, there were obligations from contracts for marketing measures amounting to k€ 1,528 (2021: k€ 8,253) and from other contracts amounting to k€ 1,882 (2021: k€ 1,370).

In accordance with IFRS 16, the Group recognises rights of use and lease liabilities for most leases and rental agreements. For the remaining rental and lease agreements, office equipment and software licences, recognition exemptions permitted under IFRS 16 have been applied and these are presented here as leases.

Lease payments are renegotiated at regular intervals in order to reflect standard market terms. The terms are always less than five years. No sub-leases exist. As at 31 December 2022, these future minimum rental payments from rental and lease agreements without cancellation options amounted to k€ 959 (2021: k€ 884), of which k€ 725 within one year (2021: k€ 503) and k€ 234 between one and five years (2021: k€ 381). In financial year 2022, k€ 1,688 (2021: k€ 709) were recognised in the statement of profit or loss as rental expense.

(37) Remuneration of the Board of Management and Supervisory Board

The individualised remuneration of the Board of Management and Supervisory Board is described in detail in the remuneration report, which is available at **financial-reports.leifheit-group.com**.

The following remuneration was granted to the members of the Supervisory Board:

k€	2021	2022
Remuneration and other short-term benefits	573	541
Benefits following the end of the employment relationship	–	–
Other long-term benefits	–	25
Benefits due to the end of the employment relationship	–	–
Share-based remuneration	–	–
	573	**566**

The following remuneration was granted to the members of the Board of Management:

k€	2021	2022
Remuneration and other short-term benefits	1,512	1,808
Benefits following the end of the employment relationship	–	–
Other long-term benefits	–	–
Benefits due to the end of the employment relationship	–	–
Share-based remuneration	–	–
	1,512	**1,808**

As in the previous year, no remuneration was paid to the Board of Management for the assumption of responsibilities at subsidiaries. Likewise, the members of the Board of Management were not granted any performance-based pension commitments. Therefore, no additions were made to provisions for pensions (DBO pursuant to IFRS) for serving members of the Board of Management in the reporting period, as in the previous year.

Disclosures on Board of Management remuneration according to IAS 24/IFRS 2:

The granting of virtual shares has been classified and measured as share-based payment to be settled in cash in accordance with IFRS 2.30. The fair value of the virtual shares is remeasured on each balance sheet date using a Monte Carlo model and in consideration of the conditions at which the virtual shares were granted.

The following parameters were considered as part of the measurement of Board of Management remuneration as at 31 December 2022:

	2020 tranche	2021 tranche	2022 tranche	2023 tranche	2024 tranche	2025 tranche
Time of measurement	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2022
Remaining term (in years)	1	2	3	4	5	6
Volatility	24.89%	27.27%	32.05%	32.05%	33.02%	34.20%
Risk-free interest rate	2.56%	2.74%	2.55%	2.55%	2.58%	2.57%
Expected dividend yield	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
Exercise price	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Price of Leifheit share at time of measurement	€ 13.52	€ 13.52	€ 13.52	€ 13.52	€ 13.52	€ 13.52

The time from the measurement date until the end of the performance period, and therefore the time of the expected payment, was used as the term. The share price was determined by consulting the closing price in Xetra trading as at 31 December 2022 as reported by Bloomberg. The historical volatility of the Leifheit share over the respective remaining term for matching maturities was used to determine volatility. The anticipated volatility taken into consideration is based on the assumption that historical volatility can be used to make assumptions about future trends. As a result, the actual volatility may differ from the assumptions made. The expected dividend yield was estimated as the historical dividend yield of the Leifheit share for matching maturities. The risk-free interest rate was derived on the basis of historical yields of German government bonds with a remaining term corresponding to the expected term of the virtual shares to be measured.

A liability in the amount of k€ 435 was recognised under other liabilities as at 31 December 2022 as part of the LTI plan for Board of Management members (31 December 2021: k€ 1,366). The remeasurement for the period from 1 January to 31 December 2022 resulted in income amounting to k€ 929 (2021: expenses of k€ 21).

(38) Total remuneration and provisions for pensions for former members of the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6b HGB

The total remuneration of the former members of the Board of Management and their surviving dependants amounted to k€ 602 in the reporting period (2021: k€ 535). Provisions created for the current pensions (DBO according to IFRS) in financial year 2022 amounted to k€ 6,184 (2021: k€ 7,720).

