Annual Financial Report 2010
Condensed Version

Creating Growth

Internationalisation
Brand Communication
Innovation

LEIFHEIT
Aktiengesellschaft

Group data 2006 to 2010

			2006	2007	2008	2009 published	2009 restated [1]	2010
Turnover	– Group	€ m	277	276	280	273	207	**211**
	– Brand Business	€ m	–	–	–	–	162	**164**
	– Volume Business	€ m	–	–	–	–	45	**47**
Change		%	-3	–	1	-3	–	**2**
Foreign share		%	58	58	60	58	58	**58**
Key return figures								
Cash flow from operating activities		€ m	5.1	14.3	1.7	43.8	–	**12.0**
EBIT		€ m	4.9	2.4	5.2	8.1	3.1	**8.8**
EBIT margin		%	1.8	0.9	1.9	3.0	1.5	**4.2**
Earnings before income taxes (EBT)		€ m	2.8	0.5	2.6	5.5	1.1	**6.0**
Net result for the period from continuing operations		€ m	–	–	–	–	-0.3	**5.4**
Net result for the period from discontinued operations		€ m	–	–	–	–	3.4	**10.9**
Result for the period		€ m	4.5	-3.2	0.4	3.1	3.1	**16.4**
Net return on sales [4]		%	1.6	-1.2	0.1	1.1	-0.1	**2.6**
Return on equity [4]		%	4.2	-3.1	0.4	3.1	–	**5.3**
Return on total capital [4]		%	2.1	-1.6	0.2	1.4	–	**2.6**
Key figures per share								
Result for the period [2] [4]		€	0.95	-0.67	0.09	0.66	-0.06	**1.15**
Cash flow [2]		€	1.08	3.00	0.35	9.23	–	**2.52**
Dividend per share		€	0.60	–	0.60	0.60	0.60	**1.00** [3]
Special dividend		€	–	–	–	–	2.40	**2.00** [3]
Employees								
Annual average			1,491	1,404	1,521	1,468	1,153	**1,137**
At year-end	– Group		1,433	1,411	1,530	1,471	1,169	**1,141**
	– Brand Business		–	–	–	–	796	**751**
	– Volume Business		–	–	–	–	373	**390**
Personnel expenditure per employee		k€	38	40	37	40	36	**38**
Investment in tangible assets		€ m	4	7	5	6	5	**4**
Investment ratio		%	2.3	3.7	4.1	4.8	5.2	**3.0**
Depreciation on tangible assets		€ m	7	7	7	9	7	**5**
Total assets, equity and liabilities		€ m	204	207	221	223	–	**207**
Equity		€ m	107	99	101	101	–	**102**
Equity ratio		%	52	48	45	45	–	**49**

[1] Restated due to the disposal of Bathroom Furnishings and the reorganisation into Brand and Volume Business.
[2] Not including repurchased treasury shares
[3] Proposal to the Annual General Meeting
[4] Based on continuing operations from 2009

Contents

Leifheit 2010	Page
To our shareholders and friends of Leifheit	5
Corporate governance	8
Consolidated management report	13
Business activities and organisational structure	13
The economic situation	17
Net assets, financial position and results of operations	18
Non-financial performance indicators	26
Sustainability	28
Opportunities and risks	30
Report on events after the balance sheet date	34
Forecast	34
Consolidated financial statements	36
Consolidated statement of comprehensive income	36
Consolidated balance sheet	37
Changes in Group equity	38
Group segment reporting	39
Consolidated statement of cash flow	40
Notes	41
General accounting and valuation principles	41
Notes to the consolidated statement of comprehensive income	58
Notes to the consolidated balance sheet	67
Organs of Leifheit AG	90
Further Information	92
Report of the Board of Management	92
Audit opinion	93
Individual financial statements of Leifheit AG	94
Disclaimer	94
Contacts and key dates	95

The Board of Management

Georg Thaller,
Bad Kreuznach

Chairman of the Board of Management, CEO,
Head of Sales, Marketing,
R&D, Legal/Patents and Internal Audit

Dr. Claus-O. Zacharias,
Nassau/Lahn

CFO, Head of Finance, Controlling, Human Resources,
IT/Business Processes, Purchasing, Operations and Quality
Management

Dear shareholders, dear friends of Leifheit

We have had a year of good news for our shareholders:

In spite of selling the Bathroom Furnishings division, Leifheit again outperformed its result for the previous year, proving that our new strategic direction is right. We will therefore again be proposing a special dividend of € 2.00 in addition to the higher dividend of € 1.00 per share at the Annual General Meeting.

In 2010, we also completed both of the main strategic steps that have put our Company on a solid foundation again. This allows us to now take Leifheit into the crucial phase of a growth strategy geared to sustainability and momentum with the planned third strategic step.

To recap, the two steps that we began to implement in 2008 with the motto "Focus – Innovation – Speed" were:

- Step one: We set up a comprehensive reorganisation plan with "Fit for the Future". The aim of this was a long-term efficiency enhancement.

- Step two: Our stated aim was to focus Leifheit on its core competencies. We achieved this goal by selling the ladders business and the Bathroom Furnishings division: Leifheit is once again a pure-play provider of household goods.

In this way, we created the necessary basis for significant future growth in turnover and income. To make sure we achieve this goal quickly and confidently as well, the Group approved the third central step in its strategic reorientation as at the start of 2011. The implementation of this growth strategy has been mapped out from 2011 to 2014.

The growth strategy, for which we have chosen the motto "Leifheit Go! - Growing (by) Opportunities" is built on two key pillars: The first one concerns our brand. In intensive market research conducted on the main markets of Germany, France and Poland, we analysed how our products are used and bought. From this we derived a brand strategy with which we will hone our brand profile with both further improved and innovative products and more intensive communications with creative marketing strategies.

The second pillar is an internationally geared sales strategy that expands existing sales channels while opening up new ones.

The sales strategy

Our strategy for sales centres on systematic growth on our core markets. We are planning to generate about half of our growth organically and half by buying companies that complement us well in terms of brand quality, profile and corporate culture.

We have divided our growth markets into two categories: The Focus 1 countries are the German-speaking countries (Germany, Austria and Switzerland) and the high-turnover nations of France, Spain, Italy, Benelux, Poland and the large Russian cities. The Focus 2 countries are Northern Europe, Eastern Europe, the UK, China and the US.

The Leifheit brand strategy

Our brand strategy is based on professional analyses and studies of fundamental data, which look very closely at current and future requirement profiles and consumer expectations. These studies have clearly shown that the attitudes and values of our customers are changing; we are moving with these changes by centring our marketing activities on user needs. From this we can also derive future innovations, which include new and successful products which we can develop further. The new Leifheit range, which we presented to the public in February at the main trade fair for our line of business, Ambiente, has already incorporated the initial results of these studies, as has our latest TV commercial for our “Linomatic de Luxe” rotary dryer.

Focusing organisation on new growth

Big growth targets can only be achieved if the organisation can support and implement them as well. This is why we are continuing to develop our organisation by rigorously focusing on strategy-driven customer and brand management. This creates greater market-orientation and increases business success. To do this we have separated the organisation for Brand and Volume Business.

The key growth driver will be Brand Business, where we are aiming to raise the potential of our well-established quality brands internationally. The growth in Volume Business will primarily be achieved through acquisitions or business combinations.

Shares as an indicator for the quality of business policy
Since 2009, our shareholders have seen a steady rise in the price of Leifheit shares, which has been marked by only a few interruptions. Above all, our strategic repositioning is geared towards creating additional benefits: Additional benefits for our customers, additional benefits for our employees thanks to more attractive and more stable jobs, and also additional benefits for our shareholders, which will then be reflected in a adequate dividend and further increases in the share price.

We wish to thank you, our shareholders, for placing your trust in us in the past year and we hope that you will stay with us on the road ahead! We have shown that we will do everything in our power to continue your enjoyment of your Leifheit shares.

The Board of Management of Leifheit AG

Georg Thaller

Dr. Claus-O. Zacharias

Corporate governance

The term corporate governance stands for responsible corporate management and control geared towards long-term value creation. At Leifheit, we orient ourselves on the German Corporate Governance Code. The Code presents essential statutory regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards for good and responsible governance.

Corporate governance has always been extremely important at Leifheit. The Supervisory Board and Board of Management take it as their responsibility to ensure the continued existence of the Company and sustainable value creation by means of responsible and long-term based corporate management. Our goal is to permanently keep the long-term trust of our shareholders, clients, employees, and the general public.

In the following section, the Board of Management will report on corporate governance at Leifheit in line with number 3.10 of the German Corporate Governance Code – which also applies to the Supervisory Board.

Transparency in favour of shareholders and the public

We inform shareholders, analysts, the media and interested members of the public about major recurring dates, such as the date of the Annual General Meeting or the publication dates of the quarterly reports, in our financial calendar. This calendar is published in the annual financial report, the quarterly reports as well as on our website.

We release information on the situation of the Company, all major business changes, the development of the Company and the financial position and results of operations of our Company in the quarterly reports and in detail in the annual financial report on a regular basis and in a timely manner.

We provide our shareholders with all relevant information for the Annual General Meeting at an early stage. We publish the annual financial report on the past financial year in a timely manner and on our website. Convening the Annual General Meeting with the upcoming agenda items and an explanation of the participation requirements is usually announced one-and-a-half months before the date of the meeting. All documents and information on the Annual General Meeting are available on our website. Immediately after the Annual General Meeting we publish the attendance figure and voting results on the Internet. Shareholders can either exercise their voting rights at the Annual General Meeting themselves, via a proxy of their choice, or via a Leifheit proxy who is bound by instructions. Voting instructions to the Leifheit proxy can be issued before and during the Annual General Meeting until the end of the general debate.

Thanks to our Investor Relations activities, we are in close contact with our shareholders.

In order to ensure the greatest possible degree of transparency and equal opportunities for all, our corporate communication is in keeping with informing the target groups in an equal and timely manner. We publish all press releases and ad-hoc releases of Leifheit AG and presentations from press conferences, analyst conferences and the Annual General Meeting on our website.

Cooperation of the Supervisory Board and Board of Management

The Supervisory Board and Board of Management work closely together in the Company's interest. Their common goal is to ensure the continued existence of the Company and its sustainable creation of value.

In accordance with the requirements under the applicable legislation, Leifheit AG has a dual management system, characterised by a personnel separation of the management body from the supervisory body. The Board of Management manages the Company under its own responsibility and in the company's interests, develops the strategic orientation of the Company, coordinates this with the Supervisory Board and ensures that it is implemented. The Supervisory Board monitors and advises the Board of Management and is directly involved in decisions of material importance to the Company. The Supervisory Board consists of members elected by the Annual General Meeting as well as employee representatives. The Supervisory Board appoints the members of the Board of Management. Fundamental decisions require its approval.

In line with the recommendation of the German Corporate Governance Code, no former Board of Management members belong to the Supervisory Board of Leifheit AG. In addition, the Supervisory Board reviews the independence of its members.

The Board of Management regularly, promptly and comprehensively informs the Supervisory Board on corporate policies and all issues relating to planning, business development, the risk situation and risk management that are relevant to the Company. In the process, deviations of business performance from the previously formulated plans and targets are described and justified. Under the Articles of Association of Leifheit AG, important business transactions are subject to Supervisory Board approval.

In accordance with the requirements under the applicable legislation, the Company has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of the Board of Management and Supervisory Board. D&O insurance without a deductible has been agreed for members of the Supervisory Board.

Appropriate control and risk management system

Good corporate governance also means that the Company deals with risk in a responsible manner. The Board of Management ensures appropriate risk management within the Company. Systematic risk management ensures that risks can be recognised, assessed and monitored at an early stage. The Board of Management regularly informs the Supervisory Board of existing risks and their development. The Audit Committee appointed by the Supervisory Board regularly deals with monitoring the accounting processes, the effectiveness of the internal control, risk management and internal audit systems and with supervising the audit of financial statements.

Audit of the financial statements

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The legally required individual financial statements of Leifheit AG, which are the determining factor for the payment of the dividend, are prepared in accordance with the provisions of the German Commercial Code (HGB). We agreed with auditors Ernst & Young GmbH Wirtschaftprüfungsgesellschaft, Eschborn/Frankfurt am Main, that the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor is to report without delay on all facts and events which arise during the performance of the audit that have a direct bearing upon the tasks of the Supervisory Board. In addition, the auditor is to inform the Supervisory Board and/or note in the audit report any facts ascertained during the performance of the audit which are inconsistent with the declaration of conformity issued under section 161 of the German Stock Corporation Act (AktG).

Remuneration report

The following remuneration report is an integral part of the management Report. Among other items, it describes the main features of the remuneration system of the Board of Management:

- Performance-related remuneration for the Board of Management

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

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

  The fixed annual basic salary is paid out monthly and is based on the area of responsibility and individual performance of the respective Board of Management member. This amount is reviewed at regular intervals to determine if it is appropriate and in line with the market. Annual variable remuneration is measured using the EBT of the Leifheit Group and is paid out following the adoption of financial statements. Long-term variable remuneration is measured using the EBT of the Leifheit Group in 2011 and 2012. A limit has been established in the current Board of Management employment contracts. One employment contract has a multi-year basis for assessment.

  In individual cases, the members of the Board of Management receive remuneration for management and supervisory activities at subsidiaries in addition to remuneration for their activities as Board members of Leifheit AG.

  There are no stock option programmes or similar value-based incentive systems.

  Fringe benefits exceeding the use of a company car and reimbursement for travel costs are not paid by the Company.

  The Board of Management contracts contain no express commitment of a severance payment in the event of early termination. Severance payments may, however, be stipulated in individual termination agreements. The Board of Management contracts contain no change of control clauses.

  The Annual General Meeting of Leifheit AG resolved on 24 May 2006 not to publish the individual remuneration of the Board of Management members for five years, beginning with financial year 2006. The remuneration for the active Board of Management members amounted to a total of k€ 1,785 in the past financial year. Of this amount, k€ 1,210 was attributable to variable remuneration. The members of the Board of Management have received remuneration for performing duties for subsidiaries amounting to a total of k€ 100. As at 31 December 2010, no additions were made to the pension obligations (defined benefit obligations under IFRS) for active members of the Board of Management.

- Remuneration of the Supervisory Board

  The remuneration of the Supervisory Board is regulated by the Articles of Association of Leifheit AG. In line with the legal provisions and the requirements of the German Corporate Governance Code, it takes account of the responsibilities and scope of tasks of the members of the Supervisory Board, as well as the performance of the Company. The members of the Supervisory Board receive fixed remuneration as well as variable, performance-related remuneration that depends on the dividend.

Fixed remuneration: In addition to reimbursement for their expenses, including the value added tax on their remuneration, the members of the Supervisory Board receive fixed remuneration of k€ 15 for each financial year.

Variable remuneration: The members of the Supervisory Board also receive variable remuneration of € 100 per € 0.01 of dividend per share distributed to the shareholders in the past financial year.

The Chairman of the Supervisory Board receives three times this remuneration, while his deputy receives 1.5 times this amount.

For each membership on a Supervisory Board committee, each member of the Supervisory Board receives an additional 25% of the fixed remuneration of a Supervisory Board member. The chairman of a committee receives double this amount. Members of the Supervisory Board who belonged to the Board or a committee for only part of a financial year receive pro-rated remuneration for each month or part of a month of service. The fixed remuneration will be paid out in December of the financial year, while the variable remuneration is paid on the day of the Annual General Meeting that decides on approving the actions of the Supervisory Board for the respective financial year just ended.

The remuneration of the Supervisory Board recognised as expenses for the financial year 2010 is k€ 243 and is distributed as follows in line with number 5.4.6 of the German Corporate Governance Code:

k€	Fixed	Variable	Committee
Helmut Zahn	45.0	30.0	11.3
Dr. Robert Schuler-Voith	22.5	15.0	11.3
Dieter Metz	15.0	10.0	–
Karsten Schmidt	15.0	10.0	3.8
Thomas Standke	15.0	10.0	–
Dr. Friedrich M. Thomée	15.0	10.0	3.8

No remuneration was granted to the members of the Supervisory Board for services provided individually.

Avoidance of conflicts of interest

No conflicts of interest arose affecting members of either the Board of Management or the Supervisory Board that would have required disclosure without delay to the Supervisory Board.

Directors' dealings and share ownership of the Board of Management and Supervisory Board

In line with section 15a of the German Securities Trading Act (WpHG), the members of the Board of Management and Supervisory Board and their close relatives are legally required to disclose all transactions involving the purchase or sale of Leifheit AG stock or related financial instruments where such transactions total or exceed € 5,000 in a calendar year. The notifications received by Leifheit AG for financial year 2010 are published on its website.

The total holdings of shares in Leifheit AG for all members of the Board of Management was 23,000 as at 31 December 2010. The members of the Supervisory Board held a total of 2,386,646 shares of Leifheit AG directly and indirectly as at 31 December 2010, of which 2,367,249 shares are attributable to Dr. Robert Schuler-Voith.

Membership of Board of Management and Supervisory Board members in statutory supervisory boards or similar German and non-German control bodies of business enterprises can be viewed on page 91 of the consolidated annual financial report. No member of the Board of Management holds supervisory board mandates in non-Group listed companies. In the year under review, there were no reportable relationships or transactions of related companies or persons.

Aims of the Supervisory Board in terms of its composition

In September 2010, the Supervisory Board established concrete objectives for its future composition:

- Each member must fulfil the requirements laid down by law and the Articles of Association to be a member of the Supervisory Board.
- Each member of the Supervisory Board must have the required knowledge and abilities to properly fulfil the tasks assigned to him by law and the Articles of Association.
- Each member of the Supervisory Board must immediately disclose any potential conflicts of interest.
- The Supervisory Board must have at least one independent member with specialist knowledge in the areas of accounting or auditing the financial statements.
- The Supervisory Board must have at least one member with specialist knowledge in the area of law.
- The Supervisory Board must have at least one member with specialist knowledge in the area of the consumer goods industry or branded companies in an international environment.
- The Supervisory Board must have at least one member with specialist knowledge in the area of business administration.
- In order to represent the largest possible range of life experience, the difference in age between the youngest and the oldest member of the Supervisory Board should be at least ten years. No member of the Supervisory Board should be older than 70 years old.
- At least one woman should belong to the Supervisory Board of Leifheit AG.

All of these targets have been achieved except for the participation of women.

Declaration of conformity under section 161 para. 1 of the German Stock Corporation Act (AktG)

In financial year 2010, the Board of Management and Supervisory Board have dealt with fulfilling the requirements of the Code, especially with the changes resolved by the Government Commission on the German Corporate Governance Code on 26 May 2010. Based on these discussions, the Board of Management and Supervisory Board submitted a declaration of conformity under section 161 para. 1 AktG in December 2010, the text of which is printed in the consolidated annual financial report (German version) under the heading “Erklärung zur Unternehmensführung” (starting on page 35).

The declaration of conformity under section 161 para. 1 AktG and the declaration of corporate management under section 289a HGB are permanently available on our website.

Business activities and organisational structure

Business activities

The Leifheit Group is a European producer of branded products for selected areas of the household. The Leifheit Group's products are manufactured at production plants in Germany and in selected countries in Europe and Asia. They are sold under various brand names. Leifheit, Dr. Oetker Bakeware and Soehnle are the Company's three main brands. The Group subsumes the products of these brands under the segment Brand Business. The second segment, the Volume Business, includes the French subsidiaries Birambeau and Herby as well as the Project Business.

Leifheit sells its products mainly in Europe, but also in the US and Asia. They are distributed mainly by means of delivery to large retail chains and wholesalers.

Changes in the Group's structure

In order to refine its profile further, Leifheit spun off its Bathroom Furnishings division with the Spirella, Kleine Wolke and Meusch brands in the second quarter of 2010. In doing so, we are now concentrating solely on our household goods business.

In a first step, we sold the Spirella group to the Swiss investment company Cross, Zurich at the beginning of June. At the end of June, Kleine Wolke and Meusch were sold to Possehl Mittelstandsbeteiligungen, Lübeck. In the interests of the work force, from the beginning we were looking for buyers who intend to continue the business and expand it so that the jobs of the employees affected by the change remain intact. We achieved this goal with the new owners.

