SCALING UP SUCCESS

Annual financial report 2019

LEIFHEIT

Key figures of the Group

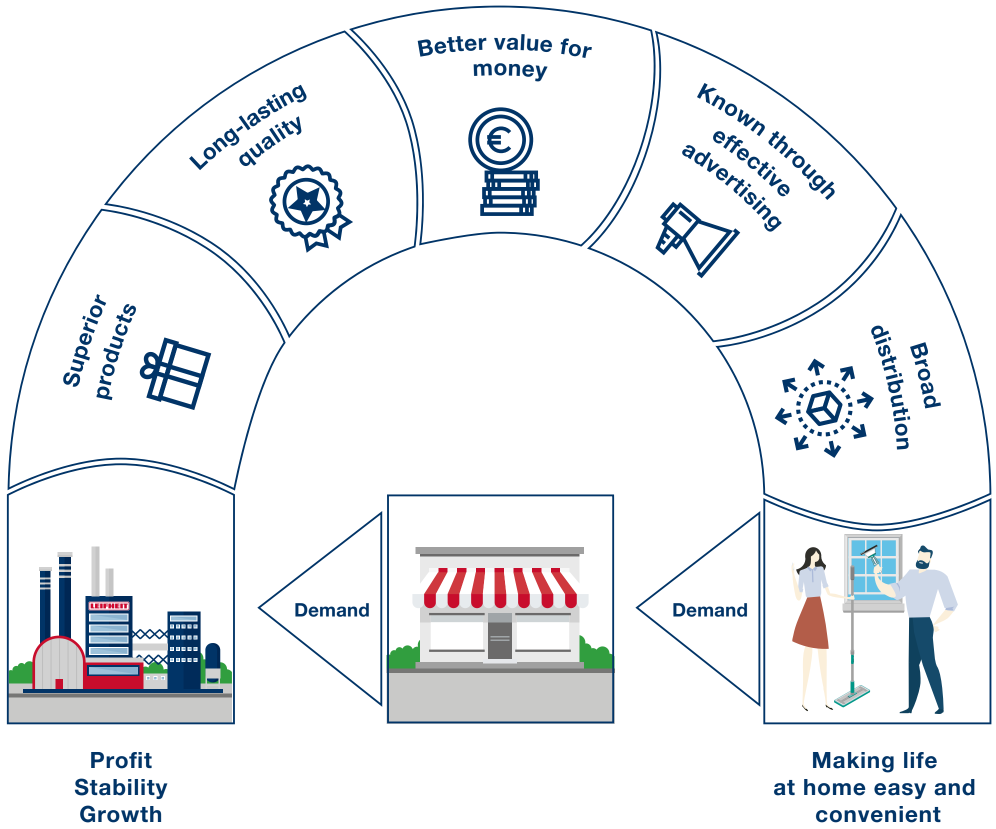
		2018	2019	Change
Turnover				
Group	m€	234.2	234.0	–0.1%
Household	m€	180.4	182.0	0.9%
Wellbeing	m€	19.9	19.8	–0.2%
Private Label	m€	33.9	32.2	–5.2%
Profitability				
Gross margin	%	43.6	43.1	–0.5 pps
Cash flow from operating activities	m€	10.2	15.9	–56.0%
Free cash flow	m€	3.7	10.1	>100%
Foreign currency result	m€	0.3	0.3	22.3%
EBIT	m€	13.1	9.9	–4.4%
EBIT margin	%	5.6	4.2	–1.4 pps
EBT	m€	11.9	8.5	–28.9%
Net result for the period	m€	8.4	5.8	–30.7%
Return on sales	%	3.6	2.5	–1.1 pps
Return on equity	%	8.3	6.1	–2.2 pps
Return on total capital	%	3.8	2.7	–1.1 pps
ROCE	%	10.5	8.2	–2.3 pps
Share				
Net result for the period per share[1]	€	0.88	0.61	–30.3%
Free cash flow per share[1]	€	0.39	1.06	>100%
Dividend per share	€	1.05	0.55[2]	–47.6%
Employees at the end of the year	people	1,119	1,106	–1,2%
Investments	m€	6.6	6.0	–9,8%
Depreciation and amortisation	m€	6.9	8.2	18,3%
Balance sheet total	m€	221.8	214.6	–3,2%
Equity	m€	101.8	96.2	–5,5%
Equity ratio	%	45.9	44.8	–1,1 pps

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

Content

Our mission

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

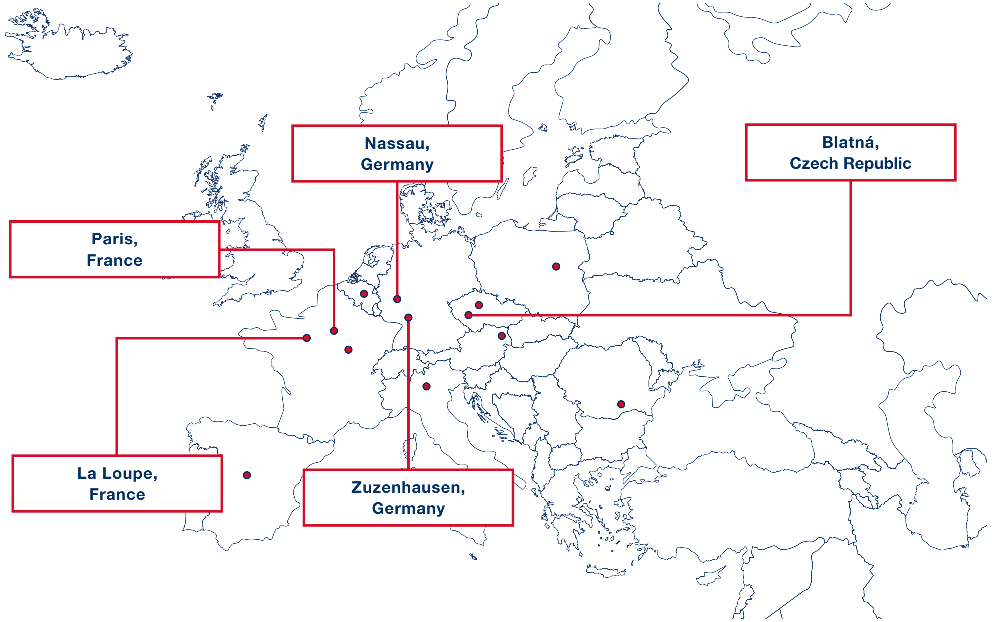


Group profile

For more than 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.

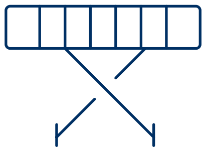
Locations



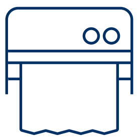
Household

LEIFHEIT

Cleaning



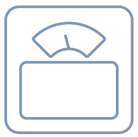
Laundry care



Kitchen goods

Wellbeing

SOEHNLE



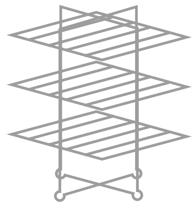
Bathroom scales

Kitchen scales

Private Label

BIRAMBEAU herby

Kitchen goods



Laundry drying racks

Investment highlights

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

Strong brands – excellent products

(selection)

LEIFHEIT

SOEHNLE

The Board of Management

Henner Rinsche

Chairman of the Board of Management/CEO

Since 1 June 2019, Henner Rinsche has been the Chairman of the Leifheit AG Board of Management. As Chief Executive Officer, he is responsible for Sales, Marketing, Human Resources/Legal/IP and for the private label business of Herby and Birambeau. From 1 April 2020, he will also be responsible for the Finance, Controlling and Business Processes/IT divisions in his role as CFO.

Ivo Huhmann

Member of the Board of Management/CFO*

Ivo Huhmann 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.*

* until 31 March 2020

Igor Iraeta Munduate

Member of the Board of Management/COO

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

Dear Ladies and Gentlemen, Dear Shareholders,

Financial year 2019 will go down in history as a special one for the Leifheit Group. We celebrated the company's 60th anniversary and worked as a newly formed Board of Management team to set the course for the Group's return to profitable growth in the years ahead.

All the while, we were able to build on two strong brands, Leifheit and Soehnle, both of which are among Germany's best-known household brands. Our many high-quality, European-made bestsellers regularly receive excellent scores in tests and have already been lightening the load of housework for generations. Above all, however, we have great employees who are fully dedicated to going the extra mile for our company. This is a foundation we plan to build on!

Group growth falls short of expectations – earnings target achieved

Over the past financial year, we launched key strategic initiatives that will benefit Leifheit successively moving forward. The results for financial year 2019 only reflect these measures to a partial extent. At m€ 9.9, we generated earnings before interest and taxes at the upper end of our forecast range. We posted growth in the Household segment, with Leifheit brand products, and achieved results on par with the previous year in the Wellbeing segment. In both segments, many of our products once again scored very well in tests.

» We will roll out the successful strategies in our TV test markets in most of our relevant countries in 2020. «

We recorded a slight increase in turnover in Central Europe, where we were able to post significant gains thanks to new distribution channels, especially in Italy. In financial year 2019, we were able to achieve substantial turnover growth in Eastern Europe. Our strong performance in the Czech Republic, where we once again invested in TV advertising in the fourth quarter, deserves special mention here. However, the Group as a whole did not generate growth due to the negative development in our domestic market of Germany and in the business involving private-label brands. We must do better!

To return to growth moving forward, we successfully tested TV campaigns in late 2019, leading to very positive results in markets such as Austria and the Netherlands. We will roll out the successful strategies in our TV test markets in most of our relevant countries in 2020.

» Another focal point will be further optimising our internal processes and reducing costs. «

More growth through more consumer advertising

In the current financial year, we plan to focus on the central strategic issues that we have summed up in our “Scaling up Success”-strategy. At the start of 2020, we launched a large-scale TV campaign in Germany to once again widen the reach of our household goods among consumers. All told, our TV advertisements are slated to run in a total of 16 countries in 2020.

We are hard at work improving our gross margin and attracting additional stationary and online retail partners. In this regard, the increased demand for our products, especially in the premium segment, will be an important factor. Furthermore, we launched our own online shop for consumers in January 2020, where they can buy Leifheit products or check availability in stores.

Another focal point will be further optimising our internal processes and reducing costs.

> » In the current financial year, we expect Group turnover to grow by roughly 8% year on year. «

We will focus on our higher-margin, European-made core products and with further streamline our product lines. At the same time, the targeted development of consumer-relevant product innovations is essential for sustained growth. We have redefined our innovation strategy and will focus in future on the development of innovations with unique consumer benefits and tremendous market potential.

To aid us in successfully implementing our strategy, we are creating a new corporate culture in which we pursue our goals with joy, speed and boldness in line with our “fun, friendly, fast and fearless” philosophy. Agile working methods will support us along our path.

In the current financial year, we expect Group turnover to grow by roughly 8% year on year. Our strategy continues to be centred on expanding our core business, particularly with the Leifheit brand. We aim to achieve this goal through suitable TV campaigns. We will use the gross profit generated as a result of our planned growth to strengthen consumer advertising. As a result, we expect to generate earnings before interest and taxes (EBIT) of roughly m€ 9.5 to m€ 10.0, or roughly on par with the 2019 figure.

Leifheit got off to a good start in the 2020 financial year. However, in view of the dynamic developments the Board of Management and the supervisory Board are unable at present to estimate the impact of the current Corona pandemic on Leifheit Group’s business development, financial position and results in the current year.

Despite the significant uncertainties about the possible effects of the corona crisis the Board of Management and the Supervisory Board of Leifheit AG also resolved to propose a dividend of 0.55 € per eligible share to the AGM.

At this time, we would like to thank you, our shareholders, for the trust you have placed in us and for the constructive dialogue over the past year.

We would also like to thank our customers, business partners and suppliers for their excellent cooperation. Our special thanks go out to our employees for their outstanding commitment at all times. Without them, Leifheit would not be Leifheit. Together, we will successfully shape the future of our company.

> » We will use the gross profit generated as a result of our planned growth to strengthen consumer advertising. «

Nassau/Lahn, March 2020

The Board of Management

Henner Rinsche | Ivo Huhmann | Igor Iraeta Munduate

Report of the Supervisory Board

Dear Ladies and Gentlemen,

2019 was shaped by far-reaching changes, both in the Supervisory Board and Board of Management. The largest change, however, was the overall shift in the company's strategic focus. This new beginning was necessary to lead the company back to an organic growth path while also stopping the erosion of margins and earnings seen in recent years.

Based on close and trustful discussions with the Management Board the Supervisory Board has therefore taken advantage of the past few months to develop a corporate strategy that is firmly focused on the future. Our priorities have included focusing the entire company on maximum customer benefits, innovation, sales efficiency, communication, price and conditions policy, reducing complexity and optimising all cost structures. The Board of Management has summarised this new direction in its "Scaling up Success" concept and has already kicked-off its successful implementation.

I would like to inform you below in detail of the work performed by the Supervisory Board in financial year 2019:

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. The Board of Management remuneration system was fundamentally revised in 2018.

In financial year 2019, the Supervisory Board met six times in person and held two conference call meetings. With the exception of Ms Wärntges, who was unable to attend a meeting of the Nominating Committee prior to her departure from the Board on 28 February 2019, 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, was conducted in 2018. It revealed that all requirements for working efficiently have been met. The Supervisory Board will conduct the next efficiency review in 2020. 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. The meetings focused on the nomination of the Supervisory Board members to be elected during the Annual General Meeting and on an analysis of the company's situation.

Changes in Leifheit AG organs

Supervisory Board

Effective as at 28 February 2019, Ms Wärntges resigned from 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.

At the request of the Board of Management, Dr Günter Blaschke was appointed to the Supervisory Board of Leifheit AG with effect from 1 April 2019 by the Local Court [Amtsgericht] of Montabaur and was elected Chairman of the organ by the members of the Supervisory Board on 2 April 2019.

Regular Supervisory Board elections were scheduled for financial year 2019. The following employee representatives on the Supervisory Board were elected on 14 May 2019:

- Joachim Barnert, Zuzenhausen, Head of Maintenance at Leifheit AG
- Thomas Standke, Scheidt, Toolmaker at Leifheit AG

Mr Standke was already a member of the previous Supervisory Board. The previous employee representative, Mr Baldur Groß, stepped down from the Supervisory Board upon the conclusion of the Annual General Meeting on 29 May 2019.

The following shareholder representatives on the Supervisory Board were elected at the Annual General Meeting on 29 May 2019:

- Dr Günter Blaschke, Chairman of the Supervisory Board of WashTec AG (until 14 July 2019), Chairman of the Board of Management (CEO) of WashTec AG (from 15 July 2019 to 31 December 2019)
- Georg Hesse, Chairman of the Board of Management (CEO) of HolidayCheck Group AG
- Karsten Schmidt, Independent consultant
- Dr Claus-O. Zacharias, Independent consultant

The Supervisory Board and the Board of Management of Leifheit AG would like to thank the departing Supervisory Board members for their service and their great commitment to the Board.

Board of Management

Mr Henner Rinsche was appointed Chairman of the Board of Management (CEO) by the Supervisory Board and took office on 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.

The Supervisory Board meeting on 18 March 2019 voted on the co-optation of Mr Hesse to the Nominating Committee and the Audit Committee.

At the meeting on 25 March 2019, 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 29 May 2019.

The constitutive meeting of the new Supervisory Board was held following the Annual General Meeting on 29 May 2019. It appointed members to the committees, set up rules for the working relationship between the Supervisory Board and the Board of Management, and adopted the focal points for the Supervisory Board and its committees.

The Supervisory Board meeting on 21 June 2019 discussed personnel matters related to the Board of Management and the age limit for Supervisory Board members, as well as the leadership culture and the mission statement.

The Supervisory Board meeting on 1 August 2019 focused on the reports by all of the committees, scheduling, the corporate governance code and personnel matters.

The meeting on 20 September 2019 discussed the status of strategic projects and succession planning at management level. In addition, the Supervisory Board addressed top customers and authorised procuration.

The conference call on 4 November 2019 focused on the quarterly statement, the draft resolution regarding the reduction of the Board of Management to two members and the adjustment of the Board of Management's allocation of duties.

The Supervisory Board meeting on 13 December 2019 focused on approving the budget planning for 2020 and on the logistics strategy. The corporate governance declaration of conformity was also approved.

A variety of other topics were discussed and voted on in writing outside of Supervisory Board meetings.

Work of the committees

In addition to the existing Audit, Personnel and Nominating Committees, the Supervisory Board in office since 29 May 2019 formed two additional committees: the Sales/Marketing Committee and the Product Range/Innovation Committee.

The **Audit Committee** met six times in financial year 2019 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 the Audit Committee meetings and gave an in-depth presentation of the annual financial statements as well as all reports to be published, explained them and answered the committee members' questions. 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 two 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. The financial statements were presented and discussed by the Chief Financial Officer, and questions from the members of the committee were answered.

The **Personnel Committee** examined all employment contracts for the members of the Board of Management, including remuneration and the remuneration system. The Personnel Committee met four times in financial year 2019. It looked intensively into the issue of succession planning for the Board of Management and into the Board of Management's remuneration system. A focus was placed on appointing a new CEO and on the departure of the CFO.

The tasks of the **Nominating Committee** include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. To this end, the Nominating Committee held two meetings in financial year 2019. Leifheit AG's Nominating Committee became inquorate in the first quarter of 2019 following the departure of Ms Wärntges, Mr Zahn and Mr Gritzuhn and was therefore unable to propose suitable candidates to the Supervisory Board. As a result, the Supervisory Board approved its proposal for the election of Supervisory Board candidates in April 2019 without a prior recommendation from the Nominating Committee.

The **Sales and Marketing Committee** met twice in financial year 2019 and discussed sales planning, the marketing strategy and the marketing budget, as well as the price and conditions strategy.

The **Product Range and Innovation Committee** met twice in financial year 2019 and discussed the innovation strategy and the current innovation pipeline.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2019, 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 2019, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, KPMG AG Wirtschaftsprufungsgesellschaft, and have not led to any reservations in its audit opinion. The audit – as reflected in the audit reports – did not result in any grounds for objection.

The documents pertaining to the financial statements, as well as the audit reports and the Board of Management's proposal for the appropriation of the balance sheet profit, were handed out to all members of the Supervisory Board. The documents pertaining to the financial statements and the audit reports were discussed in depth at the Audit Committee meeting on 23 March 2020; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 24 March 2020, the Audit Committee and its chair presented an in-depth report to the members of the Supervisory Board.

The auditors took part in the meetings and reported on the key findings of their audit. 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 matters in the consolidated financial statements were the impairment testing of the brand rights of the Soehnle cash generating unit, the completeness of the liabilities related to customer conditions, the realisation of turnover and the turnover recognition cut-off. 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 matters.

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. On 25 March 2020, 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).The Supervisory Board has examined the Board of Management's proposal for the appropriation of the balance sheet profit for the financial year 2019.

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/Buchloe, 25 March 2020

The Supervisory Board

Dr Günter Blaschke
Chairman

Corporate governance report

For financial year 2019, 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 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 offices in Germany. Besides the DCGK, German law, particularly the regulations of stock corporations and financial markets, and the articles of incorporation of Leifheit AG 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), most recently in December 2019, on the basis of these discussions. Leifheit AG largely applies 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 methods 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 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 2019, there were no reportable relationships or transactions with members of the Board of Management or 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.

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 is available on our website **unternehmensfuehrung.leifheit-group.com**.

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 implementation thereof has not been completed. On the website **unternehmensfuehrung.leifheit-group.com** Details on this matter may be found in the declaration of corporate management.

All shareholder representatives acting in financial year 2019 – Dr Günter Blaschke, Ulli Gritzuhn, Georg Hesse, Karsten Schmidt, Sonja Wärntges, Dr Claus-O. Zacharias 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.

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 29 May 2019 accepted the proposal of the Supervisory Board in line with the recommendations of the Audit Committee and selected KPMG AG Wirtschaftsprufungsgesellschaft, Frankfurt/Main, as the auditor for financial year 2019. KPMG has been the group auditor of Leifheit AG since financial year 2016. The signatory auditors are Sebastian Hargarten (since financial year 2017) and Sven Eifert (since financial year 2019). 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.
Under **unternehmensfuehrung.leifheit-group.com** it is publicly accessible on our website.

The Leifheit share

In 2019, global stock markets saw significant gains despite the trade conflict between the US and China and the continuing debate surrounding Brexit. The Leifheit share also posted a substantial 33% gain over the course of the financial year. The Board of Management and the Supervisory Board propose to the Annual General Meeting a dividend of € 0.55 per dividend-entitled share for financial year 2019.

Stock markets

Global stock markets outperformed the original expectations by a substantial margin in 2019. The world's leading share indices – such as the FTSE in London, the Dow Jones and the S&P 500 in the US, and the Nikkei in Japan – saw significant gains throughout 2019 and finished the year well over 30% higher in some cases. The German blue-chip index DAX ended the year roughly 25% higher than it started, for a clear increase following the declines posted in 2018. In early November, the DAX broke through the 13,000-point mark. At 13,426 points, the index reached its high for the year on 16 December and ended 2019 at 13,249 points.

The SDAX, which includes 70 smaller companies, serves as the relevant benchmark index for the Leifheit share. Like the DAX, the SDAX also saw a significant increase and gained over 30% in 2019. At 12,597 points, the SDAX also peaked on 16 December. The index finished the year at 12,512 points, having started 2019 at a low of 9,336 points.

Key figures for the Leifheit share in €[1]

	2015	2016	2017	2018	2019
Net result for the period per share	1.51	1.53	1.35	0.88	0.61
Free cash flow per share	1.48	1.51	0.16	0.39	1.06
Dividend per share	1.00	1.05	1.05	1.05	0.55[2]
Special dividend per share	0.38	0.40	–	–	–
Dividend yield (in %)[3]	5.6	5.1	3.8	5.9	2.3[2]
Equity per share[4]	9.85	9.55	9.31	9.66	9.07
High[5]	29.83	30.12	36.50	29.60	25.95
Low[5]	19.53	21.75	26.43	14.84	18.06
Year-end closing price[5]	24.75	28.25	27.89	17.76	23.65
Number of shares (in thousands)[6]	9,506	9,509	9,509	9,509	9,509
Year-end market capitalisation (in m€)[7]	248	282	279	178	236

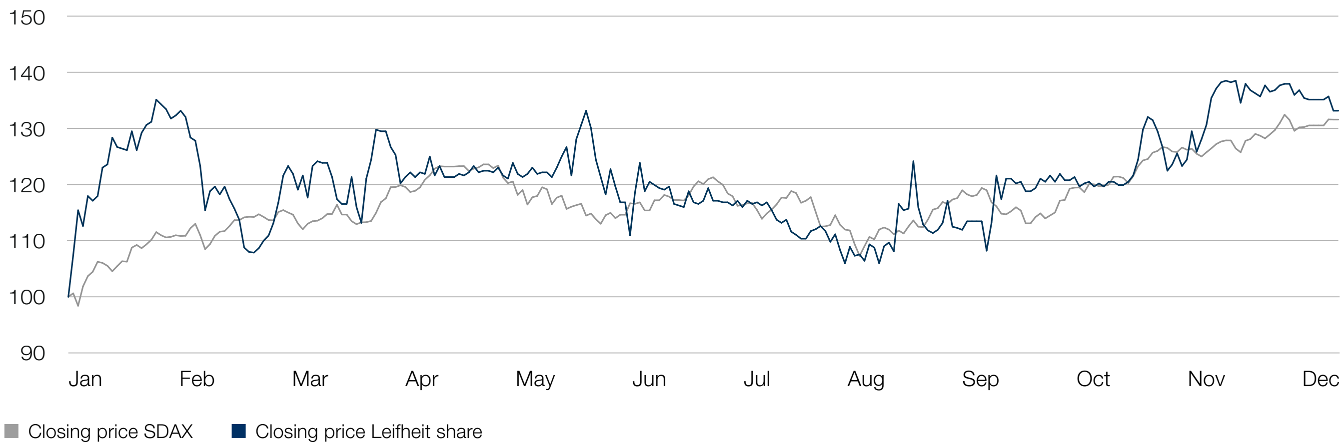
1 Capital increase from company funds in combination with the issuance of new shares in 2017; data 2015 to 2016 were adjusted to enhance comparability.
2 Dividend proposal.
3 Based on the year-end closing prices of the respective financial year.
4 Excluding the distribution of the proposed dividends 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.

Share price performance

The Leifheit share (ISIN DE0006464506) closed at € 17.76 on the final trading day of 2018. Accompanied by minor fluctuations, the share stabilised at the same level as the SDAX over the course of the year following a sharp rise in the first weeks of 2019. The share price rose sharply once again in the fourth quarter, reaching its annual high of € 25.95 on 2 December. The Leifheit share stood at € 23.65 at the end of financial year 2019. All told, the share gained 33.2% over the course of the year.

Leifheit AG's market capitalisation on the basis of all issued shares stood at around m€ 236 as at the end of financial year 2019 (31 December 2018: m€ 178). Adjusted for Leifheit AG's treasury shares, market capitalisation totalled m€ 225 (31 December 2018: m€ 169).

Performance of the Leifheit share price in 2019
compared to the SDAX in % (indexed to 100)



Trading volume

The Leifheit share was traded less frequently in financial year 2019 than in the previous year in Xetra, Deutsche Börse's electronic trading system. Whereas trading stood at an average of 10,908 shares a day in the previous year, that figure fell to 5,971 shares per day on average in financial year 2019.

Shareholder structure

The percentage of shares in free float stood at 76.8% at the end of financial year 2019 (2018: 76.8%). According to the information and voting rights notifications available to Leifheit, the shareholder structure of Leifheit AG was as follows as at 31 December 2019:

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 Investment Partners LLC, (KY)	3.52%

Treasury shares

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 2018, no treasury shares were purchased or used in financial year 2019. As at the balance sheet date of 31 December 2019, 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.

