



CLEAN TWIST M
floor wiper



CLEAN TWIST
disc mop



Profi XL
floor wiper



Regulus Aqua
PowerVac
cordless
vacuum wiper



Pegasus
drying rack



Linomatic
rotary dryer



Soehnle
Style Sense
digital personal
scales



Soehnle
Airfresh
air purifier



SCALING UP SUCCESS

Annual financial report

2020

LEIFHEIT

Key figures of the Group

		2019	2020	Change
Turnover				
Group	m€	234.0	271.6	16.0%
Household	m€	182.0	213.1	17.0%
Wellbeing	m€	19.8	26.5	33.7%
Private Label	m€	32.2	32.0	-0.5%
Profitability				
Gross margin	%	43.1	45.0	1.9 pps
Cash flow from operating activities	m€	15.9	4.0	-74.6%
Free cash flow	m€	10.1	-5.5	>-100.0%
Foreign currency result	m€	0.3	-0.9	>-100.0%
EBIT	m€	9.9	18.8	90.2%
EBIT margin	%	4.2	6.9	2.7 pps
EBT	m€	8.5	17.7	>100.0%
Net result for the period	m€	5.8	12.5	>100.0%
Return on sales	%	2.5	4.6	2.1 pps
Return on equity	%	6.1	12.5	6.4 pps
Return on total capital	%	2.7	5.4	2.7 pps
ROCE	%	8.2	14.1	5.9 pps
Share				
Net result for the period per share ¹	€	0.61	1.32	>100.0%
Free cash flow per share ¹	€	1.06	-0.57	>-100.0%
Dividend per share	€	0.55	1.05 ²	90.9%
Employees at the end of the year				
	people	1,106	1,098	-0.7%
Investments				
	m€	6.0	9.6	61.6%
Depreciation and amortisation				
	m€	8.2	8.5	3.7%
Balance sheet total				
	m€	214.6	230.0	7.2%
Equity				
Equity ratio	%	44.8	43.7	-1.1 pps

¹ Not including repurchased treasury shares.

² Dividend proposal.

Content

To our shareholders

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Consolidated financial statements

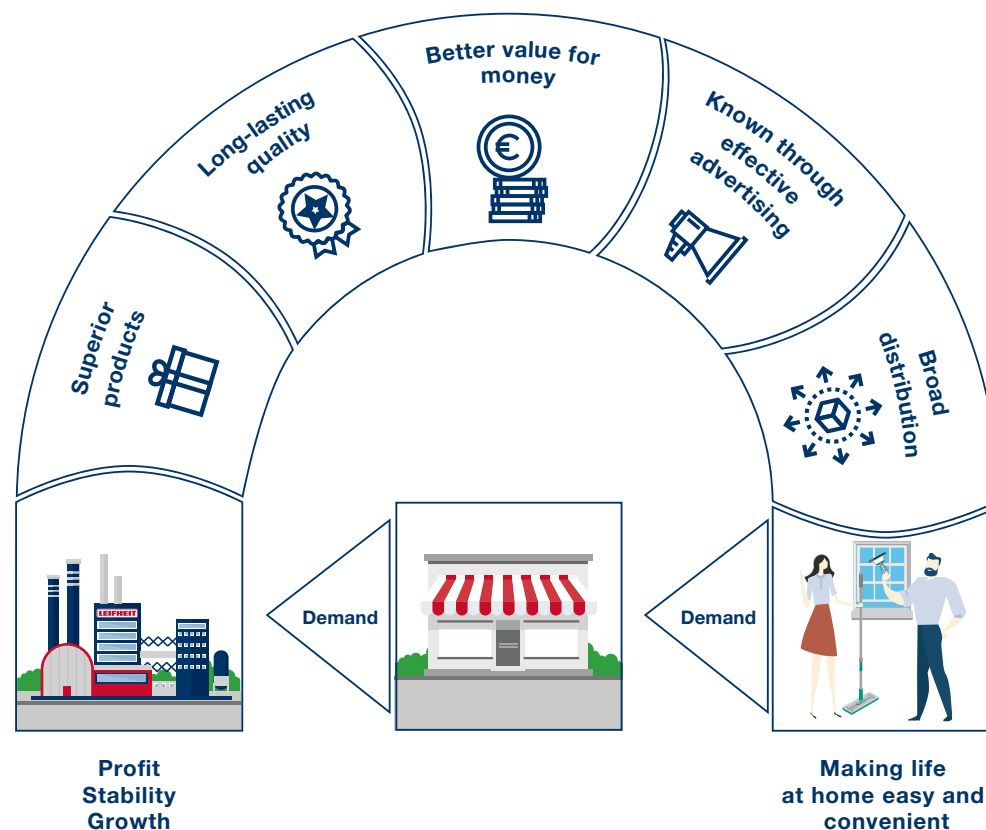
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Our mission

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



Group profile

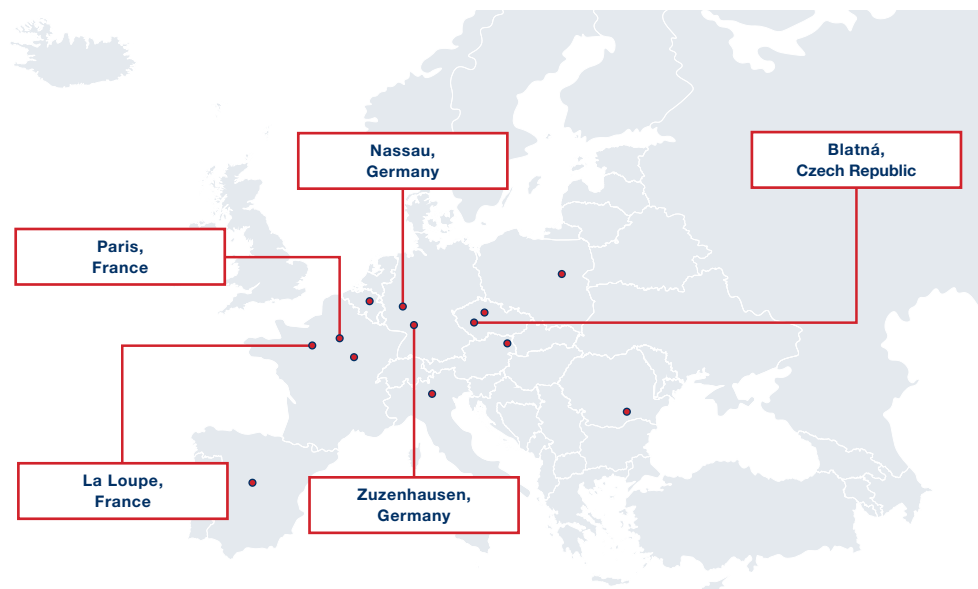
For more than 60 years, we have been one of the leading suppliers of household items in Europe. Through our innovative solutions, we are constantly helping to make everyday life at home more easy and convenient.

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

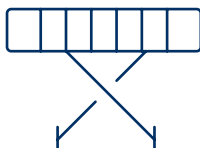


Household

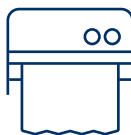
LEIFHEIT



Cleaning



Laundry care



Kitchen goods

Wellbeing

SOEHNLE



Bathroom scales



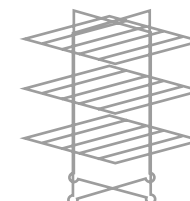
Kitchen scales

Private Label

BIRAMBEAU *herby*



Kitchen goods



Laundry drying racks

Investment highlights

Excellent product quality



Innovative products with great utility and functional design; cleaning, laundry care, kitchen goods and wellbeing categories

Strong brands Leifheit and Soehnle



High awareness and consumer confidence

Financial structure



Efficient cost structure and solid financial position

Shareholder-oriented dividend policy



Distribution of around 75% of free cash flow or net result for the period

Strong brands – excellent products

(selection)

LEIFHEIT

SOEHNLE



2019/3

The Board of Management



Henner Rinsche

Chairman of the Board of Management, CEO/CFO

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



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, Development and Quality Management.

Dear Ladies and Gentlemen, Dear Shareholders,

The Leifheit Group's business development was extremely positive in financial year 2020 in spite of the COVID-19 pandemic. In the final quarter of 2020, we were able to build on the growth trend observed in the previous quarters with strong and dynamic growth of 22.6%, increasing full-year Group turnover by 16.0% to m€ 271.6. This is all the more impressive considering that key sales channels were temporarily closed during the first lockdown in the spring as well as in the second lockdown in the high-turnover Christmas shopping period.

The gross margin climbed by 1.9 percentage points to 45.0% and we also took a major step forward in terms of earnings before interest and taxes (EBIT), which increased by some 90% year-on-year to m€ 18.8. As a result, operating earnings came in at the upper end of the most recent earnings forecast.

»
We achieved a
clear turnaround in
turnover, margin and EBIT
in the 2020 financial year.



This means that we achieved a clear turnaround in terms of turnover, margin and EBIT trends in financial year 2020. However, one challenge remains: the growth- and pandemic-related rise in working capital has had an impact on cash flow. In view of the ongoing COVID-19 pandemic, we increased our inventories to secure a resilient supply chain. At the same time, trade receivables rose due to the increase in turnover. We will continue to focus on improving cash flow.

We are particularly happy to see such significant turnover growth in Germany of 14.6% to m€ 107.2 confirming the positive turnaround in our domestic market away from the recent downward trend. Double-digit turnover growth was also recorded in all other target markets.

Our Scaling up Success growth strategy played a key role in this excellent performance in 2020, generating positive effects in all sectors. Our enormous investments in consumer advertising for the Leifheit brand have systematically increased demand among both consumers and retailers. We expanded our advertising measures in the second half of

the year with a wide-ranging print campaign centred on the Soehnle brand, which was also a resounding success. The campaign was focused on the Soehnle Page Profi 300 digital kitchen scale, recently awarded a "very good" test result, which features intelligent four-sensor technology for precision weighing and a weight-bearing capacity of up to 20 kg. In addition, we also expanded our distribution network in Italy and Switzerland and now have a much more significant presence with our products. At the same time, we are focusing on a high-margin product mix and will be working continuously to make the Leifheit Group product range leaner and more profitable in 2021.

Our European production and logistics footprint allowed us to maintain a reliable supply to our customers in the reporting year in spite of the pandemic-related challenges in the supply chain. We further improved our logistics processes in 2020, partly in order to meet the substantial increase in requirements from e-commerce during the pandemic. At the same time, we are making targeted investments in enhancing the efficiency of our European production network and expanding its capacities.

The solid turnover development in the final quarter enabled us to further increase our TV budget at the end of the year. We also took the opportunity to implement additional streamlining measures, thereby initiating important decisions to increase consumer demand and improve the margin and cost situation in 2021.

Since January, the Soehnle brand has also been advertised on TV for the first time. Additional TV activities are also planned in France and Italy. Our TV campaigns this year will be presenting to consumers a selected range of products that have been awarded "very good" test results on account of their excellent quality. The Profi XL cleaning system and the innovative Regulus Aqua PowerVac cordless vacuum wiper launched at the end of 2019 are just two examples of the products set to be featured in TV

»
Our Scaling up Success
growth strategy has contributed
significantly to the very good
development.





We expect Group turnover to grow by at least 5% year-on-year in the 2021 financial year.



advertising. These products address the increasing need for good hygiene among the general population. Both help consumers clean thoroughly and hygienically at home and have been proven to eliminate up to 99%¹ of viruses. Demand for the Soehnle air purifiers in our product range has been extremely high since 2020. They also help eliminate airborne viruses indoors.

The Leifheit Group has had a very good start to the 2021 financial year in terms of turnover. Nevertheless, the effects of the COVID-19 pandemic are still clearly noticeable. Important sales channels in major markets have been closed again since December 2020. Above all, however, the current significant increase in steel and plastic prices, the tense situation in the sea freight sector and pandemic-related cost increases at our plant in Blatná, Czech Republic, present us with challenges. We will continue to monitor this development closely and take measures to counteract it effectively. In order to ensure our ability to deliver even in this exceptional pandemic-related situation, we have, for example, already increased our stocks at the end of 2020 as a precaution – also against the backdrop of the extensive TV campaigns in the first quarter of 2021 and the associated planned growth in sales.

We currently expect the effects of the COVID-19 pandemic to weaken significantly in the coming months. Nevertheless, COVID-19 will remain a factor in the current financial year 2021 with consequences for the business development and the financial and earnings position of the Leifheit Group itself, as well as for the economy as a whole, that are difficult to assess. Against the backdrop of the global economic recovery currently expected in 2021 and the gradual lifting of the extensive measures to contain the COVID-19 pandemic in the coming weeks, we expect consolidated turnover to grow by at least 5% year-on-year in the 2021 financial year.

¹ The Profi XL floor wiper with micro duo wiper cover removes up to 99% of viruses and bacteria (tested on modified vaccinia virus Ankara with 25ml Leifheit power cleaner to 5l water at water temperature 60°C).
The Regulus Aqua PowerVac vacuum wiper removes up to 99% of viruses (tested on modified vaccinia virus Ankara with 5ml universal cleaner to 500ml water at max. water temperature 60°C).

Our strategy continues to focus on expanding our core business with the Leifheit and Soehnle brands, which we intend to drive forward with increased consumer advertising and appropriate TV campaigns. We have earmarked a large part of the advertising expenditure planned for 2021 in the first half of the year. On this basis, we expect significant growth impulses, especially in the first and second quarter of 2021. At the same time, for the financial year 2021 we expect with an EBIT between m€ 20 and m€ 24.

Despite the continuing uncertainties against the background of the pandemic, the Executive Board and the Supervisory Board have decided to propose to the Annual General Meeting a dividend of € 1.05 per dividend-entitled share for the 2020 financial year. With this, we want to continue the reliable dividend policy of the past years.

We would like to take this opportunity 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, partners and suppliers for their excellent cooperation in this extraordinary financial year. 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 continue to pursue our goal of leading Leifheit on a pathway of sustainable growth.

Nassau/Lahn, March 2021

The Board of Management



Henner Rinsche



Igor Iraeta Munduate



We expect significant growth impulses especially in the first and second quarter of 2021.



Report of the Supervisory Board

Dear Ladies and Gentlemen,

In a year dominated by coronavirus and all the challenges it presented, Leifheit still succeeded in systematically implementing the new corporate culture and the new Scaling up Success business strategy at international level in 2020. All divisions have made impressive contributions to these efforts and laid the foundation for a solid growth and earnings course.

I would like to inform you below about the work performed by the Supervisory Board in financial year 2020:

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 at an early stage in all decisions of fundamental importance to the company. The Supervisory Board made all decisions following a thorough examination and discussion of the corresponding resolutions.

The Supervisory Board has carefully and continuously monitored the management activities of the Board of Management. It confirms that the Board of Management acted properly in accordance with the law and in a commercially responsible manner. The Board of Management has 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 and opportunities as well as 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.



Dr Günter Blaschke

Chairman of the Supervisory Board

The Supervisory Board held nine meetings in financial year 2020, all of which via video conference due to the COVID-19 pandemic. The members of the Board of Management took part in Supervisory Board meetings, unless otherwise determined by the Chairman of the Supervisory Board. At a number of meetings, the Supervisory Board also addressed issues without the involvement of members of the Board of Management. 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 2020. It revealed that all requirements for working efficiently have been met. In the reporting period, there was no indication of conflicts of interest among the members of either the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board and the Annual General Meeting.

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

Changes in Leifheit AG organs

Mr Ivo Huhmann left the Board of Management when his contract expired on 31 March 2020. Mr Huhmann had been the Chief Financial Officer of Leifheit AG since 1 April 2017. The Supervisory Board would like to thank Mr Huhmann for his commitment. Mr Henner Rinsche took over the function of Chief Financial Officer alongside his current role.

There were no changes in the Supervisory Board in financial year 2020.

Important topics discussed at meetings

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

At the meeting on 24 March 2020, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual financial statements, the combined management report of Leifheit AG and the Leifheit Group, the draft resolution regarding the report of the Supervisory Board, the dividend proposal for financial year 2019 and the agenda for the Annual General Meeting. Outstanding items relating to the 2020 budget were discussed. The Supervisory Board also discussed potential cost savings and various business cases with the Board of Management and resolved changes to the rules of procedure for the Board of Management and the annual goals for the Board of Management. The members of the Supervisory Board discussed the results of the efficiency review. Intensive consultations were held regarding the impact of the COVID-19 pandemic and the measures required as a result.

The members of the Supervisory Board participated as follows in the meetings held in financial year 2020:

Member/Meeting	Supervisory Board	Audit Committee	Personnel Committee	Sales/Marketing Committee	Product Range/Innovation Committee
Joachim Barnert	8/9	–	–	0/1	–
Dr Günter Blaschke	9/9	5/5	4/4	1/1	1/1
Georg Hesse	9/9	–	4/4	1/1	1 ¹ /1
Karsten Schmidt	9/9	–	4/4	1/1	1/1
Thomas Standke	9/9	–	–	–	1/1
Dr Claus-O. Zacharias	9/9	5/5	–	–	1 ¹ /1

¹ Guest.

The quarterly statement for the period ending 31 March 2020 and the postponement of the Annual General Meeting due to the pandemic were discussed at the Supervisory Board meeting on 4 May 2020.

The Supervisory Board meeting on 20 May 2020 focused on the overall structure of the Operations division and the potential for cost reductions.

In the meeting on 24 June 2020, the Supervisory Board and the management addressed the company's Scaling up Success strategy in depth.

The meeting on 4 August 2020 addressed business development in the second quarter, the financial report for the first half-year ending 30 June 2020 and the planned inaugural virtual Annual General Meeting on 30 September 2020. The Supervisory Board also discussed the competency model, the diversity concept, the goals for the composition of the Supervisory Board, the rules of procedure of the Supervisory Board, quality management and the strategy.

At the meeting on 30 September 2020, the Chair of the Audit Committee reported on the Audit Committee's meeting with auditors regarding the planning of the audit of the annual financial statements 2020. Succession planning for the management and the recommendations of the DCGK were also addressed. A variety of issues were also discussed without the involvement of the Board of Management.

At its meeting on 7 October 2020, the Supervisory Board dealt with the medium-term planning for the years 2021 to 2023, the medium-term strategy for the production and supply process, the Total Quality Management strategy and investment projects.

The Supervisory Board meeting on 2 November 2020 addressed the quarterly statement for the period ending 30 September 2020.

The Supervisory Board meeting on 9 December 2020 focused on discussing and approving the budget planning for 2021. The corporate governance declaration of conformity was also approved. The Supervisory Board prepared the next self-assessment (previously known as the efficiency review) of the effectiveness of the Supervisory Board and took receipt of reports from the Sales/Marketing Committee and the Product Range/Innovation Committee.

Other issues, such as arranging the internal audit of the sustainability report, the approval and adoption of the 2019 annual financial statements and the increase of the advertising budget, were addressed and resolved outside of the Supervisory Board meetings.

The company provides suitable assistance to members of the Supervisory Board with exercising their duties as well as in taking part in training and educational measures. In 2020, the members of the Supervisory Board did not participate in any training or educational measures.

Work of the committees

The Supervisory Board formed an Audit Committee, a Personnel Committee, a Nominating Committee, a Sales/Marketing Committee and a Product Range/Innovation Committee.

The **Audit Committee** met five times in financial year 2020 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, the audit of the sustainability report, the audit of the quality of the financial statements and compliance. The Audit Committee also presented a recommendation on the choice of auditor, monitored the auditor's independence, issued the audit engagement to the auditor, determined certain focal points of the audit and agreed the auditor's fee. The internal control system and the risk management system were also examined and the findings of the internal audits were presented and discussed.

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

The **Personnel Committee** examined all employment contracts for the members of the Board of Management, including remuneration and the remuneration system. The Personnel Committee met four times in financial year 2020. It looked, in particular, into the issue of succession planning for the Board of Management, the Board of Management's remuneration system and performance assessment.

The **Sales/Marketing Committee** met once in financial year 2020 and dealt primarily with the effectiveness of TV advertising as well as the national and international sales strategy.

The **Product Range/Innovation Committee** met once in financial year 2020 and looked into the innovation strategy, the current innovation pipeline, the product range focus and success tracking of a product launch.

The **Nominating Committee's** tasks include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. No Nominating Committee meetings were held in financial year 2020 as there were no elections.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2020, 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 2020, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, and have not led to any reservations in its audit opinion. The audit – as reflected in the audit reports – did not result in any grounds for objection.

The documents pertaining to the financial statements, as well as the audit reports and the Board of Management's proposal for the appropriation of the balance sheet profit, were handed out to all members of the Supervisory Board. The documents pertaining to the financial statements and the audit reports were discussed in depth at the Audit Committee meeting on 22 March 2021; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 23 March 2021, 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 goodwill, the completeness of the liabilities and provisions 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 were appropriate and in accordance with the applicable valuation principles in all three key audit issues. The auditors were available for further questions and information.

Based on its own examination of the annual financial statements, the consolidated financial statements 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 as presented by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board approved both the financial statements and the consolidated financial statements on 23 March 2021. The financial statements are, therefore, adopted in accordance with section 172 of the German stock corporation act (AktG).

The Supervisory Board also reviewed and approved the separate non-financial report of the Group (sustainability report) and resolved on the declaration of corporate management and the updated remuneration system for the Board of Management. The Supervisory Board and Board of Management remuneration system were presented to the 2021 Annual General Meeting for approval.

On the recommendation of the Audit Committee, and following its own examination, the Supervisory Board endorsed the Board of Management's proposal for the appropriation of the balance sheet profit involving the payment of a dividend of € 1.05 per dividend-entitled share for financial year 2020.

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

Nassau/Buchloe, 23 March 2021

The Supervisory Board



Dr Günter Blaschke
Chairman

The Leifheit share

The COVID-19 pandemic represented a real challenge for global stock markets in 2020 and was a key factor in their performance. All in all, the markets developed positively following their price slump at the beginning of the year. The Leifheit share was also able to make considerable gains of around 84%. The Board of Management and the Supervisory Board propose to the Annual General Meeting a dividend of € 1.05 per dividend-entitled share for financial year 2020.

Stock markets

The 2020 trading year experienced unusually high turbulence and was dominated by the COVID-19 pandemic. The global spread of the virus and the lockdowns imposed around the world caused an unprecedented slump in economic growth, which governments and central banks combated with enormous rescue packages. Against this backdrop, global stock markets suffered massive losses in March before rallying to make up the lost ground in an equally short space of time. Most of the world's benchmark indices, such as the Dow Jones and the S&P 500 in the US, or the Nikkei in Japan, closed the year positively.

In one of the sharpest falls in recent years, the DAX, Germany's benchmark index, declined from about 13,700 points to under 8,500 points in March before rebounding in November. All in all, the DAX performed positively in the 2020 trading year and closed the year on 30 December 2020 at 13,719 points, which equates to an increase of 3.5%. The DAX reached its high for the year of 13,790 points on 28 December 2020.

The SDAX, which includes 70 smaller companies, serves as the relevant benchmark index for the Leifheit share. The DAX ended the year slightly up, the SDAX made more significant gains of 18% in the

crisis-hit year of 2020. The SDAX peaked shortly before the end of the year, on 29 December 2020, with a closing price of 14,767 points before closing the year on 30 December 2020 at 14,765 points.

Share price performance

The Leifheit share (ISIN DE0006464506) closed at € 23.65 on the final trading day of 2019. The share showed stable performance at the start of 2020 and slightly outperformed the SDAX. From mid-February the share followed the general market trend and lost value significantly, dipping to a low for the year of € 15.44 on 23 March 2020. The share recovered from this date onwards. After initially outdoing the performance of the SDAX, the Leifheit share slipped down to the same level as the benchmark index from early April before outperforming the SDAX by an increasing margin from midway through the year. The Leifheit share peaked at € 44.00

shortly before the end of the year on 23 December 2020. At the end of financial year 2020, the Leifheit share was trading at € 43.50. All in all, the share gained nearly 84% over the course of the year.

Leifheit AG's market capitalisation on the basis of all issued shares stood at around m€ 435 as at the end of financial year 2020 (31 December 2019: m€ 236). Adjusted for Leifheit AG's treasury shares, market capitalisation totalled m€ 414 (31 December 2019: m€ 225).

Trading volume

The Leifheit share was traded significantly more frequently in financial year 2020 than in the previous year in Xetra, Deutsche Börse's electronic trading system. Whereas trading stood at an average of 5,971 shares a day in the previous year, that figure rose to 8,376 shares on average in financial year 2020.