With the sale of the Bathroom Furnishings division, Leifheit systematically realised two of its main strategic goals:

- Leifheit is now focussed exclusively on business with household goods, specifically the business areas of cleaning, laundry care, kitchen goods and scales. These areas have generated the greatest successes for our Company so far and also promise more attractive income in the long term.

- We are now dedicating all our energy and financial resources to achieve a comprehensive growth strategy. The aim is primarily strong organic growth, but also strategically suitable additions if needed. An internationally-oriented, focussed distribution strategy and strengthening the brands in our profile will further advance our Company. The result is that everyone will benefit: from the employees to the shareholders.

Pursuant to the IFRS international accounting standards, the disposal of the Bathroom Furnishings division requires that this division's business is reported separately in the consolidated statement of comprehensive income as "discontinued operations" ("Net result for the period from discontinued operations").

"Continuing operations", which include the former Household Products division and the former non-allocable division (expenses for Group functions), are presented in detail. As a result, the individual items of the consolidated statement of comprehensive income up to "Net result for the period from continuing operations" contain only the remaining Brand Business and Volume Business segments. Figures from the previous year are presented in a similar manner, thus the current key figures can only be compared with the figures published last year to a limited extent, as they still contained the Bathroom Furnishings division (see reconciliation schedule on page 58).

The balance sheet as at 31 December 2010 no longer includes the deconsolidated Bathroom Furnishings division, whilst the Bathroom Furnishings division is still included in the balance sheet at 31 December 2009. The two balance sheets are thus comparable only to a limited extent.

Short profile of the divisions

After the sale of the Bathroom Furnishings division, the Group was divided into the two segments of Brand Business and Volume Business:

Leifheit Group	
Brand Business	**Volume Business**
Leifheit	Birambeau
Dr. Oetker Bakeware	Herby
Soehnle	Project Business

The two segments are characterised by their different strategies for cultivating the market:

- The **Brand Business** segment represents high-quality and innovative products. It comprises the Leifheit, Dr. Oetker Bakeware and Soehnle brands as well as now the expenses for Group functions. Expenses for the Group functions, which had previously been allocated to the "non-allocable" area, now mostly pertain to the Brand Business following the sale of the Bathroom Furnishings division.

  Consistent brand management in connection with the corresponding processes for innovation and market launch underscore the quality aspect in the Brand Business. We apply end consumer communication and key account management to generate attractive turnover and expand our position vis-à-vis retailers and end consumers.

- The **Volume Business** segment is made up of the Birambeau and Herby brands at the current time. In this segment we sell products in the medium price bracket in international markets with a strong service component. In July, Leifheit obtained the remaining 40% of the shares in the Herby Group from the minority shareholder. Leifheit thus holds 100% of Herby's shares.

  Another part of the segment is the Project Business, which includes customer-specific product developments and their manufacture as well as contract manufacturing for third parties at the Blatná plant, the proceeds of which were recorded as internal sales until the sale of the Bathroom Furnishings division.

Organisation, corporate structure and management responsibility

Leifheit AG has been a stock corporation under German law since 1984. Its domicile and headquarters are still at its place of foundation, Nassau/Lahn, Germany. Leifheit AG includes the expenses for the Group functions as well as the major part of the operating business of the Brand Business division. The main locations of Leifheit AG are in Nassau (management and production) and Zuzenhausen (logistics). There are also branches outside Germany which are not legally independent, particularly for distribution in Brescia, Italy (foundation in 1982), in Aartselaar, Belgium (foundation in 1987), and in Wiener Neudorf, Austria (foundation in 1995). Leifheit AG has 13 direct or indirect subsidiaries and equity interests. Leifheit AG's main equity interests (partly indirect) are Leifheit s.r.o. in the Czech Republic (production), Birambeau S.A.S. in France (logistics and distribution) and Herby Industrie S.A.S. in France (logistics and distribution).

The Board of Management of Leifheit AG establishes the strategy for business development, is responsible for the Group-wide central functions and manages the divisions. The rules of procedure for the Board of Management regulate the responsibilities of the individual Board members. Their personal knowledge of products and markets, customer- and country-specific characteristics and their expertise in central Group functions ensures the efficient and professional management of the Leifheit Group.

Group strategy and corporate management

In 2010, the Leifheit Group completed both of the main strategic steps that were launched in 2008 with the "Focus – Innovation – Speed" programme and that put the Company back on the path to sustainable growth.

- The first step "Fit for the future" marked the start of a comprehensive restructuring programme that led to a sustainable increase in efficiency.
- With the second step, Leifheit focussed on its core competencies: business with household goods. This was achieved primarily by selling off the ladder business and the Bathroom Furnishings division.

In this way, we created the necessary basis for significant future growth in turnover and income.

The third step now defines a comprehensive growth strategy that extends initially until 2014. The growth strategy communicated under the slogan "Leifheit Go! Growing (by) Opportunities" is based on two pillars:

- The first one is a targeted **brand strategy**, which will further refine the brand profile via intensified, target-group oriented communication and consumer-relevant products in order to increase turnover significantly.
- The second pillar is an international **distribution strategy** that aims to expand existing distribution channels in an extremely targeted way while also tapping new distribution channels.

As such, most of the growth is expected in the core markets, where the greatest dynamic can be generated.

The strategy of the Leifheit Group is centralised while its operations are decentralised. Fewer units and levels ensure quick and efficient cooperation within the Group. Strategy changes are therefore often linked to concurrent changes in the organisational structure.

The next step in our strategy development is further developing our organisation and consistently focussing on strategy-driven customer and brand management. In order to do this, operations in the Brand Business and the Volume Business are managed separately. The organisational structure and the process organisation are thus structured so that the targets of the strategic business alignment can be achieved in an optimal way.

Remuneration report

The remuneration report contains the disclosures required under section 315 para. 2 no. 4 of the German Commercial Code (HGB). It is included in the corporate governance report of the annual financial report (starting on page 8) and is part of the consolidated management report.

Information under takeover law

The following section presents the information under takeover law required by section 315 para. 4 HGB as of 31 December 2010.

The subscribed capital (share capital) of Leifheit AG remained unchanged as of 31 December 2010 at € 15,000,000 and is divided into 5,000,000 no-par-value bearer shares. 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.

There are direct and indirect equity interests in the capital of Leifheit AG exceeding 10% of the voting rights. Home Beteiligungen GmbH in Munich informed Leifheit AG that it holds 47.34% of the voting rights in Leifheit AG as of 31 December 2010. In addition, MKV Verwaltungs GmbH in Munich informed the Company that it holds 10.03% of the voting rights in Leifheit AG.

There are no shares in Leifheit AG with special rights. There are also no employee participation schemes, and therefore no controls on voting rights.

Board of Management members are appointed and dismissed and the Articles of Association are amended in accordance with the provisions of the German Stock Corporation Act (AktG). The Supervisory Board may make amendments to the Articles of Association that relate solely to their wording. There are no further regulations in Leifheit AG's Articles of Association.

By resolution of the 2006 Annual General Meeting, the Board of Management is authorised, subject to the approval of the Supervisory Board, to increase share capital on one or more occasions by a total of up to € 7,500,000 until 1 May 2011 by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions. The Board of Management is also authorised by resolution of the 2010 Annual General Meeting to buy back shares amounting to up to 10% of the share capital by 8 June 2015. The terms of both resolutions can be found in the respective agendas of the Annual General Meetings on our website.

There are no agreements or remuneration agreements with the Board of Management or employees pertaining to change of control provisions as a result of a takeover bid and that satisfy the criterion of materiality.

Declaration of corporate management

The declaration of corporate management in accordance with section 289a HGB is printed in the consolidated annual financial report (German version) from page 35 and published on our website at http://www.leifheit.de/de/unternehmen/unternehmensfuehrung.html.

Report of the Board of Management on relationships with related parties

In line with section 312 AktG the Board of Management prepared a report on relationships with related parties that contains the following final declaration:

"Our Company received appropriate compensation for all legal transactions listed in the report on relations with related parties, in accordance with the conditions known at the time that such transactions were undertaken. No business transactions subject to reporting requirements were undertaken in the period under review."

The economic situation

Economy recovers faster than expected

After one of the most severe recessions of the post-war period, the global economy recovered again surprisingly well in 2010. For example, according to the International Monetary Fund (IMF), global economic activity grew by a total of 5% in 2010. Contributing to this were the successful implementation of economic programmes primarily in the US and Japan, strong growth in China, and private consumption which began to stabilise again gradually from the third quarter. The Euro zone countries' support of Greece also prevented the Greek debt crisis from becoming worse and limiting positive economic development in the second half of the year.

Germany occupied a special position in Europe this past year. Unemployment rose in France, the UK, Italy, Spain and Greece, while the consequences of government budget consolidations also prevented a major increase in consumption. The economic situation in Eastern Europe is improving increasingly, but has not yet reached its pre-crisis level again. In contrast, German development decoupled itself from the other major European economies over the course of the year. After a significant decrease in 2009, the gross domestic product (GDP) in 2010 was 3.6%, the highest growth since reunion.

Most of the economic recovery took place in spring and summer 2010 and had a positive impact on the employment market. Growth impetus in 2010 came not only from foreign trade but from domestic trade as well. Significantly more was invested in equipment such as machines and cars in particular – pushing consumption to a new three-year high as at the end of the year. Private consumer spending rose by 0.5%. In 2010, German retail turnover moved up by 1.3% to 1.6% year-on-year. According to the Gesellschaft für Konsumforschung (GfK), the non-food retail relevant for the Leifheit business in 2010 generated turnover of almost € 148 billion (+2.6%) in total – the best turnover since 2002. It was characteristic for this development that consumers are increasingly deciding in favour of quality products and spent more money on average per purchased item.

Net assets, financial position and results of operations

Leifheit benefits from economic improvement

Leifheit developed well in 2010. For instance, total Group turnover (excluding the sold Bathroom Furnishings division) increased against the previous year to € 211 million. In the prior-year period, the corresponding segments generated € 207 million (€ 204 million was reported for 2009; the difference is due to turnover from the Bathroom Furnishings division, which were recorded as internal sales in the prior year). In Eastern Europe in particular, where Leifheit had prospering markets until the crisis, and in Southern Europe, the effects of the crisis in the form of turnover declines are still being felt throughout the sector. Currency depreciation led to importer restraint and price adjustments, but higher default rates were avoided. However, turnover also increased in those areas towards the end of the year so that we assume a recovery is starting there. Leifheit benefited from a significant economic recovery in its core markets of Germany, France and Austria. In its home market of Germany, the Group boosted its turnover by 3% to € 89 million on a whole-year basis (previous year: € 87 million).

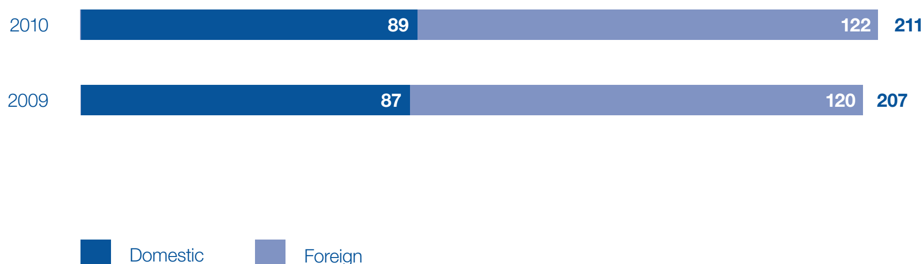
Business development in the segments

Communication intensified in Brand Business

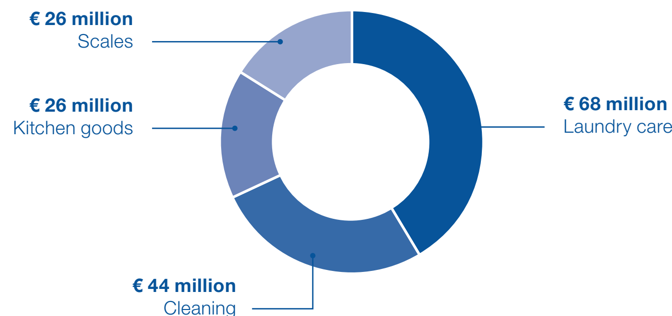
For the Brand Business, 2010 was marked by comprehensive communication measures with end consumers. The print and TV campaigns for the “Perfect Roll” kitchen aid and “Twist System” floor cleaning system in several European countries helped not only the products advertised but also the entire product categories to achieve more attention and increased turnover. With star chef Christian Henze for our kitchen products and three-time Olympic biathlon winner Kati Wilhelm for Soehnle, we gained two brand ambassadors who represent our products to the public in an efficient and promotionally effektive manner.

The launch of our online shops for Leifheit and Soehnle products is a reaction to the changed purchasing behaviour of our customers. Competitions and special offers have brought additional consumer attention to our products.

Group turnover by region in € m



Brand Business – turnover by product category



The Leifheit brand claim "always a better idea" is not limited only to the functionality of our products, but their design is also attractive and functional. Some of our products were again awarded prizes for their excellent design in 2010. The "Perfect Roll" kitchen aid won "Product of the Year" and "Kitchen Innovation of the Year" due to its unique combination of shrewd innovation, stylish design and high-quality functionality. The "Garlic K" garlic press won the IF product design award, while the "Profi EcoPerfect" floor cleaning system won the red dot design award. The reliable combination of function and design at fair prices distinguishes Leifheit from many of its competitors.

Strong Brand Business demonstrates successful strategy

The Leifheit, Dr. Oetker Bakeware and Soehnle brands together made a crucial contribution to Group turnover at around 78%. With turnover of € 164 million, the brands closed above the prior year level (previous year: € 162 million), although 2009 turnover still included about € 6 million from the sold ladder business.

Most of the growth in the Brand Business came from the German market: turnover there grew to € 83 million (previous year: € 81 million), increasing the domestic share of turnover to 51%. The positive domestic business is offset by decreases across all brands in Spain and Italy, mainly due to the still weak local economic conditions.

In detail, the four core categories developed as follows:

- With a turnover increase of 10%, the **cleaning** business area expanded the most, mainly due to the successful TV advertising in Germany, Austria, Switzerland, the Netherlands, and the Czech Republic for the "Twist System", which also increased the general exposure of the brand and improved turnover of all cleaning products. In Germany in particular, turnover from cleaning tools grew faster than the market and we gained further market share. For the first time, we became the brand leaders in wet floor cleaning devices and window cleaning in 2010. Declines in foreign turnover in the Czech Republic, Scandinavia, France, Spain, Switzerland and the Far East were offset by increases in Lithuania, Austria and Russia.

- The **laundry care** category grew 7% and benefited mainly from the special offer business in Germany. The first complete pressurised steam iron systems, which we developed in-house, were launched in autumn and received an extremely positive response from the market. Turnover increases generated especially in some Eastern European countries offset the turnover declines in the Netherlands.

- Our **kitchen goods**, especially Leifheit brand products, experienced increases in Germany. Favourable development in Austria, France, Lithuania, Poland, and the Middle East more than offset declining turnover in Italy, Spain and the Netherlands. In contrast, Dr. Oetker Bakeware was more successful abroad than in Germany. The kitchen category rose by 7% overall.

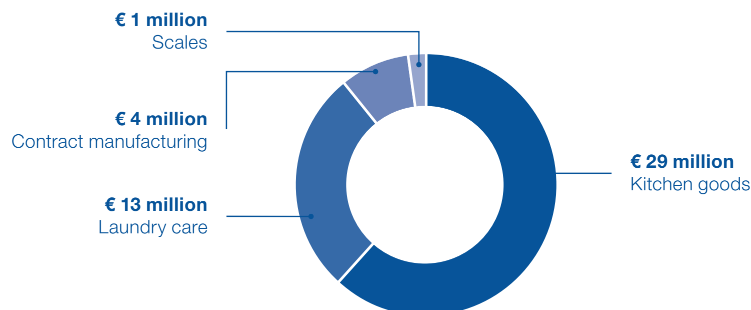
- Strong competition and price pressure persists on the market for **scales**, which even our Soehnle scales could not avoid with a decline in turnover of 4%. However, the countermeasures introduced have shown effect: Despite the negative development in the overall market, our Soehnle brand ensured clear market leadership in Germany in bathroom scales (40%) and expanded our market share in kitchen scales (44%). Launching the “Solar Sense” and “Comfort Select” products in 2010 contributed to this and were temporarily sold out due to high demand. A major strategic decision at Soehnle in 2010 was the relaunch of our second brand Exacta, with which we want to re-conquer market share in the lower price sector.

  With Soehnle, we are now focusing more on the growing wellness and selfness market, which we entered with our new Relax product line in 2010. The Soehnle heat and massage products have been available on the market since September and exceeded 2010 expectations. This is also thanks to the collaboration with Kati Wilhelm, who has been a brand ambassador for Soehnle since September 2010. Due to the introduction of this new product line, we will call the current category of scales from now on **“Wellbeing”**.

Our Brand Business performed very differently in the various regions of our global activities and reflects the respective economic situation. Turnover in Eastern Europe collapsed in 2009 due to the crisis but increasingly stabilised in the past year. Although the depreciation of many currencies made business much more difficult, we still increased turnover in Eastern Europe by 5%. This development confirms in our view that our early involvement in this region was the right decision and that we will emerge stronger from the crisis in Central and Eastern Europe. Vast differences remain in Western and Southern Europe. While we increased our turnover in Austria, France, and Belgium by 6% on average, Portugal, Italy, Spain and Greece are still feeling the after-effects of the crisis the most. In Spain, the unemployment rate is 20.3%, a new negative European record, which again negatively impacted our turnover. Promotional business from the previous year could not be repeated in these countries either. In the Netherlands, our business increased in the second half again, but overall it was slightly down year-on-year. In contrast, turnover in the US went up. Reorganising our distribution structure in Japan meant that turnover was not generated again until the second half of the year. In contrast to this, we recorded considerable increases in turnover in China throughout the year.

Positive business performance in Germany was determined by two developments: increases in the distribution channels of DIY stores, discounters and mail order more than compensated for lower turnover from department stores and specialist retailers as well as our investments in increased end-user communication paid off.

Volume Business – turnover by product category



Volume Business increases again

In the Volume Business, we primarily distribute products in the medium price bracket that we sell mostly in international markets with a strong service component. The Volume Business contributed 22% or € 47 million (previous year: € 45 million) to Group turnover. This segment generated turnover in the following categories:

- **Kitchen goods** generated the largest portion of turnover in the Volume Business. With a slight increase of around 1% year-on-year, turnover in this category was € 29 million. Birambeau has the main share of this at € 24 million. New forms of presentation at the point of sale boosted Christmas business considerably and led to an increase of about 4% in turnover from the previous year. Birambeau also benefited in France from the frugality of private consumers due to the crisis. In contrast, the € 5 million in turnover generated in the US from non-brand name kitchen items was down slightly from the previous year's figure.

- The **laundry care** category grew by 2% to € 13 million, thus accounting for 28% of the Volume Business. Herby was a major contributor to this with € 11 million in turnover. Herby generated 8% growth in its home market with the expansion of placements and additional promotional business.

- At under € 1 million, **scales**, which are not distributed under our brand name, were on par with the prior year.

- **Contract manufacturing** at the Blatná plant generated € 4 million in turnover, thus contributing 9% to the Volume Business. Contract manufacturing relates to products manufactured at our Blatná plant on behalf of third parties. These proceeds were recorded as internal sales until the disposal of the Bathroom Furnishings division. For better comparability of the key figures, they are now also included in the previous year's turnover. This increased the figure originally reported for 2009 by € 3 million.

Results of operations of the Leifheit Group

Leifheit's repeated good performance in a difficult economic environment demonstrates the success of our rigorous concentration on core business and on a multi-track and multi-level optimisation process. Building on the measures of previous years, we further optimised our organisational processes in 2010 as part of the SAP introduction.

Strict cost discipline, overhauling the product range and working capital projects led to additional improvements in results in the Brand Business. The effects were so comprehensive that we compensated for the disposal of the Bathroom Furnishings division as a result.