Shareholder-oriented dividend policy

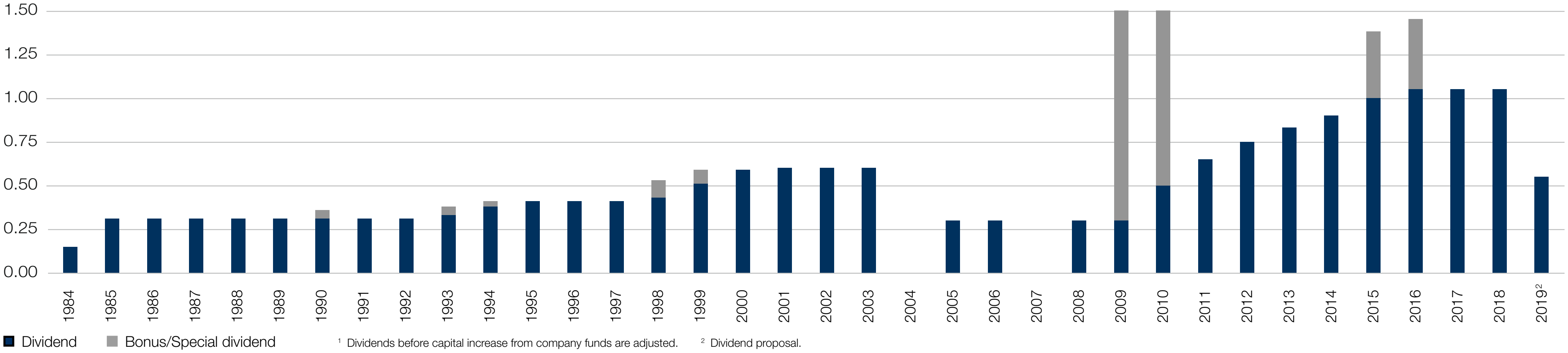
The Board of Management and Supervisory Board of Leifheit AG aim to enable all shareholders to partake appropriately in the company's success. As a matter of principle, Leifheit AG's dividend policy therefore provides for distributing roughly 75% of the net result for the period or the free cash flow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

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

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%
2014	3.9%	2019	2.3%

[1] Without special dividend following disposals.

Historical dividend development[1]
Dividend per share in €



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

Dividend proposal for financial year 2019

The Board of Management propose the payment of a dividend of € 0.55 per share entitled to dividends for financial year 2019, corresponding to a total distribution to shareholders of m€ 5.2. If approved by the Annual General Meeting, the dividend will be paid out to shareholders from the third working day after the Annual General Meeting, resulting in a dividend yield of 2.3% based on the closing price at the end of financial year 2019. In financial year 2019, 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 5.9% based on the closing price at the end of 2018.

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 2019 (2018: three analysts). In financial year 2019, 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 2019 were two such examples. Many shareholders once again seized the opportunity for personal contact with the company at the Annual General Meeting in May 2019. 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).

At **leifheit-group.com**, the corporate and investor relations website of Leifheit AG 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.

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Combined management report

Foundations of the Group

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

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

Activities and areas of business

A distinction is drawn between the following reportable segments (hereinafter referred to as “segments” for short):

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

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

Reportable segments

Leifheit Group

Household	Wellbeing	Private Label
LEIFHEIT	SOEHNLE	BIRAMBEAU, herby

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

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

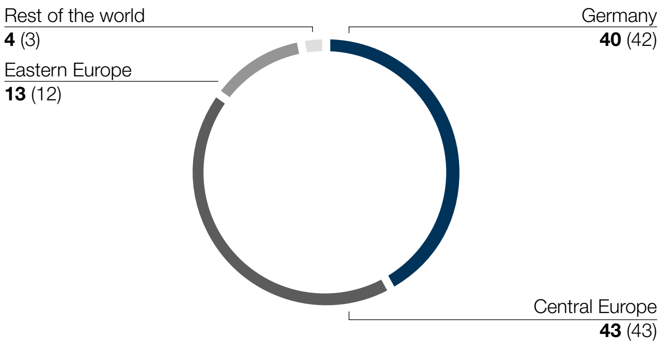
Cleaning, laundry care, kitchen goods and wellbeing

Markets and market position

The Leifheit Group sells its products in more than 80 countries around the world. The focus sales markets are our domestic market of Germany, accounting for a share of around 40% of turnover, and the countries of Central Europe, with a share of roughly 43%. The sales and distribution region of Central Europe includes the Netherlands, France and Austria, for example. In the reporting period, we generated around 13% of our turnover in Eastern European growth markets, such as the Czech Republic, Poland and Slovakia.

Sales markets

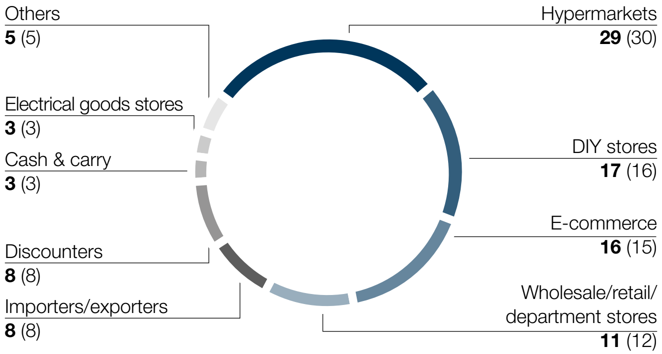
Proportion of turnover in % (previous year's figures)



We are focusing our sales and marketing activities on European target markets. In addition, we intensified our distribution activities in the Asia/Pacific region in the reporting period. 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 4% of Group turnover.

Distribution channels

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



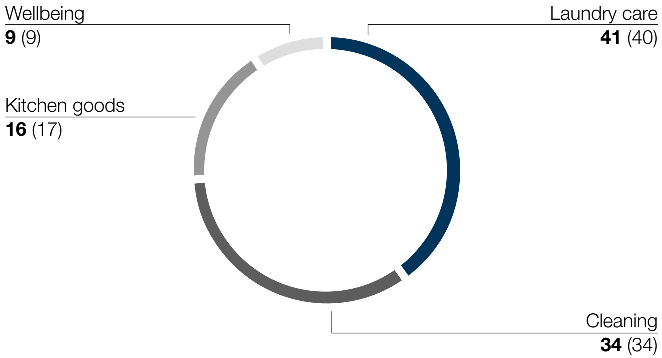
We sell our products where consumers want to buy them and have a presence in all the relevant bricks-and-mortar and online sales channels. Hypermarkets, which account for a share of around 29% of turnover, are the Leifheit Group's strongest sales channel. We generate about 17% of Group turnover at DIY stores and around 11% in traditional wholesale and retail. Modern home-shopping (e-commerce) accounted for a roughly 16% share of Group turnover in 2019.

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.

Laundry care, accounting for around 41% of turnover, are the largest product category. We generated 34% of Group turnover with cleaning products; around 16% 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 accounted 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 27.0% for bathroom scales. Soehnle is also among the leading providers in other European countries.

Product categories

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



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

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

Major changes since the balance sheet date

In 2020, the spread of the coronavirus is a factor with yet unpredictable consequences for the economy as a whole and the business activities of the Leifheit Group itself. The largest part of our products is made at the European locations of the Group. The company continuously monitors the stock of raw materials and semi-finished parts to ensure the production. In addition, we rely on a network from partners and suppliers in Europe and Asia. In mid-March 2020, the Leifheit group is neither effected by massive delivery bottlenecks nor by declines in turnover.

In the event of future turnover collapses or closing of locations in the 2020 financial year, there would be basically the risk of a decline in earnings and an impairment loss especially on intangible assets.

The Board of Management prepared the forecast for the 2020 financial year before possible effects of the corona crisis. Due to the rapid development and the therewith associated high degree of uncertainty, the financial effects cannot be determined.

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

Organisation, corporate structure and management responsibility

Leifheit AG has been a listed stock corporation under German law since 1984. The shares of Leifheit AG are listed on the Frankfurt Stock Exchange Prime Standard and are traded on all German stock exchanges (ISIN DE0006464506). Under consideration of all issued shares, market capitalisation stood at roughly m€ 236 as at 31 December 2019. 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 consisted of three members as at the balance sheet date. The Board of Management 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

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

At Leifheit, multiple factors form the foundation for the further implementation of our business strategy: We have products that offer a high degree of consumer benefit and excellent quality, as reflected in excellent reviews. Many of our products regularly win top scores in tests by respected institutes. In 2019, Leifheit Group products received more than 20 awards.

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

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

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

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

Exciting consumers

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

Expanding distribution

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

Increasing profitability

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

Shaping culture

Our employees are the basis for our success. They play a key role in the success of the company through their specific expertise and dedication. For this reason, we plan to continue boosting our attractiveness as an employer. We are investing in our employees' personal and professional growth and are providing opportunities for training and education. At the same time, we aim to create a fun, friendly, fast and fearless corporate culture in which we pursue our goals with joy, speed and boldness and align our efforts accordingly.

Financing strategy

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

Control system principles

The Leifheit Group is managed centrally from a 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 so as to enable us to achieve our strategic business alignment targets in the best possible way.

We ensure that corporate management is focused on ongoing increases in company value. We therefore apply a value-oriented management system. The 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 sale of business divisions.

The return on capital employed (ROCE) and earnings per share (EPS) indicators, which are calculated annually at Group level, were included in the management system in financial year 2019. The definition of ROCE was changed over the course of financial year 2019 and now refers to EBIT in relation to capital employed – the average total amount of trade receivables, inventories and non-current assets less trade payables (each as at the quarterly financial statements date). In the past, ROCE was calculated by relating the sum of EBIT and actual taxes to the capital employed, meaning the total amount of trade receivables, inventories and non-current assets less trade payables and other liabilities, as well as prepayments received on orders.

No significant changes beyond these were made to the control system.

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.

In line with the new Scaling up Success strategy, there will be two main growth drivers going forward. The first will be the intensified marketing of our high-quality products through stronger consumer advertising, and the second will be major innovations with unique consumer benefits and market potential.

For the innovation and product development strategy, this means in particular:

- focusing innovation resources on a limited number of major innovation projects
- intensifying consumer research in order to understand unsolved consumer problems and suitable potential benefits that are completely new for consumers
- upholding our proven and well-known strengths of excellent practicality and product durability combined with functional yet aesthetically appealing design as a foundation
- stepping up systematic activities to inspire ideas from outside the company (scouting)
- introducing agile working methods such as scrum to do an even more targeted and efficient job of meeting consumers' needs

Alongside consumer-centric product development, meeting the demands associated with the rising complexity of the market and the modern, increasingly digital retail environment is becoming ever more important. Through smart packaging and logistics solutions, we are helping to make sure that our customers receive products quickly, in perfect condition and inexpensively. This is a strategic focal point for us too.

The innovation and product development strategy described above will allow us to create a highly focused, strong product pipeline that excites our customers even more than it has so far and enables the company to achieve its envisioned profitable growth.

The Leifheit Group spent m€ 5.7 on research and development activities in financial year 2019 (2018: m€ 5.5). The R&D ratio, which represents the ratio of research and development costs to Group turnover, amounted to 2.4% (2018: 2.3%). At the end of the year, 34 employees (2018: 36 employees) worked in the areas of development and patents.

New products for Leifheit and Soehnle

Our development efforts resulted in the launch of various new products and product improvements, especially in the Household and Wellbeing segments. The new products and improvements launched include:

- Leifheit Nemo: a handy, compact window and bath vacuum cleaner to suck up water without drips on all smooth surfaces
- Leifheit Rotaro PowerVac 2in1: cordless vacuum cleaner and detachable handheld vacuum cleaner in one
- Leifheit Regulus Aqua PowerVac: cordless vacuum cleaner for vacuuming and wiping in one device
- Leifheit CLEAN TWIST Disc Mop Ergo Set: improved mop with patented twist technology
- Leifheit rotary dryers: product range overhaul and additions
- Leifheit kitchen goods: complete product range overhaul and additions to include new product lines such as vacuum sealers
- Soehnle Style Sense Bamboo Magic: bathroom scale with bamboo weighing platform and an LED display that does not appear until the user steps onto it
- Soehnle bathroom and kitchen scales: new Natural Design editions
- Soehnle app: implementation of a redesigned app interface with new functions

Industrial property rights

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

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

Economic environment

Global economic growth faltered in 2019. International trade conflicts and a crisis in the domestic industrial sector had a negative impact on the German economy. However, the US dollar was able to benefit from the uncertainty.

Macroeconomic situation

Global economic growth slowed in 2019 on the heels of a two-year upswing. The IMF reduced its forecast in January 2020 and now expects growth of 2.9% for 2019. In spring, the IMF still anticipated an increase of 3.3% following global economic growth of 3.6% in the previous year. The downgrade was mainly precipitated by the intensification of trade disputes involving such major players as the US, China and the European Union, as well as mounting uncertainty stemming from geopolitical risks. Other factors included slower economic growth in Europe due to developments such as the lack of clarity surrounding the upcoming Brexit.

Europe

According to the autumn forecast of the European Commission, the European economy grew for the seventh year in a row, leading the EU Commission to predict GDP growth of 1.1% for the Eurozone in 2019. In 2018, growth stood at 1.9%. The EU Commission reports that all member states were able to record growth. However, growth has been waning since the second half of 2018 due to the global increase in trade barriers and temporary domestic economic factors, such as weaker automotive production, social tensions and the uncertain fiscal situation. At the same time, the European economy benefited from an improved situation on the labour market, favourable financing conditions and somewhat expansive fiscal policy.

At 1.7%, the Dutch economy saw slower growth than in 2018 (2018: 2.6%). Similarly, GDP growth in Austria slowed to 1.5% following 2.4% in the previous year. In France, economic growth fell from 1.7% to 1.3% in 2019 due to a number of factors, including the yellow-vest protests. Italian economic growth also slowed from 0.8% in 2018 to 0.1% in 2019. Likewise, economic momentum decreased in Spain, with the growth of the Spanish economy totalling just 1.9% in 2019 on the heels of 2.4% in 2018.

The European Commission forecast higher growth rates for Eastern Europe. GDP growth in Poland is expected to have stood at 4.1% in 2019 (2018: 5.1%). At 2.5%, the Czech economy also grew rapidly, albeit slower than in the preceding year (2018: 3.0%). Slovakia's gross domestic product posted less substantial growth than in the previous year, rising 2.7% in the reporting period, after an increase of 4.0% in 2018.

Germany

The German economy remains mired in a period of weakness. The German industrial sector in particular is still in recession, with production down significantly in key segments such as the automotive industry and mechanical engineering. By contrast, private household consumption helped to shore up economic performance. Nevertheless, the German Institute for Economic Research (DIW) forecasts GDP growth of 0.5% in Germany for 2019. According to calculations by the Federal Statistical Office, the German economy recorded slight growth of 0.6% in 2019.

Foreign currencies

At the start of 2019, experts were predicting that the US dollar would lose value against the euro. However, the actual developments surprised these expectations over the course of the year, with the dollar gaining just over 2% on the euro. By contrast, the euro continued the downward trend started in 2018. The reference rate for the euro stood at 1.15 US dollars at the start of the year. After falling to a low of 1.09 US dollars in October, the exchange rate bounced back towards the end of the year to stand at 1.12 US dollars on 31 December 2019.

The Chinese currency renminbi (yuan) was strongly influenced by the trade conflicts between China and the US. According to market assessments, the regulation of the Chinese central bank aimed to weaken the yuan in order to encourage Chinese exports and so to soften the consequences of the punitive tariffs. At the beginning of 2019, the euro reference rate stood at CNY 7.89. In the course of the year, this value declined against the euro as well as against the US dollar. In August 2019, the yuan finally revalued to CNY 7.99 for the euro. On 31 December 2019, the euro reference rate closed at CNY 7.81.

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 1.9% in the European Union between November 2018 and November 2019. Growth in the European retail sector was therefore slower than just one year earlier (November 2017 to November 2018: 2.1%), but remained positive. In the Eurozone, retail sector growth stood at 2.2% (November 2017 to November 2018: 1.1%).

In Germany, retail growth appears to have been stronger than in 2018. According to the Federal Statistical Office, retailers in Germany recorded a 2.9% to 3.0% year-on-year rise in real turnover in 2019. The growth rate was therefore significantly higher than the 1.4% seen in the previous year. Turnover of furnishings, household appliances and building materials – the category relevant for the Leifheit Group – increased by 3.0% in real terms in 2019, which was in line with the average growth rate. In 2018, this sector grew by 2.1%. E-commerce and mail-order retail turnover posted substantial growth of 7.4% (2018: 4.2%).

As in the previous year, the GfK market research institute expects private consumer spending to increase by 1.5% in 2019. 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 0.0 points for the wholesale/retail trade sector at the end of the financial year in December 2019 after falling into negative territory in autumn. The index peaked at 8.3 points in March 2019 but started to fall substantially in July. Since then, it is recovering slowly.

Consumer confidence

The Consumer Confidence Indicator, which is determined by the European Commission, measures European consumers' propensity to consume. In 2019, the indicator lost 1.9 points in the Eurozone and 1.1 points in the EU as a whole, falling to – 8.1 points in the Eurozone (2018: – 2.3 points) and – 7.0 points in the EU (2018: – 2.2 points). As a result, the indicator remained well above the long-term averages of – 10.6 points (Eurozone) and – 9.9 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 in 2019 despite a rise in the first two months of the year. After starting at 10.3 points in January 2019, it reached a high for the year of 10.8 points in February. Towards the end of the year, the consumer climate index stabilised at 9.7 points, keeping the value at a high level.

Regulatory environment

The regulatory environment for the Leifheit Group's business model and products remained largely unchanged in financial year 2019.

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

In 2019, the Leifheit Group generated turnover of m€ 234.0. Earnings before interest and taxes reached m€ 9.9. The focus in 2019 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

We launched major strategic initiatives to boost consumer demand, improve the gross margin and reduce Group costs in financial year 2019. These measures are only partially reflected in the development of business in 2019. Even though turnover development fell short of expectations, we were still able to achieve our forecast targets for all relevant key income and profitability figures.

The forecasts for the development of turnover, earnings and other key performance indicators that the company announced upon the publication of the 2018 annual financial report for 2019 were subject to constant review by the Board of Management over the course of the year and were adjusted in line with business performance. Greater detail on the forecasts was provided with the publication of the financial report for the first half-year in August. Another adjustment was made to the forecast with the publication of third-quarter figures in 2019.

Forecast-actual-comparison	Actual 31 Dec 2018	Forecast 2019	Adjustment August 2019	Adjustment November 2019	**Actual 31 Dec 2019**
Group turnover	m€ 234.2	approx. +3% to 4%	approx. +3%	just under +1%	m€ 234.0 –0.1%
Household turnover	m€ 180.4	+2% to 3%	approx. +3%	slightly over +1%	m€ 182.0 +0.9%
Wellbeing turnover	m€ 19.9	+11% to 12%	+7% to 8 %	approx. 2%	m€ 19.8 –0.2%
Private Label turnover	m€ 33.9	+3% to 4%	approx. at prev. year level	approx. –2% to –3%	m€ 32.2 –5.2%
Group EBIT	m€ 13.1	approx. m€ 9 to m€ 10			m€ 9.9
EPS	€ 0.88	€ 0.55 to € 0.65			€ 0.61
Free cash flow	m€ 3.7	approx. m€ 3.5 to m€ 4.5			m€ 10.1
ROCE [1]	8.5%	5.5% to 7.0%			6.7%

[1] As per the definition in financial year 2018.

With Group EBIT of m€ 9.9 for financial year 2019, we managed to fulfil our original expectations despite the lack of turnover growth. In its forecast, the Board of Management stated that it expected EBIT to be roughly m€ 9 to m€ 10, with cost-cutting measures contributing to this development.

During the reporting period, Group turnover amounted to m€ 234.0, a fall of 0.1% compared to the previous year. In our original forecast, we had predicted growth of around 3% to 4%. Due to the subdued development in the second quarter, we refined the turnover forecast in August to an increase of around 3%. On the back of a slowdown in growth in the third quarter, the Board of Management adjusted its full-year turnover forecast with the publication of Q3 figures, forecasting full-year Group turnover growth of just under 1%.

Turnover expectations at segment level were also adjusted accordingly. Our most recent turnover forecasts in the Household and Wellbeing segments was just over 1% and approximately 2% respectively. In the Private Label segment, the Board of Management anticipates a decline of roughly 2% to 3%.

Turnover fell short of forecasts across all segments, with the Household segment recording turnover growth of 0.9% to m€ 182.0. Turnover in the Wellbeing segment decreased by 0.2% to m€ 19.8. In the Private Label segment, turnover was down by 5.2% to m€ 32.2.

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

Earnings per share (EPS) came to € 0.61 and were therefore within the anticipated corridor of € 0.55 to € 0.65.

The Group had planned to generate free cash flow of around m€ 3.5 to m€ 4.5 in 2019. Free cash flow came to m€ 10.1 in the reporting year, exceeding expectations. The year-on-year fall in operating income was largely offset by an improvement in working capital. Receivables fell on account of the customer structure. In addition, the increase in inventories originally forecast in the fourth quarter of 2019 will not be realised until the first quarter of 2020.

The company had expected to generate ROCE of 5.5% to 7.0%. ROCE came to 6.7% and was therefore also in line with forecast expectations.

Business performance

In financial year 2019, the Leifheit Group generated turnover of m€ 234.0, which was slightly less than that of the previous year (2018: m€ 234.2). In the domestic market of Germany, turnover declined slightly. Outside Germany, particularly in Eastern Europe and in China, with the newly established distribution company, we recorded turnover growth.

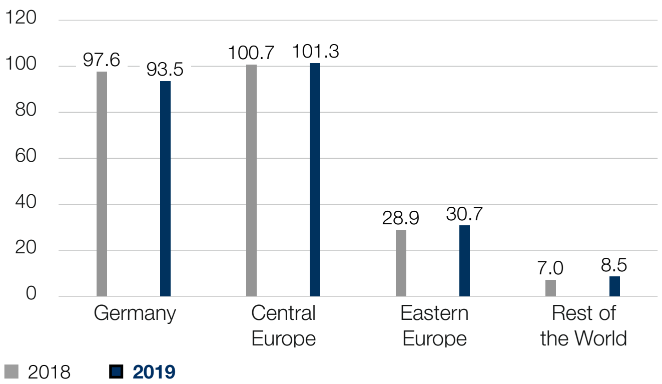
Turnover in 2019 in the Household segment, which is by far the largest, comprising the Leifheit brand together with cleaning, laundry care and kitchen goods categories, was slightly higher than in the previous year. In the considerably smaller Wellbeing segment, which comprises the Soehnle brand together with the scales, health products and air treatment product ranges, turnover almost reached the previous year's figure. In the Private Label segment, on the other hand, we recorded a decline in turnover.

Group turnover by region

Germany

In financial year 2019, the Leifheit Group recorded a moderate decline in turnover in the domestic market of Germany. Turnover in 2019 amounted to m€ 93.5, which marks a 4.1% decline on Group turnover of m€ 97.6 reported in financial year 2018. German business thus represented a share of 40.0% of Group turnover (2018: 41.7%). We expect turnover in our domestic market to rise once again in 2020 as a result of our TV campaign.

Group turnover by region
in m€



Central Europe

All in all, the Leifheit Group was able to generate slight turnover growth in Central Europe. Significant turnover growth was reported in Italy, whereas turnover in France and the Netherlands was down year-on-year. Increased consumer advertising over the last three months of 2019 resulted in positive development in Austria and the Netherlands.

We increased our turnover in the Central Europe region by 0.5% to m€ 101.3 in financial year 2019; in the previous year, the Leifheit Group generated turnover of m€ 100.7 in this region. The share of Group turnover for Central Europe was 43.2% in the reporting period (2018: 43.0%).

Eastern Europe

In financial year 2019, we were able to achieve strong turnover growth in Eastern Europe. Growth was driven by both the Household and Wellbeing segments, with a significant increase in turnover achieved in both. Turnover for the region reached m€ 30.7 in the reporting period, denoting an increase of 6.8% (2018: m€ 28.9). Strong performance in the Czech Republic, where we again invested in TV advertising in the fourth quarter, and significant, double-digit growth in Poland and Romania were dampened slightly by declining turnover in Slovakia and the rest of Eastern Europe. The 13.2% share of Group turnover attributable to the Eastern Europe region was once again higher in financial year 2019 than in the previous year (2018: 12.3%).

Markets outside Europe

In the opportunistically driven business outside Europe, the Leifheit Group recorded considerable turnover growth of 20.2% to m€ 8.5 in financial year 2019 (2018: m€ 7.0). By establishing a distribution company in China in financial year 2018, we laid the foundations for the expansion of business in the Asia/Pacific region. In the Far East and Middle East, the Group generated a significant double-digit increase in turnover in financial year 2019. There was also major growth in US business. By contrast, business in Oceania, Australia and South America declined.

Group turnover by quarter

The Leifheit Group's financial year 2019 began in the first quarter with a significant increase in turnover of 3.4% compared with the first quarter of the previous year. Disproportionately high growth was generated in particular in e-commerce in the first quarter. Following the strong start to the financial year, business development in the second quarter was rather subdued, meaning that no year-on-year growth was achieved. Leifheit Group turnover increased slightly in the third quarter, but this was followed in the fourth quarter by a fall in turnover.

Group turnover development by quarter in m€	2018	2019	Change
Q1	62.2	64.3	+3.4%
Q2	59.3	57.2	–3,5%
Q3	55.6	55.7	+0.4%
Q4	57.1	56.8	–0.7%
	234.2	**234.0**	**–0.1%**

Group turnover by segment

Household

The Household segment, which comprises the Leifheit brand and the cleaning, laundry care and kitchen goods categories, is the segment with the highest turnover in the Leifheit Group. During the reporting period, turnover in this segment totalled m€ 182.0, 0.9% more than the previous year (2018: m€ 180.4). In financial year 2019, 77.8% of Group turnover was achieved by the Household segment (2018: 77.0%).

In the reporting year, we generated significant turnover growth in the laundry care category with drying products. A trial TV campaign in Austria and the Czech Republic had a positive effect in this regard. This helped to compensate for the sales decline with ironing products. The new range of kitchen gadgets introduced at the end of 2019 was well received by the market; however, the performance of the kitchen goods category fell short of the previous year's figure. A downward trend was also recorded in the cleaning category.