(39) Advances and loans to the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6c HGB

Neither in the previous year nor in the reporting period have any advances or loans been granted to the aforementioned group of persons.

(40) Remuneration of the auditor in accordance with section 314 para. 1 no. 9 HGB

The remuneration of the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, recorded as expenses in 2022, amounted to k€ 358 for the audit of the consolidated financial statements (thereof for 2021: k€ 48) and k€ 8 for other services.

No other certification services or tax consultancy services were provided by the auditor in the reporting period.

KPMG has been the auditor of the financial statements and consolidated financial statements of Leifheit AG since financial year 2016. Matthias Forstreuter (since financial year 2022) and Sven Eifert (since financial year 2019) are the signatory auditors for financial year 2022.

(41) Information under takeover law in accordance with section 315a HGB

Please refer to the combined management report for information under takeover law in accordance with section 315a HGB.

(42) Existence of an equity interest in accordance with section 160 para. 1 no. 8 AktG

Report	Reportable party	Registered office	Attributions in accordance with WpHG	Shareholding	Voting rights[1]
Sep 2022	Morgan Stanley & Co. International plc	Wilmington (US)	Section 34	3.66%	366,375
Sep 2022	Morgan Stanley & Co. International plc	Wilmington (US)	Section 38 (1) no. 1	0.00%	272
Jul 2022	EQMC ICAV	Dublin (IE)	Section 33	15.04%	1,504,349
May 2022	Ruthild Loh	Haiger (DE)	Section 33	8.26%	826,240
Aug 2020	MainFirst SICAV	Senningerberg (LU)	Section 33	5.02%	502,320
Jun 2021	Alantra EQMC Asset Management, SGIIC, S.A.	Madrid (ES)	Section 34	15.42%	1,541,640
Feb 2019	Douglas Smith, Blackmoor Investment Partners LLC	(KY)	Section 34	3.52%	352,061
Sep 2017	Teslin Capital Management BV/Gerlin NV	Maarsbergen (NL)	Section 22	5.05%	504,534
Jul 2014	Leifheit AG	Nassau (DE)		4.97%	497,344
Feb 2009	Manuel Knapp-Voith, MKV Verwaltungs GmbH	Grünwald (DE)	Section 22 (1) sentence 1 no. 1	10.03%	1,002,864

[1] Values from reports before implementation of the capital increase in June 2017 have been doubled for comparison purposes.

In accordance with section 160 para. 1 no. 8 AktG, disclosures must be made about the existence of shareholdings communicated to Leifheit AG in accordance with section 20 paras. 1 or 4 AktG or in accordance with section 33 paras. 1 or 2 of the German securities trading act (WpHG). All notifications of voting rights have been published by Leifheit in accordance with section 40 para. 1 WpHG and are available on the website at **leifheit-group.com**. The table shows reported shareholdings of at least 3%; the disclosures correspond to the most recent notifications of the persons subject to an obligation to file a notification. Please note that these disclosures may now be outdated.

(43) Related party transactions

A managing director of our Czech subsidiary Leifheit CZ a.s. is also the managing director of a Czech customer. In the reporting period, turnover of k€ 336 was generated with this customer at an arm's length margin of 22% (2021: k€ 459 turnover at 26% margin). The customer also provided shared services for our subsidiary at arm's length terms and conditions in the amount of k€ 656 (2021: k€ 565). Leifheit CZ a.s. provided services amounting to k€ 7 (2021: k€ 8) for the customer. As at the balance sheet date 2022, receivables from the customer amounted to k€ 66 (2021: k€ 145) and liabilities to the customer stood at k€ 3 (2021: k€ 0).

There were no other reportable relationships or transactions with related companies or persons outside the Group during the reporting period.

(44) Declaration in accordance with section 161 AktG

In December 2022, the Board of Management and the Supervisory Board issued the declaration required under section 161 AktG stating that the recommendations of the "Government Commission on the German corporate governance code" published by the German Federal Ministry of Justice and Consumer Protection were complied with and will continue to be complied with, as well as which recommendations are not currently applied or were not applied. The declaration of compliance is permanently available on the website at **corporate-governance.leifheit-group.com**.

(45) Events after the balance sheet date

The risk assessment contained in the opportunities and risks report is based on the status at the time the report was published. We continue to monitor further developments closely, and will continuously adapt our risk assessment to the unfolding situation.

There were no additional events after the end of the financial year of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group.