Key figures for the Leifheit share in €¹

	2016	2017	2018	2019	2020
Net result for the period per share	1.53	1.35	0.88	0.61	1.32
Free cash flow per share	1.51	0.16	0.39	1.06	-0.57
Dividend per share	1.05	1.05	1.05	0.55	1.05 ²
Special dividend per share	0.40	-	-	-	-
Dividend yield (in %) ³	5.1	3.8	5.9	2.3	2.4 ²
Equity per share ⁴	9.55	9.31	9.66	9.07	10.56
High ⁵	30.12	36.50	29.60	25.95	44.00
Low ⁵	21.75	26.43	14.84	18.06	15.44
Year-end closing price ⁵	28.25	27.89	17.76	23.65	43.50
Number of shares (in thousands) ⁶	9,509	9,509	9,509	9,509	9,509
Year-end market capitalisation (in m€) ⁷	282	279	178	236	435

¹ Capital increase from own funds with the issuing of new shares in 2017; data for 2016 adjusted for 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.

⁵ Closing prices on Xetra, the electronic trading system of Deutsche Börse.

⁶ Number of outstanding shares as at 31 December (excluding treasury shares).

⁷ Based on all shares issued.

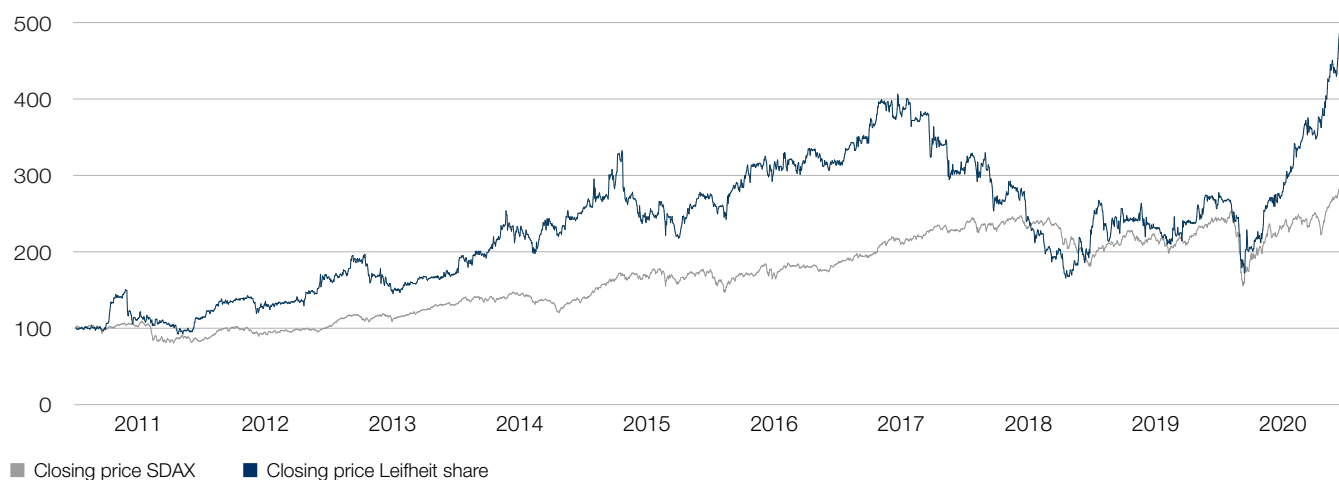
Performance of the Leifheit share in 2020

Compared to the SDAX in % (indexed to 100)



10-year performance of the Leifheit share

Compared to the SDAX in % (indexed to 100)



Treasury shares

By resolution of 21 May 2015, the Annual General Meeting authorised the company to purchase and use treasury shares pursuant to section 71 para. 1 no. 8 AktG. This authorisation expired on 20 May 2020. The Annual General Meeting on 30 September 2020 renewed this authorisation, which now applies until 29 September 2025.

As in 2019, no treasury shares were purchased or used in financial year 2020. As at the balance sheet date of 31 December 2020, 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 figure corresponds to an average purchase price of € 15.16 per share.

Shareholder structure

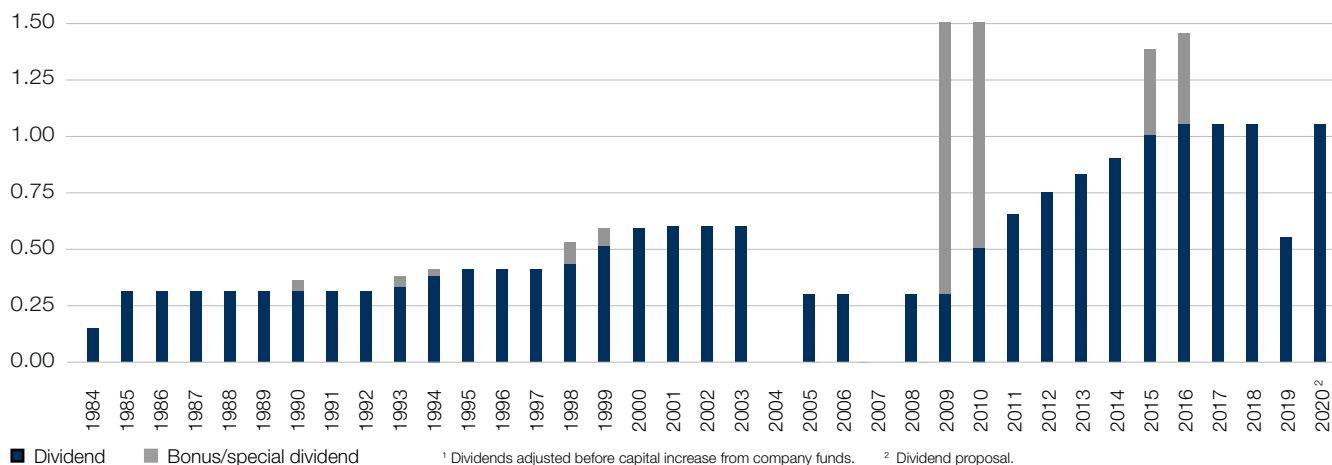
The percentage of shares in free float stood at 74.8% at the end of financial year 2020 (2019: 76.8%). According to the information and voting rights notifications available to Leifheit, the shareholder structure of Leifheit AG was as follows as at 31 December 2020:

Shareholder structure of Leifheit AG

Joachim Loh, Haiger (DE)	10.31%
Manuel Knapp-Voith, MKV Verwaltungen GmbH, Grünwald (DE)	10.03%
Leifheit AG, Nassau (DE) – treasury shares	4.91%
Free float	74.75%
Shares above the disclosure threshold of 3% contained therein:	
Alantra EQMC Asset Management, SGIIC, S.A., Madrid (ES)	10.44%
Teslin Capital Management BV / Gerlin NV, Maarsbergen (NL)	5.05%
MainFirst SICAV, Sennigerberg (LU)	5.02%
Blackmoor Ownership Holdings Master Limited	3.52%

Historical dividend development¹

Dividend per share in €



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

2011	6.3%	2016	5.1%
2012	5.2%	2017	3.8%
2013	5.3%	2018	5.9%
2014	3.9%	2019	2.3%
2015	5.6%	2020	2.4% ¹

¹ Dividend proposal.

Dividend proposal for financial year 2020

The Executive Board and the Supervisory Board propose the distribution of a dividend of € 1.05 per dividend-entitled share for the 2020 financial year, thus continuing the reliable dividend policy of the past years. This corresponds to a total distribution to shareholders of m€ 10.0. If approved by the Annual General Meeting, the dividend will be paid out to the shareholders from the third working day after the Annual General Meeting, resulting in a dividend yield of 2.4% based on the closing price at the end of financial year 2020.

For financial year 2019, Leifheit AG paid a dividend of € 0.55 per dividend-entitled share to shareholders against the backdrop of uncertainty surrounding the impact of the COVID-19 pandemic. The total distribution to shareholders therefore stood at approximately m€ 5.2, which corresponded to a dividend yield of 2.3% based on the closing price at the end of 2019.

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 2020 (2019: three analysts). In financial year 2020, Leifheit AG once again took advantage of multiple opportunities to engage in dialogue with shareholders and the capital market. This was also the case at analyst conferences, which were held virtually in 2020 due to the COVID-19 pandemic.

Shareholders and their representatives were able to follow the Annual General Meeting in September 2020, which was also held virtually, via a live stream on the internet. Even though measures to protect everyone's health and safety made it impossible to arrange the usual face-to-face contact with the company, the Board of Management fully responded to the questions submitted in advance during the live stream. Voting on individual items on the agenda could also be made online.

In addition, Leifheit AG regularly takes part in international capital market conferences such as the German Equity Forum (Deutsches Eigenkapitalforum). This event was also held virtually in financial year 2020.

The corporate and investor relations website of Leifheit AG, [leifheit-group.com](https://www.leifheit-group.com), provides up-to-date 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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Foundations of the Group

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

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

Activities and areas of business





A distinction is drawn between the following reportable segments:

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

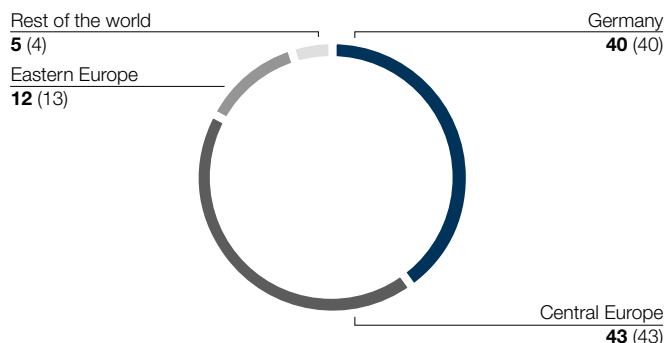
Leifheit Group		
Household	Wellbeing	Private Label
		 
<ul style="list-style-type: none"> - High-quality brand products with a high degree of consumer benefit in the medium to upper price segment - Consistent brand management - Systematic processes for innovation and market launch - Distribution in international markets 		<ul style="list-style-type: none"> - 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 43%. The sales and distribution region of Central Europe includes the Netherlands, France and Austria, for example. In the reporting period, we generated around 12% of our turnover in Eastern European growth markets, such as the Czech Republic, Poland and Slovakia.

Sales markets

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



We are focusing our sales and marketing activities on European target markets. In addition, we have intensified our distribution activities in the Asia/Pacific region since 2019. 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 present themselves. Non-European markets currently account for roughly 5% 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. Measures to combat the COVID-19 pandemic resulted in changes in consumer shopping habits and therefore the proportion of turnover attributable to our sales channels. Hypermarkets accounted for roughly 27% of turnover and remained the Leifheit Group's largest sales channel, however the share of Group turnover attributable to modern home-shopping (e-commerce) rose to approximately 19%. This made e-commerce our second-largest sales channel in the reporting year. We generated about 14% of Group turnover at DIY stores and around 11% in traditional wholesale and retail.

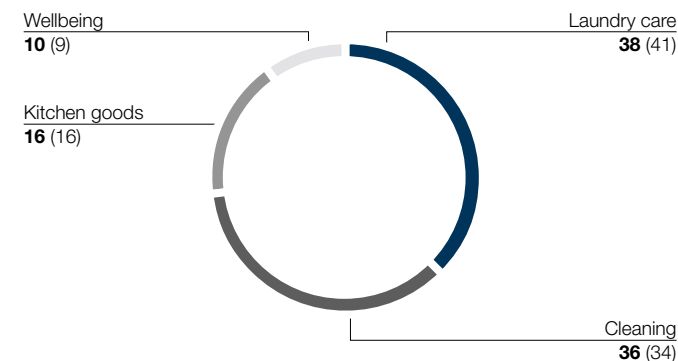
We focus on core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing in each of our three business segments.

Laundry care and cleaning products are the largest product categories, with approximately 38% and 36% shares in turnover. In Germany and many European markets, Leifheit is among the leading providers of cleaning appliances, especially the so-called floor wiper

systems. We successfully entered the growth market of wet-dry vacuum cleaners with the Regulus Aqua PowerVac cordless vacuum wiper in the reporting period and gained significant market share, particularly in Germany and Austria. We generated around 16% of Group turnover with kitchen goods. The wellbeing category includes the Soehnle brand products and accounted for around 10% of turnover. Soehnle is the market leader for bathroom and kitchen scales in Germany. Here, we hold a market share of 40.8% for kitchen scales and 24.8% for bathroom scales. Soehnle is also among the leading providers in other European countries.

Product categories

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



Developments and the results of our business activities are also influenced by external factors, especially the development of foreign currency against the euro, the procurement prices 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

On 6 October 2020, Meusch-Wohnen-Bad und Freizeit GmbH i.L., Nassau, was erased from the commercial register after expiry of the one-year vesting period and was deconsolidated accordingly.

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

Major changes since the end of the reporting period

The ongoing COVID-19 pandemic remains a factor with extremely unpredictable consequences for the economy as a whole and the business activities of the Leifheit Group itself in 2021.

The majority of our products are manufactured 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.

As of mid-March 2021, the Leifheit Group is not affected by declines in turnover or massive supply bottlenecks. However, the global increase in steel and plastic prices is currently having a negative impact on procurement costs. In addition, border closures with the Czech Republic are affecting freight transport.

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€ 435 as at 31 December 2020. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857, and its registered office and management continue to be based at its founding location in Nassau/Lahn, Germany. The main locations of Leifheit AG in Germany are Nassau (distribution, administration and production) and Zuzenhausen (logistics). There are also foreign distribution offices which are not legally independent in Brescia, Italy, (established in 1982) and in Aartselaar, Belgium (established in 1987).

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

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

Scaling up Success Group strategy

For over 60 years, we have been helping to make everyday life at home 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 2020, Leifheit Group products received more than 25 awards.

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

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

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

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

Exciting consumers

Consumers are at the centre of all our activities. We offer them products of convincing, durable quality that make life at home more easy and 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, European-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

We manage the Leifheit Group in a strategically centralised and at the same time operationally decentralised manner. Few units and hierarchical levels promote fast and efficient cooperation 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 turnover, the turnover of the segments, earnings before interest and taxes (EBIT) and free cash flow. Another performance indicator is return on capital employed (ROCE). Free cash flow is the total of cash flow from operating activities and cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as, if existing, from the acquisition and divestiture of divisions.

ROCE is defined as the ratio of EBIT to capital employed – the average total amount of trade receivables, inventories and non-current assets less trade payables as at the quarterly financial statements date.

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

Innovation and product development

Leifheit aims to develop products and solutions that make consumers' lives at home more easy and convenient. Consumer-relevant products and solutions play an important role in the further organic growth of the Group.

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

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

- focusing innovation resources on a limited number but instead on innovation projects with great growth potential
- intensifying consumer research in order to understand unsolved consumer problems and suitable and relevant potential benefits that are completely new for consumers
- upholding proven Leifheit strengths of excellent practicality and product durability combined with functional yet aesthetically appealing design

- focusing on e-commerce-enabled modular and platform systems to cover customer requirements more extensively and ensure economic efficiency
- introducing modern, agile working methods to do an even more targeted and efficient job of meeting consumers' needs

We are focusing more on developing and substantiating relevant and coherent claims to showcase to our customers the benefits of our products. For example we were able to use scientific methods to prove that the new Regulus Aqua PowerVac cordless vacuum wiper, which vacuums and wipes at the same time, can remove up to 99%¹ of relevant viruses. Similarly excellent hygiene performance was also achieved by other Leifheit cleaning products, such as the CleanTenso steam cleaner and the Profi floor wiper. The Soehnle air purifiers have been scientifically proven to provide effective protection against airborne viruses and bacteria.

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 in research and development activities in financial year 2020 (2019: m€ 5.7). The R&D ratio, which represents the ratio of research and development costs to Group turnover, amounted to 2.1% (2019: 2.4%). At the end of the year, 35 employees (2019: 34 employees) worked in the Development and Patents divisions.

Innovations at Leifheit and Soehnle

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

- Leifheit CLEAN TWIST M floor wiper with patented spin technology, Haus & Garten Test winner
- three-part handle for the Leifheit wiper range with significantly improved stability and quality and simple assembly
- new solutions for reduced storage requirements thanks to compact packaging for Leifheit wiper ranges
- compact, shipping-ready packaging for the growing direct-to-customer business and one-for-all packaging solutions for the Profi range
- modernisation of Leifheit ironing board range
- revision of packaging system for Leifheit kitchen and laundry care range to establish Leifheit as a power brand in store
- Soehnle Shape Sense Connect 50 BIA body analysis scale with Bluetooth interface with the Soehnle Connect app
- Soehnle Clean 400 air purifier with HEPA filter
- new packaging for the Soehnle Clean Connect 500 air purifier and quality seal of "good" from Stiftung Warentest

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.

¹ Tested on modified vaccinia virus Ankara with Leifheit Universal Cleaner (5ml in 500ml, maximal water temperature 60°C).

Economic environment

The global economy was dominated by the COVID-19 pandemic in 2020. Economic growth declined significantly worldwide as political measures were initiated to combat the pandemic in many places. However, this decline is less dramatic than originally assumed at the start of the year.

Macroeconomic situation

In its January 2021 economic guidance, the International Monetary Fund (IMF) anticipated a 3.5% contraction in global GDP. In its October 2020 guidance, the IMF had forecast a decline of 4.4%. The reason for this correction was the stronger-than-expected economic growth in the second half of 2020. In addition, unprecedented stimulus programmes have succeeded in stabilising both consumer income and companies' cash flows.

Europe

According to the European Commission, economic activity in Europe suffered a severe shock in the first half of 2020 against the backdrop of the COVID-19 pandemic. Substantial growth in the third quarter of 2020 was followed by another decline in the fourth quarter as the second wave of the pandemic brought another round of restrictions.

In its winter forecast, the European Commission stated its belief that Eurozone GDP would fall by 6.8% in 2020 and that economic output across the entire EU would contract by 6.3%. However, growth forecasts for both the single currency area and the EU as a whole are expected to be somewhat higher for 2020 compared to the European Commission's autumn forecast.

The economic impact of the pandemic was extremely varied in Europe, and the same applies to prospects of recovery. This is predominantly due to the spread of the virus, measures taken to contain it, the sector composition of the respective economies and the strength of national political measures.

According to the EU winter forecast, the GDP in the Netherlands is set to fall by 4.1% in 2020 (2019: +1.7%), meaning that the Dutch are likely to emerge from the crisis relatively well compared to the rest of Europe. The European Commission expects the Austrian economy to decline by 7.4%, following growth of 1.4% in the previous year. The pandemic affected the economies of France, Italy and Spain much more significantly. In France, economic growth was down year-on-year at 1.5% in 2019 due to the yellow-vest protests and a range of other factors. For 2020, the European Commission expects economic output in France to decline by 8.3%. It is a similar story in Italy, where GDP rose marginally by 0.3% in the previous year but is forecast to decline by 8.8% in 2020. The virus also had a substantial impact on the economy in Spain, where economic output is according to forecast expected to fall by 11.0% (2019: +2.0%) – the sharpest decline in the EU.

The European Commission also expects economies in Eastern Europe to contract significantly. Poland's economy recorded extremely strong growth in 2019 of 4.5%, but is expected to shrink by 2.8% in 2020 on account of the pandemic. The Czech Republic, which, like Poland, generated marked growth in the previous year (2019: +2.3%), is set to see its GDP fall by 5.7%. In Slovakia, the economy has shrunk by 5.9% following growth of 2.3% in the previous year.

Germany

In Germany, both the domestic market and exports – an important part of the German economy – suffered significantly under the COVID-19 pandemic. The German industrial sector was strongly affected by measures to contain the virus, such as factory closures. Recovery in the summer was unexpectedly strong, but the economy has once again been thwarted since autumn 2020. Certain industries, such as tourism and hospitality, remain in a deep crisis due to the further lockdown implemented to contain the second wave of infections. At the same time, industry, a key sector of the German economy, is so far navigating the second lockdown better than the first, in part because it is better prepared for potential supply bottlenecks. According to the Federal Statistical Office of Germany (Destatis), gross domestic product declined by 4.9% year-on-year, adjusted for prices.

Foreign currencies

The euro increased in value significantly against the US dollar in 2020. By the end of the year on 30 December 2020, € 1.00 was worth USD 1.23 – the highest value seen since spring 2018. In March, the euro had fallen to just USD 1.06 in the course of the first wave of the pandemic before the EU's stimulus package bolstered confidence in the single currency. Furthermore, the US central bank announced that it would not be combating inflation to the same extent it had done in the past, which weakened the US dollar. All in all, the US dollar lost value against all major currencies in 2020. The euro was trading at USD 1.22 at the end of the year, which translates to an increase of approximately 9.0% compared to the previous year (2019: USD 1.12).

Following significant capital outflows in emerging economies in March and April 2020, the Chinese currency, the yuan (renminbi), was able to recover rapidly from its late May 2020 low and increased in value by 10% against the US dollar over the course of the year. The key driver of this trend was the uptick in economic development in China as well as hopes of de-escalation in the country's trade conflict with the US under the latter's new president Joe Biden. The yuan lost value against the euro over the course of the year. It began the year trading against the euro at CNY 7.82 and decreased in value against the euro by 2.6% as the year progressed before closing the year at CNY 7.99.

Industry development

Retail turnover and private consumer spending

The impact of the measures to contain the COVID-19 pandemic was particularly severe for the retail industry on account of widespread store closures. According to Eurostat, the European Union's statistical office, in 2020, the price-adjusted turnover and sales volume in wholesale and retail decreased by 0.7% compared to the previous year.

In Germany, retail turnover is set to have risen in spite of the COVID-19 pandemic. According to preliminary figures from the Federal Statistical Office (Destatis), turnover in the retail industry climbed in real terms (price-adjusted) by 3.9% year-on-year in 2020. The growth rate was therefore higher than the 3.2% seen in the previous year. E-commerce and mail-order retail turnover made a particularly strong contribution to this trend, recording a year-on-year increase of 24.1% in real terms.

The Business Climate Index published by the ifo Institute, which records future expectations and the current situation of various industries, stood at 92.1 points at the end of 2020 following an increase of 1.2 points in December 2020. With an index value of 0.3, the business climate in the retail industry recovered considerably compared to the previous month's value of -4.0. The increase in indicators was primarily due to industry-related wholesalers. According to retailers' own sentiment, the current situation has improved but future expectations have turned bleaker at the same time, primarily due to the current uncertainty surrounding the current lockdown in Germany. After making a good start to the year with an index value of 1.9 points, the index slumped over the course of the first lockdown and slipped to a low for the year of -47.7 points in April. The index was able to recover somewhat in the summer months, returning to a positive value of 0.3 for the first time in September, before sliding back down into negative territory.

Consumer confidence

The Consumer Confidence Indicator, which is determined by the European Commission, measures European consumers' propensity to consume. Even though the indicator was able to recover in December with growth of 3.4 points in the EU and 3.7 points in the Eurozone, it has deteriorated significantly over the year as a whole. At the end of 2020, the indicator stood at -5.3 points (2019: -7.0 points) in the EU and -13.9 points (2019: -8.1 points) in the Eurozone. As a result, the indicator is significantly down on the long-term average of -10.7 points for the EU as a whole and -11.2 points for the 19 Eurozone member states.

For Germany, the GfK Consumer Climate Index, which takes into account expected economic development, income expectations and acquisition costs, paints a similar picture. At the end of the year, this index stood at -6.8 points and significantly down on the previous year's figure of 9.7 points. After virtually stagnating at the start of the year, the index declined sharply from April and fell to an all-time low of -23.1 points in May 2020. The index improved continuously until August but failed to escape negative territory. Since October 2020, it has been in decline.

Regulatory environment

The regulatory environment for the Leifheit Group's business model and products remained largely unchanged in financial year 2020.

In the spring and the final weeks of 2020, important sales channels for the Leifheit Group were closed by authorities in a number of key distribution regions in relation to the COVID-19 pandemic. These closures had a substantial adverse effect on turnover in March and April 2020. By contrast, the lockdown of certain retail channels at the end of the year was compensated by additional turnover in other sales channels, such as e-commerce, for instance.

Our subsidiary Herby's plant in France, where dryers are manufactured for the private-label business in the French market, had to temporarily stop production at the end of March 2020 due to government measures related to the COVID-19 pandemic.

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

The Leifheit Group achieved turnover growth of 16.0% to m€ 271.6 in the 2020 financial year. Earnings before interest and taxes reached m€ 18.8 – an increase of 90.2%. In 2020, the focus was on consistently implementing the Scaling up Success growth strategy and thus creating the conditions for sustainable revenue growth and profitability improvements. Major strategic initiatives to increase consumer demand, expand distribution, improve gross margin and reduce costs in the Group were initiated or continued.

Comparison of actual performance with projected business performance

The Management Board had made a forecast for the financial year 2020 prior to the potential impact of the COVID-19 pandemic, which predicted growth in Group turnover of around 8% and EBIT of m€ 9.5 to m€ 10.0.