In our domestic market, Germany, we reported a decline in turnover in the Household segment. The target market of Central Europe, on the other hand, saw turnover increase significantly, particularly in Italy after new distribution channels were secured. This was offset by a decline in turnover volumes in Greece and Northern Europe in particular. In Eastern Europe we were able to generated significant turnover growth. Turnover rose particularly sharply in Poland, the Czech Republic and Romania. In addition, the Household segment also reported major growth in non-European business.

Wellbeing

Wellbeing is the second of the three 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. With an 8.5% share of Group turnover, it is significantly smaller than the Household segment.

In financial year 2019, turnover in the Wellbeing segment came to m€ 19.8, roughly on par with the previous year (2018: m€ 19.9). For this segment, Germany is by far the largest market, followed by the Netherlands, Austria, Italy and Luxembourg. The segment's turnover development was bolstered by the new range of kitchen scales.

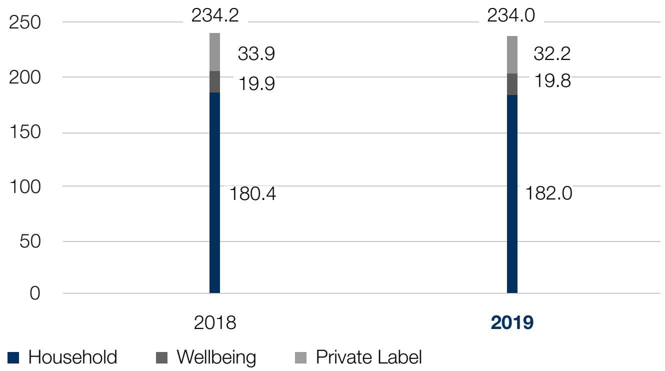
In Germany, the Wellbeing segment reported a significant decline in turnover. However, turnover in Central Europe was up, with Luxembourg and Spain contributing to this trend in particular. Turnover rose by a double-digit margin in Eastern Europe thanks to targeted marketing activities. We were particularly successful in the Czech Republic, where turnover more than doubled. In addition, non-European business also made a positive contribution to turnover development.

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€ 32.2 in financial year 2019, representing a year-on-year decrease of 5.2% (2018: m€ 33.9). 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 and the UK, which slowed the decline in turnover slightly.

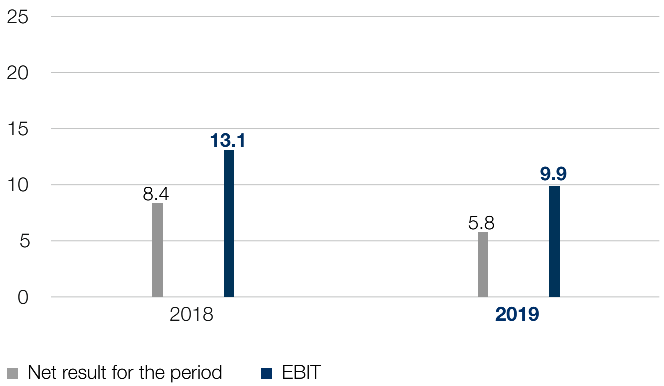
Group turnover by segment
in m€



Development of results of operations

The new IFRS 16 Leases standard was applied for the first time on 1 January 2019. In accordance with the selected changeover methods, the comparative figures of the previous year were not adjusted. The transition had no material impact on the results of operations of the Group.

Group result
in m€



In financial year 2019, the Leifheit Group achieved EBIT in the amount of m€ 9.9 (2018: m€ 13.1). The year-on-year decrease of m€ 3.2 was predominantly a result of the rise in logistics and advertising costs. The EBIT margin, which is calculated as the ratio of EBIT to turnover, declined accordingly in the reporting period to 4.2% (2018: 5.6%).

Earnings before taxes (EBT) were m€ 8.5 in financial year 2019 (2018: m€ 11.9). The interest and financial result included as part of this figure fell by m€ 0.2 to m€ –1.4. After deduction of taxes of m€ 2.7 (2018: m€ 3.5), Leifheit achieved a net result for the period of m€ 5.8 (2018: m€ 8.4).

Comprehensive income after taxes amounted to m€ 4.4 in the reporting period (2018: m€ 12.9). It includes the net result for the period and other comprehensive income. The other comprehensive income also includes components that are recorded directly under equity as other reserves. This relates to the 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 provisions for pensions. Other comprehensive income fell during the reporting period to m€ –1.4 (2018: m€ 4.5). The decline of m€ 5.9 was mainly due to actuarial losses from provisions for pensions and currency hedging as part of hedge accounting.

Income statement (short version) in m€	2018	2019
Turnover	234.2	234.0
Earnings before foreign currency result, interest and taxes	**12.8**	**9.6**
Foreign currency result	0.3	0.3
EBIT	**13.1**	**9.9**
Interest and financial result	–1.2	–1.4
EBT	**11.9**	**8.5**
Income taxes	–3.5	–2.7
Net result for the period	**8.4**	**5.8**
Other comprehensive income	4.5	–1.4
Comprehensive income after taxes	**12.9**	**4.4**

Gross profit

Gross profit in the reporting period fell by m€ 1.1 to m€ 101.0 (2018: m€ 102.1). The year-on-year decline was primarily the result of higher amortisation and depreciation due to impairments of property, plant and equipment, inbound freight and impairments on inventories.

The gross margin, which is calculated from gross profit related to turnover, therefore declined by 0.5 percentage points to 43.1% (2018: 43.6%).

Research and development costs

Expenses for research and development amounted to m€ 5.7 (2018: m€ 5.5). These costs mainly include personnel costs, costs for services and patent fees. The increase of m€ 0.2 resulted predominantly from higher costs for services and IT.

Distribution costs

Distribution costs increased to m€ 71.9 during the reporting year (2018: m€ 70.5). They include advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external teams.

The m€ 1.4 increase was mainly due to the rise in outgoing freight, increased expenses for the expansion of consumer advertising and rising personnel costs. This was accompanied by a fall in depreciation and amortisation and lower commissions.

Administrative costs

Our administrative costs increased in financial year 2019 by m€ 0.8 to m€ 15.0 (2018: m€ 14.2). First and foremost, these costs include personnel costs and services to support our financial and administrative functions.

The reason for the m€ 0.8 rise was an increase in personnel costs and higher allocations from IT and building costs, whereas expenses for services were reduced.

Other operating income and expenses

Other operating income rose during the reporting period by m€ 0.1 to m€ 1.3 (2018: m€ 1.2). This mainly includes fees and licensing royalties. Other operating expenses amounted to m€ 0.2 (2018: m€ 0.4).

Foreign currency result

The foreign currency result was on par with the previous year at m€ 0.3. 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€ –1.4 (2018: m€ –1.2). No notable interest income was generated due to the negative interest rates in the Eurozone. Interest expenses amounted to m€ 1.4 (2018: m€ 1.2). Of this amount, m€ 1.3 was attributable to interest accruals to provisions for pensions (2018: m€ 1.1).

Income taxes

In financial year 2019, income taxes at the Leifheit Group totalled m€ 2.6 (2018: m€ 3.5). The drop was the result of lower earnings before taxes. Income taxes included income taxes in Germany totalling m€ 1.2 (2018: m€ 2.2), foreign income taxes totalling m€ 1.6 (2018: m€ 1.5) and deferred taxes totalling m€ –0.2 (2018: m€ –0.2). The tax ratio was therefore 31.1% (2018: 29.3%). 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.

With the existing Group liquidity and lines of credit available, we are 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 2019, we held cash and cash equivalents mainly in euros, Czech korunas, US dollars and Polish zloty. We can 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. We did not hold any near-money-market funds in financial year 2019.

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.

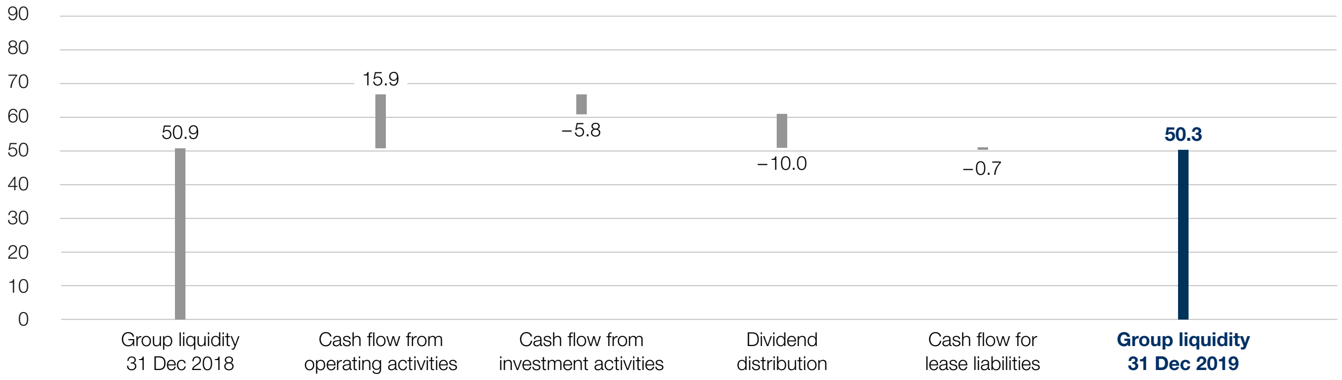
Capital structure

Equity and liabilities	31 Dec 2018		31 Dec 2019	
	m€	Share in %	m€	Share in %
Equity	101.8	45.9	96.2	44.8
Current liabilities	51.7		47.2	
Non-current liabilities	68.3		71.2	
Liabilities	120.0	54.1	118.4	55.2
	221.8	**100.0**	**214.6**	**100.0**

The equity ratio stood at 44.8% at the end of financial year 2019 (2018: 45.9%). 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 55.2% (2018: 54.1%) and thereby increased by 1.1 percentage points year-on-year.

Group debts as at 31 December 2019 mainly comprised provision for pensions totalling m€ 66.9 (2018: m€ 65.0), trade payables and other liabilities totalling m€ 40.7 (2018: m€ 44.9), other provisions to the value of m€ 8.4 (2018: m€ 7.8), derivative financial instruments to the value of m€ 8.4 (2018: m€ 7.8) and deferred tax liabilities totalling m€ 0.7 (2018: m€ 1.1). As in previous years, Leifheit had no liabilities to banks at the end of financial year 2019.

Group liquidity
in m€



Analysis of Group liquidity

As at 31 December 2019, Group liquidity totalled m€ 50.3 (2018: m€ 50.9). It only included cash and cash equivalents.

As at the balance sheet date, credit balances at banks were mainly composed of sums in euros totalling m€ 48.1 (2018: m€ 48.1), Czech korunas to the value of m€ 0.8 (2018: m€ 1.4), US dollars to the value of m€ 0.5 (2018: m€ 0.6) and Polish zloty to the value of m€ 0.3 (2018: m€ 0.0).

Analysis of Group statement of cash flow

m€	2018	2019	Change
Cash flow from operating activities	10.2	15.9	5.7
Cash flow from investment activities	22.5	−5.8	−28.3
Cash flow from financing activities	−10.0	−10.7	−0.7

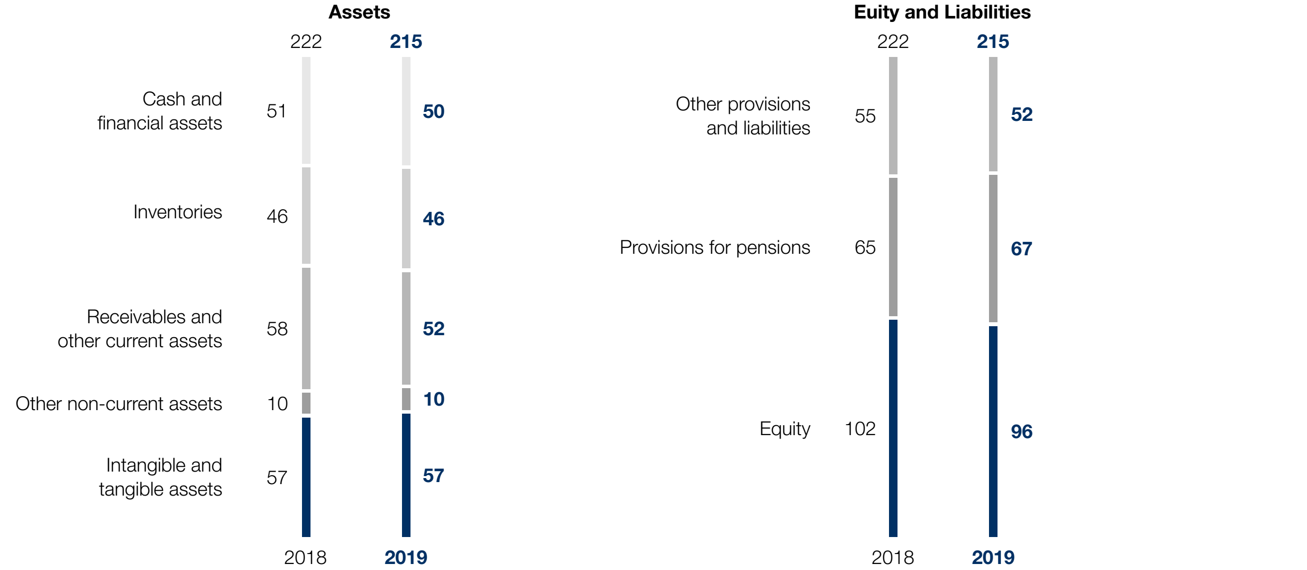
Cash inflow from operating activities in financial year 2019 totalled m€ 15.9 (2018: m€ 10.2). This is mainly derived from the net result for the period of m€ 13.3 (2018: m€ 15.3) adjusted for amortisation of intangible assets and depreciation of property, plant and equipment, the decline in inventories, trade receivables and other assets of m€ 6.5 (2018: rise of m€ 3.1) and the fall in trade payables and other liabilities of m€ 4.3 (2018: increase of m€ 0.1).

The rise in cash inflow from operating activities in the financial year totalled m€ 5.7. Working capital declined by m€ 3.1 in financial year 2019 following the m€ 2.3 increase in the previous year. Working capital comprises trade receivables, inventories and contractual assets less trade payables and other liabilities. The increase was also due to the newly added item depreciation and amortisation of rights of use from leases of m€ 0.7 following the initial application of IFRS 16.

Cash outflow from investment activities stood at m€ 5.8 in the reporting period (2018: cash inflow of m€ 22.5). Payments for the purchase of intangible assets and property, plant and equipment amounted to m€ 6.0. Therefore, investments were m€ 0.6 lower than in the previous year (2018: m€ 6.6). No essential fixed assets were sold in the reporting year, as was the case in the previous year. Cash inflow from investment activities in the previous year also included incoming and outgoing payments for the sale or respectively purchase of financial assets. In 2018, all bond funds were sold, which led to payments totalling m€ 29.0.

Cash outflow from financing activities amounted to m€ 10.7 (2018: m€ 10.0). This was mainly due to the distribution of a dividend of m€ 10.0 (2018: m€ 10.0) and outflow for lease liabilities of m€ 0.7 (2018: m€ 0.0), which are now reported in cash flow from financing activities due to the introduction of IFRS 16.

Balance sheet ratios
in m€



Free cash flow

m€	2018	2019	Change
Cash flow from operating activities	10.2	15.9	5.7
Cash flow from investment activities	– 6.5 [1]	–5.8	0.7
Free cash flow	3.7	10.1	6.4

[1] Adjusted for proceeds from the sale of financial assets.

Free cash flow increased in financial year 2019 by m€ 6.4 to m€ 10.1 (2018: m€ 3.7). The reason for the increase is the m€ 5.7 increase in cash flow from operating activities. At the same time, cash flows from investing activities fell by m€ 0.7. 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. The free cash flow we generated in financial year 2019 was significantly lower due to the planned increase in inventories forecast for business in spring 2020. This increase in inventories was completed in the first quarter of 2020.

Lines of credit

In financial year 2019, Leifheit had short-term revolving credit lines in the amount of m€ 9.2 (2018: m€ 11.6). On 31 December 2019, m€ 0.9 of this was utilised in the form of guarantees (2018: m€ 0.8).

Development of net assets

Transition to IFRS 16

The new IFRS 16 Leases was applied for the first time on 1 January 2019. In accordance with the selected changeover methods, the comparative figures of the previous year were not adjusted. The following comments also explain the material items affected by the transition.

Balance sheet structure

The balance sheet total of the Leifheit Group decreased as at 31 December 2019 by m€ 7.2 year-on-year to m€ 214.6 (2018: m€ 221.8). This fall was mainly the result of the decrease in receivables on the assets side, while the fall in liabilities and lower equity on the equity and liabilities side also had an impact.

A new item, right-of-use asset from leases, was added to the assets side of the balance sheet as a result of the initial application of IFRS 16. On 31 December 2019, right-of-use assets amounted to m€ 1.6 and primarily concerned leased office space at subsidiaries and a small number of leased company cars in France. The corresponding items on the equity and liabilities side of the balance sheet are current and non-current lease liabilities, which also totalled m€ 1.6. As a result, the balance sheet was extended by 0.7% due to the introduction of IFRS 16.

As at the balance sheet date, current assets totalled m€ 148.0, and were therefore m€ 7.8 less than as at 31 December 2018. Cash decreased by m€ 0.6 to m€ 50.3 as at 31 December 2019 (2018: m€ 50.9). Trade receivables dropped by m€ 6.3 to m€ 40.4 (2018: m€ 50.7), mainly as a result of the customer structure. Inventories decreased by m€ 0.5 to m€ 45.9 (2018: m€ 46.4). Contractual assets declined by m€ 0.6 to m€ 1.0 (2018: m€ 1.6) due to the liquidation of a customer's consignment warehouse. Other current assets increased by m€ 0.4 to a total of m€ 4.2. This included VAT receivables contingent on the balance sheet date totalling m€ 2.7, which increased by m€ 0.6 (2018: m€ 2.1).

Current and non-current active derivative financial instruments decreased by a total of m€ 0.5 to m€ 0.7 (2018: m€ 1.2), while at the same time current and non-current derivative financial instrument liabilities decreased by a total of m€ 0.7 to m€ 0.0 (2018: m€ 0.7). This change resulted primarily from the use of the forward exchange transactions concluded in previous years for financial year 2019 and the change in the fair values of forward exchange transactions for January 2020 until February 2021.

Non-current assets climbed by m€ 0.5 to m€ 66.6 as at 31 December 2019 (2018: m€ 66.1). This was primarily due to right-of-use assets from leases of m€ 1.6, which were recognised for the first time. Intangible assets and property, plant and equipment declined by a total of m€ 1.5 as depreciation and amortisation exceeded investment. Furthermore, deferred tax assets were rose due to the actuarial losses on provisions for pensions.

Current liabilities with maturities of less than one year fell by m€ 4.5 to m€ 47.2 (2018: m€ 51.7). Trade payables and other liabilities fell considerably by m€ 4.2 to m€ 40.7 (2018: m€ 44.9). Trade payables dropped by m€ 2.1 due to the balance sheet date, while liabilities from advertising subsidiaries to customers were down by m€ 1.2 and reimbursement obligations by m€ 0.7.

Non-current liabilities increased by m€ 2.9 to m€ 71.2 as at the end of the financial year (2018: m€ 68.3). They chiefly include provisions for pensions in the amount of m€ 66.9 (2018: m€ 65.0). The increase of m€ 1.9 was chiefly due to actuarial losses caused by the decline in the actuarial interest rate.

As at 31 December 2019, equity decreased by m€ 5.6 compared to the balance sheet date of the previous year to m€ 96.2 (2018: m€ 101.8). In spite of this, the Leifheit Group continued to have a solid equity base. The dividend distributed in the reporting year for financial year 2018 of m€ 10.0 exceeded the net result for financial year 2019 of m€ 5.8. Other reserves fell by a further m€ 1.5, primarily as a result of actuarial losses from provisions for pensions recognised directly in equity.

The equity ratio, i.e. the proportion of equity capital to total assets, decreased by 1.1 percentage points to 44.8% as at the end of financial year 2019 (2018: 45.9%) despite the lower balance sheet total.

Investments

In financial year 2019, we invested a total of m€ 6.0. All major investments in the financial year were largely completed at year's end.

Additions to tangible assets totalled m€ 5.2 in financial year 2019 (2018: m€ 6.3). These mainly involved tools for new products, machines, streamlining and replacement investments for production plants and operating and business equipment. We also invested m€ 0.8 (2018: m€ 0.3) in intangible assets. This mainly concerned the purchase of software to connect our production location in Blatná, software for our online store and IT security software.

The investment ratio, which gives information on additions to fixed assets related to the historic procurement and production costs, stood at 3.3% in financial year 2019 (2018: 3.7%), without the right-of-use assets of leases.

As at 31 December 2019, there were contractual obligations to acquire items of tangible assets – mainly for equipment and tools in the amount of m€ 1.2 (2018: m€ 1.7). These will be financed by cash and cash equivalents.

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

In addition to the assets reported in the consolidated balance sheet, Leifheit also used assets that cannot be recorded in the balance sheet to a limited extent. These mainly related to the recognition exemptions under IFRS 16 leases of up to 12 months, for leases for low-value assets with a value not exceeding k€ 5 and for licences. As in previous years, any other off-balance sheet financing instruments were not used in the reporting period.

Overall assessment of management regarding to the economic situation

As the newly established Board of Management team, we launched some key strategic initiatives in financial year 2019 to lead the Leifheit Group back towards profitable growth. The results in financial year 2019 only reflect this to a partial extent. At m€ 9.9, EBIT stood at the upper end of the forecast and therefore below the previous year's figure of m€ 13.1 as expected. The EBIT margin fell accordingly in the reporting year from 5.6% to 4.2%. This was due to the decline in gross profit, which was down by m€ 1.1 year-on-year due to increased depreciation and amortisation and inbound freight as well as impairments on inventories. The decline in the EBIT margin also reflects the rise in outbound freight and advertising costs recorded in the reporting year. In addition, we also realised a number of strategic projects in 2019, including the integration of SAP at our Czech production site, the introduction of our new online store and a renewal of our range of kitchen goods. At the same time, it is also clear that our measures to cut costs within the Group are also having an impact. We will continue to prioritise increased investment in consumer advertising, improving the cost structure throughout the value chain and streamlining our product ranges in 2020.

We achieved turnover growth in the Household segment with Leifheit brand products and generated Group turnover of m€ 234.0 in 2019, which was almost on a par with the previous year's figure. We cannot be satisfied with the development of our domestic market, Germany, where we recorded a moderate decline in turnover. We expect to achieve a turnover at the beginning of 2020 off the back of our new TV campaign and see turnover rise once again in financial year 2020.

There was significant turnover growth in Central Europe, especially in Italy. However, growth in this region was a little lower overall due to declines in France and the Netherlands. Nevertheless, successful trial TV campaigns in the fourth quarter of 2019, including in Austria and the Netherlands, made positive contributions to turnover growth. We also succeeded in increasing turnover considerably in Eastern Europe and non-European markets.

At segment level, turnover was up in what is by far the largest segment, Household and the associated Leifheit brand, which contributed just under 78% of Group turnover. In the Wellbeing segment with the Soehnle brand, which is the smaller of the two, turnover remained stable year-on-year. In the Private Label segment, the continued weakness of individual trading partners in France resulted in a marked decline in turnover, which was offset somewhat by strong performance in the UK.

We have a solid capital structure, which offers us financial stability and independence for the implementation of our growth strategy. As of the balance sheet date, the non-current liabilities mainly resulted from provisions for pensions. At the same time, as in previous years, there were no liabilities to credit institutions. The continuing high equity ratio was slightly below the previous year's level at 44.8%. As of 31 December 2019, the cash and cash equivalents of the Group summed up to m€ 50.3 with reduced current liabilities of m€ 47.2. A high level of liquidity has always been the basis for dividend payments to our shareholders.

Non-financial performance indicators

Employees

Highly trained and motivated employees are essential to our ability to achieve our ambitious operating and strategic targets. That is why we aim to continue to boost our attractiveness as an employer. We are making a special effort to recruit and retain good staff in the long term. For example, we offer different personal and professional development possibilities, 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 appropriate positions. To ensure that all employees can perform to their full potential, we strive to create a safe and suitable working environment. We also sensitize our staff to preventing health issues and offer activities to promote good health. We offer competitive pay that is fair and prize diversity among our employees. At the same time we intend to create a corporate culture shaped by five principles: fun, friendly, fast and fearless.

The rest of the text refers solely to “employee(s)”. However, both genders are always intended. For reasons of readability, the terms are used to represent all members of our workforce.

Number of employees at the Group

As at 31 December 2019, the Leifheit Group had 1,106 employees (2018: 1,119 employees) in total, 90 of which were in part-time employment (2018: 86). The number of employees thus remained largely stable.

As at that date, 413 employees were working at German locations (2018: 420 employees). This represents a share of 37.3% of the Group workforce (2018: 37.5%). As at the balance sheet date, we employed 457 people at production and sales locations in the Czech Republic (2018: 454 people), or 41.3% (2018: 40.6%) of the Group workforce. At the end of the reporting period, 153 employees (2018: 162 employees), or 13.8% of the Group’s workforce (2018: 14.5%), worked in France. The remaining 7.6% of employees are spread mainly among various European countries.

Employee structure of the Leifheit Group	31 Dec 2018	31 Dec 2019
Group	1,119	1,106
Household	905	906
Wellbeing	56	52
Private Label	158	148
Germany	420	413
Czech Republic	454	457
France	162	153
Other countries	83	83

A total of 906 employees were part of the Household segment (2018: 905 employees), with the Wellbeing segment totalling 52 employees (2018: 56 employees). In the Private Label segment with our French subsidiaries Birambeau and Herby, we had 148 employees at the end of the reporting period (2018: 158 employees).

A total of 34 trainees were employed at Leifheit AG’s German locations at the end of 2019.