Organs of Leifheit AG

The profiles of the members of the Board of Management and Supervisory Board are available on the website at **organs.leifheit-group.com**.

Members of the Board of Management

Person	Board membership/function	Appointed until	Responsible for	Mandates/memberships outside the Group [1, 2]
Marco Keul Born 1982 Nationality: German Place of residence: Holler (DE)	Member (CFO) since 1 May 2021	30 Apr 2024	Finance, Controlling, Business Processes/IT, Internal Sales	None
Igor Iraeta Munduate Born 1974 Nationality: Spanish Place of residence: Waiblingen (DE)	Member (COO) since 1 Nov 2018	31 Oct 2025	Production, Logistics, Procurement, Development, Quality Management	None
Henner Rinsche Born 1970 Nationality: German Place of residence: Mörfelden-Walldorf (DE)	Member and CEO since 1 Jun 2019	31 May 2025	Marketing, Sales, Birambeau and Herby divisions, HR, Law/IP, Audit, Investor Relations, ESG Issues	None

1 Memberships in other Supervisory Boards required by law according to section 125 para. 1 sentence 5 AktG.
2 Memberships in comparable domestic and foreign governing bodies of enterprises according to section 125 para. 1 sentence 5 AktG.

Members of the Supervisory Board

Person	Supervisory Board membership/function	Mandates/memberships outside the Group [2, 3]
Joachim Barnert [1] † Born 1968 Nationality: German Head of Maintenance at Leifheit AG, Nassau/Lahn (DE), Zuzenhausen site	Member from 29 May 2019 to 28 Feb 2023	None
Dr Günter Blaschke Born 1949 Nationality: German Pensioner	Member since 1 Apr 2019, Chairman since 2 Apr 2019	WashTec AG, Augsburg (DE), Chairman of the Supervisory Board [2]
Georg Hesse Born 1972 Nationality: German Chairman of the Board of Management of fashionette AG, Düsseldorf (DE) until 28 Feb 2023	Member since 30 May 2018	None
Marcus Kreß [1] Born 1972 Nationality: German Industrial Mechanic at Leifheit AG, Nassau/Lahn (DE), Zuzenhausen site	Member since 1 Mar 2023	None
Karsten Schmidt Born 1956 Nationality: German Independent consultant, Penzberg (DE)	Member and Deputy Chairman from 29 May 2019 to 7 Jun 2023	None
Thomas Standke [1] Born 1968 Nationality: German Toolmaker at Leifheit AG, Nassau/Lahn (DE)	Member since 27 May 2004	None
Dr Claus-O. Zacharias Born 1954 Nationality: German Independent consultant, Düsseldorf (DE)	Member since 29 May 2019	None

[1] Employee representative.
[2] Memberships in other Supervisory Boards required by law according to section 125 para. 1 sentence 5 AktG.
[3] Memberships in comparable domestic and foreign governing bodies of enterprises according to section 125 para. 1 sentence 5 AktG.

The acting members of the Supervisory Board are appointed for the period until the end of the Annual General Meeting, which resolves on the approval of the actions for financial year 2023.

Supervisory Board committees

Committee	Members	
Audit Committee (AC) The Audit Committee prepares the negotiations and resolutions of the Supervisory Board on the approval of the annual financial statements and the consolidated financial statements as well as the adoption of the proposal to the Annual General Meeting for the election of the auditor. It also deals with issues relating to accounting, the effectiveness of the internal control system, risk management, the internal audit system, compliance and assessing the quality of the audit of the financial statements.	**Dr Günter Blaschke** **Dr Claus-O. Zacharias** **Thomas Standke**	Member since 2 Apr 2019 Member and Chairman since 29 May 2019 Member since 7 Mar 2022
Nominating Committee The Nominating Committee prepares the resolutions of the Supervisory Board on election proposals to the Annual General Meeting for the election of Supervisory Board members (shareholder representatives).	**Dr Günter Blaschke** **Karsten Schmidt** **Dr Claus-O. Zacharias**	Member and Chairman since 29 May 2019 Member since 29 May 2019 Member since 29 May 2019
Personnel Committee The Personnel Committee examines all employment contracts for the members of the Board of Management, including remuneration and the remuneration system.	**Dr Günter Blaschke** **Georg Hesse** **Karsten Schmidt**	Member since 29 May 2019 Member since 30 May 2018, Chairman since 29 May 2019 Member since 29 May 2019
Sales/Marketing Committee The Sales/Marketing Committee deals with the sales and marketing strategy.	**Joachim Barnert †** **Dr Günter Blaschke** **Georg Hesse** **Karsten Schmidt**	Member from 29 May 2019 to 28 Feb 2023 Member and Chairman since 29 May 2019 Member since 29 May 2019 Member since 29 May 2019
Product Range/Innovation Committee The Product Range/Innovation Committee deals with the product range and innovation strategy and the product pipeline.	**Dr Günter Blaschke** **Karsten Schmidt** **Thomas Standke**	Member since 29 May 2019 Member and Chairman since 29 May 2019 Member since 29 May 2019