Due to the rapid developments and uncertainty associated with the pandemic in recent months, the impact of the coronavirus crisis on the Leifheit Group's business development could not be realistically assessed as at mid-year 2020.

After business development was significantly impaired in March and April due to the closure of important sales channels, a noticeable increase in sales figures was recorded in the following months of May and June. In the course of preparing the half-year financial statements, the Management Board therefore updated its forecast for the full year in July 2020 and now assumed significant growth in turnover and earnings, with an increase in Group turnover of between 7% and 9% and a Group EBIT of m€ 12 to m€ 15. Against the backdrop of the positive business development in the first nine months of 2020, the Management Board again raised its forecast for the 2020 financial year in October 2020 and accordingly predicted growth in Group revenue of between 11% and 13% and a Group EBIT of m€ 17 to m€ 19 for the 2020 financial year.

In the reporting period, Group turnover increased to m€ 271.6, an increase of 16.0% compared to the previous year. A strong final quarter meant that the Leifheit Group was able to slightly exceed the turnover forecast adjusted in October.

In the Household segment, we resently expected turnover growth of 12.5% to 14.5%, and in the Wellbeing segment, a growth of 21.0% to 26.0%. In the Private Label segment, the Board of Management anticipated a turnover slightly down on the previous year.

The turnover achieved in the Household and Wellbeing segments exceeded the forecasts made. In the Household segment, turnover increased by 17.0% to m€ 213.1. Turnover in the Wellbeing segment increased by 33.7% to m€ 26.5. As expected, turnover in the Private Label segment was slightly below the previous year's level at m€ 32.0. Turnover development is described in detail in the Business performance section below.

Group EBIT stood at m€ 18.8 and was therefore situated at the upper end of the last forecast of m€ 17 to m€ 19. The good turnover performance in the final quarter enabled us to increase our TV budget by m€ 1.5 again at the end of the year and to implement additional rationalisation measures of m€ 1.6, thus initiating important course-setting measures to increase consumer demand and improve the gross margin in the 2021 financial year.

The Group most recently expected to generate free cash flow of around m€ 3 to m€ 5 in 2020. Free cash flow reached m€ –5.5 in the reporting year. Working capital increased significantly more than forecast in the fourth quarter. Due to the development of turnover in the fourth quarter, receivables increased more than planned. Furthermore, in light of the ongoing COVID-19 pandemic, and against the backdrop of the extensive TV campaigns in the first quarter of 2021 and the associated planned turnover growth, additional inventories have been built up to secure the supply chain.

Forecast-actual-comparison	Actual 31 Dec 2019	Forecast 2020 ¹	Adjustment July 2020	Adjustment October 2020	Actual 31 Dec 2020
Group turnover	m€ 234.0	approx. 8%	+ 7 to 9%	+ 11 to 13%	m€ 271.6 + 16.0%
Household turnover	m€ 182.0	+ 8 to 9%	+ 8.5 to 10.5%	+ 12.5 to 14.5%	m€ 213.1 + 17.0%
Wellbeing turnover	m€ 19.8	+ 10 to 11%	+ 11.0 to 13.0%	+ 21.0 to 26.0%	m€ 26.5 + 33.7%
Private Label turnover	m€ 32.2	+ 5%	slight decline in turnover	down slightly year-on-year	m€ 32.0 – 0.5%
Group EBIT	m€ 9.9	approx. m€ 9.5 to 10.0	m€ 12 to 15	m€ 17 to 19	m€ 18.8
EPS	€ 0.61	€ 0.63 to 0.66	approx. € 0.83 to 1.05	approx. € 1.20 to 1.35	€ 1.32
Free cash flow	m€ 10.1	approx. m€ 6.5 to 7.5	approx. m€ 1 to 3	approx. m€ 3 to 5	m€ –5.5
ROCE	8.2%	7.5 to 8.5%	9 to 12%	12 to 15%	14.1%

¹ Ahead of possible impact of COVID-19 pandemic.

Earnings per share (EPS) came to € 1.32 and therefore within the anticipated corridor of € 1.20 to € 1.35.

The company had expected to generate ROCE of 12% to 15%. ROCE came to 14.1% and was therefore also in line with forecast expectations.

Business performance

In the 2020 financial year, the Leifheit Group generated turnover of m€ 271.6, a significant increase of 16.0% compared to the previous year (2019: m€ 234.0). The Leifheit brand, which was promoted as part of the TV advertising campaign, played a major role in turnover growth. Turnover in the Household segment, which is by far the largest, comprising the Leifheit brand together products in the cleaning, laundry care and kitchen goods categories, was slightly higher in 2020 than in the previous year.

On the other hand, the Wellbeing segment, which includes the Soehnle brand with a range of scales, health products and room air treatment products, showed extremely strong growth of 33.7%. Among other things, the print campaign for Soehnle carried out in the second half of the year had a positive effect in this segment. In the Private Label segment, we only achieved a turnover slightly below the previous year's level due to pandemic-related closures of sales channels.

In terms of its regions, the Leifheit Group generated double-digit turnover growth in 2020 in all relevant markets. In the domestic market of Germany, the Group was able to continue the growth trend of the third quarter in the final quarter and record considerable growth in turnover for the year as a whole. Abroad, especially in Central Europe and the USA, there was significant growth in turnover for the full year 2020.

Group turnover by region

Germany

In financial year 2020, the Leifheit Group recorded a significant increase in turnover in the domestic market of Germany. Turnover amounted to m€ 107.2, which marks a 14.6% increase on Group turnover of m€ 93.5 reported in financial year 2019. The significant increase was due in particular to demand for products advertised on TV. German business thus represented a share of 39.5% of Group turnover (2019: 40.0%).

Central Europe

In Central Europe, the Leifheit Group also recorded strong growth in turnover. First and foremost, increased consumer advertising in the Netherlands led to significant turnover growth. Considerable turnover growth was also recorded in Switzerland and Austria due to expanded distribution channels. Turnover in Belgium, Luxembourg and France also developed extraordinarily positively.

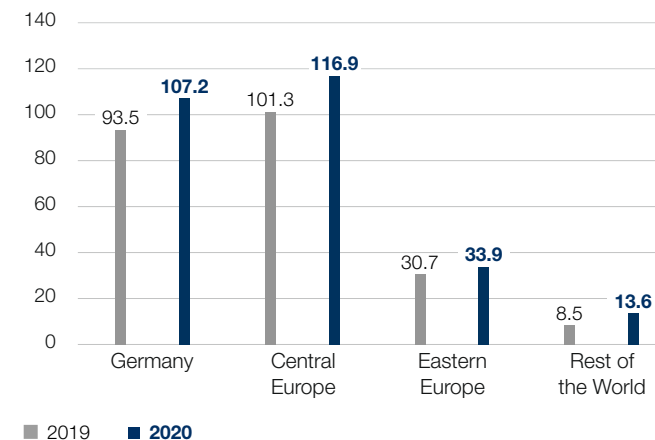
We increased our turnover in the Central Europe region by 15.5% to m€ 116.9 in financial year 2020. In the previous year, the Leifheit Group generated turnover of m€ 101.3 in this region. The share of Group turnover for Central Europe was 43.0% in the reporting period (2019: 43.2%).

Eastern Europe

We were also able to achieve clear growth in turnover in the Eastern Europe region in the 2020 financial year. Turnover for the region reached m€ 33.9 in the reporting period, representing an increase of 10.3% (2019: m€ 30.7). The strong performance in Romania, where we invested in TV advertising in 2020, as well as the significant growth in Poland and the Czech Republic contributed to a pleasing development in this region. Turnover growth in Eastern Europe was slightly weakened by declining turnover in Ukraine, Hungary and the rest of the region. The Eastern Europe region accounted for 12.5% of Group revenue in the 2020 financial year (2019: 13.2%).

Group turnover by region

in m€



Rest of the World

In the opportunistically driven business outside Europe, the Leifheit Group recorded considerable turnover growth of 59.9% to m€ 13.6 in financial year 2020 (2019: m€ 8.5). There was significant growth in US business. In the Far East, the Group again recorded a double-digit increase in turnover compared to the previous year. One reason for this is that the sales company established in China in 2018 is driving business in the Asia-Pacific region. Business in the Middle East, on the other hand, declined. The Rest of the World region's share of Group turnover increased accordingly to 5.0% in the reporting year (2019: 3.6%).

Group turnover by quarter

The Leifheit Group got off to a good start in the 2020 financial year and achieved a significant 6.8% increase in turnover in the first quarter compared to the same quarter of the previous year. The TV advertising campaign conducted at the beginning of the year contributed significantly to increased consumer demand. Despite the constraints caused by the COVID-19 pandemic in the spring, Group turnover for the first half of the year was also significantly above the previous year. In the third quarter, Leifheit Group turnover grew strongly, as it did in the final quarter, due primarily to increased demand for products advertised on TV and in print.

Group turnover development by quarter in m€	2019	2020	Change
Q1	64.3	68.7	+6.8%
Q2	57.2	61.7	+7.9%
Q3	55.7	71.5	+28.4%
Q4	56.8	69.7	+22.6%
	234.0	271.6	+16.0 %

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€ 213.1, 17.0% more than the previous year (2019: m€ 182.0). In financial year 2020, 78.5% of Group turnover was achieved by the Household segment (2019: 77.8%).

The strong growth in the Household segment was mainly due to the cleaning category, which grew by 23.7%. The laundry care category also developed positively in the reporting period, achieving growth of 6.4%. Leifheit benefited here from TV advertising for cleaning and laundry care products, but also from pandemic-related changes in consumer behaviour. The population's need for hygiene increased noticeably in the reporting period, which had a positive impact on sales of cleaning utensils. In addition, people are cooking more at home due to restaurant closures and the risk of infection, which is reflected in sales of kitchen goods. The kitchen category was thus able to show significant growth of 42.5%.

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 a 9.8% share of Group turnover, it is significantly smaller than the Household segment.

In the 2020 financial year, turnover in the Wellbeing segment increased to m€ 26.5, showing a significant growth of 33.7% (2019: m€ 19.8). Germany is by far the largest market for this segment, followed by the Netherlands, Italy, Spain and Austria.

Considerable increases in the sale of Soehnle scales was a major factor in the positive turnover performance. Against the background of an increased need for hygiene on the part of consumers, there was also a growing demand for Soehnle air purifiers, which remove allergens from the air and combat viruses and bacteria. Thus, the Leifheit Group was able to almost triple turnover in the air product group.

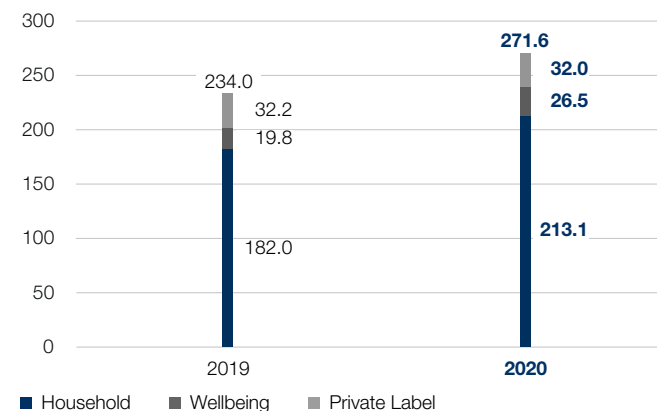
Private Label

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

In the Private Label segment we achieved turnover of m€ 32.0 in financial year 2020, representing a slight year-on-year decrease of 0.5% (2019: m€ 32.2). This development is due to the fact that, on the one hand, France was particularly affected by the restrictions caused by the pandemic, but on the other hand, new customer acquisition was able to slow down the decline in turnover slightly.

Group turnover by segment

in m€

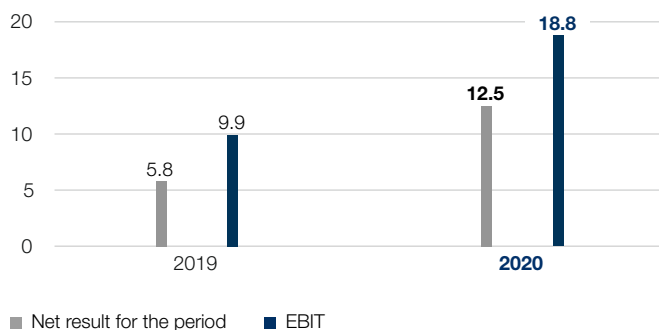


Development of results of operations

In financial year 2020, the Leifheit Group achieved EBIT in the amount of m€ 18.8 (2019: m€ 9.9). The year-on-year increase of m€ 8.9 was predominantly a result of the increase in gross profit. The contribution margins from the strong growth in turnover and positive product mix effects contributed significantly to this. The EBIT margin rose accordingly in the reporting period to 6.9% (2019: 4.2%). It is calculated as the ratio of EBIT to turnover.

Group result

in m€



Earnings before taxes (EBT) increased by m€ 9.2 to m€ 17.7 in the 2020 financial year (2019: m€ 8.5). The interest and financial result included as part of this figure improved by m€ 0.3 to m€ – 1.1 (2019: m€ – 1.4). After deduction of taxes of m€ 5.2 (2019: m€ 2.7), the Leifheit Group ultimately achieved a net profit for the period of m€ 12.5 (2019: m€ 5.8), or thus more than double the previous year.

Comprehensive income after taxes amounted to m€ 9.4 in the reporting period (2019: m€ 4.4). 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€ – 3.1 (2019: m€ – 1.4). The decrease of m€ 1.7 was mainly due to currency effects and losses from hedging expected cash flows in foreign currencies.

Income statement (short version) in m€		
	2019	2020
Turnover	234.0	271.6
Cost of turnover	– 133.0	– 149.3
Gross profit	101.0	122.3
Research and development costs	– 5.7	– 5.7
Distribution costs	– 71.9	– 83.3
Administrative costs	– 15.0	– 14.8
Other operating income and expenses	1.2	1.1
Earnings before foreign currency result, interest and taxes	9.6	19.7
Foreign currency result	0.3	– 0.9
Earnings before interest and taxes (EBIT)	9.9	18.8
Interest and financial result	– 1.4	– 1.1
EBT	8.5	17.7
Income taxes	– 2.7	– 5.2
Net result for the period	5.8	12.5
Other comprehensive income	– 1.4	– 3.1
Comprehensive income after taxes	4.4	9.4

Gross profit

Gross profit in the reporting period rose by m€ 21.3 to m€ 122.3 (2019: m€ 101.0). The significant increase of 21.2% compared to the previous year resulted mainly from the contribution margins of the increased turnover and the consistent focus on high-margin products and business as well as optimisations in purchasing.

The gross margin, which is calculated from gross profit related to turnover, therefore rose by 1.9 percentage points to 45.0% (2019: 43.1%).

Research and development costs

At m€ 5.7, research and development expenses were at the previous year's level. These costs mainly include personnel costs, costs for services and patent fees. Increased personnel expenses and services were fully compensated by lower depreciation and lower maintenance.

Distribution costs

Personnel costs at the Group rose in the reporting period by 15.8% to m€ 83.3 (2019: m€ 71.9). They include especially advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external sales teams.

The increase in distribution costs by m€ 11.4 is mainly due to the significant increase in consumer advertising. Overall, advertising expenses increased by m€ 9.8 to m€ 18.4. The increase mainly concerns TV advertising. Personnel costs increased by m€ 1.5 mainly due to higher royalties and commissions by m€ 0.7 due to higher turnover in new distribution channels, while travel and hospitality costs fell by m€ 0.6 due to the pandemic.

Administrative costs

Our administrative costs fell in financial year 2020 by m€ 0.2 to m€ 14.8 (2019: m€ 15.0). First and foremost, these costs include personnel costs and services to support our financial and administrative functions.

Personnel costs and Supervisory Board remuneration increased by m€ 1.2, in particular due to higher royalties. In contrast, expenses for services decreased by m€ 0.7 and travel and entertainment expenses by m€ 0.2.

Other operating income and expenses

Other operating income remained constant in the reporting year at m€ 1.3 (2019: m€ 1.3). They mainly include commission income and income from compensation for damages. At m€ 0.2, other operating expenses were also at the previous year's level (2019: m€ 0.2).

Foreign currency result

The foreign currency result fell by m€ 1.2 to m€ –0.9 (2019: m€ 0.3). It includes changes in the fair values of forward exchange contracts not subject to hedge accounting, foreign currency valuations and realised exchange gains and losses. Realised exchange gains and losses fell by m€ 1.1.

Interest and financial result

The interest and financial result amounted to m€ –1.1 (2019: m€ –1.4). No notable interest income was once again generated due to the negative interest rates in the Eurozone. Interest expenses amounted to m€ 1.1 (2019: m€ 1.4). Of this amount, m€ 0.9 was attributable to interest accruals to pension obligations (2019: m€ 1.3).

Income taxes

In financial year 2020, income taxes at the Leifheit Group totalled m€ 5.2 (2019: m€ 2.6). The rise was the result of higher earnings before taxes.

The tax rate stood at 29.2% (2019 31.1%). 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. Due to the uncertainties at the beginning of the COVID-19 pandemic, the lines of credit were significantly expanded in the second quarter of 2020.

The Group liquidity and lines of credit available mean that 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.

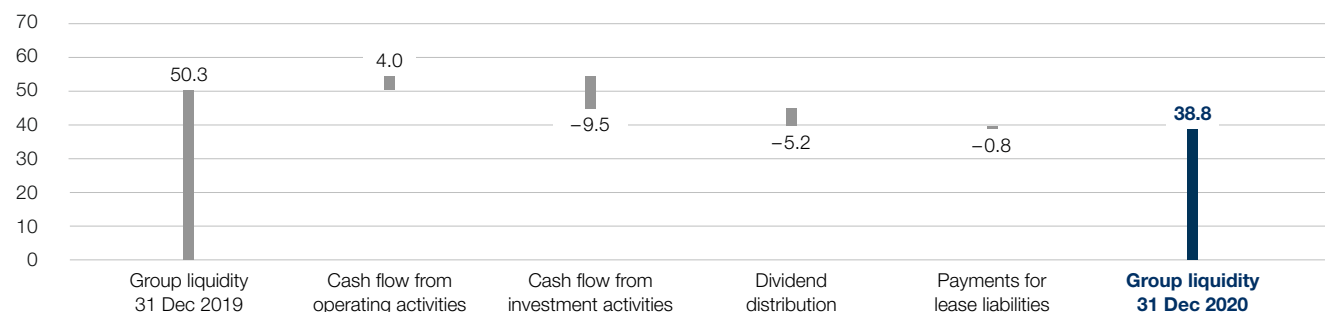
As at 31 December 2020, we held cash and cash equivalents mainly in euros, Czech korunas, US dollars, Chinese yuan and Polish zloty. We can also invest in near-money-market funds to reduce counterparty risks with banks. In the process, we pursue a prudent investment policy. As a result, we generally 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 2020.

Management of capital structure

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

Group liquidity

in m€



Capital structure

The equity ratio stood at 43.7% at the end of financial year 2020 (2019: 44.8%). It is calculated from the proportion of equity to the total of equity and liabilities. The debt-equity ratio, the relationship between current and non-current liabilities to the sum of equity and liabilities, amounted to 56.3% (2019: 55.2%) thus rising by 1.1% year-on-year.

Equity and liabilities	31 Dec 2019		31 Dec 2020	
	m€	Share in %	m€	Share in %
Equity	96.2	44.8	100.4	43.7
Current liabilities	47.2		56.7	
Non-current liabilities	71.2		72.9	
Liabilities	118.4	55.2	129.6	56.3
	214.6	100.0	230.0	100.0

Group debt of m€ 129.6 as at 31 December 2020 consisted mainly of pension obligations of m€ 68.0 (2019: m€ 66.9), trade payables and services and other liabilities of m€ 47.1 (2019: m€ 40.7), other provisions of m€ 8.8 (2019: m€ 8.4) and liabilities from income taxes of m€ 3.4 (2019: m€ 0.1). As in previous years, Leifheit had no liabilities to banks at the end of financial year 2020.

Analysis of Group liquidity

As at 31 December 2020, Group liquidity totalled m€ 38.8 (2019: m€ 50.3). It only included cash and cash equivalents.

As at the balance sheet date, bank balances consisted mainly of amounts in euros amounting to m€ 26.1 (2019: m€ 48.1), US dollars of m€ 8.8 (2019: m€ 0.5), Czech koruna of m€ 1.2 (2019: m€ 0.8), Chinese yuan of m€ 1.3 (2019: m€ 0.2), Polish zloty of m€ 0.9 (2019: m€ 0.3), and British pounds of m€ 0.2 (2019: m€ 0.2).

Analysis of Group statement of cash flow

m€	2019	2020	Change
Cash flow from operating activities	15.9	4.0	-11.9
Cash flow from investment activities	-5.8	-9.5	-3.7
Cash flow from financing activities	-10.7	-6.0	4.7

Cash inflow from operating activities in financial year 2020 totalled m€ 4.0 (2019: m€ 15.9). It resulted mainly from the result for the period adjusted for depreciation and amortisation in the amount of m€ 21.1 (2019: m€ 14.1) and the increase in working capital of m€ 20.6 (2019: decrease of m€ 3.1).

Working capital is the sum total of trade receivables, inventories, and contractual assets minus trade payables and other liabilities. The strong increase in working capital was mainly due to the increase in trade receivables and inventories. Trade receivables rose by m€ 13.0 (2019: m€ -6.3) roughly in parallel with the increase in turnover in the fourth quarter and additionally due to the customer-related receivables structure. Inventories increased by m€ 13.9 compared to 31 December 2019 (2019: m€ -0.5). The reason for the higher stockpiling of raw materials, unfinished and finished goods was, in particular, to ensure a resilient supply chain in the face of the ongoing COVID-19 pandemic, also against the backdrop of the extensive TV campaigns in the first quarter of 2021 and the associated planned turnover growth. In return, however, trade payables and other liabilities also increased by m€ 6.4.

Cash outflow from investment activities stood at m€ 9.5 in the reporting period (2019: m€ 5.8). Investments, that is payments for the purchase of intangible assets and property, plant and equipment amounted to m€ 9.6. Therefore investments were m€ 3.6 higher than in the previous year (2019: m€ 6.0). We invested in particular in improving efficiency and expanding manufacturing at our Czech production plant.

Cash outflow from financing activities amounted to m€ 6.0 (2019: m€ 10.7). This was solely due to the payout of dividends totalling m€ 5.2. (2019: m€ 10.0), and on the other hand the payments for lease liabilities of m€ 0.7 (2019: m€ 0.7).

Free cash flow

Free cash flow fell to m€ -5.5 in the 2020 financial year (2019: m€ 10.1). The reason for the sharp decline is the increase in working capital. The figure free cash flow indicates how much liquidity was available for the repayment of debt financing and for the distribution of dividends to shareholders.

m€	2019	2020	Change
Cash flow from operating activities	15.9	4.0	-11.9
Cash flow from investment activities	-5.8	-9.5	-3.7
Free cash flow	10.1	-5.5	-15.6

We had forecasted a significantly higher free cash flow for the 2020 financial year. As the increase in turnover in the fourth quarter significantly exceeded the planning, trade receivables increased. With the growth in turnover, inventories also increased more strongly. At the same time, due to the increasing uncertainties in the supply chain caused by the ongoing COVID-19 pandemic and to secure the ability to deliver the extensive TV campaigns in the first quarter of 2021, we have brought forward the build-up of inventories.

Lines of credit

In the context of uncertainties at the beginning of the COVID-19 pandemic, credit lines were significantly expanded in the second quarter of 2020. Leifheit had credit lines of m€ 25.2 as at 31 December 2020 (2019: m€ 9.2). Of this amount, m€ 0.7 was utilised through guarantees (2019: m€ 0.9).

Development of net assets

Balance sheet structure

The Leifheit Group's balance sheet total increased by m€ 15.4 to m€ 230.0 as at 31 December 2020 compared to 31 December 2019 (2019: m€ 214.6). This increase resulted on the assets side from higher receivables and inventories, on the liabilities side mainly from higher liabilities and increased equity.

As at the balance sheet date, current assets totalled m€ 162.3, and therefore m€ 14.3 higher than as at 31 December 2019. Cash decreased by m€ 11.5 to m€ 38.8 as at 31 December 2020 (2019: m€ 50.3). Trade receivables rose by m€ 13.0 to m€ 57.4 (2019: m€ 44.4) roughly in parallel with the increase in turnover in the fourth quarter and additionally due to the customer-related receivables structure. Inventories increased by m€ 13.9 compared to 31 December 2019 (2019: m€ -0.5). The reason for the higher stockpiling of raw materials, unfinished and finished goods is in particular to ensure a resilient supply chain in the ongoing COVID-19 pandemic, also against the backdrop of the extensive TV campaigns in the first quarter of 2021 and the associated planned turnover growth. We have responded to the renewed lockdown at the end of 2020 with increased safety stocks to safeguard the production of our bestselling products. Contractual assets of m€ 1.1 and other current assets of m€ 4.3 were both at the previous year's level.

