60 YEARS
OF PASSION FOR THE HOUSEHOLD

Tradition
Innovation
Vision

LEIFHEIT

Annual financial report
2018

Key figures of the Group

		2017	2018	Change
Turnover				
Group	m€	236.8	234.2	–1.1%
Household	m€	182.9	180.4	–1.4%
Wellbeing	m€	19.6	19.9	1.2%
Private Label	m€	34.3	33.9	–1.0%
Profitability				
Gross margin	%	46.4	43.6	–2.8 pps
Cash flow from operating activities	m€	7.2	10.2	41.1%
Free cash flow	m€	1.5	3.7	>100%
Foreign currency result	m€	–1.5	0.3	>100%
EBIT	m€	18.8	13.1	–30.7%
EBIT margin	%	8.0	5.6	–2.4 pps
EBT	m€	17.7	11.9	–32.7%
Net result for the period	m€	12.9	8.4	–34.7%
Return on sales	%	5.4	3.6	–1.8 pps
Return on equity	%	13.0	8.3	–4.7 pps
Return on total capital	%	5.7	3.8	–1.9 pps
ROCE	%	12.7	8.5	–4.2 pps
Share				
Net result for the period per share [1]	€	1.35	0.88	–34.8%
Free cash flow per share [1]	€	0.16	0.39	>100%
Dividend per share	€	1.05	1.05 [2]	–
Employees at the end of the year	people	1,137	1,134	–0.3%
Investments	m€	7.8	6.6	–15.5%
Depreciation and amortisation	m€	6.4	6.9	8.4%
Balance sheet total	m€	224.9	221.8	–1.4%
Equity	m€	98.5	101.8	3.4%
Equity ratio	%	43.8	45.9	2.1 pps

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

»

We are your leading experts for solutions that make your everyday life at home more easy and convenient.

«

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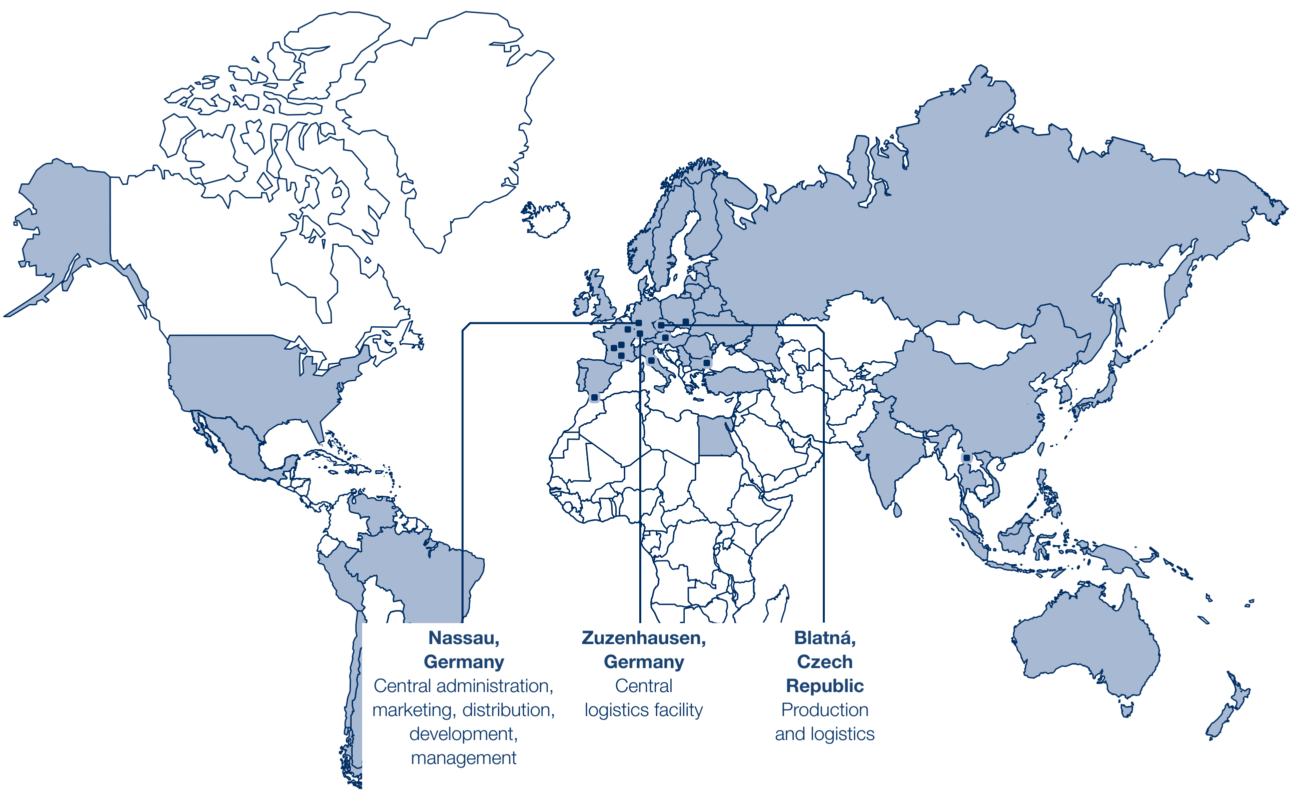
Group profile

For 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 marketed as 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.

HOUSEHOLD	WELLBEING	PRIVATE LABEL
LEIFHEIT	SOEHNLE	BIRAMBEAU herby
Cleaning, laundry care, kitchen goods and wellbeing		

Locations



Investment highlights

Long-standing track record
For 60 years one of the leading suppliers of household products in Europe

Excellent product quality
High-quality innovative products for cleaning, laundry care, kitchen goods and wellbeing with great utility and functional design

Non-cyclical business
Leifheit products are used every day

Strong brands: Leifheit and Soehnle
High awareness and consumer confidence

Innovation capability
Demand-oriented product innovation through systematic innovation and market introduction processes

Changing markets
Digitalisation, e-commerce and convenience create growth potential

International sales and distribution network
Promotes market penetration and further internationalisation

Financial structure
Efficient cost structure and solid financial position

Shareholder-oriented dividend policy
Distribution of around 75% of free cash flow or net result; surplus liquidity may be distributed to shareholders

Strong long-term share price performance
Price trend 2008–2018 +450% and thus above the SDAX (+240%)

Product world

Cleaning

Superior cleaning systems for every demand

Leifheit has an easy and convenient system solution for every challenge in cleaning at home.

Laundry care

Fresh laundry – easy laundry care

Whether it's laundry drying racks for the house or rotary dryers for the garden, an ironing board or a complete steam ironing system – Leifheit ensures fresh, clean and well-kept laundry.

Kitchen goods

Always better conceived

Whether it's for opening, cooking, cutting or storing – Leifheit's kitchen accessories simplify work and keep hands and kitchens clean.

Wellbeing

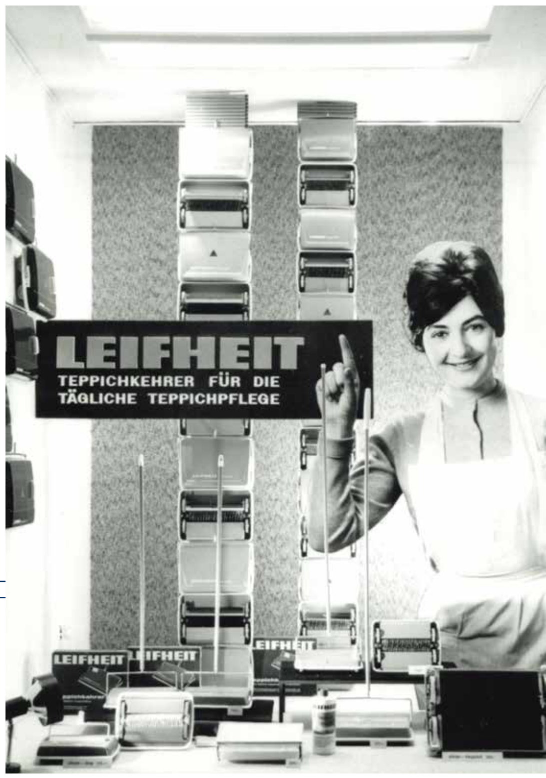
For a life in balance

Under the Soehnle brand, we market and sell a range of scales, health products and air treatment products that help people to stay in shape and to live healthier – consciously.

Tradition
Innovation
Vision

1959

Sixty years ago, Ingeborg and Günter Leifheit began producing carpet sweepers in Nassau, Germany. Today, millions of these practical helpers have already been sold. The Regulus carpet sweeper is still a part of the Leifheit range of cleaning products to this day.



2019

In the Regulus PowerVac 2in1 vacuum cleaner, we have combined the proven brush and sweeper technology of a carpet sweeper with suction power to transform both technologies into a well-engineered and innovative product for convenient dry floor cleaning.

Tradition

When Günter Leifheit started producing carpet sweepers 60 years ago, he was passionately inspired by the idea of giving people more time to do the things they love with Leifheit. Then, as now, our goal has been to create products that make everyday housework easier so that people have more time for the important things in life. There is a reason why 25 million households in Germany alone use at least one product from Leifheit today. After all, outstanding functionality, durability and high quality never go out of style.

Innovation

Over the past 60 years, we have produced a string of product innovations, making housework easier for generations. Consumer-relevant innovations have always been the foundation on which the Leifheit Group's growth is built. Our goal is to be close to customers and to understand their needs. This is the basis for the constant improvement of existing product ranges and the development of new cleaning, laundry care, kitchen goods and wellbeing products. The result is a constant innovation pipeline and product concepts for the consumers of tomorrow.

Vision

We are active in shaping the future of the Leifheit Group, which is present in attractive markets worldwide with tailored products and services for consumers and retail customers. Our vision is to be the leading experts for solutions that make everyday life at home easier and more convenient. In the process, we pursue a clear strategy in order to strengthen our position as one of the leading suppliers of household items in Europe. Digitalisation, internationalisation, innovation and efficiency will be the trends of the future. We are working every day to achieve these objectives, thereby creating the basis for sustained profitable growth going forward.

Foreword of the **Board of Management**

IVO HUHMANN
Member of the Board of Management/CFO

He has been a member of the Board of Management of Leifheit AG since 1 April 2017. As CFO he is responsible for Finance, Controlling, Audit and Business Processes/IT and the business in the Asia/Pacific region. He also has interim responsibility for overall Sales and Marketing, and for Herby and Birambeau.

IGOR IRAETA MUNDUATE
Member of the Board of Management/COO

He has been a member of the Board of Management of Leifheit AG since 1 November 2018. As COO he is responsible for Procurement, Production, Logistics and Development. Moreover, he has interim responsibility for the Human ressources/Legal department.

Dear Ladies and Gentlemen, Dear Shareholders,

In financial year 2018 our focus was on driving forward core strategic topics at the Group level and creating the conditions for sustainable turnover growth and profitability. The ongoing processes of digitalisation and internationalisation have priority, as do promoting innovation and efficiency at the Leifheit Group. The measures initiated are largely not yet reflected by the financial results for 2018. They will have a positive effect on business development in the medium-to-long term. In our view, the Leifheit Group is currently in a transitional phase, during which we are defining the future direction of the company. Our aim is to strengthen Leifheit's position as one of Europe's leading providers of household items. We are working towards that goal with great dedication each day.

We cannot be satisfied with overall developments in financial year 2018. In the reporting period we achieved turnover of m€ 234.2, which was slightly below the previous year's figure of m€ 236.8. Earnings before interest and taxes (EBIT) amounted to m€ 13.1, down from m€ 18.8 in the previous year. That decline was primarily due to the decrease in gross profit, which was negatively impacted, in particular, by foreign currency effects, price increases for materials, mix effects and lower contribution margins due to decreased turnover. Expenses for changes to the Board of Management also affected earnings. That resulted in an EBIT margin of 5.6% in the reporting period.

Development in our core markets was divergent in 2018. Turnover increased moderately again in our home market, Germany. There was significant growth in turnover in Italy, the Netherlands, the United Kingdom and Greece, which reduced the negative development in Central Europe in 2017. Our business developed very positively in Eastern Europe in financial year 2018, resulting in a significant overall increase in turnover in the region. We will build on that growth by investing disproportionately in Eastern European markets, which offer attractive growth prospects for the Group. In the course of further internationalisation, we will therefore further intensify our sales activities and invest more in the development of our brands. The newly established distribution company in China, which commenced operations in the fourth quarter, lays the foundations for the expansion of our business in the Asia-Pacific region.

In the financial year 2018, we newly organized the business segments, that were previously presented in the reportable segments Brand Business and Volume Business. Overall, the Household segment, which generates the highest turnover and includes the Leifheit brand, along with laundry care, cleaning and kitchen goods, performed slightly worse than in the previous year. We have been continually working to develop our ranges in this area further. That allowed us to achieve significant growth by introducing new products in the cleaning category, while turnover from laundry care and kitchen goods remained below the previous year's level. In 2019 we will bring a completely new range of handy kitchen gadgets to the market, thereby meeting the needs of our customers even better in this category.

In the significantly smaller Wellbeing segment, in which we are present with the Soehnle brand and our range of scales, health products and room air treatment products, we were able to achieve turnover growth again for the first time in 2018. The innovative new product categories Soehnle Living and Soehnle Medical, in particular, contributed to this positive development and offer the potential for further growth.

In contrast, in the third segment, Private Label, the French subsidiaries Birambeau and Herby recorded slight decreases in turnover. Above all, the ongoing protests in Paris had a negative impact on retail brand business in France. We will continue our strong focus on individual markets and customers in this segment, with appropriate product and presentation solutions.

Henner Rinsche, whom the Supervisory Board appointed as Chairman of the Board of Management of Leifheit AG in February, is a manager with considerable experience in the consumer goods industry. He is currently responsible for SodaStream's European business and will start his new role at Leifheit by 1 June 2019 at the latest. As Chairman of the Board of Management and Chief Executive Officer (CEO), he will be responsible for Marketing, Sales and HR/Legal, along with Birambeau and Herby's private label business.

With all positions on the Board of Management then being filled, we will be able to further focus our strategy in financial year 2019 and drive forward the strategic measures that have already been initiated. Increased efficiency and speed in all areas are of central importance in that process. With regard to our internal processes, we are integrating our most important production location in SAP, systematically optimising SAP processes and introducing a modern communication platform. The aim is to make us faster while also improving our management capabilities and the reliability of planning.

Our "digital growth plan" is a further area of strategic focus. It involves interlocking of our online and offline sales channels in order to consistently exploit the potential of e-commerce. Among other things, our Europe-wide online sales activities will be transferred to a common platform. We have put together an international team of specialists for that purpose. Our own online shop will go live in the second half of 2019. We want to significantly exceed the solid growth of 6.8% achieved in e-commerce in 2018 in the coming years.

» We want to significantly exceed the solid growth of 6.8% achived in e-commerce in 2018 in the coming years. «

Meanwhile, we are working to improve the service we offer our customers, and to make dialogue with consumers as simple and direct as possible. We will also make more use of social media in the future in order to establish a greater presence in our customers' daily life. That will help us to better understand our customers and develop appropriate product innovations for tomorrow's consumers. For example, in 2018 the new CleanTenso steam cleaner was one of our best-selling floor cleaning products. We also plan to introduce innovative products in the current financial year.

Our strategic measures, which will have a total negative effect of approximately m€ 3 to m€ 4 on earnings in 2019, will result in a company that can achieve profitable growth for its shareholders in the coming years.

We predict a 3% to 4% increase in Group turnover in financial year 2019. We expect all three segments to contribute to that growth. Earnings before interest and taxes (EBIT) of m€ 9 to m€ 10 are expected.

» The year 2019 will make a very special milestone in the company’s history: We will celebrate 60 years of Leifheit! «

The year 2019 will mark a very special milestone in the company’s history: We will celebrate 60 years of Leifheit! Our vision, to be the leading expert for solutions that make everday life at home easier and more convenient, has not changed to this day. Despite all the challenges we face, we have a solid basis to set a course for sustainable growth: two strong brands, Leifheit and Soehnle, which are among the best known in Germany, numerous high-quality products that have lightened the load of housework for generations, and a solid financial foundation for our commercial activities. That is reason enough to feel highly motivated as we tackle the tasks ahead.

We would like to take this opportunity to thank you, our shareholders, for your trust and the constructive dialogue we enjoyed over the expired financial year. We will continue to pursue our shareholder-oriented dividend policy and will propose the payment of a dividend of € 1.05 per eligible share for financial year 2018 to the Annual General Meeting on 29 May 2019. That equates to a dividend yield of 5.9% for 2018 based on the closing share price at the end of the year.

And we would especially like to thank our employees for the high level of commitment they have demonstrated. The dedication they show each day is essential to the successful development of the company. We also thank our business partners, customers and suppliers for their excellent cooperation.

Nassau/Lahn, March 2019

The Board of Management

Ivo Huhmann   Igor Iraeta Munduate

Report of the Supervisory Board

Dear Ladies and Gentlemen

I would like to inform you below of the work performed by the Supervisory Board in financial year 2018:

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. It was at all times informed promptly and in depth by the Board of Management with regard to business development, strategic measures, corporate planning and transactions requiring approval. The Supervisory Board was directly involved in all decisions of fundamental importance for the company at an early stage. The Supervisory Board made all decisions following thorough examination and discussion of the corresponding resolutions.

The Supervisory Board carefully and constantly monitored the management activities of the Board of Management. It confirms that the Board of Management acted properly, in accordance with the law and economically in every way. 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. The Supervisory Board was informed regularly and comprehensively about risks, opportunities and compliance. 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. In 2018, the Personnel Committee and the Supervisory Board focused on revising the remuneration system for the Board of Management.

In 2018, the Supervisory Board held four regular meetings and one extraordinary meeting. No member of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board or of the committees of which he or she is a member.

The members of the Board of Management took part in Supervisory Board meetings, barring other decisions by the Chairman of the Supervisory Board. 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, revealed that all requirements for working efficiently have been met. In the reporting period, there was no indication of 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 the Annual General Meeting.

The Chairman of the Supervisory Board held various meetings with shareholders and analysts. The focus was on the performance and composition of the Board of Management, the remuneration system for the Board of Management and the forthcoming elections of shareholder representatives to the Supervisory Board.

Changes in Leifheit AG organs

Mr Karsten Schmidt resigned his seat on the Supervisory Board with effect as at 31 January 2018. The Supervisory Board and the Board of Management of Leifheit AG would like to thank Mr Schmidt for his 11 years Supervisory Board service and his great commitment to the board.

At the Annual General Meeting of Leifheit AG on 30 May 2018, the shareholders elected Mr Georg Hesse to the Supervisory Board by a large majority to serve until the end of the Annual General Meeting that will decide on the approval of the actions of the Supervisory Board for financial year 2018.

With effect from 28 February 2019, Ms Sonja Wärntges resigned her seat as a member of the Supervisory Board. The Supervisory Board and the Board Management of Leifheit AG would like to thank Ms Wärntges for her work on the Supervisory Board and her great commitment to the board.

Mr Ansgar Lengeling resigned his seat on the Board of Management in April 2018. The Chairman of the Board of Management, Thomas Radke, and Board of Management member Ivo Huhmann took over responsibility for operations on an interim basis until 15 October 2018.

Mr Thomas Radke (Chairman of the Board of Management) was dismissed from the Board of Management with effect from 15 October 2018. Board of Management member Ivo Huhmann (CFO) headed the company as the sole member of the Board of Management until 31 October 2018.

The Supervisory Board would like to thank the two outgoing members of the Board of Management for their commitment and their work.

Mr Igor Iraeta Munduate was appointed to the Board of Management (COO) by the Supervisory Board with effect from 1 November 2018. Since then, Mr Huhmann and Mr Iraeta Munduate have headed the company together on an interim basis and will continue to do so until a successor for Mr Radke has been appointed.

The Supervisory Board has appointed Mr. Henner Rinsche as Chief Executive Officer (CEO). Mr. Rinsche will take office no later than 1 June 2019.

Important topics discussed at meetings

The Supervisory Board meetings regularly covered the development of turnover, results and employment at the Group, as well as the segments, the financial position, the main interests, the strategic focus of the company, potential acquisitions and the risk situation.

At the meeting on 23 March 2018, 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 draft resolution regarding the report of the Supervisory Board and the agenda of the Annual General Meeting on 30 May 2018. Other topics included the report from the Board of Management on market shares and distribution, the adjustment to the “Leifheit 2020” strategy and the status of other key strategic projects, currency hedging and authorised representation. The results of the Supervisory Board’s self-evaluation were presented and discussed.

The Supervisory Board meeting on 30 May 2018 dealt with the preparations for the Annual General Meeting. Following the Annual General Meeting, the Supervisory Board dealt with the reports of the Board of Management regarding the progress made in strategic projects, quality management, marketing concepts and communication, medium-term planning and the EU General Data Protection Regulation.

The extraordinary Supervisory Board meeting on 14 August 2018 resolved on the appointment of Mr Igor Iraeta Munduate as a member of the Board of Management.

The new strategy and medium-term planning were discussed in the meeting on 26 September 2018. In addition, the Supervisory Board addressed succession planning at management level and the German Corporate Governance Code.

The Supervisory Board’s meeting on 6 December 2018 focused on operative planning for 2019 and new products and new product projects. The corporate governance declaration of conformity was also approved. The plenary session of the Supervisory Board also dealt with the remuneration system of the Board of Management members prepared by the Personnel Committee.

Work of the committees

The Supervisory Board has formed Audit, Personnel and Nominating Committees.

The Audit Committee met twice to discuss the monitoring of accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the annual audit 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, determined certain focal points of the audit and agreed the auditor's fee. The Board of Management and the Financial Director attended both 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. Furthermore, the internal control system and the risk management system were examined, and the findings of the internal audits were presented and discussed. The auditors were also present at both meetings and reported in detail on all events that arose during performance of the audit which have a direct bearing on the work of the Supervisory Board. In addition, the Audit Committee also addressed the two quarterly statements and the half-yearly financial report in three conference call meetings. The financial statements were presented by the Chief Financial Officer and discussed, and questions from the members of the committee were answered. The Audit Committee held two further conference call meetings with the auditors.

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 five times in person and held two conference call meetings in financial year 2018. It looked intensively into the issue of succession planning for the Board of Management and into the Board of Management’s remuneration system. Other focal points were the departure of Mr Lengeling and Mr Radke and filling the resulting vacancies.

The Nominating Committee’s tasks include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. The Nomination Committee met once in person and held two conference call meetings in financial year 2018. In these meetings, the Nomination Committee focused on finding a successor for a Supervisory Board member in May 2018 and on the upcoming Supervisory Board elections in May 2019.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2018, 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 2018, 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 25 March 2019; special attention was paid to the defined focal points of the audit. At the Supervisory Board’s balance sheet meeting on 25 March 2019, the Audit Committee and its chair presented an in-depth report to all members of the Supervisory Board.

The auditors took part in the meetings and reported on the key findings of their audit. Furthermore, they presented their findings on the internal control system and risk management with regard to the accounting process and found that the Board of Management had set up an appropriate information and monitoring system that was capable of promptly identifying developments that jeopardise the company’s continued existence. The audit opinion was discussed with the auditors. The most significant audit issues in the consolidated financial statements were the impairment testing of the brand rights and goodwill of the Soehnle cash generating unit, the completeness and accuracy of the other liabilities from customer bonuses and advertising cost subsidies, and the revenue recognition in the appropriate period. An impairment loss of m€ 0.4 was recognised for the Soehnle cash generating unit as of 31 December 2018. The auditor confirmed that the procedures, accounting and underlying assumptions and parameters are appropriate and in accordance with the applicable valuation principles in all three key audit issues.

The auditors were available for further questions and information. The Supervisory Board also reviewed and approved the separate non-financial report of the Group (sustainability report).

Based on its own examination of the annual financial statements, the consolidated financial statements and the combined management report, as well as the report and the recommendations of the Audit Committee, the Supervisory Board approved the findings of the audit by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board has approved both the financial statements and the consolidated financial statements. The financial statements are therefore adopted in accordance with section 172 of the German stock corporation act (AktG). On the recommendation of the Audit Committee, and following its own examination, the Supervisory Board endorses the Board of Management’s proposal for the appropriation of the balance sheet profit involving the payment of a dividend of € 1.05 per dividend-entitled no-par-value bearer share for financial year 2018.

The Supervisory Board would like to thank all of the employees of the Group, the Board of Management and the workforce representatives for their dedicated commitment and their work in the past financial year. We would also like to thank our customers and shareholders for their trust and support.

Nassau/Starnberg, 25 March 2019

The Supervisory Board

Helmut Zahn
Chairman

Corporate governance report

For the year 2018, the Board of Management and the Supervisory Board report below on corporate governance at Leifheit in accordance with 3.10 of the German corporate governance code (DCGK).

To us, trusting cooperation between the Board of Management and the Supervisory Board, efficient internal and external control mechanisms, and a high level of transparency in corporate communications are matters of central importance. This way, we hope to secure the confidence of investors, customers, employees and the public at large in our company in the long term.

We give corporate governance a high priority and are guided by the recommendations of the German corporate governance code (DCGK). The code represents key statutory regulations for the management and monitoring of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance.

Leifheit AG is a publicly listed stock corporation with registered office in Germany. The German law, the regulations of stock corporations and financial markets as well as the articles of incorporation of Leifheit AG in particular besides the DCGK provide the framework for structuring corporate governance.

Recommendations from the code largely implemented

In the reporting period, the Board of Management and the Supervisory Board vigorously discussed the recommendations of the government commission on the DCGK in the version of 7 February 2017 and updated the declaration of conformity in accordance with section 161 para. 1 German stock corporation act (AktG) in December 2018 on the basis of these discussions. Leifheit AG applies almost all of the government commission's recommendations. All previously issued declarations of conformity are publicly accessible on the company's website (corporate-governance.leifheit-group.com).

Shareholders and the Annual General Meeting

The shareholders of Leifheit AG exercise their rights at the Annual General Meeting of the company, which, according to the articles of incorporation, is chaired by the Chairman of the Supervisory Board. The Annual General Meeting is held once a year. Each share represents one voting right.

The invitation to the Annual General Meeting with the forthcoming agenda and an explanation of the conditions for participation are published in accordance with the legal regulations and the articles of incorporation.

Shareholders can either exercise their voting rights at the Annual General Meeting themselves, via a proxy of their choice or via a proxy of the company who is bound by instructions. Shareholders also have the option of casting their votes – without authorising a representative – by postal ballot. Voting instructions can be issued by post, fax, email or through an online service. Employees manning our Annual General Meeting hotline are available to answer questions about registration, proxy voting and postal voting.

All documents and information related to the Annual General Meeting are available on our website (agm.leifheit-group.com), which contains links to the online service and the live transmission of the public portion of the meeting as well. We also publish attendance figures and the voting results on the website immediately following the Annual General Meeting.

Cooperation between the Board of Management and the Supervisory Board

As a German stock corporation, Leifheit AG has three organs: the Board of Management, the Supervisory Board and the Annual General Meeting. Their responsibilities and powers result specifically from the AktG and the articles of incorporation.

The AktG provides a clear separation between the persons staffing the management and supervisory organs. The management organ is the Board of Management, which is supervised and counselled by the Supervisory Board with regard to the management of the company.

The Board of Management and the Supervisory Board of Leifheit AG communicate openly with each other in a spirit of close cooperation. Transactions and decisions that are of fundamental importance to the company are coordinated closely between the Board of Management and the Supervisory Board. The Supervisory Board's rights to reserve approval are regulated by the articles of incorporation of Leifheit AG.

By virtue of systematic internal control and risk management, risks are identified early, assessed and monitored. The Board of Management reports existing risks and their development to the Supervisory Board at regular intervals.

The work method of the Board of Management and the Supervisory Board as well as the composition and work methods of their committees are described in detail in the declaration of corporate management and are publicly accessible on our website.

Taking into account the statutory requirements, Leifheit has taken out directors and officers liability insurance (known as D&O insurance) with an appropriate deductible for the members of the Board of Management and the Supervisory Board in accordance with section 93 para. 2 sentence 3 AktG and in accordance with the DCGK.

Remuneration of the Board of Management and the Supervisory Board

The main features of the remuneration system for the Board of Management as well as the components of the Supervisory Board's remuneration are described in detail in the remuneration report. It is part of the audited combined management report of the Leifheit AG and the Group.

Conflicts of interest of the Board of Management and the Supervisory Board

There were no 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.

No consultancy agreements or other agreements for contractual performance existed between members of the Supervisory Board and the company in the reporting period. The memberships of Board of Management and Supervisory Board members in statutory supervisory boards or similar domestic and foreign control committees of enterprises can be found in the "Organs" section of the annual financial statements.

No member of the Board of Management currently holds mandates in supervisory boards at listed companies that are not part of the Group. In financial year 2018, there were no reportable relationships or transactions with related parties.

Compliance

Through our compliance management system, implemented as a Group-wide measure, we ensure compliance with laws and regulations, recognised standards and recommendations, as well as our own guidelines. Effectiveness is both a key basic principle for Leifheit and the goal of commercially responsible conduct.

We take guidance in particular from the German corporate governance code and in-house guidelines, such as the Leifheit competency model, the Leifheit Code of Conduct, the Antitrust Code of Compliance, insider guidelines and our requirements for our suppliers.

The Board of Management and the management team of Leifheit are committed to compliance as a leadership duty. The principles of the compliance management system and standards of conduct have been in place for years and are part of the day to day business routine. More information are available on our website.

Appropriate control and risk management

Dealing with risks in a responsible manner is part of corporate governance at Leifheit. A fundamental requirement of professional corporate governance is the continuous and systematic management of business risks. By means of this process, it is possible to identify risks at an early stage, when they can be assessed and controlled by taking appropriate measures. The Board of Management reports regularly to the Supervisory Board on current developments regarding material risks. The Audit Committee regularly deals with monitoring of the accounting process as well as the effectiveness of the internal control, risk management and internal audit systems. The committee also deals with the annual audit of the financial statements and the independence of the auditors.

Composition of the Supervisory Board

In accordance with 5.4.1 of the DCGK, the Supervisory Board has named specific targets for its composition and has developed a competency profile for the board as a whole (diversity concept). The targets and concept have been implemented. Details on this matter may be found in the declaration of corporate management on the website. All shareholder representatives are acting in the financial year 2018 – Ulli Gritzuhn, Georg Hesse, Sonja Wärntges and Helmut Zahn – are independent Supervisory Board members as defined by 5.4.2 of the DCGK.

Transparency in favour of shareholders and the public

In order to ensure the greatest possible degree of transparency and equal opportunities, we have made it our goal to inform all our target groups comprehensively, equally and in a timely manner. For this purpose, interested parties can find key recurring dates in our financial calendar, which is published in our annual financial report, quarterly statements and half-yearly financial reports, as well as on the website (ir.leifheit-group.com).

We release information on the strategy, the situation of the Group, all major business changes, business development and the financial position and results of operations of our company regularly and in a timely manner in the quarterly statements, the half-yearly financial report and in detail in the annual financial report. These reports are also published on our website.

The Board of Management and the investor relations department are in regular contact with private and institutional investors as part of investor relations activities, which include capital market conferences, for example. More information about our capital market activities can be found in the "The Leifheit share" section of our annual financial report.

We also publish all press and ad-hoc announcements as well as presentations about press and analyst conferences, in addition to the Annual General Meeting, on our website.

Directors' dealings and shareholdings of the Board of Management and the Supervisory Board

In accordance with article 19 of the market abuse regulation (EU) no. 596/2014, the members of the Board of Management and the Supervisory Board or their related parties are legally required to disclose all transactions involving the purchase or sale of Leifheit AG shares or related financial instruments if such transactions total or exceed € 5,000 in a calendar year. Notifications that are received are published on the website.