Temporary workers are employed during peak order times primarily in production and logistics. In 2019, 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 1,113 people in financial year 2019 (2018: 1,139 people).

Personnel costs at the Group rose in the reporting period by 3.3% to m€ 50.4 (2018: m€ 48.8).

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. We do not tolerate any form of discrimination and are committed to providing equal opportunities regardless of age, gender, religion, ethnic background or sexual orientation. Our diversity management focuses on three aspects of our workforce: gender diversity, age structure and internationality.

Characteristics of the Leifheit Group workforce	2018	2019
Average length of service	11.6 years	12.0 years
Age structure of employees		
under 30 years	15%	14%
30 to 40 years	21%	20%
40 to 50 years	26%	27%
50 to 60 years	30%	30%
over 60 years	8%	9%
Average age	44 years	44 years
Percentage of women in the workforce	50%	50%
Percentage of women at the first management level	14%	21%
Number of trainees	29	34
Part-time employees	86	90

Opportunities and risks report

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

Opportunities

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

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

In our view, the general situation with regard to opportunities for our company did not change significantly in the reporting period. However, potential opportunities resulting from the new Scaling up Success strategy have been taken into account in opportunity management.

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 makes new processes and products possible
The ongoing digital transformation affects every aspect of a company’s value chain. Digitalisation presents the Leifheit Group with numerous opportunities. Apart from increases in efficiency and productivity and further improvement of existing business processes through the expansion and optimisation of our 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 hold increasing sway over consumers’ decisions to purchase a product. Production conditions, as well as environmentally sound and socially compatible production, also play a growing 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 products. 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. 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 significant strengthening of consumer advertising for our products that is geared towards making our products better-known among consumers. Our main focus here is on TV advertising for our bestselling, European-made products. The associated strengthening of our brands also results in opportunities to improve our negotiating position in dealings with retailers. Furthermore, we see opportunities in the expansion of our market presence – both in traditional retail and in e-commerce. To seize the opportunities that arise as a result, we are 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.

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.

Economic performance opportunities

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

Cost management and greater efficiency offer the opportunity to boost the long-term earning power of Leifheit. In addition to reducing non-value-adding costs, we are focused on streamlining our products ranges and optimising manufacturing and distribution processes along the entire value chain.

Other opportunities

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

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

Risks

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

Our risk strategy is 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, potential disruptions and non-financial risks are systematically documented in uniform risk tables and then analysed every six months. If new risks arise that could have a material impact on the economic results or the further development of the company, the risk owner immediately notifies 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.

No significant changes were made to the risk management system in financial year 2019 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. 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 provisions for pensions or long-term incentive pay, for example. Employees in charge of financial reporting are familiar with our internal guidelines and processes and undergo regular training. Our 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 as well as the combined management report 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 before and after the measures implemented to mitigate risk, but are reported after the measures taken. The scales for measuring these two indicators are shown in the tables below.

Probability of occurrence	Description
1% – 20%	very low
21% – 40%	low
41% – 60%	moderate
61% – 80%	high
81% – 99%	very high

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

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

According to their probability of occurrence and the extent of their effect on our business activities, our financial position and results of operations, our cash flows and our image, we classify risks as critical, 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	moderate	moderate
moderate	low	moderate	moderate	moderate	critical
high	moderate	moderate	critical	critical	critical
very high	critical	critical	critical	critical	critical

Risk factors

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

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 turnover 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 2019 stood at less than 1%.

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 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. 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 within our compliance management system.

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.

There were no legal disputes or litigation risks with material potential negative effects.

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 the probability of material default events 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. 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 2019, cash and cash equivalents at the Group amounted to m€ 50.3. There were no interest-bearing financial liabilities, such as bank loans. Current lines of credit in the amount of m€ 9.2 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 headquarters.

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, 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 low.

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 2020, we have hedged approximately 100% of the expected foreign currency requirements in US dollars and approximately 60% of the requirements in HK dollars and Chinese yuan through forward 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 36 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 2019, would have reduced earnings before taxes by m€ 0.1 and would have reduced equity by m€ 24..

The following hedges existed as at 31 December 2019:

	Foreign currency	Value of liability	Nominal value	Fair value
Buy USD/€	mUSD 26.1	m€ 22.5	m€ 23.0	m€ 0.5
of which hedge accounting	mUSD 26.1	m€ 22.5	m€ 23.0	m€ 0.5
Buy HKD/€	mHKD 25.3	m€ 2.8	m€ 2.9	m€ 0.1
of which hedge accounting	mHKD 25.3	m€ 2.8	m€ 2.9	m€ 0.1
Sell CNH/€	mCNH 8.7	m€ 1.1	m€ 1.1	m€ 0.0
Buy CNH/€	mCNH 164.3	m€ 20.6	m€ 20.7	m€ 0.1
of which hedge accounting	mCNH 155.6	m€ 19.5	m€ 19.6	m€ 0.1

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 provisions of pensions 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 and transfers of functions 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.

Risks related to the production and logistics process

Manufacturing companies face a wide range of risks, such as damage to machinery and tools, loss of materials and human error, as well as natural disasters, terror attacks and industrial action. We manufacture some of our core products on production equipment with special control systems that have been developed specifically for us. An outage of this equipment may lead to a decline in turnover and damage to our image. We counteract these risks by keeping this equipment maintained and serviced at all times.

We consider the effects of these risks to be high and the probability of occurrence low.

Risks related to epidemic/pandemic

Since December 2019, the coronavirus (Covid-19) has been spreading worldwide and the World Health Organization declared in March 2020 a pandemic. Against this background the Leifheit Group faces various risks in the 2020 financial year. In view of the ongoing pandemic, the risk assessment is done at the time of publication of the report.

In the event of the increasing need to quarantine entire regions and countries and the therewith resulting closure of business, private consumption could be strongly concerned in the short term. At the same time, demand for household products could increase in turn and shift to the online trade. The Leifheit Group is an internationally operating company. Although appropriate travel policies and precautionary measures were set up to reduce the possible health risk for employees to a minimum, they could be exposed to a risk of infection and the virus can also spread to other employees in the Group. This could lead to a temporary closure of all or some of the sites of the Group.

The Leifheit Group concentrates its production at locations in Germany, France and the Czech Republic, and purchases raw materials and finished goods from suppliers in the Far East. Developments relating to the coronavirus pose the risk that our production plants will have to be closed for a certain period of time. The plant of our subsidiary Herby in France, where dryers are manufactured for the private label business in the French market, had to temporarily stop production in mid-March 2020. There is also the risk of a supply bottleneck for finished goods and production materials. Air and rail freight could be considered to shorten delivery times, which could lead to higher logistics costs. In the case of China, we see relief in view of the revival of China's economic activity at the end of March 2020.

Against the background of the spread of the coronavirus, the Leifheit Group also bears the risk of a bottleneck or temporary failure of logistics service providers. Border closures can lead to delays in the supply chain. Due to the pandemic, there are also financial risks for the Leifheit Group. There could be a turnover collapse due to falling demand and production losses, bad debts with trading partners as well as loss of turnover with key customers when they are in financial difficulties or even in insolvency. In the event of future turnover collapses in the 2020 financial year, there would be the risk of a decline in earnings and an impairment loss especially on intangible assets.

Due to the rapid development and the associated high degree of uncertainty, we cannot estimate the financial impact. However, we expect possible high impact with high probability of occurrence.

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 – before the effects of the corona crisis – compared to the previous year are minimal and do not have a significant effect on the overall risk profile.

Due to the rapid pace of development and the associated high degree of uncertainty, we cannot yet estimate the financial impact.

Group forecast

We expect significant year-on-year growth in Group turnover of approximately 8%. We will use the gross profit generated as a result of our planned growth to strengthen consumer advertising. As a result, we are expecting to generate EBIT of between m€ 9.5 and m€ 10.0 that will be roughly on par with the 2019 figure.

Economic development

In its forecast at the end of January 2020, the International Monetary Fund (IMF) downgraded its expectations for global economic growth in the year 2020. Although the world economy should grow again, but weaker than in October 2019 predicted. In October, the growth forecast for 2020 was estimated with 3.4%, but in January 2020, the IMF has downgraded this to 3.3%. Due to the spread of the coronavirus, the IMF revised its global growth expectations and reduced it by 0.1 percentage points In February 2020. This reduced forecast assumes that the economic situation in China will normalize in the second quarter and therefore the effects on the global economy will be relatively low and of short duration. In mid-March, the Kiel Institute for the World Economy (IfW) reported that negative effects were to be expected from the corona pandemic not only in Europe but also in Asia in particular. Even under optimistic assumptions about the further course of the pandemic, the IfW said that the growth rate of global production in 2020 is likely to decline from 3% to 2% overall. This would be the smallest increase since the Great Recession of 2008/2009.

For the year 2019, the IMF expects growth of 2.9%. Similar figures from the Kiel Institute for the World Economy (IfW): For 2019 and 2020, they expect an increase in the global economy by 3.0% respectively 3.1%. The continued loose monetary policy of the major central banks, the declining concerns about unregulated Brexit and the partial agreement reached in the trade conflict between the USA and China are intended to help the global economy. As reasons for the forecast reduction, the IMF calls the recent slowdown of the economic dynamics in the emerging markets or the slowdown of economic growth in China. Also, the possible further escalation of the trade dispute between China and the USA and geopolitical tensions, for example between the USA and Iran could have a negative impact on the economy. In our opinion, the consequences of the coronavirus for the economy, which cannot yet be foreseen, must be added.

Europe

Against the background of the ongoing corona pandemic, the IfW Kiel expects that a recession - especially in Italy, but also on average in the monetary union - cannot be avoided in the euro zone in 2020. According to IfW Kiel in mid-March 2020, GDP in the euro zone will shrink by 1 per cent in the current year and grow again by just over 2 per cent next year. At the same time, according to IfW, the unemployment rate in the euro zone will probably rise again for the time being and the recent moderate increase in consumer prices will slow down noticeably.

Germany

After German economic growth fell sharply to 0.5% in 2019 according to IfW, both the IMF and the economists at IfW Kiel had forecast more growth again for 2020 and put the increase in gross domestic product at 1.1%. As the global measures to contain the corona pandemic have recently significantly dampened the economic outlook, IfW Kiel corrected its spring forecast in mid-March and now expects Germany's GDP to slump by between 4.5% and 9% in 2020. The IfW has drawn up two scenarios: if the current stress situation continues until the end of April and gradually eases from May onwards, German GDP will fall by 4.5% this year. However, if the recovery does not begin until three months later in August, German GDP would fall by 8.7%. In view of the global burden on the economy, both scenarios do not anticipate any significant catch-up effects in the further course of the year, even if free capacities, for example in industry, are available.

In this respect, the IfW had already pointed out in an assessment for Germany at the beginning of March 2020 that the temporary slump in production in China would initially make itself felt in this country through the loss of export orders, and that in a second stage production would also be hampered by a lack of supplies. The IfW thus expects the German economy to be burdened by the supply bottlenecks from Asia in the spring. In addition, economists see negative effects on the domestic economy wherever preventive human interaction is limited.

According to the IfW's updated spring forecast, the hotel and restaurant, aviation and leisure industries (travel, sport, entertainment) are among the particularly affected sectors of the economy, for which the IfW assumes an initial decline in capacity utilisation of 90 percent. According to this calculation, vehicle construction, one of the heavyweights of the German economy, is now cutting back its production by up to 70 percent. The retail sector is also particularly affected and is expected to shrink by 40 percent during the lockdown phase, with food retailers making up for some of the lost restaurant sales. In contrast, according to the IfW, almost half of the German economy is expected to suffer only minor losses or none at all.

Consumer climate

Europe

In February 2020, the European Commission's Consumer Confidence Indicator rose year-on-year. After a value of –7.4 had been calculated for the Eurozone in February 2019, and of –7.2 for the whole of the EU, consumer confidence dropped to –6.6 as of February 2020 in the Eurozone and –5.9 in the 27 member states. This means that both indices are significantly up on the long-term average of –10.6 (Eurozone) and –10.2 (EU 27).

Germany

In Germany, the consumer climate index fell slightly year-on-year. It stood at 10.6 in February 2019 but has fallen to 9.9 as at February 2020. The GfK is forecasting a slight decline to 9.8 in subsequent months. This is due to declines in both income expectations and propensity to buy. It is notable that growing uncertainty caused by the spread of the coronavirus is also having an effect on German consumers' behaviour. Positive economic forecasts, on the other hand, are having a positive impact on the mood to buy. In addition, private consumption is set to increase by 1% in Germany according to the GfK.

The Ifo Institute's business climate index, which reflects the assessment of the business situation and the business expectations of top managers and directors of the German economy, fell from 98.8 to 96.1 year-on-year. Against the backdrop of the corona pandemic, the mood in German companies has deteriorated massively, according to the ifo Institute on March 19, 2020. As a result, the preliminary ifo business climate index fell sharply in March to 87.7 points, after 96.0 points (seasonally adjusted) in February. In the manufacturing sector, the business climate index even fell to its lowest level since August 2009. Many companies have been forced to make production cutbacks. According to the ifo Institute, expectations in the retail sector have also plummeted to their lowest level since reunification. Wholesale and retail trade are equally affected by the crisis.

Foreign currencies

Contrary to forecasts issued at the start of 2019, the US dollar increased in value against the euro by more than 2% over the course of the year. The currency benefited from investors prioritising US dollar investments due to the heightened economic uncertainty. Analysts expect the US dollar to lose value somewhat over the course of 2020. The median calculated from the forecasts issued by all major banks for the end of 2020 lies at USD 1.14 per euro.

Against the background of the trade conflict between China and the US, the Chinese currency renminbi (yuan) declined in the year 2019 against the euro, in some cases significantly. The rapprochement between the two governments culminated in January 2020 in a first partial agreement. At the beginning of 2020, the yuan increased in value against the euro again. Due to the weakening economy in China and the trade conflict with the US, economists continue to see the yuan under devaluation pressure. The median of major bank forecasts for the end of 2020 stands at CNY 7.9 per euro.

Group strategy

We launched some key strategic initiatives in 2019 that we intend to continue in the current financial year. These strategic measures are geared towards boosting consumer demand, improving the gross margin and optimising efficiency and cost structures along the whole value chain. The foundations of these measures are improved consumer communications, with a focus on the TV campaign launched in the domestic market of Germany in January 2020. With these measures, it is our aim to gain new trading partners in both bricks-and-mortar and online business and strive for better trading conditions. Our new online store has been active in e-commerce since January 2020. It allows customers to purchase Leifheit products directly or check in-store availability.

In addition, the brand-new corporate culture based on the principles “fun, friendly, fast and fearless” will also play a key role in realising our aims. We want to develop our position further in existing markets with first-class innovative and customer-oriented product developments, and access new consumer groups.

Our medium-term strategic goals continue to be sustainable organic turnover growth, a high level of efficiency throughout the value chain, capital efficiency and continuous improvement in operating results.

Group forecast and overall statement of prospective development

We predict that the Group’s turnover will grow by around 8% in financial year 2020. Our strategic forecasts on expanding our core business with the Leifheit brand, which we aim to drive forward with increased consumer advertising and TV campaigns. In the Household segment we expect turnover growth of 8% to 9%. In the considerably smaller Wellbeing segment, we anticipate a plus of 10% to 11%. We anticipate turnover growth of roughly 5% in the Private Label segment, due in particular to the acquisition of additional trading partners in project business. We will use the gross profit generated as a result of our planned growth to strengthen consumer advertising.

We are expecting to generate EBIT of between m€ 9.5 and m€ 10.0 that will be roughly on par with the 2019 figure. The main driving forces behind this EBIT development are the aforementioned strategic measures and the associated significant rise in advertising costs.

We expect earnings per share (EPS) of between € 0.63 to € 0.66.

The Board of Management prepared the forecast for the 2020 financial year before possible effects of the corona crisis. Due to the rapid development and the therewith associated high degree of uncertainty, the financial effects cannot be determined.

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€ 6.5 to m€ 7.5 in 2020. Here we expect to see a rise in working capital due to the increase in inventories caused by planned turnover growth and higher receivables on account of the anticipated customer structure and forecast growth.

For financial year 2020, we calculate a ROCE of 7.5% to 8.5%.

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 2019 is presented below. Criteria that do not apply to Leifheit are not included.

As at 31 December 2019, the subscribed capital (share capital) of Leifheit AG amounted to k€ 30,000 and was divided into 10,000,000 no-par-value bearer shares. This corresponds to a theoretical value per no-par-value bearer share of € 3.00. Each share grants the same rights and entitles the holder to one vote at the Annual General Meeting.

There are no restrictions on voting rights or the transfer of shares that the Board of Management is aware of. However, the statutory voting rights limitations 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).

The following parties hold direct and indirect equity interests exceeding 10% of the voting rights 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 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 section 315b HGB in conjunction with section 289c et seq. HGB (sustainability report) is available to the public on our website at **financial-reports.leifheit-group.com**.

Remuneration report

The remuneration report was prepared in accordance with the recommendations of the DCGK in the version of 7 February 2017 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.

The fixed basic annual salary is paid monthly and 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 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.

Board of Management remuneration provision (applicable since 1 January 2019)

The Supervisory Board reviewed the remuneration system for the Board of Management, revised it based on the recommendation of an independent specialist and adjusted it with effect from 1 January 2019. The remuneration system takes into account both the provisions of the German stock corporation act and the recommendations of the German corporate governance code, as well as the requirements voiced by proxy advisers.

The system consists of three components: a fixed basic remuneration component and two variable remuneration components – a short-term incentive (STI) and a long-term incentive (LTI). The criteria for measuring the achievement of targets are EBIT and free cash flow (as defined on page 23, “Control system”) for the STI, and earnings per share (EPS), return on capital employed (ROCE) and share price performance for the LTI. The previous definition (used until financial year 2018) is used within the scope of the Board of Management remuneration system (as defined on page 23, “Control system”).

The respective targets will be defined annually by the Supervisory Board. The target amount of the STI stands at 36% to 42% of basic remuneration, with the target amount of the LTI equivalent to 75% to 82% of basic remuneration. Board of Management remuneration is geared towards the profitable growth of the company and capital efficiency. A multiplier also enables the Supervisory Board to define qualitative targets. Variable remuneration is capped at slightly below twice the variable target salary. In order to ensure a long-term orientation, achievement of the LTI target will be calculated after a period of four years.

As part of the adjustment and conclusion of new Board of Management contracts, Leifheit AG and the members of the Board of Management have agreed on a long-term incentive plan (LTI plan) for annual LTI-tranches.

The LTI plan calls for variable remuneration in the form of virtual shares. A virtual share grants the holder the right to an equivalent cash payment in the amount of the average share price measured over a period of 90 trading days as at the end of the four-year performance period. The number of exercisable virtual shares depends on the development of the success factors return on capital employed (ROCE) and earnings per share (EPS). Achievement of the success factor targets is measured over the performance period. Any payment in relation to the virtual shares continues to depend on an uninterrupted personal investment by the optionee in Leifheit shares during the performance period. Payment is made at the end of the four-year performance period and is capped at 200% of the originally agreed amount. Furthermore, the amount paid depends on the uninterrupted employment of the optionee during the performance period.

Regulation on Board of Management remuneration (applicable 31 December 2018)

In the previous year, the members of the Board of Management received remuneration consisting of a fixed basic annual salary, annual variable remuneration and long-term variable remuneration.

The amount of short-term variable remuneration paid was 1.00%, or 0.75% of the earnings of the Leifheit Group before income tax, and was capped. Payment was 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) was linked to an investment obligation and was calculated using an EBIT multiplier and a market capitalisation multiplier. Because the LTI did not have an impact in the previous year, please refer to the detailed description and in-depth presentation in the remuneration report of the annual financial report 2018.

Remuneration charts according to DCGK

	Ivo Huhmann (CFO) Joined on 1 April 2017			
Granted benefits in k€	2018	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	280	330	330	330
Fringe benefits	31	41	–	–
Total	**311**	**371**	**330**	**330**
Single-year variable remuneration	126	120	0	180
Multi-year variable remuneration (LTI 2017–2020)	0	0	–	–
Multi-year variable remuneration (LTI 2019 tranche)	–	250	0	500
Multi-year variable remuneration (LTI 2020 tranche) [1]	–	62	0	124
Other [2]	–	150	–	–
Total	**126**	**582**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**437**	**953**	**330**	**1,030**

[1] Contract expiration and departure with effect from 31 March 2020.
[2] Bonus for acting as CEO.

	Igor Iraeta Munduate (COO) Joined on 1 November 2018			
Granted benefits in k€	2018	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	50	330	330	330
Fringe benefits	3	18	–	–
Total	**53**	**348**	**330**	**330**
Single-year variable remuneration	0	120	0	180
Multi-year variable remuneration (LTI 2019 tranche)	–	250	0	500
Multi-year variable remuneration (LTI 2020 tranche)	–	250	0	500
Multi-year variable remuneration (LTI 2021 tranche)	–	208	0	416
Other [1]	30	–	–	–
Total	**30**	**828**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**83**	**1,176**	**330**	**1,030**

[1] Signing bonus in financial year 2018.

	Henner Rinsche (CEO) Joined 1 June 2019			
Granted benefits in k€	2018	**2019**	2019 (min.)	2019 (max.)
Fixed remuneration	–	248	248	248
Fringe benefits	–	9	–	–
Total	**–**	**257**	**248**	**248**
Single-year variable remuneration	–	180	180	180
Multi-year variable remuneration (LTI 2019 tranche)	–	204	0	408
Multi-year variable remuneration (LTI 2020 tranche)	–	350	0	700
Multi-year variable remuneration (LTI 2021 tranche)	–	350	0	700
Multi-year variable remuneration (LTI 2022 tranche)	–	146	0	292
Other [1]	–	250	–	–
Total	**–**	**1,480**	**–**	**–**
Pension expenses	–	–	–	–
Total remuneration	**–**	**1,737**	**482**	**1,500**

[1] Signing bonus.

	Ivo Huhmann CFO Joined on 1 April 2017		Igor Iraeta Munduate COO Joined on 1 November 2018		Henner Rinsche CEO Joined on 1 June 2019	
Cash flow in k€	2018	**2019**	2018	**2019**	2018	**2019**
Fixed remuneration	280	330	50	330	–	248
Fringe benefits	31	41	3	18	–	9
Total	**311**	**371**	**53**	**348**	**0**	**257**
Single-year variable remuneration	90	151	0	151	0	180
Multi-year variable remuneration (LTI 2019 tranche)	–	169	–	27	–	43
Multi-year variable remuneration (LTI 2020 tranche)	–	31	–	16	–	43
Multi-year variable remuneration (LTI 2021 tranche)	–	–	–	10	–	34
Multi-year variable remuneration (LTI 2022 tranche)	–	–	–	–	–	15
Other	–	150 [1]	30 [2]	–	–	49 [2]
Total	**90**	**501**	**0**	**204**	**0**	**364**
Pension expenses	–	–	–	–	–	–
Total remuneration	**401**	**872**	**83**	**552**	**0**	**621**

[1] Bonus for acting as interim CEO.
[2] Signing bonus.

	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	
Cash flow / granting in k€	2018	**2019**	2018	**2019**
Fixed remuneration	285	–	84	–
Fringe benefits	28	–	8	–
Total	**313**	**–**	**92**	**–**
Single-year variable remuneration	95 / 122	–	30 / 54	–
Multi-year variable remuneration	–	–	–	–
Other	–	–	–	–
Total	**95 / 122**	**–**	**30 / 54**	**–**
Pension expenses	–	–	–	–
Total remuneration	**408 / 435**	**–**	**122 / 146**	**–**

Disclosures on Board of Management remuneration according to IAS 24/IFRS 2:

The granting of virtual shares has been classified and measured as share-based payment to be settled in cash in accordance with IFRS 2.30. The fair value of the virtual shares is remeasured on each balance sheet date using a Monte Carlo model and in consideration of the conditions at which the virtual shares were granted.

The time from the measurement date until the end of the performance period, and therefore the time of the expected payment, was used as the term. The share price was determined by consulting the closing price in Xetra trading as at 31 December 2019 as reported by Bloomberg. The historical volatility of the Leifheit share over the respective remaining term for matching maturities was used to determine volatility. The anticipated volatility taken into consideration is based on the assumption that historical volatility can be used to make assumptions about future trends. As a result, the actual volatility may differ from the assumptions made. The expected dividend yield was estimated as the historical dividend yield of the Leifheit share for matching maturities. The risk-free interest rate was derived on the basis of historical yields of German government bonds with a remaining term corresponding to the expected term of the virtual shares to be measured.

A liability in the amount of k€ 386 was recognised under liabilities as at 31 December 2019 as part of the LTI plan for Board of Management members (31 December 2018: k€ 0). The expense for the period from 1 January to 31 December 2019 amounted to k€ 386 (previous year: k€ 0).

The following parameters were taken into account as part of the measurement as at 31 December 2019:

	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Time of measurement	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019
Remaining term (in years)	3.00	4.00	5.00	6.00
Volatility	34.53%	31.24%	31.15%	30.13%
Risk-free interest rate	–0.59%	–0.55%	–0.48%	–0.44%
Expected dividend yield	4.73%	4.73%	4.73%	4.73%
Exercise price	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Price of the Leifheit share as at the time of measurement	€ 23.65	€ 23.65	€ 23.65	€ 23.65

Remuneration of the Supervisory Board

The Annual General Meeting of Leifheit AG on 29 May 2019 amended art. 12 of the articles of incorporation (Supervisory Board remuneration) with effect from 1 June 2019 and adopted a programme of long-term variable remuneration for the Supervisory Board.

Supervisory remuneration provision (applicable since 1 June 2019)

In addition to reimbursement of expenses and any VAT incurred for the Supervisory Board activities, each Supervisory Board member receives an annual fixed remuneration of € 35,000.00. The chairman of the Supervisory Board receives € 100,000.00, the deputy chairman € 70,000.00.

The reimbursement of expenses, insofar as it concerns telecommunications, postage and other office costs, shall be paid in the form of a flat rate of € 1,000.00 per year.