Current and non-current active derivative financial instruments fell by a total of m€ 0.3 to m€ 0.4 (2019: m€ 0.7), while current and non-current derivative financial instruments on the liabilities side increased by a total of m€ 0.8 to m€ 0.8 (2019: m€ 0.0). This change resulted primarily from the use of the forward exchange transactions concluded in previous years for financial year 2020 and the change in the fair values of forward exchange transactions for the period from January 2021 until February 2022.

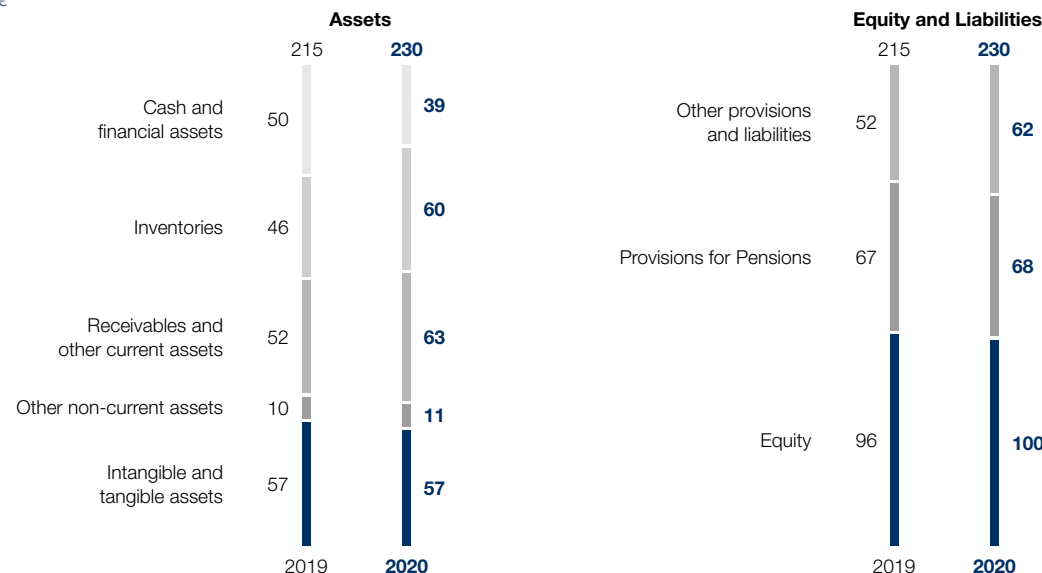
Non-current assets climbed by m€ 1.1 to m€ 67.7 as at 31 December 2020 (2019: m€ 66.6). Intangible assets and property, plant and equipment increased slightly by m€ 1.1 to m€ 56.4, especially due to the increase in investments.

Current liabilities with maturities of less than one year rose by m€ 9.5 to m€ 56.7 (2019: m€ 47.2). Trade payables and other liabilities rose by m€ 6.4 to m€ 47.1 (2019: m€ 40.7). Trade payables increased by m€ 3.1, in particular due to the increase in inventories, liabilities to employees increased by m€ 1.4, in particular from royalties, accounts receivable increased by m€ 0.8 and reimbursement obligations increased by m€ 0.6.

Non-current liabilities rose by m€ 1.7 to m€ 72.9 as at the reporting date (2019: m€ 71.2). They chiefly include pension obligations in the amount of m€ 68.0 (2019: m€ 66.9). The increase of m€ 1.1 was chiefly due to actuarial losses caused by the further decline in the actuarial interest rate. Other non-current provisions were up by m€ 1.2 to m€ 3.9 (2019: m€ 2.7), mainly due to royalties.

Balance sheet ratios

in m€



The Leifheit Group continued to have a solid equity base. At m€ 100.4, equity as at 31 December 2020 improved by m€ 4.2 compared to the previous year's reporting date (2019: m€ 96.2). The dividend distributed in the reporting year for the 2019 financial year amounted to m€ 5.2. The net profit for the 2020 financial year included in equity amounted to m€ 12.5. Other reserves fell by m€ 3.1, primarily as a result of actuarial losses from pension obligations recognised directly in equity.

The equity ratio, i. e. the share of equity in the balance sheet total, fell by 1.1 percentage points to 43.7% at the end of the 2020 financial year despite the increase in equity due to the higher balance sheet total (2019: 44.8%).

Investments

In the reporting period, we invested a total of m€ 9.6 (2019: m€ 6.0).

Additions to tangible assets totalled m€ 8.9 in the 2020 financial year (2019: m€ 5.2). These mainly involved tools for new products, machines, streamlining and replacement investments for production plants and operating and business equipment. The increase of m€ 3.7 is mainly due to investments to improve efficiency and expand production capacities at the Czech production site. We also invested m€ 0.7 (2019: m€ 0.8) in intangible assets. This mainly concerned the purchase of software to connect our production location in Blatná, for our online shop and for IT security measures.

The investment measures in the 2020 financial year were largely completed by the end of the year, with the exception of two production facilities at our Czech plant. Investments in these assets amounted to m€ 5.9, of which m€ 1.3 was disbursed by 31 December 2020. The plants are expected to be commissioned by the fourth quarter of 2021.

The investment ratio, which gives information on additions to fixed assets related to the historic procurement and production costs, stood at 5.2% without the right of use assets of leases in financial year 2020 (2019: 3.3%).

As at 31 December 2020, there were contractual obligations to acquire items of tangible assets – mainly for equipment and tools in the amount of m€ 1.5 (2019: m€ 1.2). 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 for leases of up to 12 months, for leases for low-value assets with a value not exceeding k€ 5 and for licences. As in previous years, any other off-balance-sheet financing instruments were not used in the reporting period.

Overall assessment of management in regard to the economic situation

In the 2020 financial year, we continued key strategic initiatives as part of our Scaling up Success growth strategy to put the Leifheit Group on a sustainable growth path. The successes of the strategy adopted are noticeably reflected in the results for the 2020 business year. We were able to increase EBIT by m€ 8.9 to m€ 18.8. The Group's EBIT was thus at the upper end of the recently upwardly adjusted EBIT forecast of m€ 17 to m€ 19. Accordingly, the EBIT margin during the reporting period increased to 6.9% compared with 4.2% in the previous year.

The significant increase in gross profit by m€ 21.3 to m€ 122.3 shows that the strategic measures contribute to a higher profitability of the Group. In addition to the contribution margins of the increased turnover, we have significantly improved the gross margin through a consistent focus on high-margin products and business as well as optimisations in purchasing. In the 2021 financial year, we will continue to focus on making the Leifheit Group's product range leaner and more profitable. At the same time, it is also clear that our measures to cut costs within the Group are also having an impact. In 2021, we will continue to focus on increasing investments in consumer advertising while improving cost structures along the entire value chain.

In terms of turnover, demand for products advertised on TV in particular contributed to a significant increase in Group turnover to m€ 271.6 in 2020. On the one hand, the Leifheit brand, which is advertised on TV, made a significant contribution to the growth in turnover, resulting in a 17.0% increase in turnover in the Household segment compared to the previous year. This means that 78.5% of the Group's turnover was generated in the Household segment in the reporting year. On the other hand, the Wellbeing segment showed extremely strong growth of 33.7%, contributing a share of 9.8% to Group turnover. In the Private Label segment, turnover was slightly below the previous year's figure.

It was particularly pleasing that we were able to record a significant growth in turnover of 14.6% in Germany over the year as a whole, thus successfully achieving the turnaround we were aiming for. The significant increase in the home market resulted primarily from demand for products advertised on TV.

Abroad, we were also able to achieve significant double-digit percentage turnover growth in all sales regions in 2020. In Central Europe, increased consumer advertising, especially in the Netherlands, led to significant turnover growth. Significant turnover growth was also recorded in Switzerland and Austria due to an expanded distribution network. In Eastern Europe, Romania, Poland and the Czech Republic in particular contributed to a positive turnover development. In the non-European markets, business in the USA and Australia increased significantly.

This means that we achieved a clear turnaround in terms of turnover, margin and EBIT trends in financial year 2020. However, one challenge remains: the growth- and pandemic-related rise in working capital has had an impact on cash flow. To ensure a resilient supply chain in the face of the ongoing COVID-19 pandemic, we have increased inventories, also in light of the extensive TV campaigns in the first quarter of 2021 and the associated planned turnover growth. At the same time, trade receivables rose due to the increase in turnover. The Leifheit Group continues to have a solid capital structure, which provides us with financial stability and independence to implement the growth strategy we have embarked on. As of the balance sheet date, the non-current liabilities mainly resulted from provisions for pensions. At the reporting date, as in previous years, there were no liabilities to credit institutions. The continuing high equity ratio was slightly below the previous year's value at 43.7%. Cash and cash equivalents and financial assets in the Group amounted to m€ 38.8 as at 31 December 2020.

Non-financial performance indicators

Employees

Highly trained and motivated employees are essential to our ability to achieve our ambitious operating and strategic targets. Demographic developments and the associated increased shortage of highly qualified workers, which is particularly noticeable where technical professions are concerned, are a key challenge. Our strategic HR work allows us to rise to the challenges presented by the labour market. We invest in our employees and provide opportunities for training and development. At the same time, we aim to create a fun, friendly, fast and fearless corporate culture where we pursue our goals with joy, speed and boldness. Our vision is for our employees to tackle the challenges they face with a sense of fun and joy, with speed and with great confidence. This is how we will better leverage our company's potential in future. In the area of operations and at its intersections, we give responsibility to teams across different disciplines and hierarchies with the help of tools for agile working.

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

Number of employees at the Group

As at 31 December 2020, the Leifheit Group had 1,098 employees (2019: 1,106 employees), of whom 82 were employed part-time (2019: 90 employees). The number of employees thus remained largely stable. As at that date, 403 employees were working at German locations (2019: 413 employees). This represents a share of 36.7% of the Group workforce (2019: 37.3%). As at the balance sheet date, we employed 473 people at production and sales locations in the Czech Republic (2019: 457 people), or 43.1% (2019: 41.3%) of the Group workforce. At the end of the reporting year, 142 employees were working in France (2019: 153 employees) thus 12.9% (2019: 13.8%) of the Group workforce. The remaining 7.3% of employees are spread mainly among various European countries.

Employee structure of the Leifheit Group	31 Dec 2019	31 Dec 2020
Group	1,106	1,098
Household	906	914
Wellbeing	52	47
Private Label	148	137
Germany	413	403
Czech Republic	457	473
France	153	142
Other countries	83	80

In the Household segment, we employed 914 people (2019: 906 employees), in the Wellbeing segment 47 employees (2019: 52 employees). In the Private Label segment with our French subsidiaries Birambeau and Herby, we had 137 employees at the end of the reporting period (2019: 148 employees).

A total of 31 trainees were employed at Leifheit AG's German locations at the end of 2020. Temporary workers are employed during peak order times primarily in production and logistics. In 2020, their share was about 18%. The average number of employees at the Leifheit Group was 1,094 people in financial year 2020 (2019: 1,113 people).

Personnel costs at the Group rose in the reporting period by 4.0% to m€ 52.3 (2019: m€ 50.3).

Diversity

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

Characteristics of the workforce of the Leifheit Group	2019	2020
Average length of service	12.0 years	11.7 years
Age structure of employees		
under 30 years	14%	16%
30 to 40 years	20%	20%
40 to 50 years	27%	28%
50 to 60 years	30%	28%
over 60 years	9%	8%
Average age	44 years	44 years
Percentage of women in the workforce	50%	49%
Percentage of women at the first management level	21%	27%
Number of trainees	34	31
Part-time employees	90	82

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 operations are responsible for the prompt identification, analysis and utilisation of opportunities that arise. We regularly consider detailed market and competition analyses, relevant cost parameters and critical success factors, which we then take into account in our strategy. Our overriding objective is to strike a healthy balance between opportunities and risks.

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

Macroeconomic opportunities

For the most part, the 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 an 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 more easy and convenient. In our view, the following trends will be of importance to our company in the coming years and harbour the potential to have a positive effect on our business development.

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 even 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 the future. Leifheit is a brand supplier of high-quality and long-lasting products that are manufactured at the company's own production facilities in Europe 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.

Pandemic leads to changes in consumer behaviour

The spread of the coronavirus has changed consumer behaviour. On the one hand, people's need for hygiene has increased noticeably. Leifheit and Soehnle products can help consumers keep their homes hygienically clean and rid the air of viruses. At the same time, the importance of cooking and baking at home has increased during the pandemic. These developments could have a sustained positive impact on the development of turnover in the Leifheit Group.

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 the 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 more easy and 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 further 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 above all on Europe. Country-specific sales programmes serve to consolidate or expand our position in the region.

We also take advantage of opportunities that arise outside of Europe. Through our distribution company in China founded in 2018, 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 monitoring system in accordance with section 91 para. 2 AktG. 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. Risk management includes both financial and non-financial aspects. Opportunities are not recognised.

The central element of the risk management system is the systematic risk management process that is implemented every six months. It includes the risk identification, risk evaluation, risk aggregation, risk control, risk monitoring and risk reporting phases. This process begins with risk identification, during which all financial 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 the 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 2020 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. Effects both before and after the measures implemented to mitigate risk are presented, 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.

We have grouped the risks relevant to Leifheit into the following categories:

- Risks from external framework conditions
- Risks from operating activities
- Financial risks
- Legal and compliance risks

The COVID-19 pandemic continues to weigh heavily on the world in 2021. Against this background the Leifheit Group faces various risks in the current financial year. In view of the ongoing pandemic, the risk assessment is done at the time of publication of the report.

Risks from external framework conditions

External risks essentially include 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 uncertainties can 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 2020 stood at roughly 1%.

Risks from operating activities

■ Sales risks

The sales and marketing activities in the Group segments are mainly concentrated on the European core markets.

Dependence on customers, products and markets

Dependence on specific 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.

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.

Turnover and pricing

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 low.

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

Sales risks related to epidemic/pandemic

There are sales risks against the background of the COVID-19 pandemic. In the event of further or renewed sustained lockdowns and the resulting closure of business, private consumption could be strongly concerned in the short term. In addition, financial difficulties or insolvencies of key customers due to the pandemic could lead to revenue shortfalls and bad debt losses.

We estimate the possible effects of dependence risks as being high and their probability of occurrence as being high.

■ Procurement market risks

The Leifheit Group sources raw materials and finished goods from suppliers in Europe and the Far East. Wage costs, raw materials and inbound materials are responsible for a large portion of the cost of turnover.

Commodities

Commodity markets are affected by uncertainties and volatile demand for isolated raw materials. 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.

For our procurement markets, we assume that purchase prices will increase moderately overall. However, price fluctuations with uncertain and inconsistent trends are expected within the year.

We are currently confronted in particular with significantly increased steel and plastic prices. Even though this trend is likely to weaken again in the coming months, there is a risk that further increases in raw material and material costs cannot be compensated by higher prices for our products. Rising raw material prices could thus have a negative impact on the margins of the products sold and negatively affect the result.

We estimate the potential effects of raw material price increases as being medium and their probability of occurrence as being high.

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.

Logistics costs

Against the backdrop of the ongoing COVID-19 pandemic, the Leifheit Group is exposed to the risk of a bottleneck and an increase in the cost of logistics capacities or a temporary loss of logistics service providers.

The container shortage has led to a dramatic increase in freight rates between China and Europe since the end of 2020. This trend is expected to weaken again in the coming months. However, a further shortage of logistics capacities, especially for sea freight, could lead to a further increase in logistics costs and thus have a negative impact on the margins of the products sold and negatively affect the result.

We estimate the potential effects of risks from logistics costs as being medium and their probability of occurrence as being high.

To counteract this, active negotiations are currently being held with the logistics service providers and the sea deliveries have been prioritised in terms of importance and urgency.

Supply

Single sourcing results in a price advantage in procurement due to the larger order quantity from only one supplier. Especially in view of the COVID-19 pandemic, it becomes clear that strategic supplier partnerships are essential for securing the procurement process. However, dependence on individual suppliers can give rise to supply risks. For example, extraordinary incidents such as fires or accidents at the supplier could lead to retroactive damage.

The uncertainties in the supply chain related to the COVID-19 pandemic may also lead to supply bottlenecks for finished goods and production materials.

We estimate the potential effects of supply risks as being high and their probability of occurrence as being high.

We reduce the likelihood of these risks occurring through systematic supplier management and long-term strategic cooperations for supply- and price-critical materials, stockpiling and alternative procurement strategies.

– Risks from the production process

The Leifheit Group concentrates its production at locations in Germany, France and the Czech Republic. 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.

Equipment failure

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.

Exceptional 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 related to epidemic/pandemic

Against the backdrop of the COVID-19 pandemic, risks exist in the form of disruption to our supply chains, regional and national restrictions on production operations or government-ordered production stoppages, and reduced labour availability. This could lead to temporary closures of all or some of the sites of the Group.

The occurrence of such risks could lead to a loss of turnover and earnings. We estimate the possible effects of dependence risks as being high and their probability of occurrence as being high.

We can absorb the negative effects of possible production stoppages through flexible production control. At the same time, defined safety and hygiene standards minimise the risk of infection for our employees.

– Personnel risks

To successfully implement our Scaling up Success growth strategy, we need committed and qualified employees and managers. There is a risk that we will not be able to find enough top performers to fill vacancies. Due to the pandemic, there may also be temporary staff shortages, although protecting the health of our employees is our top priority at all times.

We assess the potential effects of personnel risks, especially with regard to the ongoing COVID-19 pandemic, as high with a high probability of occurrence.

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

– Information security risks

Our IT-based business processes are subject to various information security risks. Risks that jeopardise the confidentiality, availability and integrity of information can arise from human errors, organisational or technical procedures and/or security gaps in information processing, but also from external risks such as natural disasters, fire or malicious acts.

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.

Financial risks

– 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 COVID-19 pandemic can lead to increased insolvencies among trading partners and thus to the loss of receivables.

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 2020, cash and cash equivalents at the Group amounted to m€ 38.8. There were no interest-bearing financial liabilities, such as bank loans. Current lines of credit in the amount of m€ 25.2 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 registered office.

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

– Currency risks

Leifheit is exposed to currency risks, as cash flows occur in various currencies. Furthermore, currency effects from the translation of results not denominated in euros, 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 2021, we have hedged approximately 100% of the planned foreign currency requirement in US dollars through forward exchange contracts, US dollar cash balances and expected US dollar deposits, and approximately 60% of the requirement in HK dollars and Chinese yuan through forward exchange contracts. Most of our hedging is done through hedge accounting.

The following hedges existed as at 31 December 2020:

	Foreign currency	Value of obligation	Fair value
Buy USD/€	mUSD 9.6	m€ 8.3	m€ –0.5
of which hedge accounting	mUSD 9.6	m€ 8.3	m€ –0.5
Buy HKD/€	mHKD 21.0	m€ 2.4	m€ –0.2
of which hedge accounting	mHKD 21.0	m€ 2.4	m€ –0.2
Buy CNH/€	mCNH 218.4	m€ 26.8	m€ 0.1
of which hedge accounting	mCNH 206.6	m€ 25.3	m€ 0.1

In line with the requirements of IFRS 7, we have estimated the effects of changes to our key exchange rates on result and equity and listed them under Note 34 of the financial statements. The effects are primarily due to the change in the fair values of our hedging instruments. As a result of this sensitivity analysis, a 10% appreciation of the euro against the US dollar as at the balance sheet date, 31 December 2020, would have reduced earnings before taxes by m€ 1.0 and would have reduced equity by m€ 0.9.

– Interest rate risks

Changes to market interest rates impact future interest payments for financial investments and for variable interest-bearing liabilities. Since 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, the negative interest rates on bank balances continue to burden the interest result.

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.

Legal and compliance risks**– Legal risks**

As an international company, Leifheit is exposed to various legal risks. These include contractual risks, liability risks or the risk that third parties could assert claims or pursue legal action due to infringement of brands, patent or other rights.

We rate the potential effects 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.

– 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.

Overall assessment of opportunities and risks

Assessing the risks from the COVID-19 pandemic remains very difficult due to ongoing uncertainties. 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.

Group forecast

Against the backdrop of the global economic recovery currently expected for 2021 and assuming a gradual easing of the comprehensive and assuming a gradual easing of the extensive measures to contain the COVID-19 pandemic in the coming weeks, we expect an increase in turnover of at least 5% compared to the previous year. At the same time, we expect to generate EBIT of between m€ 20 and m€ 24.

Economic development

In its January 2021 forecast, the International Monetary Fund (IMF) revised its expectation for the global economy in the current year upwards by 0.3% and now expects growth of 5.5%. The main reason for this is the increasing approval of vaccines against infection with the SARS-CoV-2 virus and the associated expectation of a strengthening of economic activities towards the end of the year. The IMF also expects positive impulses from further aid packages from governments, which should contribute to a full economic recovery. On the other hand, the spread of the various virus mutations and the renewed increase in the number of infections in many industrialised countries towards the end of last year had a dampening effect. The December forecast of the economists of the Kiel Institute for the World Economy (IfW) is much more optimistic: They expect global GDP to recover by 6.1% in 2021, a figure that has already been revised downwards by 0.6 percentage points due to the strong recovery towards the end of 2020. This outlook is also based on the assumption of increasing vaccination coverage of the population, but also the expansion of further waves of infection.

Europe

In contrast to the global development, the IMF expects weaker growth for the Eurozone than recently expected. Here, the IMF revised its forecast for 2021 downwards by a full 1.0 percentage points and now anticipates a growth rate of 4.2%. This reflects the slowdown in business activity at the end of the year, which the IMF expects to continue at least until early 2021 in the wake of increased infection levels as well as renewed lockdowns.

In its winter forecast for 2021, the EU Commission assumes GDP growth of 3.8% in the Eurozone. For both the euro area and the EU, the Commission expects aggregate output to return to its pre-crisis level earlier than anticipated in the autumn 2020 forecast, mainly because stronger growth momentum is now forecast in the second half of 2021. However, the risks to their forecast remain high, according to the EU Commission. They are mainly related to the further development of the pandemic and the success of the vaccination campaigns.

For France, the EU's economic experts expect economic output to increase by 5.5% in 2021. The growth expectation for the Netherlands is significantly lower at 1.8%. For Austria, the EU expects an increase in GDP of 2.0% in 2021. After a weak growth rate in 2019 and a deep recession caused by the effects of the COVID-19 pandemic, the economic trend in Italy will be extremely positive in 2021. Here, the EU Commission expects a recovery of 3.4%.

For the Eastern European countries, it will probably take longer than 2021 before they can return to the level they had before the outbreak of the COVID-19 pandemic. Following the above-average growth rates of recent years, the EU forecasts GDP growth of 3.2% for the Czech Republic, 3.1% for Poland, 3.8% for Romania and 2.7% for Bulgaria in 2021.

Germany

Towards the end of 2020, the infection dynamics of the COVID-19 pandemic also increased sharply again in Germany, whereupon the German government again introduced tougher lockdown measures that will probably last well into 2021. As a result, according to the experts of the IfW, the recovery of the German economy is delayed. In December 2020, for example, the IfW corrected its forecast for German GDP from 4.8% to 3.1% for 2021. According to its winter forecast, the EU Commission expects German GDP to recover by 3.2% in 2021.

Consumer climate

Europe

In February 2021, the European Commission's Consumer Confidence Indicator stood at –15.7 points in the EU and –14.8 points in the euro area. Although the indicator was thus very clearly below the previous year's value in February 2020 (–5.9 and –6.6 points respectively), it increased by 0.8 and 0.7 points, respectively, compared with January 2021. However, both indices remain far below the long-term average of –10.6 in the 27 EU member states and –11.1 in the euro area.

Germany

After consumer sentiment had deteriorated in the wake of the lockdown at the beginning of the year, it recovered in February 2021. Both economic and income expectations rose, and the index also recorded gains in the propensity to buy. For March 2021, GfK forecasts a value of –12.9 points for the consumer climate, which represents an increase of 2.6 points compared to February. At the beginning of February 2020 the index still stood at 9.9 points. According to GfK, a sustained recovery in consumer sentiment will only be possible once the hard lockdown is over and shops reopen. However, the recent drop in the number of infections and the start of the vaccination campaign and the associated hope that the measures will soon come to an end are currently having a positive effect.