EBIT and profit/loss for the period increase considerably

In 2010, we succeeded in lifting consolidated earnings before interest and taxes (EBIT) to € 8.8 million even excluding the sold Bathroom Furnishings division. The previous year's consolidated earnings (EBIT) including the Bathroom Furnishings division were € 8.1 million. The Bathroom Furnishings division contributed as much as € 5.0 million to EBIT in 2009.

In continuing operations, Group EBIT more than doubled from € 3.1 million to € 8.8 million. The Group result was therefore within the expectations that we had forecast at the beginning of the financial year.

The positive development of the Brand Business of € 2.8 million in income is included in the consolidated earnings (EBIT) (previous year: € -2.5 million). The Volume Business contributed € 6.0 million (previous year: € 5.6 million) to Group EBIT.

The net result for the period from continuing operations (excluding the sold Bathroom Furnishings division) was € 5.4 million (previous year: € -0.3 million).

Profit for the period including the effects from the disposal of the Bathroom Furnishings division amounted to € 16.4 million (previous year: € 3.1 million).

Gross margin increases to 42.4%

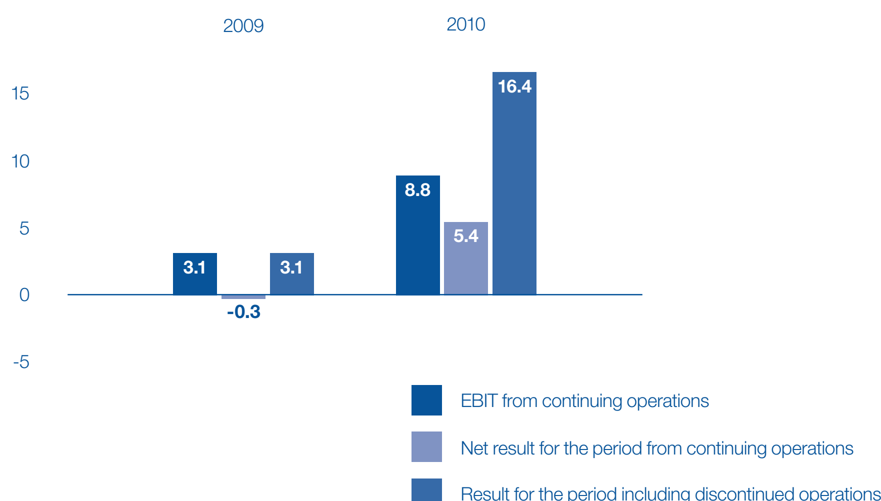
Price increases for commodities and purchased goods, more expensive purchases in US dollars and Czech koruna, and higher sales deductions were offset by the intense exploitation of margin potential. The gross margin increased to 42.4%. In absolute terms, the gross margin climbed by € 2.1 million to € 89.3 million.

Costs reduced again

Research and development costs amounted to € 3.7 million, level with the previous year's figure.

Distribution costs rose by € 1.3 million to € 66.3 million. Due to accelerated communication in the Brand Business, advertising costs increased by € 0.7 million. Changes in the allocation system for secondary function costs led to higher distribution costs of € 1.0 million, partially offset by lower shipping costs and outgoing freight costs.

Results in € m



Consolidated statement of comprehensive income (summary) in € m	2010	2009
Turnover	211	207
Earnings before interests and taxes/EBIT from continuing operations	**8.8**	**3.1**
Interest and financial result	-2.8	-2.0
Earnings before income taxes/EBT from continuing operations	**6.0**	**1.1**
Income taxes	0.6	-1.4
Net result for the period from continuing operations	**5.4**	**-0.3**
Net result for the period from discontinued operations	10.9	3.4
Profit for the period	**16.4**	**3.1**

Administrative costs fell by € 1.8 million to € 11.4 million, which includes effects from the changes in the allocation system of € 0.3 million. Fees and purchased services fell by € 0.5 million.

Other operating income increased by € 0.6 million to € 1.8 million and included one-time government aid in France and a number of smaller line items.

Other operating expenses fell by € 1.5 million to € 1.2 million. Lower allowances on receivables played a major role in this.

Foreign currency gains/losses include changes in the fair value of forward foreign exchange transactions, foreign currency measurements and realised foreign exchange gains/losses. The result from foreign currency measurement increased by € 1.1 million to € 0.3 million.

Interest and financial result

The interest result fell by € 0.1 million to € -2.1 million. Interest expense from interest on pension obligations increased by € 0.3 million, while other interest expense also rose by € 0.2 million. This was offset by higher interest income of € 0.4 million from liquidity investments.

Net other financial income includes allowances on financial assets of € 0.7 million.

Remeasurement of deferred taxes

Income taxes amounted to € 0.6 million and include actual tax expenses of € 1.9 million and tax income of € 1.2 million from remeasurement of deferred taxes mainly due to loss carryforwards.

Result from discontinued operations due to Bathroom Furnishings division

The consolidated statement of comprehensive income also includes the net result for the period from discontinued operations of € 10.9 million. This figure includes the operating result from the sold Bathroom Furnishings companies until the respective deconsolidation as well as one-off effects from the sale.

Financial position and net assets

Control system principles

The internal control system of the Leifheit Group relates to the new Brand Business and Volume Business segments. Turnover and EBIT are used as the key control indicators. Over the course of the financial year, rolling three-month forecasts are prepared for the segments. In addition, the segments are observed monthly and compared to the planning and the previous year. In regular Board of Management and management team meetings, business development and the opportunity/risk situation are discussed and evaluated.

Acquisitions/disinvestments

The following changes occurred to the group of subsidiaries to be consolidated in the year under review:

In July of the past financial year, Leifheit France S.A.S. acquired the remaining 40% stake in the non-listed company Herby Industrie S.A.S. headquartered in La Loupe, France.

In the second quarter, Leifheit AG spun off its Bathroom Furnishing division with the brands Spirella, Kleine Wolke and Meusch. These Group subsidiaries were deconsolidated accordingly.

Cash flow statement stabilised

Cash flow from operating activities amounted to € 12.0 million. The previous year contained one-time effects of € 28.0 million from the optimisation of working capital.

Cash flow from investment activities of € 17.1 million includes taking over the outstanding shares in the Herby Group, the investments and consideration for the disposal of the Bathroom Furnishings division.

Cash flow from financing activities amounted to € -34.3 million and includes the dividends of € 14.3 million paid out in 2010 and a cash investment in the form of a promissory note of € 20.0 million.

Cash and cash equivalents as at the balance sheet date were € 26.3 million.

Investments

Additions to non-current assets amounted to € 6.1 million (previous year: € 9.8 million) and related to tools for new products, machinery, rationalisation of investments for production plants, display stands as well as tools and equipment. Another major share of the investments related to the introduction of the SAP system at the Nassau and Zuzenhausen locations for € 1.6 million, the largest share of the additions to intangible assets of € 1.7 million.

The investment ratio amounted to 3.0% of the historic cost of the assets.

Investments were offset by depreciation of tangible assets amounting to € 5.4 million and amortisation of intangible assets to € 2.2 million.

We invested € 5.5 million in the Brand Business and € 0.6 million in the Volume Business.

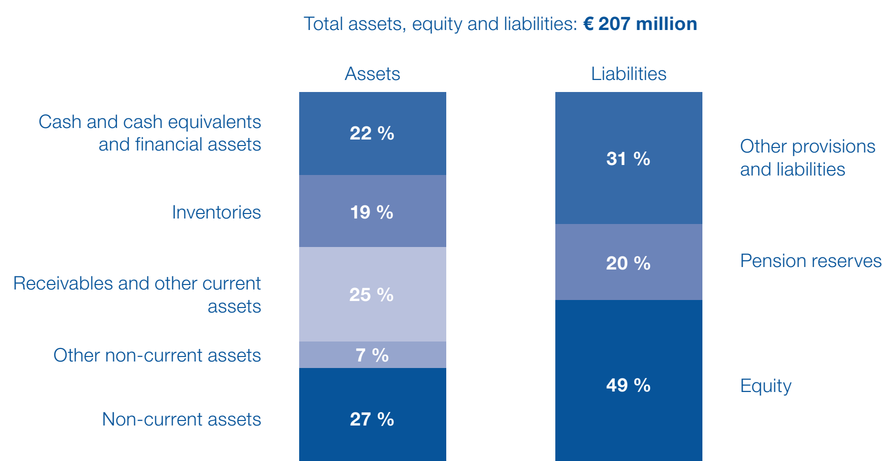
The information on investments, depreciation and impairment no longer contains the shares of these from the Bathroom Furnishings division.

Financing instruments, lines of credit and bank liabilities

As at 31 December 2010, Leifheit had cash and cash equivalents and financial assets totalling € 46.3 million. There are no bank liabilities. As at the balance sheet date, there were lines of credit of € 16.5 million, € 2.7 million of which were used in the form of guarantees and letters of credit.

Cash flow statement (summary) in € m	2010	2009
Cash flow from operating activities	12.0	43.8
Cash flow from investment activities	17.1	-6.8
Cash flow from financing activities	-34.3	-10.5
Effects of exchange rate differences	0.3	0.1
Change in cash and cash equivalents	-4.8	26.5
Cash and cash equivalents at the end of the year	26.3	32.7

Balance sheet ratios



Solid balance sheet structures

Due to deconsolidation, total assets as at 31 December 2010 no longer contain the sold companies of the Bathroom Furnishings division. Therefore total assets as at 31 December 2010 can be compared to previous year's total assets to a limited extent only.

In the financial assets line item, current assets contain assets of € 20.0 million in a promissory note.

Income tax receivables include a corporate tax credit of Leifheit AG amounting to € 4.8 million, which will be paid from the fiscal administration by 2017 using the straight-line method and independent of the distribution.

Other non-current assets contain a not yet due purchase price receivable of € 4.0 million from the sale of the Bathroom Furnishings division.

Equity climbed by € 0.6 million to € 101.5 million. This includes the profit for the period of 2010 of € 16.4 million and € 14.3 million in dividends distributed in 2010. Due to lower total assets, the equity ratio increased by 3.7 percentage points to 49.0%.

Off-balance-sheet assets and financing instruments

In addition to the assets reported in the consolidated balance sheet, the Group uses off-balance-sheet assets to a limited degree. These primarily consist of leased or rented goods (operating leases). Off-balance-sheet financing instruments are not used.

Overall statement by the management on the economic situation

After the net assets, financial position and results of operations were presented in detail in the previous chapters, we summarise the economic situation as follows: The Board of Management assesses the business development of the Leifheit Group as positive at the time the consolidated management report was prepared. In the year under review, we completed the two strategic steps which we began in 2008 under the motto "Focus – Innovation – Speed". With a comprehensive restructuring programme and by focussing on its core competencies, Leifheit succeeded in putting itself on a solid foundation again. Despite the disposal of the Bathroom Furnishings division, we exceeded the previous year's figure again, proving that our strategic choices were correct. Our solid financing is the basis for also realising our ambitious growth goals for the future.

Non-financial performance indicators

Procurement and logistics

Focus on supplier optimisation

The commodities markets in 2010 were characterised by a significant upward trend despite some fluctuations. In addition to increased sales volume, the global economic recovery led to a considerable increase in many commodity prices over the year. There is little doubt that China played an important role in this since it needs more and more commodities for its rapidly growing economy. Supply shortages of individual commodities also caused prices to rise, which in turn are partly due to speculative interests or fears of inflation. Procurement management in the past year thus focussed on optimising relations with suppliers and securing production with sufficient supplies of materials. In doing so, we made a conscious decision against materials whose properties and origins do not comply with our sustainability standards.

Ensuring our supply chains

Purchasing high-quality raw materials, semi-finished and finished goods at attractive terms is a decisive factor in our Company's success. Since external conditions in Leifheit's procurement markets are constantly changing, we are continuing to work on optimising our supplier network and therefore becoming more independent. The focus remains on increased procurement from Eastern Europe and Turkey. In addition, we also changed our supply chain management especially for key materials and products: We have access to several suppliers for important basic materials thus allowing us to ensure continuous production at favourable conditions. We have also found ways to secure commodities prices effectively by working with our suppliers.

Suppliers selected according to sustainability considerations

In addition to quality, speed, flexibility and adherence to delivery dates, we also value the sustainability of our suppliers. With our Leifheit Social Code of Conduct, which has been in place since 2009, we require that our suppliers treat their employees in a socially responsible manner and that they use ecologically sound materials and production processes. We perform our own audits on an ongoing basis to assess compliance with this Code and to evaluate the quality of the products by visiting sites ourselves to the fullest extent possible. This serves to ensure not only the high quality of our products, but also compliance with ecological and social standards along the entire supply and production chain. This is the only way a product can also remain economically successful in the long term.

Competitive procurement logistics

After bundling key logistics processes at the central Leifheit logistic centre in Zuzenhausen, 2010 focussed on completing the “Fit for the Future” project. One of the last steps was implementing centralised returns processing.

We also significantly improved the efficiency of the logistic centre in 2010 by systematically identifying and realising cost-cutting potential as well as again significantly increasing the efficiency of numerous processes – including by using innovative technologies.

Our most important Group-wide project was creating a future-oriented IT platform by successfully introducing SAP in order to optimise all processes between the individual interfaces of the supply chain.

As part of the increased internationalisation envisaged for 2011, the logistic centre of Zuzenhausen will assume the central function in global distribution and must leverage all potential to increase efficiency accordingly. Continuous improvement processes, a broad-based further training programme and performance-based payment allow the Company to progress towards more growth and success.

Efficiency increases at the Blatná plant

Our plant in Blatná, Czech Republic, with about 450 employees remains the most important production location in the Leifheit Group. Most of the products we manufacture ourselves are produced there. The plant further increased its result in 2010 by consistent identification and realisation of rationalisation potential. We have significantly reduced costs by optimising work processes and implementing more automation. Our employees obtained further qualifications in a broad-based programme, and their commitment played a large role in reducing unit costs once again. To ensure more growth here and increase production flexibility, we will increase the level of vertical integration for selected product groups.

Development and innovation

The Leifheit Group has strong brands and tremendous innovative power. At Leifheit, innovations relate to both products and processes. This is why we implemented holistic product management in the past financial year. In the so-called Speed process, project managers receive all the information they need to speed up the new product launch and to organise the end of production in an optimal manner. In this way we are ensuring the market success of our products and allowing scope for the creativity of our employees to unfold.

Innovation campaign in all categories

The centre of our innovation strategy is always consumer needs. Our developers have created a large number of sensible and well-thought-out innovations in all four product categories of cleaning, laundry care, kitchen goods and scales that help make housework easier for consumers and help them feel comfortable in their own homes.

As such, Leifheit now offers a complete range of cleaning tools for inside and outside the home, cleaning cloths and sponges and perfectly coordinated cleaning agents. This reduces the amount of energy and cleaning supplies the end consumer needs and therefore protects the environment and saves money.

A large number of innovations arose from the laundry care category: the new “Linomatic Deluxe” rotary dryer distinguishes itself with an extremely convenient opening and closing mechanism. Due to strong demand, we also applied the concept of manufacturing products from recyclable and sustainable raw materials already introduced in the cleaning division to the “Linowood Eco Perfect” rotary dryer. The still young steam iron business area was expanded further. The “AirActive L Steamer” that we developed is currently the lightest ironing board with an integrated steam iron station.

In the kitchen category, the “Twist Cut” which we launched at the beginning of 2010 was optimised again in terms of function and design and we added more product variations. For example, a matching salad spinner now complements the family of mechanical “Twist” kitchen aids. A special food processor was developed for a major US customer, who turned it into an innovative patent-protected product in a very short period.

We further developed all price sectors of the Soehnle family of bathroom scales in terms of functionality and design. The highlight of these developments is the “Page Evolution”, the flattest kitchen scale in the world with patented touch-key operation. The market leader in bathroom scales and kitchen scales in Germany adds colourful accents to bathroom and kitchen with limited special editions in fashionable patterns. For example, the “Art Style Velvet” bathroom scale is covered with a new velvet-like material. In preparing the relaunch of our second brand Exacta (“Quality by Soehnle”), we started a campaign to win back market share in the lower price category. We are also steadily expanding the well-received wellness sector with new massage and heat products from the Soehnle “Relax” line.

In 2010, the Leifheit Group applied for a total of 94 industrial property rights in Germany and abroad. In 2010, the Group had 22 employees in the areas of development and patents. These employees primarily consist of engineers, designers, and technicians. We spent a total of € 3.7 million on development.

Sustainability

Employees

Our employees are the basis of our success

Companies are units of society in which each person contributes to the result, hence treating people with respect and openness is very important at Leifheit. We see our employees not only as employees but also as stakeholders. With their strong identification with Leifheit, their commitment and their creativity, they are the foundation of our success and ensure that the Company remains innovative and continues to grow. Our human resources (HR) policy is therefore characterised by an above-average amount of social responsibility. We can achieve our high quality standards only with motivated employees who feel they are well-treated.

We know that our employees in all areas were subject to strong demands in the past year. We would like to take this opportunity to express our sincere gratitude to them for their highly motivated work and their great loyalty and creativity. This also applies to the works councils, who have contributed to the positive development of our Company with their fair and constructive cooperation.

Our 2010 HR policy centred on measures to increase efficiency and sharpen our profile as an attractive employer brand.

Leifheit is a “Top Employer”

Leifheit is one of “Germany’s Top Employers”. This distinction is awarded to companies who fulfil the highest standards of HR management. In 2010, we underwent this certification. It validated principles and processes vis-à-vis remuneration and social contributions, examined staff development, career opportunities and training/further training and assessed working conditions and the corporate culture. We are proud to rank in the top 101 companies among more than 1,000 applicants who have been qualified for the award “Germany’s Top Employers”. This proves our sustained commitment to developing our employees and our values and principles regarding modern HR management.

Success through dialogue

In order to create an optimal framework for employee work and internal development, the HR management tools must also be constantly adapted to growing challenges. For this reason, we expanded and augmented the content of our annual employee performance reviews in the past year. This ensures a two-way information flow on all levels. The employees as well as the managers obtain important information from these dialogues that we can use to expand the Company’s performance together while also making it more efficient.

Excellent training

Our employees are the main factor behind our corporate success, and we are extremely proud of their achievements. They have continued to apply their expertise at the Company with commitment and enthusiasm in the past year. To maintain and support their motivation, we expanded our attractiveness as an employer and continuously advanced our employees’ training and qualification in all departments in a targeted way.

Leifheit’s training concept also enjoyed great recognition outside the Company in 2010. For the seventh time in a row, the German Chamber of Commerce (IHK) in Koblenz recognised Leifheit for its excellent training. Ongoing cooperative support and encouragement of young people during their training and close cooperation with vocational schools, continuing training facilities, and the Chamber of Commerce form the foundation for allowing the trainees to achieve excellent results: In the past financial year, 11 of our trainees and apprentices completed their training period, most of them with excellent examination results. We are happy to report that all trainees who passed their exams were hired in permanent positions.

As part of supporting young people, we obtained young talent for Leifheit in many areas in the past year. We hired a management trainee in Product Management for Soehnle in the past year for the management trainee programme we have now established.

Number of employees down on previous year

Locations	31 Dec 2010	31 Dec 2009
Germany	419	462
Czech Republic	453	432
France	185	164
Other countries	84	111
Group	**1,141**	**1,169**

At the end of 2010, the Leifheit Group employed 1,141 staff, 28 less than the year before. This represented a 2% decrease in the overall number of employees. As at 31 December 2010, 751 people were employed in the Brand Business and 390 people were employed in the Volume Business.

Average Group staff numbers declined from 1,153 to 1,137. Personnel costs in financial year 2010 totalled € 43 million (previous year: € 42 million).

In the year under review, 79 employees celebrated their 10th, 25th, 30th or 40th anniversaries with the Company. The large number of long-service employees is proof of the strong ties between our staff and the Company, particularly in an age of growing challenges from increased international competition. Leifheit benefits from a good balance between employees with many years of experience and new employees, because experience and fresh ideas create many benefits when they come together – an exchange of knowledge which pays off when jointly tackling tasks and projects.

Environmental protection

Protecting the environment and ensuring sustainable operations are important objectives for Leifheit AG and are implemented in all processes at all Group locations. Environmental awareness is taken into account at every stage, from environmentally-friendly materials and production to green recycling and disposal, as well as from development to distribution.