Accounting and auditing

As a listed company, Leifheit AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of commercial law in accordance with section 315e para. 1 German commercial code (HGB). They also serve as the basis for the half-yearly financial report and the quarterly statements.

The separate financial statements of Leifheit AG, which are the deciding factor for the payment of the dividend, are prepared in accordance with the provisions of the HGB and the AktG.

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.

It was agreed with the auditors that the Chairman of the Supervisory Board will be informed immediately of any grounds for disqualification or partiality arising during the audit, unless such grounds are eliminated immediately.

The auditor must also report without delay on all findings and events that it acquires knowledge of during the performance of the audit that have a direct bearing on the work of the Supervisory Board. In addition, the auditor must inform the Supervisory Board or note in its audit report any facts ascertained during the performance of the audit that are inconsistent with the declaration of conformity issued by the Board of Management and the Supervisory Board in accordance with section 161 AktG regarding the DCGK.

The Annual General Meeting on 30 May 2018 accepted the proposal of the Supervisory Board in line with the recommendations of the Audit Committee and selected KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the auditor for financial year 2018. KPMG has been the group auditor of Leifheit AG since financial year 2016. The signatory auditors are Sebastian Hargarten (since financial year 2017) and Lena Tuchscherer (since financial year 2018). The statutory provisions and rotation obligations under sections 319 and 319a HGB have been complied with.

Declaration of corporate management

The declaration of corporate management in accordance with sections 289f and 315d HGB includes the declaration of conformity in accordance with section 161 AktG, relevant information about 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, the declaration on the defined targets according to the German law on the equal participation of women and men in leadership positions and the description of the diversity concept. It is publicly accessible on our website.

The Leifheit share

Global stock markets saw significant losses in 2018. The DAX finished the year at a new two-year low, and all other German indices also posted substantial losses. The Leifheit share posted weaker development than the indices in 2018. The Board of Management and the Supervisory Board remain committed to a shareholder-oriented dividend policy and will propose to the Annual General Meeting a dividend of € 1.05 per dividend-entitled share for financial year 2018.

Stock markets

Global stock markets recorded substantially negative performance in 2018 and were strongly influenced by geopolitical uncertainties. The world's leading share indices – such as the FTSE in London, the Dow Jones and the S&P 500 in the US, the Nikkei in Japan or the DAX in Germany – saw significant losses throughout 2018 and finished the year in negative territory. The German blue-chip index DAX ended the year roughly 18% lower than it started for its first full-year decline since 2011. The DAX peaked at 13,559 points on 23 January 2018. It reached a low of 10,381 points on 27 December 2018 and closed at 10,558 points on 28 December 2018, having finished the previous year at 12,917 points.

The SDAX, which includes 70 smaller companies, serves as the relevant benchmark index for the Leifheit share. Like the DAX, the SDAX finished 2018 down roughly 20% year on year. The index peaked at 12,736 points on 13 June 2018. Especially in the second half of the year, the SDAX posted significant losses and bottomed out at 9,318 points on 27 December 2018, the same day as the DAX. The SDAX closed the year at 9,509 points, well below the 11,886 points recorded on the final day of trading in 2017.

Key figures for the Leifheit share in €[1]

	2014	2015	2016	2017	**2018**
Net result for the period per share	1.49	1.51	1.53	1.35	0.88
Free cash flow per share	1.94	1.48	1.51	0.16	0.39
Dividend per share	0.90	1.00	1.05	1.05	1.05[2]
Special dividend per share	–	0.38	0.40	–	–
Dividend yield (in %)[3]	3.9	5.6	5.1	3.8	5.9[2]
Equity per share[4]	9.08	9.85	9.55	9.31	9.66
High[5]	23.20	29.83	30.12	36.50	29.60
Low[5]	16.11	19.53	21.75	26.43	14.84
Year-end closing price[5]	23.20	24.75	28.25	27.89	17.76
Number of shares (in thousands)[6]	9,500	9,506	9,509	9,509	9,509
Year-end market capitalisation (in m€)[7]	232	248	282	279	178

1 Capital increase from company funds in combination with the issuance of new shares in 2017, data 2014 to 2016 were adjusted to enhance comparability.
2 Dividend proposal.
3 Based on the year-end closing prices of the respective financial year.
4 Excluding the distribution of the proposed dividends and the share in the profits of the minority shareholders.
5 Closing prices on Xetra, the electronic trading system of Deutsche Börse.
6 Number of outstanding shares as at 31 December (excluding treasury shares).
7 Based on all shares issued.

Performance of the Leifheit share price in 2018
compared to the SDAX in % (indexed to 100)

Share price performance

The Leifheit share (ISIN DE0006464506) started with a price of € 27.95 on Xetra on 2 January 2018. Until mid-March, the Leifheit share developed largely in line with the SDAX, peaking for the year at € 29.60 at the end of the trading day on 28 February 2018.

Shortly after the announcement of the former Chairman of the Board of Management's dismissal in October and the adjustment of the annual forecast, the Leifheit share bottomed out for the year, closing at € 14.84 on 18 October. The share price subsequently developed positively and rose to € 17.76 by the end of the year. The Leifheit share had been trading at € 27.89 at the end of financial year 2017, resulting in a decline of 36.3% over the course of 2018.

Leifheit AG's market capitalisation on the basis of all issued shares stood at around m€ 178 as at the end of financial year 2018 (31 December 2017: m€ 279). Adjusted for Leifheit AG's treasury shares, market capitalisation totalled m€ 169 (31 December 2017: m€ 265).

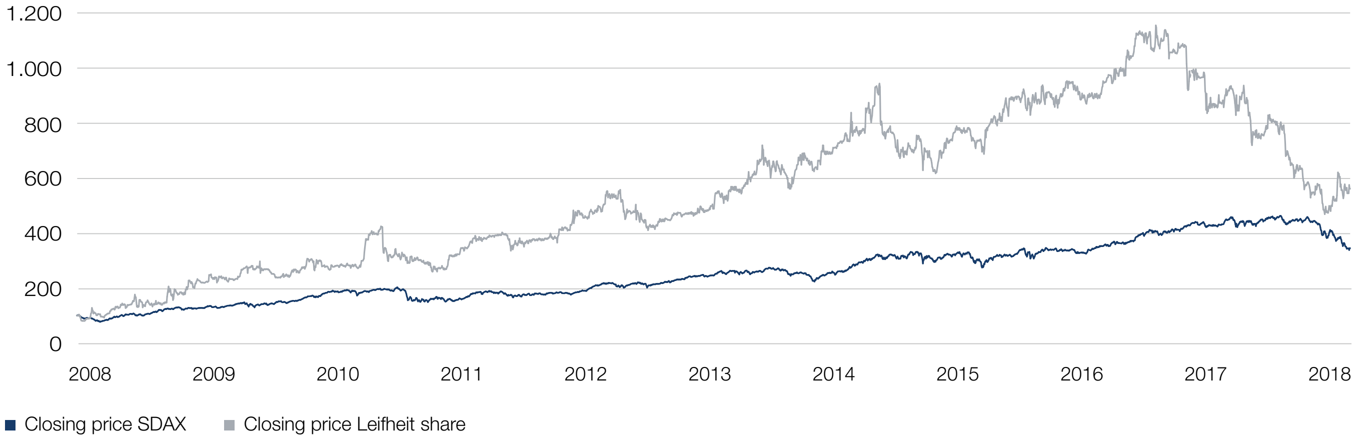
Trading volume

The Leifheit share was traded less frequently in financial year 2018 than in the previous year in Xetra, Deutsche Börse's electronic trading system. Whereas trading stood at an average of 15,690 shares a day in the previous year, that figure fell to 10,887 shares on average in financial year 2018.

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. The Board of Management and Supervisory Board will also consider the distribution of special dividends if the company's liquidity at the end of the year exceeds the expected liquidity requirements for the coming year for potential corporate takeovers and seasonal working capital fluctuations (in the total amount of roughly m€ 55) as well as for dividend payments.

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



Dividend proposal for financial year 2018

The Board of Management and Supervisory Board of Leifheit AG will propose to the Annual General Meeting on 29 May 2019 the payment of a dividend of € 1.05 per share entitled to dividends for the financial year 2018, corresponding to a total distribution to shareholders of m€ 10.0. If approved by the Annual General Meeting, the dividend will be paid out from 3 June 2019, resulting in a dividend yield of 5.9% based on the closing price at the end of financial year 2018.

In financial year 2017, 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 3.8% based on the closing price at the end of 2017.

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

2009	4.3% [1]	2014	3.9%
2010	5.6% [1]	2015	5.6%
2011	6.3%	2016	5.1%
2012	5.2%	2017	3.8%
2013	5.3%	2018	5.9%

[1] Plus special dividend following disposals.

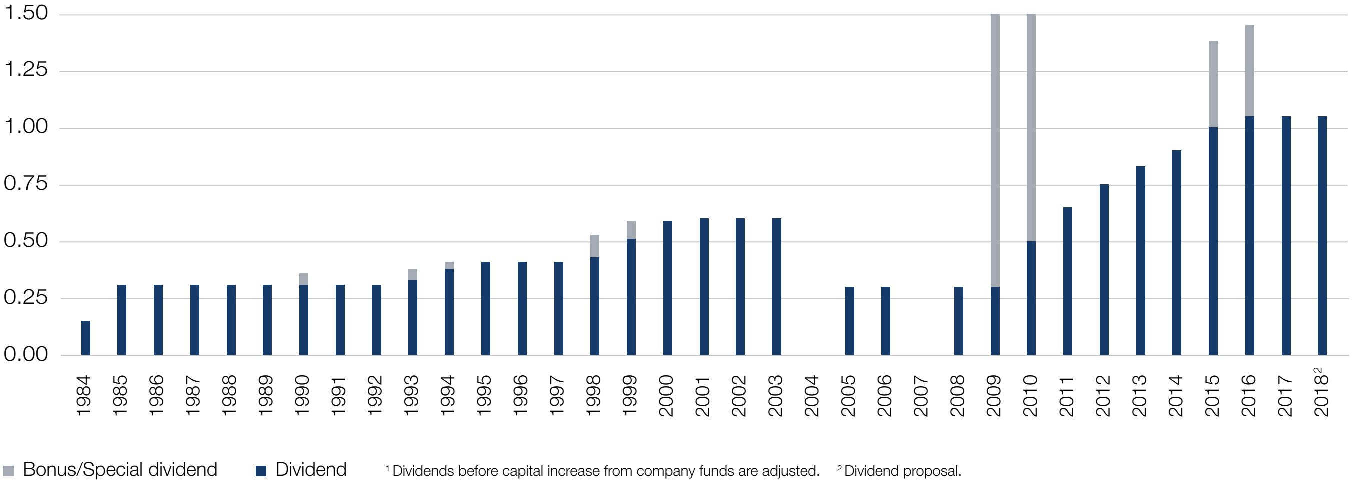
Shareholder structure

The share of Leifheit shares in free float increased slightly year on year as at the end of the financial year on 31 December 2018 and stood at 76.8% (2017: 76.7%). According to the information and voting rights notifications available to Leifheit, the shareholder structure of Leifheit AG was as follows as at 31 December 2018:

Shareholder structure of Leifheit AG

Manuel Knapp-Voith, MKV Verwaltungs GmbH, Grünwald (DE)	10.03%
Joachim Loh, Haiger (DE)	8.26%
Leifheit AG, Nassau (DE) – treasury shares	4.91%
Free float	76.80%
Shares above the disclosure threshold of 3% contained therein:	
Alantra EQMC Asset Management, SGIIC, S.A., Madrid (ES)	8.23%
Alex Paiusco, DBAY Advisors Limited, Douglas (IM)	7.33%
Teslin Capital Management BV/Gerlin NV, Maarsbergen (NL)	5.05%
MainFirst SICAV, Sennigerberg (LU)	5.04%
Douglas Smith, Blackmoor Ownership Holdings Master Limited, (KY)	3.01%

Historical dividend development[1]
Dividend per share in €



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

Treasury shares unchanged

In a resolution dated 21 May 2015, the Annual General Meeting granted authorisation to the company to purchase treasury shares until 20 May 2020 in the amount of up to 10% of the existing share capital. As in 2017, no treasury shares were purchased or used in financial year 2018. As at the balance sheet date of 31 December 2018, Leifheit AG held 490,970 treasury shares, corresponding to 4.91% of the share capital. A total of k€ 7,445 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 figures corresponds to an average purchase price of € 15.16 per share.

Communication with the capital market and shareholders

Leifheit aims to provide continuous, prompt, comprehensive and transparent information about all developments within the company and to maintain an active dialogue with investors. The Leifheit share was evaluated by three analysts in 2018 (2017: four analysts). In financial year 2018, Leifheit AG once again took advantage of several opportunities to engage in dialogue with shareholders and the capital market. The press conference announcing Leifheit's balance sheet results and the annual analysts' conference in March 2018 were two such examples. Many shareholders once again seized the opportunity for personal contact with the company at the Annual General Meeting in May 2018. At the same time, all shareholders and interested parties who were unable to personally attend the Annual General Meeting were offered the option of watching a live broadcast, so as to make the event as accessible as possible for people with disabilities and for a wide audience. Shareholders were also able to submit their votes on the individual items on the online service.

In addition, Leifheit AG regularly takes part in international capital market conferences such as the German Equity Forum (Deutsches Eigenkapitalforum). As a part of regular roadshows, Leifheit's Board of Management also visits key financial hubs in Germany and Europe.

The corporate and investor relations website of Leifheit AG (www.leifheit-group.com) provides additional information on the share and on strategy, as well as the Group's latest key figures, the financial calendar, financial reports, quarterly statements, news and presentations.

Contact:

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Combined management report

Foundations of the Group

The Leifheit Group is one of the leading European brand suppliers of household items. 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

Until 2018, the Leifheit Group divided its business segments into the reportable segments (hereinafter referred to as "segments" for short) Brand Business and Volume Business. The business segments were newly organised in financial year 2018.

We differentiate between

- the Household segment, in which we market and sell the Leifheit brand and products from the laundry care, cleaning 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 and Herby, which includes laundry care and kitchen goods created especially for private-label brands.

The Household and Wellbeing segments comprise our 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.

Reportable segments

LEIFHEIT GROUP

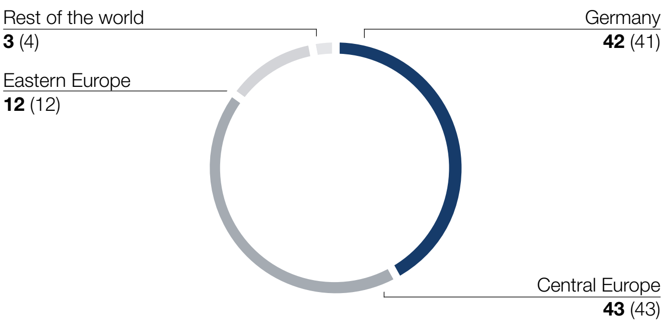
HOUSEHOLD	WELLBEING	PRIVATE LABEL
LEIFHEIT	SOEHNLE	BIRAMBEAU, herby
- High-quality brand products with a high degree of consumer benefit in the medium to upper price segment - Consistent brand management - Systematic processes for innovation and market launch - Distribution in international markets		- 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		

The Private Label segment comprises product ranges offered by the French subsidiaries Birambeau and Herby from the laundry care and kitchen goods 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.

Markets and market position

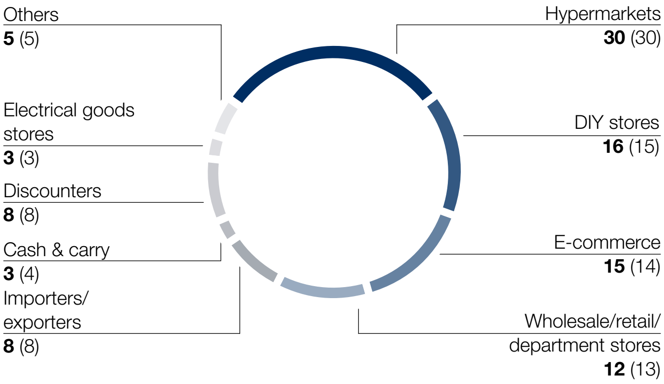
The Leifheit Group sells its products in more than 80 countries around the world. The focus sales markets are our domestic market of Germany, accounting for a share of around 42% of turnover, and the countries of Central Europe with a share of 43%. The sales and distribution region of Central Europe includes the Netherlands, France and Austria, for example. We currently generate around 12% of our turnover in Eastern European growth markets, such as the Czech Republic, Poland and Slovakia.

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



We are focusing our sales and marketing activities on European target markets. In addition, we are intensifying our distribution activities in the Asia/Pacific region. 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 if corresponding market opportunities occur. Non-European markets currently account for roughly 3% of Group turnover.

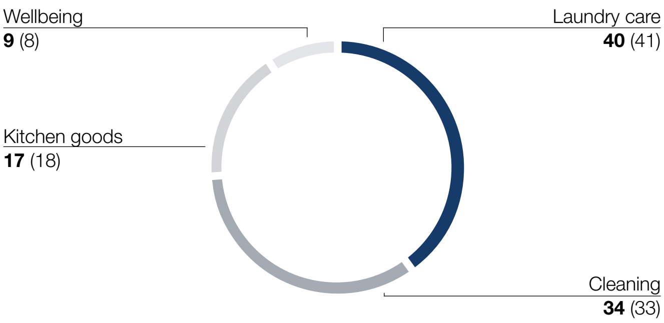
Distribution channels
Proportion of turnover in % (previous year's figures)



We sell our products where consumers want to buy them and have a presence in all the relevant sales channels. Hypermarkets, which account for a share of around 30% of turnover, are the Leifheit Group's strongest sales channels. We generate about 16% of Group turnover at DIY stores and around 12% in traditional wholesale and retail. As in recent years, modern home-shopping (e-commerce) once again exhibited the highest growth rates in the reporting period, accounting for a roughly 15% share of Group turnover in 2018.

We focus on core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing in each of our three business segments.

Group turnover by product categories
in % (previous year's figures)



Laundry care products, accounting for around 40% of turnover, are the largest product category. We generate 34% of Group turnover with cleaning products; around 17% of Group turnover comes from kitchen goods. In Germany and many European markets, Leifheit is among the leading providers of cleaning appliances, especially the so-called flat mop systems. The wellbeing category includes the Soehnle brand products and accounts for around 9% of turnover. Soehnle is the market leader for bathroom and kitchen scales in Germany. Here, we hold a market share of 39.2% for kitchen scales and 28.7% for bathroom scales. Soehnle is also among the leading providers in other European countries.

Developments and the results of our business activities are also influenced by external factors, especially the development of foreign currency against the euro and the weather conditions in seasonal business with rotary dryers. For the most part, the Leifheit Group operates in 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

The wholly owned subsidiary Guangzhou Leifheit Trading Co., Ltd, with its registered office in Guangzhou, China, was founded in Q2 2018. The company commenced business operations in Q4 2018. There were no further changes in the scope of consolidation or major changes in the organisational structure or business model in the reporting period.

Major changes since the balance sheet date

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.

Effective 28 February 2019, Ms Wärntges resigned from the Supervisory Board; effective 31 March 2019, Mr Zahn (Chairman) and Mr Gritzuhn (Deputy Chairman) resigned from the Supervisory Board.

The Supervisory Board has appointed Mr Henner Rinsche as Chief Executive Officer (CEO). Mr Rinsche will take up his office on 1 June 2019 at the latest.

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€ 178 as at 31 December 2018. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857, and its headquarters and registered office 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 distribution offices outside of Germany which are not legally independent in Brescia, Italy (established in 1982), and in Aartselaar, Belgium (established in 1987).

Leifheit AG has 14 direct or indirect subsidiaries. Leifheit AG's main (partly indirect) interests are Leifheit s.r.o. in the Czech Republic (production and logistics), Birambeau S.A.S. in France (logistics and distribution) and Herby Industrie S.A.S. in France (production, logistics and distribution).

The Board of Management currently has two members. It defines the strategy of the Leifheit Group and 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 13 sector directors and department heads.

Group strategy and objectives

In the interest of successful performance, we have created a comprehensive strategic framework with the aim of generating sustainable and profitable company growth. Along our path, we are constantly confronted with a variety of challenges that require a high degree of flexibility. Therefore, we used the reporting period to refocus the "Leifheit 2020" strategy pursued since financial year 2015. In particular, we made important strategic changes within the Group in order to strengthen our position as one of the leading suppliers of household items in Europe.

Consumers remain our most important target group. With their buying decisions, they determine our economic success. It is therefore crucial to understand their needs and to give them the right household solutions through our products and services. Our aspiration can be summed up as follows: "We are your leading experts for solutions that make your everyday life at home more easy and convenient."

Our vision is reflected in our strategic principles, which are an important source of guidance for the further development of our company. They include a stronger focus on consumers and retail customers, clear brand positioning and clear positioning of product categories. A deep understanding of the relevant sales markets and the right way to access them are also our priorities, both nationally and internationally. Throughout it all, the focus is always on the needs of consumers, which we aim to investigate and understand with increasing accuracy. We offer them consumer-relevant products of exceptional quality at all times, as well as best-in-class service and direct communication. For our retail customers, we develop tailored product-range and presentation solutions across all channels – online and offline. An efficient and flexible value chain helps us to keep our business profitable and safeguard our cash flow. At the same time, the digitalisation of processes and services is an integral part of our strategy. The basis for our success remains our employees and their dedication to providing extraordinary commitment every day.

In the financial year 2019, our focus is on the strategic core topics of digitalisation, innovation, internationalisation and efficiency. Our measures are aimed at creating a stronger efficient link between online and offline sales channels so as to do an even more consistent job of exploiting the attractive potential offered by e-commerce in the future. Among other things, we are creating a common platform for our online sales activities throughout Europe. At the same time, we are working on improving our customer service and constructing our dialogue with customers as simple and direct as possible. Our goal in doing so is to be even closer to the consumer, to react to enquiries as quickly as possible and to understand the current needs. This will help improve the functionality of our existing products and to launch demand-driven innovations even faster.

We have also initiated steps to further internationalise our company. We are intensifying our distribution activities and are investing more in the expansion of our brands in selected Eastern European markets, especially in Poland and the Czech Republic. We have also founded a distribution company in China in order to expand our business in the Asia/Pacific region as well.

We plan to enhance the efficiency of our internal processes by expanding and optimising our SAP environment. At the same time, we have initiated process optimisation measures that will lead to improved management and planning options.

The Leifheit Group is well positioned to master the strategic challenges in the markets. Our strong brands and our high-quality, consumer-relevant products, as well as our dedicated employees and our international sales and distribution network, have made us a leading provider in Europe for 60 years. With a solid balance sheet without financial liabilities, we are well positioned for potential acquisitions to support our future growth. This solid financial position also serves as the basis for our shareholder-oriented dividend policy.

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 strategy point of view, while also providing for remote operations. Maintaining only a few divisions and levels of hierarchy allows us to ensure fast and efficient collaboration within the Group. Our organisation is designed so that we provide optimal support to both our customers and brand management to advance our Group's strategy. In the interest of efficient management, we have also divided our business into the Household, Wellbeing and Private Label segments. The organisational structure and the process organisation are structured in such a way that they 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 major performance indicators of the Group are the turnover, the turnover of the segments, the earnings before interest and taxes (EBIT) and the free cash flow. Free cash flow is the total of cash flow from operating activities and cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as, if existing, from the acquisition and divestiture of business divisions.

The business segments were new organized in financial year 2018. Whereas in the past our reporting was categorised into Brand Business (Leifheit/Soehnle) and Volume Business (Birambeau/Herby/Project Business), the business segments are now reported into the reportable segments Household (Leifheit), Wellbeing (Soehnle) and Private Label (Birambeau/Herby). No significant changes beyond these were made to the control system.

The return on capital employed (ROCE) and earnings per share (EPS) indicators, which are calculated annually at Group level, will be included in the management system from financial year 2019, as the remuneration of the Board of Management will also be based on these indicators. ROCE relates the sum of EBIT and actual taxes to the capital employed, means the total amount of trade receivables, inventories and non-current assets less trade payables.

Innovation and product development

Leifheit aims to develop products and solutions that make consumers' lives at home easier and more convenient. Consumer-relevant products and solutions play an important role in the further organic growth of the Group. The main features of our innovation strategy are:

- constantly improving the existing product range and accelerating the development of new products
- making the product development process more efficient
- integrating consumers demand into the product development process
- establishing an international strategic network of innovation partners
- emphasising our design credentials
- ensuring a high degree of practicality and product quality

Our goal is to be even closer to the consumer than we have been so far and to understand the current needs of our customers. This will help us to improve the functionality of our existing products and to launch demand-driven innovations. The innovation process is being leveraged to develop a sustainable innovation pipeline for the years ahead. It gives our technical development efforts a long-term focus and delivers product concepts that are highly relevant for consumers in addition to corresponding economic potential.

Investing in innovation

Innovation and the constant improvement of the existing product range enable us to create the preconditions for the further expansion of our market position and future growth. The Leifheit Group invested m€ 5.5 in research and development activities in financial year 2018 (2017: m€ 5.2). The R&D ratio, which represents the ratio of research and development costs to Group turnover, amounted to 2.3% (2017: 2.2%). At the end of the year, 36 employees (2017: 35 employees) worked in the areas of development and patents.

New products for Leifheit and Soehnle

Our development efforts in the reporting period resulted in the launch of various new products and product improvements, especially in the product categories laundry care, cleaning and wellbeing. The new products and improvements launched include:

- Leifheit LinoPop-Up: a laundry dryer featuring convenient one-handed operation
- Leifheit Air Flow M Solid Plus: an ironing board with inflatable function
- Leifheit Extendable 230 Solid: an extendable laundry dryer
- Leifheit Aquanta: a window vacuum cleaner for 360° useable
- Soehnle Page Aqua Proof kitchen scale: dishwasher-safe kitchen scale
- Soehnle glass kitchen scales: the entire product range has been overhauled
- Soehnle Connect: enhancement of the Connect app and addition of further product categories, such as blood pressure monitors and air purifiers

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. In the reporting period, the German Federal Court of Justice (Bundesgerichtshof) decisively upheld Leifheit AG's CLEAN TWIST patent and rejected an action for annulment in a final decision. Prior to that, we had already won a final decision in the patent infringement proceedings in Germany and Austria.

Economic environment

The global economy continued to grow in the reporting period, albeit more slowly than forecasted at the start of the year. The German economy also lost steam. Retail turnover continued to rise, and the US dollar became more expensive.

Macroeconomic situation

In its April 2018 forecast, the International Monetary Fund (IMF) expected global gross domestic product (GDP) to grow by 3.9% (2017: 3.7%). Even then, the IMF warned that growth would slow due to an increase in global and economic tensions. The IMF also forecast that the expansive monetary policy practised by central banks in the US and Europe would come to an end. In October 2018, the IMF adjusted its growth forecasts and downgraded the projected global GDP growth rate to 3.7% for 2018 and 2019. At the same time, the IMF issued a warning about the growing likelihood of negative influences on economic activity, especially due to global trade conflicts like the one between the US and China, and in connection with uncertainties such as the United Kingdom's unresolved exit from the European Union.

Europe

At 2.4%, the Eurozone posted its highest economic growth rate in the last ten years in 2017. In its November 2018 autumn forecast, however, the European Union said it was expecting economic activity to slow down. Accordingly, the Commission expects to see economic growth of 2.1% in the Eurozone in 2018. For the 27 EU states (excluding the United Kingdom), the EU Commission anticipates growth of 2.2% in 2018. The EU Commission cites the tensions in global trade and the decline in foreign trade as the main factors behind the slowdown in growth in the European Union. At the same time, the employment rate continued to see positive development in the Eurozone, with strong domestic demand and investment activity also helping shore up growth.

In France, GDP growth gained a slight amount of momentum and stood at 1.7% in the reporting period compared to 1.6% in the previous year. The Italian economy also posted growth, although the rate of 1.1% was significantly lower than the 1.5% seen in 2017. According to the European Commission, the Spanish economy's race to increase continued to slow down, with economic growth declining from 3.1% in the previous year to 2.6% in 2018. The Dutch economy continued to grow rapidly in financial year 2018, posting an increase of 2.8% (2017: 3.2%), as did Austrian GDP (2018: 2.7%; 2017: 2.6%).

The newer member states in the eastern reaches of the EU again recorded stronger growth in gross domestic product than their more senior counterparts. The European Commission is forecasting economic growth of 4.8% for Poland for 2018, which is even faster than the rate seen in the previous year (2017: 4.2%). At 3.0%, the Czech economy also grew rapidly, albeit more slowly than just one year earlier (2017: 4.3%). Slovakia's gross domestic product continued to post substantial growth, rising 4.0% in the reporting period, after the increase of 3.3% in 2017.

Germany

In December 2018, the German Institute for Economic Research (DIW) corrected its forecast for the German economy from 1.8% GDP growth to 1.5%. Initial calculations by the Federal Statistical Office in January 2019 confirmed this figure. As a result, the German economy grew for the ninth year in a row, even though that growth has lost momentum due to a substantial slowing of export activity. Adjusted for price, GDP grew by 2.2% in 2017.

US dollar

Following substantial losses in 2017, the US dollar regained value over other leading currencies throughout 2018. The gains were primarily fuelled by a string of increases in the US prime rate, whereas the European Central Bank left the benchmark interest rate for the euro unchanged at 0.0%. At the end of 2017, the reference rate for the euro stood at roughly 1.20 US dollars. The reference rate continued to rise over the course of the first quarter, peaking at 1.25 US dollars in early to mid-February. From May 2018 on, the euro reference rate fell back below the 1.20 US dollar mark, ultimately stabilising between 1.18 and 1.16 by the end of September 2018. The euro reference rate resumed its downward trend in mid-October, ending the year at around 1.15 US dollars on 31 December 2018. As a result, the US dollar was around 4% stronger at the end of 2018 than at the start of the year.

Industry development

Retail turnover and private consumer spending

According to Eurostat, the European Union's statistical office, retail sales volume adjusted for price grew by 2.1% in the European Union between November 2017 and November 2018. Growth in the European retail sector was therefore slower than just one year earlier (November 2016 to November 2017: 2.7%), but was still positive. In the Eurozone, retail sector growth stood at just 1.1% (November 2016 to November 2017: 2.8%).

Retail growth also slowed down in Germany in 2018. According to the Federal Statistical Office, retailers in Germany recorded a 1.4% to 1.5% year on year rise in real turnover in 2018, placing the growth rate well below the previous year's figure of 2.3%. Turnover of furnishings, household appliances and building materials – the category relevant for the Leifheit Group – increased by 1.2% in real terms in 2018, slightly below the average growth rate. In 2017, this sector grew by 2.0%. By contrast, e-commerce and mail-order retail sales continued to post substantial growth, albeit at a slower real rate of 4.2% (2017: 7.7%). The GfK market research institute expects private consumer spending to increase by 1.5% in 2018, compared to 2.0% in the previous year.

The economic climate index published by the ifo Institute, Munich, Germany, which tracks expectations of future development and the current situation in various industries, stood at 9.1 points for the wholesale/retail trade sector at the end of the financial year in December 2018. This figure was the weakest value of the year, with the index for the wholesale/retail trade sector still standing at 18.4 points in December 2017. The economic climate index for the wholesale/retail trade sector peaked at 19.5 points in January 2018.