The mood among managers in Germany brightened noticeably. After 90.3 points in January 2021, the ifo Business Climate Index, which reflects the assessment of the business situation as well as the business expectations of top managers and directors of the German economy, climbed to 92.4 points in February. Both the assessment of the current situation and the expectations for the coming months were better than in the previous month. In the previous year the index still stood at 95.7 points. The stability of the German economy in particular is having a positive effect. It is robust despite the lockdown, mainly because of the strong industrial economy. The index rose in manufacturing, services, trade and construction. The increase was particularly strong in the manufacturing sector, whose index value was recently the highest since November 2018.

Foreign currencies

The euro increased in value significantly against the US dollar in 2020. By the end of the year on 30 December 2020, € 1.00 was worth USD 1.23 – the highest value seen since spring 2018. In March, the euro had fallen to just USD 1.06 in the course of the first wave of the pandemic before the EU's stimulus package bolstered confidence in the single currency. In view of the rise in US bond yields, the US dollar has stabilised somewhat recently. In the longer term, however, experts expect a weaker dollar, which is attributed to the new monetary policy stance of the US Federal Reserve.

Following significant capital outflows in emerging economies in March and April 2020, the Chinese currency, the yuan (renminbi), was able to recover rapidly from its late May 2020 low and increased in value by 10% against the US dollar over the course of the year. The key driver of this trend was the uptick in economic development in China as well as hopes of de-escalation in the country's trade conflict with the US under the latter's new president Joe Biden. For 2021, economists therefore see further upside potential for the Chinese currency in view of the expected significant economic growth and higher real interest rates.

Group strategy

In 2020, we decisively pushed ahead with our Scaling up Success strategy and have already achieved considerable success. We will continue to consistently implement our growth strategy in 2021. 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 foundation for this is improved consumer communication, in the course of which we have invested more heavily in TV advertising for Leifheit brand products. As a result, we were able to significantly increase turnover in the 2020 financial year, particularly in our home market of Germany. Further investments in TV advertising for the Leifheit brand are planned for the current financial year. Likewise, following the print campaign in the previous year, Soehnle brand products are also advertised on TV. Consumer advertising will also be launched in other European markets. On this basis, we are continuing to pursue the goals of gaining additional trading partners in both stationary and online trading, and of achieving better conditions in trade through a strengthened basis for negotiation. In the area of e-commerce, we were able to record growing business in the past business year, also through our own online shop.

Our European production and logistics footprint allowed us to maintain a reliable supply to our customers in the reporting year in spite of the pandemic-related challenges in the supply chain. In 2021, we will make targeted investments in enhancing the efficiency and expanding the capacities of our European production network.

Another important component of our strategy is the corporate culture we introduced in 2019, which plays a key role in achieving our goals under the principles of "fun, friendly, fast and fearless". With our innovative product developments of first-class quality and high customer benefit, we want to further expand our position in the existing markets and open up buyer groups. Our medium-term strategic goals continue to be sustainable organic turnover growth, a high level of efficiency throughout the value chain, and continuous improvement in operating results.

Group forecast and overall statement of prospective development

The Leifheit Group has made a very good start to the 2021 financial year so far in terms of turnover. Nevertheless, the impact of the COVID-19 pandemic continues to be clearly felt. Thus, since December 2020, important sales channels in major markets have once again been closed. Above all, however, the current significant increase in steel and plastic prices, the tense situation in the sea freight sector and pandemic-related cost increases at our plant in Blatná, Czech Republic, present us with challenges. We will continue to keep a close eye on these developments and take effective mitigation measures to counteract them. As a precaution, we increase our inventories at the end of 2020 to ensure that we could maintain our supplies during this unprecedented pandemic. We also made this decision with an eye toward extensive TV campaigns in the first quarter of 2021 and the associated planned turnover growth.

We currently expect the impact of the COVID-19 pandemic to weaken significantly in the coming months. Nevertheless, COVID-19 remains a factor in the current 2021 financial year with consequences for business development and the financial position and results of operations of the Leifheit Group itself, as well as for the economy as a whole, that are difficult to assess.

Against the backdrop of the global economic recovery currently expected in 2021 and the gradual lifting of the extensive measures to contain the COVID-19 pandemic in the coming weeks, we expect Group revenue to increase by at least 5% year-on-year in the 2021 financial year. Our strategy further centres on expanding our core business with the Leifheit and Soehnle brands, which we aim to drive forward with increased consumer advertising and TV campaigns. We have earmarked a large part of the advertising expenditure planned for 2021 in the first half of the year. On this basis, we expect significant growth impulses, especially in the first and second quarters of 2021.

In the Household segment we expect turnover growth of at least 6%. In the considerably smaller Wellbeing segment, we anticipate a plus of at least 7%. In the Private Label segment, we expect turnover to be slightly above the previous year's level.

We expect EBIT of between m€ 20 and m€ 24.

Financial and liquidity position

We will continue to follow our fundamentally conservative financial policy in the current financial year. We expect a free cash flow of around m€ 10 to m€ 14 in 2021. We assume a decrease in working capital compared to 2020. The assessment is based on the one hand on the expected increase in receivables due to the anticipated customer structure and the forecast growth. On the other hand, in the course of the phasing out of the COVID-19 containment measures and our strategic measures to streamline our product lines, we anticipate a reduction in inventories compared to 2020.

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 2020 is presented below. Criteria that do not apply to Leifheit are not included.

As at 31 December 2020, 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).

There are direct and indirect equity interests exceeding 10% of the voting rights in the capital of Leifheit AG. Voting rights notifications are listed in Note 43 of the consolidated financial statements.

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

Members of the Board of Management of Leifheit AG are appointed and dismissed according to the stipulations of section 84 and section 85 AktG. In addition, art. 6 para. 1 of the articles of incorporation stipulates that the Board of Management consists of one or several members, and art. 6 para. 2 stipulates that the Supervisory Board appoints the members of the Board of Management,

determines their number, appoints deputy Board of Management members and may appoint a member of the Board of Management as chairperson of the Board of Management.

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

By resolution of the Annual General Meeting 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 Company is also authorised by resolution of the Annual General Meeting 2020 to buy back and appropriate shares amounting to up to 10% of the share capital until 29 September 2025. The terms of both resolutions can be found in the respective agendas of the Annual General Meeting on 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 sections 289f/315d HGB can be found on our website at [unternehmensfuehrung.leifheit-group.com](https://www.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, information 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. In the declaration of corporate management, the Board of Management and the Supervisory Board also report on corporate governance at Leifheit.

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](https://www.financial-reports.leifheit-group.com).

Remuneration report

The remuneration report contains the information required under the German commercial code (HGB) and the International Financial Reporting Standards (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 is based on the area of responsibility and individual performance of the respective Board of Management member. It is reviewed at regular intervals to determine if it is appropriate and in line with market standards.

The 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

The Supervisory Board reviewed the system of remuneration for the Board of Management. The Board of Management remuneration system, which has been in place since 1 January 2019, takes both the provisions of the German stock corporation act and the recommendations of the German corporate governance code into account, 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 21, "Control system") for the STI, and earnings per share (EPS), return on capital employed (ROCE) and share price performance for the LTI. In the Board of Management remuneration system, the definition of ROCE valid until financial year 2018 applies (the sum of EBIT and actual taxes in proportion to capital employed on the balance sheet date, in other words the total amount of trade receivables, inventories and non-current assets less trade payables and other liabilities, as well as prepayments received on orders).

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 ROCE and EPS. Achievement of the success factor targets is measured over the performance period. Any payment in relation to the virtual shares also depends 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.

Board of Management remuneration charts

Igor Iraeta Munduate (COO) Joined 1 November 2018				
Granted benefits in k€	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	330	330	330	330
Fringe benefits	18	13	–	–
Total	348	343	330	330
Single-year variable remuneration	120	120	0	180
Multi-year variable remuneration (LTI 2019 tranche)	250	–	0	–
Multi-year variable remuneration (LTI 2020 tranche)	250	–	0	–
Multi-year variable remuneration (LTI 2021 tranche)	208	–	0	–
Other	–	–	–	–
Total	828	120	0	180
Pension expenses	–	–	–	–
Total remuneration¹	1,176	463	330	1,030

¹ Maximum total annual remuneration.

Henner Rinsche (CEO/CFO) Joined 1 June 2019				
Granted benefits in k€	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	248	425	425	425
Fringe benefits	9	8	–	–
Total	257	433	425	425
Single-year variable remuneration	180	180	0	270
Multi-year variable remuneration (LTI 2019 tranche)	204	–	0	–
Multi-year variable remuneration (LTI 2020 tranche)	350	–	0	–
Multi-year variable remuneration (LTI 2021 tranche)	350	–	0	–
Multi-year variable remuneration (LTI 2022 tranche)	146	–	0	–
Other ¹	250	–	–	–
Total	1,480	180	0	270
Pension expenses	–	–	–	–
Total remuneration²	1,737	613	425	1,500

¹ Recruitment bonus in financial year 2019.² Maximum total annual remuneration.

Ivo Huhmann (CFO) Joined 1 April 2017, exited 31 March 2020				
Granted benefits in k€	2019	2020	2020 (min.)	2020 (max.)
Fixed remuneration	330	83	83	83
Fringe benefits	41	7	–	–
Total	371	90	83	83
Single-year variable remuneration	120	30	0	45
Multi-year variable remuneration (LTI 2019 tranche)	250	–	0	–
Multi-year variable remuneration (LTI 2020 tranche) ¹	62	–	0	–
Other ²	150	–	–	–
Total	582	30	0	45
Pension expenses	–	–	–	–
Total remuneration³	953	120	83	257

¹ Contract expired and exited as at 31 March 2020.² Bonus for interim CEO function in financial year 2019.³ Maximum total annual remuneration.

	Igor Iraeta Munduate COO Joined 1 November 2018		Henner Rinsche CEO/CFO Joined 1 June 2019		Ivo Huhmann CFO Joined 1 April 2017, exited 31 March 2020	
Cash flow in k€	2019	2020	2019	2020	2019	2020
Fixed remuneration	330	330	248	425	330	83
Fringe benefits	18	13	9	8	41	7
Total	348	343	257	433	371	90
Single-year variable remuneration	151	90	180	135	151	23
Multi-year variable remuneration (LTI 2019 tranche)	27	139	43	93	169	158
Multi-year variable remuneration (LTI 2020 tranche)	16	144	43	180	31	68
Multi-year variable remuneration (LTI 2021 tranche)	10	60	34	85	–	–
Multi-year variable remuneration (LTI 2022 tranche)	–	–	15	30	–	–
Other	–	–	49 ¹	83 ¹	150 ²	–
Total	204	433	364	606	501	249
Pension expenses	–	–	–	–	–	–
Total remuneration	552	776	621	1,039	872	339

¹ Sign-in bonus.² Bonus for interim CEO function.

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 2020 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€ 1,343 was recognised under other liabilities as at 31 December 2020 as part of the LTI plan for Board of Management members (31 December 2019: k€ 386). The expense for the period from 1 January to 31 December 2020 amounted to k€ 957 (2019: k€ 386).

The following parameters were taken into account as part of the measurement as at 31 December 2020:

	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Time of measurement	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2020
Remaining term (in years)	2.00	3.00	4.00	5.00
Volatility	36.38%	37.73%	35.53%	32.76%
Risk-free interest rate	–0.72%	–0.77%	–0.76%	–0.74%
Expected dividend yield	4.60%	4.60%	4.60%	4.60%
Exercise price	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Price of the Leifheit share as at the time of measurement	€ 43.50	€ 43.50	€ 43.50	€ 43.50

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 chairperson of the Supervisory Board receives € 100,000.00, the deputy chairperson € 70,000.00.

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

Each member of a committee, except the audit committee, receives an additional fixed remuneration of € 2,500.00; the chairperson 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 chairperson 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 chairperson of the Supervisory Board and the respective chairperson of a Supervisory Board committee will receive twice the meeting attendance fee for participating in 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 chairperson of the Supervisory Board, € 100,000.00 for the chairperson of the audit committee and € 200,000.00 for the chairperson 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 theoretical 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 shares were purchased.

The chairperson 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 Leifheit AG 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 resolutive 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 purchase. 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 purchase 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 according 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 a 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 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 purchased 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 in 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 Board remuneration provision (until 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 theoretical 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.

Supervisory Board remuneration tables

	Joachim Barnert		Dr Günter Blaschke		Georg Hesse	
Granted benefits in k€	2019	2020	2019	2020	2019	2020
Fixed remuneration for Supervisory Board membership ¹	21.6	36.0	69.1	102.7	33.7	36.0
Meeting allowance Supervisory Board membership	8.5	9.0	16.5	21.0	9.5	9.0
Fixed remuneration Committee membership	1.5	2.5	12.5	20.0	7.1	7.5
Meeting allowance Committee membership	3.0	–	8.0	7.5	9.0	6.0
Total	34.6	47.5	106.1	151.2	59.3	58.5
Single-year variable remuneration	–	32.5	–	35.2	–	21.5
LTIP	31.6	–	63.3	–	31.6	–
Total²	31.6	32.5	63.3	35.2	31.6	21.5
Total remuneration³	66.2	80.0	169.4	186.4	90.9	80.0
2020 maximum		80.0		200.0		80.0

¹ Including expense allowance.² In 2020 potentially reduced due to cap.³ Total remuneration was limited to the maximum.

	Joachim Barnert		Dr Günter Blaschke		Georg Hesse	
Cash flow in k€	2019	2020	2019	2020	2019	2020
Fixed remuneration for Supervisory Board membership ¹	21.6	36.0	69.1	102.7	33.7	36.0
Meeting allowance Supervisory Board membership	8.5	9.0	16.5	21.0	9.5	9.0
Fixed remuneration Committee membership	1.5	2.5	12.5	20.0	7.1	7.5
Meeting allowance Committee membership	3.0	–	8.0	7.5	9.0	6.0
Total	34.6	47.5	106.1	151.2	59.3	58.5
Single-year variable remuneration	–	32.5	–	35.2	–	21.5
LTIP	–	–	–	13.6	–	–
Total²	–	32.5	–	48.8	–	21.5
Total remuneration³	34.6	80.0	106.1	200.0	59.3	80.0

¹ Including expense allowance.² In 2020 potentially reduced due to cap.³ Total remuneration was limited to the maximum.

	Karsten Schmidt		Thomas Standke		Dr Claus-O. Zacharias	
Granted benefits in k€	2019	2020	2019	2020	2019	2020
Fixed remuneration for Supervisory Board membership ¹	43.6	71.0	29.8	36.0	25.4	36.0
Meeting allowance Supervisory Board membership	7.5	10.5	9.5	10.5	3.0	9.0
Fixed remuneration Committee membership	7.3	12.5	1.5	2.5	7.4	12.5
Meeting allowance Committee membership	6.0	4.5	1.5	1.5	10.5	9.0
Total	64.5	98.5	42.3	50.5	46.3	66.5
Single-year variable remuneration	–	35.2	–	29.5	–	33.5
LTIP	47.4	–	31.6	–	31.6	–
Total²	47.4	35.2	31.6	29.5	31.6	33.5
Total remuneration³	111.9	133.7	73.9	80.0	77.9	100.0
2020 maximum		150.0		80.0		100.0

¹ Including expense allowance.² In 2020 potentially reduced due to cap.³ Total remuneration was limited to the maximum.

	Karsten Schmidt		Thomas Standke		Dr Claus-O. Zacharias	
Cash flow in k€	2019	2020	2019	2020	2019	2020
Fixed remuneration for Supervisory Board membership ¹	43.6	71.0	29.8	36.0	25.4	36.0
Meeting allowance Supervisory Board membership	7.5	10.5	9.5	10.5	3.0	9.0
Fixed remuneration Committee membership	7.3	12.5	1.5	2.5	7.4	12.5
Meeting allowance Committee membership	6.0	4.5	1.5	1.5	10.5	9.0
Total	64.5	98.5	42.3	50.5	46.3	66.5
Single-year variable remuneration	–	35.2	–	29.5	–	33.5
LTIP	–	16.3	–	–	–	–
Total²	–	51.5	–	29.5	–	33.5
Total remuneration³	64.5	150.0	42.3	80.0	46.3	100.0

¹ Including expense allowance.² In 2020 potentially reduced due to cap.³ Total remuneration was limited to the maximum.

The following remuneration was granted and paid for Supervisory Board members who exited the company in 2019:

	Ulli Gritzuhn	Baldur Groß	Sonja Wärntges	Helmut Zahn
Benefits in k€	2019	2019	2019	2019
Fixed remuneration Supervisory Board membership ¹	9.4	8.8	3.5	16.8
Meeting allowance Supervisory Board membership	3.8	2.5	–	7.5
Fixed remuneration Committee membership	2.4	–	1.7	3.3
Meeting allowance Committee membership	3.5	–	–	5.5
Total	19.1	11.3	5.2	33.1
Single-year variable remuneration	–	–	–	–
LTIP	–	–	–	–
Total	–	–	–	–
Total remuneration	19.1	11.3	5.2	33.1

¹ Including expense allowance.

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

The following parameters were taken into account as part of the measurement as at 31 December 2020:

	2020 tranche
Time of measurement	31 Dec 2020
Remaining term (in years)	2.00
Volatility	36.38%
Risk-free interest rate	–0.74%
Expected dividend yield	4.60%
Exercise price	€ 0.00
Price of the Leifheit share as at the time of measurement	€ 43.50

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. We refer with regard to the derivation of market data to the statements regarding market data of LTI's management, which also apply to the market data of the LTI Supervisory Board.

A liability in the amount of k€ 30 was recognised under liabilities as at 31 December 2020 as part of the LTI plan for Supervisory Board members (31 December 2019: k€ 0). The expense for the period from 1 January to 31 December 2020 amounted to k€ 30 (2019: k€ 0).

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

Foundations and economic environment

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

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

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

Leifheit AG has been integrated into the control system of the Leifheit Group. 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 2020.

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

In the 2020 financial year, both turnover and the operating result significantly exceeded the forecast values, also in the individual financial statements of Leifheit AG.

Forecast-actual comparison	Actual 31 Dec 2019	Forecast 2020	Actual 31 Dec 2020
Turnover	m€ 217.5	approx. + 7 to 8%	m€ 258.7 + 19.0%
Operating result	m€ 7.9	approx. m€ 3.5 to 4.5	m€ 14.0

Leifheit AG turnover grew by 19.0%; we had forecast growth of 7% to 8%. Turnover increased by 14.1% in the home market in Germany and by 22.7% abroad. In our core business, the distribution of household products, we achieved a turnover of m€ 217.7, an increase of m€ 36.3 or 20.0%.

Business development in 2020 has shown that the consistent implementation of the Scaling up Success growth strategy is bearing fruit. Significantly increased consumer advertising continued to pay dividends during the reporting period, boosting consumer demand for Leifheit and Soehnle brand products.

The operating result of Leifheit AG stood at m€ 14.0. This was also considerably more than our forecast operating result of between m€ 3.5 to m€ 4.5. This was mainly due to the contribution margins from the higher turnover.

Results of operations

Income statement (short version) in m€	2019	2020
Turnover	217.5	258.7
Cost of turnover	-150.9	-169.5
Gross profit from turnover	66.6	89.2
Distribution costs	-50.5	-62.2
General administrative costs	-9.2	-9.3
Other operating income	8.9	7.1
Other operating expenses	-7.8	-10.8
Operating result	7.9	14.0
Income from shareholdings	5.6	1.2
Net interest result	-4.2	-3.7
Income taxes	-1.3	-3.7
Earnings after taxes	8.0	7.7
Other taxes	-0.1	-0.1
Net income	7.9	7.6

In 2020, Leifheit AG achieved an operating result of m€ 14.0 (2019: m€ 7.9). The increase of m€ 6.1 was largely due to the improvement in gross profit, which rose by m€ 22.6, mainly as a result of turnover and positive product mix effects. In contrast, advertising costs increased by m€ 8.7, mainly due to the TV advertising campaigns carried out. Exchange rate losses increased by m€ 3.0 and personnel costs by m€ 2.1.

The net income of Leifheit AG reached m€ 7.6 (2019: m€ 7.9). Income from investments fell to m€ 1.2 (2019: m€ 5.6) as a result of reduced distributions from foreign subsidiaries and income tax expense increased to m€ 3.7 (2019: m€ 1.3) as a result of higher profit before tax

Gross profit

Leifheit AG's turnover increased by m€ 41.2 to m€ 258.7 (2019: m€ 217.5). Turnover from the sale of the Leifheit and Soehnle brand products rose by 20.0% to m€ 217.7 and the sale of production materials by 15.1% to m€ 39.6. The main production materials for our subsidiary Leifheit s.r.o., the Czech plant, are purchased centrally through Leifheit AG.

The cost of turnover rose disproportionately by m€ 18.6 to m€ 169.5 (2019: m€ 150.9). Gross profit in the reporting period therefore rose by m€ 22.6 to m€ 89.2 (2019: m€ 66.6). The significant increase of 34.0% compared to the previous year resulted mainly from the contribution margins of the increased turnover from the sale of branded products, the consistent focus on high-margin products and business as well as optimisations in purchasing. The gross margin therefore increased by 3.9 percentage points to 34.5% (2019: 30.6%).

Distribution costs

The distribution costs of Leifheit AG amounted to m€ 62.2 in the reporting year (2019: m€ 50.5), which corresponds to an increase of m€ 11.7. Distribution costs mainly included in particular advertising costs, commissions, marketing costs, freight out, delivery charges and the costs incurred by the internal and external sales forces. The costs for advertising rose by m€ 8.7, the increase resulted mainly from the TV campaigns. Personnel costs, especially for royalties, increased by m€ 1.4. Services rose by m€ 0.5, among others for logistics services, commissions increased by m€ 0.5, especially for the online channel. Rents for external warehouses increased by m€ 0.4. Travel costs, which fell by m€ 0.4 due to the coronavirus restrictions, developed in the opposite direction.

General administrative costs

General administrative costs rose during the reporting year by m€ 0.1 to m€ 9.3 (2019: m€ 9.2). First and foremost, administrative costs include personnel costs and costs for general services to support our financial and administrative functions. While personnel costs increased by m€ 0.7, mainly due to higher royalties, costs for services fell by m€ 0.6 and travel expenses by m€ 0.1.

Other operating income

Other operating income of Leifheit AG fell by m€ 1.8 to m€ 7.1 (2019: m€ 8.9). They mainly included income from the reversal of provisions of m€ 2.2 (2019: m€ 4.6), exchange rate gains of m€ 4.5 (2019: m€ 4.1) and income from claims for damages amounting to m€ 0.4 (2019: m€ 0.0). Income from the release of provisions for pension obligations fell by m€ 2.7 to m€ 0.2. The reversal in the previous year was exceptionally high due to expected non-recurring effects. The increase in exchange rate gains resulted mainly from receivables and liabilities. Income from damages included payments from a competitor for patent infringements.

Other operating expenses

Other operating expenses were up by m€ 3.0 to m€ 10.8 (2019: m€ 7.8). They mainly included exchange rate losses of m€ 5.3 (2019: m€ 2.3), and research and development costs of m€ 5.3 (2019: m€ 5.4). Exchange rate losses increased by m€ 3.0, mainly from exchange rate losses from forward exchange transactions and receivables and liabilities.

Income from shareholdings

In financial year 2020, a dividend of m€ 1.2 was received from the French holding companies (2019: m€ 5.6). All other net income of the subsidiaries was carried forward to new accounts. In the previous year, the dividend from the French companies included the surpluses from several years.

Interest income and interest expenses

Income from loans of financial assets and other interest income of Leifheit AG decreased by m€ 0.2 to m€ 0.8 (2019: m€ 1.0). This mainly concerned interest income from loans to holding companies.

Interest expenses decreased by m€ 0.8 to m€ 4.5 (2019: m€ 5.3). The interest expense from the compounding of the pension obligation was m€ 4.3 (2019: m€ 5.0). The decrease in interest expenses therefore essentially resulted from the decrease in interest expenses for pension obligations.

Income Taxes

In financial year 2020, the income taxes of Leifheit AG amounted to m€ 3.7 (2019: m€ 1.3). The rise was the result of higher earnings before taxes.

Financial situation

The liquidity of Leifheit AG as at the balance sheet date stood at m€ 32.2 (2019: m€ 45.6). As at 31 December 2020, this comprised solely cash and cash equivalents and included demand deposits, fixed short-term bank deposits and cash in hand.

m€	2019	2020	Change
Cash flow from operating activities	8.7	4.5	-4.2
Cash flow from investment activities	0.6	-12.7	-13.3
Cash flow from financing activities	-10.0	-5.2	4.8

At m€ 4.5, cash flow from operating activities in 2020 was lower than in the previous year (2019: m€ 8.7). This was mainly due to the increase in receivables and other assets by m€ 11.5 and the increase in inventories by m€ 4.5. Receivables increased compared to 31 December 2019 due to the strong growth in turnover in the fourth quarter as well as due to the customer-related receivables structure. The reason for the higher stockpiling was in particular to secure the supply chain in view of the ongoing COVID-19 pandemic. In contrast, provisions increased by m€ 7.3 and liabilities by m€ 2.0.