Each member of a committee, except the audit committee, receives an additional fixed remuneration of € 2,500.00; the chairman of a committee, except for the audit committee, receives € 5,000.00. Each audit committee member receives an additional fixed remuneration of € 5,000.00; the chairman of the audit committee receives an additional fixed remuneration of € 10,000.00.

In addition, the Supervisory Board members receive an attendance fee of € 1,500.00 for each meeting (in person, by telephone or video conference of at least two hours in duration) of the Supervisory Board and its committees in which they participate. For several meetings that take place on one day, the attendance fee is paid only once. The chairman of the Supervisory Board and the respective chairman of a Supervisory Board committee will receive twice the meeting attendance fee for participating meetings they chair.

In addition, each Supervisory Board member receives a performance-related remuneration of € 500.00 for each cent by which the earnings per share for the period (EPS) calculated in accordance with IFRS accounting principles exceeds the comparable amount of the previous financial year for their membership of the Supervisory Board during the previous financial year.

The Annual General Meeting may resolve on one or more long-term variable remuneration components for the Supervisory Board, which shall be added to the remuneration in accordance with the articles of incorporation.

The remuneration and fixed amount for expenses shall be paid at the end of each financial year. The performance-related remuneration shall be paid on the third working day following the approval of the consolidated financial statements by the Supervisory Board.

The total annual remuneration (the sum of fixed and performance-related remuneration and attendance fees) is limited to a maximum of € 80,000.00 for an ordinary Supervisory Board member, € 150,000.00 for the deputy chairman of the Supervisory Board, € 100,000.00 for the chairman of the audit committee and € 200,000.00 for the chairman of the Supervisory Board. If a Supervisory Board member performs more than one function within a financial year, the higher amount shall apply to the limitation.

Moreover, one part of the remuneration comprises the member's per 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.

If a member is only a member of the Supervisory Board or a Supervisory Board committee for part of a financial year, the fixed and performance-related remuneration, as well as the reimbursement of expenses, shall only be granted pro rata temporis, and the limit shall also be reduced pro rata temporis.

The provisions shall apply to the remuneration to be granted to the Supervisory Board members for the period from the beginning of 1 June 2019, so that the fixed remuneration, the additional fixed remuneration, the performance-related remuneration and the flat rate expense allowance for the period from the beginning of 1 June 2019 to the end of 31 December 2019 shall only be granted in the amount of 7/12.

In addition to the fixed remuneration and the short-term variable remuneration to be granted to the Supervisory Board in accordance with art. 12 of the articles of incorporation of Leifheit AG, the Supervisory Board members shall also receive long-term variable remuneration within the framework of a Long Term Incentive Program (LTIP). The participating members of the Supervisory Board receive a one-time bonus payment that depends on the degree to which certain value creation targets are met over a three-year period and on the personal investment made by each Supervisory Board member. The bonus payment is calculated by multiplying a multiplier by the number of shares purchased by the Supervisory Board members as their own investment by a reference price. The maximum multiplier is 1.2.

The LTIP for the Supervisory Board is structured as follows:

- **Personal investment**

In order to participate in the LTIP, a Supervisory Board member must make a personal investment in shares of Leifheit AG (personal investment shares) by 31 July 2020. Shares in Leifheit AG already held by a Supervisory Board member at the time the resolution on this LTIP was adopted by the Annual General Meeting are also deemed to be personal investment shares, even if the member was not yet a member of the Supervisory Board at the time the LTIP was acquired.

The chairman of the Supervisory Board may participate in the LTIP with a personal investment of up to 10,000 shares, his or her deputy with up to 7,500 shares. The other members of the Supervisory Board may participate in the LTIP with a personal investment of up to 5,000 shares.

Targets

The bonus payment depends on the achievement of three performance targets, each of which must be achieved 100% in order to be rated:

- EPS target: Average annual EPS growth rate of at least 21% during the incentive period (definition: Incentive period means the period of time in which the targets must be achieved. The period starts on 1 January 2020 and lasts until 31 December 2022);
- ROCE target: More than 15% ROCE on average during the incentive period (definition: ROCE means fixed assets plus net operating working capital (i.e. current trade receivables plus all inventories minus current trade payables and payments received on account of orders, as reported in the approved consolidated financial statements of Leifheit AG), calculated over an average of four quarters);
- Free cash flow target: Average annual free cash flow growth rate of at least 15% during the incentive period (definition: Free cash flow means net cash flow from operating activities less net cash flow from investing activities. This definition deviates from the Group's definition within the scope of the control system).

The annual growth rates are calculated on the basis of the key performance indicators for financial year 2019 as at 31 December 2019. If, according to the audited and approved consolidated financial statements of Leifheit AG as at 31 December 2019, EPS for financial year 2019 is less than € 0.65 per share, an amount of € 0.65 per share is to be used as the basis for calculating the annual growth rates for EPS.

Calculation of bonus payment

The return profile of the LTIP depends on the extent to which the performance targets are achieved. The participating Supervisory Board members are only entitled to a bonus payment if they have achieved at least one of the performance targets by 100%. The bonus payment is calculated by multiplying a multiplier by the number of personal investment shares multiplied by the reference price (definition: Reference share price is the volume-weighted average price of the company's shares in Xetra trading or a successor system on the Frankfurt Stock Exchange during the last three months of the incentive period. If the volume-weighted average price of the company's shares in Xetra trading or any successor system on the Frankfurt Stock Exchange during the last three months of the incentive period exceeds € 35.00, the reference price shall be € 35.00. In the event of a change in the number of shares due to a stock split or a reverse stock split, the reference price for the calculation of the bonus payment shall be adjusted accordingly; for this purpose, the reference price shall be divided by the number of shares before the stock split or reverse stock split and multiplied by the number of shares after the stock split or reverse stock split. Even in the event of such an adjustment, the relevant reference price for the calculation shall not exceed € 35.00.

- Full performance: If all three performance targets are achieved, the multiplier is 0.5.
- Partial performance: If only two of the three performance targets are met, the multiplier is 0.33. If only one of the three performance targets is met, the multiplier is 0.17.
- Exceeding the EPS target: If the free cash flow target and the ROCE target are achieved and the average annual growth rate of EPS during the incentive period is 21.8% or more, the multiplier is between 0.66 and 1.2, as shown in the following table:

Average growth rate of EPS	Multiplier
21.8%	0.66
23.6%	0.83
25.3%	1.01
26.9%	1.20

Due date for bonus payment

If a participating member of the Supervisory Board is entitled to a bonus payment, this is due on the day of the Annual General Meeting of the company in financial year 2023.

A participating member of the Supervisory Board is only entitled to a full bonus payment if

- he/she still holds the personal investment shares at the end of the incentive period and,
- subject to the provisions of the sections below entitled "Pro rata bonus payment" and "New entry of Supervisory Board members", was a member of the Supervisory Board without interruption from the beginning to the end of the incentive period.

The entitlement to payment is subject to the resolutory condition that the entitled Supervisory Board member

- acquires shares in Leifheit AG for one-sixth of the bonus payment received under the LTIP within three months after the Annual General Meeting in financial year 2023 and
- holds these shares for at least three years after the acquisition. The requirement to hold the shares shall end if the entitled Supervisory Board member resigns from the Supervisory Board during the three-year holding period.

Pro rata bonus payment

If one of the following events (in each case the termination event) occurs before the end of the incentive period, the participating Supervisory Board member is entitled to a proportionate bonus payment (pro rata bonus payment), provided he or she still holds the personal investment shares when the termination event occurs:

a) Resignation from office or dismissal of the participating Supervisory Board member within three months of the occurrence of a Change of Control (definition: Change of Control means the acquisition of a number of shares in the company that leads to a shareholding of more than 50% of the shares in the company by a current shareholder or by a third party);

b) Withdrawal of the participating member of the Supervisory Board from the Supervisory Board due to expiry of his or her term of office before expiry of the incentive period;
c) Death of the participating Supervisory Board member;
d) Termination of the office of the participating Supervisory Board member upon the effectiveness of a merger, a split-up or a change of the legal form of Leifheit AG pursuant to the German Transformation Act (Umwandlungsgesetz);
e) Delisting of Leifheit AG's shares from the Frankfurt Stock Exchange.

The basis for calculating the pro rata bonus payment is the return profile for the LTIP in accordance with the section entitled "Calculation of bonus payment". However, this is adjusted as follows:

a) The reference price is the volume-weighted average price of Leifheit AG's shares in Xetra trading or a successor system on the Frankfurt Stock Exchange during the last three months prior to the occurrence of the termination event. If the volume-weighted average price of Leifheit AG's shares in Xetra trading (or any successor system) on the Frankfurt Stock Exchange exceeds € 35.00 during the last three months prior to the termination event, the reference price shall be € 35.00. In the event of a change in the number of shares due to a stock split or reverse stock split, the reference price for the calculation of the pro rata bonus payment shall be adjusted accordingly; for this purpose, the reference price shall be divided by the number of shares before the stock split or reverse stock split and multiplied by the number of shares after the stock split or reverse stock split. Even in the event of such an adjustment, the relevant reference price for the calculation shall not exceed € 35.00.
b) The multiplier must be adjusted. The calculation shall be based on the multipliers in accordance with the section entitled "Calculation of bonus payment" up to a factor of 0.5; the limitation to 0.5 shall also apply if the average annual growth rate of EPS is 21.8% or more. The multiplier to be used shall be adjusted pro rata to reflect the shortened incentive period. Accordingly, the multiplier shall be reduced by one-third for each year by which the shortened incentive period is shorter than the incentive period. This is any year in which the entitled member of the Supervisory Board has not been a member of the Supervisory Board for at least three months. If the three performance targets are met, the multiplier after adjustment is 0.33 for a shortened incentive period of two years and 0.17 for a shortened incentive period of one year (definition: Reduced incentive period means the period from 1 January 2020 until the end of the financial year in which a termination event occurs. If a participating Supervisory Board member was a member of the Supervisory Board for less than three months in the financial year in which the termination event occurs, the reduced incentive period shall be from 1 January 2020 until the end of the financial year prior to the financial year in which the termination event occurs).
c) The performance targets are not adjusted. However, the performance targets apply to the shortened incentive period.

If a participating Supervisory Board member is entitled to a pro rata bonus payment, the payment shall be due on the day of the Annual General Meeting of Leifheit AG in the financial year following the fiscal year in which the termination event occurred.

– New entry of Supervisory Board members

A member of the Supervisory Board who is elected to the Supervisory Board or appointed by court order until after the start of the incentive period may participate in the LTIP. For this purpose, he or she must make a personal investment in shares of Leifheit AG, whereby the personal investment shares must be acquired no later than three months after the election or judicial appointment to the Supervisory Board becomes effective.

The calculation of the bonus payment shall also be based on the starting point in the cases referred to above. However, the bonus payment shall be reduced pro rata and shall only be granted for the period of actual membership on the Supervisory Board. For this purpose, 1/36 of the bonus payment calculated shall be granted for each month to which the member belongs to the Supervisory Board during the incentive period. If the Supervisory Board member's term of office does not begin on the first day of the month in question, the month shall be fully taken into account in the calculation if the member belonged to the Supervisory Board for at least 15 calendar days in that month; otherwise the month shall not be taken into account in the calculation. If an event of termination occurs before the end of the incentive period, the section entitled "Pro rata bonus payment" shall apply additionally.

The section entitled "Due date for bonus payment" shall apply with regard to the due date of the bonus payment calculated. The final paragraph in the section entitled "Pro rata bonus payment" shall remain unaffected.

– Taxes

Any income tax payable on the bonus payment (or the pro rata bonus payment) shall be paid by each participating member of the Supervisory Board.

Supervisory remuneration provision (applicable between 1 January 2018 and 31 May 2019)

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 received a meeting allowance in the amount of € 2,500.00 for each Supervisory Board meeting he or she attended in person, as well as an annual salary in the amount of € 20,000.00. The chairperson received three times the amount named in sentence 1, while the deputy chairperson received 1.5 times said amount. Both meeting allowances and the annual remuneration were paid out at the end of each financial year.

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

Committee members received 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 received a meeting allowance in the amount of € 500.00, and the committee chairperson received a meeting allowance in the amount of € 1,000.00. This also applied when several committee or Supervisory Board meetings took place on the same day.
b) Each member of the Audit Committee received 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 received 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 did not receive any additional annual remuneration.
c) All members of Supervisory Board committees received 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 reimbursed 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) were paid out at the end of each financial year.

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

Moreover, one part of the remuneration comprised 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 were borne by the company.

The members of the Supervisory Board received the following remuneration:

2019	Supervisory Board membership		Committee membership		LTIP [1]	**Total**
k€	Fixed remuneration including expense allowance	Meeting allowance	Fixed remuneration	Meeting allowance		
Joachim Barnert	21.6	8.5	1.5	3.0	31.6	66.2
Dr Günter Blaschke	69.1	16.5	12.5	8.0	63.3	169.4
Ulli Gritzuhn	9.4	3.8	2.4	3.5	–	19.1
Baldur Groß	8.8	2.5	–	–	–	11.3
Georg Hesse	33.7	9.5	7.1	9.0	31.6	90.9
Karsten Schmidt	43.6	7.5	7.3	6.0	47.4	111.9
Thomas Standke	29.8	9.5	1.5	1.5	31.6	73.9
Sonja Wärntges	3.5	–	1.7	–	–	5.2
Dr Claus-O. Zacharias	25.4	3.0	7.4	10.5	31.6	77.9
Helmut Zahn	16.8	7.5	3.3	5.5	–	33.1
	261.7	**68.3**	**44.7**	**47.0**	**237.1**	**658.9**

[1] Remuneration granted for 2020 to 2022.

2018	Supervisory Board membership		Committee membership		LTIP	Total
k€	Fixed remuneration including expense allowance	Meeting allowance	Fixed remuneration	Meeting allowance		
Ulli Gritzuhn	33.1	18.8	8.1	7.0	–	66.9
Baldur Groß	21.5	12.5	–	–	–	34.0
Georg Hesse	13.8	7.5	2.4	2.5	–	26.1
Karsten Schmidt	2.6	–	0.8	–	–	3.4
Thomas Standke	21.0	12.5	–	–	–	33.5
Sonja Wärntges	22.2	12.5	10.9	9.5	–	55.2
Helmut Zahn	65.3	37.5	13.0	13.5	–	129.3
	179.5	**101.3**	**35.2**	**32.5**	**–**	**348.4**

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

No provision was formed for financial year 2019 for share-based long-term Supervisory Board remuneration (long-term incentive programme) as the vesting periode will not start before 1 January 2020.

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. Therefore the Household (Leifheit) and Wellbeing (Soehnle) segments correspond substantially to Leifheit AG. The most important performance indicators are turnover and the operating result.

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

Major changes

No major changes were made to the organisation, the company structure, the management structure or the financing strategy in financial year 2019.

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

Turnover fell short of expectations in financial year 2019. However, we managed to exceed the forecast operating result in the Leifheit AG individual financial statement.

Forecast-actual-comparison	Actual 31 Dec 2018	Forecast 2019	**Actual 31 Dec 2019**
Turnover	m€ 215.4	approx. +3% to 4%	m€ 217.5 +0.9%
Operating result	m€ 10.1	approx. m€ 3 to m€ 4	m€ 7.9

Leifheit AG turnover grew by 0.9%; we had forecast growth of 3% to 4%. While turnover in our domestic market, Germany, declined by 3.7%, we recorded an increase in turnover of 4.8% outside of Germany. This means that business in Germany did not meet our targets.

The operating result of Leifheit AG stood at m€ 7.9. This was considerably more than our forecast operating result of between m€ 3 to m€ 4. This was due primarily to effects from the reversal of pension reserves and savings on costs compared to budgeted costs.

Results of operations

Income statement (short version) in m€	2018	**2019**
Turnover	215.4	217.5
Gross profit from turnover	71.6	66.6
Distribution costs	–50.3	–50.5
General administrative costs	–8.9	–9.2
Other operating income	5.3	8.9
Other operating expenses	–7.7	–7.8
Operating result	**10.1**	**7.9**
Income from shareholdings	6.8	5.6
Net interest result	–4.2	–4.2
Income taxes	–2.3	–1.3
Earnings after taxes	**10.4**	**8.0**
Other taxes	–0.1	–0.1
Net income	**10.3**	**7.9**

In 2019 Leifheit AG achieved an operating result of m€ 7.9 (2018: m€ 10.1). This decline of m€ 2.2 was predominantly due to the fall in gross profit from turnover of m€ 5.0 and the rise in general operation and administrative costs of m€ 0.6. Other operating income rose by m€ 3.5, primarily as a result of the reversal of provisions of pensions and currency translation.

The net income of Leifheit AG reached m€ 7.9 (2018: m€ 10.3). Income from shareholdings fell by m€ 1.2 and the tax liability declined by m€ 1.0.

Gross profit

Leifheit AG’s turnover increased by m€ 2.1 to m€ 217.5 (2018: m€ 215.4). Turnover in Germany fell by 3.7%, but turnover generated outside Germany rose by 4.8%. Turnover as a result of the sale of brand products declined by 0.7% while turnover from the sale of production materials to subsidiaries increased by 8.9%.

There was a significant disproportionately high increase in cost of turnover, which climbed by m€ 7.1 to m€ 150.9 (2018: m€ 143.8). Gross profit in the reporting period therefore fell by m€ 5.0 to m€ 66.6 (2018: m€ 71.6). The main reasons for the rise in the cost of turnover were higher material prices due to currency effects, an increase material prices at subsidiaries, higher inbound freight, the rise in personnel costs and the increase in impairments on inventories.

Distribution costs

Distribution costs of Leifheit AG in the reporting period stood at m€ 50.5 (2018: m€ 50.3), which corresponds to a rise of m€ 0.2. Distribution costs included advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external seals forces. Outbound freight increased by m€ 1.3, which could not be fully compensated for by cost savings.

General administrative costs

General administrative costs rose during the reporting year by m€ 0.3 to m€ 9.2 (2018: m€ 8.9). First and foremost, administrative costs include personnel costs and costs for general services to support our financial and administrative functions. This increase mainly concerned higher personnel costs.

Other operating income

Other operating income of Leifheit AG climbed by m€ 3.6 to m€ 8.9 (2018: m€ 5.3). This mainly included income from the reversal of provisions of m€ 4.6 (2018: m€ 2.4) and foreign currency gains of m€ 4.1 (2018: m€ 2.7). Income from the reversal of provisions of pensions included income from the reversal of provisions of pensions of m€ 2.9, which rose by m€ 2.2 compared to financial year 2018. The increase in foreign currency gains was mainly the result of forward foreign exchange contracts.

Other operating expenses

Other operating expenses were up by m€ 0.1 to m€ 7.8 (2018: m€ 7.7). These largely comprised research and development costs of m€ 5.4 (2018: m€ 5.1) and foreign currency losses of m€ 2.3 (2018: m€ 2.4). Research and development costs rose due to increased costs for services and IT.

Income from shareholdings

In financial year 2019, a dividend of m€ 5.6 was received from the French holding companies (2018: m€ 6.8). 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 rose by m€ 0.1 to m€ 1.0 (2018: m€ 0.9). This mainly concerned interest income from loans to holding companies.

Interest expenses increased by m€ 0.2 to m€ 5.3 (2018: m€ 5.1). The interest expense from the compounding of the provisions of pensions was m€ 5.0 (2018: m€ 5.0).

Income taxes

In financial year 2019, the income taxes of Leifheit AG amounted to m€ 1.3 (2018: m€ 2.3). The drop was the result of lower earnings before taxes.

Financial situation

The liquidity of Leifheit AG as at the balance sheet date stood at m€ 45.6 (2018: m€ 46.3). As at 31 December 2019, this comprised solely cash and cash equivalents and included demand deposits, fixed short-term bank deposits and cash in hand.

m€	2018	2019	Change
Cash flow from operating activities	3.7	8.7	5.0
Cash flow from investment activities	29.5	0.6	–28.9
Cash flow from financing activities	–10.0	–10.0	–

At m€ 8.7, cash flow from operating activities in 2019 was significantly higher than in the previous year (2018: m€ 3.7). This was mainly the result of the decline in receivables and other assets as well as inventories by m€ 4.8, which had risen by m€ 2.6 in the previous year.

Cash inflow from investment activities in financial year 2019 came to m€ 0.6 (2018: m€ 29.5). Payments for the purchase of intangible assets and tangible assets amounted to m€ 2.9 (2018: m€ 2.7) and the proceeds from financial assets and securities totalled m€ 3.4 (2018: m€ 32.1).

Cash outflow from financing activities amounted to m€ 10.0 and included in each case solely the payment of the dividends.

As at 31 December 2019, the debt level of Leifheit AG fell slightly by 0.2 percentage points to 52.0% (2018: 51.8%). 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 2019, our liabilities mainly comprised provisions for pension totalling m€ 53.6 (2018: m€ 53.7), other provisions totalling m€ 24.1 (2018: m€ 25.2) and liabilities totalling m€ 21.4 (2018: m€ 21.3). As in the previous years, Leifheit AG did not have any liabilities to banks.

In financial year 2019, we had short-term revolving credit lines in the amount of m€ 9.2 (2018: m€ 11.6), of which m€ 0.9 was utilised in the form of guarantees as at 31 December 2019 (2018: m€ 0.8).

Net assets

Balance sheet (short version) in m€	2018	2019
Intangible assets	1.8	1.7
Tangible assets	16.2	16.3
Financial assets	56.3	58.4
A. Fixed assets	**74.3**	**76.4**
Inventories	33.0	31.0
Receivables and other assets	40.3	37.5
Cash and cash equivalents	46.3	45.6
B. Working assets	**119.6**	**114.1**
C. Accrued expenses	**0.1**	**0.1**
Total assets	**194.0**	**190.6**
A. Equity	**93.5**	**91.5**
Provisions for pensions and similar obligations	53.7	53.6
Tax provisions	0.3	–
Other provisions	25.2	24.1
B. Provisions	**79.2**	**77.7**
C. Liabilities	**21.3**	**21.4**
Total equity and liabilities	**194.0**	**190.6**

The balance sheet total of Leifheit AG as at 31 December 2019 fell by m€ 3.4 year-on-year to m€ 190.6 (2018: m€ 194.0).

Fixed assets increased by m€ 2.1 to m€ 76.4 (2018: m€ 74.3). The increase resulted mainly from the increase in loans to holding companies. Inventories decreased by m€ 2.0 to m€ 31.0 (2018: m€ 33.0), mainly due to lower stockpiling for spring business. Receivables and other assets dropped by m€ 2.8 to m€ 37.5 (2018: m€ 40.3), mainly as a result of the customer structure. Cash and cash equivalents fell by m€ 0.7 to m€ 45.6 (2018: m€ 46.3).

Leifheit AG's equity decreased by m€ 2.0 to m€ 91.5 (2018: m€ 93.5). The dividend payment of m€ 10.0 was offset by a net income of m€ 7.9. The equity ratio thus decreased slightly to 48.0% (2018: 48.2%). Provisions for pensions and similar obligations fell by m€ 0.1 to m€ 53.6 (2018: m€ 53.7). The decrease in the average market interest rate over the last ten years to 2.71% (2018: 3.21%) resulted in a m€ 3.3 increase in provisions for pensions; however, this was offset by the reversal of provisions totalling m€ 2.9 owing to the fall in the pension trend from 2.0% to 1.7% and other income from the reversal of provisions for pensions due to deaths. Other provisions fell by m€ 1.1 to m€ 24.1 (2018: m€ 25.2). This decline mainly concerned impending losses from forward foreign exchange contracts. Liabilities increased by m€ 0.1 to m€ 21.4 (2018: m€ 21.3).

In financial year 2019, Leifheit AG achieved an operating result of m€ 2.9 (2018: m€ 2.7); m€ 0.7 of this amount was attributable to intangible assets (2018: m€ 0.2), mainly software, and m€ 2.2 to tangible assets (2018: m€ 2.5), chiefly tools for new products and operating and business equipment. There were no notable disposals of assets in reporting year 2019. All investments in financial year 2019 have been largely completed.

As at 31 December 2019, there were contractual obligations to acquire items of tangible assets — mainly for equipment, tools and software — in the amount of m€ 0.4 (2018: m€ 1.5). 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 429 employees as at 31 December 2019 (2018: 436 employees). The average number of employees in financial year 2019 was 432 (2018: 433 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 7% to 8% at Leifheit AG in financial year 2020. We anticipate an operating result of around m€ 3.5 to m€ 4.5.

The Board of Management prepared the forecast for the 2020 financial year before possible effects of the corona crisis. Due to the rapid development and the therewith associated high degree of uncertainty, the financial effects cannot be determined yet.

Nassau/Lahn, 25 March 2020

Leifheit Aktiengesellschaft

The Board of Management

Henner Rinsche Ivo Huhmann Igor Iraeta Munduate

Consolidated financial statements

Statement of comprehensive income

k€	Notes	2018	2019[1]
Turnover	1	234,196	234,042
Cost of turnover	2	–132,088	–133,072
Gross profit		**102,108**	**100,970**
Research and development costs	3	–5,461	–5,704
Distribution costs	6	–70,484	–71,912
Administrative costs	7	–14,172	–14,971
Other operating income	8	1,214	1,327
Other operating expenses	9	–427	–174
Foreign currency result	10	278	340
EBIT		**13,056**	**9,876**
Interest income	11	50	38
Interest expenses	12	–1,248	–1,486
Net other financial result	13	43	32
EBT		**11,901**	**8,460**
Income taxes	14	–3,491	–2,628
Net result for the period		**8,410**	**5,832**
Contributions that are not reclassified in future periods in the statement of profit or loss			
Actuarial gains/losses on defined benefit pension plans	28	4,042	–2,544
Income taxes from actuarial gains/losses on defined benefit pension plans		–1,131	760
Contributions that may be reclassified in future periods in the statement of profit or loss			
Currency translation of foreign operations		4	161
Currency translation of net investments in foreign operations		–112	191
Income taxes from currency translation of net investments in foreign operations		27	–56
Net result of cash flow hedges		2,348	40
Income taxes from cash flow hedges		–701	–5
Other comprehensive income		**4,477**	**–1,453**
Comprehensive income after taxes		**12,887**	**4,379**
Earnings per share based on net result for the period (diluted and undiluted)	15	**€ 0.88**	**€ 0.61**

[1] IFRS 16 was applied for the first time on 1 January 2019. IFRS 16 was applied using the modified retrospective method, under which previous year figures are not adjusted.