Consumer confidence

The Consumer Confidence Indicator, which is determined by the European Commission, measures European consumers' propensity to consume. In 2018, the indicator lost 2.3 points in the Eurozone and 2.2 points in the EU as a whole, falling to –6.2 points in the Eurozone (2017: +0.5 points) and –5.9 points in the EU (2017: –0.6 points). As a result, the indicator remained well above the long-term averages of –12.0 points (Eurozone) and –11.1 points (EU).

The GfK consumer climate index for Germany painted a similar picture. The consumer climate – which reflects consumer expectations, income expectations and propensity to buy – declined slightly on the whole in 2018. After starting at 10.8 points in January 2018, the consumer climate remained largely stable over the course of the year. In August, however, it fell to 10.6 points before stabilising at 10.4 points towards the end of the year. As a result, the figure was high over the course of the year as a whole.

Regulatory environment

The regulatory environment for Leifheit AG's business model and products remained largely unchanged in financial year 2018.

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

In 2018, the Leifheit Group generated turnover of m€ 234.2. Earnings before interest and taxes reached m€ 13.1. The focus in 2018 was on pressing ahead with the Group's core strategic themes and thereby achieving the requirements for sustainable turnover growth and profitability in the future.

Comparison of actual performance with projected business performance

The financial year 2018 confronted us with various challenges, and our business development fell considerably short of our expectations. This applies both to the turnover in the company group and to EBIT.

The forecasts for the development of turnover, earnings and other key performance indicators that we submitted upon the publication of the 2017 financial report for 2018 were subject to constant review over the course of the year. They were adjusted according to business development. The forecast adjustments were carried out following the publication of the quarterly figures in May and August, together with an ad hoc report in October.

In our original forecast, we anticipated EBIT totalling m€ 17 to m€ 18. Due in particular to the lack of contribution margins from the turnover growth not realised, EBIT fell short of our expectations at m€ 13.1. Additional negative factors affecting earnings development were expenses for the changes in the Board of Management, higher purchasing prices determined by foreign currencies and market prices, and product and customer mix effects.

During the reporting period Group turnover amounted to m€ 234.2, thereby 1.1% below that of the previous year. In our original forecast, we had predicted growth of 4% to 5%. After the first quarter of 2018 had been characterised by unfavourable weather conditions for our business, we adjusted our turnover forecast slightly in May, and then anticipated a plus of just under 4% to 5%, and an EBIT at the lower end of our original forecast range.

We achieved moderate Group turnover growth during the first half of 2018, but this was less than we had originally planned. A key factor here was increasing market saturation with electrical products for cleaning glass surfaces, which affected our business more than expected. For this reason we corrected our forecast for Group turnover growth from that point to 2.5% to 3.5%. At the same time we adjusted our EBIT forecast slightly, to m€ 16 to m€ 17.

After a period of nine months, Group turnover was equivalent to that of the previous year, and thus considerably lower than foreseen in planning. In the light of the dismissal of the Chairman of the Board of Management on 15 October 2018, we adjusted the earnings and turnover forecasts accordingly, and thus predicted turnover approximately equal to that of the previous year and earnings of m€ 13 to m€ 14.

In the previous Brand Business segment we achieved turnover of m€ 195.7, and were therefore just short of (–0.5%) the level for the previous year of m€ 196.7. The development of the segment benefited from the recently introduced cleaning products and wellbeing product ranges. However, sales in Brand Business remained below our expectations. In our original forecast, we anticipated growth of 5% to 6% in Brand Business. We adjusted the forecast slightly in August 2018, and then anticipated a plus of 3% to 4%. Against the background of the turnover development during the first nine months and the planning for the remainder of the year, in October 2018 we anticipated a slight year on year increase in Brand Business.

In the previous Volume Business segment, we achieved turnover of m€ 38.5 during the reporting period (2017: m€ 40.1), denoting a reduction of 4.1%. At the time of the original forecast, we anticipated turnover on par with the previous year in this segment. We also adjusted these expectations slightly in October 2018, and then anticipated a slightly lower turnover than that of the previous year.

At m€ 3.7, free cash flow also remained below expectations for 2018. We had expected free cash flow of m€ 5 to m€ 7. This was caused primarily by the cash flows not realised from the turnover growth that was not achieved.

Forecast-actual-comparison	Actual 31 Dec 2017	Forecast 2018	Adjustment May 2018	Adjustment August 2018	Adjustment October 2018	**Actual 31 Dec 2018**
Group turnover	m€ 236.8	approx. +4 to 5%	pillar slightly +4 to 5%	+2.5 to 3.5 %	on par with previous year	m€ 234.2 −1.1%
Turnover Brand Business	m€ 196.7	approx. +5 to 6 %		approx. + 3 to 4%	slight growth	m€ 195.7 −0.5 %
Turnover Volume Business	m€ 40.1	on par with previous year			slightly below the previous year	m€ 38.5 −4.1 %
Group EBIT	m€ 18.8	approx. m€ 17 to m€ 18	at the lower end of the range from m€ 17 to m€ 18	approx. m€ 16 to m€ 17	m€ 13 to m€ 14	m€ 13.1
Free cash flow	m€ 1.5	m€ 5 to m€ 7				m€ 3.7

Business performance

In financial year 2018, the Leifheit Group generated turnover of m€ 234.2, which was slightly less than that of the previous year (2017: m€ 236.8). In its domestic market Germany, as well as in Eastern Europe, the Leifheit Group was able to report growth, while turnover development in Central Europe and in markets outside Europe fell short of expectations. At the same time we were able to further expand our international structures, thereby improving the conditions for sustainable future growth. Our sales company in China, founded during the reporting period, and which began operations in the fourth quarter, also contributed to this.

The business segments – previously reported as Brand Business and Volume Business – were reorganised during the reporting period. Turnover in 2018 in the new Household segment, which is by far the biggest, comprising the Leifheit brand together with laundry care, cleaning and kitchen goods categories, was slightly lower than in the previous year. In the considerably smaller Wellbeing segment, which comprises the Soehnle brand, together with the scales, health products and air conditioners product ranges, we were able to achieve turnover growth. In contrast, we recorded a slight reduction in turnover in the Private Label segment.

The e-commerce sales channel increased its share of Group turnover once again in the reporting period, and showed considerable growth of 6.8% compared with the previous year.

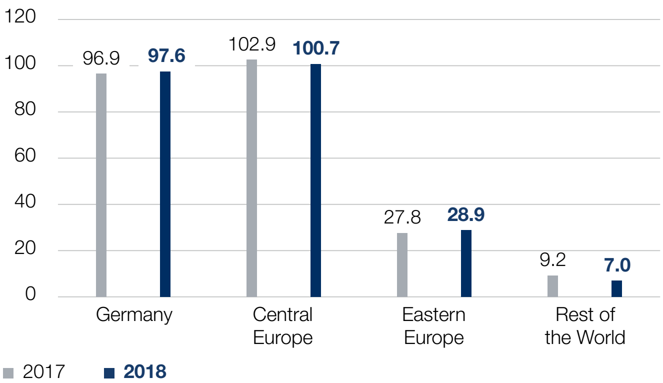
Due to the first-time application of the new IFRS 15 standard for revenue from contracts with customers, the turnover cannot be compared fully with the previous year. Due to the changeover, turnover in financial year 2018 increased by m€ 0.2. Without the changeover, turnover would have amounted to m€ 234.0.

Group turnover by region

Germany

In financial year 2018 we were able to record moderate growth in turnover in our domestic market Germany. After recording Group turnover of m€ 96.9 in financial year 2017, we achieved growth of 0.7% in the reporting period, with m€ 97.6. Growth in Germany was predominantly driven by the Wellbeing segment. German business thus represented a share of 41.7% of Group turnover (2017: 40.9%).

Group turnover by region
in m€



Central Europe

In Italy, the Netherlands, the UK and Greece, the Leifheit Group achieved considerable increases in turnover. This meant that the negative turnover development in central Europe in 2017 could be slowed, but not stopped completely. The background to this is that the reductions in turnover in France and Luxembourg, as well as in Portugal, Switzerland and Belgium could not be fully compensated for. In financial year 2018, total turnover in the region went down by 2.2% to m€ 100.7, after m€ 102.9 had been achieved in the previous year. The share of Group turnover for Central Europe was 43.0% in the reporting period (2017: 43.5%).

Eastern Europe

In financial year 2018, we were able to achieve a considerable increase in turnover in Eastern Europe. Growth was predominantly driven by the Private Label segment, but the Wellbeing segment also made a significant contribution to the positive development. During the reporting period, turnover for the region reached m€ 28.9, denoting an increase of 3.7% (2017: m€ 27.8). The significant two-digit growth in Romania, the Ukraine and Hungary, and the strong performance in Poland were slightly countered by the declining turnover in the Czech Republic and in the Baltic. The 12.3% share of Group turnover for the Eastern Europe region was once again higher in financial year 2018 than in the previous year (2017: 11.7%).

Markets outside Europe

In the opportunistically-driven business outside Europe, we recorded a considerable decline in turnover of 22.7% to m€ 7.0 in financial year 2018 (2017: m€ 9.2). This decline can be attributed in particular to the development in project business. However, with the founding of the sales company in China in the reporting period we have laid the foundation for developing business in the Asia-Pacific region in the future. While we achieved a significant increase in turnover in Oceania, turnover volumes in the US, Middle East, Far East and Africa were considerably lower than in the previous year. Business outside Europe represented a share of 3.0% of Group turnover (2017: 3.8%).

Group turnover by quarter

The Leifheit Group financial year 2018 began in the first quarter with a slight decline in turnover of 0.4% compared with the first quarter of the previous year. The background to this was the unfavourable weather conditions in March, which had a negative effect on turnover volume. The slightly weaker turnover during the first quarter was more than compensated for in the second quarter of 2018, particularly due to strong business performance in Germany, and Group turnover increased by 1.5%. Nevertheless, growth fell short of expectations. During the third and fourth quarters, the Leifheit Group reported further declines in turnover of 1.9% and 3.6% respectively.

Group turnover development by quarter in m€	2017	2018	Change
Q1	62.5	62.2	–0.4%
Q2	58.4	59.3	+1.5%
Q3	56.6	55.6	–1.9%
Q4	59.3	57.1	–3.6%
	236.8	**234.2**	**–1.1%**

Group turnover by segment

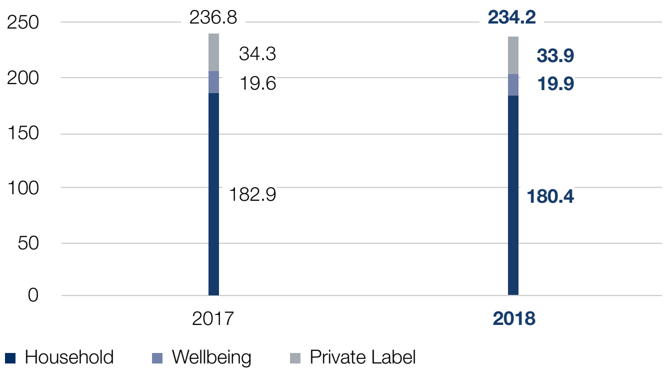
Household

The new Household segment, which comprises the Leifheit brand and the laundry care, cleaning and kitchen goods categories, is the segment with the highest turnover in the Leifheit Group. During the reporting period, turnover in this segment totalled m€ 180.4, 1.4% less than the previous year (2017: m€ 182.9). In financial year 2018 we achieved 77.0% of Group turnover in the Household segment (2017: 77.2%).

During the reporting period, electrical products for cleaning glass surfaces were exposed to increasing market saturation. Nevertheless, by introducing product innovations such as the rechargeable Regulus PowerVac cleaner and the CleanTenso steam cleaner, we were able to increase turnover considerably within the segment throughout the whole cleaning product range. However, this positive development could not fully compensate for the low turnover volumes of the laundry care and kitchen goods categories.

In our domestic market Germany, the Household segment remained stable at a high level during financial year 2018. In the target market Central Europe, we also reported a slight plus and were able in part to increase considerably in the key markets France, the Netherlands and Austria. This was contrasted especially by the lower volumes in Luxembourg, Italy, Portugal and Switzerland. In Eastern Europe in financial year 2018, turnover decreased slightly in the Household segment. The background to this was lack of turnover volume, especially in Poland and the Czech Republic, which could not be fully compensated for by growth in Romania, Russia and the Ukraine.

Group turnover by segment
in m€



Wellbeing
Wellbeing is the second of the three newly defined segments, and comprises the Soehnle brand and 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 8.5% share of Group turnover, it is significantly smaller than the Household segment.

In financial year 2018, we were able to increase turnover in the Wellbeing segment by 1.2% to m€ 19.9 (2017: m€ 19.6). For this segment, Germany is by far the largest market, followed by the Netherlands, Austria, Italy and Luxembourg. Growth drivers during the reporting period were in particular the new and innovative Soehnle Living and Soehnle Medical product categories, while turnover of scales were lower than in the previous year.

In the Wellbeing segment, we achieved strong growth in the domestic market Germany. Turnover also saw double-digit growth in Eastern Europe. In contrast, turnover volumes in Central Europe during financial year 2018 were lower than in the previous year. Downturns in Luxembourg, Austria and France could not be fully offset by significant gains in Italy, Switzerland and Scandinavia. Business outside Europe also saw declines in turnover.

Private Label
The Private Label segment comprises the French subsidiaries Birambeau and Herby, with laundry care and kitchen goods, respectively, specially produced for brand names. The segment is strongly focused on individual markets and customers, whereby France represents the core market.

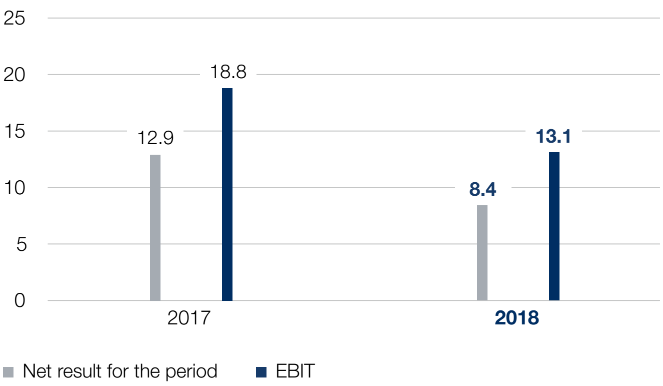
In the Private Label segment we achieved turnover of m€ 33.9 in financial year 2018, representing a slight year on year decrease of 1.0% (2017: m€ 34.3). This development can be attributed especially to the continued weakness of individual trading partners in France. At the same time the segment showed strong growth in Central Europe in Italy, Spain and Portugal, which slowed the decline in turnover slightly. In Eastern Europe the Private Label segment achieved three-digit percent growth. Outside Europe no significant turnover volumes were achieved in this segment.

Development of results of operations

Changeover IFRS 9 and IFRS 15

As at 1 January 2018, the new standards IFRS 9 Financial Instruments and IFRS 15 Contracts with Customers were applied for the first time. In accordance with the selected changeover methods, the comparative figures of the previous year were not adjusted. The following commentary also explains the key positions affected by this, which are not comparable or only partly comparable to the previous year.

Group result
in m€



In financial year 2018, the Leifheit Group achieved EBIT in the amount of m€ 13.1 (2017: m€ 18.8). The year on year decrease of m€ 5.7 was predominantly a result of the reduced gross profit, mainly caused by foreign currency effects and price increases for materials. Accordingly the EBIT margin in the reporting period was 5.6% (2017: 8.0%). It is calculated as the ratio of EBIT to turnover.

Earnings before taxes (EBT) were m€ 11.9 in financial year 2018 (2017: m€ 17.7). The net interest and financial result of m€ –1.2 contained therein was at the level of the previous year. After deduction of taxes of m€ 3.5, Leifheit achieved a net result for the period of m€ 8.4 (2017: m€ 12.9).

Without the changeover due to IFRS 9 and IFRS 15, EBIT would have been m€ 12.9, and would thus have been m€ 0.2 below the Group EBIT of m€ 13.1. Overall the period result would have been m€ 0.1 lower, and would have amounted to m€ 8.3.

Comprehensive income after taxes amounted to m€ 12.9 in the reporting period (2017: m€ 7.7). It includes the net result for the period and, in addition, other comprehensive income. The other comprehensive income also includes components that are recorded directly under equity as other reserves. This relates to the foreign 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 actuarial gains and/or losses from pension obligations.

Other comprehensive income rose during the reporting period to m€ 4.5 (2017: m€ –5.2). The increase of m€ 9.7 was predominantly due to the change in fair values of forward exchange transactions which are subject to hedge accounting and actuarial gains from pension obligations. The first-time application of Heubeck's 2018 G mortality tables had a counteracting effect.

Gross profit

Gross profit in the reporting period fell by m€ 7.8 to m€ 102.1 (2017: m€ 109.9). The year on year decline was mainly due to currency-related increases in purchasing prices, price increases for materials, higher customer conditions, lower contribution margins from reduced turnover and negative customer and product mix effects.

The gross margin, which is calculated from gross profit related to turnover, thus sank by 2.8 percentage points to 43.6% (2017: 46.4%).

Without IFRS 9 and IFRS 15, gross profit would have been m€ 0.2 lower.

Income statement (short version) in m€	2017	2018
Turnover	236.8	234.2
Earnings before foreign currency result, interest and taxes	**20.3**	**12.8**
Foreign currency result	–1.5	0.3
EBIT	**18.8**	**13.1**
Interest and financial result	–1.1	–1.2
EBT	**17.7**	**11.9**
Income taxes	–4.8	–3.5
Net result for the period	**12.9**	**8.4**
Other comprehensive income	–5.2	4.5
Comprehensive income after taxes	**7.7**	**12.9**

Research and development costs

Expenses for research and development amounted to m€ 5.5 (2017: m€ 5.2). These costs mainly include personnel costs, costs for services and patent fees. The increase of m€ 0.3 resulted predominantly from higher expenses for the further development of web applications.

Distribution costs

Distribution costs fell to m€ 70.5 during the reporting year (2017: m€ 71.6). They include advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external teams.

Restructuring of sales incurred m€ 1.8 in the previous year. Due to the changeover from self-employed sales representatives to a company field sales force, commission expenses fell, while personnel expenses rose. Lower advertising expenses contrasted with higher freight out and contractual penalties. Furthermore, sales expenses were subject for the first time to impairments on brand rights and goodwill of the Soehnle cash generating unit amounting to m€ 0.4.

Administrative costs

Our administrative costs decreased in financial year 2018 by m€ 0.5 to m€ 14.2 (2017: m€ 14.7). First and foremost, these costs include personnel costs and services to support our financial and administrative functions.

The reduction in Board of Management salaries of m€ 1.5 was predominantly due to the departure of the CFO in the previous year. This was offset by expenditure in connection with the departure of the Chairman of the Board of Management and the COO in the reporting year amounting to m€ 1.1. Expenses for services increased due to projects.

Other operating income and expenses

Other operating income fell during the reporting period by m€ 1.2 to m€ 1.2 (2017: m€ 2.4). This mainly includes fees and licensing royalties. In financial year 2017, we generated one-off income from the sale of land not used for operating purposes in the amount of m€ 1.1. Other operating expenses amounted to m€ 0.4 (2017: m€ 0.3)

Foreign currency result

The foreign currency result increased by m€ 1.8 to m€ 0.3 (2017: m€ –1.5). It includes changes in the fair values of forward foreign exchange transactions for which no hedging relationship exists, foreign currency valuations and foreign currency gains and losses realised.

Interest and financial result

The interest and financial result amounted to m€ –1.2 (2017: m€ –1.1). Interest income was thus at m€ 0.1 around the level of the previous year, due to the continuing low rate of interest. Interest expenses amounted to m€ 1.2 (2017: m€ 1.3), while m€ 1.1 of this amount was attributable to interest accruals to pension obligations (2017: m€ 1.2).

Income taxes

In financial year 2018, income taxes at the Leifheit Group totalled m€ 3.5 (2017: m€ 4.8). The drop was the result of lower earnings before taxes. Income taxes included income taxes in Germany totalling m€ 2.2 (2017: m€ 3.6), foreign income taxes totalling m€ 1.5 (2017: m€ 1.3) and deferred taxes totalling m€ –0.2 (2017: m€ –0.1).

The tax ratio was therefore 29.3% (2017: 27.2%). This ratio is the relationship of taxes on income to EBT.

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. High levels of liquid assets improve our financial flexibility and secure our solvency and independence across the Group. Further credit lines available at short notice enable us to draw on further liquidity reserves if necessary.

The Group liquidity and lines of credit available mean that we are always in a position to meet our payment obligations. There are no restrictions regarding the availability of cash.

We also control our currency exchange risks on a Group-wide basis. We guarantee this through the use of selected derivatives. The use of derivatives is exclusively for the purpose of hedging our underlying business. 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 financial 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 2018, we held cash and cash equivalents, for the most part in euros, Czech korunas, US dollars and HK dollars. We also invest in near-money-market funds to reduce counterparty risks with banks. In the process, we pursue a prudent investment policy. As a result, we generally only invest in financial assets of issuers that have a minimum credit rating of BBB and/or in financial instruments with an average rating of at least 90% investment grade.

Management of capital structure

Our primary objective in the management of the capital structure is maintaining a strong financial profile. As a result, we focus on maintaining sufficient levels of equity. We do this in order to boost 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

Equity and liabilities	31 Dec 2017		**31 Dec 2018**	
	m€	Share in %	**m€**	**Share in %**
Equity	98.5	43.8	101.8	45.9
Current liabilities	53.1		51.7	
Non-current liabilities	73.3		68.3	
Liabilities	126.4	56.2	120.0	54.1
	224.9	**100.0**	**221.8**	**100.0**

The equity ratio stood at 45.9% at the end of financial year 2018 (2017: 43.8%). 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 54.1% (2017: 56.2%) and thereby improved by 2.1 percentage points year on year.

Group debts as at 31 December 2018 mainly comprised pension obligations totalling m€ 65.0 (2017: m€ 69.5), trade payables and other liabilities totalling m€ 44.9 (2017: m€ 43.8), other provisions to the value of m€ 7.8 (2017: m€ 9.1), derivative financial instruments to the value of m€ 0.7 (2017: m€ 2.4) and deferred tax liabilities totalling m€ 1.1 (2017: m€ 1.0). As in previous years, Leifheit had no liabilities to banks at the end of financial year 2018.

Analysis of Group liquidity

Net liquidity in m€	31 Dec 2017	31 Dec 2018	Change
Credit balances at banks	28.2	50.9	80.5%
Current financial assets	29.0	–	>–100%
Group liquidity	**57.2**	**50.9**	**–11.0%**
Financial liabilities	–	–	–
	57.2	**50.9**	**–11.0%**

As at 31 December 2018, Group liquidity totalled m€ 50.9 (2017: m€ 57.2). It only included cash and cash equivalents. As at 31 December 2017, as well as cash and cash equivalents, Group liquidity also included other financial investments and financial assets in the form of bond funds. These bond funds (m€ 29.0) were sold in 2018.

As at the balance sheet date, credit balances at banks were mainly composed of sums in euros totalling m€ 48.1 (2017: m€ 16.9), Czech korunas to the value of m€ 1.4 (2017: m€ 2.4), US dollars to the value of m€ 0.6 (2017: m€ 7.3), HK dollars to the value of m€ 0.4 (2017: m€ 0.2), Chinese yuan to the value of m€ 0.1 (2017: m€ 0.7), and Polish zloty to the value of m€ 0.0 (2017: m€ 0.3).

Analysis of Group statement of cash flow

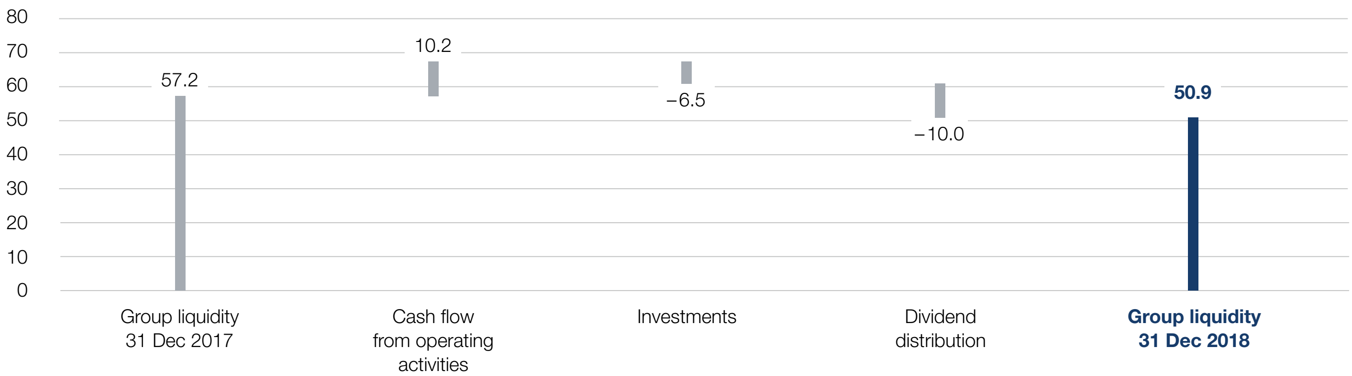
m€	2017	2018	Change
Cash flow from operating activities	7.2	10.2	3.0
Cash flow from investment activities	–10.7	22.5	33.2
Cash flow from financing activities	–13.8	–10.0	3.8

Cash inflow from operating activities in financial year 2018 totalled m€ 10.2 (2017: m€ 7.2). It derives mainly from the net result for the period totalling m€ 8.4 (2017: m€ 12.9), amortisation to the value of m€ 6.9 (2017: m€ 6.4), the increase in inventories, trade receivables together with other assets of m€ 3.1 (2017: m€ 4.7) as well as the increase of m€ 0.1 in trade payables together with other liabilities (2017: decrease of m€ 5.9). The rise in cash inflow from operating activities in the financial year totalled m€ 3.0. In the previous year long term variable Board of Management remuneration totalling m€ 6.2 was paid out. This contrasted, however, with a lower net result for the period of m€ 4.5.

Cash flow from investment activities stood at m€ 22.5 in the reporting period (2017: cash outflow m€ 10.7). Payments for the purchase of tangible and intangible assets amounted to m€ 6.6. Therefore investments were m€ 1.2 lower than in the previous year (2017: m€ 7.8). No essential fixed assets were sold during the reporting period, while in the previous year turnover of m€ 2.1 was generated from the sale of land not used for operational purposes. Cash flow from investment activities also includes incoming and outgoing payments for the sale or respectively purchase of financial assets. In reporting period 2018 all bond funds were sold, which led to payments totalling m€ 29.0. This contrasted with payments in bond funds in the previous year totalling netted m€ 5.0.

Cash flow from financing activities amounted to m€ 10.0 (2017: m€ 13.8) This was solely due to the payout of dividends totalling m€ 10.0. (2017: m€ 13.8).

Group liquidity
in m€



Free cash flow

m€	2017	2018	Change
Cash flow from operating activities	7.2	10.2	3.0
Cash flow from investment activities[1]	–5.7	–6.5	–0.8
Free cash flow	1.5	3.7	2.2

[1] Adjusted for financial assets.

Free cash flow increased in financial year 2018 by m€ 2.2 to m€ 3.7 (2017: m€ 1.5). The reason for the increase is the m€ 3.0 increase in cash flow from operating activities. This was compared by higher investments amounting to m€ 0.8. 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.

Lines of credit

In financial year 2018, Leifheit had short-term revolving credit lines in the amount of m€ 11.6 (2017: m€ 11.6). On 31 December 2018 m€ 0.8 of this was utilised in the form of guarantees (2017: m€ 0.4).

Development of net assets

Balance sheet structure

The balance sheet total of the Leifheit Group decreased as at 31 December 2018 by m€ 3.1 year on year to m€ 221.8 (2017: m€ 224.9). On the asset side, this resulted primarily due to the lower amount of liquid funds and deferred tax assets, and on the liabilities side due to lower pension obligations. Without the changeover to IFRS 9 and IFRS 15, the balance sheet total would have been reduced by a further m€ 1.5 to m€ 220.3.

As at the balance sheet date, current assets totalled m€ 155.7, and thus m€ 0.9 less than as at 31 December 2017. Cash increased by m€ 22.7 to m€ 50.9 as at 31 December 2018 (2017: m€ 28.2). The primary reason for the increase is the sale of bond funds to the value of m€ 29.0, which were reported on the balance sheet in the previous year as financial assets. Trade receivables amounted to m€ 50.7, around the same as the previous year (2017: m€ 50.8). At the same time, inventories increased by m€ 1.9 to m€ 46.4, in particular due to higher stockpiling for action orders in January and for the approaching rotary dryer season (2017: m€ 44.5). Due to the changeover to IFRS 15, the contractual assets position was entered on the balance sheet for the first time. This concerns contingent claims for amounts due for not yet invoiced deliveries to the consignment warehouse totalling m€ 1.6 (1 Jan 2018: m€ 1.4 / 31 Dec 2017: m€ 0.0). Other current assets increased by m€ 0.9 to a total of m€ 3.8. This included VAT receivables contingent on the balance sheet date totalling m€ 2.1, which increased by m€ 0.5 (2017: m€ 1.6).

Current and non-current active derivative financial instruments increased by a total of m€ 1.1 to m€ 1.2 (2017: m€ 0.1) while at the same time current and non-current derivative financial instrument liabilities decreased by a total of m€ 1.7 to m€ 0.7 (2017: m€ 2.4). This change resulted primarily from the use of the forward exchange transactions concluded in previous years for financial year 2018 and the change in the fair values of forward exchange transactions for January 2019 until February 2020.

Non-current assets decreased as at 31 December 2018 by m€ 2.2 to m€ 66.1 (2017: m€ 68.3). This was mainly due to the reduction in intangible assets and deferred taxes. The intangible assets included impairments on brand rights and goodwill of the Soehnle cash generating unit totalling m€ 0.4. Furthermore, deferred tax assets were reduced due to the actuarial gains of pension obligations.

Current liabilities with maturities of less than one year fell by m€ 1.4 to m€ 51.7 (2017: m€ 53.1). Trade payables and other liabilities increased by m€ 1.1 to m€ 44.9 (2017: m€ 43.8). Due to the changeover to IFRS 15, trade payables and other liabilities also included repayment obligations totalling m€ 1.2 (1 Jan 2018: m€ 0.8/31 Dec 2017: m€ 0.0). This was offset by lower liabilities related to customer bonuses, other customer conditions and advertising cost subsidies of m€ 1.2. Current derivative financial instruments decreased by m€ 1.1 to m€ 0.7 (2017: m€ 1.8). Other provisions also decreased by m€ 1.2 to m€ 5.6.

Non-current liabilities fell by m€ 5.0 to m€ 68.3 as at the end of the financial year (2017: m€ 73.3). They chiefly include pension obligations in the amount of m€ 65.0 (2017: m€ 69.5). The decrease of m€ 4.5 was chiefly due to actuarial gains caused by the increase in the actuarial interest rate.

The Leifheit Group continued to have a solid equity base. Thus equity as at 31 December 2018 again increased by m€ 3.3 compared to the balance sheet date of the previous year to m€ 101.8 (2017: m€ 98.5). The primary reason was the m€ 4.5 increase in other reserves due mainly to the actuarial gains from pension obligations and the change in fair values of forward exchange transactions, which is recognised directly in equity.

Without the changeover to IFRS 9 and IFRS 15, equity would have been m€ 0.5 less, and would have totalled m€ 101.3.

The equity ratio, that is the proportion of equity to total assets, increased by 2.1 percentage points to 45.9% as at the end of financial year 2018 due to the lower balance sheet total and the increased equity (2017: 43.8%).