Cash outflow from investment activities in financial year 2020 came to m€ 12.7 (2019: cash inflow m€ 0.6). Payments for the acquisition of intangible and tangible assets totalled m€ 1.8 (2019: m€ 2.9) and payments into financial assets m€ 10.2 (2019: m€ 2.1) and payments from income from investments m€ 1.2 (2019: m€ 5.6).

Cash outflow from financing activities amounted to m€ 5.2 (2019: m€ 10.0) and included in each case exclusively the payment of the dividend.

As at 31 December 2020, the debt level of Leifheit AG fell slightly by 1.6 percentage points to 53.6% (2019: 52.0%). 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 2020, our liabilities consisted mainly of provisions for pensions in the amount of m€ 55.4 (2019: m€ 53.6), other provisions of m€ 26.5 (2019: m€ 24.1) and liabilities of m€ 23.4 (2019: m€ 21.4). As in the previous years, Leifheit AG did not have any liabilities to banks.

In financial year 2020, we had short-term revolving credit lines in the amount of m€ 25.2 (2019: m€ 9.2), of which m€ 0.7 was utilised through guarantees as at 31 December 2020 (2019: m€ 0.9).

Net assets

Balance sheet (short version) in m€	2019	2020
Intangible assets	1.7	1.2
Tangible assets	16.3	15.6
Financial assets	58.4	68.6
A. Non-current assets	76.4	85.4
Inventories	31.0	35.5
Receivables and other assets	37.5	49.0
Cash and cash equivalents	45.6	32.2
B. Current assets	114.1	116.7
C. Accrued expenses	0.1	0.2
Total assets	190.6	202.3
A. Equity	91.5	93.9
Provisions for pensions and similar obligations	53.6	55.4
Tax provisions	-	3.1
Other provisions	24.1	26.5
B. Provisions	77.7	85.0
C. Liabilities	21.4	23.4
Total equity and liabilities	190.6	202.3

The balance sheet total of Leifheit AG as at 31 December 2020 rose by m€ 11.7 year-on-year to m€ 202.3 (2019: m€ 190.6).

Non-current assets increased by m€ 9.0 to m€ 85.4 (2019: m€ 76.4). The increase resulted mainly from the increase in loans to holding companies. Inventories increased by m€ 4.5 to m€ 35.5 (2019: m€ 31.0), mainly due to securing the supply chain in the face of the ongoing COVID-19 pandemic. Receivables and other assets increased by m€ 11.5 to m€ 49.0 (2019: m€ 37.5), mainly due to the increase in turnover and the customer structure. Cash and cash equivalents fell by m€ 13.4 to m€ 32.2 (2019: m€ 45.6) mainly due to the increase in working capital, the payments into financial assets and the dividend paid out.

Leifheit AG's equity rose by m€ 2.4 to m€ 93.9 (2019: m€ 91.5). The dividend payment of m€ 5.2 was offset by a net income of m€ 7.6. The equity ratio fell by 1.6 percentage points to 46.4% (2019: 48.0%). Provisions for pensions and similar obligations rose by m€ 1.8 to m€ 55.4 (2019: m€ 53.6). The decline in the average market interest rate over the past ten years to 2.3% (2019: 2.7%) led to an increase in the pension provision of m€ 1.8. Other provisions fell by m€ 2.4 to m€ 26.5 (2019: m€ 24.1). The increase mainly related to the provision for royalties and severance payments. Liabilities increased by m€ 2.0 to m€ 23.4 (2019: m€ 21.4).

In financial year 2020, Leifheit AG invested m€ 1.8 (2019: m€ 2.9). Of this amount, m€ 0.3 was attributable to intangible assets (2019: m€ 0.7), mainly software, and m€ 1.6 on tangible assets (2019: m€ 2.2), mainly tools for new products and operating and office equipment. There were no considerable disposals of assets in reporting year 2020. All investments in financial year 2020 have been largely completed.

As at 31 December 2020, there were contractual obligations to acquire items of tangible assets – mainly for operating and business equipment – in the amount of m€ 1.0 (2019: m€ 0.4). These will be financed by cash and cash equivalents. In addition, there were obligations for marketing measures amounting to m€ 10.4 (2019: m€ 3.9) and from other contracts amounting to m€ 1.1 (2019: m€ 0.8).

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 420 employees as at 31 December 2020 (2019: 429 employees). The average number of employees in financial year 2020 was 421 (2019: 432 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.

For the 2021 financial year, we expect Leifheit AG to grow turnover by at least 4% and anticipate an operating result slightly above the previous year's level.

Nassau/Lahn, 23 March 2021

Leifheit AG

The Board of Management

Henner Rinsche

Igor Iraeta Munduate

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Statement of comprehensive income

k€	Notes	2019	2020
Turnover	1	234,042	271,597
Cost of turnover	2	-133,072	-149,252
Gross profit		100,970	122,345
Research and development costs	3	-5,704	-5,688
Distribution costs	6	-71,912	-83,302
Administrative costs	7	-14,971	-14,799
Other operating income	8	1,327	1,329
Other operating expenses	9	-174	-244
Foreign currency result	10	340	-858
EBIT		9,876	18,783
Interest income	11	38	24
Interest expenses	12	-1,486	-1,120
Net other financial result		32	-
EBT		8,460	17,687
Income taxes	13	-2,628	-5,162
Net result for the period		5,832	12,525
Contributions that are not reclassified in future periods in the statement of profit or loss			
Actuarial gains/losses on defined benefit pension plans	26	-2,544	-2,322
Income taxes from actuarial gains/losses on defined benefit pension plans		760	681
Contributions that may be reclassified in future periods in the statement of profit or loss			
Currency translation of foreign operations		161	-532
Currency translation of net investments in foreign operations		191	-498
Income taxes from currency translation of net investments in foreign operations		-56	146
Net result of cash flow hedges		40	-823
Income taxes from cash flow hedges		-5	236
Other comprehensive income		-1,453	-3,112
Comprehensive income after taxes		4,379	9,413
Earnings per share based on net result for the period (diluted and undiluted)	14	€ 0.61	€ 1.32

Balance sheet

k€	Notes	31 Dec 2019	31 Dec 2020
Current assets			
Cash and cash equivalents		50,301	38,825
Trade receivables	15	44,400	57,427
Inventories	16	45,850	59,720
Income tax receivables		1,418	579
Contractual assets	17	1,017	1,078
Derivative financial instruments	18	730	374
Other current assets	19	4,248	4,297
Total current assets		147,964	162,300
Non-current assets			
Intangible assets	20	18,295	18,755
Tangible assets	21	36,948	37,597
Right of use assets from leases	22	1,596	1,011
Deferred tax assets	13	9,694	10,234
Derivative financial instruments	18	1	–
Other non-current assets		112	112
Total non-current assets		66,646	67,709
Total assets		214,610	230,009
Current liabilities			
Trade payables and other liabilities	23	40,680	47,059
Income tax liabilities		89	3,395
Other provisions	24	5,701	4,917
Derivative financial instruments	18	6	641
Lease liabilities	25	687	670
Total current liabilities		47,163	56,682
Non-current liabilities			
Provisions for pensions and similar obligations	26	66,855	68,004
Other provisions	24	2,655	3,880
Deferred tax liabilities	13	744	524
Derivative financial instruments	18	37	149
Lease liabilities	25	913	344
Total non-current liabilities		71,204	72,901
Equity			
Subscribed capital	27	30,000	30,000
Capital surplus	28	17,026	17,026
Treasury shares	29	–7,445	–7,445
Retained earnings	30	70,777	78,072
Other reserves	31	–14,115	–17,227
Total equity		96,243	100,426
Total equity and liabilities		214,610	230,009

Statement of changes in equity

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	Total
As at 1 Jan 2019	30,000	17,026	-7,445	74,930	-12,662	101,849
Dividends – Note 30	–	–	–	-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 31	–	–	–	–	-1,784	-1,784
of which currency translation of foreign operations – Note 31	–	–	–	–	161	161
of which currency translation of net investments in foreign operations – Note 31	–	–	–	–	135	135
of which from cash flow hedges – Note 31	–	–	–	–	35	35
As at 31 Dec 2019	30,000	17,026	-7,445	70,777	-14,115	96,243
Dividends – Note 30	–	–	–	-5,230	–	-5,230
Comprehensive income after taxes	–	–	–	12,525	-3,112	9,413
of which net result for the period	–	–	–	12,525	–	12,525
of which actuarial gains/losses on defined benefit pension plans – Note 31	–	–	–	–	-1,641	-1,641
of which currency translation of foreign operations – Note 31	–	–	–	–	-532	-532
of which currency translation of net investments in foreign operations – Note 31	–	–	–	–	-352	-352
of which from cash flow hedges – Note 31	–	–	–	–	-587	-587
As at 31 Dec 2020	30,000	17,026	-7,445	78,072	-17,227	100,426

Statement of cash flow

k€	Notes	2019	2020
Net result for the period		5,832	12,525
Depreciation and amortisation	4	8,219	8,527
Change in provisions		-91	-732
Result from disposal of fixed assets and other non-current assets		10	32
Change in inventories, trade receivables and other assets not classified as investment or financing activities		6,511	-25,652
Change in trade payables and other liabilities not classified as investment or financing activities		-4,289	8,759
Other non-cash expenses and income		-300	575
Cash flow from operating activities		15,892	4,034
Investments from the sale of tangible assets and other non-current assets		117	131
Payments for the purchase of tangible and intangible assets	20, 21	-5,956	-9,622
Cash flow from investment activities		-5,839	-9,491
Payments for lease liabilities	25	-716	-734
Dividends paid to the shareholders of the parent company		-9,984	-5,230
Cash flow from financing activities		-10,700	-5,964
Change in cash and cash equivalents		-647	-11,421
Change in cash and cash equivalents due to exchange rates		16	-55
Cash and cash equivalents at the start of the reporting period		50,932	50,301
Cash and cash equivalents at the end of the reporting period		50,301	38,825
Income taxes paid		-3,521	-2,376
Income taxes received		94	1,617
Interest paid ^{1, 2}		-52	-63
Interest received ¹		35	17

¹ Included in cash flow from operating activities.

² Mainly from safekeeping fees for credit balances at banks.

Notes:

General information as well as accounting and valuation principles

General information

Leifheit Aktiengesellschaft (Leifheit AG), whose registered office is at Leifheitstraße 1, Nassau/Lahn, Germany, focuses on the development and distribution of high-quality brand products for selected areas around the house. The company is entered in the Commercial Register of Montabaur Local Court under HRB 2857. The shares of Leifheit AG are traded in the Prime Standard trading segment in the German 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 2020 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 2020 were applied. The figures for the previous year were calculated on the same basis.

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

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

Leifheit AG, Nassau/Lahn, is the company that prepares the consolidated financial statements for the largest and smallest group of consolidated companies. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) and can be accessed online at [leifheit-group.com](https://www.leifheit-group.com).

The Board of Management of Leifheit AG prepared the consolidated financial statements and approved them for publication on 23 March 2021. The period in which adjusting events would be accounted for expired as at this date.

Consolidation principles

The consolidated financial statements include Leifheit AG and the companies it controls. 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 a way that influences the returns of the holding company.

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

These include:

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

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

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

The same consolidation methods were used for the financial statements for 2020 and 2019.

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. Once recognised, goodwill impairments are not reversed. Negative goodwill was recognised in profit or loss. Transaction costs incurred during the company acquisition are reported as administrative costs through profit or loss.

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

Scope of consolidation

Following a one-year waiting period, Meusch-Wohnen-Bad und Freizeit GmbH i.L., Nassau, was erased from the commercial register on 6 October 2020. The company was deconsolidated accordingly, with no impact on the consolidated financial statements.

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

The following companies based both inside and outside Germany were included in the consolidated financial statements in addition to Leifheit AG. Leifheit AG directly or indirectly held the majority of the voting rights in these companies as at 31 December 2020.

	Date of initial consolidation	Interest in capital and voting rights in 2020 in %
Unterstützungseinrichtung Gunter 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
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 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:

Base: € 1	Mid-market rate as at balance sheet date		Annual average rate	
	31 Dec 2019	31 Dec 2020	2019	2020
CZK	25.41	26.25	25.67	26.45
USD	1.12	1.22	1.12	1.14
PLN	4.25	4.56	4.30	4.44
HKD	8.74	9.48	8.77	8.86
CNY	7.82	7.99	7.74	7.88

Assessment of fair value

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

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

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

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

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

Cash and cash equivalents

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

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

Inventories

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

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

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

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

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

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

Intangible assets

Patents, licences and software

Expenses for the acquisition of 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 non-current assets are put into operation, are recorded as expenses in the period in which they are incurred.

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

Assets under construction are classified as unfinished tangible assets and are carried at cost. Assets under construction are depreciated from the time at which the respective asset is completed and used in operation. Depreciation is performed on a straight-line basis using the expected useful life:

	Years
Buildings	25–50
Other structures	10–20
Injection-moulding machines	10
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

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.

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

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

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

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

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

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

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

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

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 income. Consideration received is recognised in the financial statements as a change in equity.

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

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

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

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

Financial instruments

Recognition and initial measurement

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

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

Financial assets – categorisation, subsequent measurement and impairment

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

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

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

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

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

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

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

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

All financial assets not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. Even if an instrument meets the 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 reported to the Group management,
- 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 managers are remunerated – e.g. whether remuneration is based on the fair value of assets under management or on collected contractual cash flows –,
- frequency, the extent and timing of sales of financial assets in previous periods and expectations regarding future sales activities.

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

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

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

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

Expected credit losses are recognised on the basis of a general three-stage 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 stage 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 stage 3 if they are credit-impaired or they were defaulted on. Expected losses throughout the entire lifetime of the financial asset are recognised as impairments.

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

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

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

The Group does not apply the three-stage expected credit loss model to financial assets that only have a low risk of default at the point of addition (investment grade – Standard & Poor's AAA–BBB). Instead, these assets are always attributed to stage 1 of the expected credit loss model and an impairment is recognised on 12-month expected credit losses. Such assets include bank deposits in particular, as funds are deposited on a short-term basis at banks with high credit ratings that are part of a deposit guarantee scheme. No 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. 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 has a current entitlement to receive payment for the asset,
- the customer has legal title to the asset,
- Leifheit has transferred physical possession of the asset,
- the significant risks and rewards of ownership of the asset have been transferred to the customer,
- the customer has accepted the asset.

The Group's key markets are in Germany and Central Europe. For supplies of products, 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 distribution activities, as well as shipment, advertising, sales promotion, market research and customer service costs, and freight out.

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

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

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

Borrowing costs

All borrowing costs are recognised as an expense affecting net income in the period in which they are incurred. 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 statements requires exercises of discretion, estimates and assumptions about the amounts or fair values of receivables, liabilities and other provisions (Note 24), depreciation and amortisation periods, deferred taxes, contingent liabilities, impairment tests and recognised income and expenses. The actual figures may differ from these estimates. The most important assumptions and estimates in connection with impairment testing of intangible assets and tangible assets are stated in Note 20, the assumptions and estimates in connection with the recognition of pension liabilities in Note 26, and the assumptions and estimates in connection with the recognition of deferred tax assets in Note 13.

Changes in accounting and valuation principles

New accounting standards applied for the first time

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
Amendments to IFRS 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
Amendment to IFRS 3	Definition of a business operation	1 Jan 2020	Yes

Leifheit applied the aforementioned standards and amendments published by the IASB for the first time in financial year 2020. The initial application of this standard did not have any material impact on the consolidated financial statements.

New accounting standards applicable in future

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
Amendment to IFRS 16	COVID-19-related rent concessions	1 Jun 2020	Yes
Amendment to IFRS 4	Extension to the temporary exemption from IFRS 9	1 Jan 2021	Yes
Interest rate benchmark reform phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	IBOR reform phase 2	1 Jan 2021	Yes

Leifheit did not elect early application of the standards and amendments that have been adopted into the law of the European Union (endorsement) but for which application has not become mandatory. The future application of the aforementioned standards and interpretations is not expected to have a material impact on the consolidated financial statements.

New accounting standards not yet endorsed by the EU

The IASB has published the standards and interpretations listed below that were not yet to be mandatorily applied in financial year 2020. These standards and interpretations have not been endorsed by the EU to date and are not applied by the Group.

Standard/interpretation		Application obligation for financial years starting on or from	Adopted by the European Commission
Improvements to IFRS (2018–2020)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 Jan 2022	No
Amendment to IAS 16	Tangible assets – Proceeds before intended use	1 Jan 2022	No
Amendment to IAS 37	Onerous contracts – Cost of fulfilling a contract	1 Jan 2022	No
Amendment to IFRS 3	Reference to the conceptual framework	1 Jan 2022	No
Amendment to IAS 1	Classification of liabilities as current or non-current	1 Jan 2023	No
IFRS 17	Insurance contracts	1 Jan 2023	No
Amendment to IAS 10 and IAS 28	Sale or deposit of assets between an investor and an associate or joint venture	Postponed indefinitely by the IASB	No

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

Segment reporting

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

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

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

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

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

Key figures by reportable segments in 2020		Household	Wellbeing	Private Label	Total
Turnover	m€	213.1	26.5	32.0	271.6
Gross profit	m€	101.3	12.6	8.4	122.3
Segment result (EBIT)	m€	12.8	3.7	2.3	18.8
Employees on annual average	People	908	47	139	1,094

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

Notes to the statement of comprehensive income

In the reporting period, the costs from the allocation cost centres were allocated to individual cost types within the operational areas – cost of turnover, research and development costs, distribution costs and administrative costs – to the greatest extent possible. The comparison figures with the previous year were adjusted accordingly. The total costs of each operational area have not changed.

(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€	2020			
	Household	Wellbeing	Private Label	Total
Germany	96.5	10.7	–	107.2
Central Europe ¹	72.4	13.7	30.8	116.9
Eastern Europe	31.8	1.0	1.1	33.9
Rest of the world	12.4	1.1	0.1	13.6
	213.1	26.5	32.0	271.6

¹ Excluding Germany.

Turnover by region in m€	2019			
	Household	Wellbeing	Private Label	Total
Germany	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 Excluding Germany.

Turnover by product categories in m€	2020			
	Household	Wellbeing	Private Label	Total
Cleaning	97.4	–	–	97.4
Laundry care	92.7	–	9.6	102.3
Kitchen goods	23.0	–	22.4	45.4
Wellbeing	–	26.5	–	26.5
	213.1	26.5	32.0	271.6

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

(2) Cost of turnover

k€	2019	2020
Cost of materials	97,119	109,474
Personnel costs	14,966	15,333
Purchased services	3,832	5,602
Services	4,104	5,343
Depreciation and amortisation	4,524	5,242
Custom costs	1,415	1,721
Energy	1,525	1,713
Maintenance	1,663	1,606
Consumables and supplies	1,477	1,411
IT costs and other allocations	414	539
Rent	135	198
Licensing fees	194	115
Impairment of inventories (net change)	616	–537
Other costs of turnover	1,088	1,492
	133,072	149,252

(3) Research and development costs

k€	2019	2020
Personnel costs	3,162	3,324
Services	560	860
IT costs and other allocations	495	497
Fees	413	350
Maintenance	400	179
Cost of materials	120	122
Other research and development costs	554	356
	5,704	5,688

(4) Depreciation and amortisation

k€	2019	2020
Intangible assets		
Cost of turnover	5	39
Research and development costs	151	–
Distribution costs ¹	814	510
Administrative costs	43	249
IT costs and other allocations	–	8
	1,013	806
Tangible assets		
Cost of turnover	4,379	5,078
Research and development costs	96	93
Distribution costs	1,663	1,661
Administrative costs	270	72
IT costs and other allocations	78	84
	6,486	6,988
Right of use assets		
Cost of turnover	140	125
Distribution costs	329	351
Administrative costs	251	257
	720	733
Total depreciation and amortisation	8,219	8,527

¹ Includes the write-up on brands of k€ 218.**(5) Personnel costs/employees**

k€	2019	2020
Wages and salaries	40,508	42,251
Social security contributions	9,223	9,475
Cost of employment benefits	581	586
	50,312	52,312
Employees on annual average	2019	2020
Germany	416	404
Czech Republic	454	464
France	157	144
Other countries	86	82
	1,113	1,094

In the reporting period, the Leifheit Group received funding in a variety of countries totalling k€ 331 as part of government support programmes, mainly in the form of short-time work allowance for employees due to the COVID-19 pandemic and the reimbursement of social security contributions. These funds were recognised in personnel costs and offset against expenses.

(6) Distribution costs

k€	2019	2020
Advertising costs and advertising subsidies	15,105	24,567
Personnel costs	21,455	22,943
Freight out	14,464	14,866
Services	4,338	4,307
Commissions	2,877	3,528
Depreciation and amortisation	2,806	2,522
Packaging materials	1,521	1,727
Maintenance	1,422	1,440
Payments to customers	844	826
IT costs and other allocations	900	812
Cost of cars, travel and entertainment	1,375	740
Energy costs	617	624
Rent	305	565
Insurance	406	414
General operation and administrative costs	265	278
Office and other overhead costs	240	200
Post and telephone costs	144	131
Other distribution costs (less than k€ 100)	2,828	2,812
	71,912	83,302

(7) Administrative costs

k€	2019	2020
Personnel costs	9,209	10,154
Services	2,140	1,398
Supervisory Board remuneration	402	690
Depreciation and amortisation	564	578
Costs of financial statements	543	490
Maintenance	357	327
Insurance	162	158
Post and telephone costs	160	105
Rent	48	105
Energy costs	93	102
Other administrative costs (less than k€ 100)	1,293	692
	14,971	14,799

(8) Other operating income

k€	2019	2020
Commission income	577	570
Income from claims for damages	15	355
Licensing revenue	440	206
Other operating income (less than k€100)	295	198
	1,327	1,329

(9) Other operating expenses

k€	2019	2020
Other operating expenses (less than k€ 100)	174	244
	174	244

(10) Foreign currency result

k€	2019	2020
Result from changes in the fair value of forward foreign exchange transactions	-142	156
Effects of foreign currency valuations	-107	-472
Realised foreign currency gains/losses	589	-542
	340	-858

(11) Interest income

k€	2019	2020
Interest income from financial instruments	38	24
Interest income from compound interest	-	-
	38	24

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

(12) Interest expenses

k€	2019	2020
Interest expenses from interest on pension obligations	1,274	854
Interest expenses from compounding on other provisions, leasing and taxes	160	193
Interest expenses from financial instruments ¹	52	73
	1,486	1,120

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

(13) Income taxes

k€	2019	2020
Corporation tax (Germany)	621	2,062
Trade tax (Germany)	529	1,472
Foreign income taxes	1,630	1,323
Deferred income taxes	-152	305
	2,628	5,162

The combined tax rate for Leifheit AG for corporation tax and trade tax in Germany was 29.3% (2019: 29.3%).

k€	2019	2020
Actual income tax on income from other periods	-36	9
Deferred taxes due to temporary differences	-152	305
Actual tax expense	2,816	4,848
Tax liability	2,628	5,162

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

k€	2019	2020
Earnings before taxes	8,460	17,687
Tax expense based on the tax rate applicable to the parent company	2,478	5,182
Actual income tax on income from other periods	-36	9
Different foreign tax rates	-159	-303
Non tax-deductible losses of Group companies	6	-
Non tax-deductible expenses/income of Group companies	241	247
Adjustment of deferred taxes	-	-
Adjustment of the deferred tax rate	138	42
Use of loss carry-forwards	-26	-1
Tax reductions	-28	-40
Temporary differences in connection with shares in subsidiaries	13	26
Other	1	-
Tax liability	2,628	5,162

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€	2019	2020
Different depreciation or amortisation periods for non-current assets	247	-3
Measurement of inventories	-163	40
Measurement of receivables and other assets	-390	216
Measurement of contractual assets	-163	18
Measurement of derivative financial instruments	62	-58
Measurement of pensions	137	139
Different recognition rules for other provisions	-123	35
Measurement of liabilities	118	-84
Other temporary differences	123	2
Deferred income taxes	-152	305

Deferred tax assets are only recognised on loss carry-forwards if their utilisation is expected within a five-year period. No deferred tax assets were created for corporation tax or trade tax loss carry-forwards 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) reported in the previous year related to Meusch-Wohnen-Bad und Freizeit GmbH i.L. These disappeared as a result of liquidation in financial year 2020. No further loss carry-forwards existed on the balance sheet date.