Balance sheet

k€	Notes	31 Dec 2018	31 Dec 2019[1]
Current assets			
Cash and cash equivalents	16	50,932	50,301
Trade receivables	17	50,720	44,400
Inventories	18	46,354	45,850
Income tax receivables		1,192	1,418
Contractual assets	19	1,572	1,017
Derivative financial instruments	20	1,154	730
Other current assets	21	3,805	4,248
Total current assets		**155,729**	**147,964**
Non-current assets			
Intangible assets	22	18,522	18,295
Tangible assets	23	38,207	36,948
Right of use assets from leases	24	–	1,596
Deferred tax assets	14	9,191	9,694
Derivative financial instruments	20	23	1
Other non-current assets		119	112
Total non-current assets		**66,062**	**66,646**
Total assets		**221,791**	**214,610**
Current liabilities			
Trade payables and other liabilities	25	44,908	40,680
Income tax liabilities		507	89
Other provisions	26	5,611	5,701
Derivative financial instruments	20	661	6
Lease liabilities	27	–	687
Total current liabilities		**51,687**	**47,163**
Non-current liabilities			
Provisions for pensions and similar obligations	28	64,979	66,855
Other provisions	26	2,166	2,655
Deferred tax liabilities	14	1,092	744
Derivative financial instruments	20	18	37
Lease liabilities	27	–	913
Total non-current liabilities		**68,255**	**71,204**
Equity			
Subscribed capital	29	30,000	30,000
Capital surplus	30	17,026	17,026
Treasury shares	31	–7,445	–7,445
Retained earnings	32	74,930	70,777
Other reserves	33	–12,662	–14,115
Total equity		**101,849**	**96,243**
Total equity and liabilities		**221,791**	**214,610**

[1] IFRS 16 was applied for the first time on 1 January 2019. IFRS 16 was applied using the modified retrospective method, under which previous year figures are not adjusted.

Statement of changes in equity

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	Total
As at 1 Jan 2018	**30,000**	**17,026**	**–7,445**	**76,505**	**–17,139**	**98,947**
Dividends – Note 32	–	–	–	–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 28	–	–	–	–	2,911	2,911
of which currency translation of foreign operations – Note 33	–	–	–	–	4	4
of which currency translation of net investments in foreign operations – Note 33	–	–	–	–	–85	–85
of which from cash flow hedges – Note 33	–	–	–	–	1,647	1,647
As at 31 Dec 2018 [1]	**30,000**	**17,026**	**–7,445**	**74,930**	**-12,662**	**101,849**
Dividends – Note 32	–	–	–	–9,984	–	–9,984
Comprehensive income after taxes	–	–	–	5,832	–1,453	4,379
of which net result for the period	–	–	–	5,832	–	5,832
of which actuarial gains/losses on defined benefit pension plans – Note 28	–	–	–	–	–1,784	–1,784
of which currency translation of foreign operations – Note 33	–	–	–	–	161	161
of which currency translation of net investments in foreign operations – Note 33	–	–	–	–	135	135
of which from cash flow hedges – Note 33	–	–	–	–	35	35
As at 31 Dec 2019	**30,000**	**17,026**	**–7,445**	**70,777**	**–14,115**	**96,243**

[1] IFRS 16 was applied for the first time on 1 January 2019. IFRS 16 was applied retrospectively in a modified form. There were no effects on the statement of changes in equity.

Statement of cash flow

k€	Notes	2018	2019[1]
Net result for the period		8,410	5,832
Depreciation and amortisation	4	6,949	8,219
Change in provisions		–1,500	–91
Result from disposal of fixed assets and other non-current assets		44	10
Change in inventories, trade receivables and other assets not classified as investment or financing activities		–3,140	6,511
Change in trade payables and other liabilities not classified as investment or financing activities		84	–4,289
Other non-cash expenses and income		–661	–300
Cash flow from operating activities		**10,186**	**15,892**
Proceeds from the sale of tangible assets and other non-current assets		109	117
Proceeds from the sale of financial assets		29,008	–
Outflow for the acquisition of tangible assets and intangible assets	22, 23	–6,600	–5,956
Cash flow from investment activities		**22,517**	**–5,839**
Outflow for lease liabilities[1]	27	–	–716
Dividends paid to the shareholders of the parent company		–9,984	–9,984
Cash flow from financing activities		**–9,984**	**–10,700**
Change in cash and cash equivalents		22,719	–647
Change in cash and cash equivalents due to exchange rates		–8	16
Cash and cash equivalents at the start of the reporting period		28,221	50,932
Cash and cash equivalents at the end of the reporting period	16	**50,932**	**50,301**
Income taxes paid[2]		–5,243	–3,523
Income taxes received[2]		529	94
Interest paid[2, 3]		–4	–52
Interest received[2]		43	35

[1] IFRS 16 was applied for the first time on 1 January 2019. IFRS 16 was applied using the modified retrospective method, under which previous year figures are not adjusted.
[2] Included in cash flow from operating activities.
[3] Mainly from safekeeping fees for credit balances at banks.

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/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 2019 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 2019 were applied. The figures for the previous year were calculated according to the same principles – apart from IFRS 16 (leases).

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 2020. 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 the other persons entitled to vote,
- rights resulting from other contractual agreements,
- voting rights and potential voting rights of the Group.

The financial statements of the subsidiaries are prepared using uniform accounting and valuation principles 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 2019 and 2018.

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

The acquisition method according to IFRS 3 rev. 2008 (Business Combinations) is applied for companies acquired on or after 1 January 2010. All identifiable assets and liabilities were valued in their attributable fair value at the time of acquisition. Cost is measured as the total of the consideration transferred (valued at the fair value at the date of acquisition) and the value of the shares without controlling interest. Non-controlling interests 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 was recognised in profit or loss. Transaction costs incurred during the company acquisition are reported as administrative costs through profit or loss.

In step acquisitions, the share of equity 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

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

The following companies based both inside and outside Germany were included in the consolidated financial statements in addition to Leifheit AG. Leifheit AG directly or indirectly held the majority of the voting rights in these companies as at 31 December 2019.

	Date of initial consolidation	Interest in capital and voting rights in 2019 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 i.L., Nassau (DE)	1 Jan 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 via Leifheit France S.A.S.

Foreign currency translation

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

As our subsidiaries and branches operate independently in financial, commercial and organisational terms, their functional currency is 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 rate	
Base: € 1	31 Dec 2018	**31 Dec 2019**	2018	**2019**
CZK	25.73	25.41	25.65	25.67
USD	1.14	1.12	1.18	1.12
PLN	4.29	4.25	4.26	4.30
HKD	8.96	8.74	9.26	8.77
CNY	7.84	7.82	7.80	7.74

Assessment of fair value

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

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

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

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

In the case of assets or liabilities which are recognised in the financial statements on a recurring basis, the Group will decide whether the levels within the hierarchy have 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.

Cash and cash equivalents in the form of time deposits with a foreign currency exchange option are measured at fair value through profit or loss. The remaining cash and cash equivalents are measured at amortised cost (nominal value). Their remaining term – calculated from the acquisition date – is not more than three months.

Inventories

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

The cost of internally manufactured products includes the full production cost based on normal capacity utilisation. Specifically, the cost of production includes direct costs directly attributable to the products (such as production materials and wages) as well as fixed and variable production overheads (such as material and production overheads and depreciation). 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. If the product is taken back, it is capitalised at its former carrying amount. Any difference is recognised in profit and loss. The reimbursement obligation is included in other liabilities (Note 25), 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.

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, if no time limit can be set for the period during which the asset generates economic benefits for the company. Brands are not amortised and instead are tested 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.

Tangible assets

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

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

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

Impairment of tangible and intangible assets

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

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

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

Right-of-use assets from leases

The Group applied IFRS 16 (leases) for the first time as at 1 January 2019. The "New accounting standards applied for the first time" section provides more information on accounting and valuation principles and the effects of the first-time application of IFRS 16.

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

Method applied before 1 January 2019

For agreements entered into prior to 1 January 2019, the Group made the following assessment of whether an agreement was or contained a lease:

- fulfilment of the agreement was dependent on the use of a specific asset or assets, and
- the agreement conferred a right to use the asset. An agreement conferred a right to use an asset if the following conditions were met:
  - The buyer had the ability or right to operate the asset, receiving or controlling more than an insignificant amount of output.
  - The buyer had the ability or right to control physical access to the asset while receiving or controlling more than a negligible amount of the output.
  - Facts and circumstances indicated that it was unlikely that other parties would accept more than an insignificant amount of output and that the unit price was neither contractually fixed per unit of output nor reflected the current market price per unit of output.

In the comparative period, the Group classified leases that essentially transferred all the risks and rewards incidental to ownership as finance leases. Where this was the case, the leased assets were initially recognised at the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were those payments over the lease term that the lessee had to make, excluding contingent payments. After initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Assets under other leases were classified as operating leases and not recognised in the Group's balance sheet.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as part of total lease expenses over the lease term.

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 are warranty promises which assure the customer that the product complies with the contractually agreed specifications. There are therefore no separate performance obligations. These provisions are recognised at the time of the sale of the underlying products to the customer.

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

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

Share-based payment

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

Provisions for pensions and similar obligations

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

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

Equity

Treasury shares reduce the equity reported in the balance sheet under a separate item. The acquisition of treasury shares is shown as a change in equity. Any sale, issue or cancellation of treasury shares is recognised without affecting net 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, such as long-term loans, are recognised in equity in the consolidated financial statements without affecting net income until disposal or repayment. When the relevant assets are sold, the 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 provisions for pensions, are recorded in other reserves.

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

Financial instruments

Recognition and initial measurement

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

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

Financial assets – categorisation, subsequent measurement and impairment

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

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

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

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

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

A debt instrument is designated at fair value through other comprehensive income if both of the following conditions are met and it has not 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

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 is remunerated – e.g. whether remuneration is based on the fair value of assets under management or on collected contractual cash flows
- frequency, the extent and timing of sales of financial assets in previous periods and expectations regarding future sales activities

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

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

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

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

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

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

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

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

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

Subsequent measurement and gains and losses

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

Impairment

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

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

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

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

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

Level 1: Expected credit losses within the next 12 months

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

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

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

Level 3: Lifetime expected credit losses – credit-impaired

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

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

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

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

The Group does not apply the three-level expected credit loss model to financial assets that only have a low risk of default at the point of addition (investment grade – Standard & Poor's AAA–BBB). Instead, these assets are always attributed to level 1 of the expected credit loss model and an impairment is recognised on 12-month expected credit losses. Such assets include bank deposits in particular, as funds are deposited on a short-term basis at banks with high credit ratings that are part of a deposit guarantee scheme. No impairment was made as the maximum default risk amounts to less than k€ 10.

Financial liabilities - classification, subsequent measurement and gains and losses

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

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

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

Derecognition

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

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

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

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

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

Offsetting

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

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

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

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

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

Recognition of income and expenses

The company recognises 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.

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. Leifheit takes the following aspects into account in application.

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 AG 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 at which:

- Leifheit AG has a current entitlement to receive payment for the asset,
- the customer has legal title to the asset,
- Leifheit AG 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.

The consignment stock agreements with our customers are structured so that customers obtain the power of disposal over the products when the products are delivered to the consignment warehouses. This means that, according to IFRS 15, the 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.

If a contract with a customer includes the right to return the products within a certain time frame, turnover for these contracts is reported, provided it is not likely that a considerable correction of the reported turnover will take place.

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

Distribution costs include labour and materials costs and the depreciation and amortisation attributable to 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. For all financial instruments measured at amortised cost, interest income and expenses are recognised using the effective interest rate. This involves the calculatory interest rate, by which the estimated future incoming and outgoing payments are discounted over the expected term of the financial instrument, or, if applicable, over a shorter period, precisely to the net book value of the financial asset or financial liability.

Borrowing costs

All borrowing costs are recognised as an expense affecting net income in the period 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 consolidated financial statement requires exercises of discretion and estimates and assumptions about the amounts or fair values of receivables, liabilities and other provisions (Note 26), 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 22, the assumptions and estimates in connection with the recognition of pension liabilities in Note 28, and the assumptions and estimates in connection with the recognition of deferred tax assets in Note 14.

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 2019:

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 plan	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 were applied as at 1 January 2019. No financial assets with prepayment features with negative compensation were recognised as at 31 December 2019.

IFRS 16: Leases
On 1 January 2019, IFRS 16 Leases was applied for the first time. IFRS 16 establishes a uniform accounting model whereby leases are to be reported in the lessee's balance sheet. 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.

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.

Lessor accounting is comparable with the previous standard; in other words, the lessor continues to classify leases as financing leases or operating leases.

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

The Group has applied the recognition exemptions in terms of maintaining the definition of a lease at transition. In other words, the Group has applied IFRS 16 to all contracts concluded prior to 1 January 2019 and that have been identified as leases in accordance with IAS 17 and IFRIC 4. In accordance with IFRS 16 C10 (c), all leases with a remaining term of less than one year as at the time of initial application were not taken into consideration. In addition, use was made of the simplification rule for leasing agreements for low-value assets. Leased assets with a value of no more than k€ 5 are defined as low-value assets. In accordance with IFRS 16.4, the option is used not to apply the standard of IFRS 16 to leases of intangible assets.

IFRS 16 was applied for the first time using the modified retrospective method. Lease liabilities of k€ 2,057 were recognised as at 1 January 2019. Right of use assets were recognised in the same amount in accordance with IFRS 16 C8 (b) (ii). Accordingly, there were no adjustment effects in equity. Comparative information for 2018 was not adjusted.

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

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

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

Initially the lease liability is recorded at the present value of the lease payments receivable at the date of provision, discounted at the interest rate implicit in the lease or, if this cannot be readily determined, at the Group's incremental borrowing rate. The Group normally uses its incremental borrowing rate as the discount rate.

The weighted average incremental borrowing rate of interest for the lease liabilities reported as at the time of initial application stood at 0.6%.

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

Such a remeasurement of the lease liability results in a corresponding adjustment to the carrying amount of the right of use in the statement of profit or loss or this is done if the carrying amount of the right of use has decreased to zero.

The effects at the time of transition are summarised below:

k€	
Operating lease obligations without cancellation options as at 31 Dec 2018	905
Discounting	–6
Present value operating lease obligations without cancellation options as at 31 Dec 2018	899
Recognition exemption for	
– Short-term leases	–39
– Low-value asset leases	–97
– Leases for licences	–92
Term beyond term without cancellation option	1,435
Other adjustments	–49
Present value lease liabilities recognised as at 1 Jan 2019	**2,057**

The nature of expenses relating to these leases has changed, 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.

IFRIC 23: Uncertainty over income tax treatments

IFRIC 23 clarifies the application of the recognition and measurement requirements of IAS 12 when there is uncertainty as to income tax treatment. For recognition and measurement, estimates and assumptions must be made, e.g. whether an estimate is made separately or together with other uncertainties, a probable or expected value for the uncertainty is used and whether changes have occurred compared with the previous period. The risk of detection is irrelevant for the recognition of uncertain balance sheet items. Accounting is based on the assumption that the tax authorities are investigating the matter in question and that they have all relevant information at their disposal. Notes must be provided for each of the estimates, assumptions and discretionary decisions mentioned. In addition, information on the potential effects of uncertainty must be disclosed as a tax-related contingent liability in accordance with IAS 12.88. There were no material uncertainties regarding income taxes as at 31 December 2019.

Amendment to IAS 19: Employee benefits in the event of adjustment, reduction or compensation of defined benefit pension plan

In accordance with IAS 19, provisions for pensions 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. There were no effects on the consolidated financial statements as at 31 December 2019.

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. There were no effects on the consolidated financial statements as of 31 December 2019.

Improvements to IFRS (2015/2017): 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.

There were no substantial effects on the consolidated financial statements as at 31 December 2019.

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
Amendments to IFRS standards	Amendments to references to the conceptual framework in the IFRS standards	1 Jan 2020	yes
Amendment to IAS 1 and IAS 8	Definition of the materiality of financial statement information	1 Jan 2020	yes
Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)	IBOR reform	1 Jan 2020	yes

Amendments to IFRS standards: Amendments to references to the conceptual framework in the IFRS standards
The revised conceptual framework consists of a new superordinate section "Status and purpose of the conceptual framework", now including full sections. Sections on "The reporting entity and presentation and disclosure" are now included; the "Recognition" section has been expanded to include "Derecognition". In addition, the content has been changed. For example, the distinction between "income in revenues" and "gains" has been abandoned. References to the conceptual framework in various standards have been adjusted in line with the changed conceptual framework.

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

Amendment to IAS 1 and IAS 8: Definition of the materiality of financial statement information
The amendments create a uniform and more precise definition of materiality of financial statement information in the IFRS and supplement it with accompanying examples. In this context, definitions are harmonised from the conceptual framework, IAS 1, IAS 8 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments are to be applied as at 1 January 2020. Earlier application is permitted.

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

Interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7)
The amendments are based on existing uncertainties in connection with the IBOR reform. Under the existing hedge accounting regulations, the forthcoming changes in reference interest rates would in many cases result in the termination of hedging relationships. It is now possible to continue existing hedge accounting relationships for a transitional period. To this end, the amendments provide for selective mandatory exceptions to the previous hedge accounting requirements, e.g. to assess the "highly probable" criterion for expected transactions in cash flow hedges. The amendments are applicable to reporting periods beginning on or after 1 January 2020. Earlier application of the amendments 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 2019. 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
Amendment to IFRS 3	Definition of a business	1 Jan 2020	no	none
IFRS 17	Insurance contracts	1 Jan 2021	no	none
Amendment to IAS 10 and IAS 28	Sale or deposit of assets between an investor and an associate or joint venture	postponed by IASB indefinitely	no	none

Segment reporting

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

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

Household segment: 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 treatment 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.

Key figures by reportable segments in 2019		Household	Wellbeing	Private Label	**Total**
Turnover	m€	182.0	19.8	32.2	234.0
Gross profit	m€	82.5	8.4	10.1	101.0
Segment result (EBIT)	m€	6.7	–0.1	3.3	9.9
Employees on annual average	People	907	52	154	1,113

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	925	53	161	1,139

Notes to the statement of comprehensive income

IFRS 16 was applied for the first time on 1 January 2019. According to the chosen transition method, previous year is shown below:

(1) Turnover

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€	2019 Household	Wellbeing	Private Label	Total
Domestic	86.2	7.3	–	93.5
Central Europe [1]	60.4	10.2	30.7	101.3
Eastern Europe	28.0	1.3	1.4	30.7
Rest of the world	7.4	1.0	0.1	8.5
	182.0	**19.8**	**32.2**	**234.0**

[1] Not incl. domestic.

Turnover by product categories in m€	2019 Household	Wellbeing	Private Label	Total
Cleaning	78.8	–	–	78.8
Laundry care	87.1	–	10.0	97.1
Kitchen goods	16.1	–	22.2	38.3
Wellbeing	–	19.8	–	19.8
	182.0	**19.8**	**32.2**	**234.0**

Turnover by region in m€	2018 Household	Wellbeing	Private Label	Total
Domestic	89.6	8.0	–	97.6
Central Europe [1]	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**

[1] Not incl. domestic.

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

(2) Cost of turnover

k€	2018	**2019**
Cost of materials	99,413	97,117
Personnel costs	13,755	14,268
Purchased services	4,853	6,231
Depreciation and amortisation	3,494	4,509
Services	1,890	1,646
Maintenance	1,483	1,613
IT costs and other allocations	1,324	1,526
Consumables and supplies	1,510	1,473
Customs and services	1,180	1,415
Energy	1,136	1,152
Impairment of inventories (net change)	–159	616
Licensing fees	169	194
Rent	277	130
Cost of cars, travel and entertainment	134	127
Other cost of turnover	1,629	1,055
	132,088	**133,072**

Depreciation and amortisation includes impairment losses on technical facilities and tools in the amount of k€ 669.

(3) Research and development costs

k€	2018	**2019**
Personnel costs	3,092	3,084
IT costs and other allocations	602	789
Services	320	560
Fees	334	413
Maintenance	555	361
Depreciation and amortisation	278	241
Cost of materials	93	117
Other research and development costs	187	139
	5,461	**5,704**

(4) Depreciation and amortisation

k€	2018	2019
Intangible assets		
Cost of turnover	4	4
Research and development costs	189	151
Distribution costs	597	214
Administrative costs	36	43
IT costs and other allocations	501	601
	1,327	**1,013**
Tangible assets		
Cost of turnover	3,490	4,365
Research and development costs	89	90
Distribution costs	1,174	1,152
Administrative costs	227	263
IT costs and other allocations	642	616
	5,622	**6,486**
Right-of-use assets from leases		
Cost of turnover	–	140
Distribution costs	–	329
Administrative costs	–	251
	–	**720**
Total depreciation and amortisation	**6,949**	**8,219**

(5) Personnel costs/employees

k€	2018	2019
Wages and salaries	39,240	41,390
Social security contributions	8,775	8,420
Cost of employment benefits	744	543
	48,759	**50,353**

Employees on annual average	2018	2019
Germany	418	416
Czech Republic	474	454
France	164	157
Other countries	83	86
	1,139	**1,113**

(6) Distribution costs

k€	2018	2019
Personnel costs	21,098	21,563
Advertising costs	14,203	15,106
Freight out	13,202	14,464
IT costs and other allocations	4,828	4,670
Services	4,329	4,338
Commissions	3,189	2,877
Depreciation and amortisation	1,771	1,695
Packaging materials	1,582	1,502
Cost of cars, travel and entertainment	1,395	1,375
Payments to customers	1,185	844
Maintenance	578	745
Insurance	347	406
Rent	856	352
General operation and administrative costs	318	265
Office and other overhead costs	248	240
Post and telephone costs	132	144
Other distribution costs (less than k€ 100)	1,223	1,326
	70,484	**71,912**

As a result of the application of IFRS 16, depreciation and amortisation in the 2019 reporting year for the first time included the amortisation of rights of use under leases. Rental expenses decreased accordingly.

In the previous year, depreciation and amortisation included impairment losses on brands and goodwill in the amount of k€ 380.

(7) Administrative costs

k€	2018	2019
Personnel costs	8,459	8,777
Services	2,387	2,140
IT costs and other allocations	578	813
Depreciation and amortisation	262	557
Costs of financial statements	450	543
Supervisory Board remuneration	331	402
Maintenance	321	313
Cost of cars, travel and entertainment	321	309
Office and other overhead costs	216	246
Insurance	114	162
Post and telephone costs	162	160
General operation and administrative costs	180	159
Other administrative costs (less than k€ 100)	391	390
	14,172	**14,971**

Administrative costs of the previous year include personnel expenses relating to the termination of Board of Management contracts in the amount of k€ 1,059.

(8) Other operating income

k€	2018	2019
Commission income	547	577
Royalty revenue	304	440
Other operating income (less than k€ 100)	363	310
	1,214	**1,327**

(9) Other operating expenses

k€	2018	2019
Other operating expenses (less than k€ 100)	427	174
	427	**174**

(10) Foreign currency result

k€	2018	2019
Realised foreign currency gains/losses	28	589
Result from changes in the fair value of forward foreign exchange transactions	266	–142
Effects of foreign currency valuations	–16	–107
	278	**340**

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€	2018	2019
Interest income from financial instruments	39	38
Interest income from compound interest	11	–
	50	**38**

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

(12) Interest expenses

k€	2018	2019
Interest expenses from interest on provisions for pensions	1,148	1,274
Interest expenses from compounding on other provisions, leasing and taxes	96	160
Interest expenses from financial instruments [1]	4	52
	1,248	**1,486**

[1] Mainly from safekeeping fees for credit balances at banks.

(13) Net other financial result

k€	2018	2019
Result from the change in the fair value of forward foreign exchange transactions	155	27
Expenses from securities	–112	–
Other	–	5
	43	**32**

(14) Income taxes

k€	2018	2019
Corporation tax (Germany)	1,254	621
Trade tax (Germany)	961	529
Foreign income taxes	1,488	1,630
Deferred income taxes	–212	–152
	3,491	**2,628**

The combined tax rate for Leifheit AG for corporation tax and trade tax in Germany was 29.3% (2018: 29.3%).

k€	2018	2019
Actual income tax on income from other periods	–73	–36
Deferred taxes due to temporary differences	–212	–152
Actual tax expense	3,776	2,816
Tax liability	**3,491**	**2,628**

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€	2018	2019
Earnings before taxes	11,901	8,460
Tax expense based on the tax rate applicable to the parent company	**3,487**	**2,478**
Actual income tax on income from other periods	–73	–36
Different foreign tax rates	–94	–159
Non tax-deductible losses of Group companies	45	6
Non tax-deductible expenses/income of Group companies	220	241
Adjustment of deferred taxes	–10	–
Adjustment of the deferred tax rate	–7	138
Impairment of Soehnle	47	–
Use of loss carry-forwards	–31	–26
Tax reductions	–	–28
Temporary differences in connection with shares in subsidiaries	–16	13
Other	–77	1
Tax liability	**3,491**	**2,628**

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

k€	2018	2019
Different depreciation or amortisation periods for assets	122	247
Measurement of inventories	–112	–163
Measurement of receivables and other assets	291	–390
Measurement of contractual assets	–395	–163
Measurement of securities	38	–
Measurement of derivative financial instruments	–126	62
Measurement of pensions	78	137
Different recognition rules for other provisions	132	–123
Measurement of liabilities	–206	118
Other temporary differences	–34	123
Deferred income taxes	**–212**	**–152**

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 recognised on corporation tax loss carry-forwards amounting to k€ 10,658 (2018: k€ 10,750) and on trade tax loss carry-forwards of k€ 1,940 (2018: k€ 1,909) because it is assumed that the tax loss carry-forwards cannot be utilised with a high degree of probability within the next five years. The tax loss carry-forwards in Germany (k€ 10,658 from corporation tax and k€ 1,940 from trade tax) related to Meusch-Wohnen-Bad und Freizeit GmbH i. L. These will disappear as a result of liquidation in financial year 2020.