Investments

In financial year 2018, we invested a total of m€ 6.6. All major investments in the financial year were largely completed at year's end.

Additions to tangible assets totalled m€ 6.3 in financial year 2018 (2017: m€ 6.7). These mainly involved tools for new products, machines, streamlining and replacement investments for production plants and operating and business equipment. We also invested m€ 0.3 (2017: m€ 1.1) in intangible assets. This mainly concerned the purchase of software, especially for product-oriented and customer-oriented systems.

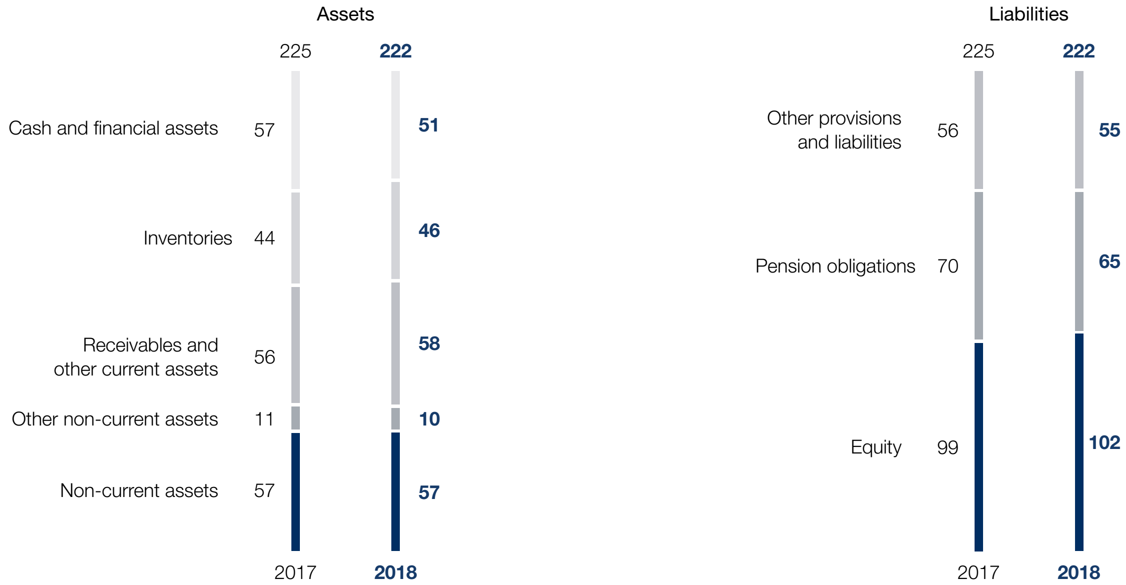
The investment ratio, which gives information on additions to fixed assets related to the historic procurement and production costs, stood at 3.7% in financial year 2018 (2017: 4.5%).

As at 31 December 2018, there were contractual obligations to acquire items of tangible assets – mainly for equipment and tools – in the amount of m€ 1.7 (2017: m€ 2.3). 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. This largely concerned leased goods, e.g. printers, copiers, motor vehicles, software licences and leased premises. As in previous years, the Leifheit Group did not use any other off-balance sheet financing instruments in financial year 2018.

Balance sheet ratios
in m€



Overall assessment of management in regard to the economic situation

In financial year 2018, we focused on driving forward the core strategic themes of our company group, and establishing the conditions required for sustainable turnover growth and profitability in the future. The measures initiated are designed to have a mid-term and long-term effect on our business. However, they are not yet reflected in the business figures for the reporting period. On the contrary, overall developments in financial year 2018 failed to live up to our expectations.

In financial year 2018 we achieved Group turnover of m€ 234.2, which was slightly less than that of the previous year, which totalled m€ 236.8. In the domestic market Germany, we recorded moderate turnover growth. In Italy, the Netherlands, the UK and Spain, we were able to achieve significant turnover growth, and thereby reduced the overall negative development in Central Europe. In Eastern Europe, our business developed encouragingly in 2018 with a significant turnover increase, while we saw considerable reductions in turnover throughout the rest of the world.

Turnover in the Household segment during the reporting period was slightly less than that of the previous year. On the other hand, in the Wellbeing segment we were able to achieve turnover growth once again in 2018. New products in both the Household and Wellbeing segments provided positive stimuli. On the other hand, in the third segment, Private Label, the French subsidiaries Birambeau and Herby recorded a slight decrease in turnover.

Earnings before interest and taxes (EBIT) reached m€ 13.1, compared with m€ 18.8 in the previous year. The fall was chiefly due to the lower gross profit, which was mainly negatively affected by foreign currency effects and higher purchasing prices, negative customer and product mix effects and lack of contribution margins from reduced turnover. Expenses for the changes in the Board of Management also had a negative effect on the Group result. Accordingly, the EBIT margin during the reporting period stood at 5.6% compared with 8.0% in the previous year.

The Leifheit Group's non-current liabilities consisted mainly of pension obligations as at the balance sheet date. As in previous years, we also had no liabilities to banks. The equity ratio increased slightly to 45.9%. Cash and cash equivalents and financial assets in the Group as at 31 December 2018 amounted to m€ 50.9, with current liabilities totalling m€ 51.7.

We currently view the Leifheit Group as being in a transitional phase, during which we are preparing for the future. For this purpose our solid capital structure secures our financial stability and independence. High liquidity is also the basis for annual dividend payments to our shareholders, in keeping with our dividend policy.

Non-financial performance indicators

Employees

Highly trained and motivated employees are fundamental important in enabling us to achieve our ambitious operating and strategic targets. For this reason we continue to boost our attractiveness as an employer and are making a special effort to recruit and retain good employees for a long term.

For example, we offer various opportunities for personal and professional development, despite our relatively small company size and flat hierarchies. We allow for flexible working hours as well as the possibility of working from home for suitable positions. To ensure that all employees can perform to their full potential, we strive to create a safe and suitable working environment. We also strive to raise staff awareness concerning how to prevent health issues and we provide activities for health promotion. We offer competitive pay that is fair and prize diversity among our employees.

Number of employees at the Group

As at 31 December 2018, the Leifheit Group had 1,134 employees (2017: 1,137 employees). The number of employees thus remained largely stable.

As at that date, 420 employees were working at German locations (2017: 412 employees). This represents a share of 37.0% of the Group workforce (2017: 36.2%).

As at the balance sheet date, we employed 469 people at production and sales locations in the Czech Republic (2017: 500 people) or 41.4% (2017: 44.0%) of the Group workforce. Background to this was in particular the workload-related personnel fluctuations in the production department at our plant in Blatná.

As at the end of the reporting period, 162 employees were working in France (2017: 163) and thus 14.3% of the Group workforce, as in the previous year. The remaining 7.3% of employees are spread mainly among various European countries.

Employee structure of the Leifheit Group	31 Dec 2017	**31 Dec 2018**
Group	1,137	1,134
Household	930	920
Wellbeing	48	56
Private Label	159	158
Brand Business	972	930
Volume Business	165	204
Germany	412	420
Czech Republic	500	469
France	163	162
Other countries	62	83

At total of 920 employees were part of the Household segment (2017: 930 employees), in the Wellbeing segment 56 employees (2017: 48 employees). In the Private Label segment with our French subsidiaries Birambeau and Herby, we had 158 employees at the end of the reporting period (2017: 159 employees).

As at 31 December 2018, 86 employees worked part time at the Group (2017: 72 employees).

Temporary workers are employed during peak order times primarily in production and logistics. In 2018, as in the previous year, their proportion of the workforce stood at well below 10%.

The average number of employees at the Leifheit Group was 1,154 people in financial year 2018 (2017: 1,109 people). This increase was due in particular to the changeover from self-employed sales representatives to a company field sales force in the Sales division.

Personnel costs at the Group rose in the reporting period by approximately 2% to m€ 48.8 (2017: m€ 47.9).

A total of 29 young people were in training at Leifheit AG's German locations at the end of 2018.

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.

Characteristics of the Leifheit Group workforce	2017	**2018**
Average length of service	11.0 years	11.6 years
Age structure of employees		
under 30 years	17%	15%
30 to 40 years	22%	21%
40 to 50 years	26%	26%
50 to 60 years	30%	30%
over 60 years	5%	8%
Average age	43 years	44 years
Percentage of women in the workforce	50%	50%
Percentage of women at the first management level	14%	14%
Number of trainees	27	29
Part-time employees	72	86

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.

The Leifheit Group's opportunity management remained unchanged as compared with the previous year. 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 Leifheit Group operates in the non-cyclical consumer goods sector. As a result, it 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 products that make life at home easier and more 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.

Digitalisation is making 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 SAP 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 ranges are 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 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.

Quality awareness on the rise
Besides price and functionality, factors such as quality and durability once again held greater sway over consumers' decisions to purchase a product. Production conditions are also playing an increasing role. This trend is particularly prevalent among younger consumers and is likely to continue gaining significance in future. Leifheit is a brand supplier of high-quality and long-lasting products that are manufactured at the company's own production facilities or by partners under controlled conditions in accordance with the Leifheit Social Code of Conduct. In light of the development described, this allows us to continue improving our market position and to appeal to future generations of shoppers.

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 a little easier and more 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. This may lead to greater demand for household items. We expect that such developments may have a positive effect on the Leifheit Group in future and believe they represent opportunities for further growth.

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 easier and more convenient. We rely on our own development department and invest in the expansion of internal and external expertise, including through establishing partnerships. This approach allows us to constantly improve our existing range of products while also ensuring a pipeline of innovative products that offer consumers added value. We are structuring our organisation in a way that it can respond with greater flexibility whenever new opportunities arise from market trends and customer needs. 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 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 increasingly 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 on Europe. Country-specific sales programmes serve to consolidate or expand our position in the region, for example in Eastern European growth markets, where we are intensifying our distribution activities and investing more in the expansion of our brands.

We also take advantage of opportunities that arise outside of Europe. Through our newly founded distribution company in China, we intend to expand our business in the Asia/Pacific region. 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.

We constantly monitor our current and future markets in search of opportunities for strategic acquisitions and partnerships. The Leifheit Group has the good financial situation and liquidity necessary for acquisitions. This puts us in a position to seize acquisition opportunities that could meaningfully enhance our product portfolio, strengthen our market position and ultimately boost our turnover and earnings situation more strongly than forecast.

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 due to the fact that we can achieve additional success by combining our product portfolio with innovative sales measures through integrated consumer-oriented communication, for example, specifically at the point of sale (POS) – both online and offline.

Cost management and greater efficiency offer the opportunity to boost the long-term earning power of Leifheit. In addition to reducing non-value-adding costs, we are focused on manufacturing and distribution processes along the entire value chain. We regularly check whether products that have been manufactured so far by suppliers could alternatively be produced more efficiently at our own facilities and vice versa. Targeted relocation of the production of specific products can boost our flexibility and competitiveness and might even reduce costs.

Other opportunities

Our employees are a source of new product developments and 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.

Risks

Leifheit is exposed to various risks as part of its 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 registered office in Germany, the Board of Management has set up a monitoring system in accordance with section 91 para. 2 of the German stock corporation act. In addition, the Board of Management is responsible for the effectiveness of the internal control system.

Risk management system

The risk management manual issued by the Board of Management 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 monitored through regular internal audit checks.

Our risk strategy is based on the global objective of ensuring the continuation of our business activities.

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. Opportunities are not determined as part of risk management.

The central element of the risk management system is the systematic risk management process that is implemented every six months. It includes the risk identification, risk evaluation, risk aggregation, risk control, risk monitoring and risk reporting phases. This process begins with risk identification, during which all risks, sources of danger, damage and potential disruptions 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 all responsible offices.

Identified risks are assessed and categorised according to their impact and probability of occurrence. In addition, individual risks are systematically analysed for dependencies and merged into new risks, if necessary. The aggregated form of all individual risk tables that emerge from this constitutes the risk inventory.

This is 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.

The risk management system periodically undergoes an internal audit. No significant changes were made to the risk management system in financial year 2018 compared to the previous year.

Internal control and risk management system in the accounting process

The internal control system (ICS) is an integral part of the risk management system. Our ICS manual defines the creation of the internal control and monitoring system for all material business processes at the company 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 ICS and risk management system when it comes to accounting, our goal is to ensure and uniformly implement the statutory requirements, generally accepted accounting principles, rules of the International Financial Reporting Standards (IFRS), as they are to be applied within the EU, and those of the ICS. Our internal control and risk management system for accounting is embedded in the Group-wide risk management system. 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 globally by the Group's accounting department. In addition, we use external service providers for the evaluation of pension obligations 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 ICS 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 IT-supported and manual controls and adjustments, the establishment of functional separation and the dual control principle, rules governing access to the IT system and monitoring.

The purpose of the ICS in accounting and financial reporting is to ensure with adequate certainty that financial reporting is reliable and that the separate and consolidated financial statements give a true and fair view of the net assets, financial position and results of operations.

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

Risk assessment

Our goal is to determine what adverse effects could have risks in 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. The effects are presented in front of the measures implemented to mitigate risk. 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%	medium
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)
medium	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, medium or low in the form of a risk map.

Probability of occurrence/ extent of effect	very low 1% – 20%	low 21% – 40%	medium 41% – 60%	high 61% – 80%	very high 81% – 99%
very low	low	low	low	low	low
low	low	low	low	medium	medium
medium	low	medium	medium	medium	critical
high	medium	medium	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.

Macroeconomic, political, social and regulatory risks
Uncertainty in the global economy, on financial markets or in the political sphere could have a negative effect on our business activities, our financial position, results of operations and our cash flows, as well as increase pressure on our EBIT. In particular, terrorist attacks, the escalation of violence in crisis-prone regions and other external shocks might have a greater impact on the economy, which we are unable to avoid entirely. Geopolitical instability may also negatively affect our business in Eastern Europe. Unresolved sovereign debt crises in the Eurozone could reduce our market prospects in Southern Europe in particular.

Even if the vast majority of our business is not cyclical in nature, growth in the consumer goods sector is also dependent on consumer confidence and consumption expenditure. Therefore, declining sales resulting from the general economic situation or social and political factors, especially in regions where we have a strong presence, represent a risk to the development of turnover. In addition, changes in the regulatory environment (e.g. trade policies, tax regulations, or product quality and safety standards) can also bring about potential turnover shortfalls and cost increases.

We consider the probability of this risk's occurrence to be medium, and we expect it would have a medium effect on our business activities, financial position, results of operations and cash flows.

We are monitoring the macroeconomic, political and regulatory situation in our major markets in order to identify potential problem areas early and to be able to adapt our business activity quickly. To mitigate macroeconomic, political, social and regulatory risks, we strive to have a balanced distribution of turnover among the important regions and respond to current changes at short notice by taking various steps to cushion potential negative effects.

Due to the Group's low level of business activity in the United Kingdom, Britain's exit from the European Union does not have a direct material impact on Leifheit. The share of turnover generated in the United Kingdom in financial year 2018 stood at 0.8%.

Turnover and pricing risks
In order to achieve our turnover and profitability targets, we must generate turnover growth, step up communication with consumers, promote sales at the point of sale and pay attention to product prices to ensure they are competitive. In addition, it is possible that rising product costs might not be offset by higher prices on the market. This would have a negative effect on our margins. Furthermore, lower turnover could lead to lower contribution margins.

We currently believe the potential effects of turnover and pricing risks can be classified as medium and the probability of their occurrence as high.

We counteract these risks with our international sales strategy, country-specific implementation plans, an increase in consumer communication, measures from our "POS Excellence" initiative and our e-commerce activities.

Dependence risks
Dependence on specific suppliers, customers, products or even markets harbours risks. Strong dependence on individual products, product groups or markets could lead to decreases in turnover and margins in the event of fluctuations.

We estimate the potential effects of dependence risks as being medium and their probability of occurrence as being medium.

Although we reduce possible dependences through our diversification activities, we remain vulnerable to negative developments concerning several customers and in important sales markets, such as Germany, France, Austria and the Netherlands.

Risks inherent in product innovation and development
Innovative products and solutions with great practical utility, an attractive design and high standards in terms of product quality and safety generate high turnover and comfortable margins for us as a brand seller. If, over the longer term, we are incapable of developing innovative products continuously, this could expose us to a considerable decline in turnover and margins. Moreover, poor product quality could lead to turnover shortfalls and higher costs.

Innovation is a key success factor. Due to our innovative strength, we rate the potential effects of risks inherent in product innovation and development as high and their probability of occurrence as very low.

We have continued to revise our product development process and strengthen our teams to allow us to launch our products more quickly. Product management and product development collaborate closely in a clearly defined brainstorming process and utilise external providers as well in the search for ideas.

Risks due to increasing procurement costs
Wage costs and raw materials are responsible for a large portion of the cost of turnover. Above all, materials such as plastics, aluminium, cotton and steel are subject to the risk of price fluctuations. Rising wage costs and changes in exchange rates among suppliers, particularly in the Far East, increase the risk of price increases for merchandise.

We consider the effect of potentially increasing procurement costs to represent a low risk with a high probability of occurrence.

We reduce the financial effects of higher procurement costs on our product margins by concluding long-term delivery agreements and by saving money during procurement. We revise our products and respond to price increases. The aim of strategic procurement is to maintain the competitiveness of the procurement chain amid increasing purchase costs.

Risks due to extraordinary external incidents
We are exposed to external risks such as natural disasters, fire, accidents and malicious acts. Such events may inflict material damage on buildings, production facilities and warehouses or cause interruptions to business activities both within our company and among suppliers.

The occurrence of such risks could have major financial effects. However, we believe the probability of occurrence is low.

We counteract risks caused by extraordinary external incidents in a variety of ways. For example, we cooperate with reliable suppliers and service providers. In addition to insurance cover, we have put preventive measures in place, such as fire-detection and fire-extinguishing systems in buildings, as well as emergency plans for promptly resuming business activities. They are intended to minimise potential effects of external incidents.

Risks in the control environment
The failure to identify considerable 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 and statutory provisions.

The potential effects of these risks could be high. We believe their probability of occurrence is very low.

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.

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 trademark, patent or other rights.

We rate the potential effects and the probability of occurrence as medium.

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.

Provisions concerning legal disputes arising from severance payments of m€ 0.1 and bonus payments of m€ 0.1, for potential exclusivity infringements of m€ 0.1 and for litigation costs and legal fees of less than m€ 0.1 were made in the consolidated financial statements. There were no material legal disputes or litigation risks with potential negative effects beyond this.

Default risks

Default risks occur if a customer or another counterparty of a financial instrument does not meet the contractual obligations. Default risks result from trade receivables and other contractual obligations of a counterparty, such as for deposits and financial investments.

The potential financial effects of default risks could be high. However, we believe their probability of occurrence is very low.

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. In order to reduce the risk of default, we selectively use credit insurance and bank guarantees.

Only banks that have a high credit rating are selected for currency hedging transactions and investments of liquid assets. Group companies are only permitted to work with banks that have a rating of BBB or higher. Cash and cash equivalents are only invested in instruments with an average rating of minimum 90% investment grade. In addition, maximum investment amounts are determined for each counterparty.

Financing and liquidity risks

Liquidity risks arise from a possible lack of funds required to satisfy due liabilities in respect of maturity, volume and currency structure. As at 31 December 2018, cash and cash equivalents at the Group amounted to m€ 50.9. There were no interest-bearing financial liabilities, such as bank loans. Current lines of credit in the amount of m€ 11.6 are available, which are used only to a small extent for bill guarantees. Liquidity is managed across the Group by employees in the treasury department at registered office.

Due to our current financing structure, we consider both the probability of occurrence and the potential impact of financing and liquidity risks to be very low.

Currency risks

Leifheit is exposed to currency risks, as cash flows occur in various currencies. Furthermore, currency effects from the translation of results not denominated in euros, the functional currency of the Group, may affect other comprehensive income. 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 are incurred in US dollars, HK dollars and Chinese Yuan, while the majority of Group turnover is generated in euros.

Due to the volatility of the foreign currency exchange rates, we generally categorise the probability of occurrence as high and the potential financial effects of currency risks as medium, especially in 2019.

Leifheit operates a centralised system for managing currency risks. We hedge units of the planned currency requirements for 14 months in advance on a revolving basis. According to the treasury principles, hedging instruments such as forward foreign exchange contracts, currency options, currency swaps or combinations of options may be used to safeguard against negative currency fluctuations and, at the same time, offer the potential to benefit from future exchange rate developments on the financial markets. The scope of currency hedging is evaluated on a regular basis.

For 2019, approximately 60% of the planned foreign currency requirements will be hedged through forward foreign exchange transactions. Most of our hedging is done through hedge accounting.

In line with the requirements of IFRS 7, we have estimated the effects of changes to our key exchange rates on result and equity and listed them under Note 34 of the financial statements. The effects are primarily due to the change in the fair values of our hedging instruments. As a result of this sensitivity analysis, a 10% appreciation of the euro against the US dollar as at the balance sheet date, 31 December 2018, would have led no change of earnings before taxes and a reduction of the other comprehensive income of m€ 1.5.

The following hedges existed as at 31 December 2018:

	Foreign currency	Value of liability	Nominal value	Fair value
Sell USD/€	mUSD 12.0	m€ 10.0	m€ 10.3	m€ 0.3
Buy USD/€	mUSD 29.2	m€ 24.1	m€ 25.2	m€ 1.1
of which hedge accounting	mUSD 16.9	m€ 14.0	m€ 14.5	m€ 0.5
Buy HKD/€	mHKD 32.1	m€ 3.4	m€ 3.5	m€ 0.1
of which hedge accounting	mHKD 27.1	m€ 2.9	m€ 3.0	m€ 0.1
Buy CNH/€	mCNH 100.0	m€ 12.8	m€ 12.5	m€ –0.3
of which hedge accounting	mCNH 100.0	m€ 12.8	m€ 12.5	m€ –0.3

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. However, there is the risk that negative interest rates on balances at banks will put further strain on net interest income.

Changes to the actuarial interest for discounting pension obligations affect the other comprehensive income significantly. For this reason, we consider both the probability of occurrence and the potential financial effects of interest risks for the other comprehensive income to be high.

Tax risks
Tax risks arise in particular due to increasingly complex national and international tax rules. The tax authorities are reviewing international intragroup transfer prices more frequently. VAT regulations in the Europe-wide provision of goods and services are also very complex. Adjustments to tax payments have an impact on liquidity and the net result for the period after taxes.

We consider the potential financial effects of tax risks to be medium and the probability of occurrence low.

We counteract these risks with assistance from international tax consultants.

Information security risks
Our IT-based business processes are subject to various information security risks. Risks may occur as a result of human error, organisational or technical processes and/or security breaches when processing information. These may all jeopardise the confidentiality, availability and integrity of the information.

We consider the potential effects of information security risks to be high and the probability of occurrence low.

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.

Risks related to a decrease in brand awareness
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 that take into account changes in consumer behaviour, demographics and technical advancement.

We consider the impact of a decrease in brand awareness to be high. Due to our activities, however, we believe the probability of occurrence is very low.

Overall assessment of opportunities and risks

Taking into consideration each probability of occurrence and the potential financial effects of the explained risks, as well as in light of the solid balance sheet structure and the current business outlook, the Board of Management does not anticipate any substantial risk to the continuation of the company as a going concern. 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.

The changes to individual risks compared to the previous year do not have a significant effect on the overall risk profile.

Group forecast

We expect turnover in the Group to increase by around 3% to 4% year on year, but we expect reduced earnings before interest and taxes (EBIT) of m€ 9 to m€ 10, due to strategic projects.

Economic development

In its forecast at the end of January 2019, the International Monetary Fund (IMF) lowered its expectations even further for global economic growth in 2019. Having already scaled back its forecast for 2019 in October 2018, the IMF now expects global economic growth of 3.5% for the current year. The IMF had anticipated growth of 3.7% for 2018. The background to the downturn lies in the still unresolved trade disputes such as that between the US and China, and between the EU and the US, but also in the threat of a disorderly Brexit. The IMF also sees risks for the global economy in a further escalation of the trade disputes beyond the current level.

Europe

Following record economic growth of 2.4% in 2017, the autumn forecast of the European Commission predicts a continued slowing down of the European economy. The EU Commission expects the overall GDP growth of the 28 member states to drop to 2.1% in 2018, and predicts a further decline to 1.9% for 2019. Following the withdrawal of the UK from the EU, the Commission predicts economic growth of 2.0% for 2019 for the remaining 27 EU states, after growth of 2.2% in 2018.

In 2019, Spain is expected once again to show the strongest economic growth in Southern Europe. The European Commission predicts GDP growth of 2.6% there. With 1.7% economic growth, France is lagging behind considerably, and at the bottom of the EU table is Italy with 1.1% growth expected. The forecasts for both the Netherlands and Austria were once more above average, with 2.8% and 2.7% respectively for 2019. According to the Commission, the Eastern European member states in particular will show strong economic growth. Poland leads with predicted GDP growth of 4.8%, followed by Hungary with 4.3% and the Czech Republic with 3.0%.

Germany

Following growth of 1.5% in the German economy in 2018, the German Government predicts significantly reduced growth of 1.0% for the current year in its forecast of January 2019. This is the lowest figure since 2013. The German Government had previously predicted economic growth of 1.8% in its autumn projection at the end of 2018. In its autumn forecast of October 2018, the European Commission predicts growth of 1.5% in Germany in 2019. The ifo Institute predicts in March 2019 a growth of 0.6% for 2019. The background to this lies in the smouldering global trade disputes, which have a negative impact on export trade, and in the continuing uncertainty with regard to the progress of the Brexit.

Consumer climate

Europe

Compared with the previous year, the Consumer Confidence Indicator of the European Commission indicated a significant downturn. After a value of –3.4 had been calculated for the Eurozone in January 2018, and of –3.5 for the whole of the EU, consumer confidence dropped to –7.4 as of January 2019 in both the Eurozone and the 28 member states.

Germany

For the most part, consumers in Germany continue to look to the future with confidence this year. Compared with the previous year, the Consumer Climate Index dropped slightly from 10.8 in January 2018 to 10.5 in January 2019, but it continues to remain at a very high level. In addition to this, the nominal purchasing power of German consumers will also continue to rise in 2019, namely by 3.3% according to the GfK's purchasing power study. The background to this lies in rising wages in many sectors, together with the stable job market. For the year 2018, the GfK had forecast a purchasing power increase of 2.8%. In the German boardrooms, on the other hand, the mood is gradually becoming more subdued. The ifo Institute's Business Climate Index, which depicts the evaluation of the business position and business expectations of top managers and managing directors in the German economy, fell significantly in January 2019 and stood at the lowest level since February 2016, at 99.1 points. At the beginning of the previous year the index still stood at 104.6 points. In the economic sector trade, the Business Climate Index stood at 4.6 points in January 2019, even lower than the previous year's value of 19.0 points.

US dollar exchange rate

During the course of 2018 the dollar appreciated slightly and ended the year at a value of 1.145 US dollars per euro. The dollar was thus considerably stronger than had been expected at the end of the previous year, when forecasts anticipated an exchange rate of 1.23 US dollars per euro for the end of 2018. For the end of 2019, leading banks are forecasting an average of around 1.21 US dollars per euro.

Group strategy

In 2018 we drew up far-reaching strategic measures, which we are going to implement gradually in the current financial year. The aims of these measures are to consistently exploit potentials in e-commerce more fully in the future, to reorganise in detail selected product segments, to modernise and integrate the IT landscape and to expand our presence resolutely in the Eastern Europe growth market. We want to develop our position further in existing markets with first class innovative and customer-oriented newly and further developed products, and access new consumer groups.

In the financial year 2019, we are going to refine our strategy further, and continue determinedly with activities already undertaken. A significant strategic focus here is our Digital Growth Plan. For this we will dovetail our online and offline sales channels, and base our online activities throughout Europe on a common platform. We will also open our own online shop. In order to improve our internal processes, we are developing our SAP landscape, and have also initiated process optimisations, which improve our management and planning capabilities. At the same time we are working to improve service for our customers and the dialogue with consumers. We are also reorganising product segments in detail, and investing in our business in Eastern Europe.

With these strategic measures, which will impact profit in 2019 with costs totalling around m€ 3 to m€ 4, we want to create a company that will return to a more profitable growth path during the coming years.

Our mid-term strategic goals are and will continue to be sustainable organic turnover growth, a high level of efficiency throughout the value chain, capital efficiency and continuous improvement in operating results. We are also keeping options open for external growth by means of acquisitions, should these be economically viable.

Group forecast and overall statement of prospective development

We predict that in the current financial year the Group's turnover will grow by around 3% to 4% year on year. Central to our strategy is the further development of our core business with the Leifheit and Soehnle brands in the Household and Wellbeing segments. We want to generate significant growth here with new products, and by developing our business activities in the Eastern Europe region. In the Household segment we expect turnover growth of 2% to 3%. In the considerably smaller Wellbeing segment we anticipate a plus of 11% to 12%. In the Private Label segment we expect turnover growth of 3% to 4%.

We expect EBIT of around m€ 9 to m€ 10. The predominant driver behind the expected EBIT development comprises the aforementioned investments in strategic measures together with forecast increases in freight and material costs. We expect earnings per share (EPS) from € 0.55 to € 0.65.

Financial and liquidity position

We will continue to follow our fundamentally conservative financial policy in the current financial year. We are planning to generate free cash flow of around m€ 3.5 to m€ 4.5 in 2019. In this respect, we expect that the decline in operating income will predominantly be more than offset by an improvement in working capital, which will lead to a slight increase in free cash flow compared with 2018.

For financial year 2019, we calculate a ROCE of 5.5% to 7.0%. The key figures ROCE and EPS will be integrated into the control system in 2019, as the Board of Management remuneration is also going to be calculated in relation to these figures.

Legal information

Information under takeover law and explanatory report

Takeover information required under section 289a para. 1 and section 315a para. 1 German commercial code (HGB) as at 31 December 2018 is presented below. Criteria that do not apply to Leifheit are not included.

The subscribed capital (share capital) of Leifheit AG as at 31 December 2018 amounts to k€ 30,000 and is divided into 10,000,000 no-par-value bearer share. This corresponds to a theoretical value per no-par-value bearer shares 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 apply according to section 44 sentence 1 German securities trading act (WpHG) (violation of voting rights information duties), section 71b 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).

Direct and indirect equity interests exceeding 10% of the voting rights are held in the capital of Leifheit AG: MKV Verwaltungs GmbH, Grünwald, Germany, informed us in February 2009 that it holds 10.03% of the voting rights in Leifheit AG.

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 pursuant 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 2017, 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€ 15,000 until 23 May 2022 by issuing up to 5,000,000 new no-par-value bearer shares in exchange for cash and/or non-cash contributions (authorised capital 2017). The Board of Management is also authorised by resolution of the Annual General Meeting 2015 to buy back and appropriate shares amounting to up to 10% of the share capital until 20 May 2020. The terms of both resolutions can be found in the respective agendas of the Annual General Meeting on our website.

There are no substantial 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

The declaration of corporate management according to section 289f / 315d HGB is not part of the combined management report but can be found on our homepage (unternehmensfuehrung.leifheit-group.com). 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, the declaration on the defined targets according to the German law on the equal participation of women and men in management positions and the description of the diversity concept.

Sustainability report

The separate non-financial group report in accordance with § 315b HGB in conjunction with § 289c ff HGB (sustainability report) is available to the public at financial-reports.leifheit-group.com on our website.

Remuneration report

The remuneration report was prepared in accordance with the recommendations of the DCGK and contains the statements that are required according to the HGB and, respectively, the International Financial Reporting Standard (IFRS). It describes the characteristics of the remuneration system for the Board of Management as well as the components of the Supervisory Board remuneration.