The temporary differences in connection with shares in subsidiaries amounted to k€ 441 (2019: k€ 352). Deferred taxes of k€ 129 (2019: k€ 103) were formed for this purpose, since dividend payments are expected in the future. On differences of k€ 532 (2019: k€ 503), 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 2020	
k€	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	362	3,073
Measurement of inventories	732	16
Measurement of receivables and other assets	21	352
Measurement of derivative financial instruments	152	-
Measurement of pensions	11,020	-
Different recognition rules for other provisions	601	-
Measurement of liabilities	230	1
Other temporary differences	134	100
Gross amount	13,252	3,542
Offsetting	-3,018	-3,018
Balance sheet amount	10,234	524

	31 Dec 2019	
k€	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods for non-current 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

(14) Earnings per share

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

		2019	2020
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

		2019	2020
Net result for the period allocated to the shareholders of the parent company	k€	5,832	12,525
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)	€	0.61	1.32

Notes to the balance sheet

(15) Trade receivables

k€	31 Dec 2019	31 Dec 2020
Trade receivables	43,685	56,838
Bill receivables	715	589
	44,400	57,427

As at 31 December 2020, k€ 54,373 were secured by credit on goods insurance policies (2019: k€ 41,447). The deductible is normally between 0% and 10%.

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

Development of the allowance account for trade receivables:

k€	2019	2020
As at 1 Jan	789	786
Foreign currency differences	1	-1
Additions recognised in profit or loss	279	218
Utilisation	106	189
Reversal	177	199
As at 31 Dec	786	615

Maturity analysis of trade receivables as at 31 December:

k€	2019	2020
Neither overdue nor impaired	42,567	55,291
Overdue but not impaired		
1 to 30 days	2,033	2,953
31 to 60 days	50	363
61 to 90 days	39	-315
91 to 120 days	109	48
Over 120 days	-748	-1,157
Overdue in total but not impaired	1,483	1,892
Specific allowances on doubtful accounts (gross)	1,136	859
Impairment	-786	-615
Trade receivables (net)	44,400	57,427

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.

(16) Inventories

k€	31 Dec 2019	31 Dec 2020
Raw materials, consumables and supplies	8,864	13,621
Unfinished products	3,061	2,984
Finished products and goods purchased and held for resale	33,636	42,742
Rights to return products	289	373
	45,850	59,720

k€	31 Dec 2019	31 Dec 2020
Raw materials, consumables and supplies measured at fair value	209	163
Unadjusted raw materials, consumables and supplies	8,655	13,458
Total raw materials, consumables and supplies	8,864	13,621
Unfinished products measured at fair value	53	49
Unadjusted unfinished products	3,008	2,935
Total unfinished products	3,061	2,984
Finished products and goods purchased and held for resale measured at fair value	4,152	4,600
Unadjusted finished products and goods purchased and held for resale	29,484	38,142
Total finished products and goods purchased and held for resale	33,636	42,742
Rights to return products measured at fair value	-	-
Unadjusted rights to return products	289	373
Total rights to return products	289	373

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

(17) Contractual assets

The contractual assets in the amount of k€ 1,078 (2019: k€ 1,017) 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.

(18) Derivative financial instruments

Derivative financial instruments included forward foreign exchange transactions measured at fair value, for buying US dollars, HK dollars and CNH from January 2021 to February 2022.

The following obligations from forward exchange transactions existed as at 31 December 2020:

	Value of obligation	Foreign currency
Buy USD/€	m€ 8.3	mUSD 9.6
of which hedge accounting	m€ 8.3	mUSD 9.6
Buy HKD/€	m€ 2.4	mHKD 21.0
of which hedge accounting	m€ 2.4	mHKD 21.0
Buy CNH/€	m€ 26.8	mCNH 218.4
of which hedge accounting	m€ 25.3	mCNH 206.6

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

	Value of obligation	Foreign currency
Buy USD/€	m€ 22.5	mUSD 26.1
of which hedge accounting	m€ 22.5	mUSD 26.1
Buy HKD/€	m€ 2.8	mHKD 25.3
of which hedge accounting	m€ 2.8	mHKD 25.3
Sell CNH/€	m€ 1.1	mCNH 8.7
Buy CNH/€	m€ 20.6	mCNH 164.3
of which hedge accounting	m€ 19.5	mCNH 155.6

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

	31 Dec 2019	31 Dec 2020
Buy USD/€	1.16	1.16
of which hedge accounting	1.16	1.16
Buy HKD/€	9.01	8.92
of which hedge accounting	9.01	8.92
Sell CNH/€	7.93	–
Buy CNH/€	7.99	8.15
of which hedge accounting	7.98	8.16

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

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

	31 Dec 2020		
	Gross amounts of financial instruments on the balance sheet	Potential netting amounts	Net amount
k€			
Derivative financial assets	374	231	143
Derivative financial liabilities	790	231	559

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

The adjustments for the credit risks of the counterparties (Credit Value Adjustment) in the amount of k€ 1 (2019: k€ 2) and the adjustments for own credit risk (Debt Value Adjustment) amounting to k€ 2 (2019: k€ 0) are taken into account.

The maturities of forward foreign exchange transactions as at 31 December 2020 were as follows:

	less than 1 year	more than 1 year
Buy USD/€	mUSD 6.9	mUSD 2.7
Buy HKD/€	mUSD 21.0	–
Buy CNH/€	mUSD 188.8	mCNH 29.6

As at 31 December 2019, they had a term of

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

Other comprehensive income includes changes in the value for hedging cash flows in the amount of k€ 823 (2019: k€ 40), recorded as not affecting net income. The negative change in the fair values of the forward exchange contracts measured at the balance sheet date amounted to k€ 1,104 (2019: k€ 190 positive).

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 mUSD 6.0 (2019: mCNH 8.7). Income from the ineffective portion of the hedge of k€ 198 was recognised in the foreign currency result. The hedge was resolved in the previous year and the income of k€ 27 recognised in net other financial result.

(19) Other current assets

k€	31 Dec 2019	31 Dec 2020
VAT receivables	2,738	2,703
Current prepayments and accrued income	229	282
Other current assets (less than k€ 100)	1,281	1,312
	4,248	4,297

(20) Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advances paid	Total
Acquisition and manufacturing costs As at 1 Jan 2019	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
Foreign currency differences	–	–	–22	–	–22
Additions	–	–	581	126	707
Disposals	–	–	1,865	–	1,865
Reclassifications	–	–	700	–138	562
As at 31 Dec 2020	7,224	11,821	21,358	228	40,631
Cumulative depreciation As at 1 Jan 2019	2,638	162	19,658	–	22,458
Foreign currency differences	–	–	7	–	7
Planned additions	–	–	1,013	–	1,013
Disposals	–	–	524	–	524
As at 31 Dec 2019	2,638	162	20,154	–	22,954
Foreign currency differences	–	–	–18	–	–18
Planned additions	–	–	1,024	–	1,024
Write-up	–218	–	–	–	–218
Disposals	–	–	1,866	–	1,866
As at 31 Dec 2020	2,420	162	19,294	–	21,876
Net book value					
As at 1 Jan 2019	4,586	11,659	1,827	450	18,522
As at 31 Dec 2019	4,586	11,659	1,810	240	18,295
As at 31 Dec 2020	4,804	11,659	2,064	228	18,755

Due to the impairment associated with the earnings development and the measurement of the cash-generating unit Soehnle underpinning the brand measurement, a write-up of k€ 218 was recognised to the amount of amortised cost (2019: k€ 0). The amortisation of brands of k€ 2,420 recognised up to 31 December 2020 was the result of amortisation of brands up to the introduction of IAS 36 in 2004.

Of the intangible assets of k€ 18,755 (2019: k€ 18,295), k€ 7,231 were located in Germany (2019: k€ 7,452), k€ 1,510 in the Czech Republic (2019: k€ 796), k€ 9,997 in France (2019: k€ 10,030) and k€ 17 in other countries (2019: k€ 17).

Material other assets include the ERP software at the Leifheit s.r.o.'s Czech plant in Blatná amounting to k€ 707 with a residual term of 36 months, software for the online store amounting to k€ 274 with a residual term of 35 months, a software module for development purposes amounting to k€ 186 with a residual term of 24 months and customs software of k€ 122 with a residual term of 42 months.

Impairment testing of intangible assets

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

- Leifheit
- Soehnle
- Birambeau
- Herby

The CGU were derived directly from internal management reporting.

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

k€	Goodwill		Brands	
	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020
Leifheit	1,919	1,919	–	–
Soehnle	–	–	4,586	4,804
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
	11,659	11,659	4,586	4,804

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

In accordance with IAS 36, the book values of the CGU, including the goodwill attributable to them, are compared with the higher of the asset's fair value less costs of disposal and value in use (known as the recoverable amount). If a write-down is necessary, the impairment loss for a CGU is first attributed to the goodwill.

Any remaining impairment loss is subsequently recognised for the remaining assets of the CGU, which are subject to the area of application of IAS 36. However, write-downs are only made up to the recoverable amount of the individually identifiable asset. Revaluations to goodwill are not made.

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

CGU	Assumptions to determine the value in use			
	Leifheit	Soehnle	Birambeau	Herby
Turnover planning 2021	approx. +5%	approx. +3%	approx. –3%	stable
Earnings planning 2021	increasing	declining	increasing	stable
Gross margin	increasing	stable	stable	stable
Turnover planning subsequent years	at growth rate level	at growth rate level	at growth rate level	at growth rate level
Earnings planning subsequent years	at growth rate level	at growth rate level	at growth rate level	at growth rate level

In the Herby CGU, safety discounts were applied to 2021 planning due to past planning errors.

As at 31 December 2020, the recoverable amounts calculated in this way were greater than the book value. The impairment tests did not identify any need for impairment losses.

CGU	31 Dec 2020			
	Leifheit	Soehnle	Birambeau	Herby
Discount rate after tax	6.24%	6.63%	6.54%	6.54%
Risk-free interest rate	–0.2%	–0.2%	–0.2%	–0.2%
Market risk premium	7.75%	7.75%	7.75%	7.75%
Beta factor	0.85	0.90	0.85	0.85
Borrowing costs	1.77%	1.77%	2.10%	2.10%
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	8.70%	9.19%	8.62%	8.58%

At the Leifheit CGU, failure to achieve planned turnover from approximately 8% or a rise in interest rates from approximately 4.7 percentage points would result in a need for impairment losses to be recognised.

At the Herby CGU, failure to achieve planned turnover from approximately 24% or a rise in interest rates from approximately 10.6 percentage points would result in a need for impairment losses to be recognised.

At the Birambeau CGU, failure to achieve planned turnover from approximately 8% or a rise in interest rates from approximately 2.1 percentage points would result in a need for impairment losses to be recognised.

At the Herby CGU, failure to achieve planned turnover from approximately 7% or a rise in interest rates from approximately 1.2 percentage points would result in a need for impairment losses to be recognised.

The parameters were as follows in the previous year:

CGU	31 Dec 2019			
	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%

Due to uncertainty about the effects at the beginning of the coronavirus crisis, an impairment test was carried out, particularly at the level of the cash-generating units (CGU) as at 31 March 2020. Various scenarios were assumed with regard to the potential effects of the coronavirus crisis on future turnover and earnings development in the years 2020 and 2021. There were no material changes in the other parameters, such as the discount rate, the risk-free interest rate, the market risk premium, the beta factor, the cost of borrowing and the growth rate.

(21) Tangible assets

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advances paid and assets under construction	Total
Acquisition and manufacturing costs As at 1 Jan 2019	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
Foreign currency differences	-492	-805	-74	-53	-1,424
Additions	59	5,015	1,564	2,277	8,915
Disposals	138	584	1,458	-	2,180
Reclassifications	29	-484	1,276	-1,384	-563
As at 31 Dec 2020	55,927	49,746	38,907	2,730	147,310
Cumulative depreciation As at 1 Jan 2019	36,940	34,660	30,178	-	101,778
Foreign currency differences	107	219	11	-	337
Planned 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
Foreign currency differences	-279	-562	-28	-	-869
Additions	1,312	2,114	3,036	-	6,462
Additions due to impairment	-	526	-	-	526
Disposals	138	556	1,326	-	2,020
As at 31 Dec 2020	39,161	38,933	31,619	-	109,713
Net book value					
As at 1 Jan 2019	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
As at 31 Dec 2020	16,766	10,813	7,288	2,730	37,597

Of the tangible assets of k€ 37,597 as of the balance sheet date (2019: k€ 36,948), k€ 14,941 were located in Germany (2019: k€ 15,515), k€ 18,340 in the Czech Republic (2019: k€ 16,781), k€ 3,593 in France (2019: k€ 4,094) and k€ 723 in other countries (2019: k€ 558).

Additions due to impairment of technical equipment and machinery amounting to k€ 526 related to one set of equipment and one tool, which are likely not to be used further moving forward.

(22) 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
Foreign currency differences	-10	-	-10
Additions	142	79	221
Disposals	50	17	67
As at 31 Dec 2020	2,169	291	2,460
Cumulative depreciation As at 1 Jan 2019	-	-	-
Planned additions	665	55	720
As at 31 Dec 2019	665	55	720
Foreign currency differences	-4	-	-4
Planned additions	648	85	733
As at 31 Dec 2020	1,309	140	1,449
Net book value			
As at 1 Jan 2019	1,935	122	2,057
As at 31 Dec 2019	1,422	174	1,596
As at 31 Dec 2020	860	151	1,011

Of the intangible assets of k€ 1,011 (2019: k€ 1,596), k€ 59 were located in Germany (2019: k€ 24), k€ 92 in the Czech Republic (2019: k€ 176), k€ 519 in France (2019: k€ 912) and k€ 341 in other countries (2019: k€ 484).

(23) Trade payables and other liabilities

k€	31 Dec 2019	31 Dec 2020
Trade payables	14,550	17,659
Customer bonuses	9,413	9,513
Employees	6,720	8,131
Advertising cost subsidies	3,580	3,851
Other taxes (excluding income taxes)	1,325	1,395
Debtors with credit balances	462	1,221
Reimbursement obligations	535	1,118
Outstanding invoices	1,255	1,079
Social security contributions	741	634
Supervisory Board remuneration	324	626
Annual financial statement costs	398	412
Energy costs	207	224
Tax advice	221	196
Purchase commitments	212	147
Rent	120	123
Commission obligations	107	103
Other administrative costs (less than k€ 100)	510	627
	40,680	47,059

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 royalties.

(24) 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€ 3,678 (2019: k€ 5,323) 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 royalties, long-service bonuses and severance pay.

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

The remaining other provisions mainly included internal annual financial statement costs and record keeping obligations. The interest effect in non-current provisions amounted to k€ 51 in the reporting period (2019: k€ 92).

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

k€	31 Dec 2020		
	Total	of which current	of which non-current
Warranties	3,486	2,754	732
Litigation costs and compensation payments	192	192	–
Personnel	3,229	86	3,143
Onerous contracts	164	164	–
Remaining other provisions	1,726	1,721	5
Balance sheet amount	8,797	4,917	3,880

k€	31 Dec 2019		
	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

k€	Current provisions				
	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other current provisions
As at 1 Jan 2020	4,416	175	92	259	759
Foreign currency differences	–	–	–	–	–1
Utilisation	2,439	13	60	145	552
Reversal	737	12	31	62	24
Addition	1,514	42	85	112	1,539
As at 31 Dec 2020	2,754	192	86	164	1,721

k€	Non-current provisions				
	Warranties	Litigation costs and compensation payments	Personnel	Onerous contracts	Remaining other non-current provisions
As at 1 Jan 2020	732	–	1,890	–	33
Foreign currency differences	–	–	–	–	–
Utilisation	732	–	52	–	–
Reversal	–	–	–	–	28
Addition	732	–	1,305	–	–
As at 31 Dec 2020	732	–	3,143	–	5

(25) Lease liabilities

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

The weighted average incremental borrowing rate of interest for the lease liabilities reported as at the time of initial application stood at 0.7% (2019: 0.4%).

k€	2019	2020
Depreciation expense for the rights of use	720	733
Interest expense from lease liabilities	11	9
Expenses for short-term leases according to IFRS 16.6	25	109
Expenses for low-value asset leases according to IFRS 16.6	129	134
Total amount recognised as an expense affecting net income	885	985

The cash outflow for leases amounted to k€ 977 (2019: k€ 870), of this for short-term leases k€ 109 (2019: k€ 25) and from leases with low value k€ 134 (2019: k€ 129).

k€	2019	2020
Short and long-term lease liabilities As at 1 Jan	2,057	1,600
Payment for lease liabilities	-716	-734
Total change in cash flow	-716	-734
Exchange rate effects	11	5
Other changes	259	152
Interest expense	-11	-9
Short and long-term lease liabilities As at 31 Dec	1,600	1,014
of which due within 12 months	687	670
1 to 5 years	913	344
More than 5 years	-	-

(26) Provisions for pensions and similar obligations

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

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

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

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

k€	31 Dec 2019	31 Dec 2020
Present value of defined benefit obligations (DBO)	67,782	68,946
Fair value of plan assets	-927	-942
Provisions for pensions and similar obligations	66,855	68,004

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

k€	2019	2020
Current service cost	477	509
Interest expense on the obligation	1,274	854
Total cost of post-employment benefits	1,751	1,363

The expenses and income recorded in other comprehensive income without affecting net income amounted to:

k€	2019	2020
Actuarial gains/losses due to adjustment of the obligation to reflect historical data	-1,553	-714
Actuarial gains/losses due to changes in actuarial assumptions	4,098	3,038
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	-1	-2
Adjustment effects recognised in other comprehensive income	2,544	2,322

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

k€	2019	2020
Net liability at start of year	64,979	66,855
Net expense recognised in net result for the period	1,751	1,363
Adjustment effects recognised in other comprehensive income	2,544	2,322
Other plan assets amounts	30	11
Payments to beneficiaries	-2,449	-2,547
Recognised net liability at end of year	66,855	68,004

Of the provisions for pensions and similar obligations, k€ 67,120 was attributable to Germany and k€ 884 to France.

In addition, contributions of k€ 3,821 were paid to government pension providers (2019: k€ 3,878).

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

k€	2019	2020
DBO at start of year	66,013	67,782
Current service cost	477	509
Interest expense	1,274	854
Benefit payments	-2,449	-2,547
Adjustment to reflect historical data	-1,553	-714
Actuarial gains/losses	4,098	3,038
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	-1	-2
Other amounts	-77	26
DBO at end of year	67,782	68,946

The fair value of plan assets changed as follows:

k€	2019	2020
Fair value of plan assets at start of year	1,034	927
Other amounts	-107	15
Fair value of plan assets at end of year	927	942

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 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020
Discount rate	1.3%	1.0%	1.2%	1.0%
Future income trend	2.5%	2.5%	1.0%	2.0%
Future pension trend	1.7%	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

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

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

k€	2019	2020
Within the next 12 months (following financial year)	2,613	2,642
Between 2 and 5 years	10,859	10,969
Between 6 and 10 years	14,844	15,117

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	1.0/1.0%	-0.25 PP	2,565
Discount rate	1.0/1.0%	+0.25 PP	-2,421
Inflation rate/pension trend	1.7%	-0.5 PP	-4,109
Inflation rate/pension trend	1.7%	+0.5 PP	4,509
Future salary increase	2.5/1.0%	-0.5 PP	-371
Future salary increase	2.5/1.0%	+0.5 PP	387
Life expectancy		+1 year	3,419

The payment-weighted duration of the defined post-employment obligations in Germany amounted to 14.8 years (2019: 15.0 years).

(27) Subscribed capital

The subscribed capital of Leifheit Aktiengesellschaft of k€ 30,000 (2019: 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.

(28) Capital surplus

The capital surplus in the amount of k€ 17,026 (2019: k€ 17,026) consists of the premium on the capital increase in the autumn of 1989 amounting to k€ 16,934 and the issuance of employee shares in 2014, 2015 and 2016 amounting to k€ 92.

(29) Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit AG held 490,970 treasury shares on 31 December 2020. 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.

Treasury shares were neither purchased nor used in the reporting period, as in the previous year.

The employee shares for the 2020 program were transferred in February 2021. No employee shares were issued in the years 2017 to 2019.

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).

(30) Retained earnings

Retained earnings include the statutory reserve of k€ 1,023 (2019: k€ 1,023), other retained earnings amounting to k€ 64,524 (2019: k€ 63,922) and the net result for the period allocated to the shareholders of the parent company of k€ 12,525 (2019: k€ 5,832). 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 2019 of k€ 5,230 was distributed in the reporting year (2019: k€ 9,984). This corresponded to a dividend of € 0.55 per eligible share (2019: € 1.05)

(31) Other reserves

k€	2019	2020
Actuarial gains/losses on defined benefit pension plans	-25,071	-27,393
Deferred taxes	7,350	8,031
Currency translation of foreign operations	1,334	802
Currency translation of net investments in foreign operations	2,791	2,293
Deferred taxes	-819	-673
Net result of cash flow hedges	423	-400
Deferred taxes	-123	113
	-14,115	-17,227

In the reporting period, cash flow hedges against exchange rate risks of k€ 629 before deferred taxes were reclassified from positive other reserves to the net result for the period (2019: k€ 338).

Other notes

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

The Board of Management proposes to the upcoming Annual General Meeting the appropriation of the Leifheit AG balance sheet profit of € 12,400,000.00 for financial year 2020 as follows:

Payment of a dividend of € 1.05 per eligible no-par-value bearer share	€ 9,988,421.10
Retained earnings	€ 2,411,578.90

(33) Capital management

The primary aim of capital management is to achieve an equity ratio of at least 30%. Leifheit manages its capital structure and makes adjustments to reflect changes in macroeconomic conditions. Maintaining or adjusting the capital structure may lead to changes in dividend payments to shareholders. As at 31 December 2020, the equity ratio stood at 43.7% (31 December 2019: 44.8%).

(34) Financial instruments

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

The material risks to the Group arising from these financial instruments are credit, liquidity 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 or less. These contracts are generally defined as cash flow hedges.

The Group designates the spot component of forward foreign currency transactions as cash flow hedges and applies hedging ratios of 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 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 13% (2019: 11%) of Group turnover was generated in foreign currencies and 41% (2019: 38%) 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 2019	Effects as at 31 Dec 2020
US dollar	+5%	-72	-501
	-5%	79	554
	+10%	-137	-956
	-10%	167	1,169
Czech koruna	+5%	-517	-591
	-5%	571	654
	+10%	-986	-1,129
	-10%	1,205	1,380
HK dollar	+5%	-	-6
	-5%	-	7
	+10%	-	-12
	-10%	1	15
Chinese yuan	+5%	-27	-161
	-5%	29	178
	+10%	-51	-308
	-10%	62	376

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

k€	Currency performance €/foreign currency	Effects as at 31 Dec 2019	Effects as at 31 Dec 2020
US dollar	+5%	-1,179	-459
	-5%	1,305	509
	+10%	-2,251	-877
	-10%	2,754	1,073
Czech koruna	+5%	-1,128	-1,170
	-5%	1,483	1,529
	+10%	-2,358	-2,438
	-10%	2,882	2,980
HK dollar	+5%	-136	-105
	-5%	151	116
	+10%	-260	-201
	-10%	318	245
Chinese yuan	+5%	-888	-1,234
	-5%	1,012	1,363
	+10%	-1,782	-2,355
	-10%	2,140	2,878

Cash flow hedges

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

As at 31 December 2020, 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 2021 to February 2022 from suppliers in the Far East amounting to kUSD 9,622, kHKD 21,000 and kCNH 218,422.

An amount of k€ 7 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 (2019: k€ -71).

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:

k€	2020			Book value
	Expected cash flows			
	Within 12 months	More than 1 year	Total	
Assets	- 14,841	-	- 14,841	374
Liabilities	- 16,694	- 5,939	- 22,633	790

k€	2019			Book value
	Expected cash flows			
	Within 12 months	More than 1 year	Total	
Assets	-24,199	-1,602	-25,801	73
Liabilities	-14,337	-4,665	-19,002	43

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€	2020		
	Within 12 months	More than 1 year	Total
Assets	–	–	–
Liabilities	25	2	27

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

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

k€	2020		
	Within 12 months	More than 1 year	Total
Assets	374	–	374
Liabilities	614	149	763

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

Liquidity risk

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

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

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

The Group's cash and cash equivalents as at 31 December 2020 in the amount of k€ 38,825 and unused lines of credit of k€ 24,462 cover current liabilities as at the balance sheet date of k€ 56,682.

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 2020.

There is, however, an interest rate change risk for the Leifheit Group, mainly relating to the change of actuarial interest rate, which was used for the determination of pension obligations. A decline of 0.25 percentage points would have resulted in a reduction of other comprehensive income of k€ 2,565 on the balance sheet date (2019: k€ 2,550).