Nassau/Lahn, 24 March 2023

Leifheit AG

The Board of Management

Henner Rinsche   Igor Iraeta Munduate   Marco Keul

Responsibility statement

We declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined 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.

Nassau/Lahn, 24 March 2023

Leifheit AG

The Board of Management

Henner Rinsche   Igor Iraeta Munduate   Marco Keul

Auditor's report

To Leifheit AG, Nassau/Lahn

Report on the audit of the consolidated financial statements and of the combined management report

Opinions

We have audited the consolidated financial statements of Leifheit Aktiengesellschaft, Nassau/Lahn, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of Leifheit Aktiengesellschaft for the financial year from 1 January to 31 December 2022. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

– Revenue recognition on an accrual basis

The disclosures made by the Group on the recognition of revenue are contained in the section "General information and accounting and valuation principles" with the sub-section "Recognition of income and expenses" in the notes.

The financial statement risk

The Group's revenue generated from the sale of products amounted to EUR 251.5 million in financial year 2022 (PY: EUR 288.3 million).

The Group recognises revenue from the sale of products when it fulfils a performance obligation through the transfer of a promised asset (product) to a customer. An asset is considered transferred at the time when the customer obtains control of that asset.

In line with the transfer of control, revenue is to be recognised either at a point in time or over time in the amount to which the Group is expected to be entitled. On the basis of indicators, Leifheit Aktiengesellschaft has determined that the performance obligation is fulfilled at the time the products are transferred to the customer, and thus that revenue is recognised at a point in time.

The Group's key markets are in Germany and Central Europe. In some cases, different agreements are concluded with customers for the delivery of products, which contain different terms with regard to the respective performance obligations and thus the timing of revenue recognition.

Due to the use of various terms of transport in the customer agreements combined simultaneously with a high number of deliveries in the different markets, there is the risk for the consolidated financial statements that revenue in the reporting year is recognised too high and not on an accrual basis.

Our audit approach

Using inquiries and discussions with Group's representatives in finance and sales departments, we obtained an understanding of the revenue recognition process. We evaluated the accounting principles used for revenue recognition for compliance with the relevant accounting standards.

In order to assess whether revenue is recognised on an accrual basis, we assessed the design and implementation of the internal controls relating to the verification of the correct or effective transfer of control.

Based on revenue for a specified period in December, using contract-specific stipulations on the transfer of risk in addition to proof of delivery, we used a statistical selection procedure to determine whether revenue was recognised on an accrual basis.

Our obervations

Leifheit AG Group's approach for revenue recognition cut-off is appropriate.

- **Recoverability of goodwill of the cash-generating units Herby and Birambeau**

For more information on the accounting policies applied please refer to the section "General information and accounting and valuation principles" with the sub-sections "Intangible assets" and "Impairment of intangible assets and tangible assets" in the notes. The assumptions underlying the measurement as well as the disclosures on the impairment testing of the goodwill of the Herby cash-generating unit (CGU) and the Birambeau CGU can be found in section 20 of the notes.

The financial statement risk

The consolidated financial statements of Leifheit Aktiengesellschaft as at 31 December 2022 recognise goodwill in the amount of EUR 11.7 million (PY: EUR 11.7 million) under intangible assets. As in the prior year, goodwill is primarily attributable to the Herby CGU in the amount of EUR 6.4 million and the Birambeau CGU in the amount of EUR 3.3 million.

Impairment of goodwill is tested annually at the level of the Leifheit, Herby and Birambeau CGUs. If impairment triggers arise during the financial year, an event-driven goodwill impairment test is also carried out. To do this, Leifheit uses a discounted cash flow model to calculate the value in use of each CGU. If the carrying amount is higher than the value in use, this results in an impairment requirement to the extent that the carrying amount is not covered by the fair value less costs to sell.