Remuneration of the Board of Management

After preparation by the Personnel Committee of the Supervisory Board, the plenary session of the Supervisory Board is responsible for establishing the individual remuneration of the Board of Management members. The remuneration structure is based on long-term corporate performance.

At the current time, the members of the Board of Management receive remuneration consisting of a fixed basic annual salary, annual variable remuneration and a long-term variable remuneration.

The fixed basic annual salary is paid monthly and is based on the area of responsibility and individual performance of the respective Board of Management member. It is reviewed at regular intervals to determine if it is appropriate and in line with market standards.

The amount of short-term variable remuneration paid is 1.00%, or 0.75% of the earnings of the Leifheit Group before income tax, and is capped. Payment is made within four weeks of the resolutions on the appropriation of profits by the Annual General Meeting.

The amount of long-term variable remuneration paid (LTI) is linked to an investment obligation and is calculated using an EBIT multiplier and a market capitalisation multiplier. The market capitalisation multiplier for the relevant agreements in financial year 2018 is 2.0%, or 1.5% of the growth in the market capitalisation of Leifheit AG on the basis of average prices over the last 90 trading days prior to the commencement of the contract and the last 90 trading days prior to the expiration of the contract. The EBIT multiplier is based on the average performance in the Group's EBIT reported in the consolidated financial statements in the respective calendar years. Both the EBIT multiplier and the payment amount are capped. The annual remuneration from all remuneration elements is also capped. If the EBIT multiplier falls below 0.5, the long-term variable remuneration no longer applies. The value of the long-term variable remuneration granted is calculated within the vesting period each year on the basis of analyses by a third-party expert using Monte Carlo simulations and is transferred to provisions pro rata temporis over the respective vesting period.

The value is calculated using historical data at the end of the vesting period. The payment will be made within four weeks following the adoption of the annual financial statements by the Annual General Meeting of the last contractual year. The Supervisory Board can determine appropriate advance wage payments. There were no provisions for long-term variable Board of Management remuneration as of the balance sheet date as the hurdle of the EBIT multiplier can no longer be reached. The members of the Board of Management do not receive remuneration for their work on the Board of Management, Administrative or Supervisory Boards at subsidiaries in addition to the remuneration for their activities as members of the Board of Management of Leifheit AG.

There are no share option programmes. The acting members of the Board of Management have not received any performance-oriented pension commitments (defined benefit obligations in accordance with IFRS).

The company does not provide fringe benefits other than the use of a company car and the reimbursement of travel expenses.

The Board of Management contracts contain provisions regarding the reduction and/or cancellation of variable remuneration components associated with the termination of employment or the resignation from the Board position. In the event of early termination of the Board position without good cause, the payments, including fringe benefits, do not exceed the value of two years' worth of remuneration and do not provide remuneration for more than the remaining term of the employment contract.

	Ivo Huhmann CFO Joined on 1 April 2017			
Granted benefits in k€	2017	**2018**	2018 (min.)	2018 (max.)
Fixed remuneration	219	280	–	–
Fringe benefits	9	19	–	–
Total	**228**	**299**	**–**	**–**
Single-year variable remuneration	97	90	0	200
Multi-year variable remuneration (LTI 2017–2020)	–	–	0	2,250
Other	–	–	–	–
Total	**97**	**90**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**325**	**389**	**0**	**1,240**

	Igor Iraeta Munduate COO Joined on 1 November 2018			
Granted benefits in k€	2017	**2018**	2018 (min.)	2018 (max.)
Fixed remuneration	–	50	–	–
Fringe benefits	–	2	–	–
Total	**–**	**52**	**–**	**–**
Single-year variable remuneration	–	0	0	200
Multi-year variable remuneration (LTI 2019–2021)	–	–	0	2,250
Other [1]	–	30	–	–
Total	**–**	**30**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**–**	**82**	**0**	**1,300**

[1] Signing bonus

	Thomas Radke (CEO) Joined on 1 January 2014, exited on 15 October 2018			
Granted benefits in k€[1]	2017	**2018**	2018 (min.)	2018 (max.)
Fixed remuneration	360	285	–	–
Fringe benefits	26	18	–	–
Total	**386**	**303**	**–**	**–**
Single-year variable remuneration	171	95	0	275
Multi-year variable remuneration (LTI 2017–2019)	–	–	0	3,000
Other	–	–	–	–
Total	**171**	**95**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**557**	**398**	**0**	**1,645**

[1] Expenses during release from duties were recorded for financial year 2018 in the amount of k€ 101 and for 2019 in the amount of k€ 456, of which k€ 76 were paid in 2018.

	Ansgar Lengeling (COO) Joined 1 November 2016, exited on 27 April 2018			
Granted benefits in k€[1]	2017	**2018**	2018 (min.)	2018 (max.)
Fixed remuneration	252	84	–	–
Fringe benefits	24	7	–	–
Total	**276**	**91**	**–**	**–**
Single-year variable remuneration	129	30	0	200
Multi-year variable remuneration (LTI 2017–2019)	–	–	0	2,250
Other	–	–	–	–
Total	**129**	**30**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**405**	**121**	**0**	**1,212**

[1] Expenses during release from duties were recorded for financial year 2018 in the amount of k€ 231 and for 2019 in the amount of k€ 271, of which k€ 171 were paid in 2018.

	Dr Claus-O. Zacharias (CFO) Joined 1 December 2008, exited on 24 May 2017			
Granted benefits in k€	2017	**2018**	2018 (min.)	2018 (max.)
Fixed remuneration	125	–	–	–
Fringe benefits	4	–	–	–
Total	**129**	**0**	**–**	**–**
Single-year variable remuneration	72	–	–	–
Multi-year variable remuneration (LTI 2015–2017)	994	–	–	–
Other	–	–	–	–
Total	**1,066**	**0**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**1,195**	**0**	**0**	**0**

	Ivo Huhmann CFO Joined on 1 April 2017		Igor Iraeta Munduate COO Joined on 1 November 2018	
Cash flow/payment in k€	2017	**2018**	2017	**2018**
Fixed remuneration	219	280	–	50
Fringe benefits	9	19	–	2
Total	**228**	**299**	**0**	**52**
Single-year variable remuneration	–	100	–	–
Multi-year variable remuneration				
LTI 2017–2020	–	–	–	–
LTI 2019–2021	–	–	–	–
Other	–	–	–	–
Total	**0**	**100**	**0**	**0**
Pension expenses	–	–	–	–
Total remuneration	**228**	**399**	**0**	**52**

	Thomas Radke CEO Joined on 1 January 2014, exited on 15 October 2018		Ansgar Lengeling COO Joined on 1 November 2016, exited on 27 April 2018		Dr Claus-O. Zacharias CFO Joined on 1 December 2008 exited on 24 May 2017	
Cash flow/payment in k€	2017	**2018**	2017	**2018**	2017	**2018**
Fixed remuneration	360	285	252	84	125	–
Fringe benefits	26	18	24	7	4	–
Total	**386**	**303**	**276**	**91**	**129**	**0**
Single-year variable remuneration	206	177	–	133	206	–
Multi-year variable remuneration						
LTI 2014–2016	4,000	–	–	–	–	–
LTI 2017–2019	–	–	–	–	–	–
LTI 2015–2017	–	–	–	–	2,243	74
Other	–	–	–	–	–	–
Total	**4,206**	**177**	**0**	**133**	**2,449**	**74**
Pension expenses	–	–	–	–	–	–
Total remuneration	**4,592**	**480**	**276**	**224**	**2,578**	**74**

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated by the articles of incorporation of Leifheit AG. The remuneration accords with the responsibilities and extent of activities of the members of the Supervisory Board.

In addition to the reimbursement of their expenses and any value added tax incurred for their Supervisory Board activities, each member of the Supervisory Board shall receive a meeting allowance in the amount of € 2,500.00 for each Supervisory Board meeting he or she attends in person as well as an annual salary in the amount of € 20,000.00. The chairperson shall receive three times the amount named in sentence 1, while the deputy chairperson shall receive 1.5 times said amount. Both meeting allowances and the annual remuneration shall be paid out at the end of each financial year.

Inasmuch as they relate to telecommunications, postage or other office costs, expenses will be reimbursed with the payment of a lump sum in the amount of € 1,000.00 per year.

Committee members shall receive the following remuneration for their membership in a Supervisory Board committee and their participation in committee meetings:

a) For participation in a committee meeting (participation in person, via telephone or video conference), members of a Supervisory Board committee shall receive a meeting allowance in the amount of € 500.00 and the committee chairperson shall receive a meeting allowance in the amount of € 1,000.00. This also applies when several committee or Supervisory Board meetings take place on the same day.

b) Each member of the Audit Committee shall receive additional annual remuneration in the amount of € 5,000.00 and the chairperson of the Audit Committee in the amount of € 10,000.00. Each member of the Personnel Committee shall receive additional annual remuneration in the amount of € 4,000.00 and the chairperson of the Personnel Committee in the amount of € 8,000.00. Members of the Nominating Committee shall not receive any additional annual remuneration.

c) All members of Supervisory Board committees shall receive reimbursement for any expenses incurred in the fulfilment of their duties and any value added tax applicable to their committee remuneration. The lump sum also reimburses any telecommunications, postage or other office costs incurred by the committee member.

d) Any meeting allowances owed according to a) and any fixed annual salaries according to b) shall be paid out at the end of each financial year.

If a member of the Supervisory Board or a Supervisory Board committee is only a member for a part of a financial year, the annual remuneration shall be paid merely on a pro-rata basis.

Moreover, one part of the remuneration comprises the member's pro-capita share of a directors and officers liability insurance policy (D&O insurance) concluded on behalf of the company at standard market conditions for the members of the Supervisory Board, the costs of which are borne by the company.

No remuneration was paid to the members of the Supervisory Board for personally performed services. The company does not provide fringe benefits other than the reimbursement of travel expenses and flat-rate office expenses.

The remuneration of the Supervisory Board in financial year 2018 amounted to k€ 331 and can be broken down as follows:

k€	2018
Ulli Gritzuhn	61.7
Baldur Groß	32.5
Georg Hesse	24.2
Karsten Schmidt	3.3
Thomas Standke	32.5
Sonja Wärntges	52.9
Helmut Zahn	124.0

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, Germany (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 cleaning and laundry care products, such as floor wipers and rotary dryers, 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. Thus the newly organised Household (Leifheit) and Wellbeing (Soehnle) segments in financial year 2018 correspond substantially to Leifheit AG. The major 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

Ansgar Lengeling, the COO, left the Board of Management in April 2018. Thomas Radke, Chairman of the Board of Management, left the Board of Management in October 2018. From November 2018 onwards, Igor Iraeta Munduate took over the position of COO.

No further major changes were made to the organisation, the company structure, the management responsibility or the financing strategy in financial year 2018.

Business performance

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

Comparison of actual performance with projected business performance

Financial year 2018 remained in general below our expectations. While the expected turnover for 2018 was not realised, we achieved the forecast operating result in the individual financial statement of Leifheit AG.

Leifheit AG turnover fell by 1.1% – we had forecast growth of 4% to 5% in Germany and abroad. While turnover in our domestic market, Germany, grew by 0.6%, we recorded a drop of 2.4% in foreign turnover. This fell short of our targets both in Germany and abroad. Newly launched Leifheit cleaning products and Soehnle Wellbeing products in particular contributed positively to turnover development. By contrast, turnover in the laundry care and kitchen goods categories fell short of the figures from the previous year.

The operating result of Leifheit AG stood at m€ 10.1. This was slightly more than our forecast operating result of between m€ 9 to m€ 10.

Forecast–actual–comparison	Actual 31 Dec 2017	Forecast 2018	**Actual 31 Dec 2018**
Turnover	m€ 217.7	approx. +4 to 5%	m€ 215,4 –1.1%
Operating result	m€ 10.9	approx. m€ 9 to m€ 10	m€ 10.1

Results of operations

Income statement (short version) in m€	2017	2018
Turnover	217.7	215.4
Operating result	**10.9**	**10.1**
Income from shareholdings	–	6.8
Net interest result	–3.3	–4.2
Change in financial assets	0.2	–
Income taxes	–3.7	–2.3
Earnings after taxes	**4.1**	**10.4**
Other taxes	–0.2	–0.1
Net income	**3.9**	**10.3**

In 2018 Leifheit AG achieved an operating result of m€ 10.1 (2017: m€ 10.9). This reduction of m€ 0.8 was contingent on the fall in gross profit from turnover (m€ 1.5) and the reduction of the total of other operating income and expenses (m€ 1.7), which could not be offset by the reverse effect of the lower distribution and administration costs (m€ 2.5).

The net income of Leifheit AG reached m€ 10.3 (2017: m€ 3.9). The increase of m€ 6.4 chiefly resulted from income from shareholdings.

Gross profit

Turnover of Leifheit AG decreased by m€ 2.3 to m€ 215.4 (2017: m€ 217.7), caused by the fall in foreign turnover. The cost of turnover decreased disproportionately by m€ 0.8 to m€ 143.8 (2017: m€ 144.6). Gross profit in the reporting period fell by m€ 1.5 to m€ 71.6 (2017: m€ 73.1). Lack of contribution margins from the decreased turnover, higher sales deductions and negative customer and product mix effects were the main causes here. Price increases for materials could be largely offset by exchange rate effects.

Distribution costs

Distribution costs of Leifheit AG in the reporting period stood at m€ 50.3 (2017: m€ 52.4), which corresponds to a decrease of m€ 2.1. Distribution costs include advertising costs, commission fees, marketing costs, freight out, shipping costs and costs for the internal and field sales forces. Restructuring of sales incurred m€ 1.8 in the previous year. Due to the changeover from self-employed sales representatives to a company field sales force, commission expenses fell, while personnel costs rose. Lower advertising expenses contrasted with higher freight out and contractual penalties.

General administrative costs

General administrative costs fell during the reporting year by m€ 0.3 to m€ 8.9 (2017: m€ 9.2). First and foremost, administrative costs include personnel costs and costs for general services to support our financial and administrative functions. Board of Management remuneration decreased by m€ 1.5, largely due to the departure of the CFO in the previous year. This was offset by expenditure in connection with the departure of the Chairman of the Board of Management and the COO in the reporting period amounting to m€ 1.1. Services increased due to a pricing project. This was contrasted by lower amortisation costs.

Other operating income

Other operating income of Leifheit AG fell by m€ 3.0 to m€ 5.3 (2017: m€ 8.3). This included foreign currency gains of m€ 2.7 (2017: m€ 6.2), which fell mainly due to reduced currency gains realised from currency hedges, and income from the reversal of provisions of m€ 2.4 (2017: m€ 1.7). Income from the reversal of provisions included income from the reversal of pension obligations of m€ 0.6.

Other operating expenses

Other operating expenses fell by m€ 1.3 to m€ 7.7 (2017: m€ 9.0). The currency losses contained therein fell by m€ 1.7 to m€ 2.4 (2017: m€ 4.1), mainly due to lower impending losses from forward exchange transactions.

Other operating expenses also include research and development costs of m€ 5.1 (2017: m€ 4.8).

Income from shareholdings

In financial year 2018, a dividend of m€ 6.8 was received from the French holding companies (2017: m€ 0.0). All other net income of the subsidiaries was carried forward to new accounts.

Interest income and interest expenses

Income from other securities and loans of financial assets and other interest income of Leifheit AG was at the previous year's level of m€ 0.9 (2017: m€ 0.9). This mainly concerned interest income from loans to holding companies.

Interest expenses increased by m€ 0.9 to m€ 5.1 (2017: m€ 4.2). The interest expense from the compounding of the pension obligation was m€ 5.0 (2017: m€ 4.1). The increase was due to the decrease in average market interest rate over the last ten years.

Revaluation and depreciation and amortisation of financial assets

The revaluation in the previous year resulted from the reversal of a write-down on a loan to Meusch-Wohnen-Bad und Freizeit GmbH due to the sale of non-operational land (m€ 1.1).

Income taxes

In financial year 2018, the income taxes of Leifheit AG amounted to m€ 2.3 (2017: m€ 3.7).

Financial situation

The liquidity of Leifheit AG as at the balance sheet date stood at m€ 46.3 (2017: m€ 52.0). As at 31 December 2018 this comprised solely cash and cash equivalents. As at the balance sheet date of the previous year liquidity also included securities in the form of bond funds to the value of m€ 29.0.

The cash and cash equivalents totalling m€ 46.3 (2017: m€ 23.0) included demand deposits at banks and cash on hand.

m€	2017	2018	Change
Cash flow from operating activities	6.2	3.7	–2.5
Cash flow from investment activities	–10.9	29.5	40.4
Cash flow from financing activities	–13.8	–10.0	3.8

At m€ 3.7, cash flow from operating activities in 2018 was significantly lower than in the previous year (2017: m€ 6.2). This was chiefly due to the increased working capital.

Cash inflow from investment activities in financial year 2018 came to m€ 29.5 (2017: cash outflow m€ –10.9). Payments for the purchase of tangible and intangible assets amounted to m€ 2.7 (2017: m€ 3.4) and the proceeds from financial assets and securities totalled m€ 32.1 (2017: outgoing payments m€ 7.6).

Cash flow from financing activities amounted to m€ 10.0 (2017: m€ 13.8) and included in each case solely the payment of the dividends.

As at 31 December 2018, the debt level of Leifheit AG fell slightly by 0.3 percentage points to 51.8% (2017: 52.1%). This key figure is calculated as a ratio of the sum of provisions and liabilities to the total of equity and liabilities.

As at 31 December 2018 our liabilities mainly comprised provisions for pension obligations totalling m€ 53.7 (2017: m€ 51.4), tax provisions totalling m€ 0.3 (2017: m€ 0.6), other provisions totalling m€ 25.2 (2017: m€ 28.6), and liabilities totalling m€ 21.3 (2017: m€ 20.7). As in the previous years, Leifheit AG did not have any liabilities to banks.

In financial year 2018, we had short-term revolving credit lines in the amount of m€ 11.6 (2017: m€ 11.6), of which as at 31 December 2018 m€ 0.8 was utilised in the form of guarantees (2017: m€ 0.4).

Net assets

Balance sheet (short version) in m€	2017	2018
Intangible assets	2.4	1.8
Tangible assets	15.9	16.2
Financial assets	53.3	56.3
A. Fixed assets	**71.6**	**74.3**
Inventories	29.8	33.0
Receivables and other assets	40.9	40.3
Securities	29.0	–
Cash and cash equivalents	23.0	46.3
B. Working assets	**122.7**	**119.6**
C. Accrued expenses	**0.2**	**0.1**
Total assets	**194.5**	**194.0**
A. Equity	**93.2**	**93.5**
Provisions for pensions and similar obligations	51.4	53.7
Tax provisions	0.6	0.3
Other provisions	28.6	25.2
B. Provisions	**80.6**	**79.2**
C. Liabilities	**20.7**	**21.3**
Total equity and liabilities	**194.5**	**194.0**

The balance sheet total of Leifheit AG as at 31 December 2018 fell slightly by m€ 0.5 year on year to m€ 194.0 (2017: m€ 194.5).

Fixed assets increased by m€ 2.7 to m€ 74.3 (2017: m€ 71.6). The increase resulted mainly from the increase in loans to holding companies. Inventories increased by m€ 3.2 to m€ 33.0 (2017: m€ 29.8), mainly due to higher stockpiling for action orders in January and for the approaching rotary dryer season. Receivables and other assets decreased mainly related to turnover by m€ 0.6 to m€ 40.3 (2017: m€ 40.9). As at 31 December 2018 we did not hold any securities. As at the balance sheet date of the previous year securities included exclusively bond funds totalling m€ 29.0. Cash and cash equivalents increased by m€ 23.3 to m€ 46.3 due to the sale of securities (2017: m€ 23.0).

Equity of Leifheit AG remained almost constant, totalling m€ 93.5 (2017: m€ 93.2). The dividend payment of m€ 10.0 was offset by a net income of m€ 10.3. The equity ratio thus increased slightly to 48.2% (2017: 47.9%). Provision for pensions and similar obligations increased by m€ 2.3 to m€ 53.7 (2017: m€ 51.4), in particular due to the decrease in the average market interest rate over the last ten years to 3.21% (2017: 3.68%) and the application of the new guideline Heubeck tables 2018 G. Other provisions fell by m€ 3.4 to m€ 25.2 (2017: m€ 28.6) The decrease mainly affected the provisions for customer bonuses and advertising cost subsidies, guarantee obligations and provision for impending loss from forward exchange transactions. Liabilities increased by m€ 0.6 to m€ 21.3 (2017: m€ 20.7).

Leifheit AG invested m€ 2.7 in financial year 2018 (2017: m€ 3.4). m€ 0.2 of this amount was attributable to intangible assets (2017: m€ 0.9), mainly software, and m€ 2.5 to tangible assets (2017: m€ 2.5), chiefly tools for new products and operating and business equipment. There were no considerable disposals of assets in reporting year 2018. All investments in financial year 2018 have been largely completed.

As at 31 December 2018, there were contractual obligations to acquire items of tangible assets – mainly for equipment, tools and software – in the amount of m€ 1.5 (2017: m€ 1.4). These will be financed by cash and cash equivalents.

In addition to the assets reported in the balance sheet, we also used to a small extent assets which 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 436 employees as at 31 December 2018 (2017: 428 employees). The average number of employees in financial year 2018 was 433 (2017: 411 employees).

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.

We anticipate turnover growth of around 3% to 4% at Leifheit AG in financial year 2019. We anticipate an operating result of around m€ 3 to m€ 4.

Nassau/Lahn, 25 March 2019

Leifheit Aktiengesellschaft

The Board of Management

Ivo Huhmann Igor Iraeta Munduate

Consolidated financial statements

Statement of profit or loss and statement of comprehensive income

k€	Notes	2017 [1]	2018
Turnover	1	236,803	234,196
Cost of turnover	2	–126,874	–132,088
Gross profit		**109,929**	**102,108**
Research and development costs	3	–5,227	–5,461
Distribution costs	6	–71,625	–70,484
Administrative costs	7	–14,710	–14,172
Other operating income	8	2,353	1,214
Other operating expenses	9	–347	–427
Foreign currency result	10	–1,533	278
EBIT		**18,840**	**13,056**
Interest income	11	101	50
Interest expenses	12	–1,274	–1,248
Net other financial result		23	43
EBT		**17,690**	**11,901**
Income taxes	13	–4,812	–3,491
Net result for the period		**12,878**	**8,410**
Contributions that are not reclassified in future periods in the statement of profit or loss			
Actuarial gains/losses on defined benefit pension plans	26	211	4,042
Income taxes from actuarial gains/losses on defined benefit pension plans		–66	–1,131
Contributions that may be reclassified in future periods in the statement of profit or loss			
Currency translation of foreign operations		250	4
Currency translation of net investments in foreign operations		853	–112
Income taxes from currency translation of net investments in foreign operations		–249	27
Net result of cash flow hedges		–8,781	2,348
Income taxes from cash flow hedges		2,598	–701
Net result from financial assets available for sale		9	–
Income taxes from financial assets available for sale		–2	–
Other comprehensive income		**–5,177**	**4,477**
Comprehensive income after taxes		**7,701**	**12,887**
Earnings per share based on net result for the period (diluted and undiluted)	14	**€ 1.35**	**€ 0.88**

[1] IFRS 9 and IFRS 15 were applied for the first time as at 1 January 2018.
IFRS 9 was applied retrospectively, but the previous year's figures were not adjusted.
IFRS 15 was applied using the modified retrospective method, under which previous-year figures are not adjusted.

Balance sheet

k€	Notes	31 Dec 2017 [1]	1 Jan 2018	31 Dec 2018
Current assets				
Cash and cash equivalents	15	28,221	28,221	50,932
Financial assets	16	29,008	29,008	–
Trade receivables	17	50,783	50,708	50,720
Inventories	18	44,474	44,250	46,354
Income tax receivables		1,149	1,149	1,192
Derivative financial instruments	19	74	74	1,154
Contractual assets	20	–	1,357	1,572
Other current assets	21	2,910	2,910	3,805
Total current assets		**156,619**	**157,677**	**155,729**
Non-current assets				
Tangible assets	22	37,760	37,760	38,207
Intangible assets	23	19,585	19,585	18,522
Deferred tax assets	13	10,844	10,866	9,191
Derivative financial instruments	19	–	–	23
Other non-current assets		127	127	119
Total non-current assets		**68,316**	**68,338**	**66,062**
Total assets		**224,935**	**226,015**	**221,791**
Current liabilities				
Trade payables and other liabilities	24	43,824	44,575	44,908
Derivative financial instruments	19	1,818	1,818	661
Income tax liabilities		651	651	507
Other provisions	25	6,785	6,503	5,611
Total current liabilities		**53,078**	**53,547**	**51,687**
Non-current liabilities				
Provisions for pensions and similar obligations	26	69,502	69,502	64,979
Other provisions	25	2,296	2,296	2,166
Deferred tax liabilities	13	978	1,171	1,092
Derivative financial instruments	19	552	552	18
Total non-current liabilities		**73,328**	**73,521**	**68,255**
Equity				
Subscribed capital	27	30,000	30,000	30,000
Capital surplus	28	17,026	17,026	17,026
Treasury shares	29	–7,445	–7,445	–7,445
Retained earnings	30	76,081	76,505	74,930
Other reserves	31	–17,133	–17,139	–12,662
Total equity		**98,529**	**98,947**	**101,849**
Total equity and liabilities		**224,935**	**226,015**	**221,791**

[1] IFRS 9 and IFRS 15 were applied for the first time as at 1 January 2018. According to the chosen transition method, previous-year figures were not adjusted.

Statement of changes in equity

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	Total
As at 1 Jan 2017	**15,000**	**17,026**	**–7,445**	**91,991**	**–11,956**	**104,616**
Change from capital increase	15,000	–	–	–15,000	–	–
Dividends – Note 30	–	–	–	–13,788	–	–13,788
Comprehensive income after taxes	–	–	–	12,878	–5,177	7,701
of which net result for the period	–	–	–	12,878	–	12,878
of which actuarial gains/losses on defined benefit pension plans – Note 26	–	–	–	–	145	145
of which currency translation of foreign operations – Note 31	–	–	–	–	250	250
of which currency translation of net investments in foreign operations – Note 31	–	–	–	–	604	604
of which from cash flow hedges – Note 31	–	–	–	–	–6,183	–6,183
of which from the sale of financial assets available – Note 31	–	–	–	–	7	7
As at 31 Dec 2017	**30,000**	**17,026**	**–7,445**	**76,081**	**–17,133**	**98,529**
Transition effects of IFRS 9 after taxes	–	–	–	–47	–6	–53
Transition effects of IFRS 15 after taxes	–	–	–	471	–	471
As at 1 Jan 2018	**30,000**	**17,026**	**–7,445**	**76,505**	**–17,139**	**98,947**
Dividends – Note 30	–	–	–	–9,984	–	–9,984
Comprehensive income after taxes	–	–	–	8,410	4,477	12,887
of which net result for the period	–	–	–	8,410	–	8,410
of which actuarial gains/losses on defined benefit pension plans – Note 26	–	–	–	–	2,911	2,911
of which currency translation of foreign operations – Note 31	–	–	–	–	4	4
of which currency translation of net investments in foreign operations – Note 31	–	–	–	–	–85	–85
of which from cash flow hedges – Note 31	–	–	–	–	1,647	1,647
As at 31 Dec 2018	**30,000**	**17,026**	**–7,445**	**74,930**	**–12,662**	**101,849**

Statement of cash flow

k€	Notes	2017[1]	2018
Net result for the period		12,878	8,410
Depreciation and amortisation	4	6,411	6,949
Change in provisions		–1,408	–1,500
Result from disposal of fixed assets and other non-current assets		–1,052	44
Change in inventories, trade receivables and other assets not classified as investment or financing activities		–4,656	–3,140
Change in trade payables and other liabilities not classified as investment or financing activities		–5,904	84
Other non-cash income/expenses		948	–661
Cash flow from operating activities		**7,217**	**10,186**
Proceeds from the sale of tangible assets and other non-current assets		2,086	109
Proceeds from the sale of financial assets	16	13,999	29,008
Outflow for the acquisition of tangible assets and intangible assets	22, 23	–7,809	–6,600
Outflow for the acquisition of financial assets		–19,013	–
Cash flow from investment activities		**–10,737**	**22,517**
Dividends paid to the shareholders of the parent company		–13,788	–9,984
Cash flow from financing activities		**–13,788**	**–9,984**
Change in cash and cash equivalents		–17,308	22,719
Change in cash and cash equivalents due to exchange rates		22	–8
Cash and cash equivalents at the start of the reporting period		45,507	28,221
Cash and cash equivalents at the end of the reporting period	15	**28,221**	**50,932**
Income taxes paid[2]		–5,893	–5,243
Income taxes received[2]		822	529
Interest paid[2]		–1	–5
Interest received[2]		102	43

[1] IFRS 9 and IFRS 15 were applied for the first time as at 1 January 2018. According to the chosen transition method, previous-year figures were not adjusted.
[2] Included in cash flow from operating activities.

Notes: General information as well as accounting and valuation principles

General information

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 am 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 2018 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 2018 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, Germany, is the company that prepares the consolidated financial statements for the largest and smallest group of consolidated companies. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) 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 25 March 2019. The period in which adjusting events would be accounted for thus 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 holding company 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 other persons entitled to vote,
- rights based on other contractual agreements and
- voting rights and potential voting rights of the Group.

The financial statements of subsidiaries are prepared in application of standardised accounting policies 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 2018 and 2017.

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. 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 on

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 are measured at 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 therefore 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. Negative goodwill is 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 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 after 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

The wholly owned subsidiary Guangzhou Leifheit Trading Co., Ltd, with its registered office in Guangzhou, China, was founded in Q2 2018. The company commenced business operations in Q4 2018. There were no further 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 2018.

	Date of initial consolidation	Interest in capital and voting rights in 2018 in %
Unterstützungseinrichtung Günter Leifheit e.V., Nassau (DE)	1 Jan 1984	–
Leifheit España S.A., Madrid (ES)	1 Jan 1989	100.0
Leifheit s.r.o., Blatná (CZ)	1 Jan 1995	100.0
Leifheit International U.S.A. Inc., Hauppauge, NY (US)	1 Jan 1997	100.0
Meusch-Wohnen-Bad und Freizeit GmbH, Nassau (DE)	1 Sep 1999	100.0
Birambeau S.A.S., Paris (FR)[1]	1 Jan 2001	100.0
Leifheit-Birambeau S.A.S., Paris (FR)[1]	1 Jan 2001	100.0
Leifheit Distribution S.R.L., Bucharest (RO)	18 Dec 2007	100.0
Herby Industrie S.A.S., La Loupe (FR)[1]	1 Jul 2008	100.0
Leifheit France S.A.S., Paris (FR)	23 Nov 2009	100.0
Leifheit CZ a.s., Hostivice (CZ)	1 Dec 2011	100.0
Leifheit Polska Sp. z o.o., Warsaw (PL)	11 Oct 2012	100.0
Soehnle GmbH, Nassau (DE)	25 Jun 2015	100.0
Leifheit Österreich GmbH, Wiener Neudorf (AT)	6 Jun 2016	100.0
Guangzhou Leifheit Trading Co., Ltd, Guangzhou (CN)	4 Jun 2018	100.0

[1] Indirect shareholding through 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 usually 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 exchange rate differences arising from currency translation are 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 the balance sheet date		Annual average price	
Base: € 1	31 Dec 2017	**31 Dec 2018**	2017	**2018**
CZK	25.54	25.73	26.42	25.65
USD	1.20	1.14	1.12	1.18
PLN	4.18	4.29	4.27	4.26
HKD	9.39	8.96	8.80	9.26
CNY	7.82	7.84	7.62	7.80

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 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 been reached 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. Their remaining term is not more than three months. They are assessed at their amortised cost (nominal value).