Default risk

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

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

Impairments on financial assets were recognised in the amount of k€ 19 in profit or loss (2019: k€ 102).

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

Receivables management analyses new 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 – against the backdrop of the restrictive approach to limits from goods insurers and the rising turnover on account of the COVID-19 pandemic – higher internal limits can also be set up in some cases.

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 2019	31 Dec 2020
Trade receivables	44,400	57,427
Contractual assets	1,017	1,078
	45,417	58,505
Goods insured	41,447	54,373
Not insured	3,970	4,132
	45,417	58,505

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

k€	31 Dec 2020	Loss rate ¹	Impairment
Not overdue	47,489	0.05%	24
Overdue			
1 to 30 days	3,902	0.57%	26
31 to 60 days	957	2.34%	27
61 to 90 days	248	9.03%	18
91 to 120 days	170	9.50%	23
Over 120 days	66	9.50%	8
			126

¹ Weighted average.

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	310	8.96%	28
91 to 120 days	196	10.53%	21
Over 120 days	57	10.53%	5
			121

¹ Weighted average.

Due to an insignificant effect, no impairment of the contractual assets was recorded.

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 2020, assets in the form of forward exchange transactions amounting to k€ 374 (2019: k€ 731), liabilities in the form of forward exchange transactions amounting to k€ 790 (2019: k€ 43) are measured at fair value. In addition, cash equivalents in the form of structured time deposits of k€ 5,006 were measured at fair value in the previous year.

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

The Group significantly increased its lines of credit in the reporting period on account of uncertainty surrounding the COVID-19 pandemic. However, the increased lines of credit were not utilised either during the year or as at the balance sheet date. Facility fees of k€ 34 were recognised in interest expenses. Short-term lines of credit in the amount of k€ 25,155 were available on the balance sheet date (2019: k€ 9,155). Of this amount, k€ 693 (2019: k€ 870) was used for bills of guarantee. Unused lines of credit were k€ 24,462 (2019: k€ 8,285).

The following table shows the book values of financial assets and financial liabilities pursuant to IFRS 9 as at the balance sheet date 2020. 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 2020
Financial assets measured at fair value				
Cash and cash equivalents	–	–	–	–
Forward foreign exchange transactions (designated as hedging transactions) – Note 18	–	374	–	374
Forward foreign exchange transactions (not designated as hedging transactions) – Note 18	–	–	–	–
Financial assets not measured at fair value				
Trade receivables and other receivables – Note 15, 19	–	–	58,850	58,850
Cash and cash equivalents	–	–	38,825	38,825
Financial liabilities measured at fair value				
Forward foreign exchange transactions (designated as hedging transactions) – Note 18	–	774	–	774
Forward foreign exchange transactions (not designated as hedging transactions) – Note 18	16	–	–	16
Financial assets not measured at fair value				
Trade payables and other liabilities – Note 23	–	–	34,506	34,506

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

k€	Net interest result	Currency translation	Impairment	Adjustments of fair value	2020
Fair value through profit or loss	–	–190	–	156	–34
At amortised cost	–50	–823	–19	–	–892

The following table shows the corresponding figures as at the balance sheet date 2019.

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	5,006	–	–	5,006
Forward foreign exchange transactions (designated as hedging transactions) – Note 18	–	690	–	690
Forward foreign exchange transactions (not designated as hedging transactions) – Note 18	41	–	–	41
Financial assets not measured at fair value				
Trade receivables and other receivables – Note 15, 19	–	–	45,793	45,793
Cash and cash equivalents	–	–	45,295	45,295
Financial liabilities measured at fair value				
Forward foreign exchange transactions (designated as hedging transactions) – Note 18	–	29	–	29
Forward foreign exchange transactions (not designated as hedging transactions) – Note 18	14	–	–	14
Financial assets not measured at fair value				
Trade payables and other liabilities – Note 23	–	–	29,885	29,885

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	2019
Fair value through profit or loss	4	646	–	–114	536
At amortised cost	–14	–164	–102	–	–280

(35) Commitments

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

(36) Other financial liabilities

As at 31 December 2020, there were contractual obligations arising out of contracts without cancellation options, e.g. maintenance, service and insurance agreements, in the amount of k€ 3,684 (2019: k€ 2,547). The future minimum payments based on these contracts without cancellation options amount to k€ 2,679 (2019: k€ 2,176), between one and five years k€ 1,001 (2019: k€ 368), more than five years k€ 4 (2019: k€ 3).

As at 31 December 2020, purchase commitments for raw materials totalled k€ 1,503 (2019: k€ 1,523).

There were contractual obligations to acquire items of tangible assets in the amount of k€ 1,487 (2019: k€ 1,237), relating to facilities and tools in particular. In addition, there were obligations from contracts for marketing measures amounting to k€ 10,370 (2019: k€ 3,923) and from other contracts amounting to k€ 1,114 (2019: k€ 772).

In accordance with IFRS 16, the Group recognises rights of use and lease liabilities for most leases and rental agreements. For the remaining rental and lease agreements, office equipment and software licences, recognition exemptions permitted under IFRS 16 have been applied and these are presented here as leases.

Lease payments are renegotiated at regular intervals in order to reflect standard market terms. The terms are always less than five years. No sub-leases exist. As at 31 December 2020, these future minimum rental payments from rental and lease agreements without cancellation options amounted to k€ 774 (2019: k€ 506), of which k€ 355 within one year (2019: k€ 293) and k€ 419 between one and five years (2019: k€ 213). In the 2020 financial year, k€ 554 (2019: k€ 532) was recognised in the statement of profit or loss as a rental expense.

The Group concluded two leases that had not yet begun as at 31 December 2020. Future lease payments for these leases without cancellation options amount to k€ 51 for the year 2021, k€ 195 for between one and five years and k€ 33 for more than five years. In the previous year, the Group companies did not enter into any commitments.

(37) 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€	2019	2020
Remuneration and other short-term benefits	1,796	1,196
Benefits following the end of the employment relationship	–	–
Other long-term benefits	–	–
Benefits due to the end of the employment relationship	–	–
Share-based remuneration	2,070	–
	3,866	1,196

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 pension obligations (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€	2019	2020
Remuneration and other short-term benefits	422	660
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	–
	659	660

(38) Total remuneration and provisions for pensions for former members of the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6b HGB

The total remuneration of the former members of the Board of Management and their surviving dependants amounted to k€ 512 in the reporting year (2019: k€ 498). Provisions created for the current pensions (DBO according to IFRS) in financial year 2020 amounted to k€ 8,326 (2019: k€ 8,272).

(39) Advances and loans to the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 No. 6c HGB

Neither in the previous year nor in the reporting period have any advances or loans been granted to the aforementioned group of persons.

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

The remuneration of the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, recorded as expenses in 2020, amounted to k€ 284 for the audit of the financial statements, k€ 12 for other certification services and k€ 3 for other services.

No tax consultancy services were provided by the auditor in the reporting period.

KPMG has been the auditor of the financial statements and consolidated financial statements of Leifheit AG since financial year 2016. Sebastian Hargarten (since financial year 2017) and Sven Eifert (since financial year 2019) are the signatory auditors for financial year 2020.

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

Please refer to the combined management report for information under takeover law in accordance with section 315a para. 1 HGB.

(42) Related party transactions

A managing director of our Czech subsidiary Leifheit CZ a.s. is also the managing director of a Czech customer. In the year under review, turnover of k€ 637 was generated with this customer at an arm's length margin of 26% (2019: k€ 262 turnover at 26% margin). The customer continued to provide shared services for our subsidiary at arm's length terms and conditions in the amount of k€ 596 (2019: k€ 634). Leifheit CZ a.s. provided services amounting to k€ 6 (2019: k€ 10).

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

(43) 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 website at [leifheit-group.com](https://www.leifheit-group.com). The table shows reported shareholdings of at least 3%; the disclosures correspond to the most recent notifications of the persons subject to an obligation to file a notification. Please note that these disclosures may now be outdated.

Report	Reportable party	Registered office	Attributions in accordance with WpHG	Shareholding	Voting rights ¹
August 2020	MainFirst SICAV	Senningerberg (LU)	Section 33	5.02%	502,320
April 2020	EQMC Europe Development Capital Fund plc.	Dublin (IE)	Section 33	10.44%	1,043,560
March 2020	Alantra EQMC Asset Management, SGIC, S.A.	Madrid (ES)	Section 34	10.17%	1,017,391
March 2020	Joachim Loh	Haiger (DE)	Section 33	10.31%	1,031,240
February 2019	Douglas Smith, Blackmoor Investment Partners LLC	(KY)	Section 34	3.52%	352,061
September 2017	Teslin Capital Management BV/Gerlin NV	Maarsbergen (NL)	Section 22	5.05%	504,534
July 2014	Leifheit AG	Nassau (DE)		4.97%	497,344
February 2009	Manuel Knapp-Voith, MKV Verwaltungs GmbH	Grünwald (DE)	Section 22 (1) sentence 1 no. 1	10.03%	1,002,864

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

(44) Declaration in accordance with section 161 AktG

In December 2020, 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 conformity is permanently available on the company's website at corporate-governance.leifheit-group.com.

(45) Events after the balance sheet date

The ongoing COVID-19 pandemic remains a factor with extremely unpredictable consequences for the economy as a whole and the business activities of the Leifheit Group itself in 2021.

The majority of our products are manufactured at the European locations of the Group. The company continuously monitors the stock of raw materials and semi-finished parts to ensure production is maintained. In addition, we rely on a network of partners and suppliers in Europe and Asia.

As at mid-March 2021, the Leifheit Group is not affected by declining turnover or significant delivery bottlenecks. However, the current global rise in steel and plastic prices is having a negative impact on procurement costs. In addition, increased border checks into Germany from high-risk areas such as the Czech Republic are hindering freight traffic.

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 website at organs.leifheit-group.com.

Members of the Board of Management

Person	Board membership/function	Appointed until	Responsible for	Mandates/memberships outside the Group ^{1,2}
Igor Iraeta Munduate Born 1974 Nationality: Spanish Place of residence: Waiblingen, Germany	Member (COO) since 1 Nov 2018	31 Oct 2022	Production, Logistics, Procurement, Development, Quality Management	None
Henner Rinsche Born 1970 Nationality: German Place of residence: Frankfurt/Main, Germany	Member and CEO since 1 June 2019, CFO since 1 Apr 2020	31 May 2022	Marketing, Sales, Birambeau and Herby divisions, HR, Legal/IP and since 1 Apr 2020 Finance, Controlling, Audit, Business Processes/IT, Investor Relations, ESG issues	None
Ivo Huhmann (resigned) Born 1969 Nationality: German Place of residence: Wiesbaden, Germany	Member from 1 Apr 2017 (CFO from 25 May 2017) until 31 Mar 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 Barnert¹ Born 1968 Nationality: German Head of Maintenance at Leifheit AG, Nassau/Lahn, Zuzenhausen location	Member since 29 May 2019	None
Dr Günter Blaschke Born 1949 Nationality: German Pensioner	Member since 1 Apr 2019, Chairman since 2 Apr 2019	WashTec AG, Augsburg, Chairman of the Supervisory Board ²
Georg Hesse Born 1972 Nationality: German Chairman of the Board of Management (CEO) of HolidayCheck Group AG, Munich, until 30 Apr 2020	Member since 30 May 2018	None
Karsten Schmidt Born 1956 Nationality: German Independent consultant, Penzberg, Germany	Member and Deputy Chairman since 29 May 2019	None
Thomas Standke¹ 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	Severin Elektrogeräte GmbH, Sundern, Member of the Advisory Board ³

¹ Employee representative.

² Memberships in other Supervisory Boards required by law according to section 125 para. 1 sentence 5 AktG.

³ Memberships in comparable domestic and foreign governing bodies of enterprises according to section 125 para. 1 sentence 5 AktG.

Supervisory Board committees

Committee	Members	
Audit Committee (AC) The Audit Committee prepares the negotiations and resolutions of the Supervisory Board on the approval of the annual financial statements and the consolidated financial statements as well as the adoption of the proposal to the Annual General Meeting for the election of the auditor. It also deals with issues relating to accounting, the effectiveness of the internal control system, risk management, the internal audit system, compliance and assessing the quality of the audit of the financial statements.	Dr Günter Blaschke Dr Claus-O. Zacharias	Member since 2 Apr 2019 Member and Chairman since 29 May 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 Karsten Schmidt Dr Claus-O. Zacharias	Member and Chairman since 29 May 2019 Member since 29 May 2019 Member since 29 May 2019
Personnel Committee The Personnel Committee examines all employment contracts for the members of the Board of Management, including remuneration and the remuneration system.	Dr Günter Blaschke Georg Hesse Karsten Schmidt	Member since 29 May 2019 Member since 30 May 2018, Chairman since 29 May 2019 Member since 29 May 2019
Sales/Marketing Committee The Sales/Marketing Committee deals with the sales and marketing strategy.	Joachim Barnert Dr Günter Blaschke Georg Hesse Karsten Schmidt	Member 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, 23 March 2021

Leifheit AG

The Board of Management

Henner Rinsche

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, 23 March 2021

Leifheit Aktiengesellschaft

The Board of Management

Henner Rinsche 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 consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of Leifheit Aktiengesellschaft for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards 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 2020. 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.

■ Recoverability of goodwill of the cash-generating units Herby and Birambeau

For more information on the accounting policies applied please refer to the section "General information and accounting and valuation principles" with the sub-sections "Intangible assets" and "Impairment of intangible assets and tangible assets" in the notes to the consolidated financial statements. The assumptions underlying the measurement as well as the disclosures on impairment testing of intangible assets at the Birambeau cash generating unit (CGU) and the Herby CGU can be found in section 20 of the notes to the consolidated financial statements.

The financial statement risk

The consolidated financial statements of Leifheit Aktiengesellschaft recognise goodwill in the amount of EUR 11.7 million (PY: EUR 11.7 million) under intangible assets. As in the prior year, goodwill is primarily attributable to the Herby CGU in the amount of EUR 6.4 million and the Birambeau CGU in the amount of EUR 3.3 million.

Impairment of goodwill is tested annually, as well as when indicators of impairment are present, at the level of the Leifheit, Herby and Birambeau CGUs. To do this, Leifheit uses a discounted cash flow model to calculate the value in use of each CGU. If the carrying amount is higher than the value in use, this results in an impairment requirement to the extent that the carrying amount is not covered by the fair value less costs to sell. The impairment loss is attributed first to goodwill and then to the CGU's other assets.

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

Impairment testing of goodwill is based on a complex calculation method and includes a wide range of data as well as a range of assumptions that require judgement. These include the expected business and earnings performance of the respective CGU for the coming financial year drawn up by the Board of Management and approved by the Supervisory Board, the assumed long-term growth rates and the discount rate used.

The Group identified the COVID-19 pandemic as a triggering event for impairment testing and consequently tested all CGUs for impairment as a part of the quarterly report as at 31 March 2020. These tests took into account various potential revenue and earnings performance scenarios and did not result in a need to recognise impairment losses for any of the underlying scenarios.

Due to the stagnant level of the earnings situation at the CGUs Herby and Birambeau, there is a risk that the sales targets for the Herby and Birambeau CGUs expected by the Board of Management will not be met over a sustained period. Furthermore, there is a risk of an increase in the discount rate. If earnings are expected to be lower or the discount rate is expected to be higher on a sustained basis, this could lead to impairment losses on the goodwill of the Herby and Birambeau CGUs. As a result of the impairment tests carried out as at December 31, 2020, the Group has not identified any impairment requirement.

There is the risk for the consolidated financial statements that an existing impairment loss on the goodwill of the Herby and Birambeau CGUs as at the reporting date will not be recognised. There is also the risk that the required disclosures on the key assumptions and sensitivities in the consolidated financial statements are not appropriate.

Our audit approach

Using surveys and discussions with the Company's representatives, we obtained an understanding of the process for goodwill impairment testing. 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 and earnings performance for the Herby and Birambeau CGUs can significantly impact the results of impairment testing, we discussed, in particular, the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also checked whether the planning on which measurement is based is in line with the budgets prepared by the Board of Management and approved by the Supervisory Board. 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 past deviations from forecasts in order to determine how those responsible for planning responded to deviations from the forecast when preparing the forecast. We compared the assumptions and data underlying the discount rate of the Herby and Birambeau CGUs, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

To ensure the computational accuracy of the measurement method used, we verified the Company's calculations. We also assessed the accuracy of the sensitivity analyses prepared by the Group by reconciling them with our own sensitivity analyses.

Finally, we assessed whether the disclosures in the notes to the consolidated financial statements regarding the impairment of goodwill of the Herby and Birambeau CGUs are 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 goodwill impairment testing of the Herby and Birambeau CGUs is appropriate and in line with the accounting policies to be applied.

The Company's underlying assumptions and information 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

The disclosures on other liabilities from customer bonuses can be found in Section 23 of the notes to the consolidated financial statements. In addition, please refer to the explanations in the Section on “Accounting and valuation principles” of the notes to the consolidated financial statements for more information on the accounting policies applied.

The financial statement risk

The consolidated financial statements of Leifheit Aktiengesellschaft recognise other liabilities arising from customer bonuses in the amount of EUR 9.5 million (PY: EUR 9.4 million). These are classified “as measured at amortised cost”.

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 arising from customer bonuses is complex and requires the assurance that existing customer agreements are recorded in full and that the calculation of the resulting liabilities is computationally accurate.

There is the risk for the financial statements that the other liabilities from customer bonuses were not recognised in full or in an inaccurate amount.

Our audit approach

Using surveys and discussions with the Company's representatives, we obtained an understanding of the process of recording liabilities arising from customer bonuses. We evaluated the accounting policies applied for other liabilities from customer bonuses in respect of their conformity with the applicable accounting standards. As part of the risk assessment, we examined for which

customers there were significant deviations in revenue reduction rates compared with the prior year and for which customers with high sales revenues only low revenue reduction expenses were recognised. For these customers, we inspected contracts to verify that the calculation of the revenue reduction expenses was correct by reconciling with the individual agreements. Based on the liabilities ratio of the prior year (liabilities as a ratio of revenue reduction expenses), an expected value of customer-related liabilities was calculated by applying the determined percentage rate on revenue reduction expenses in financial year 2020 and deviations with the amount of liabilities recognised were analysed. In addition, a statistical method was used to analyse the population of all postings of revenue reduction expenses for a period of time after the reporting date in order to determine whether the revenue reduction were fully recognised on an accrual basis. Finally, the computational accuracy of the liabilities arising from customer bonuses was verified.

Our observations

Leifheit AG Group's approach for determining liabilities for customer bonuses 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 sub-section “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 271.6 million in financial year 2020 (PY: EUR 234.0 million).

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

In line with the transfer of control, revenue is to be recognised either at a point in time or over time in the amount to which the Group is expected to be entitled. Leifheit AG Group 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 the following indicators:

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

Due to the use of various contractual agreements and the differing transport times to different markets for the same number of supplies, 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

Using surveys and discussions with the Company's representatives, we obtained an understanding of the revenue recognition process. We evaluated the accounting principles used for revenue recognition for compliance with the relevant accounting standards.

In 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.

In order to assess whether revenue is recognised on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to shipment of goods and invoicing, and in particular the verification of the correct or effective transfer of control.

Based on outgoing goods for a specified period in December, using contract-specific stipulations on the transfer of risk in addition to proof of delivery, we used a statistical selection procedure to determine whether revenue was recognised on an accrual basis.

Furthermore, a statistical selection procedure was used to check whether merchandise in transit recognised in the balance sheet includes merchandise that is delivered directly to the customer (drop shipment) and for which the revenue recognition criteria are already met.

Our observations

Leifheit AG Group's approach for revenue recognition cut-off is appropriate.

Other Information

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

- the Group's separate 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

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

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

Note on the audit in accordance with section 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes

- Declaration of Non-Issuance of an Audit Opinion

We were engaged to perform audit work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format").

We do not express an audit opinion on the ESEF documents. Due to the significance of the matter described in the section "Basis for the declaration of non-issuance of an Audit Opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion on the ESEF documents.

- Basis for the declaration of Non-Issuance of an Audit Opinion

As the Board of Management has not provided us with any ESEF documents for assurance by the date of the issuance of the independent auditor's report, we do not express an audit opinion on the ESEF documents.

- Company's Board of Management and Supervisory Board's responsibility for the ESEF documents

The Company's Board of Management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1)

sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Board of Management is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's Board of Management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

- Auditor's Responsibility for the audit of the ESEF documents

It is our responsibility to perform audit work on the ESEF documents in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Furthermore, it is our responsibility to incorporate a separate Report on Audit of the ESEF documents in the independent auditor's report. As a result of the matter described in the section "Basis for the declaration of non-issuance of an Audit Opinion", we have not been able to obtain sufficient appropriate audit evidence as a basis for our audit conclusion on the ESEF documents.

**Further information pursuant to Article 10 of the
EU Audit Regulation**

We were elected as group auditor by the Annual General Meeting on 30 September 2020. We were engaged by the Supervisory Board on 2 November 2020. We have been the group auditor of Leifheit Aktiengesellschaft without interruption since financial year 2016.

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

In addition to the consolidated financial statement audit, we also performed the audit of the annual financial statements of Leifheit AG.

The fee for audit services of KPMG AG Wirtschaftsprüfungsgesellschaft related 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 assurance engagement of the separate non-financial consolidated report of Leifheit AG, Nassau, in the form of an engagement with limited assurance. In addition, other services were provided in connection with the provision of publicly available market data.

German Public Auditor Responsible for the Engagement

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

Frankfurt/Main, 23 March 2021

KPMG AG Wirtschaftsprüfungsgesellschaft

Original German version signed by

gez. Hergarten

Wirtschaftsprüfer

(German Public Auditor)

gez. Eifert

Wirtschaftsprüfer

(German Public Auditor)

Key figures 5-year-history

		2016	2017	2018	2019	2020
Turnover						
Group ¹	m€	237.1	236.8	234.2	234.0	271.6
Household	m€	178.3	182.9	180.4	182.0	213.1
Wellbeing	m€	22.6	19.6	19.9	19.8	26.5
Private Label	m€	36.2	34.3	33.9	32.2	32.0
Foreign share	%	60.1	59.1	58.3	60.0	60.5
Profitability						
Gross margin	%	47.5	46.4	43.6	43.1	45.0
Cash flow from operating activities	m€	21.8	7.2	10.2	15.9	4.0
Free cash flow	m€	14.3	1.5	3.7	10.1	-5.5
EBIT	m€	22.1	18.8	13.1	9.9	18.8
EBIT margin	%	9.3	8.0	5.6	4.2	6.9
EBT	m€	20.6	17.7	11.9	8.5	17.7
Net result for the period	m€	14.5	12.9	8.4	5.8	12.5
Net return on turnover	%	6.1	5.4	3.6	2.5	4.6
Return on equity	%	13.9	13.0	8.3	6.1	12.5
Return on total capital	%	6.1	5.7	3.8	2.7	5.4
ROCE	%	-	-	10.5	8.2	14.1
Share²						
Net result for the period per share ³	€	1.53	1.35	0.88	0.61	1.32
Free cash flow per share ³	€	1.51	0.16	0.39	1.06	-0.57
Dividend per share	€	1.05	1.05	1.05	0.55	1.05 ⁴
Special dividend per share	€	0.40	-	-	-	-
Employees at the end of the year						
Group ¹	people	1,093	1,137	1,119	1,106	1,098
Household	people	-	930	905	906	914
Wellbeing	people	-	48	56	52	47
Private Label	people	-	159	158	148	137
Investments						
Investment ration	%	4.4	4.5	3.7	2.0	5.2
Depreciation and amortisation						
	m€	6.2	6.4	6.9	8.2	8.5
Balance sheet total						
	m€	239.4	224.9	221.8	214.6	230.0
Equity						
	m€	104.6	98.5	101.8	96.2	100.4
Equity ratio	%	43.7	43.8	45.9	44.8	43.7

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

On the Internet at www.leifheit-group.com, in addition to the consolidated financial statements, the annual financial statement of Leifheit AG, the combined management report of Leifheit AG and Leifheit Group, the report of the Supervisory Board, the sustainability report as well as the declaration of corporate management are also available.

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

11 May 2021	Quarterly Statement for the period ending 31 March 2021
2 June 2021	virtual Annual General Meeting
11 Aug 2021	Financial report for the first half-year ending 30 June 2021
11 Nov 2021	Quarterly Statement for the period ending 30 Sept 2021

Legal notice

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Concept, design, execution

MPM Corporate Communication Solutions, Mainz

Photography, Text

Leifheit AG, Nassau/Lahn

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