The temporary differences in connection with shares in subsidiaries amounted to k€ 352 (2018: k€ 306). Deferred taxes of k€ 103 (2018: k€ 90) were formed for this purpose, since dividend payments are expected in the future. On temporary differences of k€ 503 (2018: k€ 450), no deferred taxes were formed, as no distributions are expected in the future.

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

	31 Dec 2019	
k€	**Deferred tax assets**	**Deferred tax liabilities**
Different depreciation or amortisation periods for assets	373	3,087
Measurement of inventories	818	63
Measurement of receivables and other assets	40	283
Measurement of derivative financial instruments	23	165
Measurement of pensions	10,493	15
Different recognition rules for other provisions	637	–
Measurement of liabilities	145	1
Other temporary differences	35	–
Gross amount	**12,564**	**3,613**
Offsetting	–2,870	–2,870
Balance sheet amount	**9,694**	**744**

	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 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**

(15) 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.

		2018	2019
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**

		2018	2019
Net result for the period allocated to the shareholders of the parent company	k€	8,410	5,832
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)	€	**0.88**	**0.61**

Notes to the balance sheet

IFRS 16 was applied for the first time on 1 January 2019. According to the chosen transition method, previous year is shown below:

(16) Cash and cash equivalents

Credit balances at banks and cash on hand amounted to k€ 50,301 (2018: k€ 50,932). These included a structured fixed-term deposit amounting to k€ 5,006 (2018: k€ 0) with a nominal euro investment amount of k€ 5,000. The bank has the right to repay the euro investment amount converted into CNY if the EUR-CNY reference rate is above a fixed strike price at the end of the term.

(17) Trade receivables

k€	31 Dec 2018	31 Dec 2019
Trade receivables	49,877	43,685
Bill receivables	843	715
	50,720	**44,400**

As at 31 December 2019, k€ 41,447 were secured by credit on goods insurance policies (2018: k€ 48,377). The deductible is normally between 0% and 10%.

Reference is made to Note 36 (Default/credit risk) with respect to the default/credit risk in relation to trade receivables.

Development of the allowance account for trade receivables:

k€	2018	2019
As at 1 Jan	767	789
Foreign currency differences	13	1
Additions recognised in profit or loss	164	279
Utilisation	56	106
Reversal	99	177
As at 31 Dec	**789**	**786**

Maturity analysis of trade receivables as at 31 December:

k€	2018	2019
Neither overdue nor impaired	**48,832**	**42,567**
Overdue but not impaired		
1 to 30 days	2,802	2,033
31 to 60 days	–192	50
61 to 90 days	–89	39
91 to 120 days	–69	109
Over 120 days	–719	–748
Overdue in total but not impaired	**1,733**	**1,483**
Specific allowances on doubtful accounts (gross)	**944**	**1,136**
Impairment	**–789**	**–786**
Trade receivables (net)	**50,720**	**44,400**

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.

(18) Inventories

k€	31 Dec 2018	31 Dec 2019
Raw materials, consumables and supplies	7,413	8,864
Unfinished products	2,348	3,061
Finished products and goods purchased and held for resale	35,909	33,636
Rights to return products	684	289
	46,354	**45,850**

k€	31 Dec 2018	31 Dec 2019
Raw materials, consumables and supplies measured at fair value	57	209
Unadjusted raw materials, consumables and supplies	7,356	8,655
Total raw materials, consumables and supplies	**7,413**	**8,864**
Unfinished products measured at fair value	23	53
Unadjusted unfinished products	2,325	3,008
Total unfinished products	**2,348**	**3,061**
Finished products and goods purchased and held for resale measured at fair value	3,788	4,152
Unadjusted finished products and goods purchased and held for resale	32,121	29,484
Total finished products and goods purchased and held for resale	**35,909**	**33,636**
Rights to return products measured at fair value	–	–
Unadjusted rights to return products	684	289
Total rights to return products	**684**	**289**

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

(19) Contractual assets

The contractual assets in the amount of k€ 1,017 (2018: k€ 1,572) result 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. Due to an insignificant effect, no impairment of the contractual assets was recorded.

(20) 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 CNH from January 2020 to February 2021.

The following obligations from forward exchange transactions existed as at 31 December 2019:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	m€ 22.5	mUSD 26.1	m€ 23.0
of which hedge accounting	m€ 22.5	mUSD 26.1	m€ 23.0
Buy HKD/€	m€ 2.8	mUSD 25.3	m€ 2.9
of which hedge accounting	m€ 2.8	mUSD 25.3	m€ 2.9
Sell CNH/€	m€ 1.1	mUSD 8.7	m€ 1.1
Buy CNH/€	m€ 20.6	mUSD 164.3	m€ 20.7
of which hedge accounting	m€ 19.5	mUSD 155.6	m€ 19.6

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

	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	mUSD 32.1	m€ 3.5
of which hedge accounting	m€ 2.9	mUSD 27.1	m€ 3.0
Buy CNH/€	m€ 12.8	mUSD 100.0	m€ 12.5
of which hedge accounting	m€ 12.8	mUSD 100.0	m€ 12.5

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

	31 Dec 2018	31 Dec 2019
Sell USD/€	1.20	–
Buy USD/€	1.21	1.16
of which hedge accounting	1.21	1.16
Buy HKD/€	9.33	9.01
of which hedge accounting	9.40	9.01
Sell CNH/€	–	7.93
Buy CNH/€	7.81	7.99
of which hedge accounting	7.81	7.98

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

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

	31 Dec 2019		
k€	Gross amounts of financial instruments on the balance sheet	Potential netting amounts	Net amount
Derivative financial assets	731	43	688
Derivative financial liabilities	43	43	–

	31 Dec 2018		
k€	Gross amounts of financial instruments on the balance sheet	Potential netting amounts	Net amount
Derivative financial assets	1,177	679	498
Derivative financial liabilities	679	679	–

The adjustments for the credit risks of the counterparties (Credit Value Adjustment) in the amount of k€ 2 (2018: k€ 3) and the adjustments for own credit risk (Debt Value Adjustment) amounting to k€ 0 (2018: k€ 0) are taken into account.

The maturities of foreign exchange transactions as at 31 December 2019 were as follows:

	less than 1 year	more than 1 year
Buy USD/€	mUSD 23.1	mUSD 3.0
Buy HKD/€	mUSD 21.7	mUSD 3.6
Sell CNH/€	mUSD 8.7	mUSD 0.0
Buy CNH/€	mUSD 138.4	mUSD 25.9

As at 31 December 2018, they had a term of

	less than 1 year	more than 1 year
Sell USD/€	mUSD 12.0	mUSD 0.0
Buy USD/€	mUSD 26.4	mUSD 2.8
Buy HKD/€	mUSD 29.0	mUSD 3.1
Buy CNH/€	mUSD 82.5	mUSD 17.5

Other comprehensive income includes changes in the value for hedging cash flows in the amount of k€ 40 (2018: k€ 2,348), recorded as not affecting net income. The positive change in the fair values of the forward exchange contracts measured at the balance sheet date amounted to k€ 616 (2018: k€ 1,053).

In order to hedge expected transactions, the Group had accounted for hedging relationships in hedge accounting. The hedging relationships became ineffective due to the expected loss of the underlying transactions. This related to forward exchange transactions in the amount of mCNH 8.7 (2018: mUSD 12.0). The reversal of the hedging relationships resulted in income of k€ 27 (2018: k€ 155), which was recognised in net other financial result.

(21) Other current assets

k€	31 Dec 2018	31 Dec 2019
VAT receivables	2,070	2,738
Current prepayments and accrued income	306	229
Other current assets (less than k€ 100)	1,429	1,281
	3,805	**4,248**

(22) Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advances paid	Total
Acquisition and manufacturing costs As at 1 Jan 2018	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**
Foreign currency differences	–	–	8	–	8
Additions	–	–	555	231	786
Disposals	–	–	524	–	524
Reclassifications	–	–	440	–441	–1
As at 31 Dec 2019	**7,224**	**11,821**	**21,964**	**240**	**41,249**
Cumulative depreciation As at 1 Jan 2018	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**
Foreign currency differences	–	–	7	–	7
Additions	–	–	1,013	–	1,013
Disposals	–	–	524	–	524
As at 31 Dec 2019	**2,638**	**162**	**20,154**	**–**	**22,954**
Net book value					
As at 1 Jan 2018	4,804	11,821	2,562	398	19,585
As at 31 Dec 2018	4,586	11,659	1,827	450	18,522
As at 31 Dec 2019	**4,586**	**11,659**	**1,810**	**240**	**18,295**

Trademarks concern the Soehnle brand, which was acquired in 2006 as part of the merger of the Soehnle Group.

Of the intangible assets of k€ 18,295 (2018: k€ 18,522), k€ 7,452 were located in Germany (2018: k€ 7,577), k€ 796 in the Czech Republic (2018: k€ 864), k€ 10,030 in France (2018: k€ 10,073) and k€ 17 in other countries (2018: k€ 8).

In the previous year, 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 cash-generating unit.

The remaining amortisation periods of significant other intangible assets are:

- Leifheit CZ a.s. customer base — 2 years
- Leifheit AG warehouse management system — 1 year
- Leifheit AG e-commerce software — 1 year

Impairment testing of intangible assets

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

- Leifheit
- Soehnle
- Birambeau
- Herby

The CGUs 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 2018	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**
Leifheit	1,919	1,919	–	–
Soehnle	–	–	4,586	4,586
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
	11,659	**11,659**	**4,586**	**4,586**

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

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

In order to determine the recoverable amount of the CGU in question, the value in use is determined using cash flow forecasts. Assumptions are made for future trends in turnover and costs on the basis of a one-year budget and were compared to external information.

	Assumptions to determine the value in use			
CGU	**Leifheit**	**Soehnle**	**Birambeau**	**Herby**
Turnover planning 2020	approx. +8%	approx. +6%	approx. -1%	approx. +4%
Earnings planning 2020	declining	increasing	declining	increasing
Gross margin	increasing	increasing	declining	declining
Turnover planning – subsequent years	increasing	at growth rate level [1]	at growth rate level	at growth rate level
Earnings planning – subsequent years	Level of financial year 2018	at growth rate leve [1] l	at growth rate level	at growth rate level

[1] In the turnover and earnings forecast for subsequent years, the Soehnle CGU is expected to achieve sales from the level of the 2019 financial year and the 2019 EBIT adjusted for special effects plus growth rate.

In the Soehnle and Herby CGUs, safety discounts were applied to 2020 planning due to past planning errors. The planned increase in sales at the Soehnle CGU was based on supply contracts already concluded. Due to already renegotiated purchase contracts and the absence of special effects, an increasing gross margin was expected for the Soehnle CGU.

	31 Dec 2019			
CGU	**Leifheit**	**Soehnle**	**Birambeau**	**Herby**
Discount rate after tax	6.3%	7.1%	6.7%	6.7%
Risk-free interest rate	0.2%	0.2%	0.3%	0.3%
Market risk premium	7.8%	7.8%	7.8%	7.8%
Beta factor	0.8	0.9	0.8	0.8
Borrowing costs	1.2%	1.2%	1.6%	1.6%
Tax rate	29.3%	29.3%	25.0%	25.0%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	8.7%	10.0%	8.9%	8.8%

As at 31 December 2019, 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.

In the case of the Soehnle CGU, the asset's fair value in use fell below the value in use by k€ 5,822. However, no impairment was recorded, as the asset's fair values less costs of disposal exceeded the book value according to the assumption. The fair value less cost of disposal of the brand rights also equaled the book value of k€ 4,586. The fair value less cost of disposal was based on a license price analogy procedure (level 3 assessment). This is based on an assumed license rate of 0.7% and the herewith future turnover expectations. The forecast of turnover considers growth in relation to the 2020 financial year of 5.4% and from the 2021 financial year onwards, turnover on the level of the 2019 financial year. Additionally, the contractual fixed license rates of the 2019 financial year were taken into consideration. A sustained failure of the turnover target or an increase in the interest rate would directly lead to further impairment of the brand right. For the other assets within the scope of IAS 36, it is assumed that the book value is a reliable approximation of the asset's fair value.

At the Leifheit CGU, failure to achieve planned turnover from approximately 7%, or a rise in interest rates from approximately 4 percentage points, would result in a need for impairment losses to be recognised.

At the Birambeau CGU, failure to achieve planned turnover from approximately 2%, or a rise in interest rates from approximately 0.7 percentage points, would result in a need for impairment losses to be recognised.

At the Herby CGU, failure to achieve planned turnover from approximately 15%, or a rise in interest rates from approximately 2.6 percentage points, would result in a need for impairment losses to be recognised.

The parameters were as follows in the previous year:

	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%	31.0%
Growth rate	0.5%	0.5%	0.5%	0.5%
Cost of capital before taxes	7.9%	8.8%	8.4%	8.6%

(23) 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 2018	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**
Foreign currency differences	186	286	24	24	520
Additions	101	181	2,249	2,639	5,170
Disposals	6	787	2,313	8	3,114
Reclassifications	293	2,416	630	–3,338	1
As at 31 Dec 2019	**56,469**	**46,604**	**37,599**	**1,890**	**142,562**
Cumulative depreciation As at 1 Jan 2018	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**
Foreign currency differences	107	219	11	–	337
Additions	1,225	2,648	1,944	–	5,817
Additions due to impairment	–	669	–	–	669
Disposals	6	785	2,196	–	2,987
As at 31 Dec 2019	**38,266**	**37,411**	**29,937**	**–**	**105,614**
Net book value					
As at 1 Jan 2018	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
As at 31 Dec 2019	**18,203**	**9,193**	**7,662**	**1,890**	**36,948**

Of the tangible assets of k€ 36,948 as at the balance sheet date (2018: k€ 38,207), k€ 15,515 were located in Germany (2018: k€ 15,510), k€ 16,781 in the Czech Republic (2018: k€ 17,512), k€ 4,094 in France (2018: k€ 4,691) and k€ 558 in other countries (2018: k€ 494).

(24) Right-of-use assets from leases

k€	Buildings	Operating and office equipment	Total
Acquisition and manufacturing costs As at 1 Jan 2019	2,013	44	2,057
Additions	74	185	259
As at 31 Dec 2019	**2,087**	**229**	**2,316**
Cumulative depreciation As at 1 Jan 2019	–	–	–
Additions	665	55	720
As at 31 Dec 2019	**665**	**55**	**720**
Net book value			
As at 1 Jan 2019	1,935	122	2,057
As at 31 Dec 2019	**1,422**	**174**	**1,596**

Of the k€ 1,596 in right of use assets as at the balance sheet date, k€ 24 were located in Germany, k€ 176 in the Czech Republic, k€ 912 in France and k€ 484 in other countries.

(25) Trade payables and other liabilities

k€	31 Dec 2018	31 Dec 2019
Trade payables	16,695	14,550
Customer bonuses	8,670	9,413
Employees	7,051	6,720
Advertising cost subsidies	4,813	3,580
Other taxes (excluding income taxes)	1,452	1,325
Outstanding invoices	980	1,255
Social security contributions	765	741
Reimbursement obligations	1,230	535
Debtors with credit balances	507	462
Annual financial statement costs	384	398
Tax advice	214	221
Purchase commitments	428	212
Energy costs	201	207
Rent	117	120
Commission obligations	170	107
Other administrative costs (less than k€ 100)	1,231	834
	44,908	**40,680**

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.

(26) Other provisions

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

The provisions for warranties, compensation payments and litigation costs totalling k€ 5,323 (2018: k€ 5,223) 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 interest effect in non-current provisions amounted to k€ 92 in the reporting period (2018: k€ 22).

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

	31 Dec 2019		
k€	Total	of which current	of which non-current
Warranties	5,148	4,416	732
Litigation costs and compensation payments	175	175	–
Personnel	1,982	92	1,890
Onerous contracts	259	259	–
Remaining other provisions	792	759	33
Balance sheet amount	**8,356**	**5,701**	**2,655**

	31 Dec 2018		
k€	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**

	Current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other current provisions
As at 1 Jan 2019	4,176	315	95	141	884
Foreign currency differences	–	–	–	–	1
Utilisation	2,743	15	78	39	643
Reversal	–	150	–	–	162
Addition	2,983	25	75	157	679
As at 31 Dec 2019	**4,416**	**175**	**92**	**259**	**759**

	Non-current provisions				
k€	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other current provisions
As at 1 Jan 2019	732	–	1,400	–	34
Foreign currency differences	–	–	–	–	–
Utilisation	732	–	–	–	–
Reversal	–	–	13	–	1
Addition	732	–	503	–	–
As at 31 Dec 2019	**732**	**–**	**1,890**	**–**	**33**

(27) Lease liabilities

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

Maturity in k€	Lease liabilities
Within 12 months	687
1 to 5 years	913
More than 5 years	–

The weighted average incremental borrowing rate of interest for the lease liabilities reported as at the time of initial application stood at 0.4% (1 January 2019: 0.6%).

k€	1 Jan to 31 Dec 2019
Depreciation expense for the rights of use	720
Interest expense from lease liabilities	11
Expenses for short-term leases according to IFRS 16.6	25
Expenses for low-value asset leases according to IFRS 16.6	129
Total amount recognised as an expense affecting net income	**885**

Cash outflow for leases amounted to k€ 870, of which k€ 25 from short-term leases and k€ 129 from low-value leases.

k€	2018	2019
Short and long-term leasing liabilities As at 1 Jan	**–**	**2,057**
Payment for leasing liabilities	–	–716
Total change in cash flow	**–**	**–716**
Exchange rate effects	–	11
Other changes	–	259
Interest expense	–	–11
Short and long-term leasing liabilities As at 31 Dec	**–**	**1,600**

(28) Provisions for pensions and similar obligations

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

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

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

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

k€	31 Dec 2018	31 Dec 2019
Present value of defined benefit obligations (DBO)	66,013	67,782
Fair value of plan assets	–1,034	–927
Provisions for pensions and similar obligations	**64,979**	**66,855**

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

k€	2018	2019
Current service cost	545	477
Interest expense on the obligation	1,148	1,274
Total cost of post-employment benefits	**1,693**	**1,751**

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

k€	2018	2019
Actuarial gains/losses due to demographic changes	628	–
Actuarial gains/losses due to adjustment of the obligation to reflect historical data	–1,353	–1,553
Actuarial gains/losses due to changes in actuarial assumptions	–3,314	4,098
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	–1
Adjustment effects recognised in other comprehensive income	**–4,043**	**2,544**

In the previous year, there was an expense of k€ 628 for actuarial gains/losses due to demographic changes as a result of the switch from mortality tables to the mortality tables of Prof. Dr K. Heubeck 2018 G.

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

k€	2018	2019
Net liability at start of year	69,502	64,979
Net expense recognised in net result for the period	1,693	1,751
Adjustment effects recognised in other comprehensive income	−4,043	2,544
Other plan assets amounts	158	30
Payments to beneficiaries	−2,331	−2,449
Recognised net liability at end of year	**64,979**	**66,855**

In addition, contributions of k€ 3,878 were paid to government pension providers (2018: k€ 3,710).

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

k€	2018	2019
DBO at start of year	70,730	66,013
Current service cost	545	477
Interest expense	1,148	1,274
Benefit payments	−2,331	−2,449
Adjustment due to demographic changes	628	–
Adjustment to reflect historical data	−1,353	−1,553
Actuarial gains/losses	−3,314	4,098
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	−1
Other amounts	−36	−77
DBO at end of year	**66,013**	**67,782**

The fair value of plan assets changed as follows:

k€	2018	2019
Fair value of plan assets at start of year	1,228	1,034
Employer contributions	−120	–
Other amounts	−74	−107
Fair value of plan assets at end of year	**1,034**	**927**

In Germany, plan assets cover reinsurance policies with German insurance companies, while in France they cover certain bank benefit 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 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019
Discount rate	2.0 %	1.3 %	1.7 %	1.2 %
Future income trend	2.5 %	2.5 %	1.0 %	1.0 %
Future pension trend	2.0 %	1.7 %	–	–
Mortality tables	Prof. Dr K. Heubeck 2018 G	Prof. Dr K. Heubeck 2018 G	TF00-002	TF00-002
Arithmetical final age	RVAG AnpG 2007	RVAG AnpG 2007	65	65

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

k€	2018	2019
Within the next 12 months (following financial year)	2,593	2,613
Between 2 and 5 years	11,062	10,859
Between 6 and 10 years	15,417	14,844

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	1.3/1.2 %	−0.25 PP	2,550
Discount rate	1.3/1.2 %	+0.25 PP	−2,373
Inflation rate/ pension trend	1.7 %	−0.5 PP	−3,998
Inflation rate/ pension trend	1.7 %	+0.5 PP	4,384
Future salary increase	2.5/1.0 %	−0.5 PP	−419
Future salary increase	2.5/1.0 %	+0.5 PP	444
Life expectancy		+1 year	3,221

The payment-weighted duration of the defined post-employment obligations in Germany amounted to 15.0 years (2018: 14.8 years).

(29) Subscribed capital

The subscribed capital of Leifheit Aktiengesellschaft of k€ 30,000 (2018: k€ 30,000) is denominated in euros and is divided into 10,000,000 bearer shares. This corresponds to a theoretical value per no-par-value bearer share of € 3.00. All shares accord the same rights. Shareholders receive dividends as resolved and have one vote for each share at the Annual General Meeting.

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

The Annual General Meeting of Leifheit AG on 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 (2017 authorised capital). 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.

(30) Capital surplus

The capital surplus in the amount of k€ 17,026 (2018: 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.

(31) Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit AG held 490,970 treasury shares on 31 December 2019. 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 (German stock corporation act).

(32) Retained earnings

Retained earnings include the statutory reserve of k€ 1,023 (2018: k€ 1,023), other retained earnings amounting to k€ 63,922 (2018: k€ 65,497) and the net result for the period allocated to the shareholders of the parent company of k€ 5,832 (2018: k€ 8,410). 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 2018 of k€ 9,984 was distributed in the reporting year (2018: k€ 9,984) This corresponded to a dividend of € 1.05 per eligible share (2018: € 1.05).

(33) Other reserves

k€	2018	2019
Actuarial gains/losses on defined benefit pension plans	–22,527	–25,071
Deferred taxes	6,590	7,350
Currency translation of foreign operations	1,173	1,334
Currency translation of net investments in foreign operations	2,600	2,791
Deferred taxes	–763	–819
Net result of cash flow hedges	383	423
Deferred taxes	–118	–123
	–12,662	**–14,115**

In the reporting period, cash flow hedges against exchange rate risks of k€ 337 before deferred taxes were reclassified from positive other reserves to the net result for the period.

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.

Other notes

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

After withdrawing k€ 1,754 from retained earnings, Leifheit AG will have a balance sheet profit of € 10,000,000 from the 2019 financial year just ended. The Board of Management will propose to the forthcoming Annual General Meeting that the balance sheet profit be appropriated as follows:

Payment of a dividend of € 0.55 per eligible no-par-value bearer share	€ 5,229,966.50
Retained earnings	€ 4,770,033.50

(35) 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.

(36) Financial instruments

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

The material risks to the Group arising from these financial instruments are credit, liquidity 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 zloty (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

Some 11% (2018: 10%) of Group turnover was generated in foreign currencies; 38% (2018: 35%) of 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 €/foreign currency	Effects as at 31 Dec 2018	**Effects as at 31 Dec 2019**
US dollar	+5 %	–2	–72
	–5 %	2	79
	+10 %	–4	–137
	–10 %	5	167
Czech koruna	+5 %	–788	–517
	–5 %	870	571
	+10 %	–1,504	–986
	–10 %	1,838	1,205
HK dollar	+5 %	–44	–
	–5 %	49	–
	+10 %	–85	–
	–10 %	104	1
Chinese yuan	+5 %	–	–27
	–5 %	–	29
	+10 %	–1	–51
	–10 %	1	62

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

k€	Currency performance €/foreign currency	Effects as at 31 Dec 2018	**Effects as at 31 Dec 2019**
US dollar	+5 %	–774	–1,179
	–5 %	855	1,305
	+10 %	–1,477	–2,251
	–10 %	1,805	2,754
Czech koruna	+5 %	–1,073	–1,128
	–5 %	1,422	1,483
	+10 %	–2,252	–2,358
	–10 %	2,752	2,882
HK dollar	+5 %	–142	–136
	–5 %	157	151
	+10 %	–271	–260
	–10 %	332	318
Chinese yuan	+5 %	–610	–888
	–5 %	674	1,012
	+10 %	–1,165	–1,782
	–10 %	1,424	2,140

Cash flow hedges

The Group held derivative financial instruments. These included, in particular, forward exchange contracts as described in more detail under Note 20. The aim of these derivatives is to hedge against changes in exchange rates arising from the Group's operations.

As at 31 December 2019, 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 2020 to February 2021 from suppliers in the Far East amounting to kUSD 26,052, kHKD 25,320 and kCNH 155,597.

An amount of k€ –71 was added directly to acquisition costs for cash flow hedges pursuant to IFRS 9 as at 31 December in relation to foreign currency risk associated with the anticipated purchase of non-financial assets (2018: k€ 95).

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:

	2019			
	Expected cash flows			**Book value**
k€	**Within 12 months**	**More than 1 year**	**Total**	
Assets	–24,199	–1,602	–25,801	731
Liabilities	–14,337	–4,665	–19,002	43

	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

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

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

k€	2019 Within 12 months	2019 More than 1 year	2019 Total
Assets	41	–	41
Liabilities	13	–	13

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

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

k€	2019 Within 12 months	2019 More than 1 year	2019 Total
Assets	689	1	690
Liabilities	19	11	30

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

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 2019 in the amount of k€ 50,301 and unused lines of credit of k€ 8,285 cover current liabilities as at the balance sheet date of k€ 47,163.

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 2019.

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 provisions for pensions. A decline of 0.25 percentage points would have resulted in a reduction of other comprehensive income of k€ 2,550 on the balance sheet date (2018: k€ 2,426).