The reporting date for the annual impairment test is 31 December of the financial year.

Impairment testing of goodwill is based on a complex calculation method and includes a range of assumptions that require judgement. These include the multi-year planning drawn up by Leifheit AG's Board of Management and taken note of by the Supervisory Board regarding the expected business and earnings performance of the respective CGU, the growth rates assumed in perpetuity and the discount rates used.

As a result of the price increases for energy and raw materials and the effects on the demand side as a consequence of the Russia-Ukraine war, as well as the increase in discount rates, the Group identified indicators for impairment and performed event-driven impairment tests at the level of all CGUs as of 31 March 2022, 30 June 2022, and 30 September 2022. The impairment tests did not reveal any need for impairment.

In the past financial years, the forecast revenue and/or earnings targets in the Birambeau and Herby CGUs were not achieved in some cases. Due to the decline in consumer demand, the development of revenues at the CGUs is also below the forecast expectations in the current fiscal year. However, the EBIT targets for all CGUs, which were adjusted in the fiscal year due to the increases in material and energy prices resulting from the outbreak of the Ukraine war, were achieved.

As a result of the impairment tests carried out as at 31 December 2022, the Group has not identified any impairment requirement. However, the Group's sensitivity analysis showed that a reasonably possible change in the discount rate or a shortfall in revenue would cause a reduction to the recoverable amount.

There is the risk for the consolidated financial statements that an existing impairment loss on the goodwill of the CGUs Herby and Birambeau will not be recognised. There is also the risk that the related disclosures in the notes are not appropriate.

Our audit approach

Using inquiries and discussions with the Group's management, we obtained an understanding of the process for goodwill impairment testing. With the involvement of our valuation experts, we also assessed the appropriateness of key assumptions and the calculation method of the Group. As changes to the expected business and earnings performance at the CGUs Herby and Birambeau can significantly impact the results of impairment testing, we discussed, in particular, the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also checked whether the planning on which measurement is based is in line with the multi-year planning drawn up by the Board of Management and taken note of by the Supervisory Board and whether the planning is reasonable.

We also confirmed the accuracy of the Group's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. To this end, we examined the past deviations from forecasts in order to determine how those responsible for planning responded to deviations from the forecast when preparing the forecast. We compared the assumptions and data underlying the discount rate of the CGUs Herby and Birambeau, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the discount rate and the expected cash flows on the fair value (sensitivity analysis), by calculating alternative scenarios and comparing these with the Group's measurements.

To assess the methodically and mathematically correct implementation of the valuation method, we verified the Group's valuation using our own calculations and analysed deviations. We also assessed the accuracy of the sensitivity analyses prepared by the Group by reconciling them with our own sensitivity analyses.

Finally, we assessed whether the disclosures in the notes regarding the impairment of goodwill of the CGUs Herby and Birambeau were appropriate. This also included an assessment of the appropriateness of disclosures in the notes in accordance with IAS 36.134(f) on sensitivity in the event of a reasonably possible change in key assumptions used for measurement.

Our obervations

The procedure underlying the goodwill impairment testing of the CGUs Herby and Birambeau is appropriate and in line with the valuation principles.

Leifheit AG Group's assumptions and data used for measurement are appropriate.

The related disclosures in the notes are appropriate.

Other Information

The Board of Management and/or the Supervisory Board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the Group's separate nonfinancial report expected to be available to us after the date of this auditor's report and referred to in the combined management report,
- the combined corporate governance statement for the Company and the Group referred to in the combined management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Management and Supervisory Board for the consolidated financial statements and the combined management report

The Board of Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with section 317 (3a) HGB

We have performed assurance work in accordance with section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „529900DBX574P554QO57-2022-12-31-de.zip" (SHA256-Hashwert: b600304c88ce60e9e86b703d3fa7d41ae04a4ef5536031c7cae4378863fd74fd) made available and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2022 to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in accordance with section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

The supervisory board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work.

We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 25 May 2022. We were engaged by the Supervisory Board on 11 November 2022. We have been the group auditor of Leifheit Aktiengesellschaft without interruption since financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to article 11 of the EU Audit Regulation (long-form audit report).