Our Leifheit Social Code of Conduct ensures that our suppliers also consider environmental aspects and operate accordingly.

The improvement in the quality of our business processes in all areas results in the systematic avoidance of a negative impact on the environment. For example, optimal packaging clas not only save packaging material, but also transport kilometres due to higher packing density. Centralised shipping process and improved route planning also save materials, energy and CO_2.

Leifheit also reduced its heating energy requirements. Heating costs have noticeably declined since we installed automatic doors in the hall areas, thereby reducing our costs and our impact on the environment.

Waste plastics are sorted by type, allowing us to recycle a majority of this material and thus also save energy and CO_2, as this waste does not then need to be incinerated.

When buying our service vehicles, we also pay attention to low CO_2 emission and economical fuel consumption. All of the approximately 40 vehicles in our fleet are diesel, which saves approximately 100 tonnes of CO_2 per year as compared with similar petrol-operated vehicles.

We use recycled paper for our printed matters, while larger projects such as this report are carbon neutral.

Our products are also produced in an environmentally-friendly way (e.g. “Eco Perfect”) and function that way as well (e.g. mechanical kitchen tool “Twist Cut”). They are generally regarded by consumers as sustainable, as our brands stand for good quality and durability. Not least of all, ensuring and constantly improving this high quality is our contribution to protecting the environment.

Opportunities and risks

Main characteristics of the internal control system and the risk management system in the financial reporting process

As Leifheit AG is a capital market-oriented corporation within the meaning of section 264d HGB, the main characteristics of the internal control and management system with regard to the Group financial reporting process, which also includes the financial reporting processes of the companies included in the consolidated financial statements, must be described in accordance with section 315 para. 2 no. 5 HGB.

The internal control and risk management system with regard to the Group financial reporting process is not defined by law. We understand the internal control and risk management system as a complete system and refer to the definition of the Institut der Wirtschaftsprüfer in Deutschland e. V., Dusseldorf, Germany, for the accounting-related internal control system and the risk management system. Under this definition, an internal control system is understood as the principles, processes and measures introduced at a company by its management with the aim of the organisational implementation of management decisions aimed at ensuring:

- The efficiency and cost-effectiveness of business activities (including protecting assets and preventing and exposing damage to assets),
- The propriety and reliability of internal and external accounting, and
- Observance of the legal regulations to which the company is subject.

The risk management system contains all organisational regulations and measures aimed at identifying risks as well as the business activities aimed at dealing with these risks. The following structures and processes have been implemented with regard to the Group financial reporting process:

The Board of Management bears full responsibility for the internal control and risk management system with regard to the Group financial reporting process. All companies and divisions included in the consolidated financial statements are also included in a clearly defined management and reporting organisation.

The principles, structural organisation, process organisation as well as the key processes of the internal control and risk management system with regard to the Group financial reporting process are documented and/or established for the entire Group in manuals that are adjusted at regular intervals to reflect current external and internal developments.

Factors in the internal control and risk management system that can significantly influence Group accounting and the overall presentation of the consolidated financial statements, including the consolidated management report, are material with regard to the Group financial reporting process. This includes the following elements in particular:

- Identifying the key risk areas and control areas relevant to the Group's financial reporting process
- Monitoring controls for monitoring the Group financial reporting process and its results at the level of the Board of Management, the divisions and the companies included in the consolidated financial statements

- Preventive control measures in Group financing and accounting, in financing and accounting at the companies and divisions included in the consolidated financial statements and in control functions in operating, performance-related processes that generate key information for the preparation of the consolidated financial statements

- Measures to ensure the proper IT-based processing of content and data relating to the Group financial reporting process

- Measures to monitor the internal control and risk management system relating to the Group financial reporting process, especially by means of internal audit.

Areas of opportunities and risks

The following sections describe the opportunity and risk areas known to us at present that could affect the development of the Leifheit Group.

Opportunities

We intend to continue to leverage the future opportunities that open up to us in the different areas the Group operates in. Our potential opportunities are supported by an extremely high level of recognition – 89% for Leifheit and 82% for Soehnle in Germany – coupled with extraordinarily high satisfaction rates of over 90% of those who buy our products. In particular, consumers have appreciated the dependable functional quality of our brands for many years now.

In addition to constantly evaluating our opportunities, we recently commissioned comprehensive analyses examining the current and future needs profiles, expectations and wishes of our customers. They made clear that the ideas and values of our customers are changing.

They also provided the awareness that solid values are still extremely important to our consumers. The “cheap is cool” mentality is more and more giving way to a trend of responsible consumption: Quality in the sense of very beneficial to the consumer, durable, and attractive in design can come at a higher price, according to the consumer’s point of view. With products based on the above, we create and reinforce trust in our brands – proven in 2010 with the success of the “Twist System” and thus the entire line of cleaning products.

Different values are also arousing interest again: The next few months will be characterised by thoughts of competition and innovation. With its highly innovative brands, the Leifheit Group can benefit further in this area as well.

The results of the analyses have already been incorporated into new products and communication elements, and into the realignment of our corporate strategy. This became necessary to also make optimal use of our opportunities.

The future focus of our brand strategy is strengthening and profiling our quality brands. Innovations are developed in line with consumer needs and backed by corresponding marketing measures. We will make our communications more efficient by integrating various measures (TV advertising, product presentations at the point of sale, PR work) in a target-oriented manner.

Our new distribution strategy aims to create significant growth in international core markets. We intend to achieve this by means of organic growth and strategically appropriate purchases if needed. In doing so, we are concentrating primarily on German-speaking countries, France, Spain, Italy, Poland, Benelux, and the Russian metropolitan areas, where we see the greatest opportunities for stronger market penetration.

This optimised target also means further development of our distribution and marketing organisations, including strategy-driven customer and brand management. We see the greatest chances for growth in the Brand Business, in which the regional focus will be reflected in changed distribution structures, so that we can conquer the relevant markets in a concentrated manner.

General economic risks and industry risks

The global economic upswing will continue in 2011, but due to the end of numerous economic support programmes and the need to consolidate public budgets, the global economy could weaken strongly in some cases.

The main factor for Leifheit is the performance of the labour market, as this has a key influence on people's consumer behaviour. Other general economic risks include the cyclicality of individual markets in Germany and foreign countries and the ultimately almost unpredictable nature of currency exchange rates, which is not unimportant for a global company like Leifheit. Sector-specific risks should also not be overlooked. These primarily arise during further trade development.

Corporate strategy risks

Corporate strategy risks can be broken down into three categories. The overall development of Leifheit's target markets is ultimately unpredictable and is shaped by factors that fall outside the influence of an individual company. The direct impact of new corporate decisions falls into the second category. This includes the risks of buying, selling and restructuring as well as decisions to expand international business. Finally, there is also the potential risk that Leifheit concentrates on a few individual customers, especially in Germany and France, and may become dependent on individual products. While a company merely has the option of responding quickly and efficiently to general economic developments, pending decisions relating to corporate strategy may offer the possibility of excluding possible risks in advance. To minimise risks in its corporate strategy, Leifheit AG's Board of Management works closely with the Supervisory Board in making all relevant decisions following an in-depth and comprehensive analysis of the potential risks relating to such decisions.

Financial risks

- **Liquidity risk**

  Liquidity risk, i.e. the risk of not being able to fulfil current or future payment obligations due to a lack of available cash and cash equivalents, is centrally managed. Cash and cash equivalents and credit facilities are held to ensure the liquidity necessary to fulfil all planned payment obligations in the Group at their respective due dates. Liquidity is primarily held in the form of overnight money, time deposits and a promissory note. In addition, the Company has unused short-term credit facilities in the amount of € 13.8 million.

- **Currency risk**

  Currency fluctuations can be a major influence on results, since a large portion of our business is conducted outside the Euro zone. Currency risk is particularly relevant for the US dollar and the Czech koruna. Currency risks are recorded centrally. Forward foreign exchange contracts are the main instrument used to hedge against exchange rate fluctuations. The scope of hedging is reviewed on a regular basis. Translation risks arising from the conversion of foreign currency items are generally not hedged.

- **Interest rate risk**

  Interest rate risk exists for liquidity investments only and is not relevant at the current interest rate level. There are currently no financial liabilities.

- **Credit risk**

  The carrying amount of receivables and other financial assets can be limited if transaction partners do not fulfil their payment or other fulfilment obligations. We have established a risk management process to manage this effectively.

Exposures are subjected to credit analyses and credit limits are established for all major customers. A large portion of the Company's receivables are covered by credit insurance. Transactions are conducted only within set limits and with banks with good credit ratings in order to further minimise credit risks.

- Other price risks (particularly commodities price risk)
  Purchase prices for commodities, resale products and energy can vary greatly according to the market situation. As in the past, there may be times when we cannot pass on increased purchase prices to customers or can do so only with a time delay. We are partially reducing price risk with longer supply agreements. We do not use financial derivatives.

Additional risks

- Production and procurement risks
  Production and logistics capacities at some of our production locations could be limited for reasons such as technical failure, natural disaster, fire, or supply disruptions from suppliers. The same applies to our suppliers of resale products (purchased goods). We may experience declines in turnover if, in these cases, we are unable to move production to other locations or find alternative suppliers. We reduce the probability of failure at our locations by means of continuous and preventative maintenance, fire protection and other precautionary measures. Insurance policies have been taken out across the Group for major incidents and interruptions of operations. We reduce the risk of supplier loss by selecting certified high-performance suppliers who represent reliability, quality and innovation.

- Product quality risks
  We are exposed to the risk of possible product defects that could lead to consumer injuries or spoil the reputation of our products. To reduce such risks, we conduct intense quality controls at our locations as well as our suppliers' facilities. Product liability insurance serves to minimise the financial risk.

- IT risks
  Our Company's business processes and internal and external communications are increasingly based on information technology. A major malfunction or even a failure of the decentralised systems could lead to loss of data and have an adverse effect on business processes. We are working with our IT service providers and implementation partners to limit these risks by means of organisational and technical preventive measures as well as professional project management.

- Legal risks
  We are exposed to the risk that third parties may assert claims of infringement on their trademark rights, patent rights or other rights. In order to minimise this risk, new products, designs and names are reviewed to identify and avoid possible conflicts with third parties.

Overall assessment of opportunities and risks

In our estimation, Leifheit has a opportunity and risk profile that is typical for our Company and inseparable from entrepreneurial activity.

In light of the risks mentioned above and their probability of occurrence, we do not expect any individual or combined risks to threaten the Company's continued existence as a going concern.

The overall risk situation remains manageable.

Report on events after the balance sheet date

Events after the end of financial year 2010

There were no events after the end of financial year 2010 of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group.

Group turnover also up year-on-year in 2011

Turnover was € 35.4 million in the first two months of the new financial year 2011, exceeding the previous year's figure of € 34.8 million by 1.9%.

Of this amount, € 16.5 million related to business in Germany (previous year: € 16.0 million). With turnover of € 18.9 million outside Germany (previous year: € 18.8 million), the export ratio of turnover generated was 53.5% (previous year: 54.0%).

Due to turnover and campaign delays until March, turnover from the Brand Business in January and February 2011 was € 28.2 million, slightly down from the prior-year level of € 28.5 million. In the process, turnover from Germany increased slightly to € 15.3 million (previous year: € 15.2 million).

We generated turnover of € 7.2 million (previous year: € 6.2 million) in the Volume Business, of which € 1.2 million (previous year: € 0.8 million) was from Germany.

Forecast

Economy recovering at different speeds depending on the region

After the global economy showed a positive performance again sooner than expected, the International Monetary Fund (IMF) anticipates world economic growth of 4.4% in 2011. However, the IMF also sees quite a few unsolved problems, which include the high debt levels of industrialised countries, the lack of comprehensive financial reforms and high commodity prices. According to the IMF, the global economic recovery will progress differently from region to region in 2011 and at two speeds. The IMF reckons that emerging and developing countries such as China and India will grow by 6.5% in 2011. However, the economic boom there is so strong that inflationary pressure has greatly increased and experts fear overheating. The IMF predicts more moderate growth rates for industrialised countries with continued high unemployment numbers in some areas and fears a repeat of the crisis situation such as the recent one in the Euro zone. The Fund forecasts growth of 1.5% for 2011 for the Euro zone with Germany retaining its role as the economic engine of the Euro zone. In addition to strong German exports, the increase in 2011 domestic demand is expected to lead to a 2.2% rise in the German economy.

Positive prospects on the German labour market support an increased propensity to consumtian in the German population. The GfK expects that private consumption will rise sharply by 1.5% in 2011. Experts expect a 1.7% jump in turnover from non-food retail in particular, although this is not quite as large as the increase in 2010.

Create and use growth opportunities

As with the recent crisis, the economic upswing in Germany has changed the value perceptions of the people: Performance-related values such as competition and innovation have now become almost as important as their main desire: to live in safety. The meaning of social values such as responsibility, trust and home has decreased only slightly. GfK analyses discovered that users are trending towards quality and away from a focus on the cheap price alone. If the Germans were considered panic savers and extremely price-sensitive consumers before, they are now paying more and more attention to quality and are increasingly spending more money and more freely.

This provides opportunities for responsible companies and quality-conscious brands with a clear brand image that inspires a high level of consumer confidence. The Leifheit Group has strong brands that perfectly match these requirements.

For the coming years, we have set ourselves the target of expanding our growth path in a sustainable manner. Our restructuring programme to increase efficiency and our focus on household products are our basis for future growth in turnover and income.

Our growth strategy communicated with the motto “Leifheit Go! – Growing (by) Opportunities” will help us achieve this goal in two ways:

- A consumer-oriented brand and communication strategy that is also based ib future innovations. In concrete terms, this means that we launch high-quality products offering a high degree of consumer benefit, unique functionality and excellent design with target-group specific marketing and communication measures.
- On the other hand, strategy-driven customer and brand management has also been included in an optimised structuring of our distribution framework to leverage growth potential in our international core markets. We plan to grow organically and to make strategically appropriate purchases with which we can expand our top position’s in the European market.

An absolute requirement for sustainable growth are attractive products with recognisable added value. We have impressively demonstrated our innovative strength with the innovations we presented at the Ambiente trade fair in Frankfurt. In 2011, we will again launch a number of innovations on the market, with which we will further expand our expertise in the areas of cleaning, laundry care, kitchen goods, and wellbeing. Together with ongoing projects for reducing structural costs, this comprehensive package of bundled measures is a promising growth programme for the Leifheit Group.

Against this background, we are confident that, with the forecasted economic development, we can generate 3% to 5% an annual turnover growth of around in both 2011 and 2012. Assuming only moderate increases in commodity prices, after adjustment for currency effects for both 2011 and 2012 we are aiming for a stronger increase in results in the double digits.

Consolidated statement of comprehensive income

k€	Note	2010	2009 restated
Turnover	1	210,950	206,780
Cost of sales	2	-121,612	-119,511
Gross profit		**89,338**	**87,269**
Research and development costs	3	-3,746	-3,687
Distribution costs	6	-66,335	-64,986
Administrative costs	7	-11,355	-13,116
Other operating income	8	1,826	1,178
Other operating expenses	9	-1,243	-2,766
Foreign currency gains/losses	10	309	-761
Earnings before interests and taxes/EBIT from continuing operations		**8,794**	**3,131**
Interest income	11	707	347
Interest expenses	11	-2,827	-2,354
Net other financial income	12	-668	–
Earnings before income taxes (EBT) from continuing operations		**6,006**	**1,124**
Income taxes	13	-554	-1,446
Net result for the period from continuing operations		**5,452**	**-322**
Net result for the period from discontinued operations	14	10,948	3,429
Net result for the period		**16,400**	**3,107**
Components of comprehensive income after taxes taken directly to equity			
Currency translation of foreign operations	15	-953	83
Currency translation of net investments in foreign operations	15	-610	38
Comprehensive income after taxes		**14,837**	**3,228**
Net result for the period attributable to			
Minority interests	16	7	-12
Shareholders of the parent Company		16,393	3,119
Net result for the period		**16,400**	**3,107**
Comprehensive income attributable to			
Minority interests	16	7	-12
Shareholders of the parent Company		14,830	3,240
Comprehensive income after taxes		**14,837**	**3,228**
Earnings per share from continuing operations (diluted and undiluted)	17	**€ 1.15**	**€ -0.06**
Earnings per share based on net result for the period (diluted and undiluted)	17	**€ 3.45**	**€ 0.66**

Consolidated balance sheet

k€	Note	31 Dec 2010	31 Dec 2009
Current assets			
Cash and cash equivalents	18	26,256	32,730
Financial assets	19	20,000	–
Trade receivables	20	45,511	56,953
Inventories	21	39,371	51,231
Income tax receivables		1,396	624
Derivative financial instruments	22	123	–
Other current assets	23	4,636	5,093
Total current assets		**137,293**	**146,631**
Non-current assets			
Financial assets	24	62	601
Tangible assets	25	35,909	44,265
Intangible assets	26	20,305	21,717
Deferred tax assets	13	5,179	4,773
Income tax receivables	27	4,051	4,597
Other non-current assets	28	4,187	260
Total non-current assets		**69,693**	**76,213**
Total assets		**206,986**	**222,844**
Current liabilities			
Trade payables and other liabilities	29	52,677	58,777
Derivative financial instruments	22	897	95
Income tax liabilities		121	385
Provisions	30	5,210	5,002
Other current liabilities	31	33	3,694
Total current liabilities		**58,938**	**67,953**
Non-current liabilities			
Provisions	30	2,799	3,805
Employee benefit obligations	32	41,344	44,077
Deferred tax liabilities	13	2,270	2,476
Other non-current liabilities		119	3,604
Total non-current liabilities		**46,532**	**53,962**
Equity			
Subscirbed capital	33	15,000	15,000
Capital surplus	34	16,934	16,934
Treasury shares	46	-7,685	-7,685
Appropriated surplus	35	74,364	73,193
Translation reserve	35	2,813	3,404
Minority interests	36	90	83
Total equity		**101,516**	**100,929**
Total equity and liabilities		**206,986**	**222,844**

Changes in Group equity

The changes in equity attributable to the shareholders of the parent Company were as follows:

k€	Subscribed capital	Capital surplus	Treasury shares	Appropri-ated surplus	Translation reserve	Total
As at 1 January 2009	**15,000**	**16,934**	**-7,686**	**72,996**	**3,211**	**100,455**
Dividends	–	–	–	-2,850	–	-2,850
Issue of treasury shares	–	–	1	–	–	1
Reclassification	–	–	–	-72	72	–
Comprehensive income	–	–	–	3,119	121	3,240
of which net result for the period	–	–	–	3,119	–	3,119
of which currency translation of foreign operations	–	–	–	–	83	83
of which currency translation of net investments in foreign operations	–	–	–	–	38	38
As at 31 December 2009	**15,000**	**16,934**	**-7,685**	**73,193**	**3,404**	**100,846**
Dividends	–	–	–	-14,250	–	-14,250
Reclassification	–	–	–	-972	972	–
Comprehensive income	–	–	–	16,393	-1,563	14,830
of which net result for the period	–	–	–	16,393	–	16,393
of which currency translation of foreign operations	–	–	–	–	-953	-953
of which currency translation of net investments in foreign operations	–	–	–	–	-610	-610
As at 31 December 2010	**15,000**	**16,934**	**-7,685**	**74,364**	**2,813**	**101,426**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent Company	Minority interests	Total equity
As at 1 January 2009	**100,455**	**95**	**100,550**
Dividends	-2,850	–	-2,850
Issue of treasury shares	1	–	1
Reclassification	–	–	–
Comprehensive income	3,240	-12	3,228
of which net result for the period	3,119	-12	3,107
of which currency translation of foreign operations	83	–	83
of which currency translation of net investments in foreign operations	38	–	38
As at 31 December 2009	**100,846**	**83**	**100,929**
Dividends	-14,250	–	-14,250
Reclassification	–	–	–
Comprehensive income	14,830	7	14,837
of which net result for the period	16,393	7	16,400
of which currency translation of foreign operations	-953	–	-953
of which currency translation of net investments in foreign operations	-610	–	-610
As at 31 December 2010	**101,426**	**90**	**101,516**

Group segment reporting

The key figures by division in the year under review were as follows:

Key figures by division in 2010		Brand Business	Volume Business	Total
Turnover	€ million	164	47	211
EBIT	€ million	2.8	6.0	8.8
Depreciation and amortisation	€ million	6.5	1.2	7.7
Employees (annual average)		752	385	1,137

These figures were as follows in the previous year:

Key figures by division in 2009		Brand Business	Volume Business	Total
Turnover	€ million	162	45	207
EBIT	€ million	-2.5	5.6	3.1
Depreciation and amortisation	€ million	8.5	1.2	9.7
Employees (annual average)		770	383	1,153

Segment reporting is based on continuing operations, further information can be found under note 38.