Inventories

Inventories are recognised at the lower of acquisition an 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 on the basis of objective evaluation criteria. The lower net realisable value at the balance sheet date is taken into account in valuation. 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. The reimbursement obligation is included in other liabilities (Note 24), and the right to return the products is included in inventories (Note 18). The Group reviews its estimates of expected returns on each reporting date and updates the amounts of assets and obligations accordingly. Prior to 1 January 2018, the asset and the reimbursement liability were netted and reported under provisions.

Tangible assets

Tangible assets are carried at cost less cumulative depreciation and cumulative impairment.

If items of tangible assets are sold or scrapped, the associated costs and cumulative depreciation are charged off; any realised profit or loss from the disposal is reported 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 fixed 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
Technical equipment and other machinery	5–10
Injection-moulding and stamping tools	3–6
Vehicles	6
Operating and office equipment	3–13
Display and POS stands	3

Leases

The Leifheit Group is exclusively the lessee. In the case of finance leases where, in essence, all the risks and rewards of ownership of an asset are transferred to Leifheit, the leased asset is capitalised from the date on which the lease is arranged. The asset is recognised at the lower of its fair value or the present value of the minimum lease payments if this is the lower value. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability over the lease term. Financing expenses are recognised immediately in profit or loss.

If it is not reasonably certain that Leifheit will obtain ownership of the asset at the end of the lease term, the asset is depreciated in full over the shorter of the lease term and its useful life. There were no finance leases at the balance sheet date.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the term of the lease.

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 and are not amortised, as 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 annually for possible impairment in accordance with IAS 36 and written down to their fair value 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 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.

Impairment of tangible assets and other 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.

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). In addition, deferred tax assets from loss carry-forwards are recognised if 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 year 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 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.

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 deferred 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 result. 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, for example 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 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 and subsequent measurement

Approach from 1 January 2018
Financial assets are categorised and measured as follows at initial measurement:

- at amortised cost
- debt instruments measured at fair value through other comprehensive income
- equity instruments measured at fair value through other comprehensive income
- 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 be 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 two 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: Approach from 1 January 2018
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 are 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 are 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: Approach from 1 January 2018

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: Approach from 1 January 2018

Financial assets measured at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any and all interest and dividend income, is recognised in profit or loss. For derivatives designated as hedging instruments.
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.

Approach prior to 1 January 2018
The Group classified its financial assets into one of the following categories:

- loans and receivables
- held to maturity
- available for sale
- at fair value through profit or loss, and within this category as held for trading, derivative hedging instruments or designated as fair value through profit or loss

Subsequent measurement and gains and losses: Approach prior to 1 January 2018

Financial assets measured at fair value through profit or loss	Measured at fair value. Changes, including interest and dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments.
Investments held to maturity	These assets were measured at amortised cost using the effective interest method.
Loans and receivables	These assets were measured at amortised cost using the effective interest method.
Available for sale financial assets	Measured at fair value. Corresponding value changes were, with the exception of impairments, interest income and currency translation differences in the case of bonds, recognised in other comprehensive income and reported in the remeasurement reserve. If these assets were derecognised, cumulative other comprehensive income was reclassified to profit or loss.

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

Approach from 1 January 2018
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.

Approach prior to 1 January 2018
The approach applied to the comparative information from 2017 is similar to the approach applied in 2018. For all cash flow hedges, amounts cumulated in the reserve for cash flow hedges were reclassified into profit or loss in the period or periods in which the hedged expected future cash flows affected profit or loss, including those resulting in the recognition of a non-financial item. Furthermore, forward points for cash flow hedges that ended prior to 2017 were recognised directly in profit or loss.

Recognition of income and expenses

The Group applied IFRS 15 for the first time as at 1 January 2018. The “New accounting standards applied for the first time” section provides more information on accounting and valuation principles applied by the Group to contracts with customers and the effects of the first-time application of IFRS 15.

Before 1 January 2018, revenue or other operating income was not recognised until the services were rendered or the goods or products were delivered and the risk was transferred to the customer. Turnover-related turnover deductions in the form of advertising cost subsidies, customer bonuses and discounts were taken into account to reduce turnover.

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 selling 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. In all financial instruments valued at their amortised costs, as well as the interest-bearing financial assets that are classified as available for sale, the interest income and interest expenses are recorded by means of 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 they are incurred. There are no significant interest expenses that would have to be capitalised in manufacturing costs.

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 conditions that existed at the balance sheet date (adjusting events) are included in the financial statements. Non-adjusting events after the balance sheet date are shown in the Notes if they are material.

Material exercises of discretion, estimates and assumptions

In certain instances, preparing the annual financial statements requires exercises of discretion and estimates and assumptions about the amounts or fair values of receivables, liabilities and other provisions (Note 25), 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 23, 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.

Changes in accounting and valuation principles

New accounting standards applied for the first time

Leifheit applied the following standards and amendments published by the IASB for the first time in financial year 2018:

Standard/interpretation		Must be applied to financial years beginning on or after	Adopted by the European Commission
Amendment to IAS 40	Transfer of investment property	1 Jan 2018	yes
IFRIC 22	Foreign currency transactions and advance consideration	1 Jan 2018	yes
Improvements to IFRS (2014–2016)	Amendments to IFRS 1 and IAS 28	1 Jan 2018	yes
Amendment to IFRS 2	Classification and measurement of share-based payment transactions	1 Jan 2018	yes
Amendment to IFRS 4	Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts	1 Jan 2018	yes
IFRS 9	Financial instruments	1 Jan 2018	yes
IFRS 15	Revenue from contracts with customers	1 Jan 2018	yes
Amendment to IFRS 15	Clarification to IFRS 15	1 Jan 2018	yes

Amendment to IAS 40: Transfer of investment property
These new regulations were not applicable to the Group and therefore had no effects on the net assets, financial position and results of operations of the Group.

IFRIC 22: Foreign currency transactions and advance consideration
IFRIC 22 addresses an issue relating to the application of IAS 21 – The effects of changes in foreign exchange rates. It clarifies when to calculate the foreign exchange rate for the translation of transactions denominated in foreign currencies that include the receipt or payment of advance consideration. The foreign exchange rate for the underlying asset, income or expense should be calculated at the point at which the asset or liability resulting from the advance consideration is initially recognised.

This new regulation did not have any material effects on the net assets, financial position and results of operations of the Group as advance considerations are only paid in foreign currencies in exceptional cases.

Improvements to IFRS (2014 – 2016): Amendments to IFRS 1 and IAS 28
These new regulations were not applicable to the Group and therefore had no effects on the net assets, financial position and results of operations of the Group.

Amendment to IFRS 2: Classification and measurement of share-based payment transactions
The changes affected the consideration of exercise conditions within the scope of measuring share-based payment transactions to be settled in cash, the classification of share-based payment transactions that allow for a net settlement amount for taxes to be retained and the recognition of a change to the classification of payment transactions from “cash-settled” to “equity-settled”.

These new regulations had no effects on the net assets, financial position and results of operations of the Group.

Amendment to IFRS 4: Application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts
These new regulations were not applicable to the Group and therefore had no effects on the net assets, financial position and results of operations of the Group.

IFRS 9: Financial instruments
Leifheit applied the new IFRS 9 regulations to the classification and measurement of financial instruments and their impairment retrospectively as at the start of financial year 2018 and opted not to adjust comparative information for previous periods. As a result, the opening balance sheet as at 1 January 2018 was adjusted in accordance with the requirements of IFRS 9.

– Classification
IFRS 9 includes three important categories for classifying financial assets: measured at amortised cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. When it comes to financial liabilities, the most important categories are financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Besides its hedging instruments for the purposes of hedge accounting, Leifheit only possesses financial assets of a debt nature. In most cases, these assets had been classified as at the initial application of IFRS 9 into the following categories: measured at amortised cost, measured at fair value and measured for the purposes of hedge accounting.

The application of IFRS 9 introduced a standardised model to classify financial assets into one of the aforementioned categories for financial assets of a debt nature. There are two key criteria to proper classification: the business model and cash flow characteristics. It was assessed whether the financial assets were held within a business model whose purpose is to hold these instruments and collect the contractual cash flows, whether the instruments are held and in some cases sold or whether another business model was applied. In relation to cash flow characteristics, an assessment was made as to whether the contractual cash flows are solely payments of interest or principal, or whether further components existed, such as indexing or leveraging components.

Financial assets whose cash flows were solely payments of interest and principal were classified in accordance with the Leifheit business model. Financial assets such as trade receivables attributable to a business model whose purpose is to hold assets and collect their contractual cash flows are measured at amortised cost. If the business model was geared towards holding the assets, but with the possibility that the assets could also be sold, e.g. in order to cover certain liquidity requirements, these assets were measured at fair value through other comprehensive income.

Financial assets that solely included payments of interest and principal but were not held within one of the two aforementioned business models were measured at fair value through profit or loss.

Financial assets whose cash flows were not solely payments of interest and principal were measured at fair value through profit or loss.

Impairments

IFRS 9 introduces a model to calculate impairments on the basis of expected credit losses. Under this model, impairments for expected credit losses were recognised for financial assets classified for measurement at amortised cost. The model included the use of forward-looking information and estimations. No separate disclosures were 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-stage model for impairment allocation:

Stage 1: Expected credit losses within the next 12 months

Stage 1 included 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 were recognised.

Stage 2: Lifetime expected credit losses – not credit-impaired

Financial assets were allocated to stage 2 if there had been a significant increase in credit risk since initial recognition of the financial asset, but they were not credit-impaired. Expected losses attributable to default events throughout the entire lifetime of the financial asset were recognised as impairments.

Stage 3: Lifetime expected credit losses – credit-impaired

Financial assets were allocated to stage 3 if they were credit-impaired or they were defaulted on. Expected losses throughout the entire lifetime of the financial asset were recognised as impairments.

The assessment of probability of default took 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 pursuant to IFRS 15, Leifheit applied 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 was 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 Group does not apply the three-stage 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 stage 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. No imairment was made as the maximum default risk amounts to less than k€ 10.

Prior to 1 January 2018, the Group assessed at each balance sheet date whether there was any indication that a financial asset or group of financial assets might be impaired. There were objective indications of impairment if the fair value fell significantly below the carrying amount. If such an asset was impaired, this effect was recognised in the income statement. A cumulative loss previously recognised directly in equity (on available-for-sale investments) was recognised in profit or loss. For trade receivables, impairment were recorded in separate impairment accounts.

– Transition effects

The transition effects of IFRS 9 are shown in the following tables: Generally speaking, transition effects comprise a reclassification component and a measurement component. Reclassification effects originated from the different classification and measurement categories applicable under IAS 39 and under IFRS 9 and therefore were part of the transition from financial assets and liabilities pursuant to IAS 39 as at 31 December 2017 to the new categories pursuant to IFRS 9 as at 1 January 2018. Measurement effects resulted from the difference in measurement principles under IFRS 9 compared to those applicable under IAS 39, such as the new impairment approach.

The transition to IFRS 9 resulted in an effect of k€ –53 as at 1 January 2018, which was recognised in equity.

The following table shows the IFRS 9 transition effect recognised in other comprehensive income of impairments of cash and cash equivalents, contractual assets and trade receivables:

k€	Impairment
Cumulative impairments under IAS 39 as at 31 Dec 2017	692
IFRS 9 initial application effect recognised in other comprehensive income	75
Cumulative impairments under IFRS 9 as at 1 Jan 2018	767

k€	Book value IAS 39 31 Dec 2017	New measurement category under IFRS 9	Reclassification	Measurement	Book value IFRS 9 1 Jan 2018
Financial assets					
Held for trading					
Forward foreign exchange transactions (not designated as hedging transactions)	30	Fair value through profit or loss	–	–	30
Available for sale					
Current financial assets (fund shares)	29,008	Fair value through other comprehensive income	–29,008	–	–
Current financial assets (fund shares)	–	Fair value through profit or loss	29,008	–	29,008
Fair value (hedging instruments)					
Forward foreign exchange transactions (designated as hedging transactions)	44	For hedge accounting	–	–	44
Loans and receivables					
Trade receivables and other receivables	51,859	Amortised cost	–	–75	51,784
Cash and cash equivalents	28,221	Amortised cost	–	0	28,221
Financial liabilities					
Held for trading					
Forward foreign exchange transactions (not designated as hedging transactions)	293	Fair value through profit or loss	–	–	293
Fair value (hedging instruments)					
Forward foreign exchange transactions (designated as hedging transactions)	2,077	For hedge accounting	–	–	2,077
Loans and receivables					
Trade payables and other liabilities	34,613	Amortised cost	–	–	34,613

IFRS 15 and amendment to IFRS 15: Revenue from contracts with customers, clarification

IFRS 15 specifies the broad scope for determining whether, how much and when revenue will be reported. It supersedes previous revenue recognition guidelines, including IAS 18 Revenues, IAS 11 Construction contracts and related interpretations. The modified retrospective method was applied to the transition to IFRS 15, under which cumulative adjustment amounts were recognised as at 1 January 2018. The Company recognises turnover from the sale of products when it meets an obligation to perform by transferring a promised asset (product) to a customer. An asset is deemed to have been transferred when the customer obtains control of the asset.

Sale of goods

When it comes to contracts with customers, the sale of products is generally expected to be the sole performance obligation. Under IFRS 15, revenue is recognised as soon as a customer obtains control of the goods. When applying IFRS 15 at Leifheit, the following aspects are taken into consideration:

– General

In accordance with the transfer of power of disposal, turnover are to be recognised at the amount to which the Group is expected to be entitled, either on a time or period basis. Leifheit AG has determined on the basis of the following indicators that the performance obligation will be fulfilled at the time the products are transferred to the customer and that turnover will therefore be recognised at the time:

- Leifheit AG is currently entitled to receive a payment for the asset,
- the customer has ownership of the asset,
- Leifheit AG has transferred the physical ownership of the asset,
- the significant risks and rewards incidental to ownership of the asset have been transferred to the customer,
- the customer has accepted the asset.

The Group's main markets are in Germany and Central Europe. The Group companies enter into various agreements with customers for the supply of products, some of which contain complex contractual provisions.

– Consignment arrangements

The consignment stock agreements with our customers are structured so that customers obtain the power of disposal over the products in the consignment warehouse. This means that, according to IFRS 15, the revenue is already reported at the time of delivery to the consignment warehouse and no longer at the time of removal from the consignment warehouse. This resulted in contractual assets as at 1 January 2018 in the amount of k€ 1,357, a reduction in inventories of k€ 693, an increase in deferred tax liabilities of k€ 193 and an equity effect of k€ 471.

– Sale with a right of return

If a contract with a customer includes the right to return the products within a certain time frame, turnover for these contracts is reported in the way practised up to now, provided it is not likely that a considerable correction of the reported turnover will take place. Right of return obligations were reported as netted items in provisions in the past. Under IFRS 15, the reimbursement obligation and an asset for the right to take products back from a customer are reported separately in the balance sheet. This resulted in inventories of k€ 469 as at 1 January 2018 and liabilities from the right to return products of k€ 751.

– Advance considerations received from customers

In principle, we receive short-term advance considerations from customers only in exceptional cases for purchase contracts without cancellation options, which do not contain any financing components and which are reported upon payment as part of the trade payables and other liabilities. Under IFRS 15, the receivable due from the contractual obligations are recognised at the point at which the contract without a cancellation option is concluded. As at 1 January 2018, there were no contracts without cancellation options that would have led to payment demands falling due.

– Contracts with more than one contractual component

In a limited number of cases, contracts with customers receive the Incoterm “CIF” (cost, insurance and freight). These represent several contractual obligations. While revenue has to date been reported only at the time of transfer of risk, performance obligations of provision and insurance are recognised under IFRS 15 on a pro rata temporis basis prior to power of disposal being obtained. There were no contracts with more than one contractual component as at 1 January 2018 and as at 31 December 2018

Effects on the statement of profit or loss in k€	2017 under IAS 18	**2018 under IFRS 15**	2018 under IAS 18
Turnover	236,803	234,196	233,981
Cost of turnover	–126,874	–132,088	–132,035
Gross profit	109,929	102,108	101,945
EBIT	18,840	13,056	12,893
Net result for the period	12,878	8,410	8,296

Effects on the balance sheet in k€	31 Dec 2017 under IAS 18	Effects of initial application of IFRS 15	**1 Jan 2018 under IFRS 15**	**31 Dec 2018 under IFRS 15**	31 Dec 2018 under IAS 18
Inventories	44,474	–224	44,250	46,354	46,415
Contractual assets	–	1,357	1,357	1,572	–
Other current provisions	6,785	–282	6,503	5,611	6,158
Trade payables and other liabilities	43,824	751	44,575	44,908	43,677
Deferred tax liabilities	978	193	1,171	1,092	850
Equity	98,529	471	99,000	101,849	101,264

New accounting standards applicable in future

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

Standard/interpretation		Must be applied to financial years beginning on or after	Adopted by the European Commission
Amendment to IFRS 9	Prepayment features with negative compensation	1 Jan 2019	yes
IFRS 16	Leases	1 Jan 2019	yes
IFRIC 23	Uncertainty over income tax treatments	1 Jan 2019	yes
Amendment to IAS 19	Employee benefits in the event of adjustment, reduction or compensation of defined benefit pension plans	1 Jan 2019	yes
Amendment to IAS 28	Long-term interests in associates and joint ventures	1 Jan 2019	yes
Improvements to IFRS (2015 – 2017)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 Jan 2019	yes

Amendment to IFRS 9: Prepayment features with negative compensation
These limited amendments concern the assessment criteria relevant to the classification of financial assets. Financial assets with prepayment features with negative compensation may only be recognised under certain circumstances at amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss. The amendments are to be applied as at 1 January 2019.

The Group currently believes that there will be no material effects on the consolidated financial statements. No financial assets with prepayment features with negative compensation were recognised as at 31 December 2018.

IFRS 16: Leases
The Group is obliged to apply IFRS 16 Leases as at 1 January 2019. The Group has assessed the estimated effects of the initial application of IFRS 16 on the consolidated financial statements, which are presented below. The actual effects of the application of this standard as at 1 January 2019 may deviate from the estimated effects, as new accounting methods can be subject to change up to the publication of the first consolidated financial statements following the date of initial application.

IFRS 16 establishes a uniform accounting model whereby leases are to be reported in the lessee's balance sheet. 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. Simplified regulations apply to short-term leases and leases of low-value assets. Lessor accounting is comparable with the current standard; in other words, the lessor continues to classify leases as financing leases or operating leases.

IFRS 16 supersedes existing regulations on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

The Group only has leases in which the Group is the lessee. It will recognise new assets and liabilities for its operating leases relating to leased office space and leased vehicles (Note 36). The nature of expenses relating to these leases will change, as the Group now recognises depreciation on right of use assets and interest expenses on lease liabilities.

The Group previously recognised expenses from operating leases on a straight-line basis over the lease term and only recognised assets and liabilities in the amount arising in the period between the actual lease payment and the recognised expenses.

Based on information available at the current time, the Group believes that it will recognise additional lease liabilities of k€ 2,057 as at 1 January 2019.

The Group intends to apply IFRS 16 as at 1 January 2019 for the first time, using the modified retrospective method. For this reason the cumulative effect of the application of IFRS 16 will be reported as an adjustment of the values in the opening balance sheet of retained earnings as at 1 January 2019. Comparative information is not adjusted.

The Group intends to apply the simplified approach in terms of maintaining the definition of a lease at transition. In other words, the Group will apply IFRS 16 to all contracts concluded prior to 1 January 2019 and that have been identified as leases pursuant to IAS 17 and IFRIC 4.

IFRIC 23: Uncertainty over income tax treatments
The tax treatment of certain circumstances and transactions can depend on future recognition from tax authorities or the financial courts. IAS 12 Income taxes governs how current and deferred taxes are to be recognised. IFRIC 23 supplements the regulations defined in IAS 12 regarding uncertainties over the income tax treatment of circumstances and transactions. This interpretation is applicable to reporting periods beginning on or after 1 January 2019.

The Group currently believes that there will be no material effects on the consolidated financial statements. There were no material uncertainties regarding income taxes as at 31 December 2018.

Amendment to IAS 19: Employee benefits in the event of adjustment, reduction or compensation of defined benefit pension plan
In accordance with IAS 19, pension obligations arising from plan amendments, curtailments and settlements are to be measured on the basis of updated assumptions. The amendment clarifies that after such an event, the service cost and the net interest for the remainder of the period are to be recognised on the basis of updated assumptions. The amendment was adopted by the EU Commission on 13 March 2019 and is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group currently assumes that there will be no effects on the consolidated financial statements at present.

Amendment to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that IFRS 9 is to be applied to non-current investments in associates or joint ventures that are not accounted for using the equity method. The amendments were assumed by the EU Commission on 8 February 2019 and are therefore effective for the first time as of 1 January 2019.

The Group currently assumes that there will be no effects on the consolidated financial statements at present.

Improvements to IFRS (2015 to 2017): Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
Four IFRS were amended by the annual improvements to IFRS (2015-2017).

IFRS 3 clarifies that when an entity obtains control of a business in which it previously had a participating interest as part of a joint operation, it must apply the principles for successive business combinations. The share previously held by the acquirer has to be remeasured.

IFRS 11 determines that when a party obtains joint control of a business operation in which it previously had a share as part of a joint operation, that party shall not remeasure the previously held share.

IAS 12 is amended to require all income tax consequences of dividend payments to be considered in the same way as the income on which the dividend is based.

Finally, IAS 23 states that if an enterprise has raised funds generally for the acquisition of qualifying assets, borrowing costs specifically incurred in connection with the acquisition of qualifying assets shall not be included in determining the financing cost rate until their completion.

The amendments were adopted by the EU Commission on 14 March 2019 and are therefore effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group currently assumes that there will be no material effects 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 2018. These standards and interpretations have not been endorsed by the EU to date and are not applied by the Group.

Standard/interpretation		Must be applied to financial years beginning on or after	Adopted by the European Commission	Impact on Leifheit
Amendments to IFRS standards	Amendments to references to the conceptual framework in IFRS standards	1 Jan 2020	no	no major
Amendment to IFRS 3	Definition of a business	1 Jan 2020	no	none
Amendment to IAS 1 and IAS 8	Definition of material information	1 Jan 2020	no	no major
IFRS 17	Insurance contracts	1 Jan 2021	no	none
Amendment to IFRS 10 and IAS 28	Disposal or contribution of assets of an investor to or within an associated company or joint venture	postponed by IASB indefinitely	no	none

Segment reporting

The Leifheit Group is divided into business segments for internal management purposes, which were new organised in the reporting year. The business segments were previously presented as the reportable segments Brand Business and Volume Business. Following the new organisation, the business segments are now presented as the reportable segments Household, Wellbeing and Private Label.

Key figures by reportable segments in 2018		Household	Wellbeing	Private Label	**Total**
Turnover	m€	180.4	19.9	33.9	234.2
Gross profit	m€	82.8	8.6	10.7	102.1
Segment result (EBIT)	m€	10.2	–0.3	3.2	13.1
Employees on annual average	people	940	53	161	1,154

Key figures by reportable segments in 2017		Household	Wellbeing	Private Label	Total
Turnover	m€	182.9	19.6	34.3	236.8
Gross profit	m€	88.7	9.8	11.4	109.9
Segment result (EBIT)	m€	13.3	2.2	3.3	18.8
Employees on annual average	people	901	46	162	1,109

Segments are identified on the basis of regular internal reporting and comprise the segments subject to reporting requirements.

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

Wellbeing segment: in which the Soehnle brand and a range of scales, healthcare products and air conditioning units are developed and distributed.

Private Label segment: with the French subsidiaries Birambeau and Herby, in which products from the laundry care and kitchen goods categories are developed, produced and distributed. 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 also 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, the gross profit and EBIT. These are based on IAS/IFRS valuations.

Up to and including financial year 2017, segments at the Leifheit Group were identified on the basis of regular internal reporting in the Brand Business and Volume Business segments, which were subject to reporting requirements.

In the past, the Brand Business segment developed, produced and distributed household goods and appliances under the Leifheit brand, as well as scales and wellbeing products under the Soehnle brand.

Household goods under the Birambeau and Herby brands and project business used to be developed, produced and distributed in the Volume Business segment.

Key figures by reportable segments in 2018		Brand Business	Volume Business	**Total**
Turnover	m€	195.7	38.5	234.2
Gross profit	m€	89.9	12.2	102.1
Segment result (EBIT)	m€	9.2	3.9	13.1
Employees on annual average	people	990	164	1,154

Key figures by reportable segments in 2017		Brand Business	Volume Business	Total
Turnover	m€	196.7	40.1	236.8
Gross profit	m€	96.5	13.4	109.9
Segment result (EBIT)	m€	14.2	4.6	18.8
Employees on annual average	people	939	170	1,109

Notes to the statement of profit or loss and statement of comprehensive income

IFRS 9 and IFRS 15 were applied for the first time as at 1 January 2018. According to the chosen transition method, previous-year figures were not adjusted.

(1) Turnover

The effect from the initial application of IFRS 15 on revenue from contracts with customers is described in the "Changes in accounting and valuation principles" section.

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 decisive for the regional attribution of the turnover.

Turnover by region in m€	2018			
	Household	**Wellbeing**	**Private Label**	**Total**
Domestic	89.6	8.0	–	97.6
Central Europe	58.7	10.0	32.0	100.7
Eastern Europe	26.2	1.0	1.7	28.9
Rest of the world	5.9	0.9	0.2	7.0
	180.4	**19.9**	**33.9**	**234.2**

Turnover by region in m€	2017 [1]			
	Household	Wellbeing	Private Label	Total
Domestic	89.6	7.3	–	96.9
Central Europe	58.5	10.2	34.2	102.9
Eastern Europe	26.9	0.9	–	27.8
Rest of the world	7.9	1.2	0.1	9.2
	182.9	**19.6**	**34.3**	**236.8**

[1] Under IAS 18.

Turnover by product category in m€	2018			
	Household	**Wellbeing**	**Private Label**	**Total**
Laundry care	83.8	–	10.6	94.4
Cleaning	80.0	–	–	80.0
Kitchen goods	16.6	–	23.3	39.9
Wellbeing	–	19.9	–	19.9
	180.4	**19.9**	**33.9**	**234.2**

Turnover by product category in m€	2017 [1]			
	Household	Wellbeing	Private Label	Total
Laundry care	86.4	–	10.5	96.9
Cleaning	77.7	–	–	77.7
Kitchen goods	18.8	–	23.8	42.6
Wellbeing	–	19.6	–	19.6
	182.9	**19.6**	**34.3**	**236.8**

[1] Under IAS 18.

(2) Cost of turnover

k€	2017	**2018**
Cost of materials	93,181	99,413
Personnel costs	13,642	13,755
Purchased services	4,752	4,853
Depreciation and amortisation	3,284	3,494
Services	2,169	1,890
Consumables and supplies	1,598	1,510
Maintenance	1,776	1,483
IT costs and other allocations	1,362	1,324
Customs and services	1,235	1,180
Energy	1,098	1,136
Rent	283	277
Licensing fees	–71	169
Cost of cars, travel and entertainment	160	134
Impairment of inventories (net change)	511	–159
Other cost of turnover	1,894	1,629
	126,874	**132,088**

(3) Research and development costs

k€	2017	2018
Personnel costs	2,912	3,092
IT costs and other allocations	459	602
Maintenance	105	555
Fees	333	334
Services	893	320
Depreciation and amortisation	121	278
Other research and development costs	404	280
	5,227	**5,461**

(4) Depreciation and amortisation

k€	2017	2018
Tangible assets		
Cost of turnover	3,278	3,490
Research and development costs	81	89
Distribution costs	1,113	1,174
Administrative costs	232	227
IT costs and other allocations	899	642
	5,603	**5,622**
Intangible assets		
Cost of turnover	6	4
Research and development costs	40	189
Distribution costs	232	597
Administrative costs	47	36
IT costs and other allocations	483	501
	808	**1,327**
Total depreciation and amortisation	**6,411**	**6,949**

(5) Personnel costs/employees

k€	2017	2018
Wages and salaries	38,905	39,240
Social security contributions	8,266	8,775
Cost of employment benefits	702	744
	47,873	**48,759**

Employees on annual average	2017	2018
Germany	395	418
Czech Republic	484	489
France	165	164
Other countries	65	83
	1,109	**1,154**

The number of employees was adjusted; it no longer includes members of Group organs, trainees and employees on maternity or paternity leave. Previous-year figures have been adjusted accordingly.

(6) Distribution costs

k€	2017	2018
Personnel costs	19,773	21,098
Advertising costs	16,207	14,203
Freight out	12,295	13,202
IT costs and other allocations	5,478	4,828
Services	3,957	4,329
Commissions	6,022	3,189
Depreciation and amortisation	1,345	1,771
Packaging materials	1,309	1,582
Cost of cars, travel and entertainment	1,479	1,395
Payments to customers	569	1,185
Rent	647	856
Maintenance	563	578
Insurance	280	347
General operation and administrative costs	285	318
Office and other overhead costs	167	248
Post and telephone costs	159	132
Other distribution costs (less than k€ 100)	1,090	1,223
	71,625	**70,484**

Depreciation and amortisation includes impairment losses on brands and goodwill in the amount of k€ 380. Distribution costs of the previous year included expenses of k€ 1,847 for the reorganisation of sales activities.

(7) Administrative costs

k€	2017	2018
Personnel costs	8,917	8,459
Services	1,837	2,387
IT costs and other allocations	622	578
Costs of financial statements	518	450
Supervisory Board remuneration	296	331
Maintenance	293	321
General operation and administrative costs	265	321
Rent	295	290
Depreciation and amortisation	279	263
Office and other overhead costs	289	216
Cost of cars, travel and entertainment	265	180
Post and telephone costs	219	162
Other administrative costs (less than k€ 100)	615	214
	14,710	**14,172**

Administrative costs include personnel expenses relating to the termination of Board of Management contracts in the amount of k€ 1,059 (2017: k€ 0).

(8) Other operating income

k€	2017	2018
Commission income	610	547
Royalty revenue	214	304
Income from disposal of assets	1,084	11
Other operating income (less than k€ 100)	445	352
	2,353	**1,214**

(9) Other operating expenses

k€	2017	2018
Other operating expenses (less than k€ 100)	347	427
	347	**427**

(10) Foreign currency result

k€	2017	2018
Realised foreign currency gains/losses	–141	28
Result from changes in the fair value of forward foreign exchange transactions	–1,526	266
Effects of foreign currency valuations	134	–16
	–1,533	**278**

The result from changes in the fair values of forward foreign exchange transactions concerned forward foreign exchange transactions for which no hedging relations exist.

(11) Interest income

k€	2017	2018
Interest income from financial instruments	101	39
Interest income from compound interest	–	11
	101	**50**

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

(12) Interest expenses

k€	2017	2018
Interest expenses from interest on pension obligations	1,175	1,148
Interest expenses from compounding on other provisions and taxes	99	96
Interest expenses from financial instruments	–	4
	1,274	**1,248**

(13) Income taxes

k€	2017	2018
Corporation tax (Germany)	2,020	1,254
Trade tax (Germany)	1,584	961
Foreign income taxes	1,310	1,488
Deferred income taxes	–102	–212
	4,812	**3,491**

k€	2017	2018
Actual income tax on income from other periods	–60	–73
Deferred taxes due to temporary differences and tax loss carry-forwards	–102	–212
Current tax expense	4,974	3,776
Tax liability	**4,812**	**3,491**

The combined tax rate for Leifheit AG for corporation tax and trade tax in Germany was 29.3% (2017: 29.1%).