Other matters – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and the combined management report converted into ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

Information on the supplementary audit

We issue this opinion on the consolidated financial statements and the combined management report as well as for the electronic reproduction of the consolidated financial statements and combined management report presented to us for audit for the first time in the file „529900DBX574P554QO57-2022-12-31-de.zip“ (SHA256-Hashwert: b600304c88ce60e9e86b703d3fa7d41ae04a4ef553 6031c7cae4378863fd74fd) and prepared for publication purposes, the renderings of the consolidated financial statements and combined management report based on our statutory audit completed on March 24, 2023 and our supplementary audit completed on April 18, 2023, which related to the initial submission of the ESEF documentation.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Matthias Forstreuter.

Frankfurt/Main, 24 March 2023/limited to the assessment of the ESEF documents specified in the information on the supplementary audit: 18 April 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

Original German version signed by

gez. Forstreuter	gez. Eifert
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Key figures 5-year history

		2018	2019	2020	2021	2022
Turnover						
Group	m€	234.2	234.0	271.6	288.3	251.5
Household	m€	180.4	182.0	213.1	230.8	204.2
Wellbeing	m€	19.9	19.8	26.5	25.5	16.1
Private Label	m€	33.9	32.2	32.0	32.0	31.2
Foreign share	%	58.3	60.0	58.7	56.1	60.7
Profitability						
Gross margin	%	43.6	43.1	45.0	42.3	38.7
Cash flow from operating activities	m€	10.2	15.9	4.0	16.4	14.0
Free cash flow	m€	3.7	10.1	–5.5	9.6	8.8
EBIT	m€	13.1	9.9	18.8	20.1	2.8
EBIT margin	%	5.6	4.2	6.9	7.0	1.1
EBT	m€	11.9	8.5	17.7	19.3	2.3
Net result for the period	m€	8.4	5.8	12.5	14.2	1.2
Net return on turnover	%	3.6	2.5	4.6	4.9	0.5
Return on equity	%	8.3	6.1	12.5	12.7	1.1
Return on total capital	%	3.8	2.7	5.4	5.9	0.6
ROCE	%	10.5	8.2	14.1	13.8	1.8
Share						
Net result for the period per share[1]	€	0.88	0.61	1.32	1.49	0.13
Free cash flow per share[1]	€	0.39	1.06	–0.57	1.00	0.92
Dividend per share	€	1.05	0.55	1.05	1.05	0.70[2]
Employees at the end of the year						
Group	People	1,119	1,106	1,098	1,080	1,063
Household	People	905	906	914	907	903
Wellbeing	People	56	52	47	39	34
Private Label	People	158	148	137	134	126
Investments	m€	6.6	6.0	9.6	7.3	5.4
Investment ratio	%	3.7	2.0	5.2	3.9	2.9
Depreciation and amortisation	m€	6.9	8.2	8.5	7.8	7.5
Balance sheet total	m€	221.8	214.6	230.0	238.8	216.1
Equity	m€	101.8	96.2	100.4	111.3	112.5
Equity ratio	%	45.9	44.8	43.7	46.6	52.0

[1] Not including repurchased treasury shares.
[2] Dividend proposal.

Information, Disclaimer, Financial calendar, Legal notice

Individual financial statements of Leifheit AG

The individual financial statements of Leifheit AG, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which did not express any reservations in its audit opinion, was prepared in accordance with the provisions of the German commercial code (HGB) and the German stock corporation act (AktG).

Additional information on the website

In addition to the consolidated financial statements, the annual financial statements of Leifheit AG, the combined management report of Leifheit AG and the Leifheit Group, the report of the Supervisory Board, the sustainability report, the remuneration report and the declaration of corporate management are available on the internet at **www.leifheit-group.com**.

Note on rounding

Minor differences may occur when using rounded amounts and percentages due to commercial rounding.

Discrepancies due to technical factors

Technical factors (e.g. conversion of electronic formats) may lead to discrepancies between the financial statements contained in this financial report and those submitted to the company register. In this case, the version submitted to the company register is binding.

In the event of any discrepancies between this English translation and the German version, the German version shall take precedence.

Forward-looking statements

This 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. They include, for example, 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 does not intend to update forward-looking statements to reflect events or developments after the date of this report, nor does it accept any specific obligation to do so.

Financial calendar

11 May 2023	**Quarterly statement for the period ending 31 March 2023**
7 Jun 2023	**Annual General Meeting** German National Library, Frankfurt/Main, Germany
10 Aug 2023	**Financial report for the first half-year ending 30 June 2023**
15 Nov 2023	**Quarterly statement for the period ending 30 September 2023**

Legal notice

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Photography, text
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