Consolidated statement of cash flow

k€	Note	2010	2009
Net result for the period from continuing operations		5,452	-322
Net result for the period from discontinued operations – operating		1,630	3,429
Adjustments for			
expense for the issue of employee shares		–	1
depreciation and amortisation	4	8,905	10,992
net change in shares in joint ventures		–	908
Increase in provisions	30 / 32	919	1,422
Loss on disposal of non-current assets		34	2
Increase/decrease in inventories, trade receivables and other assets not classified as investment or financing activities	21 / 23	-7,217	22,326
Decrease in trade payables and other liabilities not classified as investment or financing activities	29	2,243	5,062
Cash flow from operating activities		**11,966**	**43,820**
Acquisition of consolidated companies and divisions		-5,593	–
Sale of a division		28,954	–
Acquisition of tangible and intangible assets	25 / 26	-6,227	-7,488
Investments in financial assets	24	-200	-2
Proceeds from the disposal of non-current assets		182	644
Cash flow from investment activities		**17,116**	**-6,846**
Dividends paid to the shareholders of the parent Company	35	-14,250	-2,850
Repayments of bank borrowings		–	-7,672
Payments to financial assets	19	-20,000	–
Cash flow from financing activities		**-34,250**	**-10,522**
Effects of exchange rate differences	16 / 25	**323**	**70**
Net change in cash and cash equivalents	18	-4,845	26,522
Current funds at the start of the period under review		32,730	6,208
Current funds at the end of the period under review (including discontinued operations)		27,885	32,730
Cash and cash equivalents of the sold division		-1,629	–
Current funds at the end of the period under review		**26,256**	**32,730**
Income taxes paid		-1,639	-2,707
Interest paid		-29	-108
Interest received		200	99

Notes:
General accounting and valuation principles

General information

Leifheit AG, whose registered office is in Nassau, focuses on the development and distribution of high quality branded products for selected areas of the household.

In accordance with section 315a (1) HGB, the consolidated financial statements for 2010 have been prepared in accordance with 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 International Financial Reporting Interpretation Committee – previously the Standing Interpretations Committee (SIC) – requiring application in financial year 2010 were applied. The figures for the previous year were calculated on the same basis.

The financial statements prepared in euro provide a true and fair view of the net assets, financial position and results of operations of the Leifheit Group. Unless otherwise stated, all figures are in thousands of euro (k€).

The statement of comprehensive income was prepared in accordance with the cost of sales method.

The consolidated financial statements will be presented to the Supervisory Board on 4 April 2011. They will then be published without further delay.

Consolidation principles

The consolidated financial statements include Leifheit AG and the companies controlled by it. Control exists if the Group directly or indirectly holds the majority of voting rights in a company and/or can determine the financial and operating policies of a company so as to profit from its activities. Non-controlling interests and their share in the profit/loss for the period are reported separately in the statement of financial position under equity and in the statement of comprehensive income as an appropriation of profit/loss for the period.

The financial statements of subsidiaries are prepared using uniform accounting policies and have the same end of the balance sheet date as the financial statements of the parent company and the Group.

Acquisitions are accounted for using the acquisition method in accordance with IFRS 3 (business combinations). All identifiable assets and liabilities are measured at fair value at the time of acquisition. Non-controlling interests are therefore carried at their share in the fair value of the assets and liabilities. If the acquisition cost of an interest exceeds the Group’s share in the equity of the company concerned, the resulting goodwill must be capitalised. Previously undisclosed reserves and liabilities are carried, written down or reversed during subsequent consolidation, depending on the corresponding assets and liabilities. Goodwill is tested at least annually for impairment at the level of the cash-generating units and written down to the recoverable amount as necessary. Negative goodwill is recognised in profit or loss.

Contingent purchase price liabilities from business combinations that took place before 1 January 2010 are recognised at fair value as at the end of the balance sheet date. Adjustments to liabilities are still offset against goodwill in profit or loss.

Acquired enterprises are included in the consolidated financial statements from the acquisition date. Intragroup balances and transactions and resulting unrealised intragroup profits and losses are eliminated in full. 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 2010 and 2009.

Consolidated companies

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 2010.

Name of company	Date of initial consolidation	Interest in equity and voting rights in 2010 in %
Leifheit Espana S.A., Madrid (E)	1 Jan 1989	100.0
Leifheit s.r.o., Blatná (CZ)	1 Jan 1995	100.0
Leifheit International U.S.A. Inc., Melville, NY (USA)	1 Jan 1997	100.0
Meusch-Wohnen-Bad und Freizeit GmbH, Nassau (D)	1 Sept 1999	100.0
Birambeau S.A.S., Paris (F) *	1 Jan 2001	100.0
Leifheit-Birambeau S.A.S., Paris (F) *	1 Jan 2001	100.0
Leifheit Distribution S.R.L., Bucharest (RO)	18 Dec 2007	51.0
Herby Industrie S.A.S., La Loupe (F) *	1 Jul 2008	100.0
Herby Tunisie S.A.R.L., Sousse (TN) *	1 Jul 2008	100.0
Leifheit France S.A.S., Paris (F)	23 Nov 2009	100.0

* indirect holding

Kleine Wolke AG (CH), Kleine Wolke Textilgesellschaft mbH & Co. KG (D), Spirella S.A. (CH), Spirella France s.a.r.l. (F) and Spirella GmbH (D) were deconsolidated due to the disposal of the Bathroom Furnishings division in the second quarter of 2010.

On 16 July 2010, Leifheit France S.A.S. acquired the remaining 40% of voting shares in the unlisted Herby Industrie S.A.S., as it had undertaken to do so for 2010 and 2011. Thus, the Leifheit Group now holds all shares in Herby Industrie S.A.S. 100% of shares had already been included in consolidation in the financial years 2008 and 2009.

Furthermore, BTF Textilwerke GmbH was merged with Meusch-Wohnen-Bad und Freizeit GmbH in financial year 2010. Its operating activities were first spun off to Kleine Wolke GmbH & Co. KG as part of the disposal of the Bathroom Furnishings division. Meusch-Wohnen-Bad und Freizeit GmbH relocated its head office to Nassau (D).

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 end of 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).

Translation of the financial statements of consolidated companies prepared in foreign currencies is performed on the basis of the functional currency concept using the modified closing rate method in accordance with IAS 21.

As our subsidiaries and branches operate independently in financial, commercial and organisational terms, their functional currency is usually the local currency. For inclusion in the consolidated financial statements, the assets and liabilities of the subsidiaries and branches are translated at the exchange rate as at the end of 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 a separate reserve in equity. Exchange rate differences that arise as against the previous year's translation are taken to this translation reserve.

The exchange rates applied in currency translation are shown in the following table:

Exchange rate (per euro)	Mid-market rate at the end of the balance sheet date		Average rate for the year	
	31 Dec 2010	31 Dec 2009	2010	2009
Pound sterling	0.86	0.89	0.86	0.89
Swiss franc	1.24	1.49	1.24	1.51
Czech koruna	25.18	26.41	25.39	26.51
US dollar	1.33	1.43	1.34	1.39
Japanese yen	108.59	132.59	108.59	129.84
New Romanian leu	4.29	4.24	4.22	4.21
Tunisian dinar	1.92	1.89	1.90	1.84

Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into a given amount of cash at any time and are subject to an insignificant risk of changes in value. Their remaining term is not more than three months.

Inventories

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

The cost of internally manufactured products includes the full production cost based on normal capacity utilisation. In detail, cost includes the direct costs directly attributable to products (e.g. material and labour) and fixed and variable production overheads (e.g. material and production overheads). 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. 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 end of the balance sheet date is taken into account in measurement. 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 materials.

Tangible assets

Tangible assets are carried at cost less cumulative depreciation and impairment. If items of tangible assets are sold or scrapped, the associated costs and cumulative depreciation are derecognised; any realised profit or loss from the disposal is reported in the statement of comprehensive income.

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 of bringing the asset into working condition and to the location for its intended use. Subsequent expenses such as maintenance and repair costs incurred after the assets have been commissioned are expensed 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.

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
IT equipment	3 – 5
Software	3 – 8
Operating and office equipment	3 – 13
Display and POS stands	3

Leases

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

If it is not reasonably certain that Leifheit will obtain ownership of the asset at the end of the lease term, the asset is depreciated in full over the shorter of the lease term and its useful life.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the term of the lease.

Intangible assets

Patents, licences and software

Expenses for patents and licences are capitalised and subsequently amortised over their expected useful life on a straight-line basis. The estimated useful life of patents and licences varies between five and fifteen years. The carrying amount of assets is regularly reviewed for impairment.

The cost of new software and implementation costs are capitalised and treated as an intangible asset unless these costs are an integral part of the associated hardware. Software is amortised over a period of three to eight years on a straight-line basis.

Brands

Consideration paid for brands is capitalised. Brands are recognised under IAS 38 as intangible assets with indefinite useful lives and are not amortised, as no time limit can be set for the period during which the asset generates economic benefits for the company. Brands are assessed 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 combination with IAS 36, goodwill is tested for impairment annually and written down to the recoverable amount as necessary.

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

Impairment of tangible assets and 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 carrying amount of an asset may not be recoverable (IAS 36). As soon as the carrying amount 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 less the cost of disposal. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is identified for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Research and development costs

Development costs for newly developed products 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. Development work must also generate probable future economic benefits. As not all of these requirements are met in the Leifheit Group, development costs are not capitalised.

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

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 carrying amount in the consolidated statement of financial position. In addition, deferred tax assets from loss carryforwards must be recognised.

The carrying amount of deferrals is the probable tax liability or asset in the following financial year based on the prevailing tax rate at the realisation date.

Deferred tax assets for which realisation is or becomes improbable are not recognised or are written down.

Deferred taxes are reported separately in the statement of financial position.

Provisions

Under IAS 37, 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 are recognised under IAS 37 on the basis of the previous or estimated future outflows for the warranty obligations on the products sold.

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

Provisions 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 end of the balance sheet date. The discount rate is based on market interest rates.

Employee benefit obligations and pension reserves

The actuarial valuation of the defined benefit obligation is based on the projected unit credit method prescribed by IAS 19 for post-employment benefit obligations. Under this method, the post-employment benefits and vested benefits known at the end of the balance sheet date are taken into account along with the expected future increases in salaries and pensions. Actuarial gains and losses are recognised in profit or loss if the balance of cumulative unrecognised actuarial gains and losses for each individual plan at the end of the preceding balance sheet date exceeds the higher of 10% of the defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are realised over the expected average remaining service of the employees covered by the plan.

Equity

Treasury shares reduce the equity reported in the statement of financial position. The acquisition of treasury shares is shown as a change in equity. No gain or loss is recognised in the statement of comprehensive income for the sale, issue or cancellation of treasury shares. Consideration received is recognised in the financial statements as a change in equity.

Provisions for currency translation are recognised 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 substantially form part of the net investment by the company in an independent foreign entity, e.g. long-term loans, are recognised in equity in the consolidated financial statements until disposal or repayment. When the relevant assets are sold, the translation reserves are recognised as an income or expense in the same period as the profit or loss from the sale is recognised.

Financial assets and liabilities

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or investments held for sale within the meaning of IAS 39. Due to a lack of formal designation as a hedging instrument under IAS 39, derivatives are classified as financial assets or liabilities at fair value through profit or loss.

Financial liabilities within the meaning of IAS 39 are classified as financial liabilities carried at amortised cost.

The Group establishes the classification of its financial assets and liabilities on initial recognition. Reclassifications are carried out at the end of the financial year to the extent that they are permitted and required.

Financial assets and liabilities are recognised at fair value on initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method less any write-downs. Gains and losses are recognised in profit/loss for the period if the loans and receivables are derecognised or written down. Loans and receivables include trade receivables as well as cash and cash equivalents and other financial assets held by the Group.

Investments held for sale are non-derivative financial assets that are classified as being held for sale and not allocated to any other category. After initial recognition, investments held for sale are carried at fair value, with gains or losses after deduction of income tax effects reported in a separate item in equity. When an investment is derecognised or determined to be permanently impaired, the cumulative gain or loss previously recognised in equity is taken to the consolidated income statement. The fair value of investments traded on organised markets is calculated by reference to the bid price quoted on the market at the end of the balance sheet date. The fair value of investments for which there is no active market is estimated using valuation methods. If there is no active market and the fair value cannot be reliably assessed, the amortised cost method is used. This applies to equity interests and other financial assets which are carried at amortised cost.

Financial liabilities and interest-bearing loans are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss if liabilities are derecognised or in the case of write-downs.

Derivative financial instruments

Derivative financial instruments are carried at fair value when the relevant agreement is entered into as well as in subsequent periods. Derivative financial instruments are reported as assets if their fair value is positive and as liabilities if their value is negative.

Forward foreign exchange contracts are the main derivative financial instrument employed by the Group. The fair value is calculated as at the end of the respective balance sheet date.

Impairment of financial assets

At the end of each balance sheet date, the Group determines whether there are indications of impairment of a financial asset or a group of financial assets not recognised at fair value in profit or loss. In the case of investments held for sale, the objective indications for impairment are if the fair value is consistently and significantly below the carrying amount. If one of these assets is impaired, the cumulative loss previously recognised directly in equity is recognised in profit or loss.

Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group loses control of the contractual rights embodying the financial asset. A financial liability is derecognised if the obligation it is based on is fulfilled or cancelled or has expired.

Recognition of income and expenses

Turnover and other operating income are only recognised when the service has been provided or the goods or products delivered, i.e. the risk has been transferred to the customer.

Income from assets for which there is a buy-back agreement with a subsidiary is only recognised when the assets finally leave the Group. Until this date, such assets are recognised in inventories.

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

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

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

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

On account of the introduction of a new ERP system, changes were made to allocations to functional divisions in the financial year 2010. The corresponding figures for the previous year have been presented so as to permit comparison. The allocation system for secondary areas was also revised. As a result, the individual cost types within the functional divisions can only be compared against the previous year to a limited extent.

Borrowing costs

All borrowing costs are recognised as an expense in the period they are incurred. The Group has no qualifying assets for which borrowing costs would have to be included in cost.

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 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 end of the balance sheet date

Events after the end of the balance sheet date that provide additional information on conditions that existed at the end of the balance sheet date (adjusting events) are included in the financial statements. Non-adjusting events after the end of the balance sheet date are shown in the notes if they are material.

Material exercises of discretion, estimates and assumptions

In certain instances, preparing the annual financial statements requires exercises of discretion and estimates and assumptions about the amounts of receivables, liabilities and provisions, 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 goodwill impairment testing are stated in Note 26, the assumptions and estimates in connection with the recognition of pension liabilities in Note 32 and the assumptions and estimates in connection with the recognition of deferred taxes in Note 13.

New mandatory accounting standards applicable from 2010

In the financial year, Leifheit applied the following new IFRS standards that are relevant to the Group’s business. The adoption of these standards had no material effect on the net assets, financial position and results of operations of the Group.

IAS 27 Consolidated and Separate Financial Statements

The revised IAS 27 was published in January 2008 and is to be applied for the first time in financial years beginning on or after 1 July 2009. The standard stipulates that changes in a parent's ownership interest in a subsidiary that do not result in loss of control must be accounted for as a transaction with owners in their capacity as owners. Accordingly, such a transaction cannot result in goodwill or profit and loss. In the event of loss of control of a subsidiary, the remaining holding must be remeasured at fair value and included in the determination of the profit or loss on disposal. Losses incurred by the subsidiary must be divided among the owners of the parent company and the shares with a non-controlling interest (previously referred to as minority shares) even if this means that the non-controlling shares have a negative overall result. The transitional arrangements do not stipulate retrospective application of the amendments. Accordingly, there will be no change in assets and liabilities deriving from such transactions prior to the first time application of the new standard. The adoption of this standard does not affect the consolidated financial statements as neither the aforementioned transactions nor a negative result attributable to non-controlling shares occurred in the reporting period of first-time adoption.

IFRS 3 Business Combinations

The revised IAS 3 was published in January 2008 and is to be applied for the first time in financial years beginning on or after 1 July 2009. The standard was thoroughly revised as part of a convergence project by the IASB and FASB. The main changes in particular relate to the introduction of an option for measuring shares with a non-controlling interest (previously referred to as minority interests) either at fair value or at the proportionate share of the identifiable net assets of the acquiree. The following changes must also be noted: the remeasurement in profit and loss of previously held shares at the time initial control is obtained (step acquisition), the required consideration at acquisition linked to the occurrence of future events and the recognition of transaction costs in profit or loss. The new standard will impact the recognition of goodwill, the net result for the period in which the combination took place as well as future profits. The transitional arrangements allow the prospective application of the new standard. There will be no changes in assets and liabilities deriving from business combinations prior to the first-time application of the new standard. The adoption of this standard had no effect on the consolidated financial statements as there were no business combinations in the Group in the reporting period.

Amendment to IFRS as part of 2008 Annual Improvements to IFRSs

The 2008 improvements to the International Financial Reporting Standards were published in May 2008 and are applicable to financial years beginning on or after 1 January 2009 with the exception of IFRS 5, which applies from 1 July 2009. The amendment to IFRS 5 ensures that, if the planned disposal of a subsidiary results in the loss of control, all of the subsidiary's assets and liabilities are classified as held for sale even if the entity retains a non-controlling interest in its former subsidiary after the sale.

IFRS 2 Share-based Payment:

It was clarified that involving a division in the formation of a joint venture and business combinations under common control does not fall within the scope of IFRS 2.

IFRS 5 Non-current Assets Held For Sale And Discontinued Operations:

It was clarified that only the disclosure requirements of IFRS 5 are relevant for non-current assets and groups of assets that are classified as held for sale and for discontinued operations. Disclosure requirements in other IFRSs must be observed only if the respective standards or interpretations demand these disclosures specifically for assets in accordance with IFRS 5 and for discontinued operations.

IFRS 8 Operating Segments:

It was clarified that segment assets and liabilities must be reported only if these assets and liabilities are regularly reported to the responsible entity.

IAS 1 Presentation of Financial Statements:

Assets and liabilities classified as held for trading under IAS 39 Financial Instruments: Recognition and Measurement must not be automatically classified as current in the statement of financial position.

IAS 7 Statement of Cash Flows:

It was determined that only expenses that lead to the reporting of an asset can be categorised as cash flows from investing activities.

IAS 17 Leases:

The special guidelines for categorising leases for land have been withdrawn. The general guidelines apply going forward.

IAS 18 Revenue:

The Board has drawn up additional guidelines to clarify whether an entity is acting as a principal or as an agent. No application date is provided for this change in the appendix to IAS 18, which is not part of the standard, meaning that it became effective at the time of publication.

IAS 36 Impairment of Assets:

It is clarified that a cash-generating unit allocated to goodwill acquired as part of a business combination cannot be larger that a business segment within the meaning of IFRS 8 before aggregation under the criteria stated therein.

IAS 38 Intangible Assets:

If an intangible asset acquired in a business combination is identifiable only in combination with another intangible asset, the acquiring entity can report this group of intangible assets as a single asset if the individual assets in the group have the same useful life. It was also established that the methods set out in the standard for calculating the fair value of intangible assets acquired during a business combination are only examples and that the entity is free to use other methods as well.

IFRIC 9 Reassessment of Embedded Derivatives:

IFRIC 9 excludes the possible reassessment of contracts with embedded derivatives acquired in combinations of entities or business units under common control or in the formation of a joint venture.