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 follows:

k€	2017	2018
Earnings before taxes	17,690	11,901
Tax expense based on the tax rate applicable to the parent company	**5,148**	**3,487**
Actual income tax on income from other periods	–60	–73
Different foreign tax rates	–107	–94
Non tax-deductible losses of Group companies	9	45
Non tax-deductible expenses/income of Group companies	–61	220
Adjustment of deferred taxes	–52	–10
Adjustment of the deferred tax rate	–	–7
Impairment of Soehnle	–	47
Use of loss carry-forwards	–29	–31
Temporary differences in connection with shares in subsidiaries	43	–16
Other	–79	–77
Tax liability	**4,812**	**3,491**

Deferred taxes are recognised for all material temporary differences between the tax base and the book values in the consolidated statement of financial position. Deferred taxes in the statement of profit or loss are broken down as follows:

k€	2017	2018
Different depreciation or amortisation periods for assets	–82	122
Measurement of inventories	112	–112
Measurement of receivables and other assets	–27	291
Measurement of contractual assets	–	–395
Measurement of securities	–40	38
Measurement of derivative financial instruments	–210	–126
Measurement of pensions	155	78
Different recognition rules for other provisions	–142	132
Measurement of liabilities	115	–206
Other temporary differences	17	–34
Deferred taxes	**–102**	**–212**

Deferred tax assets are only recognised on loss carry-forwards if their utilisation is expected within a five-year period.

No deferred tax assets were created for corporation tax loss carry-forwards in the amount of k€ 10,750 (2017: k€ 10,723) or trade tax loss carry-forwards of k€ 1,909 (2017: k€ 1,895) as it is not highly probable that Leifheit will be able to utilise these tax loss carry-forwards over the next five years. The tax loss carry-forwards in Germany (k€ 10,750 from corporation tax, as well as k€ 1,909 from trade tax) have an unlimited utilisation period.

The temporary differences in connection with shares in subsidiaries amount to k€ 306 (2017: k€ 366). For this purpose deferred taxes of k€ 90 (2017: k€ 106) were created as future distributions are expected. No deferred taxes were created for temporary differences of k€ 450 (2017: k€ 415) as future distributions are not expected.

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

	31 Dec 2018	
k€	**Deferred tax assets**	**Deferred tax liabilities**
Different depreciation or amortisation periods for assets	369	2,835
Measurement of inventories	622	30
Measurement of receivables and other assets	39	778
Measurement of securities	–	–
Measurement of derivative financial instruments	220	295
Measurement of pensions	9,854	–
Different recognition rules for other provisions	519	5
Measurement of liabilities	263	1
Other temporary differences	157	–
Gross amount	**12,043**	**3,944**
Offsetting	–2,852	–2,852
Balance sheet amount	**9,191**	**1,092**

	31 Dec 2017	
k€	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods for assets	306	2,650
Measurement of inventories	323	44
Measurement of receivables and other assets	52	549
Measurement of securities	38	–
Measurement of derivative financial instruments	522	22
Measurement of pensions	11,062	–
Different recognition rules for other provisions	646	–
Measurement of liabilities	60	4
Other temporary differences	126	–
Gross amount	**13,135**	**3,269**
Offsetting	–2,291	–2,291
Balance sheet amount	**10,844**	**978**

(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.

		2017	**2018**
Shares issued	thousands	10,000	10,000
Weighted average number of treasury shares	thousands	491	491
Weighted average number of no-par-value bearer shares	thousands	**9,509**	**9,509**

		2017	**2018**
Net result for the period allocated to the shareholders of the parent company	k€	12,878	8,410
Weighted average number of no-par-value bearer shares	thousands	9,509	9,509
Earnings per share based on net result for the period (diluted and undiluted)	€	**1.35**	**0.88**

Notes to the balance sheet

IFRS 9 and IFRS 15 were applied for the first time as at 1 January 2018. According to the chosen transition method, previous-year figures were not adjusted.

(15) Cash and cash equivalents

The credit balances at banks and cash on hand amounting to k€ 50,932 (2017: k€ 28,221) were valued at amortised cost (nominal value).

(16) Financial assets (current)

There were no current financial assets as at 31 December 2018. The previous year's figures included three funds for short-term, variable interest-bearing eurobonds of k€ 29,008.

(17) Trade receivables

k€	31 Dec 2017	31 Dec 2018
Trade receivables	49,656	49,877
Bill receivables	1,127	843
	50,783	**50,720**

As at 31 December 2018, k€ 48,377 were secured by credit on goods insurance policies (2017: k€ 47,348). The deductible is normally between 0% and 10%.

The development of the impairment account for trade receivables is shown below:

k€	2017	2018
As at 31 Dec	812	692
IFRS 9 transition effects	–	75
As at 1 Jan	812	767
Foreign currency differences	6	13
Additions recognised in profit or loss	164	164
Utilisation	69	56
Reversal	221	99
As at 31 Dec	**692**	**789**

The maturity structure of trade receivables as at 31 December:

k€	2017	2018
Neither overdue nor impaired	**49,034**	**48,832**
Overdue but not impaired		
1 to 30 days	1,635	2,802
31 to 60 days	245	–192
61 to 90 days	–95	–89
91 to 120 days	76	–69
Over 120 days	–126	–719
Overdue in total but not impaired	**1,735**	**1,733**
Specific allowances on doubtful accounts (gross)	**706**	**944**
Impairment	**–692**	**–789**
Trade receivables (net)	**50,783**	**50,720**

Trade receivables that are neither overdue nor impaired 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.

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

(18) Inventories

k€	31 Dec 2017	31 Dec 2018
Raw materials, consumables and supplies	8,493	7,413
Unfinished products	2,050	2,348
Finished products and goods purchased and held for resale	33,931	35,909
Rights to return products	–	684
	44,474	**46,354**

k€	31 Dec 2017	31 Dec 2018
Raw materials, consumables and supplies measured at fair value	105	57
Unadjusted raw materials, consumables and supplies	8,388	7,356
Total raw materials, consumables and supplies	**8,493**	**7,413**
Unfinished products measured at fair value	53	23
Unadjusted unfinished products	1,997	2,325
Total unfinished products	**2,050**	**2,348**
Finished products and goods purchased and held for resale measured at fair value	2,418	3,788
Unadjusted finished products and goods purchased and held for resale	31,513	32,121
Total finished products and goods purchased and held for resale	**33,931**	**35,909**
Rights to return products measured at fair value	–	–
Unadjusted rights to return products	–	684
Total rights to return products	**–**	**684**

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

The application of IFRS 15 resulted in the recognition of an asset for the right to return products of k€ 684 in connection with product deliveries sold with a right of return.

(19) Derivative financial instruments

Derivative financial instruments include forward foreign exchange transactions and foreign exchange swaps, measured at fair value, for buying/selling US dollars, HK dollars and Chinese yuan from January 2019 to February 2020.

The following obligations from forward exchange transactions existed as at 31 December 2018:

	Value of liability	Foreign currency	Nominal value
Sell USD/€	m€ 10.0	mUSD 12.0	m€ 10.3
Buy USD/€	m€ 24.1	mUSD 29.2	m€ 25.2
of which hedge accounting	m€ 14.0	mUSD 16.9	m€ 14.5
Buy HKD/€	m€ 3.4	mHKD 32.1	m€ 3.5
of which hedge accounting	m€ 2.9	mHKD 27.1	m€ 3.0
Buy CNH/€	m€ 12.8	mCNH 100.0	m€ 12.5
of which hedge accounting	m€ 12.8	mCNH 100.0	m€ 12.5

In the previous year, the following liabilities from foreign exchange transactions existed:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	m€ 50.4	mUSD 59.3	m€ 48.4
of which hedge accounting	m€ 48.8	mUSD 57.5	m€ 46.9
Buy HKD/€	m€ 7.7	mHKD 70.5	m€ 7.4
of which hedge accounting	m€ 5.9	mHKD 54.0	m€ 5.7
Buy CNH/€	m€ 3.7	mCNH 30.0	m€ 3.8
of which hedge accounting	m€ 2.2	mCNH 18.0	m€ 2.3

The average rates of forward foreign exchange transactions were as follows:

	31 Dec 2017	31 Dec 2018
Sell USD/€	–	1.20
Buy USD/€	1.18	1.21
of which hedge accounting	1.18	1.21
Buy HKD/€	9.12	9.33
of which hedge accounting	9.22	9.40
Buy CNH/€	8.15	7.81
of which hedge accounting	8.15	7.81

It is not possible to net financial instruments on the balance sheet. It is possible to net derivatives. This option is provided by the 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:

	31 Dec 2018		
k€	**Gross and net amounts of financial instruments on the balance sheet**	**Corresponding derivative financial instruments that are not netted**	**Net amount**
Derivative financial assets	1,177	679	498
Derivative financial liabilities	679	679	–

As at 31 December 2017, these values were as follows:

	31 Dec 2017		
k€	Gross and net amounts of financial instruments on the balance sheet	Corresponding derivative financial instruments that are not netted	Net amount
Derivative financial assets	74	74	–
Derivative financial liabilities	2,370	74	2,296

The adjustments for the credit risk relating to counterparties (credit impairment) in the amount of k€ 3 and the adjustments for the credit risk relating to the Group itself (debt impairment) in the amount of k€ 0 were taken into account.

The maturities of foreign exchange transactions as at 31 December 2018 were as follows:

	less than 1 year	**1 to 3 years**
Sell USD/€	mUSD 12.0	mUSD 0.0
Buy USD/€	mUSD 26.4	mUSD 2.8
Buy HKD/€	mHKD 29.0	mHKD 3.1
Buy CNH/€	mCNH 82.5	mCNH 17.5

The maturities of foreign exchange transactions as at 31 December 2017 were as follows:

	less than 1 year	1 to 3 years
Buy USD/€	mUSD 33.5	mUSD 25.8
Buy HKD/€	mHKD 41.5	mHKD 29.0
Buy CNH/€	mCNH 30.0	mCNH 0.0

Other comprehensive income includes changes in the value for hedging cash flows in the amount of k€ 2,348 (2017: k€ –8,781) without effect on income detected. The positive change in the fair values of the forward exchange contracts measured at the balance sheet date amounted to k€ 1,053 (2017: negative k€ 4,213).

The Group had expected transactions for which cash flow hedges had been recognised in the previous period, but which were no longer expected to materialise. This related to forward foreign exchange transactions in USD in the amount of mUSD 12.0. This resulted in an income of k€ 155 being reported in net other financial result.

(20) Contractual assets

Contractual assets of k€ 1,572 resulted from claims from customer consignment arrangements and are reclassified into receivables as soon as customers take products from consignment arrangements and an invoice is issued to the customer. The contractual assets did not include any impairments.

(21) Other current assets

k€	31 Dec 2017	**31 Dec 2018**
VAT receivables	1,633	2,070
Current prepayments and accrued income	328	306
Other current assets (less than k€ 100)	949	1,429
	2,910	**3,805**

(22) 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 2017	55,546	38,158	36,398	2,763	132,865
Foreign currency differences	821	1,015	97	138	2,071
Additions	176	329	1,805	4,378	6,688
Disposals	1,508	1,981	1,538	–	5,027
Reclassifications	153	4,554	231	–4,939	–1
As at 31 Dec 2017	**55,188**	**42,075**	**36,993**	**2,340**	**136,596**
Foreign currency differences	–107	–150	–13	–12	–282
Additions	400	154	1,629	4,154	6,337
Disposals	73	668	1,923	–	2,664
Reclassifications	487	3,097	323	–3,909	–2
As at 31 Dec 2018	**55,895**	**44,508**	**37,009**	**2,573**	**139,985**
Cumulative depreciation					
As at 1 Jan 2017	34,619	32,026	29,309	–	95,954
Foreign currency differences	406	829	38	–	1,273
Additions	1,447	2,117	2,017	–	5,581
Additions due to impairment	–	22	–	–	22
Disposals	611	1,979	1,404	–	3,994
As at 31 Dec 2017	**35,861**	**33,015**	**29,960**	**–**	**98,836**
Foreign currency differences	–57	–107	–5	–	–169
Additions	1,209	2,394	2,019	–	5,622
Disposals	73	642	1,796	–	2,511
As at 31 Dec 2018	**36,940**	**34,660**	**30,178**	**–**	**101,778**
Net book value					
As at 1 Jan 2017	20,927	6,132	7,089	2,763	36,911
As at 31 Dec 2017	19,327	9,060	7,033	2,340	37,760
As at 31 Dec 2018	**18,955**	**9,848**	**6,831**	**2,573**	**38,207**

Of the k€ 38,207 in tangible assets as at the balance sheet date (2017: k€ 37,760), k€ 15,510 were located in Germany (2017: k€ 15,261), k€ 17,512 in the Czech Republic (2017: k€ 16,782), k€ 4,691 in France (2017: k€ 5,091) and k€ 494 in other countries (2017: k€ 626).

(23) Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advances paid	Total
Acquisition and manufacturing costs As at 1 Jan 2017	7,224	11,821	20,726	265	40,036
Foreign currency differences	–	–	35	–	35
Additions	–	–	720	400	1,120
Disposals	–	–	329	–	329
Reclassifications	–	–	268	–267	1
As at 31 Dec 2017	**7,224**	**11,821**	**21,420**	**398**	**40,863**
Foreign currency differences	–	–	–5	–	–5
Additions	–	–	182	82	264
Disposals	–	–	143	–	143
Reclassifications	–	–	31	–30	1
As at 31 Dec 2018	**7,224**	**11,821**	**21,485**	**450**	**40,980**
Cumulative depreciation As at 1 Jan 2017	2,420	–	18,355	–	20,775
Foreign currency differences	–	–	24	–	24
Additions	–	–	808	–	808
Disposals	–	–	329	–	329
As at 31 Dec 2017	**2,420**	**–**	**18,858**	**–**	**21,278**
Foreign currency differences	–	–	–4	–	–4
Additions	–	–	948	–	948
Additions due to impairment	218	162	–	–	380
Disposals	–	–	144	–	144
As at 31 Dec 2018	**2,638**	**162**	**19,658**	**–**	**22,458**
Net book value					
As at 1 Jan 2017	4,804	11,821	2,371	265	19,261
As at 31 Dec 2017	4,804	11,821	2,562	398	19,585
As at 31 Dec 2018	**4,586**	**11,659**	**1,827**	**450**	**18,522**

Of the k€ 18,522 in intangible assets as at the balance sheet date (2017: k€ 19,585), k€ 7,577 were located in Germany (2017: k€ 8,390), k€ 864 in the Czech Republic (2017: k€ 1,083), k€ 10,073 in France (2017: k€ 10,098) and k€ 8 in other countries (2017: k€ 14).

Additions due to the impairment of brands of k€ 218 concerned the Soehnle brand and, in the case of the impairment of k€ 162 of goodwill, the Soehnle cashgenerating unit.

The remaining amortisation periods of significant other intangible assets are:

- Leifheit CZ a.s. customer base 3 years
- Leifheit AG warehouse management system 2 years
- Leifheit AG e-commerce software 2 years

Impairment testing of intangible assets

Intangible assets were attributed to the following cash generating units (CGU):

- Leifheit
- Soehnle
- Birambeau
- 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 2017	31 Dec 2018	31 Dec 2017	31 Dec 018
Leifheit	1,919	1,919	–	–
Soehnle	162	–	4,804	4,586
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
	11,821	**11,659**	**4,804**	**4,586**

In accordance with IAS 36.10, the goodwill and brands 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. 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 are made for future trends in turnover and costs on the basis of a one-year budget and were compared to external information.

An impairment test was conducted as at 30 September 2018 on the basis of 2018 planning. Turnover planning in the 2018 budget was adjusted for the findings obtained as at 30 September 2018 in order to calculate the recoverable amount.

Stable turnover and earnings are expected in 2019 in the Leifheit CGU. The Birambeau CGU is expected to generate moderate turnover and earnings increases while the Herby CGU is forecast to increase turnover by a moderate margin and earnings significantly in 2019. Turnover and earnings increases are expected at the growth rate in subsequent years from 2020.

At the Soehnle CGU, an increase in turnover and a significant improvement in earnings is expected in the detailed planning stage for 2019 and 2020. Turnover and earnings increases are expected at the growth rate in subsequent years from 2021.

	30 Sep 2018			
CGU	**Leifheit**	**Soehnle**	**Birambeau**	**Herby**
Discount rate after tax	5.7%	7.4%	6.0%	6.0%
Risk-free interest rate	1.0%	1.0%	1.0%	1.0%
Market risk premium	7.0%	7.0%	7.0%	7.0%
Beta factor	0.70	0.97	0.70	0.70
Borrowing costs	1.9%	1.9%	2.4%	2.4%
Tax rate	29.3%	29.3%	33.3%	33.3%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	7.8%	10.3%	8.4%	8.3%

The corresponding recoverable amounts calculated in this way were greater than the book values. The impairment tests as at 30 September 2018 therefore did not result in any need to recognise impairment losses.

As 2019 planning was not available as at 30 September 2018 and the Group failed to achieve the planning for 2018, another impairment test was performed as at 31 December 2018 on the basis of the 2019 planning that had since been finalised. Given that it is assumed in future that planning for the subsequent year will only be available in the fourth quarter, the date of the annual impairment test has been moved to 31 December.

In order to determine the recoverable amount, an increase in turnover of approximately 4% was planned for the Leifheit CGU, an increase of approximately 11% for the Soehnle CGU, an increase of approximately 1% for the Birambeau CGU and an increase of approximately 15% for the Herby CGU. Earnings at the Leifheit CGU were expected to decline, whereas earnings at the Soehnle CGU were expected to increase. The Birambeau CGU was expected to generate moderate earnings increases and earnings at the Herby CGU were also expected to rise. Turnover and earnings increases at the growth rate are expected in subsequent years at the growth rate.

	31 Dec 2018			
CGU	**Leifheit**	**Soehnle**	**Birambeau**	**Herby**
Discount rate after tax	5.7%	6.4%	6.0%	6.0%
Risk-free interest rate	1.0%	1.0%	1.0%	1.0%
Market risk premium	7.0%	7.0%	7.0%	7.0%
Beta factor	0.7	0.8	0.7	0.7
Borrowing costs	2.2%	2.2%	2.7%	2.7%
Tax rate	29.3%	29.3%	33.3%	33.3%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	7.9%	8.8%	8.4%	8.4%

As of 31 December 2018, the peer group was expanded by additional companies to determine the beta factor for the Soehnle CGU, as the planned turnover growth of the 2019 budget was essentially based on traditional personal and kitchen scales.

As at 31 December 2018, the calculated recoverable amounts of the Leifheit, Birambeau and Herby CGUs exceeded the respective book values. The impairment tests did not identify any need for impairment losses.

At the Soehnle CGU, the recoverable amount fell below the book value by k€ 380. As a result, the goodwill of k€ 162 was fully impaired. An impairment loss of k€ 218 was recognised on the capitalised brand of k€ 4,804. This equates to the fair value less costs of disposal of the brand, which was calculated on the basis of the licenceprice analogy method. The need for possible impairment losses to be recognised was not split on a pro rata basis across further assets due to reasons of materiality.

A sustained failure to achieve turnover targets or a rise in interest rates would directly result in a further need for impairment losses to be recognised at the Soehnle CGU.

At the Leifheit CGU, failure to achieve planned turnover from approximately 3% or a rise in interest rates from approximately 2.2 percentage points would result in a need for impairment losses to be recognised.

The parameters were as follows in the previous year:

	31 Dec 2017			
CGU	Leifheit	Soehnle	Birambeau	Herby
Discount rate after tax	5.7%	7.6%	5.5%	5.5%
Risk-free interest rate	1.3%	1.3%	1.3%	1.3%
Market risk premium	6.8%	6.8%	6.4%	6.4%
Beta factor	0.7	1.0	0.7	0.7
Borrowing costs	1.8%	1.8%	2.2%	2.2%
Tax rate	29.1%	29.1%	33.3%	33.3%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	7.9%	10.5%	7.7%	7.6%

(24) Trade payables and other liabilities

k€	31 Dec 2017	31 Dec 2018
Trade payables	15,523	16,695
Customer bonuses	9,211	8,670
Employees	6,631	7,051
Advertising cost subsidies	5,493	4,813
Other taxes (excluding income taxes)	1,690	1,452
Reimbursement obligations	–	1,230
Outstanding invoices	994	980
Social security contributions	890	765
Other customer conditions	673	676
Debtors with credit balances	877	507
Purchase commitments	125	428
Annual financial statement costs	450	384
Tax advice	207	214
Energy costs	209	201
Commission obligations	149	170
Rent	118	117
Other liabilities (less than k€ 100)	584	555
	43,824	**44,908**

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 December wages paid in January, residual holiday and overtime entitlements, as well as severance payments and bonuses.

(25) Other provisions

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

The provisions for warranties, compensation payments and litigation costs totalling k€ 5,223 (2017: k€ 5,889) reflected uncertainties regarding the amount and/or maturity of outflows. The uncertainty for warranty provisions results from the possible future change in warranty claims. The uncertainty for provisions for compensation payments and litigation costs is due to the unknown outcome of pending proceedings.

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

Provisions for onerous contracts primarily related to severance payments to sales representatives and violations of exclusivity agreements.

The remaining other provisions mainly included internal annual financial statement costs and record-keeping obligations. The increase in the amount of non-current provisions discounted over time was k€ 22 in the reporting period (2017: k€ 22).

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

k€	31 Dec 2018 Total	of which current	of which non-current
Warranties	4,908	4,176	732
Litigation costs and compensation payments	315	315	–
Personnel	1,495	95	1,400
Onerous contracts	141	141	–
Remaining other provisions	918	884	34
Balance sheet amount	**7,777**	**5,611**	**2,166**

k€	31 Dec 2017 Total	of which current	of which non-current
Warranties	5,329	4,597	732
Litigation costs and compensation payments	560	560	–
Personnel	1,615	85	1,530
Onerous contracts	326	326	–
Remaining other provisions	1,251	1,217	34
Balance sheet amount	**9,081**	**6,785**	**2,296**

	Current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other current provisions
As at 1 Jan 2018	4,597	560	85	326	1,217
Foreign currency differences	–	–	–	–	–1
Utilisation	3,050	24	68	210	450
Reversal	–	260	5	–	413
Addition	2,629	39	83	25	531
As at 31 Dec 2018	**4,176**	**315**	**95**	**141**	**884**

	Non-current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other non-current provisions
As at 1 Jan 2018	732	–	1,530	–	34
Foreign currency differences	–	–	–	–	–
Utilisation	–	–	184	–	–
Reversal	–	–	–	–	–
Addition	–	–	54	–	–
As at 31 Dec 2018	**732**	**–**	**1,400**	**–**	**34**

(26) Provisions for pensions and similar obligations

The pension obligations 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 pension obligations in France were commensurate with the relevant national statutory provisions.

The pension obligations 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 2017	31 Dec 2018
Present value of defined benefit obligations (DBO)	70,730	66,013
Fair value of plan assets	–1,228	–1,034
Provisions for pensions and similar obligations	**69,502**	**64,979**

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

k€	2017	2018
Current service cost	631	505
Interest expense on the obligation	1,175	1,148
Income/expense from plan assets	–10	78
Total cost of post-employment benefits	**1,796**	**1,731**

The expenses and income recorded in other comprehensive income without effects on net result amounted to:

k€	2017	2018
Actuarial gains/losses due to demographic changes	–	628
Actuarial gains/losses due to adjustment of the obligation to reflect historical data	–215	–1,353
Actuarial gains/losses due to changes in actuarial assumptions	8	–3,314
Amount by which the actual income from the plan assets in the current financial year falls short of the income calculated on the basis of the discount rate	–4	–4
Adjustment effects recognised in other comprehensive income	**–211**	**–4,043**

Actuarial gains/losses due to demographic changes (expenses of k€ 628) were generated as a result of the transition from mortality tables to the Prof. Dr K. Heubeck 2018 G mortality tables.

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

k€	2017	2018
Net liability at start of year	70,218	69,502
Net expense recognised in net result for the period	1,796	1,731
Adjustment effects recognised in other comprehensive income	–211	–4,043
Other plan assets amounts	–	120
Payments to beneficiaries	–2,301	–2,331
Recognised net liability at end of year	**69,502**	**64,979**

In addition, contributions of k€ 3,710 were paid to government pension providers (2017: k€ 3,567).

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

k€	2017	2018
DBO at start of year	71,432	70,730
Current service cost	631	505
Interest expense	1,175	1,148
Benefit payments	−2,301	−2,331
Adjustment due to demographic changes	–	628
Adjustment to reflect historical data	−215	−1,353
Actuarial gains/losses	8	−3,314
DBO at end of year	**70,730**	**66,013**

The fair value of plan assets changed as follows:

k€	2017	2018
Fair value of plan assets at start of year	1,214	1,228
Income/expenses from plan assets	10	−78
Employer contributions	–	−120
Amount by which the income exceeds/falls short of calculated income	4	4
Fair value of plan assets at end of year	**1,228**	**1,034**

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

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

	Germany		France	
	31 Dec 2017	**31 Dec 2018**	31 Dec 2017	**31 Dec 2018**
Discount rate	1.7%	2.0%	1.5%	1.7%
Future income trend	2.5%	2.5%	1.0%	1.0%
Future pension trend	2.0%	2.0%	–	–
Mortality tables	Prof. Dr K. Heubeck 2005 G	Prof. Dr K. Heubeck 2018 G	TF00-002	TF00-002
Arithmetical final age	RVAG AnpG 2007	RVAG AnpG 2007	65	65

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

k€	2017	2018
Within the next 12 months (following financial year)	2,533	2,593
Between 2 and 5 years	10,809	11,062
Between 6 and 10 years	15,546	15,417

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	2.0/1.7%	−0.25 pps	2,426
Discount rate	2.0/1.7%	+ 0.25 pps	−2,290
Inflation rate/pension trend	2.0%	−0.5 pps	−3,819
Inflation rate/pension trend	2.0%	+ 0.5 pps	4,183
Future salary increase	2.5/1.5%	−0.5 pps	−389
Future salary increase	2.5/1.5%	+ 0.5 pps	403
Life expectancy		+1 year	2,989

The payment-weighted duration of the defined post-employment benefit obligations in Germany amounted to 14.8 years (2017: 15.5 years).

(27) Subscribed capital

The subscribed capital of Leifheit AG in the amount of k€ 30,000 (2017: 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 shares 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 am Main, Germany.

The Annual General Meeting of Leifheit AG on 24 May 2017 authorised the Board of Management to increase the share capital on one or more occasions by a total of up to k€ 15,000 until 23 May 2022 by issuing up to 5,000,000 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. The full text of the resolution can be found in Item 7 of the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on 12 April 2017.

(28) Capital surplus

The capital surplus in the amount of k€ 17,026 (2017: k€ 17,026) consists of the premium on the capital increase in the autumn of 1989 amounting to k€ 16,934 and the issuance of employee shares in 2014, 2015 and 2016 amounting to k€ 92.

(29) Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit held 490,970 treasury shares on 31 December 2018. This corresponds to 4.91% of the share capital. The corresponding interest in the share capital was k€ 1,473. An amount of k€ 7,445 was expended for this.

Statement on treasury shares in accordance with section 160 para. 1 No. 2 AktG

At the Annual General Meeting on 21 May 2015 the Board of Management was authorised to acquire treasury shares in the form of no-par-value bearer shares of the company before 20 May 2020 up to an amount of 10% of the current capital share as of the time at which the authorisation comes into effect, or – if this amount is lower – at such time as the authorisation is exercised.

The full text of the resolution can be found in Item 6 of the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on 9 April 2015.

As in the previous year, no treasury shares were either purchased or used.

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

Retained earnings include the statutory reserve in the amount of k€ 1,023 (2017: k€ 1,023), other retained earnings in the amount of k€ 65,497 (2017: k€ 62,180) and the net result for the period allocated to the shareholders of the parent company in the amount of k€ 8,410 (2017: k€ 12,878). 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 2017 of k€ 9,984 (2017: k€ 13,788) was distributed in the reporting year. Furthermore, k€ 15,000 was reclassified to subscribed capital in the previous year.

(31) Other reserves

k€	2017	2018
Actuarial gains/losses on defined benefit pension plans	−26,569	−22,527
Deferred taxes	7,721	6,590
Currency translation of foreign operations	1,169	1,173
Currency translation of net investments in foreign operations	2,712	2,600
Deferred taxes	−790	−763
Net result of cash flow hedges	−1,965	383
Deferred taxes	583	−118
Net result from the sale of financial assets available	8	–
Deferred taxes	−2	–
	−17,133	**−12,662**

Cash flow hedges against exchange rate risks of k€ 1,530 before deferred taxes were reclassified from negative other reserves to the net result for the period. In the previous year, k€ 5,275 before deferred taxes was reclassified from positive other reserves to the net result for the period.

Other notes

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

The Board of Management proposes appropriating the Leifheit AG balance sheet profit of € 10,285,000.00 for financial year 2018 as follows:

Payment of a dividend of € 1.05 per eligible no-par-value bearer share	€ 9,984,481.50
Retained earnings	€ 300,518.50

(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.

(34) Financial instruments

The material financial liabilities in the Group – with the exception of derivatives – comprise trade payables, other liabilities and current and non-current 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 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 conducted in euros (EUR), US dollars (USD), Czech koruna (CZK), HK dollars (HKD), Polish złoty (PLN) and Chinese yuan (CNY).

  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 of 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 100%. The forward elements of forward foreign currency 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 currency transaction must correspond to the 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

Around 10% (2017: 9%) of the Group turnover was earned in foreign currencies; 35% (2017: 30%) of the costs were incurred in foreign currencies.

The following table shows 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 – the US dollar, the HK dollar, the Czech koruna and the Chinese yuan – 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	Effects as at 31 Dec 2017	**Effects as at 31 Dec 2018**
US dollar	+ 5%	–337	–2
	–5%	372	2
	+ 10%	–643	–4
	–10%	786	5
Czech koruna	+ 5%	–69	–788
	–5%	76	870
	+ 10%	–131	–1,504
	–10%	160	1,838
HK dollar	+ 5%	–91	–44
	–5%	101	49
	+ 10%	–174	–85
	–10%	213	104
Chinese yuan	+ 5%	–104	–
	–5%	127	–
	+ 10%	–199	–1
	–10%	243	1

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	Effects as at 31 Dec 2017	**Effects as at 31 Dec 2018**
US dollar	+ 5%	–2,308	–774
	–5%	2,551	855
	+ 10%	–4,406	–1,477
	–10%	5,385	1,805
Czech koruna	+ 5%	–1,135	–1,073
	–5%	1,255	1,422
	+ 10%	–2,167	–2,252
	–10%	2,649	2,752
HK dollar	+ 5%	–269	–142
	–5%	298	157
	+ 10%	–514	–271
	–10%	629	332
Chinese yuan	+ 5%	–107	–610
	–5%	119	674
	+ 10%	–205	–1,165
	–10%	250	1,424

- **Cash flow hedges**
The Group holds derivative financial instruments. These include in particular forward exchange contracts as described in more detail under Note 19. The aim of these derivatives is to hedge against changes in exchange rates arising from the Group's operations.