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€ 102 in profit or loss (2018: k€ 65).

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

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

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

k€	31 Dec 2018	**31 Dec 2019**
Trade receivables	50,720	44,400
Contractual assets	1,572	1,017
	52,292	**45,417**
Goods insured	48,377	41,447
Not insured	3,915	3,970
	52,292	**45,417**

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

k€	**31 Dec 2019**	**Loss rate [1]**	**Impairment**
Not overdue	45,787	0.04%	19
Overdue			
1 to 30 days	3,226	0.63%	20
31 to 60 days	924	3.02%	28
61 to 90 days	910	8.96%	28
91 to 120 days	196	10.53%	21
Over 120 days	57	10.53%	5
			121

[1] Weighted average.

k€	31 Dec 2018	Loss rate [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.

In the balance sheet as of 31 December 2019, assets in the form of forward exchange transactions amounting to k€ 731 (2018: k€ 1,177), liabilities in the form of forward exchange transactions amounting to k€ 43 (2018: k€ 679) and cash equivalents in the form of structured time deposits amounting to k€ 5,006 (2018: k€ 0) are measured at fair value.

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 68). 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€ 9,155 were available on the balance sheet date (2018: k€ 11,635). Of this amount, k€ 870 (2018: k€ 815) was used for bills of guarantee. Unused lines of credit were k€ 8,285 (2018: k€ 10,820).

The following table shows the book values of financial assets and financial liabilities pursuant to FRS 9 as at the balance sheet date 2019. 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 2019
Financial assets measured at fair value				
Cash and cash equivalents – Note 16	5,006	–	–	5,006
Forward foreign exchange transactions – Note 20 (designated as hedging transactions)	–	690	–	690
Forward foreign exchange transactions – Note 20 (not designated as hedging transactions)	41	–	–	41
Financial assets not measured at fair value				
Trade receivables and other receivables – Note 17, 21	–	–	45,793	45,793
Cash and cash equivalents – Note 16	–	–	45,295	45,295
Financial liabilities measured at fair value				
Forward foreign exchange transactions – Note 20 (designated as hedging transactions)	–	29	–	29
Forward foreign exchange transactions – Note 20 (not designated as hedging transactions)	14	–	–	14
Financial assets not measured at fair value				
Trade receivables and other receivables and leasing liabilities – Note 25, 27	–	–	31,485	31,485

The net gains and losses on financial instruments by measurement category (excluding amounts recognised in other comprehensive income) were as follows in the year under review:

k€	Net interest result	Currency translation	Impairment	Adjustments of fair value	2019
Fair value through profit or loss	4	646	–	–114	536
At amortised cost	–14	–164	–102	–	–280

The following table shows the corresponding figures as of the 2018 balance sheet date.

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 20 (designated as hedging transactions)	–	683	–	683
Forward foreign exchange transactions– Note 20 (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 16	–	–	50,932	50,932
Financial liabilities measured at fair value				
Forward foreign exchange transactions– Note 20 (designated as hedging transactions)	–	343	–	343
Forward foreign exchange transactions– Note 20 (not designated as hedging transactions)	336	–	–	336
Financial assets not measured at fair value				
Trade payables and other liabilities – Note 25	–	–	33,177	33,177

The net gains and losses on financial instruments by measurement category (excluding amounts recognised in other comprehensive income) were as follows in the previous year:

k€	Net interest result	Currency translation	Impairment	Adjustments of fair value	2018
Fair value through profit or loss	–113	381	–	422	690
At amortised cost	35	–369	–65	–	–399

(37) Commitments

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

(38) Other financial liabilities

As at 31 December 2019, there were contractual obligations arising out of contracts without cancellation options, e.g. maintenance, service and insurance agreements, in the amount of k€ 2,547 (2018: k€ 2,680). The future minimum payments based on these contracts without cancellation options amount to k€ 2,176 (2018: k€ 2,031), between one and five years k€ 368 (2018: k€ 649), between one and five years k€ 3 (2018: k€ 0).

As at 31 December 2019, purchase commitments for raw materials totalled k€ 1,523 (2018: k€ 1,733).

There were contractual obligations to acquire items of tangible assets in the amount of k€ 1,237 (2018: k€ 1,743), relating to facilities and tools in particular. In addition, there were obligations from contracts for marketing measures amounting to k€ 3,923 (2018: k€ 189) and from other contracts amounting to k€ 772 (2018: k€ 657).

The Group had previously classified leases and rental agreements for office space, shops, software licenses, office equipment and vehicles as lessee under operating leases in accordance with IAS 17. In accordance with IFRS 16, the Group now recognises rights of use and lease liabilities for most of these leases and rental agreements. For the remaining rental and lease agreements, office equipment and software licences, simplification rules permitted under IFRS 16 have been applied and these are presented here as leases, whereby the previous year's figures are still shown full in accordance with IAS 17. Lease payments are renegotiated at regular intervals in order to reflect standard market terms. The terms are always less than five years. No sub-leases exist. As at 31 December 2019, these future minimum rental payments from rental and lease agreements without cancellation options amounted to k€ 506 (2018: k€ 905), of which k€ 293 within one year (2018: k€ 689) and k€ 213 between one and five years (2018: k€ 216). In the 2019 financial year, k€ 532 (2018: k€ 1,047) was recognised in the statement of profit or loss as rental expense.

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

The remuneration system for the Board of Management and Supervisory Board, the individual remuneration and the information on share-based payment are set out in detail in the "Legal Information" section of the combined management report.

The following remuneration was granted to the members of the Board of Management:

k€	2018	2019
Remuneration and other short-term benefits	1,050	1,795
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	–	2,070
	2,109	**3,865**

As in the previous year, no remuneration was paid to the Board of Management for the assumption of responsibilities at subsidiaries. Likewise, the members of the Board of Management were not granted any performance-based pension commitments. Therefore, no additions were made to provisions for pensions (DBO pursuant to IFRS) for serving members of the Board of Management, as in the previous year.

The following remuneration was granted to the members of the Supervisory Board:

k€	2018	2019
Remuneration and other short-term benefits	348	422
Benefits following the end of the employment relationship	–	–
Other long-term benefits	–	–
Benefits due to the end of the employment relationship	–	–
Share-based remuneration	–	237
	348	**659**

(40) 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€ 498 in the reporting year (2018: k€ 487). Provisions created for the current pensions (DBO according to IFRS) in financial year 2019 amounted to k€ 8,272 (2018: k€ 7,930).

(41) 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.

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

The remuneration of the auditor, KPMG AG Wirtschaftsprufungsgesellschaft, Frankfurt/Main, recorded as expenses in 2019, amounted to k€ 259 for the audit of the financial statements (thereof dissolution for 2018: k€ 21), k€ 12 for other certification services and k€ 40 for other services.

No tax consultancy services were provided by the auditor in the year under review.

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 Sven Eifert (since financial year 2019) are the signatory auditors for financial year 2019.

(43) 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.

(44) Related party transactions

The employment relationship with the former Board of Management member Ansgar Lengeling ended at the end of 31 October 2019 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 had been formed in the previous year.

The employment relationship with former Chairman of the Board of Management Thomas Radke ended at the end of 31 December 2019 with a leave of absence and the continued payment of the remuneration. In connection with the exemption, a provision of k€ 95 was formed (2018: k€ 481).

A managing director of our Czech subsidiary Leifheit CZ a.s. is also the managing director of a Czech customer. In the year under review, turnover of k€ 262 was generated with this customer at an arm's length margin of 26% (2018: k€ 383 turnover at 28% margin). The customer continued to provide shared services for our subsidiary at arm's length terms and conditions in the amount of k€ 634 (previous year: k€ 612). Leifheit CZ a.s. provided services amounting to k€ 10 (2018: k€ 10).

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

(45) Declaration in accordance with section 161 AktG

In December 2019, 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 at **corporate-governance.leifheit-group.com** on the company's website.

(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). All notifications of voting rights have been published by Leifheit in accordance with section 40 para. 1 WpHG and are available on the homepage at **leifheit-group.com**. 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]
February 2019	Douglas Smith, Blackmoor Investment Partners LLC	(KY)	Section 34	3.52 %	352,061
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) Sentence 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.

(47) Events after the balance sheet date

In 2020, the spread of the coronavirus is a factor with yet unpredictable consequences for the economy as a whole and the business activities of the Leifheit Group itself. The largest part of our products is made at the European locations of the Group. The company continuously monitors the stock of raw materials and semi-finished parts to ensure the production. In addition, we rely on a network from partners and suppliers in Europe and Asia. In mid-March 2020, the Leifheit group is neither effected by massive delivery bottlenecks nor by declines in turnover. In the event of future turnover collapses in the 2020 financial year, there would be basically the risk of a decline in earnings and an impairment loss especially on intangible assets. The Board of Management prepared the forecast for the 2020 financial year before possible effects of the corona crisis. Due to the rapid development and the therewith associated high degree of uncertainty, the financial effects cannot be determined. There were no additional events after the end of the financial year of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group.

Organs of Leifheit AG

The profiles of the members of the Supervisory Board and Board of Management are available on our homepage at **organs.leifheit-group.com**.

Members of the Board of Management

Person	Board membership/function	Appointed until	Responsible for	Mandates/memberships outside the Group [1, 2]
Ivo Huhmann (until 31 March 2020) Born 1969 Nationality: German Place of residence: Wiesbaden, Germany	Member since 1 Apr 2017, CFO since 25 May 2017, ad interim Co-CEO 1 Nov 2018 to 31 May 2019	31 Mar 2020	Finance, Controlling, Audit, Business Processes/IT, Investor Relations, ESG issues and ad interim (16 Oct 2018 to 31 May 2019) for Marketing, Sales, and the Birambeau and Herby divisions	none
Igor Iraeta Munduate Born 1974 Nationality: Spanish Place of residence: Bonn, Germany	Member (COO) since 1 Nov 2018, ad interim Co-CEO 1 Nov 2018 to 31 May 2019	31 Oct 2021	Production, Logics, Procurement, Development, Quality Management and ad interim (1 Nov 2018 to 31 May 2019) for Personnel, Legal/IP	none
Henner Rinsche Born 1970 Nationality: German Place of residence: Frankfurt/Main, Germany	Member and CEO since 1 June 2019, CFO from 1 Apr 2020	31 May 2022	Marketing, Sales, HR, Legal/IP, Birambeau and Herby divisions, Personnel, Legal/IP and from 1 Apr 2020 Finance, Controlling, Audit, Business Processes/IT, Investor Relations, ESG issues	none

[1] Memberships in other Supervisory Boards required by law according to section 125 para. 1 sentence 5 AktG.
[2] Memberships in comparable domestic and foreign governing bodies of enterprises according to section 125 para. 1 sentence 5 AktG.

Members of the Supervisory Board

The acting members of the Supervisory Board are appointed for the period until the end of the Annual General Meeting, which resolves on the approval of the actions of the Supervisory Board for financial year 2023.

Person	Supervisory Board membership/function	Mandates/memberships outside the Group
Joachim Barnert [1] Born 1968 Nationality: German Head of Maintenance at Leifheit AG, Nassau/Lahn, Germany, Zuzenhausen site	Member since 29 May 2019	none
Dr Günter Blaschke Born 1949 Nationality: German Pensioner, Chairman of the Board of Management (CEO) of WashTec AG, Augsburg, Germany, 15 July to 31 Dec 2019	Member since 1 Apr 2019, Chairman since 2 Apr 2019,	- WashTec AG, Augsburg, Germany, Chairman of the Supervisory Board until 14 July 2019/ since 1 Jan 2020 [2]
Georg Hesse Born 1972 Nationality: German Chairman of the Board of Management (CEO) of HolidayCheck Group AG, Munich, Germany	Member since 30 May 2018	none
Karsten Schmidt Born 1956 Nationality: German Independent consultant, Penzberg, Germany	Member and Deputy Chairman since 29 May 2019	- Schleich GmbH, Schwäbisch Gmünd, Germany, Chairman of the Advisory Board until Sep 2019 [3] - Amoena GmbH, Raubling, Germany Chairman of the Advisory Board until Sep 2019 [3]
Thomas Standke [1] Born 1968 Nationality: German Toolmaker at Leifheit AG, Nassau/Lahn, Germany	Member since 27 May 2004	none
Dr Claus-O. Zacharias Born 1954 Nationality: German Independent consultant, Düsseldorf, Germany	Member since 29 May 2019	- Peacock Capital GmbH, Düsseldorf, Germany, Member of the Advisory Board until 3 Sep 2019 [3] - Severin Elektrogeräte GmbH, Sundern, Germany, Member of the Advisory Board [3]
Ulli Gritzuhn (until 31 Mar 2019) Born 1962 Nationality: German General Manager of Unilever Deutschland GmbH, Hamburg, Germany	Member 4 Feb 2016 to 31 Mar 2019, Deputy Chairman 23 Mar 2019 to 31 Mar 2019	- Rotkäppchen-Mumm Sektkellereien GmbH, Freyburg (Unstrut), Germany, Member of the Advisory Board since 1 Oct 2019 [3]
Baldur Groß [1] **(until 29 May 2019)** Born 1958 Nationality: German Head of Maintenance, Electrics and Facility Management of Leifheit AG, Nassau/Lahn, Germany	Member 22 May 2014 to 29 May 2019	none
Sonja Wärntges (until 28 Feb 2019) Born 1967 Nationality: German Chairwoman of the Board of Management (CEO) of DIC Asset AG, Frankfurt/Main, Germany	Member 4 Feb 2016 to 28 Feb 2019	- DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt/Main, Germany (Chairman of the Supervisory Board) [2]
Helmut Zahn (until 31 Mar 2019) Born 1955 Nationality: German Independent consultant, Starnberg, Germany	Member 30 Apr 2001 to 31 Mar 2019, Chairman 24 Jan 2007 to 31 Mar 2019	- Flossbach von Storch AG, Cologne, Deputy Chairman of the Supervisory Board [2] - Hahn-Immobilien-Beteiligungs-AG, Bergisch Gladbach, Germany, Member of the Supervisory Board until 23 May 2019 [2] - Kriton Immobilien GmbH, Munich, Germany, Member of the Advisory Board [3] - Mercura Capital GmbH, Munich, Germany, Chairman of the Advisory Board [3]

[1] Employee representative
[1] Memberships in other Supervisory Boards required by law according to section 125 para. 1 sentence 5 AktG.
[3] Memberships in comparable domestic and foreign governing bodies of enterprises according to section 125 para. 1 sentence 5 AktG.

Supervisory Board committees

Committee	Members	
Audit Committee (AC) The Audit Committee prepares the negotiations and resolutions of the Supervisory Board on the approval of the annual financial statement and the consolidated financial statement as well as the adoption of the proposal to the Annual General Meeting for the election of the auditor. It also deals with issues relating to accounting, the effectiveness of the internal control system, risk management, the internal audit system and compliance.	**Dr Günter Blaschke** **Georg Hesse** **Dr Claus-O. Zacharias** **Ulli Gritzuhn** **Sonja Wärntges** **Helmut Zahn**	Member since 2 Apr 2019, Member 18 Mar 2019 to 29 May 2019 Member and Chairman since 29 May 2019 Member 6 Mar 2018 to 31 Mar 2019, Chairman 18 Mar to 31 Mar 2019 Member and Chairman 13 Feb 2016 to 28 Feb 2019 Member 28 Sep 2001 to 31 Mar 2019
Nominating Committee The Nominating Committee prepares the resolutions of the Supervisory Board on election proposals to the Annual General Meeting for the election of Supervisory Board members (shareholder representatives).	**Dr Günter Blaschke** **Georg Hesse** **Karsten Schmidt** **Dr Claus-O. Zacharias** **Ulli Gritzuhn** **Sonja Wärntges** **Helmut Zahn**	Member and Chairman since 29 May 2019 Member 18 Mar 2019 to 29 May 2019 Member since 29 May 2019 Member since 29 May 2019 Member 22 Sep 2016 to 31 Mar 2019 Member 22 Sep 2016 to 28 Feb 2019 Member and Chairman 22 Sep 2016 to 31 Mar 2019
Personnel Committee The Personnel Committee examines all employment contracts for the members of the Board of Management, including remuneration and the remuneration system.	**Dr Günter Blaschke** **Georg Hesse** **Karsten Schmidt** **Ulli Gritzuhn** **Helmut Zahn**	Member since 29 May 2019 Member since 30 May 2018, Chairman since 29 May 2019 Member since 29 May 2019 Member 13 Feb 2016 to 31 Mar 2019 Member 27 May 2004 to 31 Mar 2019, Chairman 24 Jan 2007 to 31 Mar 2019
Sales/Marketing Committee The Sales/Marketing Committee deals with the sales and marketing strategy.	**Joachim Barnert** **Dr Günter Blaschke** **Georg Hesse** **Karsten Schmidt**	Member since 29 May 2019 Member and Chairman since 29 May 2019 Member since 29 May 2019 Member since 29 May 2019
Product Range/Innovation Committee The Product Range/Innovation Committee deals with the product range and innovation strategy and the product pipeline.	**Dr Günter Blaschke** **Karsten Schmidt** **Thomas Standke**	Member since 29 May 2019 Member and Chairman since 29 May 2019 Member since 29 May 2019

Nassau/Lahn, 25 March 2020

Leifheit Aktiengesellschaft

The Board of Management

Henner Rinsche 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 2020

Leifheit Aktiengesellschaft

The Board of Management

Henner Rinsche 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 its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flow for the financial year from 1 January to 31 December 2019, 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 2019. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. 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 of the cash-generating unit Soehnle**

For more information on the accounting policies applied please refer to the section "General information and accounting and valuation principles" with the subsections "Intangible assets" and "Impairment of intangible assets and tangible assets" in the notes to the consolidated financial statements. The assumptions underlying the measurement as well as the disclosures on the impairment testing of the trademarks assigned to the CGU Soehnle can be found in section 22 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 4.6 million). The trademarks are attributable to the cash-generating unit (CGU) Soehnle.

Trademarks are tested for impairment annually, as well as when indicators of impairment are present, at the level of CGU Soehnle. To do this, Leifheit uses a discounted cash flow model to calculate the value in use of CGU Soehnle. If the carrying amount is higher than the value in use, this results in an impairment requirement to the extent that the carrying amount is not covered by the fair value less costs to sell. The impairment requirement would be generally proportionally attributable to the assets assigned to the CGO Soehnle following the full impairment of goodwill in the prior year.

The reporting date for the impairment test is 31 December of the financial year.

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

Owing to the declining sales and earnings situation for CGU Soehnle, the value in use fell below the carrying amount as at 31 December 2019 by EUR 5.8 million. For the assets assigned to CGU Soehnle within the scope of IAS 36, the fair value less costs to sell of the individual assets matched or exceeded the respective carrying amounts, which meant that no impairment requirement could be allocated to the assets. The fair value of the trademark in the amount of EUR 4.6 million, which equated to the carrying amount, was determined using the relief-from-royalty method.

If revenue continually falls short of the targets expected by the Board of Management for CGU Soehnle or the interest rate rises, this would result in a further impairment requirement for the trademarks. In this context, the matter was of particular significance for the purposes of our audit.

There is the risk for the consolidated financial statements that a potential impairment loss required for the trademarks of CGU Soehnle as at the reporting date is not recorded. 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 assessed, among other things, the appropriateness of the key assumptions and calculation methods of the Company. As changes to expected revenue performance for CGU Soehnle can significantly impact the results of impairment testing, we discussed, in particular, the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. To this end, we examined the deviations from forecasts in the past to determine how those responsible for planning had reacted to deviations from the forecast in preparing the forecast. We compared the assumptions and parameters underlying the discount rate for 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 testing of trademarks of CGU Soehnle were appropriate. This also included an assessment of the appropriateness of 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 the trademarks of CGU Soehnle is appropriate and in line with the accounting policies to be applied.

The Company's underlying assumptions and parameters are appropriate overall.

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 25 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 9.4 million and other liabilities from advertising subsidies in the amount of EUR 3.6 million.

There are numerous individual terms and conditions agreements in place with the Group's customers, which are generally updated on an annual basis in the course of negotiations. Therefore, the complete and accurate recognition of other liabilities from customer bonuses and from advertising subsidies is complex and requires the assurance that 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 and accurate recording of these in the system in respect of their design, set up and effectiveness. 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 terms and conditions), an expected value of customer-related liabilities was also calculated by extrapolating the expense for terms and conditions in 2019 and deviations were analysed in the amount of the recognised liability. In addition, a statistical method was used to analyse the population of all expense postings for customer terms and conditions for a period of time after the reporting date to determine whether the revenue reduction and terms 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 the Leifheit AG Group is appropriate.

– Revenue recognition on an accrual basis
The disclosures made by the Group on the recognition of revenue are contained in the Section "General information and accounting and valuation principles" with the subsection "Recognition of income and expenses" 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 234.0 million in financial year 2019.

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 is expected to be entitled. Leifheit Aktiengesellschaft has determined that the performance obligation is fulfilled at the time the products are transferred to the customer and thus that revenue is recognised at a point in time on the basis of on the following indicators:

- 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, different 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 agreements 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
To examine whether revenue is recognised on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to outgoing goods and invoicing, as well as (in particular) the determination of transfer of control.

In this context, there was also an evaluation of the Board of Management's interpretation and weighting of indicators to assess the time at which control is transferred within the meaning of IFRS 15 based on the requirements of the group-wide accounting policy.

Using surveys and discussions with the entities' representatives, we obtained an understanding of the business. In the system, customer master data contains standard delivery times depending on the post-code area or country, which give an indication to assess the point in time that control is transferred. Based on this, we examined revenue for the month of 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 evaluated by us for appropriateness, were accurately taken into account. In addition, we used sampling to check the appropriateness of special rules for customers that deviated from the above.

In addition, using a statistical selection process for a period of time after the balance sheet date, we assessed whether the manual revenue adjustments that were made had been recorded on an accrual basis.

Our observations
The Leifheit Group's procedure for revenue recognition cut-off is appropriate.

Other Information

The Board of Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

- the Group's separate non-financial report, which is referred to in the combined management report, and
- the combined corporate governance statement for the Company and the Group referred to in the combined management report.

The other information also includes the remaining parts of the annual financial report (annual report). The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Board of Management and Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Board of Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.

- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU 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 at the annual general meeting on 29 May 2019. We were engaged by the Supervisory Board on 11 November 2019. We have been the group auditor of Leifheit AG since financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the consolidated financial statement audit, we also performed the audit of 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. Other assurance services relate to the audit of the separate non-financial consolidated report of Leifheit AG, Nassau, in the form of an audit with limited assurance. In addition, other services were performed in connection with Leifheit AG's enforcement proceedings.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Sebastian Hargarten.

Frankfurt/Main, 25 March 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

Original German version signed by

gez. Hargarten	gez. Eifert
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Key figures 5-year-history

		2015	2016	2017	2018	2019
Turnover						
Group [1]	m€	231.8	237.1	236.8	234.2	234.0
Household	m€	169.4	178.3	182.9	180.4	182.0
Wellbeing	m€	25.2	22.6	19.6	19.9	19.8
Private Label	m€	37.2	32.2	34.3	33.9	32.2
Foreign share	%	57.4	60.1	59.1	58.3	60.0
Profitability						
Gross margin	%	46.7	47.5	46.4	43.6	43.1
Cash flow from operating activities	m€	20.8	21.8	7.2	10.2	15.9
Free cash flow	m€	14.1	14.3	1.5	3.7	10.1
EBIT	m€	21.7	22.1	18.8	13.1	9.9
EBIT margin	%	9.3	9.3	8.0	5.6	4.2
EBT	m€	20.2	20.6	17.7	11.9	8.5
Net result for the period	m€	14.3	14.5	12.9	8.4	5.8
Net return on turnover	%	6.2	6.1	5.4	3.6	2.5
Return on equity	%	13.4	13.9	13.0	8.3	6.1
Return on total capital	%	6.0	6.1	5.7	3.8	2.7
ROCE	%	–	–	–	10.5	8.2
Share [2]						
Net result for the period per share [3]	€	1.51	1.53	1.35	0.88	0.61
Free cash flow per share [3]	€	1.48	1.51	0.16	0.39	1.06
Dividend per share	€	1.00	1.05	1.05	1.05	0.55 [4]
Special dividend per share	€	0.38	0.40	–	–	–
Employees at the end of the year						
Group [1]	people	1,074	1,093	1,137	1,119	1,106
Household	people	–	–	930	905	906
Wellbeing	people	–	–	48	56	52
Private Label	people	–	–	159	158	148
Investments	m€	7.1	7.8	7.8	6.6	6.0
Investment ration	%	4.1	4.4	4.5	3.7	2.0
Depreciation and amortisation	m€	5.8	6.2	6.4	6.9	8.2
Balance sheet total	m€	237.9	239.4	224.9	221.8	214.6
Equity	m€	106.7	104.6	98.5	101.8	96.2
Equity ratio	%	44.9	43.7	43.8	45.9	44.8

[1] Segments changed since 2018.
[2] Capital increase from own funds with the issuing of new shares in 2017; data for the previous year adjusted for comparability.
[3] Not including repurchased treasury shares.
[4] Dividend proposal.

Information, Disclaimer, Financial calendar, Legal notice

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, the report of the Supervisory Board, the corporate governance report and the sustainability report as well as the consolidated financial statements are online available at **financial-reports.leifheit-group.com**.

Note on rounding

Minor differences may occur when using rounded amounts and percentages due to commercial rounding.

Discrepancies due to technical factors

Technical factors (e.g. conversion of electronic formats) may lead to discrepancies between the financial statements contained in this financial report and those submitted to the 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.

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.

Financial calendar

13 May 2020	**Quarterly Statement** for the period ending 31 March 2020
	Annual General Meeting [1]
13 Aug 2020	**Financial report for the first half-year** ending 30 June 2020
11 Nov 2020	**Quarterly Statement** for the period ending 30 Sept 2020

[1] The Annual General Meeting scheduled for 20 May 2020 will be postponed due to current developments in the corona crisis. At the time of publication of this report, a new date has not yet been set.

Legal notice

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