New accounting standards whose application will be mandatory in future

The IASB has published the standards and interpretations listed below that have already been endorsed by the EU in the process of comitology but that are not yet applicable to financial year 2010. The Group has opted against early adoption of the standards and interpretations relevant to Leifheit listed here.

IAS 24 Related Party Disclosures

The revised IAS 24 was published in November 2009 and is to be applied for the first time in financial years beginning on or after 1 January 2011. This firstly revised the definition of related parties to simplify the identification of related party relationships and secondly partially exempted the related parties of a government-related entity from the duty to disclose transactions with this government-related entity and other related parties of this government-related entity. The standard can be applied retrospectively.

The extended definition will probably result in further disclosures on the Group's related parties in future. The adoption of the revised definition is currently being examined. However, its adoption will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or results in future financial years.

Amendment to IAS 32 – Classification of Rights Issues

The amendment to IAS 32 was published in October 2009 and is applicable the first time to financial years beginning on or after 1 February 2010. The definition of financial liability was adjusted to classify certain rights issues (and certain options and warrants) as equity if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments and to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The standard can be applied retrospectively.

As a result of this new regulation, subscription rights previously accounted for as derivatives are now classified as equity instruments. Thus, changes in their fair value will also no longer be recognised in profit or loss in future. As the Group has not granted such rights at this time, this regulation will not have any effect on its net assets, financial position and results of operations.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 was published in November 2009 and is applicable for the first time to financial years beginning on or after 1 January 2011. The adoption of IFRIC 14 published in July 2007, which was intended to limit defined benefit assets to their recoverable amount, had some unintended consequences for enterprises in certain countries. This amendment permits an entity to recognise the prepayment of a minimum funding requirement as an asset. The amendment can be applied retrospectively.

As all the Group's defined benefit pension plans are currently under-funded, this interpretation will have no effect on its net assets, financial position and results of operations.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was published in November 2009 and is to be applied for the first time in financial years beginning on or after 1 July 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39.41. The equity instruments issued are carried at fair value. If this cannot be determined reliably, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The amendment can be applied retrospectively.

As the Group has no such transactions, the adoption of this interpretation is not expected to have any effect on the consolidated financial statements.

The IASB has also published the following standards and interpretations that are not yet mandatory in the financial year 2010. These standards and interpretations have not been recognised by the EU to date and have not been applied by the Group.

Amendment to IFRS 7 – Disclosures – Transfers of Financial Assets

The amendment to IFRS 7 was published in October 2010 and is applicable for the first time to financial years beginning on or after 1 July 2011. The amendment defines extensive new qualitative and quantitative disclosures on transferred financial assets that are not derecognised and any risks from the transferred financial assets that may remain after the end of the reporting period.

This amendment will probably further extend the scope of disclosures on financial instruments. However, it will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or results in future financial years.

IFRS 9 Financial Instruments: Classification and Measurement

The first part of phase I in the preparation for IFRS 9 Financial Instruments was published in November 2009 and is applicable for the first time to financial years beginning on or after 1 January 2013. The standard includes new regulations on the classification and measurement of financial assets. It stipulates that debt instruments must be reported at amortised cost or at fair value through profit or loss based on their respective characteristics and taking into account the business model. Equity instruments are always recognised at fair value. However, on the basis of the option granted for specific instruments, which is exercised at the time of addition of the financial instrument, fluctuations in the value of equity instruments can be recognised in other comprehensive income. In this case, only certain dividend income is recognised in profit or loss for the equity instruments. An exception to this is formed by financial assets held for trading that must be measured at fair value through profit or loss.

The IASB completed the second part of phase I of the project in October 2010. This added the requirements for financial liabilities to the standard and allows for the current classification and measurement regulations for financial liabilities to be retained with the following exceptions: The effects of changes in the entity's own credit risk on financial liabilities classified as at fair value through profit or loss must be recognised in equity and derivative liabilities on non-listed equity instruments can no longer be carried at cost. The date of application remains unchanged (1 January 2013). However, entities are permitted to adopt the regulations of the 2009 version early and separately from the regulations on financial liabilities. Early adoption of the regulations on financial liabilities is also permitted but only together with the 2009 version. The standard can be applied retrospectively.

This project is expected to be concluded in mid-2011. The adoption of the first part of phase I will affect the classification and measurement of the Group's financial assets. The second part of this project phase is not expected to have any material effect on the net assets, financial position and results of operations of the Group. To present a comprehensive view of the potential effects, the Group will only quantify the effect in conjunction with the other phases as soon as these are published.

Improvements to IFRS 2010

Improvements to IFRS 2010 is a collective standard published in May 2010 and includes changes in various IFRSs. The application date and transitional provisions are issued for each standard. Unless otherwise stated, individual provisions must be applied for financial years beginning on or after 1 January 2011.

The following amendment was adopted in the financial year 2010:
IFRS 3 Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS:
  The amendment clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). This amendment is applicable to annual periods beginning on or after 1 July 2010.

  This regulation allows the Group to continue recognising the contingent consideration agreed in previous years in line with the accounting method used to date. Subsequent changes from contingent consideration will therefore only affect goodwill. This had no effects recognised in profit or loss.

The following amendments have not yet been applied:
IFRS 3 Business Combinations

- Measurement of Non-controlling Interests:
  The amendment limits the scope of the measurement choices that only the components of non-controlling interests (NCI) that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS (e.g. IFRS 2). The amendment is applicable to financial years beginning on or after 1 July 2010.

  The Group will not exercise the option to measure non-controlling interests at fair value and therefore does not anticipate that this clarification will have any effect.

- Un-replaced and Voluntarily Replaced Share-based Payment Awards:
  The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards.

  If vested, they are part of NCI and measured at their market-based value. If unvested, they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense. This amendment is applicable to annual periods beginning on or after 1 July 2010. The amendment is applied prospectively from the date the entity applies IFRS 3 (2008).

  Given the transition regulation, this amendment will not have any effect on the consolidated financial statements in the financial year of first-time adoption.

IFRS 7 Financial Instruments – Disclosures:
The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments and, in particular, contains amendments to quantitative and credit risk disclosures. The amendment is applied retrospectively.

This amendment is expected to result in a slight reduction in the disclosures on financial instruments. However, it will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or consolidated earnings.

IAS 1 Presentation of Financial Statements:
The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

The Group will continue to present this analysis in the statement of changes in equity. The amendment will therefore have no effect on the presentation in the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements:
The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The amendment is applicable to financial years beginning on or after 1 July 2010. The standard is applied retrospectively.

As the Group had no such transactions in the reference period, it is not anticipating any effect on the consolidated financial statements from this amendment.

IAS 34 Interim Financial Reporting:

The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds disclosure requirements for: the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets, changes in contingent liabilities and assets. The amendment is applied retrospectively.

This amendment may result in more extensive reporting in the interim financial statements. However, it will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or consolidated earnings.

IFRIC 13 Customer Loyalty Programmes:

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could not be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The amendment is applied retrospectively.

Given the limited scope of customer loyalty programmes in the Group, the first-time adoption of this new regulation is not expected to have any material effect on the consolidated financial statements.

Notes to the consolidated statement of comprehensive income

Pursuant to the international accounting standards of the IFRS, the sale of the Bathroom Furnishings division requires that this division's business is reported in a separate line in the income statement as "discontinued operations" ("Net result for the period from discontinued operations").

"Continuing operations", which include the former Household Products division and the non-allocable division (expenses for Group functions), are presented in detail. As a result, the individual items of the statement of comprehensive income up to "Net result for the period from continuing operations" contain the remaining Brand Business and Volume Business divisions only. Figures from the previous year are presented in a similar manner, thus the current key figures can be compared with the figures published last year to a limited extent only, as they still contained the Bathroom Furnishings division.

The following reconciliation shows the respective adjustments to the previous year's figures – both for discontinued operations (reconciliation of Bathroom Furnishings for 2009) and the changes in the allocations to functional divisions in the financial year 2010 (reconciliation of restatements for 2009).

k€	2010	2009 restated	Reconciliation of restatements for 2009	Reconciliation of Bathroom Furnishings for 2009	2009 published
Turnover	210,950	206,780	–	65,736*	272,516
Cost of sales	-121,612	-119,511	–	-32,765*	-152,276
Gross profit	**89,338**	87,269	–	32,971	120,240
Research and development costs	-3,746	-3,687	-2,857	-437	-6,981
Distribution costs	-66,335	-64,986	2,705	-23,042	-85,323
Administrative costs	-11,355	-13,116	152	-5,040	-18,004
Other operating income	1,826	1,178	–	150	1,328
Other operating expenses	-1,243	-2,766	–	-127	-2,893
Foreign currency gains/losses	309	-761	–	475	-286
Earnings before interest and taxes (EBIT)	**8,794**	3,131	–	4,950	8,081
Net interest expense	-2,120	-2,007	–	-585	-2,592
Net other financial income	-668	–	–	–	–
Earnings before income taxes (EBT)	**6,006**	1,124	–	4,365	5,489
Income taxes	-554	-1,446	–	-936	-2,382
Net result for the period from continuing operations	**5,452**	-322	–	3,429	3,107
Net result for the period from discontinued operations	10,948	3,429	–	-3,429	–
Net result for the period	**16,400**	3,107	–	–	3,107

* This includes turnover from contract production of k€ 2,764, which was carried as internal turnover in 2009 and is now external turnover following the disposal of Bathroom Furnishings.

Owing to the allocation system for secondary divisions as part of the introduction of the SAP system in Nassau and Zuzenhausen, individual cost types within the functional divisions can only be compared against the previous year to a limited extent.

Turnover 1

Turnover by region in k€	2010	2009
Germany	88,937	86,423
Europe (excl. Germany)	100,982	106,842
Rest of the world	21,031	13,515
	210,950	**206,780**

In segment reporting, consolidated turnover is broken down between the Brand Business and Volume Business divisions.

Cost of sales 2

k€	2010	2009
Cost of materials	88,709	87,605
Personnel costs	15,203	13,537
Purchased services	6,073	5,242
Depreciation and amortisation	3,602	4,468
Energy	1,803	1,754
Maintenance	1,410	1,467
Consumables and supplies	1,319	959
IT costs and other allocations	507	–
Rent	384	469
Write-downs of inventories (net change)	-589	-65
Other cost of sales	3,191	4,075
	121,612	**119,511**

Research and development costs 3

k€	2010	2009
Personnel costs	1,704	2,291
Fees and purchased services	1,264	1,341
Depreciation and amortisation	152	190
IT costs and other allocations	136	–
Other research and development costs	490	-135
	3,746	**3,687**

4 Depreciation and amortisation

k€	2010	2009
Tangible assets		
Cost of sales	3,590	4,092
Research and development costs	64	139
Distribution costs	2,155	1,974
Administrative costs	164	454
	5,973	**6,659**
Intangible assets		
Cost of sales	12	267
Research and development costs	88	243
Distribution costs	1,734	1,619
Administrative costs	430	301
	2,264	**2,430**
Total depreciation and amortisation	**8,905**	**9,089**

The difference between the write-downs on distribution and administrative costs and the amounts shown in the corresponding notes is due to the additional write-downs included in allocations. Only the depreciation, amortisation and write-downs on property, tangible and intangible assets from continuing operations are shown in segment reporting.

5 Personnel costs/employees

k€	2010	2009
Wages and salaries	34,690	33,370
Social security contributions	8,007	7,689
Cost of post-employment benefits	660	952
	43,357	**42,011**

Employees (annual average)	2010	2009
Germany	434	471
Czech Republic	421	394
France	172	164
Other countries	110	124
	1,137	**1,153**

Distribution costs

6

k€	2010	2009
Personnel costs	17,557	19,879
Advertising costs	13,112	12,371
Outgoing freight	10,690	10,861
Commissions	5,551	5,341
IT costs and other allocations	3,887	–
Fees and purchased services	2,656	2,478
Depreciation and amortisation	2,035	3,791
Cost of cars, travel and entertainment	2,032	1,915
Rent	1,137	1,341
Allowances on receivables	1,101	1,018
Office and other overheads	879	1,144
Maintenance	676	930
Royalties	597	616
General operating and administrative costs	418	684
Insurance	415	338
Post and telephone costs	243	352
Payments to customers	207	197
Other distribution costs	3,142	1,731
	66,335	**64,986**

Administrative costs

7

k€	2010	2009
Personnel costs	6,584	6,944
Fees and purchased services	2,288	2,771
Rent	386	568
Maintenance	293	355
Cost of cars, travel and entertainment	280	306
Post and telephone costs	227	235
Depreciation and amortisation	159	756
Office and other overheads	156	105
IT costs and other allocations	147	–
General operating and administrative costs	138	80
Other administrative costs	697	996
	11,355	**13,116**

8 Other operating income

k€	2010	2009
Commission income	614	543
Royalties	156	243
Other operating income (less than k€ 100)	1,056	392
	1,826	**1,178**

9 Other operating expenses

k€	2010	2009
Compensation claims	1,100	1,230
Allowances on other receivables	–	1,058
Other operating expenses (less than k€ 100)	143	478
	1,243	**2,766**

10 Foreign currency gains/losses

k€	2010	2009
Changes in the fair value of forward foreign exchange transactions	-664	393
Gains/losses due to foreign currency measurement	189	-548
Realised exchange rate gains/losses	784	-606
	309	**-761**

11 Interest income and expenses

Interest income (k€)	2010	2009
Interest income from interest on receivables	232	256
Interest income from financial instruments	475	60
Interest income from plan assets	–	31
	707	**347**

Interest expense (k€)	2010	2009
Interest expense from interest on pension obligations	-2,591	-2,280
Interest expense from financial instruments and interest on liabilities	-236	-74
	-2,827	**-2,354**

Interest income from financial instruments relates to interest income on deposits with banks and the investment in the form of a capital note (k€ 155), while interest expense on financial instruments relates to interest expense on bank overdrafts.

Net other financial income 12

Net other financial income includes allowances on equity interests and loans to a non-consolidated affiliated Company of k€ 668 (previous year: k€ 0).

Income taxes 13

k€	2010	2009
Corporation tax (Germany)	212	10
Trade tax (Germany)	21	–
Foreign income taxes	-1,987	-2,190
Deferred income taxes	1,200	734
	-554	**-1,446**

k€	2010	2009
Prior-period income taxes	158	10
Deferred taxes due to temporary differences and tax loss carryforwards	1,200	734
Current tax expense	-1,912	-2,190
Tax liability	**-554**	**-1,446**

As in the previous year, the combined tax rate for Leifheit AG for corporation tax and trade tax in Germany was 28.0%.

The theoretical income tax liability that would result from applying the tax rate applicable in the parent Company's country of domicile is as follows:

k€	2010	2009
Earnings before taxes	6,006	1,124
Taxes assuming the tax rate applicable to the parent Company	**-1,682**	**-314**
Prior-period taxes	158	12
Different foreign tax rates	-265	-212
Deferred tax assets on loss carryforwards	2,018	–
Measurement differences on receivables	-609	–
Non tax-deductible losses of Group companies	-223	-887
Others	49	-45
Tax liability	**-554**	**-1,446**

Deferred taxes are recognised for all material temporary differences between the tax base and the carrying amounts in the consolidated statement of financial position. Deferred taxes are broken down as follows:

k€	31 Dec 2010 Deferred tax assets	31 Dec 2010 Deferred tax liabilities	31 Dec 2009 Deferred tax assets	31 Dec 2009 Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	431	3,296	664	3,989
Measurement of inventories	526	30	805	557
Measurement of receivables and other assets	–	780	145	99
Measurement of pensions	2,787	–	2,710	–
Measurement of provisions for partial retirement	60	–	235	–
Different recognition rules for other provisions	350	55	469	198
Measurement of liabilities	128	21	509	13
Other temporary differences	72	–	156	–
Tax loss carryforwards	2,737	–	1,460	–
Gross amount	**7,091**	**4,182**	**7,153**	**4,856**
Offsetting	1,912	1,912	2,380	2,380
Balance sheet amount	**5,179**	**2,270**	**4,773**	**2,476**

Deferred tax assets are only recognised on loss carryforwards if their utilisation is expected within a five-year period. No deferred tax assets were recognised on corporation tax loss carryforwards of k€ 28,186 (previous year: k€ 30,177) or trade tax loss carryforwards of k€ 29,880 (previous year: k€ 33,240) as it is not sufficiently probable that Leifheit will be able to utilise these tax loss carryforwards over the next five years. The temporary differences in connection with shares in subsidiaries for which no deferred taxes are recognised amount to k€ 5,225 (previous year: k€ 9,114).

14 Discontinued operations

We spun off our Bathroom Furnishings division in the second quarter. There are two central objectives to the sale of the Bathroom Furnishings division: focusing on business with Household Products and devoting energies and funds to implementing the growth strategy.

The after-tax results of the corresponding companies up to the time of disposal are presented in the statement of comprehensive income in the item “Net result for the period from discontinued operations”. The total after-tax earnings from this sold business area are k€ 10,948 after k€ 3,429 in the same period of the previous year. This also included the gain on the disposal of the Bathroom Furnishings division in the financial year 2010.

The main groups of assets and liabilities of discontinued operations broke down as follows as at the date of deconsolidation:

	€ million
Assets	
Non-current assets	7.0
Receivables	22.9
Inventories	14.6
Debt	
Liabilities	16.1
Provisions	4.6

The results from discontinued operations are as follows:

€ million	2010	2009
Income	44.1	69.1
Expense	-32.0	-64.1
Earnings before interest and taxes (EBIT)	12.1	5.0
Net interest income or expense	-0.1	-0.6
Income taxes	-1.1	-1.0
Earnings after taxes for the period from discontinued operations	10.9	3.4
Earnings per share from discontinued operations (diluted/undiluted)	2.30 €	0.72 €

Net cash flow from discontinued operations is as follows:

€ million	2010	2009
Cash flow from operating activities	-0.5	5.3
Cash flow from investment activities	-0.3	-0.5
Cash flow from financing activities	–	-3.4
Effects of exchange rate differences	0.3	–
Net change in cash and cash equivalents	-0.5	1.4

A price of € 35.1 million was agreed for discontinued operations; € 31.1 million of this had been paid as at the end of the balance sheet date. Cash and cash equivalents of € 1.6 million were derecognised as a result of deconsolidation.

Components of comprehensive income after taxes taken directly to equity 15

The components of comprehensive income taken directly to equity consist of the conversion of the financial statements of subsidiaries and branches into the Group currency, which amounts to k€ -953 (previous year: k€ 83), and exchange rate differences after taxes from capital-replacing loans in foreign currencies to subsidiaries in the amount of k€ -610 (previous year: k€ 38).

16 Minority interests

As in the previous year, minority interests relate solely to the interests held in Leifheit Distribution S.R.L., Romania, by a minority shareholder.

17 Earnings per share

Earnings per share are calculated by dividing the share in 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.

		2010	2009
Shares issued	Shares 000	5,000	5,000
Weighted average number of treasury shares	Shares 000	250	250
Weighted average number of no-par-value shares	**Shares 000**	**4,750**	**4,750**

		2010	2009
Net result for the period attributable to the shareholders of the parent Company	k€	16,393	3,119
Weighted average number of no-par-value shares	Shares 000	4,750	4,750
Earnings per share based on the net result for the period (diluted/undiluted)	**€**	**3.45**	**0.66**

		2010	2009
Net result for the period from continuing operations attributable to the shareholders of the parent Company	k€	5,445	-310
Weighted average number of no-par-value shares	Shares 000	4,750	4,750
Earnings per share based on the net result for the period from continuing operations (diluted/undiluted)	**€**	**1.15**	**-0.06**

		2010	2009
Net result for the period from discontinued operations attributable to the shareholders of the parent Company	k€	10,948	3,429
Weighted average number of no-par-value shares	Shares 000	4,750	4,750
Earnings per share based on the net result for the period from discontinued operations	**€**	**2.30**	**0.72**

Notes to the consolidated balance sheet

Cash and cash equivalents 18

As at 31 December 2010, cash and cash equivalents consisted exclusively of bank balances and cash in hand in the amount of k€ 26,256 (previous year: k€ 32,730). The book value is the fair value.