As at 31 December 2018, there were forward exchange contracts for future payment obligations in US dollars, HK dollars and Chinese yuan, which can be attributed to a transaction that is highly likely to materialise in the future. It involved the expected and highly probable future purchases of goods in the months of January 2019 to February 2020 from suppliers in the Far East amounting to kUSD 17,226, kHKD 32,060 and kCNY 99,964.

An amount of k€ 95 was added directly to acquisition costs for cash flow hedges pursuant to IFRS 9 as at 31 December 2018 in relation to foreign currency risk associated with the anticipated purchase of non-financial assets.

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:

	2018			
	Expected cash flows			Book value
k€	Within 12 months	More than 1 year	Total	
Assets	–24,815	–2,513	–27,328	1,177
Liabilities	–663	2,344	1,681	679

	2017			
	Expected cash flows			Book value
k€	Within 12 months	More than 1 year	Total	
Assets	–3,680	–	–3,680	74
Liabilities	33,812	24,320	58,132	2,370

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

	2018		
k€	Within 12 months	More than 1 year	Total
Assets	494	–	494
Liabilities	336	–	336

	2017		
k€	Within 12 months	More than 1 year	Total
Assets	30	–	30
Liabilities	245	49	294

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

	2018		
k€	Within 12 months	More than 1 year	Total
Assets	660	23	683
Liabilities	327	16	343

	2017		
k€	Within 12 months	More than 1 year	Total
Assets	44	–	44
Liabilities	1,573	503	2,076

- **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 operating 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 2018 in the amount of k€ 50,932 and unused lines of credit of k€ 10,820 cover current liabilities as at the balance sheet date of k€ 51,687.

- **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 2018.

  There is, however, an interest rate change risk for the Leifheit Group, mainly relating to the change of actuarial interest rate, which was 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€ 2,426 on the balance sheet date.

- **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 generally originates from the Group's trade receivables.

  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€ 65 in profit or loss (2017: income of k€ 57).

  The Group's risk of default for trade receivables and for 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, internal limits can also be set up in some cases in accordance with standardised approval processes.

  Customers are group 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. The Group does not have any trade receivables or contractual assets for which no impairment losses have been recognised due to collateral.

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

k€	31 Dec 2017	31 Dec 2018
Trade receivables	50,783	50,720
Contractual assets	–	1,572
	50,783	**52,292**
Goods insured	47,348	48,377
Not insured	3,435	3,915
	50,783	**52,292**

The following table contains information on the default risk and expected credit losses for trade receivables as at 31 December 2018:

k€	31 Dec 2018	Rate of loss[1]	Impairment
Not overdue	45,465	0.03%	15
Overdue			
1 to 30 days	3,952	0.61%	24
31 to 60 days	784	3.60%	28
61 to 90 days	233	7.15%	17
91 to 120 days	75	8.53%	6
Over 120 days	57	8.53%	5
			95

[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 in the amount of k€ 1,177 (2017: k€ 74) as well as liabilities in the form of forward foreign currency transactions in the amount of k€ 679 (2017: k€ 2,370) were measured at fair value on the balance sheet as at 31 December 2018.

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 74). There was no reclassification among the levels in the reporting period.

For current 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€ 11,635 were available on the balance sheet date (2017: k€ 11,615). Of this amount, k€ 815 was used for bills of guarantee (2017: k€ 470) as at the balance sheet date. Unused lines of credit were therefore k€ 10,820 (2017: k€ 11,145).

The following table shows the book values of financial assets and financial liabilities pursuant to IFRS 9 as at the balance sheet date 2018. 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 2018
Financial assets measured at fair value				
Forward foreign exchange transactions – Note 19 (designated as hedging transactions)	–	683	–	683
Forward foreign exchange transactions – Note 19 (not designated as hedging transactions)	494	–	–	494
Financial assets not measured at fair value				
Trade receivables and other receivables – Note 17, 21	–	–	52,269	52,269
Cash and cash equivalents – Note 15	–	–	50,932	50,932
Financial liabilities measured at fair value				
Forward foreign exchange transactions – Note 19 (designated as hedging transactions)	–	343	–	343
Forward foreign exchange transactions – Note 19 (not designated as hedging transactions)	336	–	–	336
Financial liabilities not measured at fair value				
Trade payables and other liabilities – Note 24	–	–	33,177	33,177

The net gains and losses of the financial instruments according to measurement categories (excluding the amounts recognised in other comprehensive income) were as follows in the reporting period:

k€	Interest income	Currency translation	Impairment	Fair value adjustment	2018
Fair value through profit or loss	–113	381	–	422	690
At amortised cost	35	–369	–65	–	–399

The following table shows the corresponding values as at the balance sheet date 2017 pursuant to IAS 39.

k€	Held for trading	Available for sale	Fair value (hedging instruments)	Loans and receivables	31 Dec 2017
Financial assets measured at fair value					
Forward foreign exchange transactions – Note 19 (designated as hedging transactions)	–	–	44	–	44
Forward foreign exchange transactions – Note 19 (not designated as hedging transactions)	30	–	–	–	30
Fund shares	–	29,008	–	–	29,008
Financial assets not measured at fair value					
Trade receivables and other receivables – Notes 17, 21	–	–	–	51,859	51,859
Cash and cash equivalents – Note 15	–	–	–	28,221	28,221
Financial liabilities measured at fair value					
Forward foreign exchange transactions – Note 19 (designated as hedging transactions)	–	–	2,077	–	2,077
Forward foreign exchange transactions – Note 19 (not designated as hedging transactions)	293	–	–	–	293
Financial liabilities not measured at fair value					
Trade payables and other liabilities – Note 24	–	–	–	34,613	34,613

The net gains and losses of the financial instruments according to measurement categories (excluding the amounts recognised in other comprehensive income) were as follows in the previous year:

k€	Interest income	Currency translation	Impairment	Fair value adjustment	2017
Held for trading	–	323	–	–1,526	–1,203
Available for sale	23	–	–	–	23
Held to maturity	5	–	–	–	5
Loans and receivables	96	–330	57	–	–177

(35) Commitments

As in the previous year, the Group companies did not enter into any commitments.

(36) Operating leases

As lessee, Leifheit rents or leases office premises, shops, software licences, office equipment and company cars as part of operating leases. The rental and lease agreements usually have a term of less than five years. Lease payments are renegotiated at regular intervals in order to reflect standard market terms. Some rental agreements provide for rent payments based on changes in value of regional price indices. No sub-leases exist.

As at 31 December 2018, future minimum lease payments for leases without cancellation options stood at k€ 905 (2017: k€ 830), of which k€ 689 within a year (2017: k€ 579) and k€ 216 longer than one and up to five years (2017: k€ 251). In financial year 2018, the statement of profit or loss reported k€ 1,047 (2017: k€ 821) as rental and leasing expenditure.

(37) Other financial liabilities

As at 31 December 2017, there were contractual obligations arising out of contracts without cancellation options, e.g. maintenance, service and insurance agreements, in the amount of k€ 2,680 (2017: k€ 2,302). The future minimum payments on the basis of these contracts without cancellation options amount up to one year of k€ 2,031 (2017: k€ 1,924) and between one and five years of k€ 649 (2017: k€ 378). As in the previous year, there were no corresponding payment obligations with a term of more than five years.

As at 31 December 2018, purchase commitments for raw materials totalled k€ 1,733 (2017: k€ 1,896).

There were contractual obligations to acquire items of tangible assets in the amount of k€ 1,743 (2017: k€ 2,285), relating to facilities and tools in particular. Moreover, there were contractual obligations arising out of contracts relating to marketing measures in the amount of k€ 189 (2017: k€ 524) and other agreements in the amount of k€ 657 (2017: k€ 494).

(38) Remuneration of the Board of Management and Supervisory Board

Remuneration for key management positions at the Group, which is subject to reporting requirements as defined in IAS 24, includes the remuneration of the Board of Management and Supervisory Board.

The remuneration system for the Board of Management and Supervisory Board as well as the individual Board of Management remuneration are described in detail in the "Legal Information" section of the combined management report.

The members of the Board of Management were remunerated as follows:

k€	2017	2018
Remuneration and other short-term benefits	2,482	990
Benefits following the end of the employment relationship	–	–
Other long-term benefits	–	–
Benefits due to the end of the employment relationship	–	1,059
Share-based remuneration	–	–
	2,482	**2,049**

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 also not granted any performance-based pension commitments. Therefore, no additions were made to pension obligations (DBO pursuant to IFRS) for serving members of the Board of Management in the reporting year or in the previous year.

The remuneration of the Supervisory Board amounted to k€ 331 (2017: k€ 296).

(39) Total remuneration and pension reserves 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€ 487 in the reporting year (2017: k€ 485). Provisions created for the current pensions (DBO according to IFRS) in financial year 2018 amounted to k€ 7,930 (2017: k€ 8,224).

(40) 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 year have any advances or loans been granted to the aforementioned group of persons.

(41) Remuneration of the auditor in accordance with section 314 para. 1 No. 9 HGB

The remuneration of the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, recorded as expenses in 2018, amounted to k€ 255 for the audit of the financial statements (thereof k€ 20 dissolution for 2017) and to k€ 24 for other certification services (thereof k€ 12 for 2017).

The auditor did not provide any other services, such as tax consultancy services or other services, during the reporting period.

KPMG has been the auditor of the financial statements and consolidated financial statements of Leifheit AG since financial year 2016. Sebastian Hargarten (since financial year 2017) and Lena Tuchscherer (since financial year 2018) are the signatory auditors for financial year 2018.

(42) Information under takeover law in accordance with section 315a para. 1 HGB

Please refer to the combined management report for information on takeovers in accordance with section 315a para. 1 HGB.

(43) Related party transactions

The employment relationship with former Board of Management member Ansgar Lengeling will end at the end of 31 October 2019 at the latest with a leave of absence and the continued payment of the fixed monthly remuneration and short-term variable remuneration on a pro rata basis. In connection with the exemption, a provision of k€ 331 was formed as at 31 December 2018 for this.

The employment relationship with Chairman of the Board of Management Thomas Radke will end at the end of 31 December 2019 at the latest with a leave of absence and the continued payment of the remuneration. In connection with the exemption, a provision of k€ 481 was formed as at 31 December 2018 for this.

A managing director of our Czech subsidiary Leifheit CZ a.s. is also the managing director of a Czech customer. Turnover of k€ 383 was generated with this customer in the reporting year, at an arm's length margin of 28% (2017 k€ 395 in turnover at a margin of 26%). The customer continued to provide shared services for our subsidiary at arm's length terms and conditions in the amount of k€ 612 (2017: k€ 606). Leifheit CZ a.s. provided services amounting to k€ 10 (2017: k€ 5) for the customer.

There were no other reportable relationships or transactions with related companies or persons outside the Group during the reporting year.

(44) Declaration in accordance with section 161 AktG

In December 2018, 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 and which recommendations are not currently applied or were not applied. The Declaration of compliance is permanently available on the company's website at corporate-governance.leifheit-group.com.

(45) Events after the balance sheet date

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.

Effective as at 28 February 2019, Ms Wärntges resigned her position as member of the Supervisory Board; effective as at 31 March 2019, Mr Zahn (Chairman) and Mr Gritzuhn (Deputy Chairman) also resigned from their positions on the Supervisory Board.

The Supervisory Board appointed Mr Henner Rinsche as Chairman of the Board of Management (CEO). Mr Rinsche will commence this role on 1 June 2019.

(46) Existence of an equity interest in accordance with section 160 para. 1 No. 8 AktG

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). Leifheit published all voting rights notifications in accordance with section 40 para. 1 WpHG; these notifications are available at leifheit-group.com on the company's website. The following tables show the 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.

Report	Reportable party	Registered office	Attributions in accordance with WpHG	Shareholding	Voting rights [1]
December 2018	Douglas Smith, Blackmoor Investment Partners LLC	(KY)	section 34	3.01%	300,482
December 2018	Alex Paiusco, DBAY Advisors Limited	Douglas (IM)	section 34	7.33%	732,701
April 2018	Alantra EQMC Asset Management, SGIIC, S.A.	Madrid (ES)	section 34	8.23%	822,999
September 2017	Teslin Capital Management BV/Gerlin NV	Maarsbergen (NL)	section 22	5.05%	504,534
November 2015	MainFirst SICAV	Senningerberg (LU)		5.04%	504,444 (252,222)
July 2014	Leifheit Aktiengesellschaft	Nassau (DE)		4.97%	497,344 (248,672)
February 2009	Manuel Knapp-Voith MKV Verwaltungs GmbH	Grünwald (DE)	section 22 (1) sent. 1 no. 1	10.03%	1,002,864 (501,432)
October 2007	Joachim Loh	Haiger (DE)		6.96%	662,102 (331,051)

[1] Values from reports before implementation of the capital increase in June 2017 have been doubled for comparison purposes.

Organs of Leifheit AG

Supervisory Board

Ulli Gritzuhn (until 31 March 2019)

General Manager of Unilever Deutschland GmbH, Hamburg
* 1962 Nationality: German

Shareholder representative
- Deputy Chairman of the Supervisory Board since 23 Mar 2018, Member since 4 Feb 2016
- Member of the Personnel Committee since 13 Feb 2016
- Member of the Nominating Committee since 22 Sep 2016
- Member of the Audit Committee since 6 Mar 2018, Chairman since 18 Mar 2019

Baldur Groß

Head of Maintenance, Electrics and Facility Management of Leifheit AG, Nassau
* 1958 Nationality: German

Employee representative
- Member of the Supervisory Board since 22 May 2014 (formerly 1994 to 1999)

Georg Hesse

Chairman of the Board of Management (CEO) of HolidayCheck Group AG, Munich
* 1972 Nationality: German

Shareholder representative
- Member of the Supervisory Board since 30 May 2018
- Member of the Personnel Committee since 30 May 2018
- Member of the Nominating Committee since 18 Mar 2019
- Member of the Audit Committee since 18 Mar 2019

Karsten Schmidt (until 31 Jan 2018)

Acting Chairman of Schleich GmbH, Schwäbisch Gmünd
* 1956 Nationality: German

Shareholder representative
- Deputy Chairman of the Supervisory Board since 13 Feb 2016, Member since 15 Jan 2007
- Member of the Audit Committee since 13 Feb 2016
- Member of the Personnel Committee since 24 Jan 2007

Thomas Standke

Toolmaker at Leifheit AG, Nassau
* 1968 Nationality: German

Employee representative
- Member of the Supervisory Board since 27 May 2004

Sonja Wärntges (until 28 Feb 2019)

Chairwoman of the Board of Management (CEO) of DIC Asset AG, Frankfurt am Main
* 1967 Nationality: German

Shareholder representative
- Member of the Supervisory Board since 4 Feb 2016
- Chairwoman and Member of the Audit Committee since 13 Feb 2016
- Member of the Nominating Committee since 22 Sep 2016
- Member of the Personnel Committee from 6 Mar to 30 May 2018

Memberships in other Supervisory Boards required by law:
- DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main (Chairman of the Supervisory Board)

Helmut Zahn (until 31 March 2019)

Independent consultant, Starnberg
* 1955 Nationality: German

Shareholder representative
- Chairman of the Supervisory Board since 24 Jan 2007, Member since 30 Apr 2001
- Member of the Audit Committee since 28 Sep 2001
- Chairman of the Personnel Committee since 24 Jan 2007, Member since 27 May 2004
- Chairman and Member of the Nominating Committee since 22 Sep 2016

Memberships in other Supervisory Boards required by law:
- Flossbach von Storch AG, Cologne (Deputy Chairman of the Supervisory Board)
- Hahn-Immobilien-Beteiligungs-AG, Bergisch Gladbach (Member of the Supervisory Board)

The 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 of the Supervisory Board for financial year 2018. In accordance with section 125 para. 1 sentence 5 AktG, external mandates of members of organs are, where applicable, to be listed as memberships in other Supervisory Boards required by law or, in accordance with section 125 para. 1 sentence 5 AktG, as memberships in comparable domestic and foreign governing bodies of enterprises. The profiles of the members of the Board of Management and Supervisory Board are available on the company's website at organe.leifheit-group.com.

Board of Management

Ivo Huhmann
Place of residence: Wiesbaden
* 1969 Nationality: German

Member of the Management Board since 1 Apr 2017, CFO since 25 May 2017, interim CEO from 16 to 31 Oct 2018, interim Co-CEO since 1 Nov 2018, appointed until 31 Mar 2020

Responsible for Finance, Controlling, Audit, Business Processes/IT, ESG issues and on an interim basis from 28 Apr to 31 Oct 2018 for Procurement, Development, Quality Management and, since 16 Oct 2018, for Marketing, Sales and the Birambeau and Herby divisions

Thomas Radke (until 15 Oct 2018)
Place of residence: Wiesbaden
* 1961 Nationality: German

Chairman of the Board of Management (CEO), from 1 Jan 2014 until 15 Oct 2018
Responsible for Marketing, Sales, HR, Legal/IP, Birambeau and Herby divisions and, on an interim basis from 28 Apr to 15 Oct 2018, Production and Logistics

Memberships in domestic and foreign governing bodies:
- Böck Silosysteme GmbH, Tacherting (Chairman of the Advisory Board)

Igor Iraeta Munduate
Place of residence: Bonn
* 1974 Nationality: Spanish

Member of the Board of Management (COO) since 1 Nov 2018, interim Co-CEO since 1 Nov 2018, appointed until 31 Oct 2021

Responsible for Production, Logics, Procurement, Development, Quality Management and, on an interim basis, Personnel and Legal/IP

Ansgar Lengeling (until 27 Apr 2018)
Place of residence: Wiesbaden
* 1966 Nationality: German

Member of Board of Management (COO) from 1 Nov 2016 until 27 Apr 2018
Responsible for Production, Procurement, Development, Logistics, Quality Management

Nassau/Lahn, 25 March 2019

Leifheit Aktiengesellschaft

The Board of Management

Ivo Huhmann Igor Iraeta Munduate

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, 25 March 2019

Leifheit Aktiengesellschaft

The Board of Management

Ivo Huhmann Igor Iraeta Munduate

Auditor's report

To Leifheit Aktiengesellschaft, 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 it subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Leifheit AG for the financial year from 1 January to 31 December 2018.

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 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, 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.

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) point (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 2018. 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.

- **Impairment testing of trademarks and goodwill of the cash-generating unit Soehnle**

For more information on the accounting policies applied please refer to the section "General information and accounting policies" with the sub-sections "Intangible assets" and "Impairment of property, plant and equipment, and intangible assets" in the notes to the consolidated financial statements. The assumptions underlying the measurement as well as the disclosures on the impairment testing of intangible assets at the CGU Soehnle can be found in section 23 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The consolidated financial statements of Leifheit Aktiengesellschaft recognise under intangible assets trademarks in the amount of EUR 4.6 million (PY: EUR 4.8 million) and goodwill in the amount of EUR 11.6 million (PY: EUR 11.8 million). Trademarks and EUR 0.00 million of goodwill (after recognition of impairment losses) (PY: EUR 0.2 million) are attributable to cash-generating unit (CGU) Soehnle.

Impairment of goodwill and trademarks is tested annually, as well as when indicators of impairment are present, at the level of the CGUs Leifheit, Soehnle, Birambeau and Herby. To do this, Leifheit uses a discounted cash flow model to calculate the recoverable amount (primarily value in use) for each CGU. If the carrying amount is above the recoverable amount, this indicates an impairment need, which is attributed initially to goodwill and for amounts exceeding this to other assets of the CGU.

The reporting date for the impairment test is 30 September of the financial year. Do to deviations to the forecast at year-end and time changes in the budget process, a further impairment test was conducted as at 31 December. In future the annual impairment test will be conducted on 31 December.

Impairment testing of goodwill and trademarks is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the respective cash-generating units, the assumed long-term growth rates and the discount rate used.

Owing to the declining sales and earnings situation for CGU Soehnle, the recoverable amount fell below of the carrying amount as at 31 December 2018 by EUR 0.4 million. For this reason, the goodwill attributed to CGU Soehnle in the amount of EUR 0.2 million was impaired in full. The additional impairment amount of EUR 0.2 million was attributed to trademark rights recognised of CGU Soehnle, the carrying amount of which was consequently reduced from EUR 4.8 million to EUR 4.6 million as at 31 December 2018.

If the revenue targets expected by the Board of Management for CGU Soehnle are continually missed or the interest rate rises, further impairment losses will be required for CGU Soehnle. In this context, this CGU is of particular significance for the purposes of our audit.

There is the risk for the consolidated financial statements that the impairment loss for CGU Soehnle as at the reporting date is not recognised in an adequate amount. There is also the risk that the related disclosures in the notes to the consolidated financial statements are not appropriate.

OUR AUDIT APPROACH

By involving our valuation specialists, we have also assessed the appropriateness of the key assumptions and calculation methods of the Company. As even just minor changes to expected revenue performance at CGU Soehnle can significantly impact the results of impairment testing, we discussed the expected business and earnings development and the assumed growth rates with those responsible for planning. We have also reconciled these with internally available forecasts. Furthermore, we evaluated the consistency of assumptions with external market assessments.

Furthermore, we confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. We compared the assumptions and parameters underlying the discount rate at CGU Soehnle, in particular the risk-free rate, the market risk premium and the beta factor with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

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 to the consolidated financial statements regarding the impairment of goodwill and trademarks at CGU Soehnle were appropriate. This also includes the assessment of the appropriateness of disclosures in the notes in accordance with IAS 36.130 on the impairment recognised and the assessment of the appropriateness of the disclosures in the notes to the consolidated financial statements in accordance with IAS 36.134(f) on sensitivity in the event of a reasonably possible change in key assumptions used for measurement.

OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill as well as the trademarks of CGU Soehnle is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and parameters used for measurement of CGU Soehnle are appropriate on the whole.

The related disclosures in the notes to the consolidated financial statements are appropriate.

- **Completeness and accuracy of other liabilities from customer bonuses and from advertising subsidies**

The disclosures on other liabilities from customer bonuses and from advertising subsidies can be found in Section 24 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The consolidated financial statements of Leifheit Aktiengesellschaft recognise other liabilities from customer bonuses in the amount of EUR 8.7 million and other liabilities from advertising subsidies in the amount of EUR 4.8 million.

There are numerous individual condition agreements in place with customers, which are generally updated on an annual basis in the course of negotiations. There are also additional agreements in order to set short-term buying incentives for customers. Therefore, the complete and precise recognition of other liabilities from customer bonuses and from advertising subsidies is complex and requires the assurance that all existing customer agreements are recorded in full centrally and that the calculation of the resulting liabilities is computationally accurate.

There is the risk for the financial statements that other liabilities from customer bonuses and from advertising subsidies were not recognised in full or in an inaccurate amount.

OUR AUDIT APPROACH

We evaluated the accounting policies applied for other liabilities from customer bonuses and from advertising subsidies in respect of their conformity with the applicable accounting standards. We assessed the controls identified to ensure the complete recording of customer agreements in an inventory and to ensure that the recording by the system is complete and accurate, in respect of their design and implementation. As part of a plausibility assessment, we first examined for which customers there were material deviations in revenue reduction rates between prior years and the current year. For these customers, we then inspected contracts to verify that the obligation existing as at the reporting date was determined accurately in accordance with the individual agreements. Based on the liabilities ratio of the prior year (liabilities as a ratio of the expenses for conditions), an expected value of customer-related liabilities was also calculated by extrapolating the expense for conditions in 2018 and deviations were analysed in the amount of the recognised liability. In addition, a statistical method was used analysing the population of all expense postings for customer conditions for a period of time after the reporting date to determine whether the revenue reduction and conditions expenses were fully recognised on an accrual basis.

OUR OBSERVATIONS

The process used to recognise other liabilities from customer bonuses and from advertising subsidies at Leifheit Aktiengesellschaft is appropriate.

- **Revenue recognition on an accrual basis**

The disclosures made by the Company on the recognition of revenue are contained in the Section "General information and accounting policies" with the sub-section "Recognition of income and expenditure" of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The Group's revenue generated from the sale of products amounted to EUR 234.2 million in financial year 2018.

The Company 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 expects to be entitled. Leifheit Aktiengesellschaft 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 revenue is recognised at a point in time:

- Leifheit Aktiengesellschaft has a current entitlement to receive payment for the asset,
- the customer has legal title to the asset,
- Leifheit Aktiengesellschaft 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, agreements are made by the group entities with customers, with some of these agreements containing complex contractual provisions.

Owing to the use of diverse contractual provisions in the different markets and the judgements involved in determining and assessing the indicators to evaluate the time at which control is transferred, there is the risk for the consolidated financial statements that revenue is not recognised on an accrual basis as at the reporting date.

OUR AUDIT APPROACH

In order to assess whether revenue is recognised on an accrual basis, we assessed the design, implementation and effectiveness of internal controls relating to order acceptance, outgoing goods and invoicing, and in particular assessed the determination and verification of the correct and actual transfer of control.

Owing to the initial application of IFRS 15, a focus for our audit was defined as the evaluation of management's interpretation and weighting of indicators to assess the time at which control is transferred. To this end, we assessed the instructions of the group-wide accounting policy.

Based on this, we assessed all revenue for December to determine whether the expected points in time of transfer of control that result in automated revenue posting, which are stored as standard and reviewed by us for appropriateness, were accurately taken into account. In addition, we also used sampling to check the appropriateness of special rules for each customer that deviated from the above.

Furthermore, we assessed the applicable point in time and the amount of revenue recognised by obtaining third-party confirmations or alternatively by reconciling invoices with the related external delivery records. The basis for this was revenue selected using a statistical procedure which was recognised in a set period before the year-end closing date. In addition, using a statistical selection process for a risk-based population of manual revenue adjustments made in the new year, we assessed whether these adjustments had been recorded on an accrual basis.

OUR OBSERVATIONS

Leifheit Aktiengesellschaft's approach for revenue recognition cut-off is appropriate.

Other Information

The board of management is responsible for the other information. The other information comprises the remaining parts of the annual financial report of the Leifheit Group, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

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 combined management report 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 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 they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud 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, they are 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.

Moreover, the board of management is responsible for the preparation of the combined management report, which as a whole provides a suitable 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 they have 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- 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 related safeguards.

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 30 May 2018. We were engaged by the supervisory board on 28 September 2018. We have been the group auditor of Leifheit AG since the 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).

In addition to the consolidated financial statements, we audited the annual financial statements of Leifheit AG.

The fee for the year-end audit services of KPMG AG Wirtschaftsprüfungsgesellschaft related in particular to the audit of the consolidated financial statements and the annual financial statements of Leifheit AG, Nassau, including legal engagement extensions and audit emphasis areas agreed on with the Supervisory Board. Other assurance services relate to the audit of the separate non-financial consolidated report of Leifheit AG, Nassau, for the reporting period from 1 January to 31 December 2017, and for the reporting period from 1 January to 31 December 2018 in the form of an audit with limited assurance.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Sebastian Hargarten.

Frankfurt/Main, 25 March 2019

KPMG AG Wirtschaftsprüfungsgesellschaft

Original German version signed by

gez. Hargarten	gez Tuchscherer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Information, Disclaimer

Individual financial statement of Leifheit AG

The individual financial statement of Leifheit AG, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which did not lead to any reservations in its audit opinion, was prepared in accordance with the provisions of the HGB (German commercial code) and the AktG (German stock corporation act).

Additional information on the website

The annual financial statement of Leifheit AG, the combined management report of Leifheit AG and Leifheit Group, as well as the report of the Supervisory Board, the corporate governance report and the sustainability report are online available at financial-reports.leifheit-group.com in addition to these consolidated financial statements.

Note on rounding

Minor differences may occur when using rounded amounts and percentages due to commercial rounding.

Forward-looking statements

This financial report contains forward-looking statements which are based on the management's current estimates with regard to future developments. Such statements are subject to risks and uncertainties which are beyond Leifheit's ability to control or estimate precisely, such as statements on the future market environment and economic conditions, the behaviour of other market participants and government measures. If one of these uncertain or unforeseeable factors occurs or the assumptions on which these statements are based prove inaccurate, actual results could differ materially from the results cited explicitly or contained implicitly in these statements. Leifheit neither intends to, nor does it accept any specific obligation to, update forward-looking statements to reflect events or developments after the date of this report.

Discrepancies due to technical factors

Technical factors (e.g. conversion of electronic formats) may lead to discrepancies between the financial statements contained in this financial report and those submitted to the Federal Gazette (Bundesanzeiger). In this case, the version submitted to the Federal Gazette is binding.

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

Key figures 5-year-history

		2014	2015	2016	2017	2018
Turnover						
Group [1]	m€	220.7	231.8	237.1	236.8	234.2
Household	m€	–	–	–	182.9	180.4
Wellbeing	m€	–	–	–	19.6	19.9
Private Label	m€	–	–	–	34.3	33.9
Brand Business	m€	180.4	188.1	195.8	196.7	195.7
Volume Business	m€	40.3	43.7	41.3	40.1	38.5
Foreign share [1]	%	57.0	57.4	60.1	59.1	58.3
Profitability						
Gross margin	%	47.7	46.7	47.5	46.4	43.6
Cash flow from operating activities	m€	24.5	20.8	21.8	7.2	10.2
Free cash flow	m€	18.4	14.1	14.3	1.5	3.7
EBIT	m€	21.5	21.7	22.1	18.8	13.1
EBIT adjusted [2]	m€	16.4	19.2	21.8	20.3	12.8
EBIT margin	%	9.8	9.3	9.3	8.0	5.6
EBT	m€	19.8	20.2	20.6	17.7	11.9
Net result for the period	m€	14.1	14.3	14.5	12.9	8.4
Net return on sales	%	6.4	6.2	6.1	5.4	3.6
Return on equity	%	14.9	13.4	13.9	13.0	8.3
Return on total capital	%	6.3	6.0	6.1	5.7	3.8
ROCE	%	20.3	18.1	16.3	12.7	8.5
Share [3]						
Net result for the period per share [4]	€	1.49	1.51	1.53	1.35	0.88
Free cash flow per share [4]	€	1.94	1.48	1.51	0.16	0.39
Dividend per share	€	0.90	1.00	1.05	1.05	1.05 [5]
Special dividend per share	€	–	0.38	0.40	–	–
Employees at the end of the year						
Group	people	1,068	1,074	1,093	1,137	1,134
Household	people	–	–	–	930	920
Wellbeing	people	–	–	–	48	56
Private Label	people	–	–	–	159	158
Brand Business	people	792	865	913	972	930
Volume Business	people	276	209	180	165	204
Investments	m€	6.2	7.1	7.8	7.8	6.6
Investment ratio	%	3.6	4.1	4.4	4.5	3.6
Depreciations	m€	6.3	5.8	6.2	6.4	6.9
Balance sheet total	m€	223.3	237.9	239.4	224.9	221.8
Equity	m€	94.8	106.7	104.6	98.5	101.8
Equity ratio	%	42.5	44.9	43.7	43.8	45.9

1 Segments changed since 2018.
2 EBIT adjusted by foreign currency results.
3 Capital increase from own funds with the issuing of new shares in 2017; data for the previous year adjusted for comparability.
4 Not including repurchased treasury shares.
5 Dividend proposal.

Financial calendar

14 MAY 2019
QUARTERLY STATEMENT
for the period ending 31 March 2019

29 MAY 2019
ANNUAL GENERAL MEETING
10:30 a.m. (CEST),
Deutsche Nationalbibliothek, Frankfurt/Main, Germany

13 AUGUST 2019
FINANCIAL REPORT FOR THE FIRST HALF-YEAR
ending 30 June 2019

12 NOVEMBER 2019
QUARTERLY STATEMENT
for the period ending 30 September 2019

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