Financial assets (current) 19

The current financial assets relate to an investment in the form of a capital note of k€ 20,000 (previous year: k€ 0), which was measured at amortised cost using the effective interest rate method. The capital note matures on 8 July 2011 and bears interest at 1.6% per year. Given its short term and the interest rate close to the market interest rate, the fair value of the capital note is approximately its book value.

Trade receivables 20

k€	31 Dec 2010	31 Dec 2009
Trade receivables	42,468	52,834
Trade bills	3,043	4,119
	45,511	**56,953**

As at 31 December 2010, receivables totalling k€ 31,068 were insured via credit insurance or export credit guarantees from the German Federal Government (previous year: k€ 29,300) and trade receivables amounting to k€ 6,806 (previous year: k€ 5,269) were impaired.

The changes in impairment on trade receivables are shown below:

k€	2010	2009
As at 1 January	5,269	4,514
Exchange rate differences	2	–
Additions recognised in profit and loss	5,256	3,881
Utilisation	1,987	1,509
Reversal	1,734	1,617
As at 31 December	**6,806**	5,269

The maturity structure of trade receivables as at 31 December is as follows:

k€	2010	2009
Neither overdue nor impaired	41,174	46,913
Overdue but not impaired		
1 to 30 days	1,550	7,333
31 to 60 days	1,088	1,278
61 to 90 days	376	533
91 to 120 days	436	181
Over 120 days	887	715
As at 31 December	**45,511**	**56,953**

Trade receivables that are neither overdue nor impaired also contain trade bills. Overdue receivables are not impaired if there is credit insurance.

21 Inventories

k€	31 Dec 2010	31 Dec 2009
Raw materials, consumables and supplies	6,700	7,607
Unfinished products and services	1,374	1,937
Finished products and goods purchased and held for resale	31,297	41,229
Advance payments	–	458
	39,371	**51,231**

k€	31 Dec 2010	31 Dec 2009
Raw materials, consumables and supplies measured at fair value	414	443
Raw materials, consumables and supplies not impaired	6,286	7,165
Total raw materials, consumables and supplies	**6,700**	**7,607**
Work in progress measured at fair value	10	47
Work in progress not impaired	1,364	1,890
Total work in progress	**1,374**	**1,937**
Finished products and goods purchased and held for resale measured at fair value	10,017	9,124
Finished products and goods purchased and held for resale not impaired	21,280	32,104
Total finished products and goods purchased and held for resale	**31,297**	**41,229**

Some of the inventories for which no payments have been made owing to their maturity are subject to retention of title by suppliers. Advance payments on inventories were reported in other current assets in the 2010 reporting year.

Derivative financial instruments 22

Derivative financial instruments include forward foreign exchange contracts for buying and selling US dollars measured at fair value.

Other current assets 23

k€	31 Dec 2010	31 Dec 2009
VAT receivables	1,915	2,777
Advance payments on inventories	796	–
Creditors with debit balances	761	347
Receivables from other costs passed on	301	74
Current prepayments and accured income	249	1,403
Other current assets (less than k€ 100)	614	492
	4,636	**5,093**

Advance payments on inventories were reported under inventories in the previous year.

24 Financial assets (non-current)

k€	Equity interests	Other financial assets	Total
Cost as at 1 Jan 2009	1,249	424	1,673
Additions	–	2	2
Disposals	–	–	–
As at 31 Dec 2009	**1,249**	**426**	**1,675**
Additions	–	200	200
Disposals	–	–	–
Disposals due to deconsolidation	–	71	71
As at 31 Dec 2010	**1,249**	**555**	**1,804**
Cumulative write-downs as at 1 Jan 2009	1,074	–	1,074
Additions	–	–	–
Disposals	–	–	–
As at 31 Dec 2009	**1,074**	**–**	**1,074**
Additions	118	550	668
Disposals	–	–	–
As at 31 Dec 2010	**1,192**	**550**	**1,742**

k€	Equity interests	Other financial assets	Total
Net book value as at 31 Dec 2009	175	426	601
Net book value as at 31 Dec 2010	**57**	**5**	**62**

Tangible assets

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost as at 1 Jan 2009	67,322	45,316	53,528	1,191	167,357
Foreign currency differences	49	32	-10	3	74
Additions	391	398	2,575	2,566	5,930
Disposals	679	2,446	3,246	209	6,580
Reclassification	101	2,256	294	-3,014	-363
As at 31 Dec 2009	**67,184**	**45,556**	**53,141**	**537**	**166,418**
Foreign currency differences	917	699	341	6	1,963
Additions	29	330	2,044	2,095	4,498
Disposals	6,127	769	2,230	175	9,301
Disposals due to deconsolidation	10,371	8,519	12,525	44	31,459
Reclassification	3	1,440	192	-1,742	-107
As at 31 Dec 2010	**51,635**	**38,737**	**40,963**	**677**	**132,012**
Cumulative write-downs as at 1 Jan 2009	34,635	39,924	45,031	–	119,590
Foreign currency differences	11	17	-6	–	22
Additions	3,001	2,233	3,252	–	8,486
Disposals	330	2,420	3,195	–	5,945
Reclassification	–	–	–	–	–
As at 31 Dec 2009	**37,317**	**39,754**	**45,082**	**–**	**122,153**
Foreign currency differences	412	511	252	–	1,175
Additions	1,514	2,043	2,416	–	5,973
Disposals	5,627	756	2,133	–	8,516
Disposals due to deconsolidation	6,086	8,069	10,527	–	24,682
Reclassification	–	–	–	–	–
As at 31 Dec 2010	**27,530**	**33,483**	**35,090**	**–**	**96,103**

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Net book value as at 31 Dec 2009	29,867	5,802	8,059	537	44,265
Net book value as at 31 Dec 2010	**24,105**	**5,254**	**5,873**	**677**	**35,909**

The additions to depreciation do not include impairment losses for tools and operating and office equipment in the Household Products division that are no longer used (previous year: k€ 1,390). The disposals due to deconsolidation relate to the sold Bathroom Furnishings companies.

26 Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advance payments	Total
Cost as at 1 Jan 2009	7,251	9,461	17,241	–	33,953
Foreign currency differences	–	–	-2	–	-2
Additions	–	2,288	644	914	3,846
Disposals	–	–	982	–	982
Reclassification	–	–	363	–	363
As at 31 Dec 2009	**7,251**	**11,749**	**17,264**	**914**	**37,178**
Foreign currency differences	–	–	50	–	50
Additions	–	–	1,729	–	1,729
Disposals	–	800	70	–	870
Disposals due to deconsolidation	–	–	3,147	–	3,147
Reclassification	–	–	1,021	-914	107
As at 31 Dec 2010	**7,251**	**10,949**	**16,847**	**–**	**35,047**
Cumulative write-downs as at 1 Jan 2009	2,442	–	11,485	–	13,927
Foreign currency differences	–	–	-1	–	-1
Additions	3	–	2,503	–	2,506
Disposals	–	–	971	–	971
Reclassification	–	–	–	–	–
As at 31 Dec 2009	**2,445**	**–**	**13,016**	**–**	**15,461**
Foreign currency differences	–	–	44	–	44
Additions	1	–	2,263	–	2,264
Disposals	–	–	70	–	70
Disposals due to deconsolidation	–	–	2,957	–	2,957
Reclassification	–	–	–	–	–
As at 31 Dec 2010	**2,446**	**–**	**12,296**	**–**	**14,742**

k€	Brands	Goodwill	Other intangible assets	Advance payments	Total
Net book value as at 31 Dec 2009	4,806	11,749	4,248	914	21,717
Net book value as at 31 Dec 2010	**4,805**	**10,949**	**4,551**	**–**	**20,305**

The disposals from goodwill in 2010 resulted from the changes in the contingent purchase price liabilities for the acquisition of the remaining shares in the Herby Group, which were deducted from goodwill in equity. Additions to amortisation include write-downs for software to be replaced in the Brand Business segment of k€ 613 (previous year: k€ 717). The disposals due to deconsolidation relate to the sold Bathroom Furnishings companies.

Impairment testing of intangible assets and tangible assets

In accordance with IAS 36.12 (d), assets must be tested for impairment if the book value of the net asset is greater than the market capitalisation or there are other indications of impairment. For this reason, intangible assets including goodwill and brands acquired from business combinations and tangible assets are subjected to impairment testing. The assets were allocated to following cash-generating units:

- "Leifheit/Dr. Oetker/Soehnle"
- "Birambeau"
- "Herby"

The cash-generating units are based directly on internal management reporting. The Soehnle brand is capitalised within the "Leifheit/Dr. Oetker/Soehnle" division and was acquired as part of the acquisition of the Soehnle Group in 2001. The steam iron business acquired on 31 December 2008 is also included in the "Leifheit/Dr. Oetker/Soehnle" division. The goodwill for Birambeau and Herby is included in the respective divisions.

The recoverable amount for each cash-generating unit is determined on the basis of the higher of value in use and fair value less cost to sell based on cash flow forecasts. Assumptions are made for future trends in turnover and costs on the basis of the 2011 budget, which covers the next three years, and compared with external information. A constant pattern of turnover and costs was assumed for the cash-generating units "Birambeau" and "Herby". Increases in turnover of 5-8% with strong rises in earnings were assumed for the cash-generating unit "Leifheit/Dr. Oetker/Soehnle".

The discount rates used for the cash flow forecasts to determine the value in use and the fair value less costs to sell vary due to the differing capital structure and tax position of each segment. They are based on average capital costs of 7.2% (previous year: 7.7%) at the date of the impairment test, a risk-free interest rate of 3.25% (previous year: 4.25%), a market risk premium of 5.0% (previous year: 5.0%), a beta factor of 1.1 (previous year: 1.0) and borrowing costs of 4.0% (previous year: 5.5%). A growth rate of 1.0% (previous year: 1.0%) was assumed.

As at 30 September 2010, the recoverable amounts calculated in this way were greater than the book value. The impairment tests therefore did not identify any impairment requirements. Even a growth rate of zero would not result in any need for impairment.

As at the end of the reporting period, the book value of goodwill and brands were as follows:

Book value at end of reporting period	Goodwill		Brands	
	2010	2009	2010	2009
Birambeau	3,299	3,299	–	–
Herby	6,441	7,241	–	–
Pressurised steam iron business	1,209	1,209	–	–
Soehnle brand	–	–	4,803	4,803
Other brands	–	–	2	3
	10,949	**11,749**	**4,805**	**4,806**

Owing to the change in the contingent purchase price payment for the 40% of shares acquired in the Herby Group, the goodwill reported for this declined by k€ 800.

27 Income tax receivables

Non-current income tax receivables include the non-current portion of a Leifheit AG corporation tax credit in the amount of k€ 4,051 (previous year: k€ 4,597).

28 Other non-current assets

k€	31 Dec 2010	31 Dec 2009
Purchase price receivable	4,000	–
Miscellaneous non-current assets	187	260
	4,187	**260**

Trade payables and other liabilities

29

Remaining term of less than 1 year in k€	31 Dec 2010	31 Dec 2009
Trade payables	24,762	24,859
Employees	8,555	9,680
Customer bonuses	6,171	8,410
Advertising cost subsidies	5,043	4,771
Other taxes (excluding income taxes)	1,995	2,667
Debtors with credit balances	1,775	1,440
Social security contributions	901	1,028
Outstanding invoices	709	2,443
Customer discounts	555	1,061
Severance payments to sales representatives	519	404
Commission obligations	419	405
External annual financial statement costs	392	336
Tax advice	161	199
Other liabilities (less than k€ 100)	720	1,074
	52,677	**58,777**

Liabilities to employees relate in particular to December wages paid in January, bonuses and severance payments.

Provisions

30

k€	31 Dec 2010			31 Dec 2009		
	Total	of which current	of which non-current	Total	of which current	of which non-current
Warranties	4,058	3,326	732	4,446	3,331	1,115
Personnel-related	2,067	–	2,067	2,690	–	2,690
Onerous contracts	95	95	–	20	20	–
Other provisions	1,789	1,789	–	1,651	1,651	–
	8,009	**5,210**	**2,799**	**8,807**	**5,002**	**3,805**

k€	Current provisions			Non-current provisions		
	Warranties	Onerous contracts	Other current provisions	Warranties	Personnel-related	Other non-current provisions
As at 1 Jan 2010	3,331	20	1,651	1,115	2,690	–
Exchange rate difference	3	–	6	–	–	–
Utilisation	3,115	20	935	231	407	–
Reversal	–	–	322	51	63	–
Addition	3,321	95	1,534	–	50	–
Disposal due to deconsolidation	214	–	145	101	203	–
As at 31 Dec 2010	**3,326**	**95**	**1,789**	**732**	**2,067**	**–**

Provisions for warranties are recognised for future repair work, supplies of replacement products and compensation payments deriving from legal or statutory warranties. Personnel-related provisions are recognised for long-service bonuses, partial retirement obligations and for statutory obligations to staff in Austria. Provisions for onerous contracts relate primarily to purchase commitments. Other provisions mainly contain liabilities for legal fees as well as other liabilities relating to the disposal of non-current assets. Non-current provisions were discounted by k€ 206.

The provisions for warranties, compensation payments and litigation costs of k€ 5,588 include uncertainties regarding the amount or likelihood 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.

31 Other current liabilities

The other current liabilities reported in the previous year mainly included the current part of the liability for the payment of the purchase price for the shares of Herby Group in the amount of k€ 3,650.

32 Employee benefit obligations

There are various defined benefit pension plans in the Leifheit Group. Provisions for pension obligations have been recognised for future obligations to pay retirement and survivor benefits. In line with normal practice in Germany, the pension plans at Leifheit AG are not backed by pension funds or financed from plan assets, with the exception of the deferred compensation plans.

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

k€	31 Dec 2010	31 Dec 2009
Present value of defined benefit obligations (DBO)	43,825	61,007
Fair value of plan assets	-862	-15,713
Actuarial losses not yet recognised	-2,247	-1,789
Recognised net debt from pension obligations in Germany and Switzerland	**40,716**	**43,505**
Pension obligations in France	628	572
Employee benefit obligations	**41,344**	**44,077**

The cost of post-employment benefits in Germany and Switzerland can be broken down as follows:

k€	31 Dec 2010	31 Dec 2009
Current service cost	436	1,440
Interest expense on the obligation	2,628	3,079
Recognised net actuarial losses	–	29
Expected income from plan assets	-37	-499
Employee contributions	–	-482
Total cost of post-employment benefits	**3,027**	**3,567**

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

k€	2010	2009
Net debt at start of year	43,505	42,654
Disposal of operations	-3,914	–
Currency effects	–	10
Net expense reported in the consolidated statement of comprehensive income	3,027	3,567
Contributions	-103	-776
Payments to beneficiaries	-1,799	-1,950
Net debt at end of year	**40,716**	**43,505**

In addition, contributions were paid to government pension providers of k€ 2,796 (previous year: k€ 2,773).

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

k€	2010	2009
DBO at start of year	61,007	57,564
Disposal of operations	-21,083	–
Currency effects	–	-29
Current service cost	436	1,440
Interest expense	2,628	3,079
Benefit payments	-1,799	-3,693
Actuarial gains	2,636	1,875
Other contributions	–	771
DBO at end of year	**43,825**	**61,007**

The fair value of plan assets changed as follows:

k€	2010	2009
Fair value of plan assets at start of year	15,713	14,353
Disposal of operations	-14,904	–
Currency effects	–	-24
Expected income from plan assets	37	499
Losses from plan assets	-2	-1
Transfers to plan assets	103	110
Employee contributions	–	482
Employer contributions	–	664
Other contributions	–	770
Benefits paid	–	-1,743
Actuarial gains	–	833
Others	-85	-230
Fair value of plan assets at end of year	**862**	**15,713**

The plan assets cover reinsurance policies with German insurance companies.

Over the past five years, the present value of defined benefit obligations (DBO) and the fair value of income from the plan have changed as follows:

k€	2010	2009	2008	2007	2006
DBO as at end of reporting period	43,501	61,007	57,564	55,421	47,395
Plan assets as at end of reporting period	862	15,713	14,353	12,164	815
Plan deficit	42,639	45,294	43,211	43,257	46,580
Adjustment of plan liabilities to reflect historical data	937	-754	-1,026	482	-406
Adjustment of plan assets to reflect historical data	1	835	-418	-14	–

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

German companies in %	2010	2009
Discount rate	5.3	5.9
Expected income from plan assets	4.5	4.5
Future income trend	2.5	2.5
Future pension trend	2.0	2.0
Rate of staff turnover	3.0	3.0
Basis of calculation: Prof. K. Heubeck actuarial tables	2005 G	2005 G
Arithmetical final age	RVAGAnpG 2007	RVAGAnpG 2007

Swiss companies in %	2010	2009
Discount rate	–	3.5
Long-term interest rate on plan assets	–	3.5
Future income trend	–	2.0
Future pension trend	–	0.5
Rate of staff turnover	–	BVG 2005

Subscribed capital

33

The subscribed capital of Leifheit AG amounts to k€ 15,000 (previous year: k€ 15,000), is denominated in euro and divided into 5,000,000 no-par-value bearer shares.

The shares are deposited in a permanent global certificate at Clearstream Banking AG, Frankfurt am Main, Germany.

By resolution of the Annual General Meeting on 24 May 2006, the Board of Management was authorised, with the approval of the Supervisory Board, to increase the share capital by a total of up to k€ 7,500 by 1 May 2011 through one or more issues of new no-par-value bearer shares in exchange for cash and/or non-cash contributions. The existing shareholders will be granted subscription rights. However, with the approval of the Supervisory Board, the Board of Management is authorised to disapply shareholders' subscription rights in the following circumstances:

- to eliminate fractional amounts;
- if the capital increase is for the purpose of acquiring enterprises, parts of enterprises or interests in enterprises by means of non-cash contributions;
- if the shares are issued at a price which is not materially lower than the market price of the Company's listed shares at the time the Board of Management sets the issue price and the disapplication of subscription rights only applies to new shares not exceeding 10% of the share capital at the date on which the authorisation is entered in the commercial register or, if lower, 10% of the share capital at the issue date of the new shares.

34 Capital surplus

The capital surplus of k€ 16,934 (previous year: k€ 16,934) represents the premium on the capital increase in autumn 1989.

35 Appropriated surplus/translation reserve

The appropriated surplus includes the statutory reserve of k€ 1,023 (previous year: k€ 1,023), other retained earnings of k€ 56,948 (previous year: k€ 69,051) and the profit/loss for the period attributable to the shareholders of the parent Company of k€ 16,393 (previous year: k€ 3,119). The other appropriated surplus includes the part of consolidated net result earned in past years which was not distributed to shareholders. In the year under review, the dividend paid for the financial year 2009 of k€ 14,250 (previous year: k€ 2,850) was distributed.

The translation reserve contains the exchange rate difference arising from the consolidation of equity, exchange rate differences from the conversion on the reporting date of financial statements not prepared in the Group's reporting currency that are included in the consolidated financial statements, as well as exchange rate differences from foreign-currency loans granted to foreign subsidiaries to replace the capital markets.

Minority interests 36

The outstanding minority interests relate to Leifheit Distribution S.R.L., Romania, in which a minority interest of 49% is held.

Financial instruments, objectives and methods of financial risk management 37

The material financial liabilities in the Group – with the exception of derivatives – comprise trade payables, other liabilities and current and non-current liabilities. The Group has various financial assets, primarily trade receivables, other receivables, cash and cash equivalents and deposits repayable at short notice.

The material risks to the Group arising from these financial instruments are credit, liquidity and foreign currency risks. 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 foreign currency risks from purchases and turnover in currencies other than the functional currency of the relevant Group operating unit.

About 20% (previous year: 21%) of Group turnover is generated in foreign currencies, while 35% (previous year: 33%) of costs are incurred in foreign currencies.

The following table shows the sensitivity of consolidated net result before taxes and consolidated equity to possible changes in the exchange rate of the US dollar and the Czech koruna based on reasonable assumptions. All other variables are assumed to be unchanged.

	Currency performance	Impacts on earnings before taxes as at 31 Dec 2010	Impacts on earnings before taxes as at 31 Dec 2009
USD	+ 5%	-534	-327
	- 5%	591	361
	+ 10%	-1,021	-625
	- 10%	1,247	763
CZK	+ 5%	7	-270
	- 5%	-8	299
	+ 10%	13	-516
	- 10%	-16	631

Cash flow hedges

The Group also holds derivatives that primarily consist of forward foreign exchange contracts. The aim of these derivatives is to hedge against currency risk arising from the Group's operations.

As at 31 December 2010, the Group had forward foreign exchange buying contracts with a nominal value of USD 55.0 million (previous year: USD 12.5 million) and CZK 0.0 million (previous year: CZK 135.0 million) and forward foreign exchange selling contracts with a nominal value of USD 33.2 million (previous year: USD 0.0 million).

Liquidity risk

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

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

Interest rate risk

The interest rate risk of the Leifheit Group primarily relates to changes in the short-term money market rates of bank overdrafts. There are no long-term interest-bearing bank loans or similar interest-bearing financial liabilities.

Default/credit risk

As a general rule, the Group only conducts transactions with creditworthy parties. Credit checks are performed for all major customers wishing to do business with Leifheit. Balances of receivables are continuously monitored. Some of the Company's receivables are covered by credit insurance. There is still a risk of default in the amount of the uninsured share of the receivables.

For other financial assets, such as cash and cash equivalents, the maximum credit risk due to counterparty default is the book value of the instruments.

Financial assets and liabilities

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

Capital management

The major aim of capital management is to achieve an equity ratio of over 35%. 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.

The following table shows the book value and fair values of the main financial instruments reported in the consolidated financial statements:

k€	IAS 39 category	Book value 31 Dec 2010	Book value 31 Dec 2009	Fair value 31 Dec 2010	Fair value 31 Dec 2009
Financial assets					
Cash and cash equivalents	a)	26,256	32,730	26,256	32,730
Trade receivables	a)	45,511	56,953	45,511	56,593
Derivative financial assets	c)	123	–	123	–
Other financial assets	a)	25,675	913	25,675	913
Financial liabilities					
Trade payables	b)	24,762	24,859	24,762	24,859
Derivative financial liabilities	c)	897	95	897	95
Other financial liabilities	b)	16,464	20,543	16,464	20,543

a) Loans and receivables not quoted on an active market
b) Financial liabilities carried at amortised cost
c) Financial assets and liabilities measured at fair value

Derivative financial liabilities with a fair value of k€ 897 (previous year: k€ 95) were reported in the balance sheet as at 31 December 2010. The Group uses the following hierarchy to determine and report the fair values of financial instruments:
Level 1 – quoted prices on active markets for assets or liabilities of the same type; level 2 – methods in which all input parameters with a material effect on the recognised fair value can be observed either directly or indirectly; level 3 – methods that use input parameters with a material effect on the recognised fair value that are not based on observable market data. The fair value was calculated on the basis of quoted market prices on active markets for identical assets or liabilities (level 2). The other financial liabilities are due within one year.

Not including currency translation, the net earnings for financial instruments in the “Loans and receivables” category amount to k€ -3,366, including interest of k€ 156 and impairments of k€ -3,522 (previous year: k€ -2,264; of which impairments k€ -2,264). The net earnings for the categories “financial assets measured at fair value”, “financial liabilities measured at amortised cost” and “financial liabilities measured at fair value” each include only the currency translation. The combined result of currency translation for all measurement categories is k€ 309 (previous year: k€ -761).

Short-term current account credit of € 16.5 million (previous year: € 21.2 million) was available as at the end of the balance sheet date. Of this amount, € 2.7 million (previous year: € 1.5 million) was used in the form of guarantees. Unutilised current account credit therefore amounted to € 13.8 million (previous year: € 19.7 million).

38 Segment reporting

The breakdown by segment corresponds to the internal reporting structure and covers the two divisions, Brand Business and Volume Business.

The Brand Business division develops, produces and distributes household goods and appliances under the Leifheit and Dr. Oetker Bakeware brands and scales and relaxation products under the Soehnle brand.

The Volume Business division comprises the activities of the Birambeau and Herby brands and Project Business.

The segments' control parameters are turnover and EBIT. These are based on IAS/IFRS measurement. Regular reporting does not cover other key figures by segment.

39 Contingent liabilities

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

40 Other financial liabilities

There are rental and leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with annual expense of about € 3.0 million (previous year: € 2.5 million). The obligations under these agreements total approximately € 5.2 million during the non-cancellable remaining terms until 2015 (previous year: € 5.1 million). As at 31 December 2010, there were purchase commitments totalling € 0.8 million (previous year: € 1.9 million). The leases constitute operating leases within the meaning of IAS 17. The minimum lease payments under uncancellable operating leases amount to € 0.1 million up to one year and € 0.2 million between one and five years.

There are contractual obligations to acquire items of tangible assets in the amount of € 1.8 million (previous year: € 1.2 million) relating to tools in particular. In addition, there are other financial liabilities of € 0.5 million (previous year: € 0.5 million).

Furthermore, there are the following liabilities due to forward foreign exchange contracts to hedge exchange rates:

	Value of liability		Foreign currency		Nominal value	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Buy USD/€	€ 41.9 million	€ 8.7 million	USD 55.0 million	USD 12.5 million	€ 41.5 million	€ 8.7 million
Sell USD/€	€ 24.7 million	–	USD 33.2 million	–	€ 25.1 million	–
Buy CZK/€	–	€ 5.2 million	–	CZK 135.0 million	–	€ 5.1 million

The maturities of the forward foreign exchange contracts in place as at 31 December 2010 were as follows:

	Buy USD/€	Sell USD/€
Less than 1 year	USD 35.0 million	€ 13.2 million
Between 1 and 2 years	USD 20.0 million	USD 20.0 million

The forward foreign exchange contracts as at 31 December 2009 all matured within one year.

Remuneration of the Board of Management and the Supervisory Board in accordance with section 314 para. 1 no. 6a HGB and IFRS 2

41

The remuneration of the Board of Management for activities at subsidiaries in the year under review amounted to k€ 100 (previous year: k€ 381).

The remuneration of the Board of Management totalled k€ 1,785 (previous year: k€ 879), of which k€ 1,210 was attributable to variable remuneration (previous year: k€ 260). Transfers to pension provisions (DBO under IFRS) for members of the Board of Management amounted to k€ 0 (previous year: k€ -11).

The Annual General Meeting on 24 May 2006 resolved not to publish individual information on the remuneration of the Board of Management demanded under section 314 para. 1 no. 6 a sentence 5 to 8 HGB.

The remuneration of the Supervisory Board amounted to k€ 243 (previous year: k€ 142).

Total remuneration and pension reserves for former members of the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6b HGB

42

In the year under review, total remuneration for former members of the Board of Management amounted to k€ 0 (previous year: k€ 17), while pension provisions for current pensions (DBO under IFRS) totalled k€ 6,212 (previous year: k€ 5,815)

43 Advances and loans to the Board of Management and/or Supervisory Board in accordance with section 314 para. 1 no. 6b HGB

There were no advances or loans to members of the Board of Management in the previous year or in the year under review.

44 Shares in joint ventures

Leifheit AG holds 51% of shares in the joint venture Leifheit CZ a.s., Prague. Owing to the consent arrangements which have been agreed individually with the minority shareholder and which are regulated in the Articles of Association, Leifheit AG cannot determine its financial and operating policies on its own. Turnover of k€ 3,102 (previous year: k€ 3,516) was generated with Leifheit CZ a.s. in the financial year 2010. Receivables from this company amounted to k€ 2,503 (previous year: k€ 2,015) as at 31 December 2010. Receivables of k€ 1,487 were impaired in the year under review (previous year: k€ 1,016). Thus, the receivables were impaired in full as at 31 December 2010. The not yet recognised attributable losses in the joint venture amounted to k€ 140 (previous year: k€ 236). As at 31 December 2010 those not yet recognised attributable losses summed up to k€ 547 (previous year: k€ 407).

Key figures of Leifheit CZ a.s.:

CZK million	31 Dec 2010	31 Dec 2009
Assets	108	113
Liabilities	133	132
Equity	-25	-19
Turnover	174	156
Result	-6	-12

Leifheit AG holds 76% of shares in the equity interest Classic Haushaltsgeräte GmbH, Steinbach-Hallenberg. Finished goods in the amount of k€ 352 were impaired in the year under review (previous year: k€ 570). As at the end of the balance sheet date, there was still a loan of k€ 550 (previous year: k€ 350). The loan was impaired in full. Interest income amounted to k€ 20 in the reporting year (previous year: k€ 10).

45 Related party transactions

There were no transactions with related parties outside the Group in the year under review.

The parent company in whose consolidated financial statements Leifheit AG is included is Home Beteiligungen GmbH, Munich.

Statement on treasury shares in accordance with section 160 para. 1 no. 2 AktG 46

The Annual General Meeting on 9 June 2010 reauthorised the Board of Management, while cancelling the existing authorisation, to acquire treasury shares of up to 10% of the current share capital of k€ 15,000 until 8 June 2015. Treasury shares purchased may be utilised for any purpose permitted by law. This allows the Company to offer treasury shares directly or indirectly as consideration in business combinations or in connection with the acquisition of enterprises, parts of enterprises or equity interests in enterprises. International competition and the globalisation of the economy have led to a situation whereby shares are frequently required as payment in such transactions. This authorisation gives the Company the necessary scope to take advantage of opportunities to acquire enterprises, parts of enterprises or equity interests in enterprises quickly and flexibly in both national and international markets.

No treasury shares were purchased or utilised in the reporting period.

30 shares were issued to employees in the form of long-service bonuses in the previous year. This corresponded to 0.0006% of the share capital. The corresponding interest in the share capital was k€ 0.1.

Including the treasury shares acquired and issued in previous years, Leifheit therefore held 250,124 treasury shares on 31 December 2010. This corresponds to 5.002% of the share capital. The corresponding interest in the share capital was k€ 750. The expenditure for acquiring these treasury shares totalled k€ 7,685.

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

Existence of an equity interest in accordance with section 160 para. 1 no. 8 AktG 47

At the end of the balance sheet date, shareholders who had disclosed their voting rights in accordance with the German Securities Trading Act (WpHG) were Home Beteiligungen GmbH, Munich, MKV Verwaltungs GmbH, Munich, Mr. Joachim Loh, Haiger, Fackelmann GmbH & Co. KG, Hersbruck, OP-Fund Management Company Ltd, Helsinki (SF) and Leifheit AG, Nassau.

The following notifications were published:

May 2010
“In accordance with section 21 para. 1 WpHG, OP-Fund Management Company Ltd, Helsinki, Finland, informed us on 3 May 2010 that its share of the voting rights in Leifheit AG, Nassau, Germany, ISIN: DE0006464506, WKN: 646450, fell below the 3% threshold on 16 April 2010 and amounted to 2.71% on this date (this corresponds to 135,382 voting rights).

In accordance with section 21 para. 1 WpHG, OP-Pohjola Group Central Cooperative, Helsinki, Finland, informed us on 3 May 2010 that its share of the voting rights in Leifheit AG, Nassau, Germany, ISIN: DE0006464506, WKN: 646450, fell below the 3% threshold on 16 April 2010 and amounted to 2.71% on this date (this corresponds to 135,382 voting rights). 2.71% of the voting rights (135,382 voting rights) are attributable to the Company via OP-Fund Management Company Ltd, Helsinki, Finland, in accordance with section 22 para. 1, sentence 1, no. 1 WpHG."

February 2009

"In accordance with section 21 para. 1 WpHG, Mr. Manuel Knapp-Voith, Germany, informed us on 4 February 2009 that his share of the voting rights in our Company exceeded the 10% threshold on 23 July 2008 and amounted to 10.03% on this date (this corresponds to 501,432 voting rights). These 10.03% of the voting rights (501,432 voting rights) are attributable to him via MKV Verwaltungs GmbH, Grünwald, in accordance with section 22 para. 1 sentence 1 no. 1 WpHG.
In accordance with section 21 para. 1 WpHG, MKV Vermögensverwaltungs GmbH, Grünwald, informed us on 4 February 2009 that its share of the voting rights in our Company exceeded the 10% threshold as at 23 July 2008 and amounted to 10.03% on this date (this corresponds to 501,432 voting rights)."

December 2008

"Leifheit AG, 56377 Nassau, Germany, ISIN DE0006464506 exceeded the 5% threshold of its own shares on 15 December 2008 and held 5.0009% of the share capital on this date (corresponding to 250,045 shares)."

April 2008

"On 28 March 2008, we received the following voting rights disclosure from Vermögensverwaltung Schuler-Voith GbR, 80333 Munich, Germany:
Voting rights disclosure in accordance with sections 21, 22 para. 1 sentence 1 no. 1 WpHG
We hereby inform you in accordance with section 21 para. 1 WpHG that our share of the voting rights in Leifheit AG, Leifheitstrasse 1, 56377 Nassau, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% on 14 February 2006 and amounted to 46.85% (2,342,750 voting rights) on this date. All of the aforementioned voting rights, which are directly held by Home Beteiligungen GmbH, 80333 Munich, are attributable to us in accordance with section 22 para. 1 sentence 1, no. 1 WpHG."

October 2007

"Mr. Joachim Loh, Haiger, informed us on 2 October 2007 in accordance with section 41 para. 2 WpHG that he held more than 5% of the voting rights in our Company on 1 April 2002. This related to 331,051 shares, corresponding to a share of the voting rights of 6.964%, which Mr. Joachim Loh held directly."

September 2005

"Fackelmann GmbH & Co. KG, Werner-von-Siemens-Strasse 6, 91217 Hersbruck, informed us that its share of the voting rights in Leifheit AG, Leifheitstrasse, 56377 Nassau, fell below the 5% threshold on 3 August 2005 and amounted to 4.79%. The number of Leifheit shares held amounted to 3.25% as at 9 August."

Declaration on the German Corporate Governance Code in accordance with section 161 AktG 48

In December 2010, the Board of Management and Supervisory Board issued the declaration required under section 161 AktG stating that Leifheit had complied and continued to comply with the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Justice Ministry and noting which recommendations had not been or were not currently being applied. The declaration of compliance is permanently available on the Company's website at www.leifheit.de/de/investor-relations/corporate-governance.html.

Events after the end of the balance sheet date 49

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

Information on takeovers in accordance with section 315 para. 4 HGB 50

Please refer to the management report for information on takeovers in accordance with section 315 para. 4 HGB.

Remuneration of the auditor in accordance with section 314 para. 1 no. 9 HGB 51

The amount shown in 2010 for the fees of the Group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, came up to k€ 230 (previous year: k€ 284) for audits of the financial statements, k€ 5 (previous year: k€ 13) for other assurance services, k€ 200 (previous year: k€ 213) for tax advisory services and k€ 104 (previous year: k€ 27) for other services.

Organs of Leifheit AG

Members of the Board of Management	
Chairman	**Georg Thaller**
	Ernst Kraft (until 1 June 2010)
	Dr. Claus-O. Zacharias

Members of the Supervisory Board		
Chairman	**Helmut Zahn**	Managing Director of Home Beteiligungen GmbH
Deputy Chairman	**Dr. jur. Robert Schuler-Voith**	Chairman of the Supervisory Board of Schuler AG
	Dieter Metz*	Chairman of the Works Council
	Karsten Schmidt	Chairman of the Board of Management of Ravensburger AG
	Thomas Standke*	Toolmaker
	Dr. rer. pol. Friedrich M. Thomée	Managing Partner of Thomée Vermögensverwaltung GmbH & Co. KG

* Employee representatives

Supervisory Board committees		
Audit Committee	**Dr. jur. Robert Schuler-Voith**	Chairman
	Dr. rer. pol. Friedrich M. Thomée	
	Helmut Zahn	
Personnel Committee	**Helmut Zahn**	Chairman
	Karsten Schmidt	
	Dr. jur. Robert Schuler-Voith	

In addition to individual supervisory functions at affiliated companies, the members of the Board of Management and Supervisory Board listed below hold the following positions in the supervisory boards and similar executive bodies of other companies:

Karsten Schmidt	Ravensburger Spieleland AG, Ravensburg	Member of the Supervisory Board
Dr. jur. Robert Schuler-Voith	Schuler AG, Göppingen	Chairman of the Supervisory Board
Helmut Zahn	Schuler AG, Göppingen	Member of the Supervisory Board
	Flossbach von Storch AG, Cologne	Deputy Chairman of the Supervisory Board
	Müller Weingarten AG, Weingarten	Chairman of the Supervisory Board until 19 October 2010 Deputy Chairman of the Supervisory Board since 19 October 2010
	Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler	Member of the Advisory Board since 29 March 2010

Nassau/Lahn, 17 March 2011

Leifheit Aktiengesellschaft
The Board of Management

Georg Thaller

Dr. Claus-O. Zacharias

Report of the Board of Management on the consolidated financial statements and the consolidated management report

The Board of Management of Leifheit AG is responsible for ensuring that the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations and that the consolidated management report gives a true and fair view of the business and the situation of the Group. In preparing the consolidated financial statements, the International Financial Reporting Standards (IFRS) were applied in accordance with Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002 and appropriate estimates were made where necessary. The consolidated management report includes an analysis of the Group's net assets, financial position and results of operations and other information required by the provisions of the HGB.

There is an effective internal management and control system to ensure the reliability of the data for the preparation of the consolidated financial statements (including the consolidated management report) and for internal reporting. This includes uniform accounting guidelines for the Group and risk management in accordance with the German Control and Transparency in Companies Act (KonTraG). This enables the Board of Management to identify material risks and initiate countermeasures in good time.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was appointed as the auditor for financial year 2010 by the Supervisory Board in accordance with the resolution of the Annual General Meeting of Leifheit AG. It has audited the consolidated financial statements and issued the audit opinion below.

The consolidated financial statements, the consolidated management report, the audit report, the report of the Board of Management on the mandatory information under section 315 Para. 4 HGB and risk management were discussed in detail with the auditor by the Audit Committee of the Supervisory Board and by the full Supervisory Board at its financial statements meeting.

The Board of Management declares that, to the best of its 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 consolidated management report presents a true and fair view of the business and situation of the Group, together with the principal risks and opportunities associated with the expected development of the Group.

Nassau/Lahn, 17 March 2011

Leifheit Aktiengesellschaft
The Board of Management

Georg Thaller

Dr. Claus-O. Zacharias

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by Leifheit AG, Nassau, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1st January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (“Handelsgesetzbuch” - “German Commercial Code”) are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Eschborn/Frankfurt am Main, 17 March 2011
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(Signed) Knappe
Wirtschaftsprüfer
(German Public Auditor)

(Signed) Vöhl
Wirtschaftsprüfer
(German Public Auditor)

Individual financial statement of Leifheit AG

The individual financial statement of Leifheit AG, audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, which did not lead to any reservations in it's audit opinion, was prepared in accordance with the provisions of the HGB and the AktG.

They are published on the Company's website (www.leifheit.com) and in the electronic Bundesanzeiger (Federal Gazette). They can also be obtained from Leifheit AG, Investor Relations, P. O. Box 11 65, 56371 Nassau/Lahn, Germany (ir@leifheit.com).

Disclaimer

Forward-looking statements

This financial report contains forward-looking statements which are based on the management's current estimates with regard to future developments. Such statements are subject to risks and uncertainties which are beyond Leifheit's ability to control or estimate precisely, such as statements on the future market environment and economic conditions, the behaviour of other market participants and government measures. If one of these uncertain or unforeseeable factors occurs or the assumptions on which these statements are based prove inaccurate, actual results could differ materially from the results cited explicitly or contained implicitly in these statements. Leifheit neither intends to, nor does it accept any specific obligation to, update forward-looking statements to reflect events or developments after the date of this report.

Discrepancies due to technical factors

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

Contacts and key dates

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Key dates

- 12 May 2011
  Quarterly financial report for the period ending 31 March 2011

- 26 May 2011
  Annual General Meeting
  10:30 a.m., Leifheit AG Customer and Administrative Centre, Nassau/Lahn, Germany

- 11 August 2011
  Financial report for the half-year ending 30 June 2011

- 14 November 2011
  Quarterly financial report for the period ending 30 September 